DRAFT ANNUAL REPORT
2020


OVER 60 YEARS OF
INTERNATIONALIZATION
INNOVATION AND
ABILITY TO SEIZE
OPPORTUNITIES

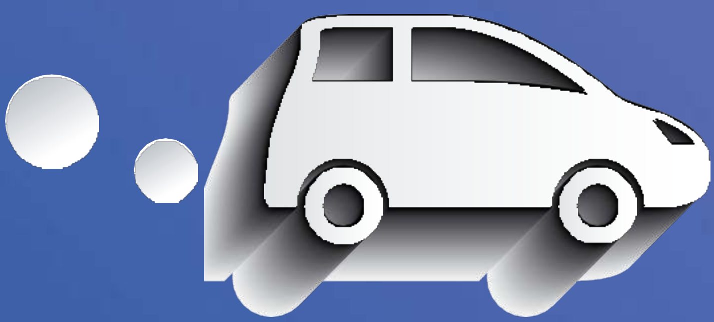
MISSION

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

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

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

This is a translation. The Italian Version prevails.



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LETTER TO THE SHAREHOLDERS

Dear Shareholders,

The crisis taking place throughout 2020 had heavy repercussions for businesses, and the relative impacts on the healthcare, social and economic system were as unexpected as they were disruptive.

Although the Group suffered from a slowdown compared with the positive trend seen in recent years, it can be proud to have come out of it with head held high, as it was capable of limiting the effects of the "pandemic tsunami" to just the second quarter of the year.

The capacity to react demonstrated by the company made it possible to face the lockdown by securing its employees, its accounts and, as a result, business continuity.

The Group was also able to adequately use the extraordinary tools made available to businesses by the government both to limit operating costs, particularly personnel costs, and to obtain the necessary liquidity to deal with the crisis, avoiding the interconnected effects that could have involved, initially, our suppliers.

The safety measures taken made it possible to react rapidly, recovering already in the third quarter the positions lost and stabilising our market position, while also taking advantage of the opportunity to carry out several significant corporate reorganisation initiatives.

The numbers reflect the scenario illustrated above, and indeed the Group's total turnover amounted to Euro 142.5 million, marking a decline of 25.7% compared with the previous year. EBITDA stood at Euro 6.7 million, decreasing by Euro 18 million compared with 2019. The loss was limited to Euro 7.9 million.

Further commenting on the "ill-fated" year that we have thankfully now put behind us would seem like we are feeling sorry for ourselves, while our human, business, technical and professional resources should all be focusing on the resumption of our business.

Therefore, the scenario that the Landi Renzo Group has before it not only does not reduce but rather expands the possibilities and challenges that the Group must and may face.

The large-scale resumption of a "green" culture and within it its mobility component, promoted by the trend reversal concerning the environment by the new US administration and by the European Union, which has made this one of the key factors of its package of support measures and, lastly, its full incorporation within the recently developed programme submitted by the Italian government, open the Group up to extremely encouraging outlooks for development.

These outlooks not only go in the direction of continuity for the products and markets in which the Group is traditionally present, but they also provide us with the opportunity to diversify our offer based on our advanced know-how and the commercial relationships developed over the years, which we will be well-positioned to adequately capitalise upon.

The road undertaken in the development of components and solutions to support sustainable mobility based first and foremost on hydrogen and also on electricity, are fully consistent not only with the mission of our Group, but also with the entire system of the "Landi Renzo platform" in terms of human resources, technology, systems, international presence, customers and suppliers.

Therefore, we have two clearly defined roads before us to play a significant role in supporting the global transformation of sustainable mobility and respect for the environment: on one hand, the consolidation of our position in the gas sector, where there is still significant room for market penetration and where our brands and our commercial relationships still have strong opportunities for growth, especially when certain countries - where we have a traditional presence - have overcome the current pandemic crisis. On the other hand, facing the exciting challenge posed by hydrogen, the success of which will hinge on the role of internal forces consisting first and foremost of Research and Development, working closely with our sales force, and the capacity to identify the best partnerships and/or supplies to support and accelerate this process.

The current structure of our management team and the cohesion of our staff around business objectives makes us confident that these targets can be achieved.

I take advantage of this opportunity to sincerely thank you, our shareholders, who have supported us throughout this difficult year, our employees who with passion have believed in our company, our customers who have continued to place their trust in us and our suppliers, who have maintained the ability to continue to work with and support the Group.

Chairman of the Board of Directors
Stefano Landi

Landi Renzo Group Financial highlights

(Thousands of Euro)

ECONOMIC INDICATORS	2020	2019	2018
Revenue	142,455	191,852	188,079
Adjusted gross operating profit (EBITDA) (1)	8,017	26,253	25,237
Gross operating profit (EBITDA)	6,652	24,708	21,512
Net operating profit (EBIT)	-5,541	12,942	11,269
Earnings before taxes (EBT)	-11,391	8,514	4,185
Net profit (loss) for the Group and minority interests	-7,850	5,982	4,533
Adjusted Gross Operating Profit (EBITDA) / Revenue	5.6%	13.7%	13.4%
Gross Operating Profit (EBITDA) / Revenue	4.7%	12.9%	11.4%
Net profit (loss) for the Group and minority interests / Revenue	-5.5%	3.1%	2.4%

(Thousands of Euro)

STATEMENT OF FINANCIAL POSITION	2020	2019	2018
Net fixed assets and other non-current assets	107,128	104,826	100,983
Operating capital (2)	26,853	28,920	18,893
Non-current liabilities (3)	-4,750	-5,646	-7,428
NET INVESTED CAPITAL	129,231	128,100	112,448
Net financial position (4)	72,917	61,767	52,872
Net Financial Position - adjusted (5)	67,360	55,210	52,872
Shareholders' equity	56,314	66,333	59,576
BORROWINGS	129,231	128,100	112,448

(Thousands of Euro)

KEY INDICATORS	2020	2019	2018
Operating capital / Turnover	18.9%	15.1%	10.0%
Net Financial Position / Shareholders' equity	129.5%	93.1%	88.7%
Net Financial Position - adjusted / Adjusted EBITDA	8.40	2.10	2.10
Personnel (peak)	547	571	494

(Thousands of Euro)

CASH FLOWS	2020	2019	2018
Gross operational cash flow	6,800	8,533	9,946
Net cash flow for investment activities	-11,611	-8,664	-8,269
Gross FREE CASH FLOW	-4,811	-131	1,677
Non-recurring expenditure for voluntary resignation incentives	-495	-132	-4,377
Net FREE CASH FLOW	-5,306	-263	-2,700
Repayment of leases (IFRS 16)	-2,399	-2,260	0
Overall cash flow	-7,705	-2,523	-2,700

(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.

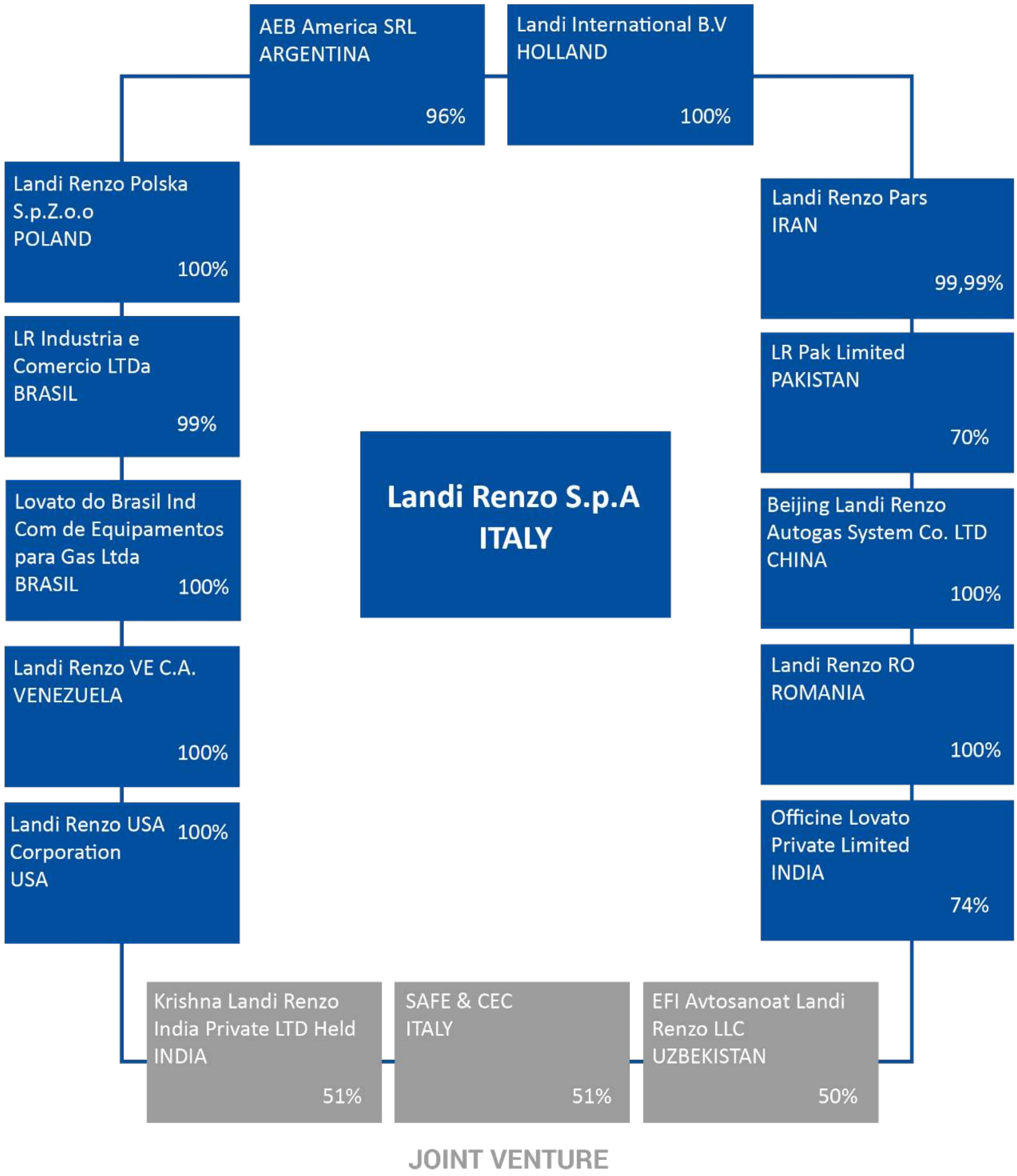
(2) This is calculated as the difference between Trade Receivables, Inventories, Other Current Assets and Trade Payables, Tax liabilities, Other Current Liabilities.

(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.

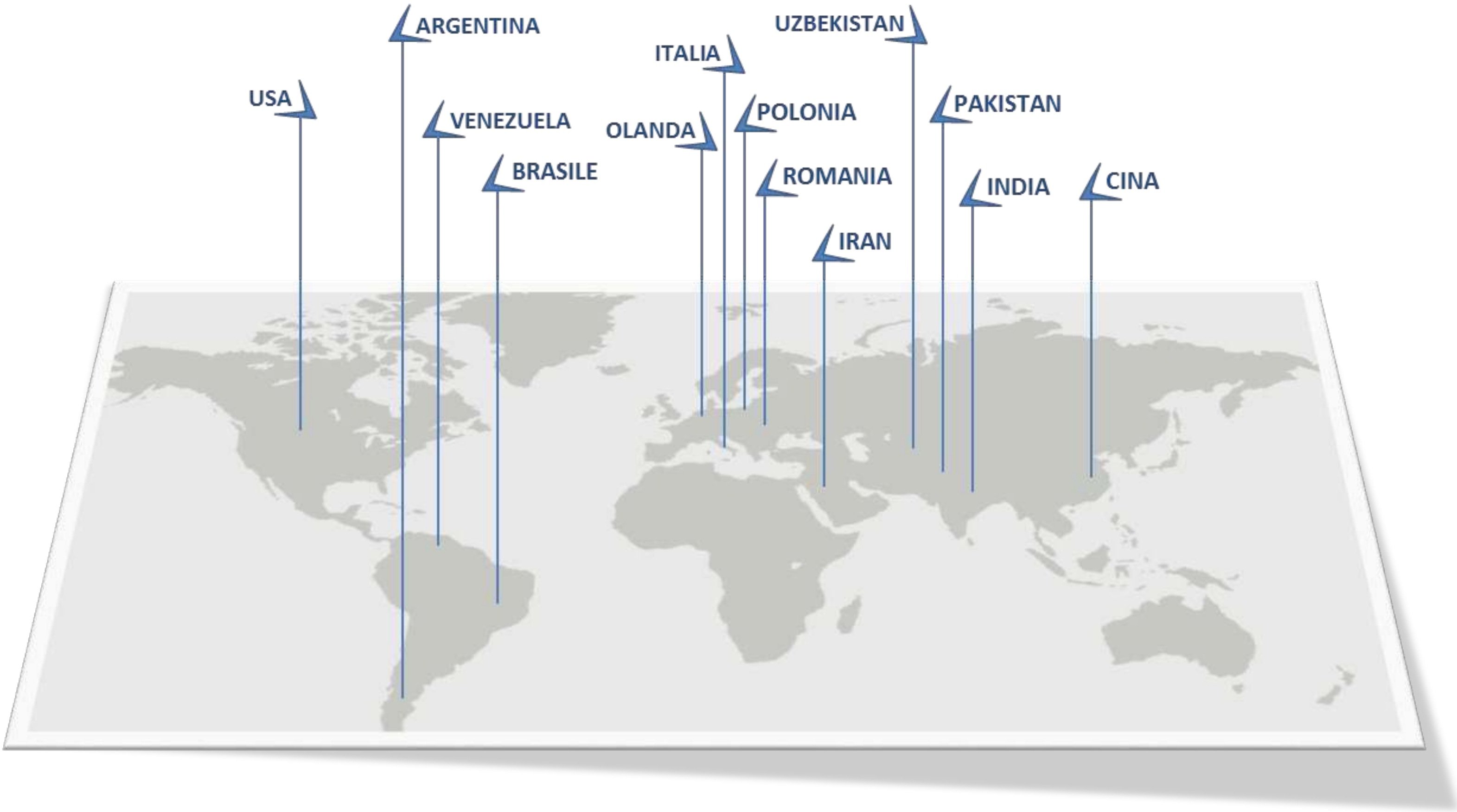
(5) Not including the effects of the adoption of IFRS 16 - Leases and the fair value of financial derivative contracts.

GROUP STRUCTURE



The Landi Renzo Group worldwide

The Landi Renzo Group has established its international vocation with both a direct presence, featuring 16 companies in 13 countries and 547 employees, as well as an indirect one, on all five continents. The centrality of environmental issues demonstrates a growing association with the Group's ability to gain a leading position worldwide, thanks to the continuous technological and qualitative development of its products, decision to adopt a flexible approach to customers and through extensive marketing of the company's technologies.



Company bodies

On 29 April 2019, the Shareholders' Meeting of the parent company Landi Renzo S.p.A. elected the Board of Directors and the Board of Statutory Auditors for the period 2019-2021. They will therefore remain in office until the Shareholders' Meeting called to approve the Financial Statements for the year ending 31 December 2021. The Meeting changed the number of board members to nine. Also on the same date, the Board of Directors appointed Cristiano Musi as Chief Executive Officer and General Manager and confirmed Stefano Landi as Executive 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. as a result of new work requirements incompatible with the commitment required to perform his duties. Director Anton Karl was a non-executive, 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 Dario Patrizio Melpignano as non-executive, independent Director. The appointment was approved by the administrative body considering the fact that outgoing Director Anton Karl had been elected from the minority shareholder list submitted by Aerius Holding AG which had just one additional candidate, who indicated that he was not interested in the position.

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

Board of Directors

Name and surname	Position	Place and date of birth	Qualifications
Giovannina Domenichini	Honorary Chairperson	Casina (Reggio Emilia), 6 August 1934	Non-executive
Stefano Landi	Executive Chairman	Reggio Emilia, 30 June 1958	Executive
Cristiano Musi	Chief Executive Officer	Parma, 27 April 1974	Executive
Silvia Landi	Director	Reggio Emilia, 8 June 1960	Non-executive
Angelo Iori	Director	Reggio Emilia, 11 December 1954	Non-executive
Anton Karl**	Independent Director	Mistelbach (Austria), 16 March 1976	Non-executive and Independent*
Dario Patrizio Melpignano***	Independent Director	Milan, 15 January 1968	Non-executive and Independent*
Sara Fornasiero****	Independent Director	Merate (Lecco), 9 September 1968	Non-executive and Independent*
Vincenzo Russi	Independent Director	Lanciano (Chieti), 1 January 1959	Non-executive and Independent*
Paolo Emanuele Maria Ferrero	Director	Turin, 13 February 1955	Non-executive

** Independent pursuant to Article 148 of the Consolidated Law and Article 3 of the Corporate Governance Code*
*** Resigned in October 2020*
****In office since 13 November 2020*
***** The Director also holds the office of Lead Independent Director*

Board of Statutory Auditors

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

Control and risks committee

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

Remuneration committee

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

Committee for transactions with related parties

Name and surname	Position
Sara Fornasiero	Chairperson
Vincenzo Russi	Committee Member

Supervisory Board (Italian Legislative Decree 231/01)

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

Independent Auditing Firm
PricewaterhouseCoopers S.p.A.

Financial Reporting Manager
Paolo Cilloni

Registered office and company details

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

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

Corporate structure at 31 December 2020

Description	Registered Office		Share capital	Direct investment	Indirect investment	Notes
Landi Renzo S.p.A.	Cavriago (RE) - Italy	EUR	11,250,000	Parent Company		
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%	(*)
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	210,849,300,000	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 do Brasil Ind Com de Equipamentos para Gas Ltda	Curitiba (Brazil)	BRL	100,000	100.00%		(^)
Officine Lovato Private Limited	Mumbai (India)	INR	19,091,430	74.00%		
Landi Renzo Ve C.A.	Caracas (Venezuela)	VEF	2,035,220	100.00%		(^)
SAFE&CEC S.r.l.	S. Giovanni in Persiceto (Bologna, Italy)	EUR	2,500,000	51.00%		(&)
Krishna Landi Renzo India Private Ltd	Gurugram - Haryana (India)	INR	118,000,000	51.00%		(&)
EFI Avtosanoat-Landi Renzo LLC	Navoiy Region (Uzbekistan)	USD	800,000	50.00%		(&) (^)

Detailed notes on investments:

(*) held by Landi International B.V.

(^) not operational and not consolidated because not significant

(&) Company Joint Venture

SIGNIFICANT EVENTS DURING THE YEAR

- 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 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.

- In March 2020, 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 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- of Italian Legislative Decree 58/98 and 84- of the regulation approved with Consob resolution no. 11971 of 19 May 1999, the first section pursuant to Article 123-, paragraph 3-, of Italian Legislative Decree 58/98 and to vote in favour with reference to the second section pursuant to Article 123-, paragraph 6, of Italian Legislative Decree 58/98;
  - 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- 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. Subsequently, on 11 September 2020, the formal merger process was completed and Lovato Gas S.p.A. was incorporated into Landi Renzo S.p.A., a transaction recognised with accounting and tax effects as of 1 January 2020. 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 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. The Group has worked 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.

- 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 consent for 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.

- In December, the Landi Renzo Group entered into an agreement with the National Organization for Military Production (NOMP), controlled by the Ministry of Military Production, for the creation of a jointly owned (50% held by each party) NewCo for the production and sale in Egypt of components and systems for the CNG conversion of the Egyptian fleet on the road, with a view to performing at least 100,000 conversions per year, as well as developing new delayed OEM (KM0) programmes and launching dedicated initiatives for the Heavy Duty segment, including monofuel engine research. This new agreement, which arrives in the wake of previous agreements entered into by the Group with EGAS (Egyptian Natural Gas Holding Company), Gastec (Egyptian International Gas Technology) and Car Gas (Egyptian Natural Gas Vehicles Company), will further reinforce Landi Renzo's already important presence in the market in Egypt, where the government has been aiming for more sustainable mobility for some time now, and will make Landi Renzo the undisputed leader in CNG conversions in the country. Indeed, the Egyptian government has launched an ambitious natural gas mobility transformation plan, with significant investments in the country's infrastructural network as well, with a view to transforming the majority of the fleet on the road to CNG, including Passenger Cars as well as local public transport and heavy duty transport. At the same time, Safe&Cec, a 51% Landi Renzo S.p.A. investee and leader in the design and manufacture of equipment for the distribution of CNG and RNG, won an important contract for the supply and assembly of more than 150 compressors in Egypt for the companies Gastech (Egyptian International Gas Technology) and NGVC (Natural Gas Vehicles Company).

SHAREHOLDERS AND FINANCIAL MARKETS

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

The following is a graphical representation of the performance of Landi Renzo stock over the period 2 January - 30 December 2020, compared with the performance of the FTSE Italy All-Share index.

Note: The graph shows the Share performance from 2 January to 30 December 2020.

In the period 2 January – 30 December 2020 (the last trading day of 2020), the official Landi Renzo share price dropped by 11% from Euro 0.9190 to Euro 0.8180. Over the same period, the index relating to the reference segment, FTSE Italy All-Share, recorded a -5.6% change, while the Euro Stoxx 600 Auto index recorded a 4.3% change.

The following table summarises the main share and stock market data for 2020.

Share Price and Stock Market Information (source Borsa Italiana S.p.A.)	Year 2020	Year 2019
Share capital (Euro)	11,250,000	11,250,000
Number of shares representing the share capital	112,500,000	112,500,000
Shareholders' equity attributable to Group shareholders and to minority interests (Euro)	56,314,000	66,333,000
Net profit (loss) for the Group and minority interests (Euro)	-7,850,000	5,982,000
Earnings per share (Euro)	-0.0681	0.0538
Closing price	0.8180	0.9030
Maximum price	0.9300	1.3800
Minimum price	0.3680	0.8860

Closing stock market capitalization	92,025,000	101,587,500

Landi Renzo S.p.A.'s market capitalisation at 15 March 2021 was Euro 1.1350, up by 39% compared with 31 December 2020.

All shares issued were fully paid up.

At 15 March 2021, the holders of ordinary shares that represent more than 2%, as provided for by the Consob regulations, were the following:

Shareholder	15 March 2021
Girefin S.p.A.	54.662%
Gireimm S.r.l.	4.444%
Aerius Investment Holding AG	8.262%
Others - Market	32.632%

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.

Directors' Report

DIRECTORS' REPORT

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

Operating performance

After a first half of the year characterised by a significant decline in global vehicle production (-33.2%) due to the effects of the global spread of the Covid-19 pandemic, the drop in contagion at international level, the recovery of the level of confidence of the markets and the propensity towards making purchases on the part of consumers, as well as initiatives to support the automotive industry enacted by the governments of the main manufacturing countries, made it possible to close the third quarter with an encouraging and decisive recovery of production, with volumes in line with the same quarter of the previous year, a result which, despite the uncertainties linked to a possible "second wave" of the pandemic, led to the hope of a possible progressive economic recovery.

The realisation in the fourth quarter of these fears and the resulting return to a climate of uncertainty and concern regarding the international economic and financial system resulted in a slowdown in consumption. The delayed start in many countries of vaccine campaigns, delays in the delivery of vaccines by pharmaceutical manufacturing companies and the spread of new virus variants made it necessary for the governments of the various countries to once again apply restrictive lockdown measures to limit the spread of the virus. Given the effect on the markets of the total lockdowns imposed in the course of the first wave of the pandemic, the goal of governments in this second wave of the pandemic was to enact partial lockdowns and/or lockdowns of varying intensity depending on contagion and death trends, in order to minimise as much as possible the effects on both the economy and national health systems. Nonetheless, the effects on consumption of this second wave of the pandemic were in any event significant, especially for the durable goods market.

UNRAE (Association of foreign car makers operating in Italy) data relating to registrations in the fourth quarter of 2020 point to a decline compared with the same period of the previous year of 7.4% in the Italian market (-27.9% on an annual basis) and 8.0% in the European market (-24.3% on an annual basis), a downturn which also continued in January 2021, which shows a decrease of 14% for the Italian market and 25.7% for the European market.

According to the European Automobile Manufacturers' Association (ACEA), forecasts for the year 2021 show a possible recovery in registrations, estimated at roughly 10% compared with the previous year, a recovery which should be seen especially starting from the second half of 2021 but which will be considerably influenced by a range of factors, including:

- how the individual countries will manage the effects of the Covid-19 pandemic in the coming months, and the relative economic impacts of the lockdowns imposed by the various governments;
- the actual effectiveness of anti-Covid vaccines and the timing of vaccine campaigns;

- the eco-incentives that will be defined by the various governments of the manufacturing countries to support the market and the automotive industry.

In any event, it should be noted that the pandemic has brought to light the importance of sustainability, intrinsically emphasising the value of the energy transition, which may provide a formidable impetus for the sector, especially as regards new technologies for hydrogen mobility which many countries are focusing on and in which the Group has been successfully investing.

In this context, the international foreign exchange markets, characterised by the first half of 2020 by strong depreciation in the currencies of the more economically fragile countries, continue to show considerable 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, 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.

Since production activities resumed, employees were provided with personal protection equipment, travel was suspended both in Italy and abroad, and periodic sanitisation is carried out at the offices as well as the production plants. Internal and conduct procedures aimed at guaranteeing social distancing are also constantly updated based on pandemic trends. Furthermore, dedicated insurance policies were taken out to further 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), important investments were made to provide the Group with the necessary hardware and software IT instruments in order to guarantee the continuation of the majority of work activities. In particular, thanks to the simulation software based on forecasting models developed internally, our research and development team, as already took place during the lockdown period, was able to continue its new product development activities irrespective of the restrictions imposed by the government to limit the pandemic.

Research and Development activities indeed continued throughout 2020 and saw the continuation of projects started in the previous year as well as the launch of new initiatives, in particular:

- development of systems and components for OEM supplies to leading automotive manufacturers in sustainable gas mobility. In particular, developments were finalised of electronic and mechanical components in order to begin manufacturing the first vehicles approved according to the Euro6d-Full emissions standard. The project was carried out with a view to overall product optimisation, in terms of both performance and simplicity;
- redefinition and validation of a pressure regulator (NG2 HD) for Heavy Duty vehicles, expected

to begin production in the second half of 2021;

- development of an LNG regulator and the relative winter testing campaign at a leading Asian customer in order to check the performance in the field of the product's innovative features;
- re-design and validation in the laboratory of the new family of high-pressure and high capacity injectors for applications in Heavy Duty vehicles;
- development and testing in the field of the integrated manifold for fuel-cell applications for Hydrogenics, one of the global leaders in the hydrogen mobility sector;
- development for the world of hydrogen mobility of a high-pressure regulator and a smart dosing system, in order to introduce a new way of managing the injection of hydrogen into the fuel cell;
- development and entry into production of a CNG pressure regulator for applications on vehicles with innovative design and industrialisation concepts;
- development of a new conversion unit for vehicles with indirect injection systems and initiation of a project for the development of the new direct injection management system.

Given the effects of the pandemic on the Group's economic and financial results, the management immediately deployed initiatives to minimise as much as possible the effects of the pandemic on the Group's profit capacity and liquidity, 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 security 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;
- particularly close attention was paid to managing and monitoring the financial position, short/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.

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 2020 show revenues from sales of Euro 142,455 thousand, with a decline of 25.7% compared with the previous year.

(Thousands of Euro)

	Q4 2020	Q3 2020	Q2 2020	Q1 2020	31/12/2020	Q4 2019	Q3 2019	Q2 2019	Q1 2019	31/12/2019
Revenue	43,447	39,151	22,687	37,170	**142,455**	53,942	35,875	58,237	43,798	**191,852**
Adjusted gross operating profit (EBITDA)	3,635	2,530	-1,032	2,884	**8,017**	8,185	4,456	8,173	5,439	**26,253**
% of revenues	8.4%	6.5%	*-4.5%*	*7.8%*	***5.6%***	15.2%	*12.4%*	*14.0%*	*12.4%*	***13.7%***
Gross operating profit (EBITDA)	3,164	2,450	-1,402	2,440	**6,652**	7,445	3,991	7,833	5,439	**24,708**
% of revenues	7.3%	6.3%	*-6.2%*	*6.6%*	***4.7%***	13.8%	*11.1%*	*13.5%*	*12.4%*	***12.9%***
Net operating profit (EBIT)	63	-534	-4,467	-603	**-5,541**	4,730	1,205	4,732	2,275	**12,942**
% of revenues	*0.1%*	*-1.4%*	*-19.7%*	*-1.6%*	***-3.9%***	*8.8%*	*3.4%*	*8.1%*	*5.2%*	***6.7%***
Change in Revenues compared with the previous year	-10,495	3,276	-35,550	-6,628	**-49,397**					
Change %	*-19.5%*	*9.1%*	*-61.0%*	*-15.1%*	***-25.7%***					

After a first half of the year strongly influenced by the Covid-19 pandemic, with revenue down 41.3% compared with the same period of the previous year, and an encouraging third quarter which recorded an important recovery in sales (+9.1% compared with the same period of the previous year), the fourth quarter closed with revenue at Euro 43,447 thousand (-19.5% compared with the same period of the previous year) following the initiation of the feared "second wave" of the pandemic in the final months of 2020. Nonetheless, fourth quarter adjusted EBITDA was positive (Euro 3,635 thousand), with the EBITDA margin up thanks to the recovery of After Market channel sales.

Overall, the year 2020 posted a downturn in sales of 25.7% which, combined with the increasing incidence of sales in the OEM channel and pricing tensions in the After Market channel, only partially offset by a reduction in overhead and fixed costs, had negative effects on adjusted EBITDA (Euro 8,017 thousand), down by Euro 18,236 thousand compared with 31 December 2019.

Sales in the OEM channel, equal to Euro 64,963 thousand, represent 45.6% of the total (38.5% as at 31 December 2019) and were up in the second half of the year due to orders from several top European automotive manufacturers which are focusing on LPG bifuel engines to develop their "green" product ranges.

Sales in the After Market channel, amounting to Euro 77,492 thousand (Euro 118,041 thousand at 31 December 2019), primarily relate to orders from distributors and authorised installers, both domestic and foreign. Although this channel continues to feel the negative effects of the pandemic, which caused a considerable drop in the number of conversions, the second part of 2020 saw a partial but progressive recovery in some of the Group's main markets.Specifically, the Indian and North African markets, amongst those most struck by the effects of the pandemic, improved significantly, with notable increases in sales and rising orders.

Consolidated results

The following table sets out the main economic indicators of the Group for the year 2020 compared with 2019.

(Thousands of Euro)	2020	%	2019	%
Revenues from sales and services	**142,455**	**100.0%**	**191,852**	**100.0%**
Other revenues and income	313	0.2%	601	0.3%
Operating costs	-134,751	-94.6%	-166,200	-86.6%
Adjusted gross operating profit	**8,017**	**5.6%**	**26,253**	**13.7%**
Non-recurring costs	-1,365	-1.0%	-1,545	-0.8%
Gross operating profit	**6,652**	**4.7%**	**24,708**	**12.9%**
Amortisation, depreciation and impairment	-12,193	-8.6%	-11,766	-6.1%
Net operating profit	**-5,541**	**-3.9%**	**12,942**	**6.7%**
Financial income	298	0.2%	117	0.1%
Financial expenses	-3,310	-2.3%	-4,112	-2.1%
Exchange gains (losses)	-2,827	-2.0%	-718	-0.4%
Profit (loss) attributable to joint ventures measured using the equity method	-11	0.0%	285	0.1%
Profit (loss) before tax	**-11,391**	**-8.0%**	**8,514**	**4.4%**
Taxes	3,541	2.5%	-2,532	-1.3%
Net profit (loss) for the Group and minority interests, including:	**-7,850**	**-5.5%**	**5,982**	**3.1%**
Minority interests	-188	-0.1%	-66	0.0%
Net profit (loss) for the Group	**-7,662**	**-5.4%**	**6,048**	**3.2%**

The Group operates directly only in the Automotive segment and indirectly in the Infrastructure ("Gas Distribution and Compressed Natural Gas and Renewable 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 equity method. This report provides information about the trend in this segment during 2020, to provide a better understanding of the impact of this business unit on the Group's financial statements.

Breakdown of sales by geographical area

The following are the notes on sales by geographical area:

(Thousands of Euro) Geographical distribution of revenues	At 31/12/2020	% of revenues	At 31/12/2019	% of revenues	Change	%
Italy	23,785	16.7%	35,213	18.4%	-11,428	-32.5%
Europe (excluding Italy)	73,292	51.4%	82,528	43.0%	-9,236	-11.2%
America	16,799	11.8%	36,272	18.9%	-19,473	-53.7%
Asia and Rest of the World	28,579	20.1%	37,839	19.7%	-9,260	-24.5%
Total revenues	**142,455**	**100.0%**	**191,852**	**100.0%**	**-49,397**	**-25.7%**

Regarding the geographical distribution of revenues, the Group realised 83.3% of its consolidated revenues abroad in 2020 (81.6% at 31 December 2019) (51.4% in Europe and 31.9% outside Europe), and in detail:

Italy

According to UNRAE (Association of foreign car makers operating in Italy) data, vehicle registrations in Italy in 2020 were down by 27.9% compared with the previous year, justified essentially by the spread of Covid-19, the lockdown periods imposed by the government and the subsequent climate of economic uncertainty which influenced consumer propensity towards purchasing durable goods. In this context, Group sales in Italy in 2020 (Euro 23,785 thousand) were down by Euro 11,428 thousand compared with the previous year. After a third quarter showing a significant recovery, with revenue amounting to Euro 6,146 thousand, basically aligned with the result from the same period of the previous year (-3.6%), a further improvement was confirmed in the fourth quarter, with revenue of Euro 7,787 thousand (+26.7% compared with the third quarter), although it remained far from the results of the same period of the previous year (Euro 9,099 thousand). The recovery of volumes in the course of the second half of the year in any event allowed for a significant reduction in the loss of turnover in that market on an annual basis (-32.5% compared with -50.1% at 30 June 2020).

Europe

The change in revenue in the European market, amounting to Euro 9,236 thousand, 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 first wave of the Covid-19 pandemic. After a third quarter of 2020 considerably bucking the trend and with revenue of Euro 21,024 thousand, up by 66.4% compared with the same quarter of the previous year (Euro 12,635 thousand), primarily thanks to increasing orders from a primary OEM customer which is focusing on LPG bifuel engines for the development of its "green" product range, and incentives to support the market and the automotive industry launched by the main European manufacturing countries, the fourth quarter closed with a result aligned with the same period of the previous year (+1%), despite the negative effects triggered by the emergence of the second wave of the pandemic. The recovery of volumes in the course of the second half of the year allowed for a significant reduction in the loss of turnover in that market on an annual basis (-11.2% compared with -35.9% at 30 June 2020).

America

Sales in 2020 on the American continent, amounting to Euro 16,799 thousand (Euro 36,272 thousand at 31 December 2019), marked a decrease of 53.7%. In particular, the Latam area continues to be impacted quite significantly by the effects of the pandemic, with negative impacts on the relative currencies as well. In particular, the Brazilian and Argentinian currencies declined by 41% and 53%, respectively, compared with 31 December 2019.

Asia and Rest of the World

This area reported a decrease of 24.5% (equal to Euro 9,260 thousand) compared with 2019. The Indian and North African markets, amongst those most struck by the effects of the pandemic, improved significantly in the second half of the year with notable increases in sales and rising orders.

Profitability

In 2020, the adjusted Gross Operating Profit (EBITDA), net of non-recurring costs of Euro 1,365 thousand, was positive at Euro 8,017 thousand, equivalent to 5.6% of revenues, down compared with the same period of the previous year (Euro 26,253 thousand and equal to 13.7% as at 31 December 2019).

(Thousands of Euro)

NON-RECURRING COSTS	31/12/2020	31/12/2019	Change
Strategic consultancy	511	1,426	-915
COVID-19 costs	182	0	182
Personnel for voluntary resignation incentives	495	0	495
Medium/long-term performance bonus	177	119	58
Total	**1,365**	**1,545**	**-180**

Costs of raw materials, consumables and goods and changes in inventories decreased overall to Euro 84,212 thousand at 31 December 2020 compared with Euro 100,510 thousand at 31 December 2019, a downturn connected to the reduction in volumes.

The costs of services and use of third-party assets amounted to Euro 27,844 thousand, compared with Euro 38,049 thousand in 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 693 thousand relating to non-recurring expenses, of which Euro 511 thousand for strategic consulting and Euro 182 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 22,398 thousand (compared with Euro 26,898 thousand as at 31 December 2019), were limited thanks to recourse to social security nets and the greater use of holiday leaves 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 business caused by the pandemic also entailed a reduction in recourse to temporary work. The Group had a total of 547 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 hydrogen mobility.

The Net Operating Profit (EBIT) for the period was negative at Euro 5,541 thousand (positive and equal to Euro 12,942 thousand at 31 December 2019), after accounting for amortisation, depreciation and impairment of Euro 12,193 thousand (Euro 11,766 thousand at 31 December 2019), of which Euro 2,254 thousand due to the application of IFRS - 16 Leases (Euro 2,133 thousand at 31 December 2019).

Total financial expenses (interest income, interest charges and exchange rate differences) amounted to Euro 5,839 thousand (Euro 4,713 thousand as at 31 December 2019) and include negative exchange effects of Euro 2,827 thousand (negative and equal to Euro 718 thousand as at 31 December 2019), primarily from valuation. Financial expenses alone amounted to Euro 3,012 thousand, marking an improvement compared with the same period of the previous year (Euro 3,995 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 2020, the effect of the valuation of equity investments using the equity method was a negative Euro 11 thousand (positive at Euro 285 thousand as at 31 December 2019). This includes the Group's share of the profits for the period from the Group's Joint Ventures.

The year 2020 also closed with a pre-tax loss (EBT) of Euro 11,391 thousand (profit of Euro 8,514 as at 31 December 2019).

The net result of the Group and minority interests as at 31 December 2020 showed a loss of Euro 7,850 thousand compared with a Group and minority interest profit of Euro 5,982 thousand in 2019.

The net result for the period as at 31 December 2020 was negative at Euro 7,662 thousand compared with a positive result of Euro 6,048 thousand in 2019.

Infrastructure (Gas Distribution and Compressed Natural Gas and Renewable Natural Gas) segment performance

The "Gas Distribution and Compressed Natural Gas and Renewable Natural Gas" infrastructure 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 2020, the Infrastructure segment achieved a consolidated value of production of Euro 79,458 thousand (8.3% compared with 31 December 2019), adjusted EBITDA of Euro 5,073 thousand (Euro 6,099 thousand at 31 December 2019), and a post-tax loss of Euro 198 thousand (compared with a profit of Euro 181 thousand at 31 December 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 previous year, confirming the Group's good performance and business solidity.

The SAFE&CEC Group was also awarded significant contracts during the year, in particular:

- a contract of more than 1 million dollars in the US market for the supply of a complete compression system for an RNG (Renewable Natural Gas) production plant in California;
- a contract for the supply and assembly of more than 150 compressors in Egypt for the companies Gastech (Egyptian International Gas Technology) and NGVC (Natural Gas Vehicles Company) linked to the ambitious natural gas mobility transformation plan launched by the Egyptian government, with significant investments in the country's infrastructure network and the objective of transforming the majority of the fleet on the road to CNG, including Passenger Cars as well as local public transport and heavy-duty transport.

Invested capital

(Thousands of Euro)

Statement of Financial Position	31/12/2020	31/12/2019
Trade receivables	39,353	40,545
Inventories	42,009	39,774
Trade payables	-53,509	-51,935
Other net current assets (liabilities)	-1,000	536
Net operating capital	**26,853**	**28,920**
Tangible assets	13,212	11,578
Intangible assets	50,460	50,858
Right-of-use assets	4,975	6,402
Other non-current assets	38,481	35,988
Fixed capital	**107,128**	**104,826**
TFR (employee severance indemnity) and other provisions	-4,750	-5,646
Net invested capital	**129,231**	**128,100**
Financed by:		
Net Financial Position (*)	72,917	61,767
Group shareholders' equity	56,787	66,665
Minority interests	-473	-332
Borrowings	**129,231**	**128,100**

Ratios	31/12/2020	31/12/2019
Net operating capital	26,853	28,920
Net operating capital/Turnover	18.9%	15.1%
Net invested capital	129,231	128,100
Net capital employed/Turnover	90.7%	66.8%

(*) The net financial position at 31 December 2020 is inclusive of Euro 5,099 thousand for financial liabilities for rights of use deriving from the application of IFRS 16 - Leases and Euro 458 thousand for derivative financial instruments.

Net working capital at the end of the period stood at Euro 26,853 thousand, substantially aligned with the same figure recorded at 31 December 2019 (Euro 28,920 thousand), but down by Euro 14,646 thousand compared with 30 September 2020 (Euro 41,499 thousand). In terms of percentages on turnover, there was an increase in this figure, from 15.1% as at 31 December 2019 to the current 18.9%, but a significant improvement compared with the prior quarter (27.1% at 30 September 2020).

Trade receivables stood at Euro 39,353 thousand, basically stable compared with 31 December 2019 (Euro 40,545 thousand). Although the Covid-19 pandemic is continuing to cause strong economic instability, to differing extents depending on the geographical area, in the fourth quarter there was a significant and progressive recovery in collections, with positive effects on the Group's net financial position. The analyses performed did not bring to light relevant critical issues in terms of Group customer solvency. As at 31 December 2020, derecognised receivables assigned through factoring with crediting on maturity stood at Euro 11.7 million (Euro 26.4 million as at 31 December 2019), a reduction connected to the decline in turnover as well as international reinsurance issues deriving from the effects of the pandemic on the markets.

Inventories, of Euro 42,009 thousand, rose compared with 31 December 2019 (Euro 39,774 thousand).

Following the resumption in activities in the second half of 2020 and the need for new supplies of components to cover orders, trade payables, which had significantly decreased at the end of the third quarter (Euro 38,648 thousand at 30 September 2020), stood at Euro 53,509 thousand at 31 December 2020, basically in line with the previous year (Euro 51,935 thousand). Also thanks to the loan 90% backed by the SACE guarantee for a nominal amount of Euro 21 million, taken out from a pool of banks, the Group continued to meet all of its financial commitments to its suppliers of materials and services, continuing to support its production chain.

Fixed capital, amounting to Euro 107,128 thousand and inclusive of Euro 4,975 thousand for right-of-use assets recognised pursuant to IFRS 16 - Leases, is aligned with the year ended 31 December 2019.

With reference to intangible assets with an indefinite useful life (goodwill) recognised in the financial statements for a total value of Euro 30,094 thousand, the impairment test performed as at 31 December 2020 did not bring to light any impairment, as illustrated in the notes.

As at 31 December 2020, TFR (employee severance indemnity) and other provisions of Euro 4,750 thousand were down compared with the previous year due to lower allocations during the period to the provision for warranties, directly correlated with turnover trends.

Net financial position and cash flows

(Thousands of Euro)

	31/12/2020	31/12/2019
Cash and cash equivalents	21,914	22,650
Current financial assets	2,801	2,801
Bank financing and short-term loans	-23,108	-29,460
Current right-of-use liabilities	-2,228	-1,992
Other current financial liabilities	-378	-210
Net short term indebtedness	**-999**	**-6,211**
Non-current bank loans	-68,181	-50,991
Other non-current financial liabilities	-408	0
Non-current right-of-use liabilities	-2,871	-4,535
Liabilities for derivative financial instruments	-458	-30
Net medium-long term indebtedness	**-71,918**	**-55,556**
Net Financial Position	**-72,917**	**-61,767**
Net Financial Position - adjusted (*)	**-67,360**	**-55,210**

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

The Net Financial Position as at 31 December 2020 is equal to Euro 72,917 thousand (Euro 61,767 thousand as at 31 December 2019), of which Euro 5,099 thousand due to the application of IFRS 16 - Leases and Euro 458 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 31 December 2020 would have been equal to Euro 67,360 thousand, after net investments for Euro 11,611 thousand.

Although it has increased compared with the figure at 31 December 2019, thanks to the recovery in turnover and the measures for the management and reduction of working capital undertaken by the management, the Group's net financial position declined from Euro 86,055 thousand at 30 September 2020 to Euro 72,917 thousand at 31 December 2020, marking an improvement of Euro 13,138 thousand.

Given the macroeconomic context in 2020, overshadowed by considerable uncertainty as to cash flows due to the effects on the international markets of the Covid-19 pandemic, the management immediately devoted considerable attention to the financial position, short/medium-term cash forecasts and the financing options offered by the government to support businesses. 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 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, a new six-year loan was taken out 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.

All credit institutions underwriting the loans issued waiver letters with respect to the financial covenants as at 30 June and 31 December 2020 and consent for 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)

	31/12/2020	31/12/2019
Gross operational cash flow (1)	6,800	8,533
Net cash flow for investment activities	-11,611	-8,664
Gross Free Cash Flow	**-4,811**	**-131**
Non-recurring expenditure for voluntary resignation incentives	-495	-132
Net Free Cash Flow	**-5,306**	**-263**
Repayment of leases (IFRS 16)	-2,399	-2,260
Overall cash flow	**-7,705**	**-2,523**

(1) before non-recurring expenditure

In 2020, cash absorption amounted to Euro 7.7 million (absorption of Euro 2.5 million in 2019), primarily linked to the significant decline in activities caused by the spread of the Covid-19 pandemic at global level, with ensuing effects on the Group's operating cash flows.

The net free cash flow for the period was a negative Euro 5,306 thousand, of which a positive Euro 6,305 thousand generated by operations (inclusive of Euro 495 thousand for non-recurring outlays for voluntary retirement incentives), and Euro 11,611 thousand by net investments.
Considering the Group's financial position as at 31 December 2020, the economic and financial forecasts for the year 2021 and thereafter, as well as taking into account the actual data from the first two months of the year 2021, the stability of the Landi Group's financial strength is confirmed, to an extent which guarantees the pursuit of its short/medium-term objectives.

Investments

Investments in property, plant, machinery and other equipment totalled Euro 6,209 thousand (Euro 3,651 thousand as at 31 December 2019) and refer to the conspicuous investments made by the Group both in new moulds and for the acquisition of new test benches and assembly lines needed to cover the increasing orders from a leading OEM customer, as well as to produce new product lines for it.

The increase in intangible assets amounted to Euro 5,712 thousand (Euro 5,367 thousand at 31 December 2019) and mainly referred to the capitalisation of costs of development projects relating to new products for the OEM and After Market channels, which meet the requirements of IAS 38 for recognition as balance sheet assets.

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

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

(Thousands of Euro)

RECONCILIATION STATEMENT	Shareholders' equity at 31.12.2020	Result at 31.12.2020	Shareholders' equity at 31.12.2019	Result at 31.12.2019
Shareholder's equity and result for the year of the Parent Company	**51,375**	**-6,284**	**54,771**	**2,706**
Difference between the carrying amount and pro rata value of the shareholders' equity of consolidated companies	5,028	0	13,124	0
Pro rata results achieved by investees	0	-3,178	0	4,239
Elimination of intra-group dividends	0	0	0	0
Elimination of the effects of intra-group commercial transactions	-676	153	-829	91
Exchange gains and losses from the measurement of intra-group loans	1,000	0	-223	0
Elimination of revaluation/write-down of investments and recognition of impairment of goodwill	0	1,320	0	-1,106
Elimination of the effects of intra-group assets	-388	118	-506	56
Other minor effects	-25	21	-4	-4
Shareholders' equity and result for the year from Consolidated Financial Statements	**56,314**	**-7,850**	**66,333**	**5,982**
Shareholders' equity and result for the year of minority interests	-473	-188	-332	-66
Shareholders' equity and result for the year of the Group	**56,787**	**-7,662**	**66,665**	**6,048**

The companies of the Landi Group

At the top of the Group structure is the Parent company, Landi Renzo S.p.A., with headquarters in Cavriago (Reggio Emilia), which holds direct and indirect controlling stakes in the capital of 15 companies, including two not operational and not consolidated because they are not significant, and three Joint Ventures, one of which is not consolidated for the same reason. The main figures on the consolidated Group companies are provided in the following table. Commercial relations between the companies of the Group take place under contractual conditions considered to reflect the arm's length conditions on the markets in question. The following table provides the main economic information on the companies of the Group based on the data of the Financial Statements prepared according to local regulations, approved by the respective governing bodies.

Company Name	Registered Office	Currency	Share capital at 31 December 2020 (in units of currency)	% stake at 31 December 2020		% stake at 31 December 2019		Notes
				Direct investment	Indirect investment	Direct investment	Indirect investment	
Parent Company								
Landi Renzo S.p.A.	Cavriago (RE) - Italy	EUR	11,250,000	Parent Company		Parent Company		
Companies consolidated using the line-by-line method								
Landi International B.V.	Utrecht (The Netherlands)	EUR	18,151	100.00%		100.00%		
Landi Renzo Polska Sp.Zo.O.	Warsaw (Poland)	PLN	50,000		100.00%		100.00%	(1)
LR Indústria e Comércio Ltda	Espirito Santo (Brazil)	BRL	4,320,000	99.99%		99.99%		
Beijing Landi Renzo Autogas System Co. Ltd	Beijing (China)	USD	2,600,000	100.00%		100.00%		
L.R. Pak (Pvt) Limited	Karachi (Pakistan)	PKR	75,000,000	70.00%		70.00%		
Landi Renzo Pars Private Joint Stock Company	Tehran (Iran)	IRR	210,849,300,000	99.99%		99.99%		
Landi Renzo RO S.r.l.	Bucharest (Romania)	RON	20,890	100.00%		100.00%		
Landi Renzo USA Corporation	Wilmington - DE (USA)	USD	3,067,131	100.00%		100.00%		
AEB America S.r.l.	Buenos Aires (Argentina)	ARS	2,030,220	96.00%		96.00%		
Lovato Gas S.p.A.	Vicenza (Italy)	EUR	120,000			100.00%		(2)
Officine Lovato Private Limited	Mumbai (India)	INR	19,091,430	74.00%			74.00%	(3)
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%		51.00%		(4)
Krishna Landi Renzo India Private Ltd	Gurugram - Haryana (India)	INR	118,000,000	51.00%		51.00%		(4)

Detailed notes on investments:

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

(2) Merged into Landi Renzo S.p.A. in 2020

(3) Direct subsidiary following the merger by incorporation of Lovato Gas S.p.A. into Landi Renzo S.p.A.

(4) Company joint venture

Landi Renzo S.p.A. (Parent Company)

In 2020, Landi Renzo S.p.A. achieved revenues from sales and services totalling Euro 112,716 thousand, down by Euro 27,015 thousand compared with the previous year (Euro 139,730 thousand). This downturn of 19.3% is primarily linked to the effects on the international markets of the Covid-19 pandemic and the ensuing lockdowns imposed by the various governments to limit the spread of contagion.

EBITDA was positive and equal to Euro 6,114 thousand compared with Euro 16,681 thousand in 2019. EBIT, equal to a negative Euro 4,942 thousand, was affected by amortisation, depreciation and impairment recorded during the year for a total of Euro 11,055 thousand, of which Euro 5,951 thousand for intangible assets, Euro 3,270 thousand for tangible fixed assets and Euro 1,834 thousand for rights of use.

The operating result was a negative Euro 6,284 thousand, after expenses from investments of Euro 913 thousand, net financial expenses for Euro 2,898 thousand and exchange losses for Euro 1,004 thousand.

The net financial position at the end of 2020 was negative and equal to Euro 78,971 thousand (Euro 74,041 thousand net of IFRS 16 effects and the fair value of financial derivative contracts), compared with a negative net financial position of Euro 66,675 thousand at 31 December 2019. Assignment of trade receivables without recourse by the company totalled Euro 10.2 million at year end (Euro 19.5 million at 31 December 2019).

The number of employees of the company as at 31 December 2020 was equal to 318 (306 as at 31 December 2019), also as a result of the merger by incorporation of Lovato Gas S.p.A.

Landi International B.V.

The Dutch holding company, with 100% control over Landi Renzo Polska Sp.zo.o., did not record any revenue and has registered a profit amounting to Euro 579 thousand, essentially as a result of the measurement of the shareholders' equity of the Polish branch.

Landi Renzo Polska Sp.zo.o.

This company sells LPG fuel systems for motor vehicles, mainly in Poland, and is also active in the installation of LPG systems, with manufacturing facilities in Warsaw and Tychy. Total turnover in 2020 came to Euro 16,310 thousand, down considerably compared with the previous year (Euro 28,693 thousand) as a result of the effects of the Covid-19 pandemic in the local market and the ensuing temporary closure of the plant of a top OEM customer following the lockdown imposed by the Polish government. The year in any event closed with a profit of Euro 652 thousand, after amortisation and depreciation of Euro 595 thousand, compared with a net profit of Euro 1,591 thousand in 2019.

LR Indústria e Comércio Ltda

The Brazilian company saw a decrease in turnover from Euro 8,102 thousand in 2019 to Euro 2,204 thousand in 2020, mainly due to significant difficulties in the country ensuing from the Covid-19 pandemic, which also had considerable effects on the Brazilian currency, which depreciated by roughly 41% compared with 31 December 2019. The year closed with a loss of Euro 1,304 thousand, after exchange losses of Euro 1,398 thousand, mainly from valuation.

Beijing Landi Renzo Autogas System Co. Ltd

This company carries out commercial activities for LPG and CNG systems in the Chinese market and is equipped with an internal structure for Research and Development focused on after-sales service. 2020 closed with revenues totalling Euro 1,417 thousand.

L.R. Pak (Private) Limited

The company, 70% owned by the Group, manufactures and sells CNG fuel systems. 2020 closed with turnover of Euro 60 thousand due to the continuation of serious critical issues linked to the dearth of distribution of CNG for vehicles.

Landi Renzo Pars Private Joint Stock Company

This company has been engaged in the production and marketing of CNG systems in the Iranian market, on both the OEM and After Market channels. Landi Renzo Pars received protection of its invested capital on the basis of the "FIPPA" (Foreign Investment Protection and Promotion Act) regulations. 2020 closed with sales revenues totalling Euro 2,767 thousand and a net profit of Euro 29 thousand. Operations of the Iranian subsidiary were considerably affected by the sanctions imposed by the United States on transactions with Iran, which became effective in November 2018.

Landi Renzo RO Srl

This company is active in the production, marketing and installation of LPG systems, in particular on the OEM channel. 2020 closed with sales revenues equal to Euro 15,002 thousand, up considerably on the previous year (Euro 9,006 thousand), due to the increase in sales to a primary OEM customer.

Landi Renzo USA Corporation

Landi Renzo Usa Corporation is active in the development of productive and commercial opportunities on the American market. In 2020, the company realised revenues of Euro 3,113 thousand and recorded a negative EBITDA of Euro 497 thousand.

AEB America S.r.l.

AEB America S.r.l. carries out production and marketing activities in the Argentine market. In 2020, the company earned sales revenue of Euro 2,818 thousand, down by 39.6% compared with the previous year (Euro 4,662 thousand) due to the effects of the Covid-19 pandemic, which also triggered depreciation of around 53% of the Argentinian peso. The year 2020 closed with a loss of Euro 398 thousand, after exchange losses of Euro 1,049 thousand, mainly from valuation.

Other information

Transactions with related parties

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

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

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

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

Finally, in accordance with Consob Regulation 17221/2010, and pursuant to Article 2391-*bis* of the Italian Civil Code, the Board of Directors has adopted the specific procedure for transactions with related parties, available on the company website, to which you should refer.

Positions or transactions deriving from atypical and/or unusual transactions

Pursuant to Consob communication no. 6064293 of 28 July 2006, note that, during 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 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 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.

The subsidiaries do not hold any shares of the Parent Company.

Sub-offices

No sub-offices were established.

Corporate governance

Information on corporate governance is provided in a separate report that is an integral part of the financial statements, annexed to this Report.

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

This section provides information on exposure to risks connected with the activities of the Group as well as the objectives, policies and processes for managing such risks and the methods used to asses and to mitigate them.

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

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

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

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

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

EXTERNAL RISKS

Following the spread of the Covid-19 pandemic and the resulting various types of lockdowns imposed by the governments of the respective countries to limit the number of infections, the Group's plants located in Italy, Poland and Romania were subject to a temporary suspension of production activities. 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, extended remote working). Given the continuation of the pandemic following the emergence of the feared "second wave" and the spread of virus variants at international level, the Group's management is continuing to extremely attentively monitor the evolution of the pandemic in order to mitigate the effects on the Group's economic and financial results.

STRATEGIC RISKS

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

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

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

The Group sells its products in more than 50 countries, in 13 of which it operates directly, including through its own companies. In 2020, the Group achieved 83.3% of consolidated revenues abroad.
In pursuing its expansion strategy, the Group has invested, and may invest more in the future, including in countries characterised by considerable instability in terms of their political institutions and/or involved in situations marked by international tensions. The above-mentioned strategy could expose the Group to various risks of a macroeconomic nature, arising, for example, from changes in the political, social, economic and regulatory systems of such countries or from extraordinary events such as acts of terrorism,

civil disorder, restrictions on trade with particular reference to the Group's products, foreign investment and/or trade, as well as exchange rate control policies and associated restrictions on repatriation of capital, sanctions, restrictions on foreign investment, nationalisation, and inadequate protection of intellectual property rights.
The probability of the events described above actually taking place varies from country to country and is difficult to predict. However, a constant monitoring activity is carried out by company Top Management in order to become aware of any changes as early as possible, so as to minimise any economic or financial impact that may ensue.

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

OPERATING RISKS

• **Risks connected to relationships with OEM customers**
The Group distributes and sells its systems and components to the main vehicle manufacturers worldwide (OEM customers). In the year ending 31 December 2020, the sales of systems and components made by the Group to OEM customers represented approximately 45.6% of total Group sales, up compared with 38.5% in the previous year. In particular, this increase was caused by the rise in orders from a top OEM customer which is basing the development of its "green" product line on LPG bifuel engines. Please note that this customer, which is highly strategically significant to the Group, represented 68% of OEM turnover in 2020. Relationships with OEM customers, which have been well established for years now, are typically governed by agreements that do not require minimum purchase quantities. Therefore, the demand for predefined quantities of Group products from such customers cannot be guaranteed. In order to satisfy the requirements of various customers to the best of its abilities, the Group has initiated a policy of delocalisation of part of its production, in recent years, in countries where it already has a number of customers. In light of the above, and also in view of the competitive advantage acquired in providing solutions for the development of sales in the After Market channel as well, the Group does not believe that it is at significant risk of dependency on OEM customers. It is not possible, however, to exclude the fact that the potential loss of important customers or a reduction in orders from them, or a delay in collection compared to contractual agreements may have negative effects on the economic-financial results of the

Group.

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

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

• **Product liability risks**

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

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

The Group owns trademark rights, patent rights and other intellectual property rights, and regularly registers its trademarks, patents and other intellectual property rights, and also protects its industrial know-how pursuant to the applicable regulations, in order to avoid the risk of imitation or reproduction of the products by competitors or by unauthorised third parties.

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

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

Intangible assets totalling Euro 50,460 thousand are reported in the consolidated financial statements at 31 December 2020, including Euro 9,506 thousand for development expenditure, Euro 30,094 thousand for goodwill, Euro 10,860 thousand for trademarks and patents, as well as net deferred tax assets totalling Euro 12,201 thousand. The recoverability of such values is related to the materialisation of future industrial plans relating to the relevant cash generating unit.

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

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

In this regard, please note that as at 31 December 2020 the Group tested its assets with an indefinite useful life for impairment, as described in the notes, without identifying any impairment.

FINANCIAL RISKS

• **Interest rate risk**

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

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

Interest rate risks were measured using sensitivity analysis and the potential impacts of Euribor interest rate fluctuations on the consolidated financial statements at 31 December 2020 were analysed with particular reference to cash and cash equivalents and to loans. The increase of 50 basis points on the Euribor, with all other variables remaining the same, would have produced an increase in financial expenses for the Group of Euro 226 thousand in comparison to an increase in financial income equal to Euro 113 thousand.

- **Exchange risk**

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

- **Price risk**

The Group makes purchases and sales internationally, and therefore it is exposed to the normal risk of price fluctuation typical of its industry. Where possible, Group policy covers the risk through medium-term supplier commitments.

- **Credit risk**

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

<u>Trade receivables and other receivables</u>

The Group normally deals with known and reliable customers. It is the Group's policy to subject customers requesting extended payment conditions to procedures for checking their credit class. This check also includes external assessments when available. Sales limits are established for each customer, which represent the maximum line of credit, beyond which direct approval by management is required. The credit limits are reviewed periodically and the customers who do not satisfy the creditworthiness conditions established by the Group can then make purchases only by payment in advance. In addition, the balance of the receivables is monitored on a fortnightly basis over the period, in order to minimise exposure to the risk of losses. Finally, regarding new customers and those not operating in EU countries, a letter of credit to guarantee successful collection is normally used, where possible.
The Company uses non-recourse assignment of debts.
The Group allocates a provision for impairment that reflects the estimated losses on trade receivables and on other creditors, made up primarily of individual write-downs of significant exposures.

<u>Other financial assets</u>

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

<u>Guarantees</u>

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

• **Liquidity risk**

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

In light of the continuous, clear improvement in the Group's economic and financial performance and the favourable conditions in the financial markets in terms of the cost of money, in June 2019 Landi Renzo S.p.A. took out a five-year loan for a total of Euro 65 million from a pool of three leading banks (BPM - mandated lead arranger and bookrunner, Intesa Sanpaolo and Unicredit), under more favourable conditions, which made it possible to settle the Group's financial debt deriving from the Optimisation Agreement entered into in March 2017 and the "LANDI RENZO 6.10% 2015-2022" Bonded Loan (ISIN IT0005107237). This transaction, aside from reducing the financial expenses and improving the Group's debt profile, made it possible to consolidate the financial and liquidity position.

However, the Covid-19 pandemic had, and continues to have, significant effects on volumes as well as on the economic and financial results of many companies, especially in the durable goods market. Following the resulting macroeconomic context, overshadowed by considerable uncertainty as to cash flows, the management immediately devoted considerable attention to the financial position, short/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 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.

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

Landi Renzo Polska also obtained a loan originally for 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 may be converted, all or in part, into a non-repayable grant when specific conditions are met.

Considering the Group's financial position as at 31 December 2020, the economic and financial forecasts for the year 2021 and thereafter, as well as taking into account the actual data from the first two months of the year 2021, the stability of the Landi Group's financial strength is confirmed, to an extent which guarantees the pursuit of its short/medium-term objectives.

Impact of the Covid-19 pandemic on the activities of the Landi Renzo Group

In the months of March and April, the countries most struck by the Covid-19 pandemic, in order to limit the contagion, imposed strict forms of lockdowns. 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 plants located in Italy, Poland and Romania were closed following 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.

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 consent for the deferment of the principal instalment falling due on 30 June 2020, which was rescheduled to the end of the amortisation plan (June 2024).

Considering the foregoing, the Landi Renzo Group continues to maintain a certain financial strength, such so as to permit the pursuit of the company's short- and medium-term objectives.

To limit the cost of personnel who are not working, social security 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.

Only in the final months of 2020, following the economic recovery in various countries, was there instead a progressive resumption in collections. In any event, the analyses performed did not bring to light relevant critical issues in terms of Group customer solvency.
There were no procurement issues identified in the supply chain, or particular financial tensions for the strategic suppliers, thanks to the Group's financial support to its production chain.

This international economic context highly influenced the Group's results in 2020. The Group's revenues from sales as at 31 December 2020 indeed came out to Euro 142,455 thousand, with a decline of 25.7% compared with the previous year, while adjusted EBITDA was positive at Euro 8,017 thousand, also thanks to the management's cost containment initiatives (Euro 26,253 thousand as at 31 December 2019).
After a first half of the year strongly influenced by the Covid-19 pandemic, with revenue down 41.3% compared with the same period of the previous year, and an encouraging third quarter which recorded an important recovery in sales (+9.1% compared with the same period of the previous year), the fourth quarter closed with revenue at Euro 43,447 thousand (-19.5% compared with the same period of the previous year) following the initiation of the feared "second wave" of the pandemic in the final months of 2020.

The decline in sales volumes also had a negative impact on cash flows. The Net Financial Position as at 31 December 2020 is indeed equal to Euro 72,917 thousand (Euro 61,767 thousand as at 31 December 2019), of which Euro 5,099 thousand due to the application of IFRS 16 - Leases and Euro 458 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 31 December 2020 would have been equal to Euro 67,360 thousand, after net investments for Euro 11,611 thousand. Although it has increased compared with the figure at 31 December 2019, thanks to the recovery in turnover and the measures for the management and reduction of working capital undertaken by the management, in the fourth quarter the Group's net financial position declined from Euro 86,055 thousand at 30 September 2020 to Euro 72,917 thousand at 31 December 2020, marking an improvement of Euro 13,138 thousand.

In this regard and as already described above, please note that as at 31 December 2020 the Group tested its assets with an indefinite useful life for impairment, as described in the notes, without identifying any impairment.
The Group is continuing to constantly evaluate the impacts of the pandemic on the economic and financial results, ready to enact, aside from what has already been done, any additional actions intended to preserve the Group's profitability and financial position, responding as quickly as possible to constantly evolving scenarios.

Consolidated non-financial report

Methodological Note

The 2020 Consolidated Non-Financial Report 2020 (the "Report") of the Landi Renzo Group (the "Group"), reports to our main stakeholders on the new developments, projects and results achieved during 2019 regarding financial, social and environmental performance.

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

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

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

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

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

The data and information included in the document refer to the year closed on 31 December 2020 and, where explicitly specified, to some significant projects pursued during the first months of 2021.
To provide an accurate representation of the sustainability performance, we have favoured the inclusion of aspects that are directly measurable, avoiding where possible reference to estimates, which, where required, are based on the best possible methods available or on sample surveys, and their use is indicated within the individual indicators. To enable the reader to assess the evolution of the sustainability performance, the quantitative information is presented over a three-year timeframe, with the exception of a few figures which are presented only for 2020.
There was no change in the reporting perimeter compared to last year.

Specifically, the Non-Financial Statement refers to Landi Renzo S.p.A. and companies consolidated on a line-by-line basis: the Italian subsidiary (Lovato Gas S.p.A.) and the foreign subsidiaries (Landi Renzo Polska Sp.Zo.O., L.R. Pak (Pvt) Limited, Landi Renzo RO S.r.l., Landi Renzo USA Corporation, AEB America S.r.l., Beijing Landi Renzo Autogas System Co. Ltd, Landi Renzo Pars Private Joint Stock Company and LR Indústria e Comércio Ltda).

The following companies have been ruled out of the accounting perimeter: SAFE S.p.A. which was contributed, as part of a joint venture, into the newco SAFE & CEC S.r.l. on 29 December 2017, and Eighteen Sound S.r.l., which was sold together with the subsidiary Sound and Vision on 11 December 2017. Please also note that 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.

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

Company	Type	Number of employees	Personnel		Human rights	Environment	Social		Corruption
			HR	OHS			Social	Suppliers	
			GRI Standard	GRI Standard	GRI Standard	GRI Standard	GRI Standard	GRI Standard	GRI Standard
Landi Renzo S.p.A.	Productive	318	x	x	x	x	x	x	x
Lovato Gas S.p.A.	Productive	_1	x	x	x	x	x	x	x
AEB America S.r.l.	Commercial	12	x	x	x	x	x	x	x
Beijing Landi Renzo Autogas System Co. Ltd	Commercial	10	x	x	x	x	x	x	x
Landi Renzo USA Corporation	Productive	12	x	x	x	x	x	x	x
Landi Renzo Pars Private Joint Stock Company	Productive	21	(*)	(*)	x	x	x	x	x
L.R. Pak (Pvt) Limited	Commercial	7	(*)	x	x	x	x	x	x
Indústria e Comércio Ltda	Commercial	14	(*)	x	x	x	x	x	x
Landi Renzo RO S.r.l.	Productive	43	x	x	x	x	x	x	x
Landi Renzo Polska Sp.Zo.O.LR	Productive	110	x	x	x	x	x	x	x
Officine Lovato Private Limited	-	0	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Landi International B.V.	-	0	N/A	N/A	N/A	N/A	N/A	N/A	N/A

x: Reported information
(*) Information partially available

1 Lovato Gas employees at 31/12/2020 were included in Landi Renzo SpA

Letter to stakeholders

To facilitate the creation of a sustainable business project, the Group firmly believes in establishing lasting relationships with its stakeholders, analysing their various requirements in order to establish mutually favourable agreements and interests based on transparency, trust and consent to decisions.

Since the first edition of Landi Renzo's sustainability report, we now feel closer to our stakeholders and their motivations, when putting into practice the fundamental assumptions of social responsibility by integrating it into our corporate culture.

The challenge is to remain on the cutting edge of sustainable mobility, basing our continuous growth on internationalisation, innovation and training, the three pillars that have permitted our healthy and harmonious growth. In light of what is set forth above, we need to see sustainability as an integral part of the company's **mission** to build a cleaner world for the next generations, abiding by the highest standards of social responsibility towards the territory, society and the environment and disseminating a culture of eco-sustainable mobility.

The impacts of the social and health emergency unleashed by the Covid-19 pandemic monopolised the scenario in 2020, accelerating the debate on climate change and the disruptive drive towards a "Green Deal", attributing a priority focus to a range of environmental issues.

Aware of our strength in dealing with one of the most important challenges that will be faced over the coming years - climate change - we strive to act as an accelerator of new ideas and innovation within a stimulating and dynamic environment.

Indeed, the Group is committed to seeking out solutions to this challenge, not only within the organisation but also externally, by entering into partnerships in the gas and hydrogen segments.

Another milestone for our business is the attention we pay to **Quality**: our path towards Quality system excellence started in 1996 when we obtained the **ISO 9001** certification, and continued until the prestigious **IATF 16949** certification was obtained, which places greater emphasis on corporate social responsibility and greater attention to product safety requirements.

We are aware that the activities carried out by suppliers and the goods purchased have a direct impact on the quality offered to customers and on the company's reputation. Therefore, the selection process is based not only on strictly economic criteria, but also on quality aspects.

For more than 60 years, we have made consistent efforts to spread **sustainable mobility** and **develop technological systems** to fight atmospheric pollution and climate change as well as improve living standards.

"Our corporate responsibility takes shape in the development of technological systems to fight atmospheric pollution and climate change as well as improve living standards, and in our consistent efforts to spread a culture of sustainable mobility."

Chairman of the Board of Directors

Stefano Landi

The *Alternative* in motion

Reference business: eco-mobility

In recent years, eco-mobility has taken on ever greater importance; LPG and CNG are still the most common options when it comes to green transport solutions. These technologies are distinctive features of the Landi Renzo Group's know-how, which is characterised by a combination of research and manufacturing excellence. The Landi Renzo Group has consolidated experience in the design, manufacture and marketing of eco-compatible systems for the conversion of roadgoing vehicles to LPG and CNG. These solutions are designed with the highest level of customisation, in order to adapt to the specific requirements of the various models intended for two target markets:

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

*The **Landi Renzo CNG and LPG systems** use **energy sources with lower environmental impact than conventional fuels** and thus contribute to the development of green mobility, guaranteeing **economic advantages and lower emissions***

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

The offer of the Landi Renzo Group is made up of **systems and components for the conversion of petrol- and diesel-engine vehicles to gas fuelling.** The Group's strategic project is continuing with the completion of the first products and solutions for CNG, LNG and **hydrogen** mobility, especially in the HGV sector. As regards hydrogen mobility, the first commercial opportunities are now becoming a reality, while projects are ongoing for the development of new products in collaboration with OEM customers, research centres and universities. Every product is the result of in-depth study and technological research which, over the years, has led to the filing of many patents. The many inventions of the Group's Research and Development centre have signalled a decisive evolution in the integration of mechanical and electronical components inside vehicles.

Distinctive features of Landi Renzo Group

LANDIRENZO GROUP™

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

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

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

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

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

Mission

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

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

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

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

Market Driven Approach

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

Becoming better at what we do

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

Motivation and playing by the rules

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

Responsible and oriented toward achievement and getting results

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

The values

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

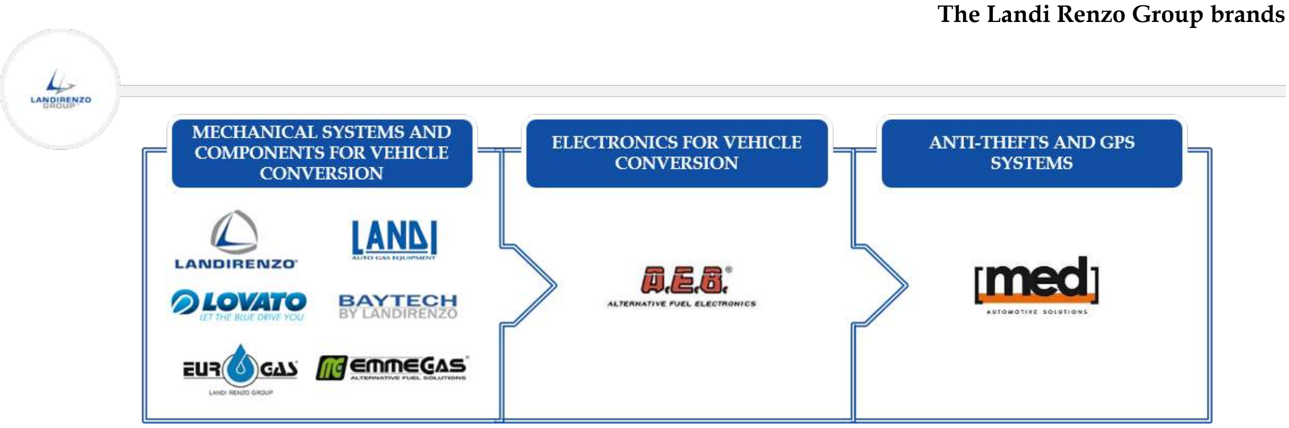
Ever since its inception, the Group has been known for its profound belief that **people** are the fundamental added value in the international success of Landi Renzo. This awareness is borne out by the choice of values that inspire the Group's activities on a daily basis.

Values of the Landi Renzo Group

The brands

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

The Landi Renzo Group brands



Over 60 years of history in building the future

Exploiting the economic context of those years, which saw Italy and particularly the Emilia region favouring the use of gas fuelled vehicles, the Landi family has built, brick by brick, a long history of successes, until becoming a global leader in the supply of LPG and CNG drive systems, as well as one of the key players in the field of eco-sustainable, low environmental impact mobility.

The company's history began in 1954 in Reggio Emilia, where Renzo Landi, along with his wife Giovannina Domenichini, founded Officine Meccaniche Renzo Landi: the only firm to build custom mixers for every type of vehicle. The external sales operations quickly expanded across Italy; 1963 and 1964 saw the first exports to Japan, France, Belgium and the Netherlands. Soon enough, opportunities opened up in Eastern European markets, as well as in India and South America. In the Nineties, Landi Renzo became an industrial group and the expansion process intensified with the arrival of the new millennium, by opening new branches abroad. In 2007, Landi Renzo S.p.A. made its début on the STAR segment at Piazza Affari, the Italian stock market. A significant step, to boost the Group's reputation in the market and in its relationships with top-tier customers and suppliers. The aim is to remain on the cutting edge of the sustainable mobility market, basing our continuous growth on internationalisation, innovation and training, the three pillars that have permitted our healthy and harmonious growth, while continuously working to overcome new challenges.

The Landi Renzo Group's timeline

FIFTIES

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

SIXTIES

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

SEVENTIES AND EIGHTIES

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

NINETIES

Landi Renzo became an Industrial Group; in 1993 it took over control of Landi S.r.l. and Eurogas Holding B.V., a Dutch company operating in the industry.

In 1999, the Group's Polish branch, Landi Renzo Polska S.p.Z.o.o, was formed, and Med S.p.A. of Reggio Emilia was acquired the following year.

2000-2007

These were years of rapid expansion for the Group. In 2001, Eurogas Utrecht B.V. was bought by the subsidiary Landi International B.V.; the internationalisation process continued with the opening of further foreign subsidiaries in Brazil in 2003, China in 2005 and Pakistan in 2006. In the same year, the Landi Renzo Corporate University opened its doors, as a hub for the development of human resources and dissemination of the culture of sustainable mobility.

The Landi Renzo Quality System, previously certified to the ISO 9001 standard in 1996 and to ISO/TS 16949 in 2001 (for the Automotive segment) extended the ISO 9001 processes and procedures to the Italy network in November 2006, to guarantee the company's existing quality standards.

In 2007, Landi Renzo Pars was inaugurated in Tehran (Iran).

On 26 June 2007, Landi Renzo S.p.A. made its début on the STAR segment at Piazza Affari, the Italian stock market.

2008-2016

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

Between 2010 and 2013, acquisitions have included AEB Technologies and the American Baytech; in the same period, further subsidiaries were formed in Romania, Venezuela, Argentina, India and the United States.

In July 2012, SAFE S.p.A. became part of the Group, followed by Emmegas S.r.l. the following year. Also in 2013, Eighteen Sound S.r.l. was set up, previously included in AEB Technologies. 2013 also saw the formation of the Indian Joint Venture Krishna Landi Renzo India Private Limited Held, and the Uzbek company EFI Avtosanoat-Landi Renzo LLC.

Safe Gas Pte Ltd. was founded in 2014, in Singapore. In the same year, the new Research and Development centre was inaugurated at an event organised to celebrate the 60th anniversary of Landi Renzo S.p.A., and in 2015 the new research centre won a prize for sustainable development.

In 2015, Landi Renzo Argentina S.r.l. was set up with headquarters in Buenos Aires.

2017-2018

Faced with an increasingly complex international and financial scenario, and in view of the future challenges the Group will have to address along its route to growth, a new management team has been formed. This has launched a project to improve operational efficiency through a series of actions designed to reduce the cost structure in order to align it with the best practices in the automotive industry.

The Board of Directors has appointed a new CEO, Cristiano Musi, who formerly held the position of director-general and who has a high level of professional expertise and a strong international background.

2017 saw the restructuring of the Group's organisation, with the aim of focusing much more on the core business. The organisational process for the Automotive sector has been overhauled, with the aim of strategically integrating the management of the Group's various Automotive companies while improving their efficiency, effectiveness and capacity for innovation.

Furthermore, with the aim of focusing on the Group's core activities, the company Eighteen Sound S.r.l. was sold, while AEB S.p.A. was merged into Landi Renzo S.p.A.

On 30 October 2018, Emmegas S.r.l. was merged into Landi Renzo S.p.A.

2019-2020

In 2019 Landi Renzo Indústria e Comércio Ltda, the Group's Brazilian arm, sealed an important exclusive partnership with Uber in Brazil. The partnership offers Uber drivers across Brazil the chance to have Landi Renzo gas-fuelled systems installed in their vehicles. In addition, Landi Renzo authorised dealers will provide after sales support services. Uber will also offer its Brazilian partner drivers a special credit facility, to purchase and install Landi Renzo CNG systems. These two international players are now in the front line, in fighting pollution.

A further important agreement signed in 2019 was between Landi Renzo together with the Indian joint venture Krishna Landi Renzo, and Ford India. Under the agreement, Landi Renzo will manufacture and install its solutions for the CNG version of the new Ford Aspire, also providing aftersales support through its local authorised dealers.

The agreements with Uber Brazil and Ford India represent a desire to continue the international commercial growth of the Landi Renzo Group which, while maintaining solid roots in Italy, has managed to position itself as a market leader in the countries where gas mobility is becoming increasingly important.

The year 2020 was characterised by the COVID-19 health emergency, which made the health of all Landi Renzo employees a top priority. It was a year of negative growth, in which Landi Renzo concentrated its efforts on research and development, to guarantee a more sustainable future to all stakeholders. As a result of these efforts, in December 2020 the Landi Renzo Group signed a Letter of Intent with the Egyptian National Organization for Military Production, controlled by the Ministry of Military Production, for the creation of a joint venture for the further development of sustainable mobility in Egypt, to ensure at least 100,000 conversions per year, while also promoting initiatives in the LCV, Bus and Heavy-Duty segments. In the early months of 2021, a strategic partnership was entered into with Mahindra & Mahindra Limited for the development of a new generation of CNG engines for agricultural applications. The first reference market for these engines will be India, which is currently experiencing exponential growth in the exploitation of CNG in the automotive sector. Furthermore, the combined efforts shared between the various organisations made it possible to launch the first Italian supply chain project, called H2-Ice, in order to contribute to an effective decarbonisation process by relying on the sustainable fuel of the future: hydrogen. Landi Renzo will specifically handle the development and production of components for hydrogen engines to be used in buses and trucks. Please also note that 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.

Landi Renzo's contribution to the sustainable development goals

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

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

SDGs	Activities and initiatives carried out by Landi Renzo
4 QUALITY EDUCATION	• collaboration with leading Italian universities, particularly the Universities of Modena and Reggio Emilia, to spread a culture of sustainability and facilitate research and development. • project in favour of the Italian Solidarity Initiative Dedicated to Egypt (ISIDE 2020), promoting the expansion of several schools for minors with disabilities in Egypt.
9 INDUSTRY, INNOVATION AND INFRASTRUCTURE	• research and development activities to promote and propose innovative and sustainable solutions
10 REDUCED INEQUALITIES	• pay levels above local minimum salaries for the relevant category of new hires in all countries in which Landi Renzo carries on business
11 SUSTAINABLE CITIES AND COMMUNITIES	• marketing and installation of automotive fuel supply systems which use less costly, environmentally friendly alternative fuels
13 CLIMATE ACTION	• partnerships in the gas and hydrogen segments to guarantee an acceleration towards the energy transition as well as decarbonisation
17 PARTNERSHIPS FOR THE GOALS	• relations with entities and institutions at domestic and international level for the development of future regulations and technical standards for the alternative fuels sector, as regards both the environment and safety.

The commitment to the fight against climate change

In light of the climate disasters witnessed from 1990 to date, it is clear that there is a pressing need to take prompt action on these factors through the sectors with the most influence on these trends. As seen in the results of the United Nations Paris Climate Change Conference in 2015, the agreement marked a step forward in the fight against climate change by establishing goals surrounding the average global temperature, the capacity to adapt, resilience and consistency of cash flows with a path that leads to development entailing low greenhouse gas emissions. The European Union (EU) is one of the most dynamic economic powers in the fight against greenhouse gas emissions. In December 2019, the European Commission presented the European Green Deal, and now it is proposing a package of measures intended to establish more ambitious targets in terms of reducing greenhouse gas emissions by 2030 and the decarbonisation of the EU economy by 2050, in line with the Paris agreement. This change process is monitored through the 17 Sustainable Development Goals, with respect to which each country is periodically evaluated by the UN.

A Greenpeace study states that automotive manufacturers are some of the main parties responsible for what is happening to the climate and the air we breathe every day: in 2018, the automotive sector generated 9% of global greenhouse gas emissions. Today, the fight against climate change represents the main challenge not only for the automotive sector, but also for our entire society, so much so that we consider this to be an integral part of our business model.

For more than 60 years, Landi Renzo has provided concrete and effective answers to environmental sustainability issues by marketing and installing automotive fuel supply systems which use less costly, environmentally friendly alternative fuels.

The solutions offered by the Group both to automotive manufacturers (OEM market) and in the After Market are the driver of change, from traditional environmentally-friendly fuels like LPG and CNG, to the new horizons of automotive fuel, hydrogen.

Continuous investments in research and the design of cutting-edge technologies play a crucial role in the acceleration of the energy transition, fully addressing decarbonisation and transforming the present into the future that we are striving for.

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

The Group can boast of a model of excellence based on values such as growth and continuous improvement, which constitute its philosophy and characterise its way of doing business every day: thanks to these specific features, Landi Renzo has entered into important partnerships in both the gas and hydrogen segments.

By the end of 2021, the initial pilot project of a new generation CNG engine tractor will be ready for testing, as a result of the fruitful agreement with one of the main Indian engine brands, Mahindra & Mahindra Limited (M&M), part of the Mahindra Group.

The first reference market will be India, which is currently experiencing exponential growth in the exploitation of CNG in the automotive sector, where if the first phase of the project is successfully completed, other possible long-term commercial agreements and partnerships will be evaluated with other Heavy-Duty and Agricultural sector manufacturers as well.

Furthermore, the Group has strengthened its presence in Egypt by entering into a strategic agreement with the National Organization for Military Production, controlled by the Ministry of Military Production, for the creation of a joint venture (50% held by each party) for the production and sale of components and systems for the CNG conversion of the Egyptian fleet on the road. The agreement is part of the government's plan to transform all mobility to natural gas, by performing at least 100,000 conversions every year, in addition to developing new programmes and initiatives dedicated to the Heavy-Duty segment, including research on a monofuel engine.

With respect to the hydrogen segment, through its alliance with the Canadian Hydrogenics Corporation, a global leader in the development of clean energy solutions, the Group has taken another step forward towards zero-emissions mobility. The goal of this alliance is to design and develop hydrogen systems and components, defined as fuel cells, for Heavy-Duty vehicles globally, and further collaborations for supplying fuel systems for hydrogen vehicles, which is likely to involve the use of electrolysis technologies.

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

The ecological and economic contribution of gas as a transportation fuel

Therefore, as a concrete solution to environmental issues, the Landi Renzo Group offers **technologies capable of significantly reducing CO_2** emissions, nitrogen oxides and particulate matter, especially compared to diesel vehicles which are one of the greatest causes of atmospheric pollution and of the resulting effects on health. The use of CNG and LPG has considerable advantages from many points of view, over both petrol and diesel fuels.

Over the same distances, in Italy, expenditure on **CNG** is now **60% less than it is for petrol.** Compared to other fossil fuels, the methane molecule (CH_4) is the simplest, and the one with the highest content of hydrogen and the lowest carbon content. This means that with the same amount of energy output, **natural gas produces approximately 20% less CO_2 than petrol**. Plus, a CNG-fuelled car usually has **lower nitrogen oxide, carbon monoxide and unburned hydrocarbon emissions.** Thanks to improved combustion, CNG-fuelled vehicles **can go up to 40,000 km longer without an oil change.** It is fairly common to find CNG-fuelled cars still in circulation after travelling 350,000-400,000 km, and in some cases even 500,000 km. One of the main reasons for this is that natural gas mixes much more efficiently with air in the combustion chamber. Landi Renzo's technologies are already suitable for operation on **biomethane** vehicles. Biomethane is a highly economical, eco-friendly fuel (it is one of the initiatives in the "European New Green Deal") which makes vehicles with traditional endothermic engines comparable – if not even better than – electric cars in a "WtW" (Well-to-Wheel) analysis, which compares fuels by energy type and which can also be used for environmental analysis. Similar performance levels can also be achieved with LPG, with the sole exception of the CO_2 output, which is greater than CNG though still **11% less compared to petrol**.

As methane and LPG are gases, **they do not pollute the soil, water or groundwater.** LPG is a by-product of oil refining, of which it is the lighter fraction. It is mainly made up of propane and butane (the same that is usually used in lighter fuel), which is often referred to as liquid propane gas. At normal ambient temperatures, LPG remains in a liquid state if stored under a pressure of a few atmospheres, and as such it can easily be transported in ordinary reinforced tanks, in similar quantities to petrol. In Italy the use of LPG instead of petrol allows **savings in the order of 60%.**

The Landi Renzo Group has defined hydrogen powered applications as being of strategic importance; this offers further potential for clean technology in the future. Hydrogen fuel can be seen as a natural evolution for those who, like the Landi Renzo Group, have been working with LPG and CNG for decades. It has the added benefits of extremely low environmental impact and does not require the customer to change their habits.

Also in the area of diesel engine conversion systems (**Diesel Dual Fuel**), a promising project on the conversion of farm vehicles which began in previous years continued in 2020. The joint efforts of the Landi Renzo Group and one of the global leaders in the manufacture of agricultural vehicles led to the construction, testing and optimisation of prototypes worldwide (specifically in South America, Russia and Eastern Europe). Dual Fuel technology makes it possible to use a mix of diesel and methane via an additional fuel system that does not affect performance in the original (diesel) mode, but exploits it by reducing CO_2 emissions more than is possible with any other internal combustion engine. In practice, the system makes it possible to reduce both operating costs and polluting emissions; this reduces emissions of particulate matter and CO_2.

The group has committed with a leading global manufacturer of light vehicles to defining and prototyping an innovative DDF system which will be tested and inspected in the course of 2021 with potential room for application in the market in the coming years.

Governance and Sustainability

Stakeholders and main issues

Social responsibility has always been the concrete expression of the Landi Renzo Group's values. It is an integral part of the Group's mission and of its corporate strategy, and the cornerstone on which it builds trust and credibility with its main stakeholders.

Our stakeholders

Identifying and engaging those parties who can be influenced by, or actually influence the Group's activities in the various phases of the ESG (Environmental, Social and Governance) Process, with a view to disseminating, sharing and understanding the SR objectives, is the key to establishing and maintaining mutually beneficial, durable relations based on continuous dialogue. Transparency, trust and consensual decisions are crucial in order to **build shared long-term value.**

To demonstrate the Group's commitment and attention to its wide-ranging sustainable enterprise project, in 2020 Landi Renzo updated its materiality analysis in order to align the contents of its Non-Financial Report with its business strategy, mission, corporate values and strategic social and environmental priorities.

Also for 2020, regarding the updating of the materiality analysis, an external stakeholder was involved (chosen for their influence, knowledge of the industry and capacity to provide original, innovative opinions), as an appraiser of the main issues. This is a sign of how stakeholder engagement is becoming an increasingly important issue for the Group, and of how all aspects — both internal and external — need to be recognised and integrated through an inclusive process designed to build shared value.

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

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

The analysis is a two-step process:

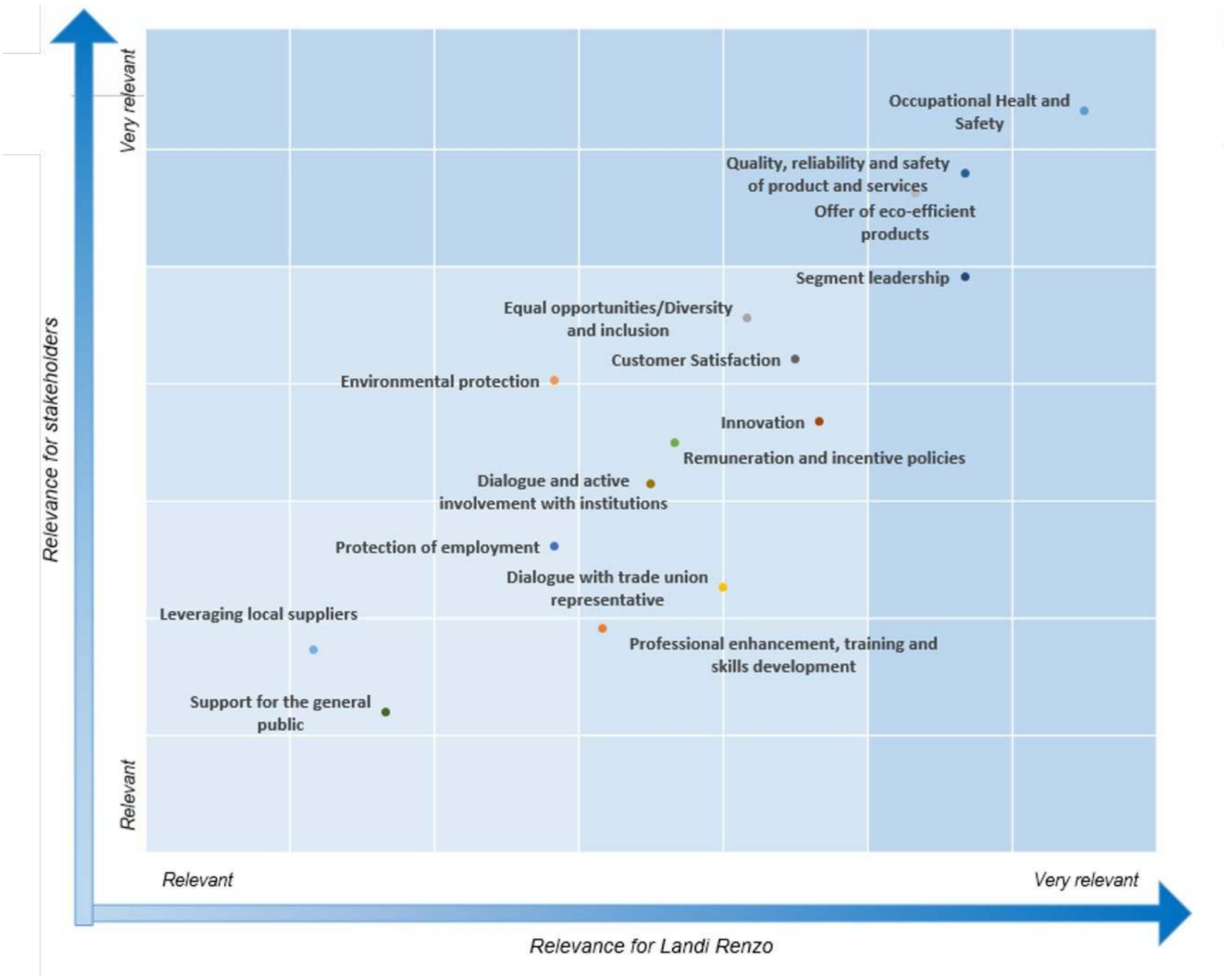
1. **Identification of potential material issues** for the Landi Renzo Group and its stakeholders (through an analysis of the issues suggested by the GRI in the document: *"Sustainability Topics for Sectors: What do stakeholders want to know*?", knowledge of the sector and media search activities), and a subsequent assessment by personnel in the various company departments in order to establish the key issues to be detailed in the Non Financial Report.

   There have been no changes to the material issues identified in the previous reports.

2. **Prioritisation of issues**: the assessment of issues (by all parties involved, both internal and external) based on their materiality for the achievement of the business objectives (***materiality for the Landi Renzo Group***) and regarding the impact that the issue may have on the stakeholders' decisions (***materiality for stakeholders***), so that the issues can be prioritised to a greater degree.

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

Materiality matrix



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

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

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

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

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

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

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

Table of correspondence

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

Personnel	Dialogue with trade union representatives	Labour/management relations (402-1) General disclosure (102-41)	▪ Trade union relations and employment protection
Personnel	Protection of occupation	Employment (401-1), Labour/management relations (402-1)	▪ HR management and structure ▪ Employee turnover ▪ Trade union relations and employment protection
Personnel	Remuneration and incentive policies	Market presence (202-1) Employment (401-2)	▪ Corporate Governance and Ownership Report ▪ Remuneration and benefits
Human rights	*Compliance and risk management*	Key impacts, risks and opportunities (102-15)	▪ Main non-financial risks
Human rights	*Policies and procedures for managing the identified risks*	Management approach (103)	▪ Human rights, diversity and equal opportunities
Human rights	-	Non-discrimination (406-1)	▪ Human rights, diversity and equal opportunities
Social	Compliance and risk management	Key impacts, risks and opportunities (102-15)	▪ Constant focus on quality (Consumer health and safety)
Social	*Policies and procedures for managing the identified risks*	Management approach (103)	▪ Constant focus on quality ▪ Customer relationships - contact channels, satisfaction monitoring and training
Social	Quality, reliability and safety of products and services	Customer health and safety (416-1;416-2) Marketing and labelling (417-2)	▪ Constant focus on quality
Social	Technological innovation (of processes and/or products)	(*)	▪ Innovation in research and development: a model of excellence
Social	Customer Satisfaction (customer engagement and satisfaction)	General disclosure (102-43;102-44) Customer health and safety (416-1; 416-2) Customer privacy (418-1)	▪ Customer relationships - contact channels, satisfaction monitoring and training ▪ Constant focus on quality

Social	Dialogue and active involvement with institutions	(*)	▪ Communication with authorities and institutions and active participation in sustainable development
Social	Leadership (consolidation of sector leadership and expansion into international markets)	(*)	▪ The Landi Renzo Group worldwide ▪ Other products and markets in which the Group operates
Social	Support for the general public	Procurement practices (204-1) Taxes (207-1; 207-2; 207-3; 207-4) General disclosure (102-14;102-44)	▪ The local community and area ▪ Suppliers ▪ Tax management ▪ Communication with authorities and institutions and active participation in sustainable development
Supply chain	*Compliance and risk management*	Key impacts, risks and opportunities (102-15)	▪ Main non-financial risks
Supply chain	*Policies and procedures for managing the identified risks*	Management approach (103)	▪ Suppliers
Supply chain	Enhancing local suppliers	Procurement practices (204-1) General disclosure (102-9)	▪ Suppliers ▪ Enhancing the local economy
Environment	*Compliance and risk management*	Key impacts, risks and opportunities (102-15)	▪ Main non-financial risks
Environment	*Policies and procedures for managing the identified risks*	Management approach (103)	▪ Environmental policy and management system ▪ Environmental performance
Environment	Environmental protection (in terms of the efficient use of resources and the reduction of atmospheric emissions)	Energy (302-1), Emissions (305-1; 305-2; 305-4; 305-7), Water (303-1; 303-2; 303-3) Waste by type and disposal method (306-2)	▪ Environmental performance

Environment	Offer of eco-efficient products	(*)	▪ The ecological and economic contribution of gas as a transportation fuel ▪ Innovation and Research & Development: a model of excellence
Fight against corruption	*Compliance and risk management*	Key impacts, risks and opportunities (102-15)	▪ Main non-financial risks
Fight against corruption	*Policies and procedures for managing the identified risks*	Management approach (103)	▪ Corporate Governance
Fight against corruption	-	Anti-corruption (205-3)	▪ Corporate Governance

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

Main non-financial risks

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

Health & Safety in the Workplace

The main risks are linked to the workers engaged in production, logistics, laboratories and workshops, as they are exposed to the typical industrial risks of work procedures in engineering companies, in particular: the design, development and production of pressure regulators, valves, electronic devices and accessories for fuel gas systems for internal combustion engines. These risks consist specifically of mechanical and chemical risks, in addition to the risks of handling loads, both manually and with machines such as forklifts, and all those risks resulting from procedures with electronic equipment and testing. An analysis of the 2020 accident indicators shows that the greatest exposure results from assembly and inspection as well as goods warehouse activities. To control these risks, in 2010 Landi Renzo S.p.A. adopted an Occupational Health and Safety Management System (OHSMS) and Policy, whose principles were also extended to include Lovato Gas (although that company is not part of the certification process). From November 2019, during the periodic audit performed by the certifying entity Bureau Veritas, the Parent Company Landi Renzo S.p.A. was certified as meeting and complying with the requirements of the new ISO 45001:2018 standard (for more details, see "Protection of health and safety"). In the course of 2020, it was necessary to handle the COVID 19 epidemic risk, for which the company immediately took action to seek to limit and reduce the possibility of contagion within the company. Currently, the Group, also supported by its Company Doctor, is carefully monitoring developments in cases of contagion from the coronavirus, and is following the measures and recommendations of the Government and other authorities. Staff were provided with instructions on the conduct to be enacted for the adoption of precautions and measures to limit the risk of contagion, adequate personal protection equipment was made available to reduce the possibility of infection and targeted medical checkups were planned for particularly vulnerable individuals who, when possible, began smart working arrangements (for more details, please refer to the "Management of the health emergency and impacts of COVID-19" section).

Personnel management

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

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

Particular attention is always paid to the issue of employee relations and industrial relations (in this case, the greatest risks relate to union disputes or widespread complaints that may lead to general strikes). This is in order to minimise the risk of losses caused to the employees involved in the necessary restructuring operations that affected the Group until last year.

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

Environmental protection

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

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

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

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

In December 2020, the new Single Environmental Authorisation (SEA) was issued for the via dell'Industria site, based on which it will be necessary to follow all instructions and limits with respect to atmospheric emissions and wastewater.

Corruption

The Group operates in countries with a risk of corruption which is medium-high (Italy, Brazil and Romania) and high (China, India, Iran, Argentina and Pakistan). This risk mainly concerns corruption between private individuals, as the Group does not usually deal with public organisations (public authorities or businesses controlled by the public administration), or with the public administration, with the exception of the management of relationships with certifying entities.

To control this risk, Landi Renzo S.p.A. has introduced a whistleblowing process, through which all the 231 Model recipients can access a specific email box which they can use to report any illegal acts or breaches of the Model. The channel ensures the confidentiality of the whistleblower throughout the process (for more information see the paragraph "Organisational Model pursuant to Italian Leg. Decree 231/2001 and fight against corruption"). No episodes of corruption were found in 2020.

Human rights

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

These activities are appropriately governed by company policies and procedures, particularly in the countries with the greatest potential risks, which are India, China, Iran, Pakistan and Brazil. In other countries, such as Poland, there is a dedicated telephone line to take reports from employees. The Supervisory Body will support these control activities. It has set up a specific whistleblowing channel of which all Model addressees have been informed, and which is visible in the Investor Relations section of the website www.landirenzogroup.com (for more information, see the paragraph "Human rights, diversity and equal opportunities"). There are no significant human rights risks in the Group's Italian companies.

Supply chain

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

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

Corporate Governance

Corporate governance is the set of rules, systems and mechanisms designed to effectively implement the organisation's decision-making processes in the interest of all the Group's stakeholders. The parent company **Landi Renzo S.p.A. complies with the regulatory codes (now the Corporate Governance Code) drawn up by the Committee for the Corporate Governance of listed companies.** The most recent update was made official in January 2020 and will enter into force in 2021. A traditional governance system is in place, which includes three bodies: the Shareholders' Meeting, the Board of Directors and the Board of Statutory Auditors.

Board of Directors

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

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

Board Committees

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

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

The following committees are under the Board of Directors:

- The ***Remuneration Committee*** has the task of formulating proposals for the Board of Directors (in the absence of the interested parties if they are part of the Committee) regarding the remuneration of the Chief Executing Officer and that of key directors. It also periodically evaluates the criteria adopted for the remuneration of key managers, supervising the application of these guidelines and providing general recommendations. The Remuneration Committee has three members: Sara Fornasiero as Chair, and Vincenzo Russi, who are both non-executive, independent directors, and Angelo Iori who is a non-executive director. All the members have suitable financial and accounting experience and knowledge. With regard to determining the remuneration of the Board members, an amount is allocated by the Shareholders' Meeting for the duration of the directors' mandate. The emoluments may be formed of a fixed amount and a variable amount that reflects the financial results and or/objectives achieved by the Company. For the purpose of obtaining STAR qualification, the stock exchange regulations require the Remuneration Committee to make sure that a significant part of the executive directors' and top management's remuneration is in the form of bonuses.

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

- The ***Control and Risks Committee*** ensures that the assessments and decisions made by the Board of Directors regarding the Internal Audit and Risk Management System, the approval of the full-year and interim financial reports, and the relations between the Issuer and the external auditor, are supported by suitable preparation. This Committee has three members with suitable financial and accounting experience and knowledge, namely Sara Fornasiero as Chairperson, Vincenzo Russi as independent director, and Angelo Iori as a non-executive director.

- The ***Related Parties Committee*** is tasked with ensuring the integrity of all transactions with related parties, by giving an opinion on the company's interest in completing a specific operation, and on the integrity and benefit of the corresponding conditions. The Committee is formed of two independent directors, Sara Fornasiero and Vincenzo Russi.

Board of Statutory Auditors

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

Internal Control and Risk Management System (ICRMS)

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

The purpose of the internal audit and risk management system is to help the Group achieve its performance and profit objectives, obtain reliable economic/financial information, and ensure compliance with existing legislation, to avoid damage to reputation or financial losses. In this process, particular importance is given to the identification of corporate objectives and to the classification and control of business risks, by implementing specific actions to contain these risks.

There are various types of potential business risks - strategic, operational (related to the effectiveness and efficiency of business operations), reporting (related to the reliability of economic/financial information), and finally compliance-related (related to compliance with existing legislation and regulations to avoid damage to reputation and/or financial losses). In response, Internal Audit has carried out a risk mapping activity for the Italian companies. This is then evaluated by the Supervisory Body, the Control and Risk Committee and by the Board of Directors. Based on the risk map, and according to the level of risk represented in it, Internal Audit will then conduct specific audits (which are identified in the three-year risk based audit plan). The findings are then reported as necessary to the Control and Risk Committee and to the Supervisory Body, as well as being reported quarterly to the Board of Statutory Auditors, and annually to the Board of Directors.

The Board of Directors assesses the effectiveness and suitability of the Internal Audit and Risk Management System annually, based on the information and evidence obtained with the support of the preliminary work done by the Control and Risks Committee, by the Internal Audit manager and by the Supervisory Body, created pursuant to Italian Legislative Decree 231/2001.

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

The Landi Renzo S.p.A. Board of Directors approved its Organization, Management and Control Model ("the Model" or "the 231 Model") in accordance with Italian Legislative Decree 231/2001, on 20 March 2008. The Model, which is based on the guidelines issued by Confindustria in accordance with the relevant legislation, sets out the standards for behaviour, procedures and control activities, in addition to the system of powers and authorities intended to prevent the offences outlined in the Italian Legislative Decree 231/2001.

Following its adoption in 2008, the Model was updated in 2012 to include administrative liability for environmental crimes as per Italian Legislative Decree 231/2001. The Model was further updated in 2013 when Law 190/2012 (anti-corruption provisions) came into force. Finally, in 2015 it was amended in order to incorporate the new crime of self-laundering (Article 648-*ter* of the Italian Criminal Code). The Organisational Model is made available and communicated to all personnel, third-party contractors, customers, suppliers and partners.

At the proposal of the Supervisory Body, the Organisation, Management and Control Model is currently being revised in order to maintain stability and efficiency in light of the Group's changing business conditions and the most recent legislation; the revision will also take into account the results of the new Strategic Plan as well as developments in the market environment caused by Covid-19.

With regard to the whistleblowing system, in accordance with Italian Law 179 of 30 November 2017 "*Provisions to safeguard persons reporting offences or irregularities they receive knowledge of in connection with public or private working relations*" and taking into account the ISO 37001 standards "Anti Bribery Management System" (in line with the current national and international best practices), a dedicated email address has been set up. This has been communicated to all the Model recipients and is available in the Investor Relations section of the website www.landirenzogroup.com. This channel allows all employees and contractors to make anonymous reports directly to the Supervisory Body, by encouraging use of the system for reporting illegal acts or violations of the 231 Model. No reports of any non-conforming behaviours or violations of the Code of Ethics were received during the year.

To ensure the Model is implemented correctly, a Supervisory Body has been set up. Its current members are Jean-Paule Castagno, Sara Fornasiero and Domenico Sardano, who have been appointed to this role until the approval of the financial statements to 31 December 2021.

The Supervisory Body sends the Board of Directors a written report every six months, on the effective knowledge and implementation of the 231 Model within each company department. The implementation of suitable regular and/or sporadic information flows to the Supervisory Body is another important tool for the Board to meet its legal monitoring responsibilities, and hence for the effectiveness of the Model in preventing liability. From 2018 onwards, the activities of Internal Audit have been covered by an external professional with specific duties.

In 2020, the head of Internal Audit drafted and presented to the Board of Directors and the Supervisory Body the Audit Plan for the 2020-2022 three-year period, based on the updated risk mapping.

The audits conducted by Internal Audit did not reveal any conduct or reportable offences nor any violations of the Model, nor was there any other act or conduct that amounted to a breach of the provisions of Italian Legislative Decree 231/2001.

With regard to corruption, all the internal divisions operating in Italy underwent an anti-corruption assessment, and were thus included in the risk mapping activity conducted by Internal Audit. Over the next three years, the objective is to extend the map to include the Group's foreign branches and companies.

As part of the actions to implement the Model, the Board of Directors has adopted the Landi Renzo Group Code of Ethics, which defines the underlying values and principles of the company's business methods, and the rules and standards of good conduct to implement these principles. The Code of Ethics is binding on all of the Group's associates, and was reviewed in 2015 as part of the update to the 231 Model following the introduction of the crime of self-laundering. It is currently being updated in relation to the crime of active and passive corruption.

Other employees in the Group were sent the Code of Ethics by e-mail along with a summary of the main principles of the Decree. Each update to the Code of Ethics is sent to all personnel, through an email from the Chairman. An e-learning training course is also available, and is an integral part of the induction programme for new hires. These reports are only received and dealt with by the Supervisory Body.

Social Performance

Human Resources

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

HR management and structure

Innovation is a fundamental concept for everyone within the Landi Renzo Group, who work incessantly and passionately to propose increasingly cutting-edge solutions in the field of alternative fuels, for a more environmentally sustainable present and future. A focus on innovation which has helped to open up new avenues, pointing to new horizons for the whole industry.

At the end of 2020, the Landi Renzo Group had 547 employees. During the year 2020, the Group's average workforce was more than 500 people.

Number of employees by geographical region and gender

GROUP EMPLOYEES BY GEOGRAPHICAL REGION AND GENDER	2020			2019			2018		
	Male	Female	Total	Male	Female	Total	Male	Female	Total
Italy	183	135	318	192	137	**329**	182	141	**323**
Europe (excluding Italy)*	124	29	153	140	23	**163**	71	23	**94**
Asia**	28	10	38	27	10	**37**	31	8	**39**
America***	27	11	38	28	14	**42**	23	15	**38**
Total	**362**	**185**	**547**	**387**	**184**	**571**	**307**	**187**	**494**

** Poland and Romania*
*** Pakistan, Iran and China*
****Argentina, USA and Brazil*

Number of employees and contractors by gender

WORKFORCE BY GENDER - EMPLOYEES AND CONTRACTORS	2020			2019			2018		
	Male	Female	Total	Male	Female	Total	Male	Female	Total
Employees	362	185	547	387	184	**571**	307	187	**494**
Temporary agency staff*	41	23	64	49	28	**77**	149	42	**191**
Other contract types**	7	0	7	9	1	**10**	2	0	**2**
Total	**410**	**208**	**618**	**445**	**213**	**658**	**458**	**229**	**687**

*The information refers to Italy and Poland.

**The information refers to Iran and Pakistan.

Approximately 80% of staff were hired on **permanent contracts**, which confirms the positive situation within the Group. In 2020 the average **length of service** was **10.19 years**.

Number of employees by contract type and gender

EMPLOYEES BY CONTRACT TYPE AND GENDER	2020			2019			2018		
	Male	Female	Total	Male	Female	Total	Male	Female	Total
Permanent	269	166	435	254	163	**417**	229	159	**388**
Temporary	93	19	112	133	21	**154**	78	28	**106**
Total	362	185	547	**387**	**184**	**571**	**307**	**187**	**494**
Contracts that became permanent	1	0	0	1	3	4	4	0	4

Number of employees by contract type and geographical region

EMPLOYEES BY CONTRACT TYPE AND GEOGRAPHICAL REGION	2020			2019			2018		
	Permanent contract	Temporary contract	Total	Permanent contract	Temporary contract	Total	Permanent contract	Temporary contract	Total
Italy	316	2	318	327	2	**329**	315	8	**323**
Europe (excluding Italy)*	73	80	153	42	121	**163**	31	63	**94**
Asia**	9	29	38	9	28	**37**	6	33	39
America***	37	1	38	39	3	**42**	36	2	**38**
Total	**435**	**112**	**547**	**417**	**154**	**571**	**388**	**106**	**494**

** Poland and Romania*
*** Pakistan, Iran and China*
****Argentina, USA and Brazil*

In terms of workforce composition, this year **manual workers** was the largest category, at around **46%** of the total, followed by clerical workers (roughly 40%).

Number of employees by professional category and gender

EMPLOYEES BY PROFESSIONAL CATEGORY AND GENDER	2020			2019			2018		
	Male	Female	Total	Male	Female	Total	Male	Female	Total
Senior managers	12	2	14	13	1	**14**	10	1	**11**
Middle managers	50	9	59	49	8	**57**	48	9	**57**
Clerical workers	142	79	221	157	81	**238**	141	83	**224**
Manual workers	158	95	253	168	94	**262**	108	94	**202**
Total	**362**	**185**	**547**	**387**	**184**	**571**	**307**	**187**	**494**

Employee percentage by level of education and gender

EMPLOYEES BY LEVEL OF EDUCATION AND GENDER	2020			2019			2018		
	Male	Female	Total	Male	Female	Total	Male	Female	Total
Bachelor's Degree/Master's Degree	99	46	145	106	47	**153**	94	46	**140**
High school diploma /Qualification	228	76	304	134	62	**196**	134	65	**199**
Middle school diploma	35	63	98	147	75	**222**	79	76	**155**
Total	**362**	**185**	**547**	**387**	**184**	**571**	**307**	**187**	**494**

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

In terms of the workforce's educational qualifications, these are in line with the business requirements: approximately 18% of employees have a *lower middle school diploma*, 27% have a *university degree*, and 56% have an *upper middle school diploma*.

The more junior categories engage with the Group business via work experience schemes. **Four** work experience schemes were set up in 2020, mainly implemented at the Group's Italian sites; this figure is down on previous years due to the ongoing pandemic and the resulting impossibility to carry out on-the-job training projects.

The average age of employees during the year was **40.4** years. Indeed, there is a prevalence of staff in the 36-50 age range (50% of total employees).

Number of employees split by age

EMPLOYEES SPLIT BY AGE	2020	2019	2018
18-35	134	163	120
36-50	272	287	276
>50	141	121	98
Total	**547**	**571**	**494**

Employee turnover

The Group has always been committed to the ongoing search for young talents who are attracted by the development programmes it offers.

In 2020, the Italian companies hired new employees, mainly to reinforce their internal capability to reflect changes in the organisation and the business strategies, but also to replace outgoing personnel.

Following on from the recovery that began last year, in **2020** there were **55** new hires (41% less than in 2019). Of the new employees, there were 11 women and 44 men. In terms of age, the new hires consisted of 30 employees between 18 and 35 years of age, 17 aged between 36 and 50, and 8 above the age of 50.

Among the 79 employees who left the Group, there were 10 women and 69 men, 40 of whom were between 18-35 years old, 29 between 36-50 years old, and 10 over 50 years old.

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

EMPLOYEES RECRUITED BY AGE AND GENDER	2020 Total	%	2019 Total	%	2018 Total	%
18-35	30	55%	82	50%	**35**	28%
36-50	17	30%	30	10%	**35**	13%
>50	8	15%	19	16%	**2**	2%
Total	**55**	-	**131**	-	**72**	-

EMPLOYEES RECRUITED BY GEOGRAPHICAL AREA AND GENDER	2020 Male	2020 Female	2020 Total	%	2019 Male	2019 Female	2019 Total	%	2018 Male	2018 Female	2018 Total	%
Italy	10	2	12	4%	26	3	**29**	9%	20	12	**32**	11%
Europe (excluding Italy)*	29	8	37	24%	82	3	**85**	52%	14	7	**21**	20%
Asia**	3	0	3	5%	3	2	**5**	17%	4	2	**6**	13%
America***	2	1	3	8%	9	3	**12**	29%	6	7	**13**	26%
Total	**44**	**11**	**55**	-	**120**	**11**	**131**	-	**44**	**28**	**72**	-
Turnover rate (incoming employees)	**12%**	**6%**	**10%**	-	**31%**	**6%**	**23%**	-	**14%**	**15%**	**15%**	-

** Poland and Romania*
*** Pakistan, Iran and China*
**** Argentina, USA and Brazil*

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

FORMER EMPLOYEES BY AGE GROUP AND GENDER	2020 Total	%	2019 Total	%	2018 Total	%
18-35	40	52%	19	12%	31	24%
36-50	29	35%	22	8%	106	39%
>50	10	13%	11	9%	42	44%
Total	**79**	-	**52**	-	**179**	-

FORMER EMPLOYEES BY GEOGRAPHICAL AREA AND GENDER	2020 Male	2020 Female	2020 Total	%	2019 Male	2019 Female	2019 Total	%	2018 Male	2018 Female	2018 Total	%
Italy	19	4	23	29%	16	7	**23**	7%	91	50	**141**	44%
Europe (excluding Italy)*	45	2	47	60%	14	2	**16**	10%	3	3	**6**	6%
Asia**	2	0	2	2%	7	0	**7**	19%	14	3	**17**	13%
America***	3	4	7	9%	3	3	**6**	23%	11	4	**15**	39%
Total	**69**	**10**	**79**	-	**40**	**12**	**52**	-	**119**	**60**	**179**	-
Turnover rate (outgoing employees)	19%	5%	14%	-	**10%**	**7%**	**9%**	-	**39%**	**32%**	**36%**	-

** Poland and Romania*
*** Pakistan, Iran and China*
**** Argentina, USA and Brazil*

There was a very slight increase in the **turnover rate** in 2020, although it remained quite low compared to the previous years. This is because the Group has now entered a period of normality, despite the events of recent years. This figure reflects the collective situation described above. In Italian companies, there were 23 contract terminations, 19 of whom were men and 4 women.

Trade union relations and employment protection

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

All the Italian companies' staff are covered by the National Collective Labour Agreement. Specifically, at Landi Renzo S.p.A. the relevant contract is the labour agreement for workers in the metalworking industry (*CCNL Metalmeccanici Industria*), while the agreement for Lovato Gas S.p.A. is the "Unionmeccanica – FONDAPI". Lovato Gas S.p.A. was merged into Landi Renzo S.p.A. in 2020, effective as of 01/12/2020, and thanks to a trade union agreement, Lovato Gas personnel continued to maintain the same remuneration as that received prior to the merger until 31/12/2020. Contractual harmonisation and the relative application of the National Collective Labour Agreement for the metalworking industry will take place as of 01/01/2021.

For Landi Renzo S.p.A. and Lovato Gas S.p.A., there are supplementary company agreements resulting from level II bargaining, which define more favourable conditions for company employees than the collective agreements mentioned above. In 2019, the union representatives of Landi Renzo S.p.A. presented a programme for the renewal of the supplementary agreement. Negotiations in this regard were blocked in 2020 as a result of the emergency situation, and a bridge agreement was signed with a view to resuming discussions as soon as possible.

Starting from March 2020, continuous recourse was made to the special temporary lay-off scheme by entering into trade union agreements calling for an advance on pay by the company and the full accrual of instalments. In this regard, periodic monitoring meetings were held between the trade unions and the company, during which trends were also shared with respect to the application of the Covid-19 safety protocols.

Hours of absence due to meetings, union activities and strikes

PARTICIPATION IN UNION ACTIVITIES (h)	2020	2019	2018
Hours of absence due to meetings and union activities	340*	522.5*	890
Hours of absence due to strikes	543.5	905.8	192

**These hours only relate to trade union leave, as the hours relating to absences for meetings could not be quantified. In 2020 and 2019, a total of 3 hours and 4 hours, respectively of meetings were organised; however, as the attendees were not monitored it was not possible to calculate the total hours of attendance.

The number of employees in the Italian companies registered with unions is in line with the figure for last year (118 compared to 119 in 2019). One trade union organisation predominates in the Group's Italian companies.

Human rights, diversity and equal opportunities

In the awareness that employee satisfaction is essential for the company's success, the Group encourages an increase in skills and continuous professional development. For this reason company recruitment policy prioritises the search for young candidates with significant potential who are offered stimulating development paths.

Human resource management in the Group is geared towards integration and respect for diversity, and focuses on preventing any type of discrimination based on gender, nationality, ethnicity, sexual orientation, class, appearance, religion or political opinion. The work-life balance is promoted through part-time employment contracts which are mainly used by female personnel, who in many cases exceed the percentage of part-time employees provided for in the relevant collective labour agreement.

The personnel recruitment process is particularly thorough, and is managed by the People Strategy department. At the start of the year, the staffing requirements for the whole Group are identified, and one or more recruitment channels are chosen for each position. The main sources are recruitment firms, schools, universities and unsolicited applications. To evaluate the technical profile and potential of each candidate, the recruitment process involves interviews, motivational and technical tests. During this phase, the opportunities available and company expectations are clarified in the interests of mutual understanding. The People Strategy department draws up a shortlist for each vacancy. The Department Manager will then interview the applicants to complete the recruitment process and select the right candidate.

Once the candidate has been hired, a welcome pack is prepared, containing all the information they need to integrate into the company as well as a personal training plan; get-to-know-you meetings are held so the new member of staff can become operational quickly and efficiently. In addition to the Group Code of Ethics, the Chinese company Beijing Landi Renzo Autogas System has adopted an “Employee Code of Conduct”, while the Argentinian company AEB America has a Code of Ethics that sets out the mission, principles, values and main ethical and professional behaviours to be respected within the organisation. The Argentinian company also has an “Internal Regulations Manual” approved by Top Management, which is circulated to all staff. It also contains a procedure for resolving disputes or issues raised by staff (the first port of call to respond to requests to resolve issues is the head of Department; after that, if the response/solution is not satisfactory, it is possible to request authorisation to take the issue to a higher level or to the HR Department). Landi Renzo RO S.r.l. has a “Labour Code”, and internal company rules. Furthermore, the Company Landi Renzo USA Corporation has adopted an “Employee Handbook” containing all company policies, which is provided to all employees when they are hired.

Finally, the Group is aware of the direct and indirect impact its activities may have in the community in which it operates, and conducts its business in accordance with universal human rights and with respect for local and national communities. Based on the information available at the Group’s head office, in 2020 no areas at risk of breaching human rights were identified, nor were there any reports of cases of discrimination or violation of these rights.

Employees by contract type

EMPLOYEES BY CONTRACT TYPE (no.)	2020			2019			2018		
	Male	Female	Total	Male	Female	Total	Male	Female	Total
Full-time	358	167	525	384	164	548	304	169	**473**
Part-time	4	18	22	3	20	**23**	3	18	**21**
Total	**362**	**185**	**547**	**387**	**184**	**571**	**307**	**187**	**494**

There are **19** people belonging to **protected categories** within the Landi Renzo Group.
Company policy is to select personnel belonging to these categories according to the roles and skills required by the company, through agreements with the relevant organisations, instead of making exemptions.

Employees belonging to protected categories

EMPLOYEES BELONGING TO PROTECTED CATEGORIES (no.)	2020			2019			2018		
	Male	Female	Total	Male	Female	Total	Male	Female	Total
No. of employees belonging to protected categories	7	12	19	8	13	**21**	9	13	**22**

The figures refer to the Italian companies

Training

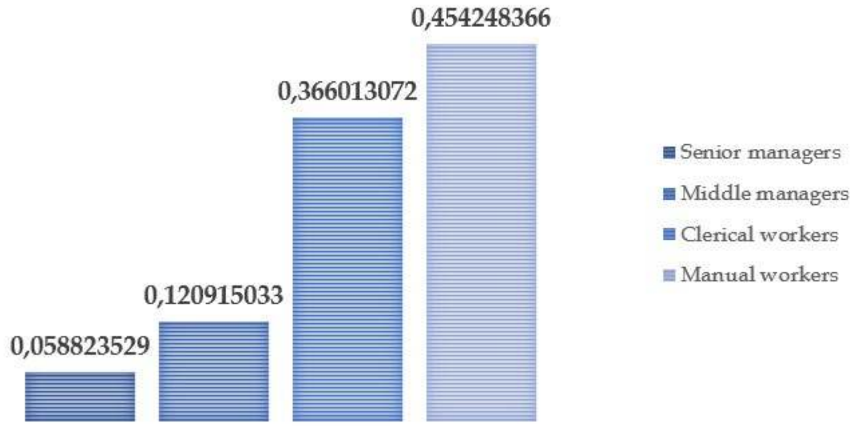
The Landi Renzo Group considers staff training to be a fundamental priority in personal development, and to increase the company's assets. Developing, optimising and spreading knowledge and cross-cutting skills will ensure effectiveness, flexibility and a tendency towards innovation. The learning process is seen as an ongoing experience that accompanies people throughout their career. People's knowledge and ability to innovate are critical for success and must be nurtured continuously. In order to optimise the management of its training programme, in 2014 the Landi Renzo Group introduced a procedure that allows management to define the needs for each job description and to identify the specific skills needed for each role. Each year, in collaboration with management, People Strategy defines a training plan based on the skills required for each employee and the specific training needs for the area, identified by the departmental leader or head of department.
In the course of 2020, training activities suffered from a slowdown due to the epidemiological situation, due to which certain planned activities were in part postponed, in part suspended and especially adapted.
In the early months of the year, the project launched in 2019 to earn the PMI (Project Management Institute) certification was concluded, involving 6 employees, with 3 certifications earned and another 2 currently being obtained. Two professional growth courses were launched and concluded for 2 managers, which were initially started in person and then finished in e-learning mode. In continuity with previous years, specific training activities were carried out for the production departments, including transversal updating for the various business areas, in addition to training on the approval to launch production and video courses focusing on products.

Language training continued with English language courses for 48 people which starting in April were converted into remote training on the Cisco Webex Training platform. Furthermore, in continuity with 2019, further courses were arranged for some of the managerial roles.
During 2020, a range of seminars and update webinars were held on certain technical topics, such as the ATLAS seminar cycle for manufacturing and MathWorks webinars on the Automotive sector and smart manufacturing.
Furthermore, a significant amount of training was also devoted to the prevention and management of the Covid-19 emergency, by participating in meetings with local entities, such as the meeting with Unindustria & local health authorities on the management of the anti-contagion protocol, and training and internal awareness-raising activities, such as the meeting with managers on the risk linked to the potential spread of the virus.
The objective for 2021 will be to resume technical training and continuous education for the Research & Development area and launch an organic growth and development project for executives and managers.
The training programme is delivered by People Strategy, who also monitors and assesses the training provision. A satisfaction questionnaire is administered to a sample of participants at the end of each course. The questionnaire focuses on the topics under discussion, the competence and capability of the trainer, and the organisation of the course.
The courses delivered in 2020 were assessed overall as very satisfactory, with an average score of 4.17 on a scale from 1 (unsatisfactory) to 5 (excellent). Following the completion of the annual training plan, the courses are assessed in terms of their efficiency in delivering knowledge, with an evaluation sheet to be given to all the departmental managers. Despite the epidemiological situation which impacted training activities throughout 2020, 5,473 hours of training were delivered to 306 people, amounting to a total investment of approximately Euro 36 thousand.

Employees who received training by professional category

EMPLOYEES WHO RECEIVED TRAINING BY PROFESSIONAL CATEGORY (no.)	2020			2019			2018		
	Male	Female	Total	Male	Female	Total	Male	Female	Total
Senior managers	15	3	18	13	0	**13**	10	0	**10**
Middle managers	32	5	37	39	7	**46**	33	6	**39**
Clerical workers	88	24	112	112	43	**155**	119	58	**177**
Manual workers	69	70	139	69	77	**146**	52	92	**144**
Total	**204**	**102**	**306**	**233**	**127**	**360**	**214**	**156**	**370**

Employees who received training in 2020 by category



The Group is constantly committed to developing new skills on multiple levels, while enhancing those already present within the organisation. In 2020, office workers were the main category receiving training (in line with the previous year), with the largest portion of training hours dedicated to language learning and safety.

The figures for 2018 relate to Landi Renzo SpA, Lovato Gas and the foreign companies. The 2019 figures only refer to Landi Renzo S.p.A. and Lovato. The figures for 2020 relate to Landi Renzo SpA, Lovato Gas and the foreign companies. For information on changes to the boundary, reference is made to the paragraph "Methodological note".

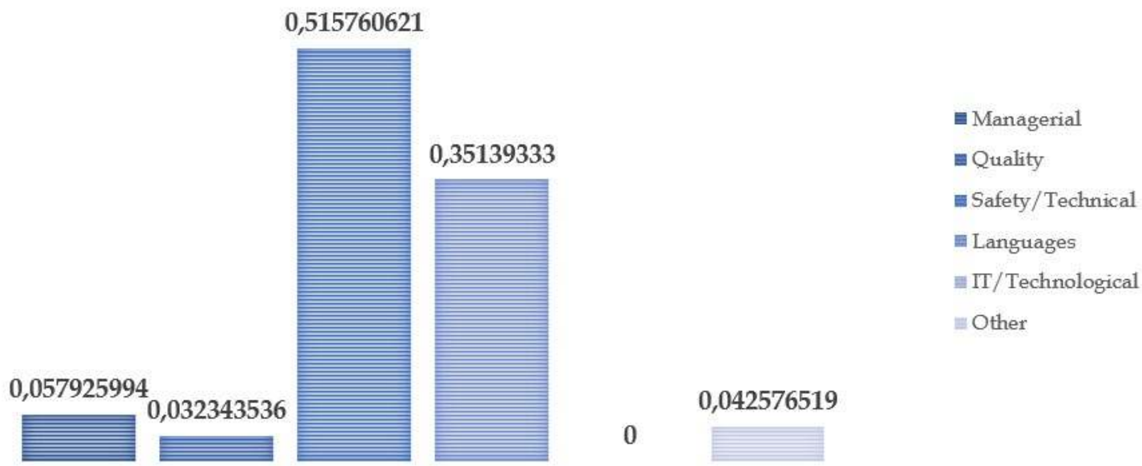
Between 2019 and 2020 (2020 data refer to Landi Renzo SpA, Lovato Gas and the foreign companies) there was a sharp decrease in the number of training hours per role and gender (8,677 in 2019 compared to 5,473 in 2020). This was mainly due to the ongoing emergency situation. Indeed, for Landi Renzo and Lovato only, the number of employees trained in 2020 was below the 2019 figure as well (-26%).

Following the worldwide spread of the coronavirus (Covid-19), which is having significant effects on the world economy, the Group has taken measures to protect its workers, while continuing to operate but always attributing priority to safety through the adoption of smart working arrangements and the resulting preventive measures. In light of these decisions, company training needed to adjust to the new normal by embarking for the first time on a transition from face-to-face to digital learning.

In this scenario, the Group was required to redesign post-Covid-19 training by including digital learning within its training plans.

Hours of training by subject area in 2020

HOURS OF TRAINING BY SUBJECT AREA (h)	2020	2019	2018
Languages	1,923	3,725	1,656
Safety/Technical	2,823	2,688	2,114
Quality	177	874	1,407
IT/Technology	0	295	115
Managerial	317	51	339
Other types	233	1,044	812
Total	**4,318**	**8,677**	**6,442**



Hours of training per capita by professional category

HOURS OF TRAINING PER CAPITA (h)	2020			2019			2018		
	Male	Female	Total	Male	Female	Total	Male	Female	Total
Senior managers	8.3	45.7	14.6	12.4	-	**11.6**	18.2	-	**18.2**
Middle managers	19.1	72.2	26.2	21.2	19	**20.9**	20.5	48.9	**24.9**
Clerical workers	26.6	24.8	26.2	25.1	**18**	**22.7**	20.5	24.0	**21.6**
Manual workers	14.2	4.5	9.5	5.6	10.3	**7.3**	13.8	8.1	**10.1**
Total	**19.9**	**13.8**	**17.9**	**15.7**	**14**	**15.2**	**18.8**	**15.5**	**17.4**

2018 data for Brazil is not available

It is specified that the average training hours in 2020 were 10 hours per employee for a total of 547 employees.

Technical training for workshops and installers

The in-person training requirements of the Network of Workshops and Installers/Importers were reduced during the year 2020 as a result of COVID-19. New remote learning solutions were also introduced.

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

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

Foreign network development was primarily monitored by the Landi Renzo branches and local outsourcers. The objective for the coming years is to define an intensive internal training programme in order to boost the technical skills of Landi Renzo personnel as well as external training (in-person and remote), including by recording lessons and sending them to customers. Landi Renzo is also planning to record video tutorials addressing recurring support issues to be sent to customers.

Personnel assessment and professional development

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

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

The assignment and assessment process will resume in 2021, representing the basis for identifying individual development plans for high-potential profiles.

At the end of 2020, no one was involved in International Mobility plans. Over recent years, more importance has been given to short-term mobility, instead of expatriating people for several years to a foreign branch; the objective is to support the move towards an increasingly more integrated, flexible global organisation. As proof of the importance that is still given to international experience, the Landi Renzo Group has many technical and sales employees who can be considered "frequent travellers", as well as Italian staff hired on local contracts at a foreign branch.

Remuneration and benefits

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

For the Italian companies, the process of defining the variable pay component takes the form of the performance bonus. This is linked to the performance appraisal for all staff, the results achieved by leading roles and – limited to certain specific positions such as the Employer's delegate and the managers of production sites – various health, safety and environment objectives.

During the annual budgeting process, a percentage of the total remuneration is allocated to merit-based policies. None of the companies in the table below have a pay level below the local minimum for the relevant category of new hires.

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

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

RATIO OF SALARY FOR NEW HIRES TO LOCAL MINIMUM SALARY	2020		2019		2018	
	Male	Female	Male	Female	Male	Female
AEB America S.r.l.	1.28	1.52	1.33	1.33	1.09	1.09
Beijing Landi Renzo Autogas System Co. Ltd	3.32	5.01	5.53	3.18	6.05	3.30
Landi Renzo Polska Sp.Zo.O.	1.59	1.35	1.75	1.42	1.99	1.69
Landi Renzo RO S.r.l.	1.40	1.40	1.50	1.50	1.50	1.50
Landi Renzo Pars Private Joint Stock Company	-	-	1.10	1.10	1.03	1.03
Landi Renzo S.p.A.	1.20	1.20	1.20	1.20	1.21	1.21
Landi Renzo USA Corporation	1.08	1.08	1.04	1.04	1.04	2.65
Lovato Gas S.p.A.	1.00	1.00	1.00	1.00	1.00	1.00
Landi Renzo Indústria e Comércio	-	-	1.34	1.36	1.35	1.41
Average Group total	**1.56**	**1.80**	**1.75**	**1.45**	**1.80**	**1.65**

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

At Beijing Landi Renzo Autogas System Co. Ltd and L.R. Pak (Pvt) Limited, individual or company-level performance bonuses may be paid.

The Group's focus on its people also means providing advantages through a set of non-financial benefits designed to increase the socio-economic well-being of employees and their families. These include work equipment such as company cars, laptops and mobile telephones, in addition to resources allocated to meet employee social security and welfare requirements. Landi Renzo S.p.A. has supplemented its company welfare policy with a medical insurance plan, through which all employees (both part-time and full time workers) can receive standard medical treatment; staff have an allowance of 200 Euro which they can spend on the company welfare platform, where they can access various goods and services (such as discount vouchers, reimbursements and medical treatment). For the Group's Italian companies, in 2020 dedicated

COVID-19 insurance coverage was taken out, in order to provide support in the case of an infection which includes hospitalisation indemnity, convalescence indemnity and post-hospitalisation assistance. Agreements were also activated with food service and catering companies for the delivery of meals to the office. Abroad, Landi Renzo RO S.r.l. offers its staff meal vouchers, medical insurance and the mandatory legal pension, as well as maternity leave. Landi Renzo USA Corporation provides full medical insurance which also covers eye tests and dental checkups.

Protection of Occupational Health and Safety

Landi Renzo has always focused on its people: it demonstrates this through its commitment to health and safety in the workplace, which is implemented through robust management systems. Landi Renzo S.p.A. has adopted an occupational health and safety policy and management system (OHSMS) in accordance with the requirements of standard ISO 45001:2018, to enable ongoing improvement and maximum performance in relation to safety in the workplace and safeguarding the environment.

In accordance with Italian Legislative Decree 81/2008, the management system consists of a cohesive, detailed body of work instructions and procedures covering all safety activities (safety training, working methods, the use of personal protective equipment etc.), and goes into greater detail for activities that involve specific risks. The system is based on a thorough risk map, in the form of a Risk Assessment report (- DVR) prepared by the Employer and the Health and Safety Manager. It is then checked by the Company Doctor and submitted to the workers' safety representatives in order to identify the severity and probability of specific risks occurring, for each activity and role carried out by Landi Renzo employees.

Over time, the OHSMS has fostered a culture of safety, which has gradually influenced the habits, awareness and mindset of all staff. This has underlined the importance of ensuring personal and collective safety when working for or with Italian companies in the Landi Renzo Group, and has prioritised a proactive approach to health and safety, as potential issues are raised before they become a fully-fledged incident.

As regards occupational medicine services, the health protocol is defined by the Company Doctor.In-company health monitoring is guaranteed by the Company Doctor, that sends aggregate health data and information on the risk of workers that undergo health surveillance, in Attachment 3B (as defined in Article 40, paragraph 1 of Italian Legislative Decree 81/2008) to competent entities. For all inspections made, the Company Doctor writes up a report based on his/her findings. The Company Health and Safety Manager and one or more Workers' Safety Representatives attend the inspections.

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

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

In order to give access to and notify important occupational health and safety information to workers, at Landi Renzo S.p.A, all documentation on accident prevention is available on a Safety portal and on a noticeboard, on company premises, and in an electronic version on the company Intranet, along with reports on company accident trends. Although no formal management/worker committees for health and safety exist at present, Landi Renzo S.p.A. planned in 2020 to schedule periodic meetings for the Workers' Safety Representatives, Health and Safety Manager and company trade union representatives with a view to guaranteeing communication flows on health and safety matters to all employees. Due to the spread of COVID-19 and the emergency situation, these meetings were not scheduled. The Group HSE Department expects to define the frequency, schedules and procedures for holding the meetings in 2021 with the support of Human Resources. In addition to intensive information and training on the ISO 45001:2018 and ISO 14001 standards, through which company personnel are informed of the main safety concepts and new developments in this area, performance objectives for safety in the workplace have been set; they are linked to specific KPIs for all the Italian companies in the Group.

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

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

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

In the course of 2020, audits were performed on the management system. These audits were assigned to an external consulting firm and the certifying entity Bureau Veritas. In particular, in July 2020 Bureau Veritas performed a Vip1 audit on the ISO 1400:2015 system, which brought to light two observations concerning:

- "verification and conclusion of the process of approving the new via dell'Industria SEA", a process concluded in December 2020 with the issue of the new SEA
- three-year audit on asbestos covering of via Industria no. 14/16, an activity completed in September 2020.

In November 2020, the ISO 45001:2018 verification audit was performed, bringing to light six observations, the recommendations concerning which have already been followed for some, and will be followed in the course of 2021 for the others. In addition to the certifying body's audits, audits are carried out every year by the consulting firm M2 Engineering and Studio Alfa to support the maintenance of the HSEMS, in order to verify the proper application of the ISO 14001:2015 and ISO 45001:2018 standards.

Furthermore, in 2019 the company used the "FE 16" form to draw up a "**Risks and opportunities matrix**" linked to internal and external factors as required by UNI EN ISO 14001:2015 and UNI ISO 45001:2018. For the environmental aspects, the "FE 17" form was prepared "**Assessment of conformity to requirements of**

workers and other interested parties", UNI EN ISO 14001:2015 and UNI ISO 45001:2018.

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

For suppliers and outsourcing firms, an audit plan for quality audits was prepared in November 2019 for the renewal of the certification with migration to ISO 45001:2018. The form "FA 50 – Supplier Qualification" used in the quality procedure was changed to include references to HSE. In the course of 2020, 2 audits were carried out at suppliers, and others are planned for 2021.

Health and safety training

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

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

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

HOURS OF TRAINING BY ROLE	2020	2019	2018
Senior managers	24	27	25
Middle managers	115	85	138
Clerical workers	411	690	937
Manual workers	1,194	1,069	1,228
Total	**1,744**	**1,687**	**2,328**

The 2018 data does not include Landi Renzo Pars Private Joint Stock Company, as that information was not available. The 2019 figure excludes L.R. Pak (Pvt) Limited, as that information was not available. The 2020 figure excludes L.R. Pak (Pvt) Limited, Landi Renzo Pars Private Joint Stock Company and LR Indústria e Comércio Ltda, as the data is not available.

PEOPLE WHO RECEIVED TRAINING BY ROLE	2020	2019	2018
Senior managers	4	5	3
Middle managers	9	15	19
Clerical workers	38	153	127
Manual workers	75	175	210
Total	**126**	**311**	**359**

The 2018 data does not include Landi Renzo Pars Private Joint Stock Company, as that information was not available. The 2019 data excludes Beijing Landi Renzo Autogas System Co. Ltd and L.R. Pak (Pvt) Limited, as that information was not available. The 2020 figure excludes L.R. Pak (Pvt) Limited, Landi Renzo Pars Private Joint Stock Company and LR Indústria e Comércio Ltda, as the data is not available.

During the reporting period, there was a decrease in training, as in 2020 the COVID-19 epidemiological emergency prevented any classroom courses from taking place. Each year, a programme is drawn up in collaboration with HR, with regard to HS training. It takes into account the requirements for new hires, and the periodic refresher courses for existing staff.

In 2020, one manager, in the Group's Italian companies, took part in the health and safety training. The role of manager brings with it considerable decision-making autonomy in managing employee safety. This is designed to provide training on how to identify parties involved and their obligations, define and identify risk factors, and identify technical, organisational measures for prevention and protection. The course must be completed by new managers and a refresher course is completed by all company managers every five years. On the basis of the requirements set out in the Italian State-Regions agreement, the first type of course contains 16 hours of training and the second course 6 hours.
The future commitments are closely related to the requirements of Italian Legislative Decree 81/2008 and the HSE management system. Monthly monitoring of injuries and near miss reports will continue, with this data being provided to the health and safety officers. Periodic HSEMS audits will be carried out by third parties (accreditation bodies) and by second parties (customers or suppliers) if required. In order to take pre-emptive action in relation to work-related injuries or illnesses, it has been agreed with the trade union representatives to provide all workers with information about the specific risks of their equipment and workstations, with the level of exposure to each risk to be specifically indicated. With regard to safety issues, the necessary courses will be planned in accordance with the Italian State-Regions Conference Agreement, and internal informative meetings with all workers will continue.

Ongoing monitoring of indicators

Safety key performance indicators are monitored continuously, and are constructed according to a statistical criterion relating to the UNI 7249:2007 standard on the statistics of accidents at work. During 2020 there were 9 **non-serious** work-related injuries out of around 800 thousand hours worked, of which 7 at the Cavriago site. These were caused primarily by improper behaviour by personnel, for which the management issued disciplinary measures due to failure to comply with safety regulations. Two also took place at AEB America S.r.l.

Number of employee injuries by geographical area and gender

NO. OF INJURIES (no.)	2020			2019			2018		
	Male	Female	Total	Male	Female	Total	Male	Female	Total
Italy	5	2	**7**	3	1	**4**	1	3	**4**
Europe (excluding Italy)*	0	0	**0**	0	0	**0**	1	0	**1**
Asia**	0	0	**0**	0	0	**0**	0	0	**0**
America***	0	0	**0**	0	0	**0**	0	0	**0**
South America ****	1	1	**2**	0	1	**1**	0	1	**1**
Total	6	3	**9**	3	2	**5**	**2**	**4**	**6**

** Poland and Romania*
*** Pakistan, China and Iran*
**** USA*
***** Argentina and Brazil*

In 2020, there were no accidents recorded for **non-employee personnel in all of the Group Companies** for a total of 71 workers and 74 thousand hours worked.

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The annual trend in the ***safety key performance indicators*** demonstrates the Group's strong commitment to Health, Safety and the Environment (HSE). A key factor in preventing injuries is the ability to report, gather and analyse information on accidents and near misses. The companies Landi Renzo S.p.A. and Lovato Gas S.p.A. have a near-miss information gathering system where incidents are logged, monitored and analysed regularly to check that they meet the specific targets assigned to different management teams. During 2020 no work-related injuries were reported during activities carried out by contractors; there were no reported cases of industrial illness or deaths relating to work activities by employees, and no complaints were made against the companies themselves in relation to industrial illness suffered by employees or ex-employees.

The accidents taking place in 2020 involved production staff and were evaluated by the Company, which adopted disciplinary measures for everyone who had not followed health and safety regulations (e.g., failure to use personal protection equipment provided by the Company, moving through a prohibited area).

No cases for the request and approval of occupational illnesses were made at Group level in 2020.

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

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

To ensure the greater engagement of workers, in 2019 a series of informative meetings was held with the assistance of HR. The meetings covered areas of interest to staff, such as: the HSE policy, HSEMS compliant with OHSAS 18001- ISO 14001 including migration to the new ISO 45001:2018 standard, indicators, objectives, injury and near miss indicators, healthcare procedures, periodic medical checkups, checkups requested by employees, the HSEMS organisational chart, recycling system etc. These meetings were suspended in 2020 due to the ongoing health emergency.

Employee injury figures by geographical area and gender

FREQUENCY RATE	2020		2019		2018	
	Male	Female	Male	Female	Male	Female
Italy	18.19	12.49	9.57	4.86	2.97	13.79
Europe (excluding Italy)*	0	0	0	0	3.29	0
Asia**	0	0	0	0	0	0
America***	0	0	0	0	0	0
South America ****	33.32	34.77	0	51.54	0	31.80
SEVERITY RATE	**2020**		**2019**		**2018**	
	Male	Female	Male	Female	Male	Female
Italy	0.18	0.72	0.05	0.28	0	0.34
Europe (excluding Italy)*	0	0	0.20	0	0.03	0
Asia**	0	0	0	0	0	0
America***	0	0	0	0	0	0
South America ****	1.60	0.21	0	0.62	0	0.21
INCIDENCE RATE	**2020**		**2019**		**2018**	
	Male	Female	Male	Female	Male	Female
Italy	2.73	1.48	1.56	0.73	0.55	2.13
Europe (excluding Italy)*	0	0	0	0	1.41	0.00
Asia**	0	0	0	0	0	0
America***	0	0	0	0	0	0
South America ****	5.88	10.00	0	5.56	0	7.14

** Poland and Romania*
*** Pakistan, China and Iran*
**** USA*
***** Argentina and Brazil*
Incidence rate: no. of injuries/no. of employees *100
Severity rate: no. of days of absence/no. of hours worked *1,000
Frequency rate: (no. of work-related injuries/total no. of hours worked) *1,000,000

Management of the health emergency and impacts of COVID-19

After an initial suspension of activities, the Landi Renzo Group's Italian companies resumed work in compliance with the anti-contagion measures established by the shared protocol between the government and the social partners.

Basically, starting from the initial months of the health emergency, policies and initiatives were adopted to continue operations while placing priority on health and respect for the regulations issued by the government. More specifically, Landi Renzo S.p.A. and Lovato Gas updated the Risk Assessment Document by adding biological risk and adopted specific forms to be used by the workers of external companies. Furthermore, during the year, an Internal Regulation was updated which was submitted to INAIL and the Labour Inspectorate for verification and control following an inspection performed at the Cavriago site on 18/05/2020. Please note that the inspection did not bring to light any critical issues.

Greater attention was devoted to daily cleaning and periodic plant sanitisation. In particular, sanitisation activities were carried out by specialised firms every 15 days between March and August, and subsequently on a monthly basis.

All staff were provided with personal protection equipment on the basis of their level of risk exposure (masks, gloves, goggles), and all sanitisation products required for shared instruments (hand gel, wipes and disinfectant for workstations) were made available.

In order to provide concrete support when needed, Landi Renzo decided to voluntarily activate additional insurance coverage in favour of the employees of the Group's Italian Companies, in the case of coronavirus infection, the cost of which was borne in full by the company. If the Landi Renzo S.p.A. employee is diagnosed with COVID-19 infection in Italy, the insurance coverage provides a hospitalisation indemnity, additional convalescence indemnity if hospitalised in the intensive care unit and a series of post-hospitalisation services to support the employee's household. This insurance coverage was renewed for 2021 as well.

Furthermore, the Italian Companies reorganised work spaces and food service areas. For food service and restroom areas, a limit was set on the maximum number of people permitted within the specific area at the same time. For the Via dell'Industria site, new changing areas were created to guarantee adequate distancing. In the offices, smart working arrangements were activated and, when not possible, two shifts were organised, reducing employee presence by 50% during the most critical months of the pandemic. For the entire year, clerical staff worked remotely for roughly 56,730 hours. Already starting in May, with the conversion of meeting rooms into offices, the reorganisation of changing rooms and the redefinition of rules for accessing shared spaces (food service areas, lodging, break rooms, canteens), it was possible to ensure that all personnel could work in person in complete safety. Vulnerable employees were also managed in collaboration with the company doctor, privileging the use of smart working in the initial phase of the emergency and subsequently providing them with dedicated individual offices.

Given the restrictive measures issued already in March to handle the emergency, the Landi Renzo Group immediately made recourse to the special temporary lay-off scheme ("CIG"), requested for the first time on 17/03/2020 to deal with the full closure of the plants, which extended until mid-April. Subsequently, to

consistently manage the impact on turnover due to the full block on production activities and uncertainty concerning trends in the markets served, the company deemed it necessary to continue to use the special temporary lay-off scheme for the entire year. For 2020, a total of 104,257 hours of CIG were used by clerical and production staff.
The Landi Renzo Group's foreign companies also adopted the measures required to prevent the spread of Covid-19 in compliance with local regulations. Specifically, employees were asked to maintain a safe distance, constantly wash their hands and sanitise their workstations, ensure room ventilation and wear protective masks.
Furthermore, in relation to impacts on non-financial risks, Landi Renzo considers the impact on occupational health and safety relevant, and therefore has taken all the measures to limit contagion from Covid-19 described above. With respect to the supply chain, the impossibility of performing audits at suppliers could cause operations risks, this risk is deemed mitigated through constant communications with suppliers as regards quality as well as procurement (for more details, please refer to the "suppliers" section). From the environmental perspective, there has been a decrease in CO2 emissions, due primarily to the temporary closure of several offices as well as the activation of smart working. Furthermore, the COVID-19 pandemic has not had significant impacts on other business risks and the directors have not deemed it necessary to modify the business model.

Internal communication activities

Given the high value it places on its employees, the Landi Renzo Group is committed to maintaining constant dialogue with personnel and to increasing its involvement in the various activities. The Group uses various forms of internal communication, both traditional and innovative. The more traditional channels include the Intranet, notice boards and in-house screens. The company Intranet enables everyone in the Group to access official information and initiatives, facilitating company processes, communication between departments and internal communication. Company notice boards and screens are used to notify employees of official communications. Policies, agreements, internal procedures, company indicators and figures are just some of the content available via these communication channels.
Some of the more innovative forms of internal communication are Department Meetings, a series of meetings to share company achievements, the Internal Meeting system and the "Welcome on board" system. The so-called "Department Meetings" involve all staff and meet the requirement to share and communicate information on the most important projects that are under way and the actions implemented, encouraging the cooperation and involvement of everyone. They are useful in completing the process of providing information about new products, business strategies and the company's performance.
In order to facilitate the induction of new hires, in 2018 a "Welcome on Board" system was introduced. This involves sending an email to all companies with a brief presentation of the new employee, their role and their manager.
Lastly, in the course of 2020, a new communication channel was activated: an SMS messaging platform to

reach all employees with information, notifications, instructions and videos, even during the lockdown periods. This instrument was used to convey communications and information regarding company decisions to close/reopen the plants, informational notices from the management and communications on worker safety during the COVID-19 period.

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

Given the large-scale use of the temporary lay-off scheme and the difficulties linked to remote working, no formal sharing events and/or initiatives were held within the individual departments, but only informal occasions using the Webex platform, with a view to keeping personnel updated on company and department trends.

Customers

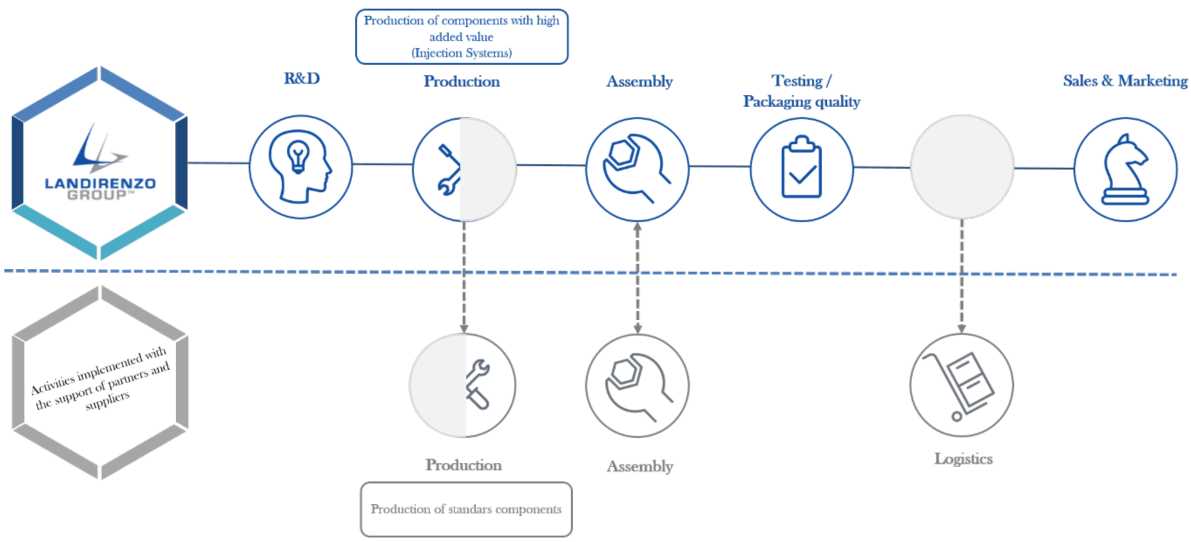
The Landi Renzo Group pays great attention to the needs of its customers, who increasingly require more innovative, greener products. The products manufactured by the Landi Renzo Group, which is an international leader in technologies for **sustainable mobility**, enable vehicles to be powered with alternative fuels such as CNG and LPG, to **reduce emissions of pollutants and greenhouse gases.** The Group strives to generate **financial and environmental benefits** while producing positive spin-offs for end clients.

The value chain: research, innovation and customer satisfaction

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

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

Value chain for automotive systems



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

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

Finally, **purchase planning** is implemented every week by the Business Management team in conjunction with the Operation and Supply Chain Management team on the basis of quantities required to meet production requirements. Bought-in materials or semi-finished products undergo initial **quality control** procedures during the acceptance phase, and a final check on completion of the assembly phase, to ensure end product quality.

Innovation and Research & Development: a model of excellence

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

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

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

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

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

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

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

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

- Improving the **gas system self-calibration strategies (in 2020, a European patent was granted on this topic)**, to allow for easier installation and adjustment, thus minimising human error.
- Developing **new modular control units** capable of being more versatile for various vehicle needs.
- Defining, designing, validating and producing a **new line of modular pressure reducers** for passenger cars and medium and heavy-duty vehicles, with the possibility of controlling output pressure and adapting it to different conditions of use.
- Designing, validating and field-testing new solutions for injectors in the passenger car and mid/heavy-duty sectors.

Analysis and design activities have concluded, in partnership with the European automotive manufacturers, with the aim of creating new gas systems for models complying with the "Euro 6d-TEMP" emissions standards. All of the experience gained was exploited to refine and begin production of solutions compliant with the "Euro 6d-FINAL" emissions standards. Partnerships are also ongoing with leading automotive manufacturers in Iran, Russia and China. In the USA, activities intended to make conversion kits approved by automotive manufacturers holding QVM (qualified vehicle modifiers) certification have continued. Landi Renzo USA obtained the **CARB** (California Air Resources Board) MY2021 certification for the conversion and marketing of CNG vehicles in the US.

The range of LPG and CNG conversion kits was extended, with different systems being provided for installers that ensure conversion to an alternative fuel for all cars on the market. In the course of 2020, an intense certification programme was developed and completed for new gas systems compliant with the "Euro 6d-TEMP" emissions regulations (DGM for Italy and R115 for Europe) for a large fleet of LPG and CNG vehicles, with the extension of the certifications to certain hybrid "tri-fuel" vehicles (petrol-CNG-electric).

Furthermore, considering the increasing use of turbocharged direct injection engines, applications suited to these models have been developed and have received considerable market recognition.

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

In 2020, the Landi Renzo Group promoted the updating of various industry regulations, primarily international **regulation no. 115** on the approval of LPG and CNG conversion systems for the aftermarket. Indeed, an amendment promoted by the Landi Renzo Group entered into force relating to a new, stricter WLTP test standard; the Landi Renzo Group has already successfully obtained the various certifications of its systems to the new standard (for more information see the paragraph on "*Worldwide harmonized Light vehicles Test Procedure – WLTP*"). Furthermore, in 2020 the Landi Renzo Group proposed an additional amendment, already approved in Geneva, for the introduction of requirements on hybrid vehicles fuelled with fuel gases.

The Landi Renzo Group has been particularly active, working as a reference leader to promote the conversion standards and testing methods used in Europe with the Indian authorities, with the support of local manufacturers. In the Asian market, Landi Renzo is active in China with activities for the development of

CNG and LNG pressure regulators and in India on two fronts:

- on one hand, the development and consolidation of the passenger cars business with Maruti Suzuki through the joint venture Krishna;
- on the other hand, through the strategic partnership with Mahindra & Mahindra Limited for the development of a new generation of CNG engines for agricultural applications.

Lastly, it should be recalled that in 2020 the European Commission began activities to define the new Euro 7 Regulation and revise the CO2 Regulation. In both cases, the Landi Renzo Group actively contributed with industry associations to transmitting data and suggestions to the European Commission as part of public inquiries.

The Research & Development centre

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

As mentioned above, during 2020 various LPG, CNG and hydrogen fuel system projects have continued; these include:

- a LNG pressure regulator for HGVs;
- a CNG pressure regulator for medium/heavy-duty vehicles;
- an integrated manifold for hydrogen fuel cells;
- an innovative, compact CNG pressure regulator for cars;
- gas injectors for HGVs;
- gas injectors for the aftermarket, which offer great value for money and excellent durability;
- modular control units;
- strategies for direct injection vehicles;
- a control unit for full engine control (mono-fuel applications);
- a high-pressure regulator for hydrogen applications (fuel cell and internal combustion engines);
- a dosing system for hydrogen fuel cell applications.

In 2020, work continued in support of support the Group's development of new products and systems, through a partnership with the AVL Group, which is a world leader in the construction of vehicle testing and emissions measurement systems. The partnership with AVL involves testing LPG and CNG systems using engine test benches and roller simulators to study new technologies designed to cut polluting exhaust emissions. Modern plants enable test vehicles to be powered with all fuels available for the automotive industry - diesel, petrol and all fuel gases including hydrogen.

In the course of 2020, the volume of development activities required the selection and use of a second vehicle testing service provider; thus collaboration began with Magneti Marelli, which made it possible to develop and test solutions in parallel.

The solidity of the Group's technology and innovation comes from the full vertical integration of the process of developing the components and systems, from the definition of the concept through to industrialisation, also including testing and validation. All the mechanical and electronic components are tested internally at the Landi Renzo laboratory, led by a team that follows the internal test specifications and validation processes. These specifications are derived from the Group's experience and its integration with the regulatory requirements and specific demands of each customer. In 2020, 3 important actions were launched to improve upon laboratory equipment, consisting respectively of:

1. creation of a second performance test bench in ELIO;
2. placement in operation of a second vibrating bench equipped with a climatic chamber and slip table;
3. acquisition of a vibration control system through triaxial accelerometers.

Several selected partners (REI Lab, TUV and KIWA) made it possible to meet all testing requirements by providing testing equipment, laboratories and capacities not currently available within the group.

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

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

H2-ICE, PARTNERSHIP FOR HYDROGEN

In early 2021, Landi Renzo became part of H2-ICE, a partnership between five Italian companies, with Punch Torino and AVL Italia as the lead companies, and with the participation of Industria Italiana Autobus and TPER, in order to create the first 100% Italian hydrogen fuelled internal combustion engine. Landi Renzo will specifically handle the development and production of components for hydrogen engines to be used in buses and trucks.

Together, these companies will develop a vehicle that will represent a concrete and tangible step forward in sustainable mobility.

STRATEGIC PARTNERSHIP WITH HYDROGENICS

Landi Renzo recently set up a partnership with the Canadian Hydrogenics Corporation, a global leader in developing clean energy solutions. This alliance is dedicated to producing a hydrogen battery prototype whose first application was on trains, before being tested on trucks and HGVs. The two groups have signed a non-exclusive agreement for the design and development of hydrogen fuel cell systems and components for HGVs globally, and will collaborate further in supplying fuel systems for hydrogen vehicles, which is likely to involve the use of electrolysis technologies. The collaboration with Hydrogenics is part of Landi Renzo's medium-and long-term strategy of moving towards zero emissions mobility. The technologies developed by Landi Renzo in collaboration with Hydrogenics have been used successfully in replacing diesel locomotives with zero emissions hydrogen locomotives. This solution is particularly attractive for use on sections of railway that are difficult to electrify, and the economic, energy and environmental benefits are very promising. The first pilot schemes have been successful, and have launched a series of development and co-design activities with the objective of starting small-scale production.

Worldwide Harmonized Light Vehicles Test Procedure – WLTP

The WLTP is a harmonised global standard to determine the level of pollutants and CO_2 emissions, the consumption of fuel or energy, and the range of light electric vehicles (cars and small vans). Automotive experts from the EU, Japan and India, led by the UNECE Global Forum on the harmonisation of vehicle regulations, have developed the standard. The final version was published in 2015. The test procedure is a strict guide on the dynamometric tests and road load (resistance to movement), gear shifting, total vehicle weight (including optional equipment, cargo and passengers), fuel quality, ambient temperature, and tyre selection and pressure. On 1 September 2017, the WLTP came into force, replacing the New European Driving Cycle (NEDC) as a test for the certification of vehicles within the EU. The obligation for the registration of new vehicles which must meet the new cycle was completed on 1 September 2019.

Gas systems are also required to meet the WLTP cycle, which is why in 2018 the Landi Renzo Group worked systematically in order to align its systems to the new, stricter emissions standards.

Landi Renzo's LPG and CNG systems have already been successfully tested on various engine types and thus the Group's certifications have been updated to the new emissions standards. Nationally, the new DGM (Italian Vehicle Licensing Department) approvals have been obtained, whereas internationally the Landi Renzo Group, which is the world leader, has obtained 4 R115 WLTP certifications for LPG and CNG systems.

Constant focus on quality

The Landi Renzo Group has always viewed quality as essential for market success. The parent company Landi Renzo S.p.A decided to adopt an ISO 9001:2008 quality system as early as 1996, to ensure that its design, production, sales and customer support systems met market requirements. Among the foreign companies, the Landi Renzo USA Corporation holds QVM (Qualified Vehicle Modifiers) certification, which requires an assessment by the Ford Motor Company and acceptance of the QVM guidelines.

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

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

In addition to the parent company, in 2018 Landi Renzo Polska S.p.Z.o.o. and Landi Renzo Pars Private Joint Stock Company, which were previously certified to the ISO/TS 16949 standard, also completed the transition to the latest version of IATF 16949 and between the end of 2020 and the beginning of 2021 will obtain their first renewal, entailing the strictest quality control audits.
The Indian company Krishna Landi Renzo India Private obtained the IATF 1649 certification in 2020.

In 2019, Landi Renzo obtained the GOLD MEDAL for complying with sustainability requirements as an automotive supplier, following a survey by EcoVadis (the leading collaborative platform providing sustainability assessments of suppliers along global logistics chains).

An OEM customer asked us to participate in this platform, because they considered this approach to be an asset in their supplier assessment process as it is in line with current trends. Landi Renzo is positioned at the 96th percentile, out of all the participants, which is an excellent result.
In 2020, as in previous years, company processes were audited in all the Landi Renzo Corporate departments, in order to improve product and service quality, as set out in the annual plan, which was produced in accordance with ISO 9001:2015 and IATF 16949 guidelines and the requirements of OEM customers. In particular, as regards production processes, specific audits were planned to be performed after the lockdown, to minimise the risk of processing non-compliant products.
Furthermore, in the course of 2020 Continuous Improvement Plans were updated with new points for improvement, valid for all the Group's sites, so that the corrective actions identified in response to customer complaints could be implemented, and in order to monitor the trend in complaints to further increase procedural efficiency. Procedural efficiency is measured using three Overall Equipment Effectiveness (OEE) factors:

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

In particular, in 2020, progress was made in activities linked to the quality system with a view to risk analysis: the risk sheets for each process were updated with COVID-19 related risks, concerning the protection of employees as well as customers and suppliers. The Quality Manual was updated in this regard with actions regarding all stakeholders.

The Contingency Plan, already present in the company, was updated with all of the contact information of the owners of the various processes and the actions to be taken.

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

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

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

Compared to the objectives set last year, as confirmation of the Group's focus on quality, the key indicators have further improved on previous years (for example *After Market warranty values compared to sales* < 0.5%, *Customer complaints indicator* < 2.6%); this is a sign that we are on the right track. Conversely, the objective of reducing the warranty costs for OEM customers through specific Product Improvement Plans and optimising the tracking system for outgoing components was not met.

One of the more challenging objectives set for Landi Renzo in 2020 by its OEM customers was the "0 km accidents" target below 1 (or 1 non-compliant part out of 1 million delivered on acceptance at customer plants). This objective is just above the target, but considered acceptable in light of the situation in 2020.

Among the objectives that the Group was committed to achieving by the end of the first half of 2020 were: improvement in the quality of the Overall Equipment Effectiveness (OEE) (objective reached by the end of the year due to the slowdown in activities caused by the Covid-19 pandemic) and digitalisation of information with respect to the tracking of components and production rejects (project started at the end of 2020 and still ongoing). The Group also began to move forward in 2020 with a project linked to the assessment of the **costs of non-quality**, with the objective of improving the efficiency of testing processes, optimising the prevention process and reducing the costs of non-quality.

A general improvement plan will be extended to 2021 with input from 2020 non-conformities, audit results and internal OEE improvement plans.

Consumer health and safety

The Company's primary aim is to manage any risk that could jeopardise the safety of products for end consumers. For this reason, failure mode and effects analysis (FMEA) is used systematically in the Group's manufacturing companies, both during the product design and development phase, and in production. This

enables the achievement of excellent results in terms of reducing risk and producing effective action for customers. All products undergo testing and approval according to the "R10 regulation procedure" to verify electromagnetic compatibility. Additionally, all CNG products must be R110-approved, and LPG products must be approved according to the R67/01 procedure.
The safety characteristics are highlighted on the drawings approved by the customer, and all products are fully tested at end-of-line (for example, the leak test is carried out on 100% of products).
To guarantee that product safety is adequately managed throughout development, APQP requirements and the customer's specific additional requirements are applied.
In order to achieve the utmost performance and support customers in selecting products, the Group typically provides technical sheets accompanying AM products and assembly instructions for the majority of OEM customers who request them. When products have storage requirements and expiries (i.e., rubber components), these are transmitted to the customer as well.
With regard to legal requirements, Landi Renzo applies a stricter safety level, either by reducing the legal thresholds or by including additional safety devices on certain components.
Before being marketed, all products undergo the "APQP" process, which involves several validation steps carried out in a laboratory, according to a test plan. The components are placed under stress in order to simulate their functioning on the road, with a particular focus on ageing and operating in extreme conditions.
To guarantee the necessary technical support, all the Group's components and systems are accompanied by assembly instructions and technical manuals (intended for professional users), which illustrate the correct method of installation and maintenance, as well as instructions on use (for the AM market) which illustrate how the product should be used by the end consumer.
Internal and external support centres continually feed back product information on reliability, maintainability and ease of installation, and monitor the progress of anomalies to ensure ongoing improvement.
To prevent non-conformities, a series of information obtained from customer relations and company quality processes is also used and analysed. Following this analysis, the preventive actions are identified and assessed according to the effect on the issue to be resolved. A documented procedure *(PSQ 14-1)* has been put in place for this purpose. It outlines the requirements for identifying potential non-conformities and their causes, evaluates the need to take action to prevent non-conformities from occurring, outlines how the necessary actions should be identified and implemented, and the process for logging and reviewing the results.
The way in which non-conformities are dealt with will depend on the extent of the issue. Minor non-conformities identified for the AM or OEM markets will be managed internally with management system, using the "8D" problem-solving methodology (identification of root cause, corrective action, preventive action, check of implementation effectiveness).
In 2020, as in previous years, no cases of non-compliance with regulations or voluntary codes relating to product health and safety led to any complaints and/or fines.
In some cases, non-conformities were identified, but they were not such that would compromise consumer safety.

Customer relationships - contact channels, satisfaction monitoring and training

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

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

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

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

For end-users, the Group has a series of *traditional* contact channels, such as email, fax, the head office phone number and the Landi Renzo freephone number, and also *social media networks* such as Facebook, Twitter and YouTube. End-users can request information about our products and how to buy them, report aftersales issues or make complaints, but they can also receive information about topics such as ecology, sustainability and the events or campaigns organised by the Group.

By visiting http://preventivo.landi.it, end clients can also clearly identify the best LPG or CNG system for their vehicle, plus details of tank capacity, the cost of a ready to use installation, and a local garage who can correctly install the system.

In order to engage even more with our customers and understand their expectations and needs, marketing and communications are playing an increasingly important role. In order to raise awareness of the Landi Renzo Group brands among business customers and end clients, the companies also attend industry trade fairs, international forums and specific local events run by dealers and importers, activities that were carried out virtually as a result of the pandemic.

Informative brochures and corporate adverts are placed in both industry and non-industry publications and web campaigns are published, mainly on social media networks and Google. These activities are managed in a way that guarantees the utmost transparency for customers. During 2020, no instances of incorrect labelling were reported to Landi Renzo S.p.A. or Lovato Gas S.p.A.

Label content is defined in the design phase and reported on documents shared with customers, and all labels undergo thorough checks at the shipment stage.

Monitoring customer satisfaction

Customer satisfaction is monitored using two different methods, depending on customer type. For the OEMs (Original Equipment Manufacturers) monitoring is done using specific indicators on the websites of car manufacturers: warranty defect rates, "0 km" defect rates and timeliness of deliveries. Automotive manufacturers compile a 'bid list' showing the company service level compliance and any areas for improvement.

Continuing with the excellent results achieved last year, the figures for 2020 show a high level of satisfaction among workshops and end-users. The average system rating by end-users is equivalent to 4.74 (on a scale of 1-5), slightly higher than in 2019 when it was 4.66, and the average workshop evaluation by end-users is 4.8 (scale of 1-5), which is unchanged compared to 2019.

In addition to customer satisfaction, the Landi Renzo Group also continuously monitors and manages the complaints made by OEM customers and end-users. Customer management has always been structured with the use of specific complaint management procedures (procedure 13.1 "Non-Conformities Management"), and from 2017 additional progress was made in terms of standardising the management of the foreign branches.

The Non-Conformities Management procedure is set up to provide end-users with prompt feedback in the case of a system malfunction, and in the rare cases where vehicular damage or an accident is reported as potentially being due to the installation of a Landi Renzo LPG or CNG system. The process of managing and monitoring complaints involves gathering information on the incident, analysing the event and the system components, and informing the end clients or dealers of the results of the analysis.

To ensure that customers are fully satisfied from a technical, logistics and quality point of view, an *interdepartmental team* deals with their requirements and any complaints.

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

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

No founded complaints about privacy were received in the year.

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

The **quality** of the installation process, system safety and performance levels, and customer satisfaction are possible thanks to the network of workshops that are a crucial asset for the success of the Landi Group.
Training and up-to-date information for the network of workshops are the main tools through which the Group pursues these objectives (for more information, see the paragraph "Technical training for workshops and installers").

Suppliers

The Group and its suppliers are increasingly attentive to the environmental consequences of their production activities, and are always working on projects designed to reduce their impact.
The Landi Renzo Group **regularly rates** its suppliers, and uses an approach based on **transparency** and **collaboration** in order to establish stable, long-lasting relations.
Suppliers form an integral part of the production and organisation process and thus need to be selected in a way that offers the maximum possible guarantees.
According to its target market, the Group selects suppliers who can guarantee high quality of components and services purchased, who are financially sound, and whose company reputation is in line with that of the Group.

The supplier rating and monitoring process is documented in a specific procedure that outlines the requirements and procedures used to monitor the performance levels to be maintained once the supply contract has been started. This procedure does not apply to AEB America S.r.l., Beijing Landi Renzo Autogas System Co. LTD, Landi Renzo USA Corporation and the Brazilian LR Indústria e Comércio Ltda. Given the business model adopted by the Landi Renzo Group and the prevalence of Italian suppliers, the remaining companies have been given the possibility of using different supplier evaluation and selection tools, while still applying parent company guidelines and supplementing them with local conditions.
The selection process starts with the pre-qualification of suppliers by the Purchasing Department, which checks on their financial stability and ability to provide a continuous service in the medium to long-term.
Their analysis considers various economic indicators relating to the last three financial years (e.g., revenue or turnover, sales profits, stock turnover and net financial position). Suppliers who pass this first step are then admitted to the qualification stage. During this phase, the supplier is asked to complete *form FA50*, which allocates a score on the basis of economic/financial indicators, insurance cover, compliance with quality, social and environmental requirements, or the possession of relevant certification in addition to factors linked to organisation/business dimensions and logistics capacities. Other performance indicators are also considered, such as on-time deliveries, audit results, the number of compliant batches, price competitiveness and quality aspects. On receipt of the completed form, the Purchasing Department, together with the R & D and Supplier Quality departments, will then complete its assessment.
The procedure requires that the criteria depend on the type of goods to be purchased from the supplier. The minimum certification required for goods to be used in production or distribution processes for original equipment manufacturers (automotive manufacturers) is the ISO 9001.

If that is not possible, Landi Renzo may choose to work with the supplier after conducting at least one audit to check their conformity to ISO 9001. If the audit result is negative, the supplier is excluded. If the supplier meets the criteria, a supply contract is agreed, and the requisites are monitored every three years via a supplier re-qualification process. Over the years, this process also made it possible to monitor the performance of existing suppliers and to select potential new partners, without identifying any significant economic/financial, environmental or social risks. As a result of COVID-19, in 2020 Landi Renzo's personnel were unable to go to potential suppliers to perform on-site pre-audits. Therefore, no new suppliers were added to the register since it was impossible to complete the supplier qualification procedure. The impossibility of performing audits at suppliers could cause operations risks. Constant discussions with suppliers by 3 departments (Supplier Quality, Procurement and Purchasing) and sending evidence is the containment action identified to prevent a deterioration in performance.

Certified suppliers

SUPPLIER CERTIFICATIONS*	2020	2019	2018
ISO 9001 certification	83%	87%	78%
IATF 16949 certification (*Automotive*)	38%	35%	27%
ISO 14001 certification	33%	30%	21%
OHSAS 18001 certification	8%	6%	5%
SA8000 certification	4%	2%	2%
EMAS certification	2%	2%	1%
No certification	16%	13%	21%

* The actual certification data was calculated at the end of 2020.
In 2018, the database was modified, following: 1) the incorporation of all the former AEB S.p.A. suppliers into Landi Renzo S.p.A. (post-merger); 2) the exclusion from the database of suppliers such as resellers, small parts and packaging suppliers, as they were considered "non-core" suppliers. Furthermore, the 2018 data excludes Beijing Landi Renzo Autogas System Co. Ltd, AEB America S.p.A., Landi Renzo USA Corporation and Landi Renzo Pars Private Joint Stock Company, as the data is not available.

The data emerging from the "certified suppliers" table shows that compared to 2018 the number of certified businesses in the Landi Renzo Group's supplier base has increased. Considering that 16% of suppliers have no certification, the most common certification relates to quality management systems.

Regarding this aspect, in order to comply with legal requirements, the Landi Renzo Group is directing all strategic suppliers towards the new IATF 16949 standard (which replaces the ISO/TS 16949). Over the coming years, the transition from OHSAS 18001 to ISO 45001 will become increasingly important, in order to certify the OHS management systems. The standard encompasses topics such as context analysis and risk analysis using the same approach as ISO 9001:2015. By the end of March 2021, the Group's suppliers who are certified to OHSAS 18001 standard will be required to complete the transition to the new ISO 45001 standard. In addition to **quality** and **occupational health and safety aspects**, **ethics, social responsibility**, and **safeguarding the environment** are important elements in assessing and choosing suppliers: they are also referred to in the Supply Contracts and in the General Purchasing Conditions which are sent to all suppliers.

In 2020, approximately 33% of direct suppliers were rated according to environmental criteria; no actual or potentially adverse environmental impacts were observed.

Currently, the supplier qualification process does not take human rights aspects into consideration, as the Group's current suppliers are not based in high risk countries. However, the Group's objectives do include amending the supplier qualification process to make it even more socially responsible, right from the contracting phase. As confirmation of this, the new *FA52* supplier evaluation form was amended to include a specific section on human rights issues in the supply chain. Furthermore, in 2021 dedicated clauses on respect for human rights will be included in the most significant contracts.

As well as the checks carried out in the selection phase, the Group will regularly monitor its suppliers by conducting periodic visits. Compliance with environmental criteria will be monitored by checking the presence and validity of specific certifications (these are assessed during the qualification stage). Respect for human rights and impacts on society is implicitly verified during these audits, but is not formalised in any documentation. In 2020, it was not possible to perform on-site visits as a result of the health emergency.

Promoting local economies

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

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

Much of the Group's production takes place in Italy and Poland. The majority of our suppliers are located in these two countries. Most of the suppliers are Italian firms with long experience in the industry and a higher level of specialisation and focus on quality, and lower transport costs for components with a fairly high unit weight. However, in order to support the needs and requirements of foreign subsidiaries, the Group has implemented a supplier search policy, to extend the supply chain to include other countries. This can be proved by the fact that in 2020 the expenditure with local suppliers, namely**suppliers who are based in the same country as the Group company which made the purchase**, was on average 77.21%.The **local suppliers,** excluding intercompany purchases, are distributed as follows:83% Italy, 37.56% Europe (purchases made in the same country of residence by the Rumanian and Polish companies), 100.0% Asia (purchases made in Asia by the Chinese, Pakistani and Iranian companies) and 95.66% America (purchases made in the Americas by the Brazilian, American and Argentine companies).

Supply figures by geographical area

SUPPLY FIGURES BY GEOGRAPHICAL AREA*	2020	2019	2018
Italy	70.5%	67%	76%
Europe (excluding Italy)	17.7%	16%	18.7%
Asia and Rest of the World	7.5%	5%	5%
America	4.3%	11%	0.3%
Total (€/000)	**135,202**	**167,597**	**153,289**

* The 2018 data does not include information about AEB America S.r.l., Beijing Landi Renzo Autogas System Co. Ltd, Landi Renzo USA Corporation and Landi Renzo Pars Private Joint, for this reason data are not perfectly comparable for year 2018 and 2019

No. of active suppliers

ACTIVE SUPPLIERS (no.) *	2020	2019	2018
	728	848	734

* The figures only include suppliers with an annual turnover greater than Euro 5,000 and, only for 2018, exclude the companies AEB America S.r.l., Beijing Landi Renzo Autogas System Co. Ltd, Landi Renzo USA Corporation and Landi Renzo Pars Private Joint.

The COVID-19 emergency did not have quality-related impacts on the supply chain. Constant communication and a collaborative approach made it possible to manage the situation while avoiding any supply interruptions or disruptions.

Supplier involvement and communication

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

The local community and area

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

Beneficiary	Initiative	Donation Amount
Italian Solidarity Initiative Dedicated to Egypt (ISIDE 2020)	The contributions collected in this edition of ISIDE were provided to the Diakonia Development Center, which with its development projects offers assistance services every day to children living in particularly disadvantaged areas of Cairo, young orphans and minors suffering from serious disabilities, thus filling the gap in services dedicated to these particularly underprivileged segments of Egyptian society. In particular, the initiative focused on the expansion and improvement of three facilities: the Ezbet El Nakhl pre-school, the Ezbet El Nakhl school for young people with disabilities and the Sheraton workshop for young people with disabilities.	Euro 1,000
Solidaritè Humanitè de France	The donation contributed to purchasing medical equipment for hospitals in Algeria.	Euro 5,000
ISTUD Foundation	Green New Deal sponsorship (green ideas and recovery fund to handle COVID)	Euro 1,220
E-lpg week 2020 c/o MCI FRANCE SAS	Autogas Day sponsorship	Euro 1,500

Tax management

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

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

As regards the parent company and the audited subsidiaries[1], taxes, prepared with the support of the tax

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

advisor, are reviewed by the relative Finance Manager and audited by independent auditors. For the unaudited subsidiaries, the verification is performed by the Finance Manager.

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

In the course of 2020, there were no significant taxes[2] due to the Covid-19 health emergency situation, which generally resulted in losses for all Group Companies.

[2] Landi Renzo Polska Sp.Zo.O.LR and AEB America s.r.l. recorded Euro 167,626 and Euro 70,949 in income taxes, respectively, defined on a cash basis.

Communication with authorities and institutions and active participation in sustainable development

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

These relations mainly concern the following areas:

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

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

The company also makes a contribution through the participation by the Regulatory Affairs office in various national and international working groups who are tasked with developing the future regulations and technical standards for the alternative fuels sector, as regards the environment and safety.

The Landi Renzo Group also makes a decisive contribution in the development of a number of international regulations, ISO standards and CEN standards, both as an industry expert and as a coordinator of two working groups (ISO TC22 SC41 WG5 and CEN TC 286 WG6). Notably, the Group has contributed to the Working Party on Pollution and Energy (GRPE) of the UNECE in Geneva, concerning the introduction of new, stricter emissions measurement methodologies (WLTC) into Regulation No. 115 of the Economic Commission for Europe of the UN (UN/ECE). Indeed, in 2020 an amendment promoted by the Landi Renzo Group entered into force relating to a new, stricter WLTP test standard. Furthermore, in 2020 the Landi Renzo Group proposed an additional amendment, already approved in Geneva, for the introduction of requirements on hybrid vehicles fuelled with fuel gases.

Landi Renzo is also an active member of **Italy 2020**, a cluster of the **Italian Ministry of Education, Universities and Research** (MIUR) that utilises European funding and can coordinate the expertise of Italy's leading automotive industries.

In order to monitor and guide laws and regulations that may impact specific sectors, the Group actively participates in the work of various industry associations. Through its memberships, it also takes part in many institutional working groups. The most significant include:

- **NGV Italy** (Natural Gas Vehicle Italy) is a consortium that brings together the main industrial players in the Italian CNG automotive industry. Landi Renzo has its own representative on the Board of Directors, who promotes the Consortium's institutional relations and is involved in the work of the Automotive Council at the Italian Ministry of Economic Development. Landi Renzo USA has also been a member of **NGV America** and **NGV Global** since 2011, with the aim of promoting the development and growth of vehicles powered by natural gas or biomethane for a sustainable market.
- **H2IT**. The Italian Hydrogen Fuel Cell Association was formed in 2005. It is an independent body whose objective is to promote advances in knowledge, and the study of disciplines relating to technologies and systems for the production and use of hydrogen.
- **Anfia** (National Association of the Automobile Supply Chain in Italy) is the main Italian automotive association and is very active in institutional relationships. Landi Renzo continually participates in consultations carried out by the association's General Management with the aim of forming common positions to propose to institutions.
- **Assogasliquidi** is the Federchimica association that represents companies in the LPG sector. The aims of the Association are to represent the industry at a national and international level, work with local government and public bodies to improve the definition of industry reference standards, inform and advise operators in relation to legislative/technical innovation and its implementation, and promote the sector's image among users and end clients. Landi Renzo has a representative on the Automotive Steering Committee.
- **ANGVA** (Asia-Pacific Natural Gas Vehicles Association) was established in 2002; it is a trade association for the natural gas vehicles industry in the Asia-Pacific region. Members of the association include SAFE & CEC. It promotes the use of natural gas as a fuel for transport, defining standards and guidelines for the industry and organising training activities.
- **NGVA Europe** (the European Association of Natural and Bio Gas Vehicles) was formed in 2008. This European association brings together 133 members from 31 countries, working in the gas and vehicle production chain. Its objective is to promote the use of natural gas and renewable gases in vehicles and boats.
- **PAPAAM** (Pakistan Association of Automotive Parts Accessories Manufactures), of which L.R. Pak (Pvt) Limited. PAPAAM was formed in 1988 to represent the industry and to provide its members with technical and operational support.
- **KCCI** (Karachi Chamber of Commerce and Industries), of which L.R. Pak (Pvt) Limited is a member. The KCCI assists private businesses helping them to resolve economic and financial issues.
- **SITE** (Sindh Industrial Trading Estate) of which L.R. Pak (Pvt) Limited is a member. SITE was formed in 1947 in order to promote industrialisation and create attractive conditions to boost investments in these areas.
- **IDC (Italian development committee)** of which L.R. Pak (Pvt) Limited is a member. Association with a view to developing activities supporting trade between Italy and Pakistan, assisting businesses and

furthermore supporting the development of economic relations and any possible cooperation between entrepreneurs in the two countries.

- **California NGV Coalition**, of which Landi Renzo USA Corporation is a member. The Association is the leading organisation for natural gas and biogas vehicles in California. It works with legislators and regulators in order to develop policies that can increase the use of alternative fuels, support new initiatives and provide up-to-date information on NGV technology and market developments.
- **NIAF** (National Italian American Foundation). Landi Renzo USA Corporation is a member of this Foundation in order to preserve Italian-American culture and know-how, promote and inspire a positive image and the community of Italian-Americans as well as strengthening bonds between the USA and Italy.
- **IACC** (Italy-America Chamber of Commerce). The president of the Landi Renzo USA Corporation is a member of the IACC board. Founded in New York in 1887, the IACC is an independent, non-profit American company dedicated to promoting commerce, tourism, investment and economic cooperation between Italy and the USA. It brings together entrepreneurs and businesses who promote their members' interests interacting with government bodies, trade associations and international organisations both in the USA and in Italy.
- **TACC** (Torrance Area Chamber of Commerce), of which Landi Renzo USA Corporation is a member. Its mission is to look after its members by building a strong economy, offering networking opportunities and supporting the interests of its members by taking political action. Using its expertise the TACC helps businesses to grow and work together in order to ensure prosperity in the Torrance area;
- **South Coast Air Quality Management District (SCAQMD):** this is the air pollution agency responsible for regulating fixed sources of air pollution in the south coast air basin in southern California. Landi Renzo USA Corporation has enrolled in an incentive programme with SCAQMD to develop, demonstrate and market natural gas and propane conversion systems with close to zero emissions for medium-duty vehicles;
- **Small Business Administration (SBA):** the US Small Business Administration is a United States government agency that provides support to entrepreneurs and small businesses. In 2020, Landi Renzo USA participated in the Paycheck Protection Program promoted by the SBA to provide financial support to the businesses negatively impacted by the Covid-19 pandemic, to allow those companies to continue to pay their employees.

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

During the year, exchanges with the University of Modena and Reggio Emilia have intensified. A series of meetings has been held in order to disseminate the culture of hydrogen fuel, including technical feasibility studies. The intense exchange and collaboration with the University of Modena and Reggio Emilia brought several important results:

- Receipt of a non-repayable loan (with the support of Democenter) from the Emilia Romagna Region based on the programme formalised by Law 14 for the development of innovative hydrogen fuel cell components and the creation of a demonstrator vehicle.
- The definition of a research project on a hydrogen line component.
- The execution of an experimental graduate thesis project.

The Group's Italian companies place significant importance on nurturing relationships with the academic world. Landi Renzo has collaborated with leading Italian universities for years to spread a culture of sustainable mobility and facilitate research and development. In the course of 2020, the epidemiological situation prevented in-person events, and nearly all events were cancelled or reorganised in remote format. The activities cancelled for the year 2020 included visits to the production plants organised in collaboration with secondary schools in the province and "Meetings with businesses" organised by the University of Modena and Reggio Emilia. On the other hand, it was possible for the company presentations to be carried out in April, albeit remotely, as part of the ITS Maker Technical Institute courses. Both talks involved the Quality Manager, who presented the company and the Quality function to students in the first year of the "Integrated management of industrial processes" technical course and to students in the second year of the "Mechatronic systems" technical course. During the month of October, the company also participated in the university Job Day, organised by the University of Parma on the Microsoft Teams platform.

Worthy of note is the Group's activity in coordinating and leading in terms of defining, summarising and transposing the principles of European regulations for the conversion industry in India.

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

Lastly, AEB America participates in company tours as part of the "PROGRAMA EMPUJAR", in order to meet young talents and highlight values such as solidarity, commitment and responsibility by promoting the importance of work in people's lives.

Dialogue with providers of risk and debt capital

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

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

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

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

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

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

Stakeholders can contact the Investor Relations department via e-mail or telephone any time (available on the Company website), if they require answers to their queries. The main aim of these communication activities is transparency for the Group's investors, while ensuring compliance with legislation for listed companies and the reporting of privileged information.

Environmental Performance

Environmental Policy and Management System

2020 was a year that built on the past. All the hazards and risks to the environment have been identified and assessed in accordance with legal requirements, and all the technical, organisational, safety and prevention measures have been implemented, as required by the Environment Management System adopted by Landi Renzo in July 2013, the date of first certification, in accordance with the requirements of the current ISO 14001:2015 standard.

The environment management system activities cover:

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

On 30 April 2020, following examination by Management, the review of the EMS and environmental policy for the ISO 14001:2015 standard was completed. Subsequently, an Environmental Audit by M2 Engineering on 19/29 June 2020 and the first periodic audit for the ISO 14001:2015 certification by Bureau Veritas from 15 to 17 July 2020 were positively completed. The audits were successfully completed, and no conditions were found that would have precluded the renewal of the certification.

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

Although it is the Landi Renzo S.p.A. sites on Via Nobel and Via dell'Industria which have formally adopted these documents, the EMS is the policy for the entire Group and is regularly monitored and updated. The EMS is a voluntary tool to enable environmental performance to improve continuously, manage environmental aspects, and monitor compliance with the requirements of standards. It defines methods for identifying responsibilities, procedures, processes and resources within the company's organisational structure to implement the company's prevention and protection policy in accordance with environmental standards.

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

At the end of each financial year, as required by ISO 14001:2015, Landi Renzo S.p.A. prepares the Periodic Environmental Analysis Report, which summarises the data presented in the Non Financial Report.

For the companies Landi Renzo S.p.A., Lovato Gas S.p.A., Landi Renzo Polska Sp.Zp.O., AEB America S.p.A., Landi Renzo RO S.r.l. and Landi Renzo USA Corporation, no penalties or proceedings against them due to failure to comply with environmental regulations or laws were registered.
On 17/07/2020, the audit was performed for the maintenance of the UNI ISO 14001:2015 certification. The successfully completed audit will enable the system to be maintained with annual audits, until the next renewal in 2022.
In the course of 2020, no controls or audits were performed by the supervisory authorities.
Lastly, please note that in December 2020 the one-stop business administration office in the municipality of Cavriago (RE) issued the new Single Environmental Authorisation (SEA) for the via dell'Industria site by means of Single Deed protocol no. 17187.

Environmental performance

Energy consumption, emissions and initiatives to increase efficiency

Landi Renzo is continuing its policy of constantly monitoring energy consumption, emissions, waste management and energy efficiency, by taking action to reduce its consumption of electricity.
Landi Renzo places particular emphasis on checking that energy is used correctly in the Group's companies, in particular:

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

For years, Landi Renzo has been present on the open market for the purchase of gas and electricity, and it is a member of the RENERGY consortium (an industrial energy association in the province of Reggio Emilia) for energy supplies. RENERGY is part of the Industry Association of Reggio Emilia, and is a non-profit purchasing group which operates on the energy and telecommunications markets on behalf of its members, agreeing on annual supply contracts with the best conditions and offering companies competitive advantages for the purchase of electricity and gas. The organisation also supports companies in negotiating and agreeing supply contracts, complying with administrative and management requirements, routinely checking billing information, and guaranteeing regular information on market trends and new industry standards. In January 2019, Lovato Gas, left the RENERGY consortium after its electricity supply was transferred from medium to low voltage, and is now supplied by AIM of Vicenza. Following the merger by incorporation of Lovato Gas into Landi Renzo S.p.A., the Vicenza site will also be managed by the RENERGY consortium.

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

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

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

Regarding the trend in consumption starting from 2019, it should be noted that Lovato Gas no longer has a supply of natural gas for indoor heating and this led to a reduction in its natural gas consumption in 2019-2020 compared to 2018. Heating now takes place through electrically powered heat pump appliances.

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

Direct energy consumption by offices and systems

DIRECT ENERGY CONSUMPTION (offices and systems)	2020	2019	2018
ITALIAN COMPANIES			
Methane (m^3)	176,116	173,524	218,880
FOREIGN COMPANIES*			
Methane (m^3)	104,129	87,796	47,674
Total (m^3)	**280,245**	**261,320**	**266,554**
Total (GJ)	**11,105**	**10,393**	**10,674**

* The 2018 data includes Landi Renzo USA Corporation and Landi Renzo RO S.r.l., as the data for the other companies is not available. The data for Landi Renzo Pars Private Joint Stock Company was estimated based on the historic data.
The 2019 data includes the entire perimeter. Data were estimated for the companies: Beijing Landi Renzo Autogas System Co. Ltd, LR Indústria e Comércio Ltda, AEB America S.r.l., Landi Renzo Pars Private Joint Stock Company.
The 2020 data includes the entire perimeter. Data were estimated for the companies: Beijing Landi Renzo Autogas System Co. Ltd, LR Indústria e Comércio Ltda, AEB America S.r.l., Landi Renzo Pars Private Joint Stock Company and L.R. Pak (Pvt) Limited.
The method used for the calculation involves gathering data from automatic consumption monitoring systems, or in certain cases estimates based on expenditure for energy consumption. The conversion factors of the Department for Environment, Food and Rural Affairs 2020 were used to calculate the total consumption for the year (expressed in gigajoules).

Direct energy consumption due to personnel travel

DIRECT ENERGY CONSUMPTION (company cars)	2020	2019	2018
ITALIAN COMPANIES			
Petrol (l)	59,405	74,733	73,841
Diesel (l)	12,917	17,533	18,547
LPG (l)	45,084	52,663	93,068
Methane (kg)	4,674	5,500	6,276
FOREIGN COMPANIES*			
Petrol (l)	19,430	17,204	35,061
Diesel (l)	63,862	48,479	41,150
LPG (l)	53,169	71,264	57,581
Methane (kg)	3080	768	2,000
Total (tonnes)	**185**	**194**	**212**
Total (GJ)	**8,682**	**9,157**	**10,071**

* The 2018 figure includes Landi Renzo Polska Sp.Zo.O., Beijing Landi Renzo Autogas System Co. Ltd and Landi Renzo RO S.r.l., as the data for the other companies is not available. The data for Landi Renzo Pars Private Joint Stock Company was estimated based on the historic data.
The 2019 figure includes the entire perimeter, as indicated in the methodological note. Data were estimated for the companies: Landi Renzo USA Corporation, Landi Renzo Pars Private Joint Stock Company, AEB America S.r.l., and L.R. Pak (Pvt) Limited.
The diesel value was estimated for: Landi Renzo RO S.r.l.
The diesel and LPG values were estimated for: Beijing Landi Renzo Autogas System Co. Ltd, LR Indústria e Comércio Ltda
The 2020 figure includes the entire perimeter, as indicated in the methodological note. Data were estimated for the companies: Landi Renzo Pars Private Joint Stock Company, AEB America S.r.l., L.R. Pak (Pvt) Limited and LR Industria e Comercio Ltda.
The diesel and LPG values were estimated for: Beijing Landi Renzo Autogas System Co. Ltd.
The conversion factors of the Department for Environment, Food and Rural Affairs 2020 were used to calculate the total consumption for the year (expressed in gigajoules).

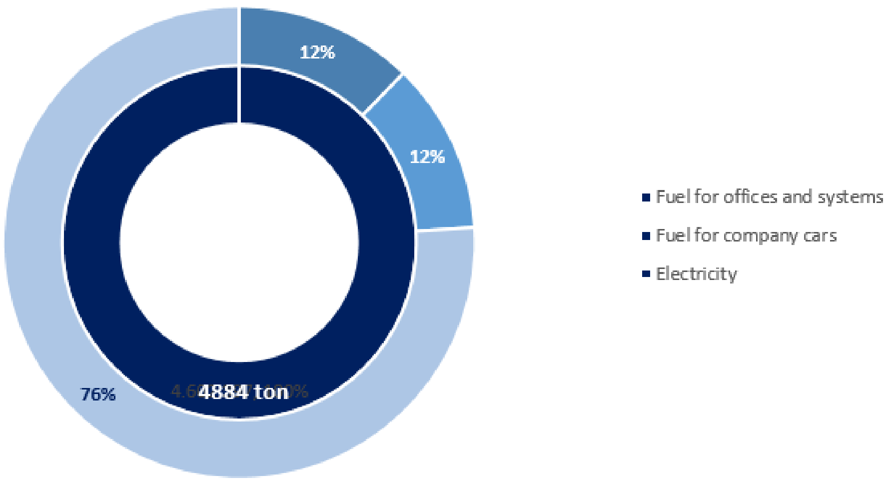
Electricity consumption

ELECTRICITY CONSUMPTION	2020	2019	2018
ITALIAN COMPANIES*			
Electricity (kWh)	7,834,184	8,264,101	8,115,928
amount from renewable sources	*958,309*	*1,036,552*	*1,229,563*
FOREIGN COMPANIES**			
Electricity (kWh)	560,696	671,234	630,413
Total (KWh)	**8,394,821**	**8,935,336**	**8,746,341**
Total (GJ)	**30,221**	**32,167**	**31,486**

* The 2018 figure includes Landi Renzo Polska Sp.Zo.O., L.R. Pak (Pvt) Limited, Landi Renzo Ro S.r.l., Beijing Landi Renzo Autogas System Co. Ltd and Landi Renzo USA Corporation, as the data for the other companies is not available.
The 2019 figure includes the entire perimeter, as indicated in the methodological note. Data were estimated for the companies: AEB America S.r.l., Landi Renzo Pars Private Joint Stock Company.
The 2019 data includes the indirect electricity consumption of Landi Renzo S.p.A. and AVL (Landi Renzo S.p.A. via Nobel 890,758 kWh and AVL 4,439,883 kWh).
The 2020 figure includes the entire perimeter, as indicated in the methodological note. Data were estimated for the companies: AEB America S.r.l., Landi Renzo Pars Private Joint Stock Company.
The 2020 figure includes indirect electricity consumption of LR via Nobel (5,239,676 kWh, of which 4,537,089.25 AVL consumption and 929,086.87 LR); LR via Industria (2,483,834 kWh); LR Turin (2,297 kWh) and Lovato Gas (108,377 kWh).
The method used for the calculation involves gathering data from automatic consumption monitoring systems, or in certain cases estimates based on expenditure for energy consumption. To calculate the percentage of renewable sources for 2020 the average percentage between 2018 and 2019 of the energy mix communicated by service suppliers was considered, as the percentage for 2020 was not yet available.
The conversion factors of the Department for Environment, Food and Rural Affairs 2020 were used to calculate the total consumption for the year (expressed in gigajoules).

For 2020, Landi Renzo S.pA.'s indirect consumption of electricity also includes the share of AVL, which as of 01/01/2020 makes use of the entire building at number 6 via Nobel. As a result, all of the area's electricity consumption has been attributed to it, including the part relating to the production of the solar power system located on the roof of that building. Specifically, as data is not available regarding consumption recorded in the Desigo Software in use at AVL, which has not provided it, the allotment is based on monthly readings of the SIEMENS meters, which provides an indication of the amount consumed by LR and AVL. This indication is not as precise as reading the ENEL meter; therefore, the readings are used for a percentage breakdown of the amount specified on the ENEL invoice, taking into account meter errors (since they are not periodically calibrated) and plant self-consumption. The value of the electricity consumption attributed to AVL consists of total energy measured upstream of the transformers (on the MV panel in the electrical cabinet), which is added to the energy generated by the solar power plant owned by Landi Renzo but 100% used by AVL.
In order to best manage electricity consumption, a technical assessment has been launched with the involvement of ENEL, in order to have individual cabinets available for the companies LR and AVL. This would allow for precise assessments of the actual electricity consumption of each company, avoiding the monthly readings of the SIEMENS meters on the MV panel in the electrical cabinet.
Overall the intensity of emissions, calculated as the ratio between the total value of CO_2 emissions and the total number of employees, was 5,429.8 (a decrease of 36% compared with 2019).

Breakdown of CO_2 emissions by consumption type



Direct and indirect emissions into the atmosphere

DIRECT CO2 EMISSIONS (offices and systems) - Scope 1	2020	2019	2018
ITALIAN COMPANIES			
Emissions due to methane consumption (CO_2e kg)	356,223	352,346	447,942
FOREIGN COMPANIES*			
Emissions due to methane consumption (CO_2e kg)	210,618	178,273	99,873
Total	**566,841**	**530,619**	**547,815**

* The 2018 figure includes Landi Renzo USA Corporation and Landi Renzo RO S.r.l., as the data for the other companies is not available.
The 2019 figure includes the entire perimeter, as indicated in the methodological note. Data were estimated for the companies: Beijing Landi Renzo Autogas System Co. Ltd, LR Indústria e Comércio Ltda, AEB America S.r.l., Landi Renzo Pars Private Joint Stock Company.
The 2020 figure includes the entire perimeter, as indicated in the methodological note. Data were estimated for the companies: Landi Renzo USA Corporation; Beijing Landi Renzo Autogas System Co. Ltd, LR Industria e Comercio Ltda, AEB America S.r.l., Landi Renzo Pars Private Joint Stock Company; L.R. Pak (Pvt) Limited.
The method used to calculate the emissions involves the use of emission factors published in 2020 by the *Department for Environment, Food & Rural Affairs*.

DIRECT CO_2 EMISSIONS (company cars) - Scope 1	2020	2019	2018
ITALIAN COMPANIES			
Total emissions (CO_2e kg)	243,640	304,736	370,015
FOREIGN COMPANIES*			
Total emissions (CO_2e kg)	295,218	274,223	278,304
Total	**538,858**	**578,959**	**648,319**

* The 2018 figure includes Landi Renzo Polska Sp.Zo.O., Landi Renzo RO S.r.l. and Beijing Landi Renzo Autogas System Co.Ltd, as the data for the other companies is not available.
The 2019 figure includes the entire perimeter, as indicated in the methodological note. Data were estimated for the companies: Landi Renzo USA Corporation, Landi Renzo Pars Private Joint Stock Company, AEB America S.r.l., and L.R. Pak (Pvt) Limited.
The diesel value was estimated for: Landi Renzo RO S.r.l.
The diesel and LPG values were estimated for: Beijing Landi Renzo Autogas System Co. Ltd, LR Indústria e Comércio Ltda.
The 2020 figure includes the entire perimeter, as indicated in the methodological note. Data were estimated for the companies: Landi Renzo USA Corporation, Landi Renzo Pars Private Joint Stock Company, AEB America S.r.l., and L.R. Pak (Pvt) Limited.
The diesel and LPG values were estimated for: Beijing Landi Renzo Autogas System Co. Ltd and LR Industria e Comercio Ltda.
The method used to calculate the emissions involves the use of emission factors published in 2020 by the *Department for Environment, Food & Rural Affairs*.

INDIRECT CO_2 EMISSIONS (electricity) - Scope 2	2020	2019	2018
ITALIAN COMPANIES			
Emissions due to electricity consumption	3,125,761	3,297,294	3,238,174
FOREIGN COMPANIES*			
Emissions due to electricity consumption	373,209	449,157	456,397
Total	**3,498,947**	**3,746,451**	**3,694,571**

* The 2018 figure includes Landi Renzo Polska Sp.Zo.O., L.R. Pak (Pvt) Limited and Beijing Landi Renzo Autogas System Co. Ltd, as the data for the other companies is not available.
The 2019 figure includes the entire perimeter, as indicated in the methodological note. Data were estimated for the companies: AEB America S.r.l., Landi Renzo Pars Private Joint Stock Company.
The 2020 figure includes the entire perimeter, as indicated in the methodological note. Data were estimated for the companies: AEB America S.r.l. and Renzo Pars Private Joint Stock Company.
The method used to calculate the emissions involves the use of emission factors published in 2015 by the *Department for Environment, Food & Rural Affairs* in the UK. Although these factors are less up to date than those in the latest 2020 version, they are more representative as they provide a breakdown by country.

With respect to the Italian companies, the decline in indirect CO_2 emissions deriving from electricity in 2020 is attributed to the temporary closure of some offices due to the current health emergency, in light of which the Company made recourse to smart working.

Energy production from renewable sources is among the energy strategies implemented by the Landi Renzo Group. Significant cost savings have been obtained thanks to the solar power system installed on the roof of the new Landi Renzo S.p.A. research and development centre, and the solar power system at the headquarters on Via dell'Industria. In the course of 2020, the repair of the via Nobel electricity production plant made it possible to generate more than 460,000 kWh, also thanks to optimal weather conditions, thus avoiding more than 107 tonnes of CO_2 emissions. In 2020, Landi Renzo S.p.A.'s solar power system on Via Nobel produced 815 GJ compared to 464 GJ in 2019, whereas the one on Via dell'Industria produced 841 GJ in 2020 compared to 815 GJ in 2019.

This made it possible to prevent CO_2 emissions equivalent to 107,270 kg.

Other emissions into the atmosphere

OTHER EMISSIONS INTO THE ATMOSPHERE (kg)	2020	2019	2018
NOx*	61	61	93
SOx*	6	6	10
VOCs (Volatile Organic Compounds)	957	275	115

* The 2018 figure includes Landi Renzo USA Corporation and Landi Renzo RO Srl, as the data for the other companies is not available.
The 2019 figure refers to Landi Renzo SpA's production site in Reggio Emilia, via dell'Industria.
The 2020 figure refers to Landi Renzo SpA's production site on via dell'Industria and Via Nobel in Reggio Emilia.
The method used to calculate NOx and SOx emissions from heating systems in m^3 of methane consumed overall requires multiplication by the emission limit stipulated by legislation (350 mg/m^3 for NOx and 35 mg/m^3 for SOx) and then divided by 1,000,000.
With regard to VOCs, the figure is calculated as the average of the analyses (measurements) taken during the year and multiplied by 8h working days *220 working days in a year/1000.

With reference to Italian sites, as SOx and NOx are substances derived from the combustion of methane, they remained the same as in previous years (NOx from 61 kg in 2019 to 62 kg in 2020, SOx unchanged 6 kg in 2019 and 6 kg in 2020). There was a considerable increase in VOCs, as they were calculated by recording the results of the periodic emissions tests at the production sites (gr/h x 16h x 255 working days in 2020).

Emissions of ozone-depleting substances

EMISSIONS of ODSs (CO2e tonnes)*	2020	2019	2018
F-gas mixtures (HFCs)	300.11	114.98	75.58

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

HFC emissions are due exclusively to air conditioning system leaks. In 2020, several technical interventions on the air conditioners and climatic chambers in the components testing rooms following system leaks resulted in them being filled with gas.

Water

The idea underpinning this company policy is that using water is not just an environmental issue; water occupies a primary position among the natural resources considered in the Group's policy to contain consumption. This is why it is necessary to manage water resources responsibly.

Each month, the meters are read at the two Landi Renzo S.p.A. sites, in order to identify any irregular consumption due to breaks or faults so that the necessary corrective action can be taken as soon as possible to avoid undesired and unplanned consumption.

As regards Italian companies, over the past two years the trend in all the water tests has been constant. Starting from 2019 there was a sharp decline in the well water usage, mainly due to a fault in one of the seals at Via Nobel, which led to its being sectioned off for a long period. The main source of procurement continues to be the public network (roughly 70%).

In 2020, the change in the consumption of water for domestic use (mains water) is mainly due to the number of people in the company, and in part the lower procurement of water for the operation of the osmosis and softening systems. In particular, in 2020 the consumption at via Nobel no. 6 was not counted for Landi Renzo, as that supply was available solely to the neighbouring company AVL. This entailed a drastic reduction in water consumption at the via Nobel site, as the few production processes require low water consumption, due primarily to the osmosis and softening systems required for certain plans.

Therefore, in the Group's Italian companies, around 4,625 m3 of water was consumed, primarily for domestic uses, the operation of the softening and osmosis systems required for proper plant operation, the humidifiers in the Air Treatment Units and for cleaning the production departments.

Waste water produced was mainly from toilet facilities and condensation from air compressors, that after deoiling, is conveyed to sewage systems, as according to the Single Environmental Authorisation, it is equivalent to industrial waste comparable to domestic waste at via Nobel and industrial wastewater for the via Industria site, as specified in the most recent SEA issued in December 2020.

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

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Water withdrawal by source

WATER WITHDRAWAL BY SOURCE (m³)[3]	2020	2019	2018
ITALIAN COMPANIES			
Surface water	-	-	-
of which fresh water (≤1,000 mg/l of total dissolved solids)	-	-	-
of which other types of water (>1,000 mg/l of total dissolved solids)	-	-	-
Groundwater (wells for irrigation)	**1,367**	**1,492**	**4,934**
of which fresh water (≤1,000 mg/l of total dissolved solids)	1,367	1,492	4,934
of which other types of water (>1,000 mg/l of total dissolved solids)	-	-	-
Water supply	**3,258**	**13,329**	**13,392**
of which fresh water (≤1,000 mg/l of total dissolved solids)	**3,258**	13,329	**13,392**
of which other types of water (>1,000 mg/l of total dissolved solids)	-	-	-
Total water withdrawn	**4,625**	**14,821**	**18,326**
FOREIGN COMPANIES			
Surface water	**350**	**350**	**350**
of which fresh water (≤1,000 mg/l of total dissolved solids)	350	350	350
of which other types of water (>1,000 mg/l of total dissolved solids)	-	-	-
Groundwater (wells for irrigation)	**8,033**	**5,463**	**5,461**
of which fresh water (≤1,000 mg/l of total dissolved solids)	603	888	1,373
of which other types of water (>1,000 mg/l of total dissolved solids)	7,430	4,575	4,088
Water supply	**121.13**	**9,267**	**7,809**
of which fresh water (≤1,000 mg/l of total dissolved solids)	121.13	9,267	7,809
of which other types of water (>1,000 mg/l of total dissolved solids)	-	-	-
Total water withdrawn	**8,504.13**	**15,080**	**13,620**

Waste management

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

The Group produces waste from service/production activities, and some products are classed as special waste and given a six-figure EWC (European Waste Catalogue) code and managed differently. The data provided

[3] Furthermore, no water is withdrawn from areas with water stress.

below does not take into account waste comparable to urban waste, as recovery and disposal are managed by the entity engaged by the applicable municipality, and it is not possible to obtain precise data.

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

Waste management is split into three separate disposal groups:

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

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

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

Landi Renzo S.p.A. has also introduced cardboard and polyethylene compactors; in addition to compacting, they also protect the materials to be recycled from bad weather, and provide certainty in terms of the amount of cardboard produced and sent for recycling. The use of these compactors enables the efficient management of two separated products without waste or taking up unnecessary space. Unfortunately, in 2020, as in 2019, the collapse of the recycled paper and cardboard market does not now permit a continuous economic return; however Landi Renzo is still constantly committed to sorting and recycling its materials.

The total amount of waste produced in 2020 by the Italian companies was 136 tonnes, of which more than 97% (133 tonnes) classified as “**non-hazardous**” and only 2.15% (2.99 tonnes) classified as “**hazardous**”.

Total waste produced

WASTE PRODUCED (tonnes)	2020	2019	2018
ITALIAN COMPANIES			
Total waste produced	136	144	149
FOREIGN COMPANIES*			
Total waste produced	293	400	236

* The 2018 figure includes Landi Renzo Polska Sp.Zo.O., Landi Renzo RO S.r.l. and Landi Renzo USA Corporation, as the data for the other companies is not available.
The 2019 figure includes the entire perimeter, as indicated in the methodological note. Data were estimated for the companies: Beijing Landi Renzo Autogas System Co. Ltd, L.R. Pak (PVT) Limited, Landi Renzo Pars Private Joint Stock Company, AEB America S.r.l., LR Indústria e Comércio Ltda.
The 2020 figure includes the entire perimeter, as indicated in the methodological note. Data were estimated for the companies: Beijing Landi Renzo Autogas System Co. Ltd, L.R. Pak (PVT) Limited, Landi Renzo Pars Private Joint Stock Company, AEB America S.r.l., LR Indústria e Comércio Ltda.

The waste produced in 2020 by the Group is from production and logistics operations and also includes in part the disposal of obsolete products and materials that can no longer be used. As regards Italian companies, there was no movement of waste at Lovato during 2020, other than urban waste and therefore no operations have been logged in the waste register.

Waste disposed of by type

WASTE DISPOSED OF BY TYPE (tonnes)		2020	2019	2018
ITALIAN COMPANIES				
Total waste disposed of		136	**144**	**149**
amount disposed of/treated		1.31	2	3
	Non-hazardous	0	0	2
	Hazardous	1.31	2	1
amount recovered/recycled		*135*	*142*	*146*
	Non-hazardous	133	139	146
	Hazardous	1.68	3	0.3
FOREIGN COMPANIES*				
Total waste disposed of		**293**	**400**	**236**

*The waste produced by Landi Renzo Polska Sp.Zo.O. is not classified as hazardous and is managed by an outsourcer. The 2018 data includes Landi Renzo Polska Sp.Zo.O., Landi Renzo USA Corporation and Landi Renzo RO S.r.l., as the data for the other companies is not available. The figure for Landi Renzo Pars Private Joint Stock Company was estimated based on the historic data.
The 2019 figure includes the entire perimeter, as indicated in the methodological note. Data were estimated for the companies: Beijing Landi Renzo Autogas System Co. Ltd, L.R. Pak (PVT) Limited, Landi Renzo Pars Private Joint Stock Company, AEB America S.r.l., LR Indústria e Comércio Ltda. As regards the breakdown by type of waste disposal of foreign companies, 59% of waste is recycled, 27% sent for reuse and 14% disposed of using other methods.
The 2020 figure includes the entire perimeter, as indicated in the methodological note. Data were estimated for the companies: Beijing Landi Renzo Autogas System Co. Ltd, L.R. Pak (PVT) Limited, Landi Renzo Pars Private Joint Stock Company, AEB America S.r.l., LR Indústria e Comércio Ltda. As regards the breakdown

In 2020 there were no recorded spills of hazardous substances or products that may have caused environmental pollution.

Noise emissions

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

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

GRI Content Index – Core Option

GRI GRI Standards 2016	Description of KPI	Notes for 2020	References
GENERAL INFORMATION			
102-1	Name of organisation		Annual Financial Report (contacts)
102-2	Activities, main brands, products and/or services		53-55
102-3	Location of the organisation's headquarters		Annual Financial Report (contacts)
102-4	Number of countries the company operates in		Annual Financial Report (the Landi Renzo Group worldwide)
102-5	Ownership structure and legal form		Annual Financial Report (corporate structure)
102-6	Markets served (including geographical distribution, sectors, types of customer and beneficiaries)		Annual Financial Report (the Landi Renzo Group worldwide)
102-7	Size of organisation		Annual Financial Report (the Landi Renzo Group worldwide – Summary)
102-8	Employees and other workers by age group, gender and geographical area		80
102-9	Description of supply chain		112-114
102-10	Significant changes in the reporting period		Annual Financial Report (significant events in 2020)
102-11	Precautionary principle or approach application		73-77
102-12	Codes of conduct, initiatives or standards regarding economic, social and environmental aspects developed externally, adopted by the Company		114-122
102-13	Membership of national and/or international trade associations in which the organisation has a position on the governing body or of which it is a member, or to which it provides considerable funding that goes beyond its membership fee		114-122
102-14	Declaration by CEO and Chairman regarding the importance of sustainability for the organisation, and its strategy		51 (Letter to the stakeholders)
102-15	Description of the main risks – whether generated or suffered – deriving from the company's activities, products, services or business relations including supply and subcontracting chains where relevant, and how these risks are managed		69-72
102-16	Values, principles, standards and regulations of behaviour, internal to the company		53-55; 75-77
102-18	Corporate governance structure		73-75
102-22	Composition of the highest governing body and its committees (age, gender and membership of under-represented groups or categories; any other diversity indicators)		Annual financial report (Corporate bodies)
102-24	Processes and criteria for the appointment and selection of the members of the highest governing body and its committees (in terms of professional background, qualifications and expertise)		73-75
102-40	List of stakeholder groups engaged by the organization		64-66
102-41	Percentage of staff covered by collective bargaining agreements	Information not available for Iran	10-77

102-42	Process of identifying and selecting stakeholders to engage with		64-66
102-43	Approach to stakeholder engagement, specifying the frequency, by type of activity and stakeholder group		64-66; 99; 115; 118-122
102-44	Key topics and concerns emerging from stakeholder engagement activity, and the way in which the organisation has responded to these concerns, also with reference to the contents of the report		64-66; 99; 115; 118-122
102-45	List of companies included on the consolidated financial statements and details of the companies not included in the report		49-50 (Methodological Note); Annual Financial Report
102-46	Definition of contents of report and scope of each aspect		64-66
102-47	List of the aspects identified as material, in the process of defining the contents of the report		64-66
102-48	Explanation of the effects of any changes to the information included in previous reports and the reasons for those changes		49-50 (Methodological Note)
102-49	Significant changes (in terms of objective, scope or method of measurement) compared to the previous reporting period		49-50 (Methodological Note)
102-50	Reporting period		49-50 (Methodological Note)
102-51	Publication of the latest report		49-50 (Methodological Note)
102-52	Reporting cycle		49-50 (Methodological Note)
102-53	Contacts and addresses for requesting information about the report and its contents		Annual financial report (Contacts)
102-54	Indication of the chosen "In accordance" option		49-50 (Methodological Note)
102-55	Table of GRI contents		139-142
102-56	External assurance of the report		(PwC Report)
ECONOMIC			
103-1; 103-2; 103-3	Management approach *Remuneration and incentive policies* *Support for the general public*		90-91; 116-122
202-1	Ratio between the standard salary for new hires by gender to local minimum salary in the most significant operating sites	Information not available for Pakistan, Iran and Brazil.	90
103-1; 103-2; 103-3	Management approach *Enhancing local suppliers*		114-115
204-1	Percentage of expenditure concentrated among local suppliers in relation to the main operating sites		114-115
205-3	Confirmed incidents of corruption and actions taken		71
207-1	Approach to tax		116-117
207-2	Tax governance, control and risk management		116-117
207-3	Stakeholder engagement and management of concerns related to tax		116-117
ENVIRONMENTAL			
103-1; 103-2; 103-3	Management approach *Environmental protection in terms of efficient use of resources and reduction of atmospheric emissions*		125-127
302-1	Consumption of electricity and heating at the offices and sites, with a breakdown of renewable/non-renewable energy and consumption of fuel by company cars		125-129

303-1	Interaction with water as a shared resource		132-134
303-2	Management of water discharge-related impacts		132-134
303-3	Water withdrawal		132-134
305-1	Emissions generated by the consumption of fuel for the operation of the offices and facilities, by fuel for the company fleet (Scope 1)		130-131
305-2	Emissions generated by the consumption of electricity and heating energy for the operation of the offices and facilities (Scope 2)		130-131
305-4	GHG emissions intensity calculated by using the ratio of emissions produced compared to a benchmark for the company		130-131
305-7	NOx, SOx or other significant emissions	Information only available for Landi Renzo SpA's production site in Reggio Emilia, via dell'Industria	132
306-2	Waste produced, by type and disposal method		134-137
307-1	Monetary value of major fines and the number of non-monetary fines imposed for not complying with environmental laws and regulations	Information not available for Iran	126
COMPANY			
103-1; 103-2; 103-3	Management approach *Employment protection, remuneration and incentive policies*		79-83; 90-91
401-1	New employee hires and employee turnover (by age, gender and nationality)		81-82
401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees, for main activities	Information not available for Pakistan Iran and Brazil	90-91
103-1; 103-2; 103-3	Management approach *Dialogue with trade union representatives*		82-83
402-1	Minimum notice periods regarding operational changes, even if the notice period is specified in the collective bargaining agreements		82-83
103-1; 103-2; 103-3	Management approach *Occupational Health and Safety*		69-70; 91-97
403-1	Occupational health and safety management system		91-97
403-2	Hazard identification, risk assessment, and incident investigation		91-97
403-3	Occupational health services		91-97
403-4	Worker participation, consultation, and communication on occupational health and safety		91-97
403-5	Worker training on occupational health and safety		91-97
403-6	Promotion of worker health		91-97
403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships		91-97
403-9	Work-related injuries	For the purposes of calculating injury indexes, hours worked	91-97

		are considered. Information not available for Pakistan and Iran.	
103-1; 103-2; 103-3	Management approach *Professional enhancement, training and competence development*		85-89
404-1	Average annual training hours per employee, by gender and category	As regards training on occupational health and safety, the hours are not available for Iran or Pakistan	85-89
404-3	Percentage of employees receiving regular performance and career development reviews, by gender and category		89
103-1; 103-2; 103-3	Management approach *Equal opportunities, diversity and inclusion*		73-75; 79-81
405-1	Diversity of governance bodies and employees, by diversity indicator	Information on the number of staff in protected categories is not available for the Group's foreign companies	Annual Report (Corporate Bodies); 73-74; 79-81
406-1	Incidents of discrimination and corrective actions taken.	No reports of discrimination in the Group, for all countries except Iran, for which this information is not available.	84
103-1; 103-2; 103-3	Management approach *Product quality, reliability and safety* *Customer Satisfaction*		106-109
416-1	Assessment of the health and safety impacts of product and service categories		108-109
416-2	Total number of non-conformities with regulations and voluntary codes regarding the health and safety impacts of products and services during their lifecycle		108-109
417-2	Total number of non-conformities with regulations and voluntary codes regarding the health and safety impacts of products and services during their lifecycle		108-109
418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data		111

As regards the material topics "Innovation", "Dialogue and active involvement with public institutions", "Leadership" and "Offer of eco-efficient products", reference is made to information in the "Table of correspondence" (pages 15-18).

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

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

To the Board of Directors of
Landi Renzo SpA

Pursuant to article 3, paragraph 10, of Legislative Decree No. 254 of 30 December 2016 (the "Decree") and article 5 of CONSOB Regulation No. 20267/2018, we have undertaken a limited assurance engagement on the consolidated non-financial statement of Landi Renzo SpA and its subsidiaries (the "Group") for the year ended 31 December 2020 prepared in accordance with article 4 of the Decree, presented in the specific section of the Report on operations and approved by the Board of Directors on 15 March 2021 (the "NFS").

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

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

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

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

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

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

Auditor's Independence and Quality Control

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

Auditor's responsibilities

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

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

In detail, we performed the following procedures:

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

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

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

    With reference to those matters, we compared the information obtained with the information presented in the NFS and carried out the procedures described under point 4 a) below;

4. understanding of the processes underlying the preparation, collection and management of the significant qualitative and quantitative information included in the NFS.

In detail, we held meetings and interviews with the management of Landi Renzo SpA and with the personnel of Landi Renzo Polska Sp.Zo.O.LR and A.E.B. América Srl and we performed limited analyses of documentary evidence, to gather information about the processes and procedures for the collection, consolidation, processing and submission of the non-financial information to the function responsible for the preparation of the NFS.

Moreover, for material information, considering the activities and characteristics of the Group:

- at a group level,
    a) with reference to the qualitative information included in the NFS, and in particular to the business model, the policies adopted and the main risks, we carried out interviews and acquired supporting documentation to verify its consistency with available evidence;
    b) with reference to quantitative information, we performed analytical procedures as well as limited tests, in order to assess, on a sample basis, the accuracy of consolidation of the information;

- for the following companies, Landi Renzo SpA, Landi Renzo Polska Sp.Zo.O.LR and A.E.B. América Srl, which were selected on the basis of their activities, their contribution to the performance indicators at a consolidated level and their location, we carried out meetings and interviews during which we met local management and gathered supporting documentation regarding the correct application of the procedures and calculation methods used for the key performance indicators.

Conclusion

Based on the work performed, nothing has come to our attention that causes us to believe that the NFS of Landi Renzo Group for the year ended 31 December 2020 is not prepared, in all material respects, in accordance with articles 3 and 4 of the Decree and with the GRI Standards.

Parma, 30 March 2021

PricewaterhouseCoopers SpA

Signed by	*Signed by*
Nicola Madureri (Partner)	Paolo Bersani (Authorised signatory)

This report has been translated from the Italian original solely for the convenience of international readers. We have not performed any controls on the NFS 2020 translation.

Significant events after the reporting period and business outlook

At the end of financial year and to date, we note:

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

<u>Business outlook</u>

Also taking into account the limited visibility deriving from the current scenario of uncertainty linked to the continuation of the effects of the Covid-19 pandemic in the international markets, caused by the resumption of contagion, based on the positive signals of market recovery already identified in the second half of 2020 and the orders in the portfolio, for the current year Landi Renzo S.p.A.'s management expects revenue growth that will reach between Euro 175 million and Euro 185 million, and an adjusted EBITDA margin of between Euro 17 million and Euro 19 million.

As regards the joint venture SAFE&CEC, thanks to a consolidated order portfolio experiencing constant growth, for the current year the value of production should be between Euro 85 million and Euro 90 million, with an adjusted EBITDA margin of Euro 8 million to Euro 9 million.

Chief Executive Officer

Cristiano Musi

Contact details

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Tax ID and VAT Reg. No. IT00523300358

This document is available on the Internet at
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APPENDIX

Report on Corporate Governance and Ownership Structure

E-MARKET SDIR CERTIFIED

LANDI RENZO S.p.A.

REPORT

ON CORPORATE GOVERNANCE AND OWNERSHIP STRUCTURE

pursuant to article 123-*bis* of the Consolidated Finance Act

(traditional administration and control model)

Issuer: Landi Renzo S.p.A.

Web Site: www.landirenzogroup.com

Financial period covered by the Report: year ended 31 December 2020

Date of approval of the Report: 15 March 2021

CONTENTS

GLOSSARY

Board of Statutory Auditors: the Issuer's Board of Statutory Auditors.

Board or Board of Directors: the Issuer's Board of Directors.

Borsa Italiana: Borsa Italiana S.p.A..

Civil Code: the Italian Civil Code.

Consob Market Regulations: the regulations issued by Consob by virtue of Resolution 20249 of 2017 regarding legislation for the stock markets.

Consolidated Finance Act: Legislative Decree 58 of 24 February 1998 (the Italian Consolidated Finance Act), as amended.

Instructions to the Stock Market Regulations: the instructions to the regulations of Borsa Italiana.

Issuer, Landi Renzo or the **Company:** Landi Renzo S.p.A..

Issuers' Regulations: the regulations issued by Consob by virtue of Resolution 11971/1999 (and subsequent amendments) regarding legislation for issuers.

Period: the financial period covered by the Report, i.e. the financial year ended on 31 December 2020.

Related Party Transactions Regulations: the Regulations issued by Consob by virtue of Resolution 17221 of 12 March 2010 (and subsequent amendments) regarding transactions with related parties.

Report: this report on corporate governance and the structure of ownership that companies are obliged to prepare in accordance with Article 123-*bis* of the Consolidated Finance Act for the reference Period.

Self-Regulatory Code: the self-regulatory code for listed companies approved by the Corporate Governance Committee in July 2018 and promoted by Borsa Italiana, Abi, Ania, Assogestioni, Assonime and Confindustria, publicly available on the Corporate Governance Committee website at http://www.borsaitaliana.it/comitato-corporate-governance/codice/codice.htm.

Stock Market Regulations: the regulations of the stock markets organised and managed by Borsa Italiana.

1. ISSUER PROFILE

The Issuer has adopted a traditional system of governance based on the presence of three bodies: the Shareholders' Meeting, the Board of Directors and the Board of Auditors. The auditing of the accounts is entrusted by law to an auditing firm. The Issuer adheres to the Self-Regulatory Code in accordance with the method described below.

The Issuer falls within the definition of small and medium-sized businesses (PMIs) under Article 1(1)(w)-*quarter.* 1 of the Consolidated Finance Act and Article 2-*ter* of the Issuers' Regulations, having recorded in 2020 an average market capitalisation of Euro 73,390,020.

The following sections provide information regarding the ownership structure and describe the relative and actual methods of implementation that the Company has already adopted, namely the changes that the Company is pursuing with respect to the compliance model outlined in the Self-Regulatory Code.

This Report, prepared in accordance with the regulatory requirements laid down for companies listed on the screen-based equity market (*Mercato Telematico Azionario*) organised and managed by Borsa Italiana, together with all the documents referred to herein, may be downloaded from the Company's website www.landirenzogroup.com/it/, Investors section.

2. INFORMATION ON THE OWNERSHIP STRUCTURE (PURSUANT TO ARTICLE 123-*BIS*, SUBSECTION 1, OF THE CONSOLIDATED FINANCE ACT) AS AT 31 DECEMBER 2020

This section 2 has been prepared pursuant to the terms and effects of Article 123-*bis*, subsection 1, of the Consolidated Finance Act. Any information (i) required by the aforesaid Article 123-bis, subsection 1, letter i) of the Consolidated Finance Act is provided in the Report on the remuneration policy and compensation paid and published pursuant to Article123-*ter* of the Consolidated Finance Act, (ii) the information required by the aforesaid Article 123-*bis*, subsection 1, letter l) of the Consolidated Finance Act is provided in the chapter of the Report dealing with the Board of Directors (Section 4.1), and finally, (iii) the other information required by article 123-*bis* of the Consolidated Finance Act that is not mentioned in this section 2, is to be understood as not applicable to the Company.

(a) Shareholding structure (pursuant to article 123-*bis*, subsection 1, letter a) of the Consolidated Finance Act)

Landi Renzo's share capital is equal to Euro 11,250,000, fully subscribed and paid up, and consists of 112,500,000 ordinary shares with a nominal value of Euro 0.10 each (the "**Shares**"), traded on the screen-based equity market (*Mercato Telematico Azionario*) organised and managed by Borsa Italiana. This information is also shown in table 1 attached to the Report. As of the date of this Report, no special classes of shares have been issued, such as shares without voting rights or with limited voting rights, nor other securities granting the right to subscribe newly issued shares.

On 9 April 2015, Landi Renzo's Board of Directors had approved by resolution the issue of a bond called "LANDI RENZO 6.10% 2015-2020", in the amount of Euro 34 million, having a term of five years and paying a gross fixed interest rate of 6.10%, with a coupon paid every six months in arrears, as provided under the rules approved on 9 April 2015 and subsequently amended. On 1 July 2019, following a resolution of the

Board of Directors held on 14 May 2019, the bond was redeemed early in full at par by the Issuer. .

Further details are available on the Company's website at http://www.landirenzogroup.com/it/_3.

(b) Restrictions on the transfer of securities (pursuant to article 123-*bis*, subsection 1, letter b) of the Consolidated Finance Act)

As of the date of this Report, the Shares are freely transferable by deed *inter vivos* and/or by succession *mortis causa* and are subject to the circulation regime envisaged for shares issued by listed companies registered under Italian law.

(c) Significant shareholdings (pursuant to article 123-*bis*, subsection 1, letter c) of the Consolidated Finance Act)

As of the date of this Report, on the basis of the records in the shareholders' book and in the light of the notifications received under Article 120 of the Consolidated Text, the following parties, directly or indirectly, own more than 5% of the Company shares (this information is also presented in table 1, attached to this Report.

Declarant	Direct shareholder	% of issued shares	% of shares with voting rights
Trust Landi (trust regulated by Jersey law, in which trustee is Stefano Landi)	Girefin S.p.A.	54.662	68.709
	Gireimm S.r.l.	4.444	5.587
Aerius Investment Holding AG	Aerius Investment Holding AG	8.2624	5.193

(d) Securities to which special rights are attached (pursuant to article 123-bis, subsection 1, letter d) of the Consolidated Finance Act)

As of the date of this Report, the Company's Shares are registered, freely transferable and indivisible. Without prejudice to the provisions below on loyalty shares' increased voting rights, each share confers the same proprietary and administrative rights in accordance with the applicable provisions of law and of the articles of association.

On 24 April 2015, Landi Renzo's Shareholders' Meeting amended the Company's articles of association in order to introduce a loyalty shares mechanism giving rise to increased voting rights for such shares (as provided by article 20, first paragraph, of law decree no. 91 of 24 June 2014, converted by law no. 116 of 11 August 2014), whereby, if a shareholder is registered in the specific register kept by the Company for a certain number of shares, after a vesting period of 24 months, the shareholder will be entitled to a double vote in relation to such shares.

At the following meeting held on 27 August 2015, the Company's Board of Directors approved the Rules on loyalty shares giving rise to increased voting rights which govern, *inter alia*, the procedures for requesting registration in the dedicated special list provided under article 127-*quinquies*, paragraph 2, of the Consolidated Finance Act.

On 8 May 2020, the extraordinary Shareholders' Meeting resolved to amend article 6-*bis* of the articles of association in order to align the statutory discipline regarding increased voting rights to Consob's recent interpretative stance, expressed in notice no. 0214548 of 18 April 2019. According to such an interpretation, statutory autonomy is not granted any discretion in defining the legal and factual preconditions leading to an increase in voting rights, since such preconditions are already defined by the legislator, as well as limited to the instances in which the shares of the company: a) are registered in a specific register and b) were held by the same party for an uninterrupted period (at least twenty-four months) starting from the date of registration in the specific register.

Therefore, on 15 May 2020, the Board of Directors resolved to amend the Rules regarding increased voting rights, in order to render such provisions consistent with the new articles of association. The amendments are aimed at ensuring that the right to increased voting rights is granted automatically, upon expiry of the twenty-four months uninterrupted holding period of the shares, starting from the registration in the specific register kept by the Company pursuant to article 127-*quinquies*, paragraph 2, of the Consolidated Finance Act, without the need for such a circumstance to be acknowledged by a specific notice of the intermediary authorized to keep the accounts on which financial instruments are registered.

Further details are available on the Company's website http://www.landirenzogroup.com/it/maggiorazione_del_voto.

Pursuant to article 127-*quinquies* of the Consolidated Finance Act, and implementing the provisions of the Company's by-laws, on 7 November 2017, increased voting rights were granted in relation to 61,495,130 and 5,000,000 ordinary shares of Landi Renzo, owned respectively by Girefin S.p.A. and by Gireimm S.r.l. and, respectively, on 8 January 2018, 7 September 2018 and 7 October 2019, in relation to additional 700 ordinary shares of Landi Renzo, 5,000 ordinary shares of Landi Renzo, and additional 1000 ordinary shares of Landi Renzo. During the Period, there were no increases to voting rights.

Pursuant to article 6-*ter* of the Company's articles of association, increased voting rights do not affect any other right other than voting rights, to which shareholders are entitled and may exercise by virtue of their ownership in the corporate capital, and similarly, among other things, they do not affect the calculation of the percentage of corporate capital owned for the submission of slates of candidates for membership in the company's bodies, for exercise of liability actions pursuant to article 2393-*bis* of the Civil Code, and the percentage of corporate capital required to challenge, for any reason, the resolutions of the Shareholders' Meeting.

As of the date of this Report, the number of Landi Renzo's shares is 112,500,000, corresponding to 179,001,830 voting rights at the Company's ordinary and extraordinary Shareholders' Meeting.

(e) **Employees' shareholdings: mechanism for the exercise of voting rights (pursuant to article 123-*bis*, subsection 1, letter e) of the Consolidated Finance Act)**

As of the date of this Report, there are no arrangements for employees to hold shares in the Company.

Information regarding the performance shares plan 2019-2021, approved by the Shareholders' Meeting on 29 April 2019, is set out in the relevant section of the report on the remuneration policy and compensation paid published pursuant to article 123-*ter* of the Consolidated Finance Act.

(f) Restrictions on voting rights (pursuant to article 123-*bis*, subsection 1, letter f) of the Consolidated Finance Act)

As of the date of this Report, there are no restrictions on voting rights.

(g) Shareholders' agreements (pursuant to article 123-*bis*, subsection 1, letter g) of the Consolidated Finance Act)

As of the date of this Report, the Company is not aware of any agreements among Shareholders as per Article 122 of the Consolidated Finance Act.

(h) Change of control clauses (pursuant to article 123-*bis*, subsection 1, letter h) of the Consolidated Finance Act)

As of the date of this Report, neither the Company nor its subsidiaries have stipulated any important agreements that take effect, are amended or are terminated in the event of any change in the Issuer's major shareholder, with the exception of:

- a financing agreement entered into on 26 June 2019 by the Issuer, as "borrower", and a pool of banks, each as "lender" (the "**Loan Agreement**"). The Loan Agreement was executed with the aim, *inter alia*, to improve the financial indebtedness profile of the Issuer and cancel the Issuer's financial indebtedness arising out of the optimisation agreement (the "**Optimisation Agreement**") originally executed on 27 March 2017 by the banking institutions, the Issuer and its subsidiaries A.E.B. S.p.A. (later merged by absorption into Landi Renzo effective as from 21 December 2017), Eighteen Sound S.r.l. and Sound&Vision S.r.l. (later transferred to B&C Speakers S.p.A. on 11 December 2017), Safe S.p.A., Lovato Gas S.p.A. (later merged by absorption into Landi Renzo effective as from 1 December 2020) and Emmegas S.r.l. (later merged by absorption into Landi Renzo effective as from 30 October 2018). Following execution of the Loan Agreement, the Optimisation Agreement was terminated on 26 June 2019;

- a financing agreement entered into on 30 July 2020 by the Issuer, as borrower, and a pool of banks, each as "lender" (the "**SACE Loan Agreement**"), whereby the lending banks granted the Issuer a loan assisted by a specific warranty by SACE S.p.A., pursuant to Decree Law no. 23 of 8 April 2020 (converted by law no. 40 of 5 June 2020), providing "*Urgent measures on access to credit and tax compliance for businesses, special powers in strategic sectors, as well as measures on health and labour, extension of administrative and procedural deadlines*". The SACE Loan Agreement was signed in order to sustain the liquidity and financing needs of the Issuer; and

- an unsecured financing agreement entered into on 6 March 2020 by the Issuer, as borrower, and BPER Banca S.p.A., as lender (the "**BPER Loan Agreement**").

The Loan Agreement and the SACE Loan Agreement provide that the lender banks will have the right to be repaid early in case (i) Mr Stefano Landi, Ms Giovannina Domenichini and Ms Silvia Landi together cease to hold -- directly or indirectly (also through fiduciary companies, trusts or similar vehicles) – at least 66.7% of the voting share capital in Girefin S.p.A., or, although holding at least 66.7% in Girefin S.p.A.'s corporate capital, they cease to exercise control over Girefin S.p.A. within the meaning of Article 93 of the Consolidated Finance Act; and/or (ii) Girefin S.p.A. ceases to hold – directly or indirectly – at least 66.7% of the voting share capital in Gireimm S.r.l., or, although holding at least 66.7% of Gireimm S.r.l.'s share capital, it ceases to exercise control over Gireimm S.r.l. within the meaning of Article 93 of the Consolidated Finance Act; and/or (iii) Mr Stefano Landi (including through trustees, trusts or similar vehicles), through Gireimm S.r.l. and Girefin S.p.A. jointly, ceases to hold – directly or indirectly – at least 50.1% of the Company's shares with voting rights, or, although holding at least 50.1% in the Company's share capital, he ceases to exercise control over the Company within the meaning of Article 93 of the Consolidated Finance Act.

The BPER Loan Agreement provides that BPER Banca S.p.A. will have the right to be repaid early in case Girefin S.p.A. ceases to hold, directly, at least 51% of the corporate capital of the Issuer.

(i) Delegated powers to increase share capital, and authorisations to purchase treasury shares (pursuant to article 123-*bis*, subsection 1, letter m) of the Consolidated Finance Act)

The Shareholders' Meeting of 29 April 2019, after it revoked the resolution it had approved on 24 April 2018 to the extent not yet implemented, authorised the Board of Directors, and the Managing Director acting on behalf of the said Board, also through its own attorneys appointed for this purpose, pursuant to, and for the purposes of, article 2357 of the Civil Code, to purchase Company's treasury shares, in quantities, at the price, and under the terms and conditions reported below:

- the shares may be purchased on one or more occasions, within the 18 months following the date of the shareholders' meeting's resolution, within the limits of the reserves available and profit available for distribution shown in the last approved financial statements, and will be recorded in the accounts in accordance with the legislative provisions and applicable accounting principles, i.e., in accordance with the provisions of article 144-*bis* of the Issuers' Regulations and article 132 of the Consolidated Finance Act, and in accordance with the provisions of the Stock Market Regulations and of all other applicable regulations, including those established by Regulation (EU) No. 596/2014 of the European Parliament and the Council of 16 April 2014 and its EU and national implementing regulations, including among others the assignment to the shareholders, proportionally to shares owned by each, of a put option to be exercised within a term to be set in the resolution of the Shareholders' Meeting that approves the purchase plan;

– the purchase price of each share shall be no more than 20% higher or lower than the reference price recorded by the securities on the Stock Market in the session preceding each transaction and in any event shall not exceed the higher of the price of the last independent transaction and the price of the highest current, independent purchase offer in the trading venue where the purchase is made, even when the shares are traded in various trading venues;

– the maximum number of shares purchased may not have an aggregate nominal value, including any shares held by the subsidiaries, higher than one-fifth of the share capital, taking into account for this purpose also any shares owned by subsidiaries.

On the same occasion the Shareholders' Meeting also resolved:

– under Article 2357-*ter*, subsection 1, of the Civil Code, to authorise the Board of Directors to dispose, in whole or in part, without any time limits, of its treasury shares in portfolio, possibly even before having completed the purchases, where permitted under applicable EU and national law and regulations; shares may be sold, on one or more occasions, also through offerings to the public and/or the Shareholders, on regulated markets and/or unregulated markets, or off-market, also by offering them to the public and/or to Shareholders, by institutional placement, by placement of purchase coupons and/or warrants or as a consideration for acquisitions or public swap offers at a price that must not be more than 20% lower or higher than the reference price recorded by the security on the Stock Market in the session preceding each transaction; nevertheless, these price limits will not apply if the shares are sold or assigned for no consideration to employees, including executives, executive directors or collaborators of Landi Renzo and its subsidiaries in the context of remuneration plans based on the assignment of financial instruments pursuant to Article 114-*bis* of the Consolidated Finance Act as an incentive to them;

– under Article 2357-*ter*, subsection 3, of the Civil Code, to authorise the Board of Directors to make all the accounting entries necessary or opportune, as regards transactions involving treasury shares, in compliance with those legal provisions in force and with the applicable accounting principles.

The Board of Directors' meeting of 13 March 2020 also resolved to submit to the Shareholders' Meeting a proposal to extend the power to purchase and dispose of treasury shares under the same terms and conditions as approved by the previous shareholders' meeting, subject to withdrawal of the previous authorisation to the extent not used.

The proposal was submitted to the Shareholders' Meeting of 8 May 2020, which, however, resolved not to approve the proposal. In this regard, it should be noted that, as announced to the public by means of a press release on 28 April 2020, the majority shareholders, Girefin S.p.A. and Gireimm S.r.l., had communicated their intention to vote against the proposal to authorise the purchase and disposal of treasury shares. Such a dissenting vote was motivated by the desire not to preclude the Company from a possible access to measures to support business liquidity, which had been introduced by Decree Law no. 23 of 8 April 2020 (so-called "**Decreto Liquidità**").

The term of validity of the authorisation approved by the Shareholders' Meeting of 29 April 2019 has therefore expired on 29 October 2020.

As of the date of this Report, the Company has neither purchased nor disposed of any treasury shares.

The Board of Directors, on 15 March 2021, resolved to propose to the Shareholders' Meeting to authorise the purchase and disposal of treasury shares, under the same terms and conditions set out in the aforementioned resolution of 29 April 2019, described above.

(j) **Management and coordination (pursuant to articles 2497 et seq. of the Civil Code)**

Landi Renzo deems that Girefin S.p.A. does not carry out management and coordination activities, operating as the former does completely free of any entrepreneurial or corporate control by the latter controlling company. For example, Landi Renzo independently manages its treasury and business relations with customers and suppliers, and independently establishes its own industrial plans and/or budgets.

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The information requested by Article 123-*bis*, first paragraph, letter i), of the Consolidated Finance Act (benefits for directors in case of resignation, dismissal or termination of employment following public tender offers) are described in the report on the remuneration policy and compensation paid published pursuant to Article 123-*ter* of the Consolidated Finance Act.

The information requested under Article 123-*bis*, first paragraph, letter l) of the Consolidated Finance Act (appointment and replacement of directors and changes to the articles of association other than those required under the laws and regulations) are described in the section of the Report devoted to the Board of Directors.

3. COMPLIANCE

Landi Renzo has complied with the provisions and recommendations of the Self-Regulatory Code drafted by the Corporate Governance Committee, publicly available on the Corporate Governance Committee's website at page http://www.borsaitaliana.it/comitato-corporate-governance/codice/codice.htm.

Neither the Issuer nor its subsidiaries of strategic importance, are subject to provisions of any laws other than Italian law affecting the Issuer's corporate governance structure.

4. BOARD OF DIRECTORS

4.1 APPOINTMENT AND REPLACEMENT OF DIRECTORS, AND AMENDMENTS TO THE ARTICLES OF ASSOCIATION (PURSUANT TO ARTICLE 123-*BIS*, SUBSECTION 1, LETTER L) OF THE CONSOLIDATED FINANCE ACT)

The Shareholders' Meeting establishes the number of members of the Board of Directors, at the time of their appointment, within those limits set out in subsection 4.2 below. The directors shall hold office for a period of no more than three financial years, and they may be re-elected.

Under Article 14 of the Company's articles of association, regarding the appointment and replacement of the Board of Directors and/or its members, establishes that the members of the Board of Directors are elected from lists of candidates according to the following procedures, in compliance with legislation, including regulatory, on gender balance in force at the time. Shareholders holding, even jointly, at least 2.5% of the share capital representing shares that confer voting rights at shareholders' meetings held to deliberate the appointment of the members of the governing body, or such other proportion of the share capital as may be determined at any one time by Consob, in accordance with the rules applicable to the Company, may present a list of candidates, the number of which shall not be greater than the number of directors to be elected, where candidates are listed in a progressive order. This level of ownership is consistent with that determined by Article 144-*quater* of the Issuers' Regulations for companies with a market capitalisation of up to Euro 1 billion. The notice calling the shareholders' meeting will state the level of ownership required to present a list of candidates.

Each shareholder, the shareholders adhering to a shareholders' agreement relevant under Article 122 of the Consolidated Finance Act, the parent company, the subsidiary companies and companies subject to joint control, may not present or join in the presentation of more than one list, not even through a third party or a trust company, nor may they vote for different lists, and each candidate may only stand in one list, otherwise they will be adjudged ineligible. Candidatures and votes expressed in breach of this restriction shall not be attributed to any list.

Lists must be deposited at the Company's registered office at least 25 (twenty-five) days prior to the date scheduled for the Shareholders' Meeting, without prejudice to other forms of publicity provided for by law, including regulatory provisions, in force at the time. The notice calling the shareholders' meeting will provide instructions to allow remote deposit of the list by distance communication. Ownership of the amount of shares required to present a list must be proven with the methods and at the terms required under the law and regulatory provisions in force at the time. Should mandatory gender allocation criteria be applicable, each list that presents at least 3 (three) candidates shall include a number of candidates of the least represented gender equal to the minimum requested by applicable law and regulatory provisions in force at the time. Those documents provided for by article 14 of the Issuer's articles of association and by the applicable provisions of law and regulations shall be presented together with each list.

Within the above terms, the following must be deposited together with each list: (i) information regarding the identity of the shareholders that presented the list and the percentage of ownership they hold in the aggregate; (ii) the declarations whereby each candidate accepts to be a candidate and attests, under his or her own responsibility, that no circumstances giving rise to his or her ineligibility or incompatibility exists and that he or she meets all the requisites under the law to accept the office; (iii) any candidate's declaration whereby the candidate attests, under his or her own responsibility, that he or she meets the independence requirements in accordance with applicable laws and regulations; and (iv) the *curricula vitae* of each candidate, containing exhaustive information on the candidate's personal and professional background, and listing any offices held by the candidate on the governing or supervisory bodies of other companies. Those lists presented without observing the aforesaid provisions shall be deemed as not presented.

Each eligible person has the right to vote for one list. When voting has been completed, those candidates from the two lists who have obtained the greatest number of votes shall be elected, according to the following principles:

(a) from the list that has obtained the highest number of votes (the "**Majority List**"), the same number of directors shall be elected as make up the Board of Directors, as established beforehand by the Shareholders' Meeting, minus one; members are taken, in accordance with the said numerical limitation, on the basis of the numerical order in which they appear in the list;

(b) from the list that has obtained the second largest number of votes, provided that it is not connected in any manner, even indirectly, with the shareholders that presented or voted for the Majority List (the "**Minority List**"), one Director is taken, and that Director shall be the one who appears first, in numerical order, on that list.

The candidate chosen as number one candidate on the Majority List shall be elected Chairperson of the Board of Directors.

Unless otherwise provided for, in the event of parity of votes, the senior candidate shall be elected.

In the event that following the election of candidates in the aforesaid manner, a number of independent directors have not been appointed, in accordance with the provisions of the law governing auditors, equal to the minimum number established by law in relation to the overall number of members of the Board of Directors, then the first non-independent candidate elected in numerical order from the Majority List, shall be replaced by the first independent candidate (in numerical order) not elected taken from the same list, or in the absence thereof, by the first independent candidate (in numerical order) not elected taken from the other lists, according to the number of votes that each candidate has obtained. This replacement procedure shall be followed until the number of independent directors – pursuant to the legal provisions governing statutory auditors - elected to the Board of Directors is at least equal to the legal minimum. Finally, should this procedure fail to provide the aforesaid result, then replacement shall be established by a resolution passed by the relative majority of the Shareholders' Meeting, subject to the presentation of candidates possessing the aforesaid requirements.

In addition, in the event that following the election of candidates in the aforesaid manner, a composition of the Board of Directors has not been reached in accordance with the provisions of the law on gender balance in force at the time, then the last candidate of the most represented gender elected in a numerical order from the Majority List shall be replaced by the first candidate of the less represented gender (in numerical order) not elected taken from the same list, or in the absence thereof, by the first candidate of the less represented gender (in numerical order) not elected from the other lists, according to the number of votes that each candidate has obtained. This replacement procedure shall be followed until a composition of the Board of Directors is reached which complies with the laws on gender balance in force at the time. Finally, should this procedure fail to provide the aforesaid result, then replacement shall be established by a resolution passed by the relative majority of the Shareholders' Meeting, subject to the presentation of candidates belonging to the less represented gender.

Should the first two or more lists obtain the same number of votes, then the shareholders' Meeting shall vote again, this time for those lists only. The same rule shall apply in the event of parity between those lists coming second in terms of numbers of votes that are not connected, directly or indirectly, with those shareholders who have presented or voted for the competing list.

In the event of further parity between lists, the list presented by shareholders possessing the majority shareholding, or subordinately by the list presented by the greatest number of shareholders, shall prevail. In all aforementioned cases, the composition of directors shall secure compliance with the aforesaid requirement of gender balance, where so required by law provisions and regulations in force at the time.

In the event of only one list, or no list, being presented, the Shareholders' Meeting shall decide according to the majorities established by law, without having to observe the abovementioned procedure, without prejudice for compliance with the gender balance requirement specified above, where required by law provisions and regulations in force.

For the purpose of the division of those directors to be elected, no account shall be taken of lists that have failed to gain a percentage of votes at least equal to one half of the number required by the present articles of association, or by Consob, for the presentation thereof.

If, during the course of the year, one or more Directors are missing, then in order to ensure that the majority continues to be constituted by directors appointed by the Shareholders' Meeting, the following procedure shall be followed, in accordance with article 2386 of the Civil Code:

(a) the Board of Directors shall arrange for the replacement of the missing director from among those belonging to the same list as the latter, and the Shareholders' Meeting shall vote, in accordance with the legally-required majorities, in observance of the same principle;

(b) in the event that the aforesaid list does not contain candidates not previously elected, or candidates with the called-for requirements, or for any reason it is not possible to observe (a) above, then the Board of Directors shall arrange for the replacement, and the Shareholders' Meeting shall vote for said replacement, in accordance with the legal majorities of those without a list vote.

In any case, the Board of Directors and the Shareholders' Meeting shall proceed to make the appointment in order to ensure the minimum number of independent directors required by the law in force at the time, subject to compliance with the aforementioned gender balance requirement, where so prescribed by law and regulatory provisions in force at the time.

However, should the majority of directors cease to exist, then the entire Board of Directors shall be deemed as having resigned, with effect from its reconstitution.

At least one of the members of the Board of Directors, or two if the Board is composed of more than seven members (or of a different minimum number required by the applicable regulation), shall satisfy the criteria of independence called for in the case of statutory auditors by the law and regulatory provisions in force at the time.

The independent director, pursuant to the provisions of the law governing statutory auditors, who subsequent to his/her appointment, no longer satisfies the requirements of independence, shall immediately notify the Board of Directors of this circumstance, and shall no longer hold office. A director's loss of independence, as defined above, shall not automatically lead to loss of office if the said requirement is satisfied by the minimum number of directors as established by the laws in force, or by the codes of conduct that the Company has declared it abides by.

It should be noted that the Board of Directors, having considered the structure and the size of the Group, has not adopted any succession plan for executive directors as it deems that the replacement procedures adopted are adequate to guarantee the continuity and certainty of corporate governance.

4.2 COMPOSITION (PURSUANT TO ARTICLE 123-*BIS*, SUBSECTION 2, LETTERS D) AND D-*BIS*) OF THE CONSOLIDATED FINANCE ACT)

Under Article 14 of the articles of association, the Company is governed by a Board of Directors comprised of five to nine members, who need not be shareholders, as previously decided by the Shareholders' Meeting at the times of the appointment of the Board of Directors.

On 29 April 2019 the Shareholders' Meeting appointed the Board of Directors, setting the number of its members at nine. The Directors will serve until the approval of the financial statements for the period ending on 31 December 2021.

The members of the Board of Directors have been elected from two different lists: a) eight Directors were elected from list number 1), presented jointly by the majority shareholders Girefin S.p.A. and Gireimm S.r.l., while b) one Director was elected from list number 2), presented by the minority Shareholders Aerius Investment Holding AG.

List **number 1)** set out the following candidates:

- **Stefano Landi**, born in Reggio Emilia, on 30 June 1958, Chairman;
- **Cristiano Musi**, born in Parma on 27 April 1974, Director;
- **Giovannina Domenichini**, born in Casina (Reggio Emilia), on 6 August 1934, Director;
- **Silvia Landi**, born in Reggio Emilia, on 8 June 1960, Director;
- **Vincenzo Russi**, born in Lanciano, on 1 January 1959, Independent Director;
- **Sara Fornasiero**, born in Merate (Lecco), on 9 September 1968, Independent Director;
- **Paolo Emanuele Maria Ferrero**, born in Turin on 13 February 1955, Director;
- **Angelo Iori**, born in Reggio Emilia, on 11 December 1954, Director; and
- **Ivano Accorsi**, born in Correggio (Reggio Emilia), on 14 July 1938, Independent Director;

List **number 2)** set out the following candidates:

- **Anton Karl**, born in Mistelbach (Austria), on 16 March 1976, Independent Director; and
- **Mark Kerekes**, born in Lienz (Austria), on 30 May 1976, Director;

The candidates from list number 1) were elected with 132,990,260 favourable votes, whilst the candidate from list number 2) was elected with 13,101,545 favourable votes. With regard to the proposed lists, no dissenting votes were cast. The voting share capital in attendance at the shareholders' meeting represented 81.62% of the entire share capital.

Please note that, as communicated to the public by means of a press release on 19 October 2020, during the Period, Mr. Anton Karl resigned from the office of director of Landi Renzo because of work responsibilities which were incompatible with the commitments required for the performance of his duties. On the date of the resignation, Mr. Anton Karl was a non-executive and independent member of the Board of Directors, and he did not hold any office within the internal committees of Landi Renzo.

On 13 November 2020, the Board of Directors, with a resolution approved by the Board of Statutory Auditors, appointed Mr. Dario Patrizio Melpignano as non-executive and independent director of the Company, via cooptation (*cooptazione*) pursuant to Article 2386 of the Civil Code. The appointment was approved by the management body considering the fact that the Director leaving the office, Mr. Anton Karl, was elected from the minority list submitted by Aerius Holding AG, which just included one additional candidate, who was not willing to accept the office of Director of Landi Renzo. Upon his appointment, Mr. Dario Patrizio Melpignano declared and attested, under his own responsibility, that no circumstances giving rise to his ineligibility or incompatibility existed, that he met all the requirements under the law to accept the office, including good standing requirements (*requisiti di onorabilità*) set forth in Article 148, subsection 4, of the Consolidated Finance Act, as well as the independence requirements called for in the case of statutory auditors by the law in force at the time and by the provisions of the Self-Regulatory Code. The co-opted Director shall remain in office until the next Shareholders' Meeting.

Therefore, as of the date of this Report, the Board of Directors of the Company has nine members. The members of the Board of Directors serving as of the date of this Report are shown in the table below (for additional information, see table 2, attached to this Report).

Full surname	Title	Place and date of birth	Director Type	Audit and Risk Committee	Remuneration Committee
Stefano Landi	Chairman of the Board of Directors	Reggio Emilia, 30 June 1958	Executive		
Cristiano Musi	Managing Director	Parma, 27 April 1974	Executive		
Giovanna Domenichini	Honorary Chair of the Board of Directors	Casina (Reggio Emilia), 6 August 1934	Non-Executive		
Silvia Landi	Director	Reggio Emilia, 8 June 1960	Non-Executive		

Vincenzo Russi	Director	Lanciano, 1 January 1959	Non-Executive and Independent[1]	Member	Member
Sara Fornasiero	Director	Merate (Lecco), 9 September 1968	Non-Executive and Independent[1]	Chair	Chair
Paolo Ferrero	Director	Torino, 13 February 1955	Non-Executive		
Angelo Iori	Director	Reggio Emilia, 11 December 1954	Non -Executive	Member	Member
Dario Patrizio Melpignano	Director	Milano, 15 January 1968	Non-Executive and Independent[1]		

Directors Sara Fornasiero, Vincenzo Russi, and Dario Patrizio Melpignano stated that they met the qualifications required for Independent Directors at the time of their appointment, in accordance with Article 148 of the Consolidated Finance Act and Article 3 of the Self-Regulatory Code.

The purpose of the presence of three Independent Directors is to provide further safeguards of good corporate governance by means of discussion and debate among all the Directors. The contribution made by the Independent Directors also allows the Board to verify that cases of potential conflict between the interests of the Company and its majority shareholder are evaluated with an appropriate degree of independent judgment.

The members of the Board of Directors of the less represented gender are one-third of the members of the Board of Directors.

All members of the Board of Directors are domiciled at the Company's registered office by virtue of their office. There is a family relationship between Directors Giovannina Domenichini, Stefano Landi and Silvia Landi, in that Stefano Landi and Silvia Landi are Giovannina Domenichini's children.

Each Director's personal and professional history are briefly set out below in accordance with Article 144-*decies* of the Issuers' Regulations.

Stefano Landi. A shareholder of the Issuer, he was Managing Director from 1987 to 2010. From 24 April 2013 until 28 April 2017 he served both as Managing Director and as Chairman of the Board of Directors, in addition to holding offices in other companies of the Landi Renzo group and since April 2017 he has been serving as Chairman of the Board of Directors. In 2006 the specialised press included Stefano Landi among the top ten managers in the automotive sector and in December 2010 he received the award of E&Y "Entrepreneur of the Year". From July 2010 to July 2013 he was in office as President of the Industrial Association of the Province of Reggio Emilia, from January 2014 to December 2020 he was in office as Chairman of Reggio Emilia Chamber of Commerce and in December 2020 he was appointed as Extraordinary Commissioner of Reggio Emilia Chamber of Commerce. He also holds the office of director in Safe S.p.A. and Safe&Cec S.r.l.

Cristiano Musi. Was awarded a degree in law by the University of Parma and later earned an MBA from the Business School of the Milan Politecnico University. He started his professional

1 Independent as per Article 148 of the Consolidated Finance Act and Article 3 of the Self-Regulatory Code.

career in marketing, working in several companies, and then joining an international investment bank after his MBA. From 2005 to 2011, Mr. Musi worked for international and national banks, progressing in his profession, which focused mainly on business finance and structured finance. In 2012 he was appointed general manager of Dulevo International S.p.A. and Lampogas S.p.A., where he was responsible for coordinating the first phase of the reorganisation until the change of control caused by the purchase by a leading international private equity fund. Following this change of control, Mr. Musi became a member of the board of directors of Lampogas' holding company and general manager of the group, serving as Chairman, Managing Director, and Director of several of the group subsidiaries. In December 2016, he was elected as general manager (*direttore generale*) of Landi Renzo and remained in charge until April 2017, when he was appointed Managing Director. At present, he is also Director of Dulevo International S.p.A. and Managing Director of Safe S.p.A. and of Safe&Cec S.r.l.

Giovannina Domenichini. In 1954 Giovannina Domenichini founded Officine Renzo Landi together with her husband. Subsequently, following the Issuer's incorporation, she took on the position of Sole Director and in 1987 became the Chair of the Board of Directors. Since 22 April 2010 she has been non-executive Honorary Chairman of the Board of Directors. In 1990 she was awarded the honour of *Commendatore dell'ordine al merito della Repubblica Italiana* and, on 19 October 2011, the honour of *Cavaliere del Lavoro*.

Silvia Landi. She has been an employee of the Issuer since 1978, and in the role as public relations officer since 1987. Silvia Landi also has served as a member of the Board of Directors of Girefin S.p.A. since 2002.

Vincenzo Russi. Co-Founder and Chiex Executive Officer of e-Novia S.p.A., the "Farm of Enterprises" founded in Milan in 2015, which generated more than 30 business projects, among which eShock S.r.l., BluBrake S.r.l., Y.Share S.r.l., SmartRobots S.r.l., YAPE S.r.l., HiRide S.r.l., Weart S.r.l and BLIMP S.r.l.. These are all innovative Italian businesses with an international presence in the areas of Collaborative Mobility, Humanized Machines and Augmented Human. He has been working in the ICT sector for more than 35 years, and for more than 20 he devoted himself to management consulting and business management. He was also Chief Digital Officer of Messaggerie Italiane, the first Italian group in book publishing and distribution, and Vice President of eDigita, first digital distribution platform for Italian book publishing. Previously, he was Chief Operating and Technology Officer at CEFRIEL, and then General Manager, as well as professor at the International MBA of the School of Management of the *Politecnico di Milano* and of Software Engineering at *Politecnico di Torino*, Chiex Executive Officer at Fila Corp. in Boston, Partner of Ernst & Young Consulting and Vice President at Capgemini. He commenced his career in the laboratories of Selenia Spazio and, later, in the international laboratories of Olivetti in Italy and in Silicon Valley.

Sara Fornasiero. At present, she holds the office of Statutory Auditor of Leonardo S.p.A., Chairman of the Board of Statutory Auditors and of the Supervisory Body ("*Organismo di Vigilanza*") of Arnoldo Mondadori Editore S.p.A., Alternate Auditor of Avio S.p.A. and UnipolSai Assicurazioni S.p.A., Auditor of Atos Italia S.p.A. and of Bricoman Italia S.r.l., as well as of Fata Logistic Systems S.p.A. and of MBDA Italia S.p.A., member of the Supervisory Body ("Organismo di Vigilanza") of Atos Italia S.p.A., Philips S.p.A., Philips Innovations S.p.A. and Philips Espresso Industries S.r.l.. Self-employed since 2016, she is involved in projects in the field of corporate governance, risk management, anti-bribery and corruption, and sustainability projects for listed and unlisted companies. Since 1995 she has been enrolled in the Register of Auditors and since 1996 she has been enrolled in the National Register of Certified Chartered

Accountants and Auditors in Milan. She is a member of the Italian Association of Chartered Accountants (AIDC), the Italian Association of Internal Auditors (AIIA), NedCommunity (community of non-executive and independent directors), co-chair of the Reflection Group "Women, Diversity and Disruption" ("*Donne, Diversity e Disruption*") and associate of Fuori Quota (not-for-profit organisation that brings together women who are involved in proactive actions for the empowerment of female talent). She is also a member of the "Governance of Listed Companies" and "Compliance and Organisational Models" committees of the Board of Certified Chartered Accountants and Auditors of Milan. With a degree in Economics from the *Università Cattolica del Sacro Cuore* in Milan, she began her work experience in KPMG S.p.A. in 1993 as statutory auditor; from 1995 to 1998 in the due diligence field; from 1998 to 2001 in the Forensic Accounting department; from 2001 in the Corporate Responsibility/Sustainability department; and from 2004 in the Risk & Compliance department. From 2006 to 2015 she joined KPMG Quality & Risk Management function as Senior Manager.

Paolo Ferrero. With a degree in mechanical engineering from the Politecnico di Torino, he acquired extensive experience in the automotive sector, having worked in numerous roles internationally. Throughout his career, Paolo Ferrero was responsible for the development and industrialisation of several types of transmissions and many diesel, gasoline and gas motors used both in passenger cars and mid-heavy duty vehicles. After starting in the racing sector (in Abarth, a division of the Fiat Group) he was Chief Executive Officer and General Manager for Italy of the joint-venture Powertrain between Fiat and General Motors (2001-2005), Vice President for engineering of Fiat Powertrain Technologies (2006-2008), Powertrain Senior Vice President of Chrysler (2009-2011), General Manager for Mercosur and Vice President of Product Engineering for South America of Fiat-Chrysler Powertrain (2011-2014). Paolo Ferrero has also held various offices on boards of companies of the FIAT Group. Following practice in advising and consultancy services, in 2017 he joined the Landi Renzo group, as Chief Technology Officer and Vice President for Strategic Business Development**.**

Angelo Iori. After completing his studies in accounting in 1974, he began his professional career with the Issuer in the administrative and commercial area in the automotive and car LPG and CNG systems industry. In 1979 Angelo Iori continued his activity at Autosonik S.p.A. and in 1985 he re-joined the Company as sales and marketing manager until 2003. In 2004 he was appointed CEO of MED S.p.A., a company in the Landi Renzo group incorporated in 2010. From 2010 to 2013 he dealt with activities in the field of operations for both the Issuer and Lovato Gas S.p.A. (merged by absorption in Landi Renzo with effectiveness as of 1 December 2020), also holding the position of director of operations for the Landi Renzo group. From 2014 to 2016 he was Sales and Marketing Aftermarket Director at the Issuer and at Lovato Gas S.p.A., A.E.B. S.p.A. and Emmegas S.r.l.

Dario Patrizio Melpignano. Formerly co-founder and director of DNM (which later became Inferentia DNM and then FullSix), one of the main European operators in the digital sector in the 2000s, from 2007 he devoted himself to the creation of a platform named Neosperience Cloud, functional to the creation of omnichannel services which innovate the so-called digital experience. His initial objective with Neosperience Could was to overcome the limitations of the fragmented smartphone market, allowing apps to be developed easily from a single design. Since 2011, he has developed the platform in order to transform business marketing and sales, democratizing the creation of apps and web services for a wide range of different uses, winning the Red Herring Top 100 (firs in Europe and then worldwide), gaining international recognition from Gartner Cool and winning the QUID Innovation Italy and Gran Prix Pubblicità Italia awards. In 2016 he co-founded Neosurance, a spin-off of Neosperience dedicated to the insurtech sector, which became in less than one year the reference for innovation in the insurance sector in Europe, winning numerous awards. In 2017 he co-founded Bikevo, a sportech start-up dedicated to training cyclists, as well as WizKey, dedicated to legal-tech for the blockchain-integrated sale and purchase of credits. In 2018 he embarked on an ambitious development path aimed at the blending of empathy in technology through artificial intelligence. Neosperience is included among the new pioneers of AI and listed as the only European benchmark, along with Adobe, IBM and Microsoft. On 20 February 2019, Neosperience makes its debut on the Italian stock exchange in an IPO that registers a 38,6% increase on the first day. During 2020, the company's development accelerated with a number of acquisitions of software vendors which were homogeneous in their values and complementary in their offerings, creating the largest national hub dedicated to the development of application solutions in the digital field. With the defeatcovid.org project, he donates to the global community the first machine learning model that automates the diagnosis of Covid-19 from radiographic reports, subsequently building on such an experience with the launch of a business unit of the company dedicated to healthtech.

From the closing date of the Period there have been no changes in the membership of the Company's Board of Directors.

To be noted that, as to diversity policies pursuant to Article 123-*bis*, paragraph 2(d-*bis*) of the Consolidated Finance Act, on 14 March 2019, the Board of Directors of the Company has approved a diversity policy applicable to the Board of Directors, which includes the following principles:

- gender diversity within the Board of Directors must be consistent with the applicable regulations and therefore must ensure that at least one third of the members are members of the less represented gender;
- each member must meet the requirements of good character under Decree of the Ministry of Justice no. 162 of 30 March 2000, and Article 148(4) of the Consolidated Finance Act, as incorporated by reference in Article 147-*quinquies* of the Consolidated Finance Act;
- at least one of the members of the Board of Directors, or at least two if the Board of Directors has more than seven members (or any such other minimum number provided for by applicable law), must meet the independence requirements under Article 148(3) of the Consolidated Finance Act and Article 3 of the Self-Regulatory Code;
- executive directors cannot serve in office as (a) an executive director of another listed company, whether Italian or foreign, bank or financial company, or (b) non-executive director or statutory auditor (or member of another supervisory body) in more than three of the foregoing companies;
- in addition to the office held in the Company, a non-executive director cannot hold office: (a) as executive director of another listed company, whether Italian or foreign, bank or financial company and non-executive director or statutory auditor (or member of another supervisory body) in more than three of the foregoing companies, or (b) as non-executive director or statutory auditor in more than six of the foregoing companies;
- each member must not have any of the reasons for ineligibility, incompatibility or expiry, under Article 14 of the Company by-laws and the applicable provisions of law, including Article 17(5) of Legislative Decree no. 39 of 27 January 2010 on legal audit; and
- to ensure a plurality of approaches and views, as well as an adequate degree of efficiency when analysing the items and subject matters on the agenda, the members should have an adequate degree of diversity and heterogeneity in terms of age, skills and experience;

professionals who are sufficiently familiar with the peculiar issues affecting listed companies and international groups as well as of professionals who have a strong connection to the industrial sector in which the Company operates should be favoured to the extent possible.

Over the next financial years, the Board of Directors – also in light of the recent legislative and regulatory amendments and of the new Corporate Governance Code, applicable from 1 January 2021 – will review and evaluate, also for the purpose of future renewals of the members of the corporate bodies, any changes that need to be made to the aforementioned policy on diversity.

Moreover, in the context of the re-appointment of the members of the corporate bodies, on 14 March 2019, the outgoing Board of Directors issued guidance as the types of professional that would be suitable as members of the Board of Directors consistently with the recommendations under application criterion 1.C.1(h), of the Self-Regulatory Code.

The Company believes that fostering gender parity and offering equal opportunities is one of the key components of the corporate structure and, to such end, gives great importance to the professional growth and personal achievements of each member of its organisation. During financial year 2021, the Company also wishes to evaluate whether additional specific measures should be adopted aiming to further coordinate such components.

The table below shows the managerial and auditing positions held in listed and unlisted companies by member of the Company's Board of Directors as of 31 December 2020.

Full name	Company in which an external position is held	Title
Giovannina Domenichini	Girefin S.p.A.	Chairman of the Board of Directors
	Immobiliare L.D. Parma S.r.l.	Sole Director
Stefano Landi	Girefin S.p.A.	Managing Director
	Gireimm S.r.l.	Sole Director
	Safe S.p.A.	Director
	Safe&Cec S.r.l.	Director
	Società Agricola BIOGUSS S.r.l.	Chairman of the Board of Directors
	Fondazione Museo Antonio Ligabue	Director
	IMW Industries Ltd	Director
Cristiano Musi	Safe S.p.A.	Managing Director
	Safe&Cec S.r.l.	Managing Director
	Landi Renzo Polska	Director
	Landi Renzo PAK	Director
	Landi Renzo Beijing	Director
	IMW Industries Ltd	Managing Director
Silvia Landi	Girefin S.p.A.	Director
Vincenzo Russi	e-Novia S.p.A.	Managing Director
	Blubrake S.r.l.	Chairman and Managing Director
	Blimp S.r.l.	Chairman and Managing Director
	e-Shock S.r.l.	Chairman and Managing Director
	Esion S.r.l.	Sole Director
	Existo S.r.l.	Sole Director
	Feel-0 S.r.l.	Sole Director
	Hiride Suspension S.r.l.	Chairman and Managing Director
	Measy S.r.l.	Sole Director
	Huxelerate S.r.l.	Chairman and Managing Director
	Smart Robots S.r.l.	Chairman and Managing Director
	Shiftic S.r.l.	Sole Director
	Stem S.r.l.	Chairman and Managing Director
	Wahu S.r.l.	Chairman and Managing Director
	Weart S.r.l.	Chairman and Managing Director
	Yape S.r.l	Chairman and Managing Director
	Winnica S.r.l.	Sole Director

	Yaxe S.r.l.	Chairman of the Board of Directors
	Y.Share S.r.l.	Chairman and Managing Director
Dario Melpignano	Neosperience S.p.A	Chairman and Managing Director
	HOK Group S.r.l.	Chairman and Managing Director
	WorkUp S.r.l.	Chairman and Managing Director
	Myti S.r.l.	Chairman and Managing Director
	AdChange S.r.l.	Chairman and Managing Director
	NeosVoc S.r.l.	Chairman and Managing Director
	Neosperience US	Chairman and Managing Director
	Value China S.r.l.	Chairman and Managing Director
	Neosurance S.r.l.	Director
	Bikevo S.r.l.	Director
	WizKey S.p.A.	Director
	Neos S.r.l.	Chairman and Managing Director
Sara Fornasiero	Leonardo S.p.A.	Standing Auditor
	Area Lamaro S.p.A.	Alternate Auditor
	Arnoldo Mondadori Editore S.p.A.	Chairman of the Board of Statutory Auditors and Member of the Supervisory Board
	Atos Italia S.p.A.	Standing Auditor and Member of the Supervisory Board
	Avio S.p.A.	Alternate Auditor
	Fata Logistic System S.p.A.	Standing Auditor
	La Scala Società tra Avvocati p.A	Alternate Auditor
	UnipolSai Assicurazioni S.p.A.	Alternate Auditor
	Bricoman Italia S.r.l.	Standing Auditor and Chairman of the Supervisory Board
	MBDA Italia S.p.A.	Standing Auditor
	Philips S.p.A.	Member of the Supervisory Board
	Philips Innovations S.p.A.	Member of the Supervisory Board
	Philips Espresso Industries S.r.l.	Member of the Supervisory Board
	Safe S.p.A.	Member of the Supervisory Board
	Vitrociset S.p.A.	Alternate Auditor
Paolo Ferrero	No office held	
Angelo Iori	No office held	

It should be noted that, having regard to article 1.C.3 of the Self-Regulatory Code, which provides that that Board of Directors issues guidance regarding the maximum number of positions as director and auditor in listed companies, finance, banking and insurance houses or large-size companies, the Board of Directors, in the meeting of 13 November 2014 adopted the following general criteria also confirmed in the meetings held on 12 November 2015, 10 November 2016, 14 November 2017, on 13 November 2018, on 8 November 2019 and, most recently, on 13 November 2020.

1. an executive director shall not hold (a) the office of executive director in another Italian or foreign listed company, banking or finance house; or (b) the office of non-executive director or auditor (or member of other control bodies) in more than three of the aforesaid companies; and

2. a non-executive director should not hold, in addition to the office held in the Company: (a) the office of executive director in more than one of the aforesaid companies and the office of non-executive director or auditor (or member of other control bodies) in more than three of the aforesaid companies; or (b) the office of non-executive director or auditor in more than six of the aforesaid companies.

It should be also noted that the limitation on the number of offices does not apply to offices held in companies of the Landi Renzo group.

Should the aforesaid limit be exceeded, the directors shall inform the Board of Directors forthwith, which shall assess the situation in light of the interests of the Company and shall invite the Director to take any decision stemming therefrom.

In order to maintain adequate knowledge of the business segment in which the Company is active, the directors receive, information and updates, periodically or at any time as necessary, on the business segment in which the Issuer operates, on the principles for proper risk management, and reference regulations, including through documents prepared by the Company or on the initiative of internal departments or functions. In particular, following appointment of the Board of Directors and the Board of Statutory Auditors currently in office, on 29 April 2019, a board induction session was held to provide insight into the industry and market dynamics as well as on current business context and perspectives. Moreover, on 11 November 2019 and 3 March 2020, focus sessions were held for the members of the Remuneration Committee in which legal advisors to the Company described the contents of the Shareholders' Rights Directive II, and the consequent changes to the Consolidated Finance Act and other national laws and regulations. Moreover, on 13 November 2020, legal advisors to the Company held an induction for the members of the Board of Directors and the Board of Statutory Auditors concerning the new Corporate Governance Code approved by the Corporate Governance Committee on 31 January 2020. Lastly, on 16 February 2021, legal advisors to the Company held a specific induction for members of the internal committees in the Board of Directors, concerning the innovations brought by the Shareholders' Rights Directive II and by the new Corporate Governance Code. During the Period, in addition to specific induction training sessions, updates and clarifications were also provided during the Board of Directors' meetings on the business sector in which the Issuer operates and on the applicable regulations, where considered worthy of further elaboration by the Board of Directors.

4.3 ROLE OF THE BOARD OF DIRECTORS (PURSUANT TO ARTICLE 123-*BIS*, SUBSECTION 2, LETTER D) OF THE CONSOLIDATED FINANCE ACT)

The Board of Directors is the corporate body responsible for the governance of the Company and has the powers assigned to it by law and by the articles of association. It is organised and operates in such a way as to ensure the effective and efficient performance of its functions. Its Directors act and adopt resolutions knowledgeably and autonomously, pursing the objective of creating value for the Company's Shareholders and reporting management performance at Shareholders' Meetings.

In accordance with article 18 of the Company articles of association, the Board of Directors is vested with the widest powers for the day-to-day and extraordinary management of the Company and has the power to carry out all the acts it considers expedient or helpful for the achievement of its corporate purpose, only excluding those for which the Shareholders' Meeting is solely responsible by law or under the articles of association.

The Board of Directors is also vested with responsibility for the following:

(i) merger resolutions in the cases contemplated in Articles 2505 and 2505-*bis* of the Civil Code, including those mentioned for demergers in Article 2506-*ter* of the Civil Code;

(ii) opening and closing secondary offices;

(iii) reducing the share capital in the event of the withdrawal of a shareholder;

(iv) adapting the articles of association in accordance with new provisions of law;

(v) identifying the Directors with the power to represent the Company;

(vi) moving the registered office within the country; and

(vii) appointing and discharging the executive in charge of preparing corporate accounting documents.

The Board of Directors must ensure that the executive in charge of preparing corporate accounting documents has sufficient powers and resources to perform the duties assigned to him by law and that administrative and accounting procedures are observed in actual practice.

In urgent circumstances relating to transactions with related parties that are not under the responsibility, or subject to the authorisation, of the shareholders' meeting, the Board of Directors will have the right to approve these transactions even where they are implemented through subsidiaries, departing from the customary provisions of the internal guidelines for related-party transactions adopted by the Company, subject to compliance with and at the conditions set out in the guidelines.

For the matters specified in article 1.C.1 of the Self-Regulatory Code no powers have been granted to the Managing Director and they must therefore be considered to be the sole responsibility of the Board of Directors. For example, it must be deemed that the Board is responsible for considering and approving:

(a) the Issuer's strategic, business and financial plans, as well for periodically monitoring their implementation;

(b) the strategic, business and financial plans of the Group that the Issuer leads as well for periodically monitoring their implementation;

(c) the Issuer's system of corporate governance;

(d) the structure of the Group.

In carrying out their duties, Directors examine the information they receive from the delegated bodies, also asking these bodies for clarification, further details or additional data that they consider necessary or appropriate. To this end, at least quarterly, the Managing Director provides the Board of Directors with adequate information regarding general management performance and its foreseeable prospects and on the most significant transactions carried out by the Company or its subsidiaries.

Although the Articles of association do not stipulate a minimum frequency of meetings, it is now the practice for the Board of Directors to meet at least once a quarter on the occasion of the approval of the interim financial statements. Board Meetings are scheduled on the basis of a calendar approved at the beginning of the year in order to help to ensure that as many members as possible attend. The corporate calendar may be consulted on the Company's website, in the *Investors* section.

During the Period, the Board of Directors held seven meetings, each lasting approximately 100 minutes on average, generally attended by all directors; indeed, the overall attendance was equal to 89%. The attendance percentage regarding each Director is specified in the table reported at the end of the Report. The members of the Board of Statutory Auditors took part in all meetings of the Board of Directors.

At least five meetings are scheduled for the current financial period, of which two were held on 12 and 15 March 2021.

The meetings of the Board of Directors can be attended also by non-members of the Board of Directors, upon invitation. Specifically, they are regularly attended by executives of the Issuer and the Landi Renzo group, whose attendance provides a contribution to the necessary in-depth review of the items on the agenda. All the meetings held during the financial period were attended by executives of the Issuer.

Directors and Auditors receive the papers and information necessary to enable them to express themselves knowledgeably on the subjects submitted for their examination and approval, with a suitable amount of time in advance of the meeting. The work of the Board of Directors is organised by the Chairman, who ensures that each item on the agenda is given the time necessary for a constructive debate.

The Company generally deems sufficient that the documentation be sent three days in advance and this term was complied with during the Period.

In order to implement article 1 and the relative criteria for the application of the Self-Regulatory Code, the Board of Directors, in its meeting held on 13 November 2020, completed a successful review of the size, composition and workings of the Board of Directors, of the Audit and Risk Committee and of the Remuneration Committee, including in relation to the independent directors. To this end, starting from 2018, all Directors in office are asked each year to complete a questionnaire to evaluate the functioning and efficiency of the Board of Directors and of the Committees, as well as their size and composition. The results following the completion of the questionnaire are submitted to the Board of Directors by the Managing Director in charge of the board review, to ensure its efficacy. The result of this self-evaluation questionnaire are also brought to the attention of the Remuneration Committee and the Audit and Risk Committee in relation to matters under their respective responsibility.

Moreover, at the meeting on 13 November 2020, the Board of Directors, also on the basis of reports from the executive manager in charge of supervising the internal audit and risk management system and from the Chairman of the Audit and Risk Committee, reviewed the adequacy of the general organisational, administrative and accounting structure of the Issuer and that of its strategically relevant subsidiaries, in relation to the internal audit system and the management of conflicts of interest and has approved the Company's overall system of governance. In addition to the delegation of powers and functions, including provision for the formation of committees within the Board of Directors, of which further mention will be made below, this system also includes rules of procedure governing transactions with related parties and transactions in which a Director has an interest. The Issuer's Board of Directors has also identified the subsidiaries that are strategically relevant based on criteria which take into account the revenues, independence of production, research, development and innovation of products, as well as the range of products, the positioning of the product and of the brand. In light of the above-mentioned criteria, the Board of Directors identified Lovato Gas S.p.A. and Landi Renzo Polska Sp.Zo.o as strategically relevant companies. In this regard, please note that, as communicated to the public by means of a press release on 19 November 2020, Lovato

Gas S.p.A. was merged by absorption in the Company with effectiveness as of 1 December 2020.

The Board of Directors evaluated the general performance of operations, with regard in particular to the information received from the Company's delegated bodies and periodically comparing the results achieved with those forecasted.

The Board of Directors examined and approved in advance the transactions of significant strategic, economic and financial importance for the Issuer carried out by the Issuer and its subsidiaries.

Section 11 below includes information regarding the procedure followed by the Board in carrying out intra-group transactions and transactions with other related parties.

The Board of Directors adopted qualitative and quantitative criteria to identify own and its subsidiaries' significant transactions. Qualitative criteria refer to transactions concerning the acquisition or disposal of holdings, the setting up of new companies and/or joint ventures, of business units, assets and contributions in kind, corporate investments and/or divestiture, the raising of loans, the entry into and/or exit from geographical markets and/or strategic types of business. Quantitative criteria refer to transactions other than those described above, whose value exceeds the quantitative limit of the powers conferred to the Managing Director.

The Board of Directors adopts resolutions on the significant transactions identified as above, both of a qualitative and quantitative nature, based on the information and reports provided from time to time by the Managing Director.

Article 14 of the articles of association of the Company states that the Directors are subject to the non-competition rule laid down in Article 2390 of the Civil Code unless they are exonerated from this rule by the Shareholders' Meeting. As of the date of this Report, the Shareholders' Meeting has not given permission for any exceptions to the non-competition rule.

4.4 DELEGATED BODIES

Managing Directors

The Board of Directors' Meeting of 29 April 2019 vested the Managing Director, Cristiano Musi, with the powers necessary for the day-to-day management of the Company.

The following are Cristiano Musi's principal duties, together with the ceilings for the amounts and issues in respect of the powers bestowed:

a) the preparation of suitable proposals relating to strategy, budgets, business plan and organisational structure to be submitted to the Board of Directors, after review by the Chairman;

b) the supervision, subject to his full decisional power and responsibility, directly and/or indirectly through chosen collaborators, without prejudice to the personal responsibility of the latter, of the Company's productive sector, in all its direct and indirect aspects, technical, marketing and financial sectors;

c) the stipulation, amendment and termination of leasehold agreements with terms of less than 9 years, of leasing agreements including those for real estate, of rental and gratuitous loan agreements for moveable properties and real estate, for a sum of no more than Euro 5,000,000 per agreement with powers to sign the same agreements with the terms and conditions that will be established; the payment and collection of the agreed prices, and the receipting and completion of any other related procedures;

d) the stipulation, amendment and termination of mandates for professional services for the litigation and arbitration matters described below at (p) and (q), for maximum fees of Euro 250,000 per each proceeding;

e) the purchase, subscription for, transfer or swapping of shares, quotas, bonds or other financial instruments and holdings in other companies up to Euro 5,000,000 per transaction, jointly with the Chairman;

f) the purchase, subscription for, transfer or swapping of shares, quotas, bonds or other financial instruments of other companies exclusively as part of the ordinary management of the Company's financial liquidity;

g) the registration of trademarks and patents, the utilisation of industrial property rights, and all those measures required by the patenting procedure, such as the submission of applications for corrections, amendments, extensions of confidentiality and divisions; the submission, and the defending against, administrative actions, interferences and administrative appeals; and in general, any actions required in order to apply for, obtain and preserve patents; the signature of any documents required in order to exercise the abovementioned powers granted; the appointment, for such purpose, of patent representatives in Italy and abroad, bestowing upon said persons the respective powers;

h) the purchase and sale of the title of ownership and/or licences and/or granting the right to use pertaining to patents, trademarks, models and any intellectual property rights related to the corporate purpose, jointly with the Chairman of the Board of Directors;

i) the performance of all banking transactions – including the taking out of new credit lines and short, medium and long-term loans, obtaining credit in a current account, credit requests in general, even in the form of debenture loans, the constitution of deposits of securities for custody or administration – for an amount no greater than Euro 10,000,000 per single transaction; as well as to carry out transactions on the credit lines within the above limits per transaction and may also terminate relations;

j) the hiring and firing of executives (excluding the general manager (*direttore generale*)), middle managers and office staff, and the establishment of their duties and remuneration in accordance with the legal and regulatory provisions in force at the time;

k) the signing of correspondence and any other document requiring the Company's signature and with regard to any business coming within the delegated powers;

l) the management of (i) institutional and other communication; and (ii) institutional investor relations, in each case for the Company as well as for the Group;

m) the representation of the Company vis-à-vis Health and Social Insurance Bodies, and the fulfilment of those obligations arising from the labour law provisions in force at the time, in particular as far as regards insurance, benefit and other contributions;

n) the representation of the Company vis-à-vis trade union and business organisations, and before employment offices and arbitration boards, with the power to reach settlements;

o) the representation of the Company in legal proceedings (either as plaintiff or defendant), at any level or stage of judgement (for or against), before any Court in Italy or abroad, including the Supreme Court of Cassation, the Court of Auditors, the Council of State, the Constitutional Court, the Court of Appeal, the Courts, the Office of the Justice of the Peace, and for any civil, criminal and/or administrative proceedings;

p) the representation of the Company before all levels of tax court, and any Jurisdictional Tax Authority, together with the appointment of duly qualified lawyers, accountants, attorneys as required by law, subject to the limitations set out in (d) above;

q) the submission of protests and the application for injunctions; bringing preventive and enforcement proceedings; participation in bankruptcy and insolvency proceedings, lodging claims and declaring the truthfulness thereof; proposing and accepting real offers; bringing administrative and judicial proceedings before any level and kind of court, including the Court of Cassation and Appeal; submissions to arbitration and the reaching of friendly settlements; the appointment of lawyers, arbitrators, barristers and experts, the revocation of their powers, and their replacement, subject to the limitations set out in (d) above; replying to questioning, deferring, referring and responding to oaths; the submission and signing of any claims, briefs or documents; agreeing, settling and mediating legal dispute; discontinuing legal proceedings and accepting discontinuance thereof; the performance of anything else required – all powers deemed duly conferred for such purpose – in order to fully represent the Company before the court;

r) the signing of declarations in respect of direct and indirect taxes, and taxes generally, forms and questionnaires, the acceptance and rejection of assessments, conclusion of agreements and settlements, the challenge of actions, presentation of applications, appeals, complaints, briefs and documents before any tax office or commission, of any kind or level;

s) the making of decisions regarding the exercise of voting rights in meetings of the shareholders of subsidiaries and/or part-owned companies;

t) the delegation, by granting specific powers of attorney, of any and all of the above-attributed powers to the person(s) deemed most appropriate based on professional skill and capability;

u) the management, guidance, organisation and the control of all aspects pertaining to workplace health and safety, in all of the productive units and in other places of work of the Company, and for this purpose, is considered an "Employer" within the meaning of Legislative Decree 81/2008 as subsequently amended and supplemented, with powers to execute, in this capacity, any document, carry out any formalities or any action necessary to comply with the above-mentioned legislative decree and all of the regulations and provisions regarding workplace health and hygiene and safety, the prevention, protection and safeguard with respect to workers' psychological and physical well-being, and the protection of the environment, with full financial independence and independent spending authority in executing these powers. More specifically, by way of example, but not limited thereto, the Managing Director has the following powers:

- the implementation, also through the competent internal and external advisory bodies, of any additional, amending, supplementing laws and regulations adopted, or which may be adopted, regarding the safety of workers, prevention of accidents and protection of hygiene in the workplace, and performance of any obligations envisaged under the above-mentioned laws and regulations;
- the assessment of risks, drafting of the relevant risk assessment document (DVR), and appointment of risk prevention and protection department (RSPP) manager;
- the delegation, by granting specific powers of attorney, of the functions and powers attributed under this power of attorney, which may be delegated under Legislative Decree 81/2008, to the person(s) deemed most appropriate based on professional skill and capacity to ensure the prompt and constant performance, using the utmost diligence, of the workplace health and safety obligations envisaged, granting them spending authority and the management, organisation and control powers required by the nature of the duties, and authorising, as appropriate, the sub-delegation of specific duties by them to other persons;
- the revocation of the powers of attorney described at the above di paragraph;
- to ensure financial coverage for all activities which exceed the managerial and financial independence of the delegates pursuant to the above sub-paragraphs and which are deemed necessary and appropriate to comply with laws and regulations, and oversee the delegates in terms of their capabilities and correct performance of the duties assigned to them, also by adopting and effectively implementing the verification and control model under article 30 of Legislative Decree 81/2008 and Legislative Decree 231/2001;
- the representation of the Company before Public Administrations, public and private offices and entities to carry out any actions and operations necessary to obtain permits, licences, and other authorisations generally related to the performance of the Company's business, and in particular, related to the health and safety of workers;

v) in performing the functions in subparagraph (u) above, the decision and implementation of organisational choices and expenses with full powers and discretion, including of a financial nature and with independent spending authority, with the Managing Director or his delegates or any sub-delegates assuming, each within the limits of his/her functions and powers, any criminal liability arising from any breach of the applicable obligations with regard to the health and safety of workers, the protection and safeguard of the environment, and the protection of personal data, and conferred with the relative resolution;

w) the power, in exercising the functions in subparagraph (u) above, to revoke powers of attorney, proxies, and generally any other appointment granted as of the date hereof by the Company within its organisational structure, pertaining to functions and powers in relation to worker health and safety, environmental safeguard and protection, and protection of personal information;

x) the power to commit the company – in relation to the parties that may be delegated by him and any sub-delegates, to the maximum extent permitted under the law -- to indemnify each of them regarding any cost or expense that they may incur as a consequence of taking on the responsibilities regarding the health and safety of the workers, the safeguarding of the environment and of personal data, except for cases of fraud (*dolo*) and/or gross negligence (*colpa grave*);

y) the office of director charged with the system of internal audit and risk management.

By virtue of the powers vested upon him by the Board of Directors, the Managing Director, Cristiano Musi, qualifies as the person mainly responsible for corporate governance. It should also be noted that no interlocking situation occurs with regard to Cristiano Musi.

The legal representation of the Company, before any authority with respect to, and to independently sign, any document or declaration pursuant to article 21 of the Company articles of association, without restriction other than pursuant to the articles of association or law, pertains to the Managing Director Cristiano Musi.

With respect to the powers granted to Cristiano Musi as General Manager, please refer to paragraph 4.8 below.

Chairman of the Board of Directors

The Chairman of the Board of Directors Mr Stefano Landi, who holds the position of trustee of the Landi Trust, which indirectly exercises control over the Issuer, is vested with the legal representation, severally, of the company.

The following are the management powers granted on 29 April 2019 by the Board of Directors to Stefano Landi, in his capacity as Chairman of the Board of Directors, together with the ceilings for the amounts and issues in respect of the powers bestowed:

a) the calling of the meetings of the Board of Directors and procuring that, reasonably in advance of the meeting (except in cases of urgency), the members of the Board of Directors are provided with the documents and the information necessary to allow the Board of Directors to knowledgeably discuss the issues submitted to the Board of Directors for review and approval;

b) the coordination of the activities of the Board of Directors and the leadership at its meetings;

c) the receipt of the proposals prepared by the Managing Director and the authority to express to the Board of Directors his opinion in terms of the Company's and the Group's objectives, strategies, policies and macro-organisational choices;

d) the coordination of the Company's and the Group's growth strategy, both organically and externally, on the basis of the proposals submitted by the Managing Director;

e) the monitoring the implementation of the resolutions approved by the Board of Directors;

f) the coordination of the institutional communication activities for the Company and for the Group;

g) the stipulation, amendment and termination of leasehold agreements with terms of less than 9 years, of leasing agreements including those for real estate, of rental and gratuitous loan agreements for moveable properties and real estate, each for a sum of no more than Euro 5,000,000 per agreement with powers to sign the same agreements with the terms and conditions that will be established;

h) the purchase, subscription for, transfer or swapping of shares, quotas, bonds or other financial instruments and holdings in other companies up to Euro 5,000,000 per transaction, jointly with the Managing Director;

i) the purchase and sale of the title of ownership and/or licences and/or granting the right to use pertaining to patents, trademarks, models and any intellectual property rights related to the corporate purpose, jointly with the Managing Director;

j) the performance of all banking transactions – including the taking out of new credit lines and short, medium and long-term loans, obtaining credit in a current account, credit requests in general, even in the form of debenture loans, the constitution of deposits of securities for custody or administration – for an amount no greater than Euro 10,000,000 per single transaction. The Chairman of the Board of Directors may carry out transactions on the credit lines within the above limits per transaction and may also terminate relations;

k) the issue of sureties, guarantees and patronage letters to subsidiaries, for sums of up to Euro 10,000,000 per transaction;

l) the signing of correspondence and any other document requiring the Company's signature and with regard to any business coming within the delegated powers;

m) the delegation, by granting specific powers of attorney, of any and all of the above-attributed powers to the person(s) he deems most appropriate based on professional skill and capability;

n) the power to commit the company, regarding the parties that may be delegated by him and any sub-delegates, to the maximum extent permitted under the law, to indemnify each of them regarding any cost or expense that they may incur as a consequence of taking on the responsibilities regarding the health and safety of the workers, the safeguarding of the environment and of personal data, except for cases of fraud (*dolo*) and/or gross negligence (*colpa grave*).

Reporting to the Board of Directors

At least every quarter, the Managing Director provides the Board of Directors with adequate information regarding general management performance and its foreseeable prospects, as well as regarding the transactions carried out by the Company and its subsidiaries that are of the greatest importance by size and characteristics.

The Directors report to the Board of Auditors in good time, and in any event at least every quarter, at Board of Directors' Meetings or meetings of the Executive Committee, if one has been appointed, or also in the form of a written memorandum to the Chairman of the Board of Auditors, on the activities performed and the transactions carried out by the Company and its subsidiaries that are of the greatest economic and financial importance and of the greatest significance for the Company's assets, in order to enable the Landi Renzo Board of Auditors to assess whether the transactions that have been resolved and implemented comply with the law and the articles of association or are not, on the other hand, clearly imprudent and in conflict with the resolutions passed by the Shareholders' Meeting, or are such as to impair the integrity of the Company's assets.

In particular, Directors report on transactions in which they have an interest, either on their own account or on behalf of third parties, and on any atypical or unusual transactions or any transactions with related parties.

4.5 OTHER EXECUTIVE DIRECTORS

Other than Managing Director Cristiano Musi and the Chairman of the Board of Directors Stefano Landi, no members of the Board of Directors are executive directors.

4.6 INDEPENDENT DIRECTORS

The Self-Regulatory Code recommends the election to the Board of Directors of a suitable number of independent directors. On the basis of the guidelines set out in the Self-Regulatory Code, a director shall not be considered independent if he/she:

a) controls the issuer, either directly or indirectly through subsidiaries, trust companies or intermediaries, or is capable of exercising considerable influence over the Issuer, or is party to any shareholders' agreement whereby one or more subjects may exercise control or a considerable influence over the Issuer;

b) is, or was during the previous three financial years, an important member of the Issuer, or of a strategically-important subsidiary of the latter, or of a company subject to joint control together with the Issuer, or of a company or body that, also together with others through a shareholders' agreement, controls the issuer or is capable of exercising considerable influence over it;

c) directly or indirectly (for example, through subsidiaries or through companies in which he/she is an important member, or as partner of a professional firm or consultancy firm) has, or had during the previous year, important commercial, financial or professional relations:

   – with the Issuer, a subsidiary thereof, or any of the important figures within the said companies;

– with a person that, also together with others pursuant to a shareholders' agreement, controls the Issuer, or – in the case of a company or entity – with the relevant top managers;

or is, or was during the previous three years, an employee of one of the aforesaid subjects;

d) receives, or during the previous three financial years received, from the Issuer or from a subsidiary or parent company, a significant additional payment on top of the "set" remuneration as non-executive director of the Issuer and the fee for participating in the committees recommended by the Self-Regulatory Code, including participation in incentive plans linked to the company performance, including share plans;

e) was a director of the Issuer for more than nine of the last twelve years;

f) holds the position of executive director on the board of another company in which the issuer's managing director also holds the position of director;

g) is a shareholder or director of a company or an entity belonging to the network of the company appointed to perform legal audit of the Issuer;

h) is a close relative of a person in one of the situations described in the previous points.

The current Board of Directors includes three directors, Sara Fornasiero, Vincenzo Russi, and Dario Patrizio Melpignano, who meet the independence requirements provided for by Stock Market Regulations and the Self-Regulatory code. Said directors meet the requirements set out in article 148, paragraph 3, of the Consolidated Finance Act. The number of independent directors, given the total number of members of the Board of Directors, is in line with both the provisions of article 148 of the Consolidated Finance Act and the Instructions to the Stock Market Regulations (article I.A.2.10.6).

The independent Directors Sara Fornasiero and Vincenzo Russi have identified themselves as independent directors in the lists for the appointment of the Board of Directors and, as far as the Issuer is aware, they have undertaken to preserve their independence during the term of their office. The Board of Directors and the Board of Statutory Auditors had verified the possession by Sara Fornasiero, Vincenzo Russi, and Anton Karl (who resigned during the Period) of the requirements of independence, on the first available occasion after their appointment, on the basis of the declarations these directors themselves made to this end pursuant to article 148 of the Consolidated Finance Act and to article 2.2.3., subsection three, letter l) of the Stock Market Regulations, applying *inter alia* the criteria set out in the Self-Regulatory Code.

In particular, at the meeting of 29 April 2019, the Board of Directors had carried out the due checks on compliance of the three non-executive directors Sara Fornasiero, Vincenzo Russi and Anton Karl (who resigned during the Period) with the aforesaid criteria of independence, based on the information provided by them. During the meeting, the Board of Statutory Auditors confirmed that it had performed all necessary checks as to the proper application by the Board of Directors of the criteria and the procedures adopted to assess the independence of its members.

During the Period, on 13 March 2020, the Board of Directors also verified the possession by each of the non-executive directors, Sara Fornasiero, Ivano Accorsi and Anton Karl (who resigned during the Period), of the requirements of independence, applying *inter alia* the criteria set out in the Self-Regulatory Code. During the meeting, the Board of Statutory Auditors confirmed that it had performed all necessary checks as to the proper application by the Board of Directors of the criteria and the procedures adopted to assess the independence of its members.

Following the resignation of Director Anton Karl, the Board of Directors, during the meeting of 13 november 2020, resolved to appoint as Director of the Company, by means of cooptation ("*cooptazione*") pursuant to Article 2386 of the Civil Code, Mr. Dario Patrizio Melpignano, and the resolution was approved by the Board of Statutory Auditors. Dario Patrizio Melpignano declared and attested, under his own responsibility, that he met the requirements provided by articles 147-*ter*, paragraph 4, and 148, paragraph 3, of the Consolidated Finance Act, in order to be qualified as independent. During the meeting, the Board of Directors had carried out the due checks on the possession by Dario Patrizio Melpignano of the independence requirements, also based on the information provided by him. During the same meeting, the Board of Statutory Auditors confirmed that it had performed all necessary checks as to the proper application by the Board of Directors of the criteria and the procedures adopted to assess the independence of its members.

During the Period, the independent Directors met one time without the other Directors of the Company.

4.7 LEAD INDEPENDENT DIRECTOR

On 29 April 2019, the Board of Directors meeting appointed independent director Ms Sara Fornasiero as lead independent director in accordance with article 2 of the Self-Regulatory Code. Non-executive directors and, specifically, independent directors, shall report to her for a better contribution to the activities and coordination of the Board of Directors.

The Board of Directors has considered it opportune to maintain the position of lead independent director, also at the time of the renewal of the company bodies, which you are reminded took place with the approval of the financial statements closed at 31 December 2018, because the Chairman was the trustee of the Landi Trust, governed by Jersey Law, which is the main shareholder of the company.

The lead independent director represents a point of reference and coordination for the applications and contributions of the non-executive Directors to improve the functioning of the Board of Directors, co-operates with the Chairman of the Board of Directors to ensure that directors receive complete and timely flows of information, and has powers to convene specific meetings of the independent directors to discuss matters considered to be of interest to the functioning of the Board of Directors and management of the company.

During the Period, the lead independent director actively participated to the meetings of the Board of Directors, coordinating as necessary and suitable, the requests and the contributions of the non-executive directors, and especially those of the independent directors.

4.8 GENERAL MANAGER

From 29 April 2019, in accordance with a resolution of the Board of Directors, the Managing Director Cristiano Musi is also in office as General Manager of the Company.

The following are the management powers granted on 29 April 2019 by the Board of Directors to Cristiano Musi, in his capacity as Manging Director, together with the ceilings for the amounts and issues in respect of the powers bestowed:

a) purchases, sales, permutations and all other transactions involving the acquisition or sale of machinery, plant, equipment, vehicles, company products and movable property in general, including those recorded in public registers, for an amount of up to Euro 5,000,000 per transaction, agreeing upon the relevant conditions, prices and terms of payment;

b) the acquisition of services, stocks, basic components and raw materials, semi-finished goods and materials required by the Company for its production;

c) the handling of all bureaucracy and procedures concerning the importation of basic components and raw materials,

d) the handling of the implementation and completion of all related measures, including those related to manufacturing and consumer taxes, inland revenue and state monopoly duties;

e) the stipulation, amendment and termination of professional services agreements and consultancy agreements, for an amount of up to Euro 1,000,000;

f) the stipulation, amendment and termination of agency, distribution, representation, brokerage and business procurement agreements, including those subject to sole agency, for the best possible placing of the Company's products;

g) the stipulation, amendment and termination of contracts for industrial and commercial services, works, hire, supply, transport, storage and shipping, for a sum of no more than Euro 5,000,000 per transaction;

h) purchases and sales, and any foreign currency transactions in general, within the framework of the currency regulations in force at the time;

i) the performance of any actions and operations, *vis-à-vis* public administrations, public authorities and offices, required in order to obtain concessions, licences, permits and authorisations of any kind in general;

j) any receipt and collection in any form, also by means of endorsement, of amounts, claims, payment orders, security deposits both from the issuing institution, public savings and loan bank, treasuries, the railway, post and telegraph offices, and any Italian or foreign public or private body, issuing valid receipts and releases;

k) the endorsement, also for discounting and collection, demand and receipt of payment and issuance of receipts in respect of bills of exchange, cheques and money orders, including payment orders of the state treasury, regions, provinces, municipalities and any other public entity or any public fund; issuance of cheques on bank accounts, including liability accounts, of the Company within the credit limits granted by the bank to the Company;

l) the demand and receipt of sums, receivables, interest, dividends, cheques and payment orders from whoever issues them in favour of the Company, including the sales and advance receipts, also in continuation, of receivables to financial institutions;

m) the receipt from post and telegraph, customs, railway, shipping and transport companies and, generally, from any public office, any company or premise, of money orders, parcels, letters, including registered and insured letters with declarations of value, goods, money, etc., issuing receipts and releases;

n) the stipulation and termination of insurance contracts of any kind, execution of relevant policies with powers to settle and request, in the case of a claim, the relevant indemnity, the issue of receipts to payors, settlement and payment of any other indemnities due to third parties in respect of any claim;

o) the execution of correspondence and of any other document requiring the signature of the Company and relating to issues included in the delegated powers;

p) the performance of all necessary filings at the Companies' Register and at any other competent office;

q) the delegation, by way of specific powers of attorneys, of any and all powers listed above to any person he will deem most suitable in terms of expertise and professional skills.

With respect to the powers granted to Cristiano Musi as Managing Director, please refer to paragraph 4.4 above.

5. HANDLING OF CORPORATE INFORMATION

The Company launched a procedure for the internal management and the public disclosure of inside information, implementing the provisions laid down in market abuse legislation, including the new provisions set out in Regulation (EU) No. 596/2014 of the European Parliament and the Council of 16 April 2014 on market abuse, Commission Delegated Regulation 2016/522 of 17 December 2015, and Commission Delegated Regulation 2016/523 of 10 March 2016, also establishing procedures for the registration of persons with access to inside information, last updated on 13 November 2018.

In general terms, the procedure vests the Managing Director, with the support of the executive in charge of preparing corporate accounting documents and of the Investor Relations Manager, with responsibility for the internal handling and the public disclosure of inside information. It provides specific sections devoted to the definition of inside information and the recipients of said procedure, the relevant methods of handling inside information, the obligations in terms of conduct of recipients, the identification of bodies in charge for managing and disclosing inside information to the public, the methods for disclosing inside information to the public and the approval process for press releases, the methods of handling market rumours, the rules to be applied in the event of late disclosure to the market or in the event of disclosure of inside information to third parties, the instructions for meetings with the media and the financial community, the rules to be adopted in market surveys, and the creation of a register of persons with access to inside information, the persons authorised to conduct relations with the public and the persons bound by confidentiality obligations.

In compliance with the provisions of market abuse law, the Company has adopted an Internal Dealing Code, drafted pursuant to Regulation (EU) No. 596/2014 of the European Parliament and the Council of 16 April 2014 and Articles 152-*sexies* et seq. of the Issuers' Regulations, lastly amended by the Board of Directors on 14 November 2017.

In accordance with this Code, a number of key personnel, understood as those with normal access to inside information and with the power to take management decisions that may affect the Company's trend and prospects, as well as the persons closely connected to them, are under an obligation to make disclosures to the market regarding transactions carried out on the listed securities issued by the Company.

The Internal Dealing Code provides for ceilings and deadlines for market disclosures, with relative sanctions in line with the relevant Consob provisions. Said Code also contains clauses governing the black-out period.

During the Period, the Company issued ten announcements concerning internal dealing, available on the Company's internet site at http://www.landirenzogroup.com/it/, under section *Investors*, following receipt of relevant notices on significant transactions pursuant to Regulation (EU) No. 596/2014 of the European Parliament and the Council of 16 April 2014 and Articles 152-*sexies* et seq. of the Issuer's Regulations.

6. COMMITTEES WITHIN THE BOARD OF DIRECTORS (PURSUANT TO ARTICLE 123-*BIS*, SUBSECTION 2(D), OF THE CONSOLIDATED FINANCE ACT)

The Board of Directors has not set up any internal committees other than those provided for by the Self-Regulatory Code, other than the Committee for related-party transactions, in compliance with the provisions of the Related Party Transactions Regulations. Details of any said committees under the Self-Regulatory Code are given in the following chapters of this Report. Details of the Committee for related-party transactions are given in section 12 of this Report.

The Company has not created any committee that performs the duties of two or more of the committees under the Self-Regulatory Code, nor has it reserved such duties to the Board of Directors as a whole, under the co-ordination of the Chairman, or divided these duties inconsistently with the provisions of Self-Regulatory Code.

7. APPOINTMENT COMMITTEE

The Board of Directors has decided not to set up an internal committee to manage proposals of appointments because, as of the date hereof, it has not yet deemed it necessary, especially taking into account the Landi Renzo group structure and the Company's ownership structure.

8. REMUNERATION COMMITTEE

Composition and functioning of the Remuneration Committee (pursuant to article 123-*bis*, subsection 2, letter d) of the Consolidated Finance Act)

As of the date of this Report, the Remuneration Committee is comprised of three directors: Sara Fornasiero as Chairman and, and Vincenzo Russi, both of whom are Non-Executive and Independent Directors, and Angelo Iori, Non-Executive Director. Sara Fornasiero, Vincenzo Russi, and Angelo Iori have suitable knowledge of and experience in accounting and financial matters. The members of the Remuneration Committee receive an annual gross remuneration for their work, as resolved by the Board of Directors on 29 April 2019.

The Remuneration Committee has its own internal rules, lastly updated on 15 March 2021.

The Directors are required to abstain from participating to meetings of the Board of Directors when proposals relating to their compensation are being discussed.

During the Period, three meetings of the Remuneration Committee were held, each lasting on average 75 minutes. During the Period, Sara Fornasiero, Angelo Iori and Vincenzo Russi attended 100% of the meetings. Upon invitation of the Remuneration Committee and in relation to certain matters, the executives of the Company, other Directors and the Company' s advisors attended, without the right to vote, the meetings of the Remuneration Committee. The meetings of the Remuneration Committee were attended also by the members of the Board of Statutory Auditors. The members of the Remuneration Committee attended inductions during the Period, concerning the innovations brought by legislative decree 49/2019 implementing Directive 2017/828/UE "Shareholder Rights Directive II" ("**SHRD II**") and by the new Corporate Governance Code. For further information in respect to the induction trainings held throughout the Period, see section 4.2 of this Report.

Considering the nature of the activity carried out by the Remuneration Committee, the Company elected not to provide the Committee with any predetermined spending amount, and to consider any spending requirements as they arise.

At least four meetings of the Remuneration Committee are planned for the current year, of which two were already held on 5 and 15 March 2020. Minutes of the Remuneration Committee's meetings have been duly kept and the Chairman of the Committee reported thereon during the first following meeting of the Board of Directors.

Duties of the remuneration committee

The duty of the Remuneration Committee is to formulate proposals or express opinions to the Board of Directors, in the absence of those directly concerned if these are members of the Committee, regarding the remuneration of the Managing Director and those directors who hold particular positions and the setting of performance goals related to the variable component of said remuneration; it also periodically appraises the criteria adopted for the remuneration of key executives, supervising their application and making general recommendations on the matter and monitors the application of the decisions adopted by the Board of Directors, verifying, in particular, the actual achievement of the performance goals.

For additional information on the duties of the Remuneration Committee, see the relevant sections of the report on the remuneration policy and compensation paid published pursuant to Article 123-*ter* of the Consolidated Finance Act.

9. DIRECTORS' REMUNERATION

As regards remuneration, under the articles of association the Shareholders' Meeting assigns the Board of Directors emoluments that may consist of a fixed and a variable portion throughout the term of its mandate. The variable portion is commensurate to the achievement of certain objectives and/or to the economic results attained by the Company.

As regards the variable portion of the remuneration, under Italian Stock Market Regulations, in order to enter the STAR segment, the Company is required to appoint an internal Remuneration Committee and to provide that a significant part of the remuneration of Executive Directors and other top executives be calculated on an incentive basis.

See the report on the remuneration policy and compensation paid, published pursuant to Article 123-*ter* of the Consolidated Finance Act for information regarding the remuneration policy generally, stock option incentive plans, and the compensation of executive directors, and executives with strategic responsibilities, and non-executive directors.

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Directors' indemnity in the event of their resignation, dismissal or termination of employment following a takeover bid (pursuant to article 123-*bis*, subsection 1, letter i) of the Consolidated Finance Act)

Except as disclosed in the report on the remuneration policy and compensation paid published pursuant to Article 123-*ter* of the Consolidated Finance Act, as of the date of this Report, there are no agreements between the Company and the members of its Board of Directors that envisage the payment of indemnity in the event of their resignation, dismissal and/or termination of employment without due cause, or in any case of termination of employment following a takeover bid.

10. AUDIT AND RISK COMMITTEE

Composition and working of the Audit and Risk Committee (pursuant to article 123-*bis*, subsection 2, letter d) of the Consolidated Finance Act)

The Board of Directors ensures that its appraisals and decisions with regard to the internal audit system and risks management, the approval of the financial statements and half-year reports and the relations between the Issuer and the auditing firm are supported by satisfactory preliminary work. To this end, the Board of Directors set up an Audit and Risk Committee composed of Non-Executive Directors, the majority of whom are Independent Directors. At least one member of the Audit and Risk Committee should have satisfactory experience in accounting and financial matters, to be assessed by the Board of Directors at the time of his appointment.

As of the date of this Report, the Audit and Risk Committee is comprised of three directors: Sara Fornasiero as Chairman and Vincenzo Russi, both Non-Executive and Independent Directors, and Angelo Iori, Non-Executive Director. Sara Fornasiero, Vincenzo Russi and Angelo Iori have suitable knowledge of and experience in accounting and financial matters, as well as of a commercial and operational nature to enable them to have an organic view of the corporate risks.

The members of the Audit and Risk Committee receive an annual gross remuneration for their work, as resolved by the Board of Directors on 29 April 2019.

The Audit and Risk Committee has its own set of regulations, lastly updated on 15 March 2021. During the course of the Period, the Committee examined, *inter alia*, those activities pertaining to the internal audit system and risks management and the organisational Model provided for by Italian Legislative Decree 231/2001, and it provided the Board of Directors with assistance when called upon to do so.

During the Period, eight meetings of the Audit and Risk Committee were held, lasting on average 77 minutes each. During the Period, Sara Fornasiero and Vincenzo Russi took part to 100% of the meetings, whereas Angelo Iori took part to 88% of the meetings. Upon invitation of the Audit and Risk Committee and in relation to certain matters, the executives of the Company, other Directors and the Company' s advisors also attended, without the right to vote, the meetings of the Audit and Risk Committee. Meetings of the Audit and Risk Committee were also attended by the members of the Board of Statutory Auditors.

At least six meetings of the Audit and Risk Committee are planned for the current year and two of these were already held on 5 and 12 March 2021. Minutes of the Audit and Risk Committee's meetings have been duly kept and the Chairman of the Committee reported thereon during the first following meeting of the Board of Directors.

Duties and powers of the Audit and Risk Committee

Upon receiving prior opinion of the Audit and Risk Committee, the Board of Directors:

a) sets down the guidelines for the internal audit and risk management system so that the main risks faced by the Issuer and its subsidiaries are correctly identified and properly measured, managed and monitored, also deciding on the degree of compatibility of these risks with a corporate governance in line with the strategic objectives set;

b) at least once a year assesses the adequacy of the internal audit and risk management systems in consideration of the characteristics of the company and its risk profile, as well as effectiveness of the same;

c) at least once a year, approves the working plan prepared by the head of Internal Audit, having heard the Board of Statutory Auditors and the director in charge of the internal audit and risk management system;

d) in its corporate governance report, describes the main features of the internal audit and risk management system and the procedures of coordination among the persons involved, expressing its opinion on the adequacy of the same;

e) having heard the Board of Statutory Auditors, assesses the results laid down by the legal auditor in the letter of recommendations and in the report on the fundamental issues highlighted by the legal audit.

Moreover, the Board of Directors, at the proposal of the Director in charge of the internal audit and risk management system, having received the preliminary favourable opinion of the Audit and Risk Committee, and having heard the Board of Statutory Auditors:

- appoints or discharges the head of Internal Audit;
- ensure that he/she is endowed with resources adequate for the performance of his/her duties;
- sets his/her remuneration in line with the policies of the Company.

In addition to assisting the Board of Directors in the performance of the above duties, the Audit and Risk Committee:

a) with the executive in charge of the preparation of the corporate accounting records and having heard the legal auditor and the Board of Statutory Auditors, verifies that accounting principles have been correctly followed and, in the case of groups, that they are consistent for the purposes of the consolidated financial statements;

b) expresses opinions regarding specific aspects involving the identification of the main corporate risks;

c) reviews periodic reports concerning the assessment of the internal control and risk management system, and periodic reports of particular relevance prepared by the Internal Audit function;

d) monitors the independence, adequacy, effectiveness and efficiency of the Internal Audit function;

e) may request the Internal Audit function to perform controls on specific operational areas, concurrently notifying the chairman of the Board of Statutory Auditors thereof;

f) reports to the Board of Directors at least every six months on the occasions of the approval of the annual and half-year reports regarding the activities carried out and the adequacy of the internal audit and risk management system;

g) supports, with adequate activity, the evaluations and decisions of the Board of Directors relating to the management of risks resulting from prejudicial facts that the Board of Directors has come to know.

During performance of its duties, the Audit and Risk Committee has the authority to access the company information and functions as necessary for it to perform its duties.

In the meetings held during the Period, the Committee focused in particular on the following:

- the criteria and findings relating to the application of impairment testing process to the value of equity investments in subsidiary companies;
- the quarterly and annual results in order to assess the proper application of accounting principles and consistency of the same for the purpose of drawing up the consolidated financial statements;
- the corporate governance report for the 2019 Period;
- the appointment of the Director in charge of the internal audit and risk management system;

- regular meetings with the Head of the Internal Audit;
- periodic reports and the working plan prepared by the head of Internal Audit;
- periodic meetings with the auditing firm and the Board of Statutory Auditors;
- updates of the main projects of the Group relating to regulatory and legislative compliance and accounting matters;
- periodic reports of the Supervisory Body pursuant to Legislative Decree 231/2001;
- updates of the Organizational, Management and Control Model pursuant to Legislative Decree 231/2001;
- reports on activities prepared by the Director in charge of the internal audit and risk management system;
- updates on the main litigation;
- assessment of the process concerning non-financial reporting;
- assessment of the adequacy of the internal audit and corporate risk management system; and
- the Group's economic and financial condition, holding meetings and consultations with the Managing Director and the Chief Financial Officer and other management and supervisory corporate bodies;
- the updates on the Covid-19 emergency received by the Director in charge of the internal audit.

In the exercise of its duties, the Audit and Risk Committee has the right to avail itself of external consultants and to have access to the corporate information and functions it needs to perform its duties.

Considering the nature of the activities of the Audit and Risk Committee, the Company has decided not to grant the committee a predefined expense limit, preferring to consider on a case by case basis the expenses that may be needed from time to time.

11. INTERNAL AUDIT AND RISK MANAGEMENT SYSTEM

The internal audit system and risk management is the collection of rules, procedures and organisational structures designed to allow proper management of the company, in line with the set objectives, through the identification, measurement, management and monitoring of the principal risks involved.

The Board of Directors assesses the effectiveness of internal audit and risk management system and its adequacy in consideration of the characteristics of the company on a yearly basis. As a result of the analysis performed during the Period, the internal audit and risk management system was found to be effective and adequate in consideration of the characteristics of the company and the risk profile assumed.

In defining strategic, business and financial plans, the Board of Directors defined the nature and level of risk as compatible with the strategic objectives of the Issuer, including in its assessments all risks which may acquire relevance for sustainability of the Company's business in the medium-long term, and determined the guidelines for the internal audit and risk management system.

The guidelines provided by the Landi Renzo group's internal audit system, as established by the company's Board of Directors with the aid of the Audit and Risk Committee, perceive the internal audit system and risk management as a transversal process integrated with all corporate activities, based upon the international principles of Enterprise Risk Management (ERM). The internal audit system and risk management is designed to help the group achieve its own performance and profitability targets, obtain reliable economic-financial information and ensure conformity with the laws and regulations in force, thus avoiding damage to the company's image and financial losses. Within the framework of this process, particular importance is given to the identification of company objectives and to the classifications and management of those risks associated with these objectives, through the implementation of specific actions designed to contain such risks. Corporate risks may be of various kinds: strategic risks, operating risks (associated with the efficacy and efficiency of corporate operations), reporting risks (associated with the reliability of economic-financial information), and finally, compliance risks (concerning observance of the laws and regulations in force, thus avoiding financial losses and/or damage to the company's image). All risks may also be of an exogenous or endogenous nature vis-à-vis the Landi Renzo group.

The persons in charge of the various company departments identify and assess their respective risks, and see to identifying risk containment and reduction measures (so-called "primary line control").

The above activities are supplemented by the controls carried out by the Manager responsible for the preparation of corporate documents and his/her staff (the so-called "second-level control") and by the head of Internal Audit (the so-called "third-level control"), who assess, on an on-going basis, the effectiveness and efficiency of the internal audit system and risk management, through risk assessment, cyclical audit and follow-up management.

The following are details of the main structural elements on which the Company's internal audit system and risk management is based.

The structural features of the control environment

- Code of Ethics – The Landi Group's Code of Ethics, approved in March 2008, sets out the principles and values underlying its way of doing business, together with the rules of conduct and implementation rules pertaining to said principles. The Code of Ethics is an integral part of the Organizational, Management and Control Model pursuant to Italian Legislative Decree 231/2001. The Code of Ethics, which is binding on the conduct of all the employees of the Group, has been revised within the framework of the programme for the updating of 231 Model, following the introduction of the new crime of self-money laundering (art. 648-*ter*, 1, of the Italian Criminal Code). The new Code of Ethics is in force from 15 March 2021.
- Organisational structure - The Landi Renzo group's general organisational arrangements are defined by a series of internal organisational communications issued

by the Human Resources Department, as recommended by the Managing Director. The Landi Renzo group's structure, the organisational charts and the organisational measures can be consulted by all employees on the Company's Intranet site;

- Internal Audit function – The Landi Renzo group possesses an internal audit function with the scope of assessing, through continuous monitoring of the corporate risks and an ongoing program of audits, the soundness of the internal control system.

Instruments designed to safeguard operating targets

- Strategic planning, management control and reporting – During the Period, the Landi Renzo group utilised a reporting instrument aimed at tracking the accounting figures and comparing them to the budget and forecasting figures. This reporting instrument also supports processing of "what if analysis" at a high degree of detail, processing different hypothetical scenarios on main items of the profit and loss accounts on a rolling basis over 12 months.

- Enterprise Risk Management (ERM) –Those companies within the Landi Renzo group deemed to be of importance for this purpose were the beneficiaries of a newly-created risk management system based on the principles of ERM. This system includes management of risks relating to the financial data disclosure process pursuant to Article 123-*bis*, subsection 2(b) of the Consolidated Finance Act, the main characteristics of which are described in a separate paragraph below. This system has led to the identification of the risks related to the performance of the main corporate processes and the control actions to be undertaken in order to contain residual risks. The Landi Renzo group's main risks and uncertainties are listed in a special chapter of the Management Report;

- Company operating procedures system – The administrative procedure manuals, drawn up in accordance with Italian Law 262/2005 on the safeguarding of savings, together with the working procedures and instructions issued by the Quality System, and finally the organisational guidelines issued by the Human Resources department, ensure the correct implementation of corporate guidelines, and thus the reduction of risks associated with the achievement of company objectives. The company operating procedures system was lastly updated during the Period.

- Information systems – The Landi Renzo group's information system has been created using the very latest technologies and packages relating to an integrated ERP internal system (SAP). Use of the system is governed by a series of internal procedures that help improve safety, confidentiality and safeguard data, and the correct utilisation of the system by users.

- Human resources – The Landi Renzo group possesses a formal procedure for the selection and hiring of personnel, and the planning and management of training. Pay policy, in keeping with best practices and the market, envisage a share of variable remuneration for senior managers and executives.

Instruments designed to safeguard compliance targets

- Corporate Ethics and Compliance Model pursuant to Italian Legislative Decree 231/2001 – See section 11.3 below.

- Accounting control model pursuant to Italian Law 262/2005 regarding the protection of savings which is made up of the Manuals of administrative procedures pursuant to Italian Law 262/2005 (hereinafter, the "**Manuals**") that formalise the role of process owners.

- The Manuals of administrative procedures are available for all the employees on the Company's intranet. Any significant procedural discrepancies, differences and/or departures are promptly notified to the executive appointed to draft corporate accounting documents, in order that the due corrective measures be taken.

Instruments designed to safeguard reporting targets

- Accounting information and financial reporting – The aforesaid Manuals of administrative procedures pursuant to Italian Law 262/2005, together with the Landi Renzo group's Accounting Manual, safeguard the correct drafting and reporting of accounts and of statutory and consolidated financial statements;

- Inside information – The procedures for the internal handling, and the communication to the outside world, of inside information are constantly updated, in order to maintain said procedures in line with Community directives on market abuse;

- Internal communications – The head of Internal Audit has access to all information which is expedient for the performance of his/her duties. This aids the prompt acquisition of information concerning company management which, at the same time, is promptly analysed in order to identify the associated risks and, where deemed opportune, included in the economic-financial reporting.

Instruments for monitoring the internal audit system and risk management

The abovementioned instruments of control are monitored not only by those persons in charge of the various company departments, but also independently by the head of Internal Audit, who shall constantly monitor the effectiveness and efficacy of the internal audit system and risk management, through risk mapping, the performance of audits, and the subsequent management of the follow up.

Principal characteristics of the risk management system and internal audit system in relation to the financial reporting process pursuant to 123-*bis*, subsection 2(b) of the Consolidated Finance Act

In relation to the financial reporting process, the risk management system should not be considered separately from the internal audit system, because they are both elements of the same system.

The aim of the risk management and internal audit system in relation to the financial reporting process is to guarantee the reliability, accuracy and timeliness of the same.

During the preparation of the latest audit plan by the internal Audit Function for the three-year period 2019-2021, the risks connected to the performance of the main corporate processes have been identified.

The monitoring and control activities are carried out on three levels:

- first-level control (the so-called "primary line control") inherent in the performance of operating processes and assigned on an on-going basis by the operating management/ process owner;
- second-level control, i.e., those checks performed by the manager in charge of the preparation of corporate accounting documents and his/her team, to monitor the risk management and control process in relation to the financial reporting process, securing consistency of the same with the company objectives;
- third-level control, i.e. on-going independent monitoring by the head of Internal Audit in relation to the effectiveness and efficiency of the internal audit system and risk management with respect to financial reporting process, through risk mapping, the conduct of audits and follow-up management.

Overall assessment of the suitability of the internal audit system and risk management

On the basis of the information and findings received with the support of investigations carried out by the Audit and Risk Committee, the head of Internal Audit, and the Supervisory Body pursuant to Italian Legislative Decree 231/2001, the Board of Directors believes that the Landi Renzo group's internal audit system and risk management is suitable and efficient and effectively operational, and thus apt to secure an acceptable level of overall risk in consideration of the business carried out by the company, the company's characteristics and the market in which it operates.

11.1 DIRECTOR IN CHARGE OF SUPERVISING THE OPERATION OF THE INTERNAL AUDIT AND RISK MANAGEMENT SYSTEM

At the 29 April 2019 meeting, the Board of Directors, with the approval of the Audit and Risk Committee, selected Executive Director in charge of supervising the operation of the internal audit system and risk management as being the Managing Director Cristiano Musi, vesting him with the functions set forth by the Self-Regulatory Code.

The director in charge of the internal audit and risk management system: (a) identifies the major corporate risks, bearing in mind the nature of the business carried out by the Issuer and its subsidiaries, and submits them periodically for review to the Board of Directors; (b) implements the guidelines set by the Board of Directors, and sees to the planning, establishment and management of the internal audit and risk management system, and verifies on an on-going basis its overall suitability, effectiveness and efficiency; (c) procures that the system be adapted to the dynamics of operating conditions and to the legislative and regulatory framework; (d) may request the Internal Audit function to carry out controls on specific operational areas and on the compliance of corporate operations with internal policies and procedures, concurrently notifying thereof the Chairman of the Board of Directors, the Chairman of the Audit and Risk Committee and the Chairman of the Board of Statutory Auditors; and (e) promptly notifies the Audit and Risk Committee (or the Board of Directors) of any issues or problems found in performing its tasks or learnt in any way whatsoever, so that the Committee (or the Board of Directors) may take appropriate measures.

11.2 HEAD OF THE INTERNAL AUDIT FUNCTION

The Board of Directors, in the meeting of 20 June 2018 – upon proposal of the executive Director in charge of supervising the functioning of the internal audit system, having received the preliminary favourable opinion of the Audit and Risk Committee and having heard the Board of Statutory Auditors – had appointed Mr Filippo Alliney (formerly of counsel of Andersen Tax&Legal since 2017 and currently Sole Director of Alliney & Partners S.r.l.) as the Internal Audit Manager. This appointment was – upon proposal by the Executive Director in charge of supervising the functioning of the internal audit system and subject to the favourable opinion of the Audit and Risk Committee and having consulted with the Board of Statutory Auditors – confirmed by the Board of Directors at the meeting on 29 April 2019. At the same meeting, the Board also resolved to attribute to the Director in charge of supervising the functioning of the internal audit system daily compensation of Euro 1,050.00, plus VAT and social security contributions, for each day when he performs his duties, and to reimburse him for the expenses incurred in performance of the role.

The Internal Audit Manager, Filippo Alliney is not responsible for any area of operations and is not hierarchically under any operations area manager, including the Administration, Finance and Control department, so as to ensure greater independency, autonomy and professionalism and a wider consideration of the best practice in the market.

Mr Filippo Alliney satisfies the requirements of professionalism, independence and organization and lacks any corporate relationships with the Issuer.

The head of the Internal Audit function has, *inter alia*, the duty to verify that the internal audit system and risk management is always adequate, fully operational and functional and reports on his work to the Audit and Risk Committee, the Board of Auditors and the Director in charge of supervising the operation of the internal audit and risk management system.

The head of the Internal Audit function has access to all the information required for the performance of his duties, and has been provided with sufficient funds, for each year of his appointment, up to a maximum gross sum of Euro 50,000.

The activities of the head of the Internal Audit function, consistently with the three-year Landi Renzo group's audit plan approved by the Board of Directors on 29 April 2019 are aimed, through the audits and the participation in the company's activities, to express an assessment of the soundness of the internal control system.

The nature and purpose of the Internal Audit function is to verify that the internal control system is effective in limiting corporate risks. In this scenario, the Internal Audit function's objective is twofold: on the one hand, of a formal nature, to ensure that market best practices are respected, to guarantee an adequate flow of information to the corporate bodies and confrontation with other control functions, and, on the other hand, of a substantive nature, through verifications, also through testing activities, on the audits existing within the corporate processes (assurance) or by the adequate management of development/operational adjustment projects (control design).

In carrying out the activities provided for in the audit plan, the Internal Audit function will comply with the market practices referred to in the Regulations approved by the Board of Directors, interacting constructively with the stakeholders of the processes or of the activities under review.

The selection of the areas subject to verification took place through a process of risk analysis and assessment (risk mapping) involving the audit bodies (*i.e.* the Internal Audit and Risk Committee and the Supervisory Body) and the Issuer's management. However, the continuous interaction with the corporate bodies and structures allows that the risk assessment becomes subject to continuous updates and, consequently and with the same resources, the audit plan may be subject to adjustments.

Coverage of all corporate risks (audit cycle) requires the preparation of an audit plan with a three-year horizon. The allocation of the audits within the three-year period has been established taking into account the greater or lesser relevance of the risk relating to each area. The three-year plan will in any case be subject to potential annual review in relation to the evolution of the company structure and the related risks.

The exceptional changes induced by the Covid-19 pandemic and the consequent recourse, starting from the second quarter of the year, to the public unemployment fund ("*cassa integrazione in deroga*"), had a significant impact on the availability of internal resources, which would be the key interlocutors through which the Internal Audit function carries out its control activities; a change in the timing of the Audit Plan was required, although such a plan will resume its normal course from the second quarter of 2021.

The head of the Internal Audit function:

- verifies, on an on-going basis as well as in relation to specific needs and in compliance with International standards, the operations and the suitability of the internal audit and risk management system, through the three-year audit programme approved by the Board of Directors and based on a process for the structured analysis and prioritisation of the main risks;
- prepares the periodic reports setting forth adequate information on its activities, on the methods used to manage risks, on compliance with the predefined plans to contain risks, as well as a valuation of the suitability of the internal audit and risk management system, and submits them, with variable frequency, to the Chairmen of the Board of Statutory Auditors, Internal Audit and Risk Committee, and Board of Directors as well as the Director in charge of the internal audit and risk management system;
- prepares promptly reports on significant events, and submits them to the Chairmen of the Board of Statutory Auditors, Internal Audit and Risk Committee, and Board of Directors as well as the Director in charge of the internal audit and risk management system;
- verifies, in the context of the audit plan, and together with the work performed by the external auditing advisor, the reliability of the information technology systems, including the accounting systems.

11.3 COMPLIANCE MODEL PURSUANT TO LEGISLATIVE DECREE 231/2001

The Board of Directors, in compliance with the terms laid down in Article 2.2.3, paragraph 3 (j) of the Stock Market Regulations, approved its Corporate Ethics and Compliance Model in accordance with Article 6 of Legislative Decree 231/2001 (the "**Model**"), as subsequently amended. The Model was drafted on the basis of the guidelines of the Italian Confederation of Industrialists' and in compliance with applicable legislation.

With the adoption and effective implementation of the Model, the Company will not be liable for offences committed by "top" managers and persons subject to their supervision and instructions.

The Model lays down a series of rules of conduct, procedures and control activities as well as a system of powers and delegated responsibilities whose purpose is to prevent the occurrence of the criminal offences expressly listed in Legislative Decree 231/2001. A disciplinary system has also been introduced to be applied in the event of breaches of the provisions of the Model.

In order to implement the Model, a supervisory body (the "**Supervisory Body**") was set up, with the functions contemplated in Article 6, subsection 1(b) of Legislative Decree 231/2001. The Supervisory Body is composed of Jean-Paule Castagno, as chairman, Sara Fornasiero and Domenico Sardano, who have been appointed for a term of office ending upon approval of the financial statements for the period ending on 31 December 2021.

Every six months, the Supervisory Body informs the Board of Directors in writing on the implementation and actual awareness of the Corporate Ethics and Compliance Model within each Company department.

The Model has been updated over the years in order to take into account changes introduced from time to time by lawmakers. In particular, at the meeting held on 28 August 2012, the Board of Directors acknowledged and approved a number of amendments to the Model aimed at including environmental crimes among conditions of corporate liability pursuant to Legislative Decree 231/2001. Later, on 27 August 2013, the Model was again updated following the entry into force of Law 190/2012 ("Measures for the repression of corruption"). A further update to the Model was approved by the Company's Board of Directors on 12 November 2015 in order to include the new criminal offence of self-money laundering (art. 648-*ter* of the Italian Criminal Code). Throughout 2019, the Company has asked the support of the Supervisory Board for updating the Model, in accordance with the new regulatory and organizational changes. During the meeting held on 15 March 2021, the Board of Directors approved the latest updates to the Model, concerning the General Section, the Code of Ethics and the Whistleblowing procedure. As of the date hereof, the process for the update of the Special Section regarding market abuse, employment of foreign workers and health and safety in the workplace is still ongoing.

The Model has been published and circulated to all personnel, outside collaborators, customers, suppliers and partners.

Finally, again in the framework of the activities to be carried out in order to implement the Model, the Board of Directors adopted the Landi Renzo group's Code of Ethics, as last amended on 15 March 2021. In fact, as specified in the Italian Confederation of Industries guidelines, the adoption of ethical principles that have a role to play in the prevention of criminal offences is an essential element in a preventive control system. Specifically, the Landi Renzo Code of Ethics sets out corporate values and the combination of rights, duties and responsibilities of its addressees and provides for the imposing of sanctions, independently and autonomously of those laid down in the national collective labour agreement.

Pursuant to article IA.2.10.2, subsection 2, of the Instructions to the Stock Exchange Regulations, on 14 June 2019 the representative Mr Stefano Landi duly certified the Company's approval on 20 March 2008 of the Organizational, Management and Control Model pursuant to article 6 of Legislative Decree 231/2001 and the composition of the Supervisory Body. Said certification is part of the documentation requested annually by Borsa Italiana from those companies listed in the STAR segment, in order that they may remain listed as such.

During the Period, the Supervisory Body met seven times. As of the date hereof, the Board of Directors did not deem it necessary to vest the Board of Statutory Auditors with the functions of supervisory body.

11.4 AUDITING FIRM

On 29 April 2016, at the reasoned proposal of the Board of Auditors, the Shareholders' Meeting appointed the PriceWaterhouseCoopers S.p.A. firm of auditors, with head office at Via Monte Rosa 91, Milan, as the Company's auditors of the statutory and consolidated financial statements for the period 2016-2024 and to carry out limited audits of the Landi Renzo group's consolidated half-year reports during the same period.

On 16 October 2017, auditing firm PriceWaterhouseCoopers S.p.A. was also granted a mandate for a limited review, i.e., limited assurance, for the non -financial consolidated report pursuant to Legislative Decree 254/16 for the financial years from 2017 to 2024.

11.5 EXECUTIVE IN CHARGE OF PREPARING CORPORATE ACCOUNTING DOCUMENTS

Chief Financial Officer Paolo Cilloni, executive in charge of the Issuer's administration, finance and control department, was appointed, pursuant to article 154-*bis* of the Consolidated Finance Act, by the Board of Directors of the Company on 29 April 2019, with the approval of the Board of Auditors, as the Executive in charge of preparing corporate accounting documents, as he satisfies the requirements for the appointment and, in particular, has a proven expertise in accounting and finance, in line with the requirements of Article 24 of the articles of association.

The Board of Directors' meeting of 29 April 2019 granted the Executive in charge of preparing corporate accounting documents, Mr Paolo Cilloni, sufficient resources and powers for him to perform his assigned duties, it being understood that the Managing Director is obliged to report on the matter to the Board of Directors and to ensure that such means and resources are provided and that administrative and accounting procedures are actually observed. In addition, the Board of Directors decided the remuneration the Executive concerned should receive for the performance of these duties.

11.6 CO-ORDINATION OF PERSONS INVOLVED IN THE INTERNAL AUDIT AND RISK MANAGEMENT SYSTEM

As of the date hereof, the Issuer has not considered the adoption of any specific procedure to co-ordinate the various persons involved in the internal audit and risk management system, as it deems that the bodies and various functions are adequately and efficiently integrated with one another, without duplicating any activity.

12. DIRECTORS' INTERESTS AND TRANSACTIONS WITH RELATED PARTIES

In compliance with the Related Party Transactions Regulations and its successive interpretation communications, the Board of Directors has (i) adopted a new internal procedure on 29 November 2010, setting forth the rules and principles to follow to ensure the transparency and fairness, in substance and procedure, of transactions with related parties entered into by Landi Renzo, directly, or through its direct or indirect subsidiaries, and (ii) on 29 April 2019 also appointed a Committee for related party transactions composed of two independent directors (Sara Fornasiero and Vincenzo Russi). In accordance with the Related Parties Regulation, the internal procedure was approved by the Board of Directors with the approval of the Committee for Related Party Transactions. During the Period, three meetings of the Committee for Related Party Transactions were held and attended by Sara Fornasiero and Vincenzo Russi, further to the members of the Board of Statutory Auditors and the chief financial officer of the Company. The members of the Committee for Related Party Transactions performed induction activities in both 2020 and early 2021 concerning the innovations brought by the legislative decree 49/2019 implementing the SHRD II and by the new Corporate Governance Code. For further information about the induction training sessions held during the Period, see section 4.2 of this Report.

In compliance with the suggestions under Consob Communication DEM/10078683 of 24 September 2010, the above procedure was subject to verification by the Board of Directors on 8 November 2019. As a result of such verification, the Board of Directors had deemed the procedure to be adequate in light of the applicable legislation and regulation, specifying however that the Company – with its legal advisors – was evaluating whether to perform a review of this procedure to align it with best practice and to adapt it to the procedures for newly listed companies, and (where necessary) to any legislative or regulatory amendments, also in light of the legislative decree 49/2019 implementing the SHRD II. In light of recent legislative and regulatory amendments, including the amendments to the Related Parties Regulation, the Company intends to carry out a review of its internal procedure during the Period.

The following are the most significant aspects of the procedure:

(a) the classification of "Related Party Transactions" as transactions of Greater Importance (transactions with a counter value or asset or liability relevance index that exceeds the 5% threshold), Negligible Value (transactions with such a low value as not to involve any prima facie material risk to investor protection and are therefore excluded from the scope of application of the new procedure, identified by the Company as transactions with a value not exceeding Euro 200,000), and Lesser Importance (residual category including Related Party Transactions other than those of Greater Importance or of a Negligible Value)

(b) the rules on transparency and communications to the market have become stricter in the case of transactions of Greater Importance, requiring publication of a specific information sheet;

(c) the particularly important role attributed to the Committee for related party transactions in the procedure to evaluate and approve transactions;

This Committee is responsible for ensuring the substantial fairness of transactions with related parties and issuing an opinion on the interests of the company in carrying out the transaction as well as the financial appropriateness (*convenienza*) and fairness of the relevant conditions. In the case of transactions classified as having Lesser Importance, the Company may in any case precede with the transaction despite an unfavourable opinion of the Committee for related party transactions. In this event, information regarding the transactions approved in the relevant quarter must be provided to the public within fifteen days of the close of each financial quarter, despite the unfavourable opinion, specifying the reasons why the Company did not agree with the opinion of the Committee for related party transactions.

The Board of Directors is exclusively responsible for the approval of Transactions of Greater Importance and the Committee has a broader role. The Committee takes part in the negotiations phase of the transaction, during which it receives full and timely information from the delegated bodies and parties responsible for conducting the negotiations and may request additional information and provide any considerations. In addition, if the Committee for related party transactions gives an unfavourable opinion, the Board of Directors cannot approve the Transactions of Greater Importance.

In urgent circumstances relating to transactions with related parties that are not under the responsibility, or subject to the authorisation, of the shareholders' meeting, the Board of Directors will have the right to approve these transactions with related parties, even where they are implemented through subsidiaries, in derogation of the customary provisions of the internal procedure for related-party transactions adopted by the Company, subject to compliance with and at the conditions set out in the procedure.

The above procedure applicable to related party transactions is available on the Company's website at www.landirenzogroup.com/it/, in the Investors section.

Considering the limited number of circumstances in which a Director has an interest, for his or her account or on behalf of a third party, and because of the adequate functioning of the procedure for related party transactions, the Board of Directors has determined it is not necessary to adopt additional operating solutions to define and to manage circumstances where a Director has an own or third-party interest, which circumstances will be analysed on a case-by-case basis by the Managing Director.

13. APPOINTMENT OF STATUTORY AUDITORS

Under Article 22 of the Company's articles of association, the Board of Auditors is composed of three Standing and two Alternate Auditors, who can be re-elected.

The Board's functions, duties and term are as laid down by law. When the members of the Board are appointed, the Shareholders' Meeting determines their remuneration, also in the light of their participation in any internal committees. Auditors are entitled to the refund of the expenses they incur in the exercise of their functions.

The members of the Board of Auditors must satisfy the requisites of good character, professionalism and independence required under the law and regulations.

The members of the Board of Auditors are elected, in compliance with gender- balance law in force at the time, from lists presented by the shareholders, in which the candidates must be listed in progressive number order, so that the minority is assured the appointment of one Standing and one Alternate Auditor. The lists must not contain a higher number of candidates than those to be elected.

In addition, where mandatory gender allocation criteria apply, each list with at least three candidates (considering both sections) shall include a number of candidates of the less represented gender equal at least to the minimum number envisaged under applicable law and regulations in force at the time. Should the section of alternate auditors of these lists have at least two candidates, they shall be of different genders.

Shareholders holding, even jointly, at least 2.5% of the share capital representing shares that confer voting rights at shareholders' meetings held to deliberate the appointment of the members of the governing body, or such other proportion of the share capital as may be determined from time to time by Consob, in accordance with the rules applicable to the Company, may present a list of candidates. The notice calling the shareholders' meeting will state the level of ownership required to present a list of candidates. Such percentage of ownership is consistent with that provided under Article 144-*quater* of the Issuers' Regulations for companies with market capitalisation of up to Euro 1 billion.

Each shareholder, the shareholders adhering to a shareholders' agreement relevant under Article 122 of the Consolidated Text, the parent company, the subsidiary companies and companies subject to joint control may not present or join in the presentation of more than one list, not even through a third party or a trust company, nor may they vote for different lists, and each candidate may only stand in one list, on pain of ineligibility. Candidatures and votes expressed in breach of this prohibition shall not be attributed to any list.

Lists must be deposited at the Company's registered office at least 25 days prior to the date scheduled as prescribed by law, including regulatory provisions, applicable at the time. The notice calling the shareholders' meeting will provide instructions to allow remote deposit of the list by distance communication. Ownership of the amount of shares required to present a list must be proven with the methods and at the terms required under the law and regulatory provisions in force at the time.

In the event that upon expiry of the term for the presentation of lists only one list has been presented, or only lists presented by shareholders connected with each other under the laws and regulations in force have been presented, it will be possible to present lists until the third day after that date of expiry. In this case, shareholders that, alone or with other shareholders, own overall treasury shares representing half of the share capital threshold specified in the above provisions, may present lists.

If no list is presented, the Shareholders' Meeting adopt resolutions by the statutory majority without observing the procedure described below, provided it complies with the gender-balance requirement specified above, where so required by law and regulatory provisions in force at the time.

In all cases, the following documents must be deposited together with each list and within the times specified above: (i) information regarding the shareholders presenting the list and the total number of shares they hold; (ii) declarations from the individual candidates to the effect that they agree to stand for election and that they certify, on their own responsibility, that there are no causes of their incompatibility or ineligibility, including the accumulation of positions in accordance with the applicable laws and regulations, and also that they satisfy any requirements that may be laid down for the positions involved; and (iii) CVs with full information regarding the personal and professional characteristics of each candidate, specifying the administration and auditing functions exercised in other companies. Lists presented by shareholders other than those holding, even jointly, a controlling or relative majority shareholding must also attach a certificate to the effect that there are no relationships connecting them with controlling or relative majority shareholders in accordance with the regulation in force. Lists presented that do not comply with these provisions shall be considered as not having been presented.

The procedure for the election of the Auditors is as follows:

(a) from the list that has obtained the highest number of votes (the "**Majority List**"), two Standing and one Alternate Auditor are taken on the basis of the numerical order in which they appear in the list;

(b) from the list that has obtained the second highest number of votes, provided that it is not connected in any manner, even indirectly, in accordance with the applicable laws and regulations, with the shareholders that presented or voted for the Majority List (the "**Minority List**"), the remaining Standing and the other Alternate Auditor are taken on the basis of the numerical order in which they appear in the list.

If the first two, or more than two, lists obtain an equal number of votes, a further ballot by the Shareholders' Meeting will take place, whereby only such lists will be voted for. The same rule applies in the event of an equal number of votes being cast for lists in second place, provided that they are not connected, even indirectly, in accordance with the laws and regulations in force.

In the event that the lists continue to obtain an equal number of votes, the list will prevail that is presented by the shareholders with more equity in the company, or, subordinately, the list that is presented by the greater number of shareholders. In all the events specified above, the composition of statutory auditors shall satisfy the aforementioned gender balance requirements, if so required by the law and regulatory provisions in force at the time.

If the above procedure does not ensure a composition of the Board of Statutory Auditors, in terms of standing members, which complies with the law on gender balance in force at the time, the last elected candidate of the most represented gender (in numerical order) in the Majority List shall be replaced by the first non-elected candidate of the less represented gender (in numerical order) of the same list, or in the absence thereof, by the first non-elected candidate of the less represented gender (in numerical order) of the other lists, based on the number of votes obtained by each of them. This procedure shall apply until a composition of the Board of Statutory Auditors is reached which complies with the law on gender balance in force at the time. Should this procedure not lead to the results specified above, the replacement will be made according to a resolution adopted by the Shareholders' meeting with the relative majority, subject to the presentation of candidates of the less represented gender.

The candidate elected in first place in the Minority List is appointed as the Chairman of the Board of Auditors.

Auditors lose office if they cease to satisfy the requirements laid down by law and in the articles of association.

In the event of the replacement of an Auditor elected from the Majority List, his place is taken by the first Alternate Auditor belonging to the same list as the replaced Auditor, or, if this does not secure compliance with the aforementioned gender balance requirement, the first alternate auditor who, following the numerical order in which the alternate auditors are listed, satisfies such requirement. Should the preceding provisions of this clause be not applicable, the replacement shall be made by the Shareholders' Meeting, which shall adopt resolutions with the majorities set forth by applicable law provisions, subject to the presentation of candidates of the less represented gender.

If Standing and/or Alternate Auditors need to be appointed to make up the number of members of the Board after the replacement of a Standing and/or Alternate Auditor elected in the Majority List, the Shareholders' Meeting adopts a resolution by the statutory majority, should the application of the criteria set out in the preceding paragraph not result in the integration of the number of members of the Board, without prejudice to the aforementioned gender balance requirement, where so required by law and regulatory provisions in force at the time.

In the event of the replacement of an Auditor elected from the Minority List, his place is taken by the alternate auditor belonging to the same list of the replaced Auditor, or subordinately, by the candidate immediately following in the same list as that of the replaced Auditor, or, again subordinately, by the first candidate in the minority list that obtained the second highest number of votes, without prejudice to the aforementioned gender balance requirement, where so required by law and regulatory provisions in force at the time. In the absence thereof, the replacement shall be made by the Shareholders' meeting, which shall adopt resolutions with the relative majority and in compliance with the above requirements. This does not affect the fact that the Chairman of the Board of Auditors remains the Auditor from the Minority List.

If Standing and/or Alternate Auditors need to be appointed to make up the number of members of the Board after the replacement of a Statutory and/or Alternate Auditor elected in the Minority List, the Shareholders' Meeting adopts a resolution by the statutory relative majority, choosing from the candidates appearing in the list to which the Auditor to be replaced belonged, or appearing in the minority list that obtained the second highest number of votes, without prejudice to the aforementioned gender balance requirement, where so required by law and regulatory provisions in force at the time. In the absence thereof, the replacement shall be made by the Shareholders' meeting, which shall adopt resolutions with the relative majority and in compliance with the above requirements.

When the Shareholders' Meeting is called upon, in accordance with Article 2401, paragraph 1, of the Civil Code, to appoint or replace one of the Auditors elected from the Minority List, any votes cast by shareholders that hold a controlling or relative majority interest, even jointly, are not taken into consideration.

Board of Statutory Auditors' meetings may also be held by audio and video link in accordance with the procedures set forth in the Company Articles of association.

14. COMPOSITION AND ACTIVITY OF THE BOARD OF STATUTORY AUDITORS (PURSUANT TO ARTICLE 123-*BIS*, SUBSECTIONS 2, LETTER D) AND D-*BIS*) OF THE CONSOLIDATED FINANCE ACT)

The Ordinary Shareholders' Meeting on 29 April 2019 appointed the Company's Board of Statutory Auditors, whose term will expire upon the approval of the financial statements at 31 December 2021.

The members of the Board of Statutory Auditors were elected on the basis of two different lists: (a) two Standing Auditors and one Alternate Auditor were elected from list number 1), presented jointly by the majority shareholders Girefin S.p.A. and Gireimm S.r.l., whilst (b) one Standing Auditor and one Alternate Auditor were elected from list number 2) presented by the minority shareholder Aerius Investment Holding AG.

List **number 1)** included the following candidates:

- **Diana Rizzo**, born in Bologna, on 21 July 1959, Standing Auditor;
- **Domenico Sardano**, born in Genova, on 23 September 1970, Standing Auditor;
- **Alessandro Levoni**, born in Modena, on 17 May 1980, Standing Auditor;
- **Marina Torelli**, born in Modena, on 29 April 1961, Alternate Auditor; and
- **Antonio Cherchi**, born in Sassari on 7 September 1954, Alternate Auditor.

List **number 2)** included the following candidates:

- **Fabio Zucchetti**, born in Torino on 4 May 1966, Standing Auditor; and
- **Gian Marco Amico di Meane**, born in Torino on 28 April 1972, Alternate Auditor.

The candidates from the list number 1) were elected with 132,990,260 favourable votes and the candidates from the list number 2) were elected with the 13,101,545 favourable votes. No dissenting votes were cast in respect of the proposed lists. The voting share capital attending the meeting represented 81.62% of the share capital.

As of the date of this Report, the Board of Statutory Auditors is composed as follows:

Full name	Title	Serving since	% attendance at Board of Auditors' Meetings
Fabio Zucchetti	Chairman of the Board of Auditors	29 April 2019	100%
Diana Rizzo	Standing Auditor	29 April 2019	100%
Domenico Sardano	Standing Auditor	29 April 2019	100%
Marina Torelli	Alternate Auditor	29 April 2019	-
Gian Marco Amico di Meane	Alternate Auditor	29 April 2019	-

Members of the less represented gender constitute a third of the standing members and of the alternate members of the Board of Statutory Auditors.

The personal and professional history of each Auditor is briefly set out below, in accordance with Article 144-*decies* of the Issuers' Regulations.

Fabio Zucchetti. With a degree in Economics and Commerce from the University of Torino, he practices as a certified public accountant since 1993, specialising in corporate tax matters, advising national and international clients. He has served and currently serves as member of the Boards of Directors, Chairman or standing member of the Boards of Statutory Auditors, member of the risk committees and of the committees for related-party transactions in a number of companies, including companies part of international groups, holding companies, regulated companies and listed companies.

Diana Rizzo. With a degree in Economics and Commerce from the University of Modena, she has been practicing as Chartered Accountant since 1983, specialising in the economic, business, and corporate tax fields. She acted as Official Auditor and at present she works as Auditor enrolled in the relevant Register - in which she has been registered since its creation - and as Auditor for Local Public Authorities. Since over 35 years, she has been collaborating with the Courts of Modena and Bologna as expert witness in civil and criminal matters and as expert evaluator, and she also acts as receiver and judicial commissioner. She holds the office as statutory auditor in industrial companies and financial companies.

Domenico Sardano. With a degree in Economics and Commerce from the University of Genova, he worked from 1996 to 1997 as an auditor with the auditing firm of PriceWaterhouseCoopers. Since 1997 he performs his professional activity with the accounting firm Studio Sardano in Genova and in 2000 he became a Chartered Accountant, registering with the Board of Chartered Accountants of Genova. Mr. Sardano acts as Bankruptcy Trustee, Judicial Commissioner and Judicial Liquidator in various insolvency proceedings and often acts as Court-appointed Technical Expert for the Court of Genova. He has also worked with a number of private equity funds. In particular, since 2002 he has developed his professional activity also in the field of structuring private equity and venture capital transactions both by collaborating with some private equity funds, including foreign ones, and by intervening in corporate transactions in the design and/or structuring of private equity and venture capital transactions and more generally of M&A. From 2013 to 2016 he held office as a member of the Council of the Board of Chartered Accountants of Genova. Moreover, Mr. Sardano currently holds office of Statutory Auditor in several industrial companies.

Marina Torelli. With a degree in Economics and Commerce from the University of Modena, she is registered on the Board of Chartered Accountants since 1989 and on the Register of Auditors since 1995. She practices as auditor, and in addition to her legal and accounting audit activity in the context of her offices as statutory auditor for several companies, she also consults and advises on accounting, administrative, financial, contractual, corporate, audit, tax and tax litigations matters. She serves in office as auditor and statutory auditor in industrial and commercial companies. Furthermore, she is Chairman and Managing Director of an industrial company and director in Azienda Speciale di servizi di assistenza agli anziani, a company providing services to the elder**.**

Gian Marco Amico di Meane. With a degree in Economics and Commerce at the University of Torino, he has been registered with the Board of Chartered Accountants and the Board of Auditors since 2006. From 1997 to 1999 he worked as auditor for auditing firm PriceWaterhouseCoopers in London and Torino. From 1999 to 2004 he worked in the audit sector for Ernst & Young in Torino. Since 2004, he practices with the accounting and audit firm Studio Zucchetti, providing tax and corporate consultancy services, and managing his professional activities for corporates and personally. He currently serves as Chairman of the Board of Statutory Auditors, auditor and director of several industrial companies.

From the close of the Period there have been no changes in the membership of the Board of Statutory Auditors.

As to diversity policies pursuant to Article 123-*bis*, paragraph 2(d-*bis*) of the Consolidated Finance Act, on 14 March 2019 , the Board of Directors of the Company has approved a diversity policy applicable to the Board of Statutory Auditors, which includes the following principles:

- each member must meet the requirements of good character and professionalism under Decree of the Ministry of Justice no. 162 of 30 March 2000, and Article 148(4) of the Consolidated Finance Act, as well as the independence requirements under Article 148(3) of the Consolidated Finance Act and Article 3 of the Self-Regulatory Code, recalled by Article 8 of the same Self-Regulatory Code and must not hold office as a member of the supervisory body in more than five listed issuers or widely-held issuers, or hold office as a member of a management or supervisory body in joint stock companies, general partnerships or limited liability companies beyond the maximum limit, equal to six points calculated in accordance with the provisions of Schedule 5-*bis*, Table 1, of the Issuers' Regulations;
- each member must not have any of the reasons for ineligibility, incompatibility or expiry, under Article 22 of the Company by-laws and the applicable provisions of law, including Article 17(5) of Legislative Decree no. 39 of 27 January 2010 on legal audit;
- gender diversity within the Board of the Statutory Auditors must be consistent with the applicable regulations and therefore must ensure that at least one third of the members are members of the less represented gender;
- to ensure a plurality of approaches and views, as well as an adequate degree of efficiency when analyzing the items and subject matters on the agenda, the members should have an adequate degree of diversity and heterogeneity in terms of age, skills and experience, and the presence of professionals who are sufficiently familiar with the peculiar issues affecting listed companies and international groups as well as of professionals who have a strong connection to the industrial sector in which the Company operates should be favoured to the extent possible.

Over the next financial years, the Board of Directors – also in light of the recent legislative and regulatory amendments and of the new Corporate Governance Code, applicable from 1 January 2021 – will review and evaluate, also for the purpose of future renewals of the members of the corporate bodies, any changes that need to be made to the aforementioned policy on diversity.

The table below shows the administrative and auditing positions held in listed and unlisted companies by members of the Company's Board of Auditors as of 31 December 2020 (for additional information, see table 3, attached to this Report).

Full name	Company for which the external work is carried out	Title
Fabio Zucchetti	ACB Group S.p.A.	Director
	AMUT S.p.A. Macchine per la lavorazione delle materie plastiche	Chairman of Board of Statutory Auditors
	Banca Albertini S.p.A.	Alternate Auditor
	Cesea S.r.l.	Sole Director
	Diageo Operations Italy S.p.A.	Director
	Diageo Italia S.p.A.	Director
	Ersel Investimenti S.p.A.	Standing Auditor
	Ersel SIM S.p.A.	Standing Auditor
	Finproject S.p.A.	Standing Auditor
	Fudex Group S.p.A.	Standing Auditor
	Hyva Capital Equipment S.r.l.	Sole Statutory Auditor
	Hyva Italia S.r.l.	Sole Statutory Auditor
	Imm.re Giorni di AM Chiaberge & C Sas	Limited partner
	Imm.re Vincoma di AM Chiaberge & C Sas	Non-limited partner

	Manval S.s.	Quotaholder Director
	Megadyne S.p.A.	Standing Auditor
	Moretta S.s.	Quotaholder Director
	Online SIM S.p.A.	Standing Auditor
	P&C S.p.A.	Standing Auditor
	Padanaplast S.r.l.	Chairman of Board of Statutory Auditors
	S.E.P. Società Energetica Piossaco S.p.A	Director
	Simon Kucher Partners Italia S.r.l.	Standing Auditor
	Susa S.s.	Quotaholder Director
Diana Rizzo	OWL S.p.A.	Alternate Auditor
	Autin S.p.A.	Alternate Auditor
	BPER Banca S.p.A.	Standing Auditor
	Fin Twin S.p.A.	Alternate Auditor
	Finfloor S.p.A.	Alternate Auditor
	Florim Ceramiche S.p.A. socio unico	Alternate Auditor
	Hyle Capital Partners SGR S.p.A.	Standing Auditor
	Kronos 2 Ceramiche S.p.A.	Standing Auditor
	LB Officine Meccaniche S.p.A.	Standing Auditor
	TAS S.p.A.	Standing Auditor
	PLT Wind S.p.A.	Standing Auditor
	Unicom S.r.l.	Chairman of Board of Statutory Auditors
	FinFirel S.p.A.	Chairman of Board of Statutory Auditors
Domenico Sardano	Finoil S.p.A.	Standing Auditor
	Iplom S.p.A.	Standing Auditor
	Dulevo International S.p.A.	Standing Auditor and member of Supervisory Body
	AVM Energia S.p.A. in liquidazione	Standing Auditor
	Madonnina S.p.A. per l'Edilizia e l'Agricoltura	Standing Auditor
	Rupe Residenza Universitaria delle Peschiere S.p.A.	Standing Auditor
	Safe S.p.A.	Standing Auditor
	Safe&Cec S.r.l.	Standing Auditor
	Ireos S.p.A.	Standing Auditor
	Centro Calor S.r.l.	Alternate Auditor
	Augusto Parodi Holding	Alternate Auditor
Marina Torelli	T.I.E. S.p.A.	Chairman of Board of Statutory Auditors – Auditor
	Assicura S.p.A.	Alternate Auditor
	Emiliana Conglomerati S.p.A.	Standing Auditor – Auditor
	Tecom S.r.l.	Sole Auditor
	Firma S.r.l.	Sole Auditor
	Beiplast S.r.l.	Sole Auditor
	Ciclamini S.r.l.	Sole Auditor
	Coop. Sociale Il Bettolino	Alternate Auditor
	Carpenfer S.p.A.	Alternate Auditor
	Lodi S.p.A.	Alternate Auditor
	C.M.E. S.r.l.	Chairman of the Board of Directors and Managing Director
	Società Agricola Bioguss S.r.l.	Sole Auditor
	Azienda Speciale i Millefiori	Director
	Plastmeccanica S.r.l.	Standing Auditor – Auditor
	Villa Aurora S.r.l.	Sole Auditor
Gian Marco Amico di Meane	Amut S.p.A.	Alternate Auditor
	Bureau Van Dijk S.p.A.	Standing Auditor
	Diageo Italia S.p.A.	Standing Auditor
	Diageo Operations Italy S.p.A.	Standing Auditor
	Futura S.r.l.	Director
	Industria Maimeri S.p.A.	Alternate Auditor
	Tecnologie Avanzate S.r.l.	Standing Auditor
	CLN S.p.A.	Standing Auditor
	Rudra S.p.A.	Standing Auditor
	Logitech S.p.A.	Standing Auditor
	O.M.S. S.p.A.	Sole Auditor

Maider IBC S.r.l.	Chairman of Board of Statutory Auditors
Finprojec S.p.A .	Alternate Auditor
Megadyne S.p.A.	Alternate Auditor
Pencil S.p.A.	Standing Auditor
Valbormida S.p.A.	Standing Auditor

Eighteen meetings of the Board of Statutory Auditors were held during the Period, lasting in average 78 minutes each. At least eleven meetings of the Board of Auditors are planned for the current year, of which four were already held on 15 February, 26 February, 5 March and 12 March 2021. Percentages of attendance of individual Statutory Auditors are reported on the table at the end of the Report.

In order to maintain an adequate knowledge of the segment in which the Company is active, periodically and at any time as necessary, the auditors receive information and updates on the segment in which the Issuer operates, on proper risk management criteria and on reference legislation, including through documents prepared by the Company.

The Chairman of the Board of Directors, also through the internal functions of the Company, ensures that the statutory auditors are able to participate to initiatives to allow them to acquire adequate knowledge of the sector in which the Company operates, of the company's dynamics and their evolution, and of the legislative and self-regulatory applicable frameworks. Further information on the induction training sessions held during the Period is set out in section 4.2 of this Report.

On being appointed, the members of the Board of Auditors declared, on their own responsibility, that they satisfied the independence criteria laid down in applicable laws and regulations.

The Board of Statutory Auditors, both during the Period and at the first meeting after the appointment of the Board of Statutory Auditors, verified continuing compliance of its members with independence requirements, in line with the criteria set out in the Self-Regulatory Code, and submitted the results of its assessment to the Board of Directors. Moreover, at the meeting on 29 April 2019, the Board of Directors verified that the members of the Board of Statutory Auditors met the independence requirements; given that it was the first verification following their appointment, a press release announcing the results was published on the same date.

The remuneration of Auditors is commensurate to the requisite commitment, the relevance of their function and the Company's characteristics in terms of size and business segment.

Under paragraph 8.C.4 of the Self-Regulatory Code, Auditors that have an interest, either on their own account or on behalf of third parties, in a certain transaction to be carried out by the Issuer must give the other Auditors and the Chairman of the Board of Directors prompt and full information regarding the nature, the terms, the origin and the scope of their interest.

The Board of Auditors satisfied itself concerning the independence of the auditing firm, verifying both compliance with the regulatory provisions governing the matter and the nature and extent of the services other than accounts audit provided to the Issuer and its subsidiaries by the auditing firm and the offices belonging to its network.

In carrying out its business, the Board of Auditors cooperated with the Audit and Risk Committee, the Supervisory Body and the head of the internal audit.

15. RELATIONS WITH SHAREHOLDERS

The Issuer has set up a special section called "Investors" in its website, easily identifiable and accessible, which provides the information regarding the Issuer that is of importance to its Shareholders in order to enable them to exercise their rights knowledgeably.

Mr Paolo Cilloni (Chief Financial Officer of the Group) has been made responsible for the management of relations with Shareholders, acting as Investor Relations Manager.

In view of the Issuer's organisational structure, it was decided not to set up a separate Company office for the management of relations with Shareholders.

16. SHAREHOLDERS' MEETINGS (PURSUANT TO ARTICLE 123-*BIS*, SUBSECTION 2(C) OF THE CONSOLIDATED FINANCE ACT)

With regard to Shareholders' participation in Shareholders' Meetings, Article 11 of the Issuer's articles of association states: "*Shareholders with voting rights may take part in Shareholders' Meetings if an attestation confirming their right to participate is provided in accordance with the terms and conditions set out the laws and regulations from time to time applicable. Each person entitled to vote may be represented at Shareholders' Meetings by third parties by issuing a written proxy in conformity to and within the limits laid down by law. Notice of the proxy can be given to the company electronically, via certified e-mail sent to the company e-mail address set out in the notice calling the shareholders' meeting. The company does not designate a representative to whom to confer proxies from the shareholders*".

The Company has decided not to adopt rules for Shareholders' Meetings since it considers that the powers vested by the articles of association in the Chairman of the Meeting, who is responsible for directing the proceedings, including the determination of the order and system of voting, enable the Chairman to ensure that the Meeting takes place in an orderly manner, moreover averting the risks and problems that could arise from a failure on the part of the Meeting to comply with regulatory provisions.

The Board of Directors calls an Ordinary Shareholders' Meeting at least once a year within 120 days after the end of the financial period, or within 180 days if the conditions required under the law are met.

The governing body also calls a Shareholders' Meeting with a single call, either Ordinary or Extraordinary, whenever it deems it appropriate to do so or as required by law, or at the request of at least two members of the Board of Statutory Auditors in accordance with the provisions of current legislation.

Shareholders' Meetings are called by means of a notice specifying the day, hour and venue of the meeting, a list of the items on the agenda, and the other information as required under the applicable law and regulations. The Meeting notice must be published, within the times laid down by the provisions of the applicable legislation, on the website of the Company and as may otherwise be required by the laws and regulations applicable from time to time.

Shareholders that, even jointly, represent at least one-fortieth of the share capital may request items to be added to the agenda, specifying in their request the additional subjects that they propose, or submit proposals on subjects already reflected in the items on the agenda, to the extent permitted, and at the terms and conditions, under the law. Persons entitled to vote may individually submit proposals to be resolved upon by the Shareholders' Meeting.

Requests to add items to the agenda as per the paragraph above, however, are not allowed with regard to matters on which the Shareholders' Meeting, by law, deliberates at the request of the Company Directors or on the basis of a project or report prepared by same, different than the report on the items on the agenda.

Within the terms set forth in the notice of a meeting, those entitled to vote can submit questions relating to the items on the agenda by certified electronic mail, using the specific company address set out for this purpose in the notice calling the Shareholders' Meeting.

The Company is not required to provide an answer if the relevant information is on the company website in a "question and answer format", or if it is so necessary to safeguard confidentiality and the interests of the company.

Both Ordinary and Extraordinary Shareholders' Meetings are at a single convening and are constituted and adopt valid resolutions by the statutory majorities.

The Chairman of the Shareholders' Meeting will ensure that each shareholder has the right to take the floor in relation to the items being discussed by coordinating speakers and managing the evolution of the meeting.

During the Shareholders' meeting, the Board of Directors reported on activities carried out and planned for the future, and took all the necessary steps to ensure that Shareholders were duly provided with the information required in order that they might knowingly take the decisions they were entitled to take. During the Period, five Directors took part in the Shareholders' Meeting.

During the course of the Period there were no significant variations in the composition of the Issuer's shareholding structure; the Board of Directors therefore deemed it unnecessary to consider proposing to the Shareholders' Meeting any amendments to the articles of association regarding the percentages established for the exercise of actions and of the prerogatives safeguarding minority shareholders' interests.

17. FURTHER CORPORATE GOVERNANCE PRACTICES (PURSUANT TO ART. 123-BIS, SUBSECTION 2(A) OF THE CONSOLIDATED FINANCE ACT)

The Issuer has decided not to apply any practice for its corporate governance other than those described in the paragraphs above, and set forth as specific obligations by provisions of laws and/or regulations.

18. CHANGES SINCE THE CLOSING OF THE REFERENCE PERIOD

Following the close of the Period, on 15 March 2021, the Board of Directors approved several measures aimed at ensuring that the Company progressively adapts its governance solutions to the innovations brought by the new Corporate Governance Code, applicable from 1 January 2021. Such measures will be thoroughly described in the report on corporate governance for the financial year 2021. In particular, in compliance with the provisions of the new Code:

a) a new set of rules for the Board of Directors has been approved, governing the functioning of the Board itself and of its committees, including the methods for taking minutes in the meetings and the procedures for managing the provision of information to directors;

b) Mr. Fiorenzo Oliva, being in possession of adequate professional requisites, was appointed as secretary of the Board of Directors: Mr. Oliva shall have the task of supporting the activities of the Chairman and providing the Board with assistance and advice on any matter which is relevant for the proper functioning of the corporate governance system;

c) as already pointed out, the rules for the Audit and Risk Committee and for the Remuneration Committee were updated;

d) quantitative and qualitative criteria in order to evaluate the independence of directors were defined.

On the same date, the Board of Directors resolved to defer to a future meeting the approval of the policy for handling the dialogue with the shareholders, also in light of the current organisational structure of the Company and in order to further investigate certain aspects concerning engagement policies adopted by institutional investors and asset managers.

19. CONSIDERATIONS ON THE LETTER DATED 22 DECEMBER 2020 FROM THE PRESIDENT OF THE CORPORATE GOVERNANCE COMMITTEE

The recommendations set out in the letter sent on 22 December 2020 by the President of the Corporate Governance Committee were submitted to the attention of the Board of Directors on 15 March 2021 and of the Board of Statutory Auditors on 30 December 2020, as well as to the attention of the Audit and Risk Committee and the Remuneration Committee, for those matters for which each is respectively responsible.

In relation to the first area of improvement identified in the letter and relating to the management of the sustainability of the business activities, the Board of Directors, in the context of determining the strategic, business and financial plans, as well as the guidelines for the internal audit, risk management and remuneration policy, included its assessment of the risk that may be important for the medium- to long-term sustainability. The Company, which has always been active in the field of sustainable motion, recognises that its ability to pursue the creation of value over the long term is very important, also taking into account the interest of the shareholders and therefore it deems sustainability to be fundamental when it determines the corporate and business strategy. In this perspective, the remuneration policy adopted by the Company is based on the Company's pursuit of sustainable success and links, in a significant manner, the compensation paid to executive Directors to the achievement of objectives that consist in the creation of value over the long-term for the shareholders and for the Company as a whole.

In relation to the second area of improvement identified in the letter and relating to the information being made available before meetings, the Board of Directors – similarly to the previous financial year – found that the documents and information necessary to discuss and vote on the items on the agenda for the meetings of the Board of Directors are provided in due time before the date of the meetings (also taking into account the possible need for urgency in relation to certain matters). Generally, the Company believes that it is suitable that the documentation be provided at least three days in advance, and – during the Period – this timing was normally observed. In this respect, it is to be noted that pre-board meeting information has been made easier by the adoption of an IT platform, access to which is reserved exclusively to members of the Board of Directors and the Board of Statutory Auditors. The Board of Directors therefore found that the procedures currently adopted are suitable to ensure that pre-board meeting information is timely, duly complete and easy to use, as confirmed also by the results obtained from the self-evaluation questionnaire by the Directors, who expressed a very favourable opinion on the timing, transmission modalities and contents of the pre-board meeting information. These procedures have been reflected into the new regulation of the Board of Directors, which was adopted on 15 March 2021, in compliance with recommendation no. 11 of the new Corporate Governance Code, applicable starting from 1 January 2021. In this respect, it should be noted that, in the said Regulation, it is not envisaged that the terms for making available the documentation for the purposes of board resolution can me derogated for confidentiality purposes. Lastly, in the context of the appointment of the new members of the corporate bodies, the Board of Directors deemed suitable to maintain the role of Lead Independent Director, whose responsibilities include contributing to ensure that the Directors are provided with timely and complete information.

In relation to the third area of improvement identified in the above letter, it shall be noted that the Board of Directors and the Board of Statutory Auditors assess whether the independent Directors meet the independence requirements at the earliest opportunity after their appointment, and subsequently assess, the continued existence of the independence requirements at least once a year. For the purposes of assessing independence, the Company has not disapplied any of the criteria provided for in the Self-Regulatory Code. Moreover, on 15 March 2021, the Board of Directors, in the context of the progressive adaptation of the Company's corporate governance solutions and praxis to the new Corporate Governance Code, defined quantitative and qualitative criteria to be used in order to evaluate directors' independence, as provided for under recommendation no. 7 of the said Code.

In relation to the fourth recommendation contained in the letter, concerning the self-evaluation of the management body, it should be noted that the Board of Directors oversees the board review process, requesting each director to fill in, once a year, a questionnaire aimed at evaluating the functioning and efficiency of the Board of Directors and of the Committees, as well as their size and composition. The comments emerging from the questionnaire are brought by the Managing Director to the attention of the Board of Directors, in order to ensure their effectiveness. The results of the questionnaire are also brought to the attention of the Remuneration Committee and the Audit and Risk Committee, for those matters for which each is respectively responsible.

In relation to the fifth recommendation, concerning the appointment and succession of directors, it should be noted that the Board of Directors (i) has not adopted any succession plan for executive directors, as it deems that the replacement procedures adopted are adequate to guarantee the continuity and certainty of corporate governance, and (ii) has decided not to set up an internal committee to manage proposals of appointments because, as of the date hereof, it has not yet deemed it necessary, especially taking into account the Landi Renzo group structure and the Company's ownership structure. In this regard, it is worth pointing out that, upon renewal of the company's bodies, on 14 March 2019, the departing Board of Directors had formulated some guidelines regarding the professional figures whose presence would be appropriate within the Board of Directors, in accordance with the recommendations of criterion 1.C.1, letter h), of the Self-Regulatory Code. The Board of Directors believes that the resolution proposals within the process of appointing the company's bodies meet the requirements of completeness and timeliness.

In relation to the sixth and last area of improvement identified in the letter, on the remuneration policies, it should be noted that the policy adopted by the Company provides that executive directors holding offices with strategic responsibilities are granted a remuneration consisting of a fixed and a variable component (with the latter being a significant part of the overall remuneration), clearly distinguishing between the fixed component, the short- to medium-term variable component and the long-term variable component. The variable component represents a significant portion of the remuneration granted to directors, as well as directors with strategic responsibilities. Moreover, the variable component is incentivizing, as it conditions payment to the achievement of short-medium and long-term performance objectives, predetermined and clearly defined. The possibility to pay amounts which are not linked to predetermined parameters is limited to exceptional cases. The Board of Directors, as emerged during the self-evaluation, considers the amount of compensation paid to non-executive directors and to members of controlling bodies to be appropriate to the competence, professionalism and commitment required by their office. Also in light of the results of the self-evaluation questionnaires, on the next renewal of the company's bodies, the Company will evaluate whether it is appropriate to adapt the remuneration of committees' chairmen and directors who engage more intensively in governance to the workload required by their role and functions. Currently, termination benefits are only in place for the Managing Director and General Manager of the Company, Cristiano Musi; such benefits are payable on the basis of predetermined criteria and procedures. For further details on the general remuneration policy, the remuneration paid to executive and non-executive directors, as well as to directors with strategic responsibilities, see the report on the remuneration policy and compensation paid published pursuant to Article 123-*bis* of the Consolidated Finance Act, available for consultation on the Company's website at http://www.landirenzogroup.com/it, Investors section.

TABLES

TABLE 1: INFORMATION ON OWNERSHIP STRUCTURE

SHARE CAPITAL STRUCTURE

	No. of shares	% of share capital	Listed (specify markets)/ not listed	Rights and obligations
Ordinary shares	112,500,000	100%	Listed (MTA)	As per Civil Code and regulations
Shares with limited voting rights	-	-	-	-
Shares with no voting rights	-	-	-	-

MAJOR HOLDINGS

Declarant	Direct shareholder	% of issued shares	% of voting capital
Landi Trust (trust regulated by Jersey law, with Stefano Landi as trustee)	Girefin S.p.A.	54.662	68.709
	Gireimm S.r.l.	4.444	5.587
Aerius Investment Holding AG	Aerius Investment Holding AG	8.262	5.193

TABLE 2: STRUCTURE OF THE BOARD OF DIRECTORS AND OF THE COMMITTEES

BOARD OF DIRECTORS													AUDIT AND RISK COMMITTEE		REMUNER. COMMITTEE		RELATED PARTY TRANSACTIONS COMMITTEE	
Office	Members	Year of birth	In office since	In office until	First appointed on	List (M/m) *	Exec.	Non exec.	Indip. under Self Reg. Code.	Indip. under Self Reg. Code.	** (%)	No. Of other offices held ***	****	**	****	**	****	**
Honorary Chair	Giovannina Domenichini	1934	Ordinary shareholders'. meeting of 29 April 2019	Approval . of financial statements as at 31 December 2021	16/05/2007	M		x			0%	2						
Managing Director	Cristiano Musi	1974			28/04/2017	M	x				100%	6						
Chairman	Stefano Landi	1958			16/05/2007	M	x				100%	7						
Director	Silvia Landi	1960			16/05/2007	M		x			100%	1						
Director	Angelo Iori	1954			29/04/2016	M		x			86%	0	x	88%	x	100%	x	
Director	Dario Patrizio Melpignano	1968			13/11/2020	m		x	x	x	100% [2]	12						
Director	Sara Fornasiero	1968			29/04/2016	M		x	x	x	100%	15	x	100%	x	100%	x	100%
Director	Vincenzo Russi	1959			29/04/2019	M		x	x	x	100%	19	x	100%	x	100%	x	100%
Director	Paolo Ferrero	1955			29/04/2019	M		x			100%	0						

[2] The percentage is calculated on the meetings held starting from the appointment of Mr. Dario Patrizio Melpignano on 13 November 2020.

DIRECTORS WHO CEASED OFFICE DURING REFERENCE PERIOD																		
Director	Anton Karl	1976	Ord. meeting of 29 April 2019	October 2020	29/04/2016	m		x	x	x	100%[3]	4						
		Ownership required to present a list of candidates at the last election: 2.5%																
		Number of meetings held during the period							BoD: 7				Audit and Risk Cmt: 8		Remun. Cmt: 3		RPT Cmt: 3	

NOTE

* This column shows whether member was elected from the majority shareholder list (M) or the minority shareholder list (m).

** This column shows the percentage of (Board of Directors' and each committee's) meetings attended by the Director (number of attendances/number of meetings held during actual period of office of the person involved).

*** This column shows the number of offices held as Director or Auditor by the person concerned in other companies listed on regulated markets, including foreign markets, in financial companies, banks, insurance firms or large companies.

**** This column shows with an "X" which Director is a member of this Committee.

[3] The percentage is calculated on the meetings held up to the resignation of Mr Anton Karl on 20 October 2020

TABLE 3: STRUCTURE OF THE BOARD OF STATUTORY AUDITORS

BOARD OF STATUTORY AUDITORS									
Office	Members	Year of Birth	In office since	In office until	First appointed on	List (M/m) *	Independence under Self-Reg. code	** (%)	Number of other offices held***
Chairman	Fabio Zucchetti	1966	Ordinary shareholders' meeting on 29 April 2019	Approval of financial statements as at 31 December 2021	29/04/2019	m	x	100%	23
Standing Auditor	Diana Rizzo	1959			29/04/2016	M	x	100%	13
Standing Auditor	Domenico Sardano	1970			17/10/2017	M	x	100%	11
Alternate Auditor	Marina Torelli	1961			16/05/2007	M	x	N/A	15
Alternate Auditor	Gian Marco Amico di Meane	1972			29/04/2019	m	x	N/A	16
AUDITORS WHO CEASED OFFICE DURING REFERENCE PERIOD									
		Ownership required to present a list of candidates at the last election: 2.5%							
		Number of meetings held during the period: 18							

NOTE

* This column shows whether member was elected from the majority shareholder list (M) or the minority shareholder list (m).

** This column shows the percentage of Board of Statutory Auditors' meetings attended by the Auditor (number of attendances/number of meetings held during actual period of office of the person involved).

*** This column shows the number of offices held as Director or Auditor by the person concerned bearing relevance for the purpose of Art. 148-*bis* of the Consolidated Finance Act.

Consolidated Financial Statements at 31 december 2020

Landi Renzo Group

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Thousands of Euro)

ASSETS	Notes	31/12/2020	31/12/2019
Non-current assets			
Land, property, plant, machinery and other equipment	2	13,212	11,578
Development expenditure	3	9,506	8,228
Goodwill	4	30,094	30,094
Other intangible assets with finite useful lives	5	10,860	12,536
Right-of-use assets	6	4,975	6,402
Equity investments measured using the equity method	7	22,509	23,530
Other non-current financial assets	8	921	334
Other non-current assets	9	2,850	3,420
Deferred tax assets	10	12,201	8,704
Total non-current assets		**107,128**	**104,826**
Current assets			
Trade receivables	11	39,353	40,545
Inventories	12	42,009	39,774
Other receivables and current assets	13	6,712	7,337
Other current financial assets	14	2,801	2,801
Cash and cash equivalents	15	21,914	22,650
Total current assets		**112,789**	**113,107**
TOTAL ASSETS		**219,917**	**217,933**

(Thousands of Euro)

SHAREHOLDERS' EQUITY AND LIABILITIES	Notes	31/12/2020	31/12/2019
Shareholders' equity			
Share capital	16	11,250	11,250
Other reserves	16	53,199	49,367
Profit (loss) for the period	16	-7,662	6,048
Total Shareholders' equity of the Group		**56,787**	**66,665**
Minority interests	16	-473	-332
TOTAL SHAREHOLDERS' EQUITY		**56,314**	**66,333**
Non-current liabilities			
Non-current bank loans	17	68,181	50,991
Other non-current financial liabilities	18	408	0
Non-current liabilities for rights of use	19	2,871	4,535
Provisions for risks and charges	20	2,897	3,609
Defined benefit plans for employees	21	1,556	1,630
Deferred tax liabilities	22	297	407
Liabilities for derivative financial instruments	23	458	30
Total non-current liabilities		**76,668**	**61,202**
Current liabilities			
Bank financing and short-term loans	24	23,108	29,460
Other current financial liabilities	25	378	210
Current liabilities for rights of use	26	2,228	1,992
Trade payables	27	53,509	51,935
Tax liabilities	28	2,677	2,134
Other current liabilities	29	5,035	4,667
Total current liabilities		**86,935**	**90,398**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**219,917**	**217,933**

Pursuant to Consob resolution no. 15519 dated 27 July 2006, the effects of related-party transactions on the Consolidated statement of financial position are shown in a specific table in Annex 2.

CONSOLIDATED INCOME STATEMENT

(Thousands of Euro)

	Notes	31/12/2020	31/12/2019
Revenues from sales and services	30	142,455	191,852
Other revenues and income	31	313	601
Cost of raw materials, consumables and goods and change in inventories	32	-84,212	-100,510
Costs for services and use of third-party assets	33	-27,844	-38,049
Personnel costs	34	-22,398	-26,898
Allocations, write-downs and other operating expenses	35	-1,662	-2,288
Gross operating profit		**6,652**	**24,708**
Amortisation, depreciation and impairment	36	-12,193	-11,766
Net operating profit		**-5,541**	**12,942**
Financial income	37	298	117
Financial expenses	38	-3,310	-4,112
Exchange gains (losses)	39	-2,827	-718
Income (expenses) from joint ventures measured using the equity method	40	-11	285
Profit (loss) before tax		**-11,391**	**8,514**
Taxes	41	3,541	-2,532
Net profit (loss) for the Group and minority interests, including:		**-7,850**	**5,982**
Minority interests		-188	-66
Net profit (loss) for the Group		-7,662	6,048
Basic earnings (loss) per share (calculated on 112,500,000 shares)	42	-0.0681	0.0538
Diluted earnings (loss) per share	42	-0.0681	0.0538

Pursuant to Consob resolution no. 15519 dated 27 July 2006, the effects of relations with related parties on the Consolidated Income Statement are shown in a specific table in Annex 1.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(Thousands of Euro)

	Notes	31/12/2020	31/12/2019
Net profit (loss) for the Group and minority interests:		**-7,850**	**5,982**
Profits/losses that will not be subsequently reclassified in the income statement			
Remeasurement of employee defined benefit plans (IAS 19)	21	-44	-41
Total Profits (Losses) that will not be subsequently reclassified in the Income Statement		**-44**	**-41**
Profits (Losses) that will be subsequently reclassified in the Income Statement			
Measurement of investments with the equity method	7	-1,010	878
Fair value of derivatives, change for the period	23	-324	-23
Exchange rate differences from the translation of foreign operations	16	-968	-158
Total Profits (Losses) that will be subsequently reclassified in the Income Statement		**-2,302**	**697**
Profits (Losses) recorded directly in Shareholders' Equity after tax effects		**-2,346**	**656**
Total Consolidated Statement of Comprehensive Income for the period		**-10,196**	**6,638**
Profit (Loss) for Shareholders of the Parent Company		-10,055	6,694
Minority interests		-141	-56

CONSOLIDATED CASH FLOW STATEMENT

(Thousands of Euro)

CONSOLIDATED CASH FLOW STATEMENT	31/12/2020	31/12/2019
Financial flows deriving from operating activities		
Pre-tax profit (loss) for the period	-11,391	8,514
Adjustments for:		
Depreciation of property, plant and machinery	3,889	4,075
Amortisation of intangible assets	6,050	5,558
Depreciation of right-of-use assets	2,254	2,133
Loss (Profit) from disposal of tangible and intangible assets	-36	-179
Share-based incentive plans	177	119
Impairment loss on receivables	156	85
Net financial charges	5,839	4,713
Net expenses (income) from equity investments measured using the equity method	11	-285
	6,949	24,733
Changes in:		
Inventories	-2,235	-879
Trade receivables and other receivables	2,244	-4,305
Trade payables and other payables	3,291	-3,293
Provisions and employee benefits	-829	-1,891
Cash generated from operations	**9,420**	**14,365**
Interest paid	-2,456	-4,443
Interest received	91	72
Taxes paid	-750	-1,593
Net cash generated (absorbed) by operations	**6,305**	**8,401**
Financial flows from investments		
Proceeds from the sale of property, plant and machinery	310	354
Purchase of property, plant and machinery	-6,209	-3,651
Purchase of intangible assets	-337	-486
Development expenditure	-5,375	-4,881
Net cash absorbed by investment activities	**-11,611**	**-8,664**
Free Cash Flow	**-5,306**	**-263**
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	20,356	36,815
Change in short-term bank debts	-8,943	4,485
Repayment of leases (IFRS 16)	-2,399	-2,260
Net cash generated (absorbed) by financing activities	**8,414**	**7,994**
Net increase (decrease) in cash and cash equivalents	**3,108**	**7,731**
Cash and cash equivalents at 1 January	22,650	15,075
Effect of exchange rate fluctuation on cash and cash equivalents	-3,844	-156
Closing cash and cash equivalents	**21,914**	**22,650**

Other information	31/12/2020	31/12/2019
(Increase)/Decrease in trade receivables and other receivables from related parties	532	-1,443
Increase/(Decrease) in trade payables and other payables to related parties	-925	-1,838

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS’ EQUITY

(Thousands of Euro)	Share capital	Statutory reserve	Extraordinary and other reserves	Share premium reserve	Future share capital increase contribution	Profit (loss) for the year	Group shareholders' equity	Profit (Loss) attributable to minority interests	Capital and reserves attributable to minority interests	Total shareholders' equity
Balance 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						6,048	**6,048**	-66		**5,982**
Actuarial gains/losses (IAS 19)			-41				**-41**			**-41**
Translation difference			-168				**-168**		10	**-158**
Measurement of investments using the equity method			878				**878**			**878**
Change in the cash flow hedge reserve			-23				**-23**			**-23**
Total overall profits/losses	**0**	**0**	**646**	**0**	**0**	**6,048**	**6,694**	**-66**	**10**	**6,638**
Performance share			119				**119**			**119**
Allocation of profit			4,671			-4,671	**0**	138	-138	**0**
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						-7,662	**-7,662**	-188		**-7,850**
Actuarial gains/losses (IAS 19)			-44				**-44**			**-44**
Translation difference			-1,015				**-1,015**		47	**-968**
Measurement of investments using the equity method			-1,010				**-1,010**			**-1,010**
Change in the cash flow hedge reserve			-324				**-324**			**-324**
Total overall profits/losses	**0**	**0**	**-2,393**	**0**	**0**	**-7,662**	**-10,055**	**-188**	**47**	**-10,196**
Performance share			177				**177**			**177**
Allocation of profit			6,048			-6,048	**0**	66	-66	**0**
Balance as at 31 December 2020	**11,250**	**2,250**	**11,364**	**30,718**	**8,867**	**-7,662**	**56,787**	**-188**	**-285**	**56,314**

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2020
LANDI RENZO GROUP

A) GENERAL INFORMATION AND SIGNIFICANT EVENTS IN THE YEAR

4.1. GENERAL INFORMATION

The LANDI RENZO Group (also "the Group") has been active in the motor propulsion fuel supply system sector for more than sixty years: designing, producing, installing and selling environmentally-friendly LPG and CNG fuel supply systems ("Automotive" segment), and compressors for fuel stations (Infrastructure segment, "Gas Distribution e Compressed Natural Gas e Renewable Natural Gas") through the joint venture SAFE & CEC S.r.l., consolidated by the Group with the equity method.
The Group manages all phases of the process that leads to the production and sale of automotive fuel supply systems; it sells to both the main automobile manufacturers at a world-wide level (OEM customers) and to independent retailers and importers (After Market customers).

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

The Parent Company is not subject to management or coordination, and the Girefin SpA Group with headquarters in Milan is the company that prepares the consolidated financial statements that include the data of Landi Renzo SpA and its subsidiaries. These consolidated financial statements are available from the Milan Register of Companies.

These consolidated financial statements were audited by PricewaterhouseCoopers S.p.A.

Significant events in the financial year
Significant events that took place in 2020 are described below:

<u>Loans taken out by the Group for consolidation of the financial position</u>
As a result of the epidemiological emergency relating to the spread of the Covid-19 coronavirus, the Group has dealt 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 year 2020. Given the macroeconomic context in 2020, overshadowed by considerable uncertainty as to cash flows due to the effects on the international markets of the Covid-19 pandemic and in the absence of visibility with respect to the intensity and, especially, the duration of the ongoing discontinuity, the Group's management worked to mitigate the harmful consequences deriving from the pandemic, immediately devoting considerable attention to the financial position, short/medium-term cash forecasts and opportunities deriving from the special regulations launched by the Italian government in order to preserve the Group's level of liquidity.

In this regard, the Board of Directors of the parent company Landi Renzo S.p.A. decided to make use of the Italian business liquidity support measures launched by the Italian government by also requesting access to the subsidised financing backed by the guarantee of SACE S.p.A., pursuant to the Decreto Liquidità.
From this perspective, the following transactions were carried out during the year:

- in March 2020, 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, in order to support current operations, strengthen the capital structure and boost Group liquidity;
- on 30 July 2020, Landi Renzo S.p.A. took out a new subsidised loan from a pool of banks (the same leading financial institutions from which the Euro 65 million loan was taken out in June 2019) 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 allowed for a consolidation of the Company's and the Group's financial position, and made it possible to best handle the financial commitments deriving from operating activities.

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

<u>Merger by incorporation of Lovato Gas S.p.A.</u>
In 2020, Landi Renzo S.p.A. initiated and completed the merger by incorporation of the wholly owned subsidiary Lovato Gas S.p.A. into the parent company Landi Renzo S.p.A.
On 11 September 2020 the Board of Directors of Landi Renzo S.p.A. approved the merger by incorporation, in accordance with the terms of the merger plan already approved on 29 June 2020, with accounting and tax effects as of 1 January 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.
This transaction had no effects on the Group's consolidated financial statements as Lovato Gas S.p.A. was already consolidated line-by-line.

B) GENERAL CRITERIA FOR PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS AND DECLARATION OF CONFORMITY

Declaration of conformity with international accounting standards and basis of presentation

The consolidated financial statements were prepared in accordance with the IFRS-EU, i.e., all International Financial Reporting Standards, all International Accounting Standards (IAS) and all interpretations of the International Reporting Interpretations Committee (IFRIC), previously called the Standard Interpretations Committee (SIC), which, at the reporting date, had been endorsed by the European Union in accordance with the procedure laid out in Regulation (EC) No 1606/2002 of the European Parliament and of the Council of 19 July 2002. The IFRSs were applied uniformly to all periods presented.

The consolidated financial statements of Landi Renzo S.p.A. at 31 December 2020 were approved and authorised for publication by the Board of Directors on 15 March 2021.

The consolidated financial statements were drafted in Euro, which is the currency of the primary economic environment in which the Group operates. The figures in the consolidated Statement of Financial Position, the consolidated Income Statement and the consolidated Statement of Comprehensive Income for the period are expressed in Euro, the functional currency of the Company, while the data contained in the consolidated Statement of Cash Flows, the consolidated Table of Changes in Equity and in these Explanatory Notes are expressed in thousands of Euro.

The financial statement layouts and the relative classification criteria adopted by the Group, from amongst the options laid out in IAS 1 - Presentation of Financial Statements, are specified below:

- the consolidated Statement of Financial Position was prepared by classifying assets and liabilities based on whether they are current or non-current;
- the consolidated Income Statement was prepared separately from the consolidated Statement of Comprehensive Income, and shows operating costs divided by nature, as this is considered more representative than the format showing said items by destination, since it complies with the internal reporting methods and international sector practices;
- the consolidated Statement of Comprehensive Income includes, aside from the profit (loss) for the year, the other changes in consolidated equity items associated with transactions not carried out with Company shareholders;
- the consolidated Statement of Cash Flows was prepared by showing cash flows deriving from operations in accordance with the "indirect method".

Going Concern

Like all companies in the automotive segment, in 2020 the Landi Renzo Group experienced a significant 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 immediately 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 31 December 2020 suffered a considerable decline by -25.7% compared with the previous year, but in any event marked a clear recovery compared with the downturn recorded at 30 June 2020 (-41.3%). 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 8,017 thousand, although it was much lower than in the previous year (Euro 26,253 thousand). The net loss for the period is equal to Euro -7,850 thousand, while the Net Financial Position is up and equal to Euro 72,917 thousand, of which Euro 5,099 thousand due to the application of IFRS 16 - Leases and Euro 458 thousand due to the fair value of financial derivative contracts.

In this context, the management has performed accurate analyses concerning expected trends for the year 2021 and thereafter (time horizon of an additional 5 years), reconsidering estimates regarding the expected performance of the segment within the current context, highly influenced by the pandemic, in order to also consider the expected benefits of the cost limitation initiatives put into place.

Furthermore, as noted in the introduction to these notes, the management has been paying particularly close attention to the financial position, short/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 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.
All credit institutions underwriting the loan issued waiver letters with respect to the financial covenants as at 30 June and 31 December 2020 and consent for the deferment of the principal instalment falling due on 30 June 2020, which was rescheduled to the end of the amortisation plan (June 2024).
Landi Renzo Polska also obtained a loan originally for 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 may be converted, all or in part, into a non-repayable grant when specific conditions are met.

Taking into account what is described above, and particularly:

- the new forecasts formulated by the directors concerning business performance for 2021 and subsequent years, prepared on the basis of the latest information available, which show business sustainability and forecasts of increasing margins;
- the holiday period granted by the banks on the reporting of financial parameters 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 21 million, which enables the Group to secure its financial position,

it is believed that business continuity is guaranteed with reference both to the Group's financial strength and its capacity to pursue its business strategies. As a result, the Landi Renzo Group's consolidated financial statements as at 31 December 2020 were drafted on the basis of the going concern assumption.

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

The accounting standards adopted in preparing the consolidated financial statements at 31 December 2020 are consistent with those adopted for the preparation of the consolidated financial statements in the previous year, with the exception of the adoption of the new accounting standards, amendments, improvements and interpretations applicable as of 1 January 2020 listed below.

EU endorsement regulation	Description
Regulation (EU) 2019/2104	The IASB published the amendments to IAS 1 (Presentation of Financial Statements) and IAS 8 (Accounting policies, changes in accounting estimates and errors) which aim to clarify the definition of "material" to help companies decide whether information needs to be included in the financial statements.
Regulation (EU) 2019/2075	The IAS published the revised version of the Conceptual Framework for Financial Reporting.The main amendments with respect to the 2010 version primarily regard a new chapter on measurement, better definitions and guidance, particularly with reference to the definition of liabilities and clarifications of important concepts, such as stewardship, prudence and measurement uncertainty.

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) 2020/1434	The amendment to IFRS 16 - Leases, Covid-19-related rent concessions, 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 is permitted.

The accounting principles and modifications to the accounting principles described above have not had significant effects on the Group's financial statements.

Accounting standards, amendments and interpretations not yet applicable and not adopted in advance by the Group

The following table lists the new international accounting standards, or the amendments of standards and interpretations already in force, which must begin being applied from 1 January 2021 or thereafter.

EU endorsement regulation	Description
Regulation (EU) 2020/2097	The amendment to IFRS 4 - Insurance contracts aims to resolve the temporary accounting consequences of the mismatch between the date of entry into force of IFRS 9 and the date of entry into force of the future IFRS 17. In particular, it extends the expiry date of the temporary exemption from the application of IFRS 9 to 2023 in order to align the date of entry into force of IFRS 9 with the new IFRS 17. This amendment came into force on 1 January 2021.
Regulation (EU) 2021/25	Amendment to IFRS 9, IAS 39 and IFRS 7 "Interest Rate Benchmark Reform": phase two of the amendment modifies the provisions on hedge accounting in IFRS 9 and IAS 39. 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. The Group did not exercise the option to apply them early.

The IASB made amendments to several international accounting standards issued previously and published new international accounting standards, for which the approval process has not yet been completed.

Date	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 establishes the principles for the recognition, measurement, presentation and representation of insurance contracts included in the standard, and aims to improve understanding by investors of the exposure to risk, profitability and the financial position of insurers. IFRS 17 replaces IFRS 4, issued in 2004 as an interim Standard. The provisions of IFRS 17 are effective for years starting on or after 1 January 2023. This standard is not applicable to the Company.
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 final modifications in the classification of liabilities as current or non-current influence only the presentation of liabilities in the statement of financial position, but not the amount or recognition of assets, liabilities, income or expenses or the disclosure that entities provide on such elements. The amendments will come into force on 1 January 2023 and must be applied retrospectively, 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, amendments relating to proceeds accruing prior to assignment to intended use; the amendment does not allow the amount received from the sale of goods produced prior to the asset being ready for use to be deducted from the cost of the asset. These sales revenues and the relative costs are to be recognised in the income statement.

	• IAS 37 Provisions, Contingent Liabilities and Contingent Assets, relating to onerous contracts and in particular the cost of fulfilling a contract, clarifying which cost items must be considered to evaluate whether a contract is onerous. • Annual Improvements 2018-2020 These amendments will come into force on 1 January 2022.
12 February 2021	The IASB published the amendment to IAS 1 - IFRS practice statement 2 in order to improve the disclosure on accounting policies so as to provide more useful information to investors and other primary users of financial statements.
12 February 2021	The IASB published the amendment to IAS 8 - Definition of accounting estimates to help companies distinguish between changes in accounting estimates and changes in accounting policies.

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

C) ACCOUNTING STANDARDS AND VALUATION CRITERIA

The accounting standards described hereafter were applied uniformly for all the periods included in these consolidated financial statements and by all the entities of the Group.

CONSOLIDATION PRINCIPLES

The Consolidated Financial Statements include the separate financial statements of the Company and its subsidiaries approved by the management bodies of the individual companies, adjusted accordingly, when required, to bring them into line with the accounting standards adopted by the Company. It is reported that all companies in the Group close their financial year on 31 December with the exception of the Indian company Officine Lovato Private Limited which closes the financial year on 31 March, for which an asset and income statement was prepared at 31 December 2020, and used to prepare these consolidated financial statements. The consolidated companies are listed in the section on the "Scope of consolidation" below.

Subsidiary companies

Subsidiaries are the companies in which the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The existence of control is checked every time facts and circumstances point to a change in one or more of the three elements constituting control. Generally, the existence of control is assumed when the Group directly or indirectly holds more than half of the voting rights, also taking into consideration potential rights which are immediately exercisable or convertible.

Assets and liabilities and income and expenses of the subsidiaries are consolidated line-by-line, from the date on which the Parent Company gains direct or indirect (i.e., through one or more other subsidiaries) control over them until the date on which that control no longer exists, attributing, when applicable, the applicable portion of equity and net profit (loss) for the period to the minority shareholders and highlighting these separately in dedicated items of equity and the consolidated statement of comprehensive income. If shareholdings are acquired subsequent to the assumption of control (acquisition of minority interests), any difference between the purchase cost and the corresponding portion of equity acquired is recognised in the equity attributable to the Group; likewise, the effects arising from the transfer of minority interests with no loss of control are recognised in equity.

However, disposals of shares entailing the loss of control results in the recognition in the income statement:

- of any capital gain/loss calculated as the difference between the consideration received and the corresponding portion of consolidated equity transferred;
- of the effect of remeasuring any remaining investment to align it with its fair value;
- of any values recognised in other comprehensive income relating to the former subsidiary for which transfer to the income statement is permitted, or if transfer to the income statement is not permitted, in profit (loss) carried forward.

The value of any remaining equity investment, aligned with its fair value at the date of loss of control, represents the new carrying amount of the investment and therefore the reference value for the subsequent measurement of the investment in accordance with applicable valuation criteria.

The portion of capital and reserves attributable to minority interests in subsidiaries and the portion attributable to minority interests of the value of profit or loss for the year of consolidated subsidiaries are identified separately on the Statement of Financial Position, the Income Statement and the Statement of Comprehensive Income. Changes in stakes of the Group in a subsidiary company which do not lead to a loss of control are stated as transactions performed between shareholders, as such.

Intercompany transactions

Profits arising from transactions between companies consolidated on a line-by-line basis, not yet realised with respect to third parties, are eliminated, as are the receivables, payables, income and expenses, guarantees, commitments and risks between consolidated companies.

In particular, profits not yet realised with third parties deriving from transactions between companies of the Group, including those deriving from the valuation of inventories at the date of the Financial Statements, were eliminated.

Profits and losses not yet realised with regard to third parties deriving from transactions with companies measured using the equity method are eliminated to the extent of the share pertaining to the Group.

Associates

Associates are companies in which the Group, even though it does not hold control or joint control, exercises significant influence over administrative and management decisions. Generally, the existence of significant influence is assumed when the Group directly or indirectly holds 20% to 50% of the voting rights.

Investments in associates are measured using the equity method.

The methodology for the application of the equity method is described below:

(i) the carrying amount of the investments is aligned with the equity of the investee company adjusted, when necessary, to reflect the adoption of accounting standards compliant with those applied by the Group and includes, when applicable, any goodwill identified at the moment of acquisition;

(ii) profit or loss attributable to the Group is accounted for in the consolidated income statement from the date on which significant influence begins until the date on which it ends. If, due to losses, the company's equity is negative, the carrying amount of the equity investment is cancelled out and any excess pertaining to the Group is recognised in a dedicated provision only when the Group has committed to meeting legal or implicit obligations of the investee or in any event to cover its losses. Changes in the equity of investees not resulting from profit and loss are accounted for as a direct adjustment of the Group's equity reserves;

(iii) unrealised gains generated on transactions between the Company and associates are eliminated on the basis of the value of the Group's shareholding in the associated companies. Unrealised losses are eliminated, except when they represent impairment losses.

(iv) if an associate recognises an adjustment directly in equity, also in this case the Group recognises its share and presents it when applicable in the statement of changes in equity.

Joint ventures

Joint ventures are companies in which the Group exercises joint control, based on exercisable voting rights, in compliance with contractual agreements, shareholders' agreements or the companies' Articles of Association.

Investments in joint ventures are consolidated with the equity method, as described in the "Associates" section above, from the date on which joint control begins to the date on which it ends.

The Group had three joint ventures at 31 December 2020, of which one was not consolidated as it is of minor importance.

Translation of the financial statements of foreign companies

Financial Statements drawn up in the currency of the foreign subsidiaries are translated into the accounting currency of the consolidated financial statements, adopting the year end exchange rate for the Statement of Financial Position and the average exchange rate over the year for the Income Statement. The consequent exchange differences are stated under other items on the Statement of Comprehensive Income and included in the translation reserve.

The rules for translating the financial statements of companies in currencies other than Euro are listed below:

(i) assets and liabilities are translated at the exchange rates in force on the reporting date;

(ii) costs and revenues are translated at the average exchange rate for the period;

(iii) the "translation reserve" includes the exchange differences generated from the translation of economic figures at a different exchange rate to that at the end of the period as well as those generated from the translation of equity at the start of the period at an exchange rate different to that in force at the end of the period;

(iv) goodwill and fair value adjustments correlated with the acquisition of an entity abroad are accounted for as assets and liabilities of the entity abroad and translated at the end of period exchange rate.

Exchange gains and losses deriving from foreign receivables or payables, collection or payment of which is neither planned nor probable in the near future, are considered as part of the net investment in foreign operations and are stated under other items on the Statement of Comprehensive Income and stated under equity in the translation reserves.

The following table specifies the exchange rates used for the translation of financial statements expressed in currencies other than the Euro.

Exchange rate (Value against €)	At 31/12/2020	Average 2020	At 31/12/2019	Average 2019
Real – Brazil	6.374	5.894	4.516	4.413
Renminbi – China	8.023	7.875	7.821	7.736
Rial - Iran	51,538.000	47,972.237	47,183.000	47,017.949
Rupee - Pakistan	196.824	184.939	173.959	168.318
Zloty – Poland	4.560	4.443	4.257	4.298
Leu - Romania	4.868	4.838	4.783	4.745
Dollar - USA	1.227	1.142	1.123	1.120
Peso - Argentina	103.249	80.922	67.275	53.823
Rupee - India	89.661	84.639	80.187	78.836

LAND, PROPERTY, PLANT, MACHINERY AND OTHER EQUIPMENT

Tangible assets were recognised in accordance with the cost criterion at the purchase price or the production cost inclusive of directly attributable accessory costs necessary to make the assets ready for use.

The carrying amount of tangible assets is subsequently adjusted for systematic depreciation, calculated on a straight-line basis from the moment in which the asset is available and ready for use, based on its useful life, understood as the estimated period in which the asset will be used by the company, and any accumulated loss for impairment.

When the asset to be depreciated consists of distinctly identifiable elements whose useful life differs significantly from that of the other parts of the asset, each of those parts are depreciated separately in application of the component approach method.
Any financial expense directly attributable to the purchase and production of tangible assets is capitalised and depreciated on the basis of the useful life of the asset to which it refers.

The following annual depreciation rates are used:

Categories	Depreciation period	Depreciation rates
Land		Indefinite useful life
Buildings	Straight-line basis	3 - 20%
Plant and machinery	Straight-line basis	10 - 20%
Industrial and commercial equipment	Straight-line basis	10 - 25%
Other assets	Straight-line basis	12 - 33%

The residual value and the useful life of tangible assets are reviewed at least annually and updated, when applicable, at the end of each year. Based on the analysis performed by the management it was not necessary to amend the useful life compared to those applied in the previous financial year.

Costs incurred for maintenance and repairs are charged in their entirety to the income statement for the year in which they are incurred. Costs for improvements, upgrades and transformation having an incremental nature are attributed to the tangible assets to which they refer, when it is probable that they will increase the future economic benefits expected from the use or the sale of the asset, and depreciated based on the remaining useful life of the assets.

Costs capitalised for leasehold improvements are classified under property and depreciated at the lower of the residual economic usefulness of the improvement and the residual duration of the underlying contract.

The financial expenses directly attributable to the acquisition, construction or production of a tangible asset are recognised in the income statement at the moment at which they are incurred, in accordance with the appropriate accounting treatment provided for by IAS 23.

The carrying amount of tangible assets is subjected to verification in order to discover any possible impairment, using the methods described in the paragraph "Impairment of assets".

At the moment of sale or when no future economic benefits are expected from the use of an asset, it is eliminated from the financial statements and any loss or profit (calculated as the difference between the sale value and the carrying amount) is recognised in the income statement in the year of the aforementioned elimination.

INTANGIBLE FIXED ASSETS

Intangible assets consist of identifiable non-monetary elements with no physical consistency, which can be controlled and can generate future economic benefits. These elements are initially recognised at purchase and/or production cost, inclusive of expenses directly attributable to make the asset ready for use. Intangible assets are amortised on a straight-line basis throughout their estimated useful life; amortisation rates are reviewed on an annual basis and are amended if the current useful life differs from that estimated previously. The useful life estimated by the Group for the various categories of intangible assets, valid for all periods presented, is shown below.

Categories	Useful Life
Development expenditure	from 3 to 5 years
Industrial patents and rights to use intellectual property	from 3 to 10 years
Software, licenses and others	from 3 to 5 years
Trademarks	from 7 to 18 years

DEVELOPMENT EXPENDITURE

Research and development expenditure are recognised in the Income Statement for the year in which they are incurred, with the exception of development expenditure recognised under intangible assets if the conditions established in IAS 38, reported below, are satisfied:

- the project is clearly identified and the costs relating to it are identifiable and can be measured reliably;
- the technical feasibility of the product is demonstrated;

- there is evidence of the Group's intention to complete the development project and to sell the intangible assets generated by the project;
- there is a potential market or, in the case of internal use, the utility of the intangible asset for the production of intangible assets generated by the project can be demonstrated;
- the technical and financial resources required to complete the project are available.

The amortisation period starts only when the development phase is completed and the result generated by the project can be marketed, and is usually based on the estimated duration of the benefits linked with the product developed (typically between 3 and 5 years). Capitalised development expenditure is stated at cost, minus accumulated amortisation and any accumulated losses from impairment.

GOODWILL

The goodwill deriving from business combinations after 1 January 2005 is initially entered at cost, and represents the excess of the purchase cost over the purchaser's share of the net fair value referring to the identifiable values of existing and potential assets and liabilities.

Goodwill deriving from acquisitions made prior to 1 January 2005 is entered at the value recorded for that purpose in the last Financial Statements prepared according to the previous accounting standards (31 December 2004), subject to verification and recognition of any possible impairment.

When the IFRS were initially adopted, as permitted by IFRS 1, acquisition transactions performed prior to 1 January 2005 were not reconsidered.

At the acquisition date, any goodwill emerging is allocated to each of the cash generating units (or "CGUs") that are expected to benefit from the synergistic effects deriving from the acquisition. Taking into account the Group reorganisation process taking place over recent years, the Group's current organisational structure and the methods whereby control is exercised over operations, a single "Automotive" CGU has been identified at Group level, to which goodwill is allocated for impairment testing purposes. After the initial recognition, since goodwill is regarded as an intangible asset with an indefinite life, it is no longer amortised and is decreased by any accumulated losses in value, determined as described below.

Goodwill is subjected to an analysis of recoverability on at least an annual basis, or even more frequently if events or changes in circumstances arise that could result in possible impairment, identifying the CGUs which benefit from acquisition synergies. Cash flows are discounted to the cost of capital as a function of the specific risks of the unit concerned. Impairment is stated when it emerges from the check on discounted cash flows that the recoverable value of the CGU is less than the carrying amount and is stated as a priority under goodwill.

Any impairment is identified through valuations that take as a reference the ability of each CGU to produce financial flows capable of recovering the portion of goodwill allocated to it. If the value recoverable by the CGU is less than the carrying amount attributed, the corresponding impairment is recognised. Such impairment is restored if the reasons that generated it cease to exist.

Any losses in value of goodwill stated on the Income Statement are not restored if the reasons that generated them cease to exist.

OTHER INTANGIBLE FIXED ASSETS

Other intangible assets with finite useful life, acquired or self-created, are capitalised when it is probable that use of the asset will generate future economic benefits and its cost can be measured reliably. These assets are initially recognised at purchase or development cost.

Costs incurred subsequently relating to intangible assets are capitalised only if they increase the future economic benefits of the specific asset capitalised and they are amortised on the basis of the aforementioned criteria according to the assets to which they refer.

RIGHT-OF-USE ASSETS

A contract is, or contains, a lease if it grants the right to use a specified asset for a period of time in exchange for a consideration.

Each lease component is separate from other contract components, unless the Group adopts the practical expedient under paragraph 15 of IFRS 16, which allows the lessee to opt, for each class of underlying asset, to not separate the other components and to recognise them together with the lease components.

The lease duration is determined as the lease period which is non-cancellable, to which the following periods are added:

- periods covered by an extension option if exercise of that option by the lessee is reasonably certain; and
- periods covered by a termination option if the lessee is reasonably certain not to exercise that option.

In deciding whether the lessee has reasonable certainty of exercising these options, all relevant facts and circumstances that create an economic incentive for the lessee in its evaluation are considered. The lessee must re-determine the lease duration if the non-cancellable period of the lease is changed.

At the date when the contract comes into effect, the Group recognises right-of-use assets and the relative lease liability. At the date when the contract comes into effect, the right-of-use asset is measured at cost. The cost of the right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- payments due to leasing made at or before the effective date, net of incentives on received leasing;
- initial direct costs incurred by the lessee; and
- the estimate of costs the lessee shall incur to dispose of and remove the underlying asset and restore the site in which it is located or to restore the underlying asset according to the conditions set forth in the lease terms and conditions.

At the effective date of the contract, the lessee shall measure the lease liability at the current value of payments owing for the leasing not paid at this date. Payments owing for the leasing include the following amounts:

- fixed payments, net of any leasing incentives to receive;
- variable payments owing for leasing which depend on an index or rate, initially measured using an index or rate at the effective date;
- amounts that the lessee shall pay as a guarantee of the residual value;
- the price to exercise the purchase option, if the lessee has reasonable certainty of exercising the option; and
- payments of penalties for termination of the leasing, if the duration takes into account the lessee exercising the option to terminate the leasing.

Payments owing for the leasing must be discounted using the interest rate embedded in the contract, if it can be easily determined. If this is not possible, the lessee must use the marginal lending rate, i.e. the incremental interest rate that the company should pay to obtain a loan of the same duration and amount of the lease agreement.

After initial recognition, the right-of-use asset is measured at cost, net of accumulated depreciation and accumulated impairment losses, adjusted to take account of any re-determination of lease liabilities.

After initial recognition, the lease liability is measured:

- increasing the carrying amount to take into account interest on lease liabilities;
- decreasing the carrying amount to take into account payments owing for leasing undertaken; and
- redetermining the carrying amount to take into account any new measurements or lease amendments or a revision in payments owing for leasing which is fixed in substance.

In the case of changes in leasing which do not constitute separate leasing, the right-of-use asset is redetermined, in keeping with the change in the lease liability at the date of the amendment. The lease liability is redetermined based on the new conditions in the lease agreement, using the discount rate at the date of the amendment.

The Group uses two exemptions, provided for by IFRS 16, with reference to:

(i) short-term leasing, i.e. leasing of 12 months or less;

(ii) leasing with low-value assets (less than Euro 5,000).

In these cases, the asset comprising the right of use and relative liability is not recognised, and payments owing for the leasing are recognised in the income statement.

IMPAIRMENT OF ASSETS

At each reporting date, tangible and intangible assets with a finite useful life are analysed in order to identify the existence of any indicators of impairment originating from sources external or internal to the Group. When these indicators are identified, the recoverable value of the above-mentioned assets is estimated, and any impairment loss is recognised in the Income Statement.

A tangible or intangible asset suffers a reduction in value if it is not possible to recover, either through use or sale, the carrying amount at which said asset is recorded in the financial statements. Therefore, the aim of the test (impairment test) provided for by IAS 36 is to assure that tangible and intangible fixed assets are not entered at a value greater than their recoverable value, which is the greater of the net sale price and the value in use.

The value in use is the current value of future financial flows that are expected to be generated by the asset or by the cash generating unit to which the asset belongs. The expected cash flows are discounted using a discount rate that reflects the current estimate of the market of reference referring to the cost of the money in proportion to the time and risks specific to the asset.

Management uses various assumptions in applying this method, including estimates of changes in revenues, the gross profit margin, operating costs, the growth rate of terminal values, investments, changes in operating capital and the weighted average cost of capital (discount rate) which combine in defining a medium-term plan, specifically aimed at performing an impairment test, revised at least annually and approved by the Board of Directors of the Parent Company. The principal hypotheses formulated in relation to the plans of the CGU relevant for the impairment test are indicated in note 4 of these financial statements, to which reference should be made for further details.

If the carrying amount exceeds the recovery value, the assets or the cash generating units to which they belong are written down until they reflect the recovery value. Such losses are accounted for on the Income Statement.

The impairment test is carried out when conditions occur inside or outside the company that suggest that the assets have suffered a reduction in value. In the case of goodwill or other intangible assets with an indefinite useful life, the impairment test is carried out at least annually. If the conditions that resulted in the impairment cease to exist, the same value is restored proportionally on the previously devalued assets until it reaches, at most, the value that such goods would have had, net of amortisation calculated on the historical cost, in the absence of a prior impairment. Restorations of value are recognised in the income statement.

The value of previously devalued goodwill is not restored, as provided for by the international accounting standards.

To evaluate any impairment of capitalised development expenditure, the Group attributes such costs to the corresponding specific projects and evaluates their recoverability based on forecasts of expected sales of the products to which the development costs refer. Specifically, if the margin arising from the above-mentioned sales does not allow for the recoverability of capitalised costs, this constitutes impairment, which is reflected in the financial statements. This assessment is performed at each year-end close and/or in the presence of trigger events.

EQUITY INVESTMENTS IN SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

Investments in subsidiary companies, not consolidated due to their negligible importance, are evaluated using the cost method including directly related costs, adjusted according to impairment losses.
In the case where there is evidence of events indicative of long term impairment, the value of the equity investments is subjected to an impairment test according to the provisions of IAS 36. The original value is restored in subsequent years if the reasons for write-down cease to exist.
The risk deriving from any losses exceeding the cost is recorded under provisions, to the extent to which the Company is obliged or intends to be responsible for it.
Equity investments in joint ventures are companies for which an agreement existed at the date when the financial statements were prepared, whereby Landi Renzo S.p.A. has similar rights on net assets, rather than rights on assets, and accepts obligations for liabilities.
Equity investments in joint ventures are measured using the equity method.

OTHER CURRENT AND NON-CURRENT FINANCIAL ASSETS

On initial recognition, financial assets are classified in one of the three categories listed below on the basis of the following elements:

- the entity's business model for the management of the financial assets; and
- the characteristics of the financial asset's contractual cash flows.

Financial assets are subsequently derecognised only if the disposal entails the substantial transfer of all risks and rewards connected to the assets. On the other hand, if a significant portion of the risks and rewards relating to the disposed financial assets has been retained, they continue to be recognised in the financial statements, even if legally their ownership has been effectively transferred.

Financial assets at amortised cost

This category includes the financial assets that meet both of the following conditions:

- the financial asset is held according to a "hold to collect" business model; and
- the contractual terms of the financial asset call for cash flows at specific dates represented solely by payments of principal and interest ("SPPI test" passed).

These assets are initially recognised at fair value inclusive of the transaction costs or income directly attributable to the instrument. Subsequent to initial recognition, the financial assets in question are measured at amortised cost using the effective interest method. The amortised cost method is not used for assets measured at historical cost whose short duration makes the effect of discounting negligible, for those without a defined maturity or for revocable credit lines.

Financial assets at fair value through other comprehensive income

This category includes the financial assets that meet both of the following conditions:

- the financial asset is held according to a "hold to collect and sell" business model; and
- the contractual terms of the financial asset call for cash flows at specific dates represented solely by payments of principal and interest ("SPPI test" passed).

This category includes shareholdings, not qualifiable as controlling, associated or of joint control, which are not held for trading, which the entity has opted to designate at fair value through other comprehensive income.

These assets are initially recognised at fair value inclusive of the transaction costs or income directly attributable to the instrument. Subsequently, shareholdings not qualifiable as controlling, associated or of joint control are measured at fair value, and amounts recognised as a matching entry to equity (Statement of comprehensive income) should not be subsequently transferred to the income statement, even in the case of disposal. The only component referring to the equity instruments in question subject to recognition in the income statement is the relative dividends.

For the equity instruments included in this category not listed in an active market, the cost criterion is used to estimate fair value only on a residual basis and in a limited circumstances, or when the most recent information to measure fair value is insufficient, or if there is a broad range of possible fair value measurements and cost represents the best estimate of fair value within that range of values.

Financial assets at fair value through profit or loss

This category includes financial assets other than those classified under "Financial assets at amortised cost" and "Financial assets at fair value through other comprehensive income".

This category includes financial assets held for trading and derivative contracts not qualified as hedges (which are represented as assets if the fair value is positive and as liabilities if the fair value is negative).

Assets at fair value through other comprehensive income are initially recognised at fair value without considering the transaction costs or income directly attributable to the instrument. Subsequently, they are measured at fair value and the valuation effects are attributed to the income statement.

Impairment of financial assets

In accordance with the provisions of IFRS 9, the Group applies a simplified approach to estimate expected credit losses throughout the life of the instrument and takes into consideration its past experience with respect to credit losses, adjusted on the basis of specific forecasts relating to the nature of the Group's receivables and the economic context.

In brief, the Group measures expected losses on financial assets so as to reflect:

- an objective amount weighted on the basis of probabilities determined by assessing a range of possible results;
- the time value of money; and
- reasonable and demonstrable information that is available without excessive cost or effort at the reporting date on past events, current conditions and outlooks on future economic conditions.

A financial asset is impaired when one or more events with a negative impact on the estimated future cash flows of the financial asset takes place. Observable data relating to the following events constitute proof that the financial asset is impaired (it is possible that a single event may not be identifiable: the impairment of a financial asset may be due to the combined effect of different events):

a) significant financial difficulties of the issuer or the debtor;

b) a violation of the contract, such as breach or an unmet deadline;

c) for economic or contractual reasons relating to the financial difficulties of the debtor, the creditor extends a concession to the debtor that the creditor would not have otherwise taken into consideration;

d) it is likely that the debtor will declare bankruptcy or other financial restructuring procedures;

e) the disappearance of an active market for that financial asset due to financial difficulties; or

f) the acquisition or creation of the financial asset with large discounts that reflect the credit losses incurred.

For financial assets at amortised cost, the value of any impairment is measured as the difference between the carrying amount of the asset and the present value of expected future cash flows, discounted on the basis of the original effective interest rate. This value is recognised in the income statement.

INVENTORIES

The item inventories includes raw materials and materials used in the production process, semi-finished products, spare parts and finished products.

Inventories are stated at the lower value between purchase or manufacturing cost, inclusive of accessory costs, measured according to the FIFO method, and the realisation value that can be inferred from market performance.

The measurement of inventories includes the direct costs of materials and labour and the indirect costs of production (variable and fixed), determined on the basis of normal production capacity.

Where necessary, depreciation funds are calculated for obsolete stocks or those with a slow turnaround taking account of their future possibility of use or recovery.

TRADE RECEIVABLES

Receivables are initially recognised at fair value. The initial value is subsequently adjusted to take into account repayments of capital, any write-downs and the amortisation of the difference between repayment amount and initial value. Amortisation is performed on the basis of the internal effective interest rate, represented by the interest rate that aligns, on initial recognition, the present value of expected cash flows and the initial value (so-called amortised cost method). If there is objective evidence indicating impairment, the asset value is decreased to the discounted value of the future flows obtainable from it. Such losses are recognised on the Income Statement. If, in subsequent periods, the reasons for the preceding write-down no longer exist, the value of the asset is restored to the amount that would have derived from applying the amortised cost without write-down.

The provision for bad debts, determined in order to measure receivables at their effective realisation value, includes write-downs recognised in order to take account of objective indications that trade receivables are impaired. Write-downs, which are based on the most recent information available and management's best estimate, are recognised in such a way as to decrease impaired assets to the present value of future cash flows obtainable from them.

OTHER RECEIVABLES AND OTHER CURRENT ASSETS

Other receivables and other current financial assets are initially recognised at fair value. Subsequently, the receivables are measured with the amortised cost method on the basis of the internal effective interest rate, represented by the interest rate that aligns, on initial recognition, the present value of expected cash flows and the initial value.

If there is objective evidence indicating impairment, the asset value is decreased to the discounted value of the future flows obtainable from it. Such losses are recognised on the Income Statement. If, in subsequent periods, the reasons for the preceding write-down no longer exist, the value of the asset is restored to the amount that would have derived from applying the amortised cost without write-down.

DERECOGNITION OF FINANCIAL ASSETS AND LIABILITIES

Financial assets are derecognised when one of the following conditions is met:

- the contractual right to receive cash flows from the asset has expired;
- the Group has substantially transferred all risks and rewards linked to the asset;

• the Group has not substantially transferred or maintained all risks and rewards connected to the financial asset, but it has transferred control over it.

Financial liabilities are derecognised when they are extinguished, or when the contractual obligation has been met, is cancelled or is time-barred. An exchange of debt instruments with substantially different contractual terms must be accounted for as an extinction of the original financial liability and the recognition of a new financial liability. Likewise, a substantial change in the contractual terms of an existing financial liability, even partial, must be accounted for as an extinction of the original financial liability and the recognition of a new financial liability.

ASSIGNMENT OF RECEIVABLES

The Group is permitted to assign part of its trade receivables through factoring transactions. The operations for assignment of receivables can be with or without recourse; some non-recourse assignments include deferred payment clauses (for example, the payment by the factor of a minority part of the purchase price is subordinate to the total collection of receivables), requiring an exemption on the part of the assignor or implying the maintenance of significant exposure to the progress of the financial flows deriving from the receivables assigned.

This type of operation does not meet the requirements laid down by IFRS 9 for eliminating financial assets from the balance sheet, since the associated benefits and risks have not been substantially transferred.

Consequently, all the receivables assigned through factoring operations that do not meet the requirements for elimination established by IFRS 9 continue to be recorded in the Financial Statements of the Group, although they have been legally assigned; a financial liability for the same amount is recorded in the financial statements as Payables for Advances on Assignment of Receivables. Profits and losses related to the assignment such assets are recorded only when the same assets are removed from Statement of Financial Position of the Group.

At 31 December 2020, the Group companies had only performed assignments of trade receivables without recourse that meet all the requirements established by IFRS 9 for the derecognition of such receivables.

CASH AND CASH EQUIVALENTS

The item relating to cash and cash equivalents includes, primarily, bank deposits repayable on demand, as well as cash on hand and other short-term investments that are highly convertible (convertible into cash and cash equivalents within ninety days). Cash and cash equivalents are measured at fair value, which usually coincides with their nominal value; any changes are recognised on the Income Statement.

For the purposes of representing cash flows for the period, when drawing up the Cash Flow Statement, short-term bank debts are represented among the cash flows of the financing activities, since they are for the most part attributable to bank advances and short term bank loans.

SHARE CAPITAL AND OTHER EQUITY ITEMS

(i) Share capital

The share capital is made up of the ordinary shares of the Parent Company in circulation.

The costs relating to the issue of new shares or options are classified in equity (net of the associated tax benefit) as a deduction of the income deriving from the issue of such instruments.

As provided for by IAS 32, if equity instruments are repurchased, such instruments (treasury shares) are recognised as a direct deduction from Equity under the item "Other Reserves". Gains or losses are not recognised on the Income Statement when treasury shares are purchased, sold or cancelled.

The consideration paid or received, including any cost directly incurred and attributable to the capital transaction, net of any related tax benefit, is directly recognised as an Equity transaction.

(ii) Statutory reserve and other reserves

The statutory reserve is formed from the allocation of part of the Group companies' profit for the year (5% each year until it has reached 20% of the share capital) and may be used exclusively to cover losses. The other reserves include the reserves of profits and capital for a specific use, the profit (loss) of previous years not distributed or allocated to a reserve, as well as the reserve generated upon first-time application of IFRS.

PROVISIONS FOR RISKS AND CHARGES

Provisions for risks and charges are set aside to cover current obligations - legal or implicit - deriving from past events, for which a reliable estimate of the amount required to settle the obligation can be made at the end of the year. Provisions for risks and charges are stated if said charges are likely to be incurred. Any change in the estimate of provisions is reflected on the Income Statement in the period when it occurs.

If a liability is regarded as merely potential, no allocation to provisions for risk and charges is made and only adequate information is provided in these notes to the financial statements.

When the financial effect of time is significant and the date of cash outflows associated with the obligation can be reliably determined, the estimated cost is discounted to the present value using a rate reflecting the current market values and includes the additional effects relating to the specific risk that may be associated with each liability. After discounting, the increase in the provision due to the passage of time is recognised as a financial expense.

The product warranty provision is stated on sale of the underlying goods or supply of the underlying services. The provision is determined using historical information on warranties and by weighting the probability associated with possible results.
The provisions are periodically updated to reflect changes in estimated costs, realisation timing and the discount rate; revisions of the estimated provisions are recognised in the same item of the Income Statement which previously included the provision or, when the liability relates to an asset, as a matching entry to the asset to which it refers.

EMPLOYEE BENEFITS

Short-term benefits are represented by salaries, wages, the relative social security contributions, compensation in lieu of holidays and incentives provided in the form of a bonus payable in twelve months after the reporting date. These benefits are accounted for as components of personnel cost in the period in which the work activity is provided.
Post-employment benefits are broken down into two types: defined contribution plans and defined benefit plans.
In defined contribution plans, social security contributions are recognised in the Income Statement when they are incurred, based on the relative nominal value.

Defined benefit plans

Defined benefit plans are represented by the TFR (employee severance indemnity) contributions accrued up to 31 December 2006 for the employees of the Group. These are measured in accordance with IAS 19 by independent actuaries, using the projected unit funding method.
This calculation consists in estimating the amount of benefit that an employee will receive at the expected retirement date, using demographic assumptions (such as, for example, death rate and personnel turnover rate) and financial assumptions (such as, for example, discount rate and future salary increases). The amount thus determined is discounted to the present value and re-proportioned based on the accrued length of service compared to the total length of service and represents a reasonable estimate of the benefits that each employee has already accrued because of his/her service. The discount rate used derives from the curve of rates on AA bonds at the end of the reporting period.
Actuarial gains and losses emerging following the revaluations of net liabilities for defined benefit plans were immediately entered in the other items of the Statement of Comprehensive Income. Net interest and other costs of defined benefit plans are stated under profit/(loss) for the year.

Defined contribution plans

Defined contribution plans are post-employment benefit plans under which the entity pays fixed contributions into a separate entity and has no legal or implicit obligation to pay further contributions. The contributions to defined contribution plans are recognised as an expense in profit or loss in the periods in which the employees provide their work. Contributions paid in advance are recorded as assets to the extent that the advance payment will result in a reduction in future payments or a refund.

SHARE-BASED PLANS

The cost of transactions regulated with equity instruments is determined by the fair value at the date of assignment, using an appropriate measurement method. This cost, together with the corresponding increase in shareholders' equity, is recognised under personnel costs for the period when conditions relative to achieving objectives and/or the provision of the service are met. The accumulated costs recognised for these transactions at the end of the reporting period up to the date of accrual are commensurate with the expiry of the accrual period and the best estimate of the number of instruments serving the plan at the time of accrual.

The service or performance conditions are not considered when the fair value for the plan is defined at the assignment date. However, the likelihood that these conditions are met in defining the best estimate of the number of equity instruments that will be accrued is considered.

Market conditions are reflected in the fair value at the assignment date.

Any other condition related to the plan, which does not entail a service obligation, is not considered as a condition of accrual.

Non-accrual conditions are reflected in the fair value of the plan and require immediate recognition of the plan cost, unless there are also service or performance conditions.

When the rights include a market condition or a non-accrual condition, these are treated as if they had accrued regardless of whether market conditions or other non-accrual conditions are met or not, save for all other performance and/or service conditions having to be met.

A cost for each change that increases the total fair value of the payment plan, or that is favourable for employees in any case, is recognised as a cost; this cost is measured with reference to the date of the change.

When a plan is cancelled by the entity or counterparty, any remaining part of the fair value of the plan is immediately recognised in the income statement.

TRADE PAYABLES

Trade payables are stated at the fair value of the initial consideration received in exchange and subsequently measured at amortised cost, using the effective interest method. Trade payables with due dates that fall under normal sales terms are not discounted to the present value.

DERIVATIVE FINANCIAL INSTRUMENTS

In keeping with IFRS 9, derivative financial instruments may be measured on a hedge accounting basis when:

- the hedging relationship consists only of eligible hedging instruments and eligible hedged items;

- at the inception of the hedging relationship there is formal designation and documentation of the hedging relationship and the Group's risk management objectives and strategy for undertaking the hedge;
- the hedging relationship meets all of the following effectiveness requirements:
- there is an economic relationship between the hedged item and the hedging instrument;
- the effect of credit risk does not dominate the value changes that result from that economic relationship;
- the hedge ratio of the hedging relationship is the same as that actually used in the economic hedge, also through rebalancing, and is consistent with the risk management strategy adopted by the Group.

Fair value hedge

If a derivative financial instrument is designated as a hedge of the exposure to changes in fair value (fair value hedge) of an asset or liability attributable to a particular risk that could affect profit or loss, the profit or loss arising from subsequent fair value measurements of the hedging instrument are recognised in the income statement. The profit or loss on the hedged item, attributable to the hedged risk, change the carrying amount of this item and are recognised in the income statement.

Cash flow hedge

When a derivative financial instrument is designated as a hedge of the exposure to variability in cash flows, the effective portion of changes in fair value of the derivative financial instrument is recognised as other comprehensive income and presented in the cash flow hedge reserve. The effective portion of changes in fair value of the derivative financial instrument which is recognised in other comprehensive income is limited to the accumulated change in fair value of the hedged instrument (at the current value) from the start of hedging. The ineffective portion of changes in fair value of the derivative financial instrument is recognised immediately in the income statement.

If the hedging no longer meets eligibility criteria or the hedging instrument is sold, matures or is exercised, the recognition of hedging transactions stops on a forward-looking basis. When an entity discontinues hedge accounting for a cash flow hedge, the amount that has been accumulated in the cash flow hedge reserve remains in shareholders' equity until, in the case of the hedging of a transaction that results in the recognition of a non-financial asset or liability, it is included in the cost of the non-financial asset or liability at the time of initial recognition, or in the case of other cash flow hedges, it is reclassified to profit/loss in the same year or in the same years when the hedged future cash flows have an effect on the income statement.

If the hedged future cash flows are no longer expected to occur, that amount is immediately reclassified from the cash flow hedge reserve and hedge costs reserve to the income statement.

If hedge accounting cannot be adopted, profits or losses arising from the fair value measurement of the derivative financial instrument are recognised immediately in profit or loss.

CURRENT AND NON-CURRENT FINANCIAL LIABILITIES, TAX LIABILITIES AND OTHER LIABILITIES

Short- and long-term financial payables and other short- and long-term liabilities are initially recognised at fair value. The initial value is subsequently adjusted to take into account repayments of principal and the amortisation of the difference between repayment amount and initial value. Amortisation is performed on the basis of the internal effective interest rate, represented by the interest rate that aligns, on initial recognition, the present value of cash flows connected to the liability and the initial value (so-called amortised cost method). When there is a change in cash flows and it is possible to estimate them reliably, the value of payables is recalculated to reflect that change on the basis of the present value of the new cash flows and the internal rate of return initially determined.

The item "Tax liabilities" includes all liabilities to the Tax Authorities payable or offsettable in the short-term connected with direct and indirect taxes.

RECOGNITION OF REVENUES

Revenue from contracts with customers is recognised when the following conditions are met:

- the contract with the customer has been identified;
- the performance obligations set forth in the contract have been identified;
- the price has been determined;
- the price has been allocated to the individual performance obligations set forth in the contract;
- the performance obligation set forth in the contract has been met.

The Group recognises revenue from contracts with customers when it fulfils the performance obligation, transferring the good or service (or the asset) to the customer. The asset is transferred when the customer acquires control over it.

The Group transfers control over the good or service over time, and therefore fulfils the performance obligation and recognises revenue over time, when one of the following criteria is met:

- the customer simultaneously receives and uses the benefits arising from the entity's service as it is provided;
- the service of the Group creates or improves the asset that the customer controls as the asset is created or improved;
- the service of the Group does not create an asset which has an alternative use for the Group and the Group has the enforceable right to payment for the service completed until the date considered.

If the performance obligation is not met over time, it is met at a specific moment. In that case, the Group recognises revenue when the customer acquires control over the promised asset.

The contractual consideration included in the contract with the customer may include fixed or variable amounts or both. If the contractual consideration includes a variable amount as discounts, price allowances, incentives, penalties or other similar elements, the Group estimates the amount of the consideration to which it will be entitled in exchange for the transfer of the promised goods or services to the customer. The Group includes the amount of the estimated variable consideration in the transaction price only to the extent to which it is highly likely that when the uncertainty associated with the variable consideration is subsequently resolved, there will not be a significant downward adjustment in the amount of cumulative revenue recognised.

The Group allocates the contractual price to the individual performance obligations on the basis of the stand-alone selling prices (SSP) of the individual performance obligations. When there is no SSP, the Group estimates the SSP using a market adjusted approach.

The Group applies its judgement in determining the performance obligation, variable consideration and the allocation of the transaction price.

Incremental costs for obtaining customer contracts are accounted for as assets and amortised throughout the term of the underlying contract, if the Group expects them to be recovered. Incremental costs for obtaining the contract are costs that the Group incurs to obtain the contract with the customer and which it would not have incurred if it had not obtained the contract. The costs for obtaining the contract which would have been incurred even if the contract had not been obtained should be recognised as a cost at the moment they are incurred, unless they are explicitly chargeable to the customer even if the contract is not obtained.

The costs incurred to perform contracts with customers are capitalised as assets and amortised throughout the term of the underlying contract only if such costs do not fall under the scope of application of another accounting standard (such as IAS 2 - Inventories, IAS 16 - Property, plant and equipment or IAS 38 - Intangible assets) and satisfy all of the following conditions:

- the costs are directly correlated with the contract or an expected contract, which the entity can specifically identify;
- the costs provide the entity with new or greater resources to be used to meet (or continue to meet) performance obligations in the future;
- it is expected that such costs will be recovered.

GRANTS

Grants from public and private bodies are recognised at fair value when it is reasonably certain that they will be received and the conditions for receiving them will be met.

Grants related to income (provided as immediate financial assistance to an entity or to cover expenses and losses incurred in a previous year) are fully recognised in the Income Statement when the above-mentioned conditions, necessary for their recognition, are met.

No capital contributions were obtained in the year in question.

COSTS

Costs are recognised in so far as it is possible to reliably determine that economic benefits will flow to the Group. Costs for services are recognised for the year in question at the moment when they are received.

DIVIDENDS

Dividends are recognised on the Income Statement on the date on which the right to receive them matures.

FINANCIAL INCOME AND CHARGES

Income and charges of a financial nature are recognised on an accrual basis, on the basis of the interest accrued on the net value of the related financial assets and liabilities, using the effective interest method.

TAXES

Income taxes include current and deferred taxes. Income taxes are generally stated on the Income Statement, except when they refer to items directly accounted for in equity or in the general Income Statement. Current taxes are income taxes expected to be paid or received, calculated by applying the rate applicable at the date of the financial statements to the taxable income or tax losses for the year.

Deferred taxes are calculated using the so-called liability method on the temporary differences between the carrying amounts of assets and liabilities in the financial statements and their corresponding tax values. Deferred tax assets and liabilities are not stated on goodwill and on assets and liabilities which do not influence taxable income. Deferred taxes are calculated on the basis of the tax rate that is expected to be in force when the asset is realised or the liability is settled. Deferred tax assets are recognised only when it is likely that taxable profits sufficient to realise these assets will be generated in future years. Deferred tax assets and liabilities are offset only for homogeneous expiry dates, when there is a legal right to offset and when they refer to recoverable taxes due to the same tax authority. Income tax deriving from distribution of dividends is stated when the liability relating to their payment is recognised.

Recoverability of deferred tax assets is checked at the end of each period, on the basis of plans duly approved by the Board of Directors indicated below, and any part for which recovery is no longer unlikely is stated in the Income Statement.

TRANSLATION OF ENTRIES INTO FOREIGN CURRENCY

The functional and presentation currency of Landi Renzo S.p.A. is the Euro. As required by IAS 21, transactions in foreign currency of each Group entity are initially recognised at the exchange rate in place on the date of the transaction. Monetary assets and liabilities in foreign currency are reconverted to the functional currency at the exchange rate in place on the closing date of the Financial Statements.

Non-monetary items measured at historical cost in foreign currency are translated using the exchange rate in force on the initial date that the transaction was recognised.

Non-monetary items measured at fair value are translated using the exchange rates at the date when fair value was determined.

The exchange differences realised at the time of collecting from debtors and paying creditors in foreign currency are entered in the Income Statement.

EARNINGS PER SHARE

The Group determines the earnings per share based on IAS 33 - Earnings per share.

(a) Basic earnings per share

The basic earnings per share is calculated by dividing the profit (loss) pertaining to the Group shareholders by the weighted average of ordinary shares in circulation during the year, excluding treasury shares.

(b) Diluted earnings per share

The diluted earnings per share is calculated by dividing the profit (loss) pertaining to the Group shareholders by the weighted average of ordinary shares in circulation during the year, excluding treasury shares. To calculate the diluted earnings per share, the weighted average of shares in circulation is modified assuming the exercise by all assignees of rights with a potentially dilutive effect, while the profit (loss) pertaining to Group shareholders is adjusted to take into account any effects, net of taxes, of the exercise of such rights.

COMMUNICATION ON FINANCIAL INSTRUMENTS

In accordance with the provisions of Accounting Standard IFRS 7, supplementary information is supplied on the financial instruments in order to evaluate:

- the impact of the financial instruments on the statement of financial position, on the economic result and on the financial flows of the company;
- the nature and size of the risks deriving from financial instruments to which the company is exposed, as well as the methodologies with which such risks are managed.

CLASSES OF FINANCIAL INSTRUMENTS

The following elements are accounted for in compliance with the accounting standards on financial instruments.

(Thousands of Euro)

Balance Sheet Assets	31/12/2019 Amortised cost	Fair value through OCI	Fair value through profit or loss	Hedge accounting	Total
Other non-current financial assets	334				334
Other non-current assets	3,420				3,420
Trade receivables	40,545				40,545
Other receivables and current assets	7,337				7,337
Other current financial assets	2,801				2,801
Cash and cash equivalents	22,650				22,650
Total	**77,087**	**0**	**0**	**0**	**77,087**

Balance Sheet Liabilities	Amortised cost	Fair value through OCI	Fair value through profit or loss	Hedge accounting	Total
Non-current bank loans	50,991				50,991
Non-current liabilities for rights of use	4,535				4,535
Liabilities for derivative financial instruments				30	30
Bank financing and short-term loans	29,460				29,460
Other current financial liabilities	210				210
Current liabilities for rights of use	1,992				1,992
Total	**87,188**	**0**	**0**	**30**	**87,218**

(Thousands of Euro)

Balance Sheet Assets	31/12/2020 Amortised cost	Fair value through OCI	Fair value through profit or loss	Hedge accounting	Total
Other non-current financial assets	921				921
Other non-current assets	2,850				2,850
Trade receivables	39,353				39,353
Other receivables and current assets	6,712				6,712
Other current financial assets	2,801				2,801
Cash and cash equivalents	21,914				21,914
Total	**74,551**	**0**	**0**	**0**	**74,551**

Balance Sheet Liabilities	Amortised cost	Fair value through OCI	Fair value through profit or loss	Hedge accounting	Total
Non-current bank loans	68,181				68,181
Other non-current financial liabilities	408				408
Non-current liabilities for rights of use	2,871				2,871
Liabilities for derivative financial instruments				458	458
Bank financing and short-term loans	23,108				23,108
Other current financial liabilities	378				378
Current liabilities for rights of use	2,228				2,228
Total	**97,174**	**0**	**0**	**458**	**97,632**

USE OF ESTIMATES AND ASSESSMENTS

The preparation of Financial Statements in accordance with IFRS requires the application of accounting standards and methods that are sometimes based on subjective assessments and estimates based, in turn, on past experience and assumptions that are considered reasonable and realistic given the circumstances. Application of these estimates and assumptions affects the amounts presented in the financial statements, such as the Statement of Financial Position, the Income Statement and the Statement of Cash Flows, and in disclosures provided.

Please note that the situation caused by the current economic and financial scenario has resulted in the necessity to make assumptions on future performance that are characterised by significant uncertainty, in particular following the spread of the Covid-19 pandemic. Therefore it cannot be excluded that results different to those estimated may be realised in the coming years. Such results could therefore require adjustments, that may even be considerable, which obviously cannot be either estimated or predicted at this stage, to the carrying amount of the relative items.

The items on the financial statements that most require greater subjectivity on the part of the directors in producing the estimates and for which a change in the conditions underlying the assumptions used can have a significant impact on the financial statements are listed below:

- Valuation of fixed assets including investments in joint ventures and goodwill;
- Recoverability of development expenditure;
- Valuation of deferred tax assets;
- Valuation of provisions for bad debts and obsolete inventories;
- Valuation of employee benefits;
- Valuation of provisions for risks and charges.

The estimates and assumptions are reviewed periodically and the effects of each variation are immediately reflected on the Income Statement.

For an indication of the economic values of these estimates, please refer to the relative points of these notes.

The directors also evaluated the applicability of the going concern assumption in the preparation of the consolidated financial statements, and concluded that this assumption is suitable as there are no doubts as to business continuity.

MOST IMPORTANT ACCOUNTING STANDARDS THAT REQUIRE A GREATER DEGREE OF SUBJECTIVITY

A description is provided below of the most significant accounting standards that require, more than the others, greater subjectivity on the part of the directors in producing the estimates and for which a change in the conditions underlying the assumption used may have a significant impact on the financial data of the Group.

Valuation of receivables

Trade receivables are adjusted with the relevant write-down fund in order to take account of their effective recoverable value. The determination of the amount of depreciation carried out requires the directors to make subjective evaluations based on the documentation and on the information available, also in relation to the solvency of the customer, as well as on experience and historical trends.

The continuation of the current economic and financial situation and its possible aggravation could lead to further deterioration in the financial conditions of the Group's debtors beyond that already taken into consideration prudentially in quantifying the write-downs recorded in the financial statements.

Valuation of goodwill and intangible assets in progress

In accordance with the accounting standards applied by the Group, goodwill and intangible assets in progress are subjected to annual verification (impairment test) in order to assess whether they have suffered a reduction in value, which is stated through a write-down, when the net carrying amount of the CGU to which these items are allocated appears to be greater than its recoverable value (defined as the greater value between the value in use and the fair value of the same). The above mentioned value confirmation check necessarily requires subjective evaluations to be made based on the information available within the Group, and on the reference market outlook and historical trends. In addition, whenever it is supposed that a potential reduction in value could be generated, the Group determines said reduction using those evaluation techniques considered suitable. The same value tests and evaluation techniques are applied to intangible and tangible assets with a defined useful life when indicators exist that predict difficulties in recovering the corresponding net carrying amount. The correct identification of elements indicative of the existence of a potential reduction in value as well as the estimates for determination of the reduction depend principally on factors that can vary over time, even significantly, therefore influencing the evaluations and estimates made by the directors.

Provisions for risks

Establishing whether or not a current obligation (legal or implied) exists is in some cases difficult to determine. The directors assess such phenomena on a case by case basis, together with an estimate of the amount of the economic resources required in order to meet that obligation. When the directors consider that is merely possible that liabilities may arise, the risks are indicated in the appropriate information section on commitments and risks, without resulting in any allocation in the financial statements.

Defined benefit plans

The Group offers defined benefit plans to some of its employees. Using the services of experts and actuaries, management used various statistical assumptions and evaluation factors to calculate the charges and the current value of assets and liabilities relating to these plans. The assumptions relate to the discount rate, the expected return on the assets servicing the plan, the rates of future salary increases, demographic trends, the inflation rate and expected health costs. The actuaries consulted also use subjective factors, such as mortality and resignation rates.

Share-based plans

The Group has assigned the CEO of the Parent Company and other managers a compensation plan named the "2019-2021 Performance Shares Plan" concerning the free assignment of the right to receive Landi Renzo S.p.A. ordinary shares free of charge based on the degree to which specific performance objectives are reached. Using the services of experts and actuaries, management used various statistical assumptions and evaluation factors to calculate the charges and the current value of assets and liabilities relating to these plans.

Provision for product warranties

Based on product sales, the Group allocates provisions according to the costs estimated as likely to be incurred for product warranties. Management establishes the value of such provisions on the basis of historical information on the nature, frequency and average cost of operations carried out under warranty and on the basis of specific contractual agreements.
The Group constantly strives to improve the quality of its products and to minimise the burden deriving from operations under warranty.

Potential liabilities

The Group is subject to lawsuits regarding a number of disputes that were submitted to the jurisdiction of various States. Given the inherent uncertainty of these disputes, it is difficult to predict with certainty the resulting financial cost, or the time frame within which it will arise. The lawsuits and disputes against the Group derive primarily from complex legal problems, that are subject to varying degrees of uncertainty, considering the facts and circumstances involved in each dispute and the different laws applicable. To assess the risks deriving from potential liabilities of a legal nature correctly and prudentially, management periodically obtains information on the situation from its legal advisers. The Group establishes a liability in relation to such disputes when it considers it likely that a financial cost will occur and when the amount of the resulting losses can be reasonably estimated.

Valuation of closing inventories

Closing inventories of products with characteristics of obsolescence or slow turnaround are periodically subjected to tests for their correct valuation and are written down where the recoverable value thereof is less than the carrying amount. The write-downs carried out are based, primarily, on assumptions and estimates of management deriving from its experience and the historical results achieved, as well as estimates of the use/sale of inventories.

Valuation of deferred tax assets

The valuation of deferred tax assets is made on the basis of taxable income expected in future years and expected tax rates at the date when the temporary differences are expected to occur, insofar as they are considered applicable in the future. The measurement of such expected profits depends on factors that may change over time and have a significant impact, therefore, on the valuation of deferred tax assets.

TRANSACTIONS WITH RELATED PARTIES

The Group deals with related parties under contractual conditions considered to reflect the arm's length conditions on the markets in question, taking account of the characteristics of the goods and services supplied and received.

D) RISK ANALYSIS

In accordance with the requirements of Accounting Standard IFRS 7, the following analysis is provided regarding the nature and extent of risks deriving from financial instruments to which the Group is exposed, as well as the methodologies with which such risks are managed.

The main risks are reported and discussed at the Top Management level of the Group in order to create the prerequisites for their hedging, and insurance and assessment of the residual risk.

Interest rate risk

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

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

Interest rate risks were measured using sensitivity analysis and the potential impacts of Euribor interest rate fluctuations on the consolidated financial statements at 31 December 2020 were analysed with particular reference to cash and cash equivalents and to loans. The increase of 50 basis points on the Euribor, with all other variables remaining the same, would have produced an increase in financial expenses for the Group of Euro 226 thousand in comparison to an increase in financial income equal to Euro 113 thousand.

Exchange risk

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

In relation to the exchange risk, it is reported that the amount of accounting balances expressed in currency other than the Euro is not considered significant compared to the total revenue of the Group, therefore the sensitivity analysis required by IFRS 7 is not provided as it is considered non-significant. The Group has not subscribed to instruments to cover exchange rate fluctuations and, in accordance with the company's policy up to this moment, no derivatives are subscribed solely for trading purposes. Therefore, the Group remains exposed to exchange rate risk on the balances of the assets and liabilities in foreign currency at year end.

Price risk

The Group makes purchases and sales internationally, and therefore it is exposed to the normal risk of price fluctuation typical of its industry. Where possible, Group policy covers the risk through medium-term supplier commitments.

Credit risk

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

Trade receivables and other receivables

The Group normally deals with known and reliable customers. It is the Group's policy to subject customers requesting extended payment conditions to procedures for checking their credit class. This check also includes external assessments when available. Sales limits are established for each customer, which represent the maximum line of credit, beyond which direct approval by management is required. The credit limits are reviewed periodically and the customers who do not satisfy the creditworthiness conditions established by the Group can then make purchases only by payment in advance. In addition, the balance of the receivables is monitored on a fortnightly basis over the period, in order to minimise exposure to the risk of losses. Finally, regarding new customers and those not operating in EU countries, a letter of credit to guarantee successful collection is normally used, where possible.
The Company uses non-recourse assignment of debts.
The Group allocates a provision for impairment that reflects the estimated losses on trade receivables and on other creditors, made up primarily of individual write-downs of significant exposures.
The Group has relations with customers of significant size, as it operates in the OEM channel.

Other financial assets

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

Guarantees

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

Liquidity risk

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

In light of the continuous, clear improvement in the Group's economic and financial performance and the favourable conditions in the financial markets in terms of the cost of money, in June 2019 Landi Renzo S.p.A. took out a five-year loan for a total of Euro 65 million from a pool of three leading banks (BPM - mandated lead arranger and bookrunner, Intesa Sanpaolo and Unicredit), under more favourable conditions, which made it possible to settle the Group's financial debt deriving from the Optimisation Agreement entered into in March 2017 and the "LANDI RENZO 6.10% 2015-2022" Bonded Loan (ISIN IT0005107237). This transaction, aside from reducing the financial expenses and improving the Group's debt profile, made it possible to consolidate the financial and liquidity position.

However, the Covid-19 pandemic had, and continues to have, significant effects on volumes as well as on the economic and financial results of many companies, especially in the durable goods market. Following the resulting macroeconomic context, overshadowed by considerable uncertainty as to cash flows, the management immediately devoted considerable 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 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.

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

See the Directors' Report for all further information on risk factor analysis pursuant to Article 154-*ter* TUF (Consolidated Law on Finance).

Fair value hierarchy

Financial instruments measured at fair value are classified based on a hierarchy of three levels, according to procedures to determine the fair value, i.e. with reference to the factors used in the process to determine the value:

- Level 1, financial instruments whose fair value is determined based on a quoted price on an active market;
- Level 2, financial instruments whose fair value is determined based on measurement techniques that use parameters observable either directly or indirectly on the market. This category includes instruments measured based on forward market curves and differential, short-term contracts;

- Level 3, financial instruments whose fair value is determined based on measurement techniques that use parameters that are unobservable on the market, or use only internal estimates.

E) SCOPE OF CONSOLIDATION

The scope of consolidation includes the Parent Company Landi Renzo S.p.A. and the companies in which it holds a direct or indirect controlling stake according to IFRS.

In 2020, the scope of consolidation changed as follows:

- the subsidiary company Landi Renzo Argentina S.r.l., not operative and not consolidated due to its irrelevance, was liquidated with no appreciable effects on the Group's consolidated financial statements;
- Lovato Gas S.p.A. was subject to a merger by incorporation into the parent company Landi Renzo S.p.A. This transaction had no effects on the consolidated financial statements.

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

Companies consolidated using the line-by-line method or the equity method

Company Name	Registered Office	Currency	Share capital at 31 December 2020 (in units of currency)	% stake at 31 December 2020		% stake at 31 December 2019		Notes
				Direct investment	Indirect investment	Direct investment	Indirect investment	
Parent Company								
Landi Renzo S.p.A.	Cavriago (RE) - Italy	EUR	11,250,000	Parent Company		Parent Company		
Companies consolidated using the line-by-line method								
Landi International B.V.	Utrecht (The Netherlands)	EUR	18,151	100.00%		100.00%		
Landi Renzo Polska Sp.Zo.O.	Warsaw (Poland)	PLN	50,000		100.00%		100.00%	(1)
LR Indústria e Comércio Ltda	Espirito Santo (Brazil)	BRL	4,320,000	99.99%		99.99%		
Beijing Landi Renzo Autogas System Co. Ltd	Beijing (China)	USD	2,600,000	100.00%		100.00%		
L.R. Pak (Pvt) Limited	Karachi (Pakistan)	PKR	75,000,000	70.00%		70.00%		
Landi Renzo Pars Private Joint Stock Company	Tehran (Iran)	IRR	210,849,300,000	99.99%		99.99%		
Landi Renzo RO S.r.l.	Bucharest (Romania)	RON	20,890	100.00%		100.00%		
Landi Renzo USA Corporation	Wilmington - DE (USA)	USD	3,067,131	100.00%		100.00%		
AEB America S.r.l.	Buenos Aires (Argentina)	ARS	2,030,220	96.00%		96.00%		
Lovato Gas S.p.A.	Vicenza (Italy)	EUR	120,000			100.00%		(2)

Officine Lovato Private Limited	Mumbai (India)	INR	19,091,430	74.00%	74.00%	(3)
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%	51.00%	(4)
Krishna Landi Renzo India Private Ltd	Gurugram - Haryana (India)	INR	118,000,000	51.00%	51.00%	(4)

Detailed notes on investments:

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

(2) Merged into Landi Renzo S.p.A. in 2020

(3) Direct subsidiary following the merger by incorporation of Lovato Gas S.p.A. into Landi Renzo S.p.A.

(4) Company joint venture

Krishna Landi Renzo India Private Ltd was consolidated using the equity method, due to the current system of governance of the company, which reflects a joint control agreement classifiable as a “joint venture” according to international accounting standards (IFRS 11).

As explained above, the Group also holds a 51% stake in SAFE & CEC S.r.l., a company born from the aggregation of SAFE S.p.A., previously 100% owned by the Group, and Clean Energy Compressor Ltd, parent company of the US group Clean Energy Fuels Corp. Although the Group holds the majority of the shares, by virtue of the company governance agreements the company is classifiable as a “joint venture” pursuant to international accounting standards (IFRS 11).

Non consolidated companies

Taking into consideration their low degree of significance, the following companies were not consolidated:

- EFI Avtosanoat - Landi Renzo LLC joint venture, in which a 50% stake is held;
- Landi Renzo Venezuela CA., in which a 100% stake is held and currently not operational;
- Lovato do Brasil Industria Comercio de Equipamentos para Gas Ltda, in which a 100% stake is held and currently not operational.

F) EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. SEGMENT REPORTING

The Group operates directly only in the Automotive segment and indirectly in the Infrastructure ("Gas Distribution and Compressed Natural Gas and Renewable 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 equity method.

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

(Thousands of Euro)

Geographical distribution of revenues	At 31/12/2020	% of revenues	At 31/12/2019	% of revenues	Change	%
Italy	23,785	16.7%	35,213	18.4%	-11,428	-32.5%
Europe (excluding Italy)	73,292	51.4%	82,528	43.0%	-9,236	-11.2%
America	16,799	11.8%	36,272	18.9%	-19,473	-53.7%
Asia and Rest of the World	28,579	20.1%	37,839	19.7%	-9,260	-24.5%
Total revenues	**142,455**	**100.0%**	**191,852**	**100.0%**	**-49,397**	**-25.7%**

Regarding the geographical distribution of revenues, the Group realised 83.3% of its consolidated revenues abroad in 2020 (81.6% at 31 December 2019) (51.4% in Europe and 31.9% outside Europe), confirming the strong international vocation that has always set it apart.
For a more detailed analysis of revenues by geographical area, please refer to the Directors' Report.

The following table shows the assets divided by geographical area of origin:

(Thousands of Euro)

Total Assets	31/12/2020	31/12/2019	Change
Italy	179,208	177,226	1,982
Europe (excluding Italy)	18,357	14,330	4,027
America	14,090	17,743	-3,653
Asia and Rest of the World	8,262	8,634	-372
Total ASSETS	**219,917**	**217,933**	**1,984**

The following table shows investments divided by geographical area of origin:

(Thousands of Euro)

Investments in Fixed Assets	31/12/2020	31/12/2019	Change
Italy	11,162	8,105	3,057
Europe (excluding Italy)	644	798	-154
America	115	114	1
Asia and Rest of the World	0	1	-1
Total	**11,921**	**9,018**	**2,903**

NON-CURRENT ASSETS

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

The changes in tangible assets during the financial year 2019 are shown in detail below:

(Thousands of Euro)

Net value	31/12/2018	Acquisitions	(Disposals)	Depreciation rates	Other changes	31/12/2019
Land and buildings	811	522	0	-371	6	968
Plant and machinery	6,134	505	0	-1,683	168	5,124
Industrial and commercial equipment	2,968	930	-285	-1,356	1,018	3,275
Other tangible assets	1,850	675	-516	-665	152	1,496
Assets in progress and advance payments	982	1,019	0	0	-1,286	715
Total	**12,745**	**3,651**	**-801**	**-4,075**	**58**	**11,578**

The changes in tangible assets during the financial year 2020 are shown in detail below:

(Thousands of Euro)

Net value	31/12/2019	Acquisitions	(Disposals)	Depreciation rates	Other changes	31/12/2020
Land and buildings	968	27	0	-407	-33	555
Plant and machinery	5,124	759	-30	-1,348	20	4,525
Industrial and commercial equipment	3,275	2,857	-415	-1,514	1,464	5,667
Other tangible assets	1,496	327	-95	-620	-32	1,076
Assets in progress and advance payments	715	2,239	0	0	-1,565	1,389
Total	**11,578**	**6,209**	**-540**	**-3,889**	**-146**	**13,212**

Tangible assets showed an overall net increase of Euro 1,634 thousand, rising from Euro 11,578 thousand at 31 December 2019 to Euro 13,212 thousand at 31 December 2020.

The category industrial and commercial equipment, amounting to Euro 5,667 thousand as at 31 December 2020 compared with Euro 3,275 thousand as at 31 December 2019, rose following the conspicuous investments made by the Group both in new moulds and for the acquisition of new test benches and assembly lines needed to cover the increasing orders from a leading OEM customer, as well as to produce new product lines for it. Despite the considerable impacts of the Covid-19 pandemic, the Group continued to invest in order to be ready to take advantage of increasing market opportunities.

Decreases in property, plant and equipment, amounting to Euro 540 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 advance payments", totalling Euro 1,389 thousand at 31 December 2020 (Euro 715 thousand at 31 December 2019), primarily includes investments made by the Parent Company in new work benches needed to handle the increase in production required by an important OEM customer. These investments are currently in the completion phase and are expected to be used in the production process already in the course of the coming months.

The column “Other Changes” includes the accounting entries for the respective categories of non-current assets already in progress at 31 December 2019 and completed during the year, as well as exchange differences on non-current assets held by foreign companies.

3. DEVELOPMENT EXPENDITURE

Changes in development expenditure during 2019 are shown in detail below:

(Thousands of Euro)

Net value	31/12/2018	Increases	Depreciation rates	Other changes	31/12/2019
Development expenditure	**6,932**	4,881	-3,585	0	**8,228**

Changes in development expenditure during 2020 are shown in detail below:

(Thousands of Euro)

Net value	31/12/2019	Increases	Depreciation rates	Other changes	31/12/2020
Development expenditure	**8,228**	5,375	-4,097	0	**9,506**

Development costs amounted to Euro 9,506 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 2020 are equal to a total of Euro 5,375 thousand (Euro 4,881 thousand as at 31 December 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 and innovative solutions for hydrogen mobility. Thanks to the Group's technological and innovative drive, our 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, and is ready to continue with its activities irrespective of the restrictive measures that will be imposed by the government to limit contagion.

In particular, Research and Development activities during 2020 saw the continuation of projects started in the previous year as well as the launch of new initiatives, namely:

- development of systems and components for OEM supplies to leading automotive manufacturers in sustainable gas mobility. In particular, developments were finalised of electronic and mechanical components in order to begin manufacturing the first vehicles approved according to the Euro6d-Full emissions standard. The project was carried out with a view to overall product optimisation, in terms of both performance and simplicity;
- redefinition and validation of a pressure regulator (NG2 HD) for Heavy Duty vehicles, expected to begin production in the second half of 2021;
- development of an LNG regulator and the relative winter testing campaign at a leading Asian customer in order to check the performance in the field of the product's innovative features;
- re-design and validation in the laboratory of the new family of high-pressure and high capacity injectors for applications in Heavy Duty vehicles;
- development and testing in the field of the integrated manifold for fuel-cell applications for Hydrogenics, one of the global leaders in the hydrogen mobility sector;
- development for the world of hydrogen mobility of a high-pressure regulator and a smart dosing system, in order to introduce a new way of managing the injection of hydrogen into the fuel cell;
- development and entry into production of a CNG pressure regulator for applications on vehicles with innovative design and industrialisation concepts;
- development of a new conversion unit for vehicles with indirect injection systems and initiation of a project for the development of a new direct injection management system.

New development activities began during the initial months of 2021 and they are also expected to continue for the rest of the current year.

The analysis of the recoverability of the values recognised for development activities, which the Group attributes to specific projects, carried out by comparing the margins expected from sales of the products to which the above-mentioned costs refer, and the relative net carrying amounts at the date of 31 December 2020, did not bring to light any impairment.

4. GOODWILL

The item Goodwill is equal to Euro 30,094 thousand, unchanged compared with 31 December 2019, and was tested for impairment at 31 December 2020.

(Thousands of Euro)

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

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 also described extensively in the financial statements of previous years, goodwill is allocated to the only CGU identified at Group level: the "Automotive" CGU.

As a result of the particular situation of uncertainty which the Covid-19 pandemic continues to have on the international macroeconomic scenario 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 2021 results and thereafter. In particular, the forecast values for the year 2021 incorporate the 2021 budget data approved by the Board of Directors on 12 March 2021, while for the subsequent year (2022) 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 is equal to 0.89% and was determined using as a reference the average return on 10-year US government bonds;
- the unlevered beta parameter and the market target financial structure used for the releveraging of that parameter were identified on the basis of a representative panel of comparable companies.

On the basis of the parameters set forth above, the weighted average cost of capital (W.A.C.C.) relating to the Automotive CGU is therefore equal to 10.27% (9.92% as at 31 December 2019). The "g" growth rate is instead 3.08% (3.78% as at 31 December 2019).

This test, which was prepared with the support of an external advisor, and the results of which were approved by the Board of Directors of the Parent Company on 12 March 2021, did not bring to light any impairment losses.

The main sensitivity analyses performed, in order to provide specific indications on the changes in the basic assumptions which make the recoverable value equal to the carrying amount, are shown below: Based on the information available at the current date, these changes moreover appear to be unrealistic.

(Millions of Euro)

	Surplus of recoverable value over the carrying amount	EBITDA	Discount rate including tax %
Automotive CGU	108.8	22.8	17.12%

The stock market capitalisation value of Landi Renzo S.p.A. at 31 December 2020 amounted to Euro 92 million, and is significantly higher than the value of the consolidated shareholders' equity of Landi Renzo S.p.A. at the same date. The spread in the first half of 2020 of the Covid-19 pandemic in Italy and abroad has had a very 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 in March/April 2020 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. The Company's market capitalisation at 15 March 2021 was Euro 127.7 million.

5. OTHER INTANGIBLE ASSETS WITH FINITE USEFUL LIVES

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

(Thousands of Euro)

Net value	31/12/2018	Acquisitions	Amortisation rates	Other changes	31/12/2019
Patents and intellectual property rights	317	439	-283	-24	449
Concessions and trademarks	13,722	47	-1,690	8	12,087
Total	**14,039**	**486**	**-1,973**	**-16**	**12,536**

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

(Thousands of Euro)

Net value	31/12/2019	Acquisitions	Amortisation rates	Other changes	31/12/2020
Patents and intellectual property rights	449	275	-310	-60	354
Concessions and trademarks	12,087	62	-1,643	0	10,506
Total	**12,536**	**337**	**-1,953**	**-60**	**10,860**

Other intangible assets with finite useful lives decreased from Euro 12,536 thousand at 31 December 2019 to Euro 10,860 thousand at 31 December 2020, and include:

- licenses for specific applications and supporting software for research and development activities, as well the purchase of management software licenses;
- the net value of Group trademarks, and in particular Lovato (for Euro 5,373 thousand), AEB (for Euro 4,208 thousand) and other minor trademarks. These trademarks are currently in use, and are entered in the consolidated accounts according to the fair value at the time of purchase according to evaluations made by independent professionals, net of the accumulated amortisation. These values are amortised over 18 years, the period deemed to represent the useful lifetime of the trademarks. At the date of these financial statements, no indicators affecting the recoverability of the above values in the financial statements had been identified.

The increase in the period, equal to Euro 337 thousand, is mainly due to the purchase of new software licences.

During the year there were no events or circumstances that indicate possible impairment in relation to the other intangible assets mentioned above.

6. RIGHT-OF-USE ASSETS

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

(Thousands of Euro)

Net value	31/12/2018	FTA of IFRS 16	Increases	Depreciation rates	Other changes	31/12/2019
Buildings	0	4,553	4,052	-1,860	-1,149	**5,595**
Motor vehicles	0	390	690	-273	0	**807**
Total	**0**	**4,943**	**4,742**	**-2,133**	**-1,149**	**6,402**

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

(Thousands of Euro)

Net value	31/12/2019	Increases	Depreciation rates	Other changes	31/12/2020
Buildings	5,595	854	-1,941	-77	**4,431**
Motor vehicles	807	80	-313	-30	**544**
Total	**6,402**	**934**	**-2,254**	**-107**	**4,975**

Right-of-use assets decreased from Euro 6,402 thousand at 31 December 2019 to Euro 4,975 thousand at 31 December 2020.

The increases in the period, equal to Euro 934 thousand, were mainly due to:

- new lease agreements entered into 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 and solutions for hydrogen mobility;
- the renewal of the lease agreement on the registered office of the Chinese branch Landi Renzo Beijing;
- the new lease agreement for the building used by Landi Renzo Romania.

During 2020, 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.

7. EQUITY INVESTMENTS MEASURED USING THE EQUITY METHOD

This item, equal to Euro 22,509 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	31/12/2020
Krishna Landi Renzo India Private Ltd	652	90	0	742
SAFE & CEC S.r.l.	22,878	0	-1,111	21,767
Total	**23,530**	**90**	**-1,111**	**22,509**

In particular:

- the equity investment held in the joint venture Krishna Landi Renzo Prv Ltd was revalued by Euro 90 thousand due to the positive results for the period;
- the equity investment held in the joint venture SAFE&CEC S.r.l. was written down for a total of Euro 1,111 thousand, of which Euro -101 thousand attributed to the income statement, for the Group's share of the loss for the period, and Euro -1,010 thousand attributed to the statement of comprehensive income, related to changes accounted for by the joint venture in the statement of comprehensive income.

To value the equity investment held in SAFE&CEC S.r.l. at equity and in order to verify the existence of any indicators of impairment, the directors of Landi Renzo S.p.A. requested and obtained impairment testing at 31 December 2020 from the directors of the associated company, prepared by the management of the joint venture, assisted by an external consultant. No indicators of impairment in the equity investment in SAFE&CEC S.r.l. were identified.

The consolidated income statement and balance sheet data at 31 December 2020 of the group led by SAFE&CEC S.r.l. are shown below.

(Thousands of Euro)

ASSETS	SAFE & CEC S.r.l.
Tangible and Intangible assets	42,183
Right-of-use assets	6,406
Deferred tax assets	1,030
Other non-current financial assets	868
Total non-current assets	**50,487**
Trade receivables	15,663
Inventories and contract work-in-progress	26,887
Other current assets	3,165
Cash and cash equivalents	2,793
Total current assets	**48,507**
TOTAL ASSETS	**98,994**

(Thousands of Euro)

SHAREHOLDERS' EQUITY AND LIABILITIES	SAFE & CEC S.r.l.
Shareholders' equity	**42,681**
Non-current financial liabilities	839
Non-current liabilities for rights of use	6,301
Provision for risks and charges and Defined benefit plans for employees	1,277
Deferred tax liabilities	2,113
Total non-current liabilities	**10,530**
Bank financing and short-term loans	8,939
Current financial liabilities	2,806
Current liabilities for rights-of-use	705
Trade payables	22,608
Other current liabilities	10,725
Total current liabilities	**45,782**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**98,994**

(Thousands of Euro)

INCOME STATEMENT	SAFE & CEC S.r.l.
Revenues from sales	77,930
Other revenues	1,528
Operating costs	-75,781
Gross operating profit	**3,677**
Amortisation	-2,225
Net operating profit	**1,452**
Net financial charges	-763
Exchange gains (losses)	-221
Profit (loss) attributable to investments	-212
Profit (Loss) before taxes	**256**
Taxes	-454
Profit (Loss)	**-198**

8. OTHER NON-CURRENT FINANCIAL ASSETS

This item breaks down as follows:

(Thousands of Euro)

Other non-current financial assets	31/12/2020	31/12/2019	Change
EFI Avtosanoat-Landi Renzo LLC	97	97	0
Landi Renzo Argentina	0	5	-5
Loan to Krishna Landi Renzo	600	0	600
Guarantee deposits	204	213	-9
Other financial assets	20	19	1
Total	**921**	**334**	**587**

Other non-current financial assets, equal to Euro 921 thousand (Euro 334 thousand at 31 December 2019) includes mainly:

- 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;
- guarantee deposits for Euro 204 thousand;
- the Euro 600 thousand loan, disbursed in 2020 by the Parent Company to the joint venture Krishna Landi Renzo in order to finance current operations; this 5-year loan bears half-yearly interest at market rates.

The subsidiary company Landi Renzo Argentina, not operative and not consolidated due to its irrelevance, was liquidated during the year with no appreciable effects on the Group's consolidated financial statements.

9. OTHER NON-CURRENT ASSETS

Other non-current assets, totalling Euro 2,850 thousand at 31 December 2020 (Euro 3,420 thousand at 31 December 2019) include the portion beyond the financial year of the receivables from AVL Italia S.r.l. relative to the sale of the company branch relating to the part of the Technical Centre destined to laboratory management, the contract of which stipulates the receipt of 10 annual instalments and the charging of interest on the residual receivables at the end of each financial year.

10. DEFERRED TAX ASSETS

This item breaks down as follows:

(Thousands of Euro)

Deferred tax assets and liabilities	31/12/2020	31/12/2019	Change
Deferred tax assets	13,869	12,042	1,827
Deferred tax liabilities	-1,668	-3,338	1,670
Total net deferred tax assets	**12,201**	**8,704**	**3,497**

The following table shows the values of the offsettable prepaid and deferred taxes and their movements from 31 December 2019 to 31 December 2020:

Net deferred tax assets	31/12/2019	Uses	Write-downs	Temporary differences	Other changes	31/12/2020
Goodwill	693					693
Temporary differences	2,521	-496		408		2,433

Other deferred tax assets	1,180	-116		484		1,548
Tax losses	7,648			1,547		9,195
a) Total deferred tax assets	**12,042**	**-612**	**0**	**2,439**	**0**	**13,869**
Other temporary differences	246	-232				14
Intangible assets	3,092	-1,595		157		1,654
b) Total offsettable deferred tax liabilities	**3,338**	**-1,827**	**0**	**157**	**0**	**1,668**
a-b) Total net deferred tax assets	**8,704**	**1,215**	**0**	**2,282**	**0**	**12,201**

In particular, net deferred tax assets, totalling Euro 12,201 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 tax losses deemed to be recoverable on the basis of the company's plans, the realisation of which is subject to the intrinsic risk of non-implementation inherent in its provisions.

Please also note that, pursuant to Law 126/20, art. 110 of 13 October 2020, on 15 March 2021 the Board of Directors of the parent company Landi Renzo S.p.A. approved the attribution of tax relevance to the higher values recognised in the item "other intangible assets with finite useful lives" relating to the AEB trademark, through the payment of a flat-rate tax. As a result, after activating the provisions of the above-mentioned regulations, the correlated tax benefits were recognised in the financial statements as at 31 December 2020. This transaction entailed the release of the provision for deferred taxes, recognised in the financial statements as at 31 December 2019, for a total of Euro 1,174 thousand, and the recognition of a tax payable relating to the payment of the above-mentioned flat-rate tax of Euro 126 thousand, a tax which will be paid in three annual instalments according to the provisions of the regulation. The net effect of the transaction reflected in the income statement in 2020 is therefore equal to Euro 1,048 thousand. In this regard, please also note that the deductibility of the amortisation referring to values subject to revaluation for tax purposes will take place starting from 2021, in line with the provisions of the above-mentioned regulation.

Furthermore, with reference to tax losses, the management, assisted by its tax advisors, prepared an analysis aimed at verifying the recoverability of deferred tax assets, based on the forecasts of the 2020-2025 Strategic Plan, approved by the Board of Directors on 12 March 2020 and appropriately adjusted to take into consideration the possible effects of the Covid-19 pandemic (on the basis of information currently available) and incorporate the 2021 budget values, approved by the Board of Directors on 12 March 2021. In particular, the forecast values for the year 2021 incorporate the 2021 budget data approved by the Board of Directors on 12 March 2021, while for the subsequent year (2022) 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. This analysis did not identify any problems related with the recoverability of deferred tax assets recognised in the financial statements, which are fully recoverable during the 2021-2025 plan period.

At 31 December 2020 offsettable deferred tax liabilities totalled Euro 1,668 thousand (Euro 3,338 thousand at 31 December 2019) and are primarily related to temporary differences between the carrying amounts of certain tangible and intangible assets and the values recognised for tax purposes. The decrease for the year of Euro 1,670 thousand relates primarily to the decision to obtain tax relief on the higher values relating to the AEB trademark.

CURRENT ASSETS

11. TRADE RECEIVABLES

Trade receivables (including trade receivables due from related parties), stated net of the related depreciation fund, are analysed by geographical segment as follows:

(Thousands of Euro)

Trade receivables by geographical area	31/12/2020	31/12/2019	Change
Italy	8,231	8,019	212
Europe (excluding Italy)	11,198	7,396	3,802
America	11,745	14,515	-2,770
Asia and Rest of the World	14,326	16,988	-2,662
Provision for bad debts	-6,147	-6,373	226
Total	**39,353**	**40,545**	**-1,192**

Trade Receivables totalled Euro 39,353 thousand at 31 December 2020, net of the Provision for Bad Debts equal to Euro 6,147 thousand, compared with Euro 40,545 thousand at 31 December 2019, a value net of a provision for bad debts of Euro 6,373 thousand.

The Group carried out assignments of trade receivables through factoring without recourse and, at 31 December 2020, the amount of assignments, for which there was derecognition of the related receivables, totalled Euro 11.7 million (Euro 26.8 million at 31 December 2019).

There are no non-current trade receivables or receivables secured by collateral guarantees.

Receivables from related parties totalled Euro 3,079 thousand compared with Euro 3,611 thousand at 31 December 2019 and related to supplies of goods to the Joint Venture Krishna Landi Renzo India Private Ltd, 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, calculated using analytical criteria on the basis of the data available, changed as follows:

(Thousands of Euro)

Provision for bad debts	31/12/2019	Allocation	Uses	Other changes	31/12/2020
Provision for bad debts	6,373	156	-282	-100	6,147

The allocations made during the period, necessary in order to adjust the carrying amount of receivables to their assumed realisation value, totalled Euro 156 thousand (compared with Euro 85 thousand for 2019). Uses during the year, on the other hand, totalled Euro 282 thousand.

The column "Other changes" includes translation differences.

In accordance with the requirements of Accounting Standard IFRS 7, the following table provides information on the maximum credit risk divided by past due credit classes, gross of the bad debt provision:

(Thousands of Euro)

			Past due		
	Total	Not past due	0-30 days	30-60 days	60 and beyond
Trade receivables at 31/12/2020	45,500	24,983	2,120	2,077	16,320
Trade receivables at 31/12/2019	46,918	34,503	5,135	1,660	5,620

12. INVENTORIES

This item breaks down as follows:

(Thousands of Euro)

Inventories	31/12/2020	31/12/2019	Change
Raw materials and parts	28,500	26,542	1,958
Work in progress and semi-finished products	10,865	11,325	-460
Finished products	10,422	9,425	997
(Inventory write-down reserve)	-7,778	-7,518	-260
Total	**42,009**	**39,774**	**2,235**

Closing inventories at 31 December 2020 totalled Euro 42,009 thousand, net of the inventory write-down reserve of Euro 7,778 thousand, and were up compared with 31 December 2019 (Euro 39,774 thousand).

The Group estimated an inventory write-down reserve, the details of which are provided below, to cover risks of technical obsolescence of stocks and to align the carrying amount with their presumed realisation value.

(Thousands of Euro)

Inventory write-down reserve	31/12/2019	Allocation	Uses	Other changes	31/12/2020
Inventory write-down reserve (raw materials)	5,422	500	-26	-80	5,816

Inventory write-down Reserve (finished products in progress)	689	0	0	-5	684
Inventory write-down reserve (finished products)	1,407	0	-105	-24	1,278
Inventory write-down reserve – total	**7,518**	**500**	**-131**	**-109**	**7,778**

The inventory write-down reserve, amounting to Euro 7,778 thousand at 31 December 2020, increased by a total of Euro 260 thousand due to allocations of Euro 500 thousand recognised for slow-moving inventory and utilisations of Euro 131 thousand. "Other changes" relate to translation differences on provisions of the group's foreign companies.

13. OTHER RECEIVABLES AND CURRENT ASSETS

This item breaks down as follows:

(Thousands of Euro)

Other receivables and current assets	31/12/2020	31/12/2019	Change
Tax assets	3,326	3,209	117
Receivables from others	2,695	2,912	-217
Accruals and deferrals	691	1,216	-525
Total	**6,712**	**7,337**	**-625**

Tax assets

Tax assets consist primarily of VAT recoverable from the tax authorities for Euro 1,407 thousand, income tax credit resulting from excess advances paid during previous years by the Parent Company (Euro 684 thousand) and the Group's foreign companies (Euro 695 thousand) and the tax credit linked to the contributions on investments established under Laws 160/19 and 178/20 (Euro 299 thousand).

Receivables from others

(Thousands of Euro)

Receivables from others	31/12/2020	31/12/2019	Change
Advances to suppliers	412	338	74
Receivables from social security institutes	49	35	14
Credit notes to be received	1,016	1,310	-294
Other receivables	1,218	1,229	-11
Total	**2,695**	**2,912**	**-217**

Receivables from others include primarily advances to suppliers (Euro 412 thousand) and provisions for credit notes to be received for premiums from suppliers on purchases (Euro 1,016 thousand), down compared with the previous year as a result of the decline in volumes.

"Other receivables" includes primarily:

- the short-term receivable from AVL Italia S.r.l. relating to the aforementioned sale of the company branch for a total of Euro 570 thousand;
- the receivable of the Parent Company due from SAFE S.p.A. based on the tax consolidation agreement and equal to Euro 436 thousand.

Accruals and deferrals

This item includes primarily prepaid insurance premiums, rentals, type approvals, membership contributions and hardware and software maintenance fees paid in advance.

14. CURRENT FINANCIAL ASSETS

This item breaks down as follows:

(Thousands of Euro)

Current financial assets	31/12/2020	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 new medium/long-term Euro 65 million loan agreement in June 2019 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 originally 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 2021. At 31 December 2020, this item, including accrued interest, was equal to Euro 41 thousand.

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	31/12/2020	31/12/2019	Change
Bank and post office accounts	21,897	22,627	-730
Cash	17	23	-6
Total	**21,914**	**22,650**	**-736**

Cash and cash equivalents at 31 December 2020 totalled Euro 21,914 thousand (Euro 22,650 thousand at 31 December 2019).

For analysis of the production and absorption of cash during the year, please refer to the consolidated Statement of Cash Flows.

The credit risk relating to Cash and cash equivalents is therefore deemed to be limited since the deposits are split over primary national and international banking institutions.

16. SHAREHOLDERS' EQUITY

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

(Thousands of Euro)

Shareholders' equity	31/12/2020	31/12/2019	Change
Share capital	11,250	11,250	0
Other reserves	53,199	49,367	3,832
Profit (loss) for the period	-7,662	6,048	-13,710
Total Shareholders' equity of the Group	**56,787**	**66,665**	**-9,878**
Capital and Reserves attributable to minority interests	-285	-266	-19
Profit (loss) attributable to minority interests	-188	-66	-122
Total minority interests	**-473**	**-332**	**-141**
Total consolidated equity	**56,314**	**66,333**	**-10,019**

The share capital at 31 December 2020 is the share capital fully subscribed and paid-up by the company Landi Renzo S.p.A. which is equal to nominal Euro 11,250 thousand subdivided into a total of 112,500,000 shares, with a nominal value equal to Euro 0.10 each.

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	31/12/2020	31/12/2019	Change
Statutory reserve	2,250	2,250	0
Extraordinary and Other Reserves	20,231	16,399	3,832
Share Premium Reserve	30,718	30,718	0
Total Other Reserves of the Group	**53,199**	**49,367**	**3,832**

The balance of the Statutory Reserve at 31 December 2020 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 3,832 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 1,015 thousand;
- the recognition in the statement of comprehensive income of a part of the measurement of the joint venture SAFE&CEC for Euro -1,010 thousand, based on the equity method;
- the recognition in shareholders' equity pursuant to IFRS 2 of the Performance share plan for a positive Euro 177 thousand;
- the recognition, according to hedge accounting rules, of derivative financial contracts for Euro -324 thousand;
- other changes for a total negative amount of Euro -44 thousand.

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

As a result of the realignment, pursuant to art. 110 of Decree Law 104/2020 as already mentioned with regard to deferred tax assets, there is a tax suspension restriction in the amount of Euro 4,082 thousand on the "share premium reserve".

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

17. NON-CURRENT BANK LOANS

This item breaks down as follows:

(Thousands of Euro)

Non-current bank loans	31/12/2020	31/12/2019	Change
Loans and financing	68,672	51,561	17,111
Amortised cost	-491	-570	79
Total	**68,181**	**50,991**	**17,190**

This item includes the medium/long term portion of bank debts for unsecured loans and finance. It totalled Euro 68,181 thousand at 31 December 2020, compared with Euro 50,991 thousand at 31 December 2019, marking an increase of Euro 17,190 thousand.

Given the macroeconomic context in 2020, overshadowed by considerable uncertainty as to cash flows due to the effects on the international markets of the Covid-19 pandemic and in the absence of visibility with respect to the intensity and, especially, the duration of the ongoing discontinuity, the Group's management worked to mitigate the harmful consequences deriving from the pandemic, immediately devoting considerable attention to the financial position, medium-term cash forecasts and opportunities deriving from the special regulations launched by the Italian government in order to preserve the Group's level of liquidity.

In this context, the following loans were taken out:

- in March 2020, 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, in order to support current operations, strengthen the capital structure and boost Group liquidity;

- on 30 July 2020, Landi Renzo S.p.A. took out a new subsidised loan from a pool of banks (the same leading financial institutions from which the Euro 65 million loan was taken out in June 2019) 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 allowed for a consolidation of the Company's and the Group's financial position, which made it possible to best handle the financial commitments deriving from operating activities.

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 borrowing currency is the Euro, except for the loan provided in United States dollars by the Bank of the West, totalling USD 4 million. The loans are not secured by real collateral and there are no clauses other than the early payment clauses normally envisaged by commercial practice.

The repayment plan for the medium/long-term loans, based on the balances at 31 December 2020, is shown below.

(Thousands of Euro)

Maturities	Loans and financing
2021	15,170
Amortised cost	-257
Bank financing and short-term loans	**14,913**
2022	13,587
2023	16,095
2024	29,809
2025	5,902
2026	3,279
Amortised cost	-491
Non-current bank loans	**68,181**
Total	**83,094**

It should be noted that, as indicated in point 2.h) of the Report on Corporate Governance and Ownership Structure, early settlement of loan agreements may be requested should there be a change of control of the Parent Company.

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

It is considered that the carrying amount of non-current bank loans is aligned with their fair value at the date of the financial statements.

At 31 December 2020, the Group had the following further short-term credit facilities, available but not used:

(Thousands of Euro)

Credit facilities	2020
Cash facility	4,410
Facility for various uses	25,406
Total	**29,819**

18. OTHER NON-CURRENT FINANCIAL LIABILITIES

This item, amounting to Euro 408 thousand, relates to the non-current share of the loan obtained by the subsidiary Landi Renzo Polska originally 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.

As this loan was disbursed to support companies in difficulty as a result of the pandemic, it may be converted, all or in part, into a non-repayable grant when specific conditions are met. As at 31 December 2020, the first of these conditions was met and as a result the relative portion, equal to 25% of the loan, was recognised in the income statement.

This loan has a 12 month pre-amortisation period and is to be repaid in 24 monthly instalments.

The annual repayment plan of other financial liabilities, based on the balances at 31 December 2020, is shown below.

(Thousands of Euro)

Maturities	Other financial liabilities
2021	378
Amortised cost	0
Other current financial liabilities	**378**
2021	288
2022	120
Amortised cost	0
Other non-current financial liabilities	**408**
Total	**786**

19. NON-CURRENT LIABILITIES FOR RIGHTS OF USE

This item breaks down as follows:

(Thousands of Euro)

	Net Value at 31/12/2019	Increases	Repayments	Other changes	Net Value at 31/12/2020
Buildings	5,665	854	-2,074	30	4,475
Motor vehicles	862	80	-325	7	624
Total	**6,527**	**934**	**-2,399**	**37**	**5,099**
of which current	1,992				2,228
of which non-current	4,535				2,871

Right-of-use liabilities of Euro 5,099 thousand were recognised in the financial statements at 31 December 2020 (Euro 6,527 thousand at 31 December 2019), after repayments of Euro 2,399 thousand.

20. PROVISIONS FOR RISKS AND CHARGES

This item and changes in it are shown in detail below:

(Thousands of Euro)

Provisions for risks and charges	31/12/2019	Allocation	Utilisation	Other changes	31/12/2020
Provision for product warranties	3,328	1,158	-1,701	-119	2,666
Provision for lawsuits in progress	82	0	0	-23	59
Provisions for pensions	71	4	0	0	75
Other provisions	128	0	-31	0	97
Total	**3,609**	**1,162**	**-1,732**	**-142**	**2,897**

The item “Provision for product warranties” includes the best estimate of the costs related to the commitments that the Group companies have incurred as an effect of legal or contractual provisions, in relation to the expenses connected with providing product warranties for a fixed period of time starting from the sale thereof. This estimate was calculated with reference to the historical data of the Group, on the basis of specific contractual content. At 31 December 2020 this provision totalled Euro 2,666 thousand, after allocations of Euro 1,158 thousand, down compared with the previous year as they were directly correlated with turnover trends. Uses of the provision for risks for product warranties totalling Euro 1,701 thousand are due to the coverage of warranty costs correlated with supplies of components in previous years.

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

The pensions reserve relates to the provision accrued for additional agents' customer indemnity, including provisions for the year of Euro 4 thousand.

21. DEFINED BENEFIT PLANS FOR EMPLOYEES

The following is the overall change in defined benefit plans for employees:

(Thousands of Euro)

Defined benefit plans for employees	31/12/2019	Allocation	Utilisation	Other changes	31/12/2020
Employee post benefits	1,630	6	-137	57	1,556

The use of Euro 137 thousand refers to the amounts paid to employees who ceased working during the year, while other changes incorporates the actuarial adjustment of the provision (gains of Euro 57 thousand).

The main economic and financial assumptions used by the actuary in charge of estimates, methodologically unchanged since the previous year, are as follows:

Actuarial assumptions used for evaluations	31/12/2020
Demographic table	2019
Discount rate	0.09%
Probability of request for advance	0.8%
Expected % of employees who will resign before pension	7.1%
Maximum % of TFR (employee severance indemnity) requested in advance	70%
Annual cost of living increase rate	1.0%

The sensitivity analysis shows insignificant variances with respect to the value recognised in the financial statements at 31 December 2020.

22. DEFERRED TAX LIABILITIES

At 31 December 2020 deferred tax liabilities that do not meet the offsetting requirements totalled Euro 297 thousand (Euro 407 thousand at 31 December 2019) with a decrease equal to Euro 110 thousand, and are primarily related to temporary differences between the book values of certain intangible assets and the values recognised for tax purposes.
The following table shows the values of the deferred tax liabilities and their movements from 31 December 2019 to 31 December 2020:

Deferred tax liabilities	31/12/2019	Uses	Temporary differences	Other changes	31/12/2020
Intangible assets	346	-77		-33	236
Other temporary differences	61	0		0	61
Total deferred tax liabilities	**407**	**-77**	**0**	**-33**	**297**

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	31/12/2020	31/12/2019	Change
Derivatives on interest rates					
Loans	2	51,100	458	30	428
Total			**458**	**30**	**428**

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 requirements laid out in IFRS 9.

To partially reduce risks connected with fluctuating interest rates, the Group has entered into financial derivative contracts (interest rate swaps) in order to cover:

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

CURRENT LIABILITIES

24. BANK FINANCING AND SHORT-TERM LOANS

The breakdown in this item is shown in detail below:

(Thousands of Euro)

Bank financing and short-term loans	31/12/2020	31/12/2019	Change
Advances, import fin. and other current bank payables	8,195	16,693	-8,498
Loans and financing	15,170	13,034	2,136
Amortised cost	-257	-267	10
Total	**23,108**	**29,460**	**-6,352**

At 31 December 2020 this item, amounting to Euro 23,108 thousand, compared with Euro 29,460 thousand in 2019, was made up of the current portion of existing loans and financing totalling Euro 15,170 thousand, before the effect of amortised cost, and the use of short-term commercial credit lines totalling Euro 8,195 thousand.

The table below provides the detail of the Group's Net Financial Position:

(Thousands of Euro)	31/12/2020	31/12/2019
Cash and cash equivalents	21,914	22,650
Current financial assets	2,801	2,801
Bank financing and short-term loans	-23,108	-29,460
Current right-of-use liabilities	-2,228	-1,992
Other current financial liabilities	-378	-210
Net short term indebtedness	**-999**	**-6,211**
Non-current bank loans	-68,181	-50,991
Other non-current financial liabilities	-408	0
Non-current right-of-use liabilities	-2,871	-4,535
Liabilities for derivative financial instruments	-458	-30
Net medium-long term indebtedness	**-71,918**	**-55,556**
Net Financial Position	**-72,917**	**-61,767**
Net Financial Position - adjusted (*)	**-67,360**	**-55,210**

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

The Net Financial Position as at 31 December 2020 is indeed equal to Euro 72,917 thousand (Euro 61,767 thousand as at 31 December 2019), of which Euro 5,099 thousand due to the application of IFRS 16 - Leases and Euro 458 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 31 December 2020 would have been equal to Euro 67,360 thousand, after net investments for Euro 11,611 thousand.

Although it has increased compared with the figure at 31 December 2019, thanks to the recovery in turnover and the measures for the management and reduction of working capital undertaken by the management, the Group's net financial position declined from Euro 86,055 thousand at 30 September 2020 to Euro 72,917 thousand at 31 December 2020, marking an improvement of Euro 13,138 thousand.

25. OTHER CURRENT FINANCIAL LIABILITIES

This item, totalling Euro 378 thousand (Euro 210 thousand at 31 December 2019), includes:

- Euro 210 thousand for the short-term portion of a subsidised loan disbursed by Simest to support a plan to expand trade in the USA, subject to a 12-month moratorium due to the effects of the Covid-19 pandemic;

- Euro 168 thousand relating to the short-term portion of the loan obtained by the subsidiary Landi Renzo Polska disbursed by the Polish Development Fund (PFR) on the basis of the business support measures enacted by the Polish government to offset the negative effects of the Covid-19 pandemic on that country's economy.

26. CURRENT LIABILITIES FOR RIGHTS OF USE

This item amounted to Euro 2,228 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 international accounting standard IFRS 16 - Leases.

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	31/12/2020	31/12/2019	Change
Italy	40,680	43,506	-2,826
Europe (excluding Italy)	9,584	5,082	4,502
America	1,117	1,307	-190
Asia and Rest of the World	2,128	2,040	88
Total	**53,509**	**51,935**	**1,574**

Trade payables at 31 December 2020 (Euro 53,509 thousand) reported an increase equal to Euro 1,574 thousand compared with the previous year (Euro 51,935 thousand).

Trade payables to related parties of Euro 1,057 thousand refer mainly to relations with the companies Gireimm S.r.l. and Gestimm S.r.l. for property lease payments and relationships for the supply of goods with the joint venture Krishna Landi Renzo India Private Ltd.

28. TAX LIABILITIES

At 31 December 2020 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 2,677 thousand, compared with Euro 2,134 thousand at 31 December 2019. The item tax liabilities also includes Euro 1,111 thousand in withholdings relating to monthly payments for the year 2020 for which the Company will make the payments in the course of 2021.

Tax liabilities also include the flat-rate tax payable of Euro 126 thousand recognised following the fiscal realignment of the AEB trademark.

29. OTHER CURRENT LIABILITIES

This item breaks down as follows:

(Thousands of Euro)

Other current liabilities	31/12/2020	31/12/2019	Change
Payables to welfare and social security institutions	1,625	1,512	113
Other payables (payables to employees, to others)	2,805	3,047	-242
Advance payments	247	65	182
Accrued expenses and deferred income	358	43	315
Total	**5,035**	**4,667**	**368**

Other current liabilities amount to Euro 5,035 thousand (Euro 4,667 thousand at 31 December 2019). In particular, the "Other Payables" item, amounting to Euro 2,805 thousand, refers primarily to payables for current pay and deferred pay to be settled in relation to employees.

The "Advance payments" item, Euro 247 thousand at 31 December 2020, mainly relates to advances paid by customers.

The item accrued expenses and deferred income rose due to the deferred income on the investment contributions provided by Laws 160/19 and 178/20.

INCOME STATEMENT

30. REVENUES FROM SALES AND SERVICES

This item breaks down as follows:

(Thousands of Euro)

Revenues from sales and services	31/12/2020	31/12/2019	Change
Revenues related to the sale of assets	139,415	186,040	-46,625
Revenues for services and other revenues	3,040	5,812	-2,772
Total	**142,455**	**191,852**	**-49,397**

During 2020, the Landi Renzo Group achieved revenues of Euro 142,455 thousand, a decrease of Euro 49,397 thousand compared with the previous year. This decrease is due to the effects of the Covid-19 pandemic. For more details, please refer to the Directors' Report.

Revenues from related parties totalling Euro 1,534 thousand refer to supplies of goods to the Joint Venture Krishna Landi Renzo India Private Ltd and to the Joint Venture EFI Avtosanoat-Landi Renzo LLC, as well as the supply of services to SAFE & CEC S.r.l.

31. OTHER REVENUES AND INCOME

This item breaks down as follows:

(Thousands of Euro)

Other revenues and income	31/12/2020	31/12/2019	Change
Grants	211	166	45
Other income	102	435	-333
Total	**313**	**601**	**-288**

Other revenues and income amounted to Euro 313 thousand (Euro 601 thousand at 31 December 2019) and relate primarily to the non-repayable grant received by Landi Renzo Polska (Euro 197 thousand), on the basis of the subsidies provided by the Polish government to handle the effects of the Covid-19 pandemic on that country's economy.

32. COST OF RAW MATERIALS, CONSUMABLES AND GOODS AND CHANGE IN INVENTORIES

This item breaks down as follows:

(Thousands of Euro)

Cost of raw materials, consumables and goods and change in inventories	31/12/2020	31/12/2019	Change
Raw materials and parts	50,817	81,079	-30,262
Finished products intended for sale	28,541	17,463	11,078
Other materials and equipment for use and consumption	4,854	1,968	2,886
Total	**84,212**	**100,510**	**-16,298**

The total costs for purchases of raw materials, consumables and goods (including the change in inventories) amount to Euro 84,212 thousand (Euro 100,510 thousand at 31 December 2019), a decrease of Euro 16,298 thousand following the decline in sales due to the effects of the Covid-19 pandemic.

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	31/12/2020	31/12/2019	Change
Industrial and technical services	18,768	25,542	-6,774
Commercial services	2,334	3,335	-1,001
General and administrative services	5,409	6,911	-1,502
Non-recurring strategic consultancy	693	1,426	-733
Costs for use of third-party assets	640	835	-195
Total	**27,844**	**38,049**	**-10,205**

Costs for services and use of third-party assets amounted to Euro 27,844 thousand (Euro 38,049 thousand at 31 December 2019) with a decrease of Euro 10,205 thousand, and are inclusive of non-recurring costs totalling Euro 693 thousand, of which Euro 511 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 182 thousand for costs incurred by the Group for the countermeasures undertaken to deal with the Covid-19 pandemic, in particular relating to workplace sanitisation. The decrease in costs for services and use of third-party assets was primarily due to the reduction in:

- costs for industrial and technical services (Euro 6,774 thousand), due for the most part to the decline in activities caused by the Covid-19 pandemic, which entailed a reduction in recourse to outsourcing; and

- costs for commercial, general and administrative services (totalling Euro 2,503 thousand) thanks to the cost containment 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 IFRS 16 - Leases, i.e. those relating to low-value assets or with a duration of 12 months or less.

34. PERSONNEL EXPENSES

Personnel expenses are shown in detail below:

(Thousands of Euro)

Personnel costs	31/12/2020	31/12/2019	Change
Wages and salaries	13,611	16,162	-2,551
Social security contributions	4,607	5,195	-588
Expenses for defined benefit plans	1,055	1,043	12
Temporary agency work and transferred work	1,794	3,362	-1,568
Directors' remuneration	659	1,017	-358
Non-recurring personnel costs and expenditure	672	119	553
Total	**22,398**	**26,898**	**-4,500**

Personnel costs totalled Euro 22,398 thousand, a decrease compared with the same period of the previous year (Euro 4,500 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 social security nets, such as the temporary lay-off scheme () in Italy and similar tools in other countries, aside from encouraging more use of the holidays accrued by employees. Furthermore, the decline in business caused by the pandemic also entailed a reduction in recourse to temporary work.

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 177 thousand to the provision for the period for the 2019-2021 Performance Shares Plan and for Euro 495 thousand to the voluntary retirement incentives agreed upon with some employees.

Refer to the Report on Remuneration published pursuant to Article 123-*ter* of the Consolidated Law on Finance for details of directors' remuneration.

The average and peak number of employees in the Group's workforce, divided by qualification, in the two years being analysed is as follows:

	Average			Peak		
Number of employees	**31/12/2020**	**31/12/2019**	**Change**	**31/12/2020**	**31/12/2019**	**Change**
Executives and Clerical Staff	304	305	-1	294	311	-17
Manual workers	259	229	30	253	260	-7
Total	**563**	**534**	**29**	**547**	**571**	**-24**

These values do not include temporary agency workers, fixed contract collaborators or the directors.

Performance Shares Plan

On 29 April 2019, the Shareholders' Meeting approved, pursuant to article 114-bis of Italian Legislative Decree 58/98, a compensation plan named the "2019-2021 Performance Shares Plan" concerning the free assignment of the right to receive Landi Renzo S.p.A. ordinary shares free of charge (for a maximum total of 3,200,000 shares), based on the degree to which specific performance objectives are reached. The assignment of shares is subject to reaching at least one of the performance objectives as well as the existence, at the date of assignment of the shares, of the employment and/or management relationship with the Company or its subsidiaries.

The plan's beneficiary is the Parent Company's Chief Executive Officer, as other managers to be named as recipients of the incentive plan were not identified within the established terms.

The plan aims to reward the achievement of targets for the 2019-2021 period, as well as incentivise the alignment of the interests of the management with those of the shareholders with a view to creating value over a medium/long-term horizon. The Plan lasts for three years and provides for the assignment of shares in a lump sum at the end of the vesting period.

The value of this plan, measured by an independent expert, is recognised to the extent of the share for the year, with a contra-entry in shareholders' equity, as it was defined as equity settled based on IFRS 2. In the year 2020, the amount recognised for this plan was Euro 177 thousand.

35. ACCRUALS, WRITE-DOWNS OF RECEIVABLES AND OTHER OPERATING EXPENSES

This item breaks down as follows:

(Thousands of Euro)

Accruals, write-downs and other operating expenses	**31/12/2020**	**31/12/2019**	**Change**
Other taxes and duties	246	248	-2
Other operating expenses	101	236	-135
Losses on receivables	1	9	-8
Provision for product warranties	1,158	1,710	-552
Bad debts	156	85	71
Total	**1,662**	**2,288**	**-626**

Allocations, write-downs and other operating expenses totalled Euro 1,662 thousand (Euro 2,288 thousand at 31 December 2019), with a decrease of Euro 626 thousand, mainly deriving from lower provisions for product warranties, directly correlated with volumes sold.

36. AMORTISATION, DEPRECIATION AND IMPAIRMENT

This item breaks down as follows:

(Thousands of Euro)

Amortisation, depreciation and impairment	31/12/2020	31/12/2019	Change
Amortisation of intangible assets	6,050	5,558	492
Depreciation of tangible assets	3,889	4,075	-186
Depreciation of rights of use	2,254	2,133	121
Total	**12,193**	**11,766**	**427**

Amortisation and depreciation amounted to Euro 12,193 thousand, substantially in line with the same period of the previous year (Euro 11,766 thousand).
No elements emerged from the analysis which revealed the need to change the useful lifetime of tangible and intangible assets.

37. FINANCIAL INCOME

This item breaks down as follows:

(Thousands of Euro)

Financial income	31/12/2020	31/12/2019	Change
Interest income on bank deposits	15	40	-25
Other income	283	77	206
Total	**298**	**117**	**181**

Financial income totalled Euro 298 thousand (Euro 117 thousand at 31 December 2019) and primarily refers to interest income on bank deposits and other financial income.

38. FINANCIAL EXPENSES

This item breaks down as follows:

(Thousands of Euro)

Financial expenses	31/12/2020	31/12/2019	Change
Interest on bank overdrafts and loans and loans from other financiers	2,552	2,887	-335
Bank charges and commissions	754	1,221	-467
Other operating expenses	4	4	0
Total	**3,310**	**4,112**	**-802**

Financial expenses at 31 December 2020 amounted to Euro 3,310 thousand and essentially include bank interest charges, interest on loans, interest on non-recourse factoring, actuarial losses deriving from the discounting of the TFR (employee severance indemnity) reserve and bank charges, in addition to the financial effect arising from the adoption of IFRS 16 - Leases (Euro 164 thousand).

39. EXCHANGE GAINS AND LOSSES

This item breaks down as follows:

(Thousands of Euro)

Exchange gains and losses	31/12/2020	31/12/2019	Change
Positive exchange differences realised	417	633	-216
Positive exchange differences from valuation	4,571	1,322	3,249
Negative exchange differences realised	-1,786	-994	-792
Negative exchange differences from valuation	-6,029	-1,679	-4,350
Total	**-2,827**	**-718**	**-2,109**

The net exchange differences amounted to Euro -2,827 thousand (Euro -718 thousand at 31 December 2019), mainly due to losses from valuation deriving from the effects of the Covid-19 pandemic on the international exchange markets. Specifically, the Group was impacted by the effects of the depreciation of the Brazilian and Argentinian currencies, by 41% and 53%, respectively, compared with the exchange rates at 31 December 2019.

At 31 December 2020, the Group did not have financial instruments hedging exchange rate risk.

In accordance with the requirements of IFRS 7, financial income and expenses ascribed to the income statement are analysed below by individual financial instrument category:

(Thousands of Euro)

	31/12/2020	31/12/2019
Interest income on cash and cash equivalents	15	40
Interest expenses from financial liabilities measured at amortised cost	-2,552	-2,887
Exchange gains (losses)	-2,827	-718
Total	**-5,364**	**-3,565**

40. INCOME (EXPENSES) ATTRIBUTABLE TO EQUITY INVESTMENTS MEASURED USING THE EQUITY METHOD

This item, totalling Euro -11 thousand (a positive Euro 285 thousand as at 31 December 2019), includes the valuation using the equity method of the Group's equity investments and joint ventures, or mainly:

- the write-down of the equity investment in the joint venture SAFE&CEC S.r.l. for Euro 101 thousand (write-down of Euro 92 thousand at 31 December 2019);
- the revaluation of the equity investment in the company Krishna Landi Renzo India Private Ltd for Euro 90 thousand (revaluation of Euro 268 thousand at 31 December 2019).

41. TAXES

Income taxes are shown in detail below:

(Thousands of Euro)

Taxes	31/12/2020	31/12/2019	Change
Current taxes	151	-3,820	3,971
Deferred (prepaid) taxes	3,390	1,288	2,102
Total	**3,541**	**-2,532**	**6,073**

Taxes at 31 December 2020 totalled a positive Euro 3,541 thousand, compared with a negative Euro 2,532 thousand at 31 December 2019. The Parent Company recognised deferred tax assets on tax losses on the basis of a specific tax plan prepared with the support of tax advisors, for Euro 1,547 thousand.
Please also note that, pursuant to Law 126/20, art. 110 of 13 October 2020, on 12 March 2021 the Board of Directors of the parent company Landi Renzo S.p.A. approved the attribution of tax relevance to the higher values recognised in the item "other intangible assets with finite useful lives" relating to the AEB trademark, for the payment of a flat-rate tax. As a result, after activating the provisions of the above-mentioned regulations, the correlated tax benefits were recognised in the financial statements of the Company as at 31 December 2020. This transaction entailed the release of the provision for deferred taxes, recognised in the financial statements as at 31 December 2019, for a total of Euro 1,174 thousand, and the recognition of a tax payable relating to the payment of the above-mentioned flat-rate tax of Euro 126 thousand, a tax which will be paid in three annual instalments according to the provisions of the regulation. The net effect of the transaction described reflected in the income statement in 2020 is equal to Euro 1,048 thousand.
Management, assisted by its tax advisors, prepared an analysis based on the forecasts of the 2020-2025 Strategic Plan, 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 results for 2021 and the following years,

aimed at verifying the recoverability of deferred tax assets. This analysis did not identify any problems related with the recoverability of deferred tax assets recognised in the financial statements.

Current taxes are shown in detail in the table below:

(Thousands of Euro)

Current taxes	31/12/2020	31/12/2019	Change
IRES	0	-2,671	2,671
IRAP	332	-579	911
Current taxes of foreign companies	-181	-570	389
Total	**151**	**-3,820**	**3,971**

42. EARNINGS (LOSS) PER SHARE

The “basic” earnings/(loss) per share was calculated by relating the net profit/(loss) of the Group to the weighted average number of ordinary shares in circulation in the period (112,500,000). The “basic” earnings share, which corresponds to the “diluted” loss per share, since there are no convertible bonds, was a negative Euro 0.0681 at 31 December 2020, compared with a loss per share of Euro 0.0538 at 31 December 2019.

The result and the number of ordinary shares used for the purposes of calculating basic earnings per share, determined according to the methodology specified by IAS 33, are provided below.

Consolidated earnings/(loss) per share	31/12/2020	31/12/2019
Consolidated earnings/(loss) for the period attributable to the Parent Company shareholders (Euro/thousand)	-7,662	6,048
Average number of shares in circulation	112,500,000	112,500,000
Basic earnings/(loss) per share for the period	-0.0681	0.0538

OTHER INFORMATION

43. INFORMATION ON THE FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

As required by IFRS 7 – Financial Instruments, the attached table provides a comparison between the carrying amount and the fair value of all the financial assets and liabilities, divided according to the categories identified by the above-mentioned accounting standard.

(Thousands of Euro)	31/12/2020		31/12/2019	
	Carrying amount	Fair value	Carrying amount	Fair value
Other non-current financial assets	3,771	3,771	3,754	3,754
Receivables and other current assets	46,065	46,065	47,882	47,882
Other current financial assets	2,801	2,801	2,801	2,801
Cash and cash equivalents	21,914	21,914	22,650	22,650
Trade payables and other current liabilities	58,544	58,544	56,602	56,602
Financial liabilities measured at amortised cost - non-current portion	71,460	71,460	55,526	55,526
Financial liabilities measured at amortised cost - current portion	25,714	25,714	31,662	31,662

The carrying amount of bank overdrafts and short-term loans and loans and financing approximates their fair value at 31 December 2020, since such classes of financial instruments are indexed at the Euribor market rate.

44. COMMITMENTS

At 31 December 2020, the Group did not have any significant commitments.

45. ANALYSIS OF THE MAIN DISPUTES IN PROGRESS

At 31 December 2020, the Group was involved in proceedings, brought both by and against it, for non-significant amounts.

46. 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 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 Landi Renzo Group deals with related parties at conditions considered to be arm's length on the markets in question, taking account of the characteristics of the goods and the services supplied.

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
SAFE&CEC S.r.l.	0	204	0	0	0	101	0	74	0	0
SAFE S.p.A.	142	0	0	0	0	0	-82	436	0	2,801
Gireimm S.r.l.	0	0	0	884	0	0	0	0	634	0
Gestimm S.r.l.	0	0	0	629	0	0	0	0	216	0
Krishna Landi Renzo India Priv. Ltd	565	232	134	0	0	-90	0	2,345	199	600
Efi Avtosanoat	391	0	0	0	0		0	446	0	0
Reggio Properties LLC	0	0	0	105	0	0	0	0	8	0
Autofuels	0	0	0	0	0	0	0	214	0	0
	1,098	**436**	**134**	**1,618**	**0**	**11**	**-82**	**3,515**	**1,057**	**3,401**

47. NON-RECURRING SIGNIFICANT EVENTS AND TRANSACTIONS

Pursuant to Consob communication no. 6064293 of 28 July 2006, regarding non-recurring significant events or transactions occurring during 2020, there are non-recurring transactions, indicated in Notes 33 and 34 of the Consolidated Income Statement, relating to costs incurred for strategic consulting (Euro 693 thousand) and provisions for medium/long-term performance bonuses relating to the 2019-2021 three-year period as well as voluntary redundancy payments (Euro 672 thousand).
Also in light of Consob communication no. 0031948 of 10 March 2018, the above-mentioned transactions are deemed non-recurring by the management given their specific nature and the infrequency with which they occur in the normal course of business.

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

Pursuant to Consob communication no. 6064293 of 28 July 2006, during the year no atypical and/or unusual transactions occurred outside the normal operation of the company that could give rise to doubts regarding the correctness and completeness of the information in the financial statements, conflicts of interest, protection of company assets, safeguarding of minority shareholders.

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

Please refer to the analysis provided in the Directors' Report.

G) INFORMATION PURSUANT TO ARTICLE 149-*duodecies* OF THE CONSOB ISSUER REGULATIONS

In compliance with the express provisions of the Consob Issuer Regulations - Article 149 - payments, stated in the Group's 2020 Income Statement, made for services rendered by the auditing firm, and by entities belonging to its network, to the companies belonging to the Landi Renzo Group are listed below.

(Thousands of Euro)

Type of Services	Subject who provided the service	Remuneration 2020
Auditing	PricewaterhouseCoopers S.p.A.	170
Other services	PricewaterhouseCoopers S.p.A. and PwC network	54

Annex 1

Consolidated Income Statement at 31 December 2020, prepared in application of the requirements of Consob resolution 15519 of 27/06/2006 and Consob Communication no. DEM/6064293 of 28/07/2006.

(Thousands of Euro)

CONSOLIDATED INCOME STATEMENT	Notes	31/12/2020	of which transactions with related parties	Weight %	31/12/2019	of which transactions with related parties	Weight %
Revenues from sales and services	30	142,455	1,534	1.1%	191,852	2,443	1.3%
Other revenues and income	31	313			601		
Cost of raw materials, consumables and goods and change in inventories	32	-84,212	-134	0.2%	-100,510	-29	0.0%
Costs for services and use of third-party assets	33	-27,844	-1,618	5.8%	-38,049	-1,773	4.7%
Personnel costs	34	-22,398			-26,898		
Allocations, write-downs and other operating expenses	35	-1,662			-2,288		
Gross operating profit		**6,652**			**24,708**		
Amortisation, depreciation and impairment	36	-12,193			-11,766		
Net operating profit		**-5,541**			**12,942**		
Financial income	37	298	-82	-27.5%	117	41	35.0%
Financial expenses	38	-3,310			-4,112		
Exchange gains (losses)	39	-2,827			-718		
Profit (loss) from equity investments measured using the equity method	40	-11	-11	-100.0%	285	285	100.0%
Profit (loss) before tax		**-11,391**			**8,514**		
Current and deferred taxes	41	3,541			-2,532		
Net profit (loss) for the Group and minority interests, including:		**-7,850**			**5,982**		
Minority interests		-188			-66		
Net profit (loss) for the Group		-7,662			6,048		
Basic earnings (loss) per share (calculated on 112,500,000 shares)	42	-0.0681			0.0538		
Diluted earnings (loss) per share		-0.0681			0.0538		

Annex 2

Consolidated Statement of Financial Position at 31 December 2020, prepared in application of the requirements of Consob resolution 15519 of 27/06/2006 and Consob Communication no. DEM/6064293 of 28/07/2006.

(Thousands of Euro)

ASSETS	Notes	31/12/2020	of which transactions with related parties	Weight %	31/12/2019	of which transactions with related parties	Weight %
Non-current assets							
Land, property, plant, machinery and other equipment	2	13,212			11,578		
Development expenditure	3	9,506			8,228		
Goodwill	4	30,094			30,094		
Other intangible assets with finite useful lives	5	10,860			12,536		
Right-of-use assets	6	4,975			6,402		
Equity investments measured using the equity method	7	22,509			23,530		
Other non-current financial assets	8	921	600	65.1%	334		
Other non-current assets	9	2,850			3,420		
Deferred tax assets	10	12,201			8,704		
Total non-current assets		**107,128**			**104,826**		
Current assets							
Trade receivables	11	39,353	3,079	7.8%	40,545	3,611	8.9%
Inventories	12	42,009			39,774		
Other receivables and current assets	13	6,712	436	6.5%	7,337	436	5.9%
Other current financial assets	14	2,801	2,801	100.0%	2,801	2,801	100.0%
Cash and cash equivalents	15	21,914			22,650		
Total current assets		**112,789**			**113,107**		
TOTAL ASSETS		**219,917**			**217,933**		

(Thousands of Euro)

SHAREHOLDERS' EQUITY AND LIABILITIES	Notes	31/12/2020	of which transactions with related parties	Weight %	31/12/2019	of which transactions with related parties	Weight %
Shareholders' equity							
Share capital	16	11,250			11,250		
Other reserves	16	53,199			49,367		
Profit (loss) for the period	16	-7,662			6,048		
Total Shareholders' equity of the Group		**56,787**			**66,665**		
Minority interests	16	-473			-332		
TOTAL SHAREHOLDERS' EQUITY		**56,314**			**66,333**		
Non-current liabilities							
Non-current bank loans	17	68,181			50,991		
Other non-current financial liabilities	18	408			0		
Non-current liabilities for rights of use	19	2,871			4,535		
Provisions for risks and charges	20	2,897			3,609		
Defined benefit plans for employees	21	1,556			1,630		
Deferred tax liabilities	22	297			407		
Liabilities for derivative financial instruments	23	458			30		
Total non-current liabilities		**76,668**			**61,202**		
Current liabilities							
Bank financing and short-term loans	24	23,108			29,460		
Other current financial liabilities	25	378			210		
Current liabilities for rights of use	26	2,228			1,992		
Trade payables	27	53,509	1,057	2.0%	51,935	1,982	3.8%
Tax liabilities	28	2,677			2,134		
Other current liabilities	29	5,035			4,667		
Total current liabilities		**86,935**			**90,398**		
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**219,917**			**217,933**		

LANDIRENZO

Certification on the consolidated financial statements pursuant to art. 154-*bis* of Legislative Decree 58/98

The undersigned Cristiano Musi, Chief Executive Officer, and Paolo Cilloni, Officer in charge of preparing the corporate financial statements, of Landi Renzo Group, state, having regard also to the provisions of art. 154-*bis*, paragraphs 3 and 4, of legislative decree No. 58 dated 24th February 1998:

- the adequacy of consolidated financial statements in relation to the relative corporate characteristics, and
- the effective application

of the administrative and accounting procedures for the preparation of the consolidated financial statements during the course of 2020.

In addition, the undersigned state that the consolidated financial statements at 31st December 2020:

- have been prepared in accordance with the international accounting standards acknowledged by the European Community pursuant to regulation (EC) no. 1606/2002 of the European Parliament and of the Council of 19th July 2002;
- correspond to the results in the accounting books and records;
- are suitable to give a true and correct representation of the equity, economic and financial position of the issuer and of all the companies included in the scope of consolidation.

The report on operating performance includes a reliable analysis on trends and performance, on Company's financial situation and on Group Companies included in the consolidation, together with a description of the main risks and uncertainties which are exposed.

Cavriago, 15th March 2021

CEO Cristiano Musi	The Officer in Charge Paolo Cilloni

LANDI RENZO S.P.A. lpg and ngv systems
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E-MARKET SDIR CERTIFIED

Independent Auditor's Report

in accordance with article 14 of Legislative Decree No.39 of 27 January 2010 and article 10 of Regulation (EU) No. 537/2014

To the Shareholders of
Landi Renzo SpA

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Landi Renzo SpA (hereinafter also the "Company") and its subsidiaries (hereinafter also the "Landi Renzo Group"), which comprise the consolidated statement of financial position as of 31 December 2020, the consolidated income statement, the consolidated statement of comprehensive income, consolidated statement of changes in shareholders' equity, consolidated cash flow statement for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Landi Renzo Group as of 31 December 2020 and of the result of its operations and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No. 38/2005.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of this report. We are independent of Landi Renzo SpA pursuant to the regulations and standards on ethics and independence applicable to audits of financial statements under Italian law. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matters	*Auditing procedures performed in response to key audit matters*
Recoverability of goodwill *See note 4 "Goodwill" and the paragraph "Accounting standards and valuation criteria" of the explanatory notes.* As at 31 December 2019 goodwill recognised in the consolidated financial statements related to the cash generating unit (hereinafter also "CGU") "Automotive" amounted to Euro 30.1 million. These figures are unchanged as at 31 December 2020. The Company is required to verify, at least annually, the recoverability of goodwill recognised. This was considered a key audit matter for the purpose of the statutory audit of the consolidated financial statements in consideration of the significant impact of this caption on the Group consolidated statement of financial position, in consideration of the economic-financial forecasts 2021-2025 as well as due to the current macro-economic uncertainty context arising from the spread of Covid-19 pandemic. The valuation models underlying the determination of the recoverable amounts (value in use) of the CGU including the goodwill have been prepared with the support of an external advisor and are based on complex evaluations and estimates of management, having as a reference the above-mentioned economic-financial forecasts. In particular, the valuation models of the recoverable amounts of the CGU including the goodwill and the assumptions included in those models are influenced by future market conditions,	 Our audit approach preliminarily consisted of understanding and evaluating the methods and procedures defined by the Company to determine the recoverable amounts of the CGU including the goodwill, as approved by the Board of Directors on 12 March 2021, in compliance with IAS 36 as adopted by the European Union. In particular, we verified the reasonableness of the methods adopted and of the main assumptions reflected in the valuation model (discounted cash flow method), prepared by the Company with the support of an external advisor, also involving PwC network valuation experts. In particular, we verified the reasonableness of the discount rate and perpetuity growth rate in relation to the valuation practices usually adopted by companies belonging to the industry in which Landi Renzo Group operates. We also verified that the cash flows included in the valuation models were consistent with those included in the before-mentioned economic-financial forecasts. Considering that forecast cash flows are a particularly significant parameter for the determination of the recoverable amounts of the CGU including the goodwill as they depend on future and uncertain events, we

as regards the expected cash flows, the perpetuity growth rate and the discount rate.	analysed the reasonableness of the estimated future cash flows through interviews with Company's management, with the external advisor engaged by the directors of Landi Renzo SpA and through the involvement of experts in the *Automotive* segment of PwC network, who supported us in the critical analysis of the reasonableness of the economic-financial forecasts. Furthermore, we verified the mathematical accuracy of the valuation models prepared by the Company. Finally, we verified the disclosures provided by the Company in the consolidated financial statements about the method adopted to determine the recoverable amounts of the CGU including the goodwill, the results of the valuations performed and with reference to the "*sensitivity analysis*" performed by the Company.
Recoverability of deferred tax assets *See note 10 "Deferred tax assets" and the paragraph "Accounting standards and valuation criteria" of the explanatory notes.* Deferred tax assets recognised in the consolidated financial statements as of 31 December 2020 amounted to Euro 13.9 million, partially offset by deferred tax liabilities equal to Euro 1.7 million, giving a net deferred tax asset equal to Euro 12.2 million. Deferred tax assets relate for Euro 4.7 million to temporary differences between the book values of assets and liabilities recognised in the financial statements and their tax values and for Euro 9.2 million to prior tax losses. The recoverability of deferred tax assets were considered to be a key audit matter for the purpose of the statutory audit of the consolidated financial statements in consideration of the significant impact of this caption on the consolidated statement of the financial position and on the consolidated income statement of Landi Renzo Group, as well as due to the complexity of the	 Our audit procedures preliminarily included understanding and evaluating the procedures adopted by the Company to verify the recoverability of deferred tax assets. We carried out an in-depth analysis of deferred tax assets related to prior tax losses as their recoverability is closely related to the existence of future taxable income and, therefore, to the achievement of the prospective results included in the mentioned economic-financial forecasts. We obtained the analysis performed by the Company on the recoverability of deferred tax assets closely related to the existence of future taxable income of the Landi Renzo Group for the period 2021-2025, which are based on the net results included in the above-mentioned economic-financial forecasts.

evaluation of the recoverability of these receivables which is closely related to the achievability of the economic-financial forecasts, taking into account the current macro-economic uncertainty context arising from the spread of Covid-19 pandemic.	We verified the reasonableness of the net results included in the above-mentioned forecasts through interviews with company management and through the involvement of PwC network experts in the *Automotive* segment, who supported us in the critical analysis of the reasonableness of the expectations included in the Company's forecasts. Finally, we verified the disclosures provided by the Company in the consolidated financial statements about the elements supporting the recoverability of deferred tax assets.
Evaluation of investment in SAFE&CEC Srl *See notes 7 "Equity investments consolidated using equity method" and 40 "Income (expenses) from joint ventures measured using the equity method" of the explanatory notes.*	
As at 31 December, 2020, the carrying amount of the investment in the company SAFE&CEC Srl measured with the equity method amounted to Euro 21.8 million. The Company verifies for the possible presence of impairment indicators that could give rise to doubts about the recoverability of the value of the investment. This aspect was considered of particular relevance for the statutory audit of the consolidated financial statements in consideration of the significant impact of the item on the consolidated statement of financial position and on the consolidated income statement of Landi Renzo Group, also considering the value of goodwill included in the value of the investment. The directors of Landi Renzo SpA have requested and obtained the following documentation prepared by the management of SAFE&CEC Srl, for the purpose of evaluating the carrying value of the equity investment held in SAFE&CEC Srl and for the analysis of any presence of impairment indicators: (i) Landi Renzo Group special purpose consolidated financial information for SAFE&CEC Srl as at 31 December 2020 and (ii) impairment test on the goodwill recorded in the	The audit approach preliminarily consisted of understanding and evaluating of the methods adopted by the directors of Landi Renzo SpA for the purpose of recording the value of the equity investment of the company SAFE&CEC Srl with the equity method and the analysis carried out by them with reference to the presence of any impairment indicators. We also verified the reasonableness of the methods adopted and of the main assumptions reflected in the impairment test evaluation model (method of discounting cash flows) prepared by the directors of SAFE&CEC Srl with the support of external advisor, also involving PwC network valuation experts. In particular, we verified the reasonableness of the discount rate and the perpetual growth rate with respect to the valuation practices usually adopted for companies belonging to the industry in which Landi Renzo Group operates. We also verified that the cash flows included in the valuation model were consistent with those included in the forecasts approved by the directors. Considering that the forecast cash flows are a

special purpose consolidated information for SAFE&CEC Srl at 31 December 2020, prepared with the support of an external advisor. Following the aforementioned analysis, no impairment indicators were identified with reference to the book value of the SAFE&CEC Srl equity investment.	particularly significant parameter for the determination of the recoverable amount as it depends on to future and uncertain events, we analysed the reasonableness of the estimated future cash flows through interviews with company management of Landi Renzo SpA and SAFE&CEC Srl, with the external advisor engaged by the directors of SAFE&CEC Srl also through the involvement of PwC network experts of the *Automotive* segment, who supported us in the critical analysis about the reasonableness of the forecasts included in the forecasts. Finally, we verified the disclosures provided by the Company in the consolidated financial statements about the analysis carried out to identify impairment indicators, if any.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No. 38/2005 and, in the terms prescribed by law, for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Management is responsible for assessing the Landi Renzo Group's ability to continue as a going concern and, in preparing the consolidated financial statements, for the appropriate application of the going concern basis of accounting, and for disclosing matters related to going concern. In preparing the consolidated financial statements, management uses the going concern basis of accounting unless management either intends to liquidate Landi Renzo SpA or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing, in the terms prescribed by law, the Landi Renzo Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA

Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

As part of an audit conducted in accordance with International Standards on Auditing (ISA Italia), we exercised professional judgement and maintained professional scepticism throughout the audit. Furthermore:

- We identified and assessed the risks of material misstatement of the consolidated financial statements, whether due to fraud or error; we designed and performed audit procedures responsive to those risks; we obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- We obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Landi Renzo Group's internal control;
- We evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- We concluded on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Landi Renzo Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Landi Renzo Group to cease to continue as a going concern;
- We evaluated the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- We obtained sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Landi Renzo Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Landi Renzo Group audit. We remain solely responsible for our audit opinion on the consolidated financial statements.

We communicated with those charged with governance, identified at an appropriate level as required by ISA Italia regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identified during our audit.

We also provided those charged with governance with a statement that we complied with the regulations and standards on ethics and independence applicable under Italian law and communicated with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.
From the matters communicated with those charged with governance, we determined those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We described these matters in our auditor's report.

Additional Disclosures required by Article 10 of Regulation (EU) No 537/2014

On 29 April 2016, the shareholders of Landi Renzo SpA in general meeting engaged us to perform the statutory audit of the Company's and the consolidated financial statements for the years ending 31 December 2016 to 31 December 2024.

We declare that we did not provide any prohibited non-audit services referred to in article 5, paragraph 1, of Regulation (EU) No. 537/2014 and that we remained independent of the Company in conducting the statutory audit.

We confirm that the opinion on the consolidated financial statements expressed in this report is consistent with the additional report to those charged with governance, in their capacity as audit committee, prepared pursuant to article 11 of the aforementioned Regulation.

Report on Compliance with other Laws and Regulations

Opinion in accordance with Article 14, paragraph 2, letter e), of Legislative Decree No. 39/2010 and Article 123-bis, paragraph 4, of Legislative Decree No. 58/98

Management of Landi Renzo SpA is responsible for preparing a report on operations and a report on the corporate governance and ownership structure of the Landi Renzo Group as of 31 December 2020, including their consistency with the relevant consolidated financial statements and their compliance with the law.

We have performed the procedures required under auditing standard (SA Italia) No. 720B in order to express an opinion on the consistency of the report on operations and of the specific information included in the report on corporate governance and ownership structure referred to in article 123-bis, paragraph 4, of Legislative Decree No. 58/98, with the consolidated financial statements of the Landi Renzo Group as of 31 December 2020 and on their compliance with the law, as well as to issue a statement on material misstatements, if any.
In our opinion, the report on operations and the specific information included in the report on corporate governance and ownership structure mentioned above are consistent with the consolidated financial statements of the Landi Renzo Group as of 31 December 2020 and are prepared in compliance with the law.

With reference to the statement referred to in article 14, paragraph 2, letter e), of Legislative Decree No. 39/2010, issued on the basis of our knowledge and understanding of the Company and its environment obtained in the course of the audit, we have nothing to report.

Statement in accordance with article 4 of Consob's Regulation implementing Legislative Decree No. 254 of 30 December 2016

Management of Landi Renzo SpA is responsible for the preparation of the non-financial statement pursuant to Legislative Decree No. 254 of 30 December 2016. We have verified that management approved the non-financial statement.

Pursuant to article 3, paragraph 10, of Legislative Decree No. 254 of 30 December 2016, the non-financial statement is the subject of a separate statement of compliance issued by ourselves.

Parma, 30 March 2021

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.

Separated Financial Statement at 31 December 2020 Landi Renzo S.p.A.

Statement of Financial Position

Income statement

Statement of Comprehensive Income

Statement of Cash Flow

Statement of Changes in Shareholders' Equity

Explanatory Notes

APPENDIX

Certification of the separated financial statements pursuant to Art. 154-bis of Legislative Decree 58/98

Pro-forma statement of financial position and pro-forma income statement

Report of the Auditing Company

Report of the Board of Statutory Auditors to the Shareholders' meeting

STATEMENT OF FINANCIAL POSITION

(Euro)

ASSETS	Notes	31/12/2020	31/12/2019
Non-current assets			
Land, property, plant, machinery and other equipment	2	11,471,406	8,980,934
Development expenditure	3	9,505,902	8,015,457
Goodwill	4	30,094,311	2,372,845
Other intangible assets with finite useful lives	5	10,178,763	5,359,451
Right-of-use assets	6	4,337,517	5,498,601
Equity investments in subsidiaries	7	4,189,204	54,271,892
Equity investments in associates and joint ventures	8	22,606,421	23,627,171
Other non-current financial assets	9	910,874	410,874
Other non-current assets	10	2,850,000	3,420,000
Deferred tax assets	11	11,232,648	9,038,237
Total non-current assets		**107,377,046**	**120,995,462**
Current assets			
Trade receivables	12	27,248,343	21,096,746
Receivables from subsidiaries	13	16,368,490	13,911,375
Inventories	14	31,734,786	25,784,356
Other receivables and current assets	15	5,081,607	4,341,335
Other current financial assets	16	2,800,892	2,801,336
Cash and cash equivalents	17	10,626,485	11,712,629
Total current assets		**93,860,603**	**79,647,778**
TOTAL ASSETS		**201,237,649**	**200,643,239**

SHAREHOLDERS' EQUITY AND LIABILITIES	Notes	31/12/2020	31/12/2019
Shareholders' equity			
Share capital	18	11,250,000	11,250,000
Other reserves	18	46,408,791	40,814,709
Profit (loss) for the period	18	-6,283,625	2,705,828
TOTAL SHAREHOLDERS' EQUITY		**51,375,166**	**54,770,537**
Non-current liabilities			
Non-current bank loans	19	64,790,359	47,430,495
Other non-current financial liabilities	20	0	2,150,000
Non-current liabilities for rights of use	21	2,702,205	3,951,315
Provisions for risks and charges	22	2,176,989	2,212,407
Defined benefit plans for employees	23	1,541,413	1,475,419
Liabilities for derivative financial instruments	24	457,514	30,136
Total non-current liabilities		**71,668,480**	**57,249,772**
Current liabilities			
Bank financing and short-term loans	25	22,770,692	26,150,390
Other current financial liabilities	26	209,684	209,684
Current liabilities for rights of use	27	1,770,414	1,669,158
Trade payables	28	45,031,759	42,805,103
Payables to subsidiaries	29	2,132,747	13,249,842
Tax liabilities	30	2,332,550	1,210,335
Other current liabilities	31	3,946,157	3,328,418
Total current liabilities		**78,194,003**	**88,622,930**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**201,237,649**	**200,643,239**

Pursuant to Consob resolution no. 15519 dated 27 July 2006, the effects of related-party transactions on the Statement of financial position are shown in a specific table in Note 43 and Annex 2.

INCOME STATEMENT

(Euro)

		31/12/2020	31/12/2019
Revenues from sales and services	32	112,715,718	139,730,306
Other revenues and income	33	65,469	397,872
Cost of raw materials, consumables and goods and change in inventories	34	-63,678,540	-70,577,214
Costs for services and use of third-party assets	35	-24,327,983	-31,782,895
Personnel costs	36	-17,265,392	-19,262,809
Allocations, write-downs and other operating expenses	37	-1,395,425	-1,824,601
Gross operating profit		**6,113,847**	**16,680,659**
Amortisation, depreciation and impairment	38	-11,055,423	-8,951,856
Net operating profit		**-4,941,576**	**7,728,803**
Financial income	39	180,802	89,506
Financial expenses	40	-3,078,318	-3,533,443
Exchange gains (losses)	41	-1,003,701	256,502
Income (expenses) from equity investments	42	-902,025	-723,339
Income (expenses) attributable to equity investments measured using the equity method	43	-11,418	285,203
Profit (loss) before tax		**-9,756,236**	**4,103,232**
Taxes	44	3,472,611	-1,397,404
Profit (loss) for the year		**-6,283,625**	**2,705,828**

STATEMENT OF COMPREHENSIVE INCOME

(Euro)

		31/12/2020	31/12/2019
Net profit (loss) for the Group and minority interests:		**-6,283,625**	**2,705,828**
Profits/losses that will not be subsequently reclassified in the income statement			
Remeasurement of employee defined benefit plans (IAS 19)	23	-43,633	-37,596
Total profits/losses that will not be subsequently reclassified in the Income Statement		**-43,633**	**-37,596**
Profits/losses that will be subsequently reclassified in the Income Statement			
Valuation of joint ventures using the equity method	8	-1,009,332	877,478
Fair value of derivatives, change for the period		-324,807	-22,904
Total profits/losses that will be subsequently reclassified in the Income Statement		**-1,334,139**	**854,574**
Profits/losses recorded directly in Shareholders' Equity after tax effects		**-1,377,772**	**816,978**
Total Statement of Comprehensive Income for the period		**-7,661,397**	**3,522,806**

CASH FLOW STATEMENT

(Thousands of Euro)

	31/12/2020	31/12/2019
Financial flows deriving from operating activities		
Pre-tax profit (loss) for the period	-9,756	4,103
Adjustments for:		
Depreciation of property, plant and machinery	3,270	2,817
Amortisation of intangible assets	5,951	4,366
Depreciation of right-of-use assets	1,834	1,769
Loss (Profit) from disposal of tangible and intangible assets	8	-153
Share-based incentive plans	177	119
Impairment loss on receivables	150	110
Net financial charges	3,901	3,186
Net expenses (income) from equity investments measured using the equity method	913	438
	6,448	**16,755**
Changes in:		
Inventories	-3,566	-1,034
Trade receivables and other receivables	-252	-6,669
Trade payables and other payables	-2,777	-521
Provisions and employee benefits	-752	-1,921
Cash generated from operations	**-899**	**6,610**
Interest paid	-2,293	-3,788
Interest received	83	26
Taxes paid	0	-41
Net cash generated (absorbed) by operations	**-3,109**	**2,807**
Financial flows from investments		
Proceeds from the sale of property, plant and machinery	420	354
Purchase of property, plant and machinery	-5,462	-2,687
Purchase of intangible assets	-310	-409
Development expenditure	-5,376	-4,677
Net cash absorbed by investment activities	**-10,728**	**-7,419**
Free Cash Flow	**-13,837**	**-4,612**
Financial flows from financing activities		
Disbursements (reimbursements) of loans to group companies	-600	-2,775
Bond issue (repayments)	0	-28,286
Disbursements (reimbursements) of medium/long-term loans	19,451	36,815
Cash contribution from merger	2,853	0
Change in short-term bank debts	-6,994	3,912
Repayment of leases (IFRS 16)	-1,960	-1,872
Net cash generated (absorbed) by financing activities	**12,750**	**7,794**
Net increase (decrease) in cash and cash equivalents	**-1,087**	**3,182**
Cash and cash equivalents at 1 January	11,713	8,531
Closing cash and cash equivalents	10,626	11,713

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STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

(Thousands of Euro)

	Share capital	Statutory reserve	Extraordinary and other reserves	Share premium reserve	Future share capital increase contribution	Profit (loss) for the year	Shareholders' equity
Balance at 31 December 2018	**11,250**	**2,250**	**-2,182**	**30,718**	**8,867**	**226**	**51,129**
Effect of IFRS 16 adoption	0	0	0	0	0	0	**0**
Balance as at 1 January 2019	**11,250**	**2,250**	**-2,182**	**30,718**	**8,867**	**226**	**51,129**
Profit (loss) for the year						2,706	**2,706**
Actuarial gains/losses (IAS 19)			-37				**-37**
Valuation of joint ventures using the equity method			877				**877**
Change in the cash flow hedge reserve			-23				**-23**
Total overall profits/losses	**0**	**0**	**817**	**0**	**0**	**2,706**	**3,523**
Performance share			119				**119**
Allocation of profit			226			-226	**0**
Total effects deriving from transactions with shareholders	**0**	**0**	**345**	**0**	**0**	**-226**	**119**
Balance at 31 December 2019	**11,250**	**2,250**	**-1,020**	**30,718**	**8,867**	**2,706**	**54,771**
Profit (loss) for the year						-6,284	**-6,284**
Actuarial gains/losses (IAS 19)			-44				**-44**
Valuation of joint ventures using the equity method			-1,009				**-1,009**
Change in the cash flow hedge reserve			-324				**-324**
Total overall profits/losses	**0**	**0**	**-1,377**	**0**	**0**	**-6,284**	**-7,661**
Lovato Gas merger			4,088				**4,088**
Performance share			177				**177**
Allocation of profit			2,706			-2,706	**0**
Total effects deriving from transactions with shareholders	**0**	**0**	**6,971**	**0**	**0**	**-2,706**	**4,265**
Balance at 31 December 2020	**11,250**	**2,250**	**4,574**	**30,718**	**8,867**	**-6,284**	**51,375**

EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2020

A) GENERAL INFORMATION AND SIGNIFICANT EVENTS IN THE YEAR

Landi Renzo S.p.A. (the "Company") has been active in the motor propulsion fuel supply system sector for more than sixty years, designing, producing and selling environmentally-friendly LPG and CNG fuel supply systems. The Company manages all phases of the process that leads to the production and sale of automotive fuel supply systems; it sells to both the main automobile manufacturers at a world-wide level (OEM customers) and to independent retailers and importers (After Market customers).

Landi Renzo S.p.A. has its headquarters in Cavriago (RE) and is the parent company of the Landi Renzo Group, which holds equity investments, directly and indirectly (through other sub-holding companies), in the capital of the companies through which it is active in Italy and abroad.

The company, listed on the Milan Stock Exchange in the FTSE Italy STAR segment, as the Parent Company, has prepared the consolidated financial statements of the Landi Renzo Group at 31 December 2020.

These financial statements were audited by PricewaterhouseCoopers S.p.A.

Significant events in the financial year

Significant events that took place in 2020 are described below:

<u>Loans taken out by the Company for consolidation of the financial position</u>

As a result of the epidemiological emergency relating to the spread of the Covid-19 coronavirus, the Group has dealt 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 year 2020. Given the macroeconomic context in 2020, overshadowed by considerable uncertainty as to cash flows due to the effects on the international markets of the Covid-19 pandemic and in the absence of visibility with respect to the intensity and, especially, the duration of the ongoing discontinuity, the Company's management is working to mitigate the harmful consequences deriving from the pandemic, immediately devoting considerable attention to the financial position, medium-term cash forecasts and opportunities deriving from the special regulations launched by the Italian government in order to 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 also requesting access to the subsidised financing backed by the guarantee of SACE S.p.A., pursuant to the Decreto Liquidità.

From this perspective, the following transactions were carried out during the year:

- In March 2020, the Company signed a new 48-month loan agreement with a leading domestic credit institution for a nominal amount of Euro 3 million, in order to support current operations, strengthen the capital structure and boost Group liquidity.

- On 30 July 2020, Landi Renzo S.p.A. took out a new subsidised loan from a pool of banks (the same leading financial institutions from which the Euro 65 million loan was taken out in June 2019) 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 allowed for a consolidation of the Company's and the Group's financial position and made it possible to best handle the financial commitments deriving from operating activities.

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

<u>Merger by incorporation of Lovato Gas S.p.A.</u>
In 2020, the Company initiated and completed the merger by incorporation of the wholly owned subsidiary Lovato Gas S.p.A. into the parent company Landi Renzo S.p.A., with resulting effects, illustrated in detail below in these notes, on the Company's separate financial statements.
On 11 September 2020 the Board of Directors of Landi Renzo S.p.A. approved the merger by incorporation, 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.
With no specific indications in the international accounting standards, the transaction, with accounting and tax effects as of 1 January 2020, was accounted for according to the provisions included in the Assirevi document OPI no. 2 (revised) which, in the case of mergers without purchase, require the application of the principle of continuity of values, given the lack of an exchange with third party businesses. In particular, this interpretation gives importance to the pre-existence of a relationship of control and to the cost, and relative purchase price allocation, set forth in the group's consolidated financial statements. As laid down in OPI no.

2 (revised), the differential emerging when cancelling the value of the equity investment and the corresponding share of the net worth of the incorporated company, including the effects of the purchase price allocation shown in the consolidated financial statements, positive and totalling Euro 4,140 thousand, was classified as an increase of the net worth.

Following this extraordinary transaction the economic and asset values of the financial statements of the Company at 31 December 2020 are not fully comparable with those of the previous financial year.

Consequently, here below in these Explanatory Notes, where significant the effects on the balance sheet items deriving from the incorporation of assets and liabilities of the subsidiary Lovato Gas S.p.A. are indicated.

Furthermore, in application of the OPI document no. 2 (revised) issued by Assirevi, in order to make the balance sheet data and the results set forth in the statement of financial position and in the income statement at 31 December 2020 comparable with those presented in the financial statements at 31 December 2019, with reference to the effects deriving from the above-mentioned merger transaction, pro-forma statements have been drafted containing the comparative data at 31 December 2019 inclusive of the effects of the above-mentioned merger, as if it had taken place in 2019. Therefore, an annex to these Notes (*Annex 3*) includes the pro-forma statements relating to the statement of financial position and the income statement for the year 2019, compared with the statements for the year 2020.

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B) GENERAL CRITERIA FOR PREPARATION OF THE SEPARATE FINANCIAL STATEMENTS AND DECLARATION OF CONFORMITY

Declaration of conformity with international accounting standards and basis of presentation

The separate financial statements were prepared in accordance with the IFRS-EU, i.e., all International Financial Reporting Standards, all International Accounting Standards (IAS) and all interpretations of the International Reporting Interpretations Committee (IFRIC), previously called the Standard Interpretations Committee (SIC), which, at the reporting date, had been endorsed by the European Union in accordance with the procedure laid out in Regulation (EC) No. 1606/2002 of the European Parliament and of the Council of 19 July 2002. The IFRSs were applied uniformly to all periods presented.

The separate financial statements of Landi Renzo S.p.A. at 31 December 2020 were approved and authorised for publication by the Board of Directors on 15 March 2021.

The separate financial statements were drafted in Euro, which is the currency of the primary economic environment in which the Group operates. The figures in the Statement of Financial Position, the Income Statement and the Statement of Comprehensive Income for the period are expressed in Euro, the functional currency of the Company, while the data contained in the Statement of Cash Flows, the Statement of Changes in Shareholders' Equity and in these Explanatory Notes are expressed in thousands of Euro.

The financial statement layouts and the relative classification criteria adopted by the Company, from amongst the options laid out in IAS 1 - Presentation of Financial Statements, are specified below:

- the Statement of Financial Position was prepared by classifying assets and liabilities based on whether they are current or non-current;
- the Income Statement was prepared separately from the Statement of Comprehensive Income, and shows operating costs divided by nature, as this is considered more representative than the format showing said items by destination, since it complies with the internal reporting methods and international sector practices;
- the Statement of Comprehensive Income includes, aside from the profit (loss) for the year, the other changes in equity items associated with transactions not carried out with Company shareholders;
- the Statement of Cash Flows was prepared by showing cash flows deriving from operations in accordance with the "indirect method".

Going Concern

Like all companies in the automotive segment, in 2020 the Company experienced a significant 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 Company'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 Company's turnover as at 31 December 2020 suffered a considerable decline by -19.3% compared with the previous year, but in any event marked a clear recovery compared with the downturn recorded at 30 June 2020. This unforeseen reduction in volumes had a significant effect on the economic results and financial and capital indicators of the Company. 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 7,479 thousand, although it was much lower than in the previous year. The net loss for the period is equal to Euro -6,284 thousand, while the Net Financial Position is up and equal to Euro 78,971 thousand, of which Euro 4,472 thousand due to the application of IFRS 16 - Leases and Euro 458 thousand due to the fair value of financial derivative contracts.

In this context, the management has performed accurate analyses concerning expected trends for the year 2021 and thereafter (time horizon of an additional 5 years), reconsidering estimates regarding the expected performance of the segment within the current context, highly influenced by the pandemic, in order to also consider the expected benefits of the cost limitation initiatives put into place.

Furthermore, as noted in the introduction to these notes, the management has been 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.

All credit institutions underwriting the loan issued waiver letters with respect to the financial covenants as at 30 June and 31 December 2020 and consent for 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 2021 and subsequent years, prepared on the basis of the latest information available, which show business sustainability and forecasts of increasing margins;
- the holiday period granted by the banks on the reporting of financial parameters 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 21 million, which enables the Company to secure its financial position,

it is believed that business continuity is guaranteed with reference both to the Company's financial strength and its capacity to pursue its business strategies. As a result, Landi Renzo S.p.A.'s separate financial statements as at 31 December 2020 were drafted on the basis of the going concern assumption.

Amendments and accounting standards applied by the Company for the first time

The accounting standards adopted in preparing the separate financial statements at 31 December 2020 are consistent with those adopted for the preparation of the separate financial statements in the previous year, with the exception of the adoption of the new accounting standards, amendments, improvements and interpretations applicable as of 1 January 2020 listed below.

EU endorsement regulation	Description
Regulation (EU) 2019/2104	The IASB published the amendments to IAS 1 (Presentation of Financial Statements) and IAS 8 (Accounting policies, changes in accounting estimates and errors) which aim to clarify the definition of "material" to help companies decide whether information needs to be included in the financial statements.

Regulation (EU) 2019/2075	The IAS published the revised version of the Conceptual Framework for Financial Reporting.The main amendments with respect to the 2010 version primarily regard a new chapter on measurement, better definitions and guidance, particularly with reference to the definition of liabilities and clarifications of important concepts, such as stewardship, prudence and measurement uncertainty.
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) 2020/1434	The amendment to IFRS 16 - Leases, Covid-19-related rent concessions, 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 is permitted.

The accounting principles and modifications to the accounting principles described above have not had significant effects on the Company's financial statements.

Accounting standards, amendments and interpretations not yet applicable and not adopted in advance by the Company

The following table lists the new international accounting standards, or the amendments of standards and interpretations already in force, which must begin being applied from 1 January 2021 or thereafter.

EU endorsement regulation	Description
Regulation (EU) 2020/2097	The amendment to IFRS 4 - Insurance contracts aims to resolve the temporary accounting consequences of the mismatch between the date of entry into force of IFRS 9 and the date of entry into force of the future IFRS 17. In particular, it extends the expiry date of the temporary exemption from the application of IFRS 9 to 2023 in order to align the date of entry into force of IFRS 9 with the new IFRS 17. This amendment came into force on 1 January 2021.

Regulation (EU) 2021/25	Amendment to IFRS 9, IAS 39 and IFRS 7 "Interest Rate Benchmark Reform": phase two of the amendment modifies the provisions on hedge accounting in IFRS 9 and IAS 39. This amendment came into force on 1 January 2021.

The Company is evaluating the effects that the adoption of such standards may have on its financial statements.
The Company did not exercise the option to apply them early.

The IASB made amendments to several international accounting standards issued previously and published new international accounting standards, for which the approval process has not yet been completed.

Date	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 establishes the principles for the recognition, measurement, presentation and representation of insurance contracts included in the standard, and aims to improve understanding by investors of the exposure to risk, profitability and the financial position of insurers. IFRS 17 replaces IFRS 4, issued in 2004 as an interim Standard. The provisions of IFRS 17 are effective for years starting on or after 1 January 2023. This standard is not applicable to the Company.
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 final modifications in the classification of liabilities as current or non-current influence only the presentation of liabilities in the statement of financial position, but not the amount or recognition of assets, liabilities, income or expenses or the disclosure that entities provide on such elements. The amendments will come into force on 1 January 2023 and must be applied retrospectively, 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, amendments relating to proceeds accruing prior to assignment to intended use; the amendment does not allow the amount received from the sale of goods produced prior to the asset being ready for use to be deducted from the cost of the asset. These sales revenues and the relative costs are to be recognised in the income statement. • IAS 37 Provisions, Contingent Liabilities and Contingent Assets, relating to onerous contracts and in particular the cost of fulfilling a contract, clarifying which cost items must be considered to evaluate whether a contract is onerous. • Annual Improvements 2018-2020 These amendments will come into force on 1 January 2022.
12 February 2021	The IASB published the amendment to IAS 1 - IFRS practice statement 2 in order to improve the disclosure on accounting policies so as to provide more useful information to investors and other primary users of financial statements.
12 February 2021	The IASB published the amendment to IAS 8 - Definition of accounting estimates to help companies distinguish between changes in accounting estimates and changes in accounting policies.

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

C) ACCOUNTING STANDARDS AND VALUATION CRITERIA

The accounting standards described hereafter were applied uniformly for all the periods included in these financial statements.

LAND, PROPERTY, PLANT, MACHINERY AND OTHER EQUIPMENT

Tangible assets were recognised in accordance with the cost criterion at the purchase price or the production cost inclusive of directly attributable accessory costs necessary to make the assets ready for use.

The carrying amount of tangible assets is subsequently adjusted for systematic depreciation, calculated on a straight-line basis from the moment in which the asset is available and ready for use, based on its useful life, understood as the estimated period in which the asset will be used by the company, and any accumulated loss for impairment.

When the asset to be depreciated consists of distinctly identifiable elements whose useful life differs significantly from that of the other parts of the asset, each of those parts are depreciated separately in application of the component approach method.
Any financial expense directly attributable to the purchase and production of tangible assets is capitalised and depreciated on the basis of the useful life of the asset to which it refers.

The following annual depreciation rates are used:

Categories	Depreciation period	Depreciation rates
Leasehold improvements - buildings	Lower of the residual economic usefulness of the improvement and the residual duration of the underlying contract	16,67- 20%
Plant and machinery	Straight-line basis	10 - 17.5%
Industrial and commercial equipment	Straight-line basis	17.5 - 25%
Other assets	Straight-line basis	12 - 20 - 25%

The residual value and the useful life of tangible assets are reviewed at least annually and updated, when applicable, at the end of each year. Based on the analysis performed by the management it was not necessary to amend the useful life compared to those applied in the previous financial year.

Costs incurred for maintenance and repairs are charged in their entirety to the income statement for the year in which they are incurred. Costs for improvements, upgrades and transformation having an incremental nature are attributed to the tangible assets to which they refer, when it is probable that they will increase the future economic benefits expected from the use or the sale of the asset, and depreciated based on the remaining useful life of the assets.

Costs capitalised for leasehold improvements are classified under property and depreciated at the lower of the residual economic usefulness of the improvement and the residual duration of the underlying contract.

The financial expenses directly attributable to the acquisition, construction or production of a tangible asset are recognised in the income statement at the moment at which they are incurred, in accordance with the appropriate accounting treatment provided for by IAS 23.

The carrying amount of tangible assets is subjected to verification in order to discover any possible impairment, using the methods described in the paragraph "Impairment of assets".

At the moment of sale or when no future economic benefits are expected from the use of an asset, it is eliminated from the financial statements and any loss or profit (calculated as the difference between the sale value and the carrying amount) is recognised in the income statement in the year of the aforementioned elimination.

INTANGIBLE FIXED ASSETS

Intangible assets consist of identifiable non-monetary elements with no physical consistency, which can be controlled and can generate future economic benefits. These elements are initially recognised at purchase and/or production cost, inclusive of expenses directly attributable to make the asset ready for use. Intangible assets are amortised on a straight-line basis throughout their estimated useful life; amortisation rates are reviewed on an annual basis and are amended if the current useful life differs from that estimated previously. The useful life estimated by the Company for the various categories of intangible assets, valid for all periods presented, is shown below.

Categories	Useful Life
Development expenditure	from 3 to 5 years
Industrial patents and rights to use intellectual property	3 years
Software, licenses and others	3 years
Trademarks	from 7 to 18 years

DEVELOPMENT EXPENDITURE

Research and development expenditure are recognised in the Income Statement for the year in which they are incurred, with the exception of development expenditure recognised under intangible assets if the conditions established in IAS 38, reported below, are satisfied:

- the project is clearly identified and the costs relating to it are identifiable and can be measured reliably;
- the technical feasibility of the product is demonstrated;
- there is evidence of the Company's intention to complete the development project and to sell the assets generated by the project;
- there is a potential market or, in the case of internal use, the utility of the intangible asset for the production of assets generated by the project can be demonstrated;
- the technical and financial resources required to complete the project are available.

The amortisation period starts only when the development phase is completed and the result generated by the project can be marketed and is usually based on the estimated duration of the benefits linked with the product developed (generally between 3 and 5 years). Capitalised development expenditure is stated at cost, minus accumulated amortisation and any accumulated losses from impairment.

GOODWILL

The goodwill deriving from business combinations after 1 January 2005 is initially entered at cost, and represents the excess of the purchase cost over the purchaser's share of the net fair value referring to the identifiable values of existing and potential assets and liabilities.
Goodwill deriving from acquisitions made prior to 1 January 2005 is entered at the value recorded for that purpose in the last Financial Statements prepared according to the previous accounting standards (31 December 2004), subject to verification and recognition of any possible impairment.
When the IFRS were initially adopted, as permitted by IFRS 1, acquisition transactions performed prior to 1 January 2005 were not reconsidered.
At the acquisition date, any goodwill emerging is allocated to each of the cash generating units (or "CGUs") that are expected to benefit from the synergistic effects deriving from the acquisition. Taking into account the corporate reorganisation process taking place over recent years, the current organisational structure and the methods whereby control is exercised over operations, a single "Automotive" CGU has been identified, to which goodwill is allocated for impairment testing purposes. After the initial recognition, since goodwill is regarded as an intangible asset with an indefinite life, it is no longer amortised and is decreased by any accumulated losses in value, determined as described below.
Goodwill is subjected to an analysis of recoverability on at least an annual basis, or even more frequently if events or changes in circumstances arise that could result in possible impairment, identifying the CGUs which benefit from acquisition synergies. Cash flows are discounted to the cost of capital as a function of the specific risks of the unit concerned. Impairment is stated when it emerges from the check on discounted cash flows that the recoverable value of the CGU is less than the carrying amount and is stated as a priority under goodwill.
Any impairment is identified through valuations that take as a reference the ability of each CGU to produce financial flows capable of recovering the portion of goodwill allocated to it. If the value recoverable by the CGU is less than the carrying amount attributed, the corresponding impairment is recognised. Such impairment is restored if the reasons that generated it cease to exist.

OTHER INTANGIBLE FIXED ASSETS

Other intangible assets with finite useful life, acquired or self-created, are capitalised when it is probable that use of the asset will generate future economic benefits and its cost can be measured reliably. These assets are initially recognised at purchase or development cost.
Costs incurred subsequently relating to intangible assets are capitalised only if they increase the future economic benefits of the specific asset capitalised and they are amortised on the basis of the aforementioned criteria according to the assets to which they refer.

RIGHT-OF-USE ASSETS

A contract is, or contains, a lease if it grants the right to use a specified asset for a period of time in exchange for a consideration.

Each lease component is separate from other contract components, unless the Company adopts the practical expedient under paragraph 15 of IFRS 16, which allows the lessee to opt, for each class of underlying asset, to not separate the other components and to recognise them together with the lease components.

The lease duration is determined as the lease period which is non-cancellable, to which the following periods are added:

- periods covered by an extension option if exercise of that option by the lessee is reasonably certain; and
- periods covered by a termination option if the lessee is reasonably certain not to exercise that option.

In deciding whether the lessee has reasonable certainty of exercising these options, all relevant facts and circumstances that create an economic incentive for the lessee in its evaluation are considered. The lessee must re-determine the lease duration if the non-cancellable period of the lease is changed.

At the date when the contract comes into effect, the Company recognises right-of-use assets and the relative lease liability. At the date when the contract comes into effect, the right-of-use asset is measured at cost. The cost of the right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- payments due to leasing made at or before the effective date, net of incentives on received leasing;
- initial direct costs incurred by the lessee; and
- the estimate of costs the lessee shall incur to dispose of and remove the underlying asset and restore the site in which it is located or to restore the underlying asset according to the conditions set forth in the lease terms and conditions.

At the effective date of the contract, the lessee shall measure the lease liability at the current value of payments owing for the leasing not paid at this date. Payments owing for the leasing include the following amounts:

- fixed payments, net of any leasing incentives to receive;
- variable payments owing for leasing which depend on an index or rate, initially measured using an index or rate at the effective date;
- amounts that the lessee shall pay as a guarantee of the residual value;
- the price to exercise the purchase option, if the lessee has reasonable certainty of exercising the option; and
- payments of penalties for termination of the leasing, if the duration takes into account the lessee exercising the option to terminate the leasing.

Payments owing for the leasing must be discounted using the interest rate embedded in the contract, if it can be easily determined. If this is not possible, the lessee must use the marginal lending rate, i.e. the incremental interest rate that the company should pay to obtain a loan of the same duration and amount of the lease agreement.

After initial recognition, the right-of-use asset is measured at cost, net of accumulated depreciation and accumulated impairment losses, adjusted to take account of any re-determination of lease liabilities.

After initial recognition, the lease liability is measured:

- increasing the carrying amount to take into account interest on lease liabilities;
- decreasing the carrying amount to take into account payments owing for leasing undertaken; and
- redetermining the carrying amount to take into account any new measurements or contract amendments or a revision in payments owing for leasing which is fixed in substance.

In the case of changes in leasing which do not constitute separate leasing, the right-of-use asset is redetermined, in keeping with the change in the lease liability at the date of the amendment. The lease liability is redetermined based on the new conditions in the lease agreement, using the discount rate at the date of the amendment.

The Company uses two exemptions, provided for by IFRS 16, with reference to:

(i) short-term leasing, i.e. leasing of 12 months or less;

(ii) leasing with low-value assets (less than Euro 5,000).

In these cases, the asset comprising the right of use and relative liability is not recognised, and payments owing for the leasing are recognised in the income statement.

IMPAIRMENT OF ASSETS

At each reporting date, tangible and intangible assets with a finite useful life are analysed in order to identify the existence of any indicators of impairment originating from sources external or internal to the Company. When these indicators are identified, the recoverable value of the above-mentioned assets is estimated, and any impairment loss is recognised in the Income Statement.

A tangible or intangible asset suffers a reduction in value if it is not possible to recover, either through use or sale, the carrying amount at which said asset is recorded in the financial statements. Therefore, the aim of the test (impairment test) provided for by IAS 36 is to assure that tangible and intangible fixed assets are not entered at a value greater than their recoverable value, which is the greater of the net sale price and the value in use.

The value in use is the current value of future financial flows that are expected to be generated by the asset or by the cash generating unit to which the asset belongs. The expected cash flows are discounted using a discount rate that reflects the current estimate of the market of reference referring to the cost of the money in proportion to the time and risks specific to the asset.

Management uses various assumptions in applying this method, including estimates of changes in revenues, the gross profit margin, operating costs, the growth rate of terminal values, investments, changes in operating capital and the weighted average cost of capital (discount rate) which combine in defining a medium-term plan, specifically aimed at performing an impairment test, revised at least annually and approved by the Board of Directors of the Company.

If the carrying amount exceeds the recovery value, the assets or the cash generating units to which they belong are written down until they reflect the recovery value. Such losses are accounted for on the Income Statement.

The impairment test is carried out when conditions occur inside or outside the company that suggest that the assets have suffered a reduction in value. In the case of goodwill or other intangible assets with an indefinite useful life, the impairment test is carried out at least annually. If the conditions that resulted in the impairment cease to exist, the same value is restored proportionally on the previously devalued assets until it reaches, at most, the value that such goods would have had, net of amortisation calculated on the historical cost, in the absence of a prior impairment. Restorations of value are recognised in the income statement.

The value of previously devalued goodwill is not restored.

To evaluate any impairment of capitalised development expenditure, the Company attributes such costs to the corresponding specific projects and evaluates their recoverability based on forecasts of expected sales of the products to which the development costs refer. Specifically, if the margin arising from the above-mentioned sales does not allow for the recoverability of capitalised costs, this constitutes impairment, which is reflected in the financial statements. This assessment is performed at each year-end close and/or in the presence of trigger events.

EQUITY INVESTMENTS IN SUBSIDIARY AND ASSOCIATES AND JOINT VENTURES

Equity investments in subsidiary companies are measured using the cost method including directly related costs, adjusted according to impairment losses.

In the case where there is evidence of events indicative of long term impairment, the value of the equity investments is subjected to an impairment test according to the provisions of IAS 36. The original value is restored in subsequent years if the reasons for write-down cease to exist.

The risk deriving from any losses exceeding the cost is recorded under provisions, to the extent to which the Company is obliged or intends to be responsible for it.

Equity investments in joint ventures are companies for which an agreement existed at the date when the financial statements were prepared, through which there are similar rights on net assets, rather than rights on assets, and obligations for liabilities.

Equity investments in joint ventures are measured using the equity method.

OTHER CURRENT AND NON-CURRENT FINANCIAL ASSETS

On initial recognition, financial assets are classified in one of the three categories listed below on the basis of the following elements:

- the entity's business model for the management of the financial assets;
- the characteristics of the financial asset's contractual cash flows.

Financial assets are subsequently derecognised only if the disposal entails the substantial transfer of all risks and rewards connected to the assets. On the other hand, if a significant portion of the risks and rewards relating to the disposed financial assets has been retained, they continue to be recognised in the financial statements, even if legally their ownership has been effectively transferred.

Financial assets at amortised cost

This category includes the financial assets that meet both of the following conditions:

- the financial asset is held according to a "hold to collect" business model; and
- the contractual terms of the financial asset call for cash flows at specific dates represented solely by payments of principal and interest ("SPPI test" passed).

These assets are initially recognised at fair value inclusive of the transaction costs or income directly attributable to the instrument. Subsequent to initial recognition, the financial assets in question are measured at amortised cost using the effective interest method. The amortised cost method is not used for assets measured at historical cost whose short duration makes the effect of discounting negligible, for those without a defined maturity or for revocable credit lines.

Financial assets at fair value through other comprehensive income

This category includes the financial assets that meet both of the following conditions:

- the financial asset is held according to a "hold to collect and sell" business model; and
- the contractual terms of the financial asset call for cash flows at specific dates represented solely by payments of principal and interest ("SPPI test" passed).

This category includes shareholdings, not qualifiable as controlling, associated or of joint control, which are not held for trading, which the entity has opted to designate at fair value through other comprehensive income.

These assets are initially recognised at fair value inclusive of the transaction costs or income directly attributable to the instrument. Subsequently, shareholdings not qualifiable as controlling, associated or of joint control are measured at fair value, and amounts recognised as a matching entry to other comprehensive income should not be subsequently transferred to the income statement, even in the case of disposal. The only component referring to the equity instruments in question subject to recognition in the income statement is the relative dividends.

For the equity instruments included in this category not listed in an active market, the cost criterion is used to estimate fair value only on a residual basis and in a limited circumstances, or when the most recent information to measure fair value is insufficient, or if there is a broad range of possible fair value measurements and cost represents the best estimate of fair value within that range of values.

Financial assets at fair value through profit or loss

This category includes financial assets other than those classified under "Financial assets at amortised cost" and "Financial assets at fair value through other comprehensive income".

This category includes financial assets held for trading and derivative contracts not qualified as hedges.

Assets at fair value through other comprehensive income are initially recognised at fair value without considering the transaction costs or income directly attributable to the instrument. Subsequently, they are measured at fair value and the valuation effects are attributed to the income statement.

Impairment of financial assets

In accordance with the provisions of IFRS 9, the Company applies a simplified approach to estimate expected credit losses throughout the life of the instrument and takes into consideration its past experience with respect to credit losses, adjusted on the basis of specific forecasts relating to the nature of the Company's receivables and the economic context.

In brief, the Company measures expected losses on financial assets so as to reflect:

- an objective amount weighted on the basis of probabilities determined by assessing a range of possible results;
- the time value of money;
- reasonable and demonstrable information that is available without excessive cost or effort at the reporting date on past events, current conditions and outlooks on future economic conditions.

A financial asset is impaired when one or more events with a negative impact on the estimated future cash flows of the financial asset takes place. Observable data relating to the following events constitute proof that the financial asset is impaired:

a) significant financial difficulties of the issuer or the debtor;

b) a violation of the contract, such as breach or an unmet deadline;

c) for economic or contractual reasons relating to the financial difficulties of the debtor, the creditor extends a concession to the debtor that the creditor would not have otherwise taken into consideration;

d) it is likely that the debtor will declare bankruptcy or other financial restructuring procedures;

e) the disappearance of an active market for that financial asset due to financial difficulties; or

f) the acquisition or creation of the financial asset with large discounts that reflect the credit losses incurred.

For financial assets at amortised cost, the value of any impairment is measured as the difference between the carrying amount of the asset and the present value of expected future cash flows, discounted on the basis of the original effective interest rate. This value is recognised in the income statement.

INVENTORIES

The item inventories includes raw materials and materials used in the production process, semi-finished products, spare parts and finished products.

Inventories are stated at the lower value between purchase or manufacturing cost, inclusive of accessory costs, measured according to the FIFO method, and the realisation value that can be inferred from market performance.
The measurement of inventories includes the direct costs of materials and labour and the indirect costs of production (variable and fixed), determined on the basis of normal production capacity.
Where necessary, depreciation funds are calculated for obsolete stocks or those with a slow turnaround taking account of their future possibility of use or recovery.

TRADE RECEIVABLES

Receivables are initially recognised at fair value. The initial value is subsequently adjusted to take into account repayments of capital, any write-downs and the amortisation of the difference between repayment amount and initial value. Amortisation is performed on the basis of the internal effective interest rate, represented by the interest rate that aligns, on initial recognition, the present value of expected cash flows and the initial value (so-called amortised cost method). If there is objective evidence indicating impairment, the asset value is decreased to the discounted value of the future flows obtainable from it. Such losses are recognised on the Income Statement. If, in subsequent periods, the reasons for the preceding write-down no longer exist, the value of the asset is restored to the amount that would have derived from applying the amortised cost without write-down.

The provision for bad debts, determined in order to measure receivables at their effective realisation value, includes write-downs recognised in order to take account of objective indications that trade receivables are impaired. Write-downs, which are based on the most recent information available and management's best estimate, are recognised in such a way as to decrease impaired assets to the present value of future cash flows obtainable from them.

OTHER RECEIVABLES AND OTHER CURRENT ASSETS

Other receivables and other current financial assets are initially recognised at fair value. Subsequently, the receivables are measured with the amortised cost method on the basis of the internal effective interest rate, represented by the interest rate that aligns, on initial recognition, the present value of expected cash flows and the initial value.

If there is objective evidence indicating impairment, the asset value is decreased to the discounted value of the future flows obtainable from it. Such losses are recognised on the Income Statement. If, in subsequent periods, the reasons for the preceding write-down no longer exist, the value of the asset is restored to the amount that would have derived from applying the amortised cost without write-down.

DERECOGNITION OF FINANCIAL ASSETS AND LIABILITIES

Financial assets are derecognised when one of the following conditions is met:

- the contractual right to receive cash flows from the asset has expired;
- the Company has substantially transferred all risks and rewards linked to the asset;
- the Company has not substantially transferred or maintained all risks and rewards connected to the financial asset, but it has transferred control over it.

Financial liabilities are derecognised when they are extinguished, or when the contractual obligation has been met, is cancelled or is time-barred. An exchange of debt instruments with substantially different contractual terms must be accounted for as an extinction of the original financial liability and the recognition of a new financial liability. Likewise, a substantial change in the contractual terms of an existing financial liability, even partial, must be accounted for as an extinction of the original financial liability and the recognition of a new financial liability.

ASSIGNMENT OF RECEIVABLES

The Company is permitted to assign part of its trade receivables through factoring transactions. The operations for assignment of receivables can be with or without recourse; some non-recourse assignments include deferred payment clauses (for example, the payment by the factor of a minority part of the purchase price is subordinate to the total collection of receivables), requiring an exemption on the part of the assignor or implying the maintenance of significant exposure to the progress of the financial flows deriving from the receivables assigned.

This type of operation does not meet the requirements laid down by IFRS 9 for eliminating financial assets from the balance sheet, since the associated benefits and risks have not been substantially transferred.

Consequently, all the receivables assigned through factoring operations that do not meet the requirements for elimination established by IFRS 9 continue to be recorded in the Financial Statements of the Company, although they have been legally assigned; a financial liability for the same amount is recorded in the financial statements as Payables for Advances on Assignment of Receivables. Profits and losses related to the

assignment such assets are recorded only when the same assets are removed from Statement of Financial Position of the Company.
At 31 December 2020, the Company had only performed assignments of trade receivables without recourse that meet all the requirements established by IFRS 9 for the derecognition of such receivables.

CASH AND CASH EQUIVALENTS

The item relating to cash and cash equivalents includes, primarily, bank deposits repayable on demand, as well as cash on hand and other short-term investments that are highly convertible (convertible into cash and cash equivalents within ninety days). Cash and cash equivalents are measured at fair value, which usually coincides with their nominal value; any changes are recognised on the Income Statement.

For the purposes of representing cash flows for the period, when drawing up the Cash Flow Statement, short-term bank debts are represented among the cash flows of the financing activities, since they are for the most part attributable to bank advances and short term bank loans.

SHARE CAPITAL AND OTHER EQUITY ITEMS

(i) Share capital

The share capital is made up of the ordinary shares in circulation.
The costs relating to the issue of new shares or options are classified in equity (net of the associated tax benefit) as a deduction of the income deriving from the issue of such instruments.
As provided for by IAS 32, if equity instruments are repurchased, such instruments (treasury shares) are recognised as a direct deduction from Equity under the item “Other Reserves”. Gains or losses are not recognised on the Income Statement when treasury shares are purchased, sold or cancelled.
The consideration paid or received, including any cost directly incurred and attributable to the capital transaction, net of any related tax benefit, is directly recognised as an Equity transaction.

(ii) Statutory reserve and other reserves

The statutory reserve is formed from the allocation of part of the Company’s profit for the year (5% each year until it has reached 20% of the share capital) and may be used exclusively to cover losses. The other reserves include the reserves of profits and capital for a specific use, the profit (loss) of previous years not distributed or allocated to a reserve, as well as the reserve generated upon first-time application of IFRS.

PROVISIONS FOR RISKS AND CHARGES

Provisions for risks and charges are set aside to cover current obligations - legal or implicit - deriving from past events, for which a reliable estimate of the amount required to settle the obligation can be made at the

end of the year. Provisions for risks and charges are stated if said charges are likely to be incurred. Any change in the estimate of provisions is reflected on the Income Statement in the period when it occurs.
If a liability is regarded as merely potential, no allocation to provisions for risk and charges is made and only adequate information is provided in these notes to the financial statements.
When the financial effect of time is significant and the date of cash outflows associated with the obligation can be reliably determined, the estimated cost is discounted to the present value using a rate reflecting the current market values and includes the additional effects relating to the specific risk that may be associated with each liability. After discounting, the increase in the provision due to the passage of time is recognised as a financial expense.
The product warranty provision is stated on sale of the underlying goods or supply of the underlying services. The provision is determined using historical information on warranties and by weighting the probability associated with possible results.
The provisions are periodically updated to reflect changes in estimated costs, realisation timing and the discount rate; revisions of the estimated provisions are recognised in the same item of the Income Statement which previously included the provision or, when the liability relates to an asset, as a matching entry to the asset to which it refers.

EMPLOYEE BENEFITS

Short-term benefits are represented by salaries, wages, the relative social security contributions, compensation in lieu of holidays and incentives provided in the form of a bonus payable in twelve months after the reporting date. These benefits are accounted for as components of personnel cost in the period in which the work activity is provided.
Post-employment benefits are broken down into two types: defined contribution plans and defined benefit plans.
In defined contribution plans, social security contributions are recognised in the Income Statement when they are incurred, based on the relative nominal value.

Defined benefit plans

Defined benefit plans are represented by the TFR (employee severance indemnity) contributions accrued up to 31 December 2006 for the employees of the Company. These are measured in accordance with IAS 19 by independent actuaries, using the projected unit funding method.
This calculation consists in estimating the amount of benefit that an employee will receive at the expected retirement date, using demographic assumptions (such as, for example, death rate and personnel turnover rate) and financial assumptions (such as, for example, discount rate and future salary increases). The amount thus determined is discounted to the present value and re-proportioned based on the accrued length of service compared to the total length of service and represents a reasonable estimate of the benefits that each employee

has already accrued because of his/her service. The discount rate used derives from the curve of rates on AA bonds at the end of the reporting period.

Actuarial gains and losses emerging following the revaluations of net liabilities for defined benefit plans were immediately entered in the other items of the Statement of Comprehensive Income. Net interest and other costs of defined benefit plans are stated under profit/(loss) for the year.

Defined contribution plans

Defined contribution plans are post-employment benefit plans under which the entity pays fixed contributions into a separate entity and has no legal or implicit obligation to pay further contributions. The contributions to defined contribution plans are recognised as an expense in the Income Statement in the periods in which the employees provide their work. Contributions paid in advance are recorded as assets to the extent that the advance payment will result in a reduction in future payments or a refund.

SHARE-BASED PLANS

The cost of transactions regulated with equity instruments is determined by the fair value at the date of assignment, using an appropriate measurement method. This cost, together with the corresponding increase in shareholders' equity, is recognised under personnel costs for the period when conditions relative to achieving objectives and/or the provision of the service are met. The accumulated costs recognised for these transactions at the end of the reporting period up to the date of accrual are commensurate with the expiry of the accrual period and the best estimate of the number of instruments serving the plan at the time of accrual. The service or performance conditions are not considered when the fair value for the plan is defined at the assignment date. However, the likelihood that these conditions are met in defining the best estimate of the number of equity instruments that will be accrued is considered.

Market conditions are reflected in the fair value at the assignment date.

Any other condition related to the plan, which does not entail a service obligation, is not considered as a condition of accrual.

Non-accrual conditions are reflected in the fair value of the plan and require immediate recognition of the plan cost, unless there are also service or performance conditions.

When the rights include a market condition or a non-accrual condition, these are treated as if they had accrued regardless of whether market conditions or other non-accrual conditions are met or not, save for all other performance and/or service conditions having to be met.

A cost for each change that increases the total fair value of the payment plan, or that is favourable for employees in any case, is recognised as a cost; this cost is measured with reference to the date of the change. When a plan is cancelled by the entity or counterparty, any remaining part of the fair value of the plan is immediately recognised in the income statement.

TRADE PAYABLES

Trade payables are stated at the fair value of the initial consideration received in exchange and subsequently measured at amortised cost, using the effective interest method. Trade payables with due dates that fall under normal sales terms are not discounted to the present value.

DERIVATIVE FINANCIAL INSTRUMENTS

In keeping with IFRS 9, derivative financial instruments may be measured on a hedge accounting basis when:

- the hedging relationship consists only of eligible hedging instruments and eligible hedged items;
- at the inception of the hedging relationship there is formal designation and documentation of the hedging relationship and the Company's risk management objectives and strategy for undertaking the hedge;
- the hedging relationship meets all of the following effectiveness requirements:
- there is an economic relationship between the hedged item and the hedging instrument;
- the effect of credit risk does not dominate the value changes that result from that economic relationship;
- the hedge ratio of the hedging relationship is the same as that actually used in the economic hedge, also through rebalancing, and is consistent with the risk management strategy adopted by the Company.

Fair value hedge

If a derivative financial instrument is designated as a hedge of the exposure to changes in fair value (fair value hedge) of an asset or liability attributable to a particular risk that could affect profit or loss, the profit or loss arising from subsequent fair value measurements of the hedging instrument are recognised in the income statement. The profit or loss on the hedged item, attributable to the hedged risk, change the carrying amount of this item and are recognised in the income statement.

Cash flow hedge

When a derivative financial instrument is designated as a hedge of the exposure to variability in cash flows, the effective portion of changes in fair value of the derivative financial instrument is recognised as other comprehensive income and presented in the cash flow hedge reserve. The effective portion of changes in fair value of the derivative financial instrument which is recognised in other comprehensive income is limited to the accumulated change in fair value of the hedged instrument (at the current value) from the start of hedging. The ineffective portion of changes in fair value of the derivative financial instrument is recognised immediately in the income statement.

If the hedging no longer meets eligibility criteria or the hedging instrument is sold, matures or is exercised, the recognition of hedging transactions stops on a forward-looking basis. When an entity discontinues hedge accounting for a cash flow hedge, the amount that has been accumulated in the cash flow hedge reserve remains in shareholders' equity until, in the case of the hedging of a transaction that results in the recognition of a non-financial asset or liability, it is included in the cost of the non-financial asset or liability at the time of

initial recognition, or in the case of other cash flow hedges, it is reclassified to profit/loss in the same year or in the same years when the hedged future cash flows have an effect on the income statement.
If the hedged future cash flows are no longer expected to occur, that amount is immediately reclassified from the cash flow hedge reserve and hedge costs reserve to the income statement.

If hedge accounting cannot be adopted, profits or losses arising from the fair value measurement of the derivative financial instrument are recognised immediately in profit or loss.

CURRENT AND NON-CURRENT FINANCIAL LIABILITIES, TAX LIABILITIES AND OTHER LIABILITIES

Short- and long-term financial payables and other short- and long-term liabilities are initially recognised at fair value. The initial value is subsequently adjusted to take into account repayments of principal and the amortisation of the difference between repayment amount and initial value. Amortisation is performed on the basis of the internal effective interest rate, represented by the interest rate that aligns, on initial recognition, the present value of cash flows connected to the liability and the initial value (so-called amortised cost method).
When there is a change in cash flows and it is possible to estimate them reliably, the value of payables is recalculated to reflect that change on the basis of the present value of the new cash flows and the internal rate of return initially determined.
The item "Tax liabilities" includes all liabilities to the Tax Authorities payable or offsettable in the short-term connected with direct and indirect taxes.

RECOGNITION OF REVENUES

Revenue from contracts with customers is recognised when the following conditions are met:

- the contract with the customer has been identified;
- the performance obligations set forth in the contract have been identified;
- the price has been determined;
- the price has been allocated to the individual performance obligations set forth in the contract;
- the performance obligation set forth in the contract has been met.

The Company recognises revenue from contracts with customers when it fulfils the performance obligation, transferring the good or service (or the asset) to the customer. The asset is transferred when the customer acquires control over it.
The Company transfers control over the good or service over time, and therefore fulfils the performance obligation and recognises revenue over time, when one of the following criteria is met:

- the customer simultaneously receives and uses the benefits arising from the entity's service as it is provided;
- the service of the Company creates or improves the asset that the customer controls as the asset is created or improved;
- the service of the Company does not create an asset which has an alternative use for the Company and the Company has the enforceable right to payment for the service completed until the date considered.

If the performance obligation is not met over time, it is met at a specific moment. In that case, the Company recognises revenue when the customer acquires control over the promised asset.

The contractual consideration included in the contract with the customer may include fixed or variable amounts or both. If the contractual consideration includes a variable amount as discounts, price allowances, incentives, penalties or other similar elements, the Company estimates the amount of the consideration to which it will be entitled in exchange for the transfer of the promised goods or services to the customer. The Company includes the amount of the estimated variable consideration in the transaction price only to the extent to which it is highly likely that when the uncertainty associated with the variable consideration is subsequently resolved, there will not be a significant downward adjustment in the amount of cumulative revenue recognised.

The Company allocates the contractual price to the individual performance obligations on the basis of the stand-alone selling prices (SSP) of the individual performance obligations. When there is no SSP, the Company estimates the SSP using a market adjusted approach.

The Company applies its judgement in determining the performance obligation, variable consideration and the allocation of the transaction price.

Incremental costs for obtaining customer contracts are accounted for as assets and amortised throughout the term of the underlying contract, if the Company expects them to be recovered. Incremental costs for obtaining the contract are costs that the Company incurs to obtain the contract with the customer and which it would not have incurred if it had not obtained the contract. The costs for obtaining the contract which would have been incurred even if the contract had not been obtained should be recognised as a cost at the moment they are incurred, unless they are explicitly chargeable to the customer even if the contract is not obtained.

The costs incurred to perform contracts with customers are capitalised as assets and amortised throughout the term of the underlying contract only if such costs do not fall under the scope of application of another accounting standard (such as IAS 2 - Inventories, IAS 16 - Property, plant and equipment or IAS 38 - Intangible assets) and satisfy all of the following conditions:

- the costs are directly correlated with the contract or an expected contract, which the entity can specifically identify;
- the costs provide the entity with new or greater resources to be used to meet (or continue to meet) performance obligations in the future;

it is expected that such costs will be recovered.

GRANTS

Grants from public and private bodies are recognised at fair value when it is reasonably certain that they will be received and the conditions for receiving them will be met.

Grants related to income (provided as immediate financial assistance to an entity or to cover expenses and losses incurred in a previous year) are fully recognised in the Income Statement when the above-mentioned conditions, necessary for their recognition, are met.

No capital contributions were obtained in the year in question.

COSTS

Costs are recognised in so far as it is possible to reliably determine that economic benefits will flow to the Company. Costs for services are recognised for the year in question at the moment when they are received.

DIVIDENDS

Dividends are recognised on the Income Statement on the date on which the right to receive them matures.

FINANCIAL INCOME AND CHARGES

Income and charges of a financial nature are recognised on an accrual basis, on the basis of the interest accrued on the net value of the related financial assets and liabilities, using the effective interest method.

TAXES

Income taxes include current and deferred taxes. Income taxes are generally stated on the Income Statement, except when they refer to items directly accounted for in equity or in the general Income Statement. Current taxes are income taxes expected to be paid or received, calculated by applying the rate applicable at the date of the financial statements to the taxable income or tax losses for the year.

Deferred taxes are calculated using the so-called liability method on the temporary differences between the carrying amounts of assets and liabilities in the financial statements and their corresponding tax values. Deferred tax assets and liabilities are not stated on goodwill and on assets and liabilities which do not influence taxable income. Deferred taxes are calculated on the basis of the tax rate that is expected to be in force when the asset is realised or the liability is settled. Deferred tax assets are recognised only when it is likely that taxable profits sufficient to realise these assets will be generated in future years. Deferred tax assets and liabilities are offset only for homogeneous expiry dates, when there is a legal right to offset and when they refer to recoverable taxes due to the same tax authority. Income tax deriving from distribution of dividends is stated when the liability relating to their payment is recognised.

Recoverability of deferred tax assets is checked at the end of each period, on the basis of plans duly approved by the Board of Directors, and any part for which recovery is unlikely is stated on the Income Statement.

TRANSLATION OF ENTRIES INTO FOREIGN CURRENCY

The functional and presentation currency of Landi Renzo S.p.A. is the Euro (€). As required by IAS 21, transactions in foreign currency are initially recognised at the exchange rate in place on the date of the transaction. Monetary assets and liabilities in foreign currency are reconverted to the functional currency at the exchange rate in place on the closing date of the Financial Statements.

Non-monetary items measured at historical cost in foreign currency are translated using the exchange rate in force on the initial date that the transaction was recognised.

Non-monetary items measured at fair value are translated using the exchange rates at the date when fair value was determined.

The exchange differences realised at the time of collecting from debtors and paying creditors in foreign currency are entered in the Income Statement.

EARNINGS PER SHARE

The Company determines the earnings per share based on IAS 33 - Earnings per share.

(a) Basic earnings per share

The basic earnings per share is calculated by dividing the profit (loss) pertaining to the Company shareholders by the weighted average of ordinary shares in circulation during the year, excluding treasury shares.

(b) Diluted earnings per share

The diluted earnings per share is calculated by dividing the profit (loss) pertaining to the Company shareholders by the weighted average of ordinary shares in circulation during the year, excluding treasury shares. To calculate the diluted earnings per share, the weighted average of shares in circulation is modified assuming the exercise by all assignees of rights with a potentially dilutive effect, while the profit (loss) pertaining to Company shareholders is adjusted to take into account any effects, net of taxes, of the exercise of such rights.

COMMUNICATION ON FINANCIAL INSTRUMENTS

In accordance with the provisions of Accounting Standard IFRS 7, supplementary information is supplied on the financial instruments in order to evaluate:

- the impact of the financial instruments on the statement of financial position, on the economic result and on the financial flows of the company;
- the nature and size of the risks deriving from financial instruments to which the company is exposed, as well as the methodologies with which such risks are managed.

CLASSES OF FINANCIAL INSTRUMENTS

The following elements are accounted for in compliance with the accounting standards on financial instruments.

(Thousands of Euro)

	31/12/2019				
Balance Sheet Assets	**Amortised cost**	**Fair value through OCI**	**Fair value through profit or loss**	**Hedge accounting**	**Total**
Other non-current financial assets	411				411
Other non-current assets	3,420				3,420
Trade receivables	21,097				21,097
Receivables from subsidiaries	13,911				13,911
Other receivables and current assets	4,341				4,341
Other current financial assets	2,801				2,801
Cash and cash equivalents	11,713				11,713
Total	**57,694**	**0**	**0**	**0**	**57,694**

Balance Sheet Liabilities	**Amortised cost**	**Fair value through OCI**	**Fair value through profit or loss**	**Hedge accounting**	**Total**
Non-current bank loans	47,430				47,430
Non-current liabilities for rights of use	3,951				3,951
Liabilities for derivative financial instruments	0			30	30
Other non-current financial liabilities	2,150				2,150
Bank financing and short-term loans	26,150				26,150
Current liabilities for rights of use	1,669				1,669
Other current financial liabilities	210				210
Total	**81,560**	**0**	**0**	**30**	**81,590**

(Thousands of Euro)

	31/12/2020				
Balance Sheet Assets	**Amortised cost**	**Fair value through OCI**	**Fair value through profit or loss**	**Hedge accounting**	**Total**
Other non-current financial assets	911				911
Other non-current assets	2,850				2,850
Trade receivables	27,248				27,248

Receivables from subsidiaries	16,368				16,368
Other receivables and current assets	5,082				5,082
Other current financial assets	2,801				2,801
Cash and cash equivalents	10,626				10,626
Total	**65,886**	**0**	**0**	**0**	**65,886**

Balance Sheet Liabilities	Amortised cost	Fair value through OCI	Fair value through profit or loss	Hedge accounting	Total
Non-current bank loans	64,790				64,790
Non-current liabilities for rights of use	2,702				2,702
Liabilities for derivative financial instruments	0			458	458
Bank financing and short-term loans	22,771				22,771
Current liabilities for rights of use	1,770				1,770
Other current financial liabilities	210				210
Total	**92,243**	**0**	**0**	**458**	**92,701**

USE OF ESTIMATES AND ASSESSMENTS

The preparation of Financial Statements in accordance with IFRS requires the application of accounting standards and methods that are sometimes based on subjective assessments and estimates based, in turn, on past experience and assumptions that are considered reasonable and realistic given the circumstances. Application of these estimates and assumptions affects the amounts presented in the financial statements, such as the Statement of Financial Position, the Income Statement and the Statement of Cash Flows, and in disclosures provided.

Please note that the situation caused by the current economic and financial scenario has resulted in the necessity to make assumptions on future performance that are characterised by significant uncertainty. Therefore it cannot be excluded that results different to those estimated may be realised in the coming years. Such results could therefore require adjustments, that may even be considerable, which obviously cannot be either estimated or predicted at this stage, to the carrying amount of the relative items.

The items on the financial statements that most require greater subjectivity on the part of the directors in producing the estimates and for which a change in the conditions underlying the assumptions used can have a significant impact on the financial statements are listed below:

- Valuation of fixed assets;
- Recoverability of development expenditure;
- Valuation of deferred tax assets;
- Valuation of provisions for bad debts and obsolete inventories;

- Valuation of employee benefits;
- Valuation of provisions for risks and charges.

The estimates and assumptions are reviewed periodically and the effects of each variation are immediately reflected on the Income Statement.

For an indication of the economic values of these estimates, please refer to the relative points of these notes.

The directors also evaluated the applicability of the going concern assumption in the preparation of the consolidated financial statements, and concluded that this assumption is suitable as there are no doubts as to business continuity.

MOST IMPORTANT ACCOUNTING STANDARDS THAT REQUIRE A GREATER DEGREE OF SUBJECTIVITY

A description is provided below of the most significant accounting standards that require, more than the others, greater subjectivity on the part of the directors in producing the estimates and for which a change in the conditions underlying the assumption used may have a significant impact on the financial data of the Company.

Valuation of receivables

Trade receivables are adjusted with the relevant write-down fund in order to take account of their effective recoverable value. The determination of the amount of depreciation carried out requires the directors to make subjective evaluations based on the documentation and on the information available, also in relation to the solvency of the customer, as well as on experience and historical trends.

The continuation of the current economic and financial situation and its possible aggravation could lead to further deterioration in the financial conditions of the Company's debtors beyond that already taken into consideration prudentially in quantifying the write-downs recorded in the financial statements.

Valuation of goodwill and intangible assets in progress

In accordance with the accounting standards applied by the Company, goodwill and intangible assets in progress are subjected to annual verification (impairment test) in order to assess whether they have suffered a reduction in value, which is stated through a write-down, when the net carrying amount of the CGU to which these items are allocated appears to be greater than its recoverable value (defined as the greater value between the value in use and the fair value of the same). The above mentioned value confirmation check necessarily requires subjective evaluations to be made based on the information available within the Company, and on the reference market outlook and historical trends. In addition, whenever it is supposed that a potential reduction in value could be generated, the Company determines said reduction using those evaluation techniques considered suitable. The same value tests and evaluation techniques are applied to intangible and tangible assets with a defined useful life when indicators exist that predict difficulties in recovering the corresponding net carrying amount. The correct identification of elements indicative of the existence of a potential reduction in value as well as the estimates for determination of the reduction depend principally on factors that can vary over time, even significantly, therefore influencing the evaluations and estimates made by the directors.

Provisions for risks

Establishing whether or not a current obligation (legal or implied) exists is in some cases difficult to determine. The directors assess such phenomena on a case by case basis, together with an estimate of the amount of the economic resources required in order to meet that obligation. When the directors consider that is merely possible that liabilities may arise, the risks are indicated in the appropriate information section on commitments and risks, without resulting in any allocation in the financial statements.

Defined benefit plans

The Company offers defined benefit plans to some of its employees. Using the services of experts and actuaries, management used various statistical assumptions and evaluation factors to calculate the charges and the current value of assets and liabilities relating to these plans. The assumptions relate to the discount rate, the expected return on the assets servicing the plan, the rates of future salary increases, demographic trends, the inflation rate and expected health costs. The actuaries consulted also use subjective factors, such as mortality and resignation rates.

Share-based plans

The Company has assigned the CEO and other managers a compensation plan named the "2019-2021 Performance Shares Plan" concerning the free assignment of the right to receive Landi Renzo S.p.A. ordinary shares free of charge based on the degree to which specific performance objectives are reached. Using the services of experts and actuaries, management used various statistical assumptions and evaluation factors to calculate the charges and the current value of assets and liabilities relating to these plans.

Provision for product warranties

Based on product sales, the Company allocates provisions according to the costs estimated as likely to be incurred for product warranties. Management establishes the value of such provisions on the basis of historical information on the nature, frequency and average cost of operations carried out under warranty and on the basis of specific contractual agreements.

The Company constantly strives to improve the quality of its products and to minimise the burden deriving from operations under warranty.

Potential liabilities

The Company is subject to lawsuits regarding a number of disputes that were submitted to the jurisdiction of various States. Given the inherent uncertainty of these disputes, it is difficult to predict with certainty the resulting financial cost, or the time frame within which it will arise. The lawsuits and disputes against the Company derive primarily from complex legal problems, that are subject to varying degrees of uncertainty, considering the facts and circumstances involved in each dispute and the different laws applicable. To assess the risks deriving from potential liabilities of a legal nature correctly and prudentially, management periodically obtains information on the situation from its legal advisers. The Company establishes a liability in relation to such disputes when it considers it likely that a financial cost will occur and when the amount of the resulting losses can be reasonably estimated.

Valuation of closing inventories

Closing inventories of products with characteristics of obsolescence or slow turnaround are periodically subjected to tests for their correct valuation and are written down where the recoverable value thereof is less than the carrying amount. The write-downs carried out are based, primarily, on assumptions and estimates of management deriving from its experience and the historical results achieved, as well as estimates of the use/sale of inventories.

Valuation of deferred tax assets

The valuation of deferred tax assets is made on the basis of taxable income expected in future years and expected tax rates at the date when the temporary differences are expected to occur, insofar as they are considered applicable in the future. The measurement of such expected profits depends on factors that may change over time and have a significant impact, therefore, on the valuation of deferred tax assets.

TRANSACTIONS WITH RELATED PARTIES

The Company deals with related parties under contractual conditions considered to reflect the arm's length conditions on the markets in question, taking account of the characteristics of the goods and services supplied and received.

D) RISK ANALYSIS

In accordance with the requirements of Accounting Standard IFRS 7, the following analysis is provided regarding the nature and extent of risks deriving from financial instruments to which the Company is exposed, as well as the methodologies with which such risks are managed.

The main risks are reported and discussed at the Top Management level of the Company in order to create the prerequisites for their hedging, and insurance and assessment of the residual risk.

Interest rate risk

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

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

Interest rate risks were measured using sensitivity analysis and the potential impacts of Euribor interest rate fluctuations on the financial statements at 31 December 2020 were analysed with particular reference to cash and cash equivalents and to loans. The increase of 50 basis points on the Euribor, like all the other variables, would have produced an increase in financial costs for the Company of Euro 195 thousand in comparison to an increase of financial income equal to Euro 67 thousand.

Exchange risk

The Company sells part of its production and, although to a much lesser degree, also purchases some components in Countries outside the Euro zone.
In relation to the exchange risk, it is reported that the amount of accounting balances expressed in currency other than the Euro is not considered significant compared to the total revenue of the Company, therefore the sensitivity analysis required by IFRS 7 is not provided as it is considered non-significant. The Company has not subscribed to instruments to cover exchange rate fluctuations and, in accordance with the company's policy up to this moment, no derivatives are subscribed solely for trading purposes. Therefore, the Company remains exposed to exchange rate risk on the balances of the assets and liabilities in foreign currency at year end.

Price risk

The Company makes purchases and sales internationally, and therefore it is exposed to the normal risk of price fluctuation typical of its industry.

Credit risk

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

Trade receivables and other receivables

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

The Company uses non-recourse assignment of debts.

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

The Company has relations with customers of significant size, as it operates in the OEM channel.

Other financial assets

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

Guarantees

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

Liquidity risk

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

In light of the continuous, clear improvement in the Company’s economic and financial performance and the favourable conditions in the financial markets in terms of the cost of money, in June 2019 Landi Renzo S.p.A. took out a five-year loan for a total of Euro 65 million from a pool of three leading banks (BPM - mandated lead arranger and bookrunner, Intesa Sanpaolo and Unicredit), under more favourable conditions, which made it possible to settle the Company’s financial debt deriving from the Optimisation Agreement entered into in March 2017 and the "LANDI RENZO 6.10% 2015-2022" Bonded Loan (ISIN IT0005107237). This transaction, aside from reducing the financial expenses and improving the Company’s debt profile, made it possible to consolidate the financial and liquidity position.

However, the Covid-19 pandemic had, and continues to have, significant effects on volumes as well as on the economic and financial results of many companies, especially in the durable goods market. Following the resulting macroeconomic context, overshadowed by considerable uncertainty as to cash flows, the management immediately devoted considerable 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 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.

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

See the Directors' Report for all further information on risk factor analysis pursuant to Article 154-*ter* TUF (Consolidated Law on Finance).

Fair value hierarchy

Financial instruments measured at fair value are classified based on a hierarchy of three levels, according to procedures to determine the fair value, i.e. with reference to the factors used in the process to determine the value:

- Level 1, financial instruments whose fair value is determined based on a quoted price on an active market;
- Level 2, financial instruments whose fair value is determined based on measurement techniques that use parameters observable either directly or indirectly on the market. This category includes instruments measured based on forward market curves and differential, short-term contracts;
- Level 3, financial instruments whose fair value is determined based on measurement techniques that use parameters that are unobservable on the market, or use only internal estimates.

E) EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS

1. SEGMENT REPORTING

As set forth in IFRS 8, please refer to the analysis provided in the consolidated financial statements.

NON-CURRENT ASSETS

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

The changes in tangible assets during the financial year 2019 are shown in detail below:

(Thousands of Euro)

Net value	31/12/2018	Acquisitions	(Disposals)	Depreciation rates	Other changes	31/12/2019
Land and buildings	299	167	0	-185	0	281
Plant and machinery	5,165	481	0	-1,125	174	4,695
Industrial and commercial equipment	2,349	968	-285	-1,129	1,001	2,904
Other tangible assets	1,099	197	-276	-378	93	735
Assets in progress and advance payments	760	874	0	0	-1,268	366
Total	**9,672**	**2,687**	**-561**	**-2,817**	**0**	**8,981**

The changes in tangible assets during the financial year 2020 are shown in detail below:

(Thousands of Euro)

Net value	31/12/2019	Lovato merger	Acquisitions	(Disposals)	Depreciation rates	Other changes	31/12/2020
Land and buildings	281	99	29	0	-229	0	180
Plant and machinery	4,695	300	432	-30	-1,255	61	4,203
Industrial and commercial equipment	2,904	300	2,771	-400	-1,457	1,469	5,587
Other tangible assets	735	29	42	0	-329	0	477
Assets in progress and advance payments	366	0	2,188	0	0	-1,530	1,024
Total	**8,981**	**728**	**5,462**	**-430**	**-3,270**	**0**	**11,471**

Tangible assets showed an overall increase of Euro 2,490 thousand, rising from Euro 8,981 thousand at 31 December 2019 to Euro 11,471 thousand at 31 December 2020.

The “Lovato Merger” column includes, for Euro 728 thousand, the effects of the mentioned merger by incorporation of Lovato Gas S.p.A., values transferred to the financial statements of the incorporating company as of 1 January 2020.

The category industrial and commercial equipment, amounting to Euro 5,587 thousand as at 31 December 2020 compared with Euro 2,904 thousand as at 31 December 2019, rose following the conspicuous investments made by the Company both in new moulds and for the acquisition of new test benches and assembly lines needed to cover the increasing orders from a leading OEM customer, as well as to produce new product lines for it. Despite the considerable impacts deriving from the pandemic, the Company continued to invest in order to be ready to take advantage of increasing market opportunities.

Decreases during the year, amounting to Euro 430 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 advance payments", totalling Euro 1,024 thousand at 31 December 2020 (Euro 366 thousand at 31 December 2019), primarily includes investments made by the Company in new work benches needed to handle demand for an increase in production requested by an important OEM customer. These investments are currently in the completion phase and are expected to be used in the production process in the course of the coming months.

The column "Other Changes" includes the accounting entries for the respective categories of non-current assets already in progress at 31 December 2019 and completed during the year.

3. DEVELOPMENT EXPENDITURE

Changes in development expenditure during 2019 are shown in detail below:

(Thousands of Euro)

Development expenditure	31/12/2018	Acquisitions	(Amortisation)	Other changes	31/12/2019
Development expenditure	**6,772**	4,677	-3,434	0	**8,015**

Changes in development expenditure during 2020 are shown in detail below:

(Thousands of Euro)

	31/12/2019	Lovato merger	Acquisitions	(Amortisation)	Other changes	31/12/2020
Development expenditure	**8,015**	213	5,376	-4,098	0	**9,506**

Development costs, amounting to Euro 9,506 thousand (Euro 8,015 thousand at 31 December 2019), include the costs incurred by the Company 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 2020 are equal to a total of Euro 5,376 thousand (Euro 4,677 thousand as at 31

December 2019), up compared with the previous year due to the gradual increase in investments by the Company 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 Company's mechatronic components and systems for the Heavy-Duty market. Thanks to the Company's technological and innovative drive, our 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, and is ready to continue with its activities irrespective of the restrictive measures that will be imposed by the government to limit contagion.

In particular, Research and Development activities during 2020 saw the continuation of projects started in the previous year as well as the launch of new initiatives, namely:

- development of systems and components for OEM supplies to leading automotive manufacturers in sustainable gas mobility. In particular, developments were finalised of electronic and mechanical components in order to begin manufacturing the first vehicles approved according to the Euro6d-Full emissions standard. The project was carried out with a view to overall product optimisation, in terms of both performance and simplicity;
- redefinition and validation of a pressure regulator (NG2 HD) for Heavy Duty vehicles, expected to begin production in the second half of 2021;
- development of an LNG regulator and the relative winter testing campaign at a leading Asian customer in order to check the performance in the field of the product's innovative features;
- re-design and validation in the laboratory of the new family of high-pressure and high capacity injectors for applications in Heavy Duty vehicles;
- development and testing in the field of the integrated manifold for fuel-cell applications for Hydrogenics, one of the global leaders in the hydrogen mobility sector;
- development for the world of hydrogen mobility of a high-pressure regulator and a smart dosing system, in order to introduce a new way of managing the injection of hydrogen into the fuel cell;
- development and entry into production of a CNG pressure regulator for applications on vehicles with innovative design and industrialisation concepts;
- development of a new conversion unit for vehicles with indirect injection systems and initiation of a project for the development of the new direct injection management system.

New development activities began during the initial months of 2021 and they are expected to continue for the rest of the current year.
The analysis of the recoverability of the values recognised for development activities, which the Company attributes to specific projects, carried out by comparing the margins expected from sales of the products to

which the above-mentioned costs refer, and the relative net carrying amounts at the date of 31 December 2020, did not bring to light any impairment.

4. GOODWILL

Changes in goodwill during 2020 are shown in detail below:

(Thousands of Euro)

Goodwill	Net Value at 31/12/2019	Lovato merger	Acquisitions	(Amortisation)	Net Value at 31/12/2020
Goodwill	2,373	27,721	0	0	30,094
Total	**2,373**	**27,721**	**0**	**0**	**30,094**

The item Goodwill, amounting to Euro 30,094 thousand at 31 December 2020 (Euro 2,373 thousand at 31 December 2019), is attributable in full to the "Automotive" CGU and rose by Euro 27,721 following the merger by incorporation of the subsidiary Lovato Gas S.p.A. in the course of 2020; this value was recognised in the separate financial statements of the Company by virtue of the application of the principle of the continuity of values, which in the specific case of a merger of a wholly owned investee, attributes relevance to the pre-existence of the relationship of control and the cost, and the relative purchase price allocation, resulting from the Group's consolidated financial statements.

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 also described extensively in the financial statements of previous years, goodwill is allocated to the only CGU identified: the "Automotive" CGU.

As a result of the particular situation of uncertainty which the Covid-19 pandemic continues to have on the international macroeconomic scenario 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 2021 results and thereafter. In particular, the forecast values for the year 2021 incorporate the 2021 budget data approved by the Board of Directors on 12 March 2021, while for the subsequent year (2022) 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 Company'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 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, equal to 0.89%, was determined using as a reference the average return on 10-year US government bonds;
- the unlevered beta parameter and the market target financial structure used for the releveraging of that parameter were identified on the basis of a representative panel of comparable companies.

On the basis of the parameters set forth above, the weighted average cost of capital (W.A.C.C.) relating to the Automotive CGU is therefore equal to 10.27% (9.92% as at 31 December 2019). The "g" growth rate is instead 3.08% (3.78% as at 31 December 2019).

This test, which was prepared with the support of an external advisor, and the results of which were approved by the Board of Directors of the Company on 12 March 2021, did not bring to light any impairment losses.

The main sensitivity analyses performed, in order to provide specific indications on the changes in the basic assumptions which make the recoverable value equal to the carrying amount, are shown below:

Based on the information available at the current date, these changes moreover appear to be unrealistic.

(Millions of Euro)

Subsidiary company	Surplus of recoverable value over the carrying amount	EBITDA	Discount rate including tax %
Automotive CGU	106.4	23.0	16.83%

The stock market capitalisation value of Landi Renzo S.p.A. at 31 December 2020 amounted to Euro 92 million, and is significantly higher than the value of the consolidated shareholders' equity of Landi Renzo S.p.A. at the same date. The spread in the first half of 2020 of the Covid-19 pandemic in Italy and abroad has had a very 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 in March/April 2020 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. The Company's market capitalisation at 15 March 2021 was Euro 127.7 million.

5. OTHER INTANGIBLE ASSETS WITH FINITE USEFUL LIVES

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

(Thousands of Euro)

Other intangible assets with finite useful lives	31/12/2018	Acquisitions	(Amortisation)	Other changes	31/12/2019
Patents and intellectual property rights	296	390	-278	-8	400
Concessions and trademarks	5,587	19	-655	8	4,959
Total	**5,883**	**409**	**-933**	**0**	**5,359**

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

(Thousands of Euro)

Other intangible assets with finite useful lives	31/12/2019	Lovato merger	Acquisitions	(Amortisation)	Other changes	31/12/2020
Patents and intellectual property rights	400	19	248	-299	-7	361
Concessions and trademarks	4,959	6,344	62	-1,554	7	9,818
Total	**5,359**	**6,363**	**310**	**-1,853**	**0**	**10,179**

Other intangible assets with finite useful lives decreased from Euro 5,359 thousand at 31 December 2019 to Euro 10,179 thousand at 31 December 2020, and include:

- licenses for specific applications and supporting software for research and development activities, as well the purchase of management software licenses;
- the net value of owned trademarks, in additions to other minor trademarks, the Lovato trademark (for Euro 5,373 thousand) acquired in the financial statements of Landi Renzo S.p.A. due to the merger by incorporation of the subsidiary Lovato Gas S.p.A. in the course of 2020, and the value of the AEB trademark (for Euro 4,208 thousand). These trademarks are currently in use, and are entered in the

accounts according to the fair value at the time of purchase according to evaluations made by independent professionals, net of the accumulated amortisation. These values are amortised over 18 years, the period deemed to represent the useful lifetime of the trademarks. The above trademarks are currently in use and at the date of these financial statements, no indicators affecting the recoverability of the above values in the financial statements had been identified.

The increase in the period, equal to Euro 310 thousand, is mainly due to the purchase of new software licences. During the year there were no events or circumstances that indicate possible impairment in relation to the other intangible assets mentioned above.

6. RIGHT-OF-USE ASSETS

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

(Thousands of Euro)

Right-of-use assets	Net Value at 31/12/2018	FTA of IFRS 16	Increases	Depreciation rates	Other changes	Net Value at 31/12/2019
Buildings	0	3,353	4,103	-1,517	-1,149	**4,790**
Motor vehicles	0	369	592	-253	0	**708**
Total	**0**	**3,722**	**4,695**	**-1,769**	**-1,149**	**5,498**

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

(Thousands of Euro)

	Net Value at 31/12/2019	Lovato merger	Increases	decreases	Depreciation rates	Other changes	Net Value at 31/12/2020
Buildings	4,790	366	159	0	-1,521	0	**3,794**
Motor vehicles	708	99	80	-30	-313	0	**544**
Total	**5,498**	**465**	**239**	**-30**	**-1,834**	**0**	**4,338**

Right-of-use assets decreased from Euro 5,498 thousand at 31 December 2019 to Euro 4,338 thousand at 31 December 2020.

The column "Lovato merger" includes, for Euro 465 thousand, the effects deriving from the above-mentioned merger by incorporation of Lovato Gas S.p.A., values transferred to the financial statements of the incorporating company as of 1 January 2020 and primarily relating to the lease of the Vicenza plant.

Increases during the year, amounting to Euro 239 thousand, are linked primarily 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 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.

7. EQUITY INVESTMENTS IN SUBSIDIARIES

This item breaks down as follows:

(Thousands of Euro)

Equity investments in subsidiaries	31/12/2019	Lovato merger	Increases	Decreases	Impairment losses	31/12/2020
Equity investments	54,272	-48,680	500	-5	-1,898	4,189

The changes in equity investments during the year are shown below:

Thousands of Euro	Opening value	Lovato merger	Increases	Decreases	Impairment losses	Closing value	Equity investment
LR Indústria e Comércio Ltda	1,709				-1,398	311	99.99%
Landi International B.V.	18					18	100.00%
Beijing Landi Renzo Autogas System Co. Ltd	2,057					2,057	100.00%
L.R. Pak (Pvt) Limited	0					0	70.00%
Landi Renzo Pars Private Joint Stock Company	1,263		500		-500	1,263	99.99%
Lovato Gas S.p.A.	48,680	-48,680				0	100.00%
Landi Renzo RO S.r.l.	5					5	100.00%
Landi Renzo VE C.A.	0					0	100.00%
Landi Renzo USA	0					0	100.00%
AEB America S.r.l.	535					535	96.00%
Lovato do Brasil Ind Com	0					0	100.00%
Officine Lovato Private Ltd	0					0	74.00%
Landi Renzo Argentina Srl	5			-5		0	100.00%
Total equity investments	**54,272**	**-48,680**	**500**	**-5**	**-1,898**	**4,189**	

The following changes occurred during the financial year:

- merger by incorporation of Lovato Gas S.p.A. into Landi Renzo S.p.A. with accounting and tax effects as of 1 January 2020;
- waiver to the receivable from the subsidiary Landi Renzo Pars Private Joint Stock Company for Euro 500 thousand, of which Euro 400 thousand relating to trade receivables and Euro 100 thousand to intercompany loans, intended to recapitalise the Iranian company; the amount was taken directly to increase the value of the investment, subsequently written down in an equal amount;
- write-down of the equity investment Landi Renzo Industria e Comercio Ltda by Euro 1,398 thousand following the negative effects that the Covid-19 pandemic had in the course of the year on the

economy and in particular on the relative currency, which depreciated by roughly 41% compared to the euro;

- liquidation in the course of the year of the non-operational company Landi Renzo Argentina.

8. EQUITY INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

This item breaks down as follows:

(Thousands of Euro)

Equity investments in associates and joint ventures	31/12/2019	Increases	Decreases	Valuation using the net equity method	31/12/2020
SAFE&CEC S.r.l.	22,878			-1,111	21,767
EFI Avtosanoat - Landi Renzo LLC	97				97
Krishna Landi Renzo India Private Ltd	652			90	742
Total	**23,627**	**0**	**0**	**-1,021**	**22,606**

In particular:

- the equity investment held in the joint venture Krishna Landi Renzo Prv Ltd was revalued by Euro 90 thousand due to the positive results for the period;
- the equity investment held in the joint venture SAFE&CEC S.r.l. was written down by Euro 1,111 thousand, of which Euro 101 thousand attributed to the income statement, as it related to the group's share of the loss for the period, and Euro 1,010 thousand attributed to the statement of comprehensive income, as it related to changes accounted for directly in equity by the joint venture.

The share in the joint venture EFI Avtosanoat Landi Renzo LLC in Uzbekistan (Euro 97 thousand) is measured at the cost adjusted for impairment losses.

Furthermore, to value the equity investment held in SAFE&CEC S.r.l. at equity and in order to verify the existence of any indicators of impairment, the directors of Landi Renzo S.p.A. requested and obtained impairment testing at 31 December 2020 from the directors of the associated company, prepared by the management of the joint venture, assisted by an external consultant. No indicators of impairment in the equity investment in SAFE&CEC S.r.l. were identified.

The consolidated income statement and balance sheet data at 31 December 2020 of the group led by SAFE&CEC S.r.l. are shown below.

(Thousands of Euro)

ASSETS	SAFE & CEC S.r.l.
Tangible and Intangible assets	42,183

Right-of-use assets	6,406
Deferred tax assets	1,030
Other non-current financial assets	868
Total non-current assets	**50,487**
Trade receivables	15,663
Inventories and contract work-in-progress	26,887
Other current assets	3,165
Cash and cash equivalents	2,793
Total current assets	**48,507**
TOTAL ASSETS	**98,994**

(Thousands of Euro)

SHAREHOLDERS' EQUITY AND LIABILITIES	SAFE & CEC S.r.l.
Shareholders' equity	**42,681**
Non-current financial liabilities	839
Non-current liabilities for rights of use	6,301
Provision for risks and charges and Defined benefit plans for employees	1,277
Deferred tax liabilities	2,113
Total non-current liabilities	**10,530**
Bank financing and short-term loans	8,939
Current financial liabilities	2,806
Current liabilities for rights-of-use	705
Trade payables	22,608
Other current liabilities	10,725
Total current liabilities	**45,782**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**98,994**

(Thousands of Euro)

INCOME STATEMENT	SAFE & CEC S.r.l.
Revenues from sales	77,930
Other revenues	1,528
Operating costs	-75,781
Gross operating profit	**3,677**
Amortisation	-2,225
Net operating profit	**1,452**
Net financial charges	-763
Exchange gains (losses)	-221
Profit (loss) attributable to investments	-212
Profit (Loss) before taxes	**256**
Taxes	-454
Profit (Loss)	**-198**

9. OTHER NON-CURRENT FINANCIAL ASSETS

This item breaks down as follows:

(Thousands of Euro)

Other non-current financial assets	31/12/2019	Decreases	Increases	Other changes	Impairment losses	31/12/2020
Loan to Landi Renzo Usa Co.	0	-1,001		1,001		0
Loan to Landi Renzo Pars	387			-100		287
Loan to Landi International BV	15					15
Loan to Krishna Landi Renzo India Private Ltd	0		600			600
Equity investments in other companies	9					9
Total	**411**	**-1,001**	**600**	**901**	**0**	**911**

At 31 December 2020 other non-current financial assets totalled Euro 911 thousand and refer primarily to:

- outstanding loans to the subsidiary Landi Renzo Pars amounting to Euro 287 thousand, which declined due to the waiver of the financial receivable from the subsidiary company during the year, in the amount of Euro 100 thousand;
- the Euro 600 thousand loan, disbursed in 2020 to the joint venture Krishna Landi Renzo Prv Ltd in order to finance current operations. This 5-year loan bears half-yearly interest at market rates.

For the purpose of evaluating the recoverability of receivables from the US subsidiary, the management considered some factors affecting the debtor's ability to repay the granted loan. In particular, considering the current financial position, the profitability of previous financial years and this year at 31 December 2020, the ability to service the debt and the future short/medium term prospects, the financial receivables of USD 13,300 thousand (equal to Euro 10,839 thousand), were entirely written down. Due to fluctuations in the US currency, the loan to Landi Renzo USA decreased by Euro 1,001 thousand, an effect counterbalanced by the adjustment in an equal amount of the relative provision for impairment.

10. OTHER NON-CURRENT ASSETS

This item breaks down as follows:

(Thousands of Euro)

Other non-current assets	31/12/2020	31/12/2019	Change
Other non-current assets	2,850	3,420	-570

At 31 December 2020 the other non-current assets amount to Euro 2,850 thousand relating entirely to receivables beyond the financial year from AVL Italia S.r.l. in relation to the sale of the company branch "Technical Centre", the relative contract of which provides for receipt in ten annual instalments and the charging of interest on the residual credit at the end of each year.

11. DEFERRED TAX ASSETS

This item breaks down as follows:

(Thousands of Euro)

Net deferred tax assets and liabilities	31/12/2020	31/12/2019	Change
Deferred tax assets	12,792	10,608	2,184
Deferred tax liabilities	-1,559	-1,570	11
Total net deferred tax assets	**11,233**	**9,038**	**2,195**

The following table shows the values of the offsettable prepaid and deferred taxes and their movements from 31 December 2019 to 31 December 2020:

(Thousands of Euro)

Deferred tax assets	Deferred tax assets 31/12/2019	Lovato merger	Uses	Temporary differences	Deferred tax assets 31/12/2020
Inventory write-down reserve	1,417	273	-10	139	1,819
Provision for product warranties	422	300	-450	286	558
Provision for bad debts - taxed	611		-46		565
Provision for other risks and lawsuits	4				4
Other temporary differences	485		-109	254	630
Tax losses	7,669			1,547	9,216
Total deferred tax assets	**10,608**	**573**	**-615**	**2,226**	**12,792**
Offsettable deferred tax liabilities	**Deferred tax liabilities 31/12/2019**	**Lovato merger**	**Uses**	**Temporary differences**	**Deferred tax liabilities 31/12/2020**
Non-deductible amortisation of trademarks	1,333	1,761	-1,592	22	1,524
Other temporary differences	237		-235	33	35
Total deferred tax liabilities	**1,570**	**1,761**	**-1,827**	**55**	**1,559**
Total net deferred tax assets	**9,038**	**-1,188**	**1,212**	**2,171**	**11,233**

At 31 December 2020, net deferred tax assets, totalling Euro 11,233 thousand (Euro 9,038 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 tax losses 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.

Please also note that, pursuant to Law 126/20, art. 110 of 13 October 2020, on 15 March 2021 the Board of Directors of the Company approved the attribution of tax relevance to the higher values recognised in the item "other intangible assets with finite useful lives" relating to the AEB trademark through the payment of a flat-rate tax. As a result, after activating the provisions of the above-mentioned regulations, the correlated tax benefits were recognised in the financial statements of the Company as at 31 December 2020. This transaction entailed the release of the provision for deferred taxes, recognised in the financial statements as at 31 December 2019, for a total of Euro 1,174 thousand, and the recognition of a tax payable relating to the payment of the above-mentioned flat-rate tax of Euro 126 thousand, a tax which will be paid in three annual instalments according to the provisions of the regulation. The net effect of the transaction described reflected in the income statement in 2020 is equal to a positive Euro 1,048 thousand. In this regard, please also note that the deductibility of the amortisation referring to values subject to revaluation for tax purposes will take place starting from 2021, in line with the provisions of the above-mentioned regulation.

Furthermore, with reference to tax losses, the management, assisted by its tax advisors, prepared an analysis aimed at verifying the recoverability of deferred tax assets, based on the forecasts of the 2020-2025 Strategic Plan, approved by the Board of Directors on 12 March 2020 and appropriately adjusted to take into consideration the possible effects of the Covid-19 pandemic (on the basis of information currently available) and incorporate the 2021 budget values, approved by the Board of Directors on 12 March 2021. This analysis did not identify any problems related with the recoverability of deferred tax assets recognised in the financial statements, which are fully recoverable during the 2021-2025 plan period.

At 31 December 2020 offsettable deferred tax liabilities totalled Euro 1,559 thousand (Euro 1,570 thousand at 31 December 2019) and are primarily related to temporary differences between the carrying amounts of certain tangible and intangible assets and the values recognised for tax purposes.

CURRENT ASSETS

12. TRADE RECEIVABLES

Trade receivables, stated net of the related write-down reserve, are shown divided by geographical area below:

(Thousands of Euro)

Trade receivables by geographical area	31/12/2020	31/12/2019	Change
Italy	8,231	7,410	821
Europe (excluding Italy)	6,862	2,572	4,290
Asia and Rest of the World	11,027	9,669	1,358
America	5,492	5,099	393

Provision for bad debts	-4,364	-3,653	-711
Total	**27,248**	**21,097**	**6,151**

Trade Receivables totalled Euro 27,248 thousand at 31 December 2020, net of the Provision for Bad Debts equal to Euro 4,364 thousand, compared with Euro 21,097 thousand, net of a provision for bad debts of Euro 3,653 thousand at 31 December 2019. The increase in trade receivables on the previous financial year is mainly due to the merger of Lovato Gas S.p.A.

The Company carried out assignments of trade receivables through factoring without recourse and, at 31 December 2020, the amount of assignments with credit maturity, for which there was derecognition of the related receivables, totalled Euro 10.2 million, compared with Euro 19.5 million at 31 December 2019.

There are no non-current trade receivables or receivables secured by collateral guarantees.

Trade receivables from related parties totalled Euro 2,865 thousand at 31 December 2020, compared with Euro 2,859 thousand in 2019 and related to supplies of goods to the Joint Ventures Krishna Renzo India Private Ltd and EFI Avtosanoat Landi Renzo LLC. All the transactions are carried out at arm's length conditions.

The provision for bad debts, calculated using analytical criteria on the basis of the data available, changed as follows:

(Thousands of Euro)

Provision for bad debts	31/12/2019	Lovato merger	Provisions	Uses	31/12/2020
Provision for bad debts	3,653	832	150	-271	4,364

The allocations made during the year, necessary in order to adjust the book value of the receivables to their assumed recovery value, net of the effect of the merger by incorporation of the subsidiary Lovato Gas S.p.A., amounted to Euro 150 thousand. Uses during the year, on the other hand, totalled Euro 271 thousand.

In accordance with the requirements of IFRS 7, the following table provides information on the maximum credit risk divided by past due credit classes, gross of the bad debt provision:

(Thousands of Euro)

Trade receivables ageing for 2020 - 2019			Past due		
	Total	Not past due	0-30 days	30-60 days	60 and beyond
Trade Receivables at 31/12/2020 (gross of provision)	31,612	17,172	1,642	1,641	11,157
Trade Receivables at 31/12/2019 (gross of provision)	24,750	14,418	2,422	686	7,224

13. RECEIVABLES FROM SUBSIDIARIES

This item breaks down as follows:

(Thousands of Euro)

Receivables from subsidiaries	31/12/2020	31/12/2019	Change
Lovato Gas S.p.A.	0	1,245	-1,245
Landi Renzo Beijing	208	142	66
LR Indústria e Comércio Ltda	6,658	5,504	1,154
Landi Renzo Polska	678	0	678
Landi Renzo Pars	575	689	-114
LR PAK Pakistan	1,094	1,095	-1
LR Romania	1,528	584	944
Landi Renzo Usa Corp.	2,267	2,158	109
AEB America	2,683	2,494	189
Officine Lovato Pvt Ltd	677	0	677
Lovato do Brasil Ind Com	1,180	0	1,180
Provision for bad debts from subsidiaries	-1,180	0	-1,180
Total	**16,368**	**13,911**	**2,457**

Receivables from subsidiaries totalled Euro 16,368 thousand at the end of the period compared with Euro 13,911 thousand for the previous year.

As illustrated previously, in the course of 2020 Landi Renzo S.p.A. waived the receivable of Euro 500 thousand, of which Euro 400 thousand relating to trade receivables and Euro 100 thousand to intercompany loans, in order to recapitalise the subsidiary Landi Renzo Pars.

The receivables from Officine Lovato Pvt Ltd and Lovato do Brasil Ind Com, equal to Euro 1,180 thousand and written down in full, derive from the merger of Lovato Gas S.p.A.

14. INVENTORIES

This item breaks down as follows:

(Thousands of Euro)

Inventories	31/12/2020	31/12/2019	Change
Raw materials and parts	23,005	17,410	5,595
Work in progress and semi-finished products	7,793	8,350	-557
Finished products	7,223	5,100	2,123
(Inventory write-down reserve)	-6,286	-5,076	-1,210
Total	**31,375**	**25,784**	**5,951**

Closing inventories at 31 December 2020 totalled Euro 31,375 thousand, net of the inventory write-down reserve of Euro 6,286 thousand, and were up compared with 31 December 2019 (Euro 25,784 thousand).

The Company estimated an inventory write-down reserve, the details of which are provided below, to cover risks of technical obsolescence of stocks and to align the carrying amount with their presumed realisation value.

(Thousands of Euro)

Inventory write-down reserve	31/12/2019	Lovato merger	Provisions	Uses	31/12/2020
Inventory write-down reserve (raw materials)	4,180	511	500	0	5,191
Inventory write-down Reserve (finished products in progress)	487	133	0	0	620
Inventory write-down Reserve (finished products)	409	66	0	0	475
Inventory write-down reserve – total	**5,076**	**710**	**500**	**0**	**6,286**

This item totalled Euro 6,286 thousand at 31 December 2020, compared with Euro 5,076 thousand at 31 December 2019, with allocations during the year of Euro 500 thousand.

15. OTHER RECEIVABLES AND CURRENT ASSETS

This item breaks down as follows:

(Thousands of Euro)

Other receivables and current assets	31/12/2020	31/12/2019	Change
Tax assets	2,242	1,218	1,024
Receivables from others	2,351	2,478	-127
Accruals and deferrals	489	645	-156
Total	**5,082**	**4,341**	**741**

Tax assets

This item breaks down as follows:

(Thousands of Euro)

Tax assets	31/12/2020	31/12/2019	Change
VAT recoverable	1,345	675	670
IRES and IRAP advance payments and tax credits	897	543	354
Total	**2,242**	**1,218**	**1,024**

Tax assets represent amounts due from the Tax Authorities for VAT (Euro 1,345 thousand), IRES and IRAP credits (Euro 559 thousand). The item also includes the tax receivable linked to contributions on investments provided by Laws 160/19 and 178/20 for Euro 299 thousand.

Receivables from others

At 31 December 2020, this item related to advances granted to suppliers, receivables from social security institutes, credit notes to be received and other receivables.

(Thousands of Euro)

Receivables from others	31/12/2020	31/12/2019	Change
Advances to suppliers	123	58	65
Receivables from social security institutes	107	73	34
Credit notes to be received	1,016	1,247	-231
Other receivables	1,105	1,100	5
Total	**2,351**	**2,478**	**-127**

Receivables from others include primarily advances to suppliers (Euro 123 thousand) and provisions for credit notes to be received for premiums from suppliers on purchases (Euro 1,016 thousand), down compared with the previous year as a result of the decline in volumes.

“Other receivables” includes primarily:

- the short-term receivable from AVL Italia S.r.l. relating to the aforementioned sale of the company branch for a total of Euro 570 thousand;
- the receivable of the Parent Company due from SAFE S.p.A. based on the tax consolidation agreement and equal to Euro 436 thousand.

Accruals and deferrals

This item includes primarily prepaid insurance premiums, rentals, type approvals, membership contributions and hardware and software maintenance fees paid in advance.

At 31 December 2020, there were no deferred charges or accrued income of a duration of more than 5 years.

16. OTHER CURRENT FINANCIAL ASSETS

This item breaks down as follows:

(Thousands of Euro)

Current financial assets	31/12/2020	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 new medium/long-term Euro 65 million loan agreement in June 2019 and the agreement for the early termination of the Optimisation Agreement, in which Landi Renzo S.p.A. and SAFE S.p.A. participated, the Company granted a loan of Euro 2,760 thousand originally 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 2021.
At 31 December 2020, this item, including accrued interest, was equal to Euro 41 thousand.

17. CASH AND CASH EQUIVALENTS

This item, consisting of the active balances of bank current accounts and cash in hand in both Euro and foreign currency, breaks down as follows:

(Thousands of Euro)

Cash and cash equivalents	31/12/2020	31/12/2019	Change
Bank and post office accounts	10,625	11,711	-1,086
Cash	1	2	-1
Total	**10,626**	**11,713**	**-1,087**

Cash and cash equivalents at 31 December 2020 totalled Euro 10,626 thousand (Euro 11,713 thousand at 31 December 2019).

For analysis of the production and absorption of cash during the year, please refer to the Statement of Cash Flows.

18. SHAREHOLDERS' EQUITY

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

(Thousands of Euro)

Shareholders' equity	31/12/2020	31/12/2019	Change
Share capital	11,250	11,250	0
Statutory reserve	2,250	2,250	0
Extraordinary reserve	4,511	2,165	2,346
IAS transition reserve	-874	135	-1,009
OPI 2 reserve	922	-3,217	4,139
Share premium reserve	30,718	30,718	0
Actuarial gains/losses reserve (IAS 19)	-293	-198	-95
Future share capital increase contribution	8,867	8,867	0
Share-based incentive plan reserve	296	119	177
Unavailable reserve for the equity measurement of investments	360	0	360
Cash flow hedge reserve	-348	-23	-325
Profit (loss) for the period	-6,284	2,705	-8,989
Total shareholders' equity	**51,375**	**54,771**	**-3,396**

Share capital

The share capital stated in the Financial Statements at 31 December 2020 is the share capital (fully subscribed and paid-up) of the Company, which is equal to nominal Euro 11,250 thousand subdivided into a total of 112,500,000 shares, with a nominal value equal to Euro 0.10.

Statutory reserve

The balance of the Statutory Reserve at 31 December 2020 amounted to Euro 2,250 thousand and is unchanged compared with the previous year, having reached one fifth of the share capital, as provided for by Article 2430 of the Italian Civil Code.

Extraordinary reserve

The Extraordinary Reserve amounted to Euro 4,511 thousand and increased compared with the previous year following allocation of the profit for the year 2019.

IAS transition reserve

The IAS Transition Reserve includes the effect of the first-time adoption of IFRS 9 (Euro 321 thousand).

This reserve also includes the share recognised in the statement of comprehensive income arising from the valuation of the joint venture SAFE&CEC S.r.l. with the equity method (Euro 1,010 thousand), following effects recognised by the latter directly in shareholders' equity.

OPI 2 reserve

As explained above, with accounting and tax effects from 1 January 2020, the subsidiary Lovato Gas S.p.A. was merged by incorporation into the Company. With no specific indications in the international accounting standards, the transaction was accounted for according to the provision included in the Assirevi document OPI no. 2R which, in the case of mergers not classified as purchases, requires the application of the principle of continuity of values, given the lack of an exchange with third party businesses. In particular, this interpretation gives importance to the existence of a cost and control relationship, and relative purchase price allocation, deriving from the group's consolidated financial statements.
As laid down in OPI no. 2R, the differential emerging when cancelling the share value and the corresponding share of the net worth of the incorporated company, including the effects of the purchase price allocation shown in the consolidated financial statements, positive and totalling Euro 4,088 thousand (net of the IAS 19 reserve for Euro 51 thousand), was classified as an increase of the net worth.
This reserve also includes the effect of accounting for the A.E.B. and Emmegas merger in the course of 2017 and 2018, based on the provisions set forth in Assirevi document OPI no. 2R, which entailed the recognition of a negative reserve for Euro 3,217 thousand.

Share Premium Reserve

The Share Premium Reserve amounts to Euro 30,718 thousand and is unchanged compared with the previous year.
As a result of the realignment, pursuant to art. 110 of Decree Law 104/2020 as already mentioned with regard to deferred tax assets, there is a tax suspension restriction in the amount of Euro 4,082 thousand on the "share premium reserve".

Future share capital increase contribution

The reserve includes the payment made by the majority shareholder for future capital increases of Euro 8,867 thousand in 2017, as financial support for the Company.

The following table shows the individual equity items, distinguishing them according to origin, availability and their using in the three previous years.

Nature and description	*Amount (in thousands)*	*Possibility of use (*)*	*Available portion*	*Summary of uses in the three previous years*
Share capital	**11,250**			
Capital reserves				
Share premium	30,718	A,B,C (***)	30,718	
Future share capital increase contribution	8,867	A	8,867	
Profit reserves				
Statutory reserve	2,250	B		
Extraordinary reserve	4,511	A,B,C	4,511	
IAS transition reserve	-874		-874	
OPI 2 reserve	922		922	-
Actuarial gains/losses reserve (IAS 19)	-293		-293	
Share-based incentive plan reserve	296			
Unavailable reserve for the equity measurement of investments	360			
Cash flow hedge reserve	-348			
Profit (loss) for the year 2020	-6,284			
Total	**51,375**		**43,851**	
Non-distributable portion (**)			-18,373	
Residual distributable portion			**25,478**	

(*) Possibility of use: A - for share capital increase B - to hedge losses C - for distribution to shareholders

(**) Non-amortised development expenditure and Future share capital increase contribution

(***) for Euro 4,082 thousand tax suspension restriction DL 104/2020

NON-CURRENT LIABILITIES

19. NON-CURRENT BANK LOANS

This item breaks down as follows:

(Thousands of Euro)

Non-current bank loans	31/12/2020	31/12/2019	Change
Loans and financing	65,281	48,000	17,281
Amortised cost	-491	-570	79
Total	**64,790**	**47,430**	**17,360**

This item includes the medium/long term portion of bank debts for unsecured loans and finance. It totalled Euro 64,790 thousand at 31 December 2020, compared with Euro 47,430 thousand at 31 December 2019.

Given the macroeconomic context in 2020, overshadowed by considerable uncertainty as to cash flows due to the effects on the international markets of the Covid-19 pandemic and in the absence of visibility with respect to the intensity and, especially, the duration of the ongoing discontinuity, the Company's management worked to mitigate the harmful consequences deriving from the pandemic, immediately devoting considerable attention to the financial position, medium/short-term cash forecasts and opportunities deriving from the special regulations launched by the Italian government in order to preserve the Group's level of liquidity.

In this context, the following loans were taken out:

- in March 2020, 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, in order to support current operations, strengthen the capital structure and boost Group liquidity;

- on 30 July 2020, Landi Renzo S.p.A. took out a new subsidised loan from a pool of banks (the same leading financial institutions from which the Euro 65 million loan was taken out in June 2019) 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 allowed for a consolidation of the Company's and the Group's financial position, which made it possible to best handle the financial commitments deriving from operating activities.

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 currency of borrowings is the Euro. The loans are not secured by real collateral and there are no clauses other than the early payment clauses normally envisaged by commercial practice.

The annual repayment plan for the medium/long-term loans, based on the balances at 31 December 2020, is shown below.

Maturities	Loans and financing
2021	15,170
Amortised cost	-256
Total current	**14,914**
2022	12,806
2023	15,443
2024	29,157
2025	5,250
2026	2,625
Amortised cost	-491
Total non-current	**64,790**
Total	**79,704**

It should be noted that, as indicated in the Report on Corporate Governance and Ownership Structure, early settlement of loan agreements may be requested should there be a change of control of the Company.

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

It is considered that the carrying amount of the non-current bank payables is aligned with their fair value at the reporting date.

At 31 December 2020, the Company had the following further short-term credit facilities:

(Thousands of Euro)

Credit facilities	2020
Cash facility	3,410
Facility for various uses	28,668
Total	**32,078**

20. OTHER NON-CURRENT FINANCIAL LIABILITIES

This item breaks down as follows:

(Thousands of Euro)

Other non-current financial liabilities	31/12/2020	31/12/2019	Change
Lovato S.p.A. loan	0	2,150	-2,150
Total	**0**	**2,150**	**-2,150**

At 31 December 2020, due to the mentioned merger by incorporation of Lovato Gas S.p.A., there were no other non-current financial liabilities recognised in the financial statements (Euro 2,150 thousand at 31 December 2019 and referring to the intercompany loan it had granted to Landi Renzo S.p.A.).

21. NON-CURRENT LIABILITIES FOR RIGHTS OF USE

This item breaks down as follows:

(Thousands of Euro)

	Net Value at 31/12/2019	Lovato merger	Increases	Repayments	Other changes	Net Value at 31/12/2020
Buildings	4,860	363	295	-1,635	0	3,883
Motor vehicles	761	100	53	-325	0	589
Total	**5,621**	**463**	**348**	**-1,960**	**0**	**4,472**
of which current	1,669					1,770
of which non-current	3,951					2,702

Right-of-use liabilities of Euro 4,472 thousand were recognised in the financial statements at 31 December 2020 (Euro 5,621 thousand at 31 December 2019), after repayments of Euro 1,960 thousand.

During the year, lease agreements were not subject to renegotiation, consequently it was not necessary to make adjustment to liabilities for rights of use.

22. PROVISIONS FOR RISKS AND CHARGES

The breakdown and changes in this item are shown in detail below:

(Thousands of Euro)

Provisions for risks and charges	31/12/2019	Lovato merger	Allocation	Utilisation	31/12/2020
Provision for pensions and similar obligations	71		4		75
Provision for product warranty risks	2,014	670	1,024	-1,702	2,006
Other provisions	127			-31	96
Total	**2,212**	**670**	**1,028**	**-1,733**	**2,177**

The provision for product warranties includes the best estimate of the costs related to the commitments that the Company has taken on as an effect of legal or contractual provisions, in relation to the expenses connected with providing product warranties for a certain period of time starting from the sale thereof. This estimate was calculated both with reference to the historical data of the Company and on the basis of specific contractual content. At 31 December 2020 this provision totalled Euro 2,006 thousand, after allocations of Euro 1,024 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 totalling Euro 1,702 thousand are due to the coverage of warranty costs correlated with supplies of components in previous years.

The pensions reserve relates to the provision accrued for additional agents' customer indemnity, including provisions for the year of Euro 4 thousand.

23. DEFINED BENEFIT PLANS FOR EMPLOYEES

The following is the overall change in defined benefit plans for employees:

(Thousands of Euro)

Defined benefit plans for employees	31/12/2019	Lovato merger	Allocation	Utilisation	Other changes	31/12/2020
Employee post-employment benefits	1,475	131	6	-128	57	1,541

The use of Euro 128 thousand refers to the amounts paid to employees who ceased working during the year, while other changes incorporates the actuarial adjustment of the provision (gains of Euro 57 thousand).

The main economic and financial assumptions used by the actuary in charge of estimates, methodologically unchanged since the previous year, are as follows:

Actuarial assumptions used for evaluations	
Demographic table	2019
Discount rate	0.09%
Probability of request for advance	0.8%
Expected % of employees who will resign before pension	7.1%
Maximum % of TFR (employee severance indemnity) requested in advance	70%
Annual cost of living increase rate	1.0%

The sensitivity analysis shows insignificant variances with respect to the value recognised in the financial statements at 31 December 2020.

24. LIABILITIES FOR DERIVATIVE FINANCIAL INSTRUMENTS

This item and changes in it are shown in detail below:

(Thousands of Euro)

Liabilities for derivative financial instruments	Fair value hierarchy	Notional	2020	2019	Change
Derivatives on interest rates					
Loans	2	51,100	458	30	428
Total			**458**	**30**	**428**

The item includes the fair value measurement of financial derivative contracts signed by the Company, recognised under hedge accounting, i.e. with a contra-entry in other comprehensive income, as they meet the requirements laid out in IFRS 9.

To partially reduce risks connected with fluctuating interest rates, the Company has entered into financial derivative contracts (interest rate swaps) in order to cover:

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

CURRENT LIABILITIES

25. BANK FINANCING AND SHORT-TERM LOANS

This item breaks down as follows:

(Thousands of Euro)

Bank financing and short-term loans	31/12/2020	31/12/2019	Change
Advances, import fin. and other current bank payables	7,857	13,383	-5,526
Loans and financing	15,170	13,034	2,136
Amortised cost	-256	-267	11
Total	**22,771**	**26,150**	**-3,379**

At 31 December 2020 this item, totalling Euro 22,771 thousand, compared with Euro 26,150 thousand in 2019, was made up of the current portion of existing loans and financing totalling Euro 15,170 thousand, including the effect of amortised cost, and the use of short-term commercial credit lines totalling Euro 7,857 thousand.

A breakdown of the net financial position of the Company is provided below:

(Thousands of Euro)

	31/12/2020	31/12/2019
Cash and cash equivalents	10,626	11,713
Current financial assets	2,801	2,801
Bank financing and short-term loans	-22,771	-26,150
Current right-of-use liabilities	-1,770	-1,669
Other current financial liabilities	-210	-210
Net short term indebtedness	**-11,324**	**-13,515**

Medium/long-term loans from/to subsidiaries	303	-1,749
Non-current bank loans	-64,790	-47,430
Non-current right-of-use liabilities	-2,702	-3,951
Liabilities for derivative financial instruments	-458	-30
Net medium-long term indebtedness	**-67,647**	**-53,160**
Net Financial Position	**-78,971**	**-66,675**
Net Financial Position - adjusted (*)	**-74,041**	**-61,025**

The Net Financial Position at 31 December 2020 was equal to Euro 78,971 thousand (Euro 66,675 at 31 December 2019), and was impacted by the adoption of the international accounting standard IFRS 16 - Leases, which resulted in the recognition of financial liabilities for rights of use of Euro 4,472 thousand at 31 December 2020 (Euro 5,620 thousand at 31 December 2019), as well as the fair value recognition of financial derivative contracts for Euro 458 thousand at 31 December 2020 (Euro 30 thousand at 31 December 2019).
Net of the effect of adopting IFRS 16 - Leases and the fair value of financial derivative contracts, the net financial position of the Group would have been equal to Euro 74,041 thousand, after investments for Euro 10,728 thousand.

26. OTHER CURRENT FINANCIAL LIABILITIES

This item breaks down as follows:

(Thousands of Euro)

Other non-current financial liabilities	31/12/2020	31/12/2019	Change
Payables to other financial backers (Simest)	210	210	0
Total	**210**	**210**	**0**

At 31 December 2020, other current financial liabilities totalled Euro 210 thousand (Euro 210 thousand at 31 December 2019) and refer to the residual portion of the subsidised loan disbursed by Simest S.p.A. to support a plan to expand trade in the USA, subject to a 12-month moratorium due to the effects of the Covid-19 pandemic.

27. CURRENT LIABILITIES FOR RIGHTS OF USE

This item amounted to Euro 1,770 thousand (Euro 1,669 thousand at 31 December 2019) and relates to the current portion of right-of-use liabilities recognised in the financial statements following the application of the international accounting standard IFRS 16 - Leases.

28. TRADE PAYABLES

Trade payables (including trade payables to related parties) totalled Euro 45,032 thousand and can be analysed by geographical segment as follows:

(Thousands of Euro)

Trade payables by geographical area	31/12/2020	31/12/2019	Change
Italy	40,680	39,291	1,389
Europe (excluding Italy)	2,458	1,718	740
Asia and Rest of the World	1,872	1,768	104
America	22	28	-6
Total	**45,032**	**42,805**	**2,227**

Trade payables to related parties of Euro 1,049 thousand (Euro 1,963 thousand at 31 December 2019) refer mainly to relations with the companies Gireimm S.r.l. and Gestimm S.r.l. for property lease payments and relationships for the supply of goods to the joint venture Krishna Landi Renzo India Private Ltd.

29. PAYABLES TO SUBSIDIARIES

The trade payables due to subsidiaries refer to payables for the purchase of components and finished products and totalled Euro 2,133 thousand (Euro 13,250 at 31 December 2019), down compared with the previous year (Euro 11,117 thousand) primarily due to the effects of the merger by incorporation of Lovato Gas S.p.A.
All the related transactions are carried out at arm's length conditions.

30. TAX LIABILITIES

Tax liabilities amount to Euro 2,333 thousand, compared to Euro 1,210 thousand at 31 December 2019, the item includes Euro 1,111 thousand in withholdings relating to monthly payments for the year 2020 for which the company will make the payments in the course of 2021, aside from the payable for the flat-rate tax, amounting to Euro 126 thousand, recognised following the tax realignment of the AEB trademark.

31. OTHER CURRENT LIABILITIES

This item breaks down as follows:

(Thousands of Euro)

Other current liabilities	31/12/2020	31/12/2019	Change
Advance payments from customers	6	13	-7
Payables to welfare and social security institutes	1,432	1,143	289
Other payables (payables to employees, to others)	2,178	2,172	6
Accrued expenses and deferred income	330	0	330
Total	**3,946**	**3,328**	**618**

Other current liabilities amount to Euro 3,946 thousand (Euro 3,328 thousand at 31 December 2019). In particular, the "Other Payables" item, amounting to Euro 2,178 thousand, refers primarily to payables for current pay and deferred pay to be settled in relation to employees.

Accrued expenses and deferred income relate to the deferred income on the investment contributions provided by Laws 160/19 and 178/20.

INCOME STATEMENT

32. REVENUES FROM SALES AND SERVICES

This item breaks down as follows:

(Thousands of Euro)

Revenues from sales and services	31/12/2020	31/12/2019	Change
Revenues related to the sale of assets	109,868	133,826	-23,958
Revenues for services and other revenues	2,848	5,904	-3,056
Total	**112,716**	**139,730**	**-27,014**

During 2020, the Company achieved revenues of Euro 112,716 thousand, a decrease of Euro 27,014 thousand compared with the previous year, due to the effects of the Covid-19 pandemic.

See the Directors' Report for further details on performance of revenues on sales.

Revenues for services and other revenues consist of:

(Thousands of Euro)

Revenues for services and other revenues	31/12/2020	31/12/2019	Change
Services rendered	1,014	1,274	-260
Technical consultancy	655	2,715	-2,060
Intercompany services rendered	62	494	-432
Reimbursement of transport expenses	266	264	2
Reimbursement of other costs	206	163	43

Reimbursement of employee canteen costs	48	71	-23
Other income	597	923	-326
Total	**2,848**	**5,904**	**-3,056**

Income from services rendered include primarily technical consultancy and charges of services for the testing of components supplied to leading automobile manufacturers.
Technical consultancy refers to services charged to OEM customers for technical services on new components designed for gas systems, an activity which was completed in the course of 2020.
Intercompany services supplied refer to services of an administrative, operating and technical nature charged to the subsidiary companies and governed by agreements at arm's length conditions.
Reimbursements of other costs relate primarily to revenue from incentives for the production of electricity by the photovoltaic system (Euro 198 thousand).
Other income refers mainly to payments to recover costs related to production activity.

33. OTHER REVENUES AND INCOME

This item breaks down as follows:

(Thousands of Euro)

Other revenues and income	31/12/2020	31/12/2019	Change
Grants	14	166	-152
Other income	51	232	-181
Total	**65**	**398**	**-333**

Other revenues and income totalled Euro 65 thousand at 31 December 2020 (Euro 398 thousand at 31 December 2019) and are formed mainly of contingent gains of Euro 28 thousand, capital gains from the sale of fixed assets of Euro 16 thousand and the share for the year of contributions on investments provided by Laws 160/19 and 178/20 (Euro 14 thousand).

34. COST OF RAW MATERIALS, CONSUMABLES AND GOODS AND CHANGE IN INVENTORIES

This item breaks down as follows:

(Thousands of Euro)

Cost of raw materials, consumables and goods and change in inventories	31/12/2020	31/12/2019	Change
Raw materials and parts	48,146	48,848	-702
Finished products	18,047	21,449	-3,402
Other materials	1,052	1,314	-262

Change in inventories	-3,566	-1,034	-2,532
Total	**63,679**	**70,577**	**-6,898**

Total costs for purchase and consumption of raw materials, consumables and goods (including the change in inventories) decreased from Euro 70,577 thousand at 31 December 2019 to Euro 63,679 thousand at 31 December 2020. This decrease is linked to the decline in sales caused by the effects of the Covid-19 pandemic.

35. COSTS FOR SERVICES AND USE OF THIRD-PARTY ASSETS

This item breaks down as follows:

(Thousands of Euro)

Costs for services and use of third-party assets	31/12/2020	31/12/2019	Change
Industrial and technical services	17,617	23,074	-5,457
Commercial services	1,957	2,414	-457
General and administrative services	3,934	4,606	-672
Costs for use of third-party assets	127	262	-135
Non-recurring strategic consultancy	693	1,427	-734
Total	**24,328**	**31,783**	**-7,455**

Costs for services and use of third-party assets amounted to Euro 24,328 thousand (Euro 31,783 thousand at 31 December 2019) with a decrease of Euro 7,455 thousand, and are inclusive of non-recurring costs totalling Euro 693 thousand, of which Euro 511 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 182 thousand for costs incurred by the Group for the countermeasures undertaken to deal with the Covid-19 pandemic, in particular relating to workplace sanitisation. The decrease in costs for services and use of third-party assets was primarily due to the reduction in:

- costs for industrial and technical services (Euro 5,457 thousand), due for the most part to the decline in activities caused by the Covid-19 pandemic, which entailed a reduction in recourse to outsourcing;
- costs for commercial, general and administrative services (Euro 1,129 thousand) thanks to the cost containment initiatives enacted by the Company.

The residual amount of costs for use of third-party assets in the income statement, equal to 127 thousand, mainly relates to contracts eligible for the simplification options established by the IFRS 16 accounting standard, i.e. those relating to low-value assets or with a duration of 12 months or less.

36. PERSONNEL EXPENSES

Personnel expenses are analysed as follows:

(Thousands of Euro)

Personnel costs	31/12/2020	31/12/2019	Change
Wages and salaries	9,551	11,167	-1,616
Social security contributions	3,934	4,148	-214
Expenses for defined benefit plans	1,058	950	108
Temporary agency work and transferred work	1,391	1,859	-468
Directors' remuneration	659	1,020	-361
Non-recurring personnel costs and expenditure	672	119	553
Total	**17,265**	**19,263**	**-1,998**

Personnel costs were equal to Euro 17,265 thousand, a decrease compared with the previous financial year (Euro 19,263 thousand at 31 December 2019), while the Company had a total of 318 employees at 31 December 2020, up slightly compared with the previous year (306 at 31 December 2019).
In order to mitigate the effects of the decline in activities due to the Covid-19 pandemic, the Company made recourse, when possible, to social safety nets, such as the temporary lay-off scheme (cassa integrazione), aside from encouraging more use of the holidays accrued by employees. Furthermore, the decline in business caused by the pandemic also entailed a reduction in recourse to temporary work.
The Company continues to heavily invest in highly specialised resources to support the increasing research and development performed for new products and solutions, capitalised when they meet the requirements laid out in IAS 38.
Non-recurring personnel costs amount to Euro 672 thousand at 31 December 2020 and relate for Euro 177 thousand to the provision for the period for the 2019-2021 Performance Shares Plan and for Euro 495 thousand to the voluntary retirement incentives agreed upon with some employees.
Refer to the Report on Remuneration published pursuant to Article 123-*ter* of the Consolidated Law on Finance for details of directors' remuneration.

Performance Shares Plan

On 29 April 2019, the Shareholders' Meeting approved, pursuant to article 114-bis of Italian Legislative Decree 58/98, a compensation plan named the "2019-2021 Performance Shares Plan" concerning the free assignment of the right to receive Landi Renzo S.p.A. ordinary shares. (for a maximum total of 3,200,000 shares), based on the degree to which specific performance objectives are reached. The assignment of shares is subject to reaching at least one of the performance objectives as well as the existence, at the date of assignment of the shares, of the employment and/or management relationship with the Company or its subsidiaries.
The plan's beneficiary is the Parent Company's Chief Executive Officer, as other managers to be named as recipients of the incentive plan were not identified within the established terms.

The plan aims to reward the achievement of targets for the 2019-2021 period, as well as incentivise the alignment of the interests of the management with those of the shareholders with a view to creating value over a medium/long-term horizon. The Plan lasts for three years and provides for the assignment of Shares in a lump sum at the end of the vesting period.

The value of this plan, measured by an independent expert, is recognised to the extent of the share for the year, with a contra-entry in shareholders' equity, as it was defined as equity settled based on IFRS 2. In the year 2020, the amount recognised for this plan was Euro 177 thousand.

The average and peak number of employees in the Group's workforce, divided by qualification, in the two years being analysed is as follows:

	Average (*)			Peak		
Number of employees	**31/12/2020**	**31/12/2019**	**Change**	**31/12/2020**	**31/12/2019**	**Change**
Executives and Clerical Staff	182	183	-1	185	188	-3
Manual workers	125	119	6	133	118	15
Total	**307**	**302**	**5**	**318**	**306**	**12**

(*) These values do not include temporary agency workers or the directors.

37. ALLOCATIONS, WRITE-DOWNS AND OTHER OPERATING EXPENSES

This item breaks down as follows:

(Thousands of Euro)

Accruals, write-downs and other operating expenses	**31/12/2020**	**31/12/2019**	**Change**
Other taxes and duties	141	129	12
Other operating expenses	80	185	-105
Provision for product warranties	1,024	1,401	-377
Bad debts	150	110	40
Total	**1,395**	**1,825**	**-430**

The costs included in this item totalled Euro 1,395 thousand at 31 December 2020 compared with Euro 1,825 thousand at 31 December 2019, a decline of Euro 430 thousand due primarily to lower provisions for product warranties, directly correlated with volumes sold.

38. AMORTISATION, DEPRECIATION AND IMPAIRMENT

This item breaks down as follows:

(Thousands of Euro)

Amortisation, depreciation and impairment	31/12/2020	31/12/2019	Change
Amortisation of intangible assets	5,951	4,366	1,585
Depreciation of tangible assets	3,270	2,817	453
Depreciation of rights of use	1,834	1,769	65
Total	**11,055**	**8,952**	**2,103**

Amortisation and depreciation amounted to Euro 11,055 thousand (Euro 8,952 thousand at 31 December 2019), an increase of Euro 2,103 thousand. This increase is mainly linked to the effect of the amortisation of trademarks and other intangible assets and depreciation of other tangible assets of the subsidiary Lovato Gas S.p.A., merged by incorporation into Landi Renzo S.p.A.
No elements emerged from the analysis which revealed the need to change the useful lifetime of tangible and intangible assets.

39. FINANCIAL INCOME

This item breaks down as follows:

(Thousands of Euro)

Financial income	31/12/2020	31/12/2019	Change
Interest income on bank deposits	0	1	-1
Other income	181	89	92
Total	**181**	**90**	**91**

Financial income at 31 December 2020 amounts to Euro 181 thousand, up compared with the previous year by Euro 90 thousand, and includes primarily interest from intragroup loans and other income, as well as bank interest income.

40. FINANCIAL EXPENSES

This item breaks down as follows:

(Thousands of Euro)

Financial expenses	31/12/2020	31/12/2019	Change
Interest on bank overdrafts and loans and loans from other financiers	2,421	2,629	-208
Bank charges and commissions	657	904	-247
Total	**3,078**	**3,533**	**-455**

Financial expenses at 31 December 2020 amounted to Euro 3,078 thousand (Euro 3,533 thousand at 31 December 2019) and essentially include bank interest charges, interest on loans, interest on non-recourse factoring, actuarial losses deriving from the discounting of the TFR (employee severance indemnity) reserve and bank charges, in addition to the financial effect arising from the adoption of IFRS 16 (Euro 155 thousand).

41. EXCHANGE GAINS AND LOSSES

This item breaks down as follows:

(Thousands of Euro)

Exchange gains and losses	31/12/2020	31/12/2019	Change
Positive exchange differences realised	90	95	-5
Positive exchange differences from valuation	-1	238	-239
Negative exchange differences realised	-35	-87	52
Negative exchange differences from valuation	-1,058	11	-1,069
Total	**-1,004**	**257**	**-1,261**

The impact of exchange differences on the year amounted to Euro -1,004 thousand compared to a positive effect of Euro 257 thousand at 31 December 2019, nearly entirely due to losses from valuation deriving from the effects of the Covid-19 pandemic on the international exchange markets.
The Company realises most of its revenues and costs in Euro. At 31 December 2020, the Group did not have financial instruments hedging exchange rate risk.

In accordance with the requirements of Accounting Standard IFRS 7, financial income and expenses ascribed to the income statement are analysed below by individual financial instrument category:

(Thousands of Euro)

	31/12/2020	31/12/2019
Interest income on cash and cash equivalents	0	1
Interest expenses from financial liabilities measured at amortised cost	-2,421	-2,629
Exchange gains (losses)	-1,004	257
Total	**-3,425**	**-2,371**

42. INCOME (EXPENSES) FROM EQUITY INVESTMENTS

This item breaks down as follows:

(Thousands of Euro)

Income (expenses) from equity investments	31/12/2020	31/12/2019	Change
Income on equity investments	1,001	0	1,001
Expenses from equity investments	-1,903	-723	-1,180
Total	**-902**	**-723**	**-179**

Income and expenses from equity investments which had a net value of Euro 902 thousand include:

- The adjustment of the provision for impairment of the outstanding loan with the American subsidiary, a positive Euro 1,001 thousand, due to the foreign exchange effect during the year following variations in the Euro/USD exchange rate;
- the write-down of the subsidiary Landi Renzo Pars for Euro 500 thousand, to adjust the value of the equity investment, following its increase due to the wavier of the receivable;
- write-down of the equity investment Landi Renzo Industria e Comercio Ltda by Euro 1,398 thousand following the negative effects that the Covid-19 pandemic had in the course of the year on the Brazilian economy and in particular on the relative currency, which depreciated by roughly 41% compared to the euro.

43. INCOME (EXPENSES) FROM JOINT VENTURES MEASURED USING THE EQUITY METHOD

This item breaks down as follows:

(Thousands of Euro)

Income (expenses) from joint ventures measured using the equity method	31/12/2020	31/12/2019	Change
Revaluation of equity investments	90	360	-270
Write-down of equity investments	-101	-75	-26
Total	**-11**	**285**	**-296**

This item, totalling Euro -11 thousand (a positive Euro 285 thousand as at 31 December 2019), includes the valuation using the equity method of the Group's equity investments and joint ventures, or:

- the write-down of the equity investment in the joint venture SAFE&CEC S.r.l. for Euro 101 thousand (revaluation of Euro 90 thousand at 31 December 2019);

- the revaluation of the equity investment in the company Krishna Landi Renzo India Private Ltd for Euro 90 thousand (revaluation of Euro 268 thousand at 31 December 2019).

44. TAXES

Income taxes are shown in detail below:

(Thousands of Euro)

Taxes	31/12/2020	31/12/2019	Change
Current taxes	333	-2,221	2,554
Deferred (prepaid) taxes	3,140	824	2,316
Total	**3,473**	**-1,397**	**4,870**

The effect of total taxes in the income statement at 31 December 2020 was equal to a positive Euro 3,473 thousand (a negative value of Euro 1,397 thousand at 31 December 2019). The Company recognised deferred tax assets on tax losses on the basis of a specific tax plan prepared with the support of tax advisors, for Euro 1,547 thousand.

Management, assisted by its tax advisors, prepared an analysis based on the forecasts of the 2020-2025 Strategic Plan, 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 results for 2021 and the following years, aimed at verifying the recoverability of deferred tax assets. This analysis did not identify any problems related with the recoverability of deferred tax assets recognised in the financial statements.

Please also note that, pursuant to Law 126/20, art. 110 of 13 October 2020, on 12 March 2021 the Board of Directors of the Company approved the attribution of tax relevance to the higher values recognised in the item “other intangible assets with finite useful lives” relating to the AEB trademark against the payment of a flat-rate tax. As a result, after activating the provisions of the above-mentioned regulations, the correlated tax benefits were recognised in the financial statements of the Company as at 31 December 2020. This transaction entailed the release of the provision for deferred taxes, recognised in the financial statements as at 31 December 2019, for a total of Euro 1,174 thousand, and the recognition of a tax payable relating to the payment of the above-mentioned flat-rate tax of Euro 126 thousand, a tax which will be paid in three annual instalments according to the provisions of the regulation. The net effect of the transaction described reflected in the income statement in 2020 is equal to a positive Euro 1,048 thousand.

The theoretical tax charge is only reconciled with the effective charge in relation to IRES, which has characteristics typical of a corporate income tax, taking into consideration the tax rate applying to the company. No reconciliation between theoretical and actual tax burden has been prepared for IRAP (regional tax on production activities), in view of the different way of determining the basis of calculation for the tax. The summarised data is shown below:

	31/12/2020		
(Thousands of Euro)	**Taxable amount**	**Tax**	**%**
Profit (loss) before tax	-9,756		
Taxes calculated at the tax rate in force		-2,341	24.0%
Permanent differences			
- non-deductible costs	522	125	-1.3%
- non-recurring write-downs and losses	2,004	481	-4.9%
- untaxed share of financial income	-1,090	-262	2.7%
- other untaxable income	-398	-95	1.0%
Balance of 2019 IRAP not due		-333	3.4%
Total Taxes for the year / Effective rate		**-2,425**	**24.9%**
Net effect of realignment DL 104/2020	-4,208	-1,048	
Total Taxes in Income Statement		-3,473	

OTHER INFORMATION

45. INFORMATION ON THE FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

As required by IFRS 7 – Financial Instruments, the attached table provides a comparison between the carrying amount and the fair value of all financial assets and liabilities, divided according to the categories identified by the aforementioned accounting standard.

(Thousands of Euro)	31/12/2020		31/12/2019	
	Carrying amount	**Fair value**	**Carrying amount**	**Fair value**
Receivables and other current assets	44,053	44,053	35,008	35,008
Cash and cash equivalents	10,626	10,626	11,713	11,713
Trade payables and other current liabilities	47,165	47,165	56,055	56,055
Financial liabilities measured at amortised cost - non-current portion	64,790	64,790	49,580	49,580
Financial liabilities measured at amortised cost - current portion	22,980	22,980	26,360	26,360

Note that the carrying amount of the loans and financing approximates their fair value at 31 December 2020, since such classes of financial instruments are indexed to the Euribor market rate.

46. GUARANTEES PROVIDED

The Company did not provide any guarantees to third parties during the year, but provided them to several subsidiaries in the form of credit mandates, letters of patronage or stand-by on loans.

47. ANALYSIS OF THE MAIN DISPUTES IN PROGRESS

At 31 December 2020, the Company is not involved in proceedings, brought by or against it, for significant amounts with the Tax Authorities, social security institutions or other public authorities, or third parties.

48. TRANSACTIONS WITH RELATED PARTIES

In addition to relations with subsidiaries, associates and Joint Ventures, transactions with related parties also included transactions with other related parties, meaning service supply relations between Gireimm S.r.l. and Gestimm S.r.l., subsidiaries of the parent company Girefin S.p.A., and Landi Renzo S.p.A., relating to lease payments on the property housing the operating unit and technical centre.
The following table summarises the relationships with other related parties and intercompany relationships (thousands of Euro):

Company	Sales revenues	Revenues for services and other revenues	Financial Income	Sale of assets	Purchase of finished products	Costs for use of third-party assets	Purchase of assets	Costs for services	Financial expenses	Expense and Income from Equity Investments	Expense and Income from JVs measured using the equity method	Financial Assets	Financial Liabilities	Receivables	Other receivables	Payables
SAFE&CEC S.r.l.	0	204	0	0	0	0	0	0	0	0	-101	0	0	74	0	0
SAFE SpA	5	0	82	0	0	0	0	0	0	0	0	2,801	0	0	436	0
Gestimm S.r.l.	0	0	0	0	0	629	0	0	0	0	0	0	0	0	0	216
Krishna Landi Renzo India Priv. Ltd	565	232	0	0	134	0	0	0	0	0	90	600	0	2,345	0	199
Efi Avtosanoat	391	0	0	0	0	0	0	0	0	0	0	0	0	446	0	0
Gireimm S.r.l.	0	0	0	0	0	884	0	0	0	0	0	0	0	0	0	634
Total related parties	**962**	**436**	**82**	**0**	**134**	**1,513**	**0**	**0**	**0**	**0**	**-11**	**3,401**	**0**	**2,865**	**436**	**1,049**
Landi International B.V.	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Landi Renzo Polska	4,290	57	0	310	1,311	0	0	1	0	0	0	0	0	678	0	902
Beijing Landi Renzo Cina	684	5	0	0	4	0	0	1	0	0	0	0	0	208	0	0
LR Indústria e Comércio Ltda	525	23	0	0	0	0	0	2	0	-1,398	0	0	0	6,658	0	18
Landi Renzo Pars	538	1	19	0	10	0	0	20	0	-500	0	288	0	575	0	36
LR PAK Pakistan	0	5	0	0	20	0	0	0	0	0	0	0	0	1,048	47	41
Landi Renzo Ro Srl.	925	6	0	0	9	0	0	245	0	0	0	0	0	1,527	0	585
Landi Renzo Usa Corp.	25	83	0	0	122	0	0	70	0	1,001	0	0	0	2,266	0	332
Landi Renzo VE C.A.	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
AEB America	334	3	0	0	0	0	0	0	0	0	0	0	0	2,683	0	242
Lovato do Brasil Ind Com	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Officine Lovato Private Ltd	0	0	0	0	0	0	0	0	0	0	0	0	0	677	0	0
Landi Renzo Argentina S.r.l.	0	0	0	0	0	0	0	0	0	-5	0	0	0	0	0	0
Total subsidiaries	**7,319**	**184**	**19**	**310**	**1,476**	**0**	**0**	**339**	**0**	**-902**	**0**	**288**	**0**	**16,321**	**47**	**2,156**
Grand total	**8,281**	**620**	**101**	**310**	**1,610**	**1,513**	**0**	**339**	**0**	**-902**	**-11**	**3,689**	**0**	**19,187**	**483**	**3,205**

49. NON-RECURRING SIGNIFICANT EVENTS AND TRANSACTIONS

Pursuant to Consob communication no. 6064293 of 28 July 2006, regarding non-recurring significant events or transactions occurring during 2020, there are non-recurring transactions, indicated in Notes 34 and 35 of the Income Statement, relating to costs incurred for strategic consulting (Euro 693 thousand) and provisions for medium/long-term performance bonuses relating to the 2019-2021 three-year period as well as voluntary redundancy payments (Euro 672 thousand).

Also in light of Consob communication no. 0031948 of 10 March 2018, the above-mentioned transactions are deemed non-recurring by the management given their specific nature and the infrequency with which they occur in the normal course of business.

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

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

51. ADOPTION OF SIMPLIFICATION OF DISCLOSURE OBLIGATIONS IN CONFORMITY WITH CONSOB RESOLUTION NO. 18079 of 20 JANUARY 2012

Under Article 3 of Consob Resolution no. 18079 of 20 January 2012, Landi Renzo S.p.A. decided to adopt the opt-out system envisaged by Articles 70, paragraph 8, and 71, paragraph 1-, of Consob Regulation no. 11971/99 (as amended). It is therefore able to opt out from the disclosure of the information documents listed in Annex 3B to the Consob Regulation, on occasion of significant mergers, demergers, increases in capital through contribution of goods in kind, acquisitions and disposals.

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

Please refer to the analysis provided in the Directors' Report.

LIST OF EQUITY INVESTMENTS IN SUBSIDIARIES AT 31/12/2020

Company Name	Registered Office	Currency	Fully paid-up share capital	Amount of the equity in Euro	Result for the year in Euro	Direct stake	Indirect stake	Carrying amount in Euro
LR Indústria e Comércio Ltda	Espirito Santo (Brazil)	BRL	4,320,000	-121,649	-1,303,545	99.99%		310,971
Landi International B.V.	Utrecht (The Netherlands)	EUR	18,151	8,487,634	579,470	100%		17,972
Beijing Landi Renzo Autogas System Co. Ltd	Beijing (China)	USD	2,600,000	3,179,184	-141,224	100%		2,057,305
Landi Renzo Polska Sp.Zo.O.	Warsaw (Poland)	PLN	50,000	8,555,114	652,088		100% (*)	
L.R. Pak (Pvt) Limited	Karachi (Pakistan)	PKR	75,000,000	-1,375,977	-482,221	70%		1
Landi Renzo Pars Private Joint Stock Company	Tehran (Iran)	IRR	210,849,300,000	2,385,558	28,996	99.99%		1,263,072
Landi Renzo Ro S.r.l.	Bucharest (Romania)	RON	20,890	-103,818	-943,772	100%		5,000
Landi Renzo USA Corporation	Wilmington - DE (USA)	USD	3,067,131	-13,648,947	-880,264	100%		1
AEB America S.r.l.	Buenos Aires (Argentina)	ARS	2,030,220	251,835	-398,170	96%		534,878
Landi Renzo VE C.A.	Caracas (Venezuela)	VEF	2,035,220	0	0	100%		1
Lovato do Brasil Ind Com	Curitiba (Brazil)	BRL	100,000	0	0	100%		1
Officine Lovato Private Ltd	Mumbai (India)	INR	19,091,430	-277,299	-92,353	74%		1

(*) held by Landi International B.V.

INFORMATION PURSUANT TO ARTICLE 149- OF THE CONSOB ISSUER REGULATIONS

In compliance with the express provisions of the Consob Issuer Regulations - Article 149 duodecies - payments, stated in the Company's 2020 Income Statement, made for services rendered by the auditing firm, and by entities belonging to its network, to the Company are listed below.

(Thousands of Euro)

Type of Services	Subject who provided the service	Remuneration 2020
Auditing	PricewaterhouseCoopers S.p.A.	170
Other services	PricewaterhouseCoopers S.p.A. and PwC network	29

RELATIONS WITH COMPANY DIRECTORS, STATUTORY AUDITORS AND MANAGERS WITH STRATEGIC RESPONSIBILITIES

Pursuant to Consob resolution no. 11971/99 (Issuer Regulations), remuneration paid or at least allocated to the members of Board of Directors and the Board of Statutory Auditors in 2020, and the equity investments held by them in the year are shown in the tables attached to the "Report on Remuneration", which will be provided to the Shareholders' Meeting called to approve the financial statements at 31 December 2020.

PROPOSAL FOR APPROVAL OF THE FINANCIAL STATEMENTS AND ALLOCATION OF THE RESULT FOR THE YEAR

Dear Shareholders,

Concluding our report we propose:

- the approval of the Financial Statement at 31 December 2020;
- the approval of the plan to cover Landi Renzo S.p.A.'s losses for the year, totalling Euro 6,283,624.66, by using the full extraordinary reserve, which will be reduced to zero, and the share premium reserve, which will be reduced to Euro 28,945,566.50;
- setting a tax suspension restriction equal to Euro 4,082,083.55 on the share premium reserve for the realignment of the tax value of the AEB trademark to the statutory value, pursuant to Decree Law no. 104/2020, art. 110, paragraph 8.

Cavriago (Reggio Emilia), 15 March 2021

For the Board of Directors

The Chairman
Stefano Landi

Annex 1

Income Statement at 31 December 2020, prepared in application of the requirements of Consob resolution 15519 of 27/06/2006 and Consob Communication no. DEM/6064293 of 28/07/2006.

(Euro)

INCOME STATEMENT		31/12/2020	of which transactions with related parties	Weight %	31/12/2019	of which transactions with related parties	Weight %
Revenues from sales and services	32	112,715,718	8,900,964	7.9%	139,730,306	25,347,661	18.1%
Other revenues and income	33	65,469			397,872		
Cost of raw materials, consumables and goods and change in inventories	34	-63,678,540	1,610,263	-2.5%	-70,577,214	-5,265,292	7.5%
Costs for services and use of third-party assets	35	-24,327,983	1,851,877	-7.6%	-31,782,895	-1,791,249	5.6%
Personnel costs	36	-17,265,392			-19,262,809		
Allocations, write-downs and other operating expenses	37	-1,395,425			-1,824,601		
Gross operating profit		**6,113,847**			**16,680,659**		
Amortisation, depreciation and impairment	38	-11,055,423			-8,951,856		
Net operating profit		**-4,941,576**			**7,728,803**		
Financial income	39	180,802	101,375	56.1%	89,506	60,552	67.7%
Financial expenses	40	-3,078,318	0	0%	-3,533,443	-75,250	2.1%
Exchange gains (losses)	41	-1,003,701			256,502		
Income (expenses) from equity investments	42	-902,025	-902,025	100%	-723,339	-723,339	100.0%
Profit (loss) attributable to equity investments measured using the equity method	43	-11,418	-11,418	100%	285,203	285,203	100.0%
Profit (loss) before tax		**-9,756,236**			**4,103,232**		
Taxes	44	3,472,611			-1,397,404		
Profit (loss) for the year		**-6,283,625**			**2,705,828**		

Annex 2

Statement of Financial Position at 31 December 2019, prepared in application of the requirements of Consob resolution 15519 of 27/06/2006 and Consob Communication no. DEM/6064293 of 28/07/2006.

(Euro)

ASSETS	Notes	31/12/2020	of which transactions with related parties	Weight %	31/12/2019	of which transactions with related parties	Weight %
Non-current assets							
Land, property, plant, machinery and other equipment	2	11,471,406			8,980,934		
Development expenditure	3	9,505,902			8,015,457		
Goodwill	4	30,094,311			2,372,845		
Other intangible assets with finite useful lives	5	10,178,763			5,359,451		
Right-of-use assets	6	4,337,517			5,498,601		
Equity investments in subsidiaries	7	4,189,204			54,271,892		
Equity investments in associates and joint ventures	8	22,606,421			23,627,171		
Other non-current financial assets	9	910,874	887,500	97.4%	410,874	402,500	98.0%
Other non-current assets	10	2,850,000			3,420,000		
Deferred tax assets	11	11,232,648			9,038,237		
Total non-current assets		**107,377,046**			**120,995,462**		
Current assets							
Trade receivables	12	27,248,343	2,865,179	10.5%	21,096,746	2,858,931	13.6%
Receivables from subsidiaries	13	16,368,490	16,368,490	100.0%	13,911,375	13,911,375	100.0%
Inventories	14	31,734,786			25,784,356		
Other receivables and current assets	15	5,081,607	482,926	9.5%	4,341,335	436,455	10.1%
Other current financial assets	16	2,800,892	2,800,892	100.0%	2,801,336	2,801,336	100.0%
Cash and cash equivalents	17	10,626,485			11,712,629		
Total current assets		**93,860,603**			**79,647,777**		
TOTAL ASSETS		**201,237,649**			**200,643,239**		

SHAREHOLDERS' EQUITY AND LIABILITIES	Notes	31/12/2020	of which transactions with related parties	Weight %	31/12/2019	of which transactions with related parties	Weight %
Shareholders' equity							
Share capital	18	11,250,000			11,250,000		
Other reserves	18	46,408,791			40,814,709		
Profit (loss) for the period	18	-6,283,625			2,705,828		
TOTAL SHAREHOLDERS' EQUITY		**51,375,166**			**54,770,537**		
Non-current liabilities							
Non-current bank loans	19	64,790,359			47,430,495		
Other non-current financial liabilities	20	0			2,150,000	2,150,000	100.0%
Non-current liabilities for rights of use	21	2,702,205			3,951,315		
Provisions for risks and charges	22	2,176,989			2,212,407		
Defined benefit plans for employees	23	1,541,413			1,475,419		
Liabilities for derivative financial instruments	24	457,514			30,136		
Total non-current liabilities		**71,668,480**			**57,249,772**		
Current liabilities							
Bank financing and short-term loans	25	22,770,692			26,150,390		
Other current financial liabilities	26	209,684			209,684		
Current liabilities for rights of use	27	1,770,414			1,669,158		
Trade payables	28	45,031,759	1,049,218	2.3%	42,805,103	1,963,235	4.6%
Payables to subsidiaries	29	2,132,747	2,132,747	100%	13,249,842	13,249,842	100.0%
Tax liabilities	30	2,332,550			1,210,335		
Other current liabilities	31	3,946,157			3,328,418		
Total current liabilities		**78,194,003**			**88,622,930**		
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**201,237,649**			**200,643,239**		

Annex 3

Pro-forma Statement of Financial Position and Income Statement at 31 December 2019, inclusive of the effects of the merger by incorporation of Lovato Gas S.p.A. into Landi Renzo S.p.A. compared with the statements at 31 December 2020.

Landi Renzo S.p.A.

PRO-FORMA STATEMENT OF FINANCIAL POSITION

(Euro)

ASSETS	Notes	31/12/2020	31/12/2019 published	31/12/2019 pro-forma data	Change
Non-current assets					
Land, property, plant, machinery and other equipment	2	11,471,406	8,980,934	9,709,075	1,762,331
Development expenditure	3	9,505,902	8,015,457	8,227,576	1,278,326
Goodwill	4	30,094,311	2,372,845	30,094,311	-
Other intangible assets with finite useful lives	5	10,178,763	5,359,451	11,721,596	-1,542,833
Right-of-use assets	6	4,337,517	5,498,601	5,963,411	-1,625,894
Equity investments in subsidiaries	7	4,189,204	54,271,892	5,591,727	-1,402,523
Equity investments in associates and joint ventures	8	22,606,421	23,627,171	23,627,171	-1,020,750
Other non-current financial assets	9	910,874	410,874	410,874	500,000
Other non-current assets	10	2,857,590	3,420,000	3,420,000	-562,410
Deferred tax assets	11	11,232,648	9,038,237	7,850,154	3,382,494
Total non-current assets		**107,384,636**	**120,995,462**	**106,615,895**	**768,741**
Current assets					
Trade receivables	12	27,248,343	21,096,746	26,056,360	1,191,983
Receivables from subsidiaries	13	16,368,490	13,911,375	17,419,943	-1,051,453
Inventories	14	31,734,786	25,784,356	28,168,339	3,566,447
Other receivables and current assets	15	5,074,017	4,341,335	4,950,517	123,500
Other current financial assets	16	2,800,892	2,801,336	2,801,336	-444
Cash and cash equivalents	17	10,626,485	11,712,629	14,565,742	-3,939,257
Total current assets		**93,853,013**	**79,647,778**	**93,962,238**	**-109,225**
TOTAL ASSETS		**201,237,649**	**200,643,239**	**200,578,133**	**659,516**

SHAREHOLDERS' EQUITY AND LIABILITIES	Notes	31/12/2020	31/12/2019 published	31/12/2019 pro-forma data	Change
Shareholders' equity					
Share capital	18	11,250,000	11,250,000	11,250,000	-
Other reserves	18	46,408,791	40,814,709	43,317,047	3,091,743
Profit (loss) for the period	18	- 6,283,625	2,705,828	4,292,611	- 10,576,236
TOTAL SHAREHOLDERS' EQUITY		**51,375,166**	**54,770,537**	**58,859,658**	**- 7,484,493**
Non-current liabilities					
Non-current bank loans	19	64,790,359	47,430,495	47,430,495	17,359,864
Other non-current financial liabilities	20	-	2,150,000	-	-
Non-current liabilities for rights of use	21	2,702,205	3,951,315	4,302,704	- 1,600,499
Provisions for risks and charges	22	2,176,989	2,212,407	2,793,655	- 616,666
Defined benefit plans for employees	23	1,541,413	1,475,418	1,618,831	- 77,419
Liabilities for derivative financial instruments	24	457,514	30,136	30,136	427,378
Total non-current liabilities		**71,668,480**	**57,249,772**	**56,175,822**	**15,492,658**
Current liabilities					
Bank financing and short-term loans	25	22,770,692	26,150,390	27,674,755	- 4,904,064
Other current financial liabilities	26	209,684	209,684	209,684	-
Current liabilities for rights of use	27	1,770,414	1,669,158	1,782,679	- 12,265
Trade payables	28	45,031,759	42,805,103	47,328,796	- 2,297,037
Payables to subsidiaries	29	2,132,747	13,249,842	3,706,961	- 1,574,213
Tax liabilities	30	2,332,550	1,210,335	1,274,373	1,058,177
Other current liabilities	31	3,946,157	3,328,418	3,565,404	380,752
Total current liabilities		**78,194,003**	**88,622,930**	**85,542,652**	**- 7,348,650**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**201,237,649**	**200,643,239**	**200,578,133**	**659,516**

Landi Renzo S.p.A.

PRO-FORMA INCOME STATEMENT

(Euro)

	notes	31/12/2020	31/12/2019 published	31/12/2019 pro-forma data	Change
Revenues from sales and services	32	112,715,718	139,730,306	154,956,662	-42,240,944
Other revenues and income	33	65,469	397,872	655,851	-590,382
Cost of raw materials, consumables and goods and change in inventories	34	-63,678,540	-70,577,214	-77,902,401	14,223,861
Costs for services and use of third-party assets	35	-24,327,983	-31,782,895	-34,536,722	10,208,739
Personnel costs	36	-17,265,392	-19,262,809	-20,582,817	3,317,426
Allocations, write-downs and other operating expenses	37	-1,395,425	-1,824,601	-1,884,105	488,680
Gross operating profit		**6,113,847**	**16,680,659**	**20,706,469**	**-14,592,621**
Amortisation, depreciation and impairment	38	-11,055,423	-8,951,856	-10,541,380	-514,043
Net operating profit		**-4,941,576**	**7,728,803**	**10,165,088**	**-15,106,664**
Financial income	39	180,802	89,506	89,549	91,253
Financial expenses	40	-3,078,318	-3,533,443	-3,562,702	484,384
Exchange gains (losses)	41	-1,003,701	256,502	256,864	-1,260,565
Income (expenses) from equity investments	42	-902,025	-723,339	-723,339	-178,686
Income (expenses) attributable to equity investments measured using the equity method	43	-11,418	285,203	285,203	-296,621
Profit (loss) before tax		**-9,756,236**	**4,103,232**	**6,510,663**	**-16,266,900**
Taxes	44	3,472,611	-1,397,404	-2,218,052	5,690,664
Profit (loss) for the year		**-6,283,625**	**2,705,828**	**4,292,611**	**-10,576,236**

Certification on the separate financial statements pursuant to art. 154-*bis* of Legislative Decree 58/98

The undersigned Cristiano Musi, Chief Executive Officer, and Paolo Cilloni, Officer in charge of preparing the corporate financial statements, of Landi Renzo S.p.A., state, having regard also to the provisions of art. 154-*bis*, paragraphs 3 and 4, of legislative decree No. 58 dated 24th February 1998:

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

of the administrative and accounting procedures for the preparation of the annual financial statements during the course of 2020.

In addition, the undersigned state that the separate financial statements at 31 December 2020:

- have been prepared in accordance with the international accounting standards acknowledged by the European Community pursuant to regulation (EC) no. 1606/2002 of the European Parliament and of the Council of 19th July 2002;
- correspond to the results in the accounting books and records;
- are suitable to give a true and correct representation of the equity, economic and financial position of the Landi Renzo S.p.A.

The report on operating performance includes a reliable analysis on trends and performance, on Company's financial situation together with a description of the main risks and uncertainties which is exposed.

Cavriago, 15th March 2021

CEO	The Officer in Charge
Cristiano Musi	Paolo Cilloni

Independent Auditor's Report

in accordance with article 14 of Legislative Decree No. 39 of 27 January 2010 and article 10 of Regulation (EU) No. 537/2014

To the Shareholders of
Landi Renzo SpA

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Landi Renzo SpA (hereinafter also the "Company"), which comprise the statement of financial position as of 31 December 2020, the income statement, statement of comprehensive income, statement of changes in equity, statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of Landi Renzo SpA as of 31 December 2020 and of the result of its operations and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No. 38/2005.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia).
Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of this report. We are independent of Landi Renzo SpA pursuant to the regulations and standards on ethics and independence applicable to audits of financial statements under Italian law. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter

Without modifying our opinion, we draw attention to what is described by the directors in the following paragraph "Merger by incorporation of Lovato Gas SpA" " of the notes to the financial statements where the directors report that during 2020 the merger by incorporation of Lovato Gas SpA into Landi Renzo SpA was carried out; the relevant accounting and tax effects had retroactive effect starting from 1 January 2020. The main accounting effects on the separate financial statements of Landi Renzo SpA at 31 December 2020 deriving from the aforementioned merger operation have been disclosed in the aforementioned paragraph and in the continuation of explanatory notes.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matters	***Auditing procedures performed in response to key audit matters***
Recoverability of goodwill *See note 4 "Goodwill" and the paragraph "Accounting standards and valuation criteria" of the explanatory notes.* As at 31 December 2020 the book values of goodwill recognised in the financial statements amounted to Euro 30.1 million increased by Euro 27.7 as a result of the merger by incorporation of the subsidiary Lovato Gas SpA occurred during fiscal year 2020. The Company is required to verify, at least annually, the recoverability of goodwill recognised in the financial statements. This was considered a key audit matter for the purpose of the statutory audit of the financial statements in consideration of the significant impact of this caption on the statement of financial position of Landi Renzo SpA, in consideration of the economic-financial forecasts 2021-2025 as well as due to the current macro-economic uncertainty context arising from the spread of Covid-19 pandemic.	Our audit approach preliminarily consisted of understanding and evaluating the methods and procedures defined by the Company to determine the recoverable amounts of the CGU including the goodwill, as approved by the Board of Directors on 12 March 2021, in compliance with IAS 36 as adopted by the European Union. In particular, we verified the reasonableness of the methods adopted and of the main assumptions reflected in the valuation model (discounted cash flow method), prepared by the Company with the support of an external advisor, also involving PwC network valuation experts. In particular, we verified the reasonableness of the discount rate and perpetuity growth rate in relation to the valuation practices usually adopted by

The valuation models underlying the determination of the recoverable amounts (value in use) of the cash generating Unit (hereinafter also “CGU”) including the goodwill have been prepared with the support of an external advisor and are based on complex evaluations and estimates of management, having as a reference the above-mentioned economic-financial forecasts. In particular, the valuation models of the recoverable amounts of the CGU including the goodwill and the assumptions included in those models are influenced by future market conditions, as regards the expected cash flows, the perpetuity growth rate and the discount rate.	companies belonging to the industry in which Landi Renzo SpA operates. We also verified that the cash flows included in the valuation models were consistent with those included in the before-mentioned economic-financial forecasts. Considering that forecast cash flows are a particularly significant parameter for the determination of the recoverable amounts of the CGU including the goodwill as they depend on future and uncertain events, we analysed the reasonableness of the estimated future cash flows through interviews with Company’s management, with the external advisor engaged by the directors of Landi Renzo SpA and through the involvement of experts in the *Automotive* segment of PwC network, who supported us in the critical analysis of the reasonableness of the economic-financial forecasts. Furthermore, we verified the mathematical accuracy of the valuation models prepared by the Company. Finally, we verified the disclosures provided by the Company in the financial statements about the method adopted to determine the recoverable amounts of the CGU including the goodwill, the results of the valuations performed and with reference to the *“sensitivity analysis”* performed by the Company.
Recoverability of deferred tax assets *See note 10 “Deferred tax assets” and the paragraph “Accounting standards and valuation criteria" of the explanatory notes.* Deferred tax assets recognised in the financial statements as of 31 December 2020 amounted to Euro 12.8 million, partially offset by deferred tax liabilities equal to Euro 1.6 million, giving a net deferred tax asset equal to Euro 11.2 million. Deferred tax assets relate for Euro 3.6 million to	 Our audit procedures preliminarily included understanding and evaluating the procedures adopted by the Company to verify the recoverability of deferred tax assets. We carried out an in-depth analysis of deferred tax assets related to prior tax losses

temporary differences between the book values of assets and liabilities recognised in the financial statements and their tax values and for Euro 9.2 million to prior tax losses. The recoverability of deferred tax assets were considered a key audit matter for the purpose of the statutory audit of the financial statements in consideration of the significant impact of this caption on the statement of the financial position and on the income statement of Landi Renzo SpA, as well as due to the complexity of the evaluation of the recoverability of these receivables which is closely related to the achievability of the economic-financial forecasts, taking into account the current macro-economic uncertainty context arising from the spread of Covid-19 pandemic.	as their recoverability is closely related to the existence of future taxable income and, therefore, to the achievement of the prospective results included in the mentioned economic-financial forecasts. We obtained the analysis performed by the Company on the recoverability of deferred tax assets closely related to the existence of future taxable income of the companies included in the tax consolidation scheme of the Landi Renzo Group for the period 2021-2025, which are based on the net results included in the above-mentioned economic-financial forecasts. We verified the reasonableness of the net results included in the above-mentioned forecasts through interviews with company management and through the involvement of PwC network experts in the *Automotive* segment, who supported us in the critical analysis of the reasonableness of the expectations included in the Company's forecasts. Finally, we verified the disclosures provided by the Company in the financial statements about the elements supporting the recoverability of deferred tax assets.
Evaluation of investment in SAFE&CEC Srl *See notes 8 "Equity investments in associates and joint ventures" and 43 "Income (expenses) from joint ventures measured using the equity method" of the explanatory notes.* At December 31, 2020, the carrying amount of the investment in the company SAFE&CEC Srl measured with the equity method amounted to Euro 21.8 million. The Company verifies for the possible presence of impairment indicators that could give rise to doubts about the recoverability of the value of the investment.	The audit approach preliminarily consisted of understanding and evaluating of the methods adopted by the directors of Landi Renzo SpA for the purpose of recording the value of the equity investment of the company SAFE&CEC Srl with the equity method and the analysis carried out by them with reference to the presence of any impairment indicators.

This aspect was considered of particular relevance for the statutory audit of the financial statements in consideration of the significant impact of the item on the statement of financial position and on the income statement of the Landi Renzo SpA, also considering the value of goodwill included in the value of the investment.
The directors of Landi Renzo SpA have requested and obtained the following documentation prepared by the management of SAFE&CEC Srl, for the purpose of evaluating the carrying value of the equity investment held in SAFE&CEC Srl and for the analysis of any presence of impairment indicators: (i) Landi Renzo Group special purpose consolidated financial information for SAFE&CEC Srl as at 31 December 2020 and (ii) impairment test on the goodwill recorded in the special purpose consolidated information for SAFE&CEC Srl at 31 December 2020, prepared with the support of an external advisor. Following the aforementioned analysis, no impairment indicators were identified with reference to the book value of the SAFE&CEC Srl equity investment.

We also verified the reasonableness of the methods adopted and of the main assumptions reflected in the impairment test evaluation model (method of discounting cash flows) prepared by the directors of SAFE&CEC Srl with the support of external advisor, also involving PwC network valuation experts. In particular, we verified the reasonableness of the discount rate and the perpetual growth rate with respect to the valuation practices usually adopted for companies belonging to the industry in which Landi Renzo SpA operates. We also verified that the cash flows included in the valuation model were consistent with those included in the forecasts approved by the directors.
Considering that the forecast cash flows are a particularly significant parameter for the determination of the recoverable amount as it depends on to future and uncertain events, we analysed the reasonableness of the estimated future cash flows through interviews with company management of Landi Renzo SpA and SAFE&CEC Srl, with the external advisor engaged by the directors of SAFE&CEC Srl also through the involvement of PwC network experts of the *Automotive* segment, who supported us in the critical analysis about the reasonableness of the forecasts included in the forecasts.
Finally, we verified the disclosures provided by the Company in the financial statements about the analysis carried out to identify the impairment indicators, if any.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No. 38/2005 and, in the terms prescribed by law, for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Management is responsible for assessing the Company's ability to continue as a going concern and, in preparing the financial statements, for the appropriate application of the going concern basis of accounting, and for disclosing matters related to going concern. In preparing the financial statements, management uses the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing, in the terms prescribed by law, the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.
As part of an audit conducted in accordance with International Standards on Auditing (ISA Italia), we exercised our professional judgement and maintained professional scepticism throughout the audit. Furthermore:

- We identified and assessed the risks of material misstatement of the financial statements, whether due to fraud or error; we designed and performed audit procedures responsive to those risks; we obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- We obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;
- We evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- We concluded on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern;
- We evaluated the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicated with those charged with governance, identified at an appropriate level as required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identified during our audit.

We also provided those charged with governance with a statement that we complied with the regulations and standards on ethics and independence applicable under Italian law and communicated with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.
From the matters communicated with those charged with governance, we determined those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We described these matters in our auditor's report.

Additional Disclosures required by Article 10 of Regulation (EU) No 537/2014

On 29 April 2016, the shareholders of Landi Renzo SpA in general meeting engaged us to perform the statutory audit of the Company's and the consolidated financial statements for the years ending 31 December 2016 to 31 December 2024.

We declare that we did not provide any prohibited non-audit services referred to in article 5, paragraph 1, of Regulation (EU) No. 537/2014 and that we remained independent of the Company in conducting the statutory audit.

We confirm that the opinion on the financial statements expressed in this report is consistent with the additional report to those charged with governance, in their capacity as audit committee, prepared pursuant to article 11 of the aforementioned Regulation.

Report on Compliance with other Laws and Regulations

Opinion in accordance with Article 14, paragraph 2, letter e), of Legislative Decree No. 39/2010 and Article 123-bis, paragraph 4, of Legislative Decree No. 58/1998

Management of Landi Renzo SpA is responsible for preparing a report on operations and a report on the corporate governance and ownership structure of the Company as of 31 December 2020, including their consistency with the relevant financial statements and their compliance with the law.

We have performed the procedures required under auditing standard (SA Italia) No. 720B in order to express an opinion on the consistency of the report on operations and of the specific information included in the report on corporate governance and ownership structure referred to in article 123-bis, paragraph 4, of Legislative Decree No. 58/1998, with the financial statements of Landi Renzo SpA as of 31 December 2020 and on their compliance with the law, as well as to issue a statement on material misstatements, if any.

In our opinion, the report on operations and the specific information included in the report on corporate governance and ownership structure mentioned above are consistent with the financial statements of Landi Renzo SpA as of 31 December 2020 and are prepared in compliance with the law.

With reference to the statement referred to in article 14, paragraph 2, letter e), of Legislative Decree No. 39/2010, issued on the basis of our knowledge and understanding of the Company and its environment obtained in the course of the audit, we have nothing to report.

Parma, 30 March 2021

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.

REPORT OF THE BOARD OF STATUTORY AUDITORS
TO THE SHAREHOLDERS' MEETING
OF LANDI RENZO S.p.A.
PURSUANT TO ARTICLE 153, ITALIAN LEGISLATIVE DECREE 58/1998

Dear Shareholders

The Board of Statutory Auditors of Landi Renzo S.p.A (hereinafter also "the Company"), pursuant to Article 153 of Italian Legislative Decree 58/1998 (hereinafter the "TUF"), is called on to report to the Shareholders' Meeting, convened to approve the Financial Statements at 31 December 2020, on the results for the year, the supervisory activities carried out in the performance of its duties, on any omissions or matters to report, and also to make observations and proposals concerning the financial statements, their approval and other matters in its remit.

The Board of Statutory Auditors carried out the supervisory duties under Article 149 of the TUF, as well as the duties under Article 19 of Italian Legislative Decree 39/2010 as amended by Italian Legislative Decree 135/2016, in its capacity as Internal Control and Audit Committee, also considering the Rules of Conduct for Boards of Statutory Auditors of listed companies issued by Italy's National Association of Accounting Professionals (CNDCEC). Furthermore, it carried out supervisory activities, observing the principles and notices issued by Consob on corporate controls and on the activities of boards of statutory auditors.

This Report has been prepared in compliance with indications from Consob in Communication DEM/1025564 of 6 April 2001 as amended, and with regulation Q.7.1. of the Rules of Conduct for Boards of Statutory Auditors of listed companies issued by Italy's National Association of Accounting Professionals.

In accordance with Italian Legislative Decrees 58/1998 and 39/2010, statutory auditing has been assigned to PricewaterhouseCoopers S.p.A. (hereinafter "PWC" or "the Independent Auditors"), as resolved by the Shareholders' Meeting of 29 April 2016 for the duration of nine years (from 31 December 2016 through to 31 December 2024).

1. *Administrative body - Appointment, term of office and modus operandi*

The Board of Directors in office at the date of this Report was appointed by the Shareholders' Meeting of Landi Renzo S.p.A of 29 April 2019 for three financial years and up to approval of the financial statements for the year ending 31 December 2021, with the sole exception of Mr Dario Patrizio Melpignano, co-opted pursuant to Article 2386 of the Italian Civil Code on 13 November 2020 until the next Shareholders' Meeting, to replace the outgoing director Anton Karl.

On 29 April 2019, the Board of Directors, in the first meeting following its appointment, gave a positive evaluation of the independence of the board directors Sara Fornasiero, Vincenzo Russi and Anton Karl, with reference to Article 148, paragraph 3 of the TUF, as referred to in Article 147-*ter,* paragraph 4 of the TUF, and Article 3 of the Corporate Governance Code for listed companies (hereinafter the "Corporate Governance Code").

Subsequently, in the meeting of 13 March 2020, the Board of Directors confirmed that the above directors met the requirements for independence.

On 13 November 2020, after director Dario Patrizio Melpignano was co-opted, the Board of Directors verified that the above-mentioned Director met the requirements for independence.

During its meeting on 15 March 2021, the Board of Directors therefore confirmed that directors Sara Fornasiero, Vincenzo Russi and Dario Patrizio Melpignano met the requirements for independence.

On these occasions, the Board of Statutory Auditors verified the correct implementation of the criteria and procedures adopted by the Board of Directors to assess the independence of its members pursuant to application criterion 3.C.5 of the Corporate Governance Code. The Board of Statutory Auditors also acknowledged the mainly positive outcomes of the appraisal process undertaken by the Board of Directors in the meeting of 15 March 2021, regarding the dimension, composition and modus operandi of the Board of Directors and its committees.

2. *Board of Statutory Auditors - Appointment, term of office and modus operandi*

The Board of Statutory Auditors in office at the date of this Report was appointed by the Shareholders' Meeting of Landi Renzo S.p.A of 29 April 2019 for three financial years and up to approval of the financial statements for the year ending 31 December 2021.

On 29 April 2019, the Board of Statutory Auditors verified that its members were still eligible for their office pursuant to Article 148 of the TUF and regulation Q.1.1. of the Rules of Conduct for Boards of Statutory Auditors of listed companies issued by CNDCEC, and also still met requirements for independence pursuant to application criterion 8.C.1 of the

Corporate Governance Code, preparing – based on the CNDCEC document of May 2019, "Self-appraisal of boards of statutory auditors" – the "Document" and the "Self-appraisal Report" referred to herein.
Subsequently, on 12 March 2020 and 12 March 2021, it confirmed that the above requirements had been met; on these occasions, the Board of Statutory Auditors also assessed that in overall terms it was adequate for its position held, in terms of its composition, as well as its expertise, professionalism, experience, the gender and age of members, and reported the findings of the self-appraisal processes to the Board of Directors for all necessary requirements.
To carry out its duties, the current Board of Statutory Auditors met 18 (eighteen) times during 2020, in the great majority of the cases through conference calls and video conferences as a result of the continuation of the Covid-19 pandemic, as well as informally during various other occasions to discuss and further examine specific matters, review significant documents, define the agenda of its meetings and prepare minutes and notices. Moreover, the Chairman of the Board of Statutory Auditors and/or at least another member took part in the meetings of the Control and Risks Committee, the Committee for Transactions with Related Parties and the Remuneration Committee, and in the meeting of the Independent Directors.

3. *Compliance with the Corporate Governance Code*

As the Company has adopted the Corporate Governance Code of listed companies, the Board of Statutory Auditors monitored the correct adoption of the corporate governance rules set out in the Corporate Governance Code and observed said rules in carrying out its duties.
The Board of Statutory Auditors also acknowledged that on 15 March 2021, the Company adopted the new Corporate Governance Code.
The Board of Statutory Auditors acknowledged that the Control and Risks Committee and the Remuneration Committee, on 16 February 2021, and the Board of Directors, on 15 March 2021, had reviewed the letter sent by the Chairman of the Committee for Corporate Governance on 22 December 2020 and the recommendations set forth therein.

4. *Supervision and control activities*

As part of duties and with reference to activities in its remit, during the year in question, the Board of Statutory Auditors declares that:

- it took part in the Shareholders' Meeting of 8 May 2020 which, inter alia, approved the financial statements at 31 December 2019; pursuant to Article 106, paragraph 4 of Decree Law no. 18 of 17 March 2020, participation in the above-mentioned shareholders' meeting was permitted exclusively through the Company's appointed representative;
- it took part in the 7 (seven) meetings of the Board of Directors held during 2020, and was given adequate information by board directors on the general performance of operations and the foreseeable outlook, as well as on transactions considered to be material because of their size and characteristics, undertaken by the Company and its subsidiaries;
- it acquired the knowledge necessary to carry out its activities to verify compliance with law, the articles of association, the principles of proper administration and adequacy of the organisational structure of the Company, through obtaining and reviewing significant documents, interviews with the heads of various company functions and the periodic exchange of information with the Independent Auditors;
- it took part, as already stated, through the Chairman or at least another member, in the meetings of the Control and Risks Committee, the Committee for Transactions with Related Parties and the Remuneration Committee, and in the meeting of the Independent Directors;
- it met the Supervisory Body, also during meetings of the Control and Risks Committee;
- it monitored the functioning and efficiency of internal control systems and the adequacy of the administrative and accounting system, in particular in terms of the system's reliability to represent operations;
- it obtained adequate information from directors, at least every quarter, pursuant to Article 150, paragraph 1 of the TUF, on activities carried out and on operations of greater economic and financial significance undertaken by the Company and its subsidiaries;
- it exchanged with managers of the Independent Auditors data and information significant for carrying out respective duties pursuant to Article 150, paragraph 3 of the TUF, reviewing where necessary the results of the work of the Independent Auditors and obtaining Audit Reports prepared pursuant to Article 14 of Italian Legislative Decree 39/2010 and Article 10 of Regulation (EU) No 537/2014;
- it exchanged information on administration and control systems and on the general performance of operations with the Board of Statutory Auditors of Italian investee companies, pursuant to Article 151, paragraphs 1 and 2 of the TUF and requested

information on the most significant events concerning the Group's main foreign investee companies from the Chief Executive Officer, the Internal Audit department and the Independent Auditors;

- it examined (as further explained below) the contents of the additional Report for the Board of Statutory Auditors in its function as Internal Control and Audit Committee prepared by the Independent Auditors pursuant to Article 11 of Regulation (EU) 537/2014, based on which it had no findings to be indicated herein;
- it monitored the functioning of the control system for Group companies and the adequacy of instructions given to them, also pursuant to Article 114, paragraph 2 of the TUF;
- it acknowledged the preparation of the Remuneration Report pursuant to Article 123-*ter* of the TUF and Article 84- of the Issuers' Regulation, without any particular observations to make;
- it established the conformity of the articles of association to legal and regulatory provisions;
- it assessed the conformity of the internal procedure on Related-Party Transactions to the principles indicated in the Regulation approved by Consob in resolution no. 17221 of 12 March 2010 as amended, and its compliance, pursuant to Article 4, paragraph 6 with the aforesaid Regulation, participating, as stated, in periodic meetings of the Committee for Transactions with Related Parties, called on to review such transactions;
- it monitored the company's corporate reporting process, for directors' compliance with procedural regulations on the preparation, approval and publication of the financial statements and consolidated financial statements;
- it established the adequacy of the method of impairment testing carried out by competent company functions, assisted by a specialist consultant, and approved by the Board of Directors in order to verify any impairment of assets recognised in the financial statements;
- it established that the 2020 Directors' Report on Operations complied with applicable regulations, and was consistent with the resolutions adopted by the Board of Directors and with facts presented in the financial statements and in the consolidated financial statements;
- it acknowledged the content of the Consolidated Interim Report, without having to make any observations, and also established that the report had been disclosed to the public as required;

- it acknowledged that the Company continued to publish Quarterly Reports on a voluntary basis, by the deadlines established by regulations previously in force;
- it performed, in its capacity as Internal Control and Audit Committee, pursuant to Art. 19, paragraph 1 of Italian Legislative Decree 39/2010 as amended by Italian Legislative Decree 135/2016, the specific information, monitoring, control and audit functions established therein, carrying out the duties and tasks laid out in the above-mentioned regulations;
- it monitored compliance with the provisions established in Italian Legislative Decree 254/2016, reviewing, among others, the Consolidated Non-Financial Statement and ascertaining compliance with provisions on the preparation of this Statement, pursuant to the aforesaid decree;
- it took part, as part of the board of directors' activities, in an information session in the presence of the Company's legal advisors, for the Directors and Statutory Auditors in order to improve their knowledge of the new Corporate Governance Code;
- it met with the Chief Executive Officer and the Financial Reporting Manager, on its own initiative, to review the main foreign subsidiaries;

No findings were identified from the supervisory activities carried out in the areas and according to the procedures described above indicating a failure to comply with law or with the memorandum of association, or such as to warrant notification to the Supervisory Authorities or mention in this report.

Moreover, based on information and evidence available, the Board of Statutory Auditors can reasonably believe that operations adopted by the Board of Directors conform to law and the articles of association and are not manifestly imprudent, risky or in contrast with the decisions taken by the Shareholders' meeting or such as to affect the integrity of company assets.

5. *Monitoring of atypical or unusual transactions and of related party transactions*

During 2020, the wholly-owned investee Lovato Gas Spa was merged into the Company; in this regard, the Board of Statutory Auditors acknowledged the favourable opinion of the Committee for Transactions with Related Parties issued pursuant to Consob Regulation no. 17221 of 2010, and the preparation of the Information Document drafted pursuant to Article 7 of the Company's Procedure for Transactions with Related Parties, positively evaluating the company's interest in carrying out the above-mentioned merger transaction.

During 2020, the Board of Statutory Auditors did not identify any atypical or unusual transactions with Group companies, third parties or with other related parties.

During 2020 and up to the reporting date, the Board of Statutory Auditors did not receive any notice from the control bodies of subsidiaries, associates or investees, or from the Independent Auditors, containing findings which need to be disclosed in this Report.

Moreover, the Board of Statutory Auditors acknowledged that the financial balances of intercompany transactions and transactions with related parties undertaken by the Company and its subsidiaries in 2020 are presented in the "*Consolidated Statement of Financial Position at 31 December 2020, prepared in compliance with provisions in Consob resolution no. 15519 of 27 July 2006 and Consob communication DEM/6064293 of 28/7/2006*" and in the "*Consolidated Income Statement at 31 December 2020, prepared in compliance with provisions in Consob resolution no. 15519 of 27 July 2006 and Consob communication DEM/6064293 of 28/7/2006*" respectively, while more analytical and detailed information is given in the section "*Related-party Transactions*" of the Consolidated Financial Statements at 31 December 2020, to which reference is made. In particular, the above section states that related-party transactions take place at arm's length on the markets in question, considering the characteristics of the goods and the services supplied.

The Board of Statutory Auditors considers disclosure on these transactions, provided according to the above procedures, and also based on analyses and periodic controls carried out by the Committee for Transactions with Related Parties, to be adequate overall, and consistent with and in the interests of the Company. Related-Party Transactions, identified based on international accounting standards and provisions issued by Consob, are governed by an internal procedure (the "Procedure") adopted by the Board of Directors on 29 November 2010.

The Board of Statutory Auditors reviewed the Procedure, establishing its conformity to Consob Regulation no. 17221 of 12 March 2010, amended with resolution no. 17389 of 23 June 2010 and interpreted with resolution no. 78683 of 24 September 2010, acknowledging that the Company's update of that procedure by the legal deadline of 1 July 2021 is currently under way.

6. *Relations with the Independent Auditors, pursuant to Italian Legislative Decree 39/2010 and observations on their independence*

The Board of Statutory Auditors monitored the efficiency of the statutory auditing process, discussing and reviewing aspects in specific meetings with the Independent Auditors (PWC S.p.A.) concerning:

- the planning of activities, the methodological approach, supervision and coordination of the work carried out by the auditors of foreign subsidiaries;

- areas that are particularly significant in terms of audit risk;
- the effectiveness and reliability of the internal control system;
- periodic controls on bookkeeping;
- results following on from the work carried out.

The Independent Auditors notified its fees for audit services for 2020, confirming that no other services apart from audit services had been provided, hereinafter also referred to as non-audit services (NAS).

As regards the independence of the Independent Auditors, the Board of Statutory Auditors and as already indicated, also in its capacity as Internal Control and Audit Committee:

a) carried out its duties required by Article 19, paragraph 1, letter e) of Italian Legislative Decree 39/2010 as amended by Italian Legislative Decree 135/ 2016, assessing and monitoring the independence of the Independent Auditors, in accordance with Articles 10, 10-*bis*, 10-*ter*, 10-*quater* and 17 of Italian Legislative Decree 39/ 2010 and Article 6 of Regulation (EU) No 537/2014;
b) reviewed the Additional Report for the Internal Control and Audit Committee required by Article 11 of Regulation (EU) 537/2014;
c) received as an attachment to the above Additional Report the "Annual confirmation of independence pursuant to Article 6 (2)(a) of Regulation (EU) 537/2014 and pursuant to paragraph 17 of the international accounting standard (ISA Italy) 260" [in which the Independent Auditors certified, among other items, that from 1 January 2019 up to the time of issue of the Confirmation, it had not identified any situations affecting its independence in relation to Landi Renzo S.p.A. pursuant to Articles 10 and 17 of Italian Legislative Decree 39/2010 and Articles 4 and 5 of Regulation (EU) 537/2014];
d) it discussed the risks for its independence with the Independent Auditors, and the measures adopted to mitigate such risks, pursuant to Article 6, par. 2b) of Reg. (EU) 537/2014.

Based on information obtained and activities carried out, no facts or situations that may pose risks for the independence of the Independent Auditors were identified, and in this regard, the Board of Statutory Auditors had no observations to make to the Shareholders' Meeting.

7. *Financial reporting process and internal control system*

The Board of Statutory Auditors monitored the adequacy of the administrative and accounting system, and its reliability in correctly representing operations, obtaining information from the heads of administration functions and exchanging information with

the Control and Risks Committee, the Internal Audit function and the Independent Auditors.
The Board of Statutory Auditors also monitored, periodically meeting with the Financial Reporting Manager, the organisation, company procedures and instruments used to collect information and data necessary to prepare the financial statements, consolidated financial statements and interim reports, as well as other financial disclosure, in order to: i) evaluate the adequacy and actual adoption and ii) verify the suitability and efficiency of the powers and resources given by the Board of Directors to the Financial Reporting Manager to carry out his/her duties.
In this regard, the Board of Statutory Auditors acknowledged the certification issued by the Delegated Bodies (specifically the Chief Executive Officer), and by the Financial Reporting Manager pursuant to Article 154-, paragraph 5 of the TUF, on the financial statements of the Company and on the consolidated financial statements of the Group at 31 December 2020, and on the Half-Yearly Financial Report at 30 June 2020 and on quarterly reports, in which no findings or observations had been identified.
The Board of Statutory Auditors considers the administrative and accounting system on the whole to be basically adequate and reliable for the size and complexity of the Company and Group.
Considering that the Independent Auditors have responsibility for the statutory auditing of the accounts, the Board of Statutory Auditors supervised the general configuration of the financial statements and consolidated financial statements and their compliance with regulations governing their basis for presentation and structure. The Board of Statutory Auditors also verified the conformity of the financial statements and consolidated financial statements to the facts and information which came to its knowledge while carrying out its duties. In this regard, the Board of Statutory Auditors has no particular findings to report.
As part of its functions, the Board of Statutory Auditors monitored the adequacy of the internal control and risk management system: a) obtaining information from the heads of relevant company departments, also to check the existence, adequacy and actual adoption of procedures; b) participating in meetings of the Control and Risks Committee; c) periodically meeting the head of the internal audit function and obtaining information on the results of work carried out, actions recommended and subsequent initiatives taken; d) exchanging information with the Independent Auditors.
In this regard, the Board acknowledged the disclosure provided periodically by the Director in his capacity as Director in charge of establishing and maintaining an effective internal control system, and the interim reports prepared by the Control and Risks Committee

pursuant to Application Criterion 7.C.2 letter f) of the Corporate Governance Code on activities carried out where, among others, an opinion was given in favour of the adequacy of the internal control and risk management system.

Based on the above and considering the control activities carried out and ongoing improvement actions, although there has been a slowdown in the activities carried out by the internal audit function due to the continuation of the effects of the Covid-19 pandemic, the Board of Statutory Auditors considers the internal control system to be adequate as a whole for the size, complexity and operations of the Company and Group.

8. *Supervision of the non-financial disclosure process*

As already stated, the Board of Statutory Auditors monitored compliance with the provisions established in Italian Legislative Decree 254/2016 and in the Implementing regulation adopted by Consob with Resolution no. 20267 of 18/01/2018 with reference to the Non-Financial Statement ("NFS") and existence of an adequate organisational, administration, reporting and control system prepared by the Company with the aim of providing a true and fair view of non-financial information.

Based on the information obtained and evidence acquired, according to the above terms, the Board of Statutory Auditors considered the procedures, processes and structures for the production, reporting, measurement and representation of the aforesaid information to be substantially adequate and has no findings to report to the Shareholders' Meeting.

9. *Additional information required by Consob communication DEM 1025564 of 6 April 2001 as amended*

Pursuant to applicable Consob provisions, the Board of Statutory Auditors also reports the following:

a) the Board received no complaints pursuant to Article 2408 of the Italian Civil Code, nor complaints from third parties;

b) during 2020, the Company and Board of Statutory Auditors did not receive requests for information from Consob, pursuant to Article 115 and Article 114 of the TUF;

c) during 2020, the Board of Statutory Auditors gave opinions required i) under Article 2389, paragraph 3 of the Italian Civil Code, as regards the fees of directors with special responsibilities;

d) it gave an opinion on decisions in the remit of the Board of Directors, as required by the Corporate Governance Code - Article 7, criteria 7.C.1. and 7.C.2., regarding i) the 2020-2022 activity plan prepared by the Internal Audit function as subsequently updated and ii) the correct use of accounting standards and their uniformity for the purposes of preparing the separate financial statements, consolidated financial statements and interim financial statements.

10. *Significant events indicated in the Directors' Report , financial statements and consolidated financial statements*

Amongst the significant events indicated by the Company in the Directors' Report, the financial statements and consolidated financial statements at 31 December 2020, please note:

- The signing in March 2020 of a new 48-month loan agreement with a leading domestic credit institution for a nominal amount of Euro 3 million;
- The completion of the merger by incorporation of the wholly owned subsidiary Lovato Gas S.p.A. unipersonale into the parent company Landi Renzo S.p.A.;
- The release by all credit institutions underwriting the loans of waiver letters with respect to the financial covenants as at 30 June and 31 December 2020 and consent for 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 new subsidised loan taken out 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 "Liquidity Decree"), for a nominal amount of 21 million and with a duration of 6 years and a two-year pre-amortisation period;

Based on the information provided by the Company and the data acquired from the above operation, the Board of Statutory Auditors established its conformity to law, to the memorandum of association and to principles of proper administration, ensuring that the operation was not manifestly imprudent or risky, in potential conflict of interest, in contrast with decisions taken by the Shareholders' Meeting or such as to affect the integrity of the company's assets.

11. *Significant events after the reporting period*

The Board of Statutory Auditors acknowledged the significant events taking place after the reporting period, commented on in more detail in the section "*Significant events occurring after the reporting period and business outlook*" of the Directors' Report on Operations for 2020, to which reference is made for further details.

12. *Report of the Independent Auditors and related obligations of the Board of Statutory Auditors*

On 30 March 2021 the Board of Statutory Auditors issued the Reports pursuant to Article 14 of Italian Legislative Decree 39/2010 and Article 10 of Regulation (EU) 537/2014, on financial statements and consolidated financial statements where, in particular, the following is certified:

- the financial statements of the Company and consolidated financial statements of the Group at 31 December 2020 give a true and fair view of the financial position and performance and cash flows for the year then ended in compliance with the International Financial Reporting Standards adopted by the European Union, as well as by measures issued implementing Article 9 of Italian Legislative Decree 38/05;
- the Directors' Report and some specific information in the Report on Corporate Governance and the Ownership Structure are consistent with the financial statements of the Company and with the consolidated financial statements of the Group and have been prepared in compliance with law;
- the opinion on the financial statements and on the consolidated financial statements is in line with information in the Additional Report prepared pursuant to Article 11 of EU Reg. 537/2014 and pursuant to article 19 of Italian Legislative Decree 39/2010.

  The Board of Statutory Auditors also acknowledged the emphasis of matter paragraph drafted by the above-mentioned independent auditors in relation to the financial statements, referring to the merger by incorporation into the Company of Lovato Gas S.p.A., acknowledging that such section did not in any event modify the opinion on the financial statements themselves.

Please note, purely for informative purposes, that in the aforesaid Reports, the Independent Auditors considered it appropriate to identify key aspects of the auditing, which, for the financial statements of Landi Renzo S.p.A., were a) the recoverability of the value of goodwill relating to Lovato Gas Spa, merged during the year, b) the recoverability of receivables for deferred tax assets and c) the measurement of the investment in SAFE & CEC S.r.l., and, as regards the Group's consolidated financial statements a) the recoverability of the value of goodwill, b) the recoverability of receivables for deferred tax assets and c) the measurement of the investment in SAFE & CEC Srl.

In the Report on the auditing of the consolidated financial statements, the Independent Auditors also declared that they had verified the approval by the directors of Landi Renzo S.p.A of the 2020 Non-Financial Statement for the Landi Renzo Group.

In the aforesaid Reports, the Independent Auditors did not have any findings or emphasis of matter, nor declarations issued pursuant to Article 14, paragraph 2, letters d) and e) of Italian Legislative Decree 39/2010.

Moreover, on 30 March 2021 the Independent Auditors:

- sent the Board of Statutory Auditors, in its capacity as Internal Control and Audit Committee, the Additional Report, required under Article 11 of EU Reg. 537/2014, which does not contradict the information given in the aforesaid Reports on the financial statements and contains other significant aspects, and which the Board will send to the Board of Directors;
- issued, pursuant to Article 3, paragraph 10 of Italian Legislative Decree 254/2016 and Article 5 of Consob Regulation 20267/2018, the Report on the Consolidated Non-Financial Statement where the Independent Auditors certified that no elements came to their knowledge leading them to believe that the Non-Financial Statement of the Landi Renzo Group for the year ended 31 December 2020, as regards all significant aspects, had been prepared without observing Articles 3 and 4 of the Decree or the selected GRI Standards.

During periodic meetings held by the Board of Statutory Auditors with the Independent Auditors, pursuant to Article 150, paragraph 3 of Italian Legislative Decree 58/1998, no aspects were identified that must be emphasized in this Report.

Moreover, the Board did not receive any indications from the Independent Auditors on matters to report identified while carrying out the statutory auditing of the financial statements and the consolidated financial statements.

13. Final observations

The Board of Statutory Auditors acknowledges, despite the continuation of the health emergency due to the spread of the Covid-19 pandemic, the initiation of the global vaccination campaign, which should discourage additional blocks on activities. However, taking into account the forecasting uncertainties concerning the timing and methods of the economic recovery, the Board of Statutory Auditors will monitor business performance developments in close coordination with the Board of Directors.

Based on the above, the Board of Statutory Auditors did not identify any specific critical aspects, omissions, matters to report or irregularities and has no observations, or proposals to make to the Shareholders' Meeting pursuant to Article 153 of Italian Legislative Decree 58/1998, for areas in its remit, and has no reason to prevent the proposed approval of the Financial Statements at 31 December 2020 or coverage of the loss of Euro 6,283,624.66 by using the Extraordinary Reserve in full, which will therefore be reduced to zero, and the Share Premium Reserve, which will be reduced to Euro 28,945,566.50, made by the Board of Directors to the Shareholders' Meeting.

Cavriago (Reggio Emilia), 30 March 2021

Fabio Zucchetti, Chairman of the Board of Statutory Auditors

Diana Rizzo, Statutory Auditor

Domenico Sardano, Statutory Auditor

LANDIRENZO GROUP™