



The Clean Air Group
Driving the Future

**INTERIM MANAGEMENT REPORT
AT 30 SEPTEMBER 2023**

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THIS REPORT IS A TRANSLATION. THE ITALIAN VERSION PREVAILS

1. GENERAL INFORMATION

1.1. CORPORATE OFFICERS AND INFORMATION

On 29 April 2022, the Shareholders' Meeting of the parent company Landi Renzo S.p.A. elected the Board of Directors and the Board of Statutory Auditors for the period 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 and appointed Sergio Iasi as Vice Chairman.

On 11 July 2023, following the resignation of Cristiano Musi, the Board of Directors co-opted Annalisa Stupenengo as Chief Executive Officer, also assigning her to the role of General Manager. On 23 October 2023, the Ordinary Shareholders' Meeting unanimously confirmed, without the application of the voting by list procedure, the appointment of Annalisa Stupenengo as the new member of the Board of Directors, whose term of office will come to an end when the financial statements as at 31 December 2024 are approved. The Board of Directors of Landi Renzo S.p.A., which met on that date, and subsequently the Shareholders' Meeting, confirmed Annalisa Stupenengo in her role as Chief Executive Officer and General Manager, conferring the same powers upon her as those conferred when she was co-opted.

On the date this Interim Management Report was drafted, the company officers were as follows:

Board of Directors

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

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	Pamela Morassi
Committee Member	Anna Maria Artoni

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.
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Financial Reporting Manager	Paolo Cilloni
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() The Director also holds the office of Lead Independent Director*

Registered office and company details

Landi Renzo S.p.A.
Via Nobel 2/4
42025 Corte Tegge – Cavriago (RE) – Italy
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Share capital: Euro 22,500,000
Tax ID and VAT Reg. No. IT00523300358

This report is available online at:

www.landirenzogroup.com

1.2. GROUP STRUCTURE

Description	Registered Office	% stake at 30 September 2023		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)		100.00%	(3)
IMW Industries LTD	Chilliwak (Canada)		100.00%	(2)
IMW Industries del Perú 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)		84.00%	(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%		(6) (7)
Metatron Technologies India Plc	Mumbai (India)		100.00%	(5) (7)

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.
- (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 their irrelevance

1.3. LANDI RENZO GROUP FINANCIAL HIGHLIGHTS

(Thousands of Euro)

ECONOMIC INDICATORS FOR THE THIRD QUARTER	Q3 2023	Q3 2022	Change	%
Revenue	69,333	71,905	-2,572	-3.6%
Adjusted gross operating profit (EBITDA) (1)	653	2,163	-1,510	-69.8%
Gross operating profit (EBITDA)	-810	1,762	-2,572	
Net operating profit (EBIT)	-5,070	-2,579	-2,491	
Earnings before taxes (EBT)	-7,378	-2,812	-4,566	
Net profit (loss) for the Group and minority interests	-7,677	-3,274	-4,403	
Adjusted gross operating profit (EBITDA) / Revenue	0.9%	3.0%		
Gross operating profit (EBITDA) / Revenue	-1.2%	2.5%		
Net profit (loss) for the Group and minority interests / Revenue	-11.1%	-4.6%		

(Thousands of Euro)

ECONOMIC INDICATORS OF THE FIRST NINE MONTHS	30/09/2023	30/09/2022	Change	%
Revenue	221,138	216,351	4,787	2.2%
Adjusted gross operating profit (EBITDA) (1)	4,573	8,704	-4,131	-47.5%
Gross operating profit (EBITDA)	-1,122	7,070	-8,192	
Net operating profit (EBIT)	-13,893	-5,995	-7,898	
Earnings before taxes (EBT)	-22,996	-8,873	-14,123	
Net profit (loss) for the Group and minority interests	-28,611	-9,892	-18,719	
Adjusted gross operating profit (EBITDA) / Revenue	2.1%	4.0%		
Gross operating profit (EBITDA) / Revenue	-0.5%	3.3%		
Net profit (loss) for the Group and minority interests / Revenue	-12.9%	-4.6%		

(Thousands of Euro)

STATEMENT OF FINANCIAL POSITION	30/09/2023	31/12/2022	30/09/2022
Net fixed assets and other non-current assets	144,582	155,331	155,856
Operating capital (2)	61,467	54,683	65,311
Non-current liabilities (3)	-13,021	-11,807	-10,186
NET INVESTED CAPITAL	193,028	198,207	210,981
Net financial position (4)	114,427	92,323	100,270
Net Financial Position - adjusted (5)	100,816	77,242	85,395
Shareholders' equity	78,601	105,884	110,711
BORROWINGS	193,028	198,207	210,981

(Thousands of Euro)

KEY INDICATORS	30/09/2023	31/12/2022	30/09/2022
Operating capital / Turnover (rolling 12 months)	19.8%	17.9%	22.0%
Adjusted net financial position (5) / Shareholders' equity	1.3	0.7	0.8

Adjusted net financial position (5) / Adjusted EBITDA (rolling 12 months)	9.06	5.06	5.52
Personnel (peak)	969	951	977

(Thousands of Euro)			
CASH FLOWS	30/09/2023	31/12/2022	30/09/2022
Gross operational cash flow	-13,049	5,831	-6,309
Cash flow for investment activities	-6,423	-39,020	-6,260
Gross FREE CASH FLOW	-19,472	-33,189	-12,569
Variation in the consolidation area	0	0	-30,683
Non-recurring expenditure for voluntary resignation incentives	-916	-439	0
Net FREE CASH FLOW	-20,388	-33,628	-43,252
Share capital increase	0	58,554	58,598
Repayment of leases (IFRS 16)	-2,857	-3,872	-2,782
Overall cash flow	-23,245	21,054	12,564

(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 the payable 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 commitment to the acquisition of equity investments.

1.4. SIGNIFICANT EVENTS DURING THE PERIOD

- In January 2023, the business combination with Idro Meccanica S.r.l. was completed through the acquisition of the remaining 10% of the share capital, which was already established in the contract, for an equivalent value of Euro 640 thousand. Idro Meccanica S.r.l., a company active in the production of innovative technologies and 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, is a strategic investment for strengthening the Group in the hydrogen business.
- On 2 March 2023, the Board of Directors approved the Group's Economic-Financial Budget for the year 2023, which, taking into account economic trends emerging in the course of 2022, confirms the strategic development guidelines already set forth in the strategic plan. The Budget was later updated on the basis of new economic forecasts.
- On 13 March 2023, following negotiations with the financing institutions, all credit institutions underwriting the loans issued waiver letters with respect to the financial covenants as at 31 December 2022.
- On 26 April 2023, the Shareholders' Meeting of Landi Renzo S.p.A. approved the Financial Statements as at 31 December 2022, approving the coverage of the loss for the year of Euro 15,749,826.46 by using the share premium reserve; furthermore, the same Shareholders' Meeting approved the first section of the Report on the remuneration policy drafted pursuant to Article 123-ter of the Consolidated Financial Law and Article 84-quater of the Issuers' Regulation, and voted in favour of the second section pursuant to Article 123-ter of the Consolidated Financial Law.
- In June 2023, a commercial agreement was entered into for the revision of sale prices with the main Group customer operating in the OEM channel.
- On 11 July 2023, the Board of Directors of Landi Renzo S.p.A. co-opted Annalisa Stupenengo as Chief Executive Officer of the Landi Renzo Group, also assigning her to the role of General Manager. Annalisa Stupenengo has nearly thirty years of experience in the mobility industry, gained internationally with roles of increasing responsibility at the Iveco Group, CNH Industrial and FCA, and is currently a member of the Board of Directors and the Remuneration and Appointments Committee of Prysman. The same Board of Directors appointed Paolo Cilloni as Group CFO, as well as Investor Relator and Financial Reporting Officer.
- On 11 September 2023, the credit institutions issued waiver letters, providing their consent to the one-off exemption from compliance with financial covenants (holiday period) with reference to the calculation dates of 30 June and 31 December 2023.
- As a result of the resignation of Cristiano Musi from his role as Chief Executive Officer of Landi Renzo S.p.A., on 28 September 2023 E.M.A. 2021 S.r.l., a vehicle company controlled by Cristiano Musi, transferred all 108,380 special shares it held in GbD Green by Definition S.p.A. to GbD Green by Definition S.p.A. Furthermore, on the same date:
 - Girefin S.p.A., Gireimm S.r.l., Itaca Gas S.r.l., GbD Green by Definition S.p.A. and E.M.A. 2021 S.r.l. agreed to the consensual termination of the special shares agreement by signing a termination agreement;

- some amendments were also made to the shareholders' agreement by signing a dedicated amendment in order to reflect the above-mentioned termination of the special shares investment agreement.

2. DIRECTORS' OBSERVATIONS ON BUSINESS PERFORMANCE

Reference context

In the third quarter of 2023, the global economy continued to slow due to strong and repeated global tensions and the continuation of restrictive monetary policies, particularly by the US Federal Reserve (Fed) and the European Central Bank (ECB), which kept interest rates high with a view to combatting continuing inflation.

As recently published by the ECB research office, short-term growth outlooks have deteriorated for the Eurozone, while in the medium term, the economy is expected to gradually resume moderate expansion with a recovery in both internal and external demand.

These economic scenarios have strengthened the awareness on the part of world governments of the immediate need to accelerate all support and strengthening policies revolving around the green revolution, the energy transition and sustainable mobility, not only as focal points to mitigate climate change and global warming, but also as a source for the structural improvement of economic and social conditions, thanks to the creation of new jobs.

In this regard, 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, also due to recent strategic decisions, with the Landi Renzo Group's green mission and with its desire to play a leading role in the coming years in the energy transition value chain, as it has all of the means and potential to meet market needs and be a top-tier player at global level.

The Landi Renzo Group's entire business is aimed at offering on one hand technological solutions for the infrastructure required to exploit natural gas, biomethane and hydrogen, and on the other technologies for transforming mobility towards more sustainable models or models generally aimed at the decarbonisation of passenger and cargo transport. Indeed, all of the various forms of gas, biomethane and hydrogen represent energy sources that reduce emissions compared to conventional sources, with different levels of penetration depending on geographical area and application type.

Performance in the first nine months of 2023

Overall, sales as at 30 September 2023, driven by rising volumes in the "Green Transportation" segment, increased by 2.2% compared with the same period of the prior year, reaching Euro 221,138 thousand. Nonetheless, there was a decline in profitability, due specifically to a particularly negative first quarter, as well as a slowdown in the production of the Clean Tech Solutions segment in the third quarter. Overall, the second and third quarters showed encouraging signs of a recovery in margins (net of non-recurring items), especially in the Green Transportation segment.

The turnover of the "Green Transportation" segment rose overall by 9.8%, or Euro 13,776 thousand, due to the increased demand of OEM customers for passenger cars as well as Mid&Heavy Duty vehicles, despite the drop in volumes in the After Market sales channel, which continues to be impacted by geopolitical tensions in Eastern European countries and economic and financial difficulties in several countries in the Latam region, particularly Argentina and Brazil.

The considerable rise in sales in the OEM channel (+33.2%), historically less remunerative than the After Market segment, was also accompanied by a sharp improvement in industrial margins recorded starting from the second quarter.

Turnover was down in the "Clean Tech Solutions" segment by Euro 8,989 thousand (-12%), linked to the slowdown

in production, particularly during the third quarter, and due to the postponement to the following year of several important projects originally planned for 2023. Margins also declined compared with the same period of the previous year (-24.1%) due to a drop in revenue, rising installation costs and the higher incidence of direct costs that could not be reduced.

Overall, Group profitability in terms of Adjusted EBITDA amounted to Euro 4,573 thousand compared with Euro 8,704 thousand in the same period of 2022. This trend can be attributed to:

- the unfavourable sales mix in the Green Transportation segment, with a greater weight of sales in the OEM - Passenger Car channel;
- reduced volumes in the Clean Tech Solutions segment;
- higher fixed costs necessary to strengthen the operating structure, particularly with effects on personnel costs.

These negative effects were partially offset by the benefits generated in the second part of the half-year by the commercial agreement entered into for the revision of sale prices with the main Group customer operating in the OEM channel, resulting in a significant increase in industrial margins, as well as the increase in recent months in the OEM - Mid & Heavy Duty channel.

In the third quarter, the improvement trend in Adjusted EBITDA continued (positive at Euro 653 thousand), especially when compared with the first quarter of the year, which closed with a negative Adjusted EBITDA of Euro 961 thousand. This result was possible thanks to rising turnover and the updating of sales price lists.

The Group's consolidated net loss as at 30 September 2023 amounted to Euro 27,728 thousand, after accounting for:

- non-recurring costs of Euro 5,695 thousand (of which provisions of Euro 1,908 thousand relating to extraordinary provisions for warranties); and
- write-downs of part of the deferred tax assets recognised on tax losses in prior years of Euro 5,860 thousand.

Overall, the Adjusted Net Financial Position as at 30 September 2023 was Euro 100,816 thousand, compared with Euro 89,706 thousand as at 30 June 2023, with cash absorption over the third quarter of Euro 11,110 thousand, due especially to investments in tangible assets, extraordinary costs and financial expenses. Compared with the same figure recorded as at 31 December 2022, the Adjusted Net Financial Position deteriorated overall by Euro 23,574 thousand (Euro -77,242 thousand as at 31 December 2022).

2.1. PERFORMANCE AND NOTES ON THE MAIN CHANGES IN THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 September 2023

The following table sets out the main economic indicators of the Group for the first nine months of 2023 compared with the same period in 2022.

(Thousands of Euro)	30/09/2023				30/09/2022			
	Green Transportation	Clean Tech. Solutions	Adjustments	Landi Renzo Consolidated	Green Transportation	Clean Tech. Solutions	Adjustments	Landi Renzo Consolidated
Net sales outside the Group	155,011	66,127		221,138	141,235	75,116		216,351
Intersegment sales	555	0	-555	0	261	0	-261	0
Total Revenues from net sales and services	155,566	66,127	-555	221,138	141,496	75,116	-261	216,351
Other revenues and income	1,092	204		1,296	417	165		582

Operating costs	-155,333	-63,083	555	-217,861	-137,491	-70,999	261	-208,229
Adjusted gross operating profit	1,325	3,248	0	4,573	4,422	4,282	0	8,704
Non-recurring costs	-4,575	-1,120		-5,695	-1,410	-224		-1,634
Gross operating profit	-3,250	2,128	0	-1,122	3,012	4,058	0	7,070
Amortisation, depreciation and impairment	-10,598	-2,173		-12,771	-10,949	-2,116		-13,065
Net operating profit	-13,848	-45	0	-13,893	-7,937	1,942	0	-5,995
Financial income				891				988
Financial expenses				-8,341				-5,484
Exchange gains (losses)				-1,614				1,128
Income (expenses) from equity investments				-173				-288
Income (expenses) from joint ventures measured using the equity method				134				778
Profit (loss) before tax				-22,996				-8,873
Taxes				-5,615				-1,019
Net profit (loss) for the Group and minority interests, including:				-28,611				-9,892
Minority interests				-883				223
Net profit (loss) for the Group				-27,728				-10,115

Consolidated revenues for the first nine months of 2023 totalled Euro 221,138 thousand, increasing by Euro 4,787 thousand (+2.2%) compared with the same period of the previous year.

Costs of raw materials, consumables and goods and changes in inventories increased overall from Euro 132,925 thousand as at 30 September 2022 to Euro 138,294 thousand as at 30 September 2023, basically aligned with the overall increase in turnover, thanks to the results obtained in the negotiation of procurement agreements.

The costs of services and use of third-party assets amounted to Euro 41,579 thousand, compared with Euro 39,455 thousand in the first nine months of the previous year, and are inclusive of non-recurring expenses of Euro 1,904 thousand, primarily relating to strategic consultancy.

Personnel costs rose from Euro 34,289 thousand as at 30 September 2022 to Euro 37,373 thousand as at 30 September 2023. This change was caused by the costs incurred to strengthen the Group's managerial structure, in addition to outlays for voluntary retirement incentives incurred during the first nine months of 2023 (totalling Euro 916 thousand).

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.

The Group had a total of 969 employees, including 382 relating to the SAFE&CEC Group.

Allocations, write-downs and other operating expenses totalled Euro 6,310 thousand (Euro 3,194 thousand as at 30 September 2022), up due to:

- the extraordinary, non-recurring provision for potential risks for campaigns on OEM components for product warranties (Euro 1,908 thousand);
- the non-recurring provision for potential risks (Euro 600 thousand);

- the provision for bad debts recognised by the management after updating its assessments concerning the recoverability of the Group's receivables due from customers on the basis of information as at 30 September 2023 (Euro 880 thousand).

The adjusted Gross Operating Profit (EBITDA) was Euro 4,573 thousand as at 30 September 2023, compared with Euro 8,704 thousand in the same period of the previous year, while the Gross Operating Loss (EBITDA) was Euro 1,122 thousand (profit of Euro 7,070 thousand as at 30 September 2022), inclusive of non-recurring costs of Euro 5,695 thousand (Euro 1,634 thousand as at 30 September 2022).

(Thousands of Euro)			
NON-RECURRING COSTS	30/09/2023	30/09/2022	Change
Strategic consultancy	-1,576	-722	-854
Cyber attack consultancy	-138	0	-138
Extraordinary accruals - Ukraine and Russia	0	-454	454
Extraordinary accruals - warranties	-1,908	0	-1,908
Customer penalties for delivery delays	-130	-323	193
Non-recurring expenditure for voluntary resignation incentives	-916	0	-916
Other extraordinary costs for structural optimisation	-715	0	-715
Other extraordinary costs	-312	-135	-177
Total	-5,695	-1,634	-4,061

During the third quarter, structural optimisation and improvement activities continued, also by making recourse to consultancy from external partners, the digitalisation of internal processes in a number of areas of the company and the integration of the newly acquired companies in order to reduce both fixed and variable costs.

The Net Operating Profit (EBIT) for the period was negative at Euro 13,893 thousand (negative and equal to Euro 5,995 thousand at 30 September 2022), after accounting for amortisation, depreciation and impairment of Euro 12,771 thousand (Euro 13,065 thousand at 30 September 2022), of which Euro 2,574 thousand due to the application of IFRS - 16 Leases (Euro 2,626 thousand at 30 September 2022).

Total financial expenses (interest income, interest charges and exchange rate differences) amounted to Euro 9,064 thousand (Euro 3,368 thousand as at 30 September 2022) and include negative exchange effects of Euro 1,614 thousand (positive and equal to Euro 1,128 thousand as at 30 September 2022).

Financial expenses alone, amounting to Euro 8,341 thousand, rose compared with the same period of the previous year (Euro 5,484 thousand), as a direct consequence of rising interest rates and conditions on bank lending.

Income from joint ventures refers to the valuation at equity of the Indian joint venture Krishna Landi Renzo India Private Ltd Held.

The first nine months of 2023 closed with negative earnings before taxes (EBT) of Euro 22,996 thousand (negative and equal to Euro 8,873 thousand at 30 September 2022).

The net result of the Group and minority interests as at 30 September 2023 showed a loss of Euro 28,611 thousand (inclusive of a write-down of deferred tax assets of Euro 5,860 thousand), compared with a Group and minority interest loss of Euro 9,892 thousand as at 30 September 2022.

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 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. This segment mainly includes the SAFE, IMW and Idro Meccanica brands.

Breakdown of sales by business segment

Third quarter 2023 compared to third quarter 2022

(Thousands of Euro)

Distribution of revenues by segment	Q3 2023	% of revenues	Q3 2022	% of revenues	Changes	%
Green Transportation	50,751	73.2%	47,387	65.9%	3,364	7.1%
Clean Tech Solutions	18,582	26.8%	24,518	34.1%	-5,936	-24.2%
Total revenues	69,333	100.0%	71,905	100.0%	-2,572	-3.6%

First nine months 2023 compared to first nine months 2022

(Thousands of Euro)

Distribution of revenues by segment	30/09/2023	% of revenues	30/09/2022	% of revenues	Changes	%
Green Transportation	155,011	70.1%	141,235	65.3%	13,776	9.8%
Clean Tech Solutions	66,127	29.9%	75,116	34.7%	-8,989	-12.0%
Total revenues	221,138	100.0%	216,351	100.0%	4,787	2.2%

As at 30 September 2023, Green Transportation segment revenues amounted to Euro 155,011 thousand, while those of the Clean Tech Solutions segment totalled Euro 66,127 thousand.

Breakdown of sales by geographical area

Third quarter 2023 compared to third quarter 2022

(Thousands of Euro)

Geographical distribution of revenues	Q3 2023	% of revenues	Q3 2022	% of revenues	Changes	%
Italy	8,633	12.5%	8,347	11.6%	286	3.4%
Europe (excluding Italy)	38,827	56.0%	31,864	44.3%	6,963	21.9%
America	9,870	14.2%	14,821	20.6%	-4,951	-33.4%
Asia and Rest of the World	12,003	17.3%	16,873	23.5%	-4,870	-28.9%
Total	69,333	100.0%	71,905	100.0%	-2,572	-3.6%

First nine months 2023 compared to first nine months 2022

(Thousands of Euro)

Geographical distribution of revenues	At 30/09/2023	% of revenues	At 30/09/2022	% of revenues	Changes	%
Italy	23,961	10.8%	25,469	11.8%	-1,508	-5.9%
Europe (excluding Italy)	122,333	55.3%	96,201	44.5%	26,132	27.2%
America	38,845	17.6%	45,055	20.8%	-6,210	-13.8%
Asia and Rest of the World	35,999	16.3%	49,626	22.9%	-13,627	-27.5%
Total	221,138	100.0%	216,351	100.0%	4,787	2.2%

Regarding the geographical distribution of revenues, during the first nine months of 2023 the Group realised 89.2% (88.2% at 30 September 2022) of its consolidated revenues abroad (55.3% in Europe and 33.9% outside Europe).

Profitability

Green Transportation operating segment performance

(Thousands of Euro)

GREEN TRANSPORTATION	30/09/2023	30/09/2022	Changes	%
Net sales outside the Group	155,011	141,235	13,776	9.8%
Intersegment sales	555	261	294	112.6%
Total Revenues from net sales and services	155,566	141,496	14,070	9.9%
Other revenues and income	1,092	417	675	161.9%
Operating costs	-155,333	-137,491	-17,842	13.0%
Adjusted gross operating profit (EBITDA)	1,325	4,422	-3,097	-70.0%
Non-recurring costs	-4,575	-1,410	-3,165	224.5%

Gross operating profit (EBITDA)	-3,250	3,012	-6,262	
Amortisation, depreciation and impairment	-10,598	-10,949	351	-3.2%
Net operating profit (EBIT)	-13,848	-7,937	-5,911	74.5%
Adjusted EBITDA margin	0.9%	3.1%		
EBITDA margin	-2.1%	2.1%		

Revenues from sales in the Green Transportation segment as at 30 September 2023 amounted to Euro 155,011 thousand, up by Euro 13,776 thousand (+9.8%) compared with 30 September 2022.

The significant OEM channel sales performance (+33.2% compared with 30 September 2022), especially with reference to a leading European customer, more than offset the downturn in sales in the After Market channel (-16.1% compared with 30 September 2022), influenced by political and economic difficulties in the reference markets, especially in the Latam area and Eastern Europe.

However, as already highlighted, starting from the third quarter of 2023 there was a clear trend reversal in terms of profit margins. Indeed, compared with the first half of 2023, which closed with an Adjusted Gross Operating Profit (EBITDA) of Euro 159 thousand, the first nine months of 2023 closed with a sharp improvement, with an Adjusted Gross Operating Profit (EBITDA) of Euro 1,325 thousand, including Euro 1,166 thousand realised just in the third quarter of 2023.

Group sales in the OEM channel amounted to Euro 98.7 million, up by Euro 24.6 million compared with 30 September 2022. Aside from consistent orders from a top OEM customer which is basing the development of its "green" product line on LPG bifuel engines, the increase in sales of components in the OEM - Mid & Heavy Duty channel has been consolidated.

Sales in the After Market channel, amounting to Euro 56.3 million (compared with Euro 67.1 million as at 30 September 2022), primarily relate to orders from distributors and authorised installers, both domestic and foreign, and reflect the slowdown in sales in several Latam and Eastern European markets.

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

(Thousands of Euro)						
GREEN TRANSPORTATION	At 30/09/2023	% of revenues	At 30/09/2022	% of revenues	Changes	%
Italy	18,112	11.7%	18,654	13.2%	-542	-2.9%
Europe (excluding Italy)	91,779	59.2%	69,074	48.9%	22,705	32.9%
America	13,310	8.6%	22,227	15.7%	-8,917	-40.1%
Asia and Rest of the World	31,810	20.5%	31,280	22.1%	530	1.7%
Total	155,011	100.0%	141,235	100.0%	13,776	9.8%

Italy

Group sales in the Italian market as at 30 September 2023 were substantially aligned with the same period of the previous year.

Europe

The rest of Europe represents 59.2% of total sales and is up 32.9% compared with the same period of 2022 (48.9%). The increase was driven essentially by sales to a leading OEM customer.

America

Sales in the first nine months of 2023 on the American continent (8.6% of total sales), amounting to Euro 13,310 thousand (Euro 22,227 thousand at 30 September 2022), marked a decrease of 40.1% thanks to the persistence of the delicate macroeconomic situation of South American countries, particularly Brazil and Argentina.

Asia and Rest of the World

The Asian and Rest of the World markets, with sales of Euro 31,810, amounting to 20.5% of total revenue, were basically aligned with the previous period.

Profitability

(Thousands of Euro)

GREEN TRANSPORTATION	Q3 2023	Q2 2023	Q1 2023	30/09/2023	Q3 2022	Q2 2022	Q1 2022	30/09/2022
Revenue	50,751	56,206	48,054	155,011	47,387	47,552	46,296	141,235
Adjusted gross operating profit (EBITDA)	1,166	2,680	-2,521	1,325	1,107	1,988	1,327	4,422
% of revenues	2.3%	4.8%	-5.2%	0.9%	2.3%	4.2%	2.9%	3.1%
Gross operating profit (EBITDA)	42	115	-3,407	-3,250	820	1,645	547	3,012
% of revenues	0.1%	0.2%	-7.1%	-2.1%	1.7%	3.5%	1.2%	2.1%
Net operating profit (EBIT)	-3,485	-3,458	-6,905	-13,848	-2,809	-2,076	-3,052	-7,937
% of revenues	-6.9%	-6.2%	-14.4%	-8.9%	-5.9%	-4.4%	-6.6%	-5.6%
Change in Revenues compared with the previous year	3,364	8,654	1,758	13,776				
Change %	7.1%	18.2%	3.8%	9.8%				

In the first nine months of 2023, the adjusted Gross Operating Profit (EBITDA) of the Green Transportation segment, net of non-recurring costs of Euro 4,575 thousand, was positive at Euro 1,325 thousand, equivalent to 0.9% of revenues, down compared with the same period of the previous year (Euro 4,422 thousand, equal to 3.1% of revenues and net of non-recurring costs of Euro 1,410 thousand).

Despite the turnover growth as at 30 September 2023 compared with the same period of the previous year, overall margins declined primarily as a result of the different sales mix. In particular, against significant growth in sales in the OEM channel, characterised by limited operating profitability, sales decreased in the more profitable After Market channel, which maintained the same margins as last year. Results as at 30 September 2023 were influenced by the growth in fixed costs required to strengthen the structure.

The Gross Operating Loss (EBITDA) of the Green Transportation segment, amounting to Euro 3,250 thousand, includes non-recurring costs of Euro 4,575 thousand.

Clean Tech Solutions operating segment performance

CLEAN TECH SOLUTIONS	30/09/2023	30/09/2022	Changes	%
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Net sales outside the Group	66,127	75,116	-8,989	-12.0%
Intersegment sales	0	0	0	0.0%
Total Revenues from net sales and services	66,127	75,116	-8,989	-12.0%
Other revenues and income	204	165	39	23.6%
Operating costs	-63,083	-70,999	7,916	-11.1%
Adjusted gross operating profit (EBITDA)	3,248	4,282	-1,034	-24.1%
Non-recurring costs	-1,120	-224	-896	400.0%
Gross operating profit (EBITDA)	2,128	4,058	-1,930	-47.6%
Amortisation, depreciation and impairment	-2,173	-2,116	-57	2.7%
Net operating profit (EBIT)	-45	1,942	-1,987	-102.3%
Adjusted EBITDA margin	4.9%	5.7%		
EBITDA margin	3.2%	5.4%		

Sales revenues

The Clean Tech Solutions segment generated revenues of Euro 66,127 thousand compared with Euro 75,116 thousand in the same period of the prior year. This trend is linked to the slowdown in production, particularly during the third quarter, due to the postponement to the following year of several important projects originally planned for 2023.

Revenue by geographical area

(Thousands of Euro)						
CLEAN TECH SOLUTIONS	At 30/09/2023	% of revenues	At 30/09/2022	% of revenues	Changes	%
Italy	5,849	8.9%	6,815	9.1%	-966	-14.2%
Europe (excluding Italy)	30,554	46.2%	27,127	36.1%	3,427	12.6%
America	25,535	38.6%	22,828	30.4%	2,707	11.9%
Asia and Rest of the World	4,189	6.3%	18,346	24.4%	-14,157	-77.2%
Total	66,127	100.0%	75,116	100.0%	-8,989	-12.0%

Given its extreme variability depending on the projects completed during the period, revenue by geographical area is not a significant indicator for the Clean Tech Solutions segment. Nonetheless, significant results were achieved in the America and Europe areas, primarily due to important biogas and hydrogen solutions projects.

Profitability

(Thousands of Euro)									
CLEAN TECH SOLUTIONS	Q3 2023	Q2 2023	Q1 2023	30/09/2023	Q3 2022	Q2 2022	Q1 2022	30/09/2022	
Revenue	18,582	24,431	23,114	66,127	24,518	29,976	20,622	75,116	
Adjusted gross operating profit (EBITDA)	-513	2,201	1,560	3,248	1,056	1,885	1,341	4,282	
% of revenues	-2.8%	9.0%	6.7%	4.9%	4.3%	6.3%	6.5%	5.7%	
Gross operating profit (EBITDA)	-852	1,664	1,316	2,128	942	1,834	1,282	4,058	
% of revenues	-4.6%	6.8%	5.7%	3.2%	3.8%	6.1%	6.2%	5.4%	

Net operating profit (EBIT)	-1,585	919	621	-45	230	1,112	600	1,942
% of revenues	-8.5%	3.8%	2.7%	-0.1%	0.9%	3.7%	2.9%	2.6%
Change in Revenues compared with the previous year	-5,936	-5,545	2,492	-8,989				
Change %	-24.2%	-18.5%	12.1%	-12.0%				

Adjusted EBITDA came to Euro 3,248 thousand in the Clean Tech Solutions segment, compared with Euro 4,282 thousand in the same period of the prior year. This trend was caused by the drop in revenue, rising installation costs and the higher incidence of direct costs that could not be reduced.

With a view to improving the operations management of the Clean Tech Solutions segment, already during the first half of the year a “management” consultancy agreement was signed to support and optimise the management of operations, relating to production as well as purchasing. The costs incurred during the period, amounting to Euro 990 thousand and included in EBITDA, have been classified as “non-recurring” costs.

Invested capital

(Thousands of Euro)			
Statement of Financial Position	30/09/2023	31/12/2022	30/09/2022
Trade receivables	69,219	73,559	61,552
Inventories and contract work in progress	95,034	97,109	110,469
Trade payables	-94,201	-98,033	-90,045
Other net current assets (liabilities) (*)	-8,585	-17,952	-16,665
Net operating capital	61,467	54,683	65,311
Tangible fixed assets	13,396	14,015	13,763
Intangible assets	105,238	108,536	109,711
Right-of-use assets	12,472	13,618	14,756
Other non-current assets	13,476	19,162	17,626
Fixed capital	144,582	155,331	155,856
TFR (employee severance pay), other provisions and others	-13,021	-11,807	-10,186
Net invested capital	193,028	198,207	210,981
Financed by:			
Net Financial Position	114,427	92,323	100,270
Group shareholders' equity	72,781	99,917	104,187
Minority interests	5,820	5,967	6,524
Borrowings	193,028	198,207	210,981
Ratios	30/09/2023	31/12/2022	30/09/2022
Net operating capital	61,467	54,683	65,311
Net operating capital/Turnover (rolling)	19.8%	17.9%	22.0%
Net invested capital	193,028	198,207	210,981

Net capital employed/Turnover (rolling)	62.1%	64.7%	71.0%
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(*) Net of the payable for the Metatron Control System put/call options

Net operating capital at the end of the period stood at Euro 61,467 thousand. This is an increase compared with the same figure at 31 December 2022 but a decrease compared with 30 September 2022.

In terms of percentages on turnover, there was an increase in this figure, from 17.9% as at 31 December 2022 to the current 19.8% (22.0% as at 30 September 2022). With reference to 31 December 2022, this growth was primarily due to the reduction in current liabilities, linked to the decline in advance payments on projects in the Clean Tech Solutions segment.

Trade receivables stood at Euro 69,219 thousand (of which Euro 18,237 thousand relating to the Clean Tech Solutions segment), down compared with 31 December 2022 (Euro 73,559 thousand, of which Euro 21,606 thousand relating to the Clean Tech Solutions segment). At 30 September 2023, derecognised receivables disposed through maturity factoring stood at Euro 17.9 million (Euro 16.1 million at 31 December 2022).

Trade payables are down by Euro 3,832 thousand from Euro 98,033 thousand as at 31 December 2022 to Euro 94,201 thousand as at 30 September 2023 (of which Euro 23,065 thousand relating to the Clean Tech Solutions segment).

Fixed capital, amounting to Euro 144,582 thousand and inclusive of Euro 12,472 thousand for right-of-use assets recognised pursuant to IFRS 16 – Leases, is down compared with the figure as at 31 December 2022 by Euro 10,749 thousand, mainly due to the write-down recognised in the first half of the year on deferred tax assets recognised on prior year losses.

As at 30 September 2023, TFR (employee severance indemnity) and other provisions totalled Euro 13,021 thousand, up by Euro 1,214 thousand compared with 31 December 2022 (Euro 11,807 thousand) and by Euro 2,835 thousand compared with the same period of the prior year (Euro 10,186 thousand). This increase is primarily linked to non-recurring provisions recognised during the period for warranties (Euro 1,908 thousand) and other risks (Euro 600 thousand).

Net invested capital (Euro 193,028 thousand, equal to 62.1% of rolling turnover) is down compared with 31 December 2022 (Euro 198,207 thousand, equal to 64.7% of turnover) following the increase in operating capital, more than offset by the reduction in fixed capital due to the above-mentioned write-down of deferred tax assets (classified in other non-current assets) and the increase in TFR (employee severance indemnity) and other provisions.

Net financial position and cash flows

(Thousands of Euro)	30/09/2023	31/12/2022	30/09/2022
Cash and cash equivalents	21,198	62,968	59,268
Current financial assets and derivative instruments	20,253	412	0
Bank financing and short-term loans	-38,060	-103,629	-34,279
Current right-of-use liabilities	-2,872	-3,196	-3,252
Other current financial liabilities	-5,861	-3,956	-2,435
Net short term indebtedness	-5,342	-47,401	19,302
Non-current bank loans	-77,764	-8,169	-80,062

Non-current right-of-use liabilities	-10,547	-11,314	-12,405
Other non-current financial liabilities	-20,578	-24,456	-27,887
Non-current assets for derivative financial instruments	422	103	1,422
Net medium-long term indebtedness	-108,467	-43,836	-118,932
Commitments for the purchase of equity investments	-618	-1,086	-640
Net Financial Position	-114,427	-92,323	-100,270
Net Financial Position – adjusted (*)	-100,816	-77,242	-85,395
- of which Green Transportation	-85,908	-68,511	-66,401
- of which Clean Tech Solutions	-14,908	-8,731	-18,994

(*) Not including the effects of the adoption of IFRS 16 - Leases, the fair value of derivative financial instruments and the payable for put/call options for the acquisition of equity investments

The Net Financial Position as at 30 September 2023 is equal to Euro 114,427 thousand (Euro 92,323 thousand as at 31 December 2022), of which Euro 13,419 thousand due to the application of IFRS 16 - Leases, a positive Euro 426 thousand due to the fair value of derivative financial instruments and Euro 618 thousand relating to the payable for put/call options relating to Metatron Control System shares.

The adjusted Net Financial Position, so net of these amounts, would have amounted to Euro 100,816 thousand, of which Euro 85,908 thousand linked to the Green Transportation segment and Euro 14,908 thousand to the Clean Tech Solutions segment.

The following table illustrates the trend in total cash flow:

(Thousands of Euro)	30/09/2023	31/12/2022	30/09/2022
Gross operational cash flow	-13,049	5,831	-6,309
Cash flow for investment activities	-6,423	-39,020	-6,260
Gross Free Cash Flow	-19,472	-33,189	-12,569
Variation in the consolidation area	0	0	-30,683
Non-recurring expenditure for voluntary resignation incentives	-916	-439	0
Net Free Cash Flow	-20,388	-33,628	-43,252
Share capital increase (*)	0	58,554	58,598
Repayment of leases (IFRS 16)	-2,857	-3,872	-2,782
Overall cash flow	-23,245	21,054	12,564

(*) net of expenses incurred

In the first nine months of 2023, cash absorption amounted to Euro 23,245 thousand (cash generation of Euro 12,564 thousand in the first nine months of 2022), primarily linked to operations management (Euro -13,965 thousand) - inclusive of non-recurring expenditure for voluntary resignation incentives - and investment activities and cash outflows for leases (overall a negative Euro 9,280 thousand). The significant reduction compared with the same period of the previous year can be attributed to the deteriorating profit from ordinary operations already described above as well as positive cash flows deriving from the share capital increase concluded in the third quarter of 2022 (Euro 58,598 thousand, net of expenses incurred).

Investments

Investments in property, plant, machinery and other equipment totalled Euro 2,839 thousand (Euro 1,850 thousand as at 30 September 2022) and refer to the investments made by the Group in production plants and moulds connected to the launch of new products, particularly new generation electronic and mechanical products.

The increase in intangible assets amounted to Euro 3,873 thousand (Euro 4,531 thousand at 30 September 2022) and mainly referred to the capitalisation of costs of development projects relating to:

- new products for the Green Transportation segment, particularly for the OEM and After Market channels (including for new Heavy Duty solutions) and for Hydrogen mobility;
- new hydrogen and biomethane products for the Clean Tech Solution segment.

2.1.2. Results of Parent Company

In the first nine months of 2023, Landi Renzo S.p.A. generated revenues of Euro 104,469 thousand compared with Euro 101,321 thousand in the same period of the prior year. The EBITDA totalled Euro -2,500 thousand (inclusive of Euro 3,489 thousand in non-recurring charges), compared with Euro 3,691 thousand at 30 September 2022 (of which Euro 1,268 thousand in non-recurring charges), while the net financial position was Euro -83,595 thousand compared with Euro -68,453 thousand as at 31 December 2022.

At the end of the period, the Parent Company's workforce numbered 285 employees, basically in line with 31 December 2022 (289).

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

During the quarter just ended, the further significant attenuation of the effects of the pandemic continued. In any event, the management continued to monitor the pandemic in order to evaluate any adjustments to prevention measures, with a view to protecting the health of employees and associates as well as guaranteeing full operating activities. In this regard, during the first nine months of 2023 there were no slowdowns or interruptions of activities.

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

The management believes that the continuation of the Russia-Ukraine conflict does not substantially impact the assumptions and therefore the implementation of the Group's future plans, 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.

Please note that already starting in 2022, prudential write-downs were recognised on receivables due from Russian or Ukrainian customers, also taking into account the specific situation of each of them.

2.1.5. 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 include:

- the service contracts between Gireimm S.r.l. , an investee of Girefin S.p.A., and Landi Renzo S.p.A. for rent of the property used as the operational headquarters of the Parent Company located in the town of Corte Tegge – Cavriago (RE);
- 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 (RE);
- the service contracts between Gireimm S.r.l., an investee of Girefin S.p.A, and SAFE S.p.A. for rent of the property used as the operational headquarters of the company located in San Giovanni in Persiceto;
- 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;
- supplies of goods and services between Landi Renzo S.p.A. and the joint venture Krishna Landi Renzo India Private Ltd Held;
- the loan granted by Landi Renzo S.p.A. to Krishna Landi Renzo India Private Ltd Held;
- the receivables from Autofuels deriving from the supply of goods;
- the relationships for the supply of goods by Clean Tech Solutions segment companies to Clean Energy Fueling Services Corp, Clean Energy US, Wyoming Northstar Inc DBA and NG Advantage LLC.

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. The new procedures, adapted to Consob resolution no. 21624 of 10/12/2020, are published on the Company's website.

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

Significant events after the reporting period

- On 5 October 2023, an agreement was entered into with the former Chief Executive Officer of Landi Renzo S.p.A., Cristiano Musi, who until 30 September 2023 was the Chief Executive Officer of Safe&Cec S.r.l. SAFE S.p.A. and Idro Meccanica S.r.l., based on which he was recognised compensation of Euro 666,000. At the date of this report, Cristiano Musi no longer holds any operational role in Landi Renzo Group companies.
- On 17 October 2023, the Boards of Directors of SAFE S.p.A. and Idro Meccanica S.r.l. (wholly-owned by SAFE S.p.A.) approved the merger by incorporation of the latter into SAFE S.p.A. This transaction, effective for tax and accounting purposes as of 1 January 2023, will lead to an improvement in operating, corporate, accounting and administrative efficiency, the achievement of synergies and an overall cost reduction, avoiding the duplication of certain activities and thus further streamlining costs.
- On 23 October 2023, the Ordinary Shareholders' Meeting unanimously confirmed, without the application of the voting by list procedure, Annalisa Stupenengo as the new member of the Company's Board of Directors, whose term of office will come to an end when the financial statements as at 31 December 2024 are approved. The Board of Directors of Landi Renzo S.p.A., which met on the same date, and subsequently the Shareholders' Meeting, confirmed Annalisa Stupenengo in her role as Chief Executive Officer and General Manager, conferring the same powers upon her as those conferred when she was co-opted.
- On 13 November 2023, the Board of Directors of Landi Renzo S.p.A., after obtaining the favourable opinion

of the Committee for Transactions with Related Parties, authorised the non-recourse assignment to Girefin S.p.A. (related party pursuant to the Related Party Procedure, as Girefin S.p.A., along with Gireimm S.r.l., companies owned by the Landi Trust, indirectly hold control over the Company through GBD Green by Definition S.p.A.) of residual receivables amounting to Euro 1,710 thousands still owed to the Company from AVL Italia S.r.l. to which the Company previously sold a business unit. This assignment of receivables will take place for an equivalent value of Euro 1,575 thousands (sum rounded down) and therefore with a discount of 4.50% to be paid in a lump sum on assignment with respect to the timing agreed upon at the time of the sale of the business unit, which called for this residual amount of Euro 1,710 thousands to be paid in three instalments in the course of the next 3 years. The assignment transaction was evaluated as a “related party transaction of less significance” pursuant to the Procedure for the management of related party transactions, most recently updated by the Company on 9 February 2022, in compliance with the requirements laid out in Consob Regulation no. 17221 of 27 March 2010 as amended. The prior non-binding favourable opinion on the interest, cost-effectiveness and substantial fairness of the relative conditions was provided by the Company’s Committee for Transactions with Related Parties, consisting of three independent directors.

Likely future developments

Uncertainties surrounding the geopolitical and macroeconomic context continue to influence market trend visibility in the remaining months of 2023.

In the Green Transportation segment, a slight increase in revenues is expected in the final quarter of 2023 compared with the third quarter, driven by sales in the OEM channel. The increase in profitability indicators in the third quarter makes it possible to forecast an improvement in Adjusted EBITDA in the fourth quarter compared to what was recorded in the first part of the year.

In the “Clean Tech Solutions” segment, the postponement to the subsequent year of several important projects expected for 2023, not previously planned, significantly impacted third quarter performance, in terms of the reduction in turnover as well as profitability (Adjusted EBITDA). However, in the fourth quarter of 2023, turnover is expected to increase, thus improving profitability over the third quarter of this year.

Cavriago, 13/11/2023

Chief Executive Officer
Annalisa Stupenengo

3. INTERIM CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 SEPTEMBER 2023

3.1. GENERAL ACCOUNTING STANDARDS AND CONSOLIDATION PRINCIPLES

3.1.1. Introduction

The Interim Management Report as at 30 September 2023, which has not been audited, has been prepared in compliance with art. 154 of Italian Legislative Decree no. 58 of 24 February 1998, as amended, and with the (Issuers' Regulations) issued by Consob (Italian Securities and Exchange Commission). Therefore, the provisions of the IAS on infra-annual financial information (IAS 34 – Interim Financial Reporting) were not adopted.

The Interim Management Report as at 30 September 2023 has been prepared in accordance with the IAS/IFRS. To this end, the data of the separate financial statements of the Italian and foreign subsidiaries have been reclassified and adjusted accordingly.

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

Except for what is laid out below, the accounting standards, and the valuation and consolidation criteria used in preparing the Interim Management Report as at 30 September 2023 are not different to those used in drawing up the consolidated financial statements closed at 31 December 2022, which should be referred to for further information.

As well as the interim values as at 30 September 2023 and 2022, the financial data for the year ended on 31 December 2022 is shown for the purpose of comparison.

Already starting from the financial statements closed as at 31 December 2022, in order to allow for greater comparability and understanding of Group cost trends, some costs were reclassified between the items "Cost of raw materials, consumables and goods and change in inventories" and "Personnel costs", classifications also applied in the course of 2023. For comparative purposes, the profit and loss figures as at 30 September 2022 were restated accordingly.

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

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

The accounting standards and calculation methods used for the preparation of this Interim Management Report were not modified compared to those used to prepare the consolidated financial statements at 31 December 2022. Please note that the valuation and measurement of the accounting items shown are based on International Accounting Standards and the relative interpretations currently in force, and that no new accounting standards were applied early.

3.1.3. Consolidation procedures and valuation criteria

The preparation of the Interim Management Report requires the directors to apply accounting standards and methods that are sometimes based on difficult and subjective assessments and estimates derived from past experience and based on assumptions that are considered reasonable and realistic given the circumstances. Application of these estimates and assumptions affects the amounts presented in the financial statements, such as the Consolidated Statement of Financial Position, the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Changes in Shareholders' Equity and the Consolidated Cash Flow Statement, and in disclosures provided. Estimates are used in recognizing goodwill, impairment of fixed assets, development expenditure, taxes, provisions for bad debts and inventories write-down, employee benefits and other provisions. The estimates and assumptions are reviewed periodically and the effects of all changes are normally reflected immediately on the income statement.

However, some valuation processes, especially the more complex ones such as establishing any loss in value of non-current assets, are normally carried out to a fuller extent only during the preparation of the annual financial statements, when all the necessary information is available, except for those cases in which there are impairment indicators that require an immediate assessment of possible losses in value.

The Group performs activities that do not on the whole present significant seasonal or cyclical variations in total sales over the year, except for the signing of new supply contracts for the OEM channel which may involve planned and differing delivery schedules in the individual quarters.

The policies and principles of the Landi Renzo Group for the identification, management and control of risks related to the activity are described in detail in the Consolidated Financial Statements as at 31 December 2022, to which you may refer for a more complete description of such aspects.

3.1.4. Scope of consolidation

The scope of consolidation includes the Parent Company Landi Renzo S.p.A. and the companies in which it holds a direct or indirect controlling stake according to IFRS. The consolidation area has not changed compared with 31 December 2022.

Adoption of simplification of reporting obligations pursuant to Consob Resolution no. 18079 of 20 January 2012.

Under Article 3 of Consob Resolution no. 18079 of 20 January 2012, Landi Renzo S.p.A. decided to adopt the opt-out system envisaged by Articles 70, par. 8, and 71, par. 1-*bis* of Consob Regulation no. 11971/99 (as amended). It is therefore able to opt out from the disclosure of the information documents listed in Annex 3B to the Consob Regulation, on occasion of significant mergers, demergers, increases in capital through contribution of goods in kind, acquisitions and disposals.

3.2. CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Thousands of Euro)

ASSETS	30/09/2023	31/12/2022	30/09/2022
Non-current assets			
Land, property, plant, machinery and other equipment	13,396	14,015	13,763
Development costs	9,519	11,141	11,047
Goodwill	80,132	80,132	80,707
Other intangible assets with finite useful lives	15,587	17,263	17,957
Right-of-use assets	12,472	13,618	14,756
Equity investments measured using the equity method	2,635	2,496	2,806
Other non-current financial assets	1,183	847	807
Other non-current assets	1,140	1,710	1,710
Deferred tax assets	8,518	14,109	12,303
Non-current assets for derivative financial instruments	422	103	0
Total non-current assets	145,004	155,434	155,856
Current assets			
Trade receivables	69,219	73,559	61,552
Inventories	81,770	76,680	81,719
Contract work in progress	13,264	20,429	28,750
Other receivables and current assets	17,685	17,148	18,454
Current financial assets	20,253	412	1,422
Cash and cash equivalents	21,198	62,968	59,268
Total current assets	223,389	251,196	251,165
TOTAL ASSETS	368,393	406,630	407,021

(Thousands of Euro)

SHAREHOLDERS' EQUITY AND LIABILITIES	30/09/2023	31/12/2022	30/09/2022
Shareholders' equity			
Share capital	22,500	22,500	22,500
Other reserves	78,009	91,698	91,802
Profit (loss) for the period	-27,728	-14,281	-10,115
Total Shareholders' equity of the Group	72,781	99,917	104,187
Minority interests	5,820	5,967	6,524
TOTAL SHAREHOLDERS' EQUITY	78,601	105,884	110,711
Non-current liabilities			
Non-current bank loans	77,764	8,169	80,062
Other non-current financial liabilities	20,578	24,456	27,887
Non-current liabilities for rights of use	10,547	11,314	12,405
Provisions for risks and charges	7,080	5,484	5,206
Defined benefit plans for employees	3,175	3,413	3,776
Deferred tax liabilities	2,766	2,910	1,204
Total non-current liabilities	121,910	55,746	130,540
Current liabilities			
Bank financing and short-term loans	38,060	103,629	34,279
Other current financial liabilities	5,861	3,956	2,435
Current liabilities for rights of use	2,872	3,196	3,252
Trade payables	94,201	98,033	90,045
Tax liabilities	2,477	3,697	4,411
Other current liabilities	24,411	32,489	31,348
Total current liabilities	167,882	245,000	165,770
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	368,393	406,630	407,021

3.3. CONSOLIDATED INCOME STATEMENT

(Thousands of Euro)

	30/09/2023	30/09/2022 restated
CONSOLIDATED INCOME STATEMENT		
Revenues from sales and services	221,138	216,351
Other revenues and income	1,296	582
Cost of raw materials, consumables and goods and change in inventories	-138,294	-132,925
Costs for services and use of third-party assets	-41,579	-39,455
Personnel costs	-37,373	-34,289
Allocations, write-downs and other operating expenses	-6,310	-3,194
Gross operating profit	-1,122	7,070
Amortisation, depreciation and impairment	-12,771	-13,065
Net operating profit	-13,893	-5,995
Financial income	891	988
Financial expenses	-8,341	-5,484
Exchange gains (losses)	-1,614	1,128
Income (expenses) from equity investments	-173	-288
Income (expenses) from joint ventures measured using the equity method	134	778
Profit (loss) before tax	-22,996	-8,873
Taxes	-5,615	-1,019
Net profit (loss) for the Group and minority interests, including:	-28,611	-9,892
Minority interests	-883	223
Net profit (loss) for the Group	-27,728	-10,115
Basic earnings (loss) per share (calculated on 225,000,000 shares)	-0.1232	-0.0450
Diluted earnings (loss) per share	-0.1232	-0.0450

3.4. CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(Thousands of Euro)

	30/09/2023	30/09/2022
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME		
Net profit (loss) for the Group and minority interests:	-28,611	-9,892
<i>Profits/losses that will not be subsequently reclassified in the Income Statement</i>		
Remeasurement of employee defined benefit plans (IAS 19)	79	222
Total Profits (Losses) that will not be subsequently reclassified in the income statement	79	222
<i>Profits (Losses) that could subsequently be reclassified in the income statement</i>		
Share of other comprehensive income of equity investments measured using the equity method	5	0
Fair value of derivatives, change for the period	-43	480
Exchange rate differences from the translation of foreign operations	1,288	615
Total profits/losses that will be subsequently reclassified in the income statement	1,250	1,095
Profits/losses recorded directly in Shareholders' Equity after tax effects	1,329	1,317
Total consolidated income statement for the period	-27,282	-8,575
Profit (Loss) for Shareholders of the Parent Company	-27,135	-9,256
Minority interests	-147	681

3.5. CONSOLIDATED CASH FLOW STATEMENT

(Thousands of Euro)

CONSOLIDATED CASH FLOW STATEMENT	30/09/2023	30/09/2022
Cash flows from operations		
Pre-tax profit (loss) for the period	-22,996	-8,873
<i>Adjustments for:</i>		
Depreciation of property, plant and machinery	3,166	3,154
Amortisation of intangible assets	7,032	7,285
Depreciation of right-of-use assets	2,573	2,626
Loss (Profit) from disposal of tangible and intangible assets	-360	-121
Impairment loss on receivables	880	710
Net financial charges	9,064	3,368
Net Income (Expenses) from equity investments measured using the equity method	-134	-778
Profit (loss) attributable to interests	173	288
	-602	7,659
<i>Changes in:</i>		
Inventories and contract work in progress	2,074	-23,086
Trade receivables and other receivables	3,387	1,597
Trade payables and other payables	-14,864	12,073
Provisions and employee benefits	1,457	4
Cash generated from operations	-8,548	-1,753
Interest paid	-4,786	-3,202
Interest received	232	25
Taxes paid	-863	-1,378
Net cash generated (absorbed) by operations	-13,965	-6,308
Cash flows from investments		
Proceeds from the sale of property, plant and machinery	289	121
Purchase of property, plant and machinery	-2,839	-1,850
Purchase of intangible assets	-805	-436
Development costs	-3,068	-4,095
Variation in the consolidation area	0	-30,683
Net cash absorbed by investment activities	-6,423	-36,943
Free Cash Flow	-20,388	-43,251
Cash flows from financing activities		
Disbursements (reimbursements) of medium/long-term loans	-793	16,707
Change in short-term bank debts	2,847	1,342
Share capital increase (*)	0	58,598
Repayment of leases (IFRS 16)	-2,857	-2,782
Net cash generated (absorbed) by financing activities	-803	73,865
Net increase (decrease) in cash and cash equivalents	-21,191	30,614
Cash and cash equivalents at 1 January	62,968	28,039
Net decrease/(increase) in short-term deposits (**)	-20,249	0
Effect of exchange rate fluctuation on cash and cash equivalents	-330	615
Closing cash and cash equivalents	21,198	59,268

(*) net of expenses incurred

(**) monetary time deposit loan granted

3.6. CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

(Thousands of Euro)	Share capital	Statutory reserve	Extraordinary and other reserves	Share premium reserve	Future share capital increase contributions	Profit (loss) for the year	Group shareholders' equity	Profit (Loss) attributable to minority interests	Capital and reserves attributable to minority interests	Total shareholders' equity
Balance at 31/12/2021 (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						-1,122	-1,122	-6,310		-7,432
Actuarial gains/losses (IAS 19)			222				222			222
Translation difference			157				157	458		615
Valuation of cash flow hedge reserve			480				480			480
Total overall profits/losses	0	0	859	0	0	-1,122	-263	-6,310	458	-6,115
Share capital increase	11,250			47,348			58,598			58,598
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 30/09/2022	22,500	2,250	13,522	67,163	8,867	-1,122	113,180	-6,310	6,301	113,171
Balance at 31/12/2022	22,500	2,250	13,462	67,119	8,867	-14,281	99,917	14	5,953	105,884
Profit (loss) for the year						-27,728	-27,728	-883		-28,611
Actuarial gains/losses (IAS 19)			79				79			79
Translation difference			551				551	736		1,287
Valuation of investments using equity method			5				5			5
Valuation of cash flow hedge reserve			-43				-43			-43
Total overall profits/losses	0	0	592	0	0	-27,728	-27,136	-883	736	-27,283
Allocation of profit			0	-14,281		14,281	0	-14	14	0
Balance at 30/09/2023	22,500	2,250	14,054	52,838	8,867	-27,728	72,781	-883	6,703	78,601

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

Subject: Interim Management Report as at 30 September 2023

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

in accordance with art. 154-bis, part IV, title III, chapter II, section V-bis, of Italian Legislative Decree 58 of 14 February 1998 that, to the best of my knowledge, the Interim Management Report as at 30 September 2023 corresponds to the accounting documents, ledgers and records.

Cavriago, 13 November 2023

Financial Reporting
Officer
Paolo Cilloni