



ANNUAL REPORT **2018**

LATI INDUSTRIA TERMOPLASTICI



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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 2018

Preamble

Dear Shareholders,

The Financial Statements closing 31.12.2018, which we submit to your attention for your approval, shows an operating profit of € 8,953,094, as compared with the profits for the previous financial year of € 6,712,033.

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, automotive and domestic appliances sectors, which markets normally move in accordance with general economic conditions. The market sectors for Lati products have progressed well throughout 2018 as regards demand, which weakened only in the last part of the year. In particular the quantity of sales increased by 1.5% and revenues by 11.3%. The financial year 2018 was characterised by much tension as regards the main raw materials (PA66 and PA6) which has resulted in substantial increases in prices and on some occasions lack of availability, aspects the company has however managed to cope with adequately.

The mean increase in purchase prices of raw materials was 0.24 €/kg adding up to 39 cents increase over the year 2017, with a consequent impact on costs and turnover which,

in value terms, increased more than proportionately to volumes and with continuous pressure on margins. Despite this, the company has succeeded in closing the financial year, even if with greater effort, with a return on investment that was in absolute terms very similar to that of the record year of 2016.

Incoming orders for sale - in first half-year - was steady, better than the forecasts of the previous year, while there were signs of weakness as from September. Lati is however working in a solid and developing sector whose demand has recovered and stabilised after years of crisis, despite cyclical fluctuations.

The raw materials market has continued the trend seen in the previous financial year. 2018 was therefore characterised by a strong imbalance between supply and demand, with general raw materials availability no in equilibrium with demand. Such condition has led to a rise in prices; the trend continued throughout the year with a slowdown in speculative activity only in the last quarter, reflecting a general easing of sector demand downstream. The mean raw materials prices, in overall terms, amounted to about 9.5% up on the previous year.

2018 saw further consolidation of the business of research for new materials aimed at improving the formulated and started up 2011 on the basis of a "saving" strategy with the objective of creating greater competition between suppliers of strategic raw materials and 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 eight years the process has been in being, the research work, the certification and the replacement of raw materials have generated, every year, significant savings For the company.

During the year 2018 Lati continued to in part ward off the risk of erosion of its margins thanks to the savings actions described above and to good co-ordination between the Purchasing and Sales offices, which permitted the company to promptly intervene in relation to the customers with an increase in prices of the finished products. Also the strategic repositioning of the product mix towards higher value solutions has contributed to a the margins holding up well in overall terms.

As regards net borrowings due to the financial systems, there was at the end of the year an amount of € 17.03 million, up on the figure for the previous financial years (on average € 11 million in the last 2 financial years), due to two main factors: on the one hand, the strong growth of prices of raw materials and the worsening of the average purchasing conditions due to limited availability at certain points of the year, and on the other, the important commitment on the part of the liquidity generated in support of the real

property investment regarding the modernisation and expansion of the industrial site of Gornate Olona (the so-called "Torbissima" project, already started up in mid 2017, with almost 10 million Euros invested in the financial year 2018).

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.

In the year 2018, the company has however benefited from almost stable 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 first few months of the year the company negotiated with a selected pool of banks for the financial backing needed to support, alongside the Company itself which will continue to reinvest a part of its profits produced by the company, the "Torbissima" real property and industrial project. The specific agreements were signed between end of December 2017 and January 2018, with the possibility of managing the disbursement in the two year period 2018-19. As of 31/12/2018 there were paid 9 million Euro for work in progress.

The Company has further started in 2016 on a reorganisation plan for its own structure and for its presence in Europe aimed at converting existing offices 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 to the pursuance of greater control over foreign business and an increase in operational efficiency, including with regard to synergies in the overall reference market. In relation to this, during the year 2016, there was a change in the legal status of the Swedish subsidiary, Scandilati Termoplastici AB, converted 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 up its operations 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 there was the conversion into a branch of the German Lati Deutschland GmbH, by means of cross-border merger effective from 1/07/2017 and from that was established "Lati Industria Termoplastici Spa - Zweigniederlassung Deutschland". The accounting and fiscal effects of the merger were backdated to

01/01/2017. In the latter part of the financial year 2017 actions were initiated for the establishment of a new branch in Slovakia ("Lati Industria Termoplastici S.P.A. - organizačná zložka"), which was operationally trading from 1/02/2018. During the year 2018 the conversion into a branch of the French company Lati France Sas, by means of cross-border merger that was legally effective from 1/07/2018 out of which was established "Lati Industria Termoplastici Spa - France branch". These financial statements here, therefore, as well as including the profit and loss results of "Lati Sweden Filial" and "Lati Industria Termoplastici Spa - Zweigniederlassung Deutschland", including also "Lati Industria Termoplastici Spa - organizačná zložka" (11 months of activity) and "Lati Industria Termoplastici - France Branch" (6 months activity).

Given that described above and anticipating what will be shown later, speaking of economic indicators, we report that the gross operating margin increased to € 3,026 million, exceeding the value reached in the record year of 2016 (€ 15,737 million).

The results achieved in the 2018 should therefore be regarded as being very 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 € 1,142,079 for the previous year to € 902,051, with a net decrease of € 240,028. The change is due to lesser capitalisation of costs for patents, the registration of trademarks, licenses for use (-€ 125,857), while the costs of plant and enlargement increased (+€ 1,601), and a slight diminution of current immobilisations for multiannual costs correlated to project activities (+€ 106,005), net of write downs for the year of € 514,396.
2. Net fixed tangible assets. Went from € 29,116,715 to € 36,630,403, a net increase of € 7,513,688, due to incremental investments mainly relating to the "Torbissima" project regarding the expansion of the Gornate Olona site. Such investments regarded, to the

- extent of € 660,775 modernisation of plant and machinery for € 319,111 new equipment and other assets, for € 3,379,194 fixed assets under construction and € 440,975 advances paid. All of which with deduction of 'depreciation for the year of € 2,145,189.
3. Long term loans and investments. The figures went from € 7,705,809 to € 5,732,781 with a total decrease of € 1,973,028, breaking down into the various following items:
- shareholdings in subsidiaries are going from € 2,144,939 to € 1,182,744: the decreases concerned, as regards € 1.273.576, the write-off of shareholding relating to Lati France Sas, following its incorporation and conversion into a branch as from 1/07/2018; while the increases, for € 311,381, related to revaluation of the holding in the subsidiary Lati Usa Trading in relation to the intervention of the Company by way of contribution to the capital account to cover previous losses of the branch (€ 255,124) and profit achieved in the financial year 2018 (€ 56,257).
 - shares held in controlling undertakings: no change with respect to the last financial year;
 - shareholdings held in other companies increased by € 1,182 of which € 133 corresponding to the revaluation of the company Atlantide Sa;
 - receivables from subsidiaries: the item balance is zero;
 - receivables from controlling undertakings: a decrease of € 1,004,695 of non interest bearing loans made to the controlling undertaking SVI S.p.A.;
 - sundry receivables: decrease of € 7,320 of caution money and other receivables.
4. Inventories. An overall increase of € 5,877,381, passing from € 28,776,623 to € 34,654,004, in relation to raw materials increase of € 2,202,860 products in the process of being worked, an increase of € 248,733 and an increase in finished products of € 3,425,788. There have also been prudent devaluations of € 477,008 for finished products and € 463,170 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 € 2,179,075, going from € 35,579,876 to € 37,758,951; the increase relates mainly to receivables due from customers (+€ 3,151,757), receivables due from subsidiaries (+€ 269,272) and credits for prepaid taxes (+€ 95,629) set off partially by receivables from controlling undertakings (-€ 1.160.966), from tax credits (-35,712) and sundry credits due from miscellaneous (-€ 140,905) all consequent on the greater turnover and the impact on branches. The provision for doubtful debts, of € 854.014, is deemed consistent with current risks. During the financial year € 264,707 was used and further provisions were set aside for the amount of € 329,858.

6. Cash in hand. This went from € 7,738,598 to € 5,059,988, a decrease of € 2,678,610.
7. Prepayments. Went from € 303,545 to € 228,374, with a decrease of € 75,171, relating to the decrease in costs of future financial years.

Liabilities

1. Risks and charges reserve fund. These remained almost unchanged (-€ 5,277). The retirement fund and similar obligations, corresponding to agency relations with foreign suppliers has remained unchanged at € 3,500, while the part of the item previously reclassified in general risks reserve fund (€ 23,844) was issued to meet the original requirements. With respect to the last financial year, there was a decrease of € 15,793 in the risks provision for tax disputes previously set aside for burdens resulting from a tax check regarding taxes on land registry purposes in 2017 at Gornate Olona, settled with an agreement in January 2019. The risks reserve fund for future charges, corresponding to the real properties of Gorla Maggiore (formerly VMP) Gornate Olona - Torba have remained unchanged. As regards the former of the real properties: € 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 merger of VMP SpA. As regards the latter: € 400,000 reserved in the previous years, for reclamation of land, of which, in their turn, € 261,217 from 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 2018 the fund of € 58,350, previously set aside for product complaints in progress at the end of 2017, was completely used up; there have been no further provisions set aside for this purpose. There was however a fund subscribed for derivatives (liabilities) of € 92,710 in relation to the difference between face value and current market value as of 31/12 of the derivatives (IRS liabilities)) regarding an unsecured loan with a remaining 5 years.
2. Severance payments for employees. The changes in legislation, which require the transfer of the annual provision to external institutes are the cause of the decrease in the fund for the year of € 207,426, as against € 778,342 of provisions and € 985,768 of utilisations.
3. Debts. Increases with the figure rising from € 58,582,713 to € 61,502,572, with a change of € 2,919,859. In detail:
 - an increase in total borrowings from banks of € 3,547,894, associated with the greater use of medium/long term financial support. The debt for medium and long term loans with due date beyond one year went from € 5,729,406 to €

12,769,258. The proportion of the aforesaid loan share went from 31.7% to 59% (in relation to of the taking out of financial at MLT for the real estate/industrial project known as "Torbissima");

- a decrease of loans to other lenders, of € 303,208, due to annual repayment annually of facilitated MIUR loan;
 - an increase of € 45,211 in advances received from customers;
 - a small decrease in debt to suppliers of € 175,176 due to the slowdown in the growth of the prices of raw materials in the sector in the latter part of the financial year, in view of the first signs of market stagnation and the presence of high levels of inventory stock in trade accumulated in the preceding months;
 - a decrease in debts to subsidiaries of € 981,139, of which € 741,413 corresponding the write-off of intercompany loans to LATI FRANCE SAS in 2015 following the cut off of the group cash pooling, and the termination on 1/07/18, in relation to the take over and conversion of the company into a branch;
 - an increase in debts to the controlling undertaking of € 499,257;
 - an increase of tax debts of € 153,564;
 - an increase in debts to the social security institutions of € 198,853 mainly due to labour cost trends;
 - a decrease of € 65,397 in sundry debts.
4. Accrued liabilities. The balance increased by € 12,828, from € 7,904 to € 20,732, due to the lesser cost of shares of costs of the financial year relating to interest payable.

Profit and loss account

A. Value of production. Went from € 150,611,332 a € 168,781,395, with an increase of € 18,170,063, due to the increase in revenues from sales and services (+11.3%) caused above all by the impact of price increases applied during the year (also favoured by a different sales mix), made necessary by the strong increases in the costs of raw materials in the sector, and secondarily, to an increase in quantities sold (+1.5%). A further increase was found in inventories of semi-finished goods and finished products.

Our sales have in particular increased in direct sales to eastern European countries and in Germany. The preponderance of sales going abroad has also been confirmed for the 2018 (69% about).

B. Production costs. Their total went from € 140,079,255 to € 155,907,059 with an increase of € 15,827,804, caused by the changes indicated here below.

1. For raw materials, subsidiaries, and consumables and goods and for changes in raw materials inventories,: the increase in consumption of € 10,602,376 is 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 0.24 €/kg of such costs, together with poor market availability.
2. For services: this item shows a decrease of € 340,202, mainly through the reduction in the costs of commission due (-€ 0.63 mln) for maintenance (-€ 0.21 mln) utilities (-€ 0.33 mln) and bank charges (-€ 0.03 mln) in part set off by increases recorded in the entries corresponding top trade exhibitions and product certifications (+€ 0.09 mln), consulting (+€m 0.18), third party contracts (+€ 0.06 mln), transport and logistics (+€ 0.24 mln) and insurance policies (+€ 0.11 mln).
3. For third party property leasing charges: increase of € 90,804, mainly relating to the increase in rental and leasing contracts;
4. Personnel: the item increased by € 1,520,399. The work force went from 256 employees on average in 2017 to an average of 270 employees in 2018, both in relation to greater use of provisional work (+€ 497,912) and the creation operations of the Slovakian branch and the takeover of the French subsidiary giving rise to the corresponding branch. The change in personnel cost is mainly through an increase in the average number of employees, career promotions of bonuses linked to results achieved in the financial year.
5. Depreciation and devaluation there was an increase of € 468,579, due to an increase of depreciation rates of intangible fixed assets for € 36,289 and materials for € 198,279 and a greater reserve provision for doubtful debts for € 234,011 with respect to the previous financial year; it is considered that the existing fund reflects the actual insolvency risk.
6. For risks and future charges: the risks provision for tax disputes, as against charges resulting from a check on land purchases in Gornate Olona in 2017, was issued in excess of € 15,793 relating to the settlement reached in January 2019; while the fund of € 58,350 for risks on product complaints settled at the end of 2017 was completely used in the financial year. There have been no further provisions set aside in 2018.
7. For miscellaneous management charges: total decrease these costs € 77,352.

The difference between value and costs of production has thus gone from € 10,532,077 to € 12.874.336, with an improvement of € 2,342,259. Such results, as previously described, are due to increased ability of the sales force to keep margins on sales unchanged, almost fully

overturning, as regards the prices of the products, the intervening increases in raw materials costs. A further positive contribution was from selling a better product mix.

C. Financial income and charges. The items, though negative, has improved going from € 815,016 to € 580,647 as regards the following:

1. income from shareholdings in subsidiaries increased by € 43,269; connected to dividends distributed from the subsidiaries Lati UK Ltd, Lati Iberica SI and Lati Schweiz in relation to the results of 2017. The dividends were possible due to good performance of branches and degree of capitalisation obtained by these;
2. sundry financial income fell by € 1,585 and comprises bank interest receivable and interest on miscellaneous receivables;
3. the interest and other financial charges decreased by € 186,192 and are ascribable, as regards € 559,232, to financial discounts (liabilities) to customers, of which € 151,391 regarding German branch, for € 204,674, to interest due and charges arising from the use of lines of credit and current loans from banks.
4. the difference between profits and losses on exchange transactions improved from a negative figure of -€ 72,661 to -€ 66,176.

D. The financial activity adjustments went from a negative balance of € 242,074 to a positive balance of € 56,390, where:

- revaluation of shareholding in the subsidiary LATI USA Trading Inc of € 56,257 Euros and the non controlling interest in Atlantide SA of € 133;

The taxes for the year, taking into account prepaid and deferred taxes, went from a burden of € 2,762,954 to one of € 3,396,985.

Economic, capital and financial asset indicators

Article 2428 of the civil code requires, if it is deemed necessary for an understanding of the company's situation and of 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

| | 2018 | 2017 |
|-------------------------------------------------------------|--------------------|--------------------|
| 1) Current assets - Short term assets | 77,701,317 | 72,095,379 |
| 1.1) Immediate liquid assets | 5,059,988 | 7,738,848 |
| 1.2) Deferred liquid assets | 37,758,951 | 35,276,363 |
| 1.3) Availability | 34,882,378 | 29,080,168 |
| 2) Capital assets - Net fixed assets | 43,265,235 | 38,268,116 |
| 2.1) Intangible fixed assets | 902,051 | 1,142,079 |
| 2.2) Tangible fixed assets | 36,630,403 | 29,116,715 |
| 2.3) Long term loans and investments | 5,732,781 | 7,705,809 |
| 2.4) Receivables | 0 | 303,513 |
| INVESTED CAPITAL | 120,966,552 | 110,363,495 |
| 1) Current liabilities - Short term liabilities | 48,600,729 | 52,403,550 |
| 2) Consolidated liabilities - Liabilities a M/L term | 16,923,104 | 10,400,299 |
| 3) Net assets - Equity | 55,442,719 | 47,559,646 |
| ACQUIRED CAPITAL | 120,966,552 | 110,363,495 |

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

The following macro-aggregates are thus obtained:

- Short term assets: investments to become liquid 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)

| | 2018 | 2017 |
|-----------------------------------------------------------------------------------------|--------------------|--------------------|
| Income from sales and services | 164,348,770 | 147,705,093 |
| + Change in inventories of products in progress, semi-finished goods and finished goods | 3,728,775 | 1,843,147 |
| + Works in progress on order | 0 | 0 |
| + Increases in capital assets for internal works | 0 | 0 |
| OPERATIONAL PRODUCTION FIGURES | 168,077,545 | 149,548,240 |
| - Purchases of raw materials, subsidiary materials, consumables and goods | 119,635,370 | 109,032,994 |
| + Changes in inventories of raw materials, subsidiarity, consumables and goods | -2,148,605 | -5,778,155 |
| - Costs for services and for assets of third parties | 18,536,918 | 18,786,316 |
| ADDED VALUE | 32,053,862 | 27,507,085 |
| - Personnel costs | 16,185,830 | 14,665,431 |
| Gross operating margin | 15,868,032 | 12,841,654 |
| - Depreciation and write-downs | 2,989,443 | 2,520,864 |
| - Provisions for risks and Misc. Reserves | 0 | 66,350 |
| OPERATING RESULT of the business management | 12,878,589 | 10,254,440 |
| + Sundry income and revenues | 703,850 | 1,063,092 |
| - Miscellaneous operating charges | 708,103 | 785,455 |
| + financial management net of interest due and profits (losses) on exchange rates | -310,592 | -29,564 |
| EBIT | 13,184,928 | 10,502,513 |
| + interest due and profits/losses on exchange rates | 834,849 | 1,027,526 |
| RESULTS | 12,350,079 | 9,474,987 |
| - Income tax | 3,396,985 | 2,762,954 |
| NET RESULTS | 8,953,094 | 6,712,033 |

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 measure 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 it is 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).

| | | | |
|-------|--------|-------|--------|
| 2018: | 16.15% | 2017: | 14.11% |
|-------|--------|-------|--------|

- 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.

| | | | |
|-------|--------|-------|-------|
| 2018: | 10.65% | 2017: | 9.29% |
|-------|--------|-------|-------|

- 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.

| | | | |
|-------|-------|-------|-------|
| 2018: | 7.84% | 2017: | 6.94% |
|-------|-------|-------|-------|

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.

| | | | |
|-------|------------|-------|-----------|
| 2018: | 12,177,484 | 2017: | 9,291,530 |
|-------|------------|-------|-----------|

- Primary structure rate

Measures in term percentage the capacity of the company of finance 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.

| | | | |
|-------|---------|-------|---------|
| 2018: | 128.15% | 2017: | 124.28% |
|-------|---------|-------|---------|

- 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.

| | | | |
|-------|------------|-------|------------|
| 2018: | 29,100,588 | 2017: | 19,691,829 |
|-------|------------|-------|------------|

- 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.

| | | | |
|-------|---------|-------|---------|
| 2018: | 167.26% | 2017: | 151.46% |
|-------|---------|-------|---------|

- 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.

| | | | |
|-------|------|-------|------|
| 2018: | 1.18 | 2017: | 1.32 |
|-------|------|-------|------|

- 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.

| | | | |
|-------|------|-------|------|
| 2018: | 0.40 | 2017: | 0.40 |
|-------|------|-------|------|

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.

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 ISO9001:2015 and ISO14001:2015 (customer policy, leadership, involvement of personnel, process approach, systemic approach to management, continuous improvement, decisions based on question of fact, mutual 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 ISO9001:2015 and ISO14001:2015

| 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 the month of June 2018 a renewal audit was carried out using the new standards for the Environmental Management System (ISO14001) and the Quality System (ISO9001). Both audits produced positive outcomes.

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

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

In the area of System Certifications, in the second half of 2018 the Company started the procedure for Certification for the standard ISO45001.

In compliance with the provisions of D.L. 81/08 article 30 as amended, the Company has taken on an Organisational Model - D.L. 231/01 and appointed - on 26/07/2018 - the members of the Supervisory Body.

The model of Organisation and Management pursuant to legislative decree D.L. 231 was published on the company website - www.lati.com

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 have remained essentially stable during the year (+1.5%), while the increases of prices suffered for raw materials have already been largely incorporated into the final prices of sale with a consequent growth in turnover figure, but with some critical issues in terms of longer delivery times, due to limited production capacity and on the shortage of some raw materials. In particular there have been problems with the supplies of PA66, a core product for the company's production, creating significant gaps between supply and demand due to a large number of declarations of "Force Majeure" of the part of manufacturers in the first part of the financial year. The added value, however, has improved as compared with forecasts in the budget for the year 2018, with a slight increase relative to what was indicated above. 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 and in the sales mix.

The last quarter of 2018 saw the first signs of weakening in demand, which has been confirmed in early 2019. It is in particular well known that there has been a global slowdown in the automotive sector, but there is the same climate of uncertainty in other sectors such as electrical and in domestic appliances. The new year thus presents a very different situation from that of the last two financial years from the point of view of the main markets for the company's products and there will probably be negative effects on turnover in the first part of 2019.

- 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 to handle its financial commitments with recourse to bank credit for advances of trading credit and their subsequent collection. The continuous monitoring of the level of current assets, in

particular of the of warehouse stocks, has enabled us to contain and guide structural growth of debt, in this time of important investment by the Company and of market turbulence on the raw materials markets and consequently the risks related to financial requirements.

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 cutting the costs of borrowing which touched historical low levels in the two years 2016-2017. As from the second half of 2018 there were the first signs of a reverse trend, with a slight increase in interest rates. The real economy has been able to benefit from this but discontinuity risks persist. It is therefore expected that the year 2019 will, on the basis of BCE indications, see a situation of further risk of rises 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

By way of continuation with the previous year, during the year 2018 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 website of Gornate Olona concerned itself, during the financial year, with activities relating to the "Torbissima" project and aimed for industrial and logistical developments with a view to expansion and rationalisation, by means of major investments that will extend into the next few years and which should, even in a short time, begin to bring benefits in terms of lower running costs and greater safety, permitting the Company, in the midterm, to achieve greater production flexibility. The important development plan pursued in 2018 both with the realisation of certain activities provided for in "Lot 1", like

the restoration of the ground floor (various services such as the canteen, changing rooms, medical room etc.) and of the first floor (offices, meeting rooms, training classrooms) in the Torba 3 building, as well as with the building of a new automated warehouse for handling raw materials. The storage plant has been designed to anti-seismic criteria: within it there are shelves on six levels to permit stocking of 5,100 loading units organised into 12 aisles. The warehouse also has an automatic fire prevention system with sprinklers EFR K360 Handling among the shelving is with 2 trilateral electric forks with guide wires and transponders and integrated personnel protection PPS. The warehouse is completely run by the latest generation warehouse management, integrated into the company ERP system, permitting detailed control of inbound process, stocking and goods unloading for production through the use of scanners and terminals.

In the area of logistics, still in relation to Lot 1 of the project, all the water and geological works have been carried out as well as for the yards in the north zone with the creation of 3 lamination tanks, and access by way of the road Via Managgia. A new internal ecological management zone has been set up for refuse and scrap and a new porter's lodge has been built on Via delle Industrie.

As regards the "Lot 2" activities, which will lead to the building of the new body of the factory with the preparation and mixing department (ARUPE) which will be between the current production area and the new raw materials warehouse in order to rationalise internal product flows in the pre-extrusion stages, the electrical substation CE2 has been placed (with 4 transformers and a power of 2438 kw) and a rack has been constructed for the distribution and the carriage of electricity to the factory, and the old heating unit has been replaced with 4 condensation boilers.

From the point of view of the industrial plant, the Gornate site has been modernised with the inclusion of new technologically advanced equipment as well as the updating of existing systems with functional and safety-related revamping. In the first place the study was completed on "underwater granulation systems for extruded compounds" with the aim of making a product free from defects due to oxidation and a low level of residual humidity thanks to which the new "underwater granulator system" was installed and tested last November. A study on post extrusion activities highlighted the possibility of reducing the production stages.

In the second place, the installation of intermediate homogenisation silos has been decided, which will permit sampling and quality control by batch before transfer to the packing line. The handling of material shall take place with a compressed air system at the dense phase, using dehumidified air to limit fine dust formation and any increase in

the humidity of the product. The introduction of intermediate silos should result in a reduction in handling work and management of containers, as well as the drying cycle for finished products thanks to the limitation of residual humidity.

There has also been a study begun for the planning of a new extrusion line to install in the old warehouse area of the Gornate site, with the following aims:

- Moving of production from Vedano Olona to Gornate Olona and an increase in production capacity for certain product ranges;
- Increase in product and volumes flexibility;
- Reduction of crossing times

Still in view of optimising production operations, a new plant layout has been studied to permit the handling and management of raw materials directly from packaging to supply. The lines of supply have been identified by raw material type before use, in order to reduce equipping times: according to the type of raw material, the handling may take place by simple pouring or pneumatically during the aspiration stage or the dense stage. Finally, a study has been carried out for the modification of the oil heating system of the drying ovens, passing to the use of electrical heating, to start up at the time of start of the drying process. The advantages arising could be:

- simplification of the plant, due to the absence of a methane boiler;
- reduction of risks linked to the distribution of heating oil at 170°C in the production area;
- reduction in maintenance work;
- energy savings;

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. At the Brofind management / treatment post combustor of gas from degassing waters the building company installed an intermediary filter for the implementation of the dehumidification section that should improve the working of the whole plant.

A 4,000-litre mixer, connected to the MP silos, has been installed in the production departments.

In the production service there has been installed a new waste granulation system followed by revamping of the cutters.

As regards the Vedano Olona site, the company went ahead during the year with investments in accordance with changes in regulations, primarily relating to maintenance work.

Research and development, protection of the environment

In 2018 the R&D dept. analysed various types of products that required the formulation and small scale production and the characterisation of sample from 92 projects The most important types of compounds studied were the following:

a. Materials for the creation of articles by additive production (3D printing)

3D printing is the new frontier for thermoplastic materials use; the materials used up to now are simple polymers that have shown themselves to be suitable for this type of process: they are materials that can be processed at basic temperatures (like ABS and PLA) that are then modified with dyes and pigments for the desired aesthetic effect. Our commitment has been to offer the market technical applications and materials with special qualities such as: rigidity, tenacity, thermal and/electrical conduction, self extinguishing capacity and more. The formulation of these materials has been put into effect with the use of new basic polymers, whose characteristics are important both to the manufacturing of the filament and the article by additive printing.

b. Materials for the production of components in contact with food products or processing machines used in the food industry

Thermoplastic materials are a valid alternative as replacement for metals in the food industry; to be fit for purpose there must not be transferred to the food any substances that may be harmful to health or alter the taste and smell of the food. The new regulations are very restrictive and for this reason, we have tested and reformulated many materials and have put into effect new procedures for their production. Suitable materials for articles in contact with food have thus been made and approved, as well those in contact with drinking water, to meet various national regulations; while other materials have been researched that can be found by metal detectors and can be used in the components of machines that process food and medicines. These latter have the

advantage that in the event of accidental contamination they can be traced easily removed from the production cycle.

c. Development of a line of heat dispersing materials for use in new electric cars

The automotive market is currently focussed on the development of environmentally friendly vehicles with the emphasis on more and more affordable electric cars that are more efficient and with better performance. Consequently, the Euro 6 and Euro 7 cars, to prevent NOx emissions, work at ever higher temperatures. The rise in the temperatures "below the bonnet" give rise to the need to disperse heat, and if possible recycle the heat produced; as well as reducing the weight of their components while assuring their heat resistance and self-extinguishing nature. Lati's R&D has therefore proposed as alternative to structural products used massively, the use of materials with similar mechanical properties and properties of resistance, that are also good heat conductors. Coming out of this idea there has been produced a product line with good physical characteristics and that are chemically stabilised and conduct heat ten times better than that of a simple material reinforced with glass fibre.

d. The products are used in the making of tubes and other extruded products

Alongside traditional products for injection moulding, LATI has started planning and making compounds that may be processed by extrusion, thus increase the potential area of application (cable, tubes, frames). Complex materials have therefore been formulated (such as self-lubricants, electric and/or head conductors etc) with a morphological structure such as to maintain the integrity of the material in molten form and when solidifying when they are tensioned by drawing and pulling systems. For this process new polymers and raw materials have been approved and certified.

During the year 2018, the R&D departed has contributed operationally and in synergy with the Production management in the development of new production process solutions, as mentioned previously with the "underwater granulator", the "intermediate homogenisation silos" and "new extrusion line" project at Gornate Olona and the research on the "modification of the energy source used for heating the ovens for product drying". The modification has been tested in an oven at Vedano Olona and has been introduced to four other ovens, and will be extended to all the other drying systems at Gornate Olona in the next year.

Dealings with subsidiaries, allied companies and controlling undertakings

For details of the main dealings opened 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 | 2,030,464 | 694,916 | | | 3,296,984 | |
| Lati Shanghai | 1,329,420 | 27,006 | | | 192,451 | 2,085,458 |
| Lati UK Ltd | 485,040 | | | | 6,491 | 2,191,453 |
| Lati Iberica SI | 1,490,786 | | | | 758 | 6,347,430 |
| Lati Usa Trade Inc. | | 33,044 | | | 191,344 | |
| Lati France Sas | | | | | 702,369 | |
| Lati Schweiz SA | | | | | 221,696 | |

| Financial accounts | | | | | | |
|--------------------|-----------------------|-----------------|---------------------|------------------|-------------------|------------------|
| Company | Financial receivables | Financial debts | Guarantees received | Guarantees given | Financial charges | Financial income |
| Svi SpA | 2,442,828 | | | | | |
| Lati UK Ltd | | | | | | 113,026 |
| Lati France Sas | | | | | 3,769 | |
| Lati Iberica SI | | | | | | 100,000 |
| Lati Schweiz SA | | | | | | 38,693 |

Such relations, that have not include atypical or unusual transactions and are governed by normal market conditions save the non-interest bearing loans with the controlling undertaking. It must be noted that the receivables due from SVI S.p.A. are made up of € 1,960,598 group VAT, € 69,866 in receivables for foreign taxes reimbursable in future insofar as the exceeding current Italian law taxes and € 2,442,828 from non-interest bearing loans.

The debts to SVI S.p.A. relate to invoices to be received for the performance of services for € 128,698 and tax consolidation of € 566,218.

All other receivables and debts, as against the companies in the group, are of a commercial nature.

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 € 370,288 and charges for the consolidation tax of € 2,926,696;
- for foreign subsidiaries, mainly relating to the procurement of materials, commission and other services.

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

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

In 2018 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 2013-2017, was confirmed also for the financial year 2018 through a turnover of € 13,341,024 (as against 17.16 mln € of FY 2017) and net profits of € 301,473 (as against € 408,647 of the previous year). In 2018, the Branch continued its activities in accordance with those of the previous financial year, continuing, from the business point of view, to seek synergies in the areas of logistics and customer service. There has been in the financial year a slight increase in volumes of sales managed with shipping from Italy, that has given rise to the development of the flow of trade with commission due for agency from the branch, with a consequent contraction in the final turnover. These results are included in the financial statements of the parent company, Lati SPA.

For the year 2019 consolidation of the results of the last financial year are expected.

LATI Industria Termoplastici S.P.A. – France Branch (formerly Lati France Sas). In the financial year 2018, with the Group reorganisation plan for Europe, Lati France Sas was

converted into a “branch” by means of cross-border merger. The operation, completed operationally on 1/07/2018, was effective from that date in accounting and tax terms. Lati France Sas, in its capacity as agent, thus closed its balance on 30/06/18 with a turnover of € 702,369 and with a net profit of € 206,689. The financial year 2018 enjoyed sustained sales on its markets, with slight down-swing in the last part of the year. The profit and loss result of the FR Branch for the first 6 months of the financial year (regarding the second half-year of 2018) was positive, with a turnover of € 9,207,011 and net profits of € 156,121. The management of the FR branch included also the foreign warehouses in the French area of the Company, with consequent activation of business flows locally managed distribution. The results of the second half year of 2018 are included in the financial statement of the parent company, Lati SPA. For the year 2019 there is expected to be a steadying of sales as seen in the last part of the previous financial year.

Lati Sweden Filial (formerly Scandilati AB). The Swedish branch, incorporated in the month of July 2016 which became operational on 1/10/16 in relation to the transfer of local business managed by Scandilati Ab, in the course of the year 2018, realised a turnover of € 2,138,922 with a profit of 27,468 (as against € 2,092,081 turnover and a profit of € 92,062 made in 2017). These results are included in the financial statements of the parent company, Lati SPA.

Lati Industria Termoplastici Spa - organizačná zložka. The Slovakian branch was incorporated at the start of 2018 and began trading on 1st February. In the management of the SK branch are included the foreign warehouses already in Slovakia under the Company. In the 11 months of activity of financial year 2018, the SK Branch had a turnover of € 10,136,940 with a profit of € 216,716. The reference market for the Slovakian branch is in a state of continuous growth thanks to continuous transfer of production to these regions by the principal multinational customers, and also thanks to greater penetration by LATI in local companies. For this reason an increase in sales here is expected in 2019, despite the general slow-down. These results are included in the financial statements of the parent company, Lati SPA.

Lati Iberica s.l. The Spanish market is still unstable but demand was high in 2018 enabling a higher turnover to be achieved that was greater than the record figure of the previous year (€ 7.177.667 as against € 6,707,907 for 2017), 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 the previous financial years. The improved margins on products and the containing of operating costs have however permitted the company to close the financial year 2018 with a growth in profits at € 233,493 (as against € 214,693 for 2017). With reference to the plan for the reorganisation of the Group in Europe, the Spanish company shall be converted in 2019 into a "branch" by means of a cross border merger. On 18/02/19 the Boards of directors of the Company and of the Spanish subsidiary have approved the merger plan. The conversion into a branch should be operational (legally effective) on 1/07/2019, backdated in accounting and tax terms to 01/01/2019.

For 2019, consolidation is expected of the results obtained in the previous year.

Lati U.K. Ltd. In 2018, despite the tortuous progress of Brexit, the UK market returned figures broadly in line with those of the previous years. Economically our subsidiary therefore reported a slight fall in volumes, while the margins on units remained aligned in relation to increases in prices applied to materials, thus making a profit, even if slightly lower, with a turnover of € 2,250,097 and a profit of € 78,770 (as against the € 104,296 in 2017).

Lati U.S.A. Trading, inc. The company ended the financial year with net profits of Euro 56,257 (as against a loss of € 377,352 of FY 2017 deriving primarily for the accruing of previous "tax assets" that could not be used), benefiting in part from the tax credit recorded following combined previous losses. Such results were obtained thanks to the growth in turnover rising from € 355,535 to € 529,425. Operating costs have been kept substantially unchanged as compared with the previous financial year. In 2018 there continued the certification of LATI products with customers, above all in the electrical and domestic appliance sectors, with new supplies being started up.

For the year 2019 there is expected further growth in turnover, favoured by growth, in any case high, in certain strategic sectors, such as that of domestic appliances.

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 2018 commercial supplies to primary multinational customers were consolidated 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 2018 grew substantially with respect to 2017 (€ 11.3 million), settling at € 14,499,383 million with a positive profit and loss result of € 868,275 was decidedly higher than in the previous year (€ 376,675) deriving 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. For 2019 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 – winding up. The company was placed in liquidation in the month of September 2018, having ceased trading in July, with the prospect of closure by the first half year of 2019. The financial statements as of 31/12/18 therefore reflects the effects of six months of actual trading. The financial year closes with a turnover of € 226,419 and a profit of € 59,184. The Swiss customers, mainly in Canton Ticino will continue to be managed directly by the parent company.

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 31.12.2018, 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 progress of turnover recorded in the first few months of 2019 is currently slightly below budget forecasts and down on 2018, as indicated by the sales orders taken for the first two months. With the start of 2019 the raw materials would seem to be out of its inflationary phase that characterised by the two-year period 2017-18: prices are more stable, showing in the case of some commodities, more or less marked falls. The sole exception is the PA66 market, more balanced compared with 2018, but still with tensions due to an expected long pause for maintenance (confirmed for September 2019) that will concern the world's four biggest factories producing ADN (raw material required for the production of polyamides 66). This extraordinary stoppage, expected to be for 2 to 3 months, should improve the production yield to satisfy world market growth. The company must therefore take the necessary risk management precautions in relation to trends in world market demand.

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; 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.

As regards, on the other hand, the reorganisation plan for its organisation and its presence in Europe, the extraordinary general meeting of shareholders of 28/01/19 decided to set up a branch in Barcelona in Spain; while the Board of Directors, on 18 February 2019, approved the common cross-border merger for the incorporation of LATI Iberica SL, that should start a new Spanish branch, "Lati Industria Termoplastici S.P.A. - Succursal Espana" with effectiveness running from 1/07/2019.

The "TORBISSIMA" project, that provides for the gradual expansion of the Torba site (Gornate Olona), saw, in 2018, the construction of a new raw materials warehouse, with shelving and interconnected, with the introduction of bar codes and new software (Warehouse Management System), completely integrated into SAP. The new warehouse will be fully up and running from the month of March 2019. The plan will continue with the modernisation of the factory layout, as well as its digitalisation. In 2019 the Torbissima project will see major industrial investment, in particular with the activation of a new extrusion line, in optical 4.0 and the creation of a new preparation and mixing department.

Even though in the presence of a general economic situation characterised by extreme instability as regards demand, and considering what was said in the paragraph above, it is deemed that the economic and financial results can be consolidated, also as regards the levels of activity, currently in a phase of moderate contraction.

Use by the company of financial instruments and, if relevant to the 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 business in 2018 in the factories of Vedano Olona (location of its registered office and operations) and Gornate Olona; having also a

warehouse in Gorla Maggiore. The company also has an office (local business unit) in Sweden, in Gothenburg, concerning the branch "Lati Sweden Filial"; an office (local unit) in Wiesbaden in Germany, regarding the Branch "Lati Industria Termoplastici Spa - Zweigniederlassung Deutschland", an office (local unit) in Slovakia at Nové mesto nad Váhom, regarding the Branch "LATI Industria Termoplastici SpA - organizačná zložka" and an office in France, in Paris, regarding the Branch "LATI Industria Termoplastici SpA -France Branch". The extraordinary general meeting of shareholders of 28/01/19, in relation to the legal conversion plan for LATI Iberica SL in branch, through cross-border merger, resolved to establish a branch office in Spain, in Barcelona, for the branch being set up "LATI Industria Termoplastici S.P.A. - succursal Espana".

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 31/12/2018, we confirm that the draft 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 € 8,953,094 which we propose should be wholly allocated to the extraordinary reserve, the legal reserve having reached the legal limits.

We finally remind you that the mandate of the Auditing company has lapsed by expiry of its term and we therefore ask you to pass your resolution on this matter.

Vedano Olona, 11 March 2019.

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



ELENCO PARTECIPAZIONI 'SOCIETA' CONTROLLATE E COLLEGATE

| Denominazione impresa controllata Sede | Situazione al 31/12/2017 | | | | 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 IBERICA SL (CS - € 330.556,66) Muntaner 270 Atico A, Barcellona - Spagna | 55.000 | 100,00 | € 330.557 | 328.419 | | | | |
| LATI U.K. LTD (CS - LG 150.000) Yamouth 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 | 76.228,67 | | | 255.124 | | 56.257 |
| LATI FRANCE S.A.S (CS - € 182.500) 4 Rue des Freres Lumière - 78370 Plaisir - Francia | 2.500 | 100,00 | € 182.500 | 1.273.576 | | | | (1.273.576) | |
| 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 THERMOPLASTICS S.A. in liquidazione (CS - CHF 100.000) Via Campagnadonna 5/a - Genestertio - Svizzera | 90 | 90,00 | CHF 90.000 | 74.639 | | | | | |
| | | | | 2.144.939 | 0 | 0 | 255.124 | (1.273.576) | 56.257 |

ELENCO PARTECIPAZIONI SOCIETA' CONTROLLATE E COLLEGATE

| Sede | Denominazione impresa controllata | DATA COSTITUZIONE | | Situazione al 31/12/2018 | | quota parte di PN di competenza in €* BIL 31.12.18 | PN totale | Utile o (Perdita) Esercizio |
|------|--------------------------------------------------------------------------------------------------------------------------------------|-------------------|--|--------------------------|--------|----------------------------------------------------|---------------|-----------------------------|
| | | DATA costituzione | | N° Azioni o quote | % | | | |
| | LATI IBERICA SL (CS - € 330.556,66) Muntaner 2/0 Alico A, Barcellona - Spagna | 25/01/90 | | 55.000 | 100,00 | 1.171.804 | 1.171.804 € | 233.494 |
| | LATI U.K. LTD (CS - LG 150.000) Yamouth House, Tndent Business park, daten Avenue, Warrington - Gran Bretagna | 18/06/92 | | 150.000 | 100,00 | 1.087.756 | 1.087.756 GBP | 69.689 |
| | 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 | 455.200 | 455.200 US\$ | 66.440 |
| | LATI SHANGHAI CO. LTD (CS - CNY 1.878.100) Room 401D, No. 567 Tianyaoqiao Road, Shanghai - Cina | 15/01/10 | | 1 | 100,00 | 200.000 | 2.280.633 CNY | 6.779.582 |
| | LATI SCHWEIZ THERMOPLASTICS S.A. in liquidazione (CS - CHF 100.000) Via Campagnadorna 5/a - Genssterio - Svizzera | 14/11/11 | | 90 | 90,00 | 292.545 | 325.050 CHF | 68.357 |
| | | | | | | 1.182.744 | | |

* Importi convertiti in base ai cambi indicativi di riferimento forniti da Banca d'Italia al 31/12/2018

| | | |
|-----|------------|--------|
| USD | pan EUR 1/ | 1,1450 |
| CNY | pan EUR 1/ | 7,8751 |
| CHF | pan EUR 1/ | 1,1269 |
| GBP | pan EUR 1/ | 0,8945 |

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 2018

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

| | 31/12/2018 | 31/12/2017 |
|---------------------------------------------------------------------|------------|------------|
| Assets | | |
| A) Receivables from shareholders for contributions still due | | |
| B) Fixed assets | | |
| I - Intangible assets | | |
| 1) costs of plant and enlargement | 674,186 | 672,585 |
| 4) Grants, licenses, trademarks and similar rights | 205,032 | 330,889 |
| 6) Fixed assets under construction and advances | 14,062 | 120,067 |
| 7) Misc. | 8,771 | 18,538 |
| Total intangible fixed assets | 902,051 | 1,142,079 |
| II - Tangible fixed assets | | |
| 1) Land and buildings | 18,481,583 | 19,204,688 |
| 2) Plant and machinery | 5,031,720 | 4,370,945 |
| 3) Industrial and commercial equipment | 733,514 | 510,295 |
| 4) Misc. assets | 304,584 | 208,692 |
| 5) Fixed assets under construction and advances | 12,079,002 | 4,822,095 |
| Total fixed tangible assets | 36,630,403 | 29,116,715 |
| III - Long term loans and investments | | |
| 1) Shares held in | | |
| a) subsidiaries | 1,182,744 | 2,144,939 |
| c) parent companies | 1,994,226 | 1,994,226 |
| d-bis) other companies | 80,048 | 78,866 |
| Total shares held | 3,257,018 | 4,218,031 |
| 2) receivables | | |
| a) due from subsidiaries | | |
| b) due from allied companies | | |
| c) from parent companies | | |
| collectible beyond the subsequent period | 2,442,828 | 3,447,523 |

| | 31/12/2018 | 31/12/2017 |
|-------------------------------------------------------|-------------------|-------------------|
| Total receivables from parent companies | 2,442,828 | 3,447,523 |
| d) from companies controlled by the parent companies | | |
| d-bis) from others | | |
| collectible within the subsequent period | - | 8,000 |
| collectible beyond the subsequent period | 32,935 | 32,255 |
| Total sundry receivables | 32,935 | 40,255 |
| Total receivables | 2,475,763 | 3,487,778 |
| Total long term loans and investments | 5,732,781 | 7,705,809 |
| Total fixed assets (B) | 43,265,235 | 37,964,603 |
| C) Current assets | | |
| I - Inventories | | |
| 1) Raw materials, auxiliary materials and consumables | 15,072,139 | 12,869,279 |
| 2) Products in progress and semi-finished goods | 1,120,825 | 872,092 |
| 4) Finished products and goods | 18,461,040 | 15,035,252 |
| Total inventories | 34,654,004 | 28,776,623 |
| II - Receivables | | |
| 1) From customers | | |
| collectible within the subsequent period | 31,034,871 | 27,883,114 |
| Total receivables due from customers | 31,034,871 | 27,883,114 |
| 2) from subsidiaries | | |
| collectible within the subsequent period | 3,305,246 | 3,035,974 |
| Total receivables from subsidiaries | 3,305,246 | 3,035,974 |
| 3) from allied companies | | |
| 4) from parent companies | | |
| collectible within the subsequent period | 2,030,464 | 3,191,430 |
| Total receivables from parent companies | 2,030,464 | 3,191,430 |

| | 31/12/2018 | 31/12/2017 |
|--------------------------------------------------------|--------------------|--------------------|
| 5) from companies controlled by the parent companies | | |
| 5-bis) Tax credits | | |
| collectible within the subsequent period | 200,131 | 235,843 |
| Total tax credits | 200,131 | 235,843 |
| 5-ter) Prepaid taxes | 1,048,432 | 952,803 |
| 5-quater) From misc | | |
| collectible within the subsequent period | 139,807 | 280,712 |
| Total sundry receivables | 139,807 | 280,712 |
| Total receivables | 37,758,951 | 35,579,876 |
| III - Financial assets not amounting to capital assets | | |
| 6) miscellaneous securities | - | 250 |
| Total financial assets not amounting to capital assets | - | 250 |
| IV - Cash in hand | | |
| 1) bank and post office deposits | 5,059,885 | 7,735,983 |
| 3) money and cash effects | 103 | 2,615 |
| Total cash in hand | 5,059,988 | 7,738,598 |
| Total current assets (C) | 77,472,943 | 72,095,347 |
| D) Accruals and pre-payments | 228,374 | 303,545 |
| Total assets | 120,966,552 | 110,363,495 |

| | 31/12/2018 | 31/12/2017 |
|-----------------------------------------------------|-------------------|-------------------|
| Liabilities | | |
| A) Net equity | | |
| I) - Capital | 3,818,400 | 3,818,400 |
| III - Revaluation reserves | 5,027,935 | 5,027,935 |
| IV - Legal reserve | 1,624,000 | 1,624,000 |
| VI - Sundry reserves, specifically identified | | |
| Extraordinary reserve | 33,199,447 | 27,667,869 |
| Share reserve (stakes) of parent company | 1,994,226 | 1,994,226 |
| Merger surplus reserve | 918,327 | 711,638 |
| Unrealised income on exchange rates | - | 3,545 |
| Total misc. reserves | 36,112,000 | 30,377,278 |
| VII - Reserves for hedging financial flows | (92,710) | - |
| IX - Profit (loss) for the period | 8,953,094 | 6,712,033 |
| Total shareholder equity | 55,442,719 | 47,559,646 |
| B) Provisions for risks and charges | | |
| 1) retirement contributions and similar obligations | 3,500 | 3,500 |
| 2) for taxes including deferments | 4,207 | 20,000 |
| 3) derivatives (liabilities) | 92,710 | - |
| 4) miscellaneous | 1,588,500 | 1,670,694 |
| Total provisions for risks and charges | 1,688,917 | 1,694,194 |
| C) TFR severance pay fund for employees | 2,311,612 | 2,519,038 |
| D) Debts | | |
| 1) bonds | | |
| 2) convertible bonds | | |
| 3) debts for shareholder loans | | |
| 4) debts to banks | | |
| collectible within the subsequent period | 8,863,120 | 12,355,078 |

| | 31/12/2018 | 31/12/2017 |
|-----------------------------------------------------------|-------------------|-------------------|
| collectible beyond the subsequent period | 12,769,258 | 5,729,406 |
| Total debts to banks | 21,632,378 | 18,084,484 |
| 5) debts to other lenders : | | |
| collectible within the subsequent period | 304,343 | 303,207 |
| collectible beyond the subsequent period | 153,317 | 457,661 |
| Total debts to other financiers : | 457,660 | 760,868 |
| 6) advances | | |
| collectible within the subsequent period | 70,247 | 25,036 |
| Total advances | 70,247 | 25,036 |
| 7) debts to suppliers | | |
| collectible within the subsequent period | 35,085,816 | 35,260,992 |
| Total debts to suppliers | 35,085,816 | 35,260,992 |
| 8) debts represented by credit instruments | | |
| 9) debts to subsidiaries | | |
| collectible within the subsequent period | 60,050 | 1,041,189 |
| Total debts due to subsidiaries | 60,050 | 1,041,189 |
| 10) debts due to allied companies | | |
| 11) debts due to parent companies | | |
| collectible within the subsequent period | 694,916 | 195,659 |
| Total debts due to parent companies | 694,916 | 195,659 |
| 11-bis) Debts to companies controlled by parent companies | | |
| 12) Tax debts | | |
| collectible within the subsequent period | 1,140,792 | 987,228 |
| Total tax debts | 1,140,792 | 987,228 |
| 13) debts to pension and social security bodies | | |
| collectible within the subsequent period | 991,865 | 793,012 |
| Total debts to pension and social security bodies | 991,865 | 793,012 |

| | 31/12/2018 | 31/12/2017 |
|------------------------------------------|--------------------|--------------------|
| 14) Misc. debts | | |
| collectible within the subsequent period | 1,368,848 | 1,434,245 |
| Total sundry debts | 1,368,848 | 1,434,245 |
| Total debts | 61,502,572 | 58,582,713 |
| E) Accruals and deferrals | 20,732 | 7,904 |
| Total liabilities | 120,966,552 | 110,363,495 |

Profit and loss account

| | 31/12/2018 | 31/12/2017 |
|------------------------------------------------------------------------------------------|--------------------|--------------------|
| A) Production figures | | |
| 1) income from sales and services | 164,348,770 | 147,705,093 |
| 2) changes in inventories finished products and products in progress | 3,728,775 | 1,843,147 |
| 5) Sundry income and revenues | | |
| miscellaneous | 703,850 | 1,063,092 |
| Total sundry income and revenues | 703,850 | 1,063,092 |
| Total value of production | 168,781,395 | 150,611,332 |
| B) Production costs | | |
| 6) for raw materials, subsidiary materials, expendables and goods | 119,635,370 | 109,032,994 |
| 7) for services | 17,990,061 | 18,330,263 |
| 8) for third party property leasing charges | 546,857 | 456,053 |
| 9) for personnel | | |
| a) salaries and wages | 11,240,171 | 10,445,237 |
| b) social security charges | 3,553,688 | 3,274,130 |
| c) TFR employee severance payments | 778,342 | 730,493 |
| e) sundry costs | 613,629 | 215,571 |
| Total personnel costs | 16,185,830 | 14,665,431 |
| Depreciation and write-downs | | |
| a) depreciation of intangible assets | 514,396 | 478,107 |
| b) depreciation of tangible assets | 2,145,189 | 1,946,910 |
| d) depreciation of receivables in operating assets and cash in hand | 329,858 | 95,847 |
| Total depreciation and write-downs | 2,989,443 | 2,520,864 |
| 11) changes in inventories of raw materials, subsidiary materials, expendables and goods | (2,148,605) | (5,778,155) |
| 13) misc. reserves | - | 66,350 |

| | 31/12/2018 | 31/12/2017 |
|-------------------------------------------------------------------------|--------------------|--------------------|
| 14) Miscellaneous operating charges | 708,103 | 785,455 |
| Total production costs | 155,907,059 | 140,079,255 |
| Difference between production value and production costs (A - B) | 12,874,336 | 10,532,077 |
| C) Financial income and charges | | |
| 15) Income from shares held | | |
| from subsidiaries | 251,719 | 208,450 |
| miscellaneous | 56 | 48 |
| Total income from shares held | 251,775 | 208,498 |
| 16) miscellaneous financial income | | |
| a) from receivables recorded in capital assets | | |
| d) income other than from the above | | |
| miscellaneous | 2,427 | 4,012 |
| Total income other than that indicated above | 2,427 | 4,012 |
| Miscellaneous financial income | 2,427 | 4,012 |
| 17) interest and miscellaneous financial charges | | |
| to subsidiaries | 3,769 | 325,673 |
| miscellaneous | 764,904 | 629,192 |
| Total interest and misc. financial charges | 768,673 | 954,865 |
| 17-bis) profits and losses on exchange transactions | (66,176) | (72,661) |
| Total financial income and financial charges (15 + 16-17 + - 17-bis) | (580,647) | (815,016) |
| D) Value adjustments on financial transactions | | |
| 18) revaluations | | |
| a) of shares held | 56,390 | 136,678 |
| Total revaluations | 56,390 | 136,678 |
| 19) devaluations | | |

| | 31/12/2018 | 31/12/2017 |
|----------------------------------------------------------------------------------|-------------------|------------------|
| a) of shares held | - | 378,752 |
| Total devaluations | - | 378,752 |
| Total adjustments on financial transactions (18-19) | 56,390 | (242,074) |
| Before tax result (A- B+ - C+ -D) | 12,350,079 | 9,474,987 |
| 20) Tax on operating income, current, deferred and advanced | | |
| current taxes | 565,918 | 453,589 |
| taxes corresponding to previous financial years | 42,778 | - |
| deferred and prepaid taxes | (95,629) | 83,646 |
| income (charges) from adhering to the consolidated tax / tax transparency system | (2,883,918) | (2,225,719) |
| Total income tax on the period's current, deferred and advanced income | 3,396,985 | 2,762,954 |
| 21) Operating profits (loss) for the period | 8,953,094 | 6,712,033 |

Statement of cash flows (indirect method)

| | 31/12/2018 | 31/12/2017 |
|--------------------------------------------------------------------------------------------|-------------------|-------------------|
| A) Financial flows arising from operations (indirect method) | | |
| Operating profits (loss) for the period | 8,953,094 | 6,712,033 |
| Income tax | 3,396,985 | 2,762,954 |
| Interest due/(receivable) | 700,070 | 705,879 |
| (Dividends) | (251,775) | (208,498) |
| (Gains)/Capital losses arising by assignment activities | - | 317,635 |
| 1) Profit (loss) for the year before taxes | | |
| on income, interest, dividends and capital | 12,798,374 | 10,290,003 |
| gains/capital losses from alienations | | |
| <i>Adjustments for non-monetary elements that have not been off-set in working capital</i> | | |
| Provisions to funds | 871,052 | 796,843 |
| Depreciation on capital assets | 2,659,585 | 2,425,017 |
| Devaluations for lasting losses of value | - | - |
| Miscellaneous adjustments as increases (decreases) for non monetary elements | 386,248 | (337,921) |
| Total adjustments for non-monetary elements that have not been off-set in working capital | 3,916,885 | 2,883,939 |
| 2) Financial flow before changes to net current capital | 16,715,259 | 13,173,942 |
| <i>Changes in working capital</i> | | |
| Decrease (increase) in inventories | (5,877,381) | (8,943,032) |
| Decrease/(Increase) in receivables due from customers | (3,151,757) | (3,802,012) |
| Increase/(decrease) of debts to suppliers | (175,176) | 12,227,333 |
| Decrease/(increase) in accruals and pre-payments | 75,171 | (42,377) |
| Increase/(decrease) in accrued liabilities | 12,828 | (10,223) |
| Miscellaneous decreases/(increases) in working capital | 823,033 | (4,295,919) |
| Total variations in working capital | (8,293,282) | (4,866,230) |
| 3) Financial flow before changes to net working capital | 8,421,977 | 8,307,712 |

Miscellaneous adjustments

| | 31/12/2018 | 31/12/2017 |
|------------------------------------------------------------|--------------------|--------------------|
| Interest collected /(paid) | (700,070) | (705,879) |
| (Income tax paid) | (3,396,985) | (2,762,954) |
| Dividends collected | 251,775 | 208,498 |
| (Utilisation of funds) | (1,083,755) | (863,844) |
| Miscellaneous collections / (payments) | (386,248) | 23,786 |
| Total misc. adjustments | (5,315,283) | (4,100,393) |
| Financial flow of operating assets (A) | 3,106,694 | 4,207,319 |
| B) Financial flow arising from investment activity | | |
| Tangible fixed assets | | |
| (Investments) | (10,733,086) | (5,861,045) |
| Divestitures | 1,074,208 | 491,753 |
| Intangible fixed assets | | |
| (Investments) | (394,435) | (520,644) |
| Divestitures | 120,067 | 33,329 |
| Long term loans and investments | | |
| (Investments) | (256,174) | (137,653) |
| Divestitures | 2,229,201 | 2,690,732 |
| Misc. short term financial assets | | |
| (Investments) | - | (250) |
| Divestitures | 250 | - |
| Financial flow of investment activity (B) | (7,959,969) | (3,303,778) |
| C) Financial flows arising from investment activity | | |
| Third party finance | | |
| Increase/(Decrease) in short term debts to banks | (3,490,822) | 4,245,483 |
| Taking out of loans | 6,735,508 | 4,156,152 |
| (Repayment of loans) | - | (6,183,590) |
| Equity | | |
| Increase in payment capital | 113,979 | 711,638 |
| (Repayment of principal) | (1,184,000) | - |
| Assignment/(Buying) of own shares | - | - |
| (Dividends (and advances on dividends) paid) | - | (1,332,000) |
| Financial flow from loan activities. (C) | 2,174,665 | 1,597,683 |

| | 31/12/2018 | 31/12/2017 |
|--------------------------------------------------------|-------------------|-------------------|
| Increase (decrease) in cash in hand (A ± B ± C) | (2,678,610) | 2,501,224 |
| Cash in hand at start 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 start of the financial year | 7,738,598 | 5,237,374 |
| Cash in hand at end of the financial year | | |
| Bank and post office deposits | 5,059,885 | 7,735,983 |
| Money and in hand securities | 103 | 2,615 |
| Total cash in hand at end of the financial year | 5,059,988 | 7,738,598 |

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 2018

Notes to the accounts - first part

The annual balance of 31/2018/2000, 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 written accounting records as duly kept.

Drafting standards

The financial statements ending 31 December 2018, was drawn up in compliance with articles 2423 et seq. of the Civil Code.

Exceptional cases under article 2423, paragraph 5, of the Civil Code

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

Changes to accounting standards

The evaluation methods were not different from those used for the drafting of the Financial statement of the previous financial year.

Corrections of any important errors

There have been no corrections of any important errors.

Problems of comparability and adaptation

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 of the civil code.

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

Evaluation methods applies

The evaluation methods applied in the drawing up this financial statements all comply with article 2426 of the civil code. The details of the standards adopted are reported in the individual chapters.

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.

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.

Other information

The Company continued in 2018 with the reorganisation plan regarding its own 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 relation to this, in the year 2018, a new Slovakian branch was established

called "Lati Industria Termoplastici S.P.A. - organizačná zložka", operational from 1/02/2018 and the cross-border merger was carried out as takeover of the French subsidiary LATI FRANCE SAS, which was legally effective from 1 July 2018 and from which the branch came into being called "Lati Industria Termoplastici S.P.A. - Branch France". The accounting and fiscal effects of the merger are after from 1 July 2018 and therefore this financial statements, which includes the economic and financial results of Lati Sweden Filial, of "Lati Industria Termoplastici S.P.A. - Zweigniederlassung Deutschland", of "Lati Industria Termoplastici Spa - organizačná zložka" (11 months trading) containing also those of "Lati Industria Termoplastici Spa - Branch France" (6 months trading).

Balance sheet - Assets

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 costs incurred, in the last few financial years of € 901,810 for the purchase of the customer portfolio Lati France Sas, for € 188,113 for the creation of the branch "Lati Sweden Filial", for € 348,238 for the creation of the German branch, as well as the costs incurred in the current financial year for € 220,455 for the creation of the French branch and € 141,086 for the Slovakian 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 € 18.832.

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 under construction include the preliminary costs incurred for the study corresponding to the future Spanish branch to be carried out in 2019. The depreciation was written systematically and 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.

| | 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 | 1,438,161 | 196,039 | 2,536,349 | 120,067 | 285,953 | 4,576,569 |
| Depreciation (Depreciation Reserve) | 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 |
| CHANGES IN THE FINANCIAL YEAR | | | | | | |
| Increases from acquisitions | 361,541 | | 18,832 | 14,062 | | 394,435 |
| Reclassifications (of the balance value) | | | | (120,067) | | (120,067) |
| Depreciation of the financial year | 359,940 | | 144,689 | | 9,767 | 514,396 |
| Other changes | | | | | | |
| Total variations | 1,601 | | (125,857) | (106,005) | (9,767) | (240,028) |
| VALUE AT FINANCIAL YEAR END | | | | | | |
| Cost | 1,799,701 | 196,039 | 2,555,180 | 14,062 | 285,953 | 4,850,935 |
| Depreciation (Depreciation Reserve) | 1,125,515 | 196,039 | 2,350,148 | | 277,182 | 3,948,884 |
| Balance value | 674,186 | | 205,032 | 14,062 | 8,771 | 902,051 |

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 for the creation of the branches in Sweden and in Germany, as well as the costs incurred in the financial year for the merger with the subsidiary Lati France and the creation of the corresponding branch and for the establishment of the branch in Slovakia. The increase of the costs of plant and expansion of the financial year (of € 361,540) will show 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 French and Slovakian branches 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.

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

As highlighted in the Budget and in the Business Plan it is maintained that the balance value of intangible assets does not exceed that which can be economically recouped, definable as the greater as between presumed realisation value 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 and 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, is adjusted in application of monetary alignment law no. 413/91. The aforesaid building has also be the subject of attribution to 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% |
| - 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 fixed tangible assets |
|--------------------------------------|--------------------|---------------------|-------------------------------------|-------------------------------------|-------------------------------------------------------|-----------------------------|
| VALUE AT FINANCIAL YEAR START | | | | | | |
| 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 |
| Depreciations (Depreciation Reserve) | 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 |
| CHANGES IN THE FINANCIAL YEAR | | | | | | |

| | | | | | | |
|----------------------------------------------------------------------|------------|------------|-----------|-----------|-------------|-------------|
| Increases from acquisitions | 75,990 | 1,471,183 | 666,315 | 188,483 | 8,331,115 | 10,733,086 |
| Reclassifications (of the balance value) | | | | | (1,074,208) | (1,074,208) |
| Decreases from alienations and divestitures (of balance sheet value) | | 248,147 | 14,977 | | | 263,124 |
| Depreciation of the financial year | 799,096 | 810,407 | 443,096 | 92,590 | | 2,145,189 |
| Other changes | 1 | 248,146 | 14,977 | (1) | | 263,123 |
| Total variations | (723,105) | 660,775 | 223,219 | 95,892 | 7,256,907 | 7,513,688 |
| VALUE AT FINANCIAL YEAR END | | | | | | |
| Cost | 18,394,020 | 49,407,401 | 8,285,970 | 3,124,844 | 12,079,002 | 91,291,237 |
| Revaluations | 16,462,268 | 1,510,714 | | | | 17,972,982 |
| Depreciation (Depreciation fund) | 16,374,705 | 45,886,395 | 7,552,456 | 2,820,260 | | 72,633,816 |
| Balance value | 18,481,583 | 5,031,720 | 733,514 | 304,584 | 12,079,002 | 36,630,403 |

The main increases in tangible assets for the year were the purchase of a horizontal mixer for € 549.680, a head cut machine for € 348,255 and a new Schwing over for € 147,130.

Upgrades have also been made to some plant and machinery to meet current needs and various assets have been purchased as strictly necessary for the carrying out of the company business.

Among the fixed assets under construction there have been recorded 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 valued or 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 USA Trading Inc. has been revalued, in relation to the greater value of net shareholder equity at the end of the financial year.

Also during the year capital was given to the subsidiary LATI USA to the amount of € 255,124.

The stake in Lati France Sas was cancelled following the merger by take-over that took place in the financial year.

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 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 | 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 |
| CHANGES IN THE FINANCIAL YEAR | | | | |
| Increases from acquisitions | 255,124 | | 1,050 | 256,174 |
| Reclassifications | (2,233,284) | | | (2,233,284) |
| Revaluations | (81,396) | | 133 | (81,263) |
| Devaluations | (1,097,361) | | | (1,097,361) |
| Other changes | | | (1) | (1) |
| Total variations | (962,195) | | 1,182 | (961,013) |
| VALUE AT FINANCIAL YEAR END | | | | |
| Cost | 22,925,935 | 1,994,226 | 216,032 | 25,136,193 |
| Revaluations | 1,335,006 | | 5,904 | 1,340,910 |
| Devaluations | 23,078,197 | | 141,888 | 23,220,085 |
| Balance value | 1,182,744 | 1,994,226 | 80,048 | 3,257,018 |

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 | 3,447,523 | (1,004,695) | 2,442,828 | | 2,442,828 |
| Receivables from other companies | 40,255 | (7,320) | 32,935 | | 32,935 |
| Total long term receivables | 3,487,778 | (1,012,015) | 2,475,763 | | 2,475,763 |

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

The sundry credits, reported among long-term investments, include caution monies of 32,935 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.

| Company name | Town or foreign country | Capital in Euros | Profit (Loss) in last financial year in Euros | Net Equity in Euros | Share held in Euros | Share held in % | Balance sheet value or corresponding receivable |
|---------------------------------------------|------------------------------------|------------------|-----------------------------------------------|---------------------|---------------------|-----------------|-------------------------------------------------|
| LATI IBERICA SL | SPAIN | 330,557 | 233,494 | 1,171,804 | 1,171,804 | 100% | 328,419 |
| LATI U.K. LTD | GREAT BRITAIN AND NORTHERN IRELAND | 167,686 | 77,906 | 1,087,756 | 1,087,756 | 100% | 192,076 |
| LATI USA TRADING INC | UNITED STATES OF AMERICA | 742,358 | 58,026 | 455,200 | 455,200 | 100% | 387,610 |
| LATI SHANGAI CO LTD | PEOPLE'S REPUBLIC OF CHINA | 238,486 | 860,888 | 2,280,633 | 2,280,633 | 100% | 200,000 |
| Lati Schweiz Thermoplastics SA – winding up | SWITZERLAND | 79,865 | 60,659 | 325,050 | 292,545 | 90% | 74,639 |
| TOTAL | | | | | | | 1,182,744 |

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 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 2018, 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.

| Geographic area | Long term receivables from controlling undertakings | Long term accounts receivable from sundry | Total long term receivables |
|-----------------|-----------------------------------------------------|-------------------------------------------|-----------------------------|
| Italy | 2,442,828 | 24,823 | 2,467,651 |
| European Union | | 6,480 | 6,480 |
| Other Countries | | 1,632 | 1,632 |
| Total | 2,442,828 | 32,935 | 2,475,763 |

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 winding up 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 France Sas, which was wholly owned, was cancelled following the takeover.

This operation produced an excess on merger of € 206,689, attributed to net shareholder equity reserve.

It is further emphasised that during 2018 the subsidiary Lati Schweiz Thermoplastics SA was placed in liquidation whose procedure should completed within the early months of 2019.

The holding in the company Lati USA Trading Inc. is reported in the financial statements on the basis of article 2426 no. 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 2018.

The performance of the aforesaid companies has been as follows:

Lati U.S.A. Trading, inc. The company ended the financial year with net profits of Euro 56,257 (as against a loss of € 377,352 in FY 2017 deriving primarily from the accruing of previous "tax assets" that could not be used), benefiting in part from the tax credit recorded following combined previous losses. Such results were obtained thanks to the growth in turnover rising from € 355,535 to € 529,425. Operating costs have been kept substantially unchanged as compared with the previous financial year. In 2018 there continued the certification of LATI products with customers, above all in the electrical and domestic appliance sectors, with new supplies being started up.

For the year 2019 there is expected further growth in turnover, favoured by growth, in any case high, in certain strategic sectors, such as that of domestic appliances.

We thought we should show here below the details of the item B111 1d) "shareholdings held in other companies", amounting to € 80,048:

| | |
|---------------------------------------|----------|
| Cesap S.r.l. | € 7,518 |
| Atlantide S.A. | € 16,767 |
| 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 amount to Euros 1,182, relating to the revaluation of the stake in Atlantide Sa of Euros 133 and the increase in the stake in Cesap of Euros 1,049.

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 € 477,008, while inventories of obsolete and difficult to use raw materials are written down € 463,170.

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.

| | Value at financial year start | Changes in the financial year | Value at financial year end |
|----------------------------------------------------|-------------------------------|-------------------------------|-----------------------------|
| Raw materials, auxiliary materials and consumables | 12,869,279 | 2,202,860 | 15,072,139 |
| Products in progress and semi-finished goods | 872,092 | 248,733 | 1,120,825 |
| Finished products and goods | 15,035,252 | 3,425,788 | 18,461,040 |
| TOTAL INVENTORIES | 28,776,623 | 5,877,381 | 34,654,004 |

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.

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 from the difference between face value and on 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 adjust 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 | 27,883,114 | 3,151,757 | 31,034,871 | 31,034,871 |
| Receivables due from subsidiaries recorded in current assets | 3,035,974 | 269,272 | 3,305,246 | 3,305,246 |
| Receivables due from controlling undertakings recorded in Current Assets | 3,191,430 | (1,160,966) | 2,030,464 | 2,030,464 |
| Tax credits recorded in current assets | 235,843 | (35,712) | 200,131 | 200,131 |
| Assets for prepaid taxes registered in current assets | 952,803 | 95,629 | 1,048,432 | |
| Sundry receivables recorded in current assets | 280,712 | (140,905) | 139,807 | 139,807 |
| Total receivables recorded in current assets | 35,579,876 | 2,179,075 | 37,758,951 | 36,710,519 |

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 | 16,704,407 | 10,300,907 | 1,144,360 | 2,885,197 | 31,034,871 |
| Receivables due from subsidiaries recorded in current assets | | 1,975,827 | | 1,329,419 | 3,305,246 |
| Receivables due from controlling undertakings recorded in Current Assets | 2,030,464 | | | | 2,030,464 |
| Tax credits Receivables accounted for in current assets | | 191,186 | | 8,945 | 200,131 |
| Assets for prepaid taxes registered in current assets | 1,048,432 | | | | 1,048,432 |
| Sundry receivables recorded in current assets | 122,494 | 17,313 | | | 139,807 |
| Total receivables recorded in current assets | 19,905,797 | 12,485,233 | 1,144,360 | 4,223,561 | 37,758,951 |

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

| | |
|-----------------------------------------------------|------------------|
| Receivables due from employees | € 11,629 |
| Receivables for employee holidays taken in advance | € 66,162 |
| Receivables due from suppliers | € 1,674 |
| Receivables from suppliers, credit notes to receive | € 28,633 |
| Receivables from suppliers for advances | € 1,638 |
| Miscellaneous receivables | € 30,071 |
| TOTAL MISCELLANEOUS RECEIVABLES | € 139,807 |

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 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 | 7,735,983 | (2,676,098) | 5,059,885 |
| Money and other cash securities. | 2,615 | (2,512) | 103 |
| Total cash in hand | 7,738,598 | (2,678,610) | 5,059,988 |

Accruals and pre-payments

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 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 | 303,545 | (75,171) | 228,374 |
| Total accruals and pre-payments | 303,545 | (75,171) | 228,374 |

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 | € 39,262 |
| subscriptions | € 13,137 |
| insurances | € 4,509 |
| assistance and maintenance fees | € 116,579 |
| leasing charges | € 10,576 |
| license fees | € 21,845 |
| hiring and rents | € 9,249 |
| costs for trade exhibitions | € 7,602 |
| miscellaneous prepayments | € 5,615 |
| TOTAL | € 228,374 |

Liabilities and net equity

Net equity

Changes in equity items

The origin, the possibility of use and of allocation, 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.

| | 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 | Reductions | | |
| Capital | 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 reserve | 27,667,869 | | | 6,715,578 | 1,184,000 | | | 33,199,447 |
| Share reserve or shares in parent company | 1,994,226 | | | | | | | 1,994,226 |
| Merger surplus reserves | 711,638 | | | 206,689 | | | | 918,327 |
| Unrealised income on exchange rates | 3,545 | | | | 3,545 | | | 0 |
| Total misc. reserves | 30,377,278 | | | 6,922,267 | 1,187,545 | | | 36,112,000 |
| Hedging reserve hedging for expected financial flows | | | | | 92,710 | | | (92,710) |
| Operating profits (loss) for the period | 6,712,033 | | 6,712,033 | | | | 8,953,094 | 8,953,094 |
| Total shareholder equity | 47,559,646 | | 6,712,033 | 6,922,267 | 1,280,255 | | 8,953,094 | 55,442,719 |

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 surplus for merger reserve of € 918,327, was recorded at € 711,638 in 2017 following the merger by takeover of Lati Deutschland and of € 206,689 in 2018 following the merger by takeover of Lati France.

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, of allocation 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 |
| Capital | 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 | 33,199,447 | U | A, B, C, | 32,525,261 | | 3,478,000 |
| Share reserve or shares in parent company | 1,994,226 | U | | | | |
| Merger surplus reserve | 918,327 | C | A,B | 918,327 | | |
| Total misc. reserves | 36,112,000 | | | 33,443,588 | | 3,478,000 |
| Hedging reserve for expected financial flows | (92,710) | | | (92,710) | | |
| Total | 46,489,625 | | | 38,378,813 | | 3,478,000 |
| Remaining portion available for distribution | | | | 38,378,813 | | |

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

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

Changes to the hedging reserve for expected financial flows

The financial statement reports the negative reserve hedging expected financial flows relating

to derivatives with regard to which see below in these Notes to the accounts.

| | Hedging reserve for expected flows |
|----------------------------------|------------------------------------|
| Changes in the financial year | |
| Decrease from fair value changes | 92,710 |
| Value at financial year end | (92,710) |

The revaluation reserve recorded in the net shareholder equity corresponding on the L. 2/2009. Showing the revaluation reserve under law L. 266/2005 recorded originally at € 8,800,000, was used, 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 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.

The extraordinary reserve is free but not available for distribution for € 674,186, as provided for in article 2426.

Point 5 of the civil code. insofar as in the financial statements there are entered the costs of plant and extensions of amounts not yet written down. We remind you that, with the general meeting of shareholders of 26 November 2018, a resolution was passed for allocation of the extraordinary reserve of € 1,184,000.

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.

Also registered is a derivatives (liabilities) reserve fund of € 92,710, determined on the basis of the difference between the face value and the current market value of the interest rate Swap contract (IRS liability) stipulated with the bank Credit Agricole to hedge risks of interest rate fluctuations on loans requested for the construction of Torbissima.

| | Fund for retirement provision and similar obligations | Fund for taxes including deferments | Derivatives (liabilities) | Other funds | Total provisions for risks and charges |
|----------------------------------|-------------------------------------------------------|-------------------------------------|---------------------------|-------------|----------------------------------------|
| Value at financial year start | 3,500 | 20,000 | | 1,670,694 | 1,694,194 |
| Changes in the financial year | | | | | |
| Provisions of the financial year | | | 92,710 | | 92,710 |
| Utilisation in the period | | 15,793 | | 82,194 | 97,987 |
| Total variations | | (15,793) | 92,710 | (82,194) | (5,277) |
| Value at financial year end | 3,500 | 4,207 | 92,710 | 1,588,500 | 1,688,917 |

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 have not changed during the financial year.

In the risks provision for tax disputes entered in item B2) a further amount was allocated of 20,000 Euros in the expectation of possible registration duties on land purchased in Torba over the last few financial years,

this has been decreased for the reduction in the burden.

The future charges funds entered at item B3) of liabilities, for € 1,588,500 is made up of:

- a prudent allocation against possible costs linked to "non compliance" of products of € 60,000, where the aforesaid fund has been reduced to € 58,350 in 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;
- 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 for risks of documentary storage relating to the German branch for € 3.500, arising from the merger of the German subsidiary which took place in 2017.

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 | 2,519,038 |
| Changes in the financial year: | |
| Provisions of the financial year | 778,342 |
| Utilisation in the period | 985,768 |
| Total variations | (207,426) |
| Value at financial year end | 2,311,612 |

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 three medium/long term loans from 2016 onwards, which were accounted for at the 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.

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 | 18,084,484 | 3,547,894 | 21,632,378 | 8,863,120 | 12,769,258 | 1,590,244 |
| Debts to other lenders | 760,868 | (303,208) | 457,660 | 304,343 | 153,317 | |
| Advances | 25,036 | 45,211 | 70,247 | 70,247 | | |
| Debts to suppliers | 35,260,992 | (175,176) | 35,085,816 | 35,085,816 | | |
| Debts to subsidiaries | 1,041,189 | (981,139) | 60,050 | 60,050 | | |
| Debts to controlling undertakings | 195,659 | 499,257 | 694,916 | 694,916 | | |
| Tax debts | 987,228 | 153,564 | 1,140,792 | 1,140,792 | | |
| Debts to pension and social security bodies | 793,012 | 198,853 | 991,865 | 991,865 | | |
| Sundry debts | 1,434,245 | (65,397) | 1,368,848 | 1,368,848 | | |
| Total debts | 58,582,713 | 2,919,859 | 61,502,572 | 48,579,997 | 12,922,575 | 1,590,244 |

There are debts to banks, relating to loans for the construction of the new site of Torba, with term over five years. The detail are as follows:

| | Within 12 months | From 1 year to 5 | Over 5 years | Total |
|-------------------------------|------------------|------------------|------------------|------------------|
| UNICREDIT-TORBISSIMA | - | 1,039,971 | 462,615 | 1,502,586 |
| BANCA POP. SONDRIO-TORBISSIMA | - | 1,481,015 | 514,122 | 1,995,137 |
| BANCA POP. SONDRIO-TORBISSIMA | - | 882,177 | 613,507 | 1,495,684 |
| Total | - | 3,403,163 | 1,590,244 | 4,993,407 |

Breakdown of debts by geographic area

For the clarity of illustration there is also a breakdown by geographic area of total debts (point D in the balance) as of 31 December 2018.

| Geographic area | Italy | European Union | Europe Outside the EU | Rest of World | Total |
|---------------------------------------------|------------|----------------|-----------------------|---------------|------------|
| Debts to banks | 21,632,378 | | | | 21,632,378 |
| Debts to other lenders | 457,660 | | | | 457,660 |
| Advances | 8,720 | 15,285 | | 46,242 | 70,247 |
| Debts to suppliers | 20,781,852 | 12,271,226 | 991,576 | 1,041,162 | 35,085,816 |
| Debts to subsidiaries | | | | 60,050 | 60,050 |
| Due to controlling undertakings | 694,916 | | | | 694,916 |
| Tax debts | 541,652 | 586,498 | | 12,642 | 1,140,792 |
| Debts to pension and social security bodies | 895,543 | 96,322 | | | 991,865 |
| Sundry debts | 1,178,494 | 190,354 | | | 1,368,848 |
| Total debts | 46,191,215 | 13,159,685 | 991,576 | 1,160,096 | 61,502,572 |

Debts with collateral security on company assets

The debts idem D 4) shows:

- a debt for the loan granted by the bank Banca Popolare di Sondrio of the outstanding amount of € 1,122,292, with collateral mortgage of first registration on the Torba 3 of Gorla Maggiore (formerly VMP), collectible within five years.

| | 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 | 1,122,292 | | | 1,122,292 | 20,510,086 | 21,632,378 |
| Debts to other lenders | | | | | 457,660 | 457,660 |
| Advances | | | | | 70,247 | 70,247 |
| Debts to suppliers | | | | | 35,085,816 | 35,085,816 |
| Debts to subsidiaries | | | | | 60,050 | 60,050 |
| Debts to controlling undertakings | | | | | 694,916 | 694,916 |
| Tax debts | | | | | 1,140,792 | 1,140,792 |
| Debts to pension and social security bodies | | | | | 991,865 | 991,865 |
| Sundry debts | | | | | 1,368,848 | 1,368,848 |
| Total debts | 1,122,292 | | | 1,122,292 | 60,380,280 | 61,502,572 |

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 and bonuses | 773,670 |
| - Debts to personnel, accrued commission | 249,641 |
| - Debts to customers for credit notes to issue | 135,618 |
| - Debts to Unioni Industriali | 11,271 |
| Insurance debts for premiums accrued | 31,916 |
| - Debts for deductions Gomma Plastica fund | 59,925 |
| - Debts to customers | 18,986 |
| - Sundry debts | 87,821 |
| TOTAL SUNDRY DEBTS | 1,368,848 |

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 | 7,904 | 12,828 | 20,732 |
| Total | 7,904 | 12,828 | 20,732 |

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

ACCRUED LIABILITIES

| Description | Amount |
|--------------------------------------|--------|
| Accrued liabilities on bank interest | 20,732 |
| TOTAL ACCRUED LIABILITIES | 20,732 |

Notes to the accounts Income Statement

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 activity category

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

| Activity category | Value in current financial year |
|--------------------------------|---------------------------------|
| INCOME FROM SALES AND SERVICES | 164,348,770 |
| Total | 164,348,770 |

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 | 51,676,268 |
| ABROAD | 112,672,502 |
| Total | 164,348,770 |

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 € 251,775, of which € 251,719 from subsidiaries:

| | |
|---------------------------------------------------|-----------|
| - dividends from shareholdings in Lati UK Ltd. | € 113,026 |
| - dividends from shareholdings in Lati Iberica SI | € 100,000 |
| - dividends from shareholdings in Lati Schweiz | € 36,693 |
| - dividends from shareholdings in other companies | € 56 |

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 of the sundry financial income

| Description | Amount |
|-----------------------------------------|--------|
| interest receivable on current account | 1,341 |
| interest receivable from sundry debtors | 1,075 |
| income from assignments of notes | 11 |
| Total | 2,427 |

Breakdown of interest and sundry financial charges

| Description | Amount |
|--------------------------------------------|---------|
| interest due on medium-long term loans | 201,377 |
| interest due on credit in advances account | 3,297 |
| financial discounts to customers | 559,232 |
| miscellaneous interest due | 998 |
| interest due on loans from subsidiaries | 3,769 |
| Total | 768,673 |

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 | 91,069 |
| - unrealised income on exchange rates | - |
| - write-off of unrealised exchange rates income on previous year | - |
| - realised losses on exchange rates | (157,245) |
| - unrealised losses on exchange rates | - |
| Total profits and losses on exchange rates C17-bis) | (66,176) |

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 USA Trading Inc. | 56,257 |
| Atlantide | 133 |

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

In 2018 revenues of exceptional extent or importance were of 376,781 Euros and made up mainly of contingent gains.

Among these, of particular importance is tax credit for Research and development under law L. 190/2014 of 170,018 Euros, paid and used in the year 2018.

| Revenue item | Amount | Nature |
|------------------|---------|---------------------------|
| Contingent gains | 376,781 | Misc. income and revenues |

In 2018 the burdens of exceptional extent or importance were of 81,652 Euros and made up mainly of contingent liabilities.

| Cost item | Amount | Nature |
|------------------------|--------|---------------------------------|
| Contingent liabilities | 81,652 | Miscellaneous operating charges |

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.

| Description of temporary differences | Prepaid taxes 2017 | | Prepaid taxes 2017 | | Increases 2018 | | Prepaid taxes 2018 | |
|--------------------------------------|--------------------|----------------------------|--------------------|----------------------------|----------------|----------------------------|--------------------|----------------------------|
| | 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 | 118,350 | 4,616 28,404 | 58,350 | 2,276 14,004 | | | 60,000 | 2,340 14,400 |

| | | | | | | | | | |
|-------------------------------------------------------------|------------------|-------------------|----------------|------------------|----------------|-------------------|------------------|-------------------|--------------|
| Provision to "customers indemnities" fund | | | | | | | | - | - |
| Provision for contractual risks reserve | 23,844 | 930 5,722 | 23,844 | 930 5,722 | | | | - | - |
| Future disputes burdens | 5,000 | 195 1,200 | | | | | | 5,000 | 195 1,200 |
| Future employment contract burdens | 25,000 | - 6,000 | | | | | | 25,000 | - 6,000 |
| Provision to depreciations fund Stock | 670,151 | 26,136 160,836 | 355,483 | 13,864 85,316 | 625,510 | 24,395 150,122 | 940,178 | 36,667 225,642 | |
| Provision to depreciations fund Receivables not deducted | 274,281 | - 65,827 | 24,304 | - 5,834 | 204,405 | - 49,057 | 454,382 | - 109,050 | |
| 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 | |
| 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 | |
| TOTAL | 3,459,935 | 952,803 | 461,981 | 127,945 | 829,915 | 223,574 | 3,827,869 | 1,048,432 | |

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: | € 608,696 |
| - IRAP | € 565,918 |
| -income tax previous financial years | € 42,778 |
| Prepaid taxes 2018: | € (95,629) |
| - prepaid taxes for the year | € 223,574 |
| Take up of prepaid taxes | € 127,945 |
| <i>Income (charges) from adhering to the consolidated tax regime</i> | € 2,883,918 |
| - income tax - consolidation tax burden | € 2,883,918 |
| Total taxes on income for the financial year | € 3,396,985 |

Notes to the accounts Miscellaneous Information

LOANS TO THE COMPANY 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, 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 | | | | Net accounting value 31/12/2018 |
|-----------------|-----------------------------------------------------|------------------------------------------------------|--------------------------------|------------------------------|------------------------------|-----------------------------------------------------------------------------|---------------------------------|
| | | | Historical cost | Write-down in financial year | Depreciation fund 31/12/2018 | - Adjustments of the financial year + Resumption value of financial year | |
| Machinery BII2) | 30,785 | 730 | 73,500 | 9,188 | 27,564 | | 45,936 |
| Machinery BII2) | 31,279 | 912 | 90,000 | 11,250 | 33,750 | | 56,250 |
| Vehicles BII4) | 1,560 | 534 | 21,003 | 4,200 | 14,700 | | 6,303 |

Summary of Research and development

As stated in the Management report, the Company in the course of the year 2018 carried out Research and Development work in the factories Vedano Olona and 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 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 studying new technical and technological solutions for production processes, particularly for extrusion, granulation and for the post extrusion stage.

For the development of these projects the company costs incurred in R&D in 2018 amounted to € 1,523,239.

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, the records of which are useful or compulsory for tax purposes.

a) Here below the tax information connected with the reserves as of 31/12/2018:

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 | € 33,199,447 |
| - Controlling undertaking share reserve | € 1,994,226 |
| Total | € 36,817,673 |

b) In 2018 a provision was set aside as adjusted risk fund on trade debts due, for the amount of € 329,858. The resulting fund was calculated as follows:

| | |
|------------------------------------------------|---------------|
| Receivables due from customers | € 31,816,366 |
| Receivables due from insured customers | € (9,999,713) |
| Trading receivables from subsidiaries | € 3,273,970 |
| Trading receivables from allied companies | € 0 |
| Total | € 25,090,623 |
| Calculation of 0.50% | € 125,453 |
| Provision to deductible doubtful debts FY 2018 | € 125,453 |
| Non-deductible doubtful debts FY 2018 | € 204,405 |
| Deducted previous tax regime | € 240,403 |
| Taxed previous tax regime fund | € 548,459 |
| Use of fiscally taxed fund | € 24,304 |
| Use of fiscally taxed fund | € 240,403 |
| Tax deducted fund at 31/12/2018 | € 125,453 |
| Taxed fund at 31/12/2018 | € 728,560 |
| Total tax capacity (5% of € 25,090,623) | € 1,254,531 |

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 | 5,557,761 | 499,088 | 30,054,885 | 36,111,734 |
| 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 |
| Before tax value at 31/12/2018 | 34,084,963 | 771,325 | 32,423,658 | 67,279,946 |
| Depreciation Reserve | 15,697,324 | 677,381 | 29,671,498 | 46,046,203 |
| Net accounting value | 18,387,639 | 93,944 | 2,752,160 | 21,233,743 |

Employment details

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

| Category | Average number |
|-------------------|----------------|
| Senior managers | 9 |
| Middle management | 28 |
| Office staff | 93 |
| Workers | 140 |
| Total Employees | 270 |

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 | 648,000 | 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 |
| Services other than the accounting audit | 1,830 |
| Total fees due to the independent auditor or auditing company | 16,830 |

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.

| 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 63,624 Euros.

The detail are as follows:

| Leasing company | Contract n. | Expiry date | Amount € |
|------------------------------------|--------------|-------------|-----------------|
| Alba Leasing spa | 1071994/1 | 3/8/2021 | € 30,785 |
| Banque PSA Finance | 7403891702 | 31/7/2018 | - |
| Banque PSA Finance | 7404142732 | 21/4/2019 | € 1,560 |
| Credit Agricole Leasing Italia spa | 01523259/001 | 12/5/2021 | € 31,279 |
| TOTAL | | | € 63,624 |

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 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.

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 five 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 and Credit Agricole Cariparma:

| Product | Nominal amount at 31/12/2018 | Expiry of the contract | Mark to market |
|-----------------------------------|------------------------------|------------------------|----------------|
| BPM - maximum amortizing cap rate | € 1,897,650 | 31/12/2021 | € 514.25 |
| BPM - maximum amortizing cap rate | € 250,000 | 15/06/2019 | - |
| BPM - maximum amortizing cap rate | € 562,500 | 15/06/2020 | € 22.83 |
| Credit Agricole-Purchase cap | € 1,500,000 | 29/06/2020 | € 58.75 |
| Credit Agricole-IRS Liability | € 6,000,000 | 21/12/2023 | € (92,709.92) |

The negative value difference determines on a market basis has been recorded in net shareholder equity reserve as already shown.

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 no. 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, no. 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 no. 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 no. 61.

Summary of profit and loss account of company exercising management and co-ordination

| Statement of assets and liabilities | Last financial year | Previous year |
|-------------------------------------------|---------------------|---------------|
| Date of last approved financial statement | 31/12/2017 | 31/12/2016 |
| B) Fixed assets | 8,540,209 | 8,538,063 |
| C) Current assets | 3,081,436 | 1,638,693 |
| D Accruals and pre-paid expenses | 5,470 | 5,567 |
| Total assets | 11,627,115 | 10,182,323 |
| A) Net equity | | |
| - Company share capital | 1,680,000 | 1,680,000 |
| - Reserves | 1,886,477 | 1,037,605 |
| - Operating profits (loss) for the period | 1,177,564 | 848,871 |
| - Total shareholder equity | 4,744,041 | 3,566,476 |
| C) TFR severance pay fund for employees | 54,793 | 61,521 |
| D) Debts | 6,828,281 | 6,554,326 |
| Total liabilities | 11,627,115 | 10,182,323 |

Summary chart of profit and loss account of company exercising management and co-ordination

| PROFIT AND LOSS ACCOUNT | Last financial year | Previous year |
|-------------------------------------------|---------------------|---------------|
| Date of last approved financial statement | 31/12/2017 | 31/12/2016 |
| A) Production figures | 415,659 | 377,086 |
| B) Production costs | 510,648 | 497,079 |
| C) Financial income and charges | 1,301,560 | 935,712 |
| Income tax on operations | 29,007 | (33,152) |
| Operating profits (loss) for the period | 1,177,564 | 848,871 |

Information pursuant to article 1, paragraph 125, of the law of 4 August 2017

In accordance with the provisions of article 1, paragraphs 125 to 129 of Law 124/2017, taking account of indications issued up to now, it must be reported that the company has received, in the year 2018, the following amounts:

- from Istituto Italiano di Tecnologia di Genova – Tax identification number [CF]. 97329350587 – Euros 2,225.00 for supplies of material in the month of July, 2018;
- from the Inland Revenue Department – Tax identification number [CF] 06363391001 – Euros 170,018.00 as Tax credits for investment in research and development (article 3, of decree DL 145/2013 as provided for in article 1, paragraph 35, Law 190/2014; L. 232/2016), set off in form F24 submitted on 29 November 2018;
- by municipality of Vedano Olona – Tax identification number [CF] 00317720126 – Euros 19,782.53 (collected, while the sum for the year 2018 is Euro 19,907.47) for payment of remuneration and insurance, for the hours or days of actual absence of the worker, at the same time the Mayor of the Municipality of Vedano Olona, under article 80 D. Lgs. 267/2000.

Proposed distribution of profits or loss cover

As regards the allocation of the profits for the financial year of 8,953,093.68 we propose the setting aside of the whole to the extraordinary reserve with the legal reserve having reached the legal limit.

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



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Tax identification number and number on Registry of Companies of Varese 00214880122

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CHAMBER OF COMMERCE. Varese REA economic and administrative registry 41557

PEC – lati@pec.net

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

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 2018, made available to the directors body of that approved them on 11/03/2019:

- 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 CND CED current from 30 September 2015.

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;

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- the human resources making up the work force has change to take account of developments in business and the reorganisation of the branches still in existence;
- 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 2018 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 the 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, carried out by company and periodically checked 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;

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- 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;
- During the year we have given our favourable opinion on the registration on the item “costs of plant and extensions” in the assets of the balance sheet, of the costs incurred in the financial year for the setting up of the French branch and of the Slovak branch. As provided for in OIC Accounting standard no. 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 2018 has been 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 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 no. 39, which report does not highlight any special matters and so the judgement issued is positive.

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;

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- 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) I - 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 five 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 26/07/2018 and in compliance with the provisions of D.l. 81/08 article 30 as amended, the company has updated the Organisational Model – D.L. 231/01 and appointed the members of the Supervisory Body.
- 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 2018, shows a profit of 8,953,094 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 2018 as drawn up and as submitted to the company's governing body.

Varese, 15 March 2019

The Statutory Auditors board

(Dr Sonia De Micheli)

(Dr Maria Vittoria Bruno)

(Dr Sonia Pugliese)

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MINUTES OF THE GENERAL MEETING OF SHAREHOLDERS

OF 18 MARCH 2019

In the year 2019, on this 18th day of the month of March, at 3 o'clock in the afternoon, at the headquarters of the company in Vedano Odon (VA) – at Via Baracca n. 7, following regular calling, an ordinary general meeting of “LATI – Industria Termoplastici SPA” is held to discuss and pass resolutions on the items on the following

AGENDA

- reading of the business report of the board of directors, of the financial statements ending 31 December 2018, of the report of the statutory auditors' committee, of the report of the auditing company and the resolutions relating to these;
- resolutions on the items and the appointment of the external auditor for the years 2019-2020-2021.

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
- ms - Cristina Boffi – Board member
- Engineer Loredana Mercante – Board member

Dr Laura Massironi – Board member

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- Dr. Aldo Tucci – Board member
- Mr. Dominique Renaudin - Board member

Also present here today are:

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

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

Thus appointed as chair person, the Chairperson ascertains and puts on 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 all the members of the Board of Directors;
- the presence of all the executive statutory auditors;

declares the general meeting of shareholders duly assembled in plenary form and is able to validly pass resolutions.

Declares the discussion open as regards the first item on the agenda, the Chairperson 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. Asks the secretary to read the main details of the business report and the financial statement for year ending 31 December 2018.

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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, approves the business report and the financial statements for the year ending 31 December 2018. 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 € 8,953,093.68 to the extraordinary reserve, it having already reached the legal limit.

Moving on to the second item on the Agenda the Chair person reminds those present that with the expiring of its term, the mandate of the auditing company for the accounts has lapsed and it is therefore necessary to appoint one for the three year period 2019-2020-2021.

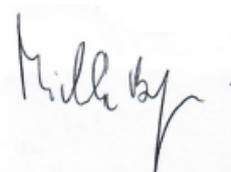
The general meeting of shareholders, at the suggestion of the Statutory Auditors' Board, unanimously resolves to attribute the mandate for the next three years and therefore until the approval of the company's balance for the year ending 31.12.2021, to the company KPMG SPA, whose registered office is in Milan at Via Vittor Pisani 25, registered on Register of the Accounts Auditors at number 70623. Such mandate shall be carried out in accordance with the terms indicated in the proposal of 14/02/2019, which provides for a fee of 28,000.00 Euros for the financial year 2019 and 35,000.00 Euros for the financial years 2020 and 2021, to which must be added any fees for the further activities provided for and agreed. The total amount payable for this office and for certification of the financial statements for the years concerned thus amounts to 98,000.00 Euros.

There being no other business, the Chairman declares the General meeting of shareholders closed at 3.55 pm, after reading and approval of these minutes signed by the Chairperson and by the Secretary.

The Chairperson
(Prof. Francesco Conterno)



The Secretary
(Dr. Michele Bignami)





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**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, 2018, 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, 2018, 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. 08042520968 - 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 2018, 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. 7208 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 2018 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 2018 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.



Andrea Fantechi

Partner

Milano, March 12, 2019

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