

LANDI RENZO S.P.A.

REPORT OF THE BOARD OF STATUTORY AUDITORS TO THE SHAREHOLDERS' MEETING

Fiscal year ended on 31 December 2018
(article 153 of Legislative Decree 58/1998)

Dear Shareholders,

We report to you on the activity performed by the Board of Statutory Auditors of Landi Renzo S.p.A. (hereinafter "Landi Renzo" or "Company") during the fiscal year ended on 31 December 2018.

The Company's shares are listed on Borsa Italiana's MTA - STAR segment.

PWC S.p.A. was appointed to perform the independent audit.

Activities performed

- a) We performed the supervision activity established in article 149 of Legislative Decree 58/1998 (hereinafter TUF - Finance Consolidation Act) and other applicable legal and regulatory provisions, also taking into account the principles of conduct recommended by the National Association of Certified Accountants and accounting experts.
- b) We participated in all Board of Directors meetings (held 7 times in 2018) during which we were appropriately informed, with the frequency established by law and the articles of association, regarding the activity performed by the directors and in relation to the most relevant operations conducted by the Company and its subsidiaries. In these meetings, we ascertained that the resolutions passed and the operations actually performed complied with the law and the articles of association, as well as proper management principles.
- c) We ascertained the appropriateness of the organizational and administrative/accounting structure and the internal control system by meeting with various corporate department heads. During our meetings (n. 12 in 2018) we have maintained an ongoing flow of information with the Audit firm managers, the Officer in charge of preparing the corporate financial statements, the Internal audit function, the Control and risks committee and the members of the Board of Statutory Auditors of the Italian subsidiaries, also thanks to the presence of a member of our Board in them.
- d) We participated to meetings of the Control and Risks Committee (held 6 times in 2018), of the Remuneration Committee (held 4 times in 2018) and of the Committee for transactions with related parties (held 2 times in 2018). We also were in contact with members of the Supervisory Board, established in accordance with Legislative Decree 231/2001.

- e) We verified implementation of the corporate governance rules established by the Corporate Governance Code, to which the Company is bound to comply, since it is listed in the STAR segment.
- f) We ascertained the appropriateness of provisions imposed upon subsidiaries pursuant to article 114, paragraph 2, of the TUF.
- g) During the 2018 fiscal year, the Board of Statutory Auditors issued mandatory opinions in accordance with article 2389, paragraph 3, of the Civil Code and issued an opinion as required by the Corporate Governance Code.
- h) In our capacity as Internal Control and Audit Committee (article 19 of Legislative Decree 39/2010), we performed ongoing supervision, also with meetings with Audit firms, the Officer in charge of preparing the corporate financial statements, and various corporate department managers, on the financial reporting process, the effectiveness of internal control, internal audit and risk management systems, the independent audit activities of annual and consolidated financial statements, as well as the independence of the Audit firm. We also acknowledge timely receipt of the supplemental report of the audit firm and in accordance with article 19 indicated above, then forwarded it to the Board of Directors, with no observations.
- i) With regard to the non-financial consolidated report our role was that of summary oversight of non-financial reporting systems and processing within the context of controlling proper management. The Board of Statutory Auditors acknowledges that the above-mentioned declaration is included in the Management Report as provided in article 5, paragraph 1, letter a) of Legislative Decree 254/2016.

Indications and information

Based upon the activity described in the previous paragraph, we can confirm the following:

1. The most relevant economic, financial and equity operations performed by the Company, comprehensively described in the Management Report, were shown to be compliant with the law, the articles of association and the resolutions of the shareholders' meeting. They were not imprudent, random or such as to compromise the integrity of the company assets. In particular, these operations include the following:
 - On 20 June 2018, the Board of Directors of Landi Renzo S.p.A. approved project of merger by incorporation of the wholly owned company Emmegas S.r.l., finalized by

public act on 30 October 2018 in the presence of Notary Giuseppe Chiantera. The transaction falls within the scope of the Landi Renzo Group 2018-2022 Strategic Plan, with continuation of the policy of improved efficiency, streamlining, and simplification of production flows and processes, allowing synergies to be achieved as well as a reduction in overall costs;

- In line with the provisions of the Financial Optimisation Agreement, on 2 July 2018 Landi Renzo S.p.A. paid the holders of the debenture loan an overall additional amount of Euro 1,061 thousand (equal to 26.13% of the net income exceeding Euro 3 million) and the lending banks an overall amount of Euro 969 thousand (23.87% of the net income exceeding Euro 3 million), drawn from the last instalment provided for by the respective repayment schedules;
- On 28 December 2018, the Meeting of Bondholders for the “LANDI RENZO 6.10% 2015-2022” loan, ISIN IT0005107237, under the chairmanship of Stefano Landi and in the presence of Notary Giuseppe Chiantera, unanimously approved the Board of Directors' proposal regarding amendments to the Debenture Loan Regulations in order to postpone from 31 December 2018 to 31 December 2019 the deadline by which to propose to the Company’s shareholders’ meeting the approval of a capital increase. The resolution took effect immediately, as the lending banks had already released their waiver.

2. The Board of Statutory Auditors did not find the operations to be atypical or unusual, performed with third parties or with group companies or affiliated parties. Ordinary operations, both intercompany and with affiliated parties, are appropriately described in the Notes to the consolidated financial statements and the Notes to the separate financial statements, to which we refer.
3. The Board did not receive any reports during the year pursuant to art. 2408 c.c. nor instances.
4. The fees recognized in 2018 for the statutory audit of the financial statements of the parent company and of the consolidated financial statements amount to Euro 191 thousand and Euro 27 thousand respectively. To the audit firm PWC were also agreed fees for the tax return forms and consulting provided for Euro 31 thousand. The aforementioned services have been previously authorized by the Board of Statutory Auditors pursuant to art. 4 and 5 of Regulation (EU) n. 537/2014. In this regard, the Company adopted in 2018 a procedure for the assignment of engagements to the Audit firm and its network.

5. Likewise, no relevant aspect emerged in contacts with the Supervisory Board regarding the progress of the respective control activities. The semi-annual reports prepared by said Board did not mention any objectionable facts or violations of the Organizational Model pursuant to Legislative Decree 231/2001. The Model is updated on an ongoing basis in order to take into account regulatory changes.
6. Our control and supervision activity showed compliance with the principles of proper administration.
7. We believe that the Company's organizational structure is appropriate in relation to its size and activities performed. The Company has kept the internal control system efficient, based upon the indications from the Control and Risks Committee and the Supervisory Board. We believe that Landi Renzo's internal control system is appropriate for the Company's size and activities. After Mr. Gardani resigned, in the meeting held on 20 June 2018 – based on the proposal of the Executive Director responsible for supervising the functionality of the internal control system and subject to the prior favorable opinion of the Control and risks committee and having consulted the Board of Statutory Auditors - the Board of Directors appointed Mr. Filippo Alliney as Head of the Internal Audit function, stating that he is not responsible for any operational area and does not report hierarchically to any operating area manager, including the administration, finance and control area. Furthermore, the Board of Directors and the Board of Statutory Auditors of the Company, which expires with the approval of the financial statements as at 31 December 2018, must be appointed by the Shareholders' Meeting at the next meeting for the three-year period 2019-2021.
8. We believe that Landi Renzo's administrative/accounting system is appropriate and reliable to properly represent management events.
9. On 29 March 2018, the audit firm PWC S.p.A. issued its reports on the consolidated financial statements and the separate financial statements, without any significant indication or emphasis of matter paragraph. On the same date, were issued the report on non-financial consolidated report pursuant to art. 3, paragraph 10, of Legislative Decree 30 December 2016, n. 254 and of the art. 5 Consob Regulation n. 20267, the Supplemental Report provided by Legislative Decree n. 135/2016 as well as the report as established in article 19, paragraph 4, of said Legislative Decree 39/2010 that confirms that the Audit firm maintained the independence requirements and had no reason for incompatibility throughout 2018.

10. In contacts and exchanges of information with audit firm managers and members of the control bodies of the Italian subsidiaries, no significant aspects emerged that require reporting to shareholders.
11. In accordance with article 19 of Legislative Decree 39//2010, the Board of Statutory Auditors, in its capacity as Internal Control and Audit Committee, ascertained that there are no significant shortcomings in the internal control system in relation to the financial reporting process. In particular, this Board, based upon the activity performed during the year and based upon information obtained from the audit firm, believes that the independent audit procedure and activity on the separate and consolidated financial statements are appropriate. The statutory auditors also acknowledged that the financial reporting process was performed properly, the interim reports were prepared and made public in timely manner as required by law, and the procedures adopted for preparing them are appropriate.
12. The Company regularly performed the requirements of article 36 of CONSOB Regulation 16191/2007 regarding accounting documentation for subsidiaries outside of the EU included in the consolidated financial statements with significant relevance.
13. The Company has implemented appropriate procedures, considered adequate by the Board of Statutory Auditors, for gathering information from the subsidiaries that must be made public in accordance with article 114 of the TUF.
14. In regard to the Corporate Governance Code, the Company complies with indications regarding the number of independent directors and has established the Control and Risks Committee and the Remuneration Committee. No Appointment Committee was established.
15. During 2018, the Board of Statutory Auditors examined and considered appropriate the procedures adopted by the Board of Directors to verify that the two independent directors continued to meet the requirements.
During 2018, we also verified that the members of the Board of Statutory Auditors met and continued to meet said requirements.
16. During 2018, all members of the Board of Statutory Auditors complied with, and continue to comply with, the requirements on cumulative duties contained in article 148-bis, paragraph 2 of the TUF and articles 144-duodecies et seq. of the CONSOB Issuer Regulation, also taking into consideration the provisions established in CONSOB resolution no. 18079/2012.
17. Supervision activity did not show any event to be mentioned in our report to the shareholders' meeting.

18. With regard to the draft of the separate financial statements as of 31 December 2018 prepared by the Board of Directors within the term prescribed by law, the Board of Statutory Auditors, taking into account the findings of the audit firm's report, has no objections or observations to make.
19. We agree with the contents of the management report, which meets the requirements of article 2428 of the Civil Code and is consistent with the information in the financial statements, and we also agree with the proposed allocation of profit for the year.
20. The Company prepared the Report on Corporate Governance and Ownership Structures containing the information required by article 123-bis of the TUF. The audit firm expressed its opinion on the consistency of this report as established in paragraph 4 of said article 123-bis.

The Company also prepared the Remuneration Report established by article 123-ter of the TUF and the Corporate Governance Code, which contains, among others, indications on the general remuneration policy.

Consolidated Financial Statements

Landi Renzo prepared the consolidated financial statements for fiscal year 2018, which it made available to us within the term prescribed by law.

The consolidated financial statements, according to the IFRS international accounting principles adopted by the European Union, was submitted for an audit by PWC S.p.A., which, in the above-mentioned report, expressed an opinion without any significant indication or emphasis of matter paragraph.

Therefore, we refer to the findings of said report, in accordance with the provisions of article 41 of Legislative Decree 127/91, since the Board of Statutory Auditors did not perform specific controls on the consolidated financial statements.

Cavriago 29 March 2019

Board of Statutory Auditors

Eleonora Briolini

Domenico Sardano

Diana Rizzo