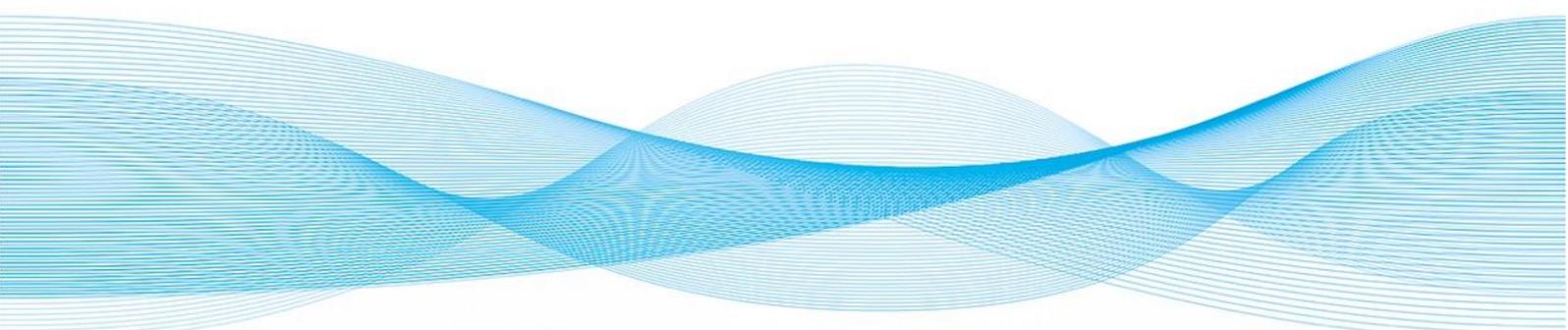




LATI[®] HIGH
PERFORMANCE
THERMOPLASTICS



LATI INDUSTRIA TERMOPLASTICI ANNUAL REPORT 2017



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LATI INDUSTRIA TERMOPLASTICI S.P.A.

*A company subject to management and co-ordination of
SVI Sviluppo Industriale S.p.A..*

Company headquarters Via Francesco Baracca, 7 - 21040 Veduggio Olona
Company Capital: 3,818,400 Euros (fully paid up).

Registered on the Companies' register of Varese at number
00214880122

Tax identification number and VAT number 00214880122

Chamber of Commerce VARESE REA economic and administrative registry N. 41557

BUSINESS REPORT TO FINANCIAL STATEMENTS OF YEAR CLOSING 31 DECEMBER 2017

Recitals

Dear Shareholders,

The Financial Statements closing 31.12.2017, which we submit to your attention for your approval, shows an operating profit of € 6,712,033, as compared with the profits for the previous financial year of € 9,489,136.

Situation of the Company

The trading of the LATI Group is directly influenced by the world macro economy insofar as the Group works mainly in the electrical, car and domestic appliances sectors, which markets normally move in accordance with general economic conditions. The sectors for Lati products have fared well over the whole year of 2017 as regards good demand, which continues its resurgence.

In 2017 the increase in sales continued as had been seen in the previous financial year. In particular the quantity of sales increased by 8.9% and revenues by 15%. The financial year 2017 was characterised by growing tensions in the main raw materials markets PA66 and PA6, which led to an average increase in purchase prices of 0.39 €/kg, with a consequent impact on the business, turnover and margins. Despite this the company

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however succeeded in closing the financial year, albeit through greater efforts, with an operating result in line, in absolute terms, with that of 2015, second only to the exceptional results obtained in 2016.

Incoming orders for sales were sustained, up on the forecasts made the previous year, with no signs of faltering in the course of the financial year. This confirms that Lati is working in a solid and developing sector whose demand has recovered and stabilised after years of crisis, despite cyclical fluctuations.

The market in raw materials was subject to strong changes with respect to the five previous years. From 2012 the raw materials steadily lost the value acquired after the strong upturn of prices in 2010 and 2011. As from the last quarter of 2016, strong demand in China destabilised the markets in Europe with spiralling increases in prices during the first three months of the 2017. During the year the mean prices of raw materials increased by about 19% as compared with the previous year.

2017 saw further consolidation of research work for new materials aimed at improving the costs formulated and started on in 2011 on the basis of a "saving" strategy with the objective of creating greater competition between suppliers of strategic raw materials for the purpose of obtaining a broader range of certified materials. All of this with the aim of reducing the possible impact of a shortage of the product on the market, where there is only one supplier.

During the year 2017 Lati was able in part to ward off the risk of the erosion of its margins thanks to the work on savings indicated above and to good co-ordination between the Purchasing and Sales offices, permitting the company to promptly intervene in relation to the customers with an increase in prices of the finished products.

As regards net borrowings from the financial system there was at year end a figure of € 11.1 million, a slight improvement on the previous financial year (€ 11.4 million), realised in a period of much market turbulence and the start of major investments on the part of the company (the "Torbissima" project).

The relationship with the banking system in the course of the year has been good and relationships with reference credit institutions have been consolidated with high levels of trust being maintained with regard to current loans and with regard to new loans linked to the company's structural development. There has furthermore been very good performance of the company in relation to the credit risk register.

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In year 2017, the company has therefore further benefited from a mean reduction in collection costs as compared with the previous year, in line with the performance of the financial markets and pricing policies (interest rates and commission) employed by the banks.

In the last few months of the year the company negotiated with a select pool of banks the financial backing needed to support, alongside the Company itself with its continued reinvestment of profits produced by the company, the "Torbissima" real property and industrial project. The agreements were concluded and signed between end December and the month of January 2018, while the disbursement will be provided over a period of 24 months.

The Company has further started in 2016 on a reorganisation plan for its structure and its presence in Europe aimed converting existing subsidiaries operating as distributors and/or agents in the geographical area into true branches, a process to be completed by 2020. The aim of the reorganisation is connected with the pursuance of greater control over foreign business and increased operating efficiency, including with regard to synergies in the company's overall market. As an example of this, during the year 2016, there was the conversion of the legal status of the Swedish subsidiary, Scandilati Termoplastici AB into a Branch by means of the sale of the whole business of the former to the parent company LATI S.p.A. The new branch, called "Lati Sweden Filial" therefore started trading on 1/10/2016, while Scandilati Termoplastici AB was wound up as from 1/1/2017, an action finally completed with the closure of the procedure and the dissolution of the company in the month of November 2017.

During the year 2017 the German company Lati Deutschland GmbH was converted into a branch by means of a cross border merger with legal effect from 1/07/2017 and from which "Lati Industria Termoplastici Spa - Zweigniederlassung Deutschland" came about. The accounting and tax effects of the operation were backdated to 01/01/2017 and therefore, these financial statements, as well as providing the financial results of Lati Sweden Filial, also contain the financial results of Lati Sweden Filial, and those of "Lati Industria Termoplastici Spa - Zweigniederlassung Deutschland". In the second part of the financial year action was begun on the establishment of a new branch in Slovakia ("Lati Industria Termoplastici Spa - organizačná zložka"), which began trading on 1/02/2018 and, also in this case as part of the process of rationalisation and efficiency of the group, the procedures for the winding up and dissolution of the Brazilian branch Lati Termoplasticos Do Brasil Ltda went ahead, and were completed at the end December 2017.

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In the light of the above and in view of what will be illustrated below, and talking of economic indicators, the gross operating margin (GOM), fell by € 2.895 million (€ 15,737 million for 2016 as against € 12.842 million).

Given this picture of greater economic and financial stability the results obtained in 2017 by the Company are considered nevertheless to be decidedly positive.

The balance indicators reflect the general effects of the company's economic performance.

Operational management

We can illustrate here some of the most significant changes in balance sheet items that have arisen during the financial year.

Statement of assets and liabilities

Assets

1. Net intangible fixed assets. These have gone from € 1,132,871 for the previous year to € 1,142,079, with a net increase of € 9,208. The change is due to lesser capitalisation of costs for patents, the registration of trademarks, licenses for use (-€ 110,446), while the costs of plant and enlargement increased (+€ 60,606), as well as those of current immobilisations for multiannual costs correlated to project activities (+€ 75,227), net of write downs for the year of € 478,107.
2. Net fixed tangible assets. These went from € 25,694,333 to € 29,116,715, a net increase of € 3,422,382, due to incremental investments, mainly relating to the "Torbissima" project regarding the expansion of the Gornate Olona site. Such investments involved € 652,145 for plant and machinery, € 426,109 for new equipment and other assets, € 205,297 for the acquisition of more land in Gornate Olona, adjacent to the main production site, € 3,379,194 for fixed assets under construction and € 440,975 for advances paid, mainly related to the "Torbissima" real property project. All this relating to net divestitures of € 58,902, deducting the depreciation for the year of € 1,946,910.
3. Long term loans and investments. The figures went from € 10,258,888 to € 7,705,809 with a total decrease of € 2,553,079, breaking down into the various following items:

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- a. shareholdings in subsidiaries are going from € 3,595,918 to € 2,144,939: the decreases concerned, as regards € 423,483, the write-off of shareholding relating to Lati Deutschland GmbH, following its incorporation and conversion into a branch as from 1/07/2017; € 196,679, the write-off of the shareholding relating to corresponding a Lati Termoplasticos Do Brasil wound up and closed in the month of December 2017; € 591,118, the write-off of subsidiary Scandilati Ab, wound up at the start of 2017 and closed in the month of November 2017, and € 377,352, for write down one of the subsidiary Lati USA Trading in relation to losses made in the financial year. The increases on the other hand regarded the subsidiary Lati France Sas and regarded the purchase of the minority share (975 Euros) and revaluation of the shareholding itself (136,678 Euros) to align it with the net equity at end of financial year;
 - b. shares held in controlling undertakings: no change with respect to the last financial year;
 - c. shareholdings held in other companies: write down of € 1,401 of the company Atlantide SA;
 - d. receivables from subsidiaries: the item balance is zero;
 - e. receivables from controlling undertakings: a decrease of € 1,088,949 of non interest bearing loans made to the controlling undertaking SVI S.p.A.;
 - f. sundry receivables: decrease of € 11,750 of caution money and other receivables.
4. Inventories. An overall fall of € 8,943,032, from € 19,833,591 to € 28,776,623, with raw materials increasing by of € 5,778,155, products increasing by € 260,026 and finished products increasing by € 2,904,851. There have also been prudent devaluations of € 405,802 for finished products and € 264,349 for raw materials. The total increase in value of inventories was due mainly to the substantial increase in prices of raw materials, their limited availability (above all close to the end of the year) and the increase in volumes handled in relation to very firm demand over the whole year.
5. Receivables The item increased by € 5,683,617, from € 29,896,259 to € 35,579,876; the increase mainly is due to receivables due from customers (+€ 3,802,012), receivables from controlling undertakings (+€ 2,422,517), tax credits (+€ 235,843) sundry credits (+€ 131,649) set off partially by receivables due from subsidiaries (-€ 824,758) and credits for prepaid taxes (-83,646) all consequent upon the greater turnover realised and the impact of the Swedish and German branches. The provision for doubtful debts, of € 788,862, is deemed consistent with current risks. During the financial year € 224,547 was used and further provisions were set aside for the amount of € 95,847.
6. Cash in hand. This went from € 5,237,374 to € 7,738,598, an increase of € 2,501,224.

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7. Prepayments. Went from € 261,168 to € 303,545, with an increase of € 42,377, relating to the increase in costs accruing in future financial years.

Liabilities

1. Risks and charges reserve fund. The fund for retirement and similar obligations, and corresponding agency dealings with foreign suppliers, going from € 71,768 to € 3,500, in relation to the closure by way of settlement of a contract with the payment of a lesser indemnity, so a contingent liability was recorded (€ 44,424) and the reclassification of the item into generic risks fund reserve fund (€ 23,844) in view of the change in the nature of another contract. With respect to the last financial year, there was an increase of € 8,000 on risk provision for tax disputes against charges provided for in relation to a tax inspection in progress on lands purchased in Gornate Olona in 2017; while the risks reserve fund for future charges, corresponding to the real properties of Gorla Maggiore (formerly VMP) Gornate Olona-Torba has remained unchanged. As regards the former: € 500,000 for possible charges regarding the reinstatement of standard shed plant; € 345,000 for replacement of the asbestos roof as provided for in law, with regard to the same real property; € 60,000 for charges arising for reinstatement of the area occupied by Autostrada Pedemontana Lombarda and recorded following the merger of VMP SpA. As regards the latter: € 400,000 reserved in the previous years, for reclamation of land, of which, in turn, € 261,217 for the elimination of the former OIC16 of land depreciation funds still in existence (carried out in 2015). With reference to the third: € 190,000 for land reclamation costs. During the year 2017, in addition to the increases already referred to, provisions were set aside of € 58,350 for risks for the settlement of product complaints in progress.
2. Severance payments for employees. Changes in legislation, which require the transfer of the annual provision to external institutes are the cause of the modest increase for the year of € 12,073, against € 730,493 of provisions and € 718,421 of utilisations.
3. Debts. Increases, with the figure rising from € 46,551,649 to € 58,582,713, with a change of € 12,031,064. In detail:
 - An increase in total borrowings from banks of € 2,519,743 associated with the greater use of self-liquidating credit lines available. The debt for medium and long term loans with due date beyond one year remained roughly steady, going from € 5,667,834 to € 5,729,406. The incidence of the aforesaid share of loans went from 36.4% to 31.7%;
 - a decrease of loans to other lenders, of € 301,698, due to facilitated annual repayment of MIUR loan;
 - a decrease of € 46,072 in advances received from customers;

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- a large increase in debts due to suppliers of € 12,227,333 due, on the one hand, due to the increase of the volume of business for the year and on the other hand to strong increases arising from increased prices of raw materials, the uncertainty of their availability on the market towards the end of the financial year, leading to the company increasing its safety stock;
 - a decrease in debts to subsidiaries of € 1,518,132;
 - a decrease in debts to controlling undertaking of € 990,007;
 - an increase of tax debts of € 127,556;
 - an increase in debts to the social security institutions of € 30,222 mainly due to labour cost trends;
 - a decrease of € 17,881 in sundry debts.
4. Accrued liabilities. The balance fell by € 10,223, from € 18,127 to € 7,904, for a lesser cost share for the year with regard to interests payable.

Profit and loss account

- A. Value of production. Going from € 127,829,581 to € 150,611,332, an increase of € 22,781,751, thanks to increased income from sales and services determined by increased quantities sold but also to the impact of increases of prices applied in the year, made necessary by the increases in costs of the relevant raw materials. A further increase was recorded in inventories of semi-finished goods and finished products.
Direct sales have in particular increased to eastern European countries and in Germany. The preponderance of sales going abroad has also been confirmed in the year 2017 (about 69%).
- B. Production costs. Their total went from € 114,514,732 to € 140,079,255 with an increase of € 25,564,523, caused by the changes indicated here below.
1. For raw materials, subsidiaries, and consumables and goods, due to changes in raw materials inventories, the increase in consumption of € 27,245,960 was due to the large increase in the prices of raw materials, arising steadily during the course of the year, which saw an average increase of 0.39 €/kg of such costs, together with poor market availability.
 2. For services: this item shows an increase of € 2,301,830, mainly visible in the costs of contract work (+€ 1.02 mln), for transport and logistics (+€ 1.07 mln) for maintenance (+€ 0.13 mln) for trade exhibitions and certifications of products (+€ 0.15 mln) and for consulting (+€ 0.05), in part set off by reductions in energy costs (-€ 0.24 mln) and bank charges (-€ 0.01 mln).

3. For third party property leasing charges: increase of € 116,580, mainly relating to the increase in rental and leasing contracts;
4. Personnel: the item increased by € 889,338. The work force went from 245 employees on average in 2016 to 256 employees on average in 2017, also with regard to the incorporation of the German subsidiary which gave rise to the German branch. The change in personnel costs is mainly through an increase in the average number of employees, career promotions and bonuses linked to results achieved in the financial year.
5. Depreciation and devaluation saw an increase of € 295,485, due to an increase of depreciation rates of intangible fixed assets for € 22,094 and materials for € 177,544 and a greater reserve provision for doubtful debts for € 95,847; it is considered that the existing fund reflects the actual insolvency risk.
6. Provisions for future charges: this item includes € 66,350 of which € 8,000 for adjustments to risks provision for tax disputes in the face of expected burdens resulting from a tax inspection regarding registration tax on land acquired in 2017 in Gornate Olona; € 58,350 for risks relating to product complaints to be settled.
7. For miscellaneous management charges: the total increase of these costs is € 95,653.

The difference between value and costs of production has thus gone from € 13,314,849 to € 10,532,077, a worsening of € 2,782,772. Such result, as described previously, principally discounted the contraction in margins on sales, following the impossibility of fully passing on the increases in the costs of raw materials to the sales prices of products.

C. Financial income and charges. The item, which is a negative figure, went from a positive result of € 604,317 to a negative one of € 815,016, breaking down as follows:

1. income from shareholdings fell by € 915,621; these related to dividends distributed by subsidiaries Lati France s.a.s. and Lati Iberica Sl in relation to the 2016 results. The dividends were possible due to good performance by branches and the degree of capitalisation obtained by these;
2. sundry financial income fell by € 4,699 and comprises bank interest receivable and interest on miscellaneous receivables;
3. interest and other financial charges increased by € 513,065 and are ascribable as regards € 492,257 to financial discounts (liabilities) to customers, of which € 201,769 regarding the branch German, € 136,934 in interest due and charges arising from the use of credit lines and current bank loans and the remaining part being the losses arising from the write-off of shares held in Lati Do Brasil (-€

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246,098) following the termination of the company, and Scandilati AB (-€ 71,537), in relation to the conclusion of the liquidation procedure.

4. the difference between profits and losses on exchange transactions improved from a negative figure of -€ 86,721 to -€ 72,662.

D. The financial activity adjustments went from a negative balance of € 349,804 to a negative balance of € 242,074, where:

- revaluation of the shareholding in Lati France Sas of 136,678 Euros as adjustment to its net equity;
- revaluation of shareholding in the subsidiary LATI USA Trading Inc of € 377,351 Euros and the non controlling interest in Atlantide SA of € 1,401;

The taxes for the year, taking into account prepaid and deferred taxes, went from a burden of € 4,080,226 to one of € 2,762,954.

Economic, capital and financial asset indicators

Article 2428 of the civil code requires, if it is deemed necessary for an understanding with situation of the company and the progress and results of the management, an analysis of financial and non-financial results indicators inherent to the specific business of the company, including information regarding the environment and personnel.

In the first place we illustrate the financial statement data according to a financial reclassification for the balance sheet and a reclassification to added value for the profit and loss account:

Statement of Assets and Liabilities – Financial reclassification

	2017	2016
1) Current assets - Short term assets	72,095,379	54,924,879
1.1) Immediate liquid assets	7,738,848	5,237,374
1.2) Deferred liquid assets	35,276,363	29,592,746
1.3) Available	29,080,168	20,094,759
2) Capital assets - Net fixed assets	38,268,116	37,389,605
2.1) Intangible fixed assets	1,142,079	1,132,871
2.2) Tangible fixed assets	29,116,715	25,694,333
2.3) Long term loans and investments	7,705,809	10,258,888

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2.4) Receivables	303,513	303,513
INVESTED CAPITAL	110,363,495	92,314,484
1) Current liabilities - Short term liabilities	52,403,550	40,141,073
2) Consolidated liabilities - Liabilities a M/L term	10,400,299	10,705,436
3) Net assets - Equity	47,559,646	41,467,975
CAPITAL ACQUIRED	110,363,495	92,314,484

In the reclassified statement of assets and liabilities according to financial method, the investments and loans are classified on the basis of the degree of liquidity – collectibility in increasing order.

The following macro-aggregates are thus obtained:

- Short term assets: investments to become liquidity within 12 months;
- Net fixed assets: investments (net of respective adjusted funds) reserved to inventories in company beyond 12 months;
- Short term liabilities: loans that generate expenditure in the next 12 months;
- Medium to long term liabilities: loans presumed to be repaid beyond 12 months;
- Equity: equity held by shareholders by way of risk capital, whose expiry is connected to the company term.
- Short term assets can also be broken down into:
 - Immediate liquid assets, i.e. investments that are immediately available or quickly made liquid with limited cost (cash, banks, government bonds, postal current accounts etc.);
 - Deferred liquid assets, that is non-liquid investments but with limited terms (credits of any kind at short term or other items);
 - Availability, that is to say short term investments that can be realised with one or more operations in the economic-technical cycle (inventories etc.).

Profit and loss account – Reclassification of added value (or of management appurtenance)

	2017	2016
Income from sales and services	147,705,093	128,353,274
+ Change in inventories of products in progress, semi-finished goods and finished goods	1,843,147	-1,337,726
+ Works in progress on order	0	0

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+ Increases in capital assets for internal works	0	0
OPERATIONAL PRODUCTION FIGURES	149,548,240	127,015,548
- Purchases of raw materials, subsidiary materials, consumables and goods	109,032,994	81,787,034
+ Changes in inventories of raw materials, subsidiarity, consumables and goods	-5,778,155	-374,058
- Costs for services and for assets of third parties	18,786,316	16,367,906
ADDED VALUE	27,507,085	29,234,666
- Personnel costs	14,665,431	13,497,669
Gross operating margin	12,841,654	15,736,997
- Depreciation and write-downs	2,520,864	2,225,379
- Provisions for risks and Misc. Reserves	66,350	321,000
OPERATING RESULT of the business management	10,254,440	13,190,618
+ Sundry income and revenues	1,063,092	814,033
- Miscellaneous operating charges	785,455	689,802
+ financial management net of interest due and profits (losses) on exchange rates	-29,564	783,034
EBIT	10,502,513	14,097,883
+ interest due and profits/losses on exchange rates	1,027,526	528,521
RESULTS	9,474,987	13,569,362
- Income tax	2,762,954	4,080,226
NET RESULTS	6,712,033	9,489,136

In the added value reclassification the point of departure is the value of operational production. Coming within the value of production are both the revenues and the variations in inventories of semi-finished goods, of finished products, of products in the process of working and increases in capital assets for internal working. Essentially the value of production is a measurement of the value of the volumes of business carried out by the company in the year, irrespective of whether the products have been sold or have been put in stock. In the value added reclassification the costs of characteristic management are classified according to their nature, and are broken down as:

- costs corresponding a purchased factors (assets and services), or external costs;
- costs corresponding a company productive factors, or internal costs.

By putting external costs against production value the added value is obtained, i.e. the value that the company, with its own factors, adds to that of the periodically obtained external resources. From the added value is then subtracted labour costs and so the gross operating surplus (GOS) obtained before write downs, that is the surplus available to

replenish physical capital consumed in production and for the remuneration of financial capital and for the payment of direct taxes. Finally, from the GOS are subtracted the characteristic costs (depreciation and devaluation) to obtain the operating result.

Analysis of financial result indicators

On the basis of the above reclassification follows details of some indicators of the financial results taken from those deemed most significant for the company situation. These are broken down into economic and capital indicators.

Economic indicators

The economic indicators identified are ROE, ROI and ROS:

- ROE (Return On Equity)

This is the relationship between net income and shareholder equity (including operating profit or loss) of the company.

It measures in short form the profitability and the remuneration of the company's equity. It indicates the advantage in carrying out risk capital investments in the company and it should really be at least greater than the performance of a low risk investment (such as government bonds).

2017:	14.11%	2016:	22.88%
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- ROI (Return On Investment)

The relationship between the operating result and total assets.

It shows the characteristic profitability of the invested capital, where by characteristic is meant that before secondary and financial management, of extraordinary items and tax pressure.

2017:	9.29%	2016:	14.29%
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- ROS (Return On Sale)

The relationship between operating result of characteristic management and sales revenues.

It indicates the capacity of the company to produce profits on sales.

2017:	6.94%	2016:	10.28%
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Capital indicators

The capital indicators identified are the following: Primary structure margin, Primary structure rate, Secondary structure margin, Secondary structure ratio, Total quotient debt, Financial quotient debt.

- Primary structure margin

Measurement in absolute terms of the company's ability to fund its immobilised assets with its own capital, or the sources contributed by its shareholders.

It makes an appraisal of whether net equity is sufficient to cover fixed assets.

2017:	9,291,530	2016:	4,078,370
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- Primary structure rate

Measures in term percentage the capacity of the company of financial the business with on the equity.

Makes it possible to evaluate the relationship between net equity (including operating profits or loss) and total fixed assets.

2017:	124.28%	2016:	110.91%
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- Secondary structure margin

Measures absolute value of company capacity to finance fixed assets with own capital and medium and long term debt.

Makes it possible to evaluate if long term sources are sufficient to finance the fixed assets.

2017:	19,691,829	2016:	14,783,806
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- Secondary structure ratio

Measures absolute value of company capacity to finance fixed assets with own capital and medium and long term debt.

Makes it possible to evaluate at what percentage long term sources finance the fixed assets.

2017:	151.46%	2016:	139.54%
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- Overall debt ratio

Measures the relationship between total liabilities (current + consolidated) and net shareholder equity.

Makes it possible to evaluate the weight of liabilities, with regard to equity.

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2017:	1.32	2016:	1.23
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- Financial quotient debt

Measures the relationship between liabilities obtained only as loans and net shareholder equity.

Enables an evaluation of the valued of debt for loans, with respect to as compared with own resources.

2017:	0.40	2016:	0.40
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Information on quality, environment and personnel

Given the social role of the company as also highlighted in document on the Report of the National Council of Chartered Accountants and accounting experts, we feel we should furnish the following information concerning personnel and the environment.

Personnel

During the year, no debits have been recorded for accidents and industrial diseases for employees or former employees or causes for which the company has been found responsible. Three labour law disputes with employees were pending from the previous year, without economic impact on the current financial year, insofar as covered by reserves for future burdens made in 2016 and by current insurance policies.

Quality, safety and the environment

The system of management of quality and environment of the company is structured in accordance with the standards dictated by ISO9001:2008 e ISO14001:2004 (customer policy, leadership, involvement of personnel, process approach, systemic approach to management, continuous improvement, decisions based on question of fact, mutual

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benefits with suppliers). Every factory has an organisational structure dedicated to the quality and environment management system that is centrally coordinated.

The factories are certified by independent certification institutes that each year verify the reference standards and renew the corresponding certifications.

Factories certified in accordance with standards ISO9001:2008 and ISO14001:2004:

Factory	Date first issue	Certification institute
Vedano Olona	16/03/1993	Certiquality
Gornate Olona	16/03/1993	Certiquality

Factory	Date first issue	Certification institute
Vedano Olona – Gornate Olona	19/05/1995	Certiquality

In 2017 an Environmental Management System audit was carried out (ISO14001) as well as a Quality Systems audit (ISO9001).

Both audits produced positive outcomes.

During the year there has been no damage caused to the environment, no lawsuits brought and no fines imposed for offences relating to environmental damage.

The company's commitment continues and it maintains proper environmental, safety and quality standards with periodical staff training on health and safety, raising awareness on the protection of and safeguarding the environment in the performance of their various duties.

Main risks and uncertainties to which the company is exposed

- Risks connected with general market conditions

The company, like all manufacturers using plastic materials, is evidently exposed to the risks associated with the current economic situation, above all as regards the volumes of sales and the added value of products made. The volumes of sales substantially increased

in the course of the year, with consequent benefits in invoicing terms, but with some critical elements relating to delivery times, due to limited production capacity. The added value, as provided for in the budget drawn up for the year 2017, was eroded by the large increases in the cost of raw materials. In any case, the company, despite the risk of scarcity of some polymers and the large increase in prices, managed to procure all the volumes necessary and ensure expected margins, intervening when possible with an increase in the prices of the finished products.

▪ Risks connected with financial means and liquidity risk

The continued uncertainties of the financial markets and the more restrictive strategies employed by the banks in terms of access to credit and their corresponding pricing leave the company open to a greater liquidity risk. The Company has been able to handle its financial commitments with recourse to bank credit for advances of trading credit and their subsequent collection. Continuous monitoring of the levels of current assets, in particular the level of warehouse stock, has made it possible to significantly reduce debt and hence risks connected to financial needs.

At the general level the utmost attention remains for the management of cash flow and borrowings, with constant management of dealings with lending banks.

▪ Risks connected with interest rates

The greater part of the sources of finance are variable rate, exposing the company to risk from interest rate volatility. The attempts to relaunch an economy still in crisis in the Euro zone have led the main central banks to cut the costs of borrowing, which touched historic lows in the two years 2016-2017. The real economy has been able to benefit from this, but discontinuity risks persist. It is therefore expected that the year 2018 will, on the basis of BCE indications, see a situation of substantial stability with a possible slight rise in interest rates.

▪ Doubtful debt risk

The doubtful debt risk consists essentially in the exposure of the company to the insolvency of its customers; there have not in general been seen significant risk concentrations as there are a large number of customers; it is in any case fundamentally important to constantly monitor the various accounts.

Investments

In line with the progression of the previous year, in the course also of the year 2017 works were carried out on improvements to the industrial aspects of the company both in terms of its production and its technology , as well as in the areas of the environment and safety.

The Gornate Olona site was involved during the financial year in activities regarding the “Torbissima” project for the industrial and logistical development of the site for its expansion and rationalisation which, with a substantial investment programme underway also over the next few years, which may soon generate benefits in terms of lower operating costs and greater safety, and, in the midterm permit the Company a greater flexibility in the production area. The major development plan has continued with the production project and the detail of Plot 1 (renovation of office block Torba 3 and new raw materials warehouse), as well as the design of Plot 2, with detailed plans of the new structure of the electrical plant and the new mixing and preparation department (the ARUPE project) that will be positioned between the current production and the new materials warehouse with a view to the rationalisation of the internal product flow at the pre-extrusion stages (in the years 2018 and 2019).

Alongside the start-up of the realisation of the raw materials warehouse the implementation plan was started for the WMS (Warehouse Management System) which will permit semi-automatic management of the new warehouse and rationalise the product flow. All these activities shall be implemented using Industrial Plan facilitations 4.0.

Also from the industrial point of view, the Gornate site is being modernised by the introduction of new technologically advanced equipment and the upgrading of existing plant with major revamping and safety improvements. In the extrusion department a new spiral elevation tower was inserted for the management of finished products after the drawing process; the BV 92-2 G line was modified, increasing the capacity of the processing area to permit the installation of a new cutting system that should be up and running in the summer of 2018, bringing improvements to product quality and plant management.

A compressed air flute system was introduced to solve quality issues regarding the presence of specks in the finished products, while revamping continued with the cutting process and the additive and colorant weighing process.

From point of view of safety, in compliance with the Atex regulations 4, new filters were installed for the dust created by the transport from the pre-finishing to packaging pipeline. A new Schwing oven was installed for plant component cleaning systems reaping energy

savings, while revamping was carried out on the pipeline and valves, with the corresponding PLC for the whole of the Ariostea stock silos for raw materials. Finally, at the Gornate laboratory, a new viscosimeter has been introduced for greater reliability and uniformity of viscosity controls. Finally, two important new plant systems have been introduced: a 4,000 litre mixer and new static pre-packaging silos that together will permit continuous connection of the BV92-1G production with the packaging process, ensuring uniform finished product batches.

As regards the Vedano Olona site, the main investments concerned alignment with environment and safety regulations, as well as upgrades of various equipment. In the extrusion system in the BV70 -3V line a more efficient and safer degassing system was introduced, while in the production service area a new granulation system was created to carry out the crushing process without the need for the presence of staff at the input area end. There was also introduced in Vedano a compressed air flute system to improve the quality of the finished product and continued revamping of the cutting process was carried out. A pilot plan was put into effect in the oven area for gas to electrical oven conversion with a new electrical heat exchanger: since the trial results were good in the first year, the four remaining drying ovens will be converted.

Research and development, protection of the environment

"In 2017 the R&D dept. analysed various types of products that required the formulation and small scale production and the characterisation of sample from 105 projects The main types of compounds studied and produced were the following:

1. Non-halogenated self-extinguishing products of new compositions:

They are products that have growing demand, whose main raw material is managed as a monopoly and whose availability is not always congruent with the demand. This has made necessary an appraisal of alternative of raw materials, with a view also to developing formulae designed to meet customer needs in accordance with the sector's regulations. As well as the basic self-extinguishing additives studied by various types of synergies to inhibit corrosions problems and to improve the characteristics of the product. The results were very positive and also the industrial evidence validated the new proposals.

2. Ultra-high-tech materials

These are rigid materials resistant to low temperatures (from -20 to -40°C) that are suitable for many purposes in components for low temperature uses. They are in

many cases subject to bumps and high stresses that can be handled with high resistance qualities that can be obtained from formulations introduced at different stages. The Research is based on differences in types of elastomer modifiers and checks on the effect of transformation conditions; innumerable elastomers have been evaluated under different extrusion conditions. The results have made it possible to select the most suitable materials and conditions for best cost-performance relationship.

3. New materials with a low attrition coefficient and degree of wear:

One of the most frequently employed components for the obtaining of low attrition coefficient is PTFE, a fluorinated product of the halogenated group, that is products that give off toxic fumes in the event of fire. For this reason were materials have been studied that contain other additives such as UHMWPE, special loads, and liquid lubricants. Resistance and wear studies on these compounds compared with traditional products have been carried using a new instrument that measures both the attrition coefficient and wear.

4. Durable materials with polymers of renewable origin.

The biopolymers and other raw materials from renewable sources offer the possibility of achieving more sustainable solutions. There are new products appearing on the market which could be used in the realisation of durable goods if differently formulated. Various polymers and combinations of polymers have been studied, formulated with the use of sustainable additives, to give rise to mechanical, thermal, resistance and chemical qualities comparable to traditional polymers. These materials have been appraised and approved by customers in various applications such as 3D printing filaments, plates for electrical switches, and personal hygiene and cosmetic articles.

During the year 2017 new solutions were also developed in the production processes, including:

- a) A study for the installation of compound granulation equipment carried out under laboratory conditions and in the industrial environment aimed at obtaining a granulated product from defects due to oxidation and/or with a low level of residual humidity, testing extruded compound granulation systems under water.
- b) The study of modifications of the production process at the post-extrusion stage, aimed at storing in intermediate capacity silos (equivalent to a batch of 5000 to 7000 kg), the homogenisation, sampling and quality control and conveyance to the packing line. The use

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of such silos has meant a reduction in the handling and conveying processes and the managing of small silos, as well as the reduction in product drying cycles thanks to the reduction in residual humidity.

- c) The study of a hot cleaning system of the extruder components has led to the selection of a smaller plant that is easier to run, but with similar performance characteristics.

An important project was embarked upon in 2016 and continued in 2017, involving product research and development that the process research and technology in order to improve the productive flows, to optimise the consumption of raw materials and reduce production waste. This project has two aspects:

- a) The "ProductR&volution" project aimed at improvements in formulae through making the production process more efficient with reductions in crossing times and cutting the set up/cleaning times; proactive support of the planning process and improvements to performance as well as the reduction of risks on the PF;
- b) The "Brain Evolution" project focussed on rationalising and optimising production programming, as well as on the "plant / production process / materials" relationships, with the aims of risk reduction and rendering the process more efficient and effective, while improving its quality.

The "Logisticamente" project was started up with the aim of rationalising the logistic areas with more flexible and fluid flows in its connections with the production, customer service and procurement offices.

These projects are still in progress. We are confident that their positive outcomes and the implementation of the innovations could lead to an increase in turnover, with favourable effects on the general economy of the company.

Dealings with subsidiaries, allied companies and controlling undertakings

For details of the main dealings embarked upon with the company SVI S.p.A., which carries out management and co-ordination, also in relation to the other companies it controls, see the following table:

Sundry trade dealings						
Company	Receivables	Debts	Guarantees received	Guarantees given	Costs and Charges	Revenues and Income
Svi SpA	3,191,430	195,659			2,621,378	
Lati Shanghai	956,853	27,321			174,113	2,016,959
Lati UK Ltd	423,513	103				1,680,207

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Lati Iberica Sl	1,584,634		364	6,373,446
Lati Usa Trade Inc.		8,211		53,229
Lati France Sas		142,807		1,111,362
Lati do Brasil Ltda				71,885
Lati Schweiz SA	70,974	121,334	470,344	70,974

Financial accounts						
Company	Financial receivables	Financial debts	Guarantees received	Guarantees given	Financial charges	Financial income
Svi SpA	3,447,523					
Lati UK Ltd					249	
Lati France Sas		741,413			7,789	108,450
Lati Iberica Sl						100,000
Lati do Brasil Ltda					246,098	
Scandilati Ab					71,537	

Such relations, that have not included atypical or unusual transactions and are governed by normal market, except for the non interest bearing loans with the controlling undertaking. The amount of the receivables due from SVI S.p.A. consists in € 1,592,610 of group VAT and € 1,598,820 from fiscal consolidation and € 3,447,523 from non interest bearing loans.

The debts to SVI S.p.A. relate to invoices to receive for performance of services and secondment of personnel.

All the other receivables and debts, in relation to companies in the group, are of a commercial nature with the exception of the financial debts to Lati France (741,413 Euros) for an intercompany loan from the branch to the parent company in the month of September 2015, at the time of the secondment from the group cash pooling and renewal until 31/12/2018.

The costs and charges incurred by Lati S.p.A. regard the following:

- to SVI S.p.A. for assistance services and technical and administrative consulting as well as for secondment of personnel for € 395,659 and charges for the consolidation tax of € 2,225,719.
- for foreign subsidiaries foreign mainly for the procurement of materials, commission and other services, as well as, for interest due on the management of cash-pooling;

The revenues and income of Lati S.p.A. come from the following:

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- for the foreign subsidiaries for commercial income from sales of goods, the performance of services and financial income relating to dividends distributed by Lati France Sas, and Lati Iberica SA.

In 2017 no decisions were made that were influenced, in particular, by the management and co-ordination activity, save the commercial and organisational transactions intended to exploit the synergies of the group and the temporary support that Lati S.p.A. has provided for SVI S.p.A. with non-interest bearing loans.

For the completeness of information, we must report that SVI S.p.A. draws up on the consolidated financial statements.

Subsidiaries

Here below we show briefly the main events of the year in our foreign companies and branches whose results are also shown in the notes to the accounts.

LATI Industria Termoplastici SpA Zweigniederlassung Deutschland (formerly Lati Termoplastici Deutschland GmbH). The positive trend, seen in the period 2013-2016, was confirmed also for the financial year 2017 through a turnover of € 16.93 million (as against 20.25 mln € of FY 2016) and net profits of € 408,647 (vs € 577,911 of the previous year). In 2017, as part of the reorganisation plan for the Group in Europe, the office has been turned into a "branch", by means of a cross border merger. The operation actually took place on 1/07/2017, with accounting effective from 1/01/2017. Following this, from the business point of view, and with a view to improvement in synergies of the group and of customer service, the volumes of sale with shipping from Italy increased, which gave rise to an increase in the flow of products with trade commission to the branch, with consequent contraction of final turnover. These results are included in the financial statements of the parent company, Lati SPA.

Lati France s.a.s. In the financial year 2017, the branch worked, for the second consecutive year, entirely in its capacity as agent, following the completion of the process of conversion, which took place in 2015. The branch has however continued to have good income, in line with the past, sustained by good sales in its market, there being a slight down-swing in the last part of the year. The profit and loss result for the year 2017 was positive, with a net profits in growth at € 245,283, as against € 217,073 of the previous year. In the financial year a total dividend was distributed of € 108,537 and the minority share of € 975 was acquired. In view of the excellent

result recorded, the shareholding, already entered in the net shareholder equity has been in this financial statement revalued at € 136,678. With reference to the plan of reorganisation of the Group in Europe, the French company shall be converted in 2018 into a branch by means of a 'cross border merger. To such end, in the month of November 2017, the parent company in acquired a minority share of its capital. The conversion into a branch, should therefore legally, accounting wise and fiscally run from 1/07/2018.

Lati Iberica s.l. The Spanish market is still unstable but demand was high in 2017 enabling a higher turnover to be achieved that was greater than the record figure of the previous year (€ 6,707,907 as against € 6,418,760 for FY 2016), thanks mainly to an increase in prices. There remains the persistent problem of access to credit, as well as delays in payments. Fortunately for Lati Iberica, the financial pressures arising from this situation were less than in 2016. The improved margins on products and the containing of operating costs have however permitted the company to close the financial year 2017 with a growth in profits at € 214,693 (as against € 204,734 for 2016), with the resolution passed to distribute dividends of € 100,000. (VG) There is expected for 2018 a further increase in sales linked to continued favourable economic conditions and a further increase in prices associated with the continued increase in the costs of raw materials.

Scandilati Termoplastici AB. Following the creation of the Swedish branch "Lati Sweden Filial", with a resolution of the Sole Shareholder on 1 December 2016, Scandilati Ab was therefore wound up as from 1/01/2017, which process was concluded with the instrument of dissolution and cancellation of the company on 28/11/2017. Following this operation was entered in the financial year as a loss on the shareholding itemised in the financial statement of net shareholder equity, of € 71,537.

Lati Sweden Filial. The Swedish branch, incorporated in the month of July 2016 and become operational on 1/10/16 in relation to the transfer of local business managed by Scandilati Ab, in the course of the year 2017, realised a turnover of € 2,092,081 with a profit of 92,062 Euros (as against € 473,267 of turnover and a profit of € 14,228 made in the three months of activity of 2016). These results are included in the financial statements of the parent company, Lati SPA.

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Lati U.K. Ltd. In 2017, despite Brexit, the UK market returned figures broadly in line with those of the previous years. At the economic level our subsidiary therefore registered maintained volumes and unitary margins, achieving a positive result with profits of 104,296 Euros, as against the 122,194 Euros of 2016. With these results, a resolution decided the distribution of a dividends of 100,000 GBP.

Lati Termoplasticos do Brasil Ltda. The company was in the course of the year 2017 influenced by the unstable performance of the Brazilian market, which has been in a state of crisis for some years, despite sporting events of great importance in the last two-year period. The study of a local manufacturer begun 2013 has never come about. Such factors, together with the difficulties in achieving a situation of balance, postponed on a number of occasions, led to the decision, in the second half of the financial year, to proceed with the winding up and cancellation of the company, in accordance with local regulations. The company thus ceased trading at the end of the month of October and, in the month of December, the winding up and dissolution was completed, with the result that the parent company Lati Spa took over its debt for the cessation of any employment contracts that shall be closed within the year 2018. The financial year 2017 thus ended with a loss of € 282,163 (as against - 45,996 Euros of 2016), that resulted, in the financial statements of Lati spa, after the write-off of the shareholding, in a net loss of € 246,098.

Lati U.S.A. Trading, inc. The Company closed the financial year with a net loss of 377,352 Euros (as against a loss of € 100,841 in the FY2016) arising from the accrual of previous "tax assets" that could not be used and which were added to the operating loss of € 60,935 of the financial year. Such operating loss was defined above all in relation to a contraction in turnover, going from € 801,612 to € 355,535 following the failure to come into effect of a number of business opportunities. Operating costs have been kept substantially unchanged as compared with the previous financial year. In 2017 the qualification of LATI products with customers, above all in the sectors of electrical and domestic appliances was continued, and new supplies were made, which although still limited should enable breaking even to be achieved in 2018.

The branch may also benefit from tax credit following previous accumulated losses.

Lati Shanghai Co. Ltd. The Company, incorporated at the start of 2010, is the group's direct presence in the Asian market and in particular the strategic Chinese market. In 2017 commercial supplies to primary multinational customers were consolidated

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and new and significant sales to local companies were added to these. The numbers of finished products made on site also increased, as opposed to those imported from Italy. Turnover in 2017 grew (€ 11.3 million), as compared with 2016 (€ 9.03 million), with a positive profit and loss result of € 376,675, exceeding that of the previous year (€ 243,281) from an increased volume of business. The growth in turnover was achieved through the activation of new customers that increased consumption of important international end users. During the year 2017 a new Country Manager was also introduced. For 2018 further expansion of business is expected thanks to the increased portfolio of local and international customers, and the increase in sales prices.

Lati Schweiz Thermoplastics SA- In the course of the financial year recorded a slight increase in turnover of 472,836 Euros (in 2016 it was 461,118 Euros), associated with commission on sales generated in Switzerland and abroad. The reduction of operating costs has permitted the company to close the financial year with a profit of 79,441 Euros (as against 63,128 Euros of the previous year). The positive trend in local and international sales is expected to continue in the year 2018.

Parent company

SVI S.p.A. continues in its co-ordination of services in the various companies with the aim of improving overall common efficiency.

Transactions involving treasury shares and group shares

On the closing of the balance there were no treasury shares in the portfolio of the company. On 31.12.2017, on the other hand, the company held 799,999 shares, with face value of 0.21 Euros each, corresponding to 10% of the company capital of SVI Sviluppo Industriale S.p.A., recorded in the financial statements at € 1.994.226, as was the case in the last financial year.

Expected operating trends

The trend for turnover in the early months of 2018 is in line with Budget expectations and growing strongly as compared with 2017, just as sales orders coming in have proven to be constantly increasing.

The good sales trend reflects a general increase in demand in all downstream sectors. This strong market demand, in the face of more limited supply, exerts notable pressure on the costs of raw materials that remains in an inflationary situation. There is in particular strong tension in relation to polyamide 6.6 due to declarations of Force Majeure on upstream intermediaries, which could therefore become scarce during the year 2018. Supply in the sector continues to fall below demand, with the risk of rationing of procurement in the immediate future. As a result the company is carefully monitoring of the market for the principal raw materials, with constant evaluation of the possibilities of diversification of sources of supply.

On the question of sales, the most important expected developments, in terms of international markets, regard the continuous growth in Germany and in the countries of East Europe, the relaunch of the North-American branch Lati USA Trading Inc. and the Swedish branch where a new manager is being installed; there is also expected a substantial increase in sales of special high added value products thanks to the implementation of a new pre-sales marketing structure.

Finally, the Company, as part of its plan of reorganisation and presence in Europe plan, on 1 February 2018, opened a new branch in Slovakia "Lati Industria Termoplastici - S.P.A., organizačná zložka" incorporated as new entity and at the same time, started the form conversion process of the French company Lati France Sas into a branch, an operation to be completed as international takeover of the latter by the parent company, Lati spa.

In 2016 Lati also started, thanks to strong recovery of profitability seen in the last three years, an investment programme with the aim of renewing the technological and industrial part, that had been hit during the years of crisis. The project, which took the name "TORBISSIMA" provides for steady development of the Torba site in Gornate Olona where LATI will in 2018 make a new raw materials warehouse with automatic shelving and bar coding system as well as the major restructuring of the body of the existing factory. The plan will continue with the modernisation of the factory layout, as well as its digitalisation. In 2017 the "Torbissima" project was active and visible with economic and financial effects in the form of costs and investments, above all in the project's study and start up.

Even though during a general economic situation characterised by great instability, with regard to the procurement of raw materials, and given what was said in the previous

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paragraph considers it can reasonably confirm the profit and loss result and financial result achieved also for the year 2018, with constantly growing levels of activity.

Use by the company of financial instruments and, if relevant for measuring the company's equity and financial position and its profit and loss result for the year, company objectives and policy on financial risk management, exposure to price risks, the liquidity risk and financial flows risks.

As regards point 6 bis of article 2428 of the civil code, see what is set forth in the notes to the accounts. There is no other information to provide with regard to the use of financial instruments and risk management.

List of places of business

The Company carried out its production in 2017 in the factories of Vedano Olona (location of its registered office and operations) and Gornate Olona; it also has a warehouse at Gorla Maggiore and an office in Turin. The company also has an office (local business unit) in Sweden, in Gothenburg, concerning the branch "Lati Sweden Filial"; an office (Local Business Unit) in Germany, at Wiesbaden, for the Branch "Lati Industria Termoplastici Spa - Zweigniederlassung Deutschland". It must be pointed out that on 1 February 2018 an office (Local Business Unit) was opened in Slovakia at Nové mesto nad Váhom, for the Branch "LATI Industria Termoplastici SpA - organizačná zložka".

Final considerations

As regards the requirements of law 72/1983, we refer the reader to the notes to the accounts, which are an integral part of the financial statements.

Dear Shareholders,

having completed the business report that accompanies the financial statements for the year closing 31/12/2017, we confirm that the financial statements submitted to you for your approval truly and correctly represent the financial situation and equity of the company as well as the profit and loss result for the financial year. We therefore recommend you approve these company financial statements.

We also ask you to pass your resolutions on the allocation of profits for the financial year of € 6,712,033 which we propose should be wholly allocated to the extraordinary reserve, the legal reserve having reached the legal limits.

Finally we remind you that our term of office has expired. We would like to thank you for the trust you have placed in us and we ask you to pass your resolution to re-establish this current board.

Vedano Olona, 12 March 2018.

For the Board of Directors
The Chairman
(Prof. Francesco Conterno)



ELENCO PARTECIPAZIONI SOCIETA' CONTROLLATE E COLLEGATE

Denominazione impresa controllata Sede	Situazione al 31/12/2016				Movimenti dell'esercizio				
	N° Azioni o quote	%	Nominale Nominale	Valore di Bilancio	N° Azioni o quote	Valore Nominale	Incremento costo partecipazione	Decremento costo partecipazione	Rivalutazione, svalutazione partecipazione
LATI INDUSTRIA TERMOPLASTICI DEUTSCHLAND GMBH (CS € 410.000) Otto von Guericke Ring 7 - Wiesbaden - Germania	800	100,00%	€ 410.000	423.483	(800)	€ (410.000)		(423.483)	
LATI IBERICA SL (CS - € 330.556,66) Muntaner 270 Atico A, Barcellona - Spagna	55.000	100,00%	€ 330.557	328.419					
LATI TERMOPLASTICOS DO BRASIL LTDA (CS - R\$ 2.945.787) Av. Prof. Gioia Martins, 206 - S. Paolo - Brasile	2.945.564	99,99%	R\$ 2.945.564	196.679	(2.945.564)	R\$ (2.945.564)		(196.679)	
SCANDILATI TERMOPLASTICI AB (CS - SK 750.000) c/o Moore Stephens Ranby AB - Forsta Långgatan 30, Box 31028, 40032 Göteborg - Svezia	7.500	100,00%	SK 750.000	591.118	(7.500)	SK (750.000)		(591.118)	
LATI U.K. LTD (CS - LG 150.000) Yanmouth House, Trident Business park, daten Avenue, Warrington - Gran Bretagna	150.000	100,00%	LG 150.000	192.076					
LATI USA TRADING, INC. (CS - US\$ 850.000) c/o WebsterRogers LLP 40, Calhoun Street, Suite 320 Charleston, South Carolina, USA	850.000	100,00%	US\$ 850.000	453.581					(377.352)
LATI FRANCE S.A.S (CS - € 182.500) 4 Rue des Frères Lumière - 78370 Plaisir - Francia	2.498	99,92%	€ 182.353	1.135.923	2	€ 147	975		136.678
LATI SHANGHAI CO. LTD (CS - CNY 1.878.100) Room 401D, No. 567 Tianyaoqiao Road, Shanghai - Cina	1	100,00%	CNY 1.878.100	200.000					
LATI SCHWEIZ TERMOPLASTICS S.A. (CS - CHF 100.000) Via Campagnadorna 5/a - Genestien - Svizzera	90	90,00%	CHF 90.000	74.639					
				3.595.918	(2.933.862)	(4.105.417)	975	(1.211.280)	(240.674)

ELENCO PARTECIPAZIONI SOCIETA' CONTROLLATE E COLLEGATE

Denominazione impresa controllata	DATA costituzione	Situazione al 31/12/2017		Valore di Bilancio	quota parte di PN di competenza in €*	PN totale Euro	Utile o (Perdita) Esercizio
		N° Azioni o quote	%				
Sede LATI IBERICA SL (CS - € 330.556,66) Muntaner 270 Atico A, Barcellona - Spagna	25/01/90	55.000	100,00	328.419	1.171.804	1.171.804 €	214.693
LATI U.K. LTD (CS - LG 150.000) Yamouth House, Trident Business park, daten Avenue, Warrington - Gran Bretagna	18/06/92	150.000	100,00	192.076	1.130.868	1.130.868 GBP	91.433
LATI USA TRADING, INC. (CS - US\$ 850.000) c/o WebsterRogers LLP 40, Calhoun Street, Suite 320 Charleston, South Carolina, USA	02/06/98	850.000	100,00	76.229	129.045	129.045 US\$	(426.295)
LATI FRANCE S.A.S (CS - € 182.500) 4 Rue des Frères Lumière -78370 Plaisir - Francia	23/8/83 Thertec 15/7/98 Lati France	2.500	100,00	1.273.576	1.273.576	1.273.576 €	245.281
LATI SHANGHAI CO. LTD (CS - CNY 1.878.100) Room 401D, No. 567 Tianyaoqiao Road, Shanghai - Cina		1	100,00	200.000	1.432.606	1.432.606 CNY	2.873.651
LATI SCHWEIZ THERMOPLASTICS S.A. (CS - CHF 100.000) Via Campagnadoma 5/a- Genessterio - Svizzera	14/11/11	90	90,00	74.639	267.601	297.335 CHF	92.962
				2.144.939	5.405.500		

* Importi convertiti in base ai cambi indicativi di riferimento forniti da Banca d'Italia al 31/12/2017

USD	pari EUR 1/	1,1993
CNY	pari EUR 1/	7,8044
CHF	pari EUR 1/	1,1702
GBP	pari EUR 1/	0,8872

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LATI INDUSTRIA TERMOPLASTICI S.P.A.

*A company subject to management and co-ordination of
SVI Sviluppo Industriale S.p.A..*

Company headquarters Via Francesco Baracca, 7 - 21040 Vedano Olona
Company Capital: 3,818,400 Euros (fully paid up).

Registered on the Companies' register of Varese at number
00214880122

Tax identification number and VAT number 00214880122

Chamber of Commerce VARESE REA economic and administrative registry N. 41557

FINANCIAL STATEMENT AS OF 31 DECEMBER 2017

General information on the company	
Details	
Registered office at:	VEDANO OLONA
Tax identification number:	00214880122
Number REA (economic and administrative repertory):	41557
Company share capital Euro:	3,818,400.00
Fully paid up company share Capital:	yes
Chamber of Commerce code [CCIAA]:	VARESE
VAT number:	00214880122
Legal form:	Company limited by shares
Main field of business (ATECO):	201600
Company in liquidation:	no
Company with sole shareholder:	no
Company subject to external management and co-ordination:	yes
Name of the company or entity that exercises management and co-ordination:	SVI SVILUPPO INDUSTRIALE SPA
Member of a Group:	yes
Name of the parent company:	SVI SVILUPPO INDUSTRIALE SPA
Country of parent company:	Italy

Statement of assets and liabilities

	31/12/2017	31/12/2016
Assets		
A) Receivables from shareholders for contributions still due		
B) Fixed assets		
I - Intangible assets		
1) costs of plant and enlargement	672,585	611,980
4) Grants, licenses, trademarks and similar rights	330,889	441,335
6) Fixed assets under construction and advances	120,067	44,840
7) Misc.	18,538	34,716
Total intangible fixed assets	1,142,079	1,132,871
II - Tangible fixed assets		
1) Land and buildings	19,204,688	19,759,695
2) Plant and machinery	4,370,945	4,325,521
3) Industrial and commercial equipment	510,295	339,379
4) Misc. assets	208,692	267,812
5) Fixed assets under construction and advances	4,822,095	1,001,926
Total fixed tangible assets	29,116,715	25,694,333
III - Long term loans and investments		
1) Shares held in		
a) subsidiaries	2,144,939	3,595,918
c) parent companies	1,994,226	1,994,226
d-bis) other companies	78,866	80,267
Total shares held	4,218,031	5,670,411
2) receivables		
a) due from subsidiaries		
b) due from allied companies		
c) from parent companies		
collectible beyond the subsequent period	3,447,523	4,536,472

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	31/12/2017	31/12/2016
Total receivables from parent companies	3,447,523	4,536,472
d) from companies controlled by the parent companies		
d-bis) from others		
collectible within the subsequent period	8,000	18,500
collectible beyond the subsequent period	32,255	33,505
Total sundry receivables	40,255	52,005
Total receivables	3,487,778	4,588,477
Total long term loans and investments	7,705,809	10,258,888
Total fixed assets (B)	37,964,603	37,086,092
C) Current assets		
I - Inventories		
1) Raw materials, auxiliary materials and consumables	12,869,279	7,091,124
2) Products in progress and semi-finished goods	872,092	612,066
4) Finished products and goods	15,035,252	12,130,401
Total inventories	28,776,623	19,833,591
II - Receivables		
1) From customers		
collectible within the subsequent period	27,883,114	24,081,102
Total receivables due from customers	27,883,114	24,081,102
2) from subsidiaries		
collectible within the subsequent period	3,035,974	3,860,732
Total receivables from subsidiaries	3,035,974	3,860,732
3) from allied companies		
4) from parent companies		
collectible within the subsequent period	3,191,430	768,913
Total receivables from parent companies	3,191,430	768,913

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	31/12/2017	31/12/2016
5) from companies controlled by the parent companies		
5-bis) Tax credits		
collectible within the subsequent period	235,843	0
Total tax credits	235,843	0
5-ter) Prepaid taxes	952,803	1,036,449
5-quater) From misc		
collectible within the subsequent period	280,712	149,063
Total sundry receivables	280,712	149,063
Total receivables	35,579,876	29,896,259
III - Financial assets not amounting to capital assets		
6) miscellaneous securities	250	0
Total financial assets not amounting to capital assets	250	0
IV - Cash in hand		
1) bank and post office deposits	7,735,983	5,236,849
3) money and cash effects	2,615	525
Total cash in hand	7,738,598	5,237,374
Total current assets (C)	72,095,347	54,967,224
D) Accruals and pre-payments	303,545	261,168
Total assets	110,363,495	92,314,484

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	31/12/2017	31/12/2016
Liabilities		
A) Net equity		
I) - Capital	3,818,400	3,818,400
III - Revaluation reserve	5,027,935	5,027,935
IV - Legal reserve	1,624,000	1,624,000
VI - Sundry reserves, specifically identified		
Extraordinary reserve	27,667,869	19,514,279
Share reserve (stakes) of parent company	1,994,226	1,994,226
Merger surplus reserve	711,638	0
Unrealised income on exchange rates	3,545	0
Miscellaneous reserves	0	(1)
Total misc. reserves	30,377,278	21,508,504
IX - Profit (loss) for the period	6,712,033	9,489,136
Total shareholder equity	47,559,646	41,467,975
B) Provisions for risks and charges		
1) retirement contributions and similar obligations	3,500	71,768
2) for taxes including deferments	20,000	12,000
4) miscellaneous	1,670,694	1,686,000
Total provisions for risks and charges	1,694,194	1,769,768
C) TFR severance pay fund for employees	2,519,038	2,506,965
D) Debts		
1) bonds		
2) convertible bonds		
3) debts for shareholder loans		
4) debts to banks		
collectible within the subsequent period	12,355,078	9,896,907
collectible beyond the subsequent period	5,729,406	5,667,834

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	31/12/2017	31/12/2016
Total debts to banks	18,084,484	15,564,741
5) debts to other lenders :		
collectible within the subsequent period	303,207	301,697
collectible beyond the subsequent period	457,661	760,869
Total debts to other financiers :	760,868	1,062,566
6) advances		
collectible within the subsequent period	25,036	71,108
Total advances	25,036	71,108
7) debts to suppliers		
collectible within the subsequent period	35,260,992	23,033,659
Total debts to suppliers	35,260,992	23,033,659
8) debts represented by credit instruments		
9) debts to subsidiaries		
collectible within the subsequent period	1,041,189	2,559,321
Total debts due to subsidiaries	1,041,189	2,559,321
10) debts due to allied companies		
11) debts due to parent companies		
collectible within the subsequent period	195,659	1,185,666
Total debts due to parent companies	195,659	1,185,666
11-bis) Debts to companies controlled by parent companies		
12) Tax debts		
collectible within the subsequent period	987,228	859,672
Total tax debts	987,228	859,672
13) debts to pension and social security bodies		
collectible within the subsequent period	793,012	762,790
Total debts to pension and social security bodies	793,012	762,790

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	31/12/2017	31/12/2016
14) Misc. debts		
collectible within the subsequent period	1,434,245	1,452,126
Total sundry debts	1,434,245	1,452,126
Total debts	58,582,713	46,551,649
E) Accruals and deferrals	7,904	18,127
Total liabilities	110,363,495	92,314,484

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Profit and loss account

	31/12/2017	31/12/2016
A) Production figures		
1) income from sales and services	147,705,093	128,353,274
2) changes in inventories finished products and products in progress	1,843,147	-1,337,726
5) Sundry income and revenues		
miscellaneous	1,063,092	814,033
Total sundry income and revenues	1,063,092	814,033
Total value of production	150,611,332	127,829,581
B) Production costs		
6) for raw materials, subsidiary materials, expendables and goods	109,032,994	81,787,034
7) for services	18,330,263	16,028,433
for third party property leasing charges	456,053	339,473
9) for personnel		
a) salaries and wages	10,445,237	9,555,899
b) social security charges	3,274,130	3,089,200
c) TFR employee severance payments	730,493	706,530
e) sundry costs	215,571	146,040
Total personnel costs	14,665,431	13,497,669
Depreciation and write-downs		
a) depreciation of intangible assets	478,107	456,013
b) depreciation of tangible assets	1,946,910	1,769,366
d) depreciation of receivables in operating assets and cash in hand	95,847	0
Total depreciation and write-downs	2,520,864	2,225,379
11) changes in inventories of raw materials, subsidiary materials, expendables and goods	(5,778,155)	(374,058)
13) misc. reserves	66,350	321,000

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	31/12/2017	31/12/2016
14) Miscellaneous operating charges	785,455	689,802
Total production costs	140,079,255	114,514,732
Difference between production value and production costs (A - B)	10,532,077	13,314,849
C) Financial income and charges		
15) Income from shares held		
from subsidiaries	208,450	1,124,071
miscellaneous	48	56
Total income from shares held	208,498	1,124,127
16) miscellaneous financial income		
a) from receivables recorded in capital assets		
d) income other than from the above		
miscellaneous	4,012	8,711
Total income other than that indicated above	4,012	8,711
Miscellaneous financial income	4,012	8,711
17) interest and miscellaneous financial charges		
to subsidiaries	325,673	15,680
miscellaneous	629,192	426,120
Total interest and misc. financial charges	954,865	441,800
17-bis) profits and losses on exchange transactions	(72,661)	(86,721)
Total financial income and financial charges (15 + 16-17 + - 17-bis)	(815,016)	604,317
D) Value adjustments on financial transactions		
18) revaluations		
a) of shares held	136,678	69,842
Total revaluations	136,678	69,842
19) devaluations		

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	31/12/2017	31/12/2016
a) of shares held	378,752	419,646
Total devaluations	378,752	419,646
Total adjustments on financial transactions (18-19)	(242,074)	(349,804)
Before tax result (A- B+ - C+ -D)	9,474,987	13,569,362
20) Tax on operating income, current, deferred and advanced		
current taxes	453,589	565,985
deferred and prepaid taxes	83,646	(34,050)
income (charges) from adhering to the consolidated tax / tax transparency system	(2,225,719)	(3,548,291)
Total income tax on the period's current, deferred and advanced income	2,762,954	4,080,226
21) Operating profits (loss) for the period	6,712,033	9,489,136

Statement of Indirect Cash Flows

	31/12/2017	31/12/2016
A) Financial flows arising from operations (indirect method)		
Operating profits (loss) for the period	6,712,033	9,489,136
Income tax	2,762,954	4,080,226
Interest due/(receivable)	705,879	519,810
(Dividends)	(208,498)	(1,124,127)
(Capital gains)/Capital losses arising from the assignment of assets	317,635	0
1) Profit (loss) for the year before taxes on income, interest, dividends and capital gains/capital losses from alienations	10,290,003	12,965,045
<i>Adjustments for non-monetary elements that have not been off-set in working capital</i>		
Provisions to funds	796,843	1,030,744
Depreciation on capital assets	2,425,017	2,225,379
Miscellaneous adjustments as increases (decreases) for non monetary elements	(337,921)	349,804
Total adjustments for non-monetary elements that have not been off-set in working capital	2,883,939	3,605,927
2) Financial flow before changes to net current capital	13,173,942	16,570,972
<i>Changes in working capital</i>		
Decrease (increase) in inventories	(8,943,032)	484,980
Decrease/(Increase) in receivables due from customers	(3,802,012)	(1,631,408)
Increase/(decrease) of debts to suppliers	12,227,333	(1,151,941)
Decrease/(increase) in accruals and pre-payments	(42,377)	11,109
Increase/(decrease) in accrued liabilities	(10,223)	(6,255)
Miscellaneous decreases/(increases) in working capital	(4,295,919)	1,062,744
Total variations in working capital	(4,866,230)	(1,230,771)
3) Financial flow before changes to net working capital	8,307,712	15,340,201
<i>Miscellaneous adjustments</i>		

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	31/12/2017	31/12/2016
Interest collected /(paid)	(705,879)	(519,810)
(Income tax paid)	(2,762,954)	(4,080,226)
Dividends collected	208,498	1,124,127
(Utilisation of funds)	(863,844)	(838,888)
Miscellaneous collections / (payments)	23,786	0
Total misc. adjustments	(4,100,393)	(4,314,797)
Financial flow of operating assets (A)	4,207,319	11,025,404
B) Financial flow arising from investment activity		
Tangible fixed assets		
(Investments)	(5,861,045)	(2,836,606)
Divestitures	491,753	621,998
Intangible fixed assets		
(Investments)	(520,644)	(297,066)
Divestitures	33,329	980
Long term loans and investments		
(Investments)	(137,653)	(188,483)
Divestitures	2,690,732	910,097
Misc. short term financial assets		
(Investments)	(250)	0
Investment activity financial flow (B)	(3,303,778)	(1,789,080)
C) Financial flows arising from investment activity		
Third party finance		
Increase/(Decrease) in short term debts to banks	4,245,483	(7,294,050)
Taking out of loans	4,156,152	446,862
(Repayment of loans)	(6,183,590)	0
Equity		
Increase in payment capital	711,638	0
(Dividends (and advances on dividends) paid)	(1,332,000)	(962,000)
Financial flow of financial activities (C)	1,597,683	(7,809,188)
Increase (decrease) in cash in hand (A ± B ± C)	2,501,224	1,427,136
Cash in hand at start of the financial year		
Bank and post office deposits	5,236,849	3,809,977
Money and in hand securities	525	261

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	31/12/2017	31/12/2016
Total cash in hand at start of the financial year	5,237,374	3,810,238
Cash in hand at end of the financial year		
Bank and post office deposits	7,735,983	5,236,849
Money and in hand securities	2,615	525
Total cash in hand at end of the financial year	7,738,598	5,237,374

LATI INDUSTRIA TERMOPLASTICI S.P.A.

*A company subject to management and co-ordination of
SVI Sviluppo Industriale S.p.A..*

Company headquarters Via Francesco Baracca, 7 - 21040 Vedano Olona
Company Capital: 3,818,400 Euros (fully paid up).

**Registered on the Companies' register of Varese at number
00214880122**

Tax identification number and VAT number 00214880122

Chamber of Commerce VARESE REA economic and administrative registry N. 41557

NOTES TO THE ACCOUNT FOR THE FINANCIAL STATEMENTS FOR THE PERIOD CLOSING 31 DECEMBER 2017

The annual balance of 31/12/2017, of which these notes to the accounts are an integral part in accordance with article 2423 paragraph 1 of the Civil Code, corresponds to the accounting records duly kept and drawn up in compliance with articles 2423 et seq. of the Italian Civil Code and in accordance with the measurement methods provided for in article 2426 of the civil code. Such evaluation methods were not different from those used for the drafting of the Financial statement of the previous financial year.

There have been no exceptional situations that have required recourse to the departures available under article 2423 c.c. paragraph 4 and 2423 paragraph 2 c.c.

The amounts entered as individual balance sheet items are fully comparable with those for the same items recorded in the financial statement of the previous financial year.

No grouping was carried out, nor any omission of items provided for in the compulsory schedules under articles 2424 -2425 of the civil code.

There have been no asset or liability elements that come under more than item in the schedule.

Account has been taken of the risks and losses of competence of the period even if known after the closing of the period.

There have been no financial charges attributed to items recorded in assets of the balance sheet.

The Company started in 2017 on a reorganisation plan for its structure and its presence in Europe aimed at converting existing companies operating as distributors and/or agents in the geographical area into branches, a process to be completed by 2020. The aim of the

reorganisation is connected with the pursuance of greater control over foreign business and an increase in increased operating efficiency, including with regard to synergies in the overall reference market. In view of this, in the course of the year 2017, a cross border merger by take over took place of the German subsidiary Lati Industria Termoplastici Deutschland GMBH, with legal effect from 1 July 2017 from which came about the branch "Lati Industria Termoplastici Spa – Zweigniederlassung Deutschland". The accounting and fiscal effects of the merger back dated to 1 January 2017 and therefore these financial statements, as well as including the profit and loss result financial of Lati Sweden Filial, contains also those of "Lati Industria Termoplastici Spa – Zweigniederlassung Deutschland".

Balance Sheet - Assets

The evaluation methods applied in the drawing up these financial statements all comply with article 2426 of the civil code.

It is noted that the financial statement figures were arrived in view of the business as a continuing concern.

Receivables and the debts already recorded in the course of the year at the exchange rates in force on the date of the transaction, have not been adjusted to the exchange rate of the end of the financial year insofar as the difference is not significant.

No exchange rate changes have intervened subsequent to the closing of the financial year such as to produce significant effects.

Intangible fixed assets

The intangible assets, consisting of "costs of plant and extensions", "industrial patent rights", "concessions, licenses, trademarks and similar rights", "miscellaneous fixed intangibles" and "fixed assets under construction" are recorded at costs incurred, plus corresponding secondary burdens.

The recording of such costs as intangible assets, in accordance with the provisions of article 2426 of the civil code, is because they have utility over several financial years.

The item "costs of plant and extensions" includes the costs incurred, in the last financial year for € 901,810 for purchase of the portfolio of customers of Lati France Sas, and for € 188,113 for

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the creation of the branch "Lati Sweden Filial", as well as the costs incurred in the current financial year of € 348,238 for the German branch. The increase for the year was also recorded with the consent of the statutory auditors' committee.

The item "industrial patent rights" is made up of the costs incurred in the filing of an international patent for a device for the production of "long fibre" compounds and the costs incurred in the use of a license to use of the patent of a third party. There have been no changes in the financial year.

The item "concessions, licenses, trademarks and similar rights" consists of the purchase costs of data processing procedures and licences for use of software applications as well as the costs incurred in the financial year in purchasing software licences for € 63,849. Such item was further increased by the € 1,280 deriving from the merger.

The item "miscellaneous fixed intangibles" consists of the costs incurred in the past for the cessation of some distribution contracts with the consequent acquisition of direct management of some customers and some multi-annual costs.

The fixed assets in progress include the preliminary costs incurred for the study of the realisation of the branch, including that of Slovakia, which became operative on 1 February 2018.

The depreciation was written down systematically in each financial year, in relation to the remaining possibility of use and the contribution to future production of economic results. There have been found no changes to the evaluation method applied over the last few financial years.

There is no need to carry out evaluations under article 2426 paragraph 1 p. 3 of the civil code exceeding those provided for in the pre-established depreciation plan.

Changes in intangible assets

The duration put forward for the process of depreciation, broken down by category, is as follows:

- costs of plant and enlargement: 5 years.
- patents: 5 years.
- Trademarks: 10 years.
- licenses and similar rights: 5 years.
- misc: 5 years.

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	Expansion and plant costs	Industrial patent rights and the use of intellectual property	Grants, licenses, trademarks and similar rights	Intangible fixed assets under construction and advances	Misc	Total
VALUE AT FINANCIAL YEAR START						
Cost	1,097,373	196,039	2,471,220	44,840	285,953	4,095,425
Depreciation	485,393	196,039	2,029,885		251,237	2,962,554
Balance value	611,980		441,335	44,840	34,716	1,132,871
CHANGES IN THE FINANCIAL YEAR						
Increases from acquisitions	348,238		65,129	107,277		520,644
Decreases (alienations / dismissals)	7,450			32,050		39,500
Depreciation of the financial year	287,633		174,296		16,178	478,107
Other changes	7,450		(1,279)			6,171
Total variations	60,605		(110,446)	75,227	(16,178)	9,208
VALUE AT FINANCIAL YEAR END						
Cost	1,438,161	196,039	2,536,349	120,067	285,953	4,576,569
Depreciation	765,576	196,039	2,205,460		267,415	3,434,490
Balance value	672,585		330,889	120,067	18,538	1,142,079

As shown in the Statement of assets and liabilities, at item "costs of plant and expansion" the costs incurred in the last few financial years have been recorded for the purchase of the portfolio of customers of Lati France Sas and the branch in Sweden, as well as the costs incurred in the financial year for the merger with the subsidiary Lati Deutschland and the creation of the corresponding branch.

The costs incurred in 2012 for the VMP merger, of € 7,450, were cancelled as totally written down.

The increase of the costs of plant and expansion of the financial year (of € 348,238) will show

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the financial benefits over the longer term of several financial years. Included in the "costs of plant and expansion" insofar as the creation of the German branch comes within the multi-annual expansion of Lati in the European markets.

The accounting standard 24 puts into this class the costs incurred "not as the simple natural process of quantitative and qualitative growth of the business, but as true expansion in new directions and involving activities previously not pursued, or as expansion in terms of quantity, but to an extraordinary extent; costs, to summarise, incurred as non recurring costs that specifically regard the new expansion of the company's business".

It was considered appropriate for the start-up stage to use a five year write down period.

They have not been on the other hand recorded under "multi-annual development costs".

As shown in the Budget and in the Multi-annual Business Plan we maintain that the in the financial statements the registration value of intangible fixed assets does not exceed that which is economically "recoverable", defined as the greater of presumed the realisation value on alienation and internal value of use.

Tangible fixed assets

The tangible assets are recorded at purchase cost or production costs, plus the corresponding secondary charges and adjusted, as regards certain assets, on applying the monetary alignment laws 72/83, 413/91, 266/2005 e 2/2009.

The real properties of Vedano Olona and Gornate Olona which are owned by the company were revalued under Law 266/2005 and also on the corresponding covered areas of appurtenance, with the revaluation provided for in law L. 2/2009.

The industrial building with corresponding area of appurtenance of Gorla Maggiore, acquired with the merger of VMP, has been adjusted in application of monetary alignment law n. 413/91. The aforesaid building has also be the subject of attribution of the merger deficit of € 2,082,768.

Fixed tangible assets entries

The depreciation of assets was carried out systematically and in each financial year in relation to remaining possibility of use of each single asset and on the basis of technical and economic shares broken down into the various categories as indicated below:

- Buildings:	3%
- Light constructions:	10%
- Plant:	7.5%
- Machinery:	12.5%
- Sundry and small equipment and of laboratory:	40%
- Internal means of transport:	20%

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- Vehicles: 25%
- Electronic office machines: 20%
- Office furniture and ordinary office machines: 12%

The assets acquired in the financial year have been written down at a rate of 50% of the ordinary rate. It is considered that the reduced rate represents both the remaining possibility of further use, and, on average, the actual share of the production process of such capital assets.

	Land and buildings	Plant and machinery	Industrial and commercial equipment	Miscellaneous fixed tangible assets	Fixed tangible assets under construction and advances	Total
VALUE AT FINANCIAL YEAR START						
Cost	18,078,001	47,532,220	7,208,523	3,063,050	1,001,926	76,883,720
Revaluations	16,462,268	1,510,714				17,972,982
Depreciations (Depreciation Reserve)	14,780,574	44,717,413	6,869,144	2,795,238		69,162,369
Balance value	19,759,695	4,325,521	339,379	267,812	1,001,926	25,694,333
CHANGES IN THE FINANCIAL YEAR						
Increases from acquisitions	240,028	780,484	501,155	120,438	4,218,940	5,861,045
Decrease from alienations and divestitures (of balance value)		128,838	75,046	247,126	398,771	849,281
Depreciation of the financial year	795,035	735,060	330,239	86,576		1,946,910
Other changes		128,338	75,046	154,144		357,528
Total variations	(555,007)	45,424	170,916	(59,120)	3,820,169	3,422,382
VALUE AT FINANCIAL YEAR END						
Cost	18,318,029	48,184,366	7,634,632	2,936,362	4,822,095	81,895,484
Revaluations	16,462,268	1,510,714				17,972,982
Depreciation (Depreciation fund)	15,575,609	45,324,135	7,124,337	2,727,670		70,751,751
Balance value	19,204,688	4,370,945	510,295	208,692	4,822,095	29,116,715

The main increases on tangible assets for the year were the purchase of a mill and a hooding machine.

Upgrades have also been made to some plant and machinery to meet current needs and various

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assets have been purchased as strictly necessary for the carrying out of the company business.

Recorded among fixed assets under construction are advances paid in the financial year for the development of the Torba site, for the purchase of certain assets, while the decrease relates to works concluded in the financial year and then entered in depreciable assets.

Asset decreases relate to divestitures of now obsolete assets no longer functional for the purposes of carrying on the company business.

There have been found no changes to the evaluation method applied over the last few financial years.

There is no need to carry out evaluations under article 2426 paragraph 1 p. 3 of the civil code exceeding the depreciation provided for.

Long-term loans and investments

The shares held in the subsidiaries are entered in long-term investments. They are either valued at historical cost or according to the net equity method.

As regards the shares held in the subsidiaries valued at historical cost, see the point in these Notes to the accounts where, pursuant to the provisions of article 2426 paragraph 1 p. 3 of the civil code, the reasons for the differences between shares of net shareholder equity and Balance Sheet values are indicated. At that same point are the considerations on shares held in the subsidiaries recorded with the net equity method. In the financial year, Lati France Sas has been revalued in relation to profit achieved while Lati USA Trading Inc. has been written down in relation to a lesser value of net shareholder equity at the end of the financial year.

The companies Scandilati Termoplastici AB and Lati Termoplasticos do Brasil Ltda submitted their final winding up Financial Statements in 2017. Both produced losses for the Parent company at the time of the write-off of the shareholding.

The shareholding in Lati France Sas, up to the financial statements of 2014 registered at historical cost, was revalued in 2017 as the net equity had increased by the end of the financial year.

Moreover, at the end of the financial year 2017, the remaining 0.08% of the company share capital of Lati France Sas was bought for the price of € 975.

The "shareholdings held in other companies" item is entered in long-term investments because it is considered a strategic and long term item, even though it has not exercised a dominant or notable influence at the corresponding general meetings of shareholders. Such shares held, and shown in item B-III.-1-d-bis), together with those in controlling undertaking S.V.I. Sviluppo

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Industriale S.p.A., are entered at historic value according to the method provided for in n. 1, of article 2426 of the civil code, there are not, at the close of the financial year, any elements that would justify a lasting value reduction, with the sole exception of the share in the company Atlantide SA, held at 18%, that is adjusted to the net shareholder equity at year end inferable from the last approved financial statements.

Shares, other securities, derivatives and capital assets entries

Long-term loans and investments: shares held

	Shareholdings in subsidiaries	Shares held in controlling undertakings	Shareholdings held in other companies	Total shares held
VALUE AT FINANCIAL YEAR START				
Cost	28,403,482	1,994,226	214,982	30,612,690
Revaluations	1,141,096		5,772	1,146,868
Devaluations	25,948,660		140,487	26,089,147
Balance value	3,595,918	1,994,226	80,267	5,670,411
CHANGES IN THE FINANCIAL YEAR				
Increases from acquisitions	975			975
Revaluations	136,678			136,678
Devaluations	(1,773,101)		1,401	(1,771,700)
Total variations	(1,450,979)		(1,401)	(1,452,380)
VALUE AT FINANCIAL YEAR END				
Cost	27,192,201	1,994,226	214,982	29,401,409
Revaluations	1,278,749		5,772	1,284,521
Devaluations	26,326,011		141,888	26,467,899
Balance value	2,144,939	1,994,226	78,866	4,218,031

Change and due date for long term receivables

	Value at financial year start	Changes in the financial year	Value at financial year end	Within the financial year	Beyond the financial year
Long term receivables from controlling undertakings	4,536,472	(1,088,949)	3,447,523		3,447,523
Receivables from other companies	52,005	(11,750)	40,255	8,000	32,255
Total long term receivables	4,588,477	(1,100,699)	3,487,778	8,000	3,479,778

Receivables from controlling undertakings regard non-interest bearing loans to Svi SpA, falling due beyond the financial year. The receivables have not been increased with the written down

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cost method as the expiry is nine days after closure of the following year.

The sundry credits, registered among long-term investments, include caution monies of 40,255 Euros.

Details on the shares held in subsidiaries

Further information regarding shareholdings in subsidiaries are provided, in line with the requirement of paragraph 5 of article 2427 of the civil code.

Name	City, town or Country	Capital in Euros	Profit (Loss) in last financial year in Euros	Net Equity in Euros	Share held in Euros	%	Balance sheet value or corresponding receivable
LATI IBERICA SL	SPAIN	330,557	214,693	1,171,804	1,171,804	100%	328,419
LATI U.K. LTD	UNITED KINGDOM	169,066	103,054	1,130,868	1,130,868	100%	192,076
LATI USA TRADING INC	UNITED STATES OF AMERICA	708,747	(355,453)	129,045	129,045	100%	76,229
LATI FRANCE SAS	FRANCE	182,500	245,281	1,273,576	1,273,576	100%	1,273,576
LATI SHANGAI CO LTD	PEOPLE'S REPUBLIC OF CHINA	240,646	368,209	1,432,606	1,432,606	100%	200,000
LATI SCHWEIZ THERMOPLASTICS SA	SWITZERLAND	85,455	79,441	297,335	267,601	90%	74,639
TOTAL							2,144,939

The value of capital, net shareholder equity and operating result of foreign companies were have been converted into Euros at the end of financial year exchange rate.

It should be pointed out that in the case of subsidiaries with non-Euro currency and valued at net shareholder equity, the value of entry in the financial statements differs from the Shareholders' Equity expressed in Euros insofar as, for the valuation as of 31 December 2017, the stratified historic exchange rate has been used.

Breakdown of capitalised accounts receivable by geographic area

In compliance with the standards of transparency and clarity, all capitalised accounts receivable of the Company have been broken down by geographic area.

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Geographic area	Long term receivables from controlling undertakings	Long term accounts receivable from sundry	Total long term receivables
Italy	3,447,523	23,803	3,471,326
European Union		14,820	14,820
Other Countries		1,632	1,632
Total	3,447,523	40,255	3,487,778

INFORMATION RELATING TO SHARES HELD DIRECTLY OR THROUGH FIDUCIARY COMPANY OR THROUGH AN INTERMEDIARY IN SUBSIDIARIES AND ALLIED COMPANIES

The information required by article 2427 p. 5 of the civil code are summarised in the table reported above. With reference to shares held in subsidiaries recorded at historic cost, Lati Iberica SI, Lati UK Ltd, Lati Schweiz Thermoplastics SA and Lati Shanghai Co. Ltd., the load value of shares is lower than the corresponding share of net shareholder equity of appurtenance as inferred from the last for the last financial statements approved or prepared for approval by the general meeting of shareholders

During the year the holding in the company Lati Deutschland GmbH, which was wholly owned, was cancelled following the takeover.

This operation produced an excess on merger of € 711,638, attributed to net shareholder equity reserve.

You are further reminded that in 2017 the winding up of subsidiaries Scandilati Termoplastici A.B. and Lati Termoplasticos do Brasil Ltda were terminated, producing losses as write-off of shares held respectively of € 71,537 and of € 246,098.

Lati USA Trading Inc and Lati France Sas are entered in the financial statements on the basis of article n. 4 of the civil code.

The accounting value of these shares held is the fraction of net shareholder equity shown according to the last financial statement, converted into Euros at historical exchange rate. The conversion at historical exchange rate involves a misalignment with respect to the share of net shareholder equity of the year on the basis of the exchange rate at end of year 2017.

The performance of the aforesaid companies has been as follows:

Lati France s.a.s. In the financial year 2017, the subsidiary worked, for the second consecutive year, entirely in its capacity as agent, following the completion of the process of conversion, which took place in 2015. The subsidiary has however continued to have good income, in line

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with the past, sustained by good sales in its market, despite there having been a slight downswing in the last part of the year. The profit and loss result for the year 2017 was positive, with net profits in growth of € 245,281, as against € 217,074 of the previous year. In the financial year a total dividend was paid of € 108,537. In view of the excellent result recorded, the shareholding, already entered in the net shareholder equity has been in this financial statement revalued at € 136,678. With reference to the group reorganisation for Europe, the French company shall be converted in 2018 into a branch by means of a cross border merger. To such end, in the month of November 2017, the parent company acquired a minority share of its capital. The conversion into a branch, should therefore legally, accounting wise and fiscally run from 1/07/2018.

Lati U.S.A. Trading, inc. The Company closed the financial year with a net loss of 355,453 Euros (as against a loss of € 100,841 in the FY2016) arising from the accrual of previous "tax assets" that could not be used and which were added to the operating loss of € 60,935 of the financial year. Such operating loss was defined above all in relation to a contraction in turnover, going from € 801,612 to € 355,535 following the failure to come into effect of a number of business opportunities. Operating costs have been kept substantially unchanged as compared with the previous financial year. In 2017 the qualification of LATI products with customers, above all in the sectors of electrical and domestic appliances was continued, and new supplies were made, which although still limited should enable breaking even to be achieved in 2018.

The subsidiary may also benefit from remaining tax credit following previous accumulated losses. We thought we should show here below the details of the item B111 1d) "shareholdings held in other companies", amounting to € 78,866:

Cesap S.r.l.	€ 6,469
Atlantide S.A.	€ 16,634
Industrie e Università S.r.l.	€ 38,897
Isrim Soc. Cons. A.r.l.	€ 7,961
Associazione Energia & Impresa	€ 500
CoNaI	€ 3,554
Società Cooperativa di Garanzia AR.CA	€ 129
Banca Popolare di Sondrio	€ 3,122
Share in GIUNCA network	€ 100
Share in Global Compact network	€ 1,500

The changes as compared with the previous year are 1,401 Euros, relating to devaluation of share in Atlantide SA.

**

Balance sheet - Current assets

Inventories, Securities and financial assets that do not amount to tangible assets

The inventories, the securities and the financial assets that do not amount to fixed assets are entered at purchase cost or production cost, but not above the presumed realisation value given market developments.

The method used for evaluation of inventories is the following:

- a) raw and auxiliary materials: average weighted purchase price method;
- b) products in progress and finished products: weighted average cost of production determined as sum of "direct" industrial costs and share of "indirect" industrial costs that can reasonably be attributed.

There have been no cases of additional burdens regarding manufacturing loans.

The inventories of finished products that are difficult to sell or with a value below realisation value, at the end of the financial year, are written down for a total of € 405,802, while inventories of obsolete and difficult to use raw materials are written down € 264,349.

The adjustment is by their being recorded in special adjusted funds.

The figure thus obtained does not differ appreciably from that given by current costs at the closing of the year; it is not necessary therefore to indicate this difference for each individual category of assets.

During the year, with the creation of the German branch, through the merger of Lati Deutschland, inventories of finished products were absorbed to the value of 1,321,731 Euros.

	Value at financial year start	Changes in the financial year	Value at financial year end
Raw materials, auxiliary materials and consumables	7,091,124	5,778,155	12,869,279
Products in progress and semi-finished goods	612,066	260,026	872,092
Finished products and goods	12,130,401	2,904,851	15,035,252
TOTAL INVENTORIES	19,833,591	8,943,032	28,776,623

Receivables accounted for in current assets

Receivables are entered at presumed realisation value at the end of the financial year.

There have been no receivables that require measurement with the written down cost method.

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The evaluation process was carried out considering every single receivable, providing nevertheless for cumulative adjustments, grouped by individual balance items.

As regards trade receivables from customers, the presumed realisation value comes from the difference between face value and the provision for doubtful debts, specially set aside for losses for any unenforceability, that may reasonably and prudentially be provided for. The fund adjusting assets items has thus been allocated to adjustment to item CII 1).

The miscellaneous receivables are reported at face value, not entering any element that could prejudice their total collectability.

Since these are not true "receivables" (but rather a "deferred cost") they have been attributed to the special item "CII5-ter prepaid taxes" the amount of the so-called deferred "assets".

They are "current" taxes connected to "deductible temporary changes", whose payment into taxable income of the next tax periods is reasonable as regards the existence, as well as the capacity of "net" taxable income it is legitimate to expect, as well as, of applicable tax rates.

All this is shown in detail in the table in another part of these notes, in the part regarding the determination of deferred tax "assets".

Recording of prepaid taxes is also deemed correct in relation to the fact that, where there are any future fiscal losses, in the presence of the conditions set forth in the law, these would be transferred to the controlling undertaking as part of the national consolidated tax with consequent payment of an offsetting indemnity in proportion to IRES (corp. income tax) rate at the time in force.

No receivables recorded in the financial statements have a remaining term of more than five years.

Changes and due dates of the receivables itemised in current assets

	Value at financial year start	Changes in the financial year	Value at financial year end	Amount falling due within the financial year
Receivables due from customers recorded in current assets	24,081,102	3,802,012	27,883,114	27,883,114
Receivables due from subsidiaries recorded in current assets	3,860,732	(824,758)	3,035,974	3,035,974
Receivables due from controlling undertakings recorded in Current Assets	768,913	2,422,517	3,191,430	3,191,430
Tax credits recorded in current assets	0	235,843	235,843	235,843

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Assets for prepaid taxes registered in current assets	1,036,449	(83,646)	952,803	
Sundry receivables recorded in current assets	149,063	131,649	280,712	280,712
Total receivables recorded in current assets	29,896,259	5,683,617	35,579,876	34,627,073

Breakdown of receivables recorded in current assets by geographic area

For the purpose of the "country risk", indicated in the table below are the receivables accounted for in current assets broken down by the geographical area in which the company works.

Geographic area	Italy	European Union	Europe Outside the EU	Rest of World	Total
Receivables due from customers recorded in current assets	16,537,776	8,304,887	993,084	2,047,367	27,883,114
Receivables due from subsidiaries recorded in current assets		2,008,147	70,974	956,853	3,035,974
Receivables due from controlling undertakings recorded in Current Assets	3,191,430				3,191,430
Tax credits Receivables accounted for in current assets	119,925	106,973	8,945		235,843
Assets for prepaid taxes registered in current assets	952,803				952,803
Sundry receivables recorded in current assets	224,019	56,693			280,712
Total receivables recorded in current assets	21,025,953	10,476,700	1,073,003	3,004,220	35,579,876

Given the importance of the items "miscellaneous receivables" in current assets and "miscellaneous debts" in liabilities, it is thought appropriate to provide the following details:

Receivables due from employees	€ 16,222
Receivables for employee holidays taken in advance	€ 74,650
Receivables due from suppliers	€ 1,601
Receivables from suppliers, credit notes to receive	€ 57,334
Receivables from suppliers for advances	€ 19,522
Receivables for closure Lati do Brasil	€ 67,277
Miscellaneous receivables	€ 44,106
TOTAL MISCELLANEOUS RECEIVABLES	€ 280,712

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Financial assets that do not amount to fixed assets

Changes to financial assets that do not amount to fixed assets

The amount recorded in the current item relates to securities linked to the bank of the German branch German incorporated and realised at the start of 2018

	Changes in the financial year	Value at financial year end
Misc. securities that are not capital assets	250	250
Total financial assets not amounting to capital assets	250	250

Cash in hand

The cash in hand and sums available in bank current account are entered at their actual amount.

	Value at financial year start	Changes in the financial year	Value at financial year end
Bank and post office deposits	5,236,849	2,499,134	7,735,983
Money and other cash securities.	525	2,090	2,615
Total cash in hand	5,237,374	2,501,224	7,738,598

Accruals and pre-payments

They are recorded in accordance with the accruals and economic principle as provided for in article 2424 bis of the civil code.

There have been no accrued earnings. The details of the prepayments are the following:

	Value at financial year start	Changes in the financial year	Value at financial year end
Prepayments	261,168	42,377	303,545
Total accruals and pre-payments	261,168	42,377	303,545

The table summarises the details of the item under examination required by paragraph 7 of article 2427 of the civil code:

Description	Amount
charges on medium-long term loans	90,430
rental instalments	9,515
insurances	18,616
assistance and maintenance fees	116,000
certification costs	21,404
leasing charges	16,779
license fees	16,613
rental instalments	7,297
miscellaneous prepayments	6,891
TOTAL	303,545

Liabilities and net equity

Net equity

Changes in equity items

The origin, the possibility of use and the allocability, as well as actual use in the three previous financial years, with regard to each item in accounted net equity, are shown in the following table.

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	Value at start of financial year	Use of results of previous financial year		Other changes			Operating result	End of financial year value
		Allocation of dividends	Misc. allocations	Increases	Decreases	Ricl.		
Principal	3,818,400							3,818,400
Revaluation reserve	5,027,935							5,027,935
Legal reserve	1,624,000							1,624,000
Sundry reserves								
Extraordinary or discretionary reserve	19,514,279	1,332,000		9,485,590				27,667,869
Share reserve or shares in parent company	1,994,226							1,994,226
Merger surplus reserves	0			711,638				711,638
Unrealised income on exchange rates	0			3,545				3,545
Miscellaneous reserves	(1)			1				0
Total misc. reserves	21,508,504	1,332,000		10,200,774				30,377,278
Operating profits (loss) for the period	9,489,136		9,489,136				6,712,033	6,712,033
Total shareholder equity	41,467,975	1,332,000	9,489,136	10,200,774			6,712,033	47,559,646

Even if not expressly required by the regulations, in accordance with the principle of transparency, it has been deemed appropriate to highlight in the following table, the revaluation reserve breakdown:

Description	Amount
Revaluation reserve under law L. 2/2009	5,027,935
Total	5,027,935

The merger excess reserve of 711,638 Euros was registered following the merger takeover of Lati Deutschland.

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Availability and use of the net equity

The table shows the information required under article 7-bis of article 2427 of the civil code on the possibility of use, allocability and utilisations in previous periods items of net shareholder equity items:

	Amount	Origin / nature	Possibility of use	Available share	Summary of utilisations in the last three financial years	
					to cover losses	for other reasons
Principal	3,818,400	C,R				
Revaluation reserve	5,027,935	R	A,B,C,	5,027,935		
Legal reserve	1,624,000	U	B			
Sundry reserves						
Extraordinary reserve	27,667,869	U	A,B,C,	26,995,284		2,812,000
Share reserve or shares in parent company	1,994,226	U				
Merger surplus reserve	711,638	C	A,B	711,638		
Unrealised income on exchange rates	3,545	U				
Total misc. reserves	30,377,278			27,706,922		2,812,000
Total	40,847,613			32,734,857		2,812,000
Remaining portion available for distribution				32,734,857		

Legend column "Possibility of use": A = for capital increases; B = to cover losses; C = for distribution to shareholders; For other statutory required uses; E = other

Legend column "Origin / nature": C = capital; U= profits; R= revaluation

The revaluation reserve recorded in the net shareholder equity relates to law L. 2/2009.

Showing the revaluation reserve under law L. 266/2005 recorded originally at € 8,800,000, was utilised, at the time of the approval of the financial statements, to cover losses incurred in the financial year 2006 of € 1,449,153, and in the financial year 2007, of € 7,350,847. At the extraordinary general meeting of 26 November 2012 the shareholders have authorised the management not to replenish the reserve under article 1, paragraph 469 et seq. 469 of the Law of 23 December 2005 number 266, used as indicated above and, therefore, the aforesaid reserve is finally cancelled and not to reinstate with the consequent right to give rise to distributions of profits, in compliance with the provisions of law.

We remind you that, with the general meeting of shareholders of 27 November 2017, a resolution was passed for allocation of the extraordinary reserve of € 1,332,000.

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Provisions for risks and charges

Information on provisions for risks and burdens

The nature of the funds recorded in the financial statements, in the specific case the "Fund for retirement reserve", of the "Fund for taxes" and of the "Fund for sundry risks", finds its origin, under article 2424 bis of the civil code, in the need to cover losses or debts of a determined nature, of certain or probable existence, whose amount or whose date falling due are however not determined.

	Fund for retirement provision and similar obligations	Fund for taxes including deferments	Other funds	Total provisions for risks and charges
Value at financial year start	71,768	12,000	1,686,000	1,769,768
Changes in the financial year				
Provisions of the financial year		8,000	58,350	66,350
Utilisation in the period	44,424		101,000	145,424
Other changes	(23,844)		27,344	3,500
Total variations	(68,268)	8,000	(15,306)	(75,574)
Value at financial year end	3,500	20,000	1,670,694	1,694,194

The retirement schemes fund and similar at point B1), initially established initially against possible costs linked to indemnities to customers for commission paid to foreign suppliers of € 71,768, decreased in the financial year by € 68,268.

In the risks provision for tax disputes entered in item B2) a further amount was allocated of 8,000 Euros in the expectation of possible registration duties on land purchased in Torba over the last few financial years.

The future charges funds entered at item B3) of liabilities, of € 1,670,694 is made up of:

- a prudential allocation for possible costs associated with product "non-compliance" of € 118,350, of which € 58,350 set aside during the financial year;
- an allocation for charges on future maintenance for works of restoration of the area to Gorla Maggiore by the road company Autostrada Pedemontana Lombarda for a total of € 60,000. The aforesaid amount has been entered following the takeover of VMP;
- a prudent allocation for the replacement of the roof that is currently in asbestos of the former VMP factory, which regional regulations require restoration work to be carried out in short time, of € 345,000;

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- a prudent allocation for the reinstatement of essential plant of the industrial shed of Gorla Maggiore, of € 500,000. The aforesaid provision has become necessary following the damages resulting from the repeated thefts suffered and the degradation resulting from the prolonged idleness of the premises;
- a prudent allocation carried out in the financial year for the costs of land reclamation of € 590,000. The aforesaid allocation derives, as regards € 261,217, from the reclassification of the depreciation funds of the land corresponding to buildings in possession carried out in 2015, and as regards € 328,783 by further provisions made in the last few financial years;
- a remaining allocation for possible future charges arising from claims, of € 30,000;
- an allocation reserve for contractual risks of € 23,844, arising from a retirement fund reserve due to changes in the nature of the risk;
- an allocation reserve for document conservation risks relating to the German branch of € 3,500, arising from the merger.

Severance payments for employees

The severance payments fund for the employee workers is determined in accordance with the provisions of article 2120 of the civil code.

	Severance payments for employees
Value at financial year start	2,506,965
Changes in the financial year:	
Provisions of the financial year	730,493
Utilisation in the period	718,420
Total variations	12,073
Value at financial year end	2,519,038

The change in legislation, which has required the transfer of the annual provision to external institutions and the cessation of employment contracts taking place in the financial year are the cause of the use of the fund.

Debts

The debts are entered in balance sheet liabilities at their face value. with the exception only of debts for five medium/long term loans taken out in 2016 and 2017, that were accounted at written down cost method without discounting-back.

For debts of a duration of less than twelve months and medium-long term loans already current as of 31 December 2015 it has not been deemed necessary to apply the written down cost method, also because of the transitional rules in article 12 paragraph 2 of the decree d. lgs. 139/2015.

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Changes and due date of the debts

	Value at start of financial year	Changes in the financial year	Value at financial year end	Amount falling due within the financial year	Amount falling due beyond the financial year	Which have a duration exceeding 5 years
Debts to banks	15,564,741	2,519,743	18,084,484	12,355,078	5,729,406	127,861
Debts to other lenders	1,062,566	(301,698)	760,868	303,207	457,661	
Advances	71,108	(46,072)	25,036	25,036		
Debts to suppliers	23,033,659	12,227,333	35,260,992	35,260,992		
Debts to subsidiaries	2,559,321	(1,518,132)	1,041,189	1,041,189		
Debts to controlling undertakings	1,185,666	(990,007)	195,659	195,659		
Tax debts	859,672	127,556	987,228	987,228		
Debts to pension and social security bodies	762,790	30,222	793,012	793,012		
Sundry debts	1,452,126	(17,881)	1,434,245	1,434,245		
Total debts	46,551,649	12,031,064	58,582,713	52,395,646	6,187,067	127,861

Breakdown of debts by geographic area

For the clarity of illustration there follows the breakdown by geographic area of total debts (point D in the balance) as of 31 December 2017.

Geographic area	Italy	European Union	Europe Outside the EU	Rest of World	Total
Debts to banks	18,084,484				18,084,484
Debts to other lenders	760,868				760,868
Advances	550	1,142		23,344	25,036
Debts to suppliers	20,299,593	13,627,674	423,848	909,877	35,260,992
Debts to subsidiaries		884,323	121,334	35,532	1,041,189
Due to controlling undertakings	195,659				195,659
Tax debts	428,024	559,204			987,228
Debts to pension and social security bodies	780,559	12,453			793,012
Sundry debts	1,251,616	115,332		67,297	1,434,245
Total debts	41,801,353	15,200,128	545,182	1,036,050	58,582,713

Debts with collateral security on company assets

The debts item D 4) shows:

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- a debt for the loan granted in 2007 by Mediocredito Italiano S.p.A., for the outstanding amount of € 222,222, with collateral mortgage of first registration on the Vedano Olona and Gornate Olona real properties, collectible within five years.
- a debt for the loan granted by the bank Banca Popolare di Sondrio of the outstanding amount of € 1,336,391, with collateral mortgage of first registration on the Torba 3 and Gorla Maggiore (formerly VMP) real properties, collectible over the five years of € 127,861.

	Debts with collateral security				Debts without collateral security	Total
	Mortgaged debts	Debts with pledges	Debts with preferences	Total debts with collateral security		
Debts to banks	1,558,613			1,558,613	16,525,871	18,084,484
Debts to other lenders					760,868	760,868
Advances					25,036	25,036
Debts to suppliers					35,260,992	35,260,992
Debts to subsidiaries					1,041,189	1,041,189
Debts to controlling undertakings					195,659	195,659
Tax debts					987,228	987,228
Debts to pension and social security bodies					793,012	793,012
Sundry debts					1,434,245	1,434,245
Total debts	1,558,613			1,558,613	57,024,100	58,582,713

Given the importance of the item "sundry debts" in the liabilities, it has been deemed appropriate to provide the following details:

- Debts to personnel, remuneration	€ 167,810
- Debts to personnel, accrued commission	€ 251,068
- Debts to personnel insurance, bonuses accrued	€ 524,089
- Extraordinary payment to Chairman	€ 54,259
- Debts to customers for credit notes to issue	€ 94,053
- Debts to Unione Industriali	€ 10,800
Insurance debts for premiums	€ 56,200
- Debts for deductions Gomma Plastica fund	€ 52,246
- Debt taken on former employee Lati do Brasil	€ 83,761
- Debts to customers	€ 11,326
- Sundry debts	€ 128,633
TOTAL SUNDRY DEBTS	€ 1,434,245

Accrued liabilities and deferred liabilities

These are recorded in accordance with the accruals and economic principle as provided for in article 2424 bis of the civil code.

There have been no deferred liabilities.

	Value at financial year start	Changes in the financial year	Value at financial year end
Accrued liabilities	18,127	(10,223)	7,904
Total	18,127	(10,223)	7,904

The table summarises the details of the item under examination required by paragraph 7 of article 2427 of the civil code:

ACCRUED LIABILITIES

Accrued liabilities on bank interest	€ 6,080
Accrued liabilities from IRR (internal rate of return) interest	€ 1,824
TOTAL ACCRUED LIABILITIES	€ 7,904

Profit and loss account

In accordance with the amendments to the Civil Code with Legislative Decree 139/2015, income and the extraordinary burdens were entered, respectively, among sundry revenues and miscellaneous operating charges.

Value of production

Revenues and costs were determined according to principle of prudence and of accrual and net of returns, discounts and deductions.

Breakdown of income from sales and services by category of activity

The company carries out a sole business and there has therefore been no breakdown of revenues.

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Activity category	Value in current financial year
REVENUES FROM SALES	147,705,093
Total	147,705,093

Breakdown of the income from sales and services by geographic area

The revenues from sales can be broken down by geographical area as shown here below:

Geographic area	Value in current financial year
ITALY	46,498,364
ABROAD	101,206,729
Total	147,705,093

Financial income and charges

Breakdown of income by share

As shown in the profit and loss account, in item C15) are entered total revenues of € 208,498, of which € 208,450 from subsidiaries:

- dividends from shareholdings in Lati France S.A.	€ 108,450
- dividends from shareholdings in Lati Iberica SI	€ 100,000
- dividends from shareholdings in other companies	€ 48

Breakdown of sundry financial income, interest and sundry financial charges.

In line with the requirements of paragraphs 11 and 12 of article. 2427 of the civil code, the details of the items recorded in the financial statements are given, insofar as of appreciable value:

Breakdown the sundry financial income

Description	Amount
interest receivable on current account	1,354
interest receivable from sundry debtors	294
financial discounts income	2,364
Total	4,012

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Breakdown of interest and sundry financial charges

Description	Amount
interest due on medium-long term loans	130,351
interest due on credit in a/c	1,892
interest due on credit in a/advances	4,244
financial discounts to customers	492,258
miscellaneous interest due	448
interest due on cash-pooling	249
interest due on loans from subsidiaries	7,788
losses on the closure of Scandilati	71,537
losses on the closure of Lati do Brasil	246,098
Total	954,865

The breakdown of item C17-bis) of the profit and loss account is given below, not being mandatory information under current law:

C17-bis):	Amount
- realised income on exchange rates	€ 93,857
- unrealised income on exchange rates	-
- write-off of unrealised exchange rates income on previous year	-€ 3,545
- realised losses on exchange rates	-€ 162,973
- unrealised losses on exchange rates	-
Total profits and losses on exchange rates C17-bis)	-€ 72,661

Value adjustments on financial assets and liabilities

The shares held in subsidiaries and in other companies, valued with net shareholder equity at end of financial year, are entered as follows:

Revaluations:	
Lati France Sas	€ 136,678
Devaluations:	
Lati USA Trading Inc.	€ 377,352
Atlantide Sa	€ 1,401

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Amount and nature of individual items of revenue/cost of exceptional extent or importance

In 2017 revenues of exceptional extent or importance were of 468,397 Euros and made up mainly of contingent gains.

Among these, of particular importance is credit on taxes for Research and Development under law L. 190/2014 of 130,306 Euros, recognised and used in the year 2017.

Revenue item	Amount	Nature
Misc. income and revenues	468,397	Contingent gains

In 2017 the burdens of exceptional extent or importance were of 83,904 Euros and made up mainly of contingent liabilities.

Cost item	Amount	Nature
Miscellaneous operating charges	83,904	Contingent liabilities

Taxes on the period's current, deferred and prepaid income

Prepaid taxes are calculated taking account of the amount of all "deductible" and "taxable" time differences on the basis of average expected rates in force at the time in which such time differences belong to, calculated according to the actual rate for the last financial year. Prepaid taxes have been accounted and entered where there is reasonable certainty of their existence in the financial year in which there are the deductible time differences of a taxable income not less than the amount of the differences that will be wiped out. This, above all, considering the fact that even in the presence of any future tax losses, these would be transferred to the controlling undertaking as part of the national tax consolidation, with consequent recognition of a compensation payment in proportion to the Ires (corp. income tax) level in force at the time.

The main time differences that led to the accounting of deferred and prepaid taxes are indicated in the following table together with the corresponding bills.

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Description of temporary differences	Prepaid taxes 2016		Take back 2017		Increases 2017		Prepaid taxes 2017	
	Taxable	Tax: Irap 3.9% Ires 24%	Taxable	Tax: Irap 3.9% Ires 24%	Taxable	Tax: Irap 3.9% Ires 24%	Taxable	Tax: Irap 3.9% Ires 24%
Depreciation revaluation L266/05	900,000	35,100 216,000					900,000	35,100 216,000
Depreciation revaluation L2/2009	187,864	7,326 45,087					187,864	7,326 45,087
Provision to "non compliance" fund	60,000	2,340 14,400			58,350	2,276 14,004	118,350	4,616 28,404
Provision to "customers indemnities" fund	66,000	2,574 15,840	66,000	2,574 15,840			-	- -
Provision for contractual risks reserve					23,844	6,652	23,844	6,652
Future disputes burdens	55,000	2,145 13,200	50,000	1,950 12,000			5,000	195 1,200
Future employment contract burdens	76,000	- 18,240	51,000	- 12,240			25,000	- 6,000
Provision to depreciations fund Stock	648,631	25,297 155,671	335,821	13,097 80,597	357,341	13,936 85,762	670,151	26,136 160,836
Provision to depreciations fund Receivables not deducted	452,522	- 108,605	178,241	- 42,778			274,281	- 65,827
Provision to former VMP maintenance costs fund	60,000	2,340 14,400					60,000	2,340 14,400
Provision to former VMP roof replacement fund	345,000	13,455 82,800					345,000	13,455 82,800
Provision to former VMP restoration fund	500,000	19,500 120,000					500,000	19,500 120,000

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To reclamation provision fund	328,782	12,822 78,908					328,782	12,822 78,908
Provision to former VMP land reclamation fund	21,663	- 5,199					21,663	- 5,199
Reward to unpaid directors	105,000	- 25,200	105,000	- 25,200				
TOTAL	3,806,462	1,036,449	786,062	206,276	439,535	122,630	3,459,935	952,803

There have been no deferred taxes.

Here below the breakdown of item 20) "Current, deferred and prepaid taxes on income of the financial year".

Current taxes:	€ 453,589
- IRAP	€ 449,466
-non recoupable taxes on foreign revenues	€ 4,123
Prepaid taxes 2017:	€ 83,646
- prepaid taxes for the year	€ 122,630
Take up of prepaid taxes	€ 206,276
<i>Income (charges) from adhering to the consolidated tax regime</i>	€ 2,225,719
- income tax - consolidation tax burden	€ 2,225,719
Total taxes on income for the financial year	€ 2,762,954

Other information

LOANS FROM SHAREHOLDERS

There have been no loans received from shareholders recorded in the balance.

FINANCIAL LEASING TRANSACTIONS

With reference to assets managed by virtue of financial leases the table below has been drawn up, which shows among other things:

- the current value of rentals not yet fallen due, as well as the redemption price,

FINANCIAL STATEMENTS 2017

- determined using interest rates as actual burden for each individual contract;
- the actual financial burden coming within the financial year;
 - the total amount at which the assets subject to financial leases would be registered at the period end date if they were deemed fixed assets, with a separate indication of the depreciation, adjustments and resumption of value that would have been set aside in the financial year.

Assets Category	Current rentals not fallen due and redemption price	Financial burdens attributable to the financial year	Value of managed leased assets				
			Historical cost	Write-down in financial year	Depreciation fund 31/12/2017	-Adjustments of the financial year +Resumption value of financial year	Net accounting value 31/12/2017
Machinery BII2)	39,190	934	73,500	9,188	18,376		55,124
Machinery BII2)	45,122	912	90,000	11,250	22,500		67,500
Vehicles BII4)	6,871	534	21,003	4,200	10,500		10,503
Vehicles BII4)	3,042	545	19,200	3,840	13,440		5,760

Summary of Research and development

As stated in the Management report, the Company in the course of the year 2017 carried out Research and in the factories of Vedano Olona and of Gornate Olona for new technologies and focussed particularly on projects deemed to be innovative and with an impact of the product range on offer to customers and on the efficiency of the production processes:

Project 1 - Research and development with the aim of studying, formulating and realising new thermoplastic products with exceptional performance for normal thermoplastic polymers.

Project 2 - Research and development activity with the aim of studying new technical and technological solutions relating to production processes and particularly for the granulation of compounds, to the post-extrusion stage and for the hot cleaning of extruder components.

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For the development of these projects the company costs incurred in R&D in 2017 amounted to € 1,404,615.

The cost incurred the above research and development activities, in the light of article 2426 point 5 of the civil code, on national accounting standard n° 24 of the CNDC and CNR as reviewed by the OIC accounting standard in accordance with article 108 of D.P.R. 917/86 TUIR (consolidated taxation Act) as subsequently amended, was considered as the cost of the financial year and wholly attributed to the profit and loss account. It should be said that the good outcome of such innovations could yield good results in terms of turnover with a favourable effect on the economics of the company.

Important information on dealings with the financial administration, whose recording is useful or compulsory for tax purposes.

a) Here below the tax information connected with the reserves as of 31/12/2017:

1) Reserves or other funds used in the event of distribution to form the taxable income of the company, and consisting of:

- Revaluation reserve L. 2/2009	€ 5,027,935
---------------------------------	-------------

2) Profits reserves, consisting of:

- Legal reserve	€ 1,624,000
- Extraordinary reserve	€ 27,667,869
- Controlling undertaking share reserve	€ 1,994,226
- Profits on currency exchange revenue	€ 3,545
	€ 23,132,505

b) In 2017 a provision was set aside as adjusted risk fund on trade debts due, for the amount of € 95,847. The resulting fund was calculated as follows:

Receivables due from customers	€ 28,671,976
Receivables due from insured customers	-€ 6,809,661
Trading receivables from subsidiaries	€ 3,035,974

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Trading receivables from allied companies	€ 0
Total	€ 24,898,289
Calculation of 0.50%	€ 110,717
Provision to doubtful debts 2017	€ 95,847
Previous tax deducted fund	€ 359,212
Previous tax deducted fund from merger	€ 1,500
Previous taxed fund	€ 556,850
Use of tax deducted fund	€ 216,156
Use of fiscally taxed fund	€ 216,156
Reversal of taxed fund	-€ 8,391
Tax deducted fund at 31/12/2017	€ 240,403
Taxed fund at 31/12/2017	€ 548,459
Total tax capacity (5% of € 24,898,289)	€ 1,244,914

c) Requirements under Law 72/1983:

In accordance with the above provision, here below is the indication of the classes of assets owned by the company that have been subject to monetary revaluation.

	Land and buildings	Light constructions	Machinery	TOTAL
Assets not revalued:				
Historical cost	5,515,572	465,286	28,973,778	34,954,636
Revalued assets:				
Historical cost	12,126,909	210,262	858,059	13,195,230
Law 72/1983			1,510,714	1,510,714
Law 413/1991	1,271,950	61,975		1,333,925
law 266/2005	10,000,000			10,000,000
D.L. 185/2008	5,128,343			5,128,343
Gross value at 31/12/2017	34,042,774	737,523	31,342,551	66,122,848
Depreciation Reserve	14,918,573	657,036	29,379,865	44,955,474
Net accounting value	19,124,201	80,487	1,962,686	21,167,374

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Employment details

The average number of employees, by category, has been the following:

Category	Average number
Senior managers	8
Middle management	26
Office staff	78
Workers	144
Total Employees	256

Rewards, advances and credits granted to directors and auditors and loans undertaken on their behalf

The amount of the reward to directors and to statutory auditors, cumulatively for each category, is as follows:

	Directors	Statutory Auditors
Reward	622,080	23,296

There have been no advances or credits to the directors and statutory auditors no pledges undertaken on their behalf due to guarantees of any kind.

Fees for the external auditor or auditing company

The rewards paid to the auditing companies are the following:

	Value
Independent audit of annual accounts	15,000
Other auditing services carried out	7,883
Services other than the accounting audit	2,098
Total fees due to the independent auditor or auditing company	24,981

Categories of shares issued by the company

The capital of the company is made up of 740,000 ordinary shares of a face value of € 5.16 each, all wholly subscribed in the previous financial years.

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Description	Initial amount, number	Initial amount, face value	Final amount, number	Final amount, face value
ORDINARY SHARES	740,000	3,818,400	740,000	3,818,400
Total	740,000	3,818,400	740,000	3,818,400

Securities issued by the company

The company has not issued bonus shares, convertible bonds, warrants, options or other securities or similar notes.

Details of miscellaneous financial instruments issued by the company

The company has issued no financial instruments.

Undertakings, warranties and contingent liabilities not recorded in the balance sheet

In addition to the normal orders received, and to be executed, in the course of the business of the Company and, in general, to the undertakings made on a continuous basis, the indication in these notes to the accounts is normally deemed not to be normally useful for valuing the company's equity and financial position, while among other commitments not indicated in the statement of assets there are the leasing charges yet fallen due for a total of 94,651 Euros.

The details are as follows:

Leasing company	Contract n.	Expiry date	Amount €
Alba Leasing spa	1071994/1	3/8/2021	€ 41,340
Banque PSA Finance	7403891702	31/7/2018	€ 2,851
Banque PSA Finance	7404142732	21/4/2019	€ 6,238
Credit Agricole Leasing Italia spa	01523259/001	12/5/2021	€ 44,222
TOTAL			€ 94,651

There have been no other commitments not indicated in the statement of assets and liabilities on the subject of treatment of retirement pensions and suchlike, nor any undertakings as against subsidiaries and controlling undertakings.

Information on capital and loans allocated to specific business

The Company has not established capital reserves exclusively for specific business, nor has

FINANCIAL STATEMENTS 2017

access to funds reserved for specific business.

Information on dealings with allied parties

As regards point 22 bis of article 2427 of the Civil Code relating to transactions with allied parties, all such have been carried out at normal market conditions with the exception only of intragroup loans with the Parent company SVI-Sviluppo Industriale Spa, which are non-interest bearing.

Information regarding agreements not indicated in the statement of assets and liabilities

We report that there are no agreements that are not indicated in the statement of assets and liabilities with significant risks and benefits such as to influence the measurement of the company's equity and financial position, or the profit and loss result of the Company.

Information on significant events since closure of the year

After the closure of the financial year, there have been no significant facts to report, with the sole exception of the opening of the branch in Slovakia on 1 February 2018.

Information regarding derivatives pursuant to article 2427-bis of the Civil Code

The company has no information to provide on the use of financial instruments, except for four derivative contracts not listed on interests, made with credit institutions to hedge risks on rate fluctuations on a part of the bank debt.

Here below a table showing the contracts made respectively with bank Banca Popolare – Credito Bergamasco (three contracts) and Credit Agricole Cariparma:

Product	Nominal amount at 31/12/2017	Expiry of the contract	Mark to market
Amortizing cap	€ 1,750,000	31/12/2021	€ 3,454.69
Amortizing cap	€ 750,000	15/06/2019	€ 20.14
Amortizing cap	€ 937,500	15/06/2020	€ 375.03
Purchase cap	€ 1,500,000	29/06/2020	€ 99.27

The difference in value, on market basis, has not been entered in the profit and loss account or in net equity insofar as it is not significant.

Summary of balance of company exercising management and co-ordination
Management and co-ordination service

- a) In accordance with article 2497 of the Italian civil code, we provide here the table of the essential data relating to the last financial statements of SVI Sviluppo Industriale S.p.A., whose registered office is in Milan, at Corso Venezia n° 61, registered on the Companies' register of Milan as number 01924470154, exercising management and co-ordination. Such company, as can be seen in the record and in the correspondence, as well as in the registrations in the special section of the Companies' register, by virtue of its control in law under the provisions of article 2359, paragraph 1, n. 1 of the civil code, exercises over Lati Industria Termoplastici S.P.A. management and co-ordination as defined in articles 2497 et seq. of the Italian Civil Code.
- b) Consolidated financial statement: Pursuant to the provisions of article 27 n° 3 and 4 of Legislative Decree of 9 April 1991 n 127, the company is not under an obligation to draft the consolidated financial statements, which is drawn up by the parent company SVI - Sviluppo Industriale S.p.a., whose registered office is in Milan, Corso Venezia n° 61.

Summary of the assets and liabilities of the company exercising management and co-ordination

Statement of assets and liabilities	Last financial year	Previous year
Date of last approved financial statement	31/12/2016	31/12/2015
B) Fixed assets	8,538,063	8,319,384
C) Current assets	1,638,693	2,368,210
D Accruals and pre-paid expenses	5,567	7,201
Total assets	10,182,323	10,694,795
A) Net equity		
- Company share capital	1,680,000	1,680,000
- Reserves	1,037,605	627,640
- Operating profits (loss) for the period	848,871	409,964
- Total shareholder equity	3,566,476	2,717,604
C) TFR severance pay fund for employees	61,521	56,505
D) Debts	6,554,326	7,920,686
Total liabilities	10,182,323	10,694,795

Summary of profit and loss account of company exercising management and coordination

Profit and loss account	Last financial year	Previous year
Date of last approved financial statement	31/12/2016	31/12/2015
A) Production figures	377,086	382,846
B) Production costs	497,079	496,121
C) Financial income and charges	935,712	487,851
Income tax on operations	(33,152)	(35,388)
Operating profits (loss) for the period	848,871	409,964

Proposed distribution of profits or loss cover

As regards the allocation of the profits for the financial year of 6,712,032.61 we propose the setting aside of the whole to the extraordinary reserve with the legal reserve having reached the legal limit. We further invite you to allocate to the reserve on unrealised income on exchange rates registered at the time of approval last financial statement of € 3,545.46 to the extraordinary reserve, insofar as the requirement has ceased.

Notes to the accounts: concluding part

In conclusion, we must say that there are no other indications to provide and the data and figures detailed in these Notes to the accounts are in accordance with the accounts and faithfully represent the administration and the events of the financial year.

For the Board of Directors

The Chairman

Prof. Francesco Conterno



LATI INDUSTRIA TERMOPLASTICI S.P.A.

Registered office in Veduggio (Va) – Via Francesco Baracca N. 7

Fully paid up company share capital Euro 3,818,400.

TAX IDENTIFICATION NUMBER [CF] & VAT N: 00214880122

REPORT OF STATUTORY AUDITORS' COMMITTEE

TO THE GENERAL MEETING OF SHAREHOLDERS PURSUANT TO ARTICLE 2429, PARAGRAPH 2,
OF THE CIVIL CODE.

To the Shareholders of the company Lati Industria Termoplastici S.P.A.

this report has been approved by our committee with waiver of the terms under article 2429 of the civil code, based on the following documents relating to the financial year ending 31 December 2017, made available to the directors body of that approved them on 12/03/2018:

- draft financial statements, complete with the notes to the accounts and cash-flow statement;
- business report.

This report has the same structure as that used for the previous financial year and adheres to the provisions of Law and to Regulation n. 7.1 of the "Rules of conduct of the statutory auditors' committee - Standards of conduct of the statutory auditors' committee of companies not quoted on the stock exchange" as issued by the Company CNDCED current from 30 September 2015.

General foreword:

The Notes to the Accounts in XBRL format

The Statutory Auditors committee has taken due note that for the filing of last year's financial statements, the governing body of the company has taken account of the obligation to draw up the notes to the accounts using the so-called "tassonomia XBRL" necessary for such documents, making them available for digital processing: this is the performance of the requirement of the Companies' Register of Chambers of Commerce in execution of article 5, paragraph 4, of the D.C.M. n. 304 of December 10th 2008.

The Statutory Auditors Committee has therefore verified that the changes to the form of the financial statements and to the notes to the accounts as compared with that adopted for the previous financial years have not changed in any way the substance of the content nor jeopardised comparative study of the figures with respect to the closing of the previous financial year.

Since the Financial statement of the Company drawn up in the so-called "ordinary" form, a check was made that the governing body of the company, when drawing up the Notes to the Accounts used only the compulsory tables that presented figures other than zero values.



Knowledge of the company, measuring risks and report on assigned company positions

On the basis of knowledge acquired during its tenure of office the Statutory Auditors Committee can confirm that:

- the typical business activity carried out by the company has not changed during the financial year in question and is consistent with the company's objects;
- the organisation and the IT equipment have been implemented with the view to the further development of the business;
- the human resources that make up the work force have not significantly changed;
- all the above having been ascertained and indirectly confirmed by comparison with the results of the figures provided in the profit and loss accounts for the last two financial years. It is further found that the company has operated in 2017 in terms that are comparable with those of the previous financial year and consequently the audit has been carried out on this basis, having verified the essential comparability of the values and results with those of the previous financial year.

This report therefore summarises the activities considered in article 2429, paragraph 2 of the civil code and specifically:

- the operating results for the company year;
- the activity carried out in the performance of the duties required by that law;
- observations and proposals with regard to the financial statements, with particular regard to any recourse by the company's governing body to the departure for the rules under the provisions of article 2423, paragraph 4 of the civil code;
- on receipt of any reports from shareholders pursuant to article 2408 of the civil code.

We are in any case fully willing to look in detail at any further aspects brought up in debate at the general meeting of shareholders

The activities of the statutory auditors have, from the time point of view, regarded the whole of the year, in the course of which there have been regular meetings held in accordance with article 2404 of the civil code and at such meetings special minutes were drawn up and duly signed by way of approval unanimously.

Activity carried out

During the periodic audits and the meetings of the governing body of the company, the auditors committee has study developments in the Company with particular attention given to contingent and/or extraordinary problems so as to identify their economic and financial impact on the operating result and the structure of company equity, as well as on any risks such as those deriving from bad debts, monitoring these on a regular periodic basis. There was also discussion of the data with the firm of professionals that assists the company with their technical and specific tax and accounting consulting: these audits have produced positive outcomes. The Statutory auditors' committee has thus periodically appraised the adequacy of the organisational and functional structure of the company and any changes with respect to minimum needs demanded by the progress of the company management.



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The dealings with the persons working in the aforesaid offices, namely directors, employees and external consultants have been characterised by mutual co-operation according to the roles assigned to each, having clarified the roles of the supervisory body.

For the whole period of the financial year it can be seen that:

- the administrative personnel charged with monitoring the business of the company increased compared with the previous year so that the administrative staff was sufficiently aware of intervening company needs as they arose;
- the level of technical competence is congruent with the ordinary business of the company to be accounted for, with staff sufficiently aware of the issues and problems relating to the company;
- the consultants and external professionals charged with accounting, tax, company and employment law issues have not changed and thus have sufficient historical knowledge of the business and management problems of the company, including extraordinary matters that have affected the results in the annual financial statements.

The information required by article 2381, paragraph 5 of the civil code., has been duly provided by the company's managing director during the monthly meetings monthly with the company's governing body; the directors therefore have as regards substance and form, complied with the provisions of the aforesaid law.

In conclusion, to the extent revealed by the studies carried out during financial year, the Statutory Auditors' Committee can affirm that:

- the decisions taken by shareholders and the company governing body have been in compliance with the law and the articles of association and have not been patently imprudent or such as to finally jeopardise the company equity;
- sufficient information was gathered regarding the general management of the company and likely future developments, as well as on the major transactions, both in terms of size and or characteristics, carry out by company that must be importance, as carried out by the company that must be the subject of further checks with economic and financial projections, aimed at confirming and monitoring decisions taken by the governing body of the company;
- the transactions carried out have also complied with the law and the articles of association with no potential conflict with the resolutions of the general meeting or such as to jeopardise the company equity;
- no particular observations are required with regard to the adequacy of the company organisation, nor either of the adequacy of its administrative and accounting system or on the reliability of the latter in correctly representing the management matters of the company in the year;
- during our supervisory work, as described above, no other significant facts emerged that need to be mentioned in this report;
- there has been no need to intervene in relation to any omissions of the company's governing body under the provisions of article 2406 of the civil code;
- no reports have been received pursuant to article 2408 of the civil code;
- no reports have been put forward pursuant to article 2409, paragraph 7 of the civil code;
- We have during the year given our favourable opinion on the recording in the item "costs of plant and extensions" in balance sheet assets of the costs incurred in the financial year for the conversion into a branch of the German subsidiary Lati Deutschland GmbH (329,372 Euros) and from which gave rise to




"Lati Industria Termoplastici Spa - Zweigniederlassung Deutschland" and the amount of 18,876 Euros for charges incurred for the reorganisation of overseas offices. As provided for in OIC Accounting standard n. 24 (Italian Accounting Board) and article 2426 of the civil code, on the process of depreciation provided for by the Board of Directors for such capital assets is completed over a five year period.

Observations and proposals with regard to the financial statements and their approval

The draft financial statements for the year ending 31 December 2017 was approved by the governing body of the company, being made up of the balance sheet, the profit and loss account, cash-flow statement and the notes to the accounts.

Moreover:

- the governing body of the company has drawn up its business report pursuant to article 2428 of the civil code;
- such documents were delivered to the statutory auditors' committee in good time so that they could be filed at the head office of the company accompanied by this report, taking account of the "pre-announced" waiver by the shareholders at the end of term provided for by article 2429 of the Italian civil code;
- the independent audit has been assigned to the Auditing company UHY BOMPANI SRL, which has drawn up its own report pursuant to article 14 D.Lgs. of 27th January 2010 n.

The draft balance sheet was examined, in relation to which the following additional information is submitted:

- the evaluation method for asset and liability items subject to such necessity have been checked and have not found to be substantially different from that adopted in the previous financial years, in compliance with the provisions of article 2426 of the civil code;
- attention was given to the format and content of the draft financial statements, on their general compliance with the law as regards how they were drawn up and on their structure and we have no particular observations that need to be made on the matter in this report;
- a check has been carried out on compliance with the law regarding the preparation of the business report and no particular observations need to be made on the matter in this report;
- the governing body, in the drafting of the financial statements, did not depart from the law under the provisions of article 2423, paragraph 4 of the civil code;
- We have checked that the financial statements correspond to the facts of which cognisance was gained when performing the duties of supervisory body and in this regard there are no particular further observations to be made;
- under the provisions of article 2426, paragraph 5 of the civil code the significant figures entered at point B) 1 - 1) of the Balance Sheet Assets were subject to our specific checks with our assent given to each of their registrations; it should further be pointed out, for the sake of completeness, that it will not be possible to distribute dividends drawing on reserves beyond the net amount for such items capitalised in the assets;



- the notes to the accounts contain the information required by article 2427-bis of the civil code, relating to derivatives, in particular, to four non-quoted derivative contracts to cover changes in interest rates on a part of bank debts;
- the commitments, guarantees and contingent liabilities have been exhaustively illustrated;
- on the proposal of the governing body of company regarding the use of the net result for the financial year closing as set forth in the notes to the accounts (article 2427 point 22-septies of the civil code) and the business report, the statutory auditors board has no observations to make, while noting that the decision to be made on this is reserved to the general meeting of shareholders.

The company's operating result

The net result ascertained by the governing body for the operating year ending 31 December 2017 shows a profit of 6,712,033 Euros .

Conclusions

On the basis of what has been stated above and as brought to the awareness of the statutory auditors' committee and as found in its periodic audits, we unanimously agreed that there are no reasons why you should not approve the draft financial statements for the financial year ending 31 December 2017 as drawn up and as submitted to the company's governing body.

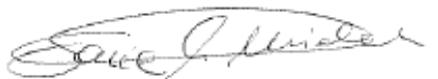
We recall finally that the term of office of the governing body of the company has expired.

We would like to thank you for the trust you have placed in us and we ask you to pass your resolution to re-establish the governing body of the company.

Varese, 19 March 2018

The Statutory Auditors board

(Dr Sonia De Micheli)



(Dr Maria Vittoria Bruno)



(Dr Sonia Pugliese)



LATI INDUSTRIA TERMOPLASTICI S.p.A.
Company headquarters Via Francesco Baracca, 7 - 21040 Vedano Olona
Company Capital: € 3,818,400 fully paid up
Cod. Tax authorities and Registry of Companies' - Varese number 00214880122
VAT number N. 00214880122
Chamber of Commerce Varese REA economic and administrative registry. 41557
PEC – lati.presidenza@registerpec.it
Company subject to management and co-ordination of SVI Sviluppo Industriale S.p.A.

MINUTES OF THE ORDINARY GENERAL MEETING

OF 27 March 2018

In the year 2018, on this 27th day of the month of March, at 4 o'clock in the afternoon, a meeting is held at the headquarters of the company in Vedano Olona (VA) – at Via Baracca n. 7, following its regular calling, it being an ordinary general meeting of "LATI – Industria Termoplastici SPA" to discuss and pass resolutions on the items on the following

AGENDA

1. reading of the business report of the board of directors, of the financial statements ending 31 December 2017, of the report of the statutory auditors' committee, of the report of the auditing company and the resolutions relating to these;
2. appointment of the Board of Directors;
3. determination of the reward due to members of the Board of Directors.
4. The general meeting of shareholders is held on first calling.

At the indicated place and time the following persons are here present:

- Prof. Francesco Conterno - Chairman of the Board of Directors
- Domenico Vitangeli – Vice Chairman;
- Dr. Michela Conterno – Managing Director
- Cristina Boffi – Board member
- Engineer Loredana Mercante – Board member
- Dr Laura Massironi – Board member
- Dr. Aldo Tucci – Board member.

The board member Dominique Renaudin is absent with justification provided.

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Also present here today are:

- Dr. Sonia De Micheli – Chairman of the Statutory Auditors' Committee;
- Dr. Maria Vittoria Bruno – Executive Auditor.

The Executive Auditor Dr. Sonia Pugliese is absent with justification provided.

The chairman of the meeting, in accordance with the law and of articles of association, is Prof. Francesco Conterno, Chairman of the Board of Directors and he calls to act as Secretary Dr. Michele Bignami, consultant of the company who, in attendance at this meeting, accepts.

With the chair thus constituted, the Chairman ascertains for the record:

-the presence in person or by proxy of shareholders holding 740,000 shares of the company, being 100% of the company share capital, represented as follows:

- SVI Sviluppo Industriale SpA, holder of 724,660 shares, represented by its legal representative Prof. Francesco Conterno;
- Conterno Carla, holder of 15,340 shares, represented by proxy Dr. Alessandro Tonolini;
- the presence of the majority of the members on the Board of Directors;
- the presence of the majority of the Executive Statutory Auditors;

declares the general meeting of shareholders duly incorporated and lawfully able to pass resolutions.

Declaring the discussion open as regards the first item on the agenda, the Chairman reminds those present that the shareholders have stated that they waive the term of 15 days provided for in paragraph three of article 2429 of the Civil Code for the depositing at the company headquarters of the annual balance documentation provided for in that law, taking into account the limited time between the approval of the company's balance sheet by the Board of Directors and the calling date of the general meeting of shareholders..

He asks the secretary to read the main details of the business report and the financial statement for year ending 31 December 2017. Dr. Sonia De Micheli then reads the report of the statutory auditors' committee and the report of the auditing company.

After brief discussion, the General meeting of shareholders, acknowledging the report of the statutory auditors' committee of the auditing company, unanimously approves the business report and the financial statements for the year ending 31 December 2017.

All the documents that have been read are annexed to these minutes.

Also unanimously, the general meeting of shareholders approves the proposal of the Board of Directors to allocate the operating profits of € 6,712,032.61 to the extraordinary reserve, it having reached the legal limit. The general meeting further resolves to allocate the reserve on unrealised income on exchange rates registered at the time of approval last financial statement of € 3,545.46 to the extraordinary reserve, insofar as the requirement has ceased. Moving on to the second item on the Agenda the Chairman reminds those present that the office of the Board of Directors has ceased in its office due to the expiry of its term and it is therefore necessary to appoint a new governing body.

The Chairman therefore asks the general meeting of shareholders to pass resolutions for the reinstatement of the governing body of the company.

The general meeting of shareholders passes its resolution to have eight members of the Board of Directors and confirms that such members are the following:

- Prof. Francesco Conterno, born in Vedano Olona (VA) on 23 September 1943 - Tax identification number [CF] CNT FNC 43P23 L7030;
- Mr Domenico Vitangeli, born in Montefiore dell'Aso (AP) on 4 August 1938 - Tax identification number [CF] VTN DNC 38M04 F501E;
- Dr. Michela Conterno, born in Milan on 15 July 1975 - Tax identification number [CF] CNT MHL 75L55 F205J;
- Dr. Aldo Tucci, born in Varese on 16 February 1948 - Tax identification number [CF] TCC LDA 48B16 L682H;
- Mr Dominique Jacques Michel Renaudin, born in Paris on 25 January 1951 - Tax identification number [CF] RND DNQ 51A25 Z110U;

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- Ms Cristina Boffi, born in Desio on 23 November 1954 – Tax identification number [CF] BFF CST 54S63 D286U;
- Engineer Loredana Mercante, born in Medellin (Colombia) on 22 March 1960 – Tax identification number [CF] MRC LDN 60C62 Z604V;
- Dr Laura Massironi, born in Milan on 30 August 1965 – Tax identification number [CF] MSSSLRA65M70F205G.

The Board of Directors will be in office for three financial year and in any case up to the approval of the company's balance ending 31 December 2020.

All the board members are domiciled for their office at the Registered Office of the Company at Via F. Baracca 7, 21040 Vedano Olona (VA).

Each member of the Board of Directors is to be paid an annual emolument of €. 5,000,00 (five thousand Euros and no cents).

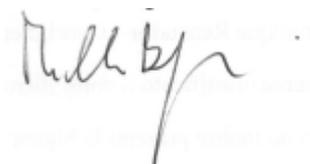
The general meeting of shareholders defers to the Board of directors the appointment of its Chairman, as well as the attribution of the reward to directors invested with particular powers and offices under the provisions of article 2389 of the civil code.

There being no other business, the Chairman declares the General meeting of shareholders closed at 4.40 pm, after the reading and approval of these minutes signed by the Chairman and by the Secretary.

The Chairman
(Prof. Francesco Conterno)



The Secretary
(Dr. Michele Bignami)





Via Bernardino Telesio 2
20145 Milano - Italy

Phone

+39 02 4986350-7

Fax

+39 02 4818143

E-mail

milano.audit@uhyitaly.com

Web

www.uhyitaly.com

**INDEPENDENT AUDITOR'S REPORT
PURSUANT THE ART. 14 OF THE LEGISLATIVE DECREE JANUARY 27 2010, N.39**

To the Shareholders of
LATI Industria Termoplastici S.p.A.

Report on the audit of the Financial Statements

Opinion

We have audited the financial statements of LATI Industria Termoplastici S.p.A, which comprise the statement of financial position as at December 31, 2017, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of LATI Industria Termoplastici S.p.A. as at December 31, 2017, and of its financial performance and its cash flows for the year then ended in accordance with national financial reporting rules.

Basis for Opinion

We conducted our audit in accordance with Italian 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 our report. We are independent of the Company within the meaning of the ethical and independence requirements applicable to the Italian laws on the audit of financial statements. We believe that the audit evidences we have obtained are sufficient and appropriate to provide a basis for our opinion.

A member of UHY International, a network of independent accounting and consulting firms

Share Capital € 100.000 – Fiscal Code/VAT number and Milan Register of Companies n. 0804250968 - REA Milan 1999441. Register of Auditors n. 168159 PCAOB registered and ASSIREVI associated

Also offices in Rome, Florence, Brescia, Novara, Padua, Pisa and Trento



Responsibilities of Management and Collegio Sindacale for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the Italian regulations which state the criteria for drafting and, within the terms established by law, for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Management is responsible for evaluating the ability of the Company of continuing to operate as an ongoing entity and, drafting the financial statement, for the proper use of the going concern basis of accounting, as well as for an adequate information regarding it. Management, drafting the financial statements, uses the going concern basis of accounting unless it either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Collegio Sindacale is responsible for overseeing the Company's financial reporting process, according to the law.

Auditor's Responsibilities for the Audit of the Financial Statements

The objectives of our audit 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 auditor's 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 Auditing Standards (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 these financial statements.

As part of an audit in accordance with International Auditing Standards (ISA Italia), we exercised professional judgment and maintain professional scepticism throughout the planning and performance of the audit. We also:

- Identified and assessed the risks of material misstatement of the financial statements, whether due to fraud or not intentional behaviour or events, design and perform audit procedures responsive to those risks, and obtain 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 the one resulting from not intentional behaviour or events, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- 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 entity's internal control.
- Evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Reached a conclusion regarding the appropriateness of the use of the going concern basis by the management and, according to the evidence obtained, the possible existence of a significant uncertainty concerning events or circumstances which can cast significant doubts on the ability of the Company to continue to operate as an ongoing entity. In case of a significant uncertainty we are required to draw attention in the audit report on the related financial reporting, or, if that reporting is inadequate, to consider this circumstances when formulating our opinion. Our conclusions are based on the evidence obtained until



the day of the presentation of the report. Subsequent events or circumstances can cause that the Company ceases to operate as an ongoing entity.

- Evaluated the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We are required to communicate 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 identify during our audit.

Report on Other Legal and Regulatory Requirements

Opinion pursuant the Art. 14, paragraph 2, letter e) of the Legislative Decree 39/10

The management of the LATI Industria Termoplastici S.p.A. is responsible for the preparation of LATI Industria Termoplastici S.p.A. Management Report as at December 31 2017, including its consistency with the relative financial statements and its compliance with the law.

We performed the procedures indicated in the audit principle (SA Italia) n. 720B in order to express an opinion concerning the consistency of the Management Report with the Financial Statements of LATI Industria Termoplastici S.p.A. as at December 31 2017 and regarding its compliance with the law, as well as provide a declaration on eventual significant errors.

In our opinion the Management Report is consistent with the Financial Statements of LATI Industria Termoplastici S.p.A. as at December 31 2017 and it is redacted in accordance with the law.

Regarding the declaration pursuant the Art. 14, paragraph 2, letter e) of the Legislative Decree 39/10, issued on the basis of knowledge and understanding of the company and its context acquired during the audit activity, we do have nothing to report.

UHY BOMPANI S.r.L.

Partner

Milano, March 12, 2018

This report has been translated into the English language solely for the convenience of international readers.