# *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*** |
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| ***Recoverability of goodwill***<br><br>*See note 4 "Goodwill" and the paragraph "Accounting standards and valuation criteria" of the explanatory notes.*<br><br>As at 31 December 2020 the book values of goodwill recognised in the financial statements amounted to Euro 30.1 million increased by Euro 27.7 as a result of the merger by incorporation of the subsidiary Lovato Gas SpA occurred during fiscal year 2020.<br>The Company is required to verify, at least annually, the recoverability of goodwill recognised in the financial statements.<br>This was considered a key audit matter for the purpose of the statutory audit of the financial statements in consideration of the significant impact of this caption on the statement of financial position of Landi Renzo SpA, in consideration of the economic-financial forecasts 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.<br>In particular, we verified the reasonableness of the methods adopted and of the main assumptions reflected in the valuation model (discounted cash flow method), prepared by the Company with the support of an external advisor, also involving PwC network valuation experts. In particular, we verified the reasonableness of the discount rate and perpetuity growth rate in relation to the valuation practices usually adopted by |

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| The valuation models underlying the determination of the recoverable amounts (value in use) of the cash generating Unit (hereinafter also "CGU") including the goodwill have been prepared with the support of an external advisor and are based on complex evaluations and estimates of management, having as a reference the above-mentioned economic-financial forecasts.<br>In particular, the valuation models of the recoverable amounts of the CGU including the goodwill and the assumptions included in those models are influenced by future market conditions, 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.<br>We also verified that the cash flows included in the valuation models were consistent with those included in the before-mentioned economic-financial forecasts.<br>Considering that forecast cash flows are a particularly significant parameter for the determination of the recoverable amounts of the CGU including the goodwill as they depend on future and uncertain events, we analysed the reasonableness of the estimated future cash flows through interviews with Company's management, with the external advisor engaged by the directors of Landi Renzo SpA and through the involvement of experts in the *Automotive* segment of PwC network, who supported us in the critical analysis of the reasonableness of the economic-financial forecasts.<br>Furthermore, we verified the mathematical accuracy of the valuation models prepared by the Company.<br>Finally, we verified the disclosures provided by the Company in the 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***<br><br>*See note 10 "Deferred tax assets" and the paragraph "Accounting standards and valuation criteria" of the explanatory notes.*<br><br>Deferred tax assets recognised in the 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.<br>Deferred tax assets relate for Euro 3.6 million to | <br><br><br><br><br><br>Our audit procedures preliminarily included understanding and evaluating the procedures adopted by the Company to verify the recoverability of deferred tax assets.<br>We carried out an in-depth analysis of deferred tax assets related to prior tax losses |

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| 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.<br>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.<br>We verified the reasonableness of the net results included in the above-mentioned forecasts through interviews with company management and through the involvement of PwC network experts in the *Automotive* segment, who supported us in the critical analysis of the reasonableness of the expectations included in the Company's forecasts.<br>Finally, we verified the disclosures provided by the Company in the financial statements about the elements supporting the recoverability of deferred tax assets. |
| ***Evaluation of investment in SAFE&CEC Srl***<br><br>*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.*<br><br>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.<br>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. |

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| 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.<br>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.<br>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.<br>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.*