ANNUAL FINANCIAL REPORT 2022


OVER **60 ANNI** OF
INTERNATIONALIZATION
INNOVATION AND
ABILITY TO SEIZE
OPPORTUNITIES

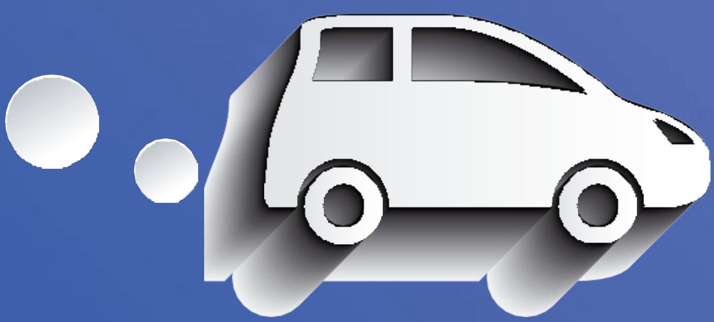
MISSION

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,

2022 was a year of great changes and profound evolution for the Landi Renzo Group.

Despite a difficult economic environment, especially caused by geopolitical tensions and the continuing effects of the pandemic on the market, the Group continued its strategy aimed at consolidating its presence in its reference sectors and forging new paths in segments with high growth potential.

The Russia-Ukraine conflict and the risk of an energy shortage have increasingly placed the energy transition at the centre of government agendas worldwide, driving awareness of the importance of hydrogen, biomethane and natural gas as fundamental energy sources for reaching decarbonisation targets.

In this scenario, the Group strengthened its offer of innovative products for biomethane and hydrogen solutions, moving forward with the process of integrating the subsidiaries Metatron and SAFE&CEC in order to enact those potential synergies that were still unexpressed when the former was acquired and the latter was consolidated.

Furthermore, in 2022 the significant attention placed on activities linked to the innovation of the industry in which the company operates was confirmed, with the continuing development of solutions for the use of hydrogen as an alternative form of power. Thanks to this approach, the Landi Renzo Group expanded its range of applications and technologies, particularly in the Heavy Duty and off-road segments, in the area of Mobility, and added to its range of solutions in the infrastructure sector by acquiring Idro Meccanica S.r.l.

These initiatives represented solid bases for the new 2022-2025 business plan approved last year, which forecasts Group growth throughout the biomethane, natural gas and hydrogen value chains, from compression to distribution, and a significant drive for its implementation will be provided by the share capital increase finalised in the second half of 2022.

The capital strengthening in the second half of the year, also thanks to the entry of the Itaca fund into the shareholding structure that controls the Group, constitutes a further factor of consolidation and growth. Besides being a prestigious financial partner, Itaca is also a point of reference for the Group’s future growth. In this sense, the Landi Renzo S.p.A. share price performance in the second half of the year bore witness to the market’s positive assessment of the transaction.

The international markets continue to represent the predominant component of the Group's business; in this context, we continued to focus our attention, in the Green Transportation arena as well as in Clean Tech Solutions, on the areas that are still offering the best growth opportunities in the medium term, especially in North America, China and India.

The year that just ended was characterised by a range of challenges: the complexities deriving from rising gas prices and strong limitations on trade relations with Russia and those caused by the resurgence of the COVID-19 pandemic in China - factors that had a significant impact on the sector on which the Group is basing its current business model - were joined by the effects of the cyber attack suffered in the fourth quarter and the relative consequences in terms of business continuity.

These events, due to their unpredictable nature, impacted the 2022 results, which did not meet expectations.

However, the Group managed to react with its "diversification through integration" strategy, adopted with its joint presence in the Green Transportation and Clean Tech Solutions sectors, confirming its robust resilience in the face of the external factors mentioned above.

In the second half of the year, the management team was also strengthened, with qualified entries in the Operations, Finance, Human Resources and Strategic Marketing areas, which downstream will trigger an additional reinforcement of all Group areas, creating the conditions to take advantage of significant opportunities we are seeing in the bio-fuels and hydrogen segments.

The significant steps taken in 2022 towards greater consolidation, alongside the positive trends we are observing on the demand side in several geographical areas for both of our business segments, make us confident that in 2023 the Group will be able to further accelerate its path of growth and strengthen its role as a key global player in the energy transition process.

Chairman of the Board of Directors
Stefano Landi

Landi Renzo Group Financial highlights

(Thousands of Euro)

ECONOMIC INDICATORS	2022	2021 restated	2020
Revenues	306,297	241,994	142,455
Adjusted gross operating profit (EBITDA) (1)	15,257	14,614	8,017
Gross operating profit (EBITDA)	11,044	12,615	6,652
Net operating profit (EBIT)	-6,033	-3,002	-5,541
Earnings before taxes (EBT)	-13,882	1,710	-11,391
Net profit (loss) for the Group and minority interests	-14,267	502	-7,850
Adjusted gross operating profit (EBITDA) / Revenue	5.0%	6.0%	5.6%
Gross Operating Profit (EBITDA) / Revenue	3.6%	5.2%	4.7%
Net profit (loss) for the Group and minority interests / Revenue	-4.7%	0.2%	-5.5%

(Thousands of Euro)

STATEMENT OF FINANCIAL POSITION	2022	2021 restated	2020
Net fixed assets and other non-current assets	155,331	150,149	107,128
Operating capital (2)	54,683	53,891	26,853
Non-current liabilities (3)	-11,807	-9,964	-4,750
NET INVESTED CAPITAL	198,207	194,076	129,231
Net financial position (4)	92,323	133,493	72,917
Net Financial Position - adjusted (5)	77,242	95,137	67,360
Shareholders' equity	105,884	60,583	56,314
BORROWINGS	198,207	194,076	129,231

(Thousands of Euro)

KEY INDICATORS	2022	2021 restated	2020
Operating capital / Turnover (6)	17.9%	19.4%	18.9%
Adjusted net financial position (5) / Shareholders' equity	0.73	1.57	1.20
Adjusted net financial position (5) / Adjusted EBITDA (6)	5.06	6.51	8.40
Personnel (peak)	951	987	547

(Thousands of Euro)

CASH FLOWS	2022	2021 restated	2020
Gross operational cash flow	5,831	7,390	6,800
Net cash flow for investment activities	-39,020	-4,532	-11,611
Gross FREE CASH FLOW	-33,189	2,858	-4,811
Non-recurring expenditure for voluntary resignation incentives	-439	-425	-495
Net FREE CASH FLOW	-33,628	2,433	-5,306
Share capital increase (net of expenses incurred)	58,554	0	0
Repayment of leases (IFRS 16)	-3,872	-3,473	-2,399
Overall cash flow	21,054	-1,040	-7,705

(1) The data does not include the recognition of non-recurring costs. As EBITDA is not identified as an accounting measure under IAS/IFRS, it may be calculated in different manners. EBITDA is a measure used by the company's management to monitor and evaluate its operating performance. Management believes that EBITDA is an important parameter to measure the company's operating performance, as it is not influenced by the effects of the different criteria for determining the tax base, the amount and characteristics of invested capital and relative amortisation and depreciation policies. The company's way of calculating EBITDA may not be the same as the methods adopted by other companies/groups, and therefore its value may not be comparable with the EBITDA calculated by others.

(2) This is calculated as the difference between Trade Receivables, Inventories, Contract Work in Progress, Other Current Assets and Trade Payables, Tax liabilities, Other Current Liabilities (net of payables for the purchase of equity investments).

(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 as amended (as most recently amended on 5 May 2021, to adopt the new ESMA recommendations 32-232-1138 of 4 March 2021).

(5) Not including the effects of the adoption of IFRS 16 - Leases, the fair value of derivative financial instruments and the payable for the acquisition of equity investments.

(6) In order to calculate the indicator in question at 31 December 2021, following the line-by-line consolidation of the SAFE&CEC Group as of May 2021 and the Metatron Group as of August 2021, the figures relating to adjusted EBITDA and revenue were calculated and expressed pro forma taking into consideration the entire year 2021.

(*) The comparative figures as at 31 December 2021 were restated following the completion of the purchase price allocation process of the Metatron Group, consolidated line-by-line starting from August 2021.

THE LANDI RENZO GROUP

Corporate structure at 31 December 2022

Description	Registered Office	% stake at 31 December 2022 Direct investment	Indirect investment	Notes
Parent Company				
Landi Renzo S.p.A.	Cavriago (Italy)	Parent Company		
Companies consolidated using the line-by-line method				
Landi International B.V.	Utrecht (The Netherlands)	100.00%		
Landi Renzo Polska Sp.Zo.O.	Warsaw (Poland)		100.00%	(1)
LR Indústria e Comércio Ltda	Rio de Janeiro (Brazil)	99.99%		
Beijing Landi Renzo Autogas System Co. Ltd	Beijing (China)	100.00%		
L.R. Pak (Pvt) Limited	Karachi (Pakistan)	70.00%		
Landi Renzo Pars Private Joint Stock Company	Tehran (Iran)	99.99%		
Landi Renzo RO S.r.l.	Bucharest (Romania)	100.00%		
Landi Renzo USA Corporation	Wilmington - DE (USA)	100.00%		
AEB America S.r.l.	Buenos Aires (Argentina)	96.00%		
Officine Lovato Private Limited	Mumbai (India)	74.00%		
OOO Landi Renzo RUS	Moscow (Russia)	51.00%		
SAFE&CEC S.r.l.	San Giovanni Persiceto (Italy)	51.00%		
SAFE S.p.A.	San Giovanni Persiceto (Italy)		100.00%	(2)
Idro Meccanica S.r.l.	Modena (Italy)		90.00%	(3)
IMW Industries LTD	Chilliwak (Canada)		100.00%	(2)
IMW Industries del Perù S.A.C.	Lima (Peru)		100.00%	(4)
IMW Industries LTDA	Cartagena (Colombia)		100.00%	(4)
IMW Energy Tech LTD	Suzhou (China)		100.00%	(4)
IMW Industries LTD Shanghai	Shanghai (China)		100.00%	(4)
Metatron S.p.A.	Castel Maggiore (Italy)	100.00%		
Metatron Control System (Shanghai)	Shanghai (China)		86.00%	(5)
Associates and subsidiaries consolidated using the equity method				
Krishna Landi Renzo India Private Ltd Held	Gurugram - Haryana (India)	51.00%		(6)
Other minor companies				
Landi Renzo VE.CA.	Caracas (Venezuela)	100.00%		(7)
Lovato do Brasil Ind Com de Equipamentos para Gas Ltda	Curitiba (Brazil)	100.00%		(7)
EFI Avtosanoat-Landi Renzo LLC	Navoiy Region (Uzbekistan)	50.00%		(7) (6)
Metatron Technologies India Plc	Mumbai (India)		75.00%	(7) (5)

Detailed notes on investments:

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

(2) Held indirectly through SAFE&CEC S.r.l.

(3) Held indirectly through SAFE S.p.A., 100% consolidated line-by-line based on the binding commitment to purchase the remaining 10%, which does not include any conditions precedent

(4) Held indirectly through IMW Industries LTD

(5) Held indirectly through Metatron S.p.A.

(6) Company joint venture

(7) Not consolidated as a result of its irrelevance

The Landi Renzo Group worldwide

The Landi Renzo Group has established its international vocation with both a direct presence, featuring 28 companies in 17 countries and 951 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.

EMARKET SDIR CERTIFIED

Company bodies

On 29 April 2022, the Shareholders' Meeting of Landi Renzo S.p.A. elected the Board of Directors and the Board of Statutory Auditors for the period 2022-2024. They will therefore remain in office until the Shareholders' Meeting called to approve the financial statements for the year ending 31 December 2024. On the same date, the Board of Directors confirmed Stefano Landi as Executive Chairman, appointed Sergio Iasi as Vice Chairman and confirmed Cristiano Musi as Chief Executive Officer and General Manager.

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

Board of Directors

Executive Chairman	Stefano Landi
Vice Chairman	Sergio Iasi
Chief Executive Officer	Cristiano Musi
Director	Silvia Landi
Director	Massimo Lucchini
Director	Andrea Landi
Independent Director	Pamela Morassi
Independent Director	Sara Fornasiero (*)
Independent Director	Anna Maria Artoni

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

Board of Statutory Auditors

Chairman of the Board of Statutory Auditors	Fabio Zucchetti
Statutory Auditor	Luca Aurelio Guarna
Statutory Auditor	Diana Rizzo
Alternate Auditor	Luca Zoani
Alternate Auditor	Gian Marco Amico di Meane

Control, Risks and Sustainability Committee

Chairperson	Sara Fornasiero
Committee Member	Sergio Iasi
Committee Member	Anna Maria Artoni

Appointment and Remuneration Committee

Chairperson	Pamela Morassi
Committee Member	Massimo Lucchini
Committee Member	Anna Maria Artoni

Committee for Transactions with Related Parties

Committee Member	Sara Fornasiero
Committee Member	Anna Maria Artoni
Committee Member	Pamela Morassi

Supervisory Board (Italian Legislative Decree 231/01)

Chairperson	Jean-Paule Castagno
Board Member	Domenico Sardano
Board Member	Filippo Alliney
Independent Auditing Firm	PricewaterhouseCoopers S.p.A.

Financial Reporting Manager	Vittorio Tavanti

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 22,500,000
Tax ID and VAT Reg. No. IT00523300358

This report is available online at:
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SIGNIFICANT EVENTS DURING THE YEAR

- In January 2022, SAFE S.p.A., a SAFE&CEC Group company controlled by Landi Renzo S.p.A., acquired 90% of the share capital of Idro Meccanica S.r.l., a leader in the production of technologies and innovative systems for the compression of hydrogen, biomethane and natural gas which includes amongst its customers the main operators in hydrogen production and distribution, and boasts of a full range of products and applications to manage hydrogen compression up to 800 bars; the acquisition of the remaining 10% of the share capital is already contractually established. The total price for the acquisition of 100% of the share capital was Euro 6,400 thousand.

- In February 2022 Landi Renzo S.p.A. completed the acquisition of an additional 23.43% of the share capital of Metatron S.p.A., so it now holds a 72.43% stake in that company. The acquisition is part of a more extensive transaction for the acquisition of 100% of the share capital of Metatron. For the payment of the total consideration to the minority shareholders and Italy Technology Group S.r.l., amounting to Euro 18,062 thousand, Girefin S.p.A., the controlling shareholder of Landi Renzo S.p.A., made a lump-sum amount available to the Company corresponding to the entire amount of the above-mentioned consideration by means of a shareholder loan bearing interest at an annual rate of 1% disbursed in February 2022. Pursuant to the related party transaction procedure adopted by the Company, the above-mentioned shareholder loan should be considered "significant" and, as such, it was submitted for a preventive opinion to the Committee for transactions with related parties, consisting exclusively of independent directors, which expressed its favourable opinion on the Company's interest in entering into the shareholder loan agreement, as well as the cost effectiveness and fairness of the relative conditions.

- In February 2022, following punctual negotiations with the financing institutions, all credit institutions underwriting the loans provided their consent to the requests made by the parent company Landi Renzo S.p.A., issuing waiver letters with respect to the financial covenants as at 31 December 2021, consent to taking out a new planned subsidised medium/long-term loan finalised in 2022 and, with respect to the loan taken out from a pool of banks in 2019, consent to the deferment of the principal instalment falling due on 31 December 2021, which was rescheduled in an equal amount to the following three instalments falling due on 30 September 2022, 31 December 2022 and 30 June 2023. The above-mentioned waiver letters are expressly subject to the finalisation of the share capital increase of the parent company Landi Renzo S.p.A. to be carried out in an amount of at least Euro 25.4 million, by no later than 30 September 2022. As described below in this annual financial report, the expiry of that condition precedent was subsequently extended by the financial institutions to 30 September 2022, considering the timing required for the completion of the share capital increase mentioned above.

EMARKET SDIR CERTIFIED

- In March 2022, the Board of Directors approved the 2022-2025 Business Plan, which forecasts significant Group growth as a strategic specialist in the biomethane and hydrogen segments, offering products throughout the entire value chain, from compression for injection into the network or transport of biomethane and hydrogen, to compression solutions along the pipeline and for distribution, with a complete range for sustainable gas and hydrogen mobility as well, for the OEM channel (Passenger Cars and Mid & Heavy Duty) as well as the After Market channel.

- Also in March 2022, Chairman Stefano Landi informed the Board of Directors Landi Renzo S.p.A. about the signing by the controlling shareholders of Landi Renzo S.p.A. – Girefin S.p.A. and Gireimm S.r.l., which hold a total joint investment of 59.1068% of the share capital of Landi Renzo S.p.A. - of a non-binding term sheet with Itaca Equity Holding S.p.A., which lays the foundation for a minority investment in the share capital of Landi Renzo, as a long-term investor, aiming to support the Landi Renzo Group's expansion in the compression and automotive segments. The main shareholder of Itaca Equity Holding S.p.A. is TIP - Tamburi Investment Partners. The transaction calls for a co-investment by the Chief Executive Officer of Landi Renzo S.p.A. Cristiano Musi. Within the Business Plan and in order to provide the Group with the necessary financial resources, the Board of Directors approved the proposal to the shareholders' meeting to delegate the Board of Directors pursuant to Article 2443 of the Italian Civil Code to increase the share capital by a maximum of Euro 60 million, indivisible up to Euro 50 million, with the option right, to be paid up by means of contributions in cash and by the voluntary offsetting, pursuant to Article 1252 of the Italian Civil Code, of receivables due to the subscribers from Landi Renzo S.p.A. and to be subscribed by no later than 31 December 2023, proposing that the price for the subscription of the shares be determined as the lower of Euro 0.6 per share and the TERP calculated on the basis of the weighted average stock exchange prices of the Landi Renzo S.p.A. share in the 5 days prior to the date on which the price is set, applying a 15% discount. The share capital increase is guaranteed by the Landi Family and by Itaca Equity Holding S.p.A. up to Euro 50 million, assuming the completion of the transaction between the Landi Family and Itaca Equity Holding. For further details on the continuation of the above-mentioned share capital increase, please refer to the "Share capital increase" section.

- In March 2022, Invitalia (Agenzia Nazionale per l'Attrazione degli Investimenti e lo sviluppo di impresa SpA) disbursed a new loan of Euro 19.5 million in favour of Landi Renzo S.p.A. with a duration of 5 years - of which one year of pre-amortisation - at a facilitated rate, drawn on the Fund Supporting Large Companies in difficulty - art. 37 of Italian Decree-Law no. 41/2021, Italian Interministerial Decree of 5 July 2021 and Italian Executive Decree of 3 September 2021.

- On 28 April 2022, Girefin S.p.A. and Gireimm S.r.l., as majority shareholders of Landi Renzo S.p.A., and Itaca Equity Holding S.p.A. entered into an investment agreement governing the terms and conditions relating to the finalisation of an indirect minority investment of Itaca Equity Holding S.p.A. in Landi Renzo S.p.A., to be carried out through a newly established company (GbD Green by Definition S.p.A.), aimed at supporting an investment plan by the Landi Renzo Group in the market of systems and components for LPG, CNG, biogas and hydrogen vehicles. The investment agreement establishes that at the transaction closing date, subject to the satisfaction of specific conditions precedent, Girefin S.p.A., Gireimm S.r.l. and Itaca Equity Holding S.p.A. will enter into a shareholders' agreement, which will govern the relationships between the parties following the finalisation of the transaction. After the transaction, Girefin S.p.A. and Gireimm S.r.l. will maintain exclusive de facto and de jure control over the NewCo, which will hold de facto and de jure control over Landi Renzo S.p.A. Furthermore, on the same date, Girefin S.p.A., Gireimm S.r.l., Itaca Equity Holding S.p.A. and Mr Cristiano Musi, chief executive officer Landi Renzo S.p.A., entered into an investment agreement governing the terms and conditions of the investment of Cristiano Musi in the NewCo, as well as the financial rights incorporated into the special shares of the NewCo that will be subscribed in full and paid up by Cristiano Musi at the closing date, along with several rules on their transfer. In brief, the agreements mentioned above establish: i) the investment agreement concerns, inter alia, (a) the establishment of the NewCo by Girefin S.p.A. and Gireimm S.r.l. in the form of a joint stock company, (b) the contribution in kind to the NewCo, by Girefin S.p.A. and Gireimm S.r.l. of all shares they hold in the share capital of Landi Renzo S.p.A. and therefore, respectively, the 61,495,130 Landi Renzo S.p.A. shares, equal to 54.662% of the share capital, currently corresponding to 122,990,260 voting rights, equal to 68.709% of the voting rights, held by Girefin S.p.A., and the 5,000,000 Landi Renzo S.p.A. shares, equal to 4.444% of the share capital, currently corresponding to 10,000,000 voting rights, equal to 5.587% of the voting rights, held by Gireimm S.r.l., as well as (c) the subscription in cash, by Itaca Equity Holding S.p.A., of an indivisible share capital increase reserved to it in the NewCo, for an amount of up to Euro 39.4 million, inclusive of any share premium. ii) The shareholders' agreement concerns, inter alia, NewCo governance and share transfers, and contains terms and conditions that are significant pursuant to art. 122, paragraphs 1 and 5 of the TUF. The shareholders' agreement concerns the following equity investments: (i) the equity investment which, on finalisation of the transaction, Girefin S.p.A. and Gireimm S.r.l. will hold in the NewCo, overall equal to at least 51% of the relative share capital and (ii) the equity investment which, on finalisation of the transaction, Itaca Equity Holding S.p.A. will hold, directly or indirectly, in the NewCo, in any case not to exceed 49% of the relative share capital. iii) The special shares investment agreement concerns the investment of Cristiano Musi in the NewCo, through the subscription and full payment in cash of an indivisible share capital increase which will be approved by the NewCo and reserved to him, for the amount of Euro 300 thousand.

- On 29 April 2022, the Ordinary Shareholders' Meeting of Landi Renzo S.p.A.:
  - approved the Financial Statements at 31 December 2021 and approved covering the loss for

the year of Euro 9,130,903.21 by using the Share premium reserve;

- appointed the Board of Directors for the 2022-2024 three-year period, consisting of 9 members and led by Chairman Stefano Landi;
- appointed the Board of Statutory Auditors for the 2022-2024 three-year period;
- approved the first section of the Report on Remuneration and also expressed its opinion in favour of the second section, approved by the Board of Directors on 29 March 2022 and drafted pursuant to articles 123-ter of Italian Legislative Decree 58/98 and 84-quater of the regulation approved with Consob resolution no. 11971 of 19 May 1999;
- approved pursuant to article 114-bis of Italian Legislative Decree no. 58 of 24 February 1998 the medium/long-term incentive plan based on the assignment of Landi Renzo S.p.A. ordinary shares.

In extraordinary session, the Shareholders' Meeting also approved the assignment to the Board of Directors of the right, pursuant to article 2443 of the Italian Civil Code, to increase the share capital, in one or more tranches, up to a maximum equivalent value (inclusive of any share premium) of Euro 60 million, by means of the issue of ordinary shares with the same characteristics as those outstanding, to be offered as an option to the shareholders pursuant to article 2441 of the Italian Civil Code, to be freed up by contributions in cash as well as by voluntary offsetting, pursuant to article 1252 of the Italian Civil Code, of receivables due to the subscribers from the Company, to be subscribed in any event by 31 December 2023, with all of the most extensive rights to establish, from time to time, in compliance with the limits set forth above, the methods, terms and conditions of the transaction, including entitlement, without prejudice to the fact that (a) the newly issued ordinary shares will have the same characteristics as those outstanding and will be offered as an option to the shareholders in proportion with the equity investment held, and (b) the newly issued ordinary shares will be offered at the price (inclusive of any share premium) that will be established by the Board of Directors when it exercises the delegation, equal to the lesser between: (i) Euro 0.60 per ordinary share; and (ii) the price per ordinary share to be calculated by applying a 15% discount on the TERP (Theoretical Ex-Right Price) in turn determined on the basis of the weighted average trading price of Landi Renzo ordinary shares in the 5 trading days prior to the date on which the price is set. The share capital increase transaction described above was successfully concluded on 7 September 2022 with the subscription of 98.36% of the available offer. The Board of Directors confirmed Stefano Landi as Executive Chairman, appointed Sergio Iasi as Vice Chairman and confirmed Cristiano Musi as Chief Executive Officer and General Manager.

- In June 2022, Landi Renzo S.p.A. and a pool of lending banks (same counterparties as those disbursing the pool loan taken out on 26 June 2019 and the loan backed by the SACE guarantee taken out on 30 July 2020) entered into two new loan agreements for a total of Euro 73 million, in order to replace the loan backed by the SACE guarantee and extinguish the pool loan: i) a new loan agreement backed by the SACE guarantee (effective as of 29 June 2022) which, for the same financed amount (Euro 21 million), calls for the deferral of the pre-amortisation period of 24 months and repayment of the final instalment on 31 March 2028; ii) a new pool loan agreement, for a financed amount of Euro 52 million (compared with the remaining Euro 46 million on the previous pool loan agreement), which calls for a 24-month pre-amortisation period and repayment of the final instalment of Euro 20.5 million in June 2027. The effectiveness of that agreement was subject to the condition precedent of the performance of the above-mentioned share capital increase by 30 September 2022 in an amount of at least Euro 50 million. The new agreements call for the calculation of financial parameters (NFP/EBITDA) starting from the calculation date of 31 December 2022.

- Also in June 2022, following punctual negotiations with the financing institutions, all credit institutions underwriting the loans provided their consent to the requests made by the parent company Landi Renzo S.p.A., issuing waiver letters with respect to the financial covenants as at 30 June 2022. The above-mentioned waiver letters are expressly subject to the condition of the finalisation of the share capital increase transaction of the parent company Landi Renzo S.p.A., to be carried out in an amount of at least Euro 50 million, by no later than 30 September 2022, de facto extending the expiry of the condition precedent set forth in the waiver letters issued in February 2022, considering the timing required for the completion of the share capital increase transaction by 30 September 2022.

- In July 2022, GbD Green by Definition S.p.A., a shareholder that owns 59.1068% of the share capital of Landi Renzo S.p.A. following the contribution to it by Girefin S.p.A. and Gireimm S.p.A. of the shares they held in Landi Renzo S.p.A., made a subscription commitment for a total maximum amount of Euro 50 million, or its portion of the share capital increase (59.1068% of the amount of the share capital increase, equal to roughly Euro 35.2 million), as well as any option rights that have remained unexercised, up to a maximum amount of around Euro 14.8 million. The subscription commitment, subject to the execution of the share capital increase by 30 September 2022, also established that part of its portion of the share capital increase for roughly Euro 18.1 million would be subscribed and executed by means of the voluntary set-off pursuant to article 1252 of the Italian Civil Code of the receivable due from Landi Renzo S.p.A., deriving from the shareholder loan disbursed by Girefin S.p.A. in an equal amount, for the payment of part of the consideration paid to the minority shareholders and Italy Technology Group S.r.l., and subject to transfer by Girefin S.p.A. to GbD Green by Definition S.p.A.

- Also in July 2022, the Landi Renzo S.p.A. Board of Directors approved the terms, final conditions and calendar of the paid share capital increase, on the basis of the criteria set by the Extraordinary Shareholders' Meeting of 29 April 2022 and in light of several adjustments made for technical reconciliation purposes, in a total maximum amount of Euro 59,625,000 (of which Euro

11,250,000.00 for the share capital increase and Euro 48,375,000.00 for the share premium) by issuing up to 112,500,000 ordinary shares, with a nominal value of Euro 0.10, and with regular dividend entitlement, to be offered under option to the shareholders at the ratio of 1 new share for every 1 ordinary share held, at a unit issue price of Euro 0.53, including the share premium. The option price of the new shares was determined by the Board of Directors by applying, on the basis of the resolution of the Extraordinary Shareholders' Meeting of 29 April 2022, as well as, for technical reconciliation reasons, a discount of 16.09% on the theoretical ex right price (TERP) of the Landi Renzo S.p.A. ordinary shares, calculated in accordance with current methodologies on the basis of the weighted average trading price of Landi Renzo S.p.A. ordinary shares in the 5 previous trading days, i.e., 4 July 2022 to 8 July 2022.

- On 13 July 2022, Consob approved - with note no. 0458563/22 of 13 July 2022 - the EU Recovery Prospectus relating to the offer under option and the admission to trading on the Euronext STAR Milan market organised and managed by Borsa Italiana S.p.A. of Landi Renzo S.p.A. shares deriving from the paid share capital increase, for a total maximum amount of Euro 59,625,000, approved by the Extraordinary Shareholders' Meeting of 29 April 2022.

- In July, FPT Industrial, an Iveco Group company dedicated to designing, manufacturing and selling alternative engines and powertrains for all industrial vehicles, and Landi Renzo S.p.A., a global leader in the natural gas, biomethane and hydrogen sustainable mobility and infrastructure segment, announced that they had jointly developed the Hythane On-Board Blending - OBB - system, an innovative solution capable of mixing hydrogen and methane – called Hythane or hydromethane – directly inside the vehicle. This system, based on a cutting edge and innovative "dual rail" concept and a special regulation device, is able to guarantee a further abatement in CO2 emissions compared to natural gas and diesel (-10% compared to natural gas and -20% compared to diesel) by exploiting the layout of the natural gas engine, while ensuring equal performance and efficiency. Hythane is a "ready now" solution which has the potential of providing a second life to urban and suburban bus fleets as well as short and medium range natural gas engine vehicles, extending engine life and reducing emissions. Landi Renzo S.p.A. in particular created an advanced dual rail mixer containing both CNG and hydrogen injectors, controlled by an integrated control unit totally designed in house; the gas fuelling system is equipped with Landi Renzo pressure regulators for natural gas and hydrogen. The new system can be used in both CNG (Compressed Natural Gas) and LNG (Liquefied Natural Gas) applications, offering users the advantage of being able to obtain the optimal ratio between hydrogen and CNG depending on operating conditions. The project was developed on the basis of a Memorandum of Understanding signed by FPT Industrial and Landi Renzo S.p.A. last year, for the development of complete, efficient solutions for increasingly sustainable mobility aiming to facilitate the introduction of hydrogen in the transport sector. Landi Renzo S.p.A. handled the development of the entire hydrogen system, from storage on board the vehicle until injection, including the electronic control of the hydrogen system.

- During the offer under option period, which concluded on 4 August 2022, a total of 107,781,064 option rights were exercised, valid for the subscription of 107,781,064 new shares, equal to roughly 95.805% of the total of new shares, for a total equivalent value of Euro 57,124 thousand. Therefore, 4,718,936 option rights were not exercised, relating to the subscription of 4,718,936 new shares, corresponding to roughly 4.195% of the total of new shares offered, for a total equivalent value of around Euro 2,501,036.08. The company GbD Green by Definition S.p.A., a subsidiary of the Landi Trust, subscribed its portion of the capital increase (equal to around 59.1068%) pursuant to the subscription commitment it had made, for a total equivalent value of roughly Euro 35.2 million, for around Euro 17.1 million by means of a contribution in cash and, for around Euro 18.1 million, by means of voluntary offsetting.

- On 6 September 2022, during the offer of non-exercised rights, all 4,718,936 option rights were sold, relating to the subscription of 4,718,936 new Landi Renzo S.p.A. ordinary shares, corresponding to approximately 4.195% of the total new shares offered in connection with the share capital increase, against which on 7 September 2022 2,874,208 newly issued Landi Renzo S.p.A. ordinary shares resulting from the exercise of the non-exercised rights were subscribed, for an equivalent value of Euro 1,523 thousand. Therefore, a total of 110,655,272 newly issued shares were subscribed, equal to roughly 98.360% of the shares offered as part of the share capital increase, for a total equivalent value of Euro 58,647 thousand. As set forth in the resolution of the Shareholders' Meeting of the Company of 29 April 2022, the Board of Directors is entitled to decide how to place the remaining up to 1,844,728 newly issued shares resulting from the share capital increase, to be subscribed by 31 December 2023.

- In September 2022, Landi Renzo S.p.A. finalised the acquisition of 100% of the share capital of Metatron S.p.A. by paying Euro 7,374 thousand, consideration for the remaining 27.57% of the shares of Metatron S.p.A.

- On 15 September 2022, after GbD Green by Definition S.p.A. expressed its interest in subscribing all residual shares, the Board of Directors approved their placement with GbD Green by Definition S.p.A. at a subscription price per share equal to that at which the shares were offered during the share capital increase (i.e., Euro 0.53 per share, inclusive of the share premium). This resolution was passed with the favourable opinion of the Committee for Transactions with Related Parties. After the remaining 1,844,728 shares were subscribed on 19 September 2022, the share capital increase was therefore fully subscribed.

- In October 2022, Landi Renzo S.p.A. was involved in a cyber attack (ransomware). As a result of this attack, all of the systems used in the business of Landi Renzo S.p.A. and all of its subsidiaries that rely on them became unavailable. The encryption of these systems made it impossible to perform regular business activities, such as production, research and development, and administrative and commercial activities. The Company took immediate action, also with the support of leading outside advisors, to isolate its information systems and identify the impacts of the attack. The analyses showed that the back-up system had not been altered. In order to restore business activities in the shortest possible amount of time, a plan was activated to secure the infrastructure to avoid any repeated attacks, and the IT infrastructure restoration process began. Production activities were limited to the completion of the priority orders that could be managed offline, despite the disconnection from the operating system. Starting from the week after the attack, ordinary activities were progressively reactivated, until returning to normal conditions in the first week of November. The temporary unavailability of the ERP system generated a slowdown in production as well as logistics, order management and administrative activities. Landi Renzo S.p.A. engaged a leading IT firm to implement and strengthen its cybersecurity, also considering the increase in hacking activity that has recently been observed worldwide.

- In November, the Board of Directors approved the appointment, as of 1 December 2022, of Vittorio Tavanti as Chief Financial Officer and Investor Relator. After confirming that the executive met the professionalism and integrity requirements and obtaining the favourable opinion of the Board of Statutory Auditors, the Board of Directors decided to make Vittorio Tavanti the Financial Reporting Officer. Corrado Belicchi and Giorgio Maria Nero also joined the Group, as Chief Operating Officer and Head of Strategy and Business Development, respectively.

- On 22 December 2022, the Landi Renzo S.p.A. Board of Directors approved the Regulation of the compensation plan named the “2022-2024 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, in accordance with what was approved by the Shareholders' Meeting of Landi Renzo S.p.A. on 29 April 2022, the identification of key performance indicators (KPIs) and the identification of the Plan beneficiaries. For more information, please refer to the section on “Personnel costs”.

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 3 January - 30 December 2022, compared with the performance of the FTSE Italy All-Share index.

In the period 3 January – 30 December 2022 (the last trading day of 2022), the official Landi Renzo share price decreased from Euro 0.8360 to Euro 0.5500.

The following table summarises the main share and stock market data for 2022.

Share Price and Stock Market Information (source Borsa Italiana S.p.A.)	Year 2022	Year 2021
Share capital (Euro)	22,500,000	11,250,000
Number of shares representing the share capital	225,000,000	112,500,000
Shareholders' equity attributable to Group shareholders and to minority interests (Euro)	105,884,000	60,583,000
Net profit (loss) for the Group and minority interests (Euro)	-14,267,000	502,000
Earnings per share (Euro)	-0.0635	-0.0091
Closing price	0.5500	0.8290
Maximum price	0.9000	1.1500
Minimum price	0.4015	0.7880

Closing stock market capitalisation	123,750,000	93,262,500

All shares issued were fully paid up.

On 14 March 2023, the significant equity investments in the share capital of Landi Renzo S.p.A., determined according to what is set forth in the notices sent pursuant to Art. 120 of the TUF, in addition to any notices relating to transactions subject to internal dealing, are as follows:

Shareholder	14 March 2023
GbD Green by Definition	59.927%
Aerius Investment Holding AG	8.262%
Sentis Capital Cell 2 PC	6.363%
Others - Market	25.448%

The share capital is made up of 225,000,000 shares with a nominal value of Euro 0.10 per share, for a total of Euro 22,500,000.00.

As 31 December 2022, the Landi Renzo Group owned no treasury shares.

Directors' Report

Operating Performance

Statement of Reconciliation between the Data of the Parent Company's Financial Statements and the Data of the Consolidated Financial Statements

Other Information

Consolidated non-financial report

Significant events after the reporting period and business outlook

LANDIRENZO GROUP

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

Reference context

The green revolution, the energy transition and sustainable mobility are increasingly at the heart of the policies of governments all over the world, which are committed to engaging in a global effort against climate change, aimed at reducing the effects of global warming by seeking out new energy and socioeconomic models which, through a structural process, allow for the use of greener energy sources.

Governments are placing a greater focus on the production of energy from renewable sources, including biomethane, and on policies for investments in hydrogen, as a means for favouring clean energy generation and storage. In particular, the REPowerEU Plan and the US Inflation Reduction Act rely significantly on hydrogen and biomethane as sources for the energy transition, with a series of investment support measures. Similar policies were adopted in Asia (first and foremost in China), while India continues to focus significantly on natural gas as an energy source for its transition towards cleaner energy.

In this context, the Russia-Ukraine conflict and the risk of an energy shortage has emphasised, especially in Europe, that this transition must be consistent with the energy policies of the various countries and with the need to minimise the risks connected to excessive external energy dependence through a diversification of types of sources and their origin, as well as have conventional source back-ups, aimed at guaranteeing production continuity and economic system stability, with natural gas representing the only low-pollution conventional source.

Even in Europe, the awareness that battery electric vehicles (BEV) cannot be considered the only possible option for the passenger mobility of the future, especially in the medium term, is becoming increasingly apparent, while it is emerging on multiple fronts that the approach to real decarbonisation must be more holistic, or based on principles of technological neutrality and considering emissions from a "well to wheel" perspective. This has also been demonstrated by the recent positions expressed by certain countries, first and foremost Italy and Germany, in the European Community, with reference to the discontinuation of internal combustion engines expected as of 2035.

In this context, awareness is growing at global level that to be feasible and concrete, energy decarbonisation must rely on the use of a range of technologies depending on usage (industrial vs. mobility) and application ("hard to abate" industry, passenger mobility vs. heavy duty transport, etc.). Bio-fuels (including biomethane) and hydrogen are emerging in particular amongst the high-potential technologies/energy sources. They are increasingly considered fundamental pieces of the energy mix of the future, also accompanied by technologies for capturing natural gas leakages and "carbon capture". In particular, in the mobility arena hydrogen is attracting growing international investor attention in the wake of the awareness of the potential of this source, not only for Mid & Heavy Duty transport, but also for Light Commercial Vehicles and Passenger cars.

The growing importance of hydrogen, biomethane and natural gas as energy sources for the future and possible solutions that guarantee greater environmental sustainability combine well with the Group's green mission and with the role that it is able to play in the energy transition. Indeed, the Landi Renzo Group is present throughout the value chain for the distribution of natural gas, biomethane and hydrogen, through its subsidiary SAFE&CEC, which designs and distributes advanced systems for the compression and management of those gases from the "post-generation" phase to midstream and final distribution at fuel supply stations or in industrial applications ("Clean Tech Solutions" sector), and in the Green Mobility sector where the group is the recognised leader in the design, development and marketing of components for vehicles (passenger cars, light commercial vehicles or Mid & Heavy Duty vehicles) fuelled by natural gas, biomethane, liquefied natural gas (LNG), LPG or hydrogen ("Green Transportation" segment).

Over the last few years, the Landi Renzo Group has laid the bases to become a strategic leader in its business segments by offering value added solutions for its customers, also thanks to the investments it has made in the Green Transportation segment - with the acquisition of the Metatron Group in August 2021, which made it possible to strengthen the Group's presence in the OEM segment for Mid & Heavy Duty applications and in the hydrogen segment - as well as in the Clean Tech Solutions segment, with the acquisition in January 2022 of Idro Meccanica S.r.l., a leader in the production of innovative hydrogen, biomethane and natural gas compression technologies and systems. These transactions have enabled the Group to access innovative and cutting-edge product portfolios for biomethane and hydrogen solutions as well.

Within such a structurally complex context, 2022 was impacted by a series of events that influenced the Group's performance, starting with the conflict between Russia and Ukraine, which created a moment of great discontinuity in global energy dynamics and in particular in natural gas and LNG prices, and raw material price trends and procurement difficulties, which impacted both demand for the products supplied by the Group (particularly in the Green Transportation segment) as well as margins, given the difficulties encountered in the Green Transportation and the Clean Tech Solutions segments in passing on these cost increases to customers.

In more detail, the economic performance of companies operating in the Automotive sector was negatively influenced by a series of factors in 2022, including:

- the geopolitical consequences of the conflict between Russia and Ukraine and the uncertainties surrounding its duration caused the cost of natural gas to skyrocket in Europe in the first half of 2022 and at global level in the second half, with knock-on effects on the cost of living and production costs of both foodstuffs and industrial products, in addition to a persistent rise in natural gas and LNG prices at the pump as well. The resulting inflationary pressures triggered direct effects on demand, particularly for durable goods, and an exacerbation of financial market conditions following central bank actions on interest rates, aimed at controlling this inflationary push. Furthermore, the sanctions imposed by a number of European countries, and others as well, limited exports to Russia, a market expected to experience strong growth in gas mobility;

- the procurement difficulties that began in 2021 continued – and to a certain extent expanded – in 2022, due particularly to shortages of electronic components (especially semiconductors) and all components/pre-assembled parts (such as electric engines), alongside the rising cost of raw materials first and then energy as well, which significantly impacted purchase costs as well as the supply chain of the Landi Renzo Group and other sector companies;
- The global economic situation and the new exacerbation of the COVID-19 pandemic in the early months of 2022, to which the Chinese government responded with further lockdowns, significantly slowed growth in the Automotive segment in China, especially in terms of sales of heavy duty vehicles (from buses to other heavy vehicles);
- the stronger US dollar is generating new market challenges by increasing the costs of imported goods.

Operating performance

The economic and financial results of the Green Transportation and Clean Tech Solutions segments were influenced, albeit with different trends and intensities, by the economic environment, with significant effects on margins as well as turnover.

In addition to the above, in October 2022 the Landi Renzo Group suffered from a cyber attack (ransomware) which slowed activities in the Green Transportation as well as the Clean Tech Solutions segments for roughly 3 weeks, with a resulting loss of turnover and production efficiency, generating extraordinary costs to make up for lost production, as well as to seek to recover a significant share of turnover in December.

The consolidated revenues of the Green Transportation segment amounted to Euro 201,725 thousand (inclusive of Euro 15,077 thousand linked to the Metatron Group), up by 16.7% compared with the previous year (Euro 172,914 thousand, of which Euro 6,095 thousand linked to the Metatron Group for the August-December 2021 period).

With reference to the OEM channel, the trends observed vary depending on the type of application and the geographical area. While demand for LPG vehicle components has continued to grow in Europe (with new LPG vehicle sales up compared with the previous year), new natural gas vehicle registrations have marked negative growth, also due to the price of natural gas at the pump, which has discouraged purchases. In terms of margins, increases in the prices of raw materials and components, as well as rising energy costs, were transferred to several leading OEM customers only in part.

As concerns Mid & Heavy Duty applications, there was a strong increase in gas prices due primarily to the continuation of the Russia-Ukraine conflict, with a sharp slowdown in demand in Europe (both CNG and LNG) and a resulting postponement of the main OEM programmes. Furthermore, the Chinese market (main producer of Mid & Heavy Duty engines), heavily impacted by the lockdowns imposed in the first quarter by the Chinese government and continuing growth in LNG prices, suffered a collapse of 35% in registrations of new heavy duty cargo vehicles. In any event, the penetration of gas-fuelled vehicles against total registrations in the Chinese market remained basically in line with previous years.

With reference to the After Market channel, the recovery in demand for LPG components and systems, particularly in Europe, only partially offset the slow market recovery with respect to pre-pandemic values, also influenced by rising methane costs. In this sales channel, the management's initiatives to transfer raw material price hikes to customers were particularly effective, with positive effects on margins. The Russia-Ukraine conflict and the associated sanctions and limitations imposed by governments slowed the process of starting up the Landi Renzo RU branch, established just prior to the start of the conflict and intended to manage the Russian market, which is considered highly appealing and strategic in the future of gas mobility.

As regards the Clean Tech Solutions segment, the trend in demand for compression systems continues to be highly promising. Consolidated revenues of that segment amounted to Euro 104,572 thousand as at 31 December 2022 (inclusive of Euro 6,383 thousand relating to Idro Meccanica S.r.l.), up by 13.2% compared with 2021 pro forma (Euro 92,343 thousand), or including the months from January to April 2021 of the SAFE&CEC Group, not subject to line-by-line consolidation in the previous year. In particular, growth has been observed in demand for compressors for the injection of biomethane into the grid ("grid injection"), used throughout the value chain, as well as hydrogen compression solutions. On the other hand, difficulties in obtaining electrical components and containers slowed production capacity, with a negative impact on the completion of orders and on growth in working capital. The time interval between providing an estimate and acquiring orders and the order fulfilment phase has influenced margins, making it more complicated to pass increases in raw material and component prices on to customers. Albeit down with respect to 2021, with an effect of roughly three percentage points in terms of adjusted pro forma EBITDA (i.e., including the months from January to April of the SAFE&CEC Group for the year 2021), margins remained positive. The Russia-Ukraine conflict did not have any particular effects on the Clean Tech Solutions segment, as the orders expected for the Russian market were reallocated to other customers/geographical areas.

Despite the results mentioned above, at the same time, appealing positive trends are being observed in terms of demand in certain geographical areas, in the Green Transportation segment as well as in Clean Tech Solutions, in addition to significant growth in demand for biomethane and hydrogen compression solutions for "post-generation" applications as well as the distribution of refuelling stations. Indeed, requests received by the Group in the Green Transportation segment for estimates for hydrogen components remained high, in Europe as well as in the United States and China, bearing witness to the strong interest in innovative Group products in a segment with high growth potential.

Particular attention must be paid to the market in India, which continues to be one of the countries in which gas mobility, for the Green Transportation segment as well as the Clean Tech Solutions segment, will develop over the coming years at a more sustained pace, thanks to Indian government policies for the development of natural gas-based sustainable mobility. In this context, Krishna Landi Renzo, an Indian joint venture consolidated with the equity method, continued to increase its sale volumes to a leading Indian OEM customer in the course of 2022, recording revenue of Euro 35.4 million, up by over 80% compared with the previous year.

The highly positive result of the share capital increase demonstrates how, despite the period of strong uncertainty, the financial markets believe in the solidity of the business model of Landi Renzo and its role as a key player in the global energy transition process, thanks to a robust and credible business plan, which bets on the essential role to be played by gas, biomethane and hydrogen.
At the end of the share capital increase transaction, a total of 110,655,272 newly issued shares were therefore subscribed, equal to roughly 98.36% of the shares offered as part of the share capital increase, for a total equivalent value of Euro 58,647 thousand. Furthermore, in keeping with what was set forth in the Extraordinary Shareholders' Meeting resolution of 29 April 2022, in light of the interest demonstrated by GbD Green by Definition S.p.A. in subscribing all residual shares, on 15 September 2022 the Board of Directors approved their placement with GbD Green by Definition S.p.A. at a subscription price per share equal to that at which the shares were offered during the share capital increase, i.e., Euro 0.53 (including the share premium). Pursuant to the related party transaction procedure, this resolution was passed with the favourable opinion of the Committee for Transactions with Related Parties. On 19 September 2022, GbD Green by Definition S.p.A. therefore subscribed the remaining shares in their entirety; following that subscription, the share capital increase was thus fully subscribed.

PERFORMANCE AND NOTES ON THE MAIN CHANGES IN THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 December 2022

During the previous year the following transactions took place which modified the scope of consolidation:

- in April 2021, Landi Renzo S.p.A. and Clean Energy Fuels Corp entered into an agreement to amend the shareholders' agreements of the investee company SAFE&CEC S.r.l. (consolidated until that date with the equity method) which granted increased decision-making autonomy to Landi Renzo S.p.A., allowing it to exercise control over SAFE&CEC S.r.l and resulting in its line-by-line consolidation as of May 2021, as the assumptions for the acquisition of control as set forth in the international accounting standards (IFRS 10) were met;

- in August 2021, Landi Renzo S.p.A. completed the acquisition of 49% of the share capital of Metatron S.p.A., a company with registered office in Castel Maggiore (BO) and an international leader in alternative fuel solutions for Mid & Heavy Duty vehicles, from Italy Technology Group S.r.l., the majority shareholder of Metatron S.p.A. This acquisition was part of a broader transaction intended to acquire the remaining 51% of the share capital of Metatron S.p.A. from Italy Technology Group S.r.l. and the other current shareholders as well, enabling Landi Renzo S.p.A. to acquire 100% of Metatron S.p.A. Given the absence of conditions precedent on the commitment to purchase the remaining 51% and taking into account the governance system contractually defined by the parties, which inter alia allowed for the appointment by Landi Renzo S.p.A. of 3 out of the 5 members of the Board of Directors, the results of the Metatron Group were 100% consolidated line-by-line starting from August 2021, as the requirements for the acquisition of control established by the international accounting standards (IFRS 10) were met.

Furthermore, in January 2022, SAFE S.p.A. acquired 90% of the share capital of Idro Meccanica S.r.l., a leader in the production of technologies and innovative systems for the compression of hydrogen, biomethane and natural gas, which boasts of a full range of products and applications to manage hydrogen compression up to 800 bars. The total price for the acquisition of 100% of the share capital was Euro 6,400 thousand. The acquisition of the remaining 10% of the share capital, which was already established in the contract, took place in January 2023 for an equivalent value of Euro 640 thousand. Based on the binding commitment to purchase that remaining share, which did not include any conditions precedent, the company has been 100% consolidated line-by-line.

Following the change in the scope of consolidation, due to the line-by-line consolidation as of May 2021 of the results of the SAFE&CEC Group and as of August 2021 of the results of the Metatron Group and the consolidation as of January 2022 of Idro Meccanica S.r.l., the consolidated profit and loss as at 31 December 2022 is not directly comparable with that of the same period of the previous year.

The following table sets out the main economic indicators of the Group for the year ending at 31 December 2022 compared with the previous year. As required by the reference accounting standards and as described in the notes to the financial statements, the figures as at 31 December 2021 were restated to consider the backdating of the effects of the Metatron Group purchase price allocation starting from the month of August 2021.

(Thousands of Euro)	31/12/2022				31/12/2021 restated			
	Green Transportation	*Clean Tech. Solutions*	Adjustments	Landi Renzo Consolidated	*Green Transportation*	*Clean Tech. Solutions*	Adjustments	Landi Renzo Consolidated
Net sales outside the Group	**201,725**	**104,572**		**306,297**	**172,914**	**69,080**		**241,994**

Intersegment sales	343		-343	0	318		-318	0
Total Revenues from net sales and services	202,068	104,572	-343	306,297	173,232	69,080	-318	241,994
Other revenues and income	967	282		1,249	2,307	303		2,610
Operating costs	-193,764	-98,868	343	-292,289	-168,334	-61,974	318	-229,990
Adjusted gross operating profit	**9,271**	**5,986**	**0**	**15,257**	**7,205**	**7,409**	**0**	**14,614**
Non-recurring costs	-3,694	-519		-4,213	-1,668	-331		-1,999
Gross operating profit	**5,577**	**5,467**	**0**	**11,044**	**5,537**	**7,078**	**0**	**12,615**
Amortisation, depreciation and impairment	-14,206	-2,871		-17,077	-13,929	-1,688		-15,617
Net operating profit	**-8,629**	**2,596**	**0**	**-6,033**	**-8,392**	**5,390**	**0**	**-3,002**
Financial income				1,129				217
Financial expenses				-7,630				-4,344
Exchange gains (losses)				-1,670				-362
Income (expenses) from equity investments				-275				8,581
Income (expenses) from joint ventures measured using the equity method				597				620
Profit (loss) before tax				**-13,882**				**1,710**
Taxes				-385				-1,208
Net profit (loss) for the Group and minority interests, including:				**-14,267**				**502**
Minority interests				14				1,522
Net profit (loss) for the Group				**-14,281**				-1,020

Consolidated revenues for 2022 totalled Euro 306,297 thousand, increasing by Euro 64,303 thousand (+26.6%) compared with the same period of the previous year. On a like-for-like basis, or considering the months of 2021 not subject to line-by-line consolidation of the Metatron Group and the SAFE&CEC Group, the increase in consolidated revenues amounted to roughly 10.1% compared with the previous year.

Costs of raw materials, consumables and goods and changes in inventories increased overall from Euro 150,272 thousand at 31 December 2021 to Euro 188,979 thousand at 31 December 2022, influenced by the change in the scope of consolidation described above as well as the international increase in prices of raw materials and electronic components.

The costs of services and use of third-party assets amounted to Euro 54,780 thousand, compared with Euro 43,075 thousand in the previous year, in particular following the change in the scope of consolidation. Costs for services and use of third party assets as at 31 December 2022 are inclusive of non-recurring expenses relating to strategic consulting (Euro 1,322 thousand) and for consulting connected to the cyber attack (Euro 344 thousand).

Personnel costs rose from Euro 34,920 thousand as at 31 December 2021 to Euro 47,218 thousand as at 31 December 2022, primarily as a result of the change in the scope of consolidation, and includes non-recurring costs of Euro 439 thousand, for the most part linked to voluntary redundancy payments made by the Parent Company. The Group had a total of 951 employees, including 360 relating to the Clean Tech Solutions segment.

The Group heavily invested in highly specialised resources to support the increasing research and development performed for new products and solutions, particularly for the Heavy Duty market and hydrogen and biomethane mobility, capitalised when they meet the requirements laid out in IAS 38.

Allocations, write-downs and other operating expenses totalled Euro 5,525 thousand (Euro 3,722 thousand as at 31 December 2021), up due to the change in the scope of consolidation as well as:

- provisions for warranties (Euro 2,064 thousand), directly linked to turnover trends;
- the provision for bad debts (Euro 1,066 thousand), of which Euro 569 thousand prudential and non-recurring, recognised on the Group's receivables due from Russian and Ukrainian customers, considering the most recent developments in the conflict;
- the provision for customer penalties (Euro 466 thousand), recognised primarily for disputes received from a South American customer on delivery delays not attributable to the Parent Company;
- the non-recurring provision (of Euro 927 thousand) carried out by a foreign group company against uncertainties connected to the recovery of a tax credit, for which the relative recovery procedures are ongoing with the support of a leading tax advisor but for which, given the complexities and uncertainties of the relative legislation, it was deemed appropriate to recognise a provision for reasons of prudence.

The adjusted Gross Operating Profit (EBITDA) was Euro 15,257 thousand as at 31 December 2022, compared with Euro 14,614 thousand in the same period of the previous year, while the Gross Operating Profit (EBITDA) was Euro 11,044 thousand (Euro 12,615 thousand as at 31 December 2021), inclusive of non-recurring costs of Euro 4,213 thousand (Euro 1,999 thousand as at 31 December 2021).

(Thousands of Euro)

NON-RECURRING COSTS	31/12/2022	31/12/2021
Strategic consultancy	1,322	1,313
Cyber attack consultancy	344	0
Write-downs for Ukraine-Russia customers	569	0
Non-recurring inventory write-down	0	450
Customer penalties for delivery delays	466	0
Provision for risks on recoverability of tax credits	927	0
Other extraordinary costs	146	64
Personnel for voluntary resignation incentives	439	425
Medium/long-term performance bonus (income)	0	-253
Total	**4,213**	**1,999**

The Group's management has activated a boost programme to improve margins, in particular:

- in the Green Transportation segment:

(i) in the After Market channel, cost monitoring and the relative price list updating continues, as already took place in 2022;

(ii) in the OEM channel, after agreeing on and obtaining reimbursements for extra costs incurred in 2022 from some leading OEM customers, additional product development and improvement activities are under way to reduce production costs, and increase the efficiency of purchasing activities, in addition to changes in price policies;

- in the Clean Tech Solutions segment, working on orders, the prices of new offers were updated on the basis of the new prices in force in the market, and actions were also initiated in order to recoup higher costs from customers, in addition to design to cost initiatives and the introduction of new tools intended to improve estimates and working capital efficiency.

Activities are also under way in order to:

- reduce and limit purchase and production costs, through negotiations with suppliers and design-to-cost initiatives on the main system components;
- accelerate the digitalisation of several business areas;
- accelerate the integration of newly-acquired companies, with expectations of important synergies and fixed and variable cost reductions.

In this context, the management team was also strengthened, with qualified entries in the Operations, Finance, Human Resources and Strategic Marketing areas, which downstream will trigger an additional reinforcement of all Group areas.

The Net Operating Profit (EBIT) for the period was negative at Euro 6,033 thousand (negative and equal to Euro 3,002 thousand at 31 December 2021), after accounting for amortisation, depreciation and impairment of Euro 17,077 thousand (Euro 15,617 thousand at 31 December 2021), of which Euro 3,481 thousand due to the application of IFRS - 16 Leases (Euro 3,136 thousand at 31 December 2021).

Total financial expenses (interest income, interest charges and exchange rate differences) amounted to Euro 8,171 thousand (Euro 4,489 thousand as at 31 December 2021) and include negative exchange effects primarily from valuation of Euro 1,670 thousand (negative and equal to Euro 362 thousand as at 31 December 2021).

Financial expenses alone, amounting to Euro 7,630 thousand, rose compared with the same period of the previous year (Euro 4,344 thousand) following the change in the scope of consolidation as well as due to:

- the recognition of the new SACE-backed loan agreement entered into on 29 June 2022 in accordance with the provisions of IFRS 9. This agreement, in an equal amount (Euro 21 million) and entered into with the same banking counterparties as the previous agreement, replaces the previous loan agreement guaranteed by SACE (signed on 30 July 2020) and calls for a deferral of the pre-amortisation period of 24 months and the repayment of the final instalment on 31 March 2028. The valuation of this transaction in accordance with the dictates of that standard entailed the recognition of notional financial expenses in the income statement totalling Euro 843 thousand as at the effective date of the transaction, with ensuing non-monetary positive economic effects on subsequent years.
- the early repayment of the pool loan agreement for the residual amount of Euro 46 million, entered into in 2019, after the new pool loan of Euro 52 million was taken out on 29 June 2022, the effectiveness of which was subject to the completion of the share capital increase by the end of September 2022. The residual amount of the expenses accounted for at amortised cost at the repayment date of that loan was released to the income statement (Euro 231 thousand).

Financial expenses, amounting to Euro 1,129 thousand, are inclusive of Euro 912 thousand relating to the release to the income statement of the cash flow hedge reserve relating to the previous pool loan which, as mentioned previously, was subject to early repayment on 23 September 2022. As the hedged element was eliminated, as of that date the cash flow hedge reserve was reversed to the income statement. This income was then realised in October following the early closure of the relative financial derivative contracts and with the collection of their market value.

Expenses attributable to equity investments are connected to the write-down of Metatron Technologies India Plc, due to its economic results, as well as the valuation of the repurchase option on the minority interests of Metatron Control System Shanghai.

As at 31 December 2022, the effect of the valuation of equity investments using the equity method was a positive Euro 468 thousand (a positive Euro 597 thousand recorded in the income statement and a negative Euro 128 thousand recorded in the statement of comprehensive income) and regards the Group's share of the profits for the period from the joint venture Krishna Landi Renzo. The comparative figure as at 31 December 2021, amounting to Euro 620 thousand, instead included the valuation using the net equity method of the joint venture Krishna Landi Renzo (positive at Euro 1,286 thousand) and, limited to the first four months of 2021, or until its line-by-line consolidation, of the SAFE&CEC Group (a negative Euro 666 thousand).

The year 2022 closed with a pre-tax loss (EBT) of Euro 13,882 thousand. As at 31 December 2021, there was a pre-tax profit (EBT) of Euro 1,710 thousand, inclusive of income from the business combination of Euro 8,783 thousand, deriving from the line-by-line consolidation starting from April 2021 of the SAFE&CEC Group, previously consolidated with the equity method.

The net result of the Group and minority interests as at 31 December 2022 showed a loss of Euro 14,267 thousand compared with a Group and minority interest profit of Euro 502 thousand as at 31 December 2021, inclusive of income from the business combination of Euro 8,783 thousand, as described previously.

SEGMENT REPORTING

The management has identified two operating segments ("Cash Generating Units" or "CGUs") in which the Landi Renzo Group operates, or:

- The **Green Transportation** segment, referring primarily to the design, manufacture and sale through the OEM and After Market channels of mechanical and electronic systems and components for the use of automotive gas (CNG - Compressed Natural Gas, LNG – Liquid Natural Gas, LPG, RNG – Renewable Natural Gas/Biomethane and Hydrogen) as well as, to a lesser extent, anti-theft alarms. This segment mainly includes the Landi Renzo, Metatron, AEB, Lovato and Med brands.

- The **Clean Tech Solutions** segment, referring to the design and manufacture of compressors for the processing and distribution of gas (CNG, RNG and Hydrogen) as well as operations in the Oil&Gas market. The broad range of SAFE&CEC Group products makes it possible to satisfy multiple market requirements for the construction of automotive CNG, RNG and hydrogen distribution stations. Since January 2022, the Clean Tech Solutions sector also includes the results of Idro Meccanica S.r.l., a leader in the production of technologies and innovative systems for the compression of hydrogen, biomethane and natural gas.

Breakdown of sales by business segment

(Thousands of Euro)

Distribution of revenues by segment	31/12/2022	% of revenues	31/12/2021 restated	% of revenues	Changes	%
Green Transportation segment	201,725	65.9%	172,914	71.5%	28,811	16.7%
Clean Tech *Solutions*	104,572	34.1%	69,080	28.5%	35,492	51.4%
Total revenues	**306,297**	**100.0%**	**241,994**	**100.0%**	**64,303**	**26.6%**

As at 31 December 2022, the Green Transportation segment revenues included revenues earned by the Metatron Group equal to Euro 15,077 thousand, while those of the Clean Tech Solutions segment include revenues earned by Idro Meccanica S.r.l. of Euro 6,383 thousand.

The Clean Tech Solutions segment data are not directly comparable with the same period of the previous year, as the SAFE&CEC Group was consolidated on a line-by-line basis starting from May 2021. As a result, the pro forma data for 2021 (12 months of activity) are shown below compared with the figure from 2022.

(Thousands of Euro)

Distribution of revenues by segment	31/12/2022	% of revenues	31/12/2021 restated	% of revenues	Changes	%
Green Transportation segment	201,725	65.9%	172,914	65.2%	28,811	16.7%
Clean TechSolutions segment (pro-forma)	104,572	34.1%	92,343	34.8%	12,229	13.2%
Total revenues	**306,297**	**100.0%**	**265,257**	**100.0%**	**41,040**	**15.7%**

Breakdown of sales by geographical area

(Thousands of Euro)

Geographical distribution of revenues	At 31/12/2022	% of revenues	At 31/12/2021 restated	% of revenues	Changes	%
Italy	32,159	10.5%	27,281	11.3%	4,878	17.9%
Europe (excluding Italy)	135,833	44.3%	107,071	44.2%	28,762	26.9%
America	65,607	21.4%	38,412	15.9%	27,195	70.8%
Asia and Rest of the World	72,698	23.8%	69,230	28.6%	3,468	5.0%
Total revenues	**306,297**	**100.0%**	**241,994**	**100.0%**	**64,303**	**26.6%**

Regarding the geographical distribution of revenues, the Group realised 89.5% of its consolidated revenues abroad in 2022 (88.7% at 31 December 2021) (44.3% in Europe and 45.2% outside Europe).

Profitability

Green Transportation operating segment performance

(Thousands of Euro)

GREEN TRANSPORTATION	31/12/2022	31/12/2021 restated	Changes	%
Net sales outside the Group	**201,725**	**172,914**	**28,811**	**16.7%**
Intersegment sales	343	318	25	7.9%
Total Revenues from net sales and services	202,068	173,232	28,836	16.6%
Other revenues and income	967	2,307	-1,340	-58.1%

Operating costs	-193,764	-168,334	-25,430	15.1%
Adjusted gross operating profit (EBITDA)	**9,271**	**7,205**	**2,066**	**28.7%**
Non-recurring costs	-3,694	-1,668	-2,026	121.5%
Gross operating profit (EBITDA)	**5,577**	**5,537**	**40**	**0.7%**
Amortisation, depreciation and impairment	-14,206	-13,929	-277	2.0%
Net operating profit (EBIT)	**-8,629**	**-8,392**	**-237**	**2.8%**
Adjusted EBITDA margin	**4.6%**	**4.2%**		
EBITDA margin	**2.8%**	**3.2%**		

Revenues from sales in the Green Transportation segment as at 31 December 2022 amounted to Euro 201,725 thousand (inclusive of revenues of Euro 15,077 thousand of the Metatron Group), up by 16.7% (Euro 172,914 thousand as at 31 December 2021 and inclusive of revenue of Euro 6,095 thousand of the Metatron Group) thanks to the recovery of the After Market channel in Latam and Europe, as well as increasing orders from a leading OEM customer.

The persistence of logistics sector difficulties, raw material (particularly semiconductor) shortages and increasing energy costs, as well as the climate of uncertainty deriving from the continuing Russia-Ukraine conflict, are continuing to influence the results of components manufacturers throughout the supply chain. This market situation continued to result in increases in the list prices of materials for all of 2022 in addition to difficulties in fulfilling outstanding orders.

Group sales in the OEM channel, inclusive of the contribution of the Metatron Group, amounted to Euro 107 million, up by 37.3% compared with 31 December 2021 (Euro 77.9 million), due to the change in the scope of consolidation as well as consistent orders from a major OEM customer, which is focusing on LPG bifuel engines to develop its "green" product range, and turnover growth for Mid & Heavy Duty components in the United States.

Sales in the After Market channel, amounting to Euro 94.7 million, relate to orders from distributors and authorised installers, both domestic and foreign, and were aligned with the previous year (Euro 95 million as at 31 December 2021).

A breakdown of revenues from sales in the Green Transportation segment by geographical area is provided below.

(Thousands of Euro)

GREEN TRANSPORTATION	At 31/12/2022	% of revenues	At 31/12/2021 restated	% of revenues	Changes	%
Italy	24,783	12.3%	22,805	13.2%	1,978	8.7%
Europe (excluding Italy)	101,298	50.2%	85,443	49.4%	15,855	18.6%
America	29,526	14.6%	26,117	15.1%	3,409	13.1%

Asia and Rest of the World	46,118	22.9%	38,549	22.3%	7,569	19.6%
Total revenues	**201,725**	**100.0%**	**172,914**	**100.0%**	**28,811**	**16.7%**

Italy

Bucking the new vehicle registration trend (-9.5% according to data from UNRAE - Association of foreign car makers operating in Italy), Group sales in the Italian market grew compared with the same period of the previous year (+8.7%), primarily thanks to the recovery in demand in the After Market channel. The strong increase in CNG prices at the pump had a negative effect on CNG vehicle registrations, offset by the increase in LPG vehicle registrations. Overall, in 2022, gas-fuelled (CNG and LPG) vehicle registrations represented more than 9% of total vehicles registered.

Europe

The rest of Europe represents 50.2% of total sales (49.4% in 2021) and is up 18.6% thanks to considerable orders from a major OEM customer, which is basing the development of its "green" product line on LPG bifuel engines, as well as the recovery of the After Market channel.

America

Sales in 2022 on the American continent, amounting to Euro 29,526 thousand (Euro 26,117 thousand at 31 December 2021), marked an increase of 13.1% thanks to the positive performance of the Latam area, in the After Market channel, and the United States for Mid & Heavy Duty components in the OEM channel.

Asia and Rest of the World

The Asian and Rest of the World markets, amounting to 22.9% of total revenue (22.3% in 2021) rose by 19.6% thanks to the positive performance of the Asian and North African markets.

Profitability

(Thousands of Euro)

GREEN TRANSPORTATION	Q4 2022	Q3 2022	Q2 2022	Q1 2022	31/12/2022	Q4 2021	Q3 2021	Q2 2021	Q1 2021	31/12/2021 restated
Revenues	60,490	47,387	47,552	46,296	**201,725**	53,083	42,890	43,682	33,259	**172,914**
Adjusted gross operating profit (EBITDA)	4,849	1,107	1,988	1,327	**9,271**	4,404	1,060	1,233	508	**7,205**
% of revenues	*8.0%*	2.3%	*4.2%*	*2.9%*	***4.6%***	8.3%	2.5%	2.8%	*1.5%*	***4.2%***
Gross operating profit (EBITDA)	2,565	820	1,645	547	**5,577**	4,069	477	634	357	**5,537**
% of revenues	*4.2%*	1.7%	*3.5%*	*1.2%*	***2.8%***	7.7%	1.1%	1.5%	*1.1%*	***3.2%***
Net operating profit (EBIT)	-692	-2,809	-2,076	-3,052	**-8,629**	483	-3,202	-2,694	-2,979	**-8,392**
% of revenues	*-1.1%*	*-5.9%*	*-4.4%*	*-6.6%*	***-4.3%***	*0.9%*	*-7.5%*	*-6.2%*	*-9.0%*	***-4.9%***

Change in Revenues compared with the previous year	7,407	4,497	3,870	13,037	**28,811**
Change %	*14.0%*	*10.5%*	*8.9%*	*39.2%*	***16.7%***

In the After Market channel, after continued updating of sale price lists, margins remained stable with respect to the previous year. On the other hand, in the OEM channel, despite the agreements reached with some of the main OEM customers, which made it possible to recoup part of the higher costs incurred in 2022 and primarily linked to raw material cost trends, margins were down, only in part offset by improved sales margins on Mid-Heavy Duty components.

In 2022, the adjusted Gross Operating Profit (EBITDA) of the Green Transportation segment, net of non-recurring costs of Euro 3,694 thousand, was positive at Euro 9,271 thousand, equivalent to 4.6% of revenues, up compared with the same period of the previous year (Euro 7,205 thousand, equal to 4.2% of revenues and net of non-recurring costs of Euro 1,668 thousand).

Compared with the previous quarters, the final quarter of 2022 marked a strong recovery in sales (Euro +13 million, with an increase of roughly 30%) and in margins (52% adjusted EBITDA for the year) as a result of a different sales mix (with a higher incidence of sales in the After Market channel) and the definition of agreements with several leading OEM customers to cover part of the higher costs for raw materials and electronic components incurred during the year.

The adjusted Gross Operating Profit (EBITDA) of the Green Transportation segment includes non-recurring provisions of:

- Euro 569 thousand due to the write-down of receivables due from Russian and Ukrainian customers;
- Euro 363 thousand for penalties linked to the Parent Company and connected to delivery delays not directly attributable to it;
- Euro 927 thousand carried out by a foreign group company against uncertainties connected to the recovery of a tax credit, for which the relative recovery procedures are ongoing with the support of a leading tax advisor; given the complexities and uncertainties of the relative legislation, it was deemed appropriate to recognise a provision for reasons of prudence.

Clean Tech Solutions operating segment performance

(Thousands of Euro)

CLEAN TECH SOLUTIONS	31/12/2022	31/12/2021 restated	Changes	%
Net sales outside the Group	**104,572**	**69,080**	**35,492**	**51%**
Intersegment sales	0	0	0	0%

Total Revenues from net sales and services	104,572	69,080	35,492	51%
Other revenues and income	282	303	-21	-7%
Operating costs	-98,868	-61,974	-36,894	60%
Adjusted gross operating profit (EBITDA)	**5,986**	**7,409**	**-1,423**	**-19%**
Non-recurring costs	-519	-331	-188	57%
Gross operating profit (EBITDA)	**5,467**	**7,078**	**-1,611**	**-23%**
Amortisation, depreciation and impairment	-2,871	-1,688	-1,183	70%
Net operating profit (EBIT)	**2,596**	**5,390**	**-2,794**	**-52%**
Adjusted EBITDA margin	**5.7%**	**10.7%**		
EBITDA margin	**5.2%**	**10.2%**		

Following the line-by-line consolidation of the SAFE&CEC Group as of May 2021 and the consolidation of Idro Meccanica S.r.l. as of January 2022, the Clean Tech Solutions segment data are not directly comparable with the same period of the previous year.

To better understand the segment's performance, data are provided below in terms of revenues from sales and adjusted EBITDA for 2022 compared with the pro forma data (or inclusive of the results of the months not subject to line-by-line consolidation) for 2021.

(Thousands of Euro)

CLEAN TECH SOLUTIONS	31/12/2022	31/12/2021 (*)	Changes	%
Revenues	104,572	92,343	12,229	13.2%
Adjusted gross operating profit (EBITDA)	5,986	8,343	-2,357	-28.3%
% of revenues	5.7%	9.0%		
Net operating profit (EBIT)	2,596	4,576	-1,980	-43.3%
% of revenues	2.5%	5.0%		

(*) Pro forma to include the months of January-April 2021, not subject to line-by-line consolidation

Sales revenues

In the year ending on 31 December 2022, the Clean Tech Solutions segment recorded revenues of Euro 104,572 thousand, up by 13.2% compared with the same period of the previous year pro forma (Euro 92,343 thousand), confirming the growing interest in gas mobility on the part of many countries, which are strengthening their distribution networks. This result is of particular interest considering the difficulties identified during the period in obtaining the components necessary to make progress on and complete orders. The SAFE&CEC Group indeed continues to present growing results and an order portfolio capable of covering the first half of 2023.

Revenue by geographical area

(Thousands of Euro)

CLEAN TECH SOLUTIONS	At 31/12/2022	% of revenues
Italy	7,376	7.1%
Europe (excluding Italy)	34,535	33.0%
America	36,081	34.5%
Asia and Rest of the World	26,580	25.4%
Total revenues	**104,572**	**100.0%**

Revenue by geographical area, an insignificant indicator for the Clean Tech Solutions segment, given its extreme variability depending on the projects completed during the period, recorded significant results in the America and Europe area, primarily due to the contracts intended for those markets, particularly for biogas solutions.

Profitability

The adjusted Gross Operating Profit (EBITDA) amounted to Euro 5,986 thousand (equal to 5.7% of revenues), down by 28.3% compared with 2021 (pro forma). This decline is primarily linked to the significant increase in material and logistics costs not transferred to customers as they related to orders completed in 2022, the prices of which were defined and agreed upon with customers in the course of 2021. New offers being made have been updated on the basis of the new prices in force in the market and will benefit from design to cost initiatives, interventions in the purchasing function and new digital tools for managing estimates, improving supply chain efficiency and the various company functions.
EBIT amounted to Euro 2,596 thousand, equal to 2.5% of revenues (equal to 5% in 2021).

Invested capital

(Thousands of Euro)

Statement of Financial Position	31/12/2022	31/12/2021 restated
Trade receivables	73,559	66,048
Inventories	97,109	84,549
Trade payables	-98,033	-82,886
Other net current assets (liabilities) (*)	-17,952	-13,820
Net operating capital	**54,683**	**53,891**
Tangible fixed assets	14,015	14,977
Intangible assets	108,536	105,021
Right-of-use assets	13,618	11,991
Other non-current assets	19,162	18,160
Fixed capital	**155,331**	**150,149**

TFR (employee severance indemnity) and other provisions	-11,807	-9,964
Net invested capital	**198,207**	**194,076**
Financed by:		
Net Financial Position	92,323	133,493
Group shareholders' equity	99,917	54,845
Minority interests	5,967	5,738
Borrowings	**198,207**	**194,076**

Ratios	31/12/2022	31/12/2021 restated
Net operating capital	54,683	53,891
Net operating capital/Turnover (**)	17.9%	19.4%
Net invested capital	198,207	194,076
Net capital employed/Turnover (**)	64.7%	69.8%

(*) Net of the remaining payable for the acquisition of equity investments

(**) In order to calculate the indicator in question at 31 December 2021, following the line-by-line consolidation of the SAFE&CEC Group as of May 2021 and the Metatron Group as of August 2021, the figures relating to revenue were calculated and expressed pro forma taking into consideration the entire year 2021.

Net working capital at the end of the period stood at Euro 54,683 thousand and was substantially aligned with the figure recorded at 31 December 2021 (Euro 53,891 thousand), but improved in terms of percentage of revenue, which went from 19.4% in 2021 to 17.9% in the year ended as at 31 December 2022.

Inventories and contract work in progress rose from Euro 84,549 thousand as at 31 December 2021 to Euro 97,109 thousand as at 31 December 2022, primarily due to:

- higher acquisitions of electronic components and other strategic components, in order to handle the current procurement difficulties linked to the shortage of raw materials in the market and intended to guarantee production continuity;
- the increase in contract work in progress of the Clean Tech Solutions segment due to delays in the completion of several orders following difficulties in obtaining components and electrical panels;
- line-by-line consolidation of Idro Meccanica S.r.l., with an effect of Euro 4.7 million.

Trade receivables stood at Euro 73,559 thousand (of which Euro 21,237 thousand relating to the Clean Tech Solutions segment and Euro 5,989 thousand relating to the Metatron Group), up compared with 31 December 2021 (Euro 66,048 thousand, of which Euro 21,606 thousand relating to the Clean Tech Solutions segment and Euro 7,751 thousand to the Metatron Group), against the increase in turnover. At 31 December 2022, derecognised receivables disposed through maturity factoring stood at Euro 16.1 million (Euro 12.2 million at 31 December 2021).

Trade payables are up by Euro 15,147 thousand from Euro 82,886 thousand as at 31 December 2021 to Euro 98,033 thousand as at 31 December 2022 (of which Euro 4,280 thousand relating to the Clean Tech Solutions

segment and Euro 27,473 thousand to the Metatron Group) due to higher acquisitions during the period.
Fixed capital, amounting to Euro 155,331 thousand and inclusive of Euro 13,618 thousand for right-of-use assets recognised pursuant to IFRS 16 – Leases, is basically aligned with the figure as at 31 December 2021.
As at 31 December 2022, TFR (employee severance indemnity) and other provisions totalled Euro 11,807 thousand, an increase compared with the previous year (Euro 9,964 thousand), primarily due to the non-recurring provision of Euro 927 thousand recognised by a foreign Group company against uncertainties connected to the recovery of a tax credit, for which the relative recovery procedures are ongoing with the support of a leading tax advisor; given the complexities and uncertainties of the relative legislation, it was deemed appropriate to recognise a provision for reasons of prudence.
Net invested capital (Euro 198,207 thousand, equal to 64.7% of turnover) is basically aligned with 31 December 2021 (Euro 194,076 thousand, equal to 69.8% of turnover).
In this regard, please note that as at 31 December 2022 goodwill was recognised for a total value of Euro 80,132 thousand, for which specific impairment tests were performed which did not bring to light any impairment losses. For the details please refer to the notes to the consolidated financial statements.

Net financial position and cash flows

(Thousands of Euro)

	31/12/2022	31/12/2021 restated
Cash and cash equivalents	62,968	28,039
Current assets for derivative financial instruments	412	0
Bank financing and short-term loans	-103,629	-103,408
Current right-of-use liabilities	-3,196	-2,624
Other current financial liabilities	-3,956	-274
Net short term indebtedness	**-47,401**	**-78,267**
Non-current bank loans	-8,169	-10,174
Other non-current financial liabilities	-24,456	-9,320
Non-current right-of-use liabilities	-11,314	-10,197
Non-current liabilities for derivative financial instruments	0	-99
Non-current assets for derivative financial instruments	103	0
Net medium-long term indebtedness	**-43,836**	**-29,790**
Commitments for the purchase of equity investments	-1,086	-25,436
Net Financial Position	**-92,323**	**-133,493**
Net Financial Position - adjusted (*)	**-77,242**	**-95,137**
- of which Green Transportation	-68,511	-91,114
- of which Clean Tech Solutions	-8,731	-4,023

(*) Not including the effects of the adoption of IFRS 16 - Leases, the fair value of derivative financial instruments and the payables for the equity investments

The Net Financial Position as at 31 December 2022 is equal to Euro 92,323 thousand (Euro 133,493 thousand as at 31 December 2021), of which Euro 14,510 thousand due to the application of IFRS 16 – Leases, a positive Euro 515 thousand due to the fair value of derivative financial instruments and Euro 1,086 thousand due to the remaining payable for the acquisition of Idro Meccanica S.r.l. and the valuation of the call option on the minority stakes of the Chinese subsidiary of the Metatron Group (amounts classified in the item Other current liabilities of the consolidated statement of financial position). Without considering the effects arising from the adoption of this accounting standard, the fair value of derivative financial instruments and the remaining payable for the acquisition of equity investments, the adjusted Net Financial Position as at 31 December 2022 would have been equal to Euro 77,242 thousand, of which Euro 68,511 thousand linked to the Green Transportation segment and Euro 8,731 thousand to the Clean Tech Solutions segment.

As concerns the Net Financial Position of the Green Transportation segment at 31 December 2021, the payable for commitments for the purchase of equity investments, equal to Euro 25,436, related to the remaining payable to Italy Technology Group S.r.l. and the minority shareholders of Metatron for the acquisition of 100% of the respective shares. In the course of the first quarter of 2022, Girefin S.p.A. granted a Euro 18,062 thousand loan to Landi Renzo S.p.A. to finance the acquisition by Landi Renzo S.p.A. of an additional 23.43% of the share capital of Metatron S.p.A., after which time it came to hold 72.43% of the shares of Metatron S.p.A. This loan was subject to voluntary offsetting, pursuant to Article 1252 of the Italian Civil Code, as part of the share capital increase concluded in September 2022. The remainder of that payable of Euro 7,374 thousand was paid to the selling shareholders in September 2022.

The improvement in the net financial position as at 31 December 2022 compared with the end of the previous year is linked to the net effect of the share capital increase concluded in September 2022 for Euro 58.6 million (net of outlays connected with the share capital increase, amounting to Euro 1 million), Euro 31.2 million of which used for the acquisitions of the Metatron Group (Euro 25.4 million) and Idro Meccanica S.r.l. (Euro 5.8 million).

In order to further strengthen the Group's financial structure and make it more consistent with the flows expected from the 2022-2025 Business Plan, in June 2022 two new loan agreements were entered into, for a total of Euro 73 million, aimed at replacing the SACE backed loan agreement and paying off the outstanding pool loan, in particular:

- a new loan agreement backed by the SACE guarantee (effective as of 29 June 2022) which, for the same financed amount (Euro 21 million), calls for the deferral of the pre-amortisation period of 24 months and repayment of the final instalment on 31 March 2028;
- a new pool loan agreement, for a financed amount of Euro 52 million (compared with the remaining Euro 46 million on the previous pool loan agreement), which calls for a 24-month pre-amortisation period and repayment of the final instalment of Euro 20.5 million in June 2027.

The new contracts call for the calculation of financial parameters (NFP/EBITDA) which had not been respected at 31 December 2022; as a result, for their presentation in these financial statements according to IAS/IFRS, the payables to credit institutions on which there are financial covenants were reclassified in full to liabilities maturing in the short term, for a total value of roughly Euro 73 million.

With regard to the financial covenants set forth in those contracts (NFP/EBITDA), please note that: (i) there was a small overrun of the contractual level of the covenants at 31 December 2022 which was remedied by a covenant holiday granted by the financial institutions in March 2023 and (ii) with reference to the calculation of the financial covenants at 30 June 2023, taking into account, also from a prudential perspective, the outlook operating performance in 2023 in light of the budget approved by the Board of Directors on 2 March 2023, the financial institutions approved a slight reset of the covenant calculation parameters.

As the financial covenants had not been respected at 31 December 2022, the payables to credit institutions on which there are financial covenants were reclassified in full to liabilities maturing in the short term in these financial statements, in accordance with IAS/IFRS, for a total value of roughly Euro 73 million.

The following table illustrates the trend in total cash flow:

(Thousands of Euro)	31/12/2022	31/12/2021 restated
Gross operational cash flow	5,831	7,390
Cash flow for investment activities	-8,337	-8,107
Gross Free Cash Flow	**-2,506**	**-717**
Variation in the consolidation area	-30,683	3,575
Non-recurring expenditure for voluntary resignation incentives	-439	-425
Net Free Cash Flow	**-33,628**	**2,433**
Share capital increase (*)	58,554	0
Repayment of leases (IFRS 16)	-3,872	-3,473
Overall cash flow	**21,054**	**-1,040**

(*) net of expenses incurred

In 2022, cash generation amounted to Euro 21,054 thousand (absorption of Euro 1,040 thousand in 2021), primarily linked to:

- share capital increase for Euro 58,554 thousand (net of costs incurred);
- financial outflows relating to the changes in the scope of consolidation (Euro 30,683 thousand), primarily linked to the acquisition of Idro Meccanica S.r.l. and the completion of the acquisition of the Metatron Group;
- positive flows from current operations for Euro 1,520 thousand (inclusive of outlays for lease payments in accordance with IFRS 16);

- and investments for the period (Euro 8,337 thousand).

Considering what is set forth above, as well as taking into account:

- the effects on the financial position of the Landi Renzo Group of the share capital increase described below;
- the economic-financial forecasts incorporated in the 2023 budget prepared at Group level and approved by the Board of Directors on 2 March 2023;
- that on the basis of the information currently available, no elements or circumstances emerge such so as to assume that the targets set forth in the above-mentioned budget will not be achieved; and
- the amount of the Net Financial Position at 31 December 2022 and the terms of the repayment plans for the main outstanding loans;

the directors have not identified circumstances such so as to jeopardise the Group's capacity to meet its corporate obligations and as a result have drafted these financial statements on a going concern basis.

Share capital increase

Due to the investment agreement entered into in April 2022 between Girefin Spa, Gireimm Srl and Itaca Equity Holding SpA, the Shareholders' Meeting of Landi Renzo S.p.A. approved a share capital increase for up to Euro 60 million, which is one of the actions included in the 2022-2025 Business Plan, and aims to provide the Landi Renzo Group with the necessary funding to support the investment plan, which also includes external investment, in market segments expected to have the most growth, such as biomethane and hydrogen. The share capital increase was guaranteed up to Euro 50 million following the commitment made by TIP – Tamburi Investment Partners S.p.A., the single largest shareholder of Itaca Equity Holding S.p.A., to guarantee in cash the entire share attributable to Itaca Equity Holding S.p.A., and the commitment made by Girefin S.p.A. and Gireimm S.r.l. to guarantee, through the voluntary offsetting of part of the receivable, the capital portion necessary to guarantee the share capital increase up to Euro 50 million to complement the guarantee commitment assumed by TIP – Tamburi Investment Partners S.p.A.

In execution of the investment agreement:

(i) on 13 June 2022, the NewCo GbD Green by Definition S.p.A. was established, to which on 1 July 2022 Girefin S.p.A and Gireimm S.r.l. contributed the Landi Renzo S.p.A. shares they held, in addition to the receivable owed to it and deriving from the interest bearing shareholder loan disbursed by Girefin S.p.A. in the amount of roughly Euro 18.1 million;

(ii) On 11 July 2022, the Landi Renzo S.p.A. Board of Directors executed the delegation relating to the share capital increase and approved the terms, final conditions and calendar of the paid share capital increase, on the basis of the criteria set by the Extraordinary Shareholders' Meeting of 29 April 2022 in a total maximum amount of Euro 59,625 thousand by issuing up to 112,500,000 ordinary shares, with a nominal value of Euro 0.10, and with regular dividend entitlement, to be offered under option to the shareholders at the ratio of 1 new share for every 1 ordinary share held, at a unit issue price of Euro 0.53, determined by the Board of Directors by applying, on the basis of the Extraordinary Shareholders' Meeting resolution of 29 April 2022, a discount of 16.09% on the theoretical ex right price (TERP) of the Landi Renzo S.p.A. ordinary shares, calculated in accordance with current methodologies on the basis of the weighted average trading price of Landi Renzo ordinary shares in the 5 previous trading days, i.e., 4 July 2022 to 8 July 2022.

(iii) on 13 July 2022, Consob approved - with note no. 0458563/22 of 13 July 2022 - the EU Recovery Prospectus relating to the offer under option and the admission to trading on the Euronext STAR Milan market organised and managed by Borsa Italiana S.p.A. of Landi Renzo S.p.A. shares.

(iv) on 14 July 2022, the Extraordinary Shareholders' Meeting of GbD Green by Definition S.p.A. approved the share capital increase reserved to Itaca Gas S.r.l., a company wholly owned by Itaca Equity Holding S.p.A., for a total of Euro 33,500 thousand, and E.M.A 2021 S.r.l., a company vehicle controlled by the Chief Executive Officer Cristiano Musi, for a total amount of Euro 300 thousand. On the same date, and simultaneous with the above-mentioned resolutions, Itaca Gas S.r.l. and E.M.A. 2021 S.r.l. proceeded with the subscription of the share capital increases reserved to them with the issue of the relative shares. Following such subscriptions, the share capital of GbD Green by Definition S.p.A. is 51.08% held by Girefin and Gireimm, companies associated with the Landi Trust, 48.49% held by Itaca Equity Holding S.p.A. (through the vehicle Itaca Gas S.r.l.) and 0.43% held by E.M.A. 2021 S.r.l. Therefore, the Landi Trust (through Girefin and Gireimm) continues to indirectly hold de jure control over Landi Renzo S.p.A.

These transactions provided GbD Green by Definition S.p.A. with the necessary funding to subscribe its portion of the share capital increase.

On 4 August 2022, the offer under option period concluded with the exercise of a total of 107,781,064 option rights valid for the subscription of 107,781,064 new shares, equal to roughly 95.805% of the total of new shares, for a total equivalent value of Euro 57,124 thousand. GbD Green by Definition S.p.A. subscribed its portion of the share capital increase (equal to around 59.1068%) pursuant to the subscription commitment made, for a total equivalent value of roughly Euro 35.2 million, of which around Euro 17.1 million by means of a contribution in cash and Euro 18.1 million by means of voluntary offsetting.

The offer of the non-exercised rights concluded on 7 September 2022 with the subscription of 2,874,208 shares for an equivalent value of Euro 1,523 thousand. Taking into account that during the offer under option period 107,781,064 newly issued shares were subscribed, amounting to 95.805% of the total, a total of 110,655,272 newly issued shares were subscribed, equal to roughly 98.360% of the shares offered as part of the share capital increase, for a total equivalent value of Euro 58,647 thousand.

In keeping with what was set forth in the Company's Extraordinary Shareholders' Meeting resolution of 29 April 2022, in light of the interest demonstrated by GbD Green by Definition S.p.A. in subscribing all residual shares, on 15 September 2022 the Board of Directors approved their placement in its favour at a subscription price per share equal to that at which the shares were offered during the share capital increase, i.e., Euro 0.53 (including the share premium). Pursuant to the related party transaction procedure, this resolution was passed with the favourable opinion of the Committee for Transactions with Related Parties. On 19 September 2022, GbD Green by Definition S.p.A. therefore subscribed the remaining shares in their entirety; following that subscription, the share capital increase was thus fully subscribed (total Euro 59,625 thousand).

The highly positive result of the offer under option, despite the period of strong uncertainty, demonstrates how the financial markets believe in the solidity of the business model of Landi Renzo and its role as a key player in the global energy transition process, thanks to a robust and credible business plan, which bets on the fundamental role to be played by gas, biomethane and hydrogen.

Investments

Investments in property, plant, machinery and other equipment totalled Euro 2,487 thousand (Euro 3,188 thousand as at 31 December 2021) and refer to the investments made by the Group in the new production lines and moulds required to launch new products.

The increase in intangible assets amounted to Euro 5,971 thousand (Euro 5,426 thousand at 31 December 2020) and mainly referred to the capitalisation of costs of development projects relating to new products for the OEM and After Market channels, as well as for the Heavy Duty segment and for hydrogen and biomethane mobility, as regards the Green Transportation segment and new hydrogen and biomethane products for the Clean Tech Solutions segment.

Main individual results of Landi Renzo S.p.A. (Parent Company) for the year ending 31 December 2022

In 2022, Landi Renzo S.p.A. generated revenues of Euro 144,036 thousand compared with Euro 131,455 thousand in the same period of the prior year. EBITDA totalled Euro 6,550 thousand, compared with Euro 5,590 thousand at 31 December 2021, while the net financial position was Euro -68,453 thousand (Euro -64,300 thousand, net of the effects deriving from the application of IFRS 16, the fair value of financial derivative contracts and the remaining payable for the acquisition of the Metatron Group) compared with Euro -112,961 thousand at 31 December 2021 (Euro -84,834 thousand, net of the effects deriving from the application of IFRS 16 and the fair value of financial derivative contracts).
At the end of 2022, the Parent Company's workforce numbered 279 employees, down by 18 compared with 31 December 2021 (297).

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 31.12.2022	Result at 31.12.2022	Shareholders' equity at 31.12.2021	Result at 31.12.2021
Shareholder's equity and result for the year of the Parent Company	**85,974**	**-15,750**	**42,756**	**-9,131**
Difference between the carrying amount and pro rata value of the shareholders' equity of consolidated companies	21,352	-89	13,685	0
Pro rata results achieved by investees	0	-6,571	0	1,252
Elimination of the effects of intra-group commercial transactions	-1,004	-10	-634	42
Exchange gains and losses from the measurement of intra-group loans	0	0	-958	-43
Elimination of revaluation/(impairment loss) on investments	0	8,196	0	2,254
Elimination of the effects of intra-group assets	-449	-54	-395	-7
Capital gain from combination	0	0	6,129	6,129
Other minor effects	11	11	0	6
Shareholders' equity and result for the year from Consolidated Financial Statements	**105,884**	**-14,267**	**60,583**	**502**
Shareholders' equity and result for the year of minority interests	5,967	14	5,738	1,522
Shareholders' equity and result for the year of the Group	**99,917**	**-14,281**	**54,845**	**-1,020**

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 GbD – Green by Definition 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 GbD – Green by Definition 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. On 30 June 2021, the Board of Directors of Landi Renzo S.p.A. approved the update of procedures relating to transactions with related parties in order to align them with Consob Resolution no. 21624 of 10/12/2020. The new procedures entered into force as of 1 July 2021 and are also published on the Company's website.

Positions or transactions deriving from atypical and/or unusual transactions

Pursuant to Consob communication no. 6064293 of 28 July 2006, note that, during 2022 and without prejudice to the share capital increase described above, 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 2022 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

The Corporate Governance Report is available on the website www.landirenzogroup.com in the Investor section.

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

In terms of external risks, the management carefully monitored the evolution:

- of the COVID-19 pandemic, in order to address and prevent the issues generated by its spread and 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, social distancing, extended remote working) and operating activities; and
- developments in the Russia-Ukraine conflict, which had significant effects on the international markets, especially the energy market.

We refer to what is set forth below in terms of the impact of such external risks on the Group’s 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 17 of which it operates directly, including through its own companies. In 2022, the Group achieved 89.5% 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 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 2022, the sales of systems and components made by the Group to OEM customers in the Green Transportation segment amounted to Euro 107 million, up by 37.3% compared with 31 December 2021 (Euro 77.9 million). The group's main OEM customer, which is highly strategically significant, represented roughly 71% of OEM turnover in 2022.
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. Furthermore, in order to protect margins linked to such customers, in a context like the current one with a high level of volatility in raw material costs, the Company has sought to carry out price revision processes for the most significant orders with the relative customers, in order to be able to deal with that contingent situation. 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 122,645 thousand are reported in the consolidated financial statements at 31 December 2022, including Euro 11,141 thousand for development expenditure, Euro 80,132 thousand for goodwill, Euro 17,263 thousand for trademarks and patents, as well as net deferred tax assets totalling Euro 14,109 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 2022 the Group tested its assets with an indefinite useful life for impairment, as described in the "goodwill" section of the explanatory 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 new pool loan agreement entered into on 29 June 2022 for Euro 52 million;
- the Euro 21 million loan backed by the 90% SACE guarantee taken out in July 2020 (and renegotiated in 2022, so that for the same financed amount the 24 month pre-amortisation period will be deferred and the final instalment will be paid on 31 March 2028).

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 2022 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 203 thousand in comparison to an increase in financial income equal to Euro 552 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 up to this moment, 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.
The current market situation distinguished by a shortage of raw materials resulted on one hand in a reduction or deferral of orders from OEM customers, due to the need for automotive manufacturers to limit costs and avoid production interruptions, and on the other in difficulties in fulfilling existing orders, due to a series of complexities in obtaining raw materials. Furthermore, particularly in the OEM channel, in which long-term supply agreements are generally entered into, it was not always possible to reflect in due time the increase in raw material prices in sale prices. On the other hand, as regards the After Market channel, interventions on sale prices took place more promptly but, also due to growing competition in developing countries, it was not always possible to intervene to prevent the loss of market share.
In the course of 2022, the Clean Tech Solutions segment was particularly struck by that effect due to the time gap between the estimation/acquisition of the order and its actual fulfilment.

- **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. 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.

Guarantees

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

- **Liquidity risk**

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

Due to the continuation of a difficult macroeconomic context, overshadowed by considerable uncertainty as to cash flows, the management is continuing to devote considerable attention to the financial position and short/medium-term cash forecasts.

The highly positive result of the share capital increase demonstrates how, despite the period of strong uncertainty, the financial markets believe in the solidity of the business model of Landi Renzo and its role as a key player in the global energy transition process, thanks to a robust and credible business plan, which bets on the fundamental role to be played by gas, biomethane and hydrogen.

At the end of the share capital increase transaction, a total of 110,655,272 newly issued shares were therefore subscribed, equal to roughly 98.36% of the shares offered as part of the share capital increase, for a total equivalent value of Euro 58,647 thousand. Furthermore, in keeping with what was set forth in the Extraordinary Shareholders' Meeting resolution of 29 April 2022, in light of the interest demonstrated by GbD Green by Definition S.p.A. in subscribing all residual shares, on 15 September 2022 the Board of Directors approved their placement with GbD Green by Definition S.p.A. at a subscription price per share equal to that at which the shares were offered during the share capital increase, i.e., Euro 0.53 (including the share premium). Pursuant to the related party transaction procedure, this resolution was passed with the favourable opinion of the Committee for Transactions with Related Parties. On 19 September 2022, GbD Green by Definition S.p.A. therefore subscribed the remaining shares in their entirety; following that subscription, the share capital increase was thus fully subscribed.

Also in this context, in order to further strengthen the Group's financial structure and make it more consistent with the flows expected from the 2022-2025 Business Plan, in June 2022 two new loan agreements were entered into, for a total of Euro 73 million, aimed at replacing the SACE backed loan agreement and paying off the outstanding pool loan, in particular:

- a new loan agreement backed by the SACE guarantee (effective as of 29 June 2022) which, for the same financed amount (Euro 21 million), calls for the deferral of the pre-amortisation period of 24 months and repayment of the final instalment on 31 March 2028;
- a new pool loan agreement, for a financed amount of Euro 52 million (compared with the remaining Euro 46 million on the previous pool loan agreement), which calls for a 24-month pre-amortisation period and repayment of the final instalment of Euro 20.5 million in June 2027.

The new contracts call for the calculation of financial parameters (NFP/EBITDA) which had not been respected at 31 December 2022; as a result, for presentation in these financial statements according to IAS/IFRS, the payables to credit institutions on which there are financial covenants were reclassified in full to liabilities maturing in the short term, for a total value of roughly Euro 73 million.
With regard to the financial covenants set forth in those contracts (NFP/EBITDA), please note that: (i) there was a small overrun of the contractual level of the covenants at 31 December 2022 which was remedied by a covenant holiday granted by the financial institutions in March 2023 and (ii) with reference to the calculation of the financial covenants at 30 June 2023, taking into account, also from a prudential perspective, the outlook operating performance in 2023 in light of the budget approved by the Board of Directors on 2 March 2023, the financial institutions approved a slight reset of the covenant calculation parameters.
As the financial covenants had not been respected at 31 December 2022, the payables to credit institutions on which there are financial covenants were reclassified in full to liabilities maturing in the short term in these financial statements, in accordance with IAS/IFRS, for a total value of roughly Euro 73 million.

Considering the Group's financial position as at 31 December 2022, the economic and financial forecasts for the year 2023 and thereafter, incorporated into the 2023 budget and the 2022-2025 economic-financial plan, as well as taking into account the renegotiation of the pool and SACE loans, the stability of the Landi Renzo Group's financial strength is confirmed, to an extent which guarantees the pursuit of its short/medium-term objectives.

- **Climate change risk**

For more details on climate change, please refer to the non-financial report as at 31 December 2022.

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

The Group continues to carefully monitor the evolution of the COVID-19 pandemic across all of its sites worldwide, promptly taking all prevention, control and limitation measures to protect the health of its employees and collaborators. It should be noted that the lockdowns imposed on several regions of China had negative effects on sales of new heavy duty vehicles in China and on the availability of electronic components, which are generally imported from that country, which are risk factors considered in the 2022-2025 Business Plan. This had particular repercussions on the results of the Metatron Group, a leading player in the Chinese OEM market, and specifically in the Heavy Duty segment.
In the course of the year ended as at 31 December 2022, all of the Group's branches performed their normal operating activities, with the exception of a lockdown period at the company located in China in the area of Shanghai.

Impact of the Russia-Ukraine conflict on the activities of the Landi Renzo Group

In 2021, the turnover with respect to Russia and Ukraine represented around 4% of total consolidated revenues of the Group, while in 2022, the revenue earned by the Group in Russia and Ukraine accounted for less than 2% of the Group's total turnover. The management believes that the change in the scenario triggered by the Russia-Ukraine conflict does not substantially impact the assumptions and therefore the implementation of the 2022-2025 Business Plan, by virtue of the diversification of the Landi Renzo Group's business in terms of its presence in international markets worldwide and the products offered and technologies developed, as well as the fact that the growth of the Landi Renzo Group is driven, to a considerable extent, by infrastructural investments connected to the energy transition, expected to grow significantly, even in this new context, as they are driven by decarbonisation targets and the resulting focus and acceleration on the introduction of alternative energy sources (including natural gas, biomethane and hydrogen) in the various countries and geographical areas in which the Group operates.
Considering that exposure to the Russian and Ukrainian markets is currently limited for the Landi Renzo Group, the management, in light of the most recent developments in the conflict, has written off the receivables due from Ukrainian customers (Euro 148 thousand) and recognised a prudential write-down (of Euro 569 thousand) on the receivables due from Russian customers, taking into account the specific situation of each of them.

Consolidated non-financial report

Methodological Note

The 2022 Consolidated Non-Financial Report (the "Report") of the Group reports to our main stakeholders on the new developments, projects and results achieved during 2022 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 2021 (the "GRI Standards"), according to the "**in accordance with the GRI Standards**" 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 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 Non-Financial Report is the tool used to communicate the Group's sustainability performance and is reviewed and approved by the Board of Directors.

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 2021 GRI Universal Standards Guidelines and involved the company's heads of department (for more details refer to the paragraph "Significant impacts for the Landi Renzo Group").

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.

In the early months of 2023, the Group initiated a transformation process that involved the identification of the Group Head of Business Development, M&A & Strategic Marketing as the manager of sustainable development. To this end, the Group will activate a process of reviewing its reporting system with a view to improving reporting to its stakeholders and defining its sustainability strategy.

The data and information included in the document refer to the year closed on 31 December 2022 and, where explicitly specified, to some significant projects pursued during the first months of 2023.

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 2022.

The Report refers to Landi Renzo S.p.A. and companies consolidated on a line-by-line basis: the Italian subsidiaries (Metatron S.p.A., Safe S.p.A, Safe & Cec S.r.l.) and the foreign companies (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, LR Industria e Comercio Ltda, IMW Industries LTD Shanghai, IMW Energy Tech LTD China, IMW Industries LTD Canada, IMW Industries del Perù SAC Peru, IMW Industries LTDA Colombia and Metatron Control Systems Co., Ltd). In this regard, please note that in this document, the term "Group" refers to the entire reporting scope, while the term "Landi Renzo Group" refers to the parent company Landi Renzo S.p.A. and its foreign subsidiaries.

As in past years, the following companies consolidated on a line-by-line basis were excluded: Officine Lovato Private Limited, Landi International B.V., Idromeccanica and L.R. Pak (Pvt) Limited. The first three are not significant for the purposes of this non-financial report as they have no or a reduced number of personnel. The other one is instead in the liquidation phase. As concerns the Companies IMW Energy Tech LTD China and IMW Industries LTD Shanghai, the data have not been made available. Further restrictions of the perimeter are duly reported below. The restrictions of the perimeter in accordance with the Decree areas are indicated below.

Furthermore, during the 2022 reporting process, the decision was made to refine the calculation of certain values. In particular, the updated data are reported in the "Tax management" and "Promoting local economies" sections.

			Personnel		Human rights	Environmen t	Social		Corruption
Company	**Type**	**Number of employees**	**HR**	**OHS**			**Social**	**Suppliers**	
			GRI Standard	**GRI Standard**	**GRI Standard**	**GRI Standard**	**GRI Standard**	**GRI Standard**	**GRI Standard**
Landi Renzo S.p.A.	Production	279	x	x	x	x	x	x	x
AEB America S.r.l.	Commercial	13	x	x	x	x	x	x	x
Beijing Landi Renzo Autogas System Co. Ltd	Commercial	6	x	x	x	x	x	x	x
Landi Renzo USA Corporation	Production	17	x	x	x	x	x	x	x
Landi Renzo Pars Private Joint Stock Company	Production	17	x	x	x	x	x	x	x
LR Indústria e Comércio	Commercial	12	x	x	x	x	x	x	x
Landi Renzo RO S.r.l.	Production	56	x	x	x	x	x	x	x
Landi Renzo Polska Sp.Zo.O.LR	Production	101	x	x	x	x	x	x	x
SAFE S.p.A.	Commercial	115	x	x	x	x	x	x	x
IMW Industries LTD Canada	Production	111	(*)	x	x	x	x	x	x
IMW Industries del Perù SAC Peru	Commercial	26	x	x	x	x	x	x	x
IMW Industries LTDA Colombia	Production	96	x	x	x	x	x	x	x
Metatron S.p.A.	Production	74	x	x	x	x	x	x	x
Metatron Control Systems Co., Ltd	Commercial	12	x	x	x	x	x	x	x
IMW Industries LTD Shanghai	-	-	N/A	N/A	N/A	N/A	N/A	N/A	N/A
IMW Energy Tech LTD China	-	-	N/A	N/A	N/A	N/A	N/A	N/A	N/A
L.R. Pak (Pvt) Limited	-	-	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Idromeccanica	-	.	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Officine Lovato Private Limited	-	-	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Landi International B.V.	-	.	N/A	N/A	N/A	N/A	N/A	N/A	N/A

x: Reported information

(*) Information partially available

Letter to stakeholders

Technology, innovation, respect for the planet and for people are the fuel that every day drives the Landi Renzo Group towards new, increasingly sustainable ways of understanding its business. These are values shared by the entire Group and an integral part of its Mission and Corporate Strategy, as well as the basis on which it builds the Group's trust and credibility with respect to its reference stakeholders.

It is by continuously engaging with the outside world that Landi Renzo structures its way of doing business and its future growth and development trajectories.

This development can be achieved only with the continuous participation of stakeholders, understood as employees, suppliers, customers, shareholders and the community. Indeed, this is the only way it is possible to continue to innovate its products and services while making it possible to align social, environmental and economic performance.

The values, principles and actions underlying the Group's operations also guide its investment and business choices, with a view to environmental sustainability, safety and environmentally friendly growth. The collaborations and partnerships that the Landi Renzo Group has undertaken to engage in with leading companies capable of meeting the highest quality standards should be seen in this sense.

One example is the one with FPT Industrial, the former engines and transmissions division of CNH, which is now part of the new Iveco Group. The objective underlying this agreement is that of evolving and **constantly remaining innovative and competitive** in the mobility energy sources market by developing increasing expertise in methane and hydrogen based systems.

For the Landi Renzo Group, as for many companies, the year 2022 was characterised by a complex macroeconomic and social context, which is forcing companies to face new challenges and set new goals. The new normal in the wake of the difficult pandemic period was interrupted by the tragic war in Ukraine.

These conditions have made and are making the economic context increasingly more uncertain and unstable.

The Landi Renzo Group is aware of the difficulties that the current situation is posing for all companies, but does not intend to hold back; rather, it strives to tackle them, like always, **with passion and the utmost professionalism**, to ensure a rosy and sustainable future.

This is why, for the year to come, the Group intends to consolidate its commitment to internationalisation, training and innovation aimed at the development of ecological mobility, especially through recourse to hydrogen and renewable energies such as biogas.

"We will work incessantly and passionately to offer innovative technological solutions in the field of alternative fuels, for a more environmentally sustainable present and future"

Chairman of the Board of Directors
Stefano Landi

The *Alternative* in motion

Reference business: eco-mobility

Eco-mobility is acquiring increasing importance, although LPG and CNG are still the most common options when it comes to green transport solutions. In recent years, increasing interest is arising in alternative fuel sources such as hydrogen and biogas. These technologies are distinctive features of the Group's business know-how, which is characterised by a combination of research and manufacturing excellence.

The 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:

__Biogas, also known as RNG__, is obtained from a number of sources, including organic waste such as animal manure, and landfills. This solution, __usable by Landi Renzo products__, drastically reduces carbon emissions and, unlike conventional natural gas, it is not a fossil fuel.

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

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 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 adoption of products and solutions for CNG, LNG and **hydrogen** mobility, especially in the HGV sector.

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.

Thanks to the new acquisition, on 5 August 2021, of Metatron S.p.A., a company headquartered in Castel Maggiore (BO) specialised in research, development, production and marketing of pressure regulators and engine control units for alternative fuels and components for hydrogen technology, the Group once again emphasises the importance of continuous research into technologies that meet the highest product quality and innovation standards.

Furthermore, thanks to the SAFE&CEC Group, the Group covers the *Clean Tech Solutions* segment, referring to the design and manufacture of compressors for the processing and distribution of gas (CNG, RNG and Hydrogen). The broad range of SAFE&CEC Group products makes it possible to satisfy multiple market requirements for the construction of automotive CNG, biomethane (CNG and RNG) and hydrogen distribution stations and provide innovative solutions for gas recovery in the various processing phases. The Group strongly believes in promoting and guaranteeing sustainable development using natural gas, biomethane and hydrogen as primary energy sources.

Distinctive features of Landi Renzo Group

LANDIRENZO GROUP™

LEADERSHIP nella progettazione e realizzazione di sistemi ecocompatibili di alimentazione a GPL e metano.

ECCELLENZA nell'innovazione tecnologica volta allo sviluppo di prodotti all'avanguardia per l'utilizzo di fonti energetiche a basso impatto ambientale per l'alimentazione di autovetture.

MODELLO DI BUSINESS flessibile ed efficiente in grado di far fronte alle evoluzioni del mercato, pur mantenendo un costante presidio delle fasi critiche del processo produttivo.

QUALITÀ E VERSATILITÀ dei prodotti che consente, su tutti i mercati di riferimento, di soddisfare le esigenze della domanda e delle normative vigenti.

CONOSCENZA approfondita dei canali di distribuzione, attraverso rapporti consolidati con primari clienti OEM e presenza diffusa nel segmento Aftermarket, caratterizzato da potenzialità in costante crescita.

Hydrogen, energy source of the mobility of the future

In recent years, hydrogen has stimulated multiple waves of interest, with a significant impact, becoming the "energy source of the mobility of the future". In recent years, an increasing number of countries have developed a national timetable or strategy for the management of this energy source. Furthermore, from 31 October to 12 November 2021, the 26th United Nations Climate Change Conference was held in Glasgow, during which 32 countries along with the European Union (EU) pledged to collaborate to accelerate the development and spread of clean hydrogen[1].

In the domestic context, on 22 January 2021 a Memorandum of Understanding was signed by ENEA and Confindustria, a veritable "hydrogen pact", to contribute to enhancing the technological leadership of Italian industry while also combining the potential of research, innovation and technological transfer within a system-wide vision for the country[2]. Significant investments totalling Euro 530 million have been planned in the National Recovery and Resilience Plan (NRRP) to experiment with the use of hydrogen in railway transport, both locally and regionally, and in road transport, particularly heavy duty transport. The investment will involve the entire supply chain: production of green hydrogen, transport, storage, construction of service stations and the purchase of trains.

The hydrogen supply chain

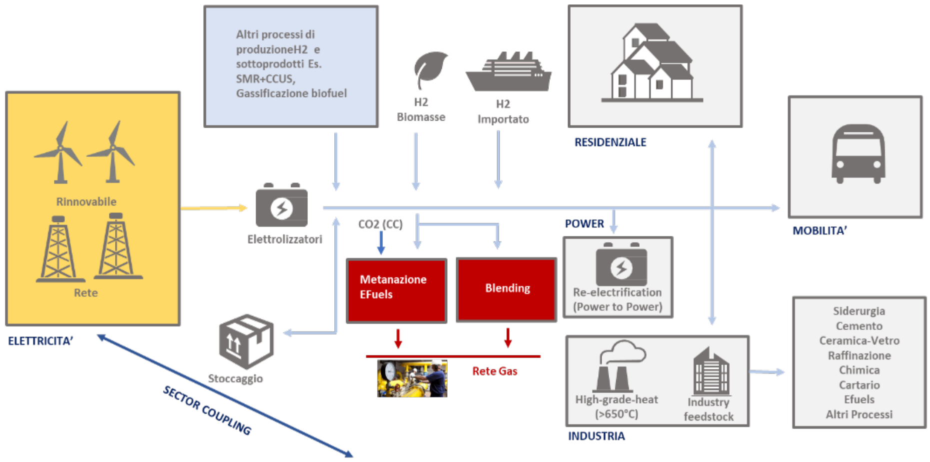
In detail, the main components of the hydrogen supply chain can be broken down into multiple processes from production, to transport via pipeline (blended or by means of dedicated assets), truck or ship, up to end uses in the various application and consumption sectors. In terms of hydrogen production processes, aside from electrolysis, other processes may be considered as well, including the methane reforming process with storage or use of CO2, renewable fuel gasification processes and other innovative processes or ones currently being developed.

In industry, hydrogen can be used as feedstock and as fuel in processes that require high-temperature heat and which are difficult to directly electrify. In this regard, aside from the iron and steel, non-ferrous metals

[1] Irena (2022) - "Geopolitics of the Energy Transformation - The Hydrogen Factor"
[2] Confindustria (2021) - "*Hydrogen action plan, Focus on Industrial Technologies*"

and chemical sectors, the ceramics, paper, glass and food segments represent sectors where the hydrogen vector may contribute to their decarbonisation[3].

Hydrogen in the road transport sector



"The challenges linked to the energy transition, the objectives set forth in European strategies and climate and energy policies support the need to develop demand for hydrogen in the various sectors and favour its use in the segments where the direct use of electricity from renewable sources is not possible, primarily in heavy duty transport (ships, aircraft, etc.)".

A number of manufacturers are developing internal combustion engines that use hydrogen: gaseous hydrogen is injected into the engine with methods analogous to those currently used for natural gas-fuelled engines. Therefore, hydrogen endothermic engines represent a technologically simpler and more economically advantageous solution. This allows engine manufacturers to look with greater interest at the use of hydrogen as a new fuel. Furthermore, current technologies make it possible to cut NOx emissions in those engines which, albeit at very low levels, have a higher impact on local air quality than electric engines[4].

The Group is also active in that segment directly as well as through a series of alliances and partnerships. One of these is the alliance with the Canadian Hydrogenics Corporation, a global leader in the development of clean energy solutions, whereby 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. Furthermore, 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 recent acquisition in August 2021 of **Metatron** and in early 2022 of **Idro Meccanica** enabled the Group to consolidate and accelerate its

[3] Confindustria (2021) - "*Hydrogen action plan, Focus on Industrial Technologies*"
[4] Confindustria (2021) - "*Hydrogen action plan, Focus on Industrial Technologies*"

strategy of positioning itself as a leader in the value chain of biomethane and hydrogen, two clean "energy sources" experiencing strong growth, which will play a fundamental role in the energy transition of the future. Landi Renzo once again confirms the ambitious objective of **promoting sustainable transport solutions every day**, which contribute to the decarbonisation of mobility, focusing on the development of advanced gas and hydrogen products and systems at global level.

FPT INDUSTRIAL AND LANDI RENZO WORKING TOGETHER FOR GAS AND HYDROGEN-FUELLED ENGINES

*"This is a **value-added product which fits perfectly within the energy transition".***

FPT Industrial, the former engines and transmissions division of CNH, which is now part of the new Iveco Group, and Landi Renzo have signed **two memoranda of understanding** focusing separately on the evolution of systems based on CNG and hydrogen.

The new technology has been named "***Hythane On-Board Blending***" (OBB) and is capable of allowing hydrogen and methane to be mixed - to make Hythane or hydromethane - directly on board the vehicle or, to be more specific, in the combustion chamber.

The system works with a sophisticated dual rail arrangement, in which methane and hydrogen, coming from separate tanks, are mixed at the moment of injection with a dedicated calibration device that defines the optimal ratio between hydrogen and methane based on operating conditions. According to the two partner companies, this new solution can reduce CO2 emissions by 10% more than natural gas alone and by 20% more than diesel, and it is easy to introduce as it can function both with natural gas systems and with liquid gas systems, exploiting the architectures already existing on heavy duty vehicles such as S-Way CNG and LNG.

LANDI RENZO – ONE OF THE BEST OF 2022

On the evening of Wednesday 12 July, at Casa Firjan, the Rio de Janeiro automotive repair and vehicle accessories industry union (Sindirepa-RJ) promoted the "**Best of the Year 2022**" awards ceremony to recognise companies that offer quality products and services to guarantee customer satisfaction. The winners of the seventh edition were decided on based on a direct vote by the members. Landi Renzo was recognised with the awards for the best gas kit and the best sequential regulator.

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 to and support customers.
- Meet and leverage customer/market requests without bowing to the market.
- Integration at 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.
- Maintain 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 towards 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 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 Group brands

Over 60 years of history in building the future

1954

Nel 1954 a Reggio Emilia Renzo Landi, insieme alla moglie Giovannina Domenichini, fonda **Officine Meccaniche Renzo Landi**: unica ditta costruttrice di miscelatori specifici per ogni tipo di veicolo.

1963-1964

L'attività di vendita esterna si sviluppa in breve tempo su tutto il territorio nazionale e, tra il 1963 e il 1964, si registrano le prime **esportazioni** verso Giappone, Francia, Belgio e Olanda. Ben presto si aprono opportunità anche nei mercati dell'Europa orientale, dell'India e del Sud America.

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70'-80'

Renzo Landi scompare prematuramente nel 1977. L'azienda continua l'attività, gestita dalla moglie e dal figlio Stefano il quale, nel 1987, diventa Amministratore Delegato della società, che assume la denominazione sociale di S.p.A.

90'

Landi Renzo diviene un **Gruppo Industriale**: nel 1993 assume il controllo della società Landi S.r.l. e di Eurogas Holding B.V., azienda olandese che opera nel settore.
Nasce nel 1999 la filiale polacca del Gruppo, Landi Renzo Polska S.p.Z.o.o. e l'anno successivo viene acquistata la società Med S.p.A. di Reggio Emilia.

2001

Nel 2001 viene acquisita la società **Eurogas Utrecht B.V.** da parte della controllata Landi International B.V

2003-2006

Vengono aperte la **filiale brasiliana** nel 2003, quella **cinese** nel 2005 e quella **pakistana** nel 2006 anno in cui nasce anche Landi Renzo Corporate University, polo di sviluppo delle risorse umane e diffusione della cultura della mobilità sostenibile.
Il Sistema Qualità Landi Renzo estende alla Rete Italia i processi e le procedure **ISO 9001**.

2007

Nel 2007, a Teheran (Iran), viene inaugurata **Landi Renzo Pars**.
Il 26 giugno 2007 Landi Renzo S.p.A. debutta al **segmento STAR** di piazza Affari.

2008

Nell'ottobre del 2008 ha luogo l'acquisizione del terzo player a livello internazionale, **Lovato Gas S.p.A.**.

2010-2013

Acquisizione di A.E.B. Technologies e Baytech, apertura di ulteriori società controllate in Romania, Venezuela, Argentina, India e Stati Uniti. Entra a far parte del Gruppo SAFE S.p.A. Viene acquistato il 70% di Emmegas S.r.l. Viene costituita la società indiana Krishna Landi Renzo India Private Limited Held. La Capogruppo ha effettuato il versamento della quota di propria pertinenza per il 50% del Capitale Sociale della joint venture EFI Avtosanoat-Landi Renzo LLC.

2014-2015

Nel corso del 2014 nasce la società Safe Gas Pte. Ltd. in Singapore. Nello stesso anno, in occasione dell'evento organizzato per i festeggiamenti del 60° anniversario di Landi Renzo S.p.A., viene inaugurato il Nuovo Centro Ricerca e Sviluppo, che nel 2015 ha ottenuto il Premio Sviluppo Sostenibile.
Nel 2015 nasce Landi Renzo Argentina S.r.l. con sede a Buenos Aires.

2017-2018

Il Consiglio di Amministrazione ha nominato un nuovo Amministratore Delegato, il Dott. Cristiano Musi. E' stata ceduta la società Eighteen Sound S.r.l. ed è stata fusa per incorporazione la società AEB S.p.A. in Landi Renzo S.p.A. In data 30 ottobre 2018, la società Emmegas S.r.l. viene fusa per incorporazione in Landi Renzo S.p.A.

2019-2020

Nel corso del 2019 Landi Renzo Industria e Comercio Ltda, filiale brasiliana del Gruppo, ha siglato un importante partnership in esclusiva con Uber in Brasile. Ulteriore importante accordo, siglato nel corso del 2019, è stato quello tra Landi Renzo, insieme alla joint venture indiana Krishna Landi Renzo, e Ford India. A dicembre 2020, il Gruppo Landi Renzo ha siglato Lettera di Intenti con la egiziana National Organization for Military Production.

2021

Il 5 Agosto 2021 Landi Renzo Group ha siglato un accordo impegnativo per l'acquisizione della Società Metatron.

2022

Nel corso del 2022 il Gruppo Landi Renzo rafforza la propria presenza attraverso l'acquisizione di Idro Meccanica, controllata di Safe e la partnership instaurata con FPT Industrial focalizzata sull'evoluzione dei sistemi basati sul metano e sull'idrogeno.

The Group’s contribution to the sustainable development goals

Guided by its business model, the Group also contributes to the achievement of the United Nations Sustainable Development Goals (SDGs). Indeed, precisely through its mission and its business, the Group 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 the Group’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 the Group
	▪ collaboration with leading Italian universities, particularly the Universities of Modena and Reggio Emilia, to spread a culture of sustainability and facilitate research and development
	▪ research and development activities to promote and propose innovative and sustainable solutions
	▪ pay levels above local minimum salaries for the relevant category of new hires in all countries in which Landi Renzo carries on business
	▪ 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 fight against climate change progresses on four wheels

Climate change is already under way, and is destined to last: the increase in temperatures at global level, due in particular to the increase in levels of CO2 and greenhouse gas emissions, is inexorably altering ecosystem balances, with devastating social and economic consequences.

From the perspective of the Landi Renzo Group, climate change presents a new, greater range of risks, and with them new and more extensive challenges and opportunities linked to the business model and the products offered.

Climate change exposes the Group to two main types of risk:

- **physical risks**: or risks linked to extreme natural events which can cause physical harm to people and property damages to facilities or even block company operations;
- **transition risks**: or compliance risks linked to sudden changes or exacerbations of rules or regulations aimed at reducing polluting emissions and market or innovation risks deriving from the need to develop the use of emerging technologies that will influence competitiveness, production and distribution costs as well as demand on the part of end users for products and services.

The Landi Renzo Group is conducting a study on these matters to identify and evaluate the most impactful physical and transition risks.

To avoid the most serious consequences of climate change, the EU and all of its Member States have signed and ratified the Paris agreement, agreeing to the adoption of a long-term strategy for reducing emissions and its updated plans on the climate before the end of 2020, undertaking to reduce emissions by at least 55% by the end of 2030 compared to 1990 levels. In December 2019, the European Commission presented the European Green Deal, which gave new impetus to the EU level climate policy and action by adopting measures aimed at establishing more ambitious targets in terms of reducing greenhouse gas emissions by 2030 and decarbonising the EU economy by 2050, in line with the Paris agreement.

An article from the newspaper Il Sole 24Ore highlights that the transport sector is responsible for nearly one-fifth of global greenhouse gas emissions.

Obviously, the emissions are also and especially linked to the type of fuel used. There are a number of alternative fuels, from the most exotic and basically unused (DME, E95, methanol, etc.) to the more interesting ones like methane, biomethane, LPG and hydrogen. According to several studies comparing biomethane and other fuels, like diesel and petrol, in terms of direct CO2 emissions, biomethane emits 20% less than petrol and

5% less than diesel.

It is precisely in this context that the Landi Renzo Group is further strengthening its presence by working incessantly and passionately to propose innovative and sustainable solutions, while contributing towards opening up new pathways and establishing new horizons for the entire sector.

On 13 July 2020, with European Regulation 852 of 2020, the regulation on the Sustainable Finance Taxonomy entered into force, which classifies economic activities that can be defined as "sustainable", or all those activities which:

- substantially contribute to the achievement of one or more of the six environmental objectives;
- do no significant harm (DNSH) to any of the environmental objectives;
- are carried out in compliance with minimum safeguards.

A series of delegated acts specify in detail the technical criteria that make it possible to establish under which conditions each economic activity makes a substantial contribution to at least one of the six environmental objectives identified, without causing significant damage to any of the other five ("Do No Significant Harm - DNSH" clause).

This information is a veritable practical guide aimed at investor companies and public institutions, with the goal of reporting information in the most complete and comparable manner possible, integrating sustainability topics in investment policies and improving ecological transition policies.

As of 1 January 2022, with respect to the data for the year 2021, in their non-financial reports companies have provided the information needed to meet the requirements of the Regulation. In particular, the information that the Taxonomy requires for non-financial companies refers to the following indicators:

a) proportion of turnover coming from products or services associated with economic activities considered by the Taxonomy;
b) proportion of capital expenditure associated with economic activities considered by the Taxonomy;
c) proportion of operating expenses relating to assets or processes associated with economic activities considered by the Taxonomy.

Following the initial application of the Regulation for the year 2021, according to which non-financial companies were required to report on the proportion of taxonomy-eligible economic activities, starting from 1 January 2023, with respect to the data for the year 2022, non-financial companies are asked to report on both the proportion of eligible activities and on the proportion of sustainable, or "aligned", activities. To understand whether eligible activities can also be considered aligned, companies are asked to verify:

- the technical screening criteria described in the Delegated Acts that assess whether the activities make a substantial contribution to climate change adaptation and mitigation;
- the do no significant harm (DNSH) criteria, which assess whether the activities considered do not cause significant harm to any of the other environmental objectives;
- respect for the social minimum safeguards.

Indeed, aside from verifying compliance with technical criteria, the organisation must prove through the procedures enacted that it guarantees compliance with the OECD guidelines for multinational companies and the United Nations guiding principles on companies and human rights, including the principles and rights established by the eight fundamental conventions identified in the declaration of the International Labour Organisation on fundamental principles and rights at work and the International Declaration of Human Rights.

In order to meet the regulation's requirements, in 2022 the Group continued the analyses of its eligible activities, to understand whether and which ones may be considered aligned as well. To do this, it evaluated the technical screening criteria, the DNSH criteria and the Social Minimum Safeguards.

After concluding these analyses, a high level of respect for the technical screening criteria was found. Indeed, the Group is continuously investing in the development of the use of alternative energies and engaging in significant partnerships in the gas and hydrogen segments, while at the same time providing concrete and effective responses to environmental sustainability issues.

With respect to the assessment of the DNSH criteria and the requirements relating to Social Minimum Safeguards, the analysis performed showed that they have been deployed via specific actions and that they are aspects that are taken into consideration in business activities. However, several criteria were not formalised in policies and procedures, so, in order to guarantee the utmost respect for the Taxonomy Regulation 852/2020, the Group deems it appropriate to perform additional in-depth analyses concerning the assessment of its aligned activities.

Methodology

Identification of eligible activities

The first phase of the process identified, through an analysis of the activities included in the Taxonomy Regulation, those applicable to the Group's business considering the description provided by the annexes to the Regulation and the potentially applicable NACE codes.

On the basis of these analyses, the Group's activities that may contribute to the achievement of the *climate change mitigation and adaptation* objectives are:

	Description of Taxonomy-Eligible activity	Applicable KPI	Reference consolidated financial statement item
3.1	**Manufacture of renewable energy technologies**	Turnover	**Net Sales Revenues**
		CapEx	**Tangible fixed assets**
		OpEx	**Production operating expenses - general services, industrial services and raw**

			material costs.
3.2	**Manufacture of equipment for the production and use of hydrogen.**	Turnover	**Net Sales Revenues**
		CapEx	**Tangible fixed assets**
		OpEx	**Production operating expenses - general services, industrial services and raw material costs**

In this context, please note that the clarifications and interpretations of the regulation provided by the EU Commission in the FAQs published in December 2022 explained that if costs and investments in research and development activities are an integral part of the economic activity contemplated by the annexes to the Climate Delegated Act, they should be counted directly as part of the reference economic activity. As a result, the Group allocated research and development costs, previously classified as inherent in activity 9.1, to the economic activity to which such research (as performed for product technological innovation purposes) is aimed, or activity 3.1 concerning the manufacture of renewable energy technologies and activity 3.2 regarding the manufacture of technologies for the use of hydrogen. Therefore, activity 9.1 is no longer included within the Group's eligible activities in reporting for the year 2022.

Definition of the scope

On the basis of what is required by the Regulation, the percentages of eligible and aligned activities were calculated for the year 2022 and include all Group companies consolidated on a line-by-line basis.

Calculation of KPIs

On the basis of the Group's Consolidated Financial Statements as at 31 December 2022 (the "Financial Statements"), for each eligible activity identified, the percentage of turnover, capital expenditure (CapEx) and operating expenses (OpEx) was calculated with respect to the respective total values.

Calculation of the proportion of turnover

As set forth in the Regulation, the proportion of eligible turnover represents the portion of net revenues deriving from services or products, including intangible, deriving from taxonomy-aligned economic activities divided by total net revenues. For the year 2022, the Group performed the following activities for the production of goods or services considered taxonomy-eligible:

- activity "**3.1 Manufacture of renewable energy technologies**", specifically with reference to the sale of devices that can use biomethane;
- activity "**3.2 Manufacture of equipment for the production and use of hydrogen**", with specific reference to the sale of devices that can use hydrogen.

Starting from Net Sales Revenues, in order to identify the proportion deemed taxonomy-eligible, the proportion of revenues relating to the sale of devices that use LPG was subtracted, as it was not deemed eligible.

Calculation of the proportion of capital expenditure (CapEx)

The CapEx KPI was calculated by dividing the value that includes eligible capital expenditure by the value in the denominator constituting total capital expenditure.Specifically, to calculate CapEx, the numerator is represented by additions to eligible tangible and intangible fixed assets and rights of use during the year, before amortisation and depreciation and any revaluations and excluding changes due to fair value. On the other hand, the denominator includes total capital expenditure and increases in rights of use, before amortisation and any revaluations, and excluding changes due to fair value.

For the year 2022, the Group incurred the following capitalised costs deemed taxonomy-eligible:

- activity "**3.1 Manufacture of renewable energy technologies**", specifically with reference to investments regarding the design and manufacture of devices that can use biomethane;
- activity "**3.2 Manufacture of equipment for the production and use of hydrogen**", with specific reference to investments regarding the design and manufacture of devices that can use hydrogen.

Calculation of the proportion of operating expenses (OpEx)

The OpEx KPI was calculated by dividing the value that includes the share of eligible operating expenses by the value in the denominator constituting total operating expenses.Specifically, to calculate OpEx, the numerator is represented by the total value of uncapitalised indirect research and development costs and any other direct expense relating to the maintenance and ordinary repair of property, plant and equipment necessary to guarantee the continuous and effective functioning of such activities.On the other hand, the denominator consists of the total value of the above-mentioned costs.

For the year 2021, the Group incurred the following operating expenses deemed taxonomy-eligible:

- activity "**3.1 Manufacture of renewable energy technologies**", specifically with reference to maintenance and repair expenses, for property, plant and equipment, relating to the plants that manufacture devices that can use biomethane;
- activity "**3.2 Manufacture of equipment for the production and use of hydrogen**", specifically with reference to maintenance and repair expenses, for property, plant and equipment, relating to the plants that manufacture devices that can use hydrogen.

The results of these assessments are illustrated in summary form in the following table and exhaustively in the tables provided in the Appendix which respect the templates set forth in Annex II to EU Regulation 2021/2178.

KPI	Total (kEUR)	% of taxonomy-aligned activities	% of taxonomy-eligible activities (aligned and non-aligned)	% of taxonomy-non-eligible activities

Turnover	**306,297**	**0%**	**51.5%**	**48.5%**
CapEx	**7,442**	**0%**	**57.3%**	**42.7%**
OpEx	**2,200**	**0%**	**90.9%**	**9.1%**

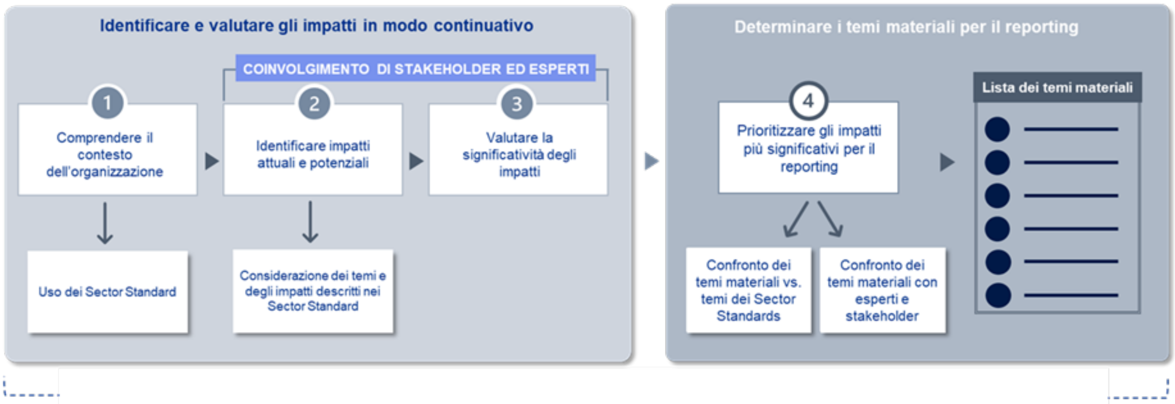
The analyses were performed on the basis of currently available interpretations of Taxonomy regulations, as well as taking into account when possible the official clarifications provided by the EU Commission concerning the practical application of the regulation, in addition to the preparation of the relative disclosures. In this context, consistent with the evolution of interpretations and regulatory requirements, the information presented in this chapter may be subject to additional updates and revisions.

With regard to the disclosure pursuant to Art. 8, paragraphs 6 and 7 of Delegated Regulation (EU) 2021/2178, which requires the use of the templates provided in Annex XII for the communication of activities linked to nuclear energy and fossil gases, note that all of those templates have been omitted as they are not representative of the company’s activities.

Governance and Sustainability

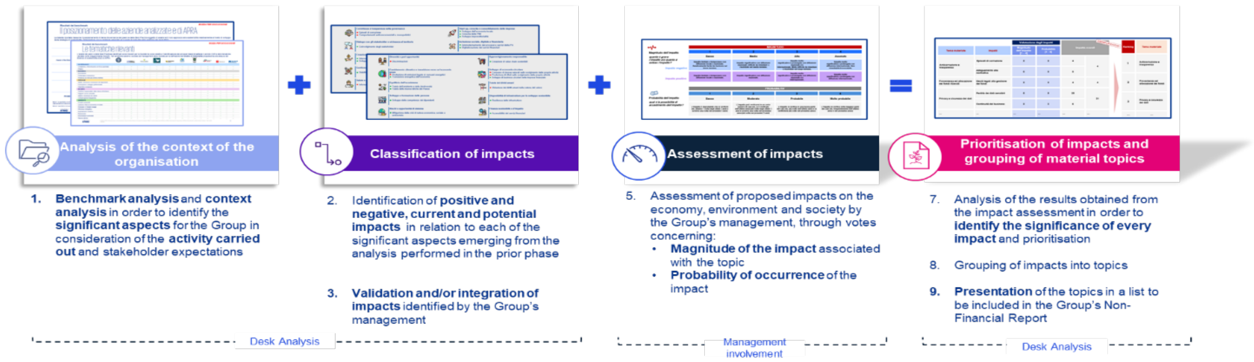
Significant impacts for the Landi Renzo Group

Again for 2022, the Group 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. This analysis was performed considering the **GRI 3 - Material Topics** Standards, which provide a guide for the process of identifying material topics, defining a new element, or a focus on the impacts generated by the company and their prioritisation. The GRI Universal Standards 2021 concentrate on the impacts (positive, negative, current and potential) of organisations on the economy, the environment and people, including those on human rights. In the revised standards, "material topics" are defined as those topics that represent the most significant impacts, superseding the materiality "matrix" concept in favour of a list (also in macro-categories) prioritising the material topics and the threshold established for reporting, set on the basis of the evaluation of the most significant impacts.



Identification of material topics

To update the material topics, we used a methodological approach based on the new elements introduced by the **GRI 3 – Material Topics** standard.



The process was broken down into four distinct phases:

1. **Analysis of the reference context**
   - An internal, benchmarking and context analysis was carried out in order to identify the significant aspects for Landi Renzo in consideration of the activity carried out, business relationships and the sustainability context in which the company operates, as well as stakeholder expectations.
   - Starting from a comparison with the analysis performed last year, the aspects relating to each material topic were verified.
2. **Classification of impacts**
   - The positive and negative, current and potential impacts were identified in relation to each of the significant aspects emerging from the analysis performed in the prior phase.
   - The impacts identified were validated and integrated, with the involvement of the Landi Renzo management.
3. **Assessment of impacts**
   - One-to-one interviews were carried out with the Landi Renzo management in order to evaluate impacts through a vote concerning the Magnitude of the impact associated with the topic and the Probability of occurrence of the impact.
4. **Prioritisation of impacts and grouping of material topics**
   - The assessments thus obtained were aggregated in order to obtain a value for each topic (as the product of the magnitude and the probability of the individual risks and opportunities relating to the same topic) in order to identify the significance of each impact and the prioritisation.

Identification of internal stakeholders

The assessment of the impacts identified for each material topic was carried out through one-to-one interviews with the first lines of the company, which evaluated the impacts relating to their own area of competence, providing an assessment for each material topic on the basis of the impacts it may generate on the economy, the environment and people.

Specifically, twelve members of the Landi Renzo management were asked to express an assessment on the magnitude and probability of the proposed impacts on the economy, people and the environment from the inside-out perspective. As regards magnitude, the assessment drivers were the scope, significance and remediability of the impacts, while for the probability, they referred to the period of time within which the impact took place or is likely to take place (e.g., more than 10 years, between 3 and 5 years).

IMPACT ASSESSMENT

| Parties involved

- Management

| Assessment drivers

Each of the parties involved will be asked to express the **probability** and **severity** of the proposed **impacts** on the economy, people and the environment:

- *"Do you believe that, through its activities, Landi Renzo generates an impact **on the economy, people** and the **environment**?"*
- *"With what **probability**?"*
- *"With what **severity**?"*

The impacts of Landi Renzo

A description is provided below of the **material topics** and the **positive and negative impacts** identified.

Material topic	Description of the topic	Main impacts generated
Environmental protection in terms of the efficient use of resources and the reduction of atmospheric emissions	Guaranteeing efficient management of production activities with a view to limiting environmental impact, particularly with reference to greenhouse gas emissions.	Negative impacts on the environment deriving from the generation of CO2 emissions in the performance of activities and throughout the value chain.
Spread of sustainable mobility infrastructure	Creating an infrastructure which allows for sustainable mobility, making it possible to reduce polluting and greenhouse gas emissions.	Positive impacts in terms of reducing GHG and non-GHG emissions.
Offer of eco-efficient/Carbon neutral products	Development of products that use renewable and therefore eco-efficient energies.	Positive impacts in terms of reducing GHG and non-GHG emissions.
Occupational Health and Safety	Promoting working conditions that guarantee full respect for the right to health and protection of the physical and mental integrity of employees and collaborators (e.g., contractors, suppliers, temporary staff).	Spread of the culture of safety and prevention amongst employees and collaborators through adequate protection measures capable of mitigating negative impacts due to accidents at work and occupational illnesses.
Equal opportunities, diversity and inclusion	Guaranteeing equal opportunities to all workers, favouring an inclusive culture in the work environment and not tolerating forms of discrimination.	Spread of the D&I culture and enhancement of equal opportunities, with positive impacts on the people of the Landi Renzo Group, minorities and society in general.
Professional enhancement, training and competence development	Growing and professionally promoting employees through training and development activities for the consolidation and transfer of skills.	Development of personnel and effective management of professional enhancement with positive impacts on well-being widespread amongst its people and collaborators, the development of innovative and sustainable ideas and improvement of

		employee attraction and retention.
Support for the general public	Support for local areas with initiatives to support the general public and local institutions, in addition to strengthening relationships with the various local players through partnerships, specific projects, etc.	Guaranteeing access to mobility to less affluent people as well, thanks to the use of lower price fuel, especially in low-income countries.
Supplier management	Responsible supply chain management	Evaluation and management of negative environmental/social impacts throughout the supply chain and positive impacts in terms of supplier transparency and traceability.
Quality, reliability and safety of products and services	Ensuring continuous oversight of service quality, while also guaranteeing safe and reliable products and services.	Negative impacts relating to product non-compliance with quality and safety standards.
Technological innovation of processes and/or products	Meeting customer needs through technological process and/or product innovation. products capable of responding to emerging trends in the reference sector.	Development of innovative eco-efficient and carbon neutral hydrogen and biogas products, with a resulting positive impact on the environment and the community.
Customer engagement and satisfaction	Guaranteeing a constant commitment to meeting the needs of all customers by offering quality products and services.	Adequate disclosure to customers (for example, marketing activities, product labelling) which allows customers to take informed and aware decisions.
Ethics and integrity	Ensuring the presence of the measures necessary to avoid the occurrence of cases of corruption, including training and awareness-raising initiatives on the topic.	Spread of a culture of ethics, integrity and transparency, mitigating any negative impacts deriving from offences of corruption and bribery and lack of transparency and accuracy in accounting.
Consolidation of sector leadership	Expansion into international markets, enabling consolidation of leadership.	Contribution to the reduction of GHG emissions by selling eco-efficient products in international markets.

The positive and negative, current and potential impacts identified which may influence the creation of value for the company are set forth below. The topics were classified in nine categories: **environment**, **human resources**, **local communities**, **supply chain**, **products**, **innovation**, **customers**, **institutions** and **economic performance**.

The list below is the result of the analysis just described.

TOPICS WITH NEGATIVE IMPACTS

	Inside-out
Environmental protection in terms of the efficient use of resources and the reduction of atmospheric emissions	12.0
Occupational Health and Safety	12.0
Customer engagement and satisfaction	9.0
Quality, reliability and safety of products and services	6.2
Supplier management	6.0
Equal opportunities, diversity and inclusion	3.0
Ethics and integrity	1.0

TOPICS WITH POSITIVE IMPACTS

	Inside-out
Consolidation of sector leadership	16.0
Product technological innovation	16.0
Professional enhancement, training and competence development	16.0
Customer engagement and satisfaction	14.6
Ethics and integrity	14.0
Support for the general public	14.0
Spread of sustainable mobility infrastructure	14.0
Offer of eco-efficient/Carbon neutral products	12.0
Occupational Health and Safety	12.0
Equal opportunities, diversity and inclusion	12.0
Supplier management	12.0
Environmental protection in terms of the efficient use of resources and the reduction of atmospheric emissions	4.0

KEY

- ENVIRONMENT
- HUMAN RESOURCES
- PRODUCT
- LOCAL COMMUNITIES
- SUPPLY CHAIN
- INNOVATION
- CUSTOMERS
- INSTITUTIONS
- ECON. PERFORMANCE

The data are presented by dividing the assessments of negative impacts from those of positive impacts, prioritised. However, for reasons of methodological compliance with the GRI, both tables present the complete list of all material topics subject to assessment, net of the type of impact (positive and/or negative) associated with each of them in the identification phase.

In light of these criteria, the most material topics with positive impacts are therefore:

- Consolidation of sector leadership
- Product technological innovation
- Professional enhancement, training and competence development
- Customer engagement and satisfaction
- Ethics and Integrity

In light of these criteria, the most material topics with negative impacts are therefore:

- Environmental protection in terms of the efficient use of resources and the reduction of atmospheric emissions
- Occupational health and safety

Correlation between material topics and aspects of Italian Legislative Decree 254/2016

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	Material topic	Aspects of the GRI Standards	Paragraph reference and reference to the relative documents

254/2016			
Personnel	*Compliance and risk management*	-	▪ Main non-financial risks
Personnel	*Policies and procedures for managing the identified risks*	Management of material topics (3-3)	▪ 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 (2-7; 2-9; 405-1)	▪ Corporate Governance ▪ HR management and structure ▪ Human rights, diversity and equal opportunities ▪ Corporate Governance and Ownership Report
Human rights	*Compliance and risk management*	-	▪ Main non-financial risks
Human rights	*Policies and procedures for managing the identified risks*	Management of material topics (3-3)	▪ Human rights, diversity and equal opportunities
Human rights	-	Non-discrimination (406-1)	▪ Human rights, diversity and equal opportunities
Social	*Compliance and risk management*	-	▪ Constant focus on quality (Consumer health and safety)
Social	*Policies and*	Management of	▪ Constant focus on quality

	procedures for managing the identified risks	material topics (3-3)	▪ 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	Research and 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 (2-29) 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	Anti-corruption (205-3)	▪ Communication with authorities and institutions and active participation in sustainable development ▪ Corporate Governance
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 (2-22)	▪ 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*	-	▪ Main non-financial risks
Supply chain	*Policies and procedures for managing the identified risks*	Management of material topics (3-3)	▪ Suppliers

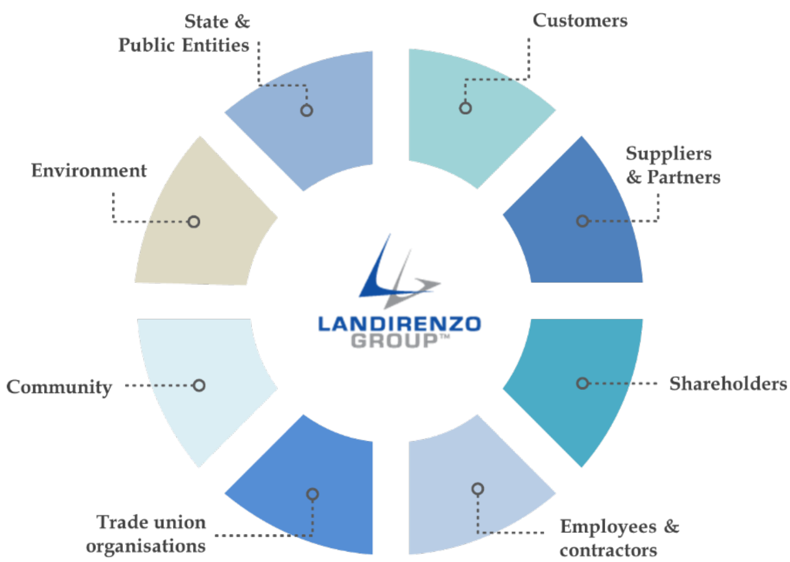
Supply chain	Supplier management	Procurement practices (204-1) General disclosure (2-6)	▪ Suppliers ▪ Enhancing the local economy
Environment	*Compliance and risk management*	-	▪ Main non-financial risks
Environment	*Policies and procedures for managing the identified risks*	Management of material topics (3-3)	▪ 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 (306-1; 306-2; 306-3)	▪ 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
Environment	Spread of sustainable mobility infrastructure	(*)	▪ Reference business: eco-mobility ▪ 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*	-	▪ Main non-financial risks
Fight against corruption	*Policies and procedures for managing the identified risks*	Management of material topics (3-3)	▪ 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.

Stakeholder engagement

To establish and maintain lasting relationships with stakeholders, it is fundamental to analyse their various requirements in order to establish mutually favourable agreements and interests based on transparency, trust and consent to decisions.

Our stakeholders



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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.

Occupational Health and Safety

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. To control these risks, in 2010 Landi Renzo S.p.A. adopted an Occupational Health and Safety Management System (OHSMS) and Policy. For Safe

S.p.A., the company's occupational health and safety management is implemented to meet legal requirements. Currently there is no health and safety management system; this system will be implemented and certified in the course of 2023 pursuant to the ISO 45001 standard. The Company manages risks relating to occupational health and safety by defining a safety organisational chart which shows the appointment of a Safety Manager, who reports to the employer, an external Health and Safety Manager, an internal Health and Safety Officer, safety managers and supervisors, in addition obviously to the compulsory figures devoted to emergency management. This organisation also concerns the activities carried out outside the company scope at customer or supplier locations.

In accordance with the requirements of Italian Legislative Decree 81/2008, the Company Metatron S.p.A. formed a cohesive, detailed body of work instructions and procedures covering all safety activities (safety training, working methods, the use of personal protection equipment etc.), and goes into greater detail for activities that involve specific risks. The system is based on accurate risk mapping performed through the Risk Assessment Document with an analysis of the main risks and the measures to be adopted for their prevention.

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").

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 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.

Corruption

The Group operates in countries with a risk of corruption which is medium-high (Italy, Brazil, Romania, Colombia and Peru) and high (China, India, Iran, Argentina and Pakistan). With the extension of the Group's scope to the subsidiaries Metatron and SAFE&CEC, and in particular for the latter, the risk, originally limited only to corruption between private parties now extends to public counterparties as well.

To control this risk, Landi Renzo S.p.A. has introduced a whistleblowing process, which will soon be extended to all Group companies, by activating and making available to all 231 Model recipients 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"). Although Safe S.p.A. has not established a whistleblowing channel, it has adopted a Code of Ethics which governs the behaviours to be adopted by employees, also in order to prevent corruption.
No episodes of corruption were found in 2022.

Personnel management

The Group 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 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).
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.

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, Brazil, Peru and Colombia. In other countries, such as Poland, there is a dedicated telephone line to take reports from employees. For the Landi Renzo Group and the Company Safe S.p.A., these activities are subject to the control of the Supervisory Body, which has set up a specific whistleblowing channel of which all Model addressees have been informed. In this regard, the following email addresses can be used for the respective Companies: organismo_vigilanza@landi.it and odv@safegas.it.
In addition, for the Landi Renzo Group, the whistleblowing channel 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").
The Company Metatron S.p.A. follows national and international directives as concerns human rights, which are constantly monitored.
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 Corporate Governance Code drawn up by the Committee for the Corporate Governance of listed companies. 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 2022, the Shareholders' Meeting appointed the new Board of Directors for 2022-2024, 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.

Board of Directors

Name	Age	Sex	Executive/Non-executive	Independence
Landi Stefano	64	M	Executive	
Musi Cristiano	48	M	Executive	
Landi Silvia	62	F	Non-executive	
Fornasiero Sara	54	F	Non-executive	Yes
Iasi Sergio	64	M	Non-executive	
Lucchini Massimo	49	M	Non-executive	
Landi Andrea	38	M	Non-executive	Yes
Morassi Pamela	45	F	Non-executive	Yes

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 ***Appointment and 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 Executive 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 Appointment and Remuneration Committee consists of three directors, i.e. Ms Pamela Morassi, Ms Anna Maria Artoni and Mr Massimo Luchini. 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 Appointment and 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, Risks and Sustainability Committee*** ensures that the assessments and decisions made by the Board of Directors regarding the Internal Control 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, namely Sara Fornasiero as Chairperson, Sergio Iasi and Anna Maria Artoni.
- 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. This Committee consists of three Independent directors, Sara Fornasiero as Chairperson, Anna Maria Artoni and Pamela Morassi.

- **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 2022 and will remain in office until the approval of the financial statements on 31 December 2024.

Board of Statutory Auditors

Name	Age	Sex	Executive/Non-executive
Zucchetti Fabio	56	M	Executive
Rizzo Diana	63	F	Executive
Guarna Luca Aurelio	50	M	Non-executive

Internal Control and Risk Management System (ICRMS)

The ICRMS of the Landi Renzo Group 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 identifies 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, Risks and Sustainability 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 control and risk management system is to help the Landi Renzo 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), compliance (related to compliance with existing legislation and regulations to avoid damage to the company's reputation and/or financial losses). In response, the Internal Audit Department has carried out a risk mapping activity for Landi Renzo and for the equity investments that have recently been consolidated. This is then evaluated by the Control and Risks Committee, the Board of Statutory Auditors and the Supervisory Body. Based on the risk map, and according to the level of risk represented in it, Group Internal Audit conducts specific audits (which are identified in the risk based Audit Plan). The findings are then reported as necessary to the Control and Risks 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 of the Landi Renzo Group assesses the effectiveness and suitability of the internal control 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 Board of Directors of Landi Renzo S.p.A. (hereinafter, "**Landi Renzo**" or the "**Company**") adopted its "Organisation, Management and Control Model" ("**231 Model**") in accordance with Italian Legislative Decree 231/2001 ("**Decree**") on 20 March 2008. A Supervisory Body ("**SB**") was also appointed, which has its own budget and was assigned the duty of supervising the functioning and observance of the 231 Model, which currently consists of Jean-Paule Castagno (Chairman), Domenico Sardano (external member) and Filippo Alliney (external member and head of the Internal Audit Department).

The 231 Model - drafted following adequate preliminary work, aimed at preparing the mapping of areas at "risk of an offence" and reinforcing existing controls, in compliance with the guidelines issued by Confindustria (Italian industry confederation) and in accordance with the relevant case law - sets out a series of standards for behaviour, procedures and management activities, in addition to powers and mandates designed to prevent the offences expressly outlined in the Decree.

Following its adoption in 2008, the Model was periodically updated in order to incorporate regulatory updates concerning the predicate offences of administrative liability pursuant to the Decree.

Following the in-depth corporate reorganisation, at the proposal of the SB, a revision of the 231 Model was planned in order not only to incorporate the regulatory changes that took place in the meantime but, moreover, to formalise the current controls specifically with reference to relevant business processes, in order to continue to fulfil the requirements of soundness and functioning of the internal control system over time in light of the Group's changed operating conditions; this revision will also take into account the results of the new Strategic Plan as well as evolutions in the market context caused by COVID-19.

As far as the whistleblowing system is concerned, in accordance with Italian Law 179 of 30 November 2017 – entitled "Provisions to safeguard persons reporting offences or irregularities they receive knowledge of in connection with public or private working relations" and in keeping with current national and international best practices – the "*Procedure for the management of reporting to the supervisory body (whistleblowing)*" was adopted, subject to specific training for all Company representatives. Furthermore, in compliance with that procedure, on one hand, an ad hoc email address, disclosed to all recipients of the 231 Model and visible in the Investor Relations section of the website www.landirenzogroup.com, has been activated, while on the other hand a series of "physical" mailboxes have been installed for the submission of reports. These channels allow all employees and collaborators to write and make reports, even anonymously, directly to the SB, by encouraging the reporting of illegal acts or violations of the 231 Model. During the current year, no reports regarding the offence of corruption were received by the SB. Safe S.p.A. (hereinafter, "**Safe**") also has its own 231 Model, the effectiveness and suitability of which is evaluated by the SB, consisting of Jean-Paule Castagno (Chairman), Sara Fornasiero (external member) and Pasquale Grella (external member).

The SB of the Company sends the Board of Directors, the Board of Statutory Auditors and the Control, Risks and Sustainability Committee a written report every six months on actual knowledge and implementation of the 231 Model as well as the supervisory activities carried out. 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. The SB coordinates its audit plan with that of the Internal Audit Department, receiving periodic updates.

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

Specifically with regard to corruption, all internal divisions of the Landi Renzo Group operating in Italy underwent an assessment, and were thus included in the risk mapping activity conducted by Internal Audit.

Over the next three years, Internal Audit's monitoring will also include Safe S.p.A. and Metatron S.p.A., which just recently joined the Group.

Also as part of activities intended to strengthen the internal control system and consolidate a corporate culture meant to prevent the risk of offences, Landi Renzo and Safe have their own Code of Ethics which expresses the corporate conduct principles that must inspire every part of the production process and must be constantly observed in partnership and collaboration relationships as well as commercial dealings, also illustrating the rules of conduct aimed at preventing the commission of offences and all conduct conflicting with the Company's values.

The Code of Ethics was appropriately shared with all representatives of the Landi Renzo Group by email. Every update is distributed via an email communication sent directly by the Chairman.

Reports concerning any breaches of the 231 Model and the Code of Ethics are received and processed exclusively by the SB.

Furthermore, an e-learning module has been activated in order to ensure that all Company representatives receive periodic training.

The Metatron Group has also adopted a Code of Ethics and implements training and communication programmes to ensure that employees are fully aware of and understand the Code of Ethics.

Cyber Security, an integral part of the business

Cyber security has become a veritable priority and a commonplace topic, with increasingly frequent cyber attacks caused by the pervasiveness of technological instruments and their now irreplaceable use. Any company across every sector is increasingly more exposed to risks deriving from hacker attacks and phishing. These critical situations can be identified at individual as well as company level, so companies need to set up essential oversight mechanisms to boost their capacity to respond and defend themselves, including organisational, technological and awareness-raising measures. Specifically, the Group had adopted a number of security measures:

- Antivirus, antispam and Firewall updated to version v.10.01.
- Remote access permitted only via a secure channel (VPN and MPLS).
- Daily backups on Storeonce HPE and exported to magnetic tape monthly.
- Company policy distributed to personnel, which includes the proper use of the IT system.
- Organisation of activities to increase awareness concerning the prevention of phishing attacks.
- Operating instructions that govern the management of the IT system (disaster recovery).

In any event, as Landi Renzo was recently struck by a hacker attack, in addition to the measures listed above it promptly activated an incident response task force consisting of two companies specialised in IT security that worked on cleaning up the system, which they restored in its entirety using backup data.

Furthermore, as soon as it understood that it had been subject to a cyber attack, the company was isolated from the outside to investigate what had taken place. The task force of experts confirmed the full integrity of the backup systems, which made it possible to significantly reduce the impact of the damage.

Landi Renzo informed all applicable institutional offices of the event and took the necessary measures to protect the interests of the company, implementing the required actions to remediate the cyber attack, protect the data of customers, suppliers, employees and collaborators and also prevent the occurrence of similar events in the future. It was the Hive hacker group that breached the servers of the Reggio Emilia corporate giant, the same one that also struck Trenitalia and Rete Ferroviaria Italiana. The attackers connected to the infrastructure using unlawfully obtained VPN credentials. Following the analyses performed by the CTI (Cyber Threat Intelligence) team, an exfiltration of data present in the IT system, which also included personal data, was confirmed. The breach did not concern the cloud IT system used to manage the employee payroll. Fortunately, the infrastructure and personal data were restored from the backup, therefore the loss of availability was exclusively temporary.

Following the hacker attack, the company decided to adopt cybersecurity measures above and beyond those already in place. In particular:

- Installation of xEDR Cynet software on all company computers and servers;
- Activation of a Security Operation Centre (SOC) active 24/7 which monitors any anomalous activity on the network, also thanks to Cybet and an SIEM platform. In the event of an attack, the SOC intervenes in real time, isolating the compromised part of the infrastructure;
- Multi-factor authentication for remote connections via VPN;
- Activation of a CTI service to scan the dark web and identify potential exchanges of data relating to the Landi network (e.g., access credentials, description of vulnerabilities);
- Red Team to regularly perform Vulnerability Assessments, aimed at identifying vulnerabilities that need to be promptly remedied, to prevent potential malicious access to the company network;
- Infrastructure assessment to update the back-up infrastructure and the relative policies in order to guarantee additional security and rapid restoration times in the case of disaster recovery;
- Adoption of a new antispam software and migration of email servers (Exchange) to the cloud;
- Review of the password policy for accessing the domain, increasing the length of the passwords required and decreasing the possibility of reusing an old password.

People

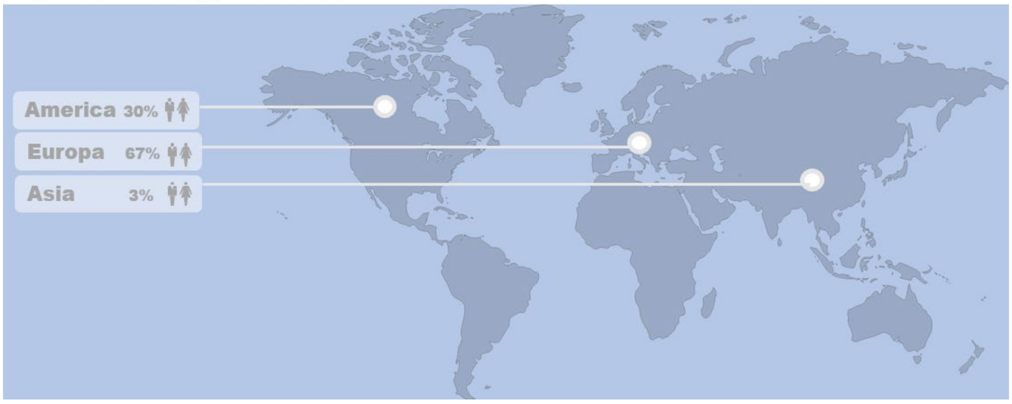
People

Our Progress

87% of staff were hired on permanent contracts

LANDIRENZO

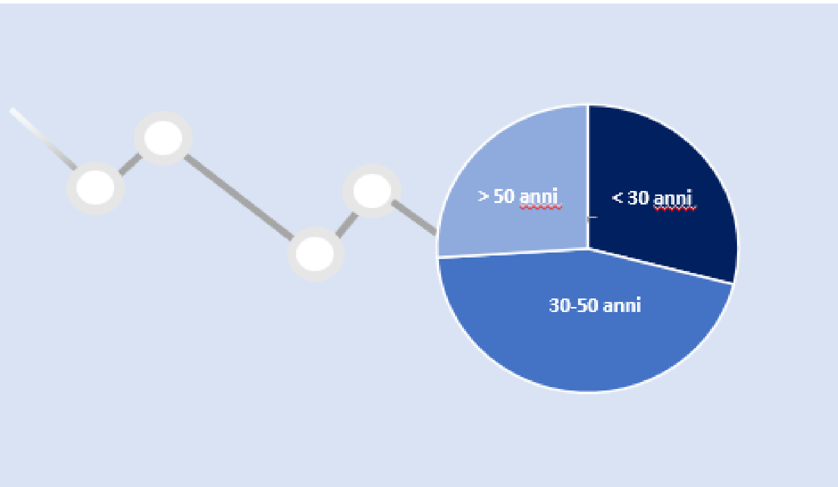
I dipendenti del Gruppo nel mondo…



33

Contracts transformed from fixed term to permanent

The Group's employees by age group…



The value that we create for…

Our people

The creation of a stimulating and cooperative work environment that appreciates individual skills is crucial in our personnel management policy

Human Resources

The 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

With the conviction that success also depends on its people, the Group encourages a recruitment policy that prioritises the search for young candidates with significant potential who are offered stimulating development paths.

The Landi Renzo Group manages the personnel recruitment process through the People Strategy Department. At the start of the year, the staffing requirements for the entire Landi Renzo Group are identified, and one or more recruitment channels are chosen for each position. The main sources are recruitment firms, schools, universities, professional technical institutes, LinkedIn 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.

The recruitment policy adopted by Metatron S.p.A. calls for the identification of figures to be hired through collaboration between the management and the heads of the entity. Once the new profile to be hired is outlined, it is shared with the recruitment companies and at the same time, spontaneously submitted applications are also viewed. In the second place, the CVs received from recruitment firms are analysed internally, and meetings are scheduled. During meetings, based on the role of the person to be hired, the personal and professional qualities and company expectations concerning the role in question are analysed in detail. The selection process concludes with a final step of candidate interviews.

As concerns Safe S.p.A., the personnel recruitment process is managed by the HR Department. Once the company's needs are identified, the figure sought is introduced via the main recruitment sources and at the same time, the spontaneous applications submitted are viewed. Afterwards, interviews are held and motivational and technical tests are given to evaluate the technical profile and potential of each candidate. The selection process ends with the preparation by the HR Department of a short list, which is provided to the

Department Director who will proceed with candidate interviews and select the most suitable person for the role.

Also thanks to recent acquisitions, at the end of 2022 the Group had 935 employees. During the year 2022, the Group's average workforce was more than 900 people.

Number of employees by geographical region and gender

GROUP EMPLOYEES BY GEOGRAPHICAL REGION AND GENDER	2022			2021			2020		
	Male	Female	Total	Male	Female	Total	Male	Female	Total
Italy	303	164	**467**	317	183	**500**	183	135	318
Europe (excluding Italy)*	127	31	**158**	129	35	**164**	124	29	153
Asia**	22	7	**29**	30	15	**45**	28	10	38
America***	229	52	**281**	230	48	**278**	27	11	38
Total	**681**	**254**	935	**706**	**281**	987	**362**	**185**	**547**

** Poland and Romania*
*** Pakistan, Iran and China*
****USA, Colombia, Brazil, Peru, Canada and Argentina*

Number of employees and contractors by gender

WORKFORCE BY GENDER - EMPLOYEES AND CONTRACTORS	2022			2021			2020		
	Male	Female	Total	Male	Female	Total	Male	Female	Total
Employees	681	254	**935**	706	281	987	362	185	547
Temporary agency staff*	119	74	**193**	101	46	147	41	23	64
Other contract types**	2	2	**4**	7	3	10	7	0	7
Total	**802**	**330**	**1,132**	**814**	**330**	**1,144**	**410**	**208**	**618**

*The information for the year 2022 refers to the Companies: Landi Renzo S.p.A, Landi Renzo Polska Sp.Zo.O, Safe S.p.A, Metatron S.p.A., IMW Industries LTDA Colombia.
** The information for the year 2022 refers to the Companies: Landi Renzo Pars Private Joint Stock Company, IMW Industries LTDA Colombia, Landi Renzo S.p.A.

Approximately 87% of staff were hired on **permanent contracts**, which confirms the positive situation within the Group. In 2022 the average **length of service** was **7.03 years**.

Number of employees by contract type and gender

EMPLOYEES BY CONTRACT TYPE AND GENDER	2022			2021			2020		
	Male	Female	Total	Male	Female	Total	Male	Female	Total
Permanent	578	235	**813**	596	251	**847**	269	166	**435**
Temporary	103	19	**122**	110	30	**140**	93	19	**112**
Total	**681**	**254**	**935**	**706**	**281**	**987**	**362**	**185**	**547**
Contracts that became permanent	25	8	33	28	7	35	1	0	1

* The number of employees for the type "hours not guaranteed" is 0.

Number of employees by contract type and geographical region

EMPLOYEES BY CONTRACT TYPE AND GEOGRAPHICAL REGION	2022			2021			2020		
	Permanent contract	Temporary contract	Total	Permanent contract	Temporary contract	Total	Permanent contract	Temporary contract	Total
Italy	467	1	468	498	2	500	316	2	318
Europe (excluding Italy)*	87	70	157	82	95	177	73	80	153
Asia**	7	28	35	10	22	32	9	29	38
America***	252	23	275	257	21	278	37	1	38
Total	**813**	**122**	**935**	**847**	**140**	**987**	**435**	**112**	**547**

** Poland and Romania*
*** Pakistan, Iran and China*
****USA, Colombia, Brazil, Peru, Canada and Argentina*

In terms of employee categories, **clerical workers** are the main category at roughly 50% of the total, followed by manual workers (roughly 32%).

Number of employees by professional category and gender

EMPLOYEES BY PROFESSIONAL CATEGORY AND GENDER	2022			2021			2020		
	Male	Female	Total	Male	Female	Total	Male	Female	Total
Senior managers	66	39	105	34	6	41	12	2	14
Middle managers	50	13	63	70	15	84	50	9	59
Clerical workers	347	121	468	335	139	473	142	79	221
Manual workers	218	81	299	267	121	389	158	95	253
Total	**681**	**254**	**935**	**706**	**281**	**987**	**362**	**185**	**547**

Employee percentage by level of education and gender

EMPLOYEES BY LEVEL OF EDUCATION AND GENDER	2022			2021			2020		
	Male	Female	Total	Male	Female	Total	Male	Female	Total
Bachelor's Degree/Master's Degree	179	64	243	184	73	257	99	46	145
High school diploma /Qualification	347	105	452	314	105	419	228	76	304
Middle school diploma	157	83	240	119	85	204	35	63	98
Total	**683**	**252**	**935**	**617**	**263**	**880**	**362**	**185**	**547**

2021 data for IMW Industries LTD Canada is not available

The 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 26% of employees have a *lower middle school diploma*, 26% have a *university degree*, and 48% have an *upper middle school diploma*.

The more junior categories engage with the Group business via *work experience and apprenticeship* schemes. ***22 work experience schemes*** were set up in 2022 and were mainly implemented at the Group's Italian sites; this figure is slightly up on previous years, as it takes into account the recent acquisitions as well.

The average age of employees during the year was **40.2** years. Indeed, there is a prevalence of staff in the 36-50 age range (45% of total employees).

Number of employees split by age

EMPLOYEES SPLIT BY AGE	2022	2021	2020
18-35	272	303	134
36-50	424	459	272
>50	239	225	141
Total	**935**	**987**	**547**

Turnover

In 2022, 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.

In the course of 2022, there were 168 new employees, including 136 men and 32 women. In terms of age, the new hires consisted of 97 employees between 18 and 35 years of age, 55 aged between 36 and 50, and 16 above the age of 50.

Among the 223 employees who left the Group, there were 57 women and 166 men, 115 of whom were between 18-35 years old, 78 between 36-50 years old, and 30 over 50 years old.

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

EMPLOYEES RECRUITED BY AGE AND GENDER	2022 Total	%	2021 Total	%	2020 Total	%
18-35	97	58%	146	68%	30	55%
36-50	55	33%	55	25%	17	30%
>50	16	9%	15	7%	8	15%
Total	**168**	-	**216**	-	**55**	-

EMPLOYEES RECRUITED BY GEOGRAPHICAL AREA AND GENDER	2022				2021				2020			
	Male	Female	Total	%	Male	Female	Total	%	Male	Female	Total	%
Italy	31	11	42	25%	35	6	41	19%	10	2	12	23%
Europe (excluding Italy)*	20	0	20	12%	50	7	57	26%	29	8	37	67%
Asia**	12	4	16	9%	9	5	14	7%	3	0	3	5%
America***	73	17	90	54%	81	23	104	48%	2	1	3	5%
Total	**136**	**32**	**168**	-	**175**	**41**	**216**	-	**44**	**11**	**55**	-
Turnover rate (incoming employees)	**20%**	**13%**	**18%**		**25%**	**15%**	**22%**	-	**12%**	**6%**	**10%**	-

** Poland and Romania*
*** Pakistan, Iran and China*
****USA, Colombia, Brazil, Peru, Canada and Argentina*

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

FORMER EMPLOYEES BY AGE GROUP AND GENDER	2022 Total	%	2021 Total	%	2020 Total	%
18-35	115	52%	104	49%	40	52%
36-50	76	34%	66	32%	29	35%
>50	30	14%	39	19%	10	13%
Total	**221**	-	**209**	-	**79**	-

FORMER EMPLOYEES BY GEOGRAPHICAL AREA AND GENDER	2022				2021				2020			
	Male	Female	Total	%	Male	Female	Total	%	Male	Female	Total	%
Italy	44	30	74	33%	38	22	60	29%	19	4	23	29%
Europe (excluding Italy)*	23	3	26	12%	45	1	46	22%	45	2	47	60%
Asia**	6	4	10	4%	15	3	18	9%	2	0	2	2%
America***	93	20	113	51%	69	16	85	40%	3	4	7	9%
Total	**166**	**57**	**223**	-	**167**	**42**	**209**	-	**69**	**10**	**79**	-
Turnover rate (outgoing employees)	**24%**	**22%**	**24%**		**24%**	**15%**	**21%**	-	**19%**	**5%**	**14%**	-

** Poland and Romania*
*** Pakistan, Iran and China*
****USA, Colombia, Brazil, Peru, Canada and Argentina*

Human rights, diversity and equal opportunities

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. Work-life balance and equal opportunities are guaranteed through part-time employment contracts for the company SAFE S.p.A. 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 and flexible working agreements.

Aside from guaranteeing respect for diversity and equal opportunities, the Group has adopted a number of tools to promote the spread of respect for universal human rights and respect for local and national communities at Group level, via the adoption of the Group Code of Ethics, and at individual subsidiary level by defining specific Codes of Conduct or Regulations. Note that 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.
Lastly, based on the information available at the Group's head office, in 2022 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.)	2022			2021			2020		
	Male	Female	Total	Male	Female	Total	Male	Female	Total
Full-time	672	224	896	699	250	949	358	167	525
Part-time	9	30	39	7	31	38	4	18	22
Total	**681**	**254**	**935**	**706**	**281**	**987**	**362**	**185**	**547**

There are 41 people belonging to **protected categories** within the Group's Italian companies.
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.)	2022			2021			2020		
	Male	Female	Total	Male	Female	Total	Male	Female	Total
No. of employees belonging to protected categories	15	11	**26**	17	8	**25**	7	12	**19**

The figures refer to the Italian companies

Trade union relations and employment protection

The quality of industrial relations is a key issue for the Landi Renzo Group, whose aim is to build a collaborative, proactive 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 staff at the Landi Renzo Group's Italian companies are covered by the National Collective Labour Agreement for the metalworking industry. In the course of 2021, contractual harmonisation took place for the personnel who at the end of 2020 were transferred to Landi Renzo S.p.A. after the merger by incorporation of Lovato Gas S.p.A.; therefore, starting from 2021, the National Collective Labour Agreement for the metalworking industry has been applied.
For Landi Renzo S.p.A., a supplementary company agreement is in force which is valid for the 2021-2023 three-year period. Its conditions guarantee variable elements such as a performance bonus for all workers in addition to favourable conditions especially as regards other economic benefits like company welfare.
In the early months of 2022, discussions began with the trade unions concerning the company's decision to contract out the via Nobel warehouse; there were no impacts on workers, who maintained their employment

relationship in force with the company and were assigned to new working areas. During the discussions, the workers engaged in a strike for a few hours.

In addition, in October and November, the ordinary temporary lay-off scheme for extraordinary events was applied due to the hacker attack which temporarily blocked the entire IT structure and led to a temporary reduction in activities, especially in the production and logistics areas.

As concerns Safe S.p.A., the company has had second-level contracts in place since November 2017, when the first supplementary agreement, still in force, was signed, which defines more favourable conditions than the reference National Collective Labour Agreements.

The Managers and employees of the Safe S.p.A. companies are covered by the National Collective Agreement for Industrial Executives and the National Collective Agreement for the small and medium sized metalworking industry (Confapi).

All the staff of Metatron S.p.A. are covered by the National Collective Labour Agreement for the metalworking industry.

Training

The 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 line with the objectives established for the year, in the course of 2022 work was done especially on managerial and safety training and instruction for production area personnel. Two important individual managerial courses continued, with a specific focus on Innovation Management and Project Management. All safety training obligations established by law were met, and the work that began in 2022 for the development of safety initiatives in the production area continued, in order to prevent workplace accidents. In the production areas, specific courses were held on several lines in production (Loccioni predictive maintenance, VOC master transition methods). Lastly, space was also dedicated to technical and transversal training, with Excel refresher courses and technical workshops for R&D area personnel (BSIM, CAE Tour).

In continuity with 2021, during 2022 all new recruits received an anti-corruption (whistleblowing) e-learning course in their on-boarding kit.

Furthermore, the People Strategy Department monitors and evaluates the training activities organised. 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 by the Company Landi Renzo in 2022 were assessed overall as very satisfactory, with an average score of 4.08 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.

With regard to Safe S.p.A., in 2022 more than 152 hours of training were provided in a number of areas, in some cases implementing on-the-job training. Safe S.p.A. set itself the goal of raising the awareness of the heads of the reference area with a view to precisely recording employee training hours.

For Metatron S.p.A., employee training is managed annually based on the Training Plan drafted by the Head of HR in collaboration with the company management.

The objective for 2023 is to fully resume technical training and continuous education for the Research & Development area and language training, which was suspended in the course of 2022.

Furthermore, in keeping with 2022, Landi Renzo aims to launch manager growth and development projects.

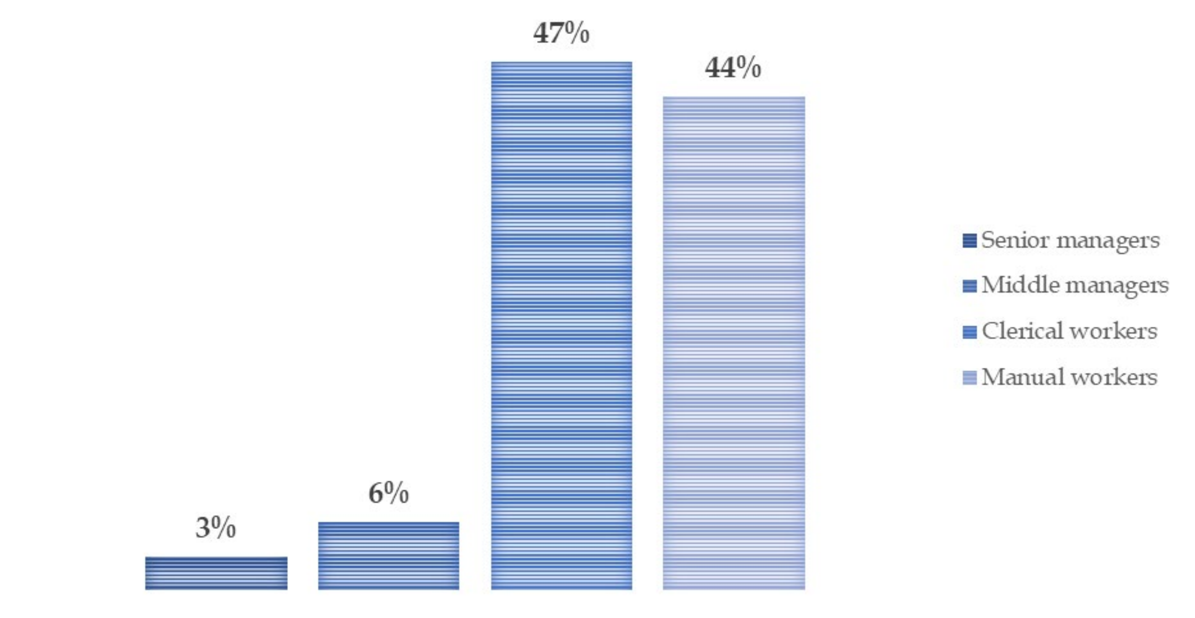
During the year 4,108 hours of training were delivered to 395 people, amounting to a total investment of more than Euro 200 thousand.

Employees who received training by professional category

EMPLOYEES WHO RECEIVED TRAINING BY PROFESSIONAL CATEGORY (no.)	2022			2021			2020		
	Male	Female	Total	Male	Female	Total	Male	Female	Total
Senior managers	12	0	**12**	22	2	24	15	3	**18**
Middle managers	18	6	**24**	49	11	60	32	5	**37**
Clerical workers	145	42	**187**	179	84	263	88	24	**112**
Manual workers	102	70	**172**	193	99	292	69	70	**139**
Total	**277**	**118**	**395**	**443**	**196**	**639**	**204**	**102**	**306**

The 2022 figure excludes IMW Industries LTD Canada, as that information was not available.

Employees who received training in 2022 by category



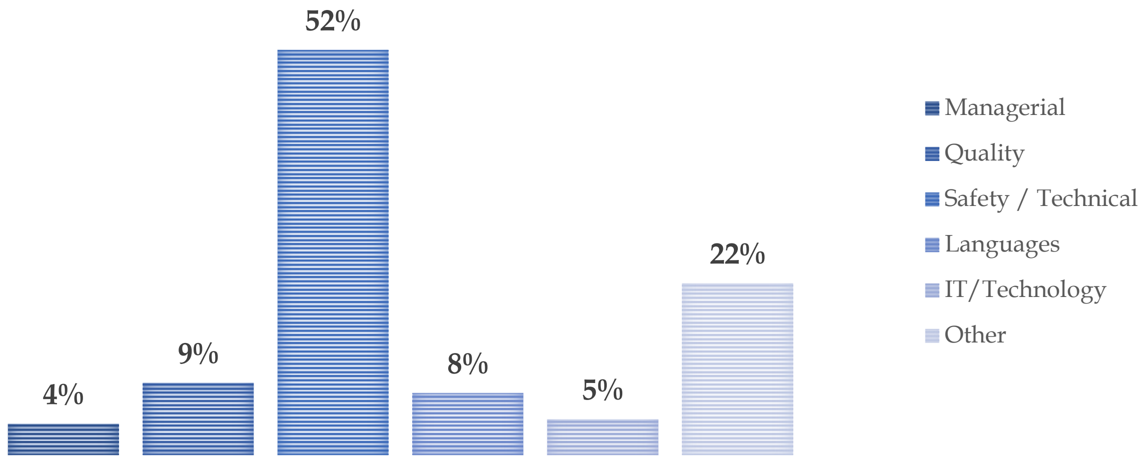
The Group is constantly committed to developing new skills on multiple levels, while enhancing those already present within the organisation. In 2022, office workers were the main category receiving training (in line with the previous year), with the largest portion of training hours dedicated to the topics of quality and safety.

The figures relating to training hours for 2020 relate to Landi Renzo SpA, Lovato Gas and the foreign companies, while the figures for the years 2021 and 2022 refer to the Landi Renzo Group, the Safe Group and the Metatron Group. For information on changes to the boundary, reference is made to the paragraph "Methodological note".

Hours of training by subject area in 2022

HOURS OF TRAINING BY SUBJECT AREA (h.)*	2022	2021	2020
Managerial	164	449	1,923
Safety/Technical	2,143	6,282	2,823
Quality	380	896	177
Languages	326	1,508	0
IT	187	205	317
Other types	908	1,027	233
Total	**4,108**	**10,367**	**5,473**

* The 2021 figure excludes Landi Renzo USA Corporation, as the data is not available.
The 2022 figure excludes IMW Industries LTD Canada, as that information was not available.
The figures include the training hours relating to Health and Safety topics.



Hours of training per capita by professional category

HOURS OF TRAINING PER CAPITA (h)*	2022			2021			2020		
	Male	Female	Total	Male	Female	Total	Male	Female	Total
Senior managers	15.3	-	15.3	7.3	13.3	7.8	8.3	45.7	**14.6**
Middle managers	14.6	8.5	13.1	21.5	10.8	19.5	19.1	72.2	**26.2**
Clerical workers	12.6	11.1	12.3	31.7	13.6	26.0	26.6	24.8	**26.2**
Manual workers	9.7	4.6	7.6	8.7	5.1	7.4	14.2	4.5	**9.5**
Total	**11.8**	**7.1**	**10.4**	**19.4**	**9.1**	**16.2**	**19.9**	**13.8**	**17.9**

* The 2021 figure excludes Landi Renzo USA Corporation, as the data is not available.
The 2022 figure excludes IMW Industries LTD Canada, as that information was not available.

In 2022, on average more than 10 hours of training were provided per employee, out of a total of 395 employees. In detail, by professional category, the training hours for managers came to 15.3% (15.3% men), for middle managers 13.1% (14.6% men and 8.5% women), for clerical workers 12.3% (12.6% men and 11.1% women) and 7.6% manual workers (9.7% men and 4.6% women).

Technical training for the Network of Dealers and Workshops

The Landi Renzo Group's training offer regained strength this year, after a difficult 2022, with nearly 100 training sessions for a total of 1000 training hours and more than 1000 people involved. An additional 18 calibrations were added to our database available to workshops.

Landi Renzo training courses represent a crucial aspect for workshop growth and continuous education, and also provide the opportunity to acquire technical information dedicated to the pre-sale and after-sale phases. All courses provide the right to receive a participation certification issued in the name of the course participant. Certain courses include a learning test intended to identify any critical areas.

All participants are always invited to offer suggestions to ensure continuous improvements in available training. The training offered includes various levels:

BASIC

Gaseous fuels for vehicles: general overview of the main features of gaseous hydrocarbons and their use in the transport sector. Main features of gas conversion systems and components.
Features of conventional systems and their application: general overview of the Conventional System and differences between available choices. Functions and application on different types of cars, three-wheeled vehicles, generators, and more.
Features of sequential systems and their application: General overview of the sequential system and differences between the various available choices, functions, characteristics of mechanical and electronic components.

INTERMEDIATE
Port Fuel Injection (PFI): Full description of the functioning of the Port Fuel Injection software, understanding of its functions. Identification of calibration best practices and the
Direct Injection (DI) strategy: Overview of direct injection fuel systems. Full description of Direct Injection software and its features. Calibration best practices and strategies, calibration research and optimisation.
Open Loop and Advance variators: Full description of Open Loop & Advance variators process software and its features. Calibration best practices and strategies, calibration research and optimisation.
Troubleshooting (Port Fuel Injection) and maintenance: Simulation of the main issues that could take place in the vehicle, checking proper component assembly (position of nozzles, tubes and signal via SW, etc.). Learning to follow a logical process to solve problems, analysing the cause and identifying the best solution.

EXPERT
DDF systems: Overview of Diesel Dual Fuel systems. Description of DDF software, its features and its significance.

Training of the foreign sales/installers network was primarily monitored by the Landi Renzo branches and/or local outsourcers.

Personnel assessment and professional development

In 2009 the Landi Renzo Group's Italian companies introduced a Management by Objectives (MBO) system and individual performance appraisals.
In 2022, for the companies Landi Renzo S.p.A. and Metatron S.p.A., also by virtue of the particularly difficult and unpredictable business environment, the individual performance assessment process was not completed. On the other hand, for Safe S.p.A., individual assessment and development was carried out based on three methods:

- An assessment system is currently being defined which will assign business and personal objectives on an annual basis which, when reached, will trigger the disbursement of an individual bonus. This methodology is applied to managers, certain specialists based on their individual labour agreements and sales area managers.

- Assignment of business objectives (turnover, EBITDA, lead time) which, when reached, trigger the disbursement of the performance bonus, as established by the supplementary company agreement signed with the trade unions. This is applied to all company personnel with the exception of managers. In 2022, the objectives were regularly assigned and final reporting will be completed in 2023 following the approval of the financial statements.
- The third method is applied when, while the annual budget is being prepared, meetings are organised between HR and the area heads/managers, during which any training needs, growth/development paths and level/salary reviews are analysed for each worker, and the effectiveness of the training provided in the previous year is assessed. The information is then collected by HR and shared with department managers.

During the year, the individual performance of 162 employees was evaluated, including 32 women and 130 men.

In 2022, no one was involved in International Mobility plans.

For the companies Safe S.p.A. and Metatron S.p.A., no Management by Objectives (MBO) systems were introduced.

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 Landi Renzo S.p.A., the process of defining the variable pay component takes the form of the performance bonus. This is linked to the business 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. However, in 2022, the process of assigning and evaluating objectives for personnel with roles of responsibility (MBO) was not carried out.

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

RATIO OF SALARY FOR NEW HIRES TO LOCAL MINIMUM SALARY	2022		2021		2020	
	Male	Female	Male	Female	Male	Female
AEB America S.r.l.	1.88	2.43	1.90	2.14	1.28	1.52
Beijing Landi Renzo Autogas System Co. Ltd	2.58	3.02	2.5	12	3.32	5.01
Landi Renzo Polska Sp.Zo.O.	1.20	1.36	1.37	1.27	1.59	1.35
Landi Renzo RO S.r.l.	1.04	1.04	1.22	1.22	1.40	1.40

Landi Renzo Pars Private Joint Stock Company	1.56	1.52	1.23	1.17	-	-
Landi Renzo S.p.A.	1.18	1.18	1.18	1.18	1.20	1.20
Landi Renzo USA Corporation	-	-	-	-	1.08	1.08
Landi Renzo Indústria e Comércio	4.08	2.13	-	-	-	-
L.R. Pak (Pvt) Limited	-	-	-	-	-	-
Safe S.p.A.	1.05	1.05	1.06	1.06	-	-
IMW Industries LTD Shanghai	-	-	2.32	2.32	-	-
IMW Energy Tech LTD China	-	-	2.32	2.32	-	-
IMW Industries LTD Canada	1.15	1.15	1.04	1.04	-	-
IMW Industries del Perù SAC Peru	1.46	1.66	1.48	1.83	-	-
IMW Industries LTDA Colombia	1	1	1	1	-	-
Metatron S.p.A.	1.03	1.03	1.03	1.03	-	-
Metatron Control Systems Co., Ltd	6.33	5.06	3.99	5.06	-	-
Average Group total	**1.96**	**1.82**	**1.59**	**1.72**	**1.56**	**1.80**

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.

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.
The 2021 figure excludes Landi Renzo USA Corporation, Landi Renzo Industria e Comercio and L.R. Pak (Pvt) Limited, as that information was not available.
The 2022 figure excludes Landi Renzo USA Corporation, IMW Industries LTD Shanghai and IMW Energy Tech LTD China, as the data is not available.

At Beijing Landi Renzo Autogas System Co. Ltd, individual or company-level performance bonuses may be paid. While for Safe S.p.A., the supplementary agreement for 2022 confirmed the performance bonus established in the previous agreement from 2019, with a few modifications. The performance bonus is for employees as well as temporary staff (in the categories of manual workers, clerical workers and middle managers), and the amount is calculated on the basis of the results achieved by the company in the reference year. When specific conditions are met, the worker may decide to have the performance bonus paid out in the form of flexible benefits.

Furthermore, exclusively and on an exceptional basis in 2022, the company decided to support its employees and temporary staff (manual workers, clerical workers and middle managers) by providing them with a Euro 200.00 fuel voucher, as set forth in Decree Law 21/2022.

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, social security and welfare requirements. Landi Renzo S.p.A. has supplemented its company welfare policy with an additional amount of Euro 50 (company supplement) to be used on a company welfare portal which provides a range of products and services (such as discount vouchers, reimbursements, healthcare services, etc.).

Agreements were also activated with food service and catering companies for the delivery of meals to the office.

Furthermore, a car sharing service has been active since 2020 for the shared use of vehicles for staff from the city of Bologna. Lastly, the use of smart working continued, in order to guarantee worker attendance and operational continuity.

The ratio between the annual total compensation of the highest paid person in the organisation and the median annual total compensation of all employees (excluding the highest paid person) is shown below for Landi Renzo S.p.A.

Annual total compensation ratio

ANNUAL TOTAL COMPENSATION RATIO	2022	2021	2020
Landi Renzo S.p.A.	6.47	6.30	-

The percentage increase in the annual total compensation of the highest paid employee, compared to 2021 is 7.14%, while the median percentage increase in annual total compensation for all employees (excluding the highest paid employee) is 4.66%.

Protection of Occupational Health and Safety

The Group 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 Group's 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 relating to the Landi Renzo Group 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 also attends 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 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. undertakes to organise 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 in the last two years. The Group HSE Department expects to define the frequency, schedules and procedures for holding the meetings in 2023 with the support of Human Resources.
In addition to intensive information and training on the ISO 45001:2018 and ISO 14001 standards, through which Landi Renzo S.p.A. personnel are informed of the main safety concepts and new developments in this area, performance objectives for safety in the workplace have been set, which are linked to specific KPIs. Against an observation that was remedied in the last 14001 audit, every employee is asked to sign a form committing to conduct consistent with ISO 14001.
To meet these objectives, the Landi Renzo 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.

For Landi Renzo S.p.A. Group, in the course of 2022 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 June/July 2022 Bureau Veritas performed a joint ISO 1400:2015-ISO 45001:2018 audit, which brought to light 3 minor NCs which were resolved within the required timeframes.

In addition to the certifying body's audits, audits are carried out every year by the consulting firm M2 Engineering 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, which is updated and revised every year. 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 of the Landi Renzo Group 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 2022, 2 audits were carried out at suppliers, and another 2 are planned for the early months of 2023.

For Safe S.p.A. and Metatron S.p.A., there is currently no company occupational health and safety management system. The Companies manage this topic by defining procedures and operating instructions in compliance with Italian Legislative Decree 81/08, defining a safety organisational chart which shows the appointment of people to the required positions and drafting a Risk Assessment Document. Furthermore, the company’s health situation is monitored based on a medical protocol linked to the risks mapped in the Risk Assessment Document, and training and information is provided to all workers on occupational health and safety.

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	2022	2021	2020
Senior managers	123	91	24
Middle managers	200	368	115
Clerical workers	976	395	411
Manual workers	2,375	2,014	1,194
Total	**3,674**	**2,868**	**1,744**

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.
The 2021 figure excludes Landi Renzo USA Corporation.

PEOPLE WHO RECEIVED TRAINING BY ROLE	2022	2021	2020
Senior managers	13	8	4
Middle managers	23	34	9
Clerical workers	135	82	38
Manual workers	232	220	75
Total	**403**	**344**	**126**

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.
The 2021 figure excludes Landi Renzo USA Corporation.

In 2022, the safety training trend has declined slightly; all necessary continuing education courses were held. For the Italian companies of the Landi Renzo Group and the Company Metatron S.p.A., a programme is drawn up each year 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 2022, two managers at the Landi Renzo 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 new Workers' Safety Representatives were elected at year-end, and the relative training activity will be activated soon.

The future commitments of the Italian companies of the Landi Renzo Group 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 occupational injuries. In the course of 2022, 16 **non-serious** accidents at work were recorded out of roughly one million hours worked; of which for the Italian companies 6 (including 2 relating to non-employees) at Safe S.p.A., 0 at Landi Renzo S.p.A. and 3 at Metatron S.p.A.

The following accidents took place for the various employees: bruised calf, twisted/injured ankle, crushed/bruised/injured hand, splinter projected into an eye and pulled muscles.

Number of employee injuries by geographical area and gender

NO. OF INJURIES (no.)	2022			2021			2020		
	Male	Female	Total	Male	Female	Total	Male	Female	Total
Italy	5	4	**9**	7	4	11	5	2	**7**
Europe (excluding Italy)*	0	0	**0**	0	0	0	0	0	**0**
Asia**	0	0	**0**	0	0	0	0	0	**0**
America***	4	0	**4**	8	1	9	0	0	**0**
South America ****	3	0	**3**	3	2	5	1	1	**2**
Total	12	4	**16**	18	7	**25**	6	3	**9**

The 2021 figure excludes Landi Renzo USA Corporation.
The data relating to the Companies of the Safe Group and Metatron refer to the entire calendar year (1/01/21-31/12/21).

** Poland and Romania*
*** Pakistan, China and Iran*
**** US and Canada*
***** Colombia, Brazil, Peru and Argentina*

In 2022, 2 accidents were recorded for **non-employee personnel** relating to the Company Safe S.p.A. The Group has a total of 99 non-employee workers, with 60,647 hours worked.

A key factor in preventing injuries is the ability to report, gather and analyse information on accidents and near misses. The Company Landi Renzo S.p.A. has adopted 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 2022 there were no deaths or accidents with serious consequences relating to work activities by employees. In 2022, there were no cases of occupational illness.

The accidents taking place in 2022 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).

As regards the Group's 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.

Employee injury figures by geographical area and gender

RATE OF RECORDABLE ACCIDENTS IN THE WORKPLACE / FREQUENCY RATE	2022		2021		2020	
	Male	Female	Male	Female	Male	Female
Italy	9.76	15.97	16.15	18.57	18.19	12.49
Europe (excluding Italy)*	0	0	0	0	0	0
Asia**	0	0	0	0	0	0
America***	24.22	0	53.47	37.36	0	0
South America ****	39.63	0	8.42	38.35	33.32	34.77
SEVERITY RATE	**2022**		**2021**		**2020**	
	Male	Female	Male	Female	Male	Female
Italy	0.19	0.26	0.31	0.59	0.18	0.72
Europe (excluding Italy)*	0	0	0	0	0	0
Asia**	0	0	0	0	0	0
America***	0.17	0	0.09	2.50	0	0
South America ****	0.69	0	1.11	0.21	1.60	0.21
INCIDENCE RATE	**2022**		**2021**		**2020**	
	Male	Female	Male	Female	Male	Female
Italy	1.65	2.44	2.21	2.19	2.73	1.48
Europe (excluding Italy)*	0	0	0	0	0	0
Asia**	0	0	0	0	0	0
America***	3.70	0	7.55	5.26	0	0
South America ****	2.48	0	2.42	6.90	5.88	10.00

The data relating to the Companies of the Safe Group and Metatron refer to the entire calendar year (1/01/22-31/12/22).
** Poland and Romania*
*** Pakistan, China and Iran*
**** US and Canada*
***** Colombia, Brazil, Peru and Argentina*

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

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 Landi Renzo 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.

Lastly, for the Landi Renzo Group 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 and urgent communications during the hacker attack. 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).

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 Landi Renzo Group has renewed its commitment to the community through charitable/socially beneficial donations. Specifically, the following donations were made by Landi Renzo S.p.A. and Landi Renzo USA:

- Euro 12,200 to sponsor the "2022 Giro d'Italia" event;
- Euro 610 for the Via Emilia Trade Fair organised by the Municipality of Reggio Emilia;
- Euro 15,600 for charitable donations provided by Landi Renzo USA;
- USD 10,000 political campaign donation to city council member Joe Buscaino;
- USD 5,000 ItalyRun sponsorship;
- USD 1,380 Little Italy Los Angeles Association.

Tax management

The 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. For the Companies Landi Renzo S.p.A. and Safe S.p.A., 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 subsidiaries whose financial statements are subject to auditing[5], taxes, prepared with the support of the tax 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 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, the Group follows the transfer pricing documentation regulations, in compliance with the OECD's Transfer Pricing Guidelines.

TAX CONTRIBUTION BY COUNTRY	No. of employees	revenues from sales to third parties	revenues from intra-group transactions with other tax jurisdictions	earnings/losses before taxes	tangible assets other than cash and cash equivalents	income taxes defined on a cash basis	corporate income taxes accrued on earnings/losses*
Italy	468	206,450,823	16,625,319	- 17,522,319	367,667,199	- 106,674	- 206,573
Poland	101	11,564,667	7,791,530	187,469	14,502,570	-	98,689
Romania	56	24,739,575	1,556	- 3,647,889	12,544,220	-	-
Pakistan	-	32,999	-	- 410,873	305,104	-	-
China	18	11,593,405	1,107,303	- 264,125	13,211,738	-	234,556
Iran	17	1,262,064	-	26,956	1,898,196	-	9,909
USA	17	4,927,907	133,885	- 462,082	5,233,159	-	- 33,043
Colombia	96	3,497,974	362,667	380,046	3,272,832	-	166,047
Brazil	12	4,927,653	76,291	532,892	5,949,692	17,927	139,253
Peru	26	1,275,692	-	216,976	2,211,170	-	71,450
Canada	111	33,293,588	161,407	505,482	28,568,485	-	-
Argentina	13	3,293,790	45,995	- 1,433,677	2,823,355	-	93,312

*excluding deferred corporate income taxes and provisions for uncertain tax positions.

Dialogue with providers of risk and debt capital

The Landi Renzo 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

[5] 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

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.

Product

Product

Our Progress

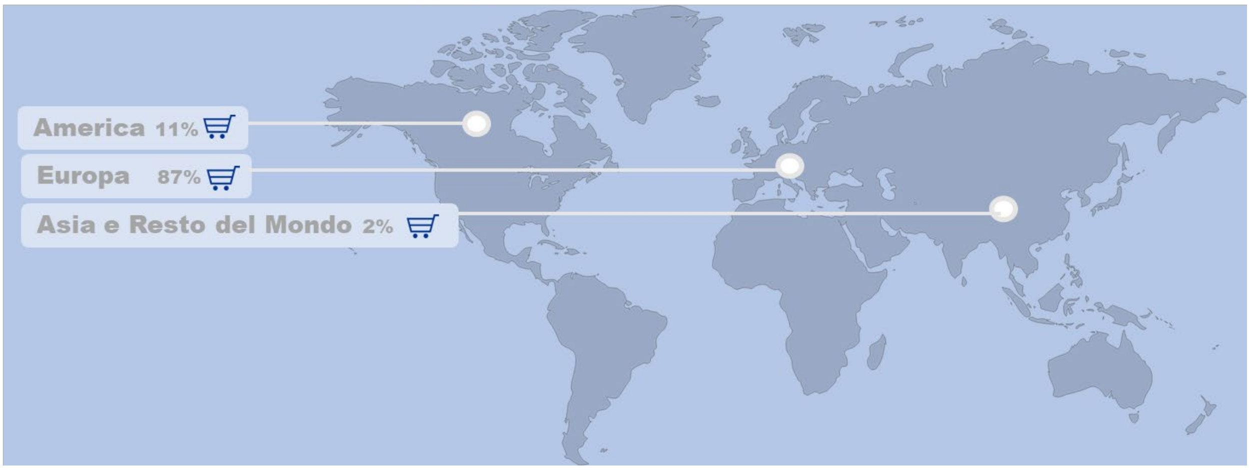
IATF 16949

- ✓ **Landi Renzo S.p.A.**
- ✓ **Landi Renzo Polska S.p.Z.o.o.**
- ✓ **Landi Renzo Pars Private Joint Stock Company**
- ✓ **Metatron S.p.A.**

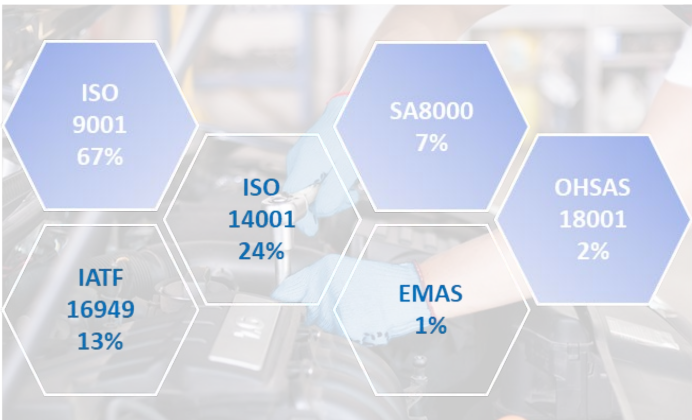
SILVER 2021 ecovadis Sustainability Rating

- ✓ **Landi Renzo S.p.A.**

Valore delle forniture per area geografica…



The certifications of our suppliers…



Il valore che creiamo per…

I nostri prodotti

Garantire prodotti nel rispetto dei valori del Gruppo sostenendo l'integrazione di soluzioni sostenibili nello sviluppo dei propri prodotti.

The Group pays great attention to the needs of society, which is increasingly demanding more innovative, greener products. The Group's products enable vehicles to be powered with alternative fuels such as CNG, LPG, biomethane and hydrogen, and contribute to the development of sustainable mobility infrastructure, making it possible 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.

CORE PRODUCTS

Landi Renzo offers a broad range of gas systems for the conversion of vehicles to LPG and CNG.

These LPG and CNG systems using low environmental impact energy sources are available for both petrol and diesel engines.

SAFE designs and develops compressors that can be integrated into a complete system according to customer specifications.

The compressors are manufactured using the latest technologies, which rely on water cooling, high-speed compressors and direct coupling solutions.

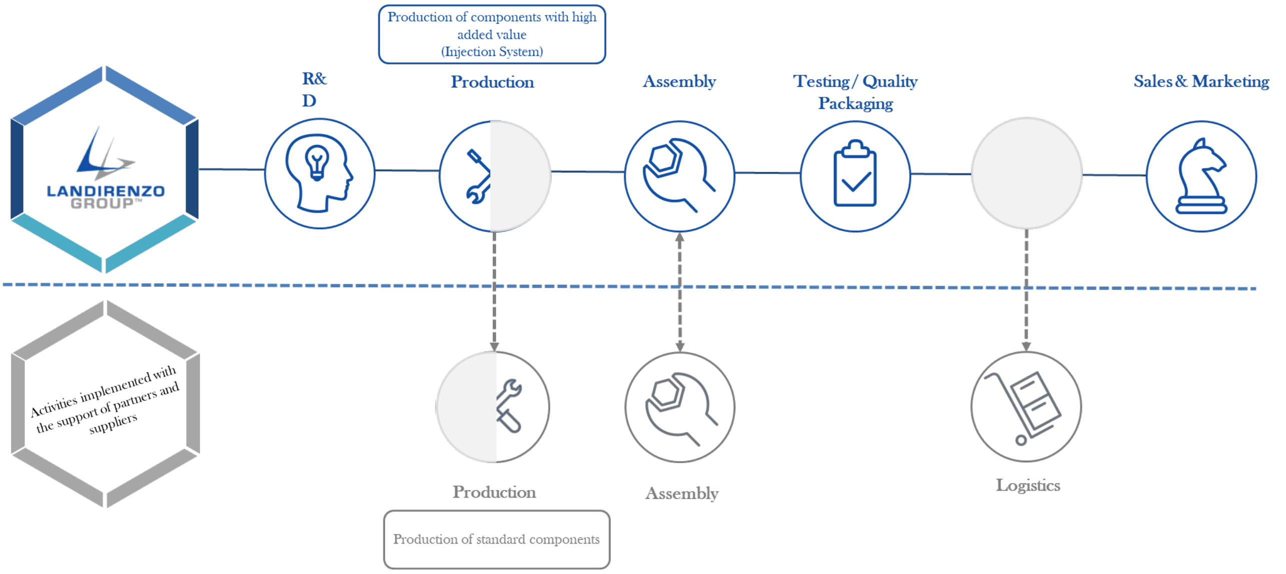
Pressure regulators have traditionally represented the linchpin of the **Metatron** product portfolio. Piston technology has always been Metatron's winning feature in the highly competitive OEM market and in the search for reliability, strength and quality.

The value chain: research, innovation and customer satisfaction

The business model of the 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



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.

Components and systems are assembled internally by the 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.

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.

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.

__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 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.

Over the years, 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. The patent was followed up by the refinement and finalisation of strategies in countries with specific (application and fuel quality) conditions.
- Finalising research and development activities; in the course of 2021, the patent application was filed for the automatic detection of LPG composition. This important finalisation of research and development activities makes it possible to fully exploit the potentials of LPG in all vehicle usage conditions.
- Performing in the field validation of 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. 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 in non-European markets with leading automotive manufacturers, particularly in Iran and Russia. In the USA, work has continued on the production of conversion kits approved by automotive manufacturers holding QVM (qualified vehicle modifiers) certification. After obtaining the **CARB** (California Air Resources Board) MY2021 certification on FORD vehicles for the conversion and marketing of CNG vehicles in the US, the application phase continued in order to improve the system for diagnosing and improving the efficiency of the installed systems.

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 2022, certification activities continued (DGM and R115) for a large fleet of LPG and CNG vehicles, with the extension of the certifications to certain hybrid "tri-fuel" vehicles (petrol-CNG-electric or petrol-LPG-electric). During the year, the type of approvals was expanded further for new manufacturers and families of vehicles. Landi Renzo was a pioneer in the definition of testing procedures with institutional bodies and in the approval of the first family of hybrid plug-in vehicles.

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 2022, the Landi Renzo Group continued to play a leading role in groups for the definition and coordination of various industry regulations, primarily international **regulation no. 115** on the approval of LPG and CNG conversion systems for the aftermarket. Furthermore, Landi Renzo also played a role in supporting Indian trade associations and government bodies to define the reference standards and regulations for the aftermarket approval of vehicles certified according to the BS-VI standard. In 2022, the new "Bharat Stage VI" approval regulation entered into force in the Indian market. As a result, Landi Renzo initiated approval and certification procedures on its own systems in order to come into compliance with the new legislation. Lastly, it is also worth mentioning that in 2022 Landi Renzo collaborated with trade associations in defining the proposals to be sent to the European Commission 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.

Research & Development projects of the Safe Group

The company SAFE & CEC S.r.l. operates in the sustainable energy sector, and in particular it is gaining increasing market share in the biomethane segment. SAFE S.p.A.'s research and development activities are concentrated on the development of alternative hydrogen compressors, also on the basis of advisory agreements, and the development of technologies capable of improving compressor performance and reducing their specific consumption.

Furthermore, with the support of current suppliers, systems are now being developed to reduce and limit CNG leakages into the atmosphere, a crucial feature for meeting the new limits imposed by international agreements.

Also in the SAFE Group, IMW Industries LTD Canada has developed the first high-pressure hydrogen hydraulic compressor, currently in the testing phase.

Research & Development projects of the Metatron Group

Innovation is part of Metatron's DNA, as a company specialised from its very origins in the design, development and production of regulators (PR) and electronic engine control units (ECU) for phased sequential injection NG fuelling systems in ICEs. These systems are the industry standard for the management of emissions from NG fuelled public and private transport vehicles, stored in the vehicle under high pressure (CNG) or liquefied under low pressure and extremely low pressure (LNG).

All PR models have "for life" technology that guarantees the utmost system reliability and sustainability for the entire life of the vehicle.

In the transport sector, the ongoing transition towards electric technology has experienced a series of accelerations in recent years in the passenger car arena, while for Heavy Duty systems (which, as is well known, constitute the keystone asset of cargo transport and public transport), the transition is and will be decidedly slower. It is clear that the adoption of a natural gas (NG) fuelling system for heavy duty vehicles makes it possible to safeguard, at least in the medium term, the downstream industrial market linked to conventional engines and plant production lines, slowing the process of dismantling the traditional industrial fabric. Furthermore, the opportunity to use LNG makes it possible to achieve levels of autonomy fully aligned with those of diesel, thus overcoming another well-known limit of full electric systems.

It is also possible to use natural gas fuelled engines for the co-generation of electricity (GENSET) in order to run electric engines (such as in the railway sector) or generate electricity in remote areas.

In terms of ECU development, the evolution of the new model continues, which establishes specific control strategies that make it particularly suited to transformations as well (after mechanical type interventions like the reduction of the compression ratio, replacement of the injector with the spark plug, modification of the metallurgy of intake/discharge valves, etc.).

Metatron has leveraged its experience in NG to develop mechanical and mechatronic regulators for hydrogen fuel cell fuelling systems for automotive applications (FCV, Fuel Cell Vehicle) and since 2022 for ICE-H2 as well. In FCV vehicles, propulsion is provided by an electric engine (in place of a conventional thermal engine) fuelled by a battery charged by the fuel cell and the discharge product is only water; in vehicles with a conventional ICEs, the adoption of H2 allows for a drastic abatement in emissions in keeping with new, highly stringent directives.

The mechanical PRs for 350 barG and 700 barG applications have met with excellent appreciation in the market.

A number of mechatronic PR prototypes are encountering a positive response from the various Chinese and EU OEMs in the experimentation of ICE-H2 pilot programmes.

The Technical Department of the mechanical and mechatronic components division, consisting of 5 people, is entirely committed to the relative activities. It is also joined by the Electronic & Application Engineering division operating at the local unit in Volvera (Turin), which employs 14 people. This division handles the design and development of Natural Gas engine control units for Heavy Duty Vehicles, as well as the development of the electronic component and the control logic of electronic pressure regulators, for both NG and hydrogen.

Recent analyses are under way for the extension of the use of the Natural Gas HDS (Heavy Duty System) platform for ICE-H2 applications and applications in the EV sector. These analyses aim to evaluate, through appropriate hardware and software adjustments (both developed by Metatron S.p.A.), the product's application potential in these emerging and highly promising production sectors.

In the course of 2022, developments continued on mechanical regulators for H2 and NG applications.

In particular, work continued for the development and validation of:

- the LNG1 HP model so it can be used for higher working pressures,
- the MDS EVO model against the feedback received from customers to make it more suitable for layouts other than those originally considered and to make the first regulation phase more robust,
- the M-H35 and M-H70 model to make it more robust against process and application contamination, based on lessons learnt.

The EM-H platform has continued its validation and prototyping, as well as the revision of requirements; this revision was based on discussions with a number of potential OEM customers, which have been analysing Metatron for new H2 programmes.

The Landi Renzo 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 2022 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;
- The redefinition of an innovative, compact CNG pressure regulator for OEM customers;
- Gas injectors for HGVs;
- Modular control units;

- Strategies for direct injection vehicles;
- A control unit for full engine control (mono-fuel applications) and application in engines at the Volvera location;
- A high-pressure regulator for hydrogen applications (fuel cell and internal combustion engines);
- A dosing system for hydrogen fuel cell applications;
- An innovative system for blending methane and hydrogen in ICE applications, for which the Landi Renzo Group has filed two patent applications with its partner;
- A Diesel Dual Fuel fuelling system with the replacement of a percentage of diesel with hydrogen. Prototyping activities were carried out in 2022.

In 2022, 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.

The collaboration with AVL has been joined by intense activities carried out at the Fiat Research Centre, aimed at verifying and validating monofuel control unit development activities and developing and deciding on the calibration of a new monofuel engine of the customer Mahindra.

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. 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.

Lastly, confirmation of the well-established drive for innovation comes from the Metatron Volvera technical centre, which is committed to continuing to develop 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 addition to all of these benefits, it also has the unquestionable value of further reducing CO_2 emissions when bio-methane is used.

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.

Constant focus on quality

The Group has always viewed quality as essential for market success.

The parent company Landi Renzo S.p.A decided to adopt an ISO 9001 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 one of the first Italian companies 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, completed the transition to the latest version of IATF 16949. In 2022, the annual surveillance process was regularly carried out when required, and the renewal process was successfully completed when required.

The Indian company Krishna Landi Renzo India Private obtained the certification at the end of 2020 and in 2022 successfully completed the surveillance audits.

The companies Safe S.p.A. and IMW Industries LTD Canada also have the ISO 9001 certification, as does Metatron S.p.A., which also completed the transition to the most recent version of IATF 16949.

In 2021, Landi Renzo obtained the SILVER 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 in the 83rd percentile, out of all the participants, which is an excellent result.

Furthermore, also in the course of 2022 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.

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 professional development and training courses has been fundamentally important. All Quality, Health and Safety documentation is available to personnel at all times.

Through a number of automotive standard practices and IATF16949 and ISO9001 certified quality systems, the company enacts a series of activities to minimise the risk of safety issues for end users.

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.

Process and product audit tools are also used to verify compliance with the standards established over time and the use of lessons learned to capitalise on every event to prevent any new occurrences.

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, thanks to the objective of reducing OEM customer warranty costs, specific Product Improvement Plans have been adopted, which entailed a significant reduction in rejected products.

One of the more challenging objectives set for Landi Renzo by its OEM customers is the “0 km accidents” target below 1 (or 1 non-compliant part out of 1 million delivered on acceptance at customer plants). This objective in 2022 is just above the target, but considered acceptable in light of the situation in 2022.

The objectives that the Landi Renzo Group undertakes to meet in 2023 will include prompt reactivity to supply and internal issues to make production indicators even more efficient. This will be possible by employing analysis and tracking tools acquired on the basis of improvement projects carried out in 2021 and 2022, which aimed to digitalise information with respect to component and production waste tracking, improve assessment process efficiency, optimise the prevention process and reduce the costs of non-quality.

For the Company Safe S.p.A., quality control is a fundamental part of its production chain: from the arrival of the materials, to their processing, to the assembly and inspection of the entire solution. Starting from the acceptance of the raw materials, documentation is verified and subject to controls. When controls for compliance with SAFE specifications have a negative outcome, the material may be disposed of and returned to the supplier or reprocessed. In the assembly phase, control lists are defined which identify the worker and the supervisor, and are collected by the quality department to ensure that all controls have been completed. Furthermore, the Company subjects its products to final testing before being shipped, during which time any defects are corrected and checked by the quality department.

Consumer health and safety

The Group'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). For the Company Metatron S.p.A., safety inspections, particularly those concerning gas seals, are carried out with automatic machines and state of the art technologies for leakage detection.

To guarantee that product safety is adequately managed throughout development, all Metatron products are developed according to IATF certified APQP "Advanced Product Quality Planning" automotive standards, which first and foremost require a multidisciplinary team, a product design and validation phase, repeated based on development stage, and a production process design and validation phase, with a final qualification. All activities are based on the receipt of customer and legally binding requirements, which regard both products (e.g., materials) and processes (e.g., ergonomic standards, environmental compatibility, supplier qualification).

In order to achieve the utmost performance and support customers in selecting products, the Group typically provides technical sheets accompanying the kits sold as per legislative requirements and, when requested by customers, also specific detailed assembly instructions for the various components.

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).

For the entire Group, in 2022, 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.

A few cases of non-compliance in the systems on which Landi Renzo products were assembled were confirmed, but without involving the safety function of such systems.

Customer relationships - contact channels, satisfaction monitoring and training

The Landi Renzo 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 After Market (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.

The Companies Safe S.p.A. and Metatron S.p.A. have adopted a number of dedicated telephone and email contact channels that customers can use depending on request type. For Metatron S.p.A., for example, the Commercial Department responds with respect to prices, deliveries and general complaints, Quality for complaints relating to product functions and the Program Manager Department for issues relating to product programme and definition timing.

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 2022, no instances of incorrect product labelling were reported for Landi Renzo 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

The Landi Renzo Group monitors customer satisfaction 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.

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.

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").

With a view to safeguarding customer satisfaction, the Company Safe S.p.A. is implementing an adequate organisation to define specific KPIs (e.g., evaluation of the average call time).

For the Company Metatron S.p.A., customer satisfaction remains a priority target and is the starting point of every company activity. In this respect, the company has adopted a series of specific KPIs to monitor its activities and relationships with current customers (number of customer complaints per year; offer effectiveness index from feasibility testing performed).

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;
- supporting the definition of decarbonisation strategies on a national and international basis, at automotive as well as infrastructure level, making available its know-how and the technologies developed for an objective assessment of the most concrete solutions for reducing gas emissions throughout the value chain.

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 the Italian automotive supply chain for alternative automotive fuels and gas compression throughout the energy infrastructure value chain**, 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), as well as the promotion of the amendment relating to the new, more severe WLTP testing standard and that relating to the introduction of requirements for hybrid vehicles fuelled by gaseous fuels. Recently, the Landi Renzo Group has played an active role in defining the new Euro 7 standard, the next level for the reduction of polluting vehicle emissions, through the European Commission's AGVES advisory group. Furthermore, we note the revision of the European regulation on CO2 emissions of heavy duty vehicles, in which the Landi Renzo Group's contribution is intended to recognise the role of renewable fuels (primarily biomethane and bioLNG) in transport sector decarbonisation.

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. The role of Senior Technical Manager of the association is carried out a person from the Landi Renzo Group, as a tangible sign of the company's interest in the development of European sustainable transport policies.
- **Federmetano** (National Federation of Methane Distributors and Transporters), founded in 1948, since that time supporting the development of the automotive CNG sector in Italy. The federation encompasses Workshops specialised in the transformation and maintenance of natural gas-fuelled vehicles
  and partner companies operating in the automotive CNG sector.
- **Hydrogen Europe**, an organisation that represents companies headquartered in Europe which are committed to creating a (circular) zero carbon emission economy.
- **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;

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 intensified, with a series of meetings in order to disseminate the culture of hydrogen and with technical feasibility studies in the development of sustainable Automotive and Infrastructure solutions. The intense exchange and collaboration with the University of Modena and Reggio Emilia made it possible to move forward with the activities set forth in the project financed by Emilia Romagna Region Law 14 with:

- Studies on materials compatible with hydrogen-fuelled applications (fuel cells and combustion engines);
- The definition, set-up, analysis and simulation of a hydrogen concentration measurement system;
- The execution of an experimental graduate thesis project;
- The design of an entire test bench capable of fully simulating the functioning of a fuel cell engine.

Landi Renzo S.p.A. places significant importance on nurturing relationships with the academic world. Indeed, for years it has collaborated with leading Italian universities to spread a culture of sustainability and facilitate research and development. During the year, it was able to engage in intense exchanges with students at the UNIMORE hub and the start-ups associated with the same university in order to share know-how, experience and ideas on a world currently being created. This continuous exchange has enabled the Company to keep an eye on organisations that are developing completely innovative concepts with the operating methods typical of streamlined, dynamic companies.

Landi Renzo participated in the first and second edition of the following event:

- **H2 day Modena** - carried out in November and December in Modena, organised by the University of Modena and Reggio Emilia in collaboration with the Municipality of Spilamberto and AESS - Agency for energy and sustainable development. The goal of the meeting was to analyse the various aspects of the use of hydrogen in order to promote its more widespread use.

SAFE S.p.A. participates in trade fairs and international conferences organised by ICE (the Italian Trade Promotion Agency) and aimed at promoting Italian business worldwide.

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.

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.

For the Landi Renzo 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.
Insofar as Metatron S.p.A. is concerned, during the selection phase the Purchasing Manager is responsible for meeting production requirements by seeking out the most reliable and cost-effective suppliers available in the market. In this search, the Purchasing Manager needs to compare, when possible, multiple offers for the same supply and prioritise suppliers that are seeking out partnerships. The criteria taken into consideration for prior Supplier qualification include: Quality system certification, Certification/assessment of the environmental system, economic aspects, financial strength, technological know-how, focus on partnerships, references.

Furthermore, Metatron S.p.A. monitors the performance of its suppliers on the basis of several performance indicators specified in the document "MO070508-supplier quality specifications (01)", signed by suppliers to acknowledge their acceptance. In detail, through a Vendor Rating IT tool, the Company evaluates 4 indicators:

- **Supplier Quality System** (the supplier must have at least the following certifications: ISO 9001, IATF, ISO 14001 and for certification bodies ISOIEC).
- **Rejected supplies**, or number of non-compliant lots out of total lots delivered.
- **Weight Index** whereby a value is assigned if the non-conformity is identified on acceptance, in the line or by the customer.
- **Delivery Index**, or days of difference between the order confirmation date and the actual delivery date.

The sum of the scores obtained for each indicator results in the identification of a Global Assessment Index (GAI), which is taken into consideration during the supplier qualification phase.

For Safe S.p.A., when a new supplier is qualified, the competent departments, or Purchasing, Quality and Technical Office, agree on the methodology to be adopted for qualification, in order to establish eligibility. In this phase, the requirements to be verified may vary depending on the criticality of the product/service provided. In specific cases, any environmental requirements met by the Supplier are also assessed.

Before initiating any supplies of production components, the Technical Office and Quality must approve the selected supplier.

The performance of individual suppliers is then monitored annually based on several indicators relating to the following areas: Quality, Environment and Service. The overall Supplier assessment is obtained by adding together the scores obtained, multiplied by the significance of the topic. Suppliers are then classified into different grades: excellent (assessment between 100 and 249); sufficient (overall assessment between 250 and 350) and insufficient (assessment higher than 350). If the supplier obtains a below threshold grade, q plan of actions to be implemented is agreed upon together with contacts from the Quality area and the Technical Office. The plan may include actions aimed at improving supplier performance or include supplier phase-out actions (exclusion of the supplier from the Safe S.p.A. supplier list).

Certified suppliers

SUPPLIER CERTIFICATIONS*	2022	2021	2020
ISO 9001 certification	67%	74%	83%
IATF 16949 certification (*Automotive*)	13%	14%	38%
ISO 14001 certification	24%	27%	33%
OHSAS 18001 certification	2%	3%	8%
SA8000 certification	7%	8%	4%
EMAS certification	1%	1%	2%
No certification	5%	12%	16%

*The actual certification data referring to the Group's Italian Companies was calculated at the end of 2022.

The data emerging from the "certified suppliers" table shows that compared to the start of the three-year period, the number of certified suppliers with no certification in the Group's supplier base has reduced.

In order to comply with legal requirements, the Landi Renzo Group is directing all OEM strategic suppliers towards the new IATF 16949 standard (which replaces the ISO/TS 16949). Particular attention has been paid to the transition from OHSAS 18001 to ISO 45001, 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.

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.

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.

As well as the checks carried out in the selection phase, the Landi Renzo 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). Furthermore, please note that the suppliers of the Company Metatron S.p.A. signed the GPC (General Purchase Conditions) including Article 15 "Sustainability" (Energy saving, consumption reduction, emission and waste management) in which the Company asks its suppliers to take all actions required to avoid air, water or soil pollution and enact a policy for reducing consumption and ensuring energy savings. Metatron S.p.A. reserves the right to verify the application and effectiveness of such policy during periodic inspections. For the Landi Renzo Group, respect for human rights and impacts on society is implicitly verified during these audits, but is not formalised in any documentation.

Promoting local economies

The business model adopted by the 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, sensors.

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 2022 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 72%[6].The **local suppliers,** excluding intercompany purchases**,** are distributed as follows:95% Italy, 60% Europe (purchases made in the same country of residence by the Rumanian and Polish companies), 33% Asia (purchases made in Asia and the rest of the world by the Chinese, Pakistani and Iranian companies) and 99% America (purchases made in the Americas by the Brazilian, American, Argentine, Canadian, Colombian and Peruvian companies).

Supply figures by geographical area

SUPPLY FIGURES BY GEOGRAPHICAL AREA*	2022	2021	2020
Italy	69%	73%	70.5%
Europe (excluding Italy)	18%	15%	17.7%
Asia and Rest of the World	**2%**	3%	7.5%
America	11%	9%	4.3%
Total (€/000)	**257,717**	**267,077**	**135,202**

*The data for 2022 include the Company L.R. Pak (Pvt) Limited, as it is included in the management system on an actual basis.

No. of active suppliers

ACTIVE SUPPLIERS (no.) *	2022	2021	2020
	3,855	**3,841**	**728**

*The data for 2022 include the Company L.R. Pak (Pvt) Limited, as it is included in the management system on an actual basis.

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 new product development phase, suppliers are involved in the co-design process. Landi Renzo Group personnel are always in contact with

[6] The data include the Company L.R. Pak (Pvt) Limited, as it is included in the management system on an actual basis.

suppliers to support them in all the required activities, the use of procedures and methods, and in validation processes.

Planet

Planet

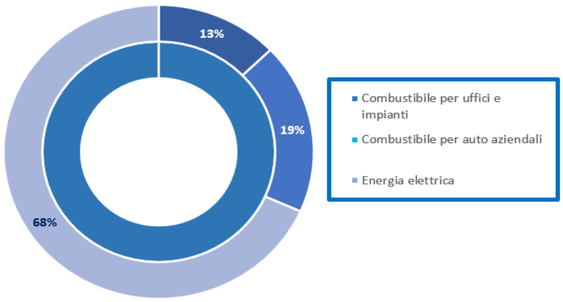
Our Progress

Tecnologia, innovazione e rispetto per il pianeta sono i valori attraverso i quali, trasformiamo quotidianamente il presente nel futuro che desideriamo e da oltre 60 anni diamo risposte concrete: **GPL, Metano, LNG, Biometano e Idrogeno**

Partnership sia nel segmento gas che in quello dell'idrogeno per garantire un'accelerazione verso la transizione energetica e la decarbonizzazione

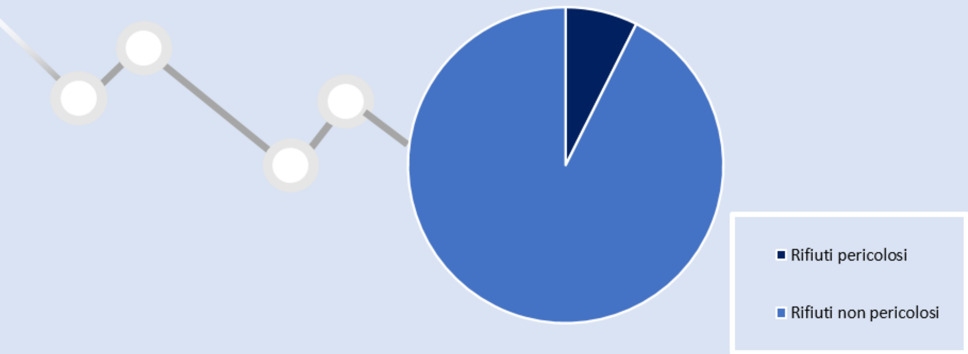
Rapporti con enti e istituzioni sia a livello nazionale che internazionale per lo sviluppo delle future normative e standard tecnici del settore dei carburanti alternativi in ambito ambientale e di sicurezza.

Suddivisione delle emissioni di CO2 per tipologia di consumo…



- **Landi Renzo S.p.A.**
- **Safe S.p.A.**
- **IMW Industries LTD Canada**
- **Metatron S.p.A.**

Composizione dei rifiuti…



Environmental Policy and Management System

Although the activities carried out by the Group are those activities typical of a low environmental impact engineering company, Landi Renzo has always paid significant attention to the environment. 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 Environmental Management System in place at Landi Renzo S.p.A., Safe S.p.A., IMW Industries LTD Canada and Metatron S.p.A., in accordance with the requirements of the current ISO 14001:2015 standard.

The Landi Renzo S.p.A. environmental 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 20 May 2022, Landi Renzo S.p.A., with the drafting of the review by the management, completed the revision of the EMS and environmental policy referring to the ISO 14001:2015 standard. Subsequently, audits were successfully completed in May-June 2022 (Environmental Audit by M2 Engineering) and June-July 2022 by Bureau Veritas for the new issue of the ISO 14001:2015 certification. 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.

The Companies Safe S.p.A. and IMW Industries LTD Canada perform maintenance audits annually.

As concerns Metatron S.p.A., the last internal environmental inspection audit was performed on 20 October 2022 by the Company M2. Specifically, the ISO 14001 certification was suspended and reactivated in light of the audit performed in February 2023. The established audit plan was basically respected in terms of content and the areas covered, and the personnel interviewed were found to be attentive to and aware of environmental matters.

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. Starting in 2022, this report was integrated with the Art. 271 emissions as requested by M2 Engineering.
For the entire Group, no penalties or proceedings against them due to failure to comply with environmental regulations or laws were registered.
For the entire Group, in the course of 2022, no controls or audits were performed by the supervisory authorities.
Lastly, please note that Metatron S.p.A., through Deed DET-AMB-2019-5264 of 14 November 2019 and with expiry in 2034, adopted the Single Environmental Authorisation (SEA) for the Castel Maggiore office.

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.
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 from 2 to 4 years.

Moreover, video-conferencing facilities, conference calls and Skype calls and meetings on Teams 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 fewer vehicles can be used.

AVL, which is not controlled by the Landi Group, occupied a part of a building together with the Landi Group, and therefore, as specified below, some electricity 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)	2022	2021	2020
ITALIAN COMPANIES			
Methane (m^3)	193,827	218,302	176,116
FOREIGN COMPANIES*			
Methane (m^3)	84,526	192,214	104,129
Total (m^3)	**278,353**	**410,516**	**280,245**
Total (GJ)	**11,069**	**16,304**	**11,105**

*The 2020 data includes the entire scope. Data were estimated for the companies: Beijing Landi Renzo Autogas System Co. Ltd, LR Industria e Comercio Ltda, AEB America S.r.l., Renzo Pars Private Joint Stock Company and L.R. Pak (Pvt) Limited.
The 2021 data includes direct energy consumption from ethane relating to the Company IMW Industries LTD Canada, acquired by the Group in 2021. The 2021 data includes the entire perimeter. Data were estimated for the companies: Landi Renzo USA Corporation, Renzo Pars Private Joint Stock Company, LR Industria e Comercio Ltda.
The data relating to the Companies of the Safe Group and Metatron refer to the entire calendar year (1/01/21-31/12/21).
The 2022 figure includes the entire perimeter, as indicated in the methodological note. Data were estimated for the companies: Landi Renzo USA Corporation, Renzo Pars Private Joint Stock Company, AEB America S.r.l.
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 2022 were used to calculate the total consumption for the year 2022 (expressed in gigajoules).

Direct energy consumption due to personnel travel

DIRECT ENERGY CONSUMPTION (company cars)	2022	2021	2020
ITALIAN COMPANIES			
Petrol (l)	94,987	70,897	59,405
Diesel (l)	37,635	10,896	12,917
LPG (l)	68,478d	60,830	45,084

Methane (kg)	6,907	9,965	4,674
FOREIGN COMPANIES*			
Petrol (l)	39,702	39,499	19,430
Diesel (l)	75,292	87,482	63,862
LPG (l)	69,918	70,109	53,169
Methane (kg)	3,611	7,613	3,080
Total (tonnes)	**263**	**252**	**185**
Total (GJ)	**11,427**	**11,049**	**8,682**

*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 2021 figure includes the entire perimeter, as indicated in the methodological note. Data were estimated for the companies: Landi Renzo USA Corporation, Renzo Pars Private Joint Stock Company, LR Industria e Comercio Ltda, AEB America S.r.l.
The data relating to the Companies of the Safe Group and Metatron refer to the entire calendar year (1/01/21-31/12/21).
The 2022 figure includes the entire perimeter, as indicated in the methodological note. Data were estimated for the companies: Landi Renzo USA Corporation, Renzo Pars Private Joint Stock Company, AEB America S.r.l.
The conversion factors of the Department for Environment, Food and Rural Affairs 2022 were used to calculate the total consumption for the year 2022 (expressed in gigajoules).

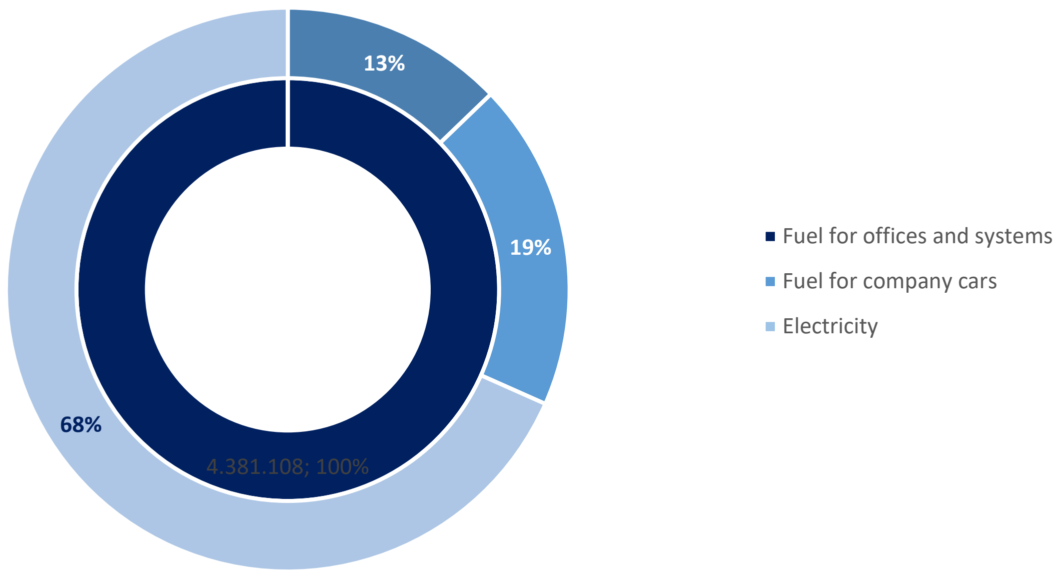
Electricity consumption

ELECTRICITY CONSUMPTION	2022	2021	2020
ITALIAN COMPANIES			
Electricity (kWh)	6,157,627	9,140,242	7,834,184
*amount from photovoltaic system**	*227,280*	*196,289*	*226,500*
FOREIGN COMPANIES**			
Electricity (kWh)	1,743,054	2,305,108	560,696
Total (KWh)	**7,900,681**	**11,445,350**	**8,394,821**
Total (GJ)	**28,444**	**41,203**	**30,221**

**The figure refers to the Energy generated by photovoltaic systems at Via Nobel and Via Industria relating to Landi Renzo S.p.A.
The conversion factors of the Department for Environment, Food and Rural Affairs 2022 were used to calculate the total consumption for the year 2021 (expressed in gigajoules).
** The 2020 figure includes the entire scope, 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 2021 figure includes the entire perimeter, as indicated in the methodological note. Data were estimated for the companies: Landi Renzo USA Corporation, Renzo Pars Private Joint Stock Company, LR Industria e Comercio Ltda.
The 2022 figure includes the entire perimeter, as indicated in the methodological note. Data were estimated for the companies: Landi Renzo USA Corporation, Renzo Pars Private Joint Stock Company.
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 2022 were used to calculate the total consumption for the year 2022 (expressed in gigajoules).
The data relating to the Companies of the Safe Group and Metatron refer to the entire calendar year (1/01/22-31/12/22).

For 2022, Landi Renzo S.p.A.'s indirect consumption of electricity also includes in part 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, previously, as data was not available regarding consumption recorded in the Desigo Software in use at AVL, which has not provided it, the allotment was based on monthly readings of the SIEMENS meters, which provide an indication of the amount consumed by Landi Renzo S.p.A. 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 for the first 6 months of the year, 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, until June, 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.

Breakdown of CO_2 emissions by consumption type



Direct and indirect emissions into the atmosphere

DIRECT CO_2 EMISSIONS (offices and systems) - Scope 1	2022	2021	2020
ITALIAN COMPANIES			
Emissions due to methane consumption (CO_2e kg)	390,705	441,264	356,223
FOREIGN COMPANIES*			
Emissions due to methane consumption (CO_2e kg)	170,383	400,594	210,618
Total (CO_2e kg)	**561,088**	**841,858**	**566,841**

*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 2021 figure includes the entire perimeter, as indicated in the methodological note. Data were estimated for the companies: Landi Renzo USA Corporation, Renzo Pars Private Joint Stock Company, LR Industria e Comercio Ltda.
The 2022 figure includes the entire perimeter, as indicated in the methodological note. Data were estimated for the companies: Landi Renzo USA Corporation, Renzo Pars Private Joint Stock Company, AEB America S.r.l.
The method used to calculate 2022 emissions involves the use of emission factors published in 2022 by the Department for Environment, Food & Rural Affairs 2022.
The data relating to the Companies of the Safe Group and Metatron refer to the entire calendar year (1/01/22-31/12/22).

DIRECT CO_2 EMISSIONS (company cars) - Scope 1	2022	2021	2020
ITALIAN COMPANIES			
Total emissions (CO_2e kg)	425,777	309,629	243,640
FOREIGN COMPANIES*			
Total emissions (CO_2e kg)	399,650	434,916	295,218
Total (CO_2e kg)	**825,427**	**744,545**	**538,858**

*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 2021 figure includes the entire perimeter, as indicated in the methodological note. Data were estimated for the companies: Landi Renzo USA Corporation, Renzo Pars Private Joint Stock Company, LR Industria e Comercio Ltda.
The 2022 figure includes the entire perimeter, as indicated in the methodological note. Data were estimated for the companies: Landi Renzo USA Corporation, Renzo Pars Private Joint Stock Company, AEB America S.r.l.
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 2022 by the Department for Environment, Food & Rural Affairs 2022.
The data relating to the Companies of the Safe Group and Metatron refer to the entire calendar year (1/01/22-31/12/22).

INDIRECT CO_2 EMISSIONS (electricity) - Scope 2	2022	2021	2020
ITALIAN COMPANIES			
Emissions due to electricity consumption	2,456,832	3,646,865	3,125,761
FOREIGN COMPANIES*			
Emissions due to electricity consumption	537,761	744,174	373,209
Total (CO_2e kg)	**2,994,593**	**4,391,039**	**3,498,947**

*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 2021 data includes the entire perimeter. Data were estimated for the companies: Landi Renzo USA Corporation, Renzo Pars Private Joint Stock Company, LR Industria e Comercio Ltda.
The 2022 data includes the entire perimeter. Data were estimated for the companies: Landi Renzo USA Corporation, 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 2021 version, they are more representative as they provide a breakdown by country.
The data relating to the Companies of the Safe Group and Metatron refer to the entire calendar year (1/01/22-31/12/22).

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 2022, the repair of the via Industria electricity production plant made it possible to generate more than 431,555 kWh, also thanks to optimal weather conditions, thus avoiding more than 91 tonnes of CO2 emissions.In 2022, Landi Renzo S.p.A.’s solar power system in Via Nobel produced 818 GJ compared to 707 GJ in 2021, whereas the one in Via dell’Industria produced 735 GJ in 2022 compared to 642 GJ in 2021.

Other emissions into the atmosphere

OTHER EMISSIONS INTO THE ATMOSPHERE (kg)	2022	2021	2020
NOx*	64	76	61
SOx*	6	8	6
VOCs (Volatile Organic Compounds)	436	232	957

*The 2020/2021/2022 figures refer 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 m³ of methane consumed overall requires multiplication by the emission limit stipulated by legislation (350 mg/m³ for NOx and 35 mg/m³ 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.

As concerns Landi Renzo S.p.A., as SOx and NOx are substances derived from the combustion of methane, they declined compared with previous years (NOx from 76 kg in 2021 to 64 kg in 2022, SOx from 8 kg in 2021 to 6 kg in 2022). There was a considerable decrease compared with 2020 in VOCs, as they were calculated by recording the results of the periodic emissions tests at the production sites.

Emissions of ozone-depleting substances

EMISSIONS of ODSs (CO2e tonnes)*	2022	2021	2020
F-gas mixtures (HFCs)	258.3	122.2	300.11

*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).

For Landi Renzo S.p.A., HFC emissions are due exclusively to air conditioning system leaks. In 2022, 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. In particular, 2 completely empty air conditioners were found at the Via dell'Industria location.

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 limit 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.

In 2022, the change in the consumption of water for domestic use (mains water) of Landi Renzo is mainly due to the number of people in the company, and to a lesser extent the procurement of water for the operation of the osmosis and softening systems. In particular, in 2022 the consumption at via Nobel no. 6 was not counted in part for Landi Renzo, as that supply was available solely to the neighbouring company AVL, to which the water meter was transferred in March 2021.

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.

Against these recent acquisitions, therefore, in the Group's Italian companies, around 30 megalitres 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.

For Landi Renzo S.p.A., waste water was mainly from toilet facilities and air compressor condensation.

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

As concerns Safe S.p.A. and Metatron S.p.A., waste water consists only of water for domestic use.

Water withdrawal by source

WATER WITHDRAWAL BY SOURCE (megalitres)*	2022		2021		2020	
ITALIAN COMPANIES	All areas	Water stress areas	All areas	Water stress areas	All areas	Water stress areas
Surface water	**11.04**	-	**3.40**	-	-	-
of which fresh water (≤1,000 mg/l of total dissolved solids)	11.04	-	3.40	-	-	-
of which other types of water (>1,000 mg/l of total dissolved solids)		-	-	-	-	-
Groundwater (wells for irrigation)	**1.22**	-	**1.24**	-	**1.36**	-
of which fresh water (≤1,000 mg/l of total dissolved solids)	1.22	-	1.24	-	1.36	-
of which other types of water (>1,000 mg/l of total dissolved solids)		-	-	-	-	-
Water supply		-	**5.03**	-	**3.25**	-
of which fresh water (≤1,000 mg/l of total dissolved solids)		-	5.03	-	3.25	-
of which other types of water (>1,000 mg/l of total dissolved solids)		-	-	-	-	-
Total water withdrawn	**12.26**	-	**9.68**	-	**4.62**	-
FOREIGN COMPANIES						
Surface water	**11.57**	-	**8.34**	-	**0.35**	-
of which fresh water (≤1,000 mg/l of total dissolved solids)	11.57	-	8.34	-	0.35	-
of which other types of water (>1,000 mg/l of total dissolved solids)		-	-	-	-	-
Groundwater (wells for irrigation)	**6.05**	-	**7.33**	-	**8.03**	-
of which fresh water (≤1,000 mg/l of total dissolved solids)	0.67	-	0.64	-	0.60	-
of which other types of water (>1,000 mg/l of total dissolved solids)	5.34	-	6.70	-	7.43	-
Water supply	**0.003**	-	-	-	**0.12**	-
of which fresh water (≤1,000 mg/l of total dissolved solids)	0.003	-	-	-	121.13	-
of which other types of water (>1,000 mg/l of total dissolved solids)		-	-	-	-	-
Total water withdrawn	**17.62**	-	**15.68**	-	**8.50**	-

*The 2021 and 2022 data includes the entire scope.
The 2021 data were estimated for the companies: Beijing Landi Renzo Autogas System Co. Ltd, Landi Renzo USA Corporation, L.R. Pak (Pvt) Limited, Renzo Pars Private Joint Stock Company, AEB America S.p.A., LR Industria e Comercio Ltda.
The 2022 data were estimated for the companies: Beijing Landi Renzo Autogas System Co. Ltd, Landi Renzo USA Corporation, L.R. Pak (Pvt) Limited, Renzo Pars Private Joint Stock Company, AEB America S.p.A., LR Industria e Comercio Ltda, Società IMW Industries LTDA Colombia, IMW Industries del Perù SAC Peru and Metatron Control Systems Co., Ltd.
The data relating to the Companies of the Safe Group and Metatron refer to the entire calendar year (1/01/22-31/12/22).

Waste management

The 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 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) Safe (ISO 14001:2015) and Metatron (ISO 14001:2015), 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. The Landi Renzo Group continues its constant commitment to pursuing the material separation and recycling policy.

The total amount of waste produced in 2022 by the Group's Italian companies was 1,054 tonnes, of which 989 tonnes (94%) classified as "**non-hazardous**" and only 65 tonnes (6%) classified as "**hazardous**". Net increase with respect to past years, as the Company, aside from performing a number of recent acquisitions, scrapped, in addition to systematic disposal activities for materials to be discarded:

- scrap materials in accordance with the Administration
- obsolete machinery and equipment that are no longer used (also removed from assets)
- obsolete materials in accordance with the Administration.

Total waste produced

TYPE OF WASTE DISPOSAL (ton)	2022	2021	2020
ITALIAN COMPANIES			
Waste generated	**418**	**279**	**136**
Waste recovered	278	227	135
Waste disposed of	139	52	1
FOREIGN COMPANIES*			
Waste generated	**636**	**647**	293
Waste recovered	477	562	-
Waste disposed of	159	85	-

*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 2021 and 2022 figures include the entire perimeter, as indicated in the methodological note.
The data relating to the Companies of the Safe Group and Metatron refer to the entire calendar year (1/01/21-31/12/21).
The 2022 data were estimated for the companies: Beijing Landi Renzo Autogas System Co. Ltd, Landi Renzo USA Corporation, L.R. Pak (Pvt) Limited, Renzo Pars Private Joint Stock Company, AEB America S.p.A, LR Industria e Comercio Ltda. Furthermore, the methods of disposal and otherwise were estimated for the Companies IMW Industries LTDA Colombia, IMW Industries LTD Shanghai/ IMW Energy Tech LTD China and Metatron Control Systems Co., Ltd.

The waste produced in 2022 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 during 2022, other than urban waste and therefore no operations have been logged in the waste register. At the end of 2021 with the formal closure of the Lovato site, the Companies will on various occasions scrap materials included in the dedicated registers, reported on in 2022.

Waste not sent for disposal

WASTE NOT SENT FOR DISPOSAL (ton)*	2022	2021	2020
ITALIAN COMPANIES			
Hazardous Waste	**28**	**4**	
Preparation for reuse	-	-	
Recycling	28	4	
Other recovery operations	-	-	
Non-hazardous waste	**250**	**223**	
Preparation for reuse	-	-	
Recycling	250	223	
Other recovery operations	-	-	
TOTAL ITALIAN COMPANIES	**278**	**227**	
FOREIGN COMPANIES*			
Hazardous waste	**14**	**27**	
Preparation for reuse	-	-	
Recycling	14	27	
Other recovery operations	-	-	
Non-hazardous waste	**464**	**535**	
Preparation for reuse	-	-	
Recycling	464	535	
Other recovery operations	-	-	
TOTAL FOREIGN COMPANIES	**477**	**562**	

*First year reported on according to GRI 2020; as a result it is not possible to compare with prior years.
The 2021 and 2022 figures include the entire perimeter.
The data relating to the Companies of the Safe Group and Metatron refer to the entire calendar year (1/01/21-31/12/21).
The 2022 data were estimated for the companies: Beijing Landi Renzo Autogas System Co. Ltd, Landi Renzo USA Corporation, L.R. Pak (Pvt) Limited, Renzo Pars Private Joint Stock Company, AEB America S.p.A., LR Industria e Comercio Ltda. Furthermore, the methods of disposal and otherwise were estimated for the Companies IMW Industries LTDA Colombia, IMW Industries LTD Shanghai/ IMW Energy Tech LTD China and Metatron Control Systems Co., Ltd.

Waste sent for disposal

WASTE SENT FOR DISPOSAL (ton)*	2022	2021	2020
ITALIAN COMPANIES			
Hazardous Waste	**7**	**8**	
Disposal at landfill	7	3	
Incineration - with energy recovery	-	-	
Incineration - without energy recovery	-	-	
Other type of disposal	-	5	
Non-hazardous waste	**132**	**44**	
Disposal at landfill	0.11	-	
Incineration - with energy recovery	-	-	
Incineration - without energy recovery	-	-	
Other type of disposal	132	44	
TOTAL ITALIAN COMPANIES	**139**	**52**	
FOREIGN COMPANIES*			
Hazardous Waste	**15**	**4**	
Disposal at landfill	13	1	
Incineration - with energy recovery	-	-	
Incineration - without energy recovery	-	-	
Other type of disposal	2	3	
Non-hazardous waste	**143**	**81**	
Disposal at landfill	31	39	
Incineration - with energy recovery	-	-	
Incineration - without energy recovery	-	-	
Other type of disposal	112	42	
TOTAL FOREIGN COMPANIES	**159**	**85**	

*First year reported on according to GRI 2020; as a result it is not possible to compare with prior years.
The 2021 and 2022 figures include the entire perimeter.
The data relating to the Companies of the Safe Group and Metatron refer to the entire calendar year (1/01/21-31/12/21).
The 2022 data were estimated for the companies: Beijing Landi Renzo Autogas System Co. Ltd, Landi Renzo USA Corporation, L.R. Pak (Pvt) Limited, Renzo Pars Private Joint Stock Company, AEB America S.p.A., LR Industria e Comercio Ltda. Furthermore, the methods of disposal and otherwise were estimated for the Companies IMW Industries LTDA Colombia, IMW Industries LTD Shanghai/ IMW Energy Tech LTD China and Metatron Control Systems Co., Ltd.

In 2022 there were no recorded spills of hazardous substances or products that may have caused environmental pollution.

Noise emissions

All the Italian companies in the 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.

EMARKET SDIR CERTIFIED

GRI Content Index

Statement of use		Landi Renzo Group has reported in accordance with the GRI Standards for the period 1.01.2022 to 31.12.2022				
GRI 1 used		GRI 1: Foundation 2021				
Applicable GRI Sector Standard(s)		N/A				
Gri standard / other source	**Disclosure**	**Location**	**Omission**			**Gri sector standard ref. no**
			Requirement(s)	*Omitted reason*	*Explanation*	
General disclosures						
GRI 2: General Disclosures 2021	2-1 Organisational details	*Annual Financial Report (contacts)*				
	2-2 Entities included in the organisation's sustainability reporting	*Methodological Note (pp 1-3)*				
	2-3 Reporting period, frequency and contact point	*Methodological Note (pp 1-3) Annual Financial Report (contacts)*				
	2-4 Restatements of information	*Methodological Note (pp 1-3)*				
	2-5 External assurance	*(PWC report)*				
	2-6 Activities, value chain and other business relationships	*Suppliers (pp 85-88) Promoting local economies (pp 88-89) Supplier involvement and communication (p 89)*				
	2-7 Employees	*Personnel composition and management (pp 42-45)*				
	2-8 Workers who are not employees		*Requirement a), b) and c)*	*Information not available*	*The information is not currently monitored at Group level.*	
	2-9 Governance structure and composition	*Corporate Governance (pp 33-37)*				
	2-10 Nomination and selection of the highest governance body	*The members of the Board of Directors are appointed, on the basis of shareholders' agreements between Landi Renzo and Itaca, and on the basis of professional skills.*				
	2-11 Chair of the highest governance body	*The chairman of the Board of Directors is an Executive*				

		Manager of the organisation, who collaborates with the CEO to define the business strategy				
	2-12 Role of the highest governance body in overseeing the management of impacts	*Methodological Note (pp 1-3)*				
	2-13 Delegation of responsibility for managing impacts	*Methodological Note (pp 1-3)*				
	2-14 Role of the highest governance body in sustainability reporting	*Methodological Note (pp 1-3)*				
	2-15 Conflicts of interest	*Corporate Governance (pp 33-37)* *In order to prevent and mitigate any conflicts of interest, the Group has established the Committee for Transactions with Related Parties and an Internal Audit Department*				
	2-16 Communication of critical concerns	*No reports or communications of critical concerns were received during the year.*				
	2-17 Collective knowledge of the highest governance body	*Periodic meetings of the Control, Risks and Sustainability Committee on non-financial reporting*				
	2-18 Evaluation of the performance of the highest governance body		*Requirement a), b) and c)*	*Information not available*	*There is currently no process to assess the performance of the Board of Directors on ESG aspects*	
	2-19 Remuneration policies	*Corporate Governance (pp 33-37)* *Please refer to the annual report on the remuneration policy and on remuneration paid*				
	2-20 Process to determine remuneration	*Corporate Governance (pp 33-37)*				
	2-21 Annual total compensation ratio	*Compensation and benefits (pp 53-55)* *Information available only for Landi Renzo S.p.A.*	*Requirement a), b) and c)*	*Incomplete information*	*Information available only for the parent company Landi Renzo S.p.A.*	

	2-22 Statement on sustainable development strategy	*Letter to the stakeholders (p 4)*				
	2-23 Policy commitments		*Requirement a), b), c), e) and f)*	*Information not available*	*The Group did not initiate due diligence on human rights*	
	2-24 Embedding policy commitments		*Requirement a)*	*Information not available*	*The Group has not currently defined commitments on ESG topics*	
	2-25 Processes to remediate negative impacts	*Personnel composition and management (pp 42-45)* *Human rights, diversity and equal opportunities (pp 46-47)* *Protection of occupational health and safety (pp 55-61)* *The local community and area (p 62)* *Suppliers (pp 85-88)* *Environmental performance (pp 93-106)*				
	2-26 Mechanisms for seeking advice and raising concerns	*Corporate Governance (pp 33-37)*				
	2-27 Compliance with laws and regulations	*There were no cases of non-compliance with laws and regulations during the year*				
	2-28 Membership associations	***Communication with authorities and institutions and active participation in sustainable development*** *(pp 80-85)*				
	2-29 Approach to stakeholder engagement	*Stakeholder engagement (p 29)*				
	2-30 Collective bargaining agreements	*Trade union relations and occupation protection (pp 47-48)* *Information available only for the Group's Italian Companies*				
	3-1 Process to determine material topics	*Significant impacts for the Landi Renzo Group (pp 21-28)*				
	3-2 List of material topics	*Significant impacts for the Landi Renzo Group (pp 21-28)*				
MATERIAL TOPIC - SUPPORT FOR THE GENERAL PUBLIC						

GRI 3 – Material Topics 2021	3-3 Management of material topics	*The local community and area (p 62) Tax management (pp 62-63)*				
	204-1 Proportion of spending on local suppliers in relation to the main operating sites	*Promoting local economies (pp 88-89)*				
	207-1 Approach to tax	*Tax management (pp 62-63)*				
	207-2 Tax governance, control and risk management	*Tax management (pp 62-63)*				
	207-3 Stakeholder engagement and management of concerns related to tax	*Tax management (pp 62-63)*				
	207-4 Country-by-country reporting	*Tax management (pp 62-63)*				
MATERIAL TOPIC – SUPPLIER MANAGEMENT						
GRI 3 – Material Topics 2021	3-3 Management of material topics	*Suppliers (pp 85-88) Promoting local economies (pp 88-89) Supplier involvement and communication (p 89)*				
	204-1 Proportion of spending on local suppliers in relation to the main operating sites	*Promoting local economies (pp 88-89)*				
MATERIAL TOPIC - ENVIRONMENTAL PROTECTION						
GRI 3 – Material Topics 2021	3-3 Management of material topics	*Environmental performance (pp 93-106)*				
	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	*Environmental performance (pp 93-106)*				
	303-1 Interaction with water as a shared resource	*Environmental performance (pp 93-106)*				
	303-2 Management of water discharge-related impacts	*Environmental performance (pp 93-106)*				
	303-3 Water withdrawal	*Environmental performance (pp 93-106)*				
	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)	*Environmental performance (pp 93-106)*				

	305-2 Energy indirect (Scope 2) GHG emissions	*Environmental performance (pp 93-106)*				
	305-4 GHG emission intensity	*Environmental performance (pp 93-106)*				
	305-7 Nitrogen oxides (NOX), sulfur oxides (SOX), and other significant air emissions	*Environmental performance (pp 93-106) Information only available for Landi Renzo SpA's production site in Reggio Emilia, via dell'Industria*				
	303-1 Interaction with water as a shared resource	*Environmental performance (pp 93-106)*				
	306-1 Waste generation and significant waste-related impacts	*Environmental performance (pp 93-106)*				
	306-2 Management of significant waste-related impacts	*Environmental performance (pp 93-106)*				
	306-3 Waste generated	*Environmental performance (pp 93-106)*				
	306-4 Waste not intended for disposal	*Environmental performance (pp 93-106)*				
	306-5 Waste intended for disposal	*Environmental performance (pp 93-106)*				
MATERIAL TOPIC - DIALOGUE AND ACTIVE INVOLVEMENT WITH INSTITUTIONS						
GRI 3 – Material Topics 2021	3-3 Management of material topics	*Corporate Governance (pp 33-37)*				
	205-3 Confirmed incidents of corruption and actions taken	*Main non-financial risks (pp 29-32) Corporate Governance (pp 33-37)*				
MATERIAL TOPIC - EQUAL OPPORTUNITIES, DIVERSITY AND INCLUSION						
GRI 3 – Material Topics 2021	3-3 Management of material topics					
	202-1 Ratio between the standard salary for new hires by gender to local minimum salary in the most significant operating sites	*Compensation and benefits (pp 53-55) Information not available for Landi Renzo USA Corporation*				
	401-1 New employee hires and employee turnover (by age, gender and nationality)	*Turnover (pp 45-46)*				
	401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees, for main activities	*Compensation and benefits (pp 53-55)*				
	405-1 Diversity of governance bodies and employees, by	*Annual Financial Report (Corporate*				

	diversity indicator	*bodies) Corporate Governance (pp 33-37) Human rights, diversity and equal opportunities (pp 46-47) Information on the number of staff in protected categories is not available for the Group's foreign companies*				
	406-1 Incidents of discrimination and corrective actions taken	*Human rights, diversity and equal opportunities (pp 46-47) No reports of discrimination in the Group*				
	MATERIAL TOPIC - OCCUPATIONAL HEALTH AND SAFETY					
GRI 3 – Material Topics 2021	3-3 Management of material topics	*Protection of occupational health and safety (pp 55-61)*				
	403-1 Occupational health and safety management system	*Protection of occupational health and safety (pp 55-61)*				
	403-2 Hazard identification, risk assessment, and incident investigation	*Protection of occupational health and safety (pp 55-61)*				
	403-3 Occupational health services	*Protection of occupational health and safety (pp 55-61)*				
	403-4 Worker participation, consultation, and communication on occupational health and safety	*Protection of occupational health and safety (pp 55-61)*				
	403-5 Worker training on occupational health and safety	*Protection of occupational health and safety (pp 55-61)*				
	403-6 Promotion of worker health	*Protection of occupational health and safety (pp 55-61)*				
	403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	*Protection of occupational health and safety (pp 55-61)*				
	403-9 Work-related injuries	*Protection of occupational health and safety (pp 55-61) For the purposes of calculating injury indexes,*				

		hours worked are considered.				
MATERIAL TOPIC - PROFESSIONAL ENHANCEMENT, TRAINING AND COMPETENCE DEVELOPMENT						
GRI 3 – Material Topics 2021	3-3 Management of material topics	*Training (pp 48-52)*				
	404-1 Average annual training hours per employee, by gender and category	*Training (pp 48-52) Information not available for IMW Industries LTD Canada*				
	404-3 Percentage of employees receiving regular performance and career development reviews, by gender and category	*Training (pp 48-52)*				
	MATERIAL TOPIC - QUALITY, RELIABILITY AND SAFETY OF PRODUCTS AND SERVICES					
GRI 3 – Material Topics 2021	3-3 Management of material topics	*Constant focus on quality (pp 74-78)*				
	416-1 Assessment of the health and safety impacts of product and service categories	*Constant focus on quality (pp 74-78)*				
	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	*Constant focus on quality (pp 74-78)*				
	417-2 Incidents of non-compliance concerning product and service information and labelling	*Constant focus on quality (pp 74-78)*				
	MATERIAL TOPIC - CUSTOMER ENGAGEMENT AND SATISFACTION					
GRI 3 – Material Topics 2021	3-3 Management of material topics	*Constant focus on quality (pp 74-78)*				
	416-1 Assessment of the health and safety impacts of product and service categories	*Constant focus on quality (pp 74-78)*				
	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	*Constant focus on quality (pp 74-78)*				
	418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data	*No founded complaints about privacy were received in the year.*				
	MATERIAL TOPIC - RESEARCH AND INNOVATION					
GRI 3 – Material Topics 2021	3-3 Management of material topics	*Innovation and Research & Development: a model of*				

		excellence (pp 68-74)				
	MATERIAL TOPIC - CONSOLIDATION OF SECTOR LEADERSHIP					
GRI 3 – Material Topics 2021	3-3 Management of material topics	*Hydrogen, energy source of the mobility of the future (pp 7-9)*				
	MATERIAL TOPIC - OFFER OF ECO-EFFICIENT PRODUCTS					
GRI 3 – Material Topics 2021	3-3 Management of material topics	*Hydrogen, energy source of the mobility of the future (pp 7-9)* *The fight against climate change progresses on four wheels (pp 14-19)* *The value chain: research, innovation and customer satisfaction (p 68)*				
	MATERIAL TOPIC - SPREAD OF SUSTAINABLE MOBILITY INFRASTRUCTURE					
GRI 3 – Material Topics 2021	3-3 Management of material topics	*Hydrogen, energy source of the mobility of the future (pp 7-9)* *The fight against climate change progresses on four wheels (pp 14-19)* *The value chain: research, innovation and customer satisfaction (p 68)*				

Appendix

Tables pursuant to Annex II of EU Regulation 2021/2178

Proportion of turnover from products or services associated with Taxonomy-aligned economic activities – disclosure covering year 2022

				Substantial contribution criteria						DNSH criteria ("Does Not Significantly Harm")										
Economic activities (1)	Code(s) (2)	Absolute turnover (3) mln €	Proportion of turnover (4) %	Climate change mitigation (5) %	Climate change adaptation (6) %	Water and marine resources (7) %	Circular economy (8) %	Pollution (9) %	Biodiversity and ecosystems %	Climate change mitigation (11) Y/N	Climate change adaptation Y/N	Water and marine resources (13) Y/N	Circular economy (14) Y/N	Pollution (15) Y/N	Biodiversity and ecosystems Y/N	Minimum safeguards (17) Y/N	**Taxonomy-aligned proportion of turnover, Year N (18)** Percent	Taxonomy-aligned proportion of turnover, Year N-1 (19) Percent	Category (enabling activity) (20) E	Category (transitional activity) (21) T
A. TAXONOMY-ELIGIBLE ACTIVITIES																				
A.1 Environmentally sustainable activities (Taxonomy-aligned)																				
Activity 1: Manufacture of renewable energy technologies	**3.1**	**0**	**0%**	**100%**	**0%**	**0%**	**0%**	**0%**	**0%**		**N**	**Y**	**Y**	**Y**	**Y**	**N**	**0%**			
Activity 2: Manufacture of equipment for the production and use of hydrogen	**3.2**	**0**	**0%**	**100%**	**0%**	**0%**	**0%**	**0%**	**0%**		**N**	**Y**	**Y**	**Y**	**Y**	**N**	**0%**			
Turnover of environmentally sustainable activities (Taxonomy-aligned) (A.1)		**0**	**0%**	**100%**	**0%**	**0%**	**0%**	**0%**	**0%**		**N**	**Y**	**Y**	**Y**	**Y**	**N**	**0%**			
A.2 Taxonomy-Eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																				
Activity 1: Manufacture of renewable energy technologies	**3.1**	**151.4**	**49.4%**																	
Activity 2: Manufacture of equipment for the production and use of hydrogen	**3.2**	**6.3**	**2.0%**																	
Turnover of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		**157.7**	**51.5%**																	
Total (A.1 + A.2)		**157.7**	**51.5%**	**100%**	**0%**												**0%**			
A. TAXONOMY																				
Turnover of T eligible activiti			**48.5%**																	
Total (A + B)		**306.3**	**100%**																	

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Proportion of CapEx from products or services associated with Taxonomy-aligned economic activities – disclosure covering year 2022

Economic activities (1)	Code(s) (2)	Absolute CapEx (3) mln €	Proportion of CapEx (4) %	Substantial contribution criteria: Climate change mitigation (5) %	Climate change adaptation (6) %	Water and marine (7) %	Circular economy (8) %	Pollution (9) %	Biodiversity and ecosystems (10) %	DNSH criteria ("Does Not Significantly Harm"): Climate change mitigation (11) Y/N	Climate change adaptation (12) Y/N	Water and marine (13) Y/N	Circular economy (14) Y/N	Pollution (15) Y/N	Biodiversity and ecosystems (16) Y/N	Minimum safeguards (17) Y/N	**Taxonomy-aligned proportion of CapEx, Year N (18)** Percent	Taxonomy-aligned proportion of CapEx, Year N-1 (19) Percent	Category (enabling activity) (20) E	Category (transitional activity) (21) T
A.1 Environmentally sustainable activities (Taxonomy-aligned)																				
Activity 1: Manufacture of renewable energy technologies	**3.1**	**0**	**0%**	**100%**	**0%**	**0%**	**0%**	**0%**	**0%**		**N**	**Y**	**Y**	**Y**	**Y**	**N**	**0%**	**N/A**	**E**	
Activity 2: Manufacture of equipment for the production and use of hydrogen	**3.2**	**0**	**0%**	**100%**	**0%**	**0%**	**0%**	**0%**	**0%**		**N**	**Y**	**Y**	**Y**	**Y**	**N**	**0%**	**N/A**	**E**	
CapEx of environmentally sustainable activities (Taxonomy-aligned) (A.1)		**0**	**0%**	**100%**	**0%**	**0%**	**0%**	**0%**	**0%**		**N**	**Y**	**Y**	**Y**	**Y**	**N**	**0%**			
A.2 Taxonomy-Eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																				
Activity 1: Manufacture of renewable energy technologies	**3.1**	**3.5**	**46.7%**																	
Activity 2: Manufacture of equipment for the production and use of hydrogen	**3.2**	**0.8**	**10.6%**																	
CapEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		**4.3**	**57.3%**																	
Total (A.1 + A.2)		**4.3**	**57.3%**	**100%**	**0.00%**												**0%**		**0%**	**0%**
CapEx of Taxonomy-non-eligible activities (B)		**3.2**	**42.7%**																	
Total (A + B)		**7.5**	**100%**																	

Proportion of OpEx from products or services associated with Taxonomy-aligned economic activities – disclosure covering year 2022

Substantial contribution criteria	DNSH criteria ("Does Not Significantly Harm")

Economic activities (1)	Code(s) (2)	Absolute OpEx (3)	Proportion of OpEx (4)	Climate change mitigation (5)	Climate change adaptation (6)	Water and marine resources (7)	Circular economy (8)	Pollution (9)	Biodiversity and ecosystems (10)	Climate change mitigation (11)	Climate change adaptation (12)	Water and marine resources (13)	Circular economy (14)	Pollution (15)	Biodiversity and ecosystems (16)	Minimum safeguards (17)	**Taxonomy-aligned proportion of OpEx, Year N (18)**	Taxonomy-aligned proportion of OpEx, Year N-1 (19)	Category (enabling activity) (20)	Category (transitional activity) (21)
		mln €	%	%	%	%	%	%	%	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Percent	Percent	E	T
A. TAXONOMY-ELIGIBLE ACTIVITIES																				
A.1 Environmentally sustainable activities (Taxonomy-aligned)																				
Activity 1: Manufacture of renewable energy technologies	**3.1**	**0**	**0%**	**100%**	**0%**	**0%**	**0%**	**0%**	**0%**		**N**	**Y**	**Y**	**Y**	**Y**	**N**	**0%**	**N/A**	**E**	
Activity 2: Manufacture of equipment for the production and use of hydrogen	**3.2**	**0**	**0%**	**100%**	**0%**	**0%**	**0%**	**0%**	**0%**		**N**	**Y**	**Y**	**Y**	**Y**	**N**	**0%**	**N/A**	**E**	
OpEx of environmentally sustainable activities (Taxonomy-aligned) (A.1)		**0**	**0%**	**100%**	**0%**	**0%**	**0%**	**0%**	**0%**		**N**	**Y**	**Y**	**Y**	**Y**	**N**	**0%**			
A.2 Taxonomy-Eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																				
Activity 1: Manufacture of renewable energy technologies	**3.1**	1.5	65.9																	
Activity 2: Manufacture of equipment for the production and use of hydrogen	**3.2**	0.5	25%																	
OpEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)		**2.0**	**90.9%**																	
TOTAL (A1+A2)		**2.0**	**90.9%**	**100%**	**0.00%**												**3.34%**		**3.34%**	**0.00%**
A. TAXONOMY-NON-ELIGIBLE ACTIVITIES																				
OpEx of Taxonomy-non-eligible activities (B)		**0.2**	**9.1%**																	
Total (A+B)		**2.2**	**100%**																	

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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 (hereinafter also 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" or "Landi Renzo Group") for the year ended 31 December 2022 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 14 March 2023 (the "NFS").

Our review does not extend to the information set out in the "The fight against climate change travels on four wheels" paragraph of the NFS, required by article 8 of European Regulation 2020/852.

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" 2021 (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.

PricewaterhouseCoopers SpA

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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 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, and Metatron SpA, 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 2022 is not prepared, in all material respects, in accordance with articles 3 and 4 of the Decree and with the GRI Standards.

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Our conclusions on the NFS of Landi Renzo Group do not extend to the information set out in the "The fight against climate change travels on four wheels" paragraph of the NSF, required by article 8 of European Regulation 2020/852.

Parma, 30 March 2023

PricewaterhouseCoopers SpA

Signed by

Nicola Madureri
(Partner)

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 2022 translation.

Significant events after the reporting period and business outlook

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

- in January, with the acquisition of the remaining 10% of the share capital for an equivalent value of Euro 640 thousand (already established in the contract), the Idro Meccanica transaction was completed.

- on 2 March 2023, the Board of Directors approved the 2023 Budget, which, taking into account economic trends emerging in 2022, confirms the strategic development guidelines already set forth in the strategic plan.

- on 13 March 2023, all credit institutions underwriting the loans issued waiver letters with respect to the financial covenants as at 31 December 2022.

Business outlook

After a 2022 characterised by external factors which influenced its performance, albeit within an uncertain macroeconomic environment, the management took a series of actions at Group level to limit direct costs and improve productivity and working capital, and also continued with its integration of the newly-acquired companies, in order to maximise synergies and concentrate on the future growth of the hydrogen, biomethane and natural gas business, which in the course of 2023 will translate into a progressive increase in turnover and margins that will become more visible during the second half of the year.

Chief Executive Officer

Cristiano Musi

Consolidated Financial Statements at 31 december 2022 Landi Renzo Group

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Thousands of Euro)

ASSETS	Notes	31/12/2022	31/12/2021 restated
Non-current assets			
Land, property, plant, machinery and other equipment	2	14,015	14,977
Development costs	3	11,141	12,222
Goodwill	4	80,132	73,256
Other intangible assets with finite useful lives	5	17,263	19,543
Right-of-use assets	6	13,618	11,991
Equity investments measured using the equity method	7	2,496	2,028
Other non-current financial assets	8	847	882
Other non-current assets	9	1,710	2,556
Deferred tax assets	10	14,109	12,694
Non-current assets for derivative financial instruments	11	103	0
Total non-current assets		**155,434**	**150,149**
Current assets			
Trade receivables	12	73,559	66,048
Inventories	13	76,680	68,896
Contract work in progress	14	20,429	15,653
Other receivables and current assets	15	17,148	14,443
Current assets for derivative financial instruments	11	412	0
Cash and cash equivalents	16	62,968	28,039
Total current assets		**251,196**	**193,079**
TOTAL ASSETS		**406,630**	**343,228**

(Thousands of Euro)

SHAREHOLDERS' EQUITY AND LIABILITIES	Notes	31/12/2022	31/12/2021 restated
Shareholders' equity			
Share capital	17	22,500	11,250
Other reserves	17	91,698	44,615
Profit (loss) for the period	17	-14,281	-1,020
Total Shareholders' equity of the Group		**99,917**	**54,845**
Minority interests	17	5,967	5,738
TOTAL SHAREHOLDERS' EQUITY		**105,884**	**60,583**
Non-current liabilities			
Non-current bank loans	18	8,169	10,174
Other non-current financial liabilities	19	24,456	9,320
Non-current liabilities for rights of use	20	11,314	10,197
Provisions for risks and charges	21	5,484	4,535
Defined benefit plans for employees	22	3,413	3,977
Deferred tax liabilities	23	2,910	1,452
Liabilities for derivative financial instruments	11	0	99
Total non-current liabilities		**55,746**	**39,754**
Current liabilities			
Bank financing and short-term loans	24	103,629	103,408
Other current financial liabilities	25	3,956	274
Current liabilities for rights of use	26	3,196	2,624
Trade payables	27	98,033	82,886
Tax liabilities	28	3,697	3,758
Other current liabilities	29	32,489	49,941
Total current liabilities		**245,000**	**242,891**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**406,630**	**343,228**

The comparative figure as at 31 December 2021 was restated following the completion of the purchase price allocation process of the Metatron Group, consolidated line-by-line starting from August 2021

CONSOLIDATED INCOME STATEMENT

(Thousands of Euro)

	Notes	31/12/2022	31/12/2021 restated
Revenues from sales and services	30	306,297	241,994
Other revenues and income	31	1,249	2,610
Cost of raw materials, consumables and goods and change in inventories	32	-188,979	-150,272
Costs for services and use of third-party assets	33	-54,780	-43,075
Personnel costs	34	-47,218	-34,920
Allocations, write-downs and other operating expenses	35	-5,525	-3,722
Gross operating profit		**11,044**	**12,615**
Amortisation, depreciation and impairment	36	-17,077	-15,617
Net operating profit		**-6,033**	**-3,002**
Financial income	37	1,129	217
Financial expenses	38	-7,630	-4,344
Exchange gains (losses)	39	-1,670	-362
Income (expenses) from equity investments	40	-275	8,581
Income (expenses) from joint ventures measured using the equity method	41	597	620
Profit (loss) before tax		**-13,882**	**1,710**
Taxes	42	-385	-1,208
Net profit (loss) for the Group and minority interests, including:		**-14,267**	**502**
Minority interests		14	1,522
Net profit (loss) for the Group		**-14,281**	**-1,020**
Basic earnings (loss) per share (calculated on 225,000,000 shares)	43	-0.0635	-0.0091
Diluted earnings (loss) per share	**43**	-0.0635	-0.0091

The comparative figure as at 31 December 2021 was restated following the completion of the purchase price allocation process of the Metatron Group, consolidated line-by-line starting from August 2021

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(Thousands of Euro)

	Notes	31/12/2022	31/12/2021 restated
Net profit (loss) for the Group and minority interests:		**-14,267**	**502**
Profits/losses that will not be subsequently reclassified in the income statement			
Remeasurement of employee defined benefit plans (IAS 19)	22	280	-38
Total Profits (Losses) that will not be subsequently reclassified in the Income Statement		**280**	**-38**
Profits (Losses) that will be subsequently reclassified in the Income Statement			
Share of other comprehensive income of equity investments measured using the equity method	7	-128	554
Fair value of derivatives, change for the period	11	479	282
Exchange rate differences from the translation of foreign operations	17	278	-1,554
Total Profits (Losses) that will be subsequently reclassified in the Income Statement		**629**	**-718**
Profits (Losses) recorded directly in Shareholders' Equity after tax effects		**909**	**-756**
Total Consolidated Statement of Comprehensive Income for the period		**-13,358**	**-254**
Profit (Loss) for Shareholders of the Parent Company		-13,482	-1,646
Minority interests		124	1,392

The comparative figure as at 31 December 2021 was restated following the completion of the purchase price allocation process of the Metatron Group, consolidated line-by-line starting from August 2021

CONSOLIDATED CASH FLOW STATEMENT

(Thousands of Euro)

CONSOLIDATED CASH FLOW STATEMENT	31/12/2022	31/12/2021 restated
Cash flows from operations		
Pre-tax profit (loss) for the period	-13,882	1,710
Adjustments for:		
Depreciation of property, plant and machinery	4,233	4,301
Amortisation of intangible assets	9,363	8,180
Depreciation of right-of-use assets	3,481	3,136
Loss (Profit) from disposal of tangible and intangible assets	-121	305
Share-based incentive plans	0	-296
Impairment loss on receivables	1,066	1,024
Net financial charges	8,171	4,489
Net expenses (income) from equity investments measured using the equity method	-597	-620
Profit (loss) attributable to interests	274	-8,581
	11,988	**13,648**
Changes in:		
Inventories and contract work in progress	-9,725	-5,120
Trade receivables and other receivables	-9,460	-1,334
Trade payables and other payables	19,349	2,222
Provisions and employee benefits	-10	589
Cash generated from operations	**12,142**	**10,005**
Interest paid	-5,210	-2,035
Interest received	1,050	195
Taxes paid	-2,590	-1,200
Net cash generated (absorbed) by operations	**5,392**	**6,965**
Cash flows from investments		
Proceeds from the sale of property, plant and machinery	121	507
Purchase of property, plant and machinery	-2,487	-3,188
Purchase of intangible assets	-433	-303
Development costs	-5,538	-5,123
Variation in the consolidation area	-30,683	3,575
Net cash absorbed by investment activities	**-39,020**	**-4,532**
Free Cash Flow	**-33,628**	**2,433**
Cash flows from financing activities		
Bond issue (repayments)	0	6,936
Disbursements (reimbursements) of medium/long-term loans	15,008	-4,274
Change in short-term bank debts	-1,411	6,366
Share capital increase	58,554	0
Repayment of leases (IFRS 16)	-3,872	-3,473
Net cash generated (absorbed) by financing activities	**68,279**	**5,555**
Net increase (decrease) in cash and cash equivalents	**34,651**	**7,988**
Cash and cash equivalents at 1 January	28,039	21,914
Effect of exchange rate fluctuation on cash and cash equivalents	278	-1,863
Closing cash and cash equivalents	**62,968**	**28,039**

Other information	31/12/2022	31/12/2021 restated
(Increase)/Decrease in trade receivables and other receivables from related parties	-3,825	485
Increase/(Decrease) in trade payables and other payables to related parties	5,597	203

The comparative figure as at 31 December 2021 was restated following the completion of the purchase price allocation process of the Metatron Group, consolidated line-by-line starting from August 2021

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	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 reserve attributable to minority interests	Total shareholders' equity
Balance at 31/12/2020	**11,250**	**2,250**	**11,364**	**30,718**	**8,867**	**-7,662**	**56,787**	**-188**	**-285**	**56,314**
Profit (loss) for the year						-1,020	**-1,020**	1,522		**502**
Actuarial gains/losses (IAS 19)			-38				**-38**			**-38**
Translation difference			-1,424				**-1,424**		-130	**-1,554**
Measurement of investments using the equity method			554				**554**			**554**
Change in the cash flow hedge reserve			282				**282**			**282**
Total overall profits/losses	**0**	**0**	**-626**	**0**	**0**	**-1,020**	**-1,646**	**1,522**	**-130**	**-254**
Share-based incentive plans			-296				**-296**			**-296**
Variation in the consolidation area									4,819	**4,819**
Allocation of profit			-5,890	-1,772		7,662	**0**	188	-188	**0**
Balance at 31/12/2021 (restated)	**11,250**	**2,250**	**4,552**	**28,946**	**8,867**	**-1,020**	**54,845**	**1,522**	**4,216**	**60,583**
Profit (loss) for the year						-14,281	**-14,281**	14		**-14,267**
Actuarial gains/losses (IAS 19)			280				**280**			**280**
Translation difference			168				**168**		110	**278**
Measurement of investments using the equity method			-128				**-128**			**-128**
Change in the cash flow hedge reserve			479				**479**			**479**
Total overall profits/losses	**0**	**0**	**799**	**0**	**0**	**-14,281**	**-13,482**	**14**	**110**	**-13,358**
Share capital increase	11,250			47,304			**58,554**			**58,554**
Variation in the consolidation area							**0**		105	**105**
Allocation of profit			8,111	-9,131		1,020	**0**	-1,522	1,522	**0**
Balance at 31/12/2022	**22,500**	**2,250**	**13,462**	**67,119**	**8,867**	**-14,281**	**99,917**	**14**	**5,953**	**105,884**

The comparative figure as at 31 December 2021 was restated following the completion of the purchase price allocation process of the Metatron Group, consolidated line-by-line starting from August 2021

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 December 2022 OF THE 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 (Green Transportation - Automotive segment), and compressors for fuel stations through the SAFE and IMW trademarks (Clean Tech Solutions - Infrastructure segment). In the Automotive segment, the Group manages all phases of the process that leads to the production and sale of automotive fuel supply systems; it sells both to the main automobile manufacturers at a world-wide level (OEM channel) and to independent retailers and importers (After Market channel).
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 (also referred to as 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 GBD Green By Definition SpA Group with headquarters in Milan is the company that prepares the consolidated financial statements that include the data of Landi Renzo S.p.A. and its subsidiaries. These consolidated financial statements are available from the Milan Register of Companies.

Following the completion of the purchase price allocation process of the Metatron Group, consolidated line-by-line starting from August 2021, the comparative balance sheet figures as at 31 December 2021 were restated as required by the reference accounting standards to consider the backdating of the relative effects. For more details on the results of the purchase price allocation process, please refer to the "Goodwill" section of this report.

These consolidated financial statements were audited by PricewaterhouseCoopers S.p.A.

Significant events in the financial year

Significant events that took place in 2022 are described below:

- In January 2022, SAFE S.p.A., a SAFE&CEC Group company controlled by Landi Renzo S.p.A., acquired 90% of the share capital of Idro Meccanica S.r.l., a leader in the production of technologies and innovative systems for the compression of hydrogen, biomethane and natural gas which includes amongst its customers the main operators in hydrogen production and distribution, and boasts of a full range of products and applications to manage hydrogen compression up to 800 bars; the acquisition of the remaining 10% of the share capital was already contractually established and was completed in January 2023, as described in detail in the "Significant events after the reporting period and business outlook" section of the Directors' Report. The total price for the acquisition of 100% of the share capital was Euro 6,400 thousand.

- In February 2022 Landi Renzo S.p.A. completed the acquisition of an additional 23.43% of the share capital of Metatron S.p.A., so it now holds a 72.43% stake in that company. The acquisition is part of a more extensive transaction for the acquisition of 100% of the share capital of Metatron. For the payment of the total consideration to the minority shareholders and Italy Technology Group S.r.l., amounting to Euro 18,062 thousand, Girefin S.p.A., the controlling shareholder of Landi Renzo S.p.A., made a lump-sum amount available to the Company corresponding to the entire amount of the above-mentioned consideration by means of a shareholder loan bearing interest at an annual rate of 1% disbursed in February 2022. Pursuant to the related party transaction procedure adopted by the Company, the above-mentioned shareholder loan should be considered "significant" and, as such, it was submitted for a preventive opinion to the Committee for transactions with related parties, consisting exclusively of independent directors, which expressed its favourable opinion on the Company's interest in entering into the shareholder loan agreement, as well as the cost effectiveness and fairness of the relative conditions.

- In February 2022, following punctual negotiations with the financing institutions, all credit institutions underwriting the loans provided their consent to the requests made by the parent company Landi Renzo S.p.A., issuing waiver letters with respect to the financial covenants as at 31 December 2021, consent to taking out a new planned subsidised medium/long-term loan finalised in 2022 and, with respect to the loan taken out from a pool of banks in 2019, consent to the deferment of the principal instalment falling due on 31 December 2021, which was rescheduled in an equal amount to the following three instalments falling due on 30 June 2022, 31 December 2022 and 30 June 2023. The above-mentioned waiver letters are expressly subject to the finalisation of the share capital increase of the parent company Landi Renzo S.p.A. to be carried out in an amount of at least Euro 25.4 million, by no later than 30 June 2022. As described below in this annual financial report, the expiry of that condition precedent was subsequently extended by the financial institutions to 30 September 2022, considering the timing required for the completion of the share capital increase mentioned above.

- In March 2022, the Board of Directors approved the 2022-2025 Business Plan, which forecasts significant Group growth as a strategic specialist in the biomethane and hydrogen segments, offering products throughout the entire value chain, from compression for injection into the network or transport of biomethane and hydrogen, to compression solutions along the pipeline and for distribution, with a complete range for sustainable gas and hydrogen mobility as well, for the OEM channel (Passenger Cars and Mid & Heavy Duty) as well as the After Market channel.

- Also in March 2022, Chairman Stefano Landi informed the Board of Directors Landi Renzo S.p.A. about the signing by the controlling shareholders of Landi Renzo S.p.A. – Girefin S.p.A. and Gireimm S.r.l., which hold a total joint investment of 59.1068% of the share capital of Landi Renzo S.p.A. - of a non-binding term sheet with Itaca Equity Holding S.p.A., which laid the foundation for a minority investment in the share capital of Landi Renzo, as a long-term investor, aiming to support the Landi Renzo Group's expansion in the compression and automotive segments. The main shareholder of Itaca Equity Holding S.p.A. is TIP - Tamburi Investment Partners. The transaction called for a co-investment by the Chief Executive Officer of Landi Renzo S.p.A. Cristiano Musi. Within the Business Plan and in order to provide the Group with the necessary financial resources, the Board of Directors approved the proposal to the shareholders' meeting to delegate the Board of Directors pursuant to Article 2443 of the Italian Civil Code to increase the share capital by a maximum of Euro 60 million, indivisible up to Euro 50 million, with the option right, to be paid up by means of contributions in cash and by the voluntary offsetting, pursuant to Article 1252 of the Italian Civil Code, of receivables due to the subscribers from Landi Renzo S.p.A. and to be subscribed by no later than 31 December 2023, proposing that the price for the subscription of the shares be determined as the lower of Euro 0.6 per share and the TERP calculated on the basis of the weighted average stock exchange prices of the Landi Renzo S.p.A. share in the 5 days prior to the date on which the price is set, applying a 15% discount. The share capital increase is guaranteed by the Landi Family and by Itaca Equity Holding S.p.A. up to Euro 50 million, assuming the completion of the transaction between the Landi Family and Itaca Equity Holding. For further details on the continuation of the above-mentioned share capital increase, please refer to the "Share capital increase" section.

- In March 2022, Invitalia (Agenzia Nazionale per l'Attrazione degli Investimenti e lo sviluppo di impresa SpA) disbursed a new loan of Euro 19.5 million in favour of Landi Renzo S.p.A. with a duration of 5 years - of which one year of pre-amortisation - at a facilitated rate, drawn on the Fund Supporting Large Companies in difficulty - art. 37 of Italian Decree-Law no. 41/2021, Italian Interministerial Decree of 5 July 2021 and Italian Executive Decree of 3 September 2021.

- On 28 April 2022, Girefin S.p.A. and Gireimm S.r.l., as majority shareholders of Landi Renzo

S.p.A., and Itaca Equity Holding S.p.A. entered into an investment agreement governing the terms and conditions relating to the finalisation of an indirect minority investment of Itaca Equity Holding S.p.A. in Landi Renzo S.p.A., to be carried out through a newly established company (Gbd Green by Definition S.p.A.), aimed at supporting an investment plan by the Landi Renzo Group in the market of systems and components for LPG, CNG, biogas and hydrogen vehicles. The investment agreement established that at the transaction closing date, subject to the satisfaction of specific conditions precedent, Girefin S.p.A., Gireimm S.r.l. and Itaca Equity Holding S.p.A. would enter into a shareholders' agreement, which would govern the relationships between the parties following the finalisation of the transaction. After the transaction, Girefin S.p.A. and Gireimm S.r.l. will maintain exclusive de facto and de jure control over the NewCo, which will hold de facto and de jure control over Landi Renzo S.p.A. Furthermore, on the same date, Girefin S.p.A., Gireimm S.r.l., Itaca Equity Holding S.p.A. and Mr Cristiano Musi, chief executive officer Landi Renzo S.p.A., entered into an investment agreement governing the terms and conditions of the investment of Cristiano Musi in the NewCo, as well as the financial rights incorporated into the special shares of the NewCo that will be subscribed in full and paid up by Cristiano Musi at the closing date, along with several rules on their transfer.

In brief, the agreements mentioned above called for: (a) the establishment of the NewCo by Girefin S.p.A. and Gireimm S.r.l. in the form of a joint stock company, (b) the contribution in kind to the NewCo, by Girefin S.p.A. and Gireimm S.r.l. of all shares they hold in the share capital of Landi Renzo S.p.A. and therefore, respectively, the 61,495,130 Landi Renzo S.p.A. shares, equal to 54.662% of the share capital, currently corresponding to 122,990,260 voting rights, equal to 68.709% of the voting rights, held by Girefin S.p.A., and the 5,000,000 Landi Renzo S.p.A. shares, equal to 4.444% of the share capital, currently corresponding to 10,000,000 voting rights, equal to 5.587% of the voting rights, held by Gireimm S.r.l., as well as (c) the subscription in cash, by Itaca Equity Holding S.p.A., of an indivisible share capital increase reserved to it in the NewCo, for an amount of up to Euro 39.4 million, inclusive of any share premium. ii) The shareholders' agreement concerns, inter alia, NewCo governance and share transfers, and contains terms and conditions that are significant pursuant to art. 122, paragraphs 1 and 5 of the TUF. The shareholders’ agreement concerns the following equity investments: (i) the equity investment which, on finalisation of the transaction, Girefin S.p.A. and Gireimm S.r.l. will hold in the NewCo, overall equal to at least 51% of the relative share capital and (ii) the equity investment which, on finalisation of the transaction, Itaca Equity Holding S.p.A. will hold, directly or indirectly, in the NewCo, in any case not to exceed 49% of the relative share capital; (iii) the special shares investment agreement concerns the investment of Cristiano Musi in the NewCo, through the subscription and full payment in cash of an indivisible share capital increase which will be approved by the NewCo and reserved to him, for the amount of Euro 300 thousand.

- On 29 April 2022, the Ordinary Shareholders' Meeting of Landi Renzo S.p.A.:
  - approved the Financial Statements at 31 December 2021 and approved covering the loss for the year of Euro 9,130,903.21 by using the Share premium reserve;
  - appointed the Board of Directors for the 2022-2024 three-year period, consisting of 9 members and led by Chairman Stefano Landi;
  - appointed the Board of Statutory Auditors for the 2022-2024 three-year period;
  - approved the first section of the Report on Remuneration and also expressed its opinion in favour of the second section, approved by the Board of Directors on 29 March 2022 and drafted pursuant to articles 123-ter of Italian Legislative Decree 58/98 and 84-quater of the regulation approved with Consob resolution no. 11971 of 19 May 1999;
  - approved pursuant to article 114-bis of Italian Legislative Decree no. 58 of 24 February 1998 the medium/long-term incentive plan based on the assignment of Landi Renzo S.p.A. ordinary shares.

  In extraordinary session, the Shareholders' Meeting also approved the assignment to the Board of Directors of the right, pursuant to article 2443 of the Italian Civil Code, to increase the share capital, in one or more tranches, up to a maximum equivalent value (inclusive of any share premium) of Euro 60 million, by means of the issue of ordinary shares with the same characteristics as those outstanding, to be offered as an option to the shareholders pursuant to article 2441 of the Italian Civil Code, to be freed up by contributions in cash as well as by voluntary offsetting, pursuant to article 1252 of the Italian Civil Code, of receivables due to the subscribers from the Company, to be subscribed in any event by 31 December 2023, with all of the most extensive rights to establish, from time to time, in compliance with the limits set forth above, the methods, terms and conditions of the transaction, including entitlement, without prejudice to the fact that (a) the newly issued ordinary shares will have the same characteristics as those outstanding and will be offered as an option to the shareholders in proportion with the equity investment held, and (b) the newly issued ordinary shares will be offered at the price (inclusive of any share premium) that will be established by the Board of Directors when it exercises the delegation, equal to the lesser between: (i) Euro 0.60 per ordinary share; and (ii) the price per ordinary share to be calculated by applying a 15% discount on the TERP (Theoretical Ex-Right Price) in turn determined on the basis of the weighted average trading price of Landi Renzo ordinary shares in the 5 trading days prior to the date on which the price is set. The share capital increase transaction described above was successfully concluded on 7 September 2022 with the subscription of 98.36% of the available offer. The Board of Directors confirmed Stefano Landi as Executive Chairman, appointed Sergio Iasi as Vice Chairman and confirmed Cristiano Musi as Chief Executive Officer and General Manager.

- In June 2022, Landi Renzo S.p.A. and a pool of lending banks (same counterparties as those disbursing the pool loan taken out on 26 June 2019 and the loan backed by the SACE guarantee taken out on 30 July 2020) entered into two new loan agreements for a total of Euro 73 million, in order to replace the loan backed by the SACE guarantee and extinguish the pool loan: i) a new loan agreement backed by the SACE guarantee (effective as of 29 June 2022) which, for the same financed amount (Euro 21 million), calls for the deferral of the pre-amortisation period of 24 months and repayment of the final instalment on 31 March 2028; ii) a new pool loan agreement, for a financed amount of Euro 52 million (compared with the remaining Euro 46 million on the previous pool loan agreement), which calls for a 24-month pre-amortisation period and repayment of the final instalment of Euro 20.5 million in June 2027.The effectiveness of that agreement was subject to the condition precedent of the performance of the above-mentioned share capital increase by 30 September 2022 in an amount of at least Euro 50 million. The new agreements call for the calculation of financial parameters (NFP/EBITDA) starting from the calculation date of 31 December 2022.

- Also in June 2022, following punctual negotiations with the financing institutions, all credit institutions underwriting the loans provided their consent to the requests made by the parent company Landi Renzo S.p.A., issuing waiver letters with respect to the financial covenants as at 30 June 2022. The above-mentioned waiver letters were expressly subject to the condition of the finalisation of the share capital increase transaction of the parent company Landi Renzo S.p.A., to be carried out in an amount of at least Euro 50 million, by no later than 30 September 2022, de facto extending the expiry of the condition precedent set forth in the waiver letters issued in February 2022, considering the timing required for the completion of the share capital increase transaction by 30 September 2022.

- In July 2022, GbD Green by Definition S.p.A., a shareholder that owns 59.1068% of the share capital of Landi Renzo S.p.A. following the contribution to it by Girefin S.p.A. and Gireimm S.p.A. of the shares they held in Landi Renzo S.p.A., made a subscription commitment for a total maximum amount of Euro 50 million, or its portion of the share capital increase (59.1068% of the amount of the share capital increase, equal to roughly Euro 35.2 million), as well as any option rights that have remained unexercised, up to a maximum amount of around Euro 14.8 million. The subscription commitment, subject to the execution of the share capital increase by 30 September 2022, also established that part of its portion of the share capital increase for roughly Euro 18.1 million would be subscribed and executed by means of the voluntary set-off pursuant to article 1252 of the Italian Civil Code of the receivable due from Landi Renzo S.p.A., deriving from the shareholder loan disbursed by Girefin S.p.A. in an equal amount, for the payment of part of the consideration paid to the minority shareholders and Italy Technology Group S.r.l., and subject to transfer by Girefin S.p.A. to GbD Green by Definition S.p.A.

- Also in July 2022, the Landi Renzo S.p.A. Board of Directors approved the terms, final conditions and calendar of the paid share capital increase, on the basis of the criteria set by the Extraordinary Shareholders' Meeting of 29 April 2022 and in light of several adjustments made for technical reconciliation purposes, in a total maximum amount of Euro 59,625,000 (of which Euro 11,250,000.00 for the share capital increase and Euro 48,375,000.00 for the share premium) by issuing up to 112,500,000 ordinary shares, with a nominal value of Euro 0.10, and with regular dividend entitlement, to be offered under option to the shareholders at the ratio of 1 new share for every 1 ordinary share held, at a unit issue price of Euro 0.53, including the share premium. The option price of the new shares was determined by the Board of Directors by applying, on the basis of the resolution of the Extraordinary Shareholders' Meeting of 29 April 2022, as well as, for technical reconciliation reasons, a discount of 16.09% on the theoretical ex right price (TERP) of the Landi Renzo S.p.A. ordinary shares, calculated in accordance with current methodologies on the basis of the weighted average trading price of Landi Renzo S.p.A. ordinary shares in the 5 previous trading days, i.e., 4 July 2022 to 8 July 2022.

- On 13 July 2022, Consob approved - with note no. 0458563/22 of 13 July 2022 - the EU Recovery Prospectus relating to the offer under option and the admission to trading on the Euronext STAR Milan market organised and managed by Borsa Italiana S.p.A. of Landi Renzo S.p.A. shares deriving from the paid share capital increase, for a total maximum amount of Euro 59,625,000, approved by the Extraordinary Shareholders' Meeting of 29 April 2022.

- In July, FPT Industrial, an Iveco Group company dedicated to designing, manufacturing and selling alternative engines and powertrains for all industrial vehicles, and Landi Renzo S.p.A., a global leader in the natural gas, biomethane and hydrogen sustainable mobility and infrastructure segment, announced that they had jointly developed the Hythane On-Board Blending - OBB - system, an innovative solution capable of mixing hydrogen and methane – called Hythane or hydromethane – directly inside the vehicle. This system, based on a cutting edge and innovative "dual rail" concept and a special regulation device, is able to guarantee a further abatement in CO2 emissions compared to natural gas and diesel (-10% compared to natural gas and -20% compared to diesel) by exploiting the layout of the natural gas engine, while ensuring equal performance and efficiency. Hythane is a "ready now" solution which has the potential of providing a second life to urban and suburban bus fleets as well as short and medium range natural gas engine vehicles, extending engine life and reducing emissions. Landi Renzo S.p.A. in particular created an advanced dual rail mixer containing both CNG and hydrogen injectors, controlled by an integrated control unit totally designed in house; the gas fuelling system is equipped with Landi Renzo pressure regulators for natural gas and hydrogen. The new system can be used in both CNG (Compressed Natural Gas) and LNG (Liquefied Natural Gas) applications, offering users the advantage of being able to obtain the optimal ratio between hydrogen and CNG depending on operating conditions. The project was developed on the basis of a Memorandum of Understanding signed by FPT Industrial and Landi Renzo S.p.A. last year, for the development of complete, efficient solutions for increasingly sustainable mobility aiming to facilitate the introduction of hydrogen in the transport sector. Landi Renzo S.p.A. handled the development of the entire hydrogen system, from storage on board the vehicle until injection, including the electronic control of the hydrogen system.

- During the offer under option period, which concluded on 4 August 2022, a total of 107,781,064 option rights were exercised, valid for the subscription of 107,781,064 new shares, equal to roughly 95.805% of the total of new shares, for a total equivalent value of Euro 57,124 thousand. Therefore, 4,718,936 option rights were not exercised, relating to the subscription of 4,718,936 new shares, corresponding to roughly 4.195% of the total of new shares offered, for a total equivalent value of around Euro 2,501,036.08. The company GbD Green by Definition S.p.A., a subsidiary of the Landi Trust, subscribed its portion of the capital increase (equal to around 59.1068%) pursuant to the subscription commitment it had made, for a total equivalent value of roughly Euro 35.2 million, for around Euro 17.1 million by means of a contribution in cash and, for around Euro 18.1 million, by means of voluntary offsetting.

- On 6 September 2022, during the offer of non-exercised rights, all 4,718,936 option rights were sold, relating to the subscription of 4,718,936 new Landi Renzo S.p.A. ordinary shares, corresponding to approximately 4.195% of the total new shares offered in connection with the share capital increase, against which on 7 September 2022 2,874,208 newly issued Landi Renzo S.p.A. ordinary shares resulting from the exercise of the non-exercised rights were subscribed, for an equivalent value of Euro 1,523 thousand. Therefore, a total of 110,655,272 newly issued shares were subscribed, equal to roughly 98.360% of the shares offered as part of the share capital increase, for a total equivalent value of Euro 58,647 thousand. As set forth in the resolution of the Shareholders' Meeting of the Company of 29 April 2022, the Board of Directors is entitled to decide how to place the remaining up to 1,844,728 newly issued shares resulting from the share capital increase, to be subscribed by 31 December 2023.

- In September 2022, Landi Renzo S.p.A. finalised the acquisition of 100% of the share capital of Metatron S.p.A. by paying Euro 7,374 thousand, consideration for the remaining 27.57% of the shares of Metatron S.p.A.

- On 15 September 2022, after GbD Green by Definition S.p.A. expressed its interest in subscribing all residual shares, the Board of Directors approved their placement with GbD Green by Definition S.p.A. at a subscription price per share equal to that at which the shares were offered during the share capital increase (i.e., Euro 0.53 per share, inclusive of the share premium). This resolution was passed with the favourable opinion of the Committee for Transactions with

Related Parties. After the remaining 1,844,728 shares were subscribed on 19 September 2022, the share capital increase was therefore fully subscribed.

- In October 2022, Landi Renzo S.p.A. was involved in a cyber attack (ransomware). As a result of this attack, all of the systems used in the business of Landi Renzo S.p.A. and all of its subsidiaries that rely on them became unavailable. The encryption of these systems made it impossible to perform regular business activities, such as production, research and development, and administrative and commercial activities. The Company took immediate action, also with the support of leading outside advisors, to isolate its information systems and identify the impacts of the attack. The analyses showed that the back-up system had not been altered. In order to restore business activities in the shortest possible amount of time, a plan was activated to secure the infrastructure to avoid any repeated attacks, and the IT infrastructure restoration process began. Production activities were limited to the completion of the priority orders that could be managed offline, despite the disconnection from the operating system. Starting from the week after the attack, ordinary activities were progressively reactivated, until returning to normal conditions in the first week of November. The temporary unavailability of the ERP system generated a slowdown in production as well as logistics, order management and administrative activities, also causing a postponement in the publication of the Interim Management Report as at 30 September 2022.

- In November, the Landi Renzo S.p.A. Board of Directors approved the appointment, as of 1 December 2022, of Vittorio Tavanti as Chief Financial Officer and Investor Relator. After confirming that the executive met the professionalism and integrity requirements and obtaining the favourable opinion of the Board of Statutory Auditors, the Board of Directors decided to make Vittorio Tavanti the Financial Reporting Officer. Corrado Belicchi and Giorgio Maria Nero also joined the Group, as Chief Operating Officer and Head of Strategy and Business Development, respectively. Landi Renzo S.p.A. engaged a leading IT firm to implement and strengthen its cybersecurity, also considering the increase in hacking activity that has recently been observed worldwide.

- On 22 December 2022, the Landi Renzo S.p.A. Board of Directors approved the Regulation of the compensation plan named the "2022-2024 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, in accordance with what was approved by the Shareholders' Meeting of Landi Renzo S.p.A. on 29 April 2022, the identification of key performance indicators (KPIs) and the identification of the Plan beneficiaries. For more information, please refer to the section on "Personnel costs".

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, including Commission Delegated Regulation (EU) no. 2019/815 of 17 December 2018 (the "ESEF Regulation").The IFRSs were applied uniformly to all periods presented.

The consolidated financial statements of Landi Renzo S.p.A. at 31 December 2022 were approved and authorised for publication by the Board of Directors on 14 March 2023.

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

In the current market context overshadowed by the continuation of the effects of the COVID-19 pandemic, the potential risks correlated with the Russia-Ukraine crisis, especially in terms of higher gas and energy costs, and the shortage of raw materials and the resulting price increases, the management has performed accurate analyses concerning expected trends for the year 2023 and thereafter, reconsidering estimates regarding the expected performance of the segment within the current context, in order to also consider the expected benefits of the initiatives put into place to develop the business.

Furthermore, the management paid particularly close attention to the financial position, short/medium and long-term cash forecasts and financing options.

In this regard, the following significant events took place in 2022:

- in March 2022, Invitalia (Agenzia Nazionale per l'Attrazione degli Investimenti e lo sviluppo di impresa SpA) disbursed a new loan of Euro 19.5 million in favour of Landi Renzo S.p.A. with a duration of 5 years - of which one year of pre-amortisation - at a facilitated rate, drawn on the Fund Supporting Large Companies in difficulty - art. 37 of Italian Decree-Law no. 41/2021, Italian Interministerial Decree of 5 July 2021 and Italian Executive Decree of 3 September 2021;

- furthermore, in order to further strengthen the Group’s financial structure and make it more consistent with the flows expected from the 2022-2025 Business Plan, in June 2022 two new loan agreements were entered into, for a total of Euro 73 million, aimed at replacing the SACE backed loan agreement and paying off the pool loan. In particular:
  - a new loan agreement backed by the SACE guarantee (effective as of 29 June 2022) which, for the same financed amount (Euro 21 million), calls for the deferral of the pre-amortisation period of 24 months and repayment of the final instalment on 31 March 2028;
  - a new pool loan agreement, for a financed amount of Euro 52 million (compared with the remaining Euro 46 million on the previous pool loan agreement), which calls for a 24-month pre-amortisation period and repayment of the final instalment of Euro 20.5 million in June 2027. The effectiveness of that agreement was subject to the condition precedent of the performance of the above-mentioned share capital increase by 30 September 2022 in an amount of at least Euro 50 million; in this regard, please note that on 7 September 2022 the auction was concluded on the rights not exercised, so that the share capital increase has currently been subscribed for a total of Euro 58,647 thousand, with the issue of 110,655,272 new shares.

- Furthermore, as described in the “Share capital increase” section of the “Report on Operating Performance”, in 2022 the share capital increase transaction was carried out, and completed in early September, substantially in line with what is set forth in the 2022-2025 Business Plan.

With regard to the financial covenants set forth in those contracts (NFP/EBITDA), please note that: (i) there was a small overrun of the contractual level of the covenants at 31 December 2022 which was remedied by a covenant holiday granted by the financial institutions in March 2023 ("waiver letters") and (ii) with reference to the calculation of the financial covenants at 30 June 2023, taking into account, also from a prudential perspective, the outlook operating performance in 2023 in light of the budget approved by the Board of Directors on 2 March 2023, the financial institutions approved a slight reset of the covenant calculation parameters.

As the financial covenants had not been respected at 31 December 2022, the payables to credit institutions on which there are financial covenants were reclassified in full to liabilities maturing in the short term in these financial statements, in accordance with IAS/IFRS, for a total value of roughly Euro 73 million.

Following up on what is set forth above, and to take into account the changed market environment, the directors prepared the Group economic-financial budget for the year 2023, which was approved by the Landi Renzo S.p.A. Board of Directors on 2 March 2023.

The directors believe that the forecasts for the years subsequent to 2023 included in the Group's economic-financial plan prepared for the 2022-2025 period and approved by the Landi Renzo S.p.A. Board of Directors on 15 March 2022 remain valid.

The Group's economic-financial budget for the year 2023 shows (i) an adequate level of Group liquidity to cover its financial requirements, also highlighting sufficient residual available cash to cover the months subsequent to 31 December 2023 and (ii) that the Group will be capable of respecting the above-mentioned financial covenants at the Calculation Date of 30 June and 31 December 2023.

Considering what is set forth above, as well as taking into account:

- the effects on the financial position of the Landi Renzo Group of the share capital increase described below;
- the economic-financial forecasts incorporated in the 2023 budget prepared at Group level and approved by the Board of Directors on 2 March 2023;
- that on the basis of the information currently available, no elements or circumstances emerge such so as to assume that the targets set forth in the above-mentioned budget will not be achieved;
- the amount of the Net Financial Position at 31 December 2022 and the terms of the repayment plans for the main outstanding loans;

the directors have not identified circumstances such so as to jeopardise the Group's capacity to meet its corporate obligations and as a result have drafted the consolidated financial statements of the Landi Renzo Group at 31 December 2022 on a going concern basis.

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 2022 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 2022 listed below.

EU endorsement regulation	Description
Regulation (EU) 2021/1080	The IASB published the following amendments: IFRS 3 Business Combinations; IAS 16 Property, Plant and Equipment; IAS 37 Provisions, Contingent Liabilities and Contingent Assets; and Annual Improvements 2018-2020 (issued on 14 May 2020).

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 2023 or thereafter.

EU endorsement regulation	Description
(EU) 2021/2036 23 November 2021	The IASB published IFRS 17 Insurance Contracts which aims to improve understanding of the exposure to risk, profitability and the financial position of insurers. IFRS 17 replaces IFRS 4.
(EU) 2022/1491 9 September 2022	The IASB published the amendment to IFRS 17 – Insurance contracts: initial application of IFRS 17 and IFRS 9 – Comparative information. The amendment is a transition option relating to comparative information on financial statements presented on initial application of IFRS 17 and aims to help insurance companies to avoid temporary accounting misalignments between financial assets and insurance contract liabilities, and therefore to improve the usefulness of comparative information for users of financial reports. This amendment is not applicable to the Group.
(EU) 2022/1392 12 August 2022	The IASB published an amendment named "Amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction". The document clarifies how deferred tax liabilities need to be recognised on certain

	transactions that may generate assets and liabilities of equal amounts, such as leases and decommissioning obligations.
(EU) 2022/357 3 March 2022	The IASB published amendments named "Disclosure of Accounting Policies – Amendments to IAS 1 and IFRS Practice Statement 2" and "Definition of Accounting Estimates –Amendments to IAS 8" intended to improve the disclosure on accounting policies so as to provide more useful information to readers of the financial statements, as well as help companies to distinguish changes in accounting estimates from changes in accounting policies.

The Group, which did not exercise the right of early application, is evaluating the effects that the adoption of such standards may have on its financial statements.

The IASB made amendments to several international accounting standards issued previously and published new international accounting standards, for which the approval process has not yet been completed.

Date	Description
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.
(EU) 2022/357 3 March 2022	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.
Regulation (EU) 2021/1421	The IASB published an amendment named "COVID-19-Related Rent Concessions beyond 30 June 2021 (Amendments to IFRS 16)" which extends by one year the period of application of the amendment to IFRS 16, issued in 2020, relating to the recognition of concessions granted to lessees as a result of COVID-19.

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 2022, 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 its 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 measured 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 two joint ventures at 31 December 2022.

Business combinations

The acquisition of subsidiaries is accounted for with the acquisition method. The acquisition cost is determined by the sum of current values, at the trade date, of the assets acquired, the liabilities incurred or assumed and the financial instruments issued by the Group in exchange for control over the acquired business.

The identifiable assets, liabilities and contingent liabilities of the acquired business which meet the conditions for recognition in accordance with IFRS 3 are recognised at their current values at the acquisition date, with the exception of non-current assets (or disposal groups) classified as held for sale in accordance with IFRS 5, which are recognised and measured at current values minus costs to sell.

The goodwill deriving from the acquisition is recognised as an asset and initially measured at cost, represented by the excess acquisition cost with respect to the Group's share of the current values of the identifiable assets, liabilities and contingent liabilities recognised. If, after the recalculation of such values, the Group's share of the current values of the identifiable assets, liabilities and contingent liabilities exceeds the acquisition cost, the excess is immediately recognised in the income statement.

Non-controlling interests in the acquired business are initially recognised to an extent equal to their share of the current values of the assets, liabilities and contingent liabilities recognised.

Translation of the financial statements of foreign companies

The financial statements in the currency of the foreign subsidiaries are converted into the accounting currency, adopting the year-end exchange rate for the consolidated Statement of Financial Position and the average exchange rate over the year for the Consolidated Income Statement. The conversion differences deriving from the adjustment of the opening Equity according to the current exchange rates at the end of the period, and those due to the different method used for conversion of the result for the period, are recorded in the Statement of Comprehensive Income and classified among other reserves.

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

Exchange rate (Value against €)	At 31/12/2022	Average 2022	At 31/12/2021	Average 2021
Real – Brazil	5.639	5.440	6.310	6.378
Renminbi – China	7.358	7.079	7.195	7.628
Rupee - Pakistan	241.794	214.855	200.877	192.732
Zloty – Poland	4.681	4.686	4.597	4.565
Leu - Romania	4.950	4.931	4.949	4.921
Dollar - USA	1.067	1.053	1.133	1.183
Peso - Argentina	188.503	136.777	116.362	112.422
Colombian Peso - Colombia	5,172.470	4,473.280	4,598.680	4,429.479
Canadian Dollar - Canada	1.444	1.369	1.439	1.483
Nuevo Sol - Peru	4.046	4.038	4.519	4.591
Rupee - India	88.171	82.686	84.229	87.439

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 costs	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 generally 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.

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. In order to identify the CGUs to which to allocate the goodwill tested for impairment, please note that the management, taking into account the Group reorganisation process taking place over recent years, the Group's current organisational structure, the methods whereby control is exercised over operations and the acquisition transactions taking place during the year and cited above, has identifiedtwo cash generating units in which the Landi Renzo Group operates. The CGUs identified refer to the Green Transportation (formerly Automotive) segment, dedicated primarily to the design, manufacture and sale through the OEM and After Market channels of mechanical and electronic systems and components for the use of gas (which as of August 2021 also includes the results of the Metatron Group) and the Clean Tech Solutions – Infrastructure segment, referring to the SAFE&CEC Group active in the design and production of compressors for the processing and distribution of gas as well as in the Oil & Gas market.

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.

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.
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.

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.

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 measured using the equity method.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. Joint control refers to the sharing on a contractual basis of the control of an arrangement, which exists solely when decisions on significant activities require the unanimous consent of all parties sharing control.

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.

<u>Financial assets at amortised cost</u>

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.

<u>Financial assets at fair value through other comprehensive income</u>

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.

CONTRACT WORK IN PROGRESS

A project is a contract specifically entered into for the construction of an asset at the instruction of a client, which preliminarily defines its design and technical characteristics.

The assets and liabilities deriving from contracts with customers are classified in the statement of financial position items “Contract work in progress” and “Other current liabilities”, in the assets and liabilities sections, respectively. Classification between contract work in progress and other current liabilities takes place on the basis of IFRS 15 depending on the relationship between the Group’s service and the customer’s payment; indeed, the items in question represent the sum of the following components analysed individually for each order:

(+) Value of work in progress, determined on the basis of the rules laid out in IFRS 15, according to the cost-to-cost method

(-) Advances received

If the resulting value is positive, the net balance of the order is shown in the item "Contract work in progress" while if it is negative, it is shown in the item "Other current liabilities".

Work in progress is valued on the basis of the consideration defined with clients in relation to the progress of the work. Revenues related to contract work in progress are recognised using the percentage of completion criterion.

The percentage of completion is determined using the cost to cost method, calculated by multiplying the total revenue expected by the percentage of progress, as a ratio between costs incurred and expected total costs.

The measurement of contract work in progress and other current liabilities reflects the best estimate of work completed at the reporting date; updates are periodically performed of the assumptions underlying the measurements, and any economic effects are accounted for in the year in which the updates are made.

If events occur subsequent to the reporting date but before the approval of the financial statements which provide further evidence concerning any profits or losses on orders, such further evidence is taken into account in determining the contractual revenues or costs to complete in order to incorporate such profits or losses.

If the expected costs for the completion of the project exceed the total expected revenue, the final loss is fully recognised in the period in which it arises.

In measuring work in progress, all costs directly attributable to the project are taken into account, as well as the contractual risks and revision clauses when they can be objectively determined.

In this regard, revenue from contracts with customers is recognised by applying a five-step model with the procedures described in the "Recognition of revenues" section below.

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 2022, 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 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 and described below, and any part for which recovery is unlikely is stated on the Income Statement.

Since 2022, the Company has adhered, as the consolidating company, to the national consolidation tax scheme pursuant to Articles 117 to 129 of the Italian Consolidated Income Tax Act (T.U.I.R) with the other Italian companies of the Group, i.e., SAFE S.p.A and SAFE&CEC S.r.l. This was renewed for the 2022-2024 period.

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)

	31 December 2022				
Balance Sheet Assets	**Amortised cost**	**Fair value through OCI**	**Fair value through profit or loss**	**Hedge accounting**	**Total**
Other non-current financial assets	847				847
Other non-current assets	1,710				1,710
Trade receivables	73,559				73,559
Other receivables and current assets	17,148				17,148
Current assets for derivative financial instruments	0			412	412
Non-current assets for derivative financial instruments	0			103	103

Cash and cash equivalents	62,968				62,968
Total	**156,232**	**0**	**0**	**515**	**156,747**

Balance Sheet Liabilities	Amortised cost	Fair value through OCI	Fair value through profit or loss	Hedge accounting	Total
Non-current bank loans	8,169				8,169
Other non-current financial liabilities	24,456				24,456
Non-current liabilities for rights of use	11,314				11,314
Liabilities for derivative financial instruments	0				0
Bank financing and short-term loans	103,629				103,629
Other current financial liabilities	3,956				3,956
Current liabilities for rights of use	3,196				3,196
Total	**154,720**	**0**	**0**	**0**	**154,720**

(Thousands of Euro)

	31 December 2021				
Balance Sheet Assets	**Amortised cost**	**Fair value through OCI**	**Fair value through profit or loss**	**Hedge accounting**	**Total**
Other non-current financial assets	882				882
Other non-current assets	2,556				2,556
Trade receivables	66,048				66,048
Other receivables and current assets	14,443				14,443
Other current financial assets	0				0
Cash and cash equivalents	28,039				28,039
Total	**111,968**	**0**	**0**	**0**	**111,968**

Balance Sheet Liabilities	Amortised cost	Fair value through OCI	Fair value through profit or loss	Hedge accounting	Total
Non-current bank loans	10,174				10,174
Other non-current financial liabilities	9,320				9,320
Non-current liabilities for rights of use	10,197				10,197
Liabilities for derivative financial instruments				99	99
Bank financing and short-term loans	103,408				103,408
Other current financial liabilities	274				274
Current liabilities for rights of use	2,624				2,624
Total	**135,997**	**0**	**0**	**99**	**136,096**

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 as well as the potential risks correlated with the Russia-Ukraine conflict. 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. For a more detailed analysis of the impacts of the COVID-19 pandemic and the potential risks deriving from the Russia-Ukraine conflict, please refer to the Directors' Report.

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 “2022-2024 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 contractual assets and liabilities

A customer contract is identified and valued on the basis of IFRS 15 after the contract which results in the emergence of reciprocal obligations between the Group and the customer is signed. In the Landi Renzo Group’s customer contracts, the performance obligation is generally represented by the order as a whole.

The method deemed most representative for the recognition of revenues is the cost-to-cost method, determined by applying the percentage of progress, as a ratio between costs incurred and expected total costs, to the total expected contractual revenues.

The Group capitalises the costs for the fulfilment of the contract, i.e., those costs that refer directly to the contract, generate and improve the resources that will be used to satisfy the contractual performance obligation and are recoverable through the future economic benefits of the contract. The assets and liabilities deriving from the contract are classified in the statement of financial position items "Contract assets" and "Contract liabilities", in the assets and liabilities sections, respectively. Classification between contract assets and liabilities, on the basis of what is established by the standard, is carried out based on the relationship between the Landi Renzo Group's service and the customer's payment. If the resulting value is positive, the net balance of the order is shown in the item "Contract assets", while if it is negative, it is shown in the item "Contract liabilities". If, on the basis of the contract, the values in question express an unconditional right to the consideration, they are reported as receivables. If the consideration accrued is expressed in foreign currency, it is calculated taking into account the exchange rates with which the relative currency hedging was carried out.

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 2022 for a total of Euro 52 million, maturing in June 2027;
- for a residual duration of 9 months (maturing in September 2023), 100% of the credit line of the 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. This loan was renegotiated in June 2022 and the new maturity of the repayment plan was scheduled for March 2028.

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 2022 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 552 thousand in comparison to an increase in financial income equal to Euro 203 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 up to this moment, 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.

The current market situation distinguished by a shortage of raw materials resulted on one hand in a reduction or deferral of orders from OEM customers, due to the need for automotive manufacturers to limit costs and avoid production interruptions, and on the other in difficulties in fulfilling existing orders, due to a series of complexities in obtaining raw materials. Furthermore, particularly in the OEM channel, in which long-term supply agreements are generally entered into, it was not always possible to reflect in due time the increase in raw material prices in sale prices. On the other hand, as regards the After Market channel, interventions on sale prices took place more promptly but, also due to growing competition in developing countries, it was not always possible to intervene to prevent the loss of market share.

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. 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.

<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 companies and associates. At 31 December 2022, the Group had provided its subsidiaries with a number of letters of patronage, in detail:

- Letters of patronage for a total of Euro 16 million for SAFE S.p.A.

- Letters of patronage for a total of around Euro 5 million for Metatron S.p.A.

Liquidity risk

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

The year 2022 was characterised by a general situation of uncertainty caused in particular by the conflict between Russia and Ukraine and the continuation of the effects of COVID in China. Due to the continuation of a difficult macroeconomic context, overshadowed by considerable uncertainty as to cash flows, the management is continuing to devote considerable attention to the financial position, short/medium-term cash forecasts and the financing options proposed by the government to support companies. In this regard, Landi Renzo S.p.A. received a new subsidised loan for Euro 19,500 thousand from Invitalia (Agenzia Nazionale per l'Attrazione degli Investimenti e lo sviluppo di impresa SpA).

Aside from this, and to demonstrate the creditworthiness of the Landi Renzo Group and in particular the SAFE&CEC Group that it controls, please recall the bond issued in late December 2021 by the subsidiary SAFE S.p.A. for a nominal amount of Euro 7 million and subscribed by Finint (Finanziaria Internazionale Investments SGR S.p.A.). The loan, with a contractual duration until 31 August 2027 and a gross annual nominal fixed rate of 5%, calls for half-yearly repayment starting from 1 January 2024 and is also subject to compliance with financial parameters with reference to the data set forth in the consolidated financial statements of the SAFE&CEC Group as at 31 December of each year. In this regard, please note that the financial parameters on the bond issue of the SAFE&CEC Group had been respected at 31 December 2022. The loan is intended to finance the acquisition by SAFE S.p.A. of Idro Meccanica S.r.l., which was completed in January 2022;

In June 2022, Landi Renzo S.p.A. and a pool of lending banks (same counterparties as those disbursing the pool loan taken out on 26 June 2019 and the loan backed by the SACE guarantee taken out on 30 July 2020) entered into two new loan agreements for a total of Euro 73 million, in order to replace the loan backed by the SACE guarantee and extinguish the pool loan. In particular: i) a new loan agreement backed by the SACE guarantee (effective as of 29 June 2022) which, for the same financed amount (Euro 21 million), calls for the deferral of the pre-amortisation period of 24 months and repayment of the final instalment on 31 March 2028; ii) a new pool loan agreement, for a financed amount of Euro 52 million (compared with the remaining Euro 46 million on the previous pool loan agreement), which calls for a 24-month pre-amortisation period and repayment of the final instalment of Euro 20.5 million in June 2027. The effectiveness of that agreement was subject to the condition precedent of the performance of the above-mentioned share capital increase by 30 September 2022 in an amount of at least Euro 50 million. The new agreements call for the calculation of financial parameters (NFP/EBITDA) starting from the calculation date of 31 December 2022.

The main loans of Landi Renzo S.p.A. include financial covenants. In this regard, please note that in March 2023, all credit institutions underwriting the loans issued waiver letters with respect to the financial covenants surveyed as at 31 December 2022. For more information, please refer to the section on "Business continuity".

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.

Climate change risk

For more details on climate change, please refer to the non-financial report as at 31 December 2022.

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.

The consolidation area has changed compared with 31 December 2021 following the consolidation of Idro Meccanica S.r.l., acquired by SAFE S.p.A. in January 2022.

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

Description	Registered Office	% stake at 31 December 2022		Notes
		Direct investment	Indirect investment	
Parent Company				

Landi Renzo S.p.A.	Cavriago (Italy)	Parent Company		
Companies consolidated using the line-by-line method				
Landi International B.V.	Utrecht (The Netherlands)	100.00%		
Landi Renzo Polska Sp.Zo.O.	Warsaw (Poland)		100.00%	(1)
LR Indústria e Comércio Ltda	Rio de Janeiro (Brazil)	99.99%		
Beijing Landi Renzo Autogas System Co. Ltd	Beijing (China)	100.00%		
L.R. Pak (Pvt) Limited	Karachi (Pakistan)	70.00%		
Landi Renzo Pars Private Joint Stock Company	Tehran (Iran)	99.99%		
Landi Renzo RO S.r.l.	Bucharest (Romania)	100.00%		
Landi Renzo USA Corporation	Wilmington - DE (USA)	100.00%		
AEB America S.r.l.	Buenos Aires (Argentina)	96.00%		
Officine Lovato Private Limited	Mumbai (India)	74.00%		
OOO Landi Renzo RUS	Moscow (Russia)	51.00%		
SAFE&CEC S.r.l.	San Giovanni Persiceto (Italy)	51.00%		
SAFE S.p.A.	San Giovanni Persiceto (Italy)		100.00%	(2)
Idro Meccanica S.r.l.	Modena (Italy)		90.00%	(3)
IMW Industries LTD	Chilliwak (Canada)		100.00%	(2)
IMW Industries del Perù S.A.C.	Lima (Peru)		100.00%	(4)
IMW Industries LTDA	Cartagena (Colombia)		100.00%	(4)
IMW Energy Tech LTD	Suzhou (China)		100.00%	(4)
IMW Industries LTD Shanghai	Shanghai (China)		100.00%	(4)
Metatron S.p.A.	Castel Maggiore (Italy)	100.00%		(5)
Metatron Control System (Shanghai)	Shanghai (China)		86.00%	(6)
Associates and subsidiaries consolidated using the equity method				
Krishna Landi Renzo India Private Ltd Held	Gurugram - Haryana (India)	51.00%		(7)
Other minor companies				
Landi Renzo VE.CA.	Caracas (Venezuela)	100.00%		(8)
Lovato do Brasil Ind Com de Equipamentos para Gas Ltda	Curitiba (Brazil)	100.00%		(8)
EFI Avtosanoat-Landi Renzo LLC	Navoiy Region (Uzbekistan)	50.00%		(7) (8)
Metatron Technologies India Plc	Mumbai (India)		75.00%	(8) (6)

Detailed notes on investments:

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

(2) Held indirectly through SAFE&CEC S.r.l.

(3) Held indirectly through SAFE S.p.A., 100% consolidated line-by-line based on the binding commitment to purchase the remaining 10%, which does not include any conditions precedent

(4) Held indirectly through IMW Industries LTD

(5) As at 31 December 2021, the company was 49% held, but it was already consolidated line-by-line based on the commitment to purchase the remaining 51%, which did not include any conditions precedent, and which later took place in the course of 2022, and the governance system contractually defined by the parties

(6) Held indirectly through Metatron S.p.A.

(7) Company joint venture

(8) Not consolidated as a result of their irrelevance

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).

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, currently not operational;
- Lovato do Brasil Industria Comercio de Equipamentos para Gas Ltda, in which a 100% stake is held and which is currently not operational;
- Metatron Technologies India Private Ltd, in which a 75% stake is held by Metatron S.p.A. and which is currently not operational.

F) EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. SEGMENT REPORTING

The management has identified two operating segments in which the Landi Renzo Group operates, or:

- The Green Transportation - Automotive segment, referring primarily to the design, manufacture and sale through the OEM and After Market channels of mechanical and electronic systems and components for the use of automotive gas (CNG - Compressed Natural Gas, LNG – Liquid Natural Gas, LPG, RNG – Renewable Natural Gas and hydrogen) as well as, to a lesser extent, anti-theft alarms. This segment mainly includes the Landi Renzo, Metatron, AEB, Lovato and Med brands.
- The Clean Tech Solutions - Infrastructure segment, referring to the design and manufacture of compressors for the processing and distribution of gas (CNG, RNG and Hydrogen) as well as operations in the Oil&Gas market. The broad range of SAFE&CEC Group products makes it possible to satisfy multiple market requirements for the construction of automotive CNG, RNG and hydrogen distribution stations. Since January 2022, the Clean Tech Solutions sector also includes the results of Idro Meccanica S.r.l., a leader in the production of technologies and innovative systems for the compression of hydrogen, biomethane and natural gas.

Consolidated revenues recorded in 2022 by the Landi Renzo Group are divided by geographical area as follows:

(Thousands of Euro)

Geographical distribution of revenues	At 31/12/2022	% of revenues	At 31/12/2021	% of revenues	Changes	%
Italy	32,159	10.5%	27,281	11.3%	4,878	17.9%

Europe (excluding Italy)	135,833	44.3%	107,071	44.2%	28,762	26.9%
America	65,607	21.4%	38,412	15.9%	27,195	70.8%
Asia and Rest of the World	72,698	23.8%	69,230	28.6%	3,468	5.0%
Total revenues	**306,297**	**100.0%**	**241,994**	**100.0%**	**64,303**	**26.6%**

Regarding the geographical distribution of revenues, the Group realised 89.5% of its consolidated revenues abroad in 2022 (88.7% at 31 December 2021) (44.3% in Europe and 45.2% outside Europe), confirming the strong international vocation that has always set it apart.

For a more detailed analysis of revenues by geographical area and by segment, please refer to the Directors' Report.

The following table shows the assets divided by geographical area of origin:

(Thousands of Euro)

Total Balance Sheet Assets	31/12/2022	31/12/2021 restated	Change
Italy	342,656	290,079	52,577
Europe (excluding Italy)	39,522	29,710	9,812
America	15,439	16,402	-963
Asia and Rest of the World	9,013	7,037	1,976
Total ASSETS	**406,630**	**343,228**	**63,402**

The following table shows investments divided by geographical area of origin:

(Thousands of Euro)

Investments in Fixed Assets	31/12/2022	31/12/2021	Change
Italy	8,027	8,062	-35
Europe (excluding Italy)	229	399	-170
America	200	120	80
Asia and Rest of the World	2	33	-31
Total	**8,458**	**8,614**	**-156**

NON-CURRENT ASSETS

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

The changes in tangible assets during the financial year 2021 are shown in detail below:

(Thousands of Euro)

Net value	31/12/2020	Variation in the consolidation area	Acquisitions	(Disposals)	Depreciation rates	Other changes	31/12/2021
Land and buildings	555	1,311	72	0	-406	43	1,575

Plant and machinery	4,525	582	949	-54	-1,819	1,030	5,213
Industrial and commercial equipment	5,667	1,047	1,114	-546	-1,600	304	5,986
Other tangible assets	1,076	271	544	-55	-476	-14	1,346
Assets in progress and advance payments	1,389	421	509	-124	0	-1,338	857
Total	**13,212**	**3,632**	**3,188**	**-779**	**-4,301**	**25**	**14,977**

The changes in tangible assets during the financial year 2022 are shown in detail below:

(Thousands of Euro)

Net value	31/12/2021	Idro Meccanica Srl consolidation	Acquisitions	(Disposals)	Depreciation rates	Other changes	31/12/2022
Land and buildings	1,575	881	202	0	-416	-13	2,229
Plant and machinery	5,213	5	326	0	-1,634	1,032	4,942
Industrial and commercial equipment	5,986	0	783	-13	-1,714	160	5,202
Other tangible assets	1,346	6	270	-107	-469	21	1,067
Assets in progress and advance payments	857	0	906	-6	0	-1,182	575
Total	**14,977**	**892**	**2,487**	**-126**	**-4,233**	**18**	**14,015**

Tangible assets showed an overall net decrease of Euro 962 thousand, decreasing from Euro 14,977 thousand at 31 December 2021 to Euro 14,015 thousand at 31 December 2022. The contribution deriving from the initial consolidation of Idro Meccanica was Euro 892 thousand.

Increases for the year, amounting to Euro 2,487 thousand, primarily relate to the acquisition of new production lines and moulds.

The item "Assets in progress and advance payments", totalling Euro 575 thousand as at 31 December 2022 (Euro 857 thousand as at 31 December 2021), decreased following the completion of several investments under way at the end of the previous year. The amount of assets in progress at 31 December 2022 primarily includes work in progress on investments made by the Parent Company in new work benches needed to handle demand for an increase in production. 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, aside from reclassifications of assets under construction completed during the period to the relative item, the conversion differences on assets held by companies abroad.

3. DEVELOPMENT EXPENDITURE

Changes in development expenditure during 2021 are shown in detail below:

(Thousands of Euro)

Net value	31/12/2020	Variation in the consolidation area	Increases	Amortisation rates	Other changes	31/12/2021
Development costs	**9,506**	3,179	5,123	-5,814	228	**12,222**

Changes in development expenditure during 2022 are shown in detail below:

(Thousands of Euro)

Net value	31/12/2021	Idro Meccanica Srl consolidation	Increases	Amortisation rates	Other changes	31/12/2022
Development costs	**12,222**	2	5,538	-6,633	12	**11,141**

Development costs amounted to Euro 11,141 thousand (Euro 12,222 thousand at 31 December 2021) 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 in the year ended as of 31 December 2022 totalled Euro 5,538 thousand (Euro 5,123 thousand at 31 December 2021).

Research and development activities during 2022 saw the continuation of new projects focusing in particular on products for CNG, biomethane and hydrogen, alternatives to conventional fuels that offer significant benefits and advantages, and in the Mid & Heavy Duty segment. New development activities began during 2022 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 2022, did not bring to light any impairment.

4. GOODWILL

The item Goodwill totalled Euro 80,132 thousand, Euro 6,876 thousand more than at 31 December 2021 (Euro 73,256 thousand) following the acquisition of control by SAFE S.p.A. of Idro Meccanica S.r.l., resulting in its line-by-line consolidation.

(Thousands of Euro)

CGU	31/12/2022	31/12/2021 restated	Change
Green Transportation – Automotive	47,863	47,863	0
Clean Tech Solutions - Infrastructure	32,269	25,393	6,876
Total	**80,132**	**73,256**	**6,876**

On 31 December 2022, the "Purchase Price Allocation" established by IFRS 3 in the case of business combinations, or the measurement of the assets and liabilities acquired at fair value, was completed for the Metatron Group (purchased on 1 August 2021).

In particular, the Purchase Price Allocation led to the identification of a fair value of the "Metatron" trademark valued, on the basis of an appraisal performed by an independent expert, at Euro 2,892 thousand (with a useful life of 20 years) gross of the relative tax effect of Euro 807 thousand. The goodwill of the Metatron Group, classified in the Green Transportation - Automotive CGU, was reduced as a result by Euro 2,085 thousand, corresponding to the allocation of the value of the trademark and the relative tax effect.

The Purchase Price Allocation was carried out within the assessment period provided by IFRS 3 in the case of business combinations, therefore this allocation refers to facts and circumstances at the acquisition date and, once the values of the assets and goodwill were modified at the end of the valuation period, it was necessary to modify as a result the comparative data for the previous period, including the effect of the adjustments identified at the acquisition date as well.

Details of the business combination with the Metatron Group are provided below:

(Thousands of Euro)

METATRON COMBINATION	Carrying Amounts	Fair value adjustments	Fair value
Land, property, plant, machinery and other equipment	1,958		1,958
Development costs	1,111		1,111
Other intangible assets with finite useful lives	1,319	2,892	4,211
Right-of-use assets	3,583		3,583
Other non-current assets	463		463
Deferred tax assets	544		544
Non-current assets	**8,978**	**2,892**	**11,870**
Trade receivables	11,283		11,283
Inventories	7,886		7,886
Other receivables and current assets	1,206		1,206
Cash and cash equivalents	1,868		1,868
Current assets	**22,243**		**22,243**
Other non-current financial liabilities	5,514		5,514
Non-current liabilities for rights of use	2,938		2,938
Provisions for risks and charges	443		443
Defined benefit plans for employees	1,914		1,914
Deferred tax liabilities		807	807
Non-current liabilities	**10,809**		**11,616**
Bank financing and short-term loans	5,272		5,272

Current liabilities for rights of use	645		645
Trade payables	4,713		4,713
Tax liabilities	658		658
Other current liabilities	2,232		2,232
Current liabilities	**13,520**		**13,520**
Total net assets acquired	**6,892**	**2,085**	**8,977**
Percentage of control Landi Renzo S.p.A.	100%		100%
Group's share of net assets acquired	6,892		8,977
Value of the stake in Landi Renzo S.p.A.	26,746		26,746
Green Transportation - Automotive CGU goodwill	19,854		17,769
Cash acquired	1,868		1,868

The increase in goodwill during the period of Euro 6,876 thousand instead relates to the consolidation of Idro Meccanica S.r.l., a company acquired by SAFE S.p.A. and operating in the production of technologies and innovative systems for the compression of hydrogen, biomethane and natural gas which includes amongst its customers the main operators in hydrogen production and distribution, and boasts of a full range of products and applications to manage hydrogen compression up to 800 bars.

With reference to Idro Meccanica S.r.l., taking into account that the acquisition took place in January 2022, the Purchase Price Allocation was completed within the terms permitted by IFRS 3, or within 12 months of the acquisition. Details of the transaction are provided below:

(Thousands of Euro)

IDRO MECCANICA COMBINATION	Carrying Amounts	Fair value adjustments	Fair value of assets and liabilities acquired
Land, property, plant, machinery and other equipment	91	801	892
Development costs	2		2
Other intangible assets with finite useful lives	25		25
Non-current assets	**118**	**801**	**919**
Trade receivables	1,051		1,051
Inventories	2,834		2,834
Other receivables and current assets	565		565
Cash and cash equivalents	408		408
Current assets	**4,858**	**0**	**4,858**
Non-current bank loans	518		518
Other non-current financial liabilities	11		11
Non-current liabilities for rights of use	12		12
Provisions for risks and charges	550		550
Defined benefit plans for employees	191		191
Liabilities for derivative financial instruments	1		1
Deferred tax liabilities	0	226	226
Non-current liabilities	**1,283**	**226**	**1,509**
Bank financing and short-term loans	1,834		1,834
Current liabilities for rights of use	12		12
Trade payables	1,407		1,407
Tax liabilities	80		80
Other current liabilities	1,411		1,411
Current liabilities	**4,744**	**0**	**4,744**
Total net assets acquired	**-1,051**	**575**	**-476**
Percentage of control Safe S.p.A.	**100%**		**100%**
Group's share of net assets acquired	**-1,051**		**-476**
Value of the stake in Safe S.p.A.	**6,400**		**6,400**

Clean Tech Solutions - Infrastructure CGU goodwill	**7,451**	**6,876**
Cash acquired	**408**	**408**

In order to identify the CGUs to which to allocate the goodwill tested for impairment, please note that the management, taking into account the Group reorganisation process taking place over recent years, the Group's current organisational structure, the methods whereby control is exercised over operations and the acquisition transactions taking place during the year and cited above, has identifiedtwo cash generating units in which the Landi Renzo Group operates, i.e.:

- the "Green Transportation - Automotive" CGU referring primarily to the design, manufacture and sale through the OEM and After Market channels of mechanical and electronic systems and components for the use of automotive gas (CNG - Compressed Natural Gas, LNG – Liquid Natural Gas, LPG, RNG – Renewable Natural Gas/Biomethane and Hydrogen) as well as, to a lesser extent, anti-theft alarms. This segment mainly includes the Landi Renzo, Metatron, AEB, Lovato and Med brands;
- the "Clean Tech Solutions - Infrastructure" CGU, referring to the design and manufacture of compressors for the processing and distribution of gas (CNG, RNG and Hydrogen) as well as operations in the Oil&Gas market. The broad range of SAFE&CEC Group products makes it possible to satisfy multiple market requirements for the construction of automotive CNG, RNG and hydrogen distribution stations. Since January 2022, the Clean Tech Solutions sector also includes the results of Idro Meccanica S.r.l., a leader in the production of technologies and innovative systems for the compression of hydrogen, biomethane and natural gas.

As required by IAS 36, impairment tests were carried out on all items of goodwill at 31 December 2022 and the results were approved by the Board of Directors of the Parent Company on 14 March 2023.

Following up on what is set forth above, and to take into account the changed market environment, the directors prepared the Group economic-financial budget for the year 2023, which was approved by the Landi Renzo S.p.A. Board of Directors on 2 March 2023.

The directors believe that the forecasts for the years subsequent to 2023 included in the Group's economic-financial plan prepared for the 2022-2025 period and approved by the Landi Renzo S.p.A. Board of Directors on 15 March 2022 remain valid.

For said impairment tests, the terminal values were estimated to reflect the values of goodwill beyond the explicit period, on the assumption that the companies will continue to operate 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 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.

The discount rate was calculated as the weighted average cost of capital ("W.A.C.C."), net of taxes, determined as the weighted average between the cost of equity, calculated using the CAPM (Capital

Asset Pricing Model) method, and the cost of debt. The rate, as required by IAS 36, was determined with reference to the operating risk of the sector and the financial structure of a sample of listed companies comparable to the Group in terms of risk profile and sector of activity.

The following aspects were taken into consideration to determine the discount rate:

• the approach which considers the country risk implicit in the risk free rate was used in determining the discount rate;

• the risk free rate was determined using as a reference the average return on 10-year 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.

Green Transportation CGU

On the basis of the parameters set forth above, the risk-free rate is 3.46%, so the weighted average cost of capital (W.A.C.C.) relating to the Green Transportation - Automotive CGU is therefore equal to 11.77% (10.23% as at 31 December 2021). The "g" growth rate is instead 3.43% (3.45% as at 31 December 2021).

Clean Tech Solutions CGU

On the basis of the parameters set forth above, the risk-free rate is 3.68%, so the weighted average cost of capital (W.A.C.C.) relating to the Clean Tech Solutions - Infrastructure CGU is therefore equal to 12.41% (10.60% as at 31 December 2021). The "g" growth rate is instead 2.03% (2.00% as at 31 December 2021).

As regards both of the above-mentioned impairment tests, specific sensitivity analyses were performed as required by valuation practices, which did not bring to light any critical issues with regard to the recoverable amount of the goodwill recognised.

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	Break-even EBITDA	Discount rate including tax % (break-even WACC)
Green Transportation – Automotive CGU	26.6	31.1	13.35%
Clean Tech Solutions – Infrastructure CGU	36.9	16.5	17.10%

These tests, which were prepared with the support of an independent external advisor, and the results of which were approved by the Board of Directors of the Parent Company on 14 March 2023, did not bring to light any impairment losses.

Furthermore, the stock market capitalisation value of Landi Renzo S.p.A. at 31 December 2022 amounted to Euro 123.7 million, and the share performance until 14 March 2023 was stably significantly higher than the value of consolidated shareholders' equity. Therefore, no indicators of impairment were identified in that context.

5. OTHER INTANGIBLE ASSETS WITH FINITE USEFUL LIVES

Changes in other intangible assets with finite useful lives that occurred during 2021 are shown in detail below:

(Thousands of Euro)

Net value	31/12/2020	Variation in the consolidation area	Acquisitions	Amortisation rates	Other changes	31/12/2021 restated
Patents and intellectual property rights	354	352	118	-338	-165	321
Concessions and trademarks	10,506	10,448	185	- 1,967	50	19,222
Total	**10,860**	**10,800**	**303**	**- 2,305**	**-115**	**19,543**

Changes in other intangible assets with finite useful lives that occurred during 2022 are shown in detail below:

(Thousands of Euro)

Net value	31/12/2021 restated	Acquisitions	Amortisation rates	Other changes	31/12/2022
Patents and intellectual property rights	321	209	-292	112	350
Concessions and trademarks	19,222	224	-2,438	-95	16,913
Total	**19,543**	**433**	**- 2,730**	**17**	**17,263**

Other intangible assets with finite useful lives decreased from Euro 19,543 thousand at 31 December 2021 to Euro 17,263 thousand at 31 December 2022, 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 3,495 thousand), AEB (for Euro 3,086 thousand), SAFE (for Euro 3,922 thousand), Metatron (for Euro 2,687 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 the purchase/business combination according to evaluations made by independent professionals, net of the accumulated amortisation. These values are amortised over 18-20 years, periods deemed representative of the useful lifetime of the trademarks.

The increase in the period, equal to Euro 433 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 2021 are shown in detail below:

(Thousands of Euro)

Net value	31/12/2020	Variation in the consolidation area	Increases	Amortisation rates	Other changes	31/12/2021 restated
Buildings	4,431	9,385	0	-2,725	-213	**10,878**
Plant and machinery	0	646	0	-66	18	**598**
Motor vehicles	544	239	82	-345	-5	**515**
Total	**4,975**	**10,270**	**82**	**-3,136**	**-200**	**11,991**

Changes in right-of-use assets that occurred during 2022 are shown in detail below:

(Thousands of Euro)

Net value	31/12/2021 restated	Idro Meccanica consolidation	Increases	Amortisation rates	Other changes	31/12/2022
Buildings	10,878	0	4,401	-3,008	470	**12,741**
Plant and machinery	598	0	0	-114	14	**498**
Motor vehicles	515	25	160	-359	38	**379**
Total	**11,991**	**25**	**4,561**	**-3,481**	**522**	**13,618**

Right-of-use assets decreased from Euro 11,991 thousand at 31 December 2021 to Euro 13,618 thousand at 31 December 2022.

The increase in this item compared with the previous year is primarily due to the renewal of the lease agreement on the Landi Renzo S.p.A. production facility located at Via dell'Industria (Cavriago – RE) and to a lesser extent to the renewal of the lease agreement on a property of Landi Renzo USA.

7. EQUITY INVESTMENTS MEASURED USING THE EQUITY METHOD

This item, equal to Euro 2,496 thousand, includes the value of the Joint Venture Krishna Landi Renzo Prv Ltd, assessed using the equity method.

(Thousands of Euro)

Equity investments measured using the equity method	31/12/2021	Increases	Decreases	31/12/2022
Krishna Landi Renzo India Private Ltd Held	2,028	468	0	2,496
Total	**2,028**	**468**	**0**	**2,496**

The equity investment held in the joint venture Krishna Landi Renzo Prv Ltd was revalued by Euro 468 thousand due to the positive results for the period. This change includes the valuation of the equity investment held in the joint venture Krishna Landi Renzo Prv Ltd for Euro 587 thousand and the exchange adjustment for a negative Euro 128 thousand. In the course of the year ending on 31 December 2022, this company significantly boosted its sales to a major Indian OEM customer, recording revenue of Euro 35.5 million and EBITDA of Euro 6.9 million.

8. OTHER NON-CURRENT FINANCIAL ASSETS

This item breaks down as follows:

(Thousands of Euro)

Other non-current financial assets	31/12/2022	31/12/2021	Change
Loan to Krishna Landi Renzo	600	600	0
Guarantee deposits	220	177	43
Other financial assets	27	105	-78
Total	**847**	**882**	**-35**

Other non-current financial assets, equal to Euro 847 thousand (Euro 882 thousand at 31 December 2021) includes mainly:

- 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;
- guarantee deposits for Euro 220 thousand.

9. OTHER NON-CURRENT ASSETS

Other non-current assets, totalling Euro 1,710 thousand (Euro 2,556 thousand as at 31 December 2021), include only the portion beyond the financial year of the receivable from AVL Italia S.r.l. relative to the sale of the company branch relating to the part of the Technical Centre intended for laboratory management, the contract of which stipulates the receipt of 10 annual instalments and the charging of interest on the residual receivable at the end of each financial year.

10. DEFERRED TAX ASSETS

This item breaks down as follows:

(Thousands of Euro)

Offsettable deferred tax assets and liabilities	31/12/2022	31/12/2021 restated	Change
Deferred tax assets	15,708	15,614	94
Deferred tax liabilities	-1,599	-2,920	1,321
Total net deferred tax assets	**14,109**	**12,694**	**1,415**

Net deferred tax assets, totalling Euro 14,109 thousand (Euro 12,694 thousand at 31 December 2021), related to both temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax values recognised, and to the losses from the national tax consolidation scheme deemed to be recoverable on the basis of company plans, the realisation of which is subject to the intrinsic risk of non-implementation inherent in its provisions.

With reference to tax losses, the management, assisted by its tax advisors, prepared a specific analysis aimed at verifying the recoverability of deferred tax assets, which was based on forecasts of the 2023 economic-financial budget, approved by the Board of Directors on 2 March 2023, as well as the forecasts for the years 2024-2025 included in the 2022-2025 economic-financial plan approved by the Board of Directors on 15 March 2022, and for the year 2026, which was estimated with no expectation of further growth. This analysis did not identify any problems related with the recoverability of deferred tax assets recognised in the financial statements. Furthermore, in this regard, on a prudential basis no deferred tax assets were recognised on the tax losses recorded by the Parent Company in 2021 and in 2022.

At 31 December 2022 offsettable deferred tax liabilities totalled Euro 1,599 thousand (Euro 2,920 thousand at 31 December 2021), with an increase of Euro 1,321 thousand, and are primarily related to temporary differences between the carrying amounts of certain tangible and intangible assets and the values recognised for tax purposes.

11. NON-CURRENT ASSETS, CURRENT ASSETS, LIABILITIES FOR DERIVATIVE FINANCIAL INSTRUMENTS

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.

The breakdown and changes in Non-current assets for derivative financial instruments are shown below:

(Thousands of Euro)

Non-current assets for derivative financial instruments	Fair value hierarchy	Notional	31/12/2022	31/12/2021	Change

Interest rate derivatives					
Derivative financial instruments	2	36,400	103	0	103
Total			**103**	**0**	**103**

The Company entered into financial derivative contracts (IRSs) to cover 70% of the pool loan of Euro 52 million.

The breakdown and changes in Current assets for derivative financial instruments are shown below:

(Thousands of Euro)

Current assets for derivative financial instruments	Fair value hierarchy	Notional	31/12/2022	31/12/2021	Change
Interest rate derivatives					
Derivative financial instruments	2	21,000	412	0	412
Total			**412**	**0**	**412**

The Company entered into financial derivative contracts (IRSs) to cover, for a duration of 3 years, with maturity on 30 September 2023, 100% of the credit lines of the Euro 21 million loan 90% backed by the SACE guarantee.

At 31 December 2021, the fair value relating to derivatives was negative; this vale was recognised in Liabilities for derivative financial instruments. The breakdown and changes are shown in detail below:

(Thousands of Euro)

Non-current liabilities for derivative financial instruments	Fair value hierarchy	Notional	31/12/2022	31/12/2021	Change
Derivative financial instruments	2	57,400	0	-99	99
Total			**0**	**-99**	**99**

CURRENT ASSETS

12. 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	31/12/2022	31/12/2021	Change
Italy	12,420	13,540	-1,120
Europe (excluding Italy)	23,219	18,270	4,949

America	28,183	23,837	4,346
Asia and Rest of the World	19,490	18,773	717
Provision for bad debts	-9,753	-8,372	-1,381
Total	**73,559**	**66,048**	**7,511**

Trade receivables totalled Euro 73,559 thousand, net of the provision for bad debts equal to Euro 9,753 thousand, compared with Euro 66,048 thousand at 31 December 2021, a value net of a provision for bad debts of Euro 8,372 thousand.

Total transactions for the assignment of trade receivables through factoring without recourse, for which the corresponding receivables were derecognised, amounted to Euro 16.1 million (Euro 12.2 million at 31 December 2021).

There are no non-current trade receivables or receivables secured by collateral guarantees.

Receivables from related parties totalled Euro 6,855 thousand (Euro 3,030 thousand at 31 December 2021) and related to supplies of goods to the Joint Venture Krishna Landi Renzo India Private Ltd Held, the Joint Venture EFI Avtosanoat-Landi Renzo LLC and the Pakistani company AutoFuels and Clean Energy Fuels Corp. All the related transactions are carried out at arm's length conditions.

The provision for bad debts, which was calculated using analytical criteria on the basis of the data available and, in general, of the historical trend, changed as follows:

(Thousands of Euro)

Provision for bad debts	31/12/2021	Idro Meccanica consolidation	Allocation	Uses	31/12/2022
Provision for bad debts	8,372	360	1,066	-45	9,753

The allocations made during the year, necessary in order to adjust the carrying amount of the receivables to their assumed recovery value, amounted to Euro 1,066 thousand (compared with Euro 1,024 thousand at 31 December 2021). Uses during the year, on the other hand, totalled Euro 45 thousand.

The provision for the period is inclusive of prudential write-downs relating to receivables due from Russian and Ukrainian customers (Euro 569 thousand), calculated by taking into account the specific situation of each of them.

The contribution deriving from the consolidation of Idro Meccanica Srl was Euro 360 thousand.

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)

	Total	Not past due	Past due		
			0-30 days	30-60 days	60 and beyond
Trade receivables at 31/12/2022	83,312	52,124	6,623	3,084	21,481
Trade receivables at 31/12/2021	74,420	43,784	5,610	4,393	20,633

13. INVENTORIES

This item breaks down as follows:

(Thousands of Euro)

Inventories	31/12/2022	31/12/2021	Change
Raw materials and parts	49,469	42,001	7,468
Work in progress and semi-finished products	17,867	15,779	2,088
Finished products	20,902	21,904	-1,002
(Inventory write-down reserve)	-11,558	-10,788	-770
Total	**76,680**	**68,896**	**7,784**

Closing inventories totalled Euro 76,680 thousand, net of the inventory write-down reserve of Euro 11,558 thousand. The increase of Euro 7,784 thousand relates to:

- the consolidation of Idro Meccanica Srl;
- the procurement of electronic components and other strategic components in order to reduce to a minimum the risks of possible stock disruptions caused by issues in obtaining components in the market.

(Thousands of Euro)

Inventory write-down reserve	31/12/2021	Idro Meccanica consolidation	Allocation	Uses	Other changes	31/12/2022
Inventory write-down reserve (raw materials)	6,860	200	189	-91	7	7,165
Inventory write-down Reserve (finished products in progress)	1,178	0	7	0	5	1,190
Inventory write-down reserve (finished products)	2,750	0	482	0	-29	3,203
Inventory write-down reserve – total	**10,788**	**200**	**678**	**-91**	**-17**	**11,558**

The Group estimated the size of the inventory write-down reserve so as to take account of the risks of technical obsolescence of inventories and to align the book value with their assumed recovery value. At 31 December 2022, this item amounted to Euro 11,558 thousand (Euro 10,788 thousand at 31 December 2021).

The inventory write-down reserve recorded allocations during the year amounting to Euro 678 thousand and utilisations of Euro 91 thousand.

14. CONTRACT WORK IN PROGRESS

(Thousands of Euro)

Contract work in progress	31/12/2022	31/12/2021	Change
Contract work in progress	20,429	15,653	4,776
Total	**20,429**	**15,653**	**4,776**

Contract work in progress totalled Euro 20,429 thousand at 31 December 2022 (Euro 15,653 thousand at 31 December 2021), referring entirely to Clean Tech Solutions orders in progress.

15. OTHER RECEIVABLES AND CURRENT ASSETS

This item breaks down as follows:

(Thousands of Euro)

Other receivables and current assets	31/12/2022	31/12/2021	Change
Tax assets	9,106	7,169	1,937
Receivables from others	6,765	6,308	457
Accruals and deferrals	1,277	966	311
Total	**17,148**	**14,443**	**2,705**

Tax assets

Tax assets consist primarily of VAT recoverable from the tax authorities for Euro 5,269 thousand, income tax credit of Euro 2,995 thousand and tax credits (Euro 842 thousand). The tax credits recognised to Metatron S.r.l. and the parent company Landi Renzo S.p.A. include those relating to research and development activities, pursuant to Art. 1 of Law 160/2019, amounting to Euro 550 thousand.

Receivables from others

(Thousands of Euro)

Receivables from others	31/12/2022	31/12/2021	Change
Advances to suppliers	2,559	2,728	-169
Receivables from social security institutes	81	93	-12
Credit notes to be received	1,467	1,407	60
Other receivables	2,658	2,080	578
Total	**6,765**	**6,308**	**457**

Receivables from others include primarily advances to suppliers (Euro 2,559 thousand) and provisions for credit notes to be received (Euro 1,467 thousand).

"Other receivables" also include the short-term receivables from AVL Italia S.r.l. relating to the aforementioned sale of the company branch for Euro 570 thousand as well as the relative accrued interest.

Accruals and deferrals

Accruals and deferrals relate mainly to prepaid expenses for long-term business services, insurance premiums, leases, association fees and hardware /software maintenance fees paid in advance, in addition to costs incurred in advance on commercial projects which will have economic benefits starting from next year.

At 31 December 2022, there were no deferred charges or accrued income of a duration of more than 5 years.

16. 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	31/12/2022	31/12/2021	Change
Bank and post office accounts	62,510	27,930	34,580
Cash	458	109	349
Total	**62,968**	**28,039**	**34,929**

Cash and cash equivalents at 31 December 2022 totalled Euro 62,968 thousand (Euro 28,039 thousand at 31 December 2021). 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.

17. SHAREHOLDERS' EQUITY

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

(Thousands of Euro)

Shareholders' equity	31/12/2022	31/12/2021 restated	Change
Share capital	22,500	11,250	11,250
Other reserves	91,698	44,615	47,083
Profit (loss) for the period	-14,281	-1,020	-13,261
Total Shareholders' equity of the Group	**99,917**	**54,845**	**45,072**

Capital and Reserves attributable to minority interests	5,953	4,216	1,737
Profit (loss) attributable to minority interests	14	1,522	-1,508
Total minority interests	**5,967**	**5,738**	**229**
Total consolidated equity	**105,884**	**60,583**	**45,301**

The share capital stated is the fully subscribed and paid-up share capital of the company Landi Renzo S.p.A. which is equal to a nominal Euro 22,500 thousand, subdivided into a total of 225,000,000 shares, with a nominal value equal to Euro 0.10. The increase with respect to the previous year is linked to the share capital increase described in the "Share capital increase" section.

Consolidated shareholders' equity at 31 December 2022 shows a variation of Euro 45,301 thousand compared with 31 December 2021, mainly due to the share capital increase completed in September 2022, the result for the period, the change in the translation reserve and the recognition of financial derivative contracts according to the hedge accounting method.

For further details on the changes compared with 31 December 2022, please refer to the Consolidated Statement of Changes in Equity.

The other reserves are shown in detail below:

(Thousands of Euro)

Other reserves	31/12/2022	31/12/2021 restated	Change
Statutory reserve	2,250	2,250	0
Extraordinary and Other Reserves	22,329	13,419	8,910
Share Premium Reserve	67,119	28,946	38,173
Total Other Reserves of the Group	**91,698**	**44,615**	**47,083**

The balance of the Statutory Reserve totalled Euro 2,250 thousand and is unchanged.

The Extraordinary Reserve and the other reserves refer to the profits recorded by the Parent Company and by the subsidiary companies in previous years and have increased by Euro 8,910 thousand as a result of the following changes:

- The contribution of the prior year results of the subsidiaries;
- change in the translation reserve for a positive amount of Euro 168 thousand;
    - recognition according to hedge accounting of financial derivative contracts for a positive amount of Euro 479 thousand, this difference was also generated by the release to the income statement of the cash flow hedge reserve relating to the previous pool loan which, as mentioned previously, was subject to early repayment on 23 September 2022. As the hedged element was

eliminated, as of that date the cash flow hedge reserve was reversed to the income statement;

- other changes connected with the application of IAS 19 on employee benefits for a positive total of Euro 280 thousand.
- measurement of investments with the equity method for a negative amount of Euro 128 thousand, relating to the equity investment in Krishna Landi Renzo.

The Share Premium Reserve amounted to Euro 67,119 thousand (Euro 28,946 thousand), increased due to the share capital increase described in the "Share capital increase" section and decreased following its partial use to cover the loss for the year 2021 of the Parent Company amounting to Euro 9,131 thousand.

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.

Share capital increase

The Shareholders' Meeting of Landi Renzo S.p.A. of 29 April 2022 approved a share capital increase for up to Euro 60 million, which is one of the actions included in the 2022-2025 Business Plan, and aims to provide the Landi Renzo Group with the necessary funding to support the investment plan, which also includes external investment, in market segments expected to have the most growth, such as biomethane and hydrogen. The share capital increase was guaranteed up to Euro 50 million following the commitment made by TIP - Tamburi Investment Partners S.p.A., the single largest shareholder of Itaca Equity Holding S.p.A., to guarantee in cash the entire share attributable to Itaca Equity Holding S.p.A., and the commitment made by Girefin S.p.A. and Gireimm S.r.l. to guarantee, through the voluntary offsetting of part of the receivable, the capital portion necessary to guarantee the share capital increase up to Euro 50 million to complement the guarantee commitment assumed by TIP - Tamburi Investment Partners S.p.A.

In execution of the investment agreement:

(i) On 13 June 2022, the NewCo GbD Green by definition S.p.A. was established, to which on 1 July 2022 Girefin S.p.A and Gireimm S.r.l. contributed the Landi Renzo S.p.A. shares they held, in addition to the receivable owed to it and deriving from the interest bearing shareholder loan disbursed by Girefin S.p.A. in the amount of roughly Euro 18.1 million;

(ii) on 11 July 2022, the Landi Renzo S.p.A. Board of Directors executed the delegation relating to the share capital increase and approved the terms, final conditions and calendar of the paid share capital increase, on the basis of the criteria set by the Extraordinary Shareholders' Meeting of 29 April 2022 in a total maximum amount of Euro 59,625 thousand by issuing up to 112,500,000 ordinary shares, with a nominal value of Euro 0.10, and with regular dividend entitlement, to be offered under option to the shareholders at the ratio of 1 new share for every 1 ordinary share held, at a unit issue price of Euro 0.53, determined by the Board of Directors by applying, on the basis of the Extraordinary Shareholders' Meeting resolution of 29 April 2022, a discount of 16.09% on the theoretical ex right price (TERP) of the Landi Renzo ordinary shares, calculated in accordance with current methodologies on the basis of the weighted average trading price of Landi Renzo ordinary shares in the 5 previous trading days, i.e., 4 July 2022 to 8 July 2022.

(iii) On 13 July 2022, Consob approved - with note no. 0458563/22 of 13 July 2022 - the EU Recovery Prospectus relating to the offer under option and the admission to trading on the Euronext STAR Milan market organised and managed by Borsa Italiana S.p.A. of Landi Renzo shares.

(iv) on 14 July 2022, the Extraordinary Shareholders' Meeting of GbD Green by definition S.p.A. approved the share capital increase reserved to Itaca Gas S.r.l., a company wholly owned by Itaca Equity Holding S.p.A., for a total of Euro 33,500 thousand, and E.M.A 2021 S.r.l., a company vehicle controlled by the Chief Executive Officer Cristiano Musi, for a total amount of Euro 300 thousand. On the same date, and simultaneous with the above-mentioned resolutions, Itaca Gas S.r.l. and E.M.A. 2021 S.r.l. proceeded with the subscription of the share capital increases reserved to them with the issue of the relative shares. Following such subscriptions, the share capital of GbD Green by Definition S.p.A. is 51.08% held by Girefin and Gireimm, companies associated with the Landi Trust, 48.49% held by Itaca Equity Holding S.p.A. (through the vehicle Itaca Gas S.r.l.) and 0.43% held by E.M.A. 2021 S.r.l. Therefore, the Landi Trust (through Girefin and Gireimm) continues to indirectly hold de jure control over Landi Renzo.

These transactions provided GbD Green by Definition S.p.A. with the necessary funding to subscribe its portion of the share capital increase. As described above, on 4 August 2022 the offer under option period concluded with the exercise of a total of 107,781,064 option rights valid for the subscription of 107,781,064 new shares, equal to roughly 95.805% of the total of new shares, for a total equivalent value of Euro 57,124 thousand. GbD Green by Definition S.p.A. subscribed its portion of the share capital increase (equal to around 59.1068%) pursuant to the subscription commitment made, for a total equivalent value of roughly Euro 35.2 million, of which around Euro 17.1 million by means of a contribution in cash and Euro 18.1 million by means of voluntary offsetting. The highly positive result of the offer under option, despite the period of strong uncertainty, demonstrates how the financial markets believe in the solidity of the business model of Landi Renzo and its role as a key player in the global energy transition process, thanks to a robust and credible business plan, which bets on the fundamental role to be played by gas, biomethane and hydrogen. The offer of the non-exercised rights concluded on 7 September 2022 with the subscription of 2,874,208 shares for an equivalent value of Euro 1,523 thousand. Overall, the share capital increase concluded with a total subscription of 98.36% of the offer, for an equivalent value of Euro 58,674 thousand.

In keeping with what was set forth in the Company's Extraordinary Shareholders' Meeting resolution of 29 April 2022, in light of the interest demonstrated by GbD Green by Definition S.p.A. in subscribing all residual shares, on 15 September 2022 the Board of Directors approved their placement in its favour at a subscription price per share equal to that at which the shares were offered during the share capital increase, i.e., Euro 0.53 (including the share premium). Pursuant to the related party transaction procedure, this resolution was passed with the favourable opinion of the Committee for Transactions with Related Parties. On 19 September 2022, GbD Green by Definition S.p.A. therefore subscribed the remaining shares in their entirety; following that subscription, the share capital increase was thus fully subscribed (total Euro 59,625 thousand).

NON-CURRENT LIABILITIES

18. NON-CURRENT BANK LOANS

This item breaks down as follows:

(Thousands of Euro)

Non-current bank loans	31/12/2022	31/12/2021 restated	Change
Loans and financing	8,169	10,174	-2,005
Amortised cost	0	0	0
Total	**8,169**	**10,174**	**-2,005**

This item includes the medium/long term portion of bank debts for unsecured loans and finance. It totalled Euro 8,169 thousand at 31 December 2022, compared with Euro 10,174 thousand at 31 December 2021.

With regard to the financial covenants set forth in those contracts (NFP/EBITDA), please note that: (i) there was a small overrun of the contractual level of the covenants at 31 December 2022 which was remedied by a covenant holiday granted by the financial institutions in March 2023 (“waiver letters”) and (ii) with reference to the calculation of the financial covenants at 30 June 2023, taking into account, also from a prudential perspective, the outlook operating performance in 2023 in light of the budget approved by the Board of Directors on 2 March 2023, the financial institutions approved a slight reset of the covenant calculation parameters.

As the financial covenants had not been respected at 31 December 2022, the payables to credit institutions on which there are financial covenants were reclassified in full to liabilities maturing in the short term in these financial statements, in accordance with IAS/IFRS, for a total value of roughly Euro 73 million.

For a full presentation of the events, please also refer to the “Significant events after the reporting period and business outlook” section of the Directors’ Report.

The amount of “non-current bank loans” at 31 December 2022, totalling Euro 8,169 thousand, therefore refers to payable positions of the SAFE&CEC Group, the Metatron Group and other subsidiaries.

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 annual repayment plan for loans and financing, based on the balances at 31 December 2022, is shown below.

(Thousands of Euro)

Maturities	Loans and financing
2023	104,311
Amortised cost	-682
Bank financing and short-term loans	**103,629**
2024	1,920
2025	1,573
2026	926
2027	0
2028 and beyond	3,750
Amortised cost	0
Non-current bank loans	**8,169**
Total	**111,798**

The annual repayment plan for the medium/long-term loans at the date on which these financial statements were approved is shown below.

(Thousands of Euro)

Non-current bank loans	31/12/2022	31/12/2021 restated	Change
Loans and financing	81,361	68,672	12,689
Amortised cost	-513	-273	-240
Total	**80,848**	**68,945**	**11,903**

(Thousands of Euro)

Maturities	Loans and financing
2023	31,119
Amortised cost	-169
Bank financing and short-term loans	**30,950**
2024	13,550
2025	17,822
2026	19,176
2027	25,750
2028 and beyond	5,063
Amortised cost	-513
Non-current bank loans	**80,848**
Total	**111,798**

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 Parent Company.

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 2022, the Group had the following further short-term credit facilities, available but not used:

(Thousands of Euro)

Credit facilities	2022
Cash facility	4,752
Facility for various uses	49,723
Total	**54,475**

19. OTHER NON-CURRENT FINANCIAL LIABILITIES

At 31 December 2022, other non-current financial liabilities totalled Euro 24,456 thousand (Euro 9,320 thousand at 31 December 2021) and relate mainly:

- for Euro 6,915 thousand (value net of the effect of amortised cost of Euro 85 thousand) to the bond issued on 30 December 2021 by the subsidiary SAFE S.p.A. and subscribed by Finint, for a value of Euro 7 million and intended to finance the acquisition of 100% of the share capital of Idro Meccanica, which took place in January 2022. The loan, with a contractual duration until 31 August 2021 and a gross annual nominal fixed rate of 5%, calls for half-yearly repayment starting from 1 January 2024 and is also subject to compliance with financial parameters with reference to the data set forth in the consolidated financial statements of the SAFE&CEC Group as at 31 December of each year. In this regard, please note that the financial parameters on the bond issue of the SAFE&CEC Group had been respected at 31 December 2022;
- for Euro 1,200 thousand to the loans disbursed by Simest to the parent company Landi Renzo S.p.A. and the subsidiaries SAFE S.p.A. and Metatron S.p.A. during 2021;
- for Euro 751 thousand to the non-current portion of the financial payable of the subsidiary IMW Canada to the lessor of the Canadian plant for improvements made by that lessor on the building in which the company carries on business;
- for Euro 15,590 thousand (value net of the effect of the amortised cost of Euro 40 thousand) to the non-current share of the loan taken out in March 2022 by Landi Renzo S.p.A. from Invitalia (Agenzia Nazionale per l'Attrazione degli Investimenti e lo sviluppo di impresa SpA) with a duration of 5 years - of which one year of pre-amortisation - at a facilitated rate, drawn on the Fund Supporting

Large Companies in difficulty - art. 37 of Italian Decree-Law no. 41/2021, Italian Interministerial Decree of 5 July 2021 and Italian Executive Decree of 3 September 2021.

The annual repayment plan of other financial liabilities, based on the balances at 31 December 2022, is shown below.

(Thousands of Euro)

Maturities	Other financial liabilities
2023	4,080
Amortised cost	-124
Other current financial liabilities	**3,956**
2024	6,022
2025	5,994
2026	5,995
2027	6,056
2028 and beyond	474
Amortised cost	-85
Other non-current financial liabilities	**24,456**
Total	**28,412**

20. NON-CURRENT LIABILITIES FOR RIGHTS OF USE

This item breaks down as follows:

(Thousands of Euro)

	31/12/2021 restated	Idro Meccanica consolidation	Increases	Repayments	Other changes	Net Value at 31/12/2022
Buildings	11,651	0	4,401	-3,399	925	13,578
Plant and machinery	614	0	0	-89	0	523
Motor vehicles	556	25	160	-384	50	409
Total	**12,821**	**25**	**4,561**	**-3,872**	**975**	**14,510**
of which current	2,624					3,196
of which non-current	10,197					11,314

Right-of-use liabilities of Euro 14,510 thousand were recognised in the financial statements at 31 December 2022 (Euro 12,821 thousand at 31 December 2021), after repayments of Euro 3,872 thousand. The increase in this item compared with the previous year is primarily due to the renewal of the lease agreement on the Landi Renzo S.p.A. production facility located at Via dell'Industria (Cavriago – RE) and to a lesser extent to the renewal of the lease agreement on a property of Landi Renzo USA.

21. PROVISIONS FOR RISKS AND CHARGES

This item and changes in it are shown in detail below:

(Thousands of Euro)

Provisions for risks and charges	31/12/2021	Idro Meccanica consolidation	Allocation	Utilisation	Other changes	31/12/2022
Provision for product warranties	3,836	0	2,064	-2,343	59	3,616
Provision for lawsuits in progress	107	0	0	0	-3	104
Provisions for pensions	309	500	33	-180	0	662
Other provisions	283	50	977	-184	-24	1,102
Total	**4,535**	**550**	**3,074**	**-2,707**	**32**	**5,484**

Provisions for risks and charges of Euro 5,484 thousand were recognised in the financial statements at 31 December 2022 (Euro 4,535 thousand at 31 December 2021).

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 2022 this provision totalled Euro 3,616 thousand, after allocations of Euro 2,064 thousand. Uses of the provision for risks for product warranties totalling Euro 2,343 thousand are due to the coverage of warranty costs correlated with supplies provided in previous years.

The increase in other provisions is linked primarily to the non-recurring provision recognised (equal to Euro 927 thousand) by a foreign group company against uncertainties connected to the recovery of a tax credit, for which the relative recovery procedures are ongoing with the support of a leading tax advisor; given the complexities and uncertainties of the relative legislation, it was deemed appropriate to recognise a provision for reasons of prudence.

22. 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	31/12/2021 restated	Idro Meccanica consolidation	Allocation	Utilisation	Other changes	31/12/2022
Employee severance indemnities	3,977	191	433	-411	-777	3,413

The provision is due to the effect of the revaluation of the TFR (employee severance indemnity) for current employees at the end of the period. Uses totalling Euro 411 thousand refer to amounts paid to employees who left their post, while the Other Changes column relates to adjustment of the DBO

(Defined Benefit Obligation) according to IAS 19.

The main economic and financial assumptions used by the actuary in charge of estimates, methodologically unchanged since the previous year, are as follows by individual company:

Actuarial assumptions used for evaluations	31/12/2022 Landi Renzo	Metatron
Survival table	2019	2019
Discount rate	3.68%	3.68%
Probability of request for advance	1.1%	1.1%
Expected % of employees who will resign before pension	6.3%	6.3%
Maximum % of TFR (employee severance indemnity) requested in advance	70%	70%
Annual cost of living increase rate	2.8%	2.8%

The sensitivity analysis shows insignificant variances with respect to the value recognised in the financial statements at 31 December 2022.

23. DEFERRED TAX LIABILITIES

At 31 December 2022, deferred tax liabilities that did not meet the offsetting requirements for the purposes of IAS 12 totalled Euro 2,910 thousand (Euro 1,452 thousand at 31 December 2021), with an increase of Euro 1,458 thousand, mainly related to the above-mentioned changes in the consolidation area, and are primarily related to temporary differences between the book values of certain intangible assets and the values recognised for tax purposes.

(Thousands of Euro)

Offsettable deferred tax liabilities and assets	31/12/2022	31/12/2021 restated	Change
Deferred tax liabilities	2,910	1,452	1,458
Deferred tax assets	0	0	0
Total net deferred tax liabilities	**2,910**	**1,452**	**1,458**

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	31/12/2022	31/12/2021	Change
Advances, import fin. and other current bank payables	27,559	25,830	1,729

Loans and financing	76,752	78,066	-1,314
Amortised cost	-682	-488	-194
Total	**103,629**	**103,408**	**221**

"Bank financing and short-term loans", totalling Euro 103,629 thousand (Euro 103,408 thousand at 31 December 2021), consists of the current portion of existing unsecured loans and financing totalling Euro 76,752 thousand, gross of the amortised cost effect, and the utilisation of short-term commercial credit lines for Euro 27,559 thousand.

The table below provides the detail of the Group's Net Financial Position:

(Thousands of Euro)

	31/12/2022	31/12/2021 restated
Cash and cash equivalents	62,968	28,039
Current assets for derivative financial instruments	412	0
Bank financing and short-term loans	-103,629	-103,408
Current right-of-use liabilities	-3,196	-2,624
Other current financial liabilities	-3,956	-274
Net short term indebtedness	**-47,401**	**-78,267**
Non-current bank loans	-8,169	-10,174
Other non-current financial liabilities	-24,456	-9,320
Non-current right-of-use liabilities	-11,314	-10,197
Non-current liabilities for derivative financial instruments	0	-99
Non-current assets for derivative financial instruments	103	0
Net medium-long term indebtedness	**-43,836**	**-29,790**
Commitments for the purchase of equity investments	-1,086	-25,436
Net Financial Position	**-92,323**	**-133,493**
Net Financial Position - adjusted (*)	**-77,242**	**-95,137**
- of which Green Transportation – Automotive	-68,511	-91,114
- of which Clean Tech Solutions - Infrastructure	-8,731	-4,023

(*) Not including the effects of the adoption of IFRS 16 - Leases, the fair value of derivative financial instruments and the payables for the equity investments

The Net Financial Position as at 31 December 2022 is equal to Euro 92,323 thousand (Euro 133,493 thousand as at 31 December 2021), of which Euro 14,510 thousand due to the application of IFRS 16 – Leases, a positive Euro 515 thousand due to the fair value of derivative financial instruments and Euro 1,086 thousand due to the remaining payable for the acquisition of Idro Meccanica S.r.l. and the valuation of the call option on the minority stakes of the Chinese subsidiary of the Metatron Group (amounts classified in the item Other current liabilities of the consolidated statement of financial position). Without considering the effects arising from the adoption of this accounting standard, the fair value of derivative financial instruments and the remaining payable for the acquisition of equity investments, the adjusted Net Financial Position as at 31 December 2022 would have been equal to Euro 77,242 thousand, of which Euro 68,511 thousand linked to the Green Transportation segment and Euro 8,731 thousand to the Clean Tech Solutions segment.

As concerns the Net Financial Position of the Green Transportation segment at 31 December 2021, the payable for commitments for the purchase of equity investments, equal to Euro 25,436, related to the remaining payable to Italy Technology Group S.r.l. and the minority shareholders of Metatron for the acquisition of 100% of the respective shares.

The improvement in the net financial position as at 31 December 2022 compared with the end of the previous year is linked to the share capital increase concluded in September 2022 for Euro 58.6 million (net of outlays connected with the share capital increase, amounting to Euro 1 million), used in part for the acquisitions of the Metatron Group (Euro 25.4 million).

In order to further strengthen the Group's financial structure and make it more consistent with the flows expected from the 2022-2025 Business Plan, in June 2022 two new loan agreements were entered into, for a total of Euro 73 million, aimed at replacing the SACE backed loan agreement and paying off the pool loan. In particular:

- a new loan agreement backed by the SACE guarantee (effective as of 29 June 2022) which, for the same financed amount (Euro 21 million), calls for the deferral of the pre-amortisation period of 24 months and repayment of the final instalment on 31 March 2028;
- a new pool loan agreement, for a financed amount of Euro 52 million (compared with the remaining Euro 46 million on the previous pool loan agreement), which calls for a 24-month pre-amortisation period and repayment of the final instalment of Euro 20.5 million in June 2027.

With regard to the financial covenants set forth in those contracts (NFP/EBITDA), please note that: (i) there was a small overrun of the contractual level of the covenants at 31 December 2022 which was remedied by a covenant holiday granted by the financial institutions in March 2023 ("waiver letters") and (ii) with reference to the calculation of the financial covenants at 30 June 2023, taking into account, also from a prudential perspective, the outlook operating performance in 2023 in light of the budget approved by the Board of Directors on 2 March 2023, the financial institutions approved a slight reset of the covenant calculation parameters.

25. OTHER CURRENT FINANCIAL LIABILITIES

This item, totalling Euro 3,956 thousand (Euro 274 thousand at 31 December 2021), basically includes:

- Euro 3,786 thousand (value net of the effect of the amortised cost of Euro 124 thousand) for the current share of the loan taken out in March 2022 by Landi Renzo S.p.A. from Invitalia (Agenzia Nazionale per l'Attrazione degli Investimenti e lo sviluppo di impresa SpA) with a duration of 5 years - of which one year of pre-amortisation - at a facilitated rate, drawn on the Fund Supporting Large Companies in difficulty - art. 37 of Italian Decree-Law no. 41/2021, Italian Interministerial Decree of 5 July 2021 and Italian Executive Decree of 3 September 2021.

- Euro 101 thousand relating to the current 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;
- Euro 69 thousand relating to the current portion of the financial payable of the subsidiary IMW Canada to the lessor of the building in which the company carries on business.

26. CURRENT LIABILITIES FOR RIGHTS OF USE

This item amounted to Euro 3,196 thousand (Euro 2,624 thousand at 31 December 2021) and relates to the current portion of right-of-use payables recognised in the financial statements following the application of the new international accounting standard IFRS 16 - Leases.

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	31/12/2022	31/12/2021	Change
Italy	72,966	61,521	11,445
Europe (excluding Italy)	14,825	8,332	6,493
America	6,511	8,164	-1,653
Asia and Rest of the World	3,731	4,869	-1,138
Total	**98,033**	**82,886**	**15,147**

Trade payables totalled Euro 98,033 thousand, with an increase of Euro 15,147 thousand compared with 31 December 2021, an increase primarily relating to the consolidation of Idro Meccanica Srl and the increase in purchases of raw materials and services during the year.

Trade payables to related parties are Euro 6,857 thousand (Euro 1,260 thousand at 31 December 2021) and mainly refer to relations with the companies Gireimm S.r.l. and Gestimm S.r.l. for property lease payments, as well as with Clean Energy Fuels Corp, Krishna Landi Renzo India Priv. Ltd. and Tamburi

Investment Partners S.p.A. relating to a transaction prior to the share capital increase. All the related transactions are carried out at arm's length conditions.

28. TAX LIABILITIES

At 31 December 2022 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 3,697 thousand, compared with Euro 3,758 thousand at 31 December 2021.

29. OTHER CURRENT LIABILITIES

This item breaks down as follows:

(Thousands of Euro)

Other current liabilities	31/12/2022	31/12/2021 restated	Change
Payables to welfare and social security institutions	2,274	2,263	11
Other payables (payables to employees, to others)	8,445	36,580	-28,135
Advance payments	19,041	9,353	9,688
Accrued expenses and deferred income	2,729	1,745	984
Total	**32,489**	**49,941**	**-17,452**

"Other payables" totalled Euro 32,489 thousand (Euro 49,941 thousand at 31 December 2021).In particular, Other current liabilities includes the payable for the valuation of the option of Euro 446 thousand recognised with respect to the minority shareholders of the subsidiary Metatron Control System Shanghai for the acquisition of their shares amounting to 10% of the company's share capital and, for the remainder, refers primarily to payables for current and deferred wages to be paid to employees. Furthermore, the item contains Euro 640 thousand relating to the payable of SAFE S.p.A. for the acquisition of the remaining 10% of Idro Meccanica S.r.l., which took place in 2023.

The decrease in the item was mainly caused by the repayment of the debt for Euro 25,436 thousand, recognised in 2021 for the acquisition of Metatron S.p.A. and paid in full in the course of 2022.

Advance payments, amounting to Euro 19,041 thousand at 31 December 2022 (Euro 9,353 thousand at 31 December 2021), mainly relate to advances from customers nearly entirely linked to SAFE&CEC.

INCOME STATEMENT

Following the line-by-line consolidation of the SAFE&CEC Group as of May 2021, the Metatron Group as of August 2021 and Idro Meccanica S.r.l. as of January 2022, the income statement data are not directly comparable with the same period of the previous year.

30. REVENUES FROM SALES AND SERVICES

This item breaks down as follows:

(Thousands of Euro)

Revenues from sales and services	31/12/2022	31/12/2021 restated	Change
Revenues related to the sale of assets	300,742	238,614	62,128
Revenues for services and other revenues	5,555	3,380	2,175
Total	**306,297**	**241,994**	**64,303**

In the financial year which closed on 31 December 2022, the Landi Renzo Group achieved revenues of Euro 306,297 thousand, an increase of Euro 64,303 thousand on the previous year.
This increase is linked to the higher sale volumes, taking into account the effects of the consolidation of the Metatron Group and the SAFE&CEC Group as of May and August 2021, respectively. Idro Meccanica Srl also contributed for roughly Euro 6,383 thousand starting from January 2022.
See the Directors' Report for further details on performance of revenues on sales.

Revenues from related parties totalling Euro 5,923 thousand refer to supplies of goods and services to the Joint Venture Krishna Landi Renzo India Private Ltd Held and to Clean Energy Fuels Corp.

31. OTHER REVENUES AND INCOME

This item breaks down as follows:

(Thousands of Euro)

Other revenues and income	31/12/2022	31/12/2021 restated	Change
Grants	660	1,769	-1,109
Other income	589	841	-252
Total	**1,249**	**2,610**	**-1,361**

Other revenues and income totalled Euro 1,249 thousand (Euro 2,610 thousand at 31 December 2021) and primarily relate to grants obtained by the company Metatron SpA disbursed by the Piedmont Region and contingent assets.

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	31/12/2022	31/12/2021 restated	Change
Raw materials and parts	113,345	76,130	37,215
Finished products intended for sale	71,884	71,193	691
Other materials and equipment for use and consumption	3,750	2,949	801
Total	**188,979**	**150,272**	**38,707**

The total costs for purchases of raw materials, consumables and goods (including the change in inventories) amount to Euro 188,979 thousand (Euro 150,272 thousand at 31 December 2021), an increase of Euro 38,707 thousand compared with 31 December 2021. This increase can be attributed to the above-mentioned consolidation of Idro Meccanica Srl as well as the increase in sale volumes with respect to the previous year and rising raw material prices in international markets.

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	31/12/2022	31/12/2021 restated	Change
Industrial and technical services	35,086	28,627	6,459
Commercial services	6,029	4,282	1,747
General and administrative services	10,588	7,992	2,596
Non-recurring strategic consultancy	1,718	1,377	341
Costs for use of third-party assets	1,359	797	562
Total	**54,780**	**43,075**	**11,705**

Costs for services and use of third-party assets amounted to Euro 54,780 thousand (Euro 43,075 thousand at 31 December 2021) with an increase of Euro 11,705 thousand and are inclusive of non-recurring expenses relating to strategic consultancy (Euro 1,322 thousand) due to the above-mentioned cyber attack for Euro 344 thousand.

Costs for use of third-party assets in the income statement, equal to Euro 1,359 thousand, mainly relate to contracts eligible for the simplification options established by the IFRS 16 - Leases accounting standard, 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	31/12/2022	31/12/2021 restated	Change
Wages and salaries	30,467	22,694	7,773
Social security contributions	7,839	6,101	1,738
Expenses for defined benefit plans	1,652	1,391	261
Temporary agency work and transferred work	5,454	3,891	1,563
Directors' remuneration	1,272	671	601
Non-recurring personnel costs and expenditure	534	172	362
Total	**47,218**	**34,920**	**12,298**

Personnel costs amounted to Euro 47,218 thousand and rose compared with the previous year (Euro 34,920 thousand at 31 December 2021) primarily as a result of the change in the scope of consolidation and the increased reliance on temporary labour, which was required to handle the production peaks linked to the increase in orders.

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 mainly relate the voluntary retirement incentives agreed upon with some employees.

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

	Average			Peak		
Number of employees	31/12/2022	31/12/2021	Change	31/12/2022	31/12/2021	Change
Executives and Clerical Staff	558	567	- 9	636	594	42
Manual workers	419	408	11	299	393	-94
Total	**977**	**975**	**2**	**935**	**987**	**-52**

These values do not include temporary agency workers, fixed contract collaborators or the directors.

Performance Shares Plan

On 22 December 2022, the Board of Directors of Landi Renzo SpA approved, pursuant to Article 114-bis of Italian Legislative Decree 58/98, a compensation plan named the "2022-2024 Performance Shares Plan" concerning the free assignment of the right to receive Landi Renzo S.p.A. ordinary shares (for a maximum total of 3,300,000 shares), based on the degree to which specific performance objectives are reached, on the basis of what was approved by the Landi Renzo S.p.A. Shareholders' Meeting on 29 April 2022. 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 beneficiaries are several strategically important managers in addition to the Chief Executive Officer. The plan aims to reward the achievement of targets for the 2022-2024 period, as well as incentivise the alignment of the interests of the management with those of the shareholders with a view to creating value over a medium/long-term horizon. The Plan lasts for three years and provides for the assignment of shares in a lump sum at the end of the vesting period.

This plan was measured by an independent expert at 31 December 2022, which quantified the fair value of the transaction, the effects of which were not recognised in 2022 as formal activities for the signing of the relative bilateral agreements with the plan beneficiaries are still ongoing.

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	31/12/2022	31/12/2021 restated	Change
Other taxes and duties	250	277	-27
Other operating expenses	749	771	-22
Losses on receivables	3	72	-69
Provision for product warranties	2,064	1,578	486
Bad debts	1,066	1,024	42
Provisions for penalties from customers	466	0	466
Provision for risks on recoverability of tax credits	927	0	927
Total	**5,525**	**3,722**	**1,803**

Accruals, impairment losses and other operating expenses amount to Euro 5,525 thousand (Euro 3,722 thousand at 31 December 2021), up primarily due to higher provisions for product warranties and the provision for customer penalties and the non-recurring provision (of Euro 927 thousand) recognised by a foreign group company against uncertainties connected to the recovery of a tax credit, for which the relative recovery procedures are ongoing with the support of a leading tax advisor. Given the complexities and uncertainties of the relative legislation, it was deemed appropriate to recognise a provision for reasons of prudence.

36. AMORTISATION, DEPRECIATION AND IMPAIRMENT

This item breaks down as follows:

(Thousands of Euro)

Amortisation, depreciation and impairment	31/12/2022	31/12/2021 restated	Change
Amortisation of intangible assets	9,363	8,180	1,183
Depreciation of tangible assets	4,233	4,301	-68
Depreciation of rights of use	3,481	3,136	345
Total	**17,077**	**15,617**	**1,460**

Amortisation and depreciation amounted to Euro 17,077 thousand (Euro 15,617 thousand at 31 December 2021). 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	31/12/2022	31/12/2021 restated	Change
Interest income on bank deposits	25	23	2
Other income	1,104	194	910
Total	**1,129**	**217**	**912**

Financial expenses amount to Euro 1,129 thousand (Euro 217 thousand at 31 December 2021) and include, aside from interest income on bank deposits and other income, Euro 912 thousand relating to the release to the income statement of the cash flow hedge reserve relating to the previous pool loan which, as mentioned previously, was subject to early repayment on 23 September 2022. As the hedged element was eliminated, as of that date the cash flow hedge reserve was reversed to the income statement. This income was then realised in October following the early closure of the relative financial derivative contracts and with the collection of their market value.

38. FINANCIAL EXPENSES

This item breaks down as follows:

(Thousands of Euro)

Financial expenses	31/12/2022	31/12/2021 restated	Change
Interest on bank overdrafts and loans and loans from other financiers	5,157	3,032	2,125
Bank charges and commissions	2,465	1,304	1,161
Other operating expenses	8	8	0
Total	**7,630**	**4,344**	**3,286**

Financial expenses at 31 December 2022 amounted to Euro 7,630 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 116 thousand).

Financial expenses rose compared with the same period of the previous year due to the change in the scope of consolidation as well as due to the recognition in accordance with IFRS 9 of the new loan agreement backed by the SACE guarantee, entered into on 29 June 2022. This agreement, in an equal amount (Euro 21 million) and entered into with the same banking counterparties as the previous agreement, replaces the previous loan agreement guaranteed by SACE (signed on 30 July 2020) and calls for a deferral of the pre-amortisation period of 24 months and the repayment of the final instalment on 31 March 2028. The valuation of this transaction in accordance with the dictates of that standard entailed the recognition of notional financial expenses in the income statement totalling Euro 773 thousand as at 31 June 2022 (net of the positive effect of Euro 70 thousand in the second half of 2022), the effective date of the transaction, with ensuing positive economic effects on subsequent years.

39. EXCHANGE GAINS AND LOSSES

This item breaks down as follows:

(Thousands of Euro)

Exchange gains and losses	31/12/2022	31/12/2021 restated	Change
Positive exchange differences realised	2,637	1,752	885
Positive exchange differences from valuation	3,182	1,103	2,079
Negative exchange differences realised	-2,766	-2,047	-719
Negative exchange differences from valuation	-4,723	-1,170	-3,553
Total	**-1,670**	**-362**	**-1,308**

The net exchange differences amounted to Euro -1,670 thousand (Euro -362 thousand at 31 December 2021).

40. INCOME AND EXPENSES FROM INVESTMENTS

Net income from investments amounting to Euro 275 thousand is linked primarily to the following effects:

- the write-down of the loan granted by Metatron SpA to the subsidiary Metatron Technologies India PLC for Euro 90 thousand;
- and the adjustment of the payable to the minority shareholders of the Chinese company Metatron Shanghai based on put & call options for Euro 185 thousand.

41. INCOME (EXPENSES) ATTRIBUTABLE TO EQUITY INVESTMENTS MEASURED USING THE EQUITY METHOD

This item, totalling a positive Euro 597 thousand (Euro 620 thousand at 31 December 2021), includes the measurement of the equity investment held in the joint venture Krishna Landi Renzo Prv Ltd. In the course of the year ending on 31 December 2022, this joint venture significantly boosted its sales to a major Indian OEM customer, recording revenue of Euro 35.5 million and EBITDA of Euro 6.9 million.

42. TAXES

Income taxes are shown in detail below:

(Thousands of Euro)

Taxes	31/12/2022	31/12/2021 restated	Change
Current taxes	-1,351	-2,003	652
Deferred tax liabilities (assets)	966	793	173
Total	**-385**	**-1,208**	**824**

Taxes at 31 December 2022 totalled a negative Euro 385 thousand, compared with a negative Euro 1,208 thousand at 31 December 2021. The Parent Company did not recognise deferred tax assets on tax losses for the year 2021.
Since 2022, the Parent Company has also adhered, as the consolidating company, to the national consolidation tax scheme pursuant to Articles 117 to 129 of the Italian Consolidated Income Tax Act (T.U.I.R) with some of the Group's other Italian companies, i.e., SAFE S.p.A and SAFE&CEC S.r.l.

The management, assisted by its tax advisors, prepared a specific analysis aimed at verifying the recoverability of deferred tax assets, which was based on forecasts of the 2023 economic-financial budget, approved by the Board of Directors on 2 March 2023, as well as the forecasts for the years 2024-2025 included in the 2022-2025 economic-financial plan approved by the Board of Directors on 15 March 2022, and for the year 2026, which was estimated with no expectation of further growth. This analysis did not identify any problems related with the recoverability of deferred tax assets recognised in the financial statements. Furthermore, in this regard, on a prudential basis no deferred tax assets were recognised on the tax losses recorded by the Company in 2021 and in 2022.

Current taxes are shown in detail in the table below:

(Thousands of Euro)

Current taxes	31/12/2022	31/12/2021 restated	Change
IRES	831	1,279	-448
IRAP	175	157	18
Current taxes of foreign companies	445	566	-121
Taxes relating to prior years	-100	-	-
Total	**1,351**	**2,003**	**-652**

43. EARNINGS (LOSS) PER SHARE

The “basic” earnings/(loss) per share was calculated by relating the net profit/(loss) of the Group to the number of ordinary shares in the period (225,000,000 at 31 December 2022, following the share capital increase). The “basic” earnings share, which corresponds to the “diluted” loss per share, since there are no convertible bonds, was a negative Euro 0.0635 at 31 December 2022, compared with a loss per share of Euro 0.0091 at 31 December 2021.

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	31/12/2022	31/12/2021
Consolidated earnings/(loss) for the period attributable to the Parent Company shareholders (Euro/thousand)	-14,281	-1,020
Average number of shares in circulation	225,000,000	112,500,000
Basic earnings/(loss) per share for the period	-0.0635	-0.0091

OTHER INFORMATION

44. 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)	31/12/2022		31/12/2021	
	Carrying amount	Fair value	Carrying amount	Fair value
Other non-current financial assets	2,557	2,557	3,438	3,438
Receivables and other current assets	90,707	90,707	80,491	80,491
Current assets for derivative financial instruments	412	412	-	-
Non-current assets for derivative financial instruments	103	103	-	-
Cash and cash equivalents	62,968	62,968	28,039	28,039
Trade payables and other current liabilities	130,522	130,522	132,827	132,827
Liabilities for derivative instruments	0	0	99	99
Financial liabilities measured at amortised cost - non-current portion	43,939	43,939	29,691	29,691
Financial liabilities measured at amortised cost - current portion	110,781	110,781	106,306	106,306

The carrying amount of bank overdrafts and short-term loans and loans and financing approximates their fair value at 31 December 2022, since such classes of financial instruments are indexed at the Euribor market rate.

45. COMMITMENTS

At 31 December 2022, the Group did not have any significant commitments.

46. ANALYSIS OF THE MAIN DISPUTES IN PROGRESS

At 31 December 2022, the Group was involved in proceedings, brought both by and against it, for non-significant amounts.

47. TRANSACTIONS WITH RELATED PARTIES

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.

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 company located in Corte Tegge - Cavriago;
- the service contracts between Gireimm S.r.l. and SAFE S.p.A. for rent of the property used as the operational headquarters of the company located in San Giovanni in Persiceto (Bologna);
- the service contracts between Gestimm S.r.l., a company in which a stake is held by 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 by Girefin S.p.A., for the rents on properties used by the US company;
- supply of goods and services to the joint venture Krishna Landi Renzo India Private Ltd and to the joint venture EFI Avtosanoat-Landi Renzo LLC.
- supply of services of Tamburi Investment Partners S.p.A. relating to a transaction prior to the share capital increase;
- Supplies of materials by Clean Energy Fuel Corp, the minority shareholder of SAFE&CEC.

The following table summarises the relationships with related parties:

Company	Revenues from sales and the provision of services	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
Gireimm S.r.l.	0	0	1,375	0	0	0	0	551	0
Gestimm S.r.l.	0	0	646	0	0	0	0	176	0
Krishna Landi Renzo India Priv. Ltd	4,421	110	0	0	-597	18	4,214	255	600
SAFE&CEC	0	0	0	0	0	0	0	0	0
Efi Avtosanoat	0	0	0	0	0	0	443	0	0
Reggio Properties LLC	0	0	113	0	0	0	0	113	0
Autofuels	0	0	0	0	0	0	174	0	0
Tamburi Investment Partners SpA	0	0	0	0	0	0	0	395	0
Clean Energy Fuels Corp.	1,502	0	0	0	0	0	2,024	5,368	
Girefin SpA	0	0	0	0	0	70	0	0	0
GBD Green By Definitions	0	0	0	0	0	16	0	0	0
	5,923	**110**	**2,134**	**0**	**-597**	**104**	**6,855**	**6,857**	**600**

48. NON-RECURRING SIGNIFICANT EVENTS AND TRANSACTIONS

Pursuant to Consob communication no. 6064293 of 28 July 2006, it is stated that during 2022 no non-recurring significant events or transactions took place aside from the transactions described above.

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

Pursuant to Consob communication no. 6064293 of 28 July 2006, note that, during 2022 and the first quarter of 2023, no atypical and/or unusual transactions occurred outside the normal operation of the company that could give rise to doubts regarding the correctness and completeness of the information in the financial statements, conflicts of interest, protection of company assets and the safeguarding of minority shareholders, with the exception of the transactions and events described in the sections "Share capital increase" and "Significant events after the reporting period and business outlook".

50. SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

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 duodecies - payments, stated in the Group's 2022 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 2022
Auditing	PricewaterhouseCoopers S.p.A.	349
Other services	PricewaterhouseCoopers S.p.A. and PwC network	31

Annex 1

Consolidated Income Statement at 31 December 2022, 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	31/12/2022	of which transactions with related parties	Weight %	31/12/2021 restated	of which transactions with related parties	Weight %
Revenues from sales and services	31	306,297	5,923	1.9%	241,994	1,554	0.6%
Other revenues and income	32	1,249			2,610	302	11.6%
Cost of raw materials, consumables and goods and change in inventories	33	-188,979	-110	0.1%	-150,272	-347	0.2%
Costs for services and use of third-party assets	34	-54,780	-2,134	3.9%	-43,075	-2,074	4.8%
Personnel costs	35	-47,218			-34,920		
Allocations, write-downs and other operating expenses	36	-5,525			-3,722		
Gross operating profit		**11,044**			**12,615**		
Amortisation, depreciation and impairment	37	-17,077			-15,617		
Net operating profit		**-6,033**			**-3,002**		
Financial income	38	1,129	104	9.2%	217	45	20.7%
Financial expenses	39	-7,630			-4,344		
Exchange gains (losses)	40	-1,670			-362		
Income (expenses) from equity investments	41	-275	-275	100%	8,581	8,581	100.0%
Profit (loss) from equity investments measured using the equity method	42	597	597	100.0%	620	620	100.0%
Profit (loss) before tax		**-13,882**			**1,710**		
Current and deferred taxes	43	-385			-1,208		
Net profit (loss) for the Group and minority interests, including:		**-14,267**			**502**		
Minority interests		14			1,522		
Net profit (loss) for the Group		-14,281			-1,020		
Basic earnings (loss) per share (calculated on 225,000,000 shares)	44	-0.0635			-0.0091		
Diluted earnings (loss) per share		-0.0635			-0.0091		

Annex 2

Statement of consolidated Financial Position at 31 December 2022, 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	31/12/2022	of which transactions with related parties	Weight %	31/12/2021 restated	of which transactions with related parties	Weight %
Non-current assets							
Land, property, plant, machinery and other equipment	2	14,015			14,977		
Development costs	3	11,141			12,222		
Goodwill	4	80,132			73,256		
Other intangible assets with finite useful lives	5	17,263			19,543		
Right-of-use assets	6	13,618			11,991		
Equity investments measured using the equity method	7	2,496			2,028		
Other non-current financial assets	8	847	600	70.8%	882	600	68%
Other non-current assets	9	1,710			2,556		
Deferred tax assets	10	14,109			12,694		
Non-current assets for derivative financial instruments		103			0		
Total non-current assets		**155,434**			**150,149**		
Current assets							
Trade receivables	11	73,559	6,855	9.3%	66,048	3,030	4.6%
Inventories	12	76,680			68,896		
Contract work in progress	13	20,429			15,653		
Other receivables and current assets	14	17,148			14,443		
Other current financial assets	15	412			0		
Cash and cash equivalents	16	62,968			28,039		
Total current assets		**251,196**			**193,079**		
TOTAL ASSETS		**406,630**			**343,228**		

(Thousands of Euro)

SHAREHOLDERS' EQUITY AND LIABILITIES	Notes	31/12/2022	of which transactions with related parties	Weight %	31/12/2021 restated	of which transactions with related parties	Weight %
Shareholders' equity							
Share capital	17	22,500			11,250		
Other reserves	17	91,698			44,615		
Profit (loss) for the period	17	-14,281			-1,020		
Total Shareholders' equity of the Group		**99,917**			**54,845**		
Minority interests	17	5,967			5,738		
TOTAL SHAREHOLDERS' EQUITY		**105,884**			**60,583**		
Non-current liabilities							
Non-current bank loans	18	8,169			10,174		
Other non-current financial liabilities	19	24,456			9,320		

Non-current liabilities for rights of use	20	11,314			10,197		
Provisions for risks and charges	21	5,484			4,535		
Defined benefit plans for employees	22	3,413			3,977		
Deferred tax liabilities	23	2,910			1,452		
Liabilities for derivative financial instruments	24	0			99		
Total non-current liabilities		**55,746**			**39,754**		
Current liabilities							
Bank financing and short-term loans	25	103,629			103,408		
Other current financial liabilities	26	3,956			274		
Current liabilities for rights of use	27	3,196			2,624		
Trade payables	28	98,033	6,857	7.0%	82,886	1,260	1.5%
Tax liabilities	29	3,697			3,758		
Other current liabilities	30	32,489			49,941		
Total current liabilities		**245,000**			**242,891**		
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**406,630**			**343,228**		

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 Vittorio Tavanti, 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 24 February 1998:

- the adequacy 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 2022.

In addition, the undersigned state:

- that the consolidated financial statements at 31 December 2022:
  a) 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 19 July 2002 and of Delegated Regulation (UE) no. 2019/815 of the Commission of 17 December 2019 ("ESEF Regulation");
  b) correspond to the results in the accounting books and records;
  c) are suitable to give a true and correct representation of the assets, liabilities, economic and financial position of the issuer and of all the companies included in consolidation area.
- 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, 14 March 2023

CEO

Cristiano Musi

The Officer in Charge of preparing the corporate financial statements

Vittorio Tavanti

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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 2022, 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 illustrative 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 2022 and of the result of its operations and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No. 38/05.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia).
Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the 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.

PricewaterhouseCoopers SpA

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Emphasis of matter

Without modifying our opinion, we draw attention to the fact described by the directors in the paragraph "General information and significant events in the year – General information" of illustrative notes, regarding the restatement of certain comparative figures of previous year, compared to the previously presented figures, following the completion of the "purchase price allocation" process of Metatron Group.

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 2022 the book values of goodwill amounts to Euro 80.1 million and relates to goodwill allocated to the cash generating unit (hereinafter also "CGU") as follows: - for Euro 47.9 million to the CGU "Green Transportation (formerly "Automotive" CGU); - for Euro 32.2 million to the CGU "Clean Tech Solutions" (formerly "Infrastructure" CGU), which includes for Euro 6,8 million the goodwill attributable to the acquisition of Idro Meccanica Srl, occurred in August 2022. The Company is required to verify, at least annually, the recoverability of the goodwill recognised in the financial statements. The recoverability of the goodwill 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	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 to which the goodwill have been allocated, approved by the Board of Directors on 14 March 2023, in compliance with IAS 36 as adopted by the European Union. 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. 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

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caption on the statement of financial position of Landi Renzo Group, in consideration that the economic-financial forecasts represent a particularly sensitive parameter for determining the recoverable amount of the CGU to which the goodwill have been allocated, as it is linked to future and uncertain events. The directors prepared a new Group economic-financial Budget for the year 2023, approved by the Board of Directors on 2 March 2023, and considered as still valid the forecasts for the years after 2023 included in the Group economic-financial plan prepared for the period 2022-2025 and approved by the Board of Directors on 15 March 2022. The valuation models underlying the determination of the recoverable amounts (value in use) of the CGU to which the goodwill have been allocated have been prepared with the support of an external advisor and are based on complex valuations and estimates of management. In particular, 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.	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 economic-financial forecasts. We also 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 PwC network experts in the "Automotive" segment, 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 to which the goodwill has been allocated, 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 2022 amount to Euro 15.7 million, partially offset by deferred tax liabilities equal to Euro 1.6 million, giving a net deferred tax asset equal to Euro 14.1 million. Deferred tax assets relate for Euro 6.3 million to temporary differences between the book values of assets and liabilities recognised in the financial statements and their tax values and for Euro 9.4 million to prior tax losses.	 Our audit procedures preliminarily included understanding and evaluating of 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, also involving PwC network tax experts. We obtained the analysis performed by the Company on the recoverability of deferred tax

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The recoverability of deferred tax assets were 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 statement of the financial position of Landi Renzo Group, as well as due to the complexity of the evaluation of the recoverability of these receivables which is closely related to the existence of future taxable income of Landi Renzo Group and, therefore, to the feasibility of the economic-financial forecasts, taking into account the current context of uncertainty which characterizes the markets.	which was based on the forecasts of the 2023 economic-financial budget, on the forecasts for the years 2024-2025, deriving from the 2022-2025 economic-financial plan, and for the year 2026, which has been estimated without forecasting further growth. We verified the reasonableness of the net results included in the above-mentioned forecasts through interviews with Company's management and through the involvement of PwC network experts in the "Automotive" segment, who supported us in the critical analysis of the reasonableness of the expectations included in the Company's forecasts. Finally, we verified the disclosures provided by the Company in the financial statements about the elements supporting the recoverability of deferred tax assets.

Financial Covenants as at 31 December 2022

See notes 24 "Bank financing and short-term loans" and "General criteria for preparation of the separate financial statements and declaration of conformity – Going concern".

The current portion of loans and financing at 31 December 2022 is equal to approximately Euro 76.8 million and includes approximately Euro 73 million due to the reclassification of all remaining debt for medium/long-term loans as at 31 December 2022 of Landi Renzo SpA to bank financing and short-term loans. The directors considered appropriate this presentation in the financial statements as, with reference to the failure to comply with the "financial covenants" in place on the main loans at 31 December 2022, the financial institutions issued "waiver letters" after the end of the current financial year. Furthermore, in the aforementioned "waiver letters", the financial institutions gave their consent	The audit procedures carried out included an understanding of the process adopted by the Company in preparing the Budget 2023, approved by the Board of Directors on March 2, 2023, and in estimating expected cash flows. In particular, we analysed the prospetive cash flows and the basis of the main assumptions underlying them, through interviews with the Company's management, through the involvement of PwC network experts in the "Automotive" segment, who supported us in the critical analysis of the reasonableness of the above-mentioned economic-financial forecasts.

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to a slight "reset" of the calculation parameters of the financial covenants as at 30 June 2023.
The directors prepared a new Group economic-financial budget for the year 2023, approved by the Board of Directors on 2 March 2023, and considered as still valid the forecasts for the years after 2023 included in the Group economic-financial plan prepared for the period 2022-2025 and approved by the Board of Directors on 15 March 2022.
In this context and with reference to the financial solidity of Landi Renzo Group, the directors have also provided extensive information in the explanatory notes regarding the obtaining of the aforementioned "waiver letters", as well as the capital increase operation which took place in September 2022 for a total amount of approximately Euro 59 million.
The directors, that considered as still valid the forecasts for the years after 2023 included in the Group economic-financial plan prepared for the period 2022-2025 and approved by the Board of Directors on 15 March 2022, have consequently prepared the consolidated financial statements on a going-concern basis.
In consideration of the above, we considered as key audit matter the verification of the consequences of the failure to comply with "financial covenants" as at 31 December 2022 and the obtaining of the "waiver letters" after the closing date of the financial year.

We also analysed the events that occurred in 2022 and after the closing date of the financial statements that provide information useful for the assessment of the financial situation of the Company and of the Group Landi Renzo. In particular, we have verified and obtained audit evidence in relation to the followings:

- signing by Landi Renzo SpA in March 2022 of a new loan agreement with Invitalia SpA (*National Agency for the Attraction of Investments and Business Development SpA*) for a value of Euro 19.5 million;
- signing by Landi Renzo SpA in June 2022 of two new loan agreements, for a total amount of Euro 73 million, aimed at replacing the loan agreement with SACE guarantee and at extinguishing the pool loan agreement previously in place;
- the capital increase of Landi Renzo SpA, concluded in September 2022 for a total amount of approximately Euro 59 million;
- "waiver letters" issued by financial institutions in March 2023 and the situation of credit lines, also by obtaining data and information directly from financial institutions through the bank confirmation procedures.

We verified the completeness and adequacy of the information provided in the explanatory notes in relation to the going concern, the events that occurred in 2022 and after the reporting date of 31 December 2022 and in relation to the correct presentation in the financial statements of current payables to banks.

Responsibilities of the Directors and the Board of Statutory Auditors for the Consolidated Financial Statements

The directors are 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. 38/05 and, in the terms prescribed by law, for such internal control as they determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

The directors are 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, the directors use the going concern basis of accounting unless they either intend to liquidate Landi Renzo SpA or to cease operations, or have no realistic alternative but to do so.

The board of statutory auditors is responsible for overseeing, in the terms prescribed by law, the 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 the directors;

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- We concluded on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the 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.

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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 on compliance with the provisions of Commission Delegated Regulation (EU) 2019/815

The directors of Landi Renzo SpA are responsible for the application of the provisions of Commission Delegated Regulation (EU) 2019/815 concerning regulatory technical standards on the specification of a single electronic reporting format (ESEF - European Single Electronic Format) (hereinafter, the "Commission Delegated Regulation") to the consolidated financial statements as of 31 December 2022, to be included in the annual report.

We have performed the procedures specified in auditing standard (SA Italia) No. 700B in order to express an opinion on the compliance of the consolidated financial statements with the provisions of the Commission Delegated Regulation.

In our opinion, the consolidated financial statements have been prepared in XHTML format and have been marked up, in all significant respects, in compliance with the provisions of the Commission Delegated Regulation.

Due to certain technical limitations, some information included in the illustrative notes to the consolidated financial statements when extracted from the XHTML format to an XBRL instance may not be reproduced in an identical manner with respect to the corresponding information presented in the consolidated financial statements in XHTML format.

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

The directors of Landi Renzo SpA are responsible for preparing a report on operations and a report on the corporate governance and ownership structure of the Landi Renzo Group as of 31 December 2022, 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 2022 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 2022 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

The directors of Landi Renzo SpA are 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 2023

PricewaterhouseCoopers SpA

Signed by

Nicola Madureri
(Partner)

This independent auditor's report has been translated into the English language solely for the convenience of international readers. Accordingly, only the original text in Italian language is authoritative.

Separated Financial Statement at 31 December 2022 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 separate financial statements pursuant to Art. 154-bis of Legislative Decree 58/98

Report of the Auditing Company

Report of the Board of Statutory Auditors to the Shareholders’ meeting

STATEMENT OF FINANCIAL POSITION

(Euro)

ASSETS	Notes	31/12/2022	31/12/2021
Non-current assets			
Land, property, plant, machinery and other equipment	2	8,668,411	9,692,899
Development costs	3	8,037,197	8,869,349
Goodwill	4	30,094,311	30,094,311
Other intangible assets with finite useful lives	5	7,081,928	8,639,914
Right-of-use assets	6	4,589,549	2,481,532
Equity investments in subsidiaries	7	55,170,403	55,574,764
Equity investments in associates and joint ventures	8	2,496,458	2,028,140
Other non-current financial assets	9	964,329	925,874
Other non-current assets	10	1,710,000	2,280,000
Deferred tax assets	11	11,551,897	11,452,050
Non-current assets for derivative financial instruments	12	37,335	0
Total non-current assets		**130,401,818**	**132,038,833**
Current assets			
Trade receivables	13	27,772,077	27,768,652
Receivables from subsidiaries	14	23,989,668	18,696,904
Inventories	15	42,602,777	34,492,838
Other receivables and current assets	16	6,911,261	5,004,287
Other current financial assets	17	2,000,000	0
Current assets for derivative financial instruments	12	407,443	0
Cash and cash equivalents	18	39,363,664	7,055,840
Total current assets		**143,046,890**	**93,018,521**
TOTAL ASSETS		**273,448,708**	**225,057,354**

SHAREHOLDERS' EQUITY AND LIABILITIES	Notes	31/12/2022	31/12/2021
Shareholders' equity			
Share capital	19	22,500,000	11,250,000
Other reserves	19	79,223,860	40,637,158
Profit (loss) for the period	19	-15,749,826	-9,130,903
TOTAL SHAREHOLDERS' EQUITY		**85,974,034**	**42,756,255**
Non-current liabilities			
Other non-current financial liabilities	20	15,918,684	360,000
Non-current liabilities for rights of use	21	2,922,470	1,372,967
Provisions for risks and charges	22	13,357,997	5,760,190

Defined benefit plans for employees	23	948,443	1,298,127
Liabilities for derivative financial instruments	12	0	96,386
Total non-current liabilities		**33,147,594**	**8,887,670**
Current liabilities			
Bank financing and short-term loans	24	85,958,688	91,847,372
Other current financial liabilities	25	3,786,244	-
Current liabilities for rights of use	26	1,675,352	1,222,008
Trade payables	27	55,463,727	47,022,574
Payables to subsidiaries	28	1,919,630	3,028,357
Tax liabilities	29	984,002	886,760
Other current liabilities	30	4,539,437	29,406,358
Total current liabilities		**154,327,080**	**173,413,429**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**273,448,708**	**225,057,354**

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 Annex 2.

INCOME STATEMENT

(Euro)

	Notes	31/12/2022	31/12/2021
Revenues from sales and services	31	144,036,240	131,455,029
Other revenues and income	32	33,652	1,284,814
Cost of raw materials, consumables and goods and change in inventories	33	-86,079,188	-79,199,597
Costs for services and use of third-party assets	34	-30,943,567	-27,612,589
Personnel costs	35	-17,883,047	-18,020,224
Allocations, write-downs and other operating expenses	36	-2,614,557	-2,317,702
Gross operating profit		**6,549,533**	**5,589,731**
Amortisation, depreciation and impairment	37	-11,267,998	-11,709,611
Net operating profit		**-4,718,465**	**-6,119,880**
Financial income	38	1,080,659	104,623
Financial expenses	39	-5,541,762	-3,173,620
Exchange gains (losses)	40	905,054	981,504
Income (expenses) from equity investments	41	-8,941,603	-1,748,965
Income (expenses) attributable to equity investments measured using the equity method	42	596,066	523,190
Profit (loss) before tax		**-16,620,051**	**-9,433,148**
Taxes	43	870,225	302,245
Profit (loss) for the year		**-15,749,826**	**-9,130,903**

Pursuant to Consob resolution no. 15519 dated 27 July 2006, the effects of transactions with related parties on the Income Statement are shown in a specific table in Annex 1.

STATEMENT OF COMPREHENSIVE INCOME

(Euro)

		31/12/2022	31/12/2021
Net profit (loss) for the Company and minority interests:		**-15,749,826**	**-9,130,903**
Profits/losses that will not be subsequently reclassified in the income statement			
Remeasurement of employee defined benefit plans (IAS 19)	23	130,667	-20,463
Total profits/losses that will not be subsequently reclassified in the Income Statement		**130,667**	**-20,463**
Profits/losses that will be subsequently reclassified in the Income Statement			
Share of other comprehensive income of equity investments measured using the equity method	8	-127,748	553,806
Fair value of derivatives, change for the period	12	411,286	274,457
Total profits/losses that will be subsequently reclassified in the Income Statement		**283,538**	**828,263**
Profits/losses recorded directly in Shareholders' Equity after tax effects		**414,205**	**807,800**
Total Statement of Comprehensive Income for the period		**-15,335,621**	**-8,323,103**

STATEMENT OF CASH FLOWS

(Thousands of Euro)

	31/12/2022	31/12/2021
Cash flows from operations		
Pre-tax profit (loss) for the period	-16,620	-9,433
Adjustments for:		
Depreciation of property, plant and machinery	2,735	3,129
Amortisation of intangible assets	6,843	6,805
Depreciation of right-of-use assets	1,690	1,775
Loss (Profit) from disposal of tangible and intangible assets	-17	249
Share-based incentive plans	0	-296
Impairment loss on receivables	630	829
Net financial charges	-3,556	2,087
Net profit (loss) attributable to equity investments measured using the equity method	8,345	1,225
	50	**6,370**
Changes in:		
Inventories	-8,110	-2,758
Trade receivables and other receivables	-7,301	-3,030
Trade payables and other payables	16,166	91
Provisions and employee benefits	-580	219
Cash generated from operations	**225**	**892**
Interest paid	-4,345	-1,639
Interest received	1,037	95
Taxes paid	0	0
Net cash generated (absorbed) by operations	**-3,083**	**-652**
Cash flows from investments		
Proceeds from the sale of property, plant and machinery	45	474
Purchase of property, plant and machinery	-1,736	-2,074
Purchase of intangible assets	-208	-292
Development costs	-4,247	-4,350
Purchase of financial fixed assets (equity investments)	-25,571	-1,693
Net cash absorbed by investment activities	**-31,717**	**-7,935**
Free Cash Flow	**-34,800**	**-8,587**
Cash flows from financing activities		
Disbursements (reimbursements) of loans to group companies	-2,000	2,489
Disbursements (reimbursements) of medium/long-term loans	18,449	-5,305
Change in short-term bank debts	-6,067	9,738
Share capital increase	58,554	0
Repayment of leases (IFRS 16)	-1,828	-1,905
Net cash generated (absorbed) by financing activities	**67,108**	**5,017**
Net increase (decrease) in cash and cash equivalents	**32,308**	**-3,570**
Cash and cash equivalents at 1 January	7,056	10,626
Closing cash and cash equivalents	**39,364**	**7,056**

STATEMENT OF CHANGES IN 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 31/12/2020	**11,250**	**2,250**	**4,574**	**30,718**	**8,867**	**-6,284**	**51,375**
Profit (loss) for the year						-9,131	**-9,131**
Actuarial gains/losses (IAS 19)			-20				**-20**
Valuation of joint ventures using the equity method			554				**554**
Change in the cash flow hedge reserve			274				**274**
Total overall profits/losses	**0**	**0**	**808**	**0**	**0**	**-9,131**	**-8,323**
Performance share			-296				**-296**
Allocation of profit			-4,512	-1,772		6,284	**0**
Total effects deriving from transactions with shareholders	**0**	**0**	**-4,808**	**-1,772**	**0**	**6,284**	**-296**
Balance at 31/12/2021	**11,250**	**2,250**	**574**	**28,946**	**8,867**	**-9,131**	**42,756**
Profit (loss) for the year						-15,750	**-15,750**
Actuarial gains/losses (IAS 19)			131				**131**
Valuation of joint ventures using the equity method			-128				**-128**
Change in the cash flow hedge reserve			411				**411**
Total overall profits/losses	**0**	**0**	**414**	**0**	**0**	**-15,750**	**-15,336**
Share capital increase	**11,250**	**0**	**47,304**				**58,554**
Allocation of profit			-9,131			9,131	**0**
Total effects deriving from transactions with shareholders	**0**	**0**	**-9,131**	**0**	**0**	**9,131**	**0**
Balance at 31/12/2022	**22,500**	**2,250**	**39,161**	**28,946**	**8,867**	**-15,750**	**85,974**

EXPLANATORY NOTES TO THE SEPARATE FINANCIAL STATEMENTS AT 31 December 2022 OF LANDI RENZO S.P.A.

A) GENERAL INFORMATION AND SIGNIFICANT EVENTS IN THE YEAR

Landi Renzo S.p.A. (the "Company") has been active for over sixty years in the automotive fuel supply systems sector, designing, manufacturing and selling eco-compatible LPG and CNG fuel supply systems. The Company manages all phases of the process that leads to the production, the sale and, for particular business areas, also the installation of automotive fuel supply systems; it sells both to major 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 2022.

These financial statements are submitted to auditing carried out by the auditing firm PricewaterhouseCoopers S.p.A.

Significant events in the financial year

Significant events that took place in 2022 are described below:

- In January 2022, SAFE S.p.A., a SAFE&CEC Group company controlled by Landi Renzo S.p.A., acquired 90% of the share capital of Idro Meccanica S.r.l., a company active in the production of technologies and innovative systems for the compression of hydrogen, biomethane and natural gas which includes amongst its customers the main operators in hydrogen production and distribution, and boasts of a full range of products and applications to manage hydrogen compression up to 800 bars; the acquisition of the remaining 10% of the share capital was already contractually established and was completed in January 2023, as described in detail in the "Significant events after the reporting period and business outlook" section of the Directors' Report. The total price for the acquisition of 100% of the share capital was Euro 6,400 thousand.

- In February 2022 Landi Renzo S.p.A. completed the acquisition of an additional 23.43% of the share capital of Metatron S.p.A., so it now holds a 72.43% stake in that company. The acquisition is part of a more extensive transaction for the acquisition of 100% of the share capital of Metatron. For the payment of the total consideration to the minority shareholders and Italy Technology Group S.r.l., amounting to Euro 18,062 thousand, Girefin S.p.A., the controlling shareholder of Landi Renzo S.p.A., made a lump-sum amount available to the Company corresponding to the entire amount of the above-mentioned consideration by means of a shareholder loan bearing interest at an annual rate of 1% disbursed in February 2022. Pursuant to the related party transaction procedure adopted by the Company, the above-mentioned shareholder loan should be considered "significant" and, as such, it was submitted for a preventive opinion to the Committee for transactions with related parties, consisting exclusively of independent directors, which expressed its favourable opinion on the Company's interest in entering into the shareholder loan agreement, as well as the cost effectiveness and fairness of the relative conditions.

- In February 2022, following punctual negotiations with the financing institutions, all credit institutions underwriting the loans provided their consent to the requests made by the parent company Landi Renzo S.p.A., issuing waiver letters with respect to the financial covenants as at 31 December 2021, consent to taking out a new planned subsidised medium/long-term loan finalised in 2022 and, with respect to the loan taken out from a pool of banks in 2019, consent to the deferment of the principal instalment falling due on 31 December 2021, which was rescheduled in an equal amount to the following three instalments falling due on 30 June 2022, 31 December 2022 and 30 June 2023. The above-mentioned waiver letters are expressly subject to the finalisation of the share capital increase of the parent company Landi Renzo S.p.A. to be carried out in an amount of at least Euro 25.4 million, by no later than 30 June 2022. As described below in this half-yearly financial report, the expiry of that condition precedent was subsequently extended by the financial institutions to 30 September 2022, considering the timing required for the completion of the share capital increase mentioned above.

- In March 2022, the Board of Directors approved the 2022-2025 Business Plan, which forecasts significant Group growth as a strategic specialist in the biomethane and hydrogen segments, offering products throughout the entire value chain, from compression for injection into the network or transport of biomethane and hydrogen, to compression solutions along the pipeline and for distribution, with a complete range for sustainable gas and hydrogen mobility as well, for the OEM channel (Passenger Cars and Mid & Heavy Duty) as well as the After Market channel.

- Also in March 2022, Chairman Stefano Landi informed the Board of Directors Landi Renzo S.p.A. about the signing by the controlling shareholders of Landi Renzo S.p.A. – Girefin S.p.A. and Gireimm S.r.l., which hold a total joint investment of 59.1068% of the share capital of Landi Renzo S.p.A. - of a non-binding term sheet with Itaca Equity Holding S.p.A., which laid the foundation for a minority investment in the share capital of Landi Renzo, as a long-term investor, aiming to support the Landi Renzo Group's expansion in the compression and automotive segments. The main shareholder of Itaca Equity Holding S.p.A. is TIP - Tamburi Investment Partners. The transaction called for a co-investment by the Chief Executive Officer of Landi Renzo S.p.A. Cristiano Musi. Within the Business Plan and in order to provide the Group with the necessary financial resources, the Board of Directors approved the proposal to the shareholders' meeting to delegate the Board of Directors pursuant to Article 2443 of the Italian Civil Code to increase the share capital by a maximum of Euro 60 million, indivisible up to Euro 50 million, with the option right, to be paid up by means of contributions in cash and by the voluntary offsetting, pursuant to Article 1252 of the Italian Civil Code, of receivables due to the subscribers from Landi Renzo S.p.A. and to be subscribed by no later than 31 December 2023, proposing that the price for the subscription of the shares be determined as the lower of Euro 0.6 per share and the TERP calculated on the basis of the weighted average stock exchange prices of the Landi Renzo S.p.A. share in the 5 days prior to the date on which the price is set, applying a 15% discount. The share capital increase is guaranteed by the Landi Family and by Itaca Equity Holding S.p.A. up to Euro 50 million, assuming the completion of the transaction between the Landi Family and Itaca Equity Holding. For further details on the continuation of the above-mentioned share capital increase, please refer to the "Share capital increase" section.

- In March 2022, Invitalia (Agenzia Nazionale per l'Attrazione degli Investimenti e lo sviluppo di impresa SpA) disbursed a new loan of Euro 19.5 million in favour of Landi Renzo S.p.A. with a duration of 5 years - of which one year of pre-amortisation - at a facilitated rate, drawn on the Fund Supporting Large Companies in difficulty - art. 37 of Italian Decree-Law no. 41/2021, Italian Interministerial Decree of 5 July 2021 and Italian Executive Decree of 3 September 2021.

- On 28 April 2022, Girefin S.p.A. and Gireimm S.r.l., as majority shareholders of Landi Renzo S.p.A., and Itaca Equity Holding S.p.A. entered into an investment agreement governing the terms and conditions relating to the finalisation of an indirect minority investment of Itaca Equity Holding S.p.A. in Landi Renzo S.p.A., to be carried out through a newly established company (Gbd Green by Definition S.p.A.), aimed at supporting an investment plan by the Landi Renzo Group in the market of systems and components for LPG, CNG, biogas and hydrogen vehicles. The investment agreement established that at the transaction closing date, subject to the satisfaction of specific conditions precedent, Girefin S.p.A., Gireimm S.r.l. and Itaca Equity Holding S.p.A. would enter into a shareholders' agreement, which would govern the relationships between the parties following the finalisation of the transaction. After the transaction, Girefin S.p.A. and Gireimm S.r.l. will maintain exclusive de facto and de jure control over the NewCo, which will hold de facto and de jure control over Landi Renzo S.p.A. Furthermore, on the same date, Girefin S.p.A., Gireimm S.r.l. and Itaca Equity Holding S.p.A. and Mr Cristiano Musi, chief executive officer Landi Renzo S.p.A., entered into an investment agreement governing the terms and conditions of the investment of Cristiano Musi in the NewCo, as well as the financial rights incorporated into the special shares of the NewCo that will be subscribed in full and paid up by Cristiano Musi at the closing date, along with several rules on their transfer.

In brief, the agreements mentioned above called for: (a) the establishment of the NewCo by Girefin S.p.A. and Gireimm S.r.l. in the form of a joint stock company, (b) the contribution in kind to the NewCo, by Girefin S.p.A. and Gireimm S.r.l. of all shares they hold in the share capital of Landi Renzo S.p.A. and therefore, respectively, the 61,495,130 Landi Renzo S.p.A. shares, equal to 54.662% of the share capital, currently corresponding to 122,990,260 voting rights, equal to 68.709% of the voting rights, held by Girefin S.p.A., and the 5,000,000 Landi Renzo S.p.A. shares, equal to 4.444% of the share capital, currently corresponding to 10,000,000 voting rights, equal to 5.587% of the voting rights, held by Gireimm S.r.l., as well as (c) the subscription in cash, by Itaca Equity Holding S.p.A., of an indivisible share capital increase reserved to it in the NewCo, for an amount of up to Euro 39.4 million, inclusive of any share premium. The shareholders' agreement concerns, inter alia, NewCo governance and share transfers, and contains terms and conditions that are significant pursuant to art. 122, paragraphs 1 and 5 of the TUF. The shareholders' agreement concerns the following equity investments: (i) the equity investment which, on finalisation of the transaction, Girefin S.p.A. and Gireimm S.r.l. will hold in the NewCo, overall equal to at least 51% of the relative share capital and (ii) the equity investment which, on finalisation of the transaction, Itaca Equity Holding S.p.A. will hold, directly or indirectly, in the NewCo, in any case not to exceed 49% of the relative share capital; (iii) the special shares investment agreement concerns the investment of Cristiano Musi in the NewCo, through the subscription and full payment in cash of an indivisible share capital increase which will be approved by the NewCo and reserved to him, for the amount of Euro 300 thousand.

- On 29 April 2022, the Ordinary Shareholders' Meeting of Landi Renzo S.p.A.:

  - approved the Financial Statements at 31 December 2021 and approved covering the loss for the year of Euro 9,130,903.21 by using the Share premium reserve;
  - appointed the Board of Directors for the 2022-2024 three-year period, consisting of 9 members and led by Chairman Stefano Landi;
  - appointed the Board of Statutory Auditors for the 2022-2024 three-year period;
  - approved the first section of the Report on Remuneration and also expressed its opinion in favour of the second section, approved by the Board of Directors on 29 March 2022 and drafted pursuant to articles 123-ter of Italian Legislative Decree 58/98 and 84-quater of the regulation approved with Consob resolution no. 11971 of 19 May 1999;
  - approved pursuant to article 114-bis of Italian Legislative Decree no. 58 of 24 February 1998 the medium/long-term incentive plan based on the assignment of Landi Renzo S.p.A. ordinary shares.

In extraordinary session, the Shareholders' Meeting also approved the assignment to the Board of

Directors of the right, pursuant to article 2443 of the Italian Civil Code, to increase the share capital, in one or more tranches, up to a maximum equivalent value (inclusive of any share premium) of Euro 60 million, by means of the issue of ordinary shares with the same characteristics as those outstanding, to be offered as an option to the shareholders pursuant to article 2441 of the Italian Civil Code, to be freed up by contributions in cash as well as by voluntary offsetting, pursuant to article 1252 of the Italian Civil Code, of receivables due to the subscribers from the Company, to be subscribed in any event by 31 December 2023, with all of the most extensive rights to establish, from time to time, in compliance with the limits set forth above, the methods, terms and conditions of the transaction, including entitlement, without prejudice to the fact that (a) the newly issued ordinary shares will have the same characteristics as those outstanding and will be offered as an option to the shareholders in proportion with the equity investment held, and (b) the newly issued ordinary shares will be offered at the price (inclusive of any share premium) that will be established by the Board of Directors when it exercises the delegation, equal to the lesser between: (i) Euro 0.60 per ordinary share; and (ii) the price per ordinary share to be calculated by applying a 15% discount on the TERP (Theoretical Ex-Right Price) in turn determined on the basis of the weighted average trading price of Landi Renzo ordinary shares in the 5 trading days prior to the date on which the price is set. The share capital increase transaction described above was successfully concluded on 7 September 2022 with the subscription of 98.36% of the available offer. The Board of Directors confirmed Stefano Landi as Executive Chairman, appointed Sergio Iasi as Vice Chairman and confirmed Cristiano Musi as Chief Executive Officer and General Manager.

- In June 2022, Landi Renzo S.p.A. and a pool of lending banks (same counterparties as those disbursing the pool loan taken out on 26 June 2019 and the loan backed by the SACE guarantee taken out on 30 July 2020) entered into two new loan agreements for a total of Euro 73 million, in order to replace the loan backed by the SACE guarantee and extinguish the pool loan. In particular: i) a new loan agreement backed by the SACE guarantee (effective as of 29 June 2022) which, for the same financed amount (Euro 21 million), calls for the deferral of the pre-amortisation period of 24 months and repayment of the final instalment on 31 March 2028; ii) a new pool loan agreement, for a financed amount of Euro 52 million (compared with the remaining Euro 46 million on the previous pool loan agreement), which calls for a 24-month pre-amortisation period and repayment of the final instalment of Euro 20.5 million in June 2027. The effectiveness of that agreement was subject to the condition precedent of the performance of the above-mentioned share capital increase by 30 September 2022 in an amount of at least Euro 50 million. The new agreements call for the calculation of financial parameters (NFP/EBITDA) starting from the calculation date of 31 December 2022.

- Also in June 2022, following punctual negotiations with the financing institutions, all credit institutions underwriting the loans provided their consent to the requests made by the parent company Landi Renzo S.p.A., issuing waiver letters with respect to the financial covenants as at 30 June 2022. The above-mentioned waiver letters were expressly subject to the condition of the finalisation of the share capital increase transaction of the parent company Landi Renzo S.p.A., to be carried out in an amount of at least Euro 50 million, by no later than 30 September 2022, de facto extending the expiry of the condition precedent set forth in the waiver letters issued in February 2022, considering the timing required for the completion of the share capital increase transaction by 30 September 2022.

- In July 2022, GbD Green by Definition S.p.A., a shareholder that owns 59.1068% of the share capital of Landi Renzo S.p.A. following the contribution to it by Girefin S.p.A. and Gireimm S.p.A. of the shares they held in Landi Renzo S.p.A., made a subscription commitment for a total maximum amount of Euro 50 million, or its portion of the share capital increase (59.1068% of the amount of the share capital increase, equal to roughly Euro 35.2 million), as well as any option rights that have remained unexercised, up to a maximum amount of around Euro 14.8 million. The subscription commitment, subject to the execution of the share capital increase by 30 September 2022, also established that part of its portion of the share capital increase for roughly Euro 18.1 million would be subscribed and executed by means of the voluntary set-off pursuant to article 1252 of the Italian Civil Code of the receivable due from Landi Renzo S.p.A., deriving from the shareholder loan disbursed by Girefin S.p.A. in an equal amount, for the payment of part of the consideration paid to the minority shareholders and Italy Technology Group S.r.l., and subject to transfer by Girefin S.p.A. to GbD Green by Definition S.p.A.

- Also in July 2022, the Landi Renzo S.p.A. Board of Directors approved the terms, final conditions and calendar of the paid share capital increase, on the basis of the criteria set by the Extraordinary Shareholders' Meeting of 29 April 2022 and in light of several adjustments made for technical reconciliation purposes, in a total maximum amount of Euro 59,625,000 (of which Euro 11,250,000.00 for the share capital increase and Euro 48,375,000.00 for the share premium) by issuing up to 112,500,000 ordinary shares, with a nominal value of Euro 0.10, and with regular dividend entitlement, to be offered under option to the shareholders at the ratio of 1 new share for every 1 ordinary share held, at a unit issue price of Euro 0.53, including the share premium. The option price of the new shares was determined by the Board of Directors by applying, on the basis of the resolution of the Extraordinary Shareholders' Meeting of 29 April 2022, as well as, for technical reconciliation reasons, a discount of 16.09% on the theoretical ex right price (TERP) of the Landi Renzo S.p.A. ordinary shares, calculated in accordance with current methodologies on the basis of the weighted average trading price of Landi Renzo ordinary shares in the 5 previous trading days, i.e., 4 July 2022 to 8 July 2022.

- On 13 July 2022, Consob approved - with note no. 0458563/22 of 13 July 2022 - the EU Recovery

Prospectus relating to the offer under option and the admission to trading on the Euronext STAR Milan market organised and managed by Borsa Italiana S.p.A. of Landi Renzo S.p.A. shares deriving from the paid share capital increase, for a total maximum amount of Euro 59,625,000, approved by the Extraordinary Shareholders' Meeting of 29 April 2022.

- In July, FPT Industrial, an Iveco Group company dedicated to designing, manufacturing and selling alternative engines and powertrains for all industrial vehicles, and Landi Renzo S.p.A., a global leader in the natural gas, biomethane and hydrogen sustainable mobility and infrastructure segment, announced that they had jointly developed the Hythane On-Board Blending - OBB - system, an innovative solution capable of mixing hydrogen and methane – called Hythane or hydromethane – directly inside the vehicle. This system, based on a cutting edge and innovative "dual rail" concept and a special regulation device, is able to guarantee a further abatement in CO2 emissions compared to natural gas and diesel (-10% compared to natural gas and -20% compared to diesel) by exploiting the layout of the natural gas engine, while ensuring equal performance and efficiency. Hythane is a "ready now" solution which has the potential of providing a second life to urban and suburban bus fleets as well as short and medium range natural gas engine vehicles, extending engine life and reducing emissions. Landi Renzo S.p.A. in particular created an advanced dual rail mixer containing both CNG and hydrogen injectors, controlled by an integrated control unit totally designed in house; the gas fuelling system is equipped with Landi Renzo pressure regulators for natural gas and hydrogen. The new system can be used in both CNG (Compressed Natural Gas) and LNG (Liquefied Natural Gas) applications, offering users the advantage of being able to obtain the optimal ratio between hydrogen and CNG depending on operating conditions. The project was developed on the basis of a Memorandum of Understanding signed by FPT Industrial and Landi Renzo S.p.A. last year, for the development of complete, efficient solutions for increasingly sustainable mobility aiming to facilitate the introduction of hydrogen in the transport sector. Landi Renzo S.p.A. handled the development of the entire hydrogen system, from storage on board the vehicle until injection, including the electronic control of the hydrogen system.

- During the offer under option period, which concluded on 4 August 2022, a total of 107,781,064 option rights were exercised, valid for the subscription of 107,781,064 new shares, equal to roughly 95.805% of the total of new shares, for a total equivalent value of Euro 57,124 thousand. Therefore, 4,718,936 option rights were not exercised, relating to the subscription of 4,718,936 new shares, corresponding to roughly 4.195% of the total of new shares offered, for a total equivalent value of around Euro 2,501,036.08. The company GbD Green by Definition S.p.A., a subsidiary of the Landi Trust, subscribed its portion of the capital increase (equal to around 59.1068%) pursuant to the subscription commitment it had made, for a total equivalent value of roughly Euro 35.2 million, for around Euro 17.1 million by means of a contribution in cash and, for around Euro 18.1 million, by means of voluntary offsetting.

- On 6 September 2022, during the offer of non-exercised rights, all 4,718,936 option rights were sold, relating to the subscription of 4,718,936 new Landi Renzo S.p.A. ordinary shares, corresponding to approximately 4.195% of the total new shares offered in connection with the share capital increase, against which on 7 September 2022 2,874,208 newly issued Landi Renzo S.p.A. ordinary shares resulting from the exercise of the non-exercised rights were subscribed, for an equivalent value of Euro 1,523 thousand. Therefore, a total of 110,655,272 newly issued shares were subscribed, equal to roughly 98.360% of the shares offered as part of the share capital increase, for a total equivalent value of Euro 58,647 thousand. As set forth in the resolution of the Shareholders' Meeting of the Company of 29 April 2022, the Board of Directors is entitled to decide how to place the remaining up to 1,844,728 newly issued shares resulting from the share capital increase, to be subscribed by 31 December 2023.

- In September 2022, Landi Renzo S.p.A. finalised the acquisition of 100% of the share capital of Metatron S.p.A. by paying Euro 7,374 thousand, consideration for the remaining 27.57% of the shares of Metatron S.p.A.

- On 15 September 2022, after GbD Green by Definition S.p.A. expressed its interest in subscribing all residual shares, the Board of Directors approved their placement with GbD Green by Definition S.p.A. at a subscription price per share equal to that at which the shares were offered during the share capital increase (i.e., Euro 0.53 per share, inclusive of the share premium). This resolution was passed with the favourable opinion of the Committee for Transactions with Related Parties. After the remaining 1,844,728 shares were subscribed on 19 September 2022, the share capital increase was therefore fully subscribed.

- On 18 October 2022, Landi Renzo S.p.A. was involved in a cyber attack (ransomware). As a result of this attack, all of the systems used in the business of Landi Renzo S.p.A. and all of its subsidiaries that rely on them became unavailable. The encryption of these systems made it impossible to perform regular business activities, such as production, research and development, and administrative and commercial activities. The Company took immediate action, also with the support of leading outside advisors, to isolate its information systems and identify the impacts of the attack. The analyses showed that the back-up system had not been altered. In order to restore business activities in the shortest possible amount of time, a plan was activated to secure the infrastructure to avoid any repeated attacks, and the IT infrastructure restoration process began. Production activities were limited to the completion of the priority orders that could be managed offline, despite the disconnection from the operating system. Starting from the week after the attack, ordinary activities were progressively reactivated, until returning to normal conditions in the first week of November. The temporary unavailability of the ERP system generated a slowdown in production as well as logistics, order management and administrative activities, also causing a postponement in the publication of the Interim Management Report as at 30 September 2022. Landi Renzo S.p.A. engaged a leading IT firm to implement and strengthen its cybersecurity, also considering the increase in hacking activity that has recently been observed worldwide.

- In November, the Board of Directors approved the appointment, as of 1 December 2022, of Vittorio Tavanti as Chief Financial Officer and Investor Relator. After confirming that the executive met the professionalism and integrity requirements and obtaining the favourable opinion of the Board of Statutory Auditors, the Board of Directors decided to make Vittorio Tavanti the Financial Reporting Officer. Corrado Belicchi and Giorgio Maria Nero also joined the Group, as Chief Operating Officer and Head of Strategy and Business Development, respectively.

- On 22 December 2022, the Landi Renzo S.p.A. Board of Directors approved the Regulation of the compensation plan named the "2022-2024 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, in accordance with what was approved by the Shareholders' Meeting of Landi Renzo S.p.A. on 29 April 2022, the identification of key performance indicators (KPIs) and the identification of the Plan beneficiaries. For more information, please refer to the section on "Personnel costs".

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, including Commission Delegated Regulation (EU) no. 2019/815 of 17 December 2018 (the "ESEF Regulation"). The IFRSs were applied uniformly to all periods presented.

The separate financial statements of Landi Renzo S.p.A. at 31 December 2022 were approved and authorised for publication by the Board of Directors on 14 March 2023.

The separate financial statements were drafted in Euro, which is the currency of the primary economic environment in which the Company 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 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 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

In the current market context overshadowed by the continuation of the effects of the COVID-19 pandemic, the potential risks correlated with the Russia-Ukraine crisis, especially in terms of higher gas and energy costs, and the shortage of raw materials and the resulting price increases, the management has performed accurate analyses concerning expected trends for the year 2023 and thereafter, reconsidering estimates regarding the expected performance of the segment within the current context, in order to also consider the expected benefits of the initiatives put into place to develop the business.
Furthermore, the management paid particularly close attention to the financial position, short/medium and long-term cash forecasts and financing options.

In this regard, the following significant events took place in 2022:

- in March 2022, Invitalia (Agenzia Nazionale per l'Attrazione degli Investimenti e lo sviluppo di impresa SpA) disbursed a new loan of Euro 19.5 million in favour of Landi Renzo S.p.A. with a duration of 5 years - of which one year of pre-amortisation - at a facilitated rate, drawn on the Fund Supporting Large Companies in difficulty - art. 37 of Italian Decree-Law no. 41/2021, Italian Interministerial Decree of 5 July 2021 and Italian Executive Decree of 3 September 2021;

- furthermore, in order to further strengthen the Group's financial structure and make it more consistent with the flows expected from the 2022-2025 Business Plan, in June 2022 two new loan agreements were entered into, for a total of Euro 73 million, aimed at replacing the SACE backed loan agreement and paying off the pool loan. In particular:
    - a new loan agreement backed by the SACE guarantee (effective as of 29 June 2022) which, for the same financed amount (Euro 21 million), calls for the deferral of the pre-amortisation period of 24 months and repayment of the final instalment on 31 March 2028;
    - a new pool loan agreement, for a financed amount of Euro 52 million (compared with the remaining Euro 46 million on the previous pool loan agreement), which calls for a 24-month pre-amortisation period and repayment of the final instalment of Euro 20.5 million in June 2027. The effectiveness of that agreement was subject to the condition precedent of the performance of the above-mentioned share capital increase by 30 September 2022 in an amount of at least Euro 50 million; in this regard, please note that on 7 September 2022 the auction was concluded on the rights not exercised, so that the share capital increase has currently been subscribed for a total of Euro 58,647 thousand, with the issue of 110,655,272 new shares.

- Furthermore, as described in the "Share capital increase" section of the "Report on Operating Performance", in 2022 the share capital increase transaction was carried out, and completed in early September, substantially in line with what is set forth in the 2022-2025 Business Plan.

With regard to the financial covenants set forth in those contracts (NFP/EBITDA), please note that: (i) there was a small overrun of the contractual level of the covenants at 31 December 2022 which was remedied by a covenant holiday granted by the financial institutions in March 2023 ("waiver letters") and (ii) with reference to the calculation of the financial covenants at 30 June 2023, taking into account, also from a prudential perspective, the outlook operating performance in 2023 in light of the budget approved by the Board of Directors on 2 March 2023, the financial institutions approved a slight reset of the covenant calculation parameters.

As the financial covenants had not been respected at 31 December 2022, the payables to credit institutions on which there are financial covenants were reclassified in full to liabilities maturing in the short term in these financial statements, in accordance with IAS/IFRS, for a total value of roughly Euro 73 million.
Following up on what is set forth above, and to take into account the changed market environment, the directors prepared the Group economic-financial budget for the year 2023, which was approved by the Landi Renzo S.p.A. Board of Directors on 2 March 2023.
The directors believe that the forecasts for the years subsequent to 2023 included in the Group's economic-financial plan prepared for the 2022-2025 period and approved by the Landi Renzo S.p.A. Board of Directors on 15 March 2022 remain valid.

The Group's economic-financial budget for the year 2023 shows (i) an adequate level of Company liquidity to cover its financial requirements, also highlighting sufficient residual available cash to cover the months subsequent to 31 December 2023 and (ii) that the Company will be capable of respecting the above-mentioned financial covenants at the Calculation Date of 30 June and 31 December 2023.
Considering what is set forth above, as well as taking into account:

- the effects on the financial position of the Company Landi Renzo S.p.A. of the share capital increase described below;
- the economic-financial forecasts incorporated in the 2023 budget prepared at Group level and approved by the Board of Directors on 2 March 2023;
- that on the basis of the information currently available, no elements or circumstances emerge such so as to assume that the targets set forth in the above-mentioned budget will not be achieved;
- the amount of the Net Financial Position at 31 December 2022 and the terms of the repayment plans for the main outstanding loans;

the directors have not identified circumstances such so as to jeopardise the Company's capacity to meet its corporate obligations and as a result have drafted the financial statements of Landi Renzo S.p.A. at 31 December 2022 on a going concern basis.

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

The accounting standards adopted in preparing the separate financial statements at 31 December 2022 are consistent with those adopted for the preparation of the 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 2022 listed below.

EU endorsement regulation	Description
Regulation (EU) 2021/1080	The IASB published the following amendments: IFRS 3 Business Combinations; IAS 16 Property, Plant and Equipment; IAS 37 Provisions, Contingent Liabilities and Contingent Assets; and Annual Improvements 2018-2020 (issued on 14 May 2020).

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 2023 or thereafter.

EU endorsement regulation	Description
(EU) 2021/2036 23 November 2021	The IASB published IFRS 17 Insurance Contracts which aims to improve understanding of the exposure to risk, profitability and the financial position of insurers. IFRS 17 replaces IFRS 4.
(EU) 2022/1491 9 September 2022	The IASB published the amendment to IFRS 17 – Insurance contracts: initial application of IFRS 17 and IFRS 9 – Comparative information. The amendment is a transition option relating to comparative information on financial statements presented on initial application of IFRS 17 and aims to help insurance companies to avoid temporary accounting misalignments between financial assets and insurance contract liabilities, and therefore to improve the usefulness of comparative information for users of financial reports. This amendment is not applicable to the Group.
(EU) 2022/1392 12 August 2022	The IASB published an amendment named "Amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction". The document clarifies how deferred tax liabilities need to be recognised on certain transactions that may generate assets and liabilities of equal amounts, such as leases and decommissioning obligations.
(EU) 2022/357 3 March 2022	The IASB published amendments named "Disclosure of Accounting Policies – Amendments to IAS 1 and IFRS Practice Statement 2" and "Definition of Accounting Estimates –Amendments to IAS 8" intended to improve the disclosure on accounting policies so as to provide more useful information to readers of the financial statements, as well as help companies to distinguish changes in accounting estimates from changes in accounting policies.

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	Description
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.
(EU) 2022/357 3 March 2022	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.
Regulation (EU) 2021/1421	The IASB published an amendment named "COVID-19-Related Rent Concessions beyond 30 June 2021 (Amendments to IFRS 16)" which extends by one year the period of application of the amendment to IFRS 16, issued in 2020, relating to the recognition of concessions granted to lessees as a result of COVID-19.

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	The lower between the residual economic usefulness of the improvement and the residual duration of the underlying contract	16.67- 33%
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 costs	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 three or five years, based on the estimated duration of the benefits linked with the product developed. 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.

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 "Green Transportation - 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 in the contractual 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.

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.

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 there is a legal or implicit obligation or the intention to meet said obligation.

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.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. Joint control refers to the sharing on a contractual basis of the control of an arrangement, which exists solely when decisions on significant activities require the unanimous consent of all parties sharing control.

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 benefits 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 2022, 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 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 the adoption 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 Markit iBoxx € Corporate AA 10+ bonds at the end of the reporting period, with a similar maturity date to the bond held for employees.

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 instead recognised in the Income Statement.

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 objective 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 profit/(loss) for the year.

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 profit/(loss) for the year.

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 (hereafter also called "prepaid

taxes") 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 taking the tax consolidation indicated below into account, and any part for which recovery is unlikely is stated on the Income Statement.

Since 2022, the Company has adhered, as the consolidating company, to the national consolidation tax scheme pursuant to Articles 117 to 129 of the Italian Consolidated Income Tax Act (T.U.I.R) with the other Italian companies of the Group, i.e., SAFE S.p.A and SAFE&CEC S.r.l. This was renewed for the 2022-2024 period.

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 in the item exchange gain/losses.

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 December 2021				
Balance Sheet Assets	**Amortised cost**	**Fair value through OCI**	**Fair value through profit or loss**	**Hedge accounting**	**Total**
Other non-current financial assets	926				926
Other non-current assets	2,280				2,280
Trade receivables	27,769				27,769
Receivables from subsidiaries	18,697				18,697
Other receivables and current assets	5,004				5,004
Cash and cash equivalents	7,056				7,056
Total	**61,732**	**0**	**0**	**0**	**61,732**

Balance Sheet Liabilities	**Amortised cost**	**Fair value through OCI**	**Fair value through profit or loss**	**Hedge accounting**	**Total**
Non-current liabilities for rights of use	1,373				1,373
Liabilities for derivative financial instruments	0			96	96
Other non-current financial liabilities	360				360
Bank financing and short-term loans	91,847				91,847
Current liabilities for rights of use	1,222				1,222
Total	**94,802**	**0**	**0**	**96**	**94,898**

(Thousands of Euro)

	31 December 2022				
Balance Sheet Assets	**Amortised cost**	**Fair value through OCI**	**Fair value through profit or loss**	**Hedge accounting**	**Total**

Current assets for derivative financial instruments	0			407	407
Other non-current financial assets	964				964
Other non-current assets	1,710				1,710
Trade receivables	27,772				27,772
Receivables from subsidiaries	23,990				23,990
Other receivables and current assets	6,911				6,911
Other current financial assets	2,000				2,000
Non-current assets for derivative financial instruments	0			37	37
Cash and cash equivalents	39,364				39,364
Total	**102,711**	**0**	**0**	**444**	**103,155**

Balance Sheet Liabilities	Amortised cost	Fair value through OCI	Fair value through profit or loss	Hedge accounting	Total
Non-current bank loans	-				-
Non-current liabilities for rights of use	2,922				2,922
Liabilities for derivative financial instruments	-				-
Other non-current financial liabilities	15,919				15,919
Bank financing and short-term loans	85,959				85,959
Current liabilities for rights of use	1,675				1,675
Other current financial liabilities	4,539				4,539
Total	**111,014**	**0**	**0**	**0**	**111,014**

USE OF ESTIMATES AND ASSESSMENTS

The preparation of Financial Statements in accordance with the IFRS (International Financial Reporting Standards) requires 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 cannot obviously 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 established by means of an impairment test, when the net carrying amount of the unit generating the cash flows 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 an incentive plan for the free assignment of the right to receive Landi Renzo S.p.A. ordinary shares based on the degree to which specific performance objectives are reached ("2022-2024 Performance Shares Plan"). 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 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 Countries. 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.

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, insurance and for the 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 loans. 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 2022 for a total of Euro 52 million, maturing in June 2027;
- for a residual duration of 9 months (maturing in September 2023), 100% of the credit line of the 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. This loan was renegotiated in June 2022 and the new maturity of the repayment plan was scheduled for March 2028.

Interest rate risks were measured using sensitivity analysis and the potential impacts of Euribor interest rate fluctuations on the financial statements at 31 December 2022 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 159 thousand in comparison to an increase of financial income equal to Euro 131 thousand.

Exchange risk

The Company sells part of its production and, although to much lesser degree, also purchases some components also 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 the 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. Where possible, Company policy covers the risk through medium-term supplier commitments.

The current market situation distinguished by a shortage of raw materials resulted on one hand in a reduction or deferral of orders from OEM customers, due to the need for automotive manufacturers to limit costs and avoid production interruptions, and on the other in difficulties in fulfilling existing orders, due to a series of complexities in obtaining raw materials. Furthermore, particularly in the OEM channel, in which long-term supply agreements are generally entered into, it was not always possible to reflect in due time the increase in raw material prices in sale prices. On the other hand, as regards the After Market channel, interventions on sale prices took place more promptly but, also due to growing competition in developing countries, it was not always possible to intervene to prevent the loss of market share.

Credit risk

Credit risk is the risk that a customer or one of 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 deals mainly with known and reliable customers. It is Company 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. 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 receivables, 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 Group provide for the issue of financial guarantees in favour of subsidiary companies and associates. At 31 December 2022, the Company had provided its subsidiaries with a number of letters of patronage, in detail:

- Letters of patronage for a total of Euro 16 million for SAFE S.p.A.

- Letters of patronage for a total of around Euro 5 million for Metatron S.p.A.

Liquidity risk

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

The main loans of Landi Renzo S.p.A. include financial covenants. In this regard, please note that in March 2023, all credit institutions underwriting the loans issued waiver letters. For more information, please refer to the "Going concern" section.

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.

Climate change risk

For more details on climate change, please refer to the non-financial report as at 31 December 2022.

E) NOTES TO THE FINANCIAL STATEMENTS

1. SEGMENT REPORTING

Please refer, as provided for by IFRS 8, to the analysis provided in the consolidated financial statements.

NON-CURRENT ASSETS

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

The changes in net tangible assets during the financial year 2021 are shown in detail below:

(Thousands of Euro)

Historic cost	31/12/2020	Acquisitions	(Disposals)	Depreciation rates	Other changes	31/12/2021
Land and buildings	180	20	5	-103	2	104
Plant and machinery	4,203	677	-54	-1,193	660	4,293
Industrial and commercial equipment	5,587	852	-544	-1,637	410	4,668
Other tangible assets	477	148	-7	-196	0	422
Assets in progress and advance payments	1,024	377	-123	0	-1,072	206
Total	**11,471**	**2,074**	**-723**	**-3,129**	**0**	**9,693**

The changes in net tangible assets during the financial year 2022 are shown in detail below:

(Thousands of Euro)

Historic cost	31/12/2021	Acquisitions	(Disposals)	Depreciation rates	Other changes	31/12/2022
Land and buildings	104	19	0	-75	0	48
Plant and machinery	4,293	621	0	-983	125	4,056
Industrial and commercial equipment	4,668	790	-20	-1,563	71	3,946
Other tangible assets	422	72	-3	-114	0	377
Assets in progress and advance payments	206	234	-3	0	-196	241
Total	**9,693**	**1,736**	**-26**	**-2,735**	**0**	**8,668**

Tangible assets showed an overall decrease of Euro 1,025 thousand, decreasing from Euro 9,693 thousand at 31 December 2021 to Euro 8,668 thousand at 31 December 2022.

Increases for the year, amounting to Euro 1,736 thousand, primarily relate to the acquisition of new production lines and moulds required to launch new products and to cover the increasing orders from a leading OEM customer.

The item "Assets in progress and advance payments" totals Euro 241 thousand at 31 December 2022 (Euro 206 thousand at 31 December 2021) and primarily includes work in progress for investments made by the Company in new work benches needed to handle demand for an increase in production.

The column "Other Changes" includes the accounting entries for the respective categories of non-current assets already in progress at 31 December 2021 and completed during the year.

3. DEVELOPMENT EXPENDITURE

Changes in development expenditure during 2021 are shown in detail below:

(Thousands of Euro)	31/12/2020	Acquisitions	(Amortisation)	Other changes	31/12/2021
Development costs	**9,506**	4,350	-4,987	0	**8,869**

Changes in development expenditure during 2022 are shown in detail below:

(Thousands of Euro)	31/12/2021	Acquisitions	(Amortisation)	Other changes	31/12/2022
Development costs	**8,869**	4,247	-5,079	0	**8,037**

Development expenditure, totalling Euro 8,037 thousand (Euro 8,869 thousand at 31 December 2021), includes the costs incurred by the Company for internal personnel, for services rendered by third parties and for projects satisfying the requirements of IAS 38 in order to be capitalised.

Costs capitalised in 2022 totalled Euro 4,247 thousand (Euro 4,350 thousand at 31 December 2021).

Research and development activities during 2022 saw the continuation of new projects focusing in particular on products for CNG, biomethane and hydrogen, alternatives to conventional fuels that offer

significant benefits and advantages, and in the Mid & Heavy Duty segment. New development activities began during 2022 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 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 2022, did not bring to light any impairment.

4. GOODWILL

Changes in goodwill during 2022 are shown in detail below:

(Thousands of Euro)

Goodwill	Net Value at 31/12/2021	Acquisitions	(Write-downs)	Net Value at 31/12/2022
Goodwill	30,094	0	0	30,094
Total	**30,094**	**0**	**0**	**30,094**

The item Goodwill, amounting to Euro 30,094 thousand at 31 December 2022 (Euro 30,094 thousand at 31 December 2021), is attributable in full to the "Green Transportation – Automotive" CGU and did not change compared with the value recognised in the previous year.
As required by IAS 36, the Company evaluated whether there were indicators of impairment with reference to the financial statements at 31 December 2022. Therefore, all goodwill in existence at 31 December 2022 was tested for impairment and the relative results were approved by the Board of Directors of Landi Renzo S.p.A. on 14 March 2023.

In order to identify the CGUs to which to allocate the goodwill recognised in the separate financial statements and tested for impairment, please note that the management, taking into account the Landi Renzo Group reorganisation process taking place over recent years, the Landi Renzo Group's current organisational structure and the methods whereby control is exercised over operations, attributed the goodwill of Landi Renzo S.p.A. to the "Green Transportation – Automotive" CGU devoted primarily to the design, manufacture and sale through the OEM and After Market channels of mechanical and electronic systems and components for the use of gas, which includes the Landi Renzo Group and, as of August 2021, also the results of the Metatron Group. The Metatron acquisition is included within the CGU as the management of the Landi Group immediately initiated the integrated management of Metatron with the other company functions of Landi Renzo S.p.A., intended to achieve significant synergies at the level of operating costs and investments, both for the former Metatron division and for the pre-existing

"Automotive" division, which are reflected in the business plan of the "Automotive" segment, which was therefore prepared with this in mind.

Following up on what is set forth above, and to take into account the changed market environment, the directors prepared the Group economic-financial budget for the year 2023, which was approved by the Landi Renzo S.p.A. Board of Directors on 2 March 2023.

The directors believe that the forecasts for the years subsequent to 2023 included in the Group's economic-financial plan prepared for the 2022-2025 period and approved by the Landi Renzo S.p.A. Board of Directors on 15 March 2022 remain valid.

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 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.

The discount rate was calculated as the weighted average cost of capital ("W.A.C.C."), net of taxes, determined as the weighted average between the cost of equity, calculated using the CAPM (Capital Asset Pricing Model) method, and the cost of debt. The rate, as required by IAS 36, was determined with reference to the operating risk of the sector and the financial structure of a sample of listed companies comparable to the Group in terms of risk profile and sector of activity.

The following aspects were taken into consideration to determine the discount rate:

- the approach which considers the country risk implicit in the risk free rate was used in determining the discount rate;
- the risk free rate was determined using as a reference the average return on 10-year 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 risk-free rate is 3.46%, so the weighted average cost of capital (W.A.C.C.) relating to the Green Transportation - Automotive CGU is equal to 11.77% (10.23% as at 31 December 2021). The "g" growth rate is instead 3.43% (3.45% as at 31 December 2021).

As regards the above-mentioned impairment test, specific sensitivity analyses were performed as required by valuation practices which did not bring to light any critical issues with regard to the recoverable amount of the goodwill recognised.

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	Break-even EBITDA	Discount rate including tax % (break-even WACC)
Green Transportation – Automotive CGU	26.6	31.1	13.35%

In order to perform a "second level" impairment test on the goodwill recognised in the separate financial statements, the management, starting from the recoverable amount resulting from the Group impairment test performed on the Green Transportation – Automotive CGU, separated the enterprise value of the Metatron Group at the acquisition date and compared that value with the net invested capital Landi Renzo S.p.A. Please note that, also based on that analysis, no critical elements emerged with reference to the recoverable amount of goodwill recognised in the separate financial statements.

These tests, which were prepared with the support of an independent external advisor, and the results of which were approved by the Board of Directors Landi Renzo S.p.A. on 02 March 2023, did not bring to light any impairment losses.

Furthermore, the stock market capitalisation value of Landi Renzo S.p.A. at 31 December 2022 amounted to Euro 123.7 million and taking into account share performance until 14 March 2023, which was stably significantly higher than the value of the consolidated shareholders' equity, please note that no indicators of impairment emerged in that context.

5. OTHER INTANGIBLE ASSETS WITH FINITE USEFUL LIVES

Changes in other intangible assets with finite useful lives that occurred during 2021 are shown in detail below:

(Thousands of Euro)

Other intangible assets with finite useful lives	31/12/2020	Acquisitions	(Disposals)	(Amortisation)	Other changes	31/12/2021
Patents and intellectual property rights	361	246	-13	-271	-	323
Concessions and trademarks	9,818	46	-	-1,547	-	8,317

Total	**10,179**	**292**	**-13**	**-1,818**	**-**	**8,640**

Changes in other intangible assets with finite useful lives that occurred during 2022 are shown in detail below:

(Thousands of Euro)

Other intangible assets with finite useful lives	31/12/2021	Acquisitions	(Disposals)	(Amortisation)	Other changes	31/12/2022
Patents and intellectual property rights	323	125	-2	-210	0	236
Concessions and trademarks	8,317	83	0	-1,554	0	6,846
Total	**8,640**	**208**	**-2**	**-1,764**	**0**	**7,082**

Other intangible assets with finite useful lives decreased from Euro 8,640 thousand at 31 December 2021 to Euro 7,082 thousand at 31 December 2022, 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, and in particular the Lovato trademark (for Euro 3,495 thousand) and the value of the AEB trademark (for Euro 3,086 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 amortisations. 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 208 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 2021 are shown in detail below:

(Thousands of Euro)

	Net Value at 31/12/2020	Increases	Decreases	Depreciation rates	Other changes	Net Value at 31/12/2021
Buildings	3,794	0	0	-1,517	-163	**2,114**
Motor vehicles	544	82	-57	-258	57	**368**
Total	**4,338**	**82**	**-57**	**-1,775**	**-106**	**2,482**

Changes in right-of-use assets that occurred during 2022 are shown in detail below:

(Thousands of Euro)

	Net Value at 31/12/2021	Increases	Decreases	Depreciation rates	Other changes	Net Value at 31/12/2022
Buildings	**2,114**	3,536	0	-1,437	103	**4,316**
Motor vehicles	**368**	160	0	-253	-1	**274**
Total	**2,482**	**3,696**	**0**	**-1,690**	**102**	**4,590**

Right-of-use assets decreased from Euro 2,482 thousand at 31 December 2021 to Euro 4,590 thousand at 31 December 2022.

Increases during the year, amounting to Euro 3,696 thousand, are primarily linked to the renewal of lease agreement on the Via Industria building for the 2022-2027 period.

7. EQUITY INVESTMENTS IN SUBSIDIARIES

This item breaks down as follows:

Equity investments in subsidiaries	31/12/2021	Increases	Decreases	Impairment losses	other changes	31/12/2022
Equity investments	55,575	135	-	-540	-	55,170

The following are the changes in equity investments:

Thousands of Euro	Initial value	Increases	Decreases	Impairment losses	Final value	Equity Investment
LR Indústria e Comércio Ltda	311				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				1,263	99.99%
Metatron S.p.A.	27,106	42			27,148	100.00%
Landi Renzo Rus	55	93			148	51.00%
Safe&CEC	24,225				24,225	51.00%
Landi Renzo RO S.r.l.	5			-5	0	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	0	96.00%
Lovato do Brasil Ind Com	0				0	100.00%
Officine Lovato Private Ltd	0				0	74.00%
Total equity investments	**55,575**	**135**	**0**	**-540**	**55,170**	

The following changes occurred during the financial year:

- in March 2022, the share capital increase of the Company Landi Renzo Rus for a total of 14,000 thousand roubles, proportional between the two shareholders, was approved. Landi Renzo S.p.A. paid a total of Euro 93,130 for the share capital increase in April 2022;
- the value of the equity investment in Metatron S.p.A. increased by Euro 42 thousand, a value linked to accessory acquisition costs.
- write-downs totalling Euro 540 thousand relate to the elimination of the carrying amount of the Landi Renzo RO S.r.l. and AEB America S.r.l. equity investments due to impairment losses caused by negative economic and financial trends not aligned with the expectations of those companies. For more details, please refer to the "Income (expenses) from equity investments" section.

Furthermore, with respect to the equity investment held in SAFE&CEC S.r.l., 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 2022 from the directors of the Subsidiary company, prepared by the management of SAFE&CEC S.r.l. with the support of an independent external consultant. No indicators of impairment in the equity investment held in the Subsidiary were identified.
In this regard, please note moreover that goodwill of Euro 25,393 thousand is recognised in the consolidated financial statements of the Landi Renzo Group at 31 December 2022, deriving from the

acquisition of control of SAFE&CEC S.r.l. and determined as the difference between the fair value measurement of the above-mentioned Company and the value of the net assets acquired at the date of acquisition of control. The fair value at the combination date was determined by a leading independent expert. This goodwill was specifically tested for impairment by the management of Landi Renzo S.p.A., which brought to light no impairment at 31 December 2022. For more details, refer to the explanatory notes to the consolidated financial statements.

With regard to the value of the equity investment held in Metatron S.p.A., the directors of Landi Renzo S.p.A. believed that the economic-financial trends recorded by the subsidiary for the year 2022 represented an indicator of potential impairment losses. Therefore, this equity investment was specifically tested for impairment by the management of Landi Renzo S.p.A., carried out with the support of an independent external advisor, which was approved by the Company's Board of Directors on 14 March 2023 and which brought to light no impairment at 31 December 2022.

More specifically, the recoverable amount of the equity investment was defined with respect to the fair value of the subsidiary, obtained using the market multiples methodology, taking the "normalised" EBITDA included in the 2023 budget and the market multiples identified on the basis of comparable companies as a reference.

In this regard, please note moreover that the goodwill recognised in the consolidated financial statements of Landi Renzo S.p.A. at 31 December 2022 deriving from the acquisition of control of Metatron S.p.A. was specifically tested for impairment with reference to the Green Transportation – Automotive CGU, described in the explanatory notes to the consolidated financial statements, which did not bring to light impairment at 31 December 2022.

8. EQUITY INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

This item breaks down as follows:

(Thousands of Euro)

Equity investments in associates and joint ventures	31/12/2021	Increases	Decreases	Valuation using the net equity method	31/12/2022
EFI Avtosanoat - Landi Renzo LLC	0	0	0	0	0
Krishna Landi Renzo India Private Ltd Held	2,028	0	0	468	2,496
Total	**2,028**	**0**	**0**	**468**	**2,496**

In particular, the equity investment held in the joint venture Krishna Landi Renzo Prv Ltd was revalued by Euro 468 thousand due to the positive results for the period. This change includes the valuation of the equity investment held in the joint venture Krishna Landi Renzo Prv Ltd for Euro 587 thousand and the exchange adjustment for a negative Euro 128 thousand. In the course of the year ending on 31 December 2022, this Company significantly boosted its sales to a major Indian OEM customer, recording revenue of Euro 35.5 million and EBITDA of Euro 6.9 million.

9. OTHER NON-CURRENT FINANCIAL ASSETS

This item breaks down as follows:

(Thousands of Euro)

Other non-current financial assets	31/12/2021	Decreases	Increases	Other changes	Impairment losses	31/12/2022
Loan to Landi Renzo Usa Co.	0		746	-746	0	0
Loan to Landi Renzo Pars	287					287
Loan to Landi International BV	30					30
Loan to Krishna Landi Renzo India Private Ltd Held	600					600
Total equity investments in other companies	9					9
Guarantee deposits	0			**38**		38
Total	**926**	**0**	**746**	**-708**	**0**	**964**

At 31 December 2022 other non-current financial assets totalled Euro 964 thousand and refer primarily to:

- outstanding loans to the Subsidiary Landi Renzo Pars amounting to Euro 287 thousand, which did not change compared with the previous year;
- 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;
- outstanding loan to the Subsidiary Landi International BV amounting to Euro 30 thousand.

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 2022 and budget forecasts, the ability to service the debt and the future short/medium term prospects, the financial receivable of USD 13,650 thousand (equal to Euro 12,798 thousand), was entirely written down.
The increase of Euro 746 thousand refers US currency fluctuations.
This effect is offset 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	31/12/2022	31/12/2021	Change
Other non-current assets	1,710	2,280	-570

At 31 December 2022 the other non-current assets amount to Euro 1,710 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	31/12/2022	31/12/2021	Change
Deferred tax assets	13,131	12,943	188
Deferred tax liabilities	-1,579	-1,491	-88
Total net deferred tax assets	**11,552**	**11,452**	**100**

The following table shows the values of the offsettable deferred tax assets and liabilities and their movements from 31 December 2021 to 31 December 2022:

(Thousands of Euro)

Deferred tax assets	Deferred tax assets 31/12/2021	Uses	Temporary differences	Deferred tax assets 31/12/2022
Inventory write-down reserve	1,959	0	0	1,959
Provision for product warranties	703	-410	401	694
Provision for bad debts - taxed	737	0	125	862
Provision for other risks and lawsuits	6	-12	14	8
Other temporary differences	322	-23	93	392
Tax losses	9,216	0	0	9,216
Total deferred tax assets	**12,943**	**-445**	**633**	**13,131**

Offsettable deferred tax liabilities	Deferred tax liabilities 31/12/2021	Uses	Temporary differences	Deferred tax liabilities 31/12/2022
Amortisation of trademarks	1,262	-262	0	1,000
TFR - Equity reserve	37	-6	0	31
Other temporary differences	192	-38	394	548
Total deferred tax liabilities	**1,491**	**-306**	**394**	**1,579**
Total net deferred tax assets	**11,452**	**-139**	**239**	**11,552**

At 31 December 2022, net deferred tax assets, totalling Euro 11,552 thousand (Euro 11,452 thousand at 31 December 2021), related to both temporary differences between the carrying amounts of assets and liabilities on the balance sheet and the corresponding tax values recognised, and to the losses from the national tax consolidation scheme deemed to be recoverable on the basis of the company plans, the realisation of which is subject to the intrinsic risk of non-implementation inherent in its provisions.

Management, assisted by its tax advisors, prepared an analysis based on forecasts of the 2023 economic-financial budget, approved by the Board of Directors on 02 March 2023, as well as the forecasts for the years 2024-2025 included in the 2022-2025 economic-financial plan approved by the Board of Directors on 15 March 2022, 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.

At 31 December 2022 offsettable deferred tax liabilities totalled Euro 1,579 thousand (Euro 1,491 thousand at 31 December 2021) and are primarily related to temporary differences between the carrying amounts of certain tangible and intangible assets and the values recognised for tax purposes.

12. NON-CURRENT ASSETS, CURRENT ASSETS, LIABILITIES FOR DERIVATIVE FINANCIAL INSTRUMENTS

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.

The breakdown and changes in Non-current assets for derivative financial instruments are shown below:

(Thousands of Euro)

Non-current assets for derivative financial instruments	Hierarchy Fair Value	Notional	2022	2021	Change
Derivatives on interest rates					
Loans	2	36,400	37	0	37
Total			**37**	**0**	**37**

The Company entered into financial derivative contracts (IRSs) to cover 70% of the pool loan originally for Euro 65 million.

The breakdown and changes in Current assets for derivative financial instruments are shown below:

(Thousands of Euro)

Current assets for derivative financial instruments	Hierarchy Fair Value	Notional	2022	2021	Change
Derivatives on interest rates					
Loans	2	21,000	407	0	407
Total			**407**	**0**	**407**

To partially reduce risks connected with fluctuating interest rates, the Company entered into financial derivative contracts (IRSs) to cover, for a duration of 3 years, with maturity on 30 September 2023, 100% of the credit lines of the Euro 21 million loan 90% backed by the SACE guarantee.

At 31 December 2021, the mark to market relating to derivatives was negative, this vale was recognised in Liabilities for derivative financial instruments. The breakdown and changes are shown in detail below:

(Thousands of Euro)

Liabilities for derivative financial instruments	Hierarchy Fair Value	Notional	2022	2021	Change
Derivatives on interest rates					
Loans	2	45,500	0	96	- 96
Total			**0**	**96**	**- 96**

CURRENT ASSETS

13. 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	31/12/2022	31/12/2021	Change
Italy	6,792	7,393	-601
Europe (excluding Italy)	3,658	4,700	-1,042
Asia and Rest of the World	12,767	13,621	-854
America	10,269	7,158	3,111
Provision for bad debts	-5,714	-5,103	-611
Total	**27,772**	**27,769**	**3**

Trade Receivables totalled Euro 27,772 thousand at 31 December 2022, net of the Provision for Bad Debts equal to Euro 5,714 thousand, compared with Euro 27,769 thousand, net of a provision for bad debts of Euro 5,103 thousand at 31 December 2021.

The Company carried out assignments of trade receivables through factoring without recourse and, at 31 December 2022, the amount of assignments with credit maturity, for which there was derecognition of the related receivables, totalled Euro 14.5 million, compared with Euro 11.2 million at 31 December 2021.

There are no non-current trade receivables or receivables secured by collateral guarantees.

Trade receivables from related parties totalled Euro 4,657 thousand at 31 December 2022, compared with Euro 2,819 thousand in 2021 and related to supplies of goods and services to the Joint Ventures Krishna Renzo India Private Ltd Held 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	31/12/2021	Provisions	Uses	31/12/2022
Provision for bad debts	5,103	630	-19	5,714

The allocations made during the year, necessary in order to adjust the carrying amount of the receivables to their assumed recovery value, amounted to Euro 630 thousand. The provision for the period is inclusive of prudential write-downs relating to receivables due from Russian and Ukrainian customers (Euro 569 thousand), calculated by taking into account the specific situation of each of them.

Uses during the year, on the other hand, totalled Euro 19 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:

Trade receivables ageing for 2022 - 2021	Past due

	Total	Not past due	0-30 days	30-60 days	60 and beyond
Trade Receivables at 31/12/2022 (gross of provision)	33,486	19,823	2,671	768	10,224
Trade Receivables at 31/12/2021 (gross of provision)	32,871	18,714	3,084	860	10,213

14. RECEIVABLES FROM SUBSIDIARIES

This item breaks down as follows:

(Thousands of Euro)

Receivables from subsidiaries	31/12/2022	31/12/2021	Change
Landi Renzo Beijing	631	7	624
LR Indústria e Comércio Ltda	5,989	6,728	-739
Landi Renzo Polska	5,038	2,386	2,652
Landi Renzo Pars	402	387	15
LR PAK Pakistan	1,102	1,099	3
SAFE&CEC S.R.L.	244	0	244
SAFE S.p.A.	89	0	89
Metatron S.p.A.	45	0	45
Idro Meccanica S.r.l.	1	0	1
Landi Renzo RUS	831	0	831
LR Romania	2,491	1,417	1,074
Landi Renzo Usa Corp.	2,459	2,366	93
AEB America	3,991	3,630	361
LOVATO do Brasil	1,180	1,180	0
provision for bad debts from subsidiaries	-1,180	-1,180	0
Officine Lovato Pvt Ltd	677	677	0
Total	**23,990**	**18,697**	**5,293**

Receivables from subsidiaries totalled Euro 23,990 thousand at the end of the period compared with Euro 18,697 thousand for the previous year. The increase in receivables from subsidiaries on the previous financial year is mainly due to the increase in sales to the subsidiaries Landi Renzo Polska and LR Romania. The receivables from Lovato do Brasil Ind Com, equal to Euro 1,180 thousand, were written down in full, deriving from the merger of Lovato Gas S.p.A.

15. INVENTORIES

This item breaks down as follows:

(Thousands of Euro)

Inventories	31/12/2022	31/12/2021	Change
Raw materials and parts	30,309	25,722	4,587
Work in progress and semi-finished products	10,239	9,488	751
Finished products	9,225	6,453	2,772
(Inventory write-down reserve)	-7,170	-7,170	0
Total	**42,603**	**34,493**	**8,110**

Closing inventories at 31 December 2022 totalled Euro 42,603 thousand (Euro 34,493 thousand at 31 December 2021), net of the inventory write-down reserve of Euro 7,170 thousand, an increase of Euro 8,110 thousand compared with 31 December 2021. This change is linked to the procurement of electronic components and other strategic components in order to reduce to a minimum the risks of possible stock disruptions caused by issues in obtaining components in the market.

The Company estimated an inventory write-down reserve to cover risks of technical obsolescence of stocks and to align the carrying amount with their presumed realisation value.

At 31 December 2022, this item totalled Euro 7,170 thousand, unchanged compared with the previous year.

16. OTHER RECEIVABLES AND CURRENT ASSETS

This item breaks down as follows:

(Thousands of Euro)

Other receivables and current assets	31/12/2022	31/12/2021	Change
Tax assets	3,571	2,036	1,535
Receivables from others	2,882	2,333	549
Accruals and deferrals	458	635	-177
Total	**6,911**	**5,004**	**1,907**

Tax assets

This item breaks down as follows:

Tax assets	31/12/2022	31/12/2021	Change
VAT recoverable	1,609	909	700
IRES and IRAP advance payments and tax credits	1,962	1,127	835

Total	**3,571**	**2,036**	**1,535**

Tax assets amounted to Euro 3,571 thousand and represent primarily amounts due from the Tax Authorities for VAT and IRES and IRAP credits. This item also includes the tax credit recognised to the Company for research and development activities carried out in 2021, pursuant to Art. 1 of Law 160/2019, amounting to Euro 280 thousand.

Receivables from others

At 31 December 2022, 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	31/12/2022	31/12/2021	Change
Advances to suppliers	731	461	270
Receivables from social security institutes	53	73	-20
Credit notes to be received	1,279	1,116	163
Other receivables	819	683	136
Total	**2,882**	**2,333**	**549**

Receivables from others include primarily advances to suppliers (Euro 731 thousand) and provisions for credit notes to be received for premiums from suppliers on purchases (Euro 1,279 thousand).

"Other receivables" also include the short-term receivables from AVL Italia S.r.l. relating to the aforementioned sale of the company branch for a total of Euro 570 thousand.

Accruals and deferrals

This item includes prepaid insurance premiums, rentals, type approvals, membership contributions and hardware and software maintenance fees paid in advance.
At 31 December 2022, there were no deferred charges or accrued income of a duration of more than 5 years.

17. OTHER CURRENT FINANCIAL ASSETS

This item breaks down as follows:

(Thousands of Euro)

Current financial assets	31/12/2022	31/12/2021	Change
SAFE S.p.A. loan	2,000	0	2,000
Total	**2,000**	**0**	**2,000**

Other financial assets amount to Euro 2,000 thousand as at 31 December 2022 (zero at 31 December 2021). This item was up due to the loan disbursed by Landi Renzo S.p.A. to SAFE S.p.A. during the year for the same amount and repaid in full in February 2023.

18. 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	31/12/2022	31/12/2021	Change
Bank and post office accounts	39,363	7,055	32,308
Cash	1	1	0
Total	**39,364**	**7,056**	**32,308**

Cash and cash equivalents at 31 December 2022 totalled Euro 39,364 thousand (Euro 7,056 thousand at 31 December 2021).

For analysis of the production and absorption of cash during the year, please refer to the Statement of Cash Flows.

19. SHAREHOLDERS’ EQUITY

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

(Thousands of Euro)

Shareholders' equity	31/12/2022	31/12/2021	Change
Share capital	22,500	11,250	11,250

Statutory reserve	2,250	2,250	0
Extraordinary reserve	0	0	0
IAS transition reserve	-320	-320	0
OPI reserve 2	922	922	0
Share premium reserve	67,117	28,945	38,172
Discounted profit/loss reserve (IAS 19)	-182	-313	131
Future share capital increase contribution	8,867	8,867	0
Share-based incentive plan reserve	0	0	0
Unavailable reserve for the equity measurement of investments	360	360	0
Cash flow hedge reserve	338	-74	412
Profit reserve	-128	0	-128
Profit (loss) for the period	-15,750	-9,131	-6,619
Total shareholders' equity	**85,974**	**42,756**	**43,218**

Share capital

The share capital stated in the Financial Statements at 31 December 2022 is the share capital (fully subscribed and paid-up) of the Company, which is equal to nominal Euro 22,500 thousand subdivided into a total of 225,000,000 shares, with a nominal value equal to Euro 0.10. The increase with respect to the previous year is linked to the share capital increase described in the "Share capital increase" section.

Statutory reserve

The balance of the Statutory Reserve at 31 December 2022 amounted to Euro 2,250 thousand and is unchanged compared with the previous year.

Extraordinary reserve

The Extraordinary Reserve amounts to zero as at 31 December 2022, unchanged compared with 31 December 2021.

IAS transition reserve

The IAS Transition Reserve includes the effect of the first-time adoption of IFRS 9 (Euro 320 thousand).

OPI reserve 2

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 and the merger by incorporation of Lovato Gas S.p.A. in 2020, which entailed the recognition of a positive reserve of Euro 4,088 thousand.

Share Premium Reserve

The share premium reserve amounts to Euro 67,117 thousand and increased by Euro 38,172 thousand compared with the previous year after the share capital increase carried out during the year, described in detail in the "Share capital increase" section.

As a result of the realignment of the tax value of the AEB trademark with the statutory value, pursuant to Art. 110 of Decree Law 104/2020, a tax suspension restriction in the amount of Euro 4,082 thousand was placed 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 (*)*	*Portion available*	*Summary of use in the three previous years*
Share capital	**22,500**			
Capital reserves				
Share premium	67,117	A,B,C (***)	30,178	21,567
Future share capital increase contribution	8,867	A	8,867	
Profit reserves				
Statutory reserve	2,250	B		
Extraordinary reserve	0	A,B,C	0	4,511
IAS transition reserve	-320		-320	
OPI reserve 2	922		922	-
Discounted profit/loss reserve (IAS 19)	-182		-293	
Unavailable reserve for the equity measurement of investments	232			
Cash flow hedge reserve	338			
Profit (Loss) for the year 2022	-15,750			
Total	**85,974**		**39,893**	
Non-distributable portion (**)			-16,904	
Residual distributable portion			**56,797**	

(*) Possibility of use: A - for share capital increases   B - for covering losses   C - for distribution to shareholders

(**) Non-amortisable development expenditure and future capital increase contributions

(***) tax suspension restriction DL 104/2020 of Euro 4,082 thousand

Share capital increase

The Shareholders' Meeting of Landi Renzo S.p.A. of 29 April 2022 approved a share capital increase for up to Euro 60 million, which is one of the actions included in the 2022-2025 Business Plan, and aims to provide the Landi Renzo Group with the necessary funding to support the investment plan, which also includes external investment, in market segments expected to have the most growth, such as biomethane and hydrogen. The share capital increase was guaranteed up to Euro 50 million following the commitment made by TIP - Tamburi Investment Partners S.p.A., the single largest shareholder of Itaca Equity Holding S.p.A., to guarantee in cash the entire share attributable to Itaca Equity Holding S.p.A., and the commitment made by Girefin S.p.A. and Gireimm S.r.l. to guarantee, through the voluntary offsetting of part of the receivable, the capital portion necessary to guarantee the share capital increase up to Euro 50 million to complement the guarantee commitment assumed by TIP - Tamburi Investment Partners S.p.A.

In execution of the investment agreement:

(i) On 13 June 2022, the NewCo GbD Green by definition S.p.A. was established, to which on 1 July 2022 Girefin S.p.A and Gireimm S.r.l. contributed the Landi Renzo S.p.A. shares they held, in addition to the receivable owed to it and deriving from the interest bearing shareholder loan disbursed by Girefin S.p.A. in the amount of roughly Euro 18.1 million;

(ii) on 11 July 2022, the Landi Renzo S.p.A. Board of Directors executed the delegation relating to the share capital increase and approved the terms, final conditions and calendar of the paid share capital increase, on the basis of the criteria set by the Extraordinary Shareholders' Meeting of 29 April 2022 in a total maximum amount of Euro 59,625 thousand by issuing up to 112,500,000 ordinary shares, with a nominal value of Euro 0.10, and with regular dividend entitlement, to be offered under option to the shareholders at the ratio of 1 new share for every 1 ordinary share held, at a unit issue price of Euro 0.53, determined by the Board of Directors by applying, on the basis of the Extraordinary Shareholders' Meeting resolution of 29 April 2022, a discount of 16.09% on the theoretical ex right price (TERP) of the Landi Renzo ordinary shares, calculated in accordance with current methodologies on the basis of the weighted average trading price of Landi Renzo ordinary shares in the 5 previous trading days, i.e., 4 July 2022 to 8 July 2022.

(iii) On 13 July 2022, Consob approved - with note no. 0458563/22 of 13 July 2022 - the EU Recovery Prospectus relating to the offer under option and the admission to trading on the Euronext STAR Milan market organised and managed by Borsa Italiana S.p.A. of Landi Renzo shares.

(iv) on 14 July 2022, the Extraordinary Shareholders' Meeting of GbD Green by definition S.p.A. approved the share capital increase reserved to Itaca Gas S.r.l., a Company wholly owned by Itaca Equity Holding S.p.A., for a total of Euro 33,500 thousand, and E.M.A 2021 S.r.l., a company vehicle controlled by the Chief Executive Officer Cristiano Musi, for a total amount of Euro 300 thousand.

On the same date, and simultaneous with the above-mentioned resolutions, Itaca Gas S.r.l. and E.M.A. 2021 S.r.l. proceeded with the subscription of the share capital increases reserved to them with the issue of the relative shares. Following such subscriptions, the share capital of GbD Green by definition S.p.A. is 51.08% held by Girefin and Gireimm, companies associated with the Landi Trust, 48.49% held by Itaca Equity Holding S.p.A. (through the vehicle Itaca Gas S.r.l.) and 0.43% held by E.M.A. 2021 S.r.l. Therefore, the Landi Trust (through Girefin and Gireimm) continues to indirectly hold de jure control over Landi Renzo.

These transactions provided GbD Green by Definition S.p.A. with the necessary funding to subscribe its portion of the share capital increase. As described above, on 4 August 2022 the offer under option period concluded with the exercise of a total of 107,781,064 option rights valid for the subscription of 107,781,064 new shares, equal to roughly 95.805% of the total of new shares, for a total equivalent value of Euro 57,124 thousand. GbD Green by Definition S.p.A. subscribed its portion of the share capital increase (equal to around 59.1068%) pursuant to the subscription commitment made, for a total equivalent value of roughly Euro 35.2 million, of which around Euro 17.1 million by means of a contribution in cash and Euro 18.1 million by means of voluntary offsetting. The highly positive result of the offer under option, despite the period of strong uncertainty, demonstrates how the financial markets believe in the solidity of the business model of Landi Renzo and its role as a key player in the global energy transition process, thanks to a robust and credible business plan, which bets on the fundamental role to be played by gas, biomethane and hydrogen. The offer of the non-exercised rights concluded on 7 September 2022 with the subscription of 2,874,208 shares for an equivalent value of Euro 1,523 thousand. Overall, the share capital increase concluded with a total subscription of 98.36% of the offer, for an equivalent value of Euro 58,674 thousand. In keeping with what was set forth in the Company's Extraordinary Shareholders' Meeting resolution of 29 April 2022, in light of the interest demonstrated by GbD Green by Definition S.p.A. in subscribing all residual shares, on 15 September 2022 the Board of Directors approved their placement in its favour at a subscription price per share equal to that at which the shares were offered during the share capital increase, i.e., Euro 0.53 (including the share premium). Pursuant to the related party transaction procedure, this resolution was passed with the favourable opinion of the Committee for Transactions with Related Parties. On 19 September 2022, GbD Green by Definition S.p.A. therefore subscribed the remaining shares in their entirety; following that subscription, the share capital increase was thus fully subscribed (total Euro 59,625 thousand).

NON-CURRENT LIABILITIES

20. OTHER NON-CURRENT FINANCIAL LIABILITIES

This item breaks down as follows:

(Thousands of Euro)

Other non-current financial liabilities	31/12/2022	31/12/2021	Change
Payables to other financial backers (Simest)	360	360	0
Payables to other financial backers (Invitalia)	15,589	0	15,589
Amortised cost	-30	0	-30
Total	**15,919**	**360**	15,559

At 31 December 2022, other non-current financial liabilities totalled Euro 15,919 thousand (Euro 360 thousand at 31 December 2021) and relate to:

- the loan disbursed by Simest to the Company in July 2021 initially for Euro 600 thousand, of which Euro 240 thousand as a grant, repayable at an interest rate of 0.55% in 8 half-yearly instalments as of 30 June 2024;

- Euro 15,559 thousand (value net of the effect of the amortised cost of Euro 30 thousand) for the non-current share of the loan taken out in March 2022 by Landi Renzo S.p.A. from Invitalia (Agenzia Nazionale per l'Attrazione degli Investimenti e lo sviluppo di impresa SpA) with a duration of 5 years - of which one year of pre-amortisation - at a facilitated rate, drawn on the Fund Supporting Large Companies in difficulty - art. 37 of Italian Decree-Law no. 41/2021, Italian Interministerial Decree of 5 July 2021 and Italian Executive Decree of 3 September 2021.

21. NON-CURRENT LIABILITIES FOR RIGHTS OF USE

This item breaks down as follows:

(Thousands of Euro)

Non-current liabilities for rights of use	31/12/2021	Increases	Repayments	Other changes	31/12/2022
Buildings	2,185	3,536	-1,562	106	4,265
Motor vehicles	410	160	-266	28	332
Total	**2,595**	**3,696**	**-1,828**	**134**	**4,597**
of which current	1,222				1,675
of which non-current	1,373				2,922

Right-of-use liabilities of Euro 4,597 thousand were recognised in the financial statements at 31 December 2022 (Euro 2,595 thousand at 31 December 2021).

Increases during the year, amounting to Euro 3,696 thousand, are primarily linked to the renewal of lease agreement on the Via Industria building for the 2022-2027 period.

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	31/12/2021	Allocation	Utilisation	31/12/2022
Provision for pensions and similar obligations	49	1	-28	22
Provision for product warranty risks	2,525	1,438	-1,469	2,494
Provision for risks on investments	3,105	7,656	0	10,761
Other provisions	81	323	-323	81
Total	**5,760**	**9,418**	**-1,820**	**13,358**

The item “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 2022 this provision totalled Euro 2,494 thousand, after allocations of Euro 1,438 thousand. The increase 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 provision for product warranties totalling Euro 1,469 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 uses for the year of Euro 28 thousand.

The provision and utilisation of other provisions (Euro 323 thousand) relate to disputes received from a South American customer on delivery delays not attributable to the Company.

The item “Provision for risks on investments” amounting to Euro 3,105 thousand at 31 December 2021 included the provision recognised in 2021 to cover losses recorded on the subsidiaries Landi Renzo Pakistan Limited and Landi Renzo RO S.r.l. in the amount of Euro 1,160 thousand and Euro 1,945 thousand, respectively.

The addition to the "Provision for risks on investments" amounting to Euro 7,656 thousand in 2022 includes the provision to cover losses recorded on the subsidiaries Landi Renzo RO S.r.l. (Euro 4,531 thousand), Landi Renzo USA Corporation (Euro 2,375 thousand) and AEB America (Euro 750 thousand). The above-mentioned companies indeed had losses for the year and negative values of shareholders' equity. The provisions recorded were therefore made and recognised in the provision for risks in order to reflect the value of losses exceeding the cost value of such equity investments, taking into account the risk and the Company's intention to take financial responsibility for them, in order to cover such losses.

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	31/12/2021	Allocation	Utilisation	Other changes	31/12/2022
Employee post-employment benefits	1,298	7	-185	-172	948

The provision of Euro 7 thousand relates to revaluation of TFR (employee severance indemnity) at the end of the period, while use of Euro 185 thousand refers to the amounts paid to employees who ceased working during the year. The other changes relate to the actuarial adjustment of the reserve by Euro 130 thousand, accounted for in Other reserves and expressed in other components of the Statement of Comprehensive Income.

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	3.68%
Probability of request for advance	1.1%
Expected % of employees who will resign before pension	6.3%
Maximum % of TFR (employee severance indemnity) requested in advance	70%
Annual cost of living increase rate	2.8%

The sensitivity analysis shows insignificant variances with respect to the value recognised in the financial statements at 31 December 2021.

CURRENT LIABILITIES

24. BANK FINANCING AND SHORT-TERM LOANS

This item breaks down as follows:

(Thousands of Euro)

Bank financing and short-term loans	31/12/2022	31/12/2021	Change
Advances, import fin. and other current bank payables	12,684	16,895	-4,211
Loans and financing	73,957	75,440	-1,483
Amortised cost	-682	-488	-194
Total	**85,959**	**91,847**	**-5,888**

At 31 December 2022 this item, totalling Euro 85,959 thousand, compared with Euro 91,847 thousand in 2021, was made up of the current portion of existing loans and financing totalling Euro 73,957 thousand, including the effect of amortised cost of Euro 682 thousand, and the use of short-term commercial credit lines totalling Euro 12,684 thousand.

As the financial covenants had not been respected at 31 December 2022, the payables to credit institutions on which there are financial covenants were reclassified in full to liabilities maturing in the short term in these financial statements, in accordance with IAS/IFRS, for a total value of roughly Euro 73 million.
Following up on what is set forth above, and to take into account the changed market environment, the directors prepared the Group economic-financial budget for the year 2023, which was approved by the Landi Renzo S.p.A. Board of Directors on 2 March 2023. For a full presentation of the events, please also refer to the "Significant events after the reporting period and business outlook" section of the Directors' Report.

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 debt currency is in 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.

Taking into account events taking place after the end of the year described above, the annual repayment plan for the medium/long-term loans at the date on which these financial statements were approved is shown below.

Maturities	Annual loan repayment instalments post-waiver letter
2023	764
Amortised cost	-168
Bank financing and short-term loans	**596**
2024	11,630
2025	16,250
2026	18,250
2027	25,750
2028	1,313
Amortised cost	-514
Non-current bank loans	**72,679**
Total	**73,275**

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.

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 2022, the Company had the following further short-term credit facilities, available but not used:

(Thousands of Euro)

Credit facilities	2022
Cash facility	2,190
Facility for various uses	19,313
Total	**21,503**

A breakdown of the net financial position of the Company is provided below:

(Thousands of Euro)

		31/12/2022		31/12/2021
Cash and cash equivalents		39,364		7,056
Current financial assets		-		-
Bank financing and short-term loans	-	85,959	-	91,847
Current liabilities for rights of use	-	1,675	-	1,222
Other current financial liabilities	-	3,786		-
Assets for derivative financial instruments		407		-
Other current financial assets		2,000		-
Net short term indebtedness	**-**	**49,649**	**-**	**86,013**
Medium-term loans from/to subsidiaries		-		317
Non-current bank loans		-		-360
Other non-current financial liabilities	-	15,919		-
Non-current liabilities for rights of use	-	2,922	-	1,373
Liabilities for derivative financial instruments		-	-	96
Assets for derivative financial instruments		37		-
Net medium-long term indebtedness	**-**	**18,804**	**-**	**1,512**
commitments for the purchase of equity investments		-	-	25,436
Net Financial Position	**-**	**68,453**	**-**	**112,961**
Net Financial Position - adjusted (*)	**-**	**64,300**	**-**	**84,834**

The Net Financial Position at 31 December 2022 was equal to Euro -68,453 thousand (Euro -112,961 at 31 December 2021), 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 4,597 thousand at 31 December 2022 (Euro 2,595 thousand at 31 December 2021), as well as the fair value recognition of financial derivative contracts for Euro 444 thousand at 31 December 2022 (Euro -96 thousand at 31 December 2021).

Net of the effect of adopting IFRS 16 - Leases, the fair value of financial derivative contracts and the remaining payable for the acquisition of equity investments, the net financial position of the Company would have been equal to Euro -64,300 thousand, after investments for Euro 32,462 thousand, up compared with 31 December 2021.

In order to further strengthen the Company’s financial structure and make it more consistent with the flows expected from the 2022-2025 Business Plan, in June 2022 two new loan agreements were entered into, for a total of Euro 73 million, aimed at replacing the SACE backed loan agreement and paying off the pool loan. In particular:

- a new loan agreement backed by the SACE guarantee (effective as of 29 June 2022) which, for the same financed amount (Euro 21 million), calls for the deferral of the pre-amortisation period of 24 months and repayment of the final instalment on 31 March 2028;
- a new pool loan agreement, for a financed amount of Euro 52 million (compared with the remaining Euro 46 million on the previous pool loan agreement), which calls for a 24-month pre-amortisation period and repayment of the final instalment of Euro 20.5 million in June 2027.

With regard to the financial covenants set forth in those contracts (NFP/EBITDA), please note that: (i) there was a small overrun of the contractual level of the covenants at 31 December 2022 which was remedied by a covenant holiday granted by the financial institutions in March 2023 ("waiver letters") and (ii) with reference to the calculation of the financial covenants at 30 June 2023, taking into account, also from a prudential perspective, the outlook operating performance in 2023 in light of the budget approved by the Board of Directors on 2 March 2023, the financial institutions approved a slight reset of the covenant calculation parameters.

As the financial covenants had not been respected at 31 December 2022, the payables to credit institutions on which there are financial covenants were reclassified in full to liabilities maturing in the short term in these financial statements, in accordance with IAS/IFRS, for a total value of roughly Euro 73 million.

25. OTHER CURRENT FINANCIAL LIABILITIES

This item breaks down as follows:

(Thousands of Euro)

Other non-current financial liabilities	31/12/2022	31/12/2021	Change
Payables to other financial backers	3,786	0	3,786
Total	**3,786**	**0**	**3,786**

At 31 December 2022, other current financial liabilities totalled Euro 3,786 thousand (zero at 31 December 2021) and relate to the current portion of the Invitalia loan (net of the amortised cost of Euro 125 thousand).

26. CURRENT LIABILITIES FOR RIGHTS OF USE

This item amounted to Euro 1,675 thousand (Euro 1,222 thousand at 31 December 2021) 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.

27. TRADE PAYABLES

Trade payables (including trade payables to related parties) totalled Euro 55,464 thousand and can be analysed by geographical segment as follows:

(Thousands of Euro)

Trade payables by geographical area	31/12/2022	31/12/2021	Change
Italy	48,791	41,198	7,593
Europe (excluding Italy)	3,546	1,977	1,569
Asia and Rest of the World	2,948	3,590	-642
America	179	258	-79
Total	**55,464**	**47,023**	**8,441**

Trade payables to related parties of Euro 1,377 thousand (Euro 1,252 thousand at 31 December 2021) refer mainly to relations with the company Gireimm S.r.l. for property lease payments and relationships for the supply of goods with the joint venture Krishna Landi Renzo India Private Ltd Held. All the related transactions are carried out at arm's length conditions.

28. PAYABLES TO SUBSIDIARIES

The trade payables due to subsidiaries refer to the payables for purchase of components and finished products and totalled Euro 1,920 thousand (Euro 3,028 at 31 December 2021) and in part to tax consolidation payables to SAFE S.p.A. for Euro 234 thousand and to SAFE&CEC S.r.l. for Euro 41 thousand.
All the related transactions are carried out at arm's length conditions.

29. TAX LIABILITIES

This item breaks down as follows:

(Thousands of Euro)

Tax liabilities	31/12/2022	31/12/2021	Change
IRPEF	911	778	133
IRAP	0	0	0
Flat-rate and income tax	73	109	-36
Total	**984**	**887**	**97**

At 31 December 2022, tax liabilities totalled Euro 984 thousand, primarily relating to IRPEF (personal income tax) withholdings of Euro 911 thousand and substitute and income taxes of Euro 73 thousand.

On 30 November 2022, Landi Renzo S.p.A., along with SAFE&CEC S.r.l. and SAFE S.p.A., decided to opt for the "National consolidation" group taxation system governed by Articles 117 et seq. of Italian Presidential Decree no. 917 of 22 December 1986 (the "Consolidated Income Tax Act") and Ministry of Economy and Finance Decree of 9 June 2004 (hereinafter, "decree") in order to optimise the corporate income tax expense in economic and financial terms ("IRES") at group level.The contract entered into is valid for the 2022-2025 three-year period, and the Option is understood to be automatically renewed for another three-year period unless it is discontinued according to the methods and terms established on the matter.

30. OTHER CURRENT LIABILITIES

This item breaks down as follows:

(Thousands of Euro)

Other current liabilities	31/12/2022	31/12/2021	Change
Advance payments from customers	593	173	420
Payables to welfare and social security institutes	1,105	1,218	-113
Other payables (payables to employees, to others)	2,509	27,692	-25,183
Accrued expenses and deferred income	332	323	9
Total	**4,539**	**29,406**	**-24,867**

Other current liabilities amount to Euro 4,539 thousand (Euro 29,406 thousand at 31 December 2021). In particular, the "Other Payables" item, amounting to Euro 2,509, refers primarily to payables for current pay and deferred pay to be settled in relation to employees.

The decrease in "Other Payables" was mainly caused by the repayment of the debt for Euro 25,436 thousand, recognised in 2021 for the acquisition of Metatron S.p.A. and paid in full in the course of 2022.

Accrued expenses and deferred income relate to the deferred income on the investment contributions provided by Laws 160/19 and 178/20.

INCOME STATEMENT

31. REVENUES FROM SALES AND SERVICES

This item breaks down as follows:

(Thousands of Euro)

Revenues from sales and services	31/12/2022	31/12/2021	Change
Revenues related to the sale of assets	139,815	128,763	11,052
Revenues for services and other revenues	4,221	2,692	1,529
Total	**144,036**	**131,455**	**12,581**

During 2022, the Company achieved revenues of Euro 144,036 thousand, an increase of Euro 12,581 thousand compared with the previous year. 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	31/12/2022	31/12/2021	Change
Services rendered	909	1,070	-161
Technical consultancy	258	316	-58
Intercompany services rendered	77	64	13
Reimbursement of transport expenses	337	274	63
Reimbursement of other costs	348	160	188
Reimbursement of employee canteen costs	84	76	8
Other income	2,208	732	1,476
Total	**4,221**	**2,692**	**1,529**

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 2022.

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 174 thousand).

Other income refers mainly to payments to recover costs related to production activity and royalties.

32. OTHER REVENUES AND INCOME

This item breaks down as follows:

(Thousands of Euro)

Other revenues and income	31/12/2022	31/12/2021	Change
Grants	0	829	-829
Other income	34	456	-422
Total	**34**	**1,285**	**-1,251**

"Other revenues and income" totalled Euro 34 thousand at 31 December 2022 (Euro 1,285 thousand at 31 December 2021).

33. 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	31/12/2022	31/12/2021	Change
Raw materials and parts	70,136	62,669	7,467
Finished products	22,889	18,184	4,705
Other materials	1,164	1,105	59
Change in inventories	-8,110	-2,758	-5,352
Total	**86,079**	**79,200**	**6,879**

Total costs for purchase and consumption of raw materials, consumables and goods (including the change in inventories) increased from Euro 79,200 thousand at 31 December 2021 to Euro 86,079 thousand at 31 December 2022. This increase is connected to the increase in sale volumes with respect to the previous year and rising raw material prices in international markets.

34. 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	31/12/2022	31/12/2021	Change
Industrial and technical services	22,681	20,518	2,163
Commercial services	2,147	1,939	208

General and administrative services	4,999	4,226	773
Costs for use of third-party assets	205	200	5
Non-recurring strategic consultancy	912	730	182
Total	**30,944**	**27,613**	**3,331**

Costs for services and use of third-party assets amounted to Euro 30,944 thousand (Euro 27,613 thousand at 31 December 2021) with an increase of Euro 3,331 thousand and are inclusive of non-recurring expenses relating to strategic consultancy provided by leading advisory firms (Euro 912 thousand) due primarily to the above-mentioned cyber attack.

Costs for use of third-party assets in the income statement, equal to Euro 205 thousand, mainly relate to contracts eligible for the simplification options established by the IFRS 16 - Leases accounting standard, i.e. those relating to low-value assets or with a duration of 12 months or less.

35. PERSONNEL EXPENSES

Personnel expenses are analysed as follows:

(Thousands of Euro)

Personnel costs	31/12/2022	31/12/2021	Change
Wages and salaries	9,182	9,759	-577
Social security contributions	4,173	4,069	104
Expenses for defined benefit plans	934	973	-39
Temporary agency work and transferred work	2,576	2,532	44
Directors' remuneration	714	665	49
Non-recurring personnel costs and expenditure	304	22	282
Total	**17,883**	**18,020**	**-137**

Personnel costs were equal to Euro 17,883 thousand, a decrease compared with the same period of the previous financial year (Euro 18,020 thousand at 31 December 2021), while the Company had a total of 279 employees at 31 December 2022, down by 18 compared with the previous year (297 at 31 December 2021). 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 304 thousand at 31 December 2022 and relate 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 Company workforce, divided by qualification in the two years analysed, is shown below:

	Average (*)			Peak		
Number of employees	**31/12/2022**	**31/12/2021**	**Change**	**31/12/2022**	**31/12/2021**	**Change**
Executives and Clerical Staff	165	178	- 13	163	172	- 9
Manual workers	124	128	- 4	116	125	- 9
Total	**289**	**306**	**- 17**	**279**	**297**	**- 18**

(*) These values do not include temporary agency workers or the directors.

Performance Shares Plan

On 22 December 2022, the Board of Directors of Landi Renzo SpA approved, pursuant to Article 114-bis of Italian Legislative Decree 58/98, a compensation plan named the "2022-2024 Performance Shares Plan" concerning the free assignment of the right to receive Landi Renzo S.p.A. ordinary shares (for a maximum total of 3,300,000 shares), based on the degree to which specific performance objectives are reached, on the basis of what was approved by the Landi Renzo S.p.A. Shareholders' Meeting on 29 April 2022. 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 beneficiaries are several strategically important managers in addition to the Chief Executive Officer. The plan aims to reward the achievement of targets for the 2022-2024 period, as well as incentivise the alignment of the interests of the management with those of the shareholders with a view to creating value over a medium/long-term horizon. The Plan lasts for three years and provides for the assignment of shares in a lump sum at the end of the vesting period.

This plan was measured by an independent expert at 31 December 2022, which quantified the fair value of the transaction, the effects of which were not recognised in 2022 as formal activities for the signing of the relative bilateral agreements with the plan beneficiaries are still ongoing.

36. ACCRUALS, WRITE-DOWNS AND OTHER OPERATING EXPENSES

This item breaks down as follows:

(Thousands of Euro)

Accruals, write-downs and other operating expenses	31/12/2022	31/12/2021	Change
Other taxes and duties	94	88	6
Other operating expenses	453	155	298
Losses on receivables	0	0	0

Provisions for product warranties	1,438	1,246	192
Bad debts	630	829	-199
Total	**2,615**	**2,318**	**297**

The costs included in this item totalled Euro 2,615 thousand at 31 December 2022 compared with Euro 2,318 thousand at 31 December 2021, an increase of Euro 297 thousand due primarily to higher provisions for product warranties, directly correlated with volumes sold.

37. AMORTISATION, DEPRECIATION AND IMPAIRMENT

This item breaks down as follows:

(Thousands of Euro)

Amortisation, depreciation and impairment	31/12/2022	31/12/2021	Change
Amortisation of intangible assets	6,843	6,805	38
Depreciation of tangible assets	2,735	3,129	-394
Depreciation of rights of use	1,690	1,775	-85
Total	**11,268**	**11,710**	**-442**

Amortisation and depreciation amounted to Euro 11,268 thousand (Euro 11,710 thousand at 31 December 2021), a decrease of Euro 442 thousand.
No elements emerged from the analysis which revealed the need to change the useful lifetime of tangible and intangible assets.

38. FINANCIAL INCOME

This item breaks down as follows:

(Thousands of Euro)

Financial income	31/12/2022	31/12/2021	Change
Interest income on bank deposits	13	0	13
Other income	1,068	105	963
Total	**1,081**	**105**	**976**

Financial income at 31 December 2022 amounts to Euro 1,081 thousand, up compared with the previous year by Euro 976 thousand. It is inclusive of Euro 912 thousand relating to the release to the income statement of the cash flow hedge reserve relating to the previous pool loan which, as mentioned previously, was subject to early repayment on 23 September 2022. As the hedged element was eliminated, as of that date the cash flow hedge reserve was reversed to the income statement. This income was then realised in October following the early closure of the relative financial derivative contracts and with the collection of their market value.

39. FINANCIAL EXPENSES

This item breaks down as follows:

(Thousands of Euro)

Financial expenses	31/12/2022	31/12/2021	Change
Interest on bank overdrafts and loans and loans from other financiers	3,580	2,407	1,173
Bank charges and commissions	1,962	767	1,195
Total	**5,542**	**3,174**	**2,368**

Financial expenses at 31 December 2022 amounted to Euro 5,542 thousand (Euro 3,174 thousand at 31 December 2021) 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 143 thousand).

Financial expenses rose compared with the same period of the previous year due to the recognition in accordance with IFRS 9 of the new loan agreement backed by the SACE guarantee, entered into on 29 June 2022. This agreement, in an equal amount (Euro 21 million) and entered into with the same banking counterparties as the previous agreement, replaces the previous loan agreement guaranteed by SACE (signed on 30 July 2020) and calls for a deferral of the pre-amortisation period of 24 months and the repayment of the final instalment on 31 March 2028. The valuation of this transaction in accordance with the dictates of that standard entailed the recognition of notional financial expenses in the income statement totalling Euro 773 thousand as at 31 June 2022 (net of the positive effect of Euro 70 thousand in the second half of 2022), the effective date of the transaction, with ensuing positive economic effects on subsequent years.

40. EXCHANGE GAINS AND LOSSES

This item breaks down as follows:

(Thousands of Euro)

Exchange gains and losses	31/12/2022	31/12/2021	Change
Positive exchange differences realised	1,014	152	862
Positive exchange differences from valuation	520	936	-416
Negative exchange differences realised	-423	-100	-323
Negative exchange differences from valuation	-206	-6	-200
Total	**905**	**982**	**-77**

The impact of exchange rate differences on the year was positive by Euro 905 thousand, compared to a positive effect of Euro 982 thousand at 31 December 2021.

The Company realises most of its revenues and costs in Euro. At 31 December 2022 the Company did not have any financial instruments to cover of 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)

	31/12/2022	31/12/2021	Change
Interest income on cash and cash equivalents	0	0	0
Interest expenses from financial liabilities measured at amortised cost	-3,580	-2,407	-1,173
Exchange gains (losses)	905	982	-77
Total	**-2,675**	**-1,425**	**-1,250**

41. INCOME (EXPENSES) FROM EQUITY INVESTMENTS

This item breaks down as follows:

(Thousands of Euro)

Income (expenses) from equity investments	31/12/2022	31/12/2021	Change
Income on equity investments	0	2,570	-2,570
Expenses from equity investments	-8,942	-4,319	-4,623
Total	**-8,942**	**-1,749**	**-7,193**

Income and expenses from equity investments, which had a negative net value of Euro 8,942 thousand, include:

- the adjustment of the provision for impairment on the outstanding loan with the US subsidiary, a negative Euro 746 thousand, deriving from the exchange effect during the year following changes in the Euro/USD exchange rate;
- expenses from equity investments deriving from the addition to the "Provision for risks on investments" amounting to Euro 7,656 thousand in 2022, including the provision to cover losses recorded on the subsidiaries Landi Renzo RO S.r.l. (Euro 4,531 thousand), Landi Renzo USA Corporation (Euro 2,375 thousand) and AEB America (Euro 750 thousand). The above-mentioned companies indeed had losses for the year and negative values of shareholders' equity. The provisions recorded were therefore made and recognised in the provision for risks in order to reflect the value of losses exceeding the cost value of such equity investments, taking into account the risk and the Company's intention to take financial responsibility for them, in order to cover such losses;
- the write-down of the carrying amount of the equity investments of subsidiaries, due to impairment, of Landi Renzo RO S.r.l. (Euro 5 thousand) and AEB America (Euro 535 thousand), for the reasons set forth above.

42. 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	31/12/2022	31/12/2021	Change
Revaluation of equity investments	596	1,286	-690
Write-down of equity investments	0	-763	-763
Total	**596**	**523**	**-1,453**

This item, totalling a positive Euro 596 thousand (positive Euro 523 thousand at 31 December 2021), includes the measurement of the equity investment held in the joint venture Krishna Landi Renzo Prv Ltd. In the course of the year ending on 31 December 2022, this joint venture significantly boosted its sales to a major Indian OEM customer, recording revenue of Euro 35.5 million and EBITDA of Euro 6.9 million.

43. TAXES

Income taxes are shown in detail below:

(Thousands of Euro)			
Taxes	**31/12/2022**	**31/12/2021**	**Change**
Current taxes	107	0	107
Deferred tax liabilities (assets)	763	302	461
Total	**870**	**302**	**568**

The effect of total taxes in the income statement at 31 December 2022 was equal to a positive Euro 870 thousand (a positive value of Euro 302 thousand at 31 December 2021). The Company did not recognise deferred tax assets on tax losses for the year 2022.

The management, assisted by its tax advisors, prepared a specific analysis aimed at verifying the recoverability of deferred tax assets, which was based on forecasts of the 2023 economic-financial budget, approved by the Board of Directors on 2 March 2023, as well as the forecasts for the years 2024-2025 included in the 2022-2025 economic-financial plan approved by the Board of Directors on 15 March 2022, and for the year 2026, which was estimated with no expectation of further growth. This analysis did not identify any problems related with the recoverability of deferred tax assets recognised in the financial statements. Furthermore, in this regard, on a prudential basis no deferred tax assets were recognised on the tax losses recorded by the Company in 2021 and in 2022.

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:

	31/12/2022		
(Thousands of Euro)	**Taxable total**	**Taxes**	**%**
Result before tax	-16,620		
Taxes calculated at the tax rate in force		-3,989	24.0%
Permanent differences			
- non-deductible costs	752	180	-1.1%
- write-downs and non-recurrent losses	5,082	2,146	-12.9%
- amortisation/depreciation without taxation	939	225	-1.4%
- share of non-taxed financial income	-596	-143	0.9%
- other non-taxable income	-412	-99	0.6%

- interest expense without deferred tax assets	2,076	498	-3.0%
- benefit from consolidation for partial remuneration of loss	-2,052	-493	3.0%
Tax loss without taxation	3,356	805	-4.8%
Total Taxes in the income statement		-870	5.2%

OTHER INFORMATION

44. 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)	31/12/2022		31/12/2021	
	Carrying amount	Fair value	Carrying amount	Fair value
Receivables and other current assets	58,673	58,673	51,470	51,470
Cash and cash equivalents	39,364	39,364	7,056	7,056
Trade payables	57,384	57,384	50,051	50,051
Financial liabilities measured at amortised cost - non-current portion	15,919	15,919	360	360
Financial liabilities measured at amortised cost - current portion	89,745	89,745	91,847	91,847

Note that the carrying amount of the loans and financing approximates their fair value at 31 December 2022, since such classes of financial instruments are indexed at the Euribor market rate.

45. 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. At 31 December 2022, the Company had provided its subsidiaries with a number of letters of patronage, in detail:

- Letters of patronage for a total of Euro 16 million for SAFE S.p.A.
- Letters of patronage for a total of around Euro 5 million for Metatron S.p.A.

46. ANALYSIS OF THE MAIN DISPUTES IN PROGRESS

At 31 December 2022, 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.

47. 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 GBD Green By Definition S.p.A., 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 (Income) from JVs measured using the equity method	Financial Assets	Financial Liabilities	Receivables	Other receivables	Payables
Gestimm S.r.l.	-	-	-	-	-	646	-	-	-	-	-	-	-	-	-	176
Krishna Landi Renzo India Priv. Ltd	2,813	1,608	18	-	110	-	-	-	-	-	596	-	-	4,214	-	255
Efi Avtosanoat	-	-	-	-	-	-	-	-	-	-	-	-	-	443	-	-
Gireimm S.r.l.	-	-	-	-	-	896	-	-	-	-	-	-	-	-	-	551
Girefin SpA	-	-	-	-	-	-	-	-	70	-	-	-	-	-	-	-
Tamburi Investment Partners	-	-	-	-	-	-	-	0	-	-	-	-	-	-	-	395
GBD Green By Definition SpA									16							
Total related parties	**2,813**	**1,608**	**18**	**0**	**110**	**1,542**	**0**	**0**	**86**	**0**	**596**	**0**	**0**	**4,657**	**0**	**1,377**
SAFE&CEC S.r.l.	-	200	-	-	-	-	-	-	-	-	-	-	-	244	-	-
SAFE SpA	-	108	-	-	-	-	-	-	-	-	-	2,000	-	76	13	35
Landi International B.V.	-	-	-	-	-	-	-	-	-	-	-	30	-	-	-	-
Landi Renzo Polska	4,955	64	-	-	1,659	-	316	2	-	-	-	-	-	5,038	-	530
Beijing Landi Renzo China	1,556	1	-	-	245	-	-	-	-	-	-	-	-	631	-	350
LR Indústria e Comércio Ltda	2,480	30	-	-	81	-	-	2	-	-	-	-	-	5,989	-	99
Landi Renzo Pars	-	-	14	-	-	-	-	1	-	-	-	888	-	402	-	52
LR PAK Pakistan	-	3	-	-	-	-	-	-	-	-	-	-	-	1,055	47	5
Landi Renzo Ro Srl	1,063	12	-	-	-	-	-	-	-	-4,536	-	-	-	2,491	-	57
Landi Renzo Usa Corp.	12	81	-	-	0	-	-	70	-	-3,121	-	-	-	2,459	-	70
Landi Renzo VE C.A.	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

AEB America	541	3	-	-	44	-	-	4	-	- 1,285	-	-	-	3,885	105	236
Lovato do Brasil Ind Com	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	10
Officine Lovato Private Ltd	-	-	-	-	-	-	-	-	-	-	-	-	-	677	-	-
Landi Renzo RUS	1,034	-	-	-	-	-	-	-	-	-	-	-	-	831	-	-
Metatron SpA	20	-	-	-	0	-	-	162	-	-	-	-	-	45	-	205
Total subsidiaries	**11,662**	**502**	**14**	**-**	**2,030**	**-**	**316**	**240**	**0**	**- 8,942**	**-**	**2,918**	**-**	**23,824**	**165**	**1,649**
Overall total	**14,475**	**2,110**	**32**	**-**	**2,140**	**1,542**	**316**	**240**	**86**	**- 8,942**	**596**	**2,918**	**-**	**28,481**	**165**	**3,026**

48. NON-RECURRING SIGNIFICANT EVENTS AND TRANSACTIONS

Pursuant to Consob communication no. 6064293 of 28 July 2006, it is stated that during 2022 no non-recurring significant events or transactions took place aside from the transactions described above.

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

Pursuant to Consob communication no. 6064293 of 28 July 2006, note that, during 2022, 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.

50. 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-*bis*, of Consob Regulation no. 11971/99 (as amended). It is therefore able to opt out from the disclosure of the information documents listed in Annex 3B to the Consob Regulation, on occasion of significant mergers, demergers, increases in capital through contribution of goods in kind, acquisitions and disposals.

51. SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

Please refer to the analysis provided in the Directors' Report.

LIST OF EQUITY INVESTMENTS IN SUBSIDIARIES AT 31/12/2022

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	Notes
LR Indústria e Comércio Ltda	Espirito Santo (Brazil)	BRL	4,320,000	-763,040	374,734	99.99%		310,971	
Landi International B.V.	Utrecht (The Netherlands)	EUR	18,151	9,335,384	77,197	100%		17,972	
Beijing Landi Renzo Autogas System Co. Ltd	Beijing (China)	USD	2,600,000	4,105,088	632,692	100%		2,057,305	
Landi Renzo Polska Sp.Zo.O.	Warsaw (Poland)	PLN	50,000	9,375,484	88,781		100% (1)	0	(1)
L.R. Pak (Pvt) Limited	Karachi (Pakistan)	PKR	75,000,000	-1,761,794	-410,873	70.00%		1	
Landi Renzo Pars Private Joint Stock Company	Tehran (Iran)	IRR	210,849,300,000	729,444	20,218	99.99%		1,263,072	
Landi Renzo RO S.r.l.	Bucharest (Romania)	RON	20,890	-6,473,594	-3,647,889	100%		0	
Landi Renzo USA Corporation	Wilmington - DE (USA)	USD	3,067,131	-15,173,162	-316,260	100%		0	
AEB America S.r.l.	Buenos Aires (Argentina)	ARS	72,681,094	-781,157	-1,526,971	96.00%		0	
Landi Renzo VE C.A.	Caracas (Venezuela)	VEF	2,035,220	0	0	100%		0	(2)
Lovato do Brasil Ind Com	Curitiba (Brazil)	BRL	100,000	0	0	100%		1	(2)
Officine Lovato Private Ltd	Mumbai (India)	INR	19,091,430	-362,943	-68,909	74.00%		1	
OOO Landi Renzo RUS	Moscow (Russia)	RUB	23,000,000	94,811	-183,041	51.00%		147,574	
Metatron S.p.A.	Castel Maggiore (Italy)	EUR	3,000,000	4,737,112	-1,983,637	100%		27,148,505	
SAFE&CEC S.r.l.	San Giovanni in Persiceto (BO) ITALY	EUR	2,510,000	46,313,354	623,380	51.00%		24,225,000	

(1) held by Landi International B.V.

(2) not consolidated as a result of their irrelevance

In compliance with the express provisions of the Consob Issuer Regulations - Article 149 duodecies - payments, stated in the Company's 2022 Income Statement, made for services rendered by the Auditing firm, and by entities belonging to its network, to the companies belonging to the Company are listed below.

Type of Services	Subject who provided the service	Remuneration 2022
Auditing	PricewaterhouseCoopers S.p.A.	184
Other services	PricewaterhouseCoopers S.p.A. and Companies belonging to the PWC network	51

RELATIONS WITH COMPANY DIRECTORS, 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 Auditors in 2022, and the equity investments held by them in the year are shown in the table attached to the "Report on Remuneration", which will be provided to the shareholders' meeting called to approve the Financial Statements at 31 December 2022.

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 2022;
- to propose to the Shareholders' Meeting that they approve the coverage of Landi Renzo S.p.A.'s losses for the year, totalling Euro 15,749,826.46, by using the share premium reserve, which will be reduced to Euro 51,368,236.59.

Cavriago (Reggio Emilia), 14 March 2023

For the Board of Directors

The Chairman

Stefano Landi

Annex 1

Consolidated Income Statement at 31 December 2022, 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		31/12/2022	of which transactions with related parties	Weight %	31/12/2021	of which transactions with related parties	Weight %
Revenues from sales and services	31	144,036,240	16,584,309	11.5%	131,455,029	13,777,577	10.5%
Other revenues and income	32	33,652	-	0.0%	1,284,814	700,470	54.5%
Cost of raw materials, consumables and goods and change in inventories	33	- 86,079,188	-2,139,384	2.5%	-79,199,597	1,938,469	-2.4%
Costs for services and use of third-party assets	34	- 30,943,567	-2,177,412	5.5%	-27,612,589	1,632,403	-5.9%
Personnel costs	35	- 17,883,047			-18,020,224		
Allocations, write-downs and other operating expenses	36	- 2,614,557			-2,317,702		
Gross operating profit		**6,549,533**			**5,589,731**		
Amortisation, depreciation and impairment	37	- 11,267,998			-11,709,611		
Net operating profit		**- 4,718,465**			**-6,119,880**		
Financial income	38	1,080,659	32,000	3.0%	104,623	-24,625	-23.5%
Financial expenses	39	- 5,541,762			-3,173,620		
Exchange gains (losses)	40	905,054			981,504		
Income (expenses) from equity investments	41	- 8,941,603	-8,941,603	100.0%	-1,748,965	-1,748,965	100.0%
Profit (loss) attributable to equity investments measured using the equity method	42	596,066	596,066	100.0%	523,190	523,190	100.0%
Profit (loss) before tax		**- 16,620,051**			**-9,433,148**		
Taxes	43	870,225			302,245		
Profit (loss) for the year		**- 15,749,826**			**-9,130,903**		

Annex 2

Statement of Financial Position at 31 December 2022, 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	31/12/2022	of which transactions with related parties	Weight %	31/12/2021	of which transactions with related parties	Weight %
Non-current assets							
Land, property, plant, machinery and other equipment	2	8,668,411			9,692,899		
Development costs	3	8,037,197			8,869,349		
Goodwill	4	30,094,311			30,094,311		
Other intangible assets with finite useful lives	5	7,081,928			8,639,914		
Right-of-use assets	6	4,589,549			2,481,532		
Equity investments in subsidiaries	7	55,170,403			55,574,764		
Equity investments in associates and joint ventures	8	2,496,458			2,028,140		
Other non-current financial assets	9	964,329	917,500	95.1%	925,874	917,500	99.1%
Other non-current assets	10	1,710,000			2,280,000		
Deferred tax assets	11	11,551,897			11,452,050		
Non-current assets for derivative financial instruments	12	37,335			0		
Total non-current assets		**130,401,818**			**132,038,833**		
Current assets							
Trade receivables	13	27,772,077	4,657,167	20.5%	27,768,652	2,819,405	10.2%
Receivables from subsidiaries	14	23,989,668	23,823,517	99.3%	18,696,904	18,696,904	100.0 %
Inventories	15	42,602,777			34,492,838		
Other receivables and current assets	16	6,911,261	164,926	2.4%	5,004,287		
Other current financial assets	17	2,000,000	2,000,000	100.0%	-		
Current assets for derivative financial instruments	12	407,443			-		
Cash and cash equivalents	18	39,363,664			7,055,840		
Total current assets		**143,046,890**			**93,018,521**		
TOTAL ASSETS		**273,448,708**			**225,057,354**		

SHAREHOLDERS' EQUITY AND LIABILITIES	Notes	31/12/2022	of which transactions with related parties	Weight %	31/12/2021	of which transactions with related parties	Weight %
Shareholders' equity							
Share capital	19	22,500,000			11,250,000		
Other reserves	19	79,223,860			40,637,158		
Profit (loss) for the period	19	-15,749,826			-9,130,903		
TOTAL SHAREHOLDERS' EQUITY		**85,974,034**			**42,756,255**		
Non-current liabilities							
Other non-current financial liabilities	20	15,918,684			360,000		
Non-current liabilities for rights of use	21	2,922,470			1,372,967		
Provisions for risks and charges	22	13,357,997	10,842,456	81.2%	5,760,190	3,186,490	55.3%
Defined benefit plans for employees	23	948,443			1,298,127		
Liabilities for derivative financial instruments	12	0			96,386		
Total non-current liabilities		**33,147,594**			**8,887,670**		
Current liabilities							
Bank financing and short-term loans	24	85,958,688			91,847,372		
Other current financial liabilities	25	3,786,244			0		
Current liabilities for rights of use	26	1,675,352			1,222,008		
Trade payables	27	55,463,727	1,106,731	2%	47,022,574	1,252,136	2.7%
Payables to subsidiaries	28	1,919,630	1,919,630	100%	3,028,357	3,028,357	100.0%
Tax liabilities	29	984,002			886,760		
Other current liabilities	30	4,539,437			29,406,358		
Total current liabilities		**154,327,080**			**173,413,429**		
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**273,448,708**			**225,057,354**		

LANDIRENZO

Certification on the separate financial statements pursuant to art. 154-bis of Legislative Decree 58/98

The undersigned Cristiano Musi, Chief Executive Officer, and Vittorio Tavanti, 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 24 February 1998:

- the adequacy in relation to the relative corporate characteristics, and
- the effective application of the administrative and accounting procedures for the preparation of the separate financial statements during the course of 2022.

In addition, the undersigned state:

- that the separate financial statements at 31 December 2022:
  a) 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 19 July 2002;
  b) correspond to the results in the accounting books and records;
  c) are suitable to give a true and correct representation of the assets, liabilities, economic and financial position of the issuer.
- 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 are exposed.

Cavriago, 14 March 2023

CEO

Cristiano Musi

The Officer in Charge
of preparing the corporate financial
statements
Vittorio Tavanti

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ISO/TS 16949 BUREAU VERITAS Certification

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 2022, 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 the Company as of 31 December 2022 and of the result of its operations and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No. 38/05.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of this report. We are independent of Landi Renzo SpA pursuant to the regulations and standards on ethics and independence applicable to audits of financial statements under Italian law. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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.

PricewaterhouseCoopers SpA

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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 2022 the book values of goodwill recognised in the financial statements amounts to Euro 30.1 million and did not change during fiscal year 2022. The aforementioned goodwill is attributable in full to the cash generating unit (hereinafter also "CGU") "Green Transportation" (formerly "Automotive" CGU). The Company is required to verify, at least annually, the recoverability of the goodwill recognised in the financial statements. The recoverability of the goodwill 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 that the economic-financial forecasts represent a particularly sensitive parameter for determining the recoverable amount of the CGU to which the goodwill has been allocated, as it is linked to future and uncertain events. The directors prepared a new Group economic-financial Budget for the year 2023, approved by the Board of Directors on 2 March 2023, and considered as still valid the forecasts for the years after 2023 included in the Group economic-financial plan prepared for the period 2022-2025 and approved by the Board of Directors on 15 March 2022. The valuation models underlying the determination of the recoverable amounts (value in use) of the CGU to which the goodwill has been allocated have been prepared with the support of an external advisor and are based on complex valuations 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 to which the goodwill has been allocated and the assumptions included in those models are influenced by future market conditions, as regards	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 to which the goodwill has been allocated, approved by the Board of Directors on 2 March 2023, 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. We verified the reasonableness of the discount rate and perpetuity growth rate in relation to the valuation practices usually adopted by companies belonging to the industry in which Landi Renzo SpA operates. We also verified that the cash flows included in the valuation models were consistent with those included in economic-financial forecasts approved by the Board of Directors of Landi Renzo SpA. We also 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 PwC network experts in the "Automotive" segment, 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

the expected cash flows, the perpetuity growth rate and the discount rate.	recoverable amounts of the CGU to which the goodwill has been allocated, the results of the valuations performed and with reference to the *"sensitivity analysis"* performed by the Company.

Recoverability of deferred tax assets

See note 11 "Deferred tax assets" and the paragraph "Accounting standards and valuation criteria" of the explanatory notes.

Deferred tax assets recognised in the financial statements as of 31 December 2022 amount to Euro 13.1 million, partially offset by deferred tax liabilities equal to Euro 1.6 million, giving a net deferred tax asset equal to Euro 11.5 million. Deferred tax assets relate for Euro 3.9 million to temporary differences between the book values of assets and liabilities recognised in the financial statements and their tax values and for Euro 9.2 million to prior tax losses. The recoverability of deferred tax assets were considered a key audit matter for the purpose of the statutory audit of the financial statements in consideration of the significant impact of this caption on the statement of the financial position 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 existence of future taxable income of the companies included in the scope of the fiscal consolidation of the Landi Renzo Group and, therefore, to the feasibility of the economic-financial forecasts, taking into account the current context of uncertainty which characterizes the markets.	Our audit procedures preliminarily included the understanding and evaluating of 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, also involving PwC network tax experts. We obtained the analysis performed by the Company on the recoverability of deferred tax which was based on the forecasts of the 2023 economic-financial budget, on the forecasts for the years 2024-2025, deriving from the 2022-2025 economic-financial plan, and for the year 2026, which has been estimated without forecasting further growth. We verified the reasonableness of the net results included in the above-mentioned forecasts through interviews with Company's management and through the involvement of PwC network experts in the "Automotive" segment, who supported us in the critical analysis of the reasonableness of the expectations included in the Company's forecasts. Finally, we verified the disclosures provided by the Company in the financial statements about the elements supporting the recoverability of deferred tax assets.

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Valuation of investment in SAFE&CEC Srl and Metraton SpA

See notes 7 "Equity investments in subsidiaries" and 41 "Income (expenses) from joint ventures measured using the equity method" of the explanatory notes.

As at December 31, 2022, the "Equity investments in subsidiaries" amounted to 55.2 and includes Euro 24.2 million relating to the investment held in SAFE&CEC Srl and Euro 27.1 million relating to the investment in Metatron SpA.

In this context, the Company has verified the presence of impairment indicators, if any, that may give rise to doubts about the recoverability of the value of the equity investments and therefore request the preparation of impairment tests.

This aspect 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 the financial position of Landi Renzo SpA, as well as for the complexity of the process of assessing the recoverable value of the investments related to the feasibility of the economic-financial forecasts, taking into account the current context of uncertainty that characterizes the markets.

In this context, for the purpose of analyzing the possible presence of impairment indicators with reference to the investment in SAFE&CEC Srl, the directors of Landi Renzo SpA requested and obtained from the management of SAFE&CEC Srl the following documentation: (i) the consolidated financial statements as at 31 December 2022 of SAFE&CEC Srl and (ii) the impairment test (discounting cash flow method) on the goodwill recorded in the aforementioned consolidated financial statements of SAFE&CEC Srl as at 31 December 2022, prepared with the support of a external advisor. Following the analysis of these documents, as well as the other information in their possession, the directors have not identified any impairment indicators with reference to the book value of the investment in SAFE&CEC Srl in the financial statements.

The audit approach preliminarily consisted of understanding and evaluating of the analysis carried out by the Company about to verify the recoverable value of the equity investments.

With reference to the impairment test on the goodwill recorded in the aforementioned consolidated financial statements of SAFE&CEC Srl as at 31 December 2022, prepared by the directors of SAFE&CEC Srl, we verified the reasonableness of the methods adopted and the main assumptions reflected in the valuation model, 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 normally adopted for companies belonging to the industry in which SAFE&CEC Srl operates.
We also verified that the cash flows included in the valuation models were consistent with those included in economic-financial forecasts prepared by the Directors.
We also analysed the reasonableness of the estimated future cash flows through interviews with the management of Landi Renzo SpA, of SAFE&CEC Srl and with the external advisor engaged by the directors of SAFE&CEC Srl, also through the involvement involvement of PwC network experts in the "Automotive" segment, who supported us in the critical analysis of the reasonableness of the economic-financial forecasts.
With reference to the equity investment held in Metatron SpA, we verified the reasonableness of the methods adopted and the main assumptions reflected in the

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With reference to the investment held in Metatron SpA, the directors of Landi Renzo SpA believe that the economic-financial performance of the subsidiary for the year 2022 represents a potential impairment indicator. This investment was therefore subjected to a specific impairment test by the management of Landi Renzo SpA, prepared with the support of an external advisor, which was approved by the Company's Board of Directors on 14 March 2023 and which did not reveal any impairment losses as at 31 December 2022.

impairment test valuation model (market multiples method) prepared by the directors of Landi Renzo SpA with the support of the appointed external advisor, also involving PwC network valuation experts. In particular, we verified the reasonableness of the market multiples applied with respect to the valuation practices normally adopted for companies belonging to industry in which Metatron SpA operates and of the assumptions used by management for the purposes of the calculations used to determine the fair value.

Finally, for both the equity investments held in SAFE&CEC Srl and Metratron SpA, we verified the information provided by the Company in the financial statements relating to the analysis carried out that have not identified any impairment losses.

Financial Covenants as at 31 December 2022

See notes 24 "Bank financing and short-term loans" and "General criteria for preparation of the separate financial statements and declaration of conformity – Going concern".

The current portion of loans and financing at 31 December 2022 is equal to approximately Euro 86 million and includes approximately Euro 73 million due to the reclassification of all remaining debt for medium/long-term loans as at 31 December 2022 to bank financing and short-term loans.
The directors considered appropriate this presentation in the financial statements as, with reference to the failure to comply with the "financial covenants" in place on the main loans at 31 December 2022, the financial institutions issued "waiver letters" after the end of the current financial year.
Furthermore, in the aforementioned "waiver letters", the financial institutions gave their consent to a slight "reset" of the calculation parameters of the financial covenants as at 30 June 2023.
The directors prepared a new Group economic-financial budget for the year 2023, approved by the Board of Directors on 2 March 2023, and considered as still valid the forecasts for the years

The audit procedures carried out included an understanding of the process adopted by the Company in preparing the Budget 2023, approved by the Board of Directors on March 2, 2023, and in estimating expected cash flows.
In particular, we analysed the prospetive cash flows and the basis of the main assumptions underlying them, through interviews with the Company's management, through the involvement of PwC network experts in the "Automotive" segment, who supported us in the critical analysis of the reasonableness of the above-mentioned economic-financial forecasts.
We also analysed the events that occurred in 2022 and after the closing date of the separate financial statements that provide information useful for the assessment of the financial situation of the Company and of the

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after 2023 included in the Group economic-financial plan prepared for the period 2022-2025 and approved by the Board of Directors on 15 March 2022.
In this context and with reference to the financial solidity of the Company, the directors have also provided extensive information in the explanatory notes regarding the obtaining of the aforementioned "waiver letters", as well as the capital increase operation which took place in September 2022 for a total amount of approximately Euro 59 million and have consequently prepared the separate financial statements on a going-concern basis.
In consideration of the above, we considered as key audit matter the verification of the consequences of the failure to comply with "financial covenants" as at 31 December 2022 and the obtaining of the "waiver letters" after the closing date of the financial year.

Group Landi Renzo. In particular, we have verified and obtained audit evidence in relation to the followings:

- signing by Landi Renzo SpA in March 2022 of a new loan agreement with Invitalia SpA (National Agency for the Attraction of Investments and Business Development SpA) for a value of Euro 19.5 million;
- signing by Landi Renzo SpA in June 2022 of two new loan agreements, for a total amount of Euro 73 million, aimed at replacing the loan agreement with SACE guarantee and at extinguishing the pool loan agreement previously in place;
- the capital increase of Landi Renzo SpA, concluded in September 2022 for a total amount of approximately Euro 59 million;
- "waiver letters" issued by financial institutions in March 2023 and the situation of credit lines, also by obtaining data and information directly from financial institutions through the bank confirmation procedures.

We verified the completeness and adequacy of the information provided in the explanatory notes in relation to the going concern, the events that occurred in 2022 and after the reporting date of 31 December 2022 and in relation to the correct presentation in the financial statements of current payables to banks.

Responsibilities of the Directors and the Board of Statutory Auditors for the Financial Statements

The directors are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No. 38/05 and, in the terms prescribed by law, for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The directors are responsible for assessing the Company's ability to continue as a going concern and, in preparing the financial statements, for the appropriate application of the going concern basis of accounting, and for disclosing matters related to going concern. In preparing the financial statements, the directors use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The board of statutory auditors is responsible for overseeing, in the terms prescribed by law, the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit conducted in accordance with International Standards on Auditing (ISA Italia), we exercised our professional judgement and maintained professional scepticism throughout the audit. Furthermore:

- We identified and assessed the risks of material misstatement of the financial statements, whether due to fraud or error; we designed and performed audit procedures responsive to those risks; we obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- We obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;
- We evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;
- We concluded on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern;
- We evaluated the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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We have performed the procedures specified in auditing standard (SA Italia) No. 700B in order to express an opinion on the compliance of the financial statements with the provisions of the Commission Delegated Regulation.

We communicated with those charged with governance, identified at an appropriate level as required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identified during our audit.

We also provided those charged with governance with a statement that we complied with the regulations and standards on ethics and independence applicable under Italian law and communicated with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determined those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We described these matters in our auditor's report.

Additional Disclosures required by Article 10 of Regulation (EU) No 537/2014

On 29 April 2016, the shareholders of Landi Renzo SpA in general meeting engaged us to perform the statutory audit of the Company's and the consolidated financial statements for the years ending 31 December 2016 to 31 December 2024.

We declare that we did not provide any prohibited non-audit services referred to in article 5, paragraph 1, of Regulation (EU) No. 537/2014 and that we remained independent of the Company in conducting the statutory audit.

We confirm that the opinion on the financial statements expressed in this report is consistent with the additional report to the board of statutory auditors, in its capacity as audit committee, prepared pursuant to article 11 of the aforementioned Regulation.

Report on Compliance with other Laws and Regulations

Opinion on compliance with the provisions of Commission Delegated Regulation (EU) 2019/815

The directors of Landi Renzo SpA are responsible for the application of the provisions of Commission Delegated Regulation (EU) 2019/815 concerning regulatory technical standards on the specification of a single electronic reporting format (ESEF - European Single Electronic Format) (hereinafter, the "Commission Delegated Regulation") to the financial statements as of 31 December 2022, to be included in the annual report.

In our opinion, the financial statements have been prepared in XHTML format in compliance with the provisions of the Commission Delegated Regulation.

Opinion in accordance with Article 14, paragraph 2, letter e), of Legislative Decree No. 39/2010 and Article 123-bis, paragraph 4, of Legislative Decree No. 58/1998

The directors of Landi Renzo SpA are responsible for preparing a report on operations and a report on the corporate governance and ownership structure of the Company as of 31 December 2022, 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 2022 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 2022 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 2023

PricewaterhouseCoopers SpA

Signed by

Nicola Madureri
(Partner)

This independent auditor's report has been translated into the English language solely for the convenience of international readers. Accordingly, only the original text in Italian language is authoritative.

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 2022, 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 2022 for three financial years and up to approval of the financial statements for the year ending 31 December 2024.
On 29 April 2022, the Board of Directors, in the first meeting following its appointment, gave a positive evaluation of the independence of the board directors Sara Fornasiero, Pamela Morassi and Anna Maria Artoni, with reference to Article 148, paragraph 3 of the TUF, as referred to in Article 147-*ter,* paragraph 4 of the TUF, and Article 2 of the Corporate Governance Code for listed companies (hereinafter the "Corporate Governance Code").
Subsequently, in the meeting of 24 March 2023, the Board of Directors confirmed that the above directors met the requirements for independence. At that time, the Board of Statutory Auditors confirmed the proper application of the qualitative and quantitative criteria to be used to evaluate the significance of the relevant circumstances pursuant to the Corporate Governance Code for the evaluation of director independence, as set forth in Recommendation no. 7 of the above-mentioned Code, identified by the Board of Directors at its meeting held on 15 March 2021.
The Board of Statutory Auditors also acknowledged the mainly positive outcomes of the self-appraisal process undertaken by the Board of Directors in the meeting of 24 March 2023, regarding the size, composition and modus operandi of the Board of Directors and the board 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 2022 for three financial years and up to approval of the financial statements for the year ending 31 December 2024.
On 29 April 2022, 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 Recommendation no. 7 of the Corporate Governance Code.
Subsequently, on 24 March 2023, it confirmed that the above requirements had been met, also pursuant to Recommendation no. 7 of the Corporate Governance Code; 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 10 (ten) times during 2022, in the great majority of the cases through conference calls and video conferences, 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, Risks and Sustainability Committee, the Committee for Transactions with Related Parties and the Appointments and Remuneration Committee, and in the meetings of the Independent Directors.

3. *Compliance with the Corporate Governance Code*

As the Company adopted the Corporate Governance Code on 15 March 2021, 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 acknowledged that the Control, Risks and Sustainability Committee and the Appointments and Remuneration Committee and the Board of Directors, on 24 March 2023, had reviewed the letter sent by the Chairman of the Committee for Corporate Governance on 25 January 2023 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 participated, in its previous composition, in the Shareholders' Meeting of 29 April 2022 which, (i) approved the financial statements as at 31 December 2021 and the proposed allocation of the profit for the year; (ii) appointed the Board of Directors; (iii) appointed the board of statutory auditors; (iv) approved the first section of the remuneration report and expressed its opinion in favour of the second section of that report; (v) approved the medium/long-term incentive plan based on the assignment of ordinary shares of the Company; and (vi) approved the proposal to authorise the Board of Directors to increase the share capital up to a maximum equivalent value of Euro 60 million; to this end, please recall that pursuant to Article 106, paragraph 4, of decree law no 18 of 17 March 2020, as most recently extended by Decree Law 228/2021, converted by Law 15/2022, participation in the above-mentioned shareholders' meeting was permitted exclusively through the Company's appointed representative;

- it took part in the meetings of the Board of Directors held during 2022, 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, Risks and Sustainability Committee, the Committee for Transactions with Related Parties and the Appointments and Remuneration Committee, and in the meetings of the Independent Directors;
- it met the Supervisory Body, also during meetings of the Control, Risks and Sustainability 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-quater of the Issuers' Regulation;
- 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 supervised the impairment testing process 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 2022 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 published Quarterly Reports 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.

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*

With respect to Related-Party Transactions, the Board of Statutory Auditors, in its previous composition, monitored the application of the RPT Procedure during the disbursement by the parent company Girefin S.p.A. of a shareholder loan, which was necessary to meet the Metatron S.p.A. acquisition obligations.
In its current composition, the Board of Statutory Auditors also monitored the involvement of the Committee for Transactions with Related Parties (i) in the transaction for the placement with the parent company GBD Green by Definitions S.p.A. of the remaining newly issued ordinary shares resulting from the share capital increase carried out during the year, as well as (ii) in the process for determining the quantities of units to be assigned to the Performance Share Plan beneficiaries.
During the year, the Board of Statutory Auditors did not identify other atypical or unusual transactions with Group companies, third parties or with other related parties.
During 2022 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 2022 are presented in the "*Consolidated Statement of Financial Position at 31 December 2022, 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 2022, 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 2022, 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 30 June 2021 in compliance with regulatory provisions in force.

The Board of Statutory Auditors reviewed the Procedure, establishing its conformity to Consob Regulation no. 17221 of 12 March 2010, as amended, in particular by Consob resolution no. 21624 of 10 December 2020.

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 2022 for audit services, inclusive of the additional auditing activities and services during the share capital increase transaction, totalling Euro 415,193, of which Euro 95,000 for activities connected to the share capital increase, and Euro 44,000 for additional non-recurring auditing fees and ESEF tagging, confirming that no other services apart from audit services had been provided, hereinafter also referred to a: 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 2023 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 2022, and on the Half-Yearly Financial Report at 30 June 2022 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, Risks and Sustainability 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, Risks and Sustainability Committee 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, 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, while in any event recommending the continuation in the course of the year of the process undertaken in 2022 of strengthening the organisational structure, an element

deemed appropriate to allow for the full integration of the recently acquired companies, also based on the expansion of the group scope.

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 2022, 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 2022, 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) in the course of 2022, the Board of Statutory Auditors issued its opinion in relation to the appointment of the Financial Reporting Officer and, subsequently, his replacement;
e) during the year it monitored the application of the audit plan, meeting with the head of internal audit on multiple occasions, expressing its opinion in favour of the audit plan for the year 2023;
f) it gave an opinion on decisions in the remit of the Board of Directors, in relation to 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 2022, please note:

- The finalisation, in multiple phases, of the acquisition of 100% of Metatron S.p.A.;
- the acquisition by the subsidiary Safe S.p.A. of Idro Meccanica S.r.l.;
- the approval of a new Business Plan for the 2022-2025 period;
- the disbursement by Invitalia of a new Euro 19.5 million loan drawn from the Fund Supporting Large Companies in difficulty - Decree-Law 41/2021;
- the signing of an investment agreement between the majority shareholders of the Company, Girefin S.p.A. and Gireimm S.r.l, with Itaca Equity Holding S.p.A., to be executed through a newly established company (GdB Green by Definition S.p.A.);
- the finalisation of a paid share capital increase transaction for a total of Euro 59,625,000 million, of which 11,250,000 for share capital and Euro 48,375,000 for the share premium;
- two new loan agreements taken out from a pool of lending banks, for a total sum of Euro 73 million, one of which with the SACE guarantee, and the extinguishing of the pool loan agreements previously in place;
- the cyber attack (Ransomware), to which the Company was subjected in October 2022, which entailed the temporary unavailability of all business systems and all systems of the group companies that used them;
- the approval by the Shareholders' meeting of a 2022-2024 Performance Share Plan, as well as the subsequent approval by the Board of Directors of the plan Regulation, the identification of KPIs and the identification of the Plan beneficiaries.

Based on the information provided by the Company and the data acquired from the above operations, the Board of Statutory Auditors established their conformity to law, to the memorandum of association and to principles of proper administration, ensuring that the operations were 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 2022, to which reference is made for further details.

In particular, please note:

- the completion of the transaction for the acquisition of 100% of Idro Meccanica S.r.l.;
- the approval on 2 March 2023 of the 2023 budget, which, taking into account economic trends emerging in 2022, confirms the strategic development guidelines already set forth in the strategic plan;
- the issue, on 13 March 2023, by the lending credit institutions of waiver letters with respect to the reporting of financial covenants as at 31 December 2022.

12. *Report of the Independent Auditors and related obligations of the Board of Statutory Auditors*

On 30 March 2023 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 2022 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 separate and consolidated financial statements were prepared in XHTML format (and, limited to the consolidated financial statements, were marked up in all significant aspects), in compliance with the provisions of Delegated Regulation (EU) 2019/815.

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 consolidated financial statements of Landi Renzo S.p.A., were a) the recoverability of the value of goodwill; b) the recoverability of receivables for deferred tax assets and c) the financial covenants as at 31 December 2022 while, as concerns the separate financial statements of Landi Renzo S.p.A., a) the recoverability of the value of goodwill, b) the recoverability of receivables for deferred tax assets, c) the measurement of the investments in Safe & Cec S.r.l. and Metatron S.p.A. and d) the financial covenants as at 31 December 2022.

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 2022 Non-Financial Statement for the Landi Renzo Group.

The Board of Statutory Auditors therefore acknowledged the absence of findings in the above-mentioned reports, as well as the emphasis of matter paragraph contained in the 2022 Consolidated Financial Statements, concerning the "General information and significant events during the year - General information" section of the notes to the financial statements, regarding the restatement of some comparative data relating to the previous year, with respect to the data previously presented, following the completion of the Metatron Group purchase price allocation process.

Moreover, on 30 March 2023 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 2022, 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

As part of its activities and 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 2022 or coverage of the loss of Euro 15,749,826.46 by using the Share Premium Reserve in full, made by the Board of Directors to the Shareholders' Meeting.

Cavriago (Reggio Emilia), 30 March 2023

Fabio Zucchetti, Chairman of the Board of Statutory Auditors

Diana Rizzo, Statutory Auditor

Luca Aurelio Guarna, Statutory Auditor