LATI HIGH PERFORMANCE THERMOPLASTICS

LATI INDUSTRIA TERMOPLASTICI
ANNUAL REPORT 2019

Contents

LATI INDUSTRIA TERMOPLASTICI S.p.A.

Company managed and coordinated by

SVI Sviluppo Industriale S.p.A.

Registered office: Via Francesco Baracca 7 - 21040 Vedano Olona

Share capital: € 3,818,400 fully paid-up

Varese company registration no. 00214880122

Tax code and VAT no. 00214880122

VARESE Chamber of Commerce R.E.A. no. 41557

Directors' report

INTRODUCTION

Dear shareholders,

The financial statements as at and for the year ended 31 December 2019 which we submit for your approval show a net profit for the year of €6,143,338 (2018: €8,953,094).

THE COMPANY

Lati Industria Termoplastici S.p.A.'s ("Lati" or the "company") business is directly affected by the performance of the global macro-economy, since its group mainly operates in the electrical, automotive and home appliance sectors, which usually perform in line with all markets. For the first time since the 2008-2010 crisis, from the second quarter of 2019, demand from the company's markets contracted steadily to only pick up slightly towards the end of the year. As a result, volumes sold decreased by 16.8% and revenues by 11.5%. The company's main raw materials (PA66 and PA6) were, therefore, readily available to itself.

First quarter sales orders were in line with expectations and the previous year, although the first signs of a slowdown in demand were already visible. From April, the contraction that characterised the rest of the year became more evident. However, the company was able to maintain its sales prices, ensuring an adequate profitability to cover its overheads, thus avoiding the use of social shock absorbers. It was also able to carefully manage its costs, thanks to production flexibility, in particular by reducing its resort to third-party compounders.

Lati operates in a solid and developing sector, where demand had been substantially stable and solely subject to cyclical fluctuations in recent years, and the 2019 performance may be considered as one of these fluctuations.

In 2019, the procurement department managed to ensure good availability of basic raw materials, both through risk diversification in supplier management and a natural propensity to oversupply.

The average purchase price of raw materials was, therefore, €0.04/kg lower than in 2018, when it had increased by €0.59 on the previous two years (2016-17) with a consequent impact on costs and turnover and continuous pressure on profit margins. The decrease in the overall average price compared to 2018 was less significant at an aggregate level, due to a more moderate drop in the prices of the company's most important polymer (PA66), compared to that of other products. PA66 accounted for about 50% of total raw material purchase costs in 2019.

The total average price of raw materials decreased by approximately 1.5% on the previous year.

Despite the market turbulence described above, the company managed to end the year, albeit with considerable difficulty, with an operating profit approximating that recorded in 2015.

The company continued its research into new materials aimed at improving formula costs in 2019. It started this project in 2011 as part of a savings drive to ramp up competition among its suppliers of strategic raw materials and gain access to a wider range of approved materials. of its end goal is to reduce the possible impact of a product shortage in markets that only have one supplier. Over the nine years since the launch of this project, the research, approval and substitution of raw materials have generated significant savings for the company.

During 2019, Lati continued to partly contain the risk of erosion of its profit margins thanks to the activities described above and good coordination between the procurement and sales departments, which enabled it to manage price trends in a timely manner, therefore increasing added value.

The company's net financial debt shrank to €5.69 million at year end from €17.01 million at 31 December 2018, which is almost in line with the two year ends before that (average of €11 million). This was mainly due to the significant contraction in working capital as a result of the reduction in turnover, inventory and the average price of raw materials as well as the smaller investments made for the upgrading and expansion of the Gornate Olona production site, as envisaged in the business plan (the Torbissima project launched in mid 2017, which entailed an investment of €3.88 million in 2019). These two factors led to a significant increase in the company's liquid funds at 31 December 2019.

The company's standing with the banking system continued to be good and indeed its banks not only continued to ensure the same level of existing facilities, but also granted new financing to support the company's business development. Moreover, based on the Italian Credit Information Centre data, its credit quality was very good.

Moreover, in 2019, its borrowing cost remained in line with the previous year, financial market trends and the banks' pricing (interest and fees) policies.

In 2018, the company signed loan agreements with a syndicate of selected banks in order to support its business, which the company also funds and will continue to fund by reinvesting part of its profits, and the Torbissima project mentioned above. The specific agreements were signed between December 2017 and January 2018 and the loans were disbursed in variable instalments over the 24-month interest-only period, based on the project's progress. They totalled €14.55 million and the last instalment was disbursed in January 2020.

In 2016, the company launched a project to restructure its organisation and presence in Europe. The aim was to convert its subsidiaries operating as distributors and/or agents into branches within the end of 2020, in order to enhance control over its foreign operations and improve operating efficiency, with a view to creating synergies in a global market. As part of this project, in the same year, the Swedish subsidiary Scandilati Termoplastici AB was converted into a branch, by transferring its entire business to the company. The newly set-up branch, called "LATI Sweden Filial" commenced operating on 1 October 2016 while Scandilati Termoplastici AB was put into liquidation as of 1 January 2017. The liquidation was completed and the subsidiary dissolved in November 2017.

In 2017, the German subsidiary Lati Deutschland GmbH was converted into a branch (Latu Industria Termoplastici S.p.A. - Zweigniederlassung Deutschland) by means of a cross-border merger that took legal effect on 1 July 2017 and retroactive accounting and tax effect on 1 January 2017. In the second half of 2017, the company set up a new branch in Slovakia (Lati Industria Termoplastici S.p.A. - organizačná zložka), which became operational on 1 February

2018. In 2018, the French subsidiary Lati France Sas was converted into a branch (Lati Industria Termoplastici S.p.A. - Succursale France) by means of a cross-border merger that took legal, accounting and tax effect on 1 July 2018.

Lastly, in 2019, the company converted its Spanish subsidiary Lati Iberica SL into a branch (Lati Industria Termoplastici S.p.A. - Sucursal en España) by means of a cross-border merger that took legal effect on 1 July 2019 and retroactive accounting and tax effect on 1 January 2019.

Accordingly, in addition to presenting the results of operations and cash flows of LATI Sweden Filial, Lati Industria Termoplastici S.p.A. - Zweigniederlassung Deutschland, Lati Industria Termoplastici S.p.A. - organizačná zložka and Lati Industria Termoplastici S.p.A. – Succursale France, these financial statements also incorporate those of Lati Industria Termoplastici S.p.A. - Sucursal en España.

Considering the above and as described later on, the company's gross operating profit decreased by €3.7 million on 2018 to €12,166,929.

Therefore, the its 2019 performance is positive, especially given the difficulties encountered and various market uncertainties.

The company's key financial figures reflect its performance.

FINANCIAL POSITION AND PERFORMANCE

The most significant changes in the financial statements captions during the year are discussed below.

BALANCE SHEET

Assets

1. Net intangible fixed assets decreased by €140,066 from €902,051 at the end of the previous year to €761,985. The decrease is due to smaller costs capitalised for patents, trademarks and licences (€87,374) and start-up and capital costs (€53,704), whereas assets under development related to projects decreased slightly (€14,062), net of amortisation for the year of €486,216.
2. Net tangible fixed assets increased by €1,792,444 from €36,630,403 to €38,422,847, mainly due to investments for the Torbissima project for the upgrading of the Gornate Olona site. These investments related to the new building housing the raw materials warehouse, which was opened in March 2019 (€4,391,780) and the upgrading of plant and machinery, including those in the semi-automated warehouse used to handle raw materials. Assets under construction and payments on account dropped by €9,119,774 as a result of the assets that have entered production and equipment while other assets decreased by €305,139. Depreciation for the year amounted to €2,654,951.
3. Financial fixed assets fell by €2,778,456 from €5,732,781 to €2,954,325, as detailed below:
    a. investments in subsidiaries decreased from €1,182,744 to €854,325: the decrease includes the write-off of the investment in Lati Iberica SL (€328,419), following its merger into the company and conversion into a branch as of 1 July 2019. On the other hand, on a prudent basis, the company did not write-back its investment in Lati USA Trading despite the increase in its net equity due to the net profit for the year (€68,256);
    b. investments in the parent: no changes;

c. equity investments in other companies decreased by €806 following the write-down of the investment in Atlantide SA;

d. receivables from parents: following the settlement of the loan granted to the parent SVI S.p.A., this caption is nil;

e. from others: guarantee deposits and other assets decreased by €6,403.

4. Inventory fell by €11,095,288 from €34,654,004 to €23,558,716; specifically, raw materials, work in progress and finished goods decreased by €5,782,394, €348,087 and €4,964,807, respectively. On a prudent basis, the company wrote down finished goods and raw materials by €697,939 and €412,904, respectively. The overall decrease in inventory is due to the drop in the reference raw materials and the significant reduction in volumes caused by the smaller marked demand, which affected most of the year.

5. Receivables fell by €7,136,477 from €37,758,951 to €30,622,474; the decrease is mostly related to trade receivables (€5,288,079), as a result of the smaller turnover, and receivables from subsidiaries (€2,727,979), partially offset by the increase in deferred tax assets (€150,543), receivables from parents (€275,628), tax receivables (€226,525) and receivables from others (€226,885). The provision for bad debts of €724,931 is deemed to adequately cover current risks. It was used by €129,082 during the year and no accruals were made thereto.

6. Liquid funds rose by €15,059,856 from €5,059,988 to €20,119,844.

7. Prepayments decreased by €55,395 from €228,374 to €172,979, due to costs pertaining to future years.

Liabilities

1. Provisions for risks and charges rose by €430,982. The pension and similar provisions, relating to agency agreements with foreign suppliers, increased by €5,225 from €3,500 to €8,725. The provision for tax disputes accrued in previous years in relation to a tax assessment on the registration tax on the Gornate Olona land acquired in 2018 was zeroed. The company settled the dispute through the mutually-agreed settlement procedure in January 2019. The provisions for future risks and charges relating to the land reclamation costs of the Gornate Olona-Torba and Vedano Olona buildings, set up in previous years, remained unchanged at €340,271. The company accrued €163,433 for the land reclamation costs of the Gorla Maggiore (formerly VMP) building, in addition to the amount previously provided for in connection with possible restoration costs for the warehouse's basic systems (€500,000), the replacement of the asbestos roof (€345,0000), the elimination as per OIC 16 of the accumulated depreciation of land in 2015 (€249,729) and restoration costs for the area the Pedemontana Lombarda motorway runs through (€60,000), recognised after the merger of VMP S.p.A. into the company. Moreover, the company made additional accruals in 2019 and, specifically, for future costs relating to the subsidiary LATI Schweiz SA to be borne by it after the subsidiary was put into liquidation (€187,000) and for risks for product complaints which were being settled at the end of 2019 (€42,515). Furthermore, the company accrued €37,016 for the 2019 fair value losses on the IRS hedging an unsecured loan related to the Torbissima project and maturing on 21 December 2023 to the provision for derivatives, which previously amounted to €92,710.
2. The employees' leaving entitlement decreased by €70,386 due to the change in the applicable legislation, imposing the transfer of the annual accrual (€754,303) to external funds and utilisations (€824,689).

3. Payables decreased by €9,293,489 from €61,502,572 to €52,209,083. Specifically:

    - bank loans and borrowings rose by €4,172,260, due to the greater use of non-current credit facilities. The current portion of non-current loans and borrowings increased by €2,221,928 and the non-current portion from €12,769,258 to €14,719,590, decreasing from 59% to 57% as a percentage of the total (due to the ending of the 24-month interest-only period of the non-current financing for the Torbissima project);
    - loans and borrowings from other financial backers decreased by €457,660, following the repayment of the soft loan granted by the Ministry of Education, University and Research (MIUR);
    - payments on account from customers rose by €67,689;
    - trade payables dropped by €11,783,984 as a result of the smaller turnover for the year and the investment slowdown, as well as the reduction in the price of the reference raw materials, especially in the last few months of the year;
    - payables to subsidiaries decreased slightly by €269;
    - payables to the parent fell by €604,173;
    - tax payables decreased by €436,509;
    - social security charges payable decreased by €76,615 in line with the reduction in personnel expenses;
    - other payables fell by €174,228.

4. Accrued expenses rose by €12,311 from €20,732 to €33,043, due to larger accrued interest expense.

PROFIT AND LOSS ACCOUNT

A. Production revenues fell by €28,634,857 from €168,781,395 to €140,146,538 (including the contribution of €7,052,053 of the Spanish branch set up during the year). The decrease was due to the 11.5% reduction in turnover from sales and services, mostly caused by the 16.8% drop in volumes sold and partially offset by the increase in sales prices during the year (assisted by a different sales mix), which became necessary to counter the fluctuating and highly uncertain price trend of the reference raw materials. Direct sales to France, Germany and Eastern European countries decreased. Exports at about 68.5% of the total continued to prevail in 2019. Moreover, semi-finished products and finished goods contracted significantly during the year.

B. Production cost decreased by €24,649,526 from €155,907,059 to €131,257,533, as follows:

   1. raw materials, consumables, supplies and goods and the change in raw materials dropped by €30,816,387 mainly due to the cutback in production as a result of the smaller market demand and, to a lesser extent, the reduction in prices of the reference raw materials in the second half of the year, with an average decrease of €0.04/Kg, as well as market availability issues;

   2. services decreased by €2,930,762, mainly due to a reduction in third party processing costs (€1.66 million), transport and logistics costs (€1.1 million), commissions (€0.97 million) and trade fair and product certification costs (€0.2 million), partially offset by an increase in the cost of utilities (€0.43 million), insurance (€0.05 million), consultancies (€0.16 million) and other sundry services (€0.24 million);

   3. the use of third party assets rose by €52,346, mainly due to an increase in lease and rental agreements;

4. personnel expense increased by €596,566. The average number of employees decreased from 270 in 2018 to 261 in 2019. The increase in personnel expenses is mainly due to the larger resort to temporary workers (€448,318), the hiring of the Spanish former subsidiary's workforce, promotions and, to the lesser extent, accrued performance bonuses;
5. amortisation, depreciation and write-downs rose by €151,724, due to an increase of €509,762 in depreciation, partially offset by a decrease of €28,180 in amortisation. No write-downs of receivables were provided for during the year, as the company deemed that the existing provision for bad debts, net of utilisations of the year, adequately covered its credit risk;
6. the provision for future risks and charges increased by €392,948, including an accrual of €187,000 for future charges of the subsidiary LATI Schweiz SA that are to be borne by the company after its subsidiary was put into liquidation, an accrual of €42,515 for product complaints which were being settled at the end of 2019 and an accrual of €163,433 for the restoration of the Gorla Maggiore (formerly VMP) building that underwent further deterioration;
7. other operating costs decreased by €26,960.

The operating profit decreased by €3,985,331 from €12,874,336 to €8,889,005 (6.1% of turnover). As mentioned above, the decrease is due to the drop in sales volumes during the year which was only partially compensated by the sales force's enhanced ability to keep sales profits unchanged or to improve them. The more favourable product mix was another positive factor.

C. Net financial charges decreased from €580,647 to €520,029, as a result of the following:

   1. gains on investments in subsidiaries fell by €82,786; they relate to the dividends distributed by the subsidiary Lati UK Ltd, thanks to its 2018 net profit, its strong performance and capitalisation level;
   2. other financial income decreased by €3,071 and includes bank and other interest income;
   3. interest and other financial charges fell by €47,555 and relate to cash discounts granted to customers of €465,697, including €133,698 attributable to the German branch, and bank interest and charges of €255,422 arising from the use of existing credit facilities and loans;
   4. net exchange rate losses of €66,176 improved to net exchange rate gains of €26,602;

D. adjustments to financial assets came to net write-downs of €806 compared to net write-backs of €56,390 for the previous year, due to:

   - the write-back of the investment in the subsidiary LATI Usa Trading Inc (€68,256), to bring its carrying amount into line with its reporting-date net equity and a concurrent write-down of the same amount on a prudent basis;
   - write-down of the minority interests in Atlantide SA (€806).

Income taxes, including current and deferred taxes, decreased from €3,396,985 to €2,224,832.

Key financial indicators

Article 2428 of the Italian Civil Code requires the presentation of a discussion of a company's financial and non-financial measures, if this is necessary for an understanding of a its financial position and performance, including information about the environment and employees.

The balance sheet reclassified on a financial basis and the profit and loss account reclassified on a value added basis are, therefore, provided below:

Balance sheet reclassified on a financial basis

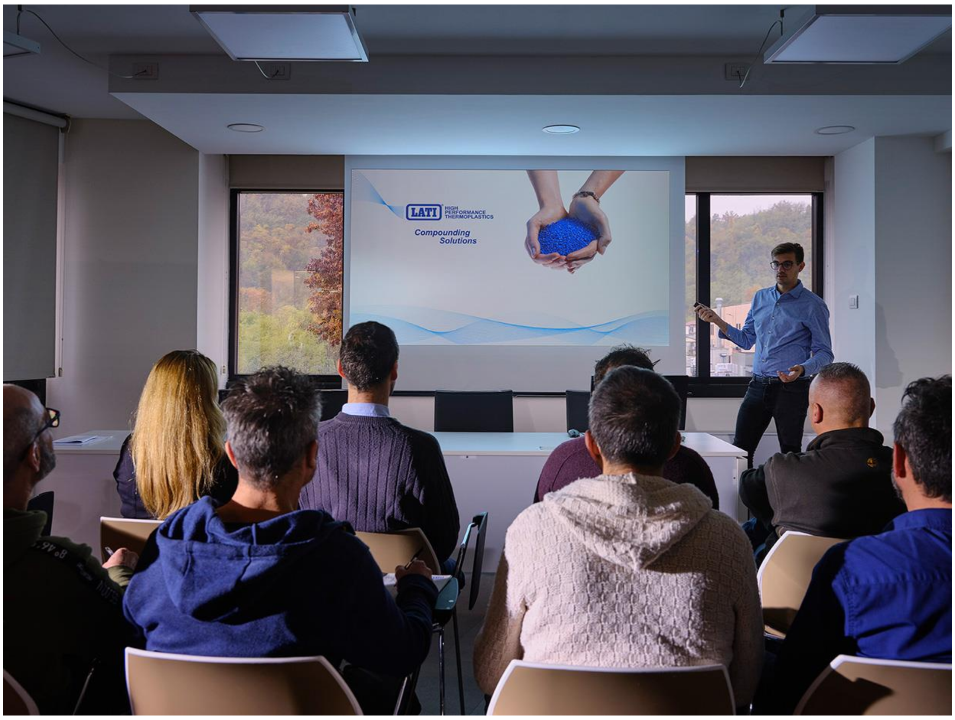
	31/12/2019	31/12/2018
1) Current assets	**74,474,013**	**77,701,317**
1.1) Quick assets	20,119,844	5,059,988
1.2) Non-quick current assets	30,622,474	37,758,951
1.3) Available assets	23,731,695	34,882,378
2) Net non-current assets	**42,139,157**	**43,265,235**
2.1) Intangible fixed assets	761,985	902,051
2.2) Tangible fixed assets	38,422,847	36,630,403
2.3) Financial fixed assets	2,954,325	5,732,781
INVESTED CAPITAL	**116,613,170**	**120,966,552**
1) Current liabilities	37,522,536	48,600,729
2) Non-current liabilities	19,080,715	16,923,104
3) Net equity - Own funds	60,009,919	55,442,719
COVERAGE	**116,613,170**	**120,966,552**

The balance sheet reclassified on a financial basis presents assets and liabilities based on their increasing monetisation level.

This classification gives rise to the following macro-captions:

- current assets: short-term investments that will be monetised within one year;
- net non-current assets: investments (net of accumulated amortisation, depreciation and write-downs) that the company will hold on to for more than one year;

- current liabilities: loans and borrowings that will generate outflows within one year;
- non-current liabilities: loans and borrowings that are expected to be repaid after one year;
- own funds: these belong to the company's owners and their term is in line with the company's life.
- Current assets, in turn, include:
- quick assets, i.e., cash assets or assets that can be readily monetised at a small cost (cash-in-hand and with banks, government bonds, postal current accounts, etc.);
- non-quick current assets, i.e., non-cash assets that are collectable in the short term (any type of current receivables and other assets);
- available assets, i.e., short-term investments whose monetisation requires one or more transactions within the business cycle (inventory, etc.).



Profit and loss account – Reclassification on a value added basis (or management accounts basis)

	2019	2018
Turnover from sales and services	145,370,594	164,348,770
+ Change in work in progress, semi-finished products and finished goods	-6,161,390	3,728,775
+ Change in contract work in progress	0	0
+ Internal work capitalised	0	0
CORE BUSINESS REVENUES	**139,209,204**	**168,077,545**
- Purchases of raw materials, consumables, supplies and goods	88,818,983	119,635,370
+ Change in raw materials, consumables, supplies and goods	5,782,394	-2,148,605
- Services and use of third party assets	15,658,502	18,536,918
VALUE ADDED	**28,949,325**	**32,053,862**
- Personnel expenses	16,782,396	16,185,830
GROSS OPERATING PROFIT	**12,166,929**	**15,868,032**
- Amortisation, depreciation and write-downs	3,141,167	2,989,443
- Provisions for risks and other provisions	392,948	0
Core business OPERATING PROFIT	**8,632,814**	**12,878,589**
+ Other revenues and income	937,334	703,850
- Other operating costs	681,143	708,103
+ net financial income (charges) excluding interest expense and exchange gains and losses	173,681	-310,592
NORMALISED OPERATING PROFIT	**9,062,686**	**13,184,928**
+ Interest expense and exchange rate gains and losses	694,516	834,849
PRE-TAX PROFIT	**8,368,170**	**12,350,079**
- Income taxes	2,224,832	3,396,985
NET PROFIT FOR THE YEAR	**6,143,338**	**8,953,094**

The value added reclassification starts from core business revenues.

Production revenues include revenues and the change in semi-finished products, finished goods, work in progress and internal work capitalised. Therefore, production revenues show the value of a company’s business volumes for the year, regardless of whether the output has been sold or is stocked.

The value added reclassification presents core business costs based on their nature and, specifically, split into:

- costs for purchased goods or services, or external costs;
- costs for internal production, or internal costs.

The difference between external costs and production revenues is the value added, i.e., the value that a company, with its own means, adds to that regularly coming from external resources. The gross operating profit, which is the profit available to replenish the assets used in production, remunerate financial capital and pay taxes, is obtained by subtracting personnel expenses from value added. Lastly, when operating costs (amortisation, depreciation and write-downs) are subtracted from the gross operating profit, the core business operating profit is obtained.

FINANCIAL INDICATORS

On the basis of the above reclassifications, certain financial indicators, selected among those that are believed to be more relevant for the company, are discussed below. They include profitability and financial position indicators.

Profitability indicators

The identified profitability indicators are ROE, ROI and ROS:

- ROE (return on equity)

This is the ratio of the company's net profit or loss to net equity (including the profit or loss for the year).

It measures profitability and the remuneration of own funds.

It shows whether an investment in the company's venture capital is opportune and it is recommended that it be at least higher than the return on very low risk investments (government bonds).

2019:	10.24%	2018:	16.15%

- ROI (return on investment)

This is the ratio of core business operating profit (loss) to total assets.

It shows the profitability of invested capital, where profitability is the core business operating profit or loss increased or decreased by net financial income or charges, net extraordinary income or expense and taxes.

2019:	7.40%	2018:	10.65%

- ROS (return on sales)

This is the ratio of core business operating profit (loss) to turnover from sales.

It shows the company's ability to generate profit from sales.

2019:	5.94%	2018:	7.84%

Financial position indicators

The identified financial position indicators are: own funds less fixed assets, own funds to fixed assets ratio, own funds plus non-current debt less fixed assets, own funds plus non-current debt to fixed assets ratio, debt to equity ratio, debt ratio.

- Own funds less fixed assets

This measures the company's ability to cover its fixed assets using its own funds, i.e., net equity.

It shows whether net equity is sufficient to cover fixed assets.

31/12/2019:	17,870,762	31/12/2018:	12,177,484

- Own funds to fixed assets ratio

This percentage measures the company's ability to cover its fixed assets using its own funds.

It shows the ratio of net equity (including the profit or loss for the year) to total fixed assets.

31/12/2019:	142.41%	31/12/2018:	128.15%

- Own funds plus non-current debt less fixed assets

This measures the company's ability to cover its fixed assets using its own funds and non-current loans and borrowings.

It shows whether the non-current sources of financing are sufficient to cover fixed assets.

31/12/2019:	36,951,477	31/12/2018:	29,100,588

- Own funds plus non-current debt to fixed assets ratio

This percentage measures the company's ability to cover its fixed assets using its own funds and non-current loans and borrowings.

It shows the percentage of non-current sources of financing that covers fixed assets.

31/12/2019:	187.69%	31/12/2018:	167.26%

- Debt to equity ratio

This measures the ratio of total liabilities (current and non-current) to net equity.

It shows liabilities as a percentage of own funds.

31/12/2019:	0.94	31/12/2018:	1.18

- Debt ratio

This measures the ratio of loans and borrowings to net equity.

It shows lows and borrowings as a percentage of own funds.

31/12/2019:	0.43	31/12/2018:	0.40

Quality, environment and employees

Considering the social role of businesses and in line with the document on directors' reports issued by the Italian Accounting Profession, the information on quality, the environment and employees is provided below.

Employees

There were no claims for injuries or occupational diseases from employees or former employees or litigation in which the company was found liable during the year.

Quality, safety and environment

The company's quality and environmental management system complies with ISO 9001:2015 and ISO 14001:2015 (customer orientation, leadership, staff involvement, process-based approach, system-based approach to management, continuous improvement, evidence-based decision-making and mutually beneficial relationships with suppliers).

Each site has a centrally-coordinated organisational structure dedicated to the quality and environmental management system.

The sites are certified by independent certification institutes which check compliance with the reference standards each year and renew the relevant certificates.

ISO 9001:2015 and ISO 14001:2015 certified sites

Site	First issue date	Certified by
Vedano Olona	16/03/1993	Certiquality
Gornate Olona	16/03/1993	Certiquality

Site	First issue date	Certified by
Vedano Olona	19/05/1995	Certiquality
Gornate Olona	19/05/1995	Certiquality

The surveillance audits for the new environmental management system (ISO 14001) and the quality (ISO 9001) system standards were carried out in June 2019.

Both audits were successful.

During the year, there was no damage caused to the environment and no lawsuits were filed or fines imposed for environmental crimes or damage.

The company continues to be committed to achieving and maintaining adequate environmental, safety and quality standards, through the periodic training of its employees on occupational health and safety issues and by raising their awareness of the protection and preservation of the environment in the performance of their various duties.

As part of its system certification process, in the second half of 2019, the company launched a project to achieve compliance with ISO 45001.

Pursuant to article 30 of Legislative decree no. 81/08, as subsequently amended, the company adopted an organisational model as per Legislative decree no. 231/01 and appointed the members of the supervisory board on 26 July 2018.

The company's organisational and management model as per Legislative decree no. 231 is published in its website - www.lati.com.

Main risks and uncertainties

- Market risks

Like all manufacturers that use plastic materials, the company is exposed to the risks associated with the general market conditions, especially in terms of sales volumes and products' value added. Sales volumes decreased significantly during the year (-16.8%). As a result of the general market slowdown, there was a glut of raw materials, which generated a price drop, the first signs of which were seen at the end of 2018. Thanks to its oligopolistic position, Polyamide 66 was the only polymer whose price did not decrease in the first half of the year, but it then started to fall in the second half, a trend that has not yet stopped. In a general deflationary situation, the company benefited from a slight decrease in costs which, combined with its ability to keep the sales prices of its finished products unchanged, with a consequent increase in profits, resulted in a high unit added value never before achieved in its history.

Orders acquired started to increase slightly at the end of November 2019 and this trend continued in the first few weeks of 2020. However, this was probably not the result of a real market recovery, but rather a contingent and unforeseen stockpiling need along the supply chain, after customers had run down their inventory levels following several months of overstocking.

- Liquidity risk

The continuing uncertainties in the financial market and the more stringent lending and pricing policies adopted by banks have increased the company's liquidity risk. However, the company was able to meet its financial obligations by discounting its trade receivables for collection with banks. Thanks to its continuous monitoring of its working capital levels, in particular inventory, the company was able to contain and direct its debt's structural growth, in a period in which it was making large investments and its raw material markets were turbulent, and, consequently, the risks associated with its financial requirements.

Generally speaking, utmost attention continued to be paid to cash flow management and debt, as well as continuously managing relationships with lending banks.

- Interest rate risk

Most of the company's sources of funds bear variable interest rates, which exposes it to the risk of interest rate volatility. The attempts to relaunch the Eurozone's economy led the major central banks to cut the cost of money to an all-time low during the 2016-2018 two-year period. Starting from the second half of 2019, the banks started to reverse their policies, with a slight increase in interest rates. The real economy was able to benefit from this trend, although the risk of discontinuity remains. An additional slight increase in interest rates is expected for 2020, also on the basis of the latest ECB indications.

- Credit risk

This is substantially the risk that the company will not be paid by its customers. In general, its credit risk is not significantly concentrated as its has a high number of customers. However, the company considers it fundamental to constantly monitor its exposures, which are covered by a first insurance policy, although it does have an excess clause.

Capital expenditure

Like in previous years, again in 2019, capital expenditure was aimed at improving the company's industrial operations, in terms of both production and technology, as well as the environment and safety areas.

Thanks to the Torbissima project, aimed at industrial and logistics development with a view to expansion and rationalisation, the Gornate Olona site received large investments that will continue over the next few years and which should generate benefits in terms of smaller operating costs and greater safety in the short term, providing the company with greater production flexibility.

The important development plan continued in 2019 with the implementation of some activities envisaged in "Lot 1", such as the renovation of the building previously used as a factory canteen, changing rooms and offices, which now houses the formulation offices, the testing and analysis laboratory and a new moulding area in which two presses equipped with new air management and suction services are located. In addition, the same building will also house the new reception for the Via delle Industrie 1 entrance. In the site's peripheral areas, a new car park was built and major asphalting work was carried out in the areas between the main building and the new logistics area to create new yards to facilitate connections between the various areas and the passage of heavy vehicles. In the new yard next to the main building and the "TORBA 3" building, a new roof was installed for the electric recharging of the fleet of forklifts and lifting platforms. This has allowed the company to complete the conversion of the gas forklift fleet leading to important operating savings and safety improvements.

The new raw materials warehouse has been fully operational since March 2019: it is completely managed by a cutting-edge warehouse management system integrated into the SAP ERP system, which allows thorough checks of the processes of inbound, storage and unloading of goods to production through the use of scanners and terminals.

In the area to the west of the main building, the company installed two tanks for the management of first-flush water, which were necessary to fully comply with the regulatory requirements for rainwater management. In addition, it placed a new electrical transformer kiosk (CE3) in the same area, which will be used to supply energy to the new production plants that will be installed in the near future, as per the industrial development plan.

During the year, "Lot 2" activities were started, which will lead to the construction of the new building for the preparation and blending department (ARUPE), which will be located between the current production area and the new raw materials warehouse with a view to optimising internal pre-extrusion flows. At present, the company has carried out the preparatory work of dismantling and adaptation of the old thermal power stations, electrical kiosks and various services. To this end, all the preparatory phases for the installation of the prefabricated buildings have been carried out and all underground services, as well as foundations and all preliminary building preparations have been provided. The construction of the "new preparation and blending department" (ARUPE) is scheduled for completion in July 2020.

The company upgraded the Gornate site's industrial plants through the inclusion of state-of-the-art equipment, as well as the functional and safety revamping of existing systems. In the post-extrusion area, the company installed two silos after the extrusion line to receive the extruded product. A special feature of this plant is the dense phase pneumatic conveying system which uses compressed air to move the product from the extruder to the silo, with containment of product humidity. Inside the silo, the product's homogenisation is also carried out before transferring it to the packaging line. The innovative aspects are a simplification of the production cycle with reduced handling of the extruded product, less use of intermediate storage containers, reduction in the product travelling time, as well as elimination of the drying cycle with a consequent sizeable reduction in the cost of the various operations.

During the year, the company launched the study and design of a new double system for the management of additives and colorants in the Gornate Olona site.

Assisted by a leading specialised company, the company designed a plant consisting of a robotised warehouse with automated transportation of the containers of raw materials to be weighed to the pick-up station and the recording of the component’s and weighing data, with direct interfacing with the SAP system. All this using cutting-edge digitalisation of internal information flows.

For materials with a higher weighing frequency, the company plans to install a silo with bag and big bag filling, automated weighing against the recipe sent by the management system and identification of the preparation by label.

This system will allow the company to have:

- continuously updated inventory records;
- automated transportation of the raw materials to be weighed;
- dosing accuracy and precision;
- a fully-digitalised process by recording data in the company’s software system;
- reliability and consistency thanks to the automation.

In addition, with the assistance of Coperion, the company has completed the design of a new extrusion line, which will be installed in the Gornate site’s old warehouse area. It will transfer production from the Vedano Olona site to it, increase the production capacity for some product lines and enhance product and volume flexibility, with a consequent reduction in lead times.

With respect to finishing, the diathermic oil heaters of the Vedano five dryers and the Gornate four dryers was modified to use an electric heater. The advantages are: 1) simplification of the system, due to the absence of a natural gas boiler; 2) reduction of risks related to the distribution of diathermic oil at 170°C within the production area; 3) less maintenance and energy savings.

With a view to simplifying and streamlining the post-extrusion product flows, three old homogenisers have been dismantled at the Vedano site.

At the Gornate Olona site, the company completed the conversion of its entire forklift fleet to electric, adding 15 new Jungheinrich forklifts; in addition to revamping the fleet, this led to an improvement in operating costs (consumption and maintenance) and allowed the adoption of the ISM system for the digital control of the entire fleet.

Turning to safety and in compliance with ATEX regulations, the company designed a new air intake and filtration system with a Venturi cone and washer that will flank the Gornate site's current industrial ventilation system and will serve both the three BV 92-1-2-3 extrusion lines and the new BV 84 extrusion line. The system's size will be adequate for the new extrusion department's air intake and treatment requirements.

In order to supply the new users expected as a result of the industrial development of the Gornate Olona site (new extruders as per the Torbissima project), system works were carried out to upgrade the pure water and degassing lines.

With regard to the Vedano Olona site, during the year, the company made investments to comply with regulatory changes and mainly for maintenance purposes.

Research and development, protection of the environment

During 2019, the company carried out research and development activities for technological innovation and focused, in particular, on two projects that it considered particularly innovative, carried out in both the Gornate Olona and Vedano Olona sites, namely:

- PROJECT 1: gaining and using new technical and scientific knowledge aimed at the development and testing of innovative thermoplastic compounds;
- PROJECT 2: gaining and using new technical and scientific knowledge aimed at the design of a new compounding extrusion line.

As part of project 1 ("gaining and using new technical and scientific knowledge aimed at the development and testing of innovative thermoplastic compounds"), the company produced different types of products that required development, small-scale production and characterisation of samples from 114 projects. It produced 242 samples as customer test materials, for a total of 5,128 kg.

Research and development activities mainly focused on the following types of compounds:

a. Study and implementation of sustainability-based or circular economy -based materials

Sustainability is a strategic factor for Lati: in this context, raw materials and their origin are one of the most important factors due to the impact they can have on the environment and CO2 emissions during the production cycle of thermoplastic compounds. The company implemented several actions and projects to set up a circular economy process and kick start a virtuous cycle in the management of raw materials: this process can also create value for the company and its customers. The actions carried out can be summarised as follows:

1. mapping, analysis and evaluation of the different raw materials obtained from mechanical recycling, which includes materials obtained both from post-industrial scrap (textile fibres, waste from polymerisation reactors) and from the post-consumer chain (materials obtained from the recycling of airbags or compact discs or even from urban waste, such as PET from bottles or PE, PP from different types of food containers or other). For these, the company implemented a cycle of quality control, characterisation and use that considers all critical issues such as inhomogeneity, potential contamination, wide dispersion of properties, etc.. Finally, it produced different types of materials, with a content ranging from 50% to 100% of recycled polymer, both in reinforced and self-extinguishing products with and without halogens, PC based products with 100% of post-consumer recycled materials: many of the materials have been coded and sampled;
2. evaluation and use in various finished goods of a polymeric material obtained from chemical recycling. Unlike materials obtained from mechanical recycling, which may be contaminated, chemical recycling allows maintenance of the purity of the material and preservation of the properties of the finished product. The product in question is a PA6 obtained from waste depolymerisation (e.g., used fishing nets and carpets) and subsequent polymerisation. This raw material was used in different types of reinforced and self-extinguishing materials, whose properties have been evaluated by comparing them to those of fossil-based products;
3. evaluation of durable materials from renewable sources: several raw materials (mainly polymers) made from renewable sources were identified and evaluated and have proved suitable for one to one substitution of polymers synthesised from fossil resources (oil). This category includes several PA (PA11, PA12, PA56, PA6,11) and organic PE. These polymers have been used in different types of products offered to the market (reinforced, self-extinguishing, lubricated);

4. development of the line of products made from biodegradable polymers made from renewable resources: in addition to the already established products made using PLA (amorphous and semi-crystalline - for durable products), PBS, thermoplastic starch and PHA were used. In order to assess the suitability of their mechanical characteristics, the company carried out compostability tests in industrial compost conditions. The test gave satisfactory results with degradation and fragmentation of the test pieces after three months to dimensions of around 3 mm wide. This comforting result allows the company to study new formulas, optimised for the production of pieces with controlled degradation and with adjustable life expectancy; they will be able to extend its product range with a line of products suitable for semi-durable applications, which can be used in the production of pieces intended for mass consumption and, at the end of their life, for composting.

b. Study and implementation of materials for the manufacturing of products through additive production (3D printing)

In 2019, additive production played an important role in the research and formulation of new materials, as well as in the implementation of new production methods and characterisation techniques. The materials, which were initially used for recreational products, are not suitable for the production of technical prototypes and small series of products that have to perform specific functions where high-performing products are required (e.g., mechanical, thermal or deformation in extreme conditions). For the development of these products, and in particular for performance assessment purposes, the company studied and tested following new materials:

- reinforced materials with high stiffness: PA12, PPS, PETg PA6.66 and PEEK PLA reinforced with carbon fibre;

- static dissipative (antistatic) materials: PLA combined with carbon nanotubes, ABS with IDP polymers and PC with structured carbon;
- self-extinguishing UF materials: PA6 and PC;
- other specialty materials for high operating temperatures: PPS, PES, PSU, PTFE self-lubricating PC and PA610 for dimensional stability.

For each of the new materials developed, samples were made, 3D print-outs, evaluating their sensitivity to the many variables depending on the printing process (printer type, infill percentage, deposition orientation and topology, shell size, process and chamber temperatures, layer height, etc.), optimising the parameters in order to obtain thermo-mechanical properties of the molded part as similar as possible to those of the same object produced using injection moulding. For some materials, in particular, such as carbon fibre reinforced (K/10 and K/15), a double criticality has been addressed and overcome:

- 3D printing filaments must be flexible enough to be wound and used in printing without breakage; carbon fibre materials are, by definition, rigid. The company, therefore, worked on innovative formulations to preserve the flexibility of the filament and ensure the rigidity of the printed part;

- unlike injection moulding, 3D printing does not have two components that determine the mechanical properties of injection moulded products: packing pressure and orientation. Working both on the formulation and on the printing parameters, the company obtained exceptional results with some products, such as Nylon + 15% carbon fibre, arriving at load, modulus and elongation values absolutely comparable to those resulting from injection moulding.

The company studied and developed different AM materials (for additive printing) to achieve additional optimisation and improvement compared to the products current available on the market. Although reinforced carbon fibre filaments already exist, they have several critical issues, such as the fragility of the filament, poor mechanical performance (often carbon powder rather than fibre is used) and, if the results obtained are better, they can only be used with specific and very expensive equipment which is, therefore, not accessible to the sector that aims to introduce 3D printing in companies using semi-professional machines without requiring huge investments. In addition to showing improved properties, the products developed by the company are designed to be used on a wide range of 3D printers, including the less expensive ones.

c. Study of new polymers for high temperature applications

The company developed new self-extinguishing compounds and products reinforced with a new type of polymer that combines the excellent mechanical characteristics - in particular the maintenance of very high performance at high temperatures - and good processability. The polymer with the most promising characteristics and the best cost/performance ratio is PA9T. The company developed self-extinguishing, lubricated and reinforced versions with this polymer which it tested both in the electrical sector (for parts subjected to high voltage or very high temperature conditions) and in the automotive sector, in particular for electric vehicles to reduce the formation of "NOx" (the increasingly high operating temperatures and normal PA66 are not sufficient). The development of PA9T-based compounds required the study of a different stabilisation and lubrication system, designed specifically to improve colour and mitigate stress effects in the processing phases, the search for compatible glass fibres, the machine configuration suitable to handle a polymer (raw material) in the form of a fine powder.

This polymer bridges the gap between the most widely used technopolymers and the products now used at high temperatures, which are affected by frequent supply difficulties or very high prices. It has also made it possible to propose solutions for applications that are currently covered by monopolistic materials (such as PA46), with which it shares some specific properties, also providing excellent chemical resistance and very low humidity absorption (the lowest of the PA on the market), with the advantage of small variations in saturation conditions (a very serious problem for the other PA).

As part of project 2 (“gaining and using new technical and scientific knowledge aimed at the design of a new compounding extrusion line”), the company has acquired and applied new technical and scientific knowledge to design a new compound extrusion line capable of achieving high product quality and volume performance output. The solutions studied are innovative in the sector in which Lati operates and have been developed with the support of a specialised company that will construct and install the line.

The end objective is the construction of an innovative extrusion line for highly loaded and special products at the Gornate Olona site. This extrusion line represents an important step towards the automation and digitisation of production.

The R&D activities, carried out with the assistance of the technical and engineering department, focused on a specific solution for automated and semi-automated material handling, which required careful design due to the wide variety of raw materials handled, each with different properties, and frequent production changes.

The innovation relates to the phases of preparation of raw materials and their feeding into the extrusion line, which have an impact on the end quality of the product. In particular, the new technological solution aims to reduce the issue concerning the moisture absorption rates.

This solution comprises:

- the BES-6 big bag emptying station, for sliding and packaging materials;
- the inclusion of an automated hopper washing system;
- the analysis of the chemical-physical characteristics of the various raw materials in order to identify the most efficient transportation system;
- bag unloading and weighing units, as well as vacuum conveyor lines, managed by a single unit, equipped with air flow calibration devices and automated transportation of raw material containers with weighing systems.

The company incurred costs of €1,200,397 for the development of these projects in the previous year. It is confident that the positive outcome of these innovations will positively affect turnover with a favourable impact on the company's profitability. In connection with these R&D costs, the company intends to avail itself of the tax benefit pursuant to article 1.35 of Law no. 190 of 23 December 2014, as subsequently amended, including by article 1.70/72 of Law no. 145 of 30 December 2018 .

Considering article 2426.5 of the Italian Civil Code and OIC 24 issued by the Italian Accounting Profession and in accordance with article 108 of Presidential decree no. 917/86 (the Consolidated Income Tax Act), as subsequently amended, the R&D costs have been fully recognised in the profit and loss account as costs pertaining to the year.

Transactions with subsidiaries, associates and parents

The main transactions carried out by the company with SVI S.p.A., which manages and coordinates it, and with the other companies managed and coordinated thereby are summarised below:

Trading transactions

	Receivables	Payables	Guarantees received	Guarantees given	Costs and charges	Revenues and income
SVI S.p.A.	2,306,092	90,743			334,743	
Lati Shanghai	332,539	14,061			154,910	1,664,680
Lati UK Ltd	212,245	-			3,017	2,080,443
Lati Usa Trade Inc.	32,483	45,720			153,135	68,206
Lati Schweiz SA in liquidation	-				-	-

Financial transactions

	Financial receivables	Loans and borrowings	Guarantees received	Guarantees given	Financial charges	Financial income
SVI S.p.A.	-	-				
Lati UK Ltd						168,949
Lati Schweiz SA in liquidation						

The above transactions, which are neither atypical nor unusual, were carried out on an arm's length basis. The receivables from SVI S.p.A. comprises intragroup VAT (€1,320,819), amounts arising from the domestic tax consolidation scheme (€877,575) and foreign tax assets exceeding the Italian current taxes and, hence, recoverable in future years (€107,698).

The payables to SVI S.p.A. relate to invoices to be received for services (€90,743).

All other balances with group companies arise from trading transactions.

The costs incurred by Lati S.p.A. relate to:

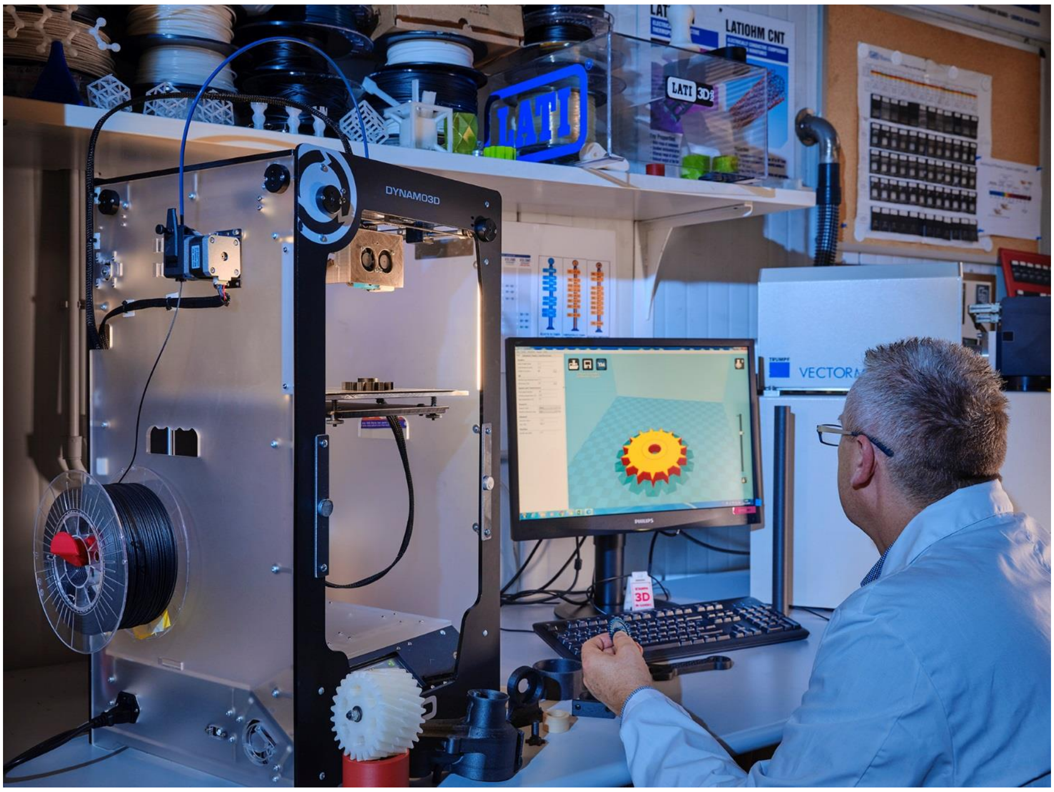
- technical and administrative assistance and advisory services (SVI S.p.A.);
- purchases of materials, commissions and other services (foreign subsidiaries).

Lati S.p.A.'s revenues and income relate to:

- trading income for sales of goods, provision of services and financial income for the dividends distributed by Lati UK Ltd. (foreign subsidiaries).

In 2019, the company made no decisions that were particularly influenced by the company that manages and coordinates it, except for trading and organisational transactions aimed at benefiting from group synergies and the temporary support that the company provided to SVI S.p.A. through loans.

To complete the information, it is noted that SVI S.p.A. prepares consolidated financial statements.



Subsidiaries and branches

The main events affecting the company's foreign operations, either carried out through subsidiaries or branches, are summarised below:

Branches

Lati Industria Termoplastici S.p.A. - Zweigniederlassung Deutschland (formerly Lati Termoplastici Deutschland GmbH)

The positive trend of the German economy in the 2013-2018 period was interrupted by the crisis that affected the main industrial sectors, including the automotive sector. The German branch's 2019 turnover, therefore, decreased to €11,767,081 (2018: €13,341,024) and its net profit to €262,991 (2018: €301,473). During 2019, despite the market difficulties, the branch continued to operate in line with the previous year, continuing to pursue synergies in terms of logistics and customer service level. These results are included in Lati's financial statements.

Prior to the Coronavirus emergency, 2020 sales volumes were expected to be in line with 2019, with a decrease in turnover correlated to raw materials and finished goods' price trends. The outbreak of the pandemic will most likely also lead to a reduction in volumes sold in 2020 compared to 2019.

Lati Industria Termoplastici S.p.A. - Succursal France (formerly Lati France Sas)

The French branch's sales volumes plummeted in 2019, due to the uncertainties about the local industrial production. However, the branch was able to record turnover of €17,659,868 and a net profit of €260,967. These figures are not comparable to those of the previous year, when the branch operated for just six months in the second half of the year. Its 2019 results are included in the company's financial statements. Again, prior to the Coronavirus emergency, 2020 sales volumes were expected to be in line with 2019, with a decrease in turnover correlated to price trends. The pandemic will lead to a reduction in volumes sold, especially in the automotive sector.

Lati Sweden Filial (formerly Scandilati AB)

The Swedish branch, which was set up in July 2016 through the transfer of the local business previously managed by Scandilati AB and began its operations on 1 October 2016, recorded turnover of €1,949,382 and a net profit of €38,225 for 2019 (2018: €2,138,922 and €27,468, respectively). Its results are included in the company's financial statements.

Lati Industria Termoplastici S.p.A. - organizačná zložka

The Slovakian branch was set up at the beginning of 2018 and started operating on 1 February 2018. Its operations includes the foreign warehouses in Slovakia owned by the company. Its 2019 turnover and net profit amounted to €10,415,762 and €207,874, respectively, which cannot be compared to those of the previous year as the latter related to only 11 months (2018: €10,136,940 and €216,716, respectively). Despite its high growth potential, the reference market also contracted significantly, albeit to a lesser extent. Therefore, despite the general slowdown, in 2020, the level of sales is expected to remain in line with 2019. The branch's results are included in the company's financial statements.

Lati Industria Termoplastici S.p.A. - Sucursal en España (formerly Lati Iberica s.l.)

In 2019, as part of the group's reorganisation in Europe, the subsidiary Lati Iberica s.l. was converted into a branch by means of a cross-border merger that took operating effect on 1 July 2019 and retroactive accounting and tax effect on 1 January 2019. Acting as a distributor, the

Spanish branch recorded turnover and net profit for 2019 of €7,204,295 and €223,851, respectively, in line with the previous year (2018: €7,177,667 and €233,492, respectively). The Spanish market was, therefore, less affected by the contraction seen in the company's other European markets. The Spanish branch's 2019 results are included in the company's financial statements. Apart from the impact of the current COVID-19 pandemic, 2020 sales volumes are expected to decrease slightly compared to 2019.

Subsidiaries

Lati U.K. ltd.

During 2019, despite the turbulent course of Brexit, whose features are not yet clearly defined, unlike the company's other reference markets, the British market confirmed a performance in line with previous years. Despite a slight contraction in volumes, the subsidiary's unit profit margins did not decrease as a result of the rise in materials' prices and the subsidiary recorded a net profit of €83,517 (2018: €78,770), also thanks to the increase in turnover from €2,250,097 to €2,628,345. Also in this case, apart from the impact of the COVID-19 pandemic, 2020 sales volumes are expected to decrease slightly due to the offshoring of a business to India.

Lati U.S.A. Trading, inc.

The subsidiary recorded a net profit of €68,256 for 2019 (2018: €56,257, mainly due to the realisation of deferred tax assets), thanks to a decrease in operating costs and turnover of €521,520, in line with 2018 (2018: €529,425). Moreover, on a prudent basis, the subsidiary did not recognise additional deferred tax assets to increase its net profit for the year. During 2019, Lati's product qualification activities with customers continued, especially in the electrical and household appliances sector, and the company started to work with new customers. 2020 sales volumes are expected to be in line with the previous year and the subsidiary will grasp new sales opportunities for special and high-end products thanks to partnerships with local distributors.

Lati Shanghai Co. Ltd.

The subsidiary was set up at the beginning of 2010 and represents the group's direct presence in the Asian market and, in particular, in the strategic Chinese market. During 2019, commercial supplies to key multinational customers were consolidated and significant new sales transactions with local companies took place; the subsidiary also increased the number of finished goods manufactured locally, replacing those imported from Italy. Despite the uncertain market performance and a contraction in sales volumes, the 2019 turnover and net profit of €9,936,934 and €844,788, respectively, are in line with the previous year (2018: €9,942,984 and €868,275, respectively). Before the outspread of Coronavirus, the subsidiary's 2020 business was expected to continue to grow, thanks to the increase in the number of local and international customers, especially in the electricity and renewable energy sector.

Lati Schweiz Thermoplastics SA – in liquidation

After having discontinued its operations in July 2018, the subsidiary was put into liquidation in September 2018. At their meeting of 22 November 2019, its shareholders approved the liquidation financial statements at 31 October 2019, showing a net equity of €419,167, which exceeds the company's share of its net equity. The subsidiary is currently waiting for the formalisation of the last administrative procedures before being struck off the local company register, which is expected to take place within the first half of 2020. Its Swiss customers, mainly based in Canton of Ticino, continued to be served directly through the company.

Parent

SVI S.p.A. continues to provide service coordination among its group companies to enhance efficiency.

Own shares and shares of group companies

At the reporting date, the company did not hold own shares. It did hold 799,999 shares, with a unit value of €0.21, of its parent SVI Sviluppo Industriale S.p.A. (10% of its share capital) which have a carrying amount of €1,994,226, measured at cost, as at the previous year end.

Outlook

The company's turnover of the first few months of 2020 is slightly above expectations, due to the customers' stockpiling that began in the last few months of 2019 rather than to a recovery of the real economy. The main rating agencies are revising downwards the economic scenario on which LATI based its 2020 budget, with an expected performance similar to that of 2019. The world is currently dealing with a full-blown public health emergency for the fight against Coronavirus. Governments have been forced to impose an extremely strict lockdown on their citizens , which risks paralysing the economic and productive system of the various countries. Despite the seriousness of the situation, there is no reason to doubt the company's ability to continue as a going concern. The company's production was not suspended in the first quarter of 2020 and its performance was in line, if not better than, expectations. Lati's business, i.e., the production of plastics in primary forms, is currently considered strategic by the Italian government and, therefore, has not been affected by the additional restrictions imposed with the Decree of 21 March 2020. Although the suspension of production activities cannot be fully excluded yet, the main risk for the company is the global recession that will accompany and follow the health emergency.

Although, to date, the possible effects of the changed macro-economic environment on the forecasts included in the 2020 budget cannot be determined and quantified, Lati can rely on its sound financial position to face the crisis. In order to support profitability, it will also have to drive its repositioning strategy towards high value added products, with the support of a dedicated pre-sales marketing unit. If necessary, it will also use the benefits provided for by the "Italian Care" decree. Finally, the company's presence in China could prove useful when the powerful Asian economy starts up again.

Information on financial instruments and, if relevant for an understanding of the company's financial position, results of operations and cash flows, on its objectives and policies for financial risk management and exposure to price, credit, liquidity and cash flow risks

Reference should be made to the notes to the financial statements and the "Main risks and uncertainties" section hereof for the disclosure required by article 2428.6-bis of the Italian Civil Code. There is no further information to be provided about the company's use of financial instruments and financial risk management.

List of offices

In 2019, the company carried out production at its Vedano Olona site (which houses its legal and operating offices) and Gornate Olona site. It also has a warehouse in Gorla Maggiore. Moreover, the company has local branches in Gothenburg, Sweden ("Lati Sweden Filial"), Wiesbaden, Germany ("LATI Industria Termoplastici S.p.A. - Zweigniederlassung Deutschland"), Nové mesto nad Vàhom, Slovakia, ("LATI Industria Termoplastici S.p.A. - organizačná zložka"), Paris, France ("LATI Industria Termoplastici S.p.A. – succursale France") and Barcelona, Spain ("LATI Industria Termoplastici S.p.A. – succursal Espana").

Conclusion

Reference should be made to the notes to the financial statements, which are an integral part thereto, for the disclosure required by Law no. 72/1983.

Dear shareholders,

To conclude this directors' report accompanying the financial statements at 31 December 2019, we confirm that the draft financial statements presented for your approval give a true and fair view of the company's financial position, results of operations and cash flows and we invite you to approve them.

Thanking you for your trust placed in us, we invite you to resolve on the matter.

Vedano Olona, 30 March 2020

For the board of directors

Chairman

(Francesco Conterno)

LIST OF INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES

Name of the Subsidiary / Registered office	31 December 2018				Changes for the year				
	N° of shares or quotas	%	Nominal Amount	Carrying amount	N° of shares or quotas	Nominal Amount	Increase in cost	Decrease in cost	Write-back or write-down
LATI IBERICA SL (CS - € 330.556,66) calle Aribau 225-227, Principal 1ª, 08021, Barcelona - Spain	55.000	100,00	€ 330.557	328.419				(328.419)	
LATI U.K. LTD (CS - LG 150.000) c/o Bright Partnership, Victoria House, Victoria Road, Hale, Altrincham, England, WA15 9AF - Great Britain	150.000	100,00	LG 150.000	192.076					
LATI USA TRADING, INC. (CS - US$ 850.000) 700 Watermark Blvd - Mt. Pleasant SC 29464 USA South Carolina, USA	850.000	100,00	US$ 850.000	387.610					0
LATI SHANGHAI CO. LTD (CS - CNY 1.878.100) Room 1209, No 55 East Tianlin Road, Huiyang Plaza, Xuhui District - 200235 Shanghai China	1	100,00	CNY 1.878.100	200.000					
LATI SCHWEIZ THERMOPLASTICS S.A. (CS - CHF 100.000) Via Calgari n° 2 - Lugano - Switzerland	90	90,00	CHF 90.000	74.639					
				1.182.744	0	0 0	0	(328.419)	0

HIGH PERFORMANCE THERMOPLASTICS

LIST OF INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES

Name of the Subsidiary / Registered office	Incorporation date	31 December 2019					Company's share of net equity in €* 31.12.19	Toptal net equity €	Net Profit for the year	
		N° of shares or quotas	%	Nominal Amount		Carrying amount				
LATI U.K. LTD (CS - LG 150.000) c/o Bright Partnership, Victoria House, Victoria Road, Hale, Altrincham, England, WA15 9AF - Great Britain	18/06/92	150.000	100,00	LG	150.000	192.076	1.053.524	1.053.524	GPB	73.309
LATI USA TRADING, INC. (CS - US$ 850.000) 700 Watermark Blvd - Mt. Pleasant SC 29464 USA South Carolina, USA	02/06/98	850.000	100,00	US$	850.000	387.610	531.972	531.972	US$	76.413
LATI SHANGHAI CO. LTD (CS - CNY 1.878.100) Room 1209, No 55 East Tianlin Road, Huiyang Plaza, Xuhui District - 200235 Shanghai China	15/01/10	1	100,00	CNY	1.878.100	200.000	3.132.161	3.132.161	CNY	6.534.855
LATI SCHWEIZ THERMOPLASTICS S.A. (CS - CHF 100.000) in liquidation Via Calgari n° 2 - Lugano - Switzerland *(liquidation financial statements at 31 October 2019 approved on 22 November 2019)*	14/11/11	90	90,00	CHF	90.000	74.639	377.250	419.167	CHF	88.666
						854.325	5.094.907			

* Converted at the relevant exchange rate at 31 December 2019 provided by Bank of Italy

USD	equal to € 1/	1,1234
CNY	equal to € 1/	7,8205
CHF	equal to € 1/	1,0854
GBP	equal to € 1/	0,8508

LATI INDUSTRIA TERMOPLASTICI S.p.A.

Company managed and coordinated by

SVI Sviluppo Industriale S.p.A.

Registered office: Via Francesco Baracca 7 - 21040 Vedano Olona

Share capital: €3,818,400 fully paid-up

Varese company registration no. 00214880122

Tax code and VAT no. 00214880122

VARESE Chamber of Commerce R.E.A. no. 41557

Financial statements as at and for the year ended 31 December 2019

General information

Company information	
Registered office in:	VEDANO OLONA
Tax code:	00214880122
REA no.:	41557
Share capital	€3,818,400.00
Fully paid-up share capital:	Yes
Chamber of commerce:	VARESE
VAT no.:	00214880122
Legal form:	Company limited by shares
Main business code (ATECO):	201600
Company in liquidation:	No
Single-member company:	No
Company managed and coordinated by another party:	Yes
Company or body that manages and coordinates it:	SVI SVILUPPO INDUSTRIALE S.p.A.
Group component:	Yes
Parent:	SVI SVILUPPO INDUSTRIALE S.p.A.
Country of parent:	Italy

BALANCE SHEET

	31/12/2019	31/12/2018
Assets		
A) Share capital proceeds to be received		
B) Fixed assets		
I - Intangible fixed assets		
1) start-up and capital costs	620,482	674,186
4) concessions, licences, trademarks and similar rights	117,658	205,032
6) assets under development and payments on account	-	14,062
7) other	23,845	8,771
Total intangible fixed assets	761,985	902,051
II - Tangible fixed assets		
1) land and buildings	22,873,363	18,481,583
2) plant and machinery	11,857,297	5,031,720
3) industrial and commercial equipment	465,351	733,514
4) other assets	267,608	304,584
5) assets under construction and payments on account	2,959,228	12,079,002
Total tangible fixed assets	38,422,847	36,630,403
III - Financial fixed assets		
1) equity investments		
a) subsidiaries	854,325	1,182,744
c) parents	1,994,226	1,994,226
d-bis) other companies	79,242	80,048
Total equity investments	2,927,793	3,257,018
2) financial receivables		
a) from subsidiaries		
b) from associates		
c) from parents		
due after one year	-	2,442,828
Total from parents	-	2,442,828
d) from subsidiaries of parents		
d-bis) from others		
due within one year	-	-
due after one year	26,532	32,935
Total from others	26,532	32,935
Total financial receivables	26,532	2,475,763
Total financial fixed assets	2,954,325	5,732,781
Total fixed assets (B)	**42,139,157**	**43,265,235**
C) Current assets		

	31/12/2019	31/12/2018
I - Inventory		
1) raw materials, consumables and supplies	9,289,745	15,072,139
2) work in progress and semi-finished products	772,738	1,120,825
4) finished goods	13,496,233	18,461,040
Total inventory	23,558,716	34,654,004
II - Receivables		
1) trade receivables		
due within one year	25,746,792	31,034,871
Total trade receivables	25,746,792	31,034,871
2) from subsidiaries		
due within one year	577,267	3,305,246
Total from subsidiaries	577,267	3,305,246
3) from associates		
4) from parents		
due within one year	2,306,092	2,030,464
Total from parents	2,306,092	2,030,464
5) from subsidiaries of parents		
5-bis) tax receivables		
due within one year	426,656	200,131
Total tax receivables	426,656	200,131
5-ter) deferred tax assets	1,198,975	1,048,432
5-quater) from others		
due within one year	366,692	139,807
Total from others	366,692	139,807
Total receivables	30,622,474	37,758,951
III - Current financial assets		
6) other securities	-	-
Total current financial assets	-	-
IV - Liquid funds		
1) bank and postal accounts	20,118,992	5,059,885
3) cash-in-hand and cash equivalents	852	103
Total liquid funds	20,119,844	5,059,988
Total current assets (C)	**74,301,034**	**77,472,943**
D) Prepayments and accrued income	**172,979**	**228,374**
Total assets	**116,613,170**	**120,966,552**

	31/12/2019	31/12/2018
Liabilities		
A) Net equity		
I - Share 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 - Other reserves		
Extraordinary reserve	39,636,541	33,199,447
Reserves for shares of the parent	1,994,226	1,994,226
Negative goodwill	1,895,205	918,327
Reserve for unrealised exchange rate gains	-	-
Total other reserves	43,525,972	36,112,000
VII - Hedging reserve	(129,726)	(92,710)
IX - Net profit for the year	6,143,338	8,953,094
Total net equity	**60,009,919**	**55,442,719**
B) Provisions for risks and charges		
1) pension and similar provisions	8,725	3,500
2) tax provision, including deferred tax liabilities	0	4,207
3) derivatives	129,726	92,710
4) other provisions	1,981,448	1,588,500
Total provisions for risks and charges	2,119,899	1,688,917
C) Employees' leaving entitlement	**2,241,226**	**2,311,612**
D) Payables		
1) bonds		
2) convertible bonds		
3) shareholder loans		
4) bank loans and borrowings		
due within one year	11,085,048	8,863,120
due after one year	14,719,590	12,769,258

	31/12/2019	31/12/2018
Total bank loans and borrowings	25,804,638	21,632,378
5) loans and borrowings from other financial backers		
due within one year	-	304,343
due after one year	-	153,317
Total loans and borrowings from other financial backers	-	457,660
6) payments on account		
due within one year	137,936	70,247
Total payments on account	137,936	70,247
7) trade payables		
due within one year	23,301,832	35,085,816
Total trade payables	23,301,832	35,085,816
8) commercial paper		
9) payables to subsidiaries		
due within one year	59,781	60,050
Total payables to subsidiaries	59,781	60,050
10) payables to associates		
11) payables to parents		
due within one year	90,743	694,916
Total payables to parents	90,743	694,916
11-bis) payables to subsidiaries of parents		
12) tax payables		
due within one year	704,283	1,140,792
Total tax payables	704,283	1,140,792
13) social security charges payable		
due within one year	915,250	991,865
Total social security charges payable	915,250	991,865
14) other payables		
due within one year	1,194,620	1,368,848
Total other payables	1,194,620	1,368,848
Total payables	**52,209,083**	**61,502,572**
E) Accrued expenses and deferred income	**33,043**	**20,732**
Total liabilities	**116,613,170**	**120,966,552**

PROFIT AND LOSS ACCOUNT

	2019	2018
A) Production revenues		
1) turnover from sales and services	145,370,594	164,348,770
2) change in work in progress, semi-finished products and finished goods	(6,161,390)	3,728,775
5) other revenues and income		
other	937,334	703,850
Total other revenues and income	937,334	703,850
Total production revenues	**140,146,538**	**168,781,395**
B) Production cost		
6) raw materials, consumables, supplies and goods	88,818,983	119,635,370
7) services	15,059,299	17,990,061
8) use of third party assets	599,203	546,857
9) personnel expenses		
a) wages and salaries	11,396,571	11,240,171
b) social security contributions	3,614,689	3,553,688
c) employees' leaving entitlement	754,303	778,342
e) other costs	1,016,833	613,629
Total personnel expenses	16,782,396	16,185,830
10) amortisation, depreciation and write-downs		
a) amortisation of intangible fixed assets	486,216	514,396
b) depreciation of tangible fixed assets	2,654,951	2,145,189
d) write-downs of current receivables and liquid funds	-	329,858
Total amortisation, depreciation and write-downs	3,141,167	2,989,443
11) changes in raw materials, consumables, supplies and goods	5,782,394	(2,148,605)
13) other provisions	392,948	-
14) other operating costs	681,143	708,103
Total production cost	131,257,533	155,907,059
Operating profit (A-B)	8,889,005	12,874,336

	2019	2018
C) Financial income and charges		
15) income from equity investments		
in subsidiaries	168,949	251,719
in other companies	40	56
Total income from equity investments	168,989	251,775
16) other financial income:		
a) from financial receivables classified as fixed assets		
d) other income		
from others	5,498	2,427
Total other income	5,498	2,427
Total other financial income	5,498	2,427
17) interest and other financial charges		
to subsidiaries	-	3,769
other	721,118	764,904
Total interest and other financial charges	721,118	768,673
17-bis) net exchange rate gains (losses)	26,602	(66,176)
Net financial charges (15+16-17+/-17-bis)	(520,029)	(580,647)
D) Adjustments to financial assets and liabilities		
18) write-backs		
a) equity investments	68,256	56,390
Total write-backs	68,256	56,390
19) write-downs		
a) equity investments	69,062	-
Total write-downs	69,062	-
Total adjustments (18-19)	(806)	56,390
Profit before taxes (A-B+-C+-D)	8,368,170	12,350,079
20) Income taxes, current and deferred		
current taxes	408,688	565,918
taxes relative to prior years	2,102	42,778
deferred taxes	(150,543)	(95,629)
taxes from participation in the domestic tax consolidation/tax transparency scheme	(1,964,585)	(2,883,918)
Total income taxes, current and deferred	2,224,832	3,396,985
21) Net profit for the year	**6,143,338**	**8,953,094**

Cash flow statement, indirect method

	2019	2018
A) Cash flows from operating activities (indirect method)		
Net profit for the year	6,143,338	8,953,094
Income taxes	2,224,832	3,396,985
Net interest expense	689,018	700,070
Dividends	(168,989)	(251,775)
(Profits)/losses from the sale of assets	-	-
1) Net profit for the year before income taxes, interest, dividends and profits/losses from the sale of assets	8,888,199	12,798,374
Non-monetary adjustments that did not affect net working capital		
Accruals to provisions	1,152,476	871,052
Amortisation and depreciation	3,141,167	2,659,585
Write-downs for impairment losses	-	-
Other non-monetary adjustments	(137,905)	386,248
Total non-monetary adjustments that did not affect net working capital	4,155,738	3,916,885
2) Cash flows before changes in net working capital	**13,043,937**	**16,715,259**
Changes in net working capital		
Decrease/(increase) in inventory	11,943,784	(5,877,381)
Decrease/(increase) in trade receivables	7,268,905	(3,151,757)
Decrease in trade payables	(13,351,982)	(175,176)
Decrease in prepayments and accrued income	55,395	75,171
Increase in accrued expenses and deferred income	12,311	12,828
Other net increases in net working capital	437,136	823,033
Total changes in net working capital	6,365,549	(8,293,282)
3) Cash flows after changes in net working capital	**19,409,486**	**8,421,977**
Other adjustments		
Net interest paid	(689,018)	(700,070)
Income taxes paid	(2,341,284)	(3,396,985)
Dividends collected	168,989	251,775
Use of provisions	(828,896)	(1,083,755)
Other collections/(payments)	806	(386,248)
Total other adjustments	(3,689,403)	(5,315,283)
Cash flows from operating activities (A)	**15,720,083**	**3,106,694**

	2019	2018
B) Cash flows from investing activities		
Tangible fixed assets		
Additions	(4,442,229)	(10,733,086)
Disposals	-	1,074,208
Intangible fixed assets		
Additions	(346,150)	(394,435)
Disposals	-	120,067
Financial fixed assets		
Additions	-	(256,174)
Disposals	12,718	2,229,201
Other non-current financial assets		
Additions	-	-
Disposals	-	250
Cash flows used in investing activities (B)	**(4,775,661)**	**(7,959,969)**
C) Cash flows from financing activities		
Third party funds		
Increase/(decrease) in short-term bank borrowings	2,391,591	(3,490,822)
New loans	10.500.00	6,735,508
Repayment of loans	(8,702,985)	-
Own funds		
Proceeds from issue of share capital	-	113,979
Sale/(repurchase) of own shares	-	-
Dividends and interim dividends paid	(73,172)	(1,184,000)
Cash flows from financing activities (C)	**4,115,434**	**2,174,665**
Increase (decrease) in liquid funds (A ± B ± C)	15,059,856	(2,678,610)
Opening liquid funds		
Bank and postal accounts	5,059,885	7,735,983
Cash-in-hand and cash equivalents	103	2,615
Total opening liquid funds	5,059,988	7,738,598
Closing liquid funds		
Bank and postal accounts	20,118,992	5,059,885
Cash-in-hand and cash equivalents	852	103
Total closing liquid funds	**20,119,844**	**5,059,988**

LATI INDUSTRIA TERMOPLASTICI S.p.A.

Company managed and coordinated by

SVI Sviluppo Industriale S.p.A.

Registered office: Via Francesco Baracca 7 - 21040 Vedano Olona

Share capital: €3,818,400 fully paid-up

Varese company registration no. 00214880122

Tax code and VAT no. 00214880122

VARESE Chamber of Commerce R.E.A. no. 41557

Notes to the financial statements as at and for the year ended 31 December 2019

First part

The financial statements of Lati Industria Termoplastici S.p.A. (the "company") have been prepared in accordance with the provisions of article 2423 and following articles of the Italian Civil Code, interpreted in the context of and integrated by the reporting standards promulgated by the Italian Accounting Standard Setter. They consist of a balance sheet, a profit and loss account, a cash flow statement and these notes.

The cash flow statement shows the reasons for increases and decreases in liquid funds during the year and has been prepared under the indirect method, using the layout provided for by OIC 10.

The amounts presented in the financial statements are expressed in Euros.

Captions with a nil balance in both the current and previous years have been omitted.

If the mandatory disclosures are not sufficient to give a true and fair view, additional disclosures are provided as necessary.

Reference should be made to the directors' report that accompanies these financial statements for information on transactions with subsidiaries, associates and parents.

The post-balance sheet events, the proposed allocation of the net profit for the year and the total off-balance sheet commitments, guarantees and contingent liabilities are presented in specific sections of these notes.

Pursuant to article 2497 and following articles of the Italian Civil Code, the company is managed and coordinated by S.V.I. - Sviluppo Industriale S.p.A. and, therefore, these notes present the key figures derived from the most recent financial statements of this company.

The company is controlled by S.V.I. - Sviluppo Industriale S.p.A., with registered office in Milan, which prepares the consolidated financial statements of the largest group of companies that comprises Lati Industria Termoplastici S.p.A.. These consolidated financial statements are filed with the Milan Company Registrar.

Despite holding controlling investments, the company has not prepared consolidated financial statements under the exemption provided for by article 27.3/4 of Legislative decree no. 127/1991, as its parent, S.V.I. - Sviluppo Industriale S.p.A. with registered office in Milan, Corso Venezia 61, prepares the consolidated financial statements of the largest group of companies that comprises Lati Industria Termoplastici S.p.A.. These consolidated financial statements, together with the accompanying directors' and statutory auditors' reports, are filed with the Milan Company Registrar.

Basis of preparation

The financial statements captions have been measured in accordance with the general principles of prudence and accruals on a going-concern basis. Captions have been recognised and presented in accordance with the substance over form principle, if in compliance with the Italian Civil Code and the OIC. The company has also complied with the principle of measurement consistency, materiality and comparability of information.

As a result:

— the company measures the individual assets and liabilities separately, in order to avoid offsetting profits on certain items against losses on other items. Specifically, the company recognises profits only if realised before the reporting date, whereas it considers risks and losses on an accruals basis, even when they become known after the reporting date;

— the company recognises income and expense pertaining to the year regardless of when it is collected or paid. They are, therefore, recognised in the profit and loss account on an accruals basis in order to be included in the net profit or loss for the year;

— the directors assessed the company's ability to continue as a going concern in the foreseeable future, i.e., for at least twelve months from the reporting date. They did not identify any uncertainties in this respect;

— identification of rights, obligations and conditions is based on the contractual terms of transactions and the reporting standards to check the correctness of the recognition or derecognition of assets and liabilities;

— the materiality of the financial statements captions was assessed considering the financial statements as a whole and both qualitative and quantitative factors.

Under the principle of materiality set out in article 2423.4 of the Italian Civil Code, these notes do not include disclosures on the financial statements captions whose amount or related disclosure are immaterial for the purposes of giving a true and fair view of the company's financial position, results of operations and cash flows, including those specifically required by article 2427 of the Italian Civil Code or other provisions;

— each balance sheet, profit and loss account and cash flow statement caption presents the corresponding figures of the previous year. Where necessary, the latter are adjusted for comparative purposes and the related effects are disclosed in the notes, if material.

Use of estimates

The preparation of financial statements requires management to make estimates that affect the carrying amount of assets and liabilities and the related disclosures. Actual results may differ. Estimates are revised regularly and the effect of any changes, if not due to errors, are recognised in the profit and loss account when the estimates are changed, if they affect just one year, and also in the following years, if they affect both the current and subsequent years.

Post-balance sheet events

These events modify conditions existing at the reporting date. They require adjustments to the carrying amounts of recognised assets and liabilities in accordance with the relevant accounting policy. They are recognised on an accruals basis to present their reporting-date effect on the company's financial position, results of operations and cash flows.

The post-balance sheet events that modify situations existing at the reporting date but do not require adjustments to the carrying amounts under the relevant accounting policy as they relate to the subsequent year are not recognised but are disclosed in the notes if necessary to give a more complete view of the company's position.

The date within which an event shall be considered a post-balance sheet event is the date on which the directors prepare the draft financial statements, unless events that take place during the period from such date to the date on which the financial statements are expected to be approved by the shareholders have a significant impact on the financial statements.

Exceptional events as per article 2423.5 of the Italian Civil Code

No exceptional events took place during the year, which would have led the company to depart from the accounting policies, as permitted by article 2423.5 of the Italian Civil Code, in order to give a true and fair view of its financial position and results of operations.

Moreover, the company did not make any revaluations under specific laws.

Changes in accounting policies

The accounting policies are unchanged from the previous year to ensure the comparability of the financial statements from one year to the next.

Correction of material misstatements

None.

Comparability and adjustment issues

The amounts of the individual captions are perfectly comparable for the two years presented.

The company did not group or omit any of the captions provided for in the layouts required by articles 2424 and 2425 of the Italian Civil Code.

There are no asset or liability items presented in more than one caption.

Accounting policies

As mentioned above, the accounting policies applied for the preparation of these financial statements comply with the provisions of article 2426 of the Italian Civil Code. They are detailed in the relevant sections.

Other information

In 2019, the company continued the project to reorganise its structure and strengthen its presence in Europe. It aimed at converting its subsidiaries operating as distributors and/or agents into branches.

The reorganisation's objective is to enhance control over its foreign operations and operating efficiency, with a view to creating synergies in a global market. As part of this project, in 2019, the company converted its Spanish subsidiary Lati Iberica SL into a branch (Lati Industria Termoplastici S.p.A. - Sucursal en España) by means of a cross-border merger that took legal effect on 1 July 2019 and retroactive accounting and tax effect on 1 January 2019. Accordingly, in addition to the results of operations and cash flows of Lati Sweden Filial, Lati Industria Termoplastici S.p.A. - Zweigniederlassung Deutschland, Lati Industria Termoplastici S.p.A. - organizačná zložka and Lati Industria Termoplastici S.p.A. – Succursale France, these financial statements also incorporate those of Lati Industria Termoplastici S.p.A. - Sucursal en España.

Balance sheet - Assets

Intangible fixed assets

Intangible fixed assets are recognised at acquisition or development cost, with the prior consent of the board of statutory auditors, where required. They are stated net of accumulated amortisation and any impairment losses. The acquisition cost includes the related transaction costs. The development cost includes all directly attributable costs and the reasonably attributable portion of other costs incurred from development up to when the asset is available for use.

Deferred charges, which include start-up and capital costs, including those incurred to set up branches, are recognised when their income generating potential can be demonstrated, the related future economic benefits flowing to the company can be objectively matched thereto and their recovery can be reasonably estimated.

Intangible fixed assets, comprising patents, concessions, licences and trademarks, are recognised as assets only if they can be identified individually, the related future economic benefits will flow to the company, which can limit third-party access to such benefits, and their cost can be estimated with sufficient reliability.

Payments on account to suppliers for intangible fixed assets are recognised when the related payments are due. Assets under development are recognised when the initial costs for the asset are incurred and they include the related internal and external costs.

Intangible fixed assets are amortised systematically and the amortisation expensed each year reflects the allocation of the cost incurred over their entire useful life. Amortisation begins when the asset is available for use. The amortisation pattern depends on how the benefits are expected to flow to the company.

The amortisation rates applied are as follows:

- start-up and capital costs: 20%;
- patents: 20%;
- trademarks: 10%;
- licences and similar rights: 20%;
- other: 20%.

Assets under development are not amortised. The amortisation process begins when these assets are reclassified to their relevant intangible fixed asset caption.

The accounting policies have not changed since the previous year.

No write-downs as per article 2426.1.3 of the Italian Civil Code exceeding the scheduled amortisation were necessary.

Start-up and capital costs comprise costs incurred in previous years to acquire Lati France sas' customer relationships (€901,810, whose amortisation was concluded this year) and to set up the "Lati Sweden Filial" branch (€188,113), the German branch (€348,238), the French branch (€220,455) and the Slovakian branch (€141,086), as well as those incurred in 2019 to set up the Spanish branch (€283,299). As in previous years, the company has capitalised the increase for the year with the agreement of the board of statutory auditors.

Industrial patents include the costs incurred to register an international patent for a device for the production of "long fibre" compounds and for the use of a licence and a third party patent. They did not change during the year.

Concessions, licences, trademarks and similar rights comprise the deferred costs for the acquisition of data processing procedures and licences for the use of application software, as well as costs incurred during the year for the purchase of software licences (€47,107).

"Other" includes the costs incurred in the past for the termination of distribution contracts, thereby obtaining direct access to certain customers, and other deferred costs.

Changes in intangible fixed assets

	Start-up and capital costs	Industrial patents and intellectual property rights	Concessions, licences, trademarks and similar rights	Assets under development and payments on account	Other	Total
OPENING BALANCE						
Cost	1,799,701	196,039	2,555,180	14,062	285,953	4,850,935
Amortisation (accumulated amortisation)	1,125,515	196,039	2,350,148		277,182	3,948,884
Carrying amount	674,186		205,032	14,062	8,771	902,051
CHANGES						
Acquisitions	283,299		47,107		29,806	360,212
Sales and disposals (carrying amount)				14,062		14,062
Amortisation	337,003		134,481		14,732	486,216
Total changes	(53,704)		(87,374)	(14,062)	15,074	(140,066)
CLOSING BALANCE						
Cost	2,083,000	196,039	2,602,287		315,759	5,197,085
Amortisation (accumulated amortisation)	1,462,518	196,039	2,484,629		291,914	4,435,100
Carrying amount	620,482		117,658		23,845	761,985

As shown in the balance sheet, start-up and capital costs comprise costs incurred in previous years to acquire Lati France sas' customer relationships and to set up the Swedish, German, Slovakian and French branches, as well as those incurred in 2019 to merge the subsidiary Lati Iberica and set up the Spanish branch.

The increase for the year (€283,299) will generate economic benefits over more than one year. It is capitalised under start-up and capital costs since the set up of the Spanish branch is part of a long-term project for the company's direct access to European markets.

Indeed, under OIC 24, this caption includes the costs incurred "for an entity's true and proper expansion in directions and activities not previously pursued, rather than for a mere natural quantitative and qualitative growth process, or towards a quantitative expansion of such a scale as to be extraordinary; costs, in short, incurred on a non-recurring basis and which specifically relate to a new business development".

Start-up costs are amortised over five years.

There are no development costs.

As outlined in the company's budget and business plan, the carrying amount of intangible fixed assets does not exceed their recoverable amount, i.e., the higher of their estimated realisable value and value in use.

Tangible fixed assets

Tangible fixed assets are recognised at purchase or production cost, adjusted by accumulated depreciation and write-downs. The purchase cost is the cost actually incurred to purchase the asset and includes the related transaction costs. The production cost includes all directly attributable charges and the reasonably attributable portion of other costs incurred from production up to when the asset is available for use.

Ordinary maintenance costs related to recurring maintenance and repairs to keep assets in good working order to ensure their expected useful life, capacity and original productivity, are expensed when incurred.

Extraordinary maintenance costs incurred to expand, modernise, replace or improve an asset are capitalised within the limits of its recoverable amount if they result in a significant and measurable increase in its production capacity, safety or useful life.

Depreciation is calculated systematically and on a straight-line basis, using rates held to reflect the asset's estimated useful life.

Depreciation begins when the asset becomes available for use. In accordance with the principle of materiality set out in article 2423.4 of the Italian Civil Code and the applicable reporting standard, the depreciation rates are halved in the first year in which the asset is available for use.

Temporarily unused assets are also depreciated.

Land is not depreciated.

The amount to be depreciated is the difference between the cost of the asset and, when it can be calculated, the residual amount at the end of its useful life which is estimated when the depreciation plan is prepared and periodically revised in order to check that the initial estimate is still valid. When the check shows that an asset's estimated residual value is equal to or higher than its carrying amount, the asset is no longer depreciated.

The depreciation rates applied are as follows:

Buildings:	3%
Light constructions:	10%
Plant:	7.5%
Machinery:	12.5%
Sundry, small and laboratory equipment:	40%
Internal means of transport:	20%
Vehicles:	25%
Electronic equipment:	20%
Furniture and ordinary office equipment:	12%

Assets under finance leases are recognised in the balance sheet assets if and when the purchase option is exercised. During the lease term, the lease payments are recognised in the profit and loss account as production costs on an accruals basis. The notes disclose the effects that would have affected the financial statements captions, net equity and the net profit (loss) for the year had the "financial method" been applied.

Tangible fixed assets are revalued, to the extent of their recoverable amount, only if the law requires or permits this. Pursuant to Laws nos. 72/83, 413/91, 266/2005 and 2/2009, certain categories of assets were revalued in previous years. Specifically, the company revalued its Vedano Olona and Gornate Olona buildings pursuant to Law no. 266/2005, including the related roofed and appurtenant areas pursuant to Law no. 2/2009.

The industrial building with its appurtenant area in Gorla Maggiore, acquired with the merger of VMP, has been subjected to the monetary revaluation provided for by Law no. 413/91. This building was also allocated goodwill of €2,082,768 arising from the merger.

If, at the reporting date, there are indications of impairment losses on tangible and intangible fixed assets, the recoverable amount of such assets is estimated.

If the recoverable amount, being the higher of value in use and fair value less costs to sell, is lower than the corresponding carrying amount, the assets are written down.

The company did not identify any indications of impairment at the reporting date.

Changes in tangible fixed assets

	Land and buildings	Plant and machinery	Industrial and commercial equipment	Other assets	Assets under construction and payments on account	Total
OPENING BALANCE						
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 (accumulated depreciation)	16,374,705	45,886,395	7,552,456	2,820,260		72,633,816
Carrying amount	18,481,583	5,031,720	733,514	304,584	12,079,002	36,630,403
CHANGES						
Acquisitions	234,626	1,743,029	236,646	55,447	2,183,023	4,452,771
Reclassifications (carrying amount)	5,039,540	6,246,811	11,885		(11,302,797)	(4,561)
Sales and disposals (carrying amount)		545,501	515			546,016
Depreciation	882,386	1,163,910	516,694	91,961		2,654,951
Other changes		545,148	515	(462)		545,201
Total changes	4,391,780	6,825,577	(268,163)	(36,976)	(9,119,774)	1,792,444
CLOSING BALANCE						
Cost	23,668,186	56,851,740	8,533,986	3,180,291	2,959,228	95,193,431
Revaluations	16,462,268	1,510,714				17,972,982
Depreciation (accumulated depreciation)	17,257,091	46,505,157	8,068,635	2,912,683		74,743,566
Carrying amount	22,873,363	11,857,297	465,351	267,608	2,959,228	38,422,847

The principal increases in tangible fixed assets relate to:

- the completion of the construction of the Torba office/services building (€0.9 million) and the new raw materials warehouse (€3.9 million);
- the completion of the new site’s plant and equipment (€3.1 million);
- the purchase of a static silo machine (€0.38 million).

Moreover, the company reconditioned certain plant and machinery to meet its current needs and purchased various assets strictly necessary for carrying out its operations.

Assets under construction increased by the payments on account made during the year for the construction of the Torba site and to purchase assets, while the decrease relates to the reclassification of assets completed during the year to the relevant depreciable category.

Decreases in assets are due to the disposal of obsolete assets no longer usable in production.

The accounting policies have not changed since the previous year.

No write-downs as per article 2426.1.3 of the Italian Civil Code exceeding the scheduled depreciation were necessary.

Financial fixed assets

Equity investments which the company intends and has the capacity to hold in the long term are recognised under financial fixed assets. Otherwise, they are recognised under current assets. Transfers in or out of the two categories are recognised in accordance with the accounting policies applicable to the portfolio which the asset comes from.

Receivables are recognised under fixed or current assets depending on their intended use in relation to the company's ordinary activities that generate them. Accordingly, financial receivables are recognised under financial fixed assets, whereas trade receivables are recognised under current assets, regardless of their due date. They are measured as detailed below.

Equity investments

Investments in subsidiaries and parents are measured at cost, except for that in Lati USA Trading Inc. which is measured using the equity method.

Equity-accounted investments

For equity accounting purposes, the company used the financial statements at 31 December 2019 approved by the investees' shareholders.

If any impairment losses are identified, the investment is written down, even when the resulting carrying amount is lower than the amount arising from equity accounting.

The carrying amount of the investment in Lati USA Trading Inc. did not change during the year. It was written back as a result of the increase in the subsidiary's net equity and then written down by the same amount on a prudent basis.

Equity investments measured at cost

They are recognised at acquisition or incorporation cost, including the related transaction costs.

After the merger of Lati Iberica SL into the company and its conversion into a branch, the related investment was derecognised.

Equity investments in other companies are recognised under financial fixed assets as they are held for strategic and long-term investment purposes, even though the company does not exercise a dominant or significant influence over the investees. They are classified in caption B-III-1-d-bis), together with the investment in the parent, S.V.I.- Sviluppo Industriale - S.p.A., and are carried at historical cost, pursuant to article 2426.1 of the Italian Civil code, as the company did not identify any indications of impairment at the reporting date, except for the 18% investment in Atlantide SA, whose carrying amount is adjusted for changes in its reporting-date net equity, as per its most recently approved financial statements.

Changes in equity investments, other securities and derivatives

Changes in financial fixed assets: equity investments

	Subsidiaries	Parents	Other companies	Total
OPENING BALANCE				
Cost	16,338,173	1,994,226	216,032	18,548,431
Write-backs	94,376		5,904	100,280
Write-downs	15,249,805		141,888	15,391,693
Carrying amount	1,182,744	1,994,226	80,048	3,257,018
CHANGES				
Acquisitions				
Reclassifications				
Write-backs	68,256			
Write-downs	68,256		806	806
Other changes	(328,419)			(328,419)
Total changes	(328,419)		(806)	(329,225)
CLOSING BALANCE				
Cost	16,009,754	1,994,226	216,033	18,220,013
Write-backs	162,632		5,904	168,536
Write-downs	15,318,061		142,695	15,460,756
Carrying amount	854,325	1,994,226	79,242	2,927,793

Changes in and due date of financial receivables

	Opening balance	Changes	Closing balance	Portion due after one year
From parents	2,442,828	(2,442,828)	-	-
From others	32,935	(6,403)	26,532	26,532
Total	2,475,763	(2,449,231)	26,532	26,532

Financial receivables from parents, which related to the non-interest bearing loans that the company granted to Svi S.p.A. in the past, were fully repaid during the year, by offsetting €2,426,817 against the portion of dividends of €3.40 per share distributed by the company in November.

Amounts due from others include guarantee deposits.

Investments in subsidiaries

The additional disclosure on investments in subsidiaries required by article 2427.5 of the Italian Civil Code is provided below:

	Town or foreign country	Share capital (€)	Profit for the most recent year (€)	Net equity (€)	Investment held (€)	Investment %	Carrying amount or related receivable
LATI UK LTD	Great Britain and Northern Ireland	176,305	86,165	1,053,524	1,053,524	100%	192,076
LATI USA TRADING INC	United States of America	756,632	68,019	531,972	531,972	100%	387,610
LATI SHANGAI CO LTD	People's Republic of China	240,151	835,606	3,132,161	3,132,161	100%	200,000
LATI SCHWEIZ THERMOPLASTICS SA in liquidation	Switzerland	82,919	81,689	419,167	377,250	90%	74,639
TOTAL							854,325

Foreign currency share capitals, net equities and net profits have been converted into Euros using the closing rate.

The carrying amount of the equity-accounted investment in Lati USA Trading Inc. differs from the investee's net equity in Euros as the company measured the investment using the stratified historical exchange rate at the reporting date.

Breakdown of financial receivables by geographical segment

In accordance with the transparency and clarity principles, a breakdown of the company's financial receivables by geographical segment is provided below:

	From others	Total
Italy	14,726	14,726
European Union	11,806	11,806
Other countries		
Total	26,532	26,532

DISCLOSURE ON INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES HELD DIRECTLY OR THROUGH TRUSTEES OR NOMINEES

A previous table summarises the disclosure required by article 2427.5 of the Italian Civil Code. The carrying amount of the cost-accounted investments in Lati UK Ltd, Lati Schweiz Thermoplastics SA in liquidation and Lati Shanghai Co. Ltd. is lower than the company's share of the investees' net equity reported in the most recent financial statements approved or prepared for shareholders' approval.

Following the subsidiary's merger into the company, the 100% investment in Lati Iberica SL was derecognised.

The merger gave rise to negative goodwill of €976,878 recognised in net equity.

The subsidiary Lati Schweiz Thermoplastics SA was put into liquidation in 2018 and its final liquidation financial statements were approved in November 2019. It is expected to be struck off the company register in the first half of 2020. The investment has been maintained at cost, considering its expected liquidation.

The company wrote down the increase in the carrying amount of its investment in Lati USA Trading Inc. arising from the application of the equity method (€68,256).

Caption BIII 1d) "Equity investments in other companies" of €79,242 is detailed below:

Cesap S.r.l.	€7,518
Atlantide S.A.	€15,961
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
Partecipazione rete GIUNCA	€100
Partecipazione Global Compact network	€1,500

The decrease of €806 over the previous year end is due to the write-down of the investment in Atlantide SA.

Balance sheet - Current assets

Inventory

Inventory is initially recognised at purchase or production cost and subsequently measured at the lower of cost and estimated realisable value based on market trends.

Purchase cost is the actual cost paid upon purchase including related charges, less commercial discounts.

Production cost includes all direct costs and the reasonably attributable portion of indirect costs incurred from production up to when the asset is available for use, based on normal production capacity.

The company has adopted the specific-batch weighted average cost to measure raw materials.

Its method for the measurement of work in progress and semi-finished products is as follows:

1) the portion of raw materials used for manufacturing the items is measured at the specific-batch cost of raw materials actually used;

2) the portion of direct industrial costs and reasonably attributable indirect industrial costs is measured at standard cost.

The estimated realisable value based on market trends is the estimate of ordinary sales prices of goods and finished products, net of estimated completion costs and direct sales costs. Obsolescence and turnover are also taken into account in calculating the estimated realisable value based on market trends.

Raw materials and supplies used in manufacturing finished goods are not written down if the realisable value of such goods is expected to be equal to or higher than their production cost. Moreover, should the price of raw materials and supplies decrease and the cost of finished goods exceed their realisable value, the raw materials and supplies are written down to their net realisable value, assumed to be the best estimate of their market price.

Therefore, inventory items whose estimated realisable value based on market trends is lower than their carrying amount are written down.

Should the reasons for the write-down applied as an adjustment to the realisable value based on market trends cease to exist, in whole or in part, the write-down is reversed to the extent of the originally incurred cost.

Accumulated write-downs of those finished goods whose realisation is doubtful or whose reporting-date carrying amount is lower than their realisable value amounted to €697,940. The company used €145,836 of this provision and accrued €366,767 thereto during the year.

Accumulated write-downs of obsolescent or slow-moving items amounted to €412,904, including utilisations of €299,305 and write-downs of €249,039 made during the year.

The write-downs are recognised in the specific provisions. The resulting carrying amounts are in line with the reporting-date market values. Accordingly, there is no need to present a breakdown of the difference by inventory item.

As part of the set up of the Spanish branch, which took place by merging Lati Iberica, the company acquired finished goods of €876,124, together with the related provision of €27,628.

	Opening balance	Change	Closing balance
Raw materials, consumables and supplies	15,072,139	(5,782,394)	9,289,745
Work in progress and semi-finished products	1,120,825	(348,087)	772,738
Finished goods	18,461,040	(4,964,807)	13,496,233
TOTAL INVENTORY	34,654,004	(11,095,288)	23,558,716

The overall decrease in inventory (€11,095,288) is due to the drop in the price of the reference raw materials and the significant reduction in volumes processed as a result of a contraction in market demand, which affected most of the year.

Current receivables

Receivables are rights to receive fixed or determinable amounts of cash or its equivalent in goods or services from customers or other third parties at identified or identifiable due dates.

Receivables arising from the sale of goods and supply of services are recognised in accordance with the requirements set out in the section on revenues.

Receivables arising for other reasons are recognised if they result in a right to a receivable, i.e., if they actually give rise to a third party obligation to the company.

There were no receivables that required amortised cost accounting.

The amortised cost method is not applied when its effects are irrelevant, which is usually the case for current receivables or when transaction costs, commissions paid between the parties and any other difference between the original and recoverable amounts at the due date are insignificant.

The company recognises these receivables at their estimated realisable value by writing down their carrying amount through the provision for bad debts, in order to provide for any risk of impairment.

To this end, the company considers specific indicators based on past trends and any other useful information about a probable impairment.

The write-downs are estimated on an individual basis for significant receivables and collectively for the others, by calculating the expected impairment losses at the reporting date.

The write-downs recognised in the provision for bad debts for receivables covered by guarantees consider the effects of enforcing the guarantees.

In the case of insured receivables, write-downs are only limited to the portion not covered by the insurance, if compensation is reasonably certain.

Changes in and due date of current receivables

	Opening balance	Change	Closing balance	Portion due within one year
Trade receivables	31,034,871	(5,288,079)	25,746,792	25,746,792
From subsidiaries	3,305,246	(2,727,979)	577,267	577,267
From parents	2,030,464	275,628	2,306,092	2,306,092
Tax receivables	200,131	226,525	426,656	426,656
Deferred tax assets	1,048,432	150,543	1,198,975	
From others	139,807	226,885	366,692	366,692
Total	37,758,951	(7,136,477)	30,622,474	29,423,499

The financial statements do not include receivables due after more than five years.

Most of the company's receivables are insured and those that are uninsured are written down through the provision for bad debts of €724,931, which is deemed to adequately cover existing risks. The opening provision of €854,013 was used for €129,082, while no additional write-downs were made.

Receivables from subsidiaries are mainly due to trading transactions.

Receivables from parents comprise the group VAT (€1,320.819), amounts arising from the domestic tax consolidation scheme (€877,575) and foreign tax assets exceeding the Italian current taxes and recoverable in future years (€107,698).

Tax receivables show the balance of payments on account less the amount paid at the reporting date. The increase in the current portion of deferred tax assets is due to the deductible temporary differences whose offsetting against future taxable profits is reasonably certain, in terms of its expected amount and applicable tax rates.

Breakdown of current receivables by geographical segment

The following table breaks down current receivables by the geographical segments in which the company operates in order to show any country risk:

	Italy	European Union	Non-EU European countries	Rest of the world	Total
Trade receivables	14,182,036	8,675,432	1,087,602	1,801,722	25,746,792
From subsidiaries		212,245		365,022	577,267
From parents	2,306,092				2,306,092
Tax receivables	159,087	258,624		8,945	426,656
Deferred tax assets	1,198,975				1,198,975
From others	218,730	143,335		4,627	366,692
Total	18,064,920	9,289,636	1,087,602	2,180,316	30,622,474

Given the materiality of current receivables “from others” their breakdown is provided below:

Amounts due from employees	€10,813
Holidays taken but not yet accrued	€65,031
Amounts due from suppliers	€2,629
Credit notes to be received from suppliers	€219,707
Advances paid to suppliers	€19,690
Prepaid insurance premiums for employees (INAIL)	€13,913
Other	€34,909
TOTAL FROM OTHERS	€366,692

Liquid funds

These are the positive balances of bank and postal accounts and cheques, as well as the cash-in-hand and cash equivalents at year end. Bank and postal account deposits and cheques are recognised at their estimated realisable value, cash and revenue stamps at their nominal amount, while foreign currency is measured at the closing rate. Cash-in-hand and bank current accounts are recognised at their actual amount.

	Opening balance	Change	Closing balance
Bank and postal accounts	5,059,885	15,059,107	20,118,992
Cash-in-hand and cash equivalents	103	749	852
Total liquid funds	5,059,988	15,059,856	20,119,844

The increase is principally due to the operating cash flows.

Prepayments and accrued income

Prepayments are recognised on an accruals basis in accordance with article 2424-bis of the Italian Civil Code.

There is no accrued income. Prepayments are made up as follows:

	Opening balance	Change	Closing balance
Prepayments	228,374	(55,395)	172,979
Total prepayments and accrued income	228,374	(55,395)	172,979

The breakdown of the caption required by article 2427.7 of the Italian Civil Code is as follows:

	Amount
Borrowing costs	€6,725
Membership fees	€8,053
Insurance premiums	€5,413
Assistance and maintenance fees	€74,855
Leases	€5,328
Royalties	€28,437
Hires and rentals	€19,098
Trade fairs	€21,157
Other prepayments	€3,913
TOTAL	€172,979

LIABILITIES AND NET EQUITY

Net equity

The effects of the application of other accounting policies on net equity are disclosed in the relevant notes.

Net equity rose by €4,567,200 from €55,442,719 to €60,009,919, due to:

- the net profit for 2019 (€6,143,338);
- the negative goodwill arising on the merger of Lati Iberica SL into the company (€976,878);
- the distribution of a portion of the extraordinary reserve, as per the shareholders' resolution of 25 November 2019 (-€2,516,000);
- fair value losses on hedging derivatives (-€37,016).

In the past, the company increased its share capital by using its revaluation reserves.

Changes in net equity

The origin, possible use and distributability of net equity items, as well as utilisations in the past three years are shown in the following table:

	Opening balance	Allocation of the net profit of the previous year		Other changes			Net profit for the year	Closing balance
		Dividends	Other	Increase	Decrease	Reclass.		
Share capital	3,818,400							3,818,400
Revaluation reserves	5,027,935							5,027,935
Legal reserve	1,624,000							1,624,000
Other reserves								
Extraordinary reserve	33,199,447			8,953,094	2,516,000			39,636,541
Reserves for shares of the parent	1,994,226							1,994,226
Negative goodwill	918,327			976,878				1,895,205
Total other reserves	36,112,000			9,929,972	2,516,000			43,525,972
Hedging reserve	(92,710)				37,016			(129,726)
Net profit for the year	8,953,094		8,953,094				6,143,338	6,143,338
Total net equity	55,442,719		8,953,094	9,929,972	2,553,016		6,143,338	60,009,919

For the sake of transparency, although not expressly required by the law, a breakdown of the revaluation reserves is set out below:

	Amount
Revaluation reserve as per Law no. 2/2009	5,027,935
Total	5,027,935

Negative goodwill totalling €1,895,205 is due to the 2017 merger of Lati Deutschland (€711,638), the 2018 merger of Lati France (€206,689) and the 2019 merger of Lati Iberica (€976,878).

Since the company acquired 799,999 shares of its parent, Svi S.p.A., equal to €1,994,226 and within the restrictions imposed by article 2359-bis.3 of the Italian Civil Code, it recognised the specific unavailable reserve of the same amount, which is still in place.

Availability and use of net equity

The following table summarises the information required by article 2427.7-bis of the Italian Civil Code about the possible use, distributability and use of net equity in previous years:

	Amount	Origin	Possible use	Available portion	Use in the past three years	
					to cover losses	other
Share capital	3,818,400	E,R				
Revaluation reserves	5,027,935	R	A,B,C,	5,027,935		
Legal reserve	1,624,000	I	B			
Other reserves						
Extraordinary reserve	39,636,541	I	A,B,C,	39,636,541		5,032,000
Reserves for shares of the parent	1,994,226	I				
Negative goodwill	1,895,205	E	A,B	1,895,205		
Total other reserves	43,525,972			41,531,746		5,032,000
Hedging reserve	(129,726)			(129,726)		
Total	53,866,581			45,809,473		5,032,000
Distributable portion				44,043,994		

Key of "Possible use" column: A = capital increases; B = to cover losses; C = dividends; D = other uses required by the by-laws; E = other

Key of "Origin" column: E = equity-related; I = income-related; R= revaluation

Changes in the hedging reserve

This reserves shows the accumulated net fair value losses on hedging derivatives, with respect to which more details are provided below.

	Hedging reserve
Opening balance	(92,710)
Changes	
Fair value gains	37,016
Closing balance	(129,726)

The revaluation reserve is recognised in accordance with Law no. 2/2009.

The revaluation reserve as per Law no. 266/2005, which originally amounted to €8,800,000, was used to cover the net losses for 2006 (€1,449,153) and 2007 (€7,350,847), as per the relevant shareholders' resolutions. At their extraordinary meeting of 26 November 2012, the shareholders resolved not to reinstate the reserve as per article 1.469 and following articles of Law no. 266 of 23 December 2005, which was used as above, and, therefore, said reserve had a zero balance and was not reinstated, with the possibility to distribute dividends in accordance with the law.

As required by article 2426.5) of the Italian Civil Code, although the extraordinary reserve is available, €620,482 thereof is not distributable since the financial statements include start-up and capital costs of the same amount that have not yet been fully amortised. On 25 November 2019, the shareholders resolved to distribute €2,516,000 from the extraordinary reserve. The amount was used to extinguish the €2,426,817 loan granted to SVI, while the difference was paid.

Provisions for risks and charges

Provisions for risks and charges are recognised to cover specific liabilities that are certain or probable, but whose amount or due date is unknown at the reporting date.

Specifically, provisions for risks relate to specific liabilities whose occurrence is probable and amount estimated, while provisions for charges relate to specific liabilities, whose occurrence is certain and amount or due date estimated, that arise from obligations already taken on at the reporting date but which will be paid in subsequent years.

Accruals to provisions for risks and charges are primarily recognised in the profit and loss account section to which the transaction relates, privileging the classification of costs by nature. The amount of the accruals to the provisions is based on the best estimate of costs at each reporting date and is not discounted.

Moreover, in estimating accruals to provisions for charges, the company may consider the related time horizon, if a reasonable estimate of the amount required to settle the obligation and its due date is possible and the latter is so far into the future that the obligation’s present value and estimated liability will be considerably different at that settlement date.

If the measurement of the accruals gives a range of values, the accrual represents the best possible estimate between the upper and lower thresholds of the range.

The provisions are subsequently used directly and solely for those costs and liabilities for which they were originally set up. If they are not sufficient or are redundant, the shortfall or surplus is recognised in the profit and loss account in line with the original accrual.

At each reporting date, the company measures derivatives at fair value and presents them in the specific balance sheet captions as current or fixed (in the case of hedges of fixed assets or liabilities due after one year) assets, if their fair value is positive or under provisions for risks and charges, if their fair value is negative.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The company measures the fair value of unlisted derivatives using adequate valuation techniques and the assumptions, parameters and fair value hierarchy levels required by the relevant OIC.

The fair value gain or loss on its hedging derivatives are recognised a specific net equity caption.

The disclosures required by article 2427-bis.1 of the Italian Civil Code on the fair value of derivatives and those required by OIC 32 are provided in a specific section of these notes.

The provisions for risks and charges include derivatives of €129,726, which is the difference between the notional amount and fair value of the interest rate swap (IRS liability) entered into with Credit Agricole to hedge the interest risk on the loan obtained for the Torbissima project.

	Pension and similar provisions	Tax provision, including deferred tax liabilities	Derivatives	Other provisions	Total provisions for risks and charges
Opening balance	3,500	4,207	92,710	1,588,500	1,688,917
Changes					
Accruals	5,225		37,016	392,948	435,189
Utilisations		4,207			4,207
Total changes	5,225	(4,207)	37,016	392,948	430,982
Closing balance	8,725		129,726	1,981,448	2,119,899

Pension and similar provisions (caption B1), which cover possible costs for foreign agents' termination indemnities, increased by €5,225 during the year.

The provisions for tax disputes included in caption B2) was recognised in the previous year (€4,207) to cover possible liabilities for assessed registration taxes on land the company purchased in Torba in previous years. It decreased during the year in line with the reduction in the related liability.

The provision for future risks included in caption B3) and amounting to €1,981,448 comprises:

- a prudent accrual for products' non compliance of €102,515, including €42,515 added during the year;

- an accrual of €60,000 for future restoration costs for the area the Pedemontana Lombarda motorway runs through (€60,000), recognised after the merger of VMP S.p.A. into the company;

- a prudent accrual of €345,000 for the asbetos roof of a building formerly owned by VMP S.p.A., whose replacement in the short term is required by regional legislation;

- a prudent accrual of €500,000 to cover possible restoration costs for the Gorla Maggiore shed's basic systems. The accrual was necessary after the damage incurred as a result of the various thefts and the deterioration due to the shed's prolonged disuse;

- a prudent accrual of €753,433 for land reclamation costs. It includes ,the reclassification of the 2015 depreciation of land related to owned buildings (€261,217), accruals made in previous years (€328,783) and the accrual for the year (€163,433);

- a residual accrual of €30,000 for possible future costs for accidents;
- an accrual of €3,500 for document storage risks of the German branch, arising from the 2017 merger of the German subsidiary;
- an accrual of €187,000 made in 2019 for costs relating to the discontinuance of the subsidiary Lati Schweiz's operations.

Employees' leaving entitlement

The Italian employees' leaving entitlement (TFR) is the benefit to which employees are entitled in any case of termination of employment pursuant to article 2120 of the Italian Civil Code and considering the changes in legislation introduced by Law no. 296/2006. The overall accrued benefit considers any type of continuous remuneration and is net of any payments on account, partial advances paid by virtue of national or individual labour contracts or company agreements which are not required to be repaid and the amounts transferred to the supplementary pension funds or the treasury fund managed by the Italian Social Security Institution (INPS).

The related liability is the amount that the company would have paid had all employees left at the reporting date. Any amounts due to employees who had already left the company at the reporting date but that will be paid in the following year is reclassified to payables.

	EMPLOYEES' LEAVING ENTITLEMENT
Opening balance	2,311,612
Changes:	
Accruals	754,303
Utilisations	824,689
Total changes	(70,386)
Closing balance	2,241,226

The decrease is due to the applicable laws, which require the transfer of the annual accrual to external funds, and the termination of employment contracts.

Payables

Payables are specific and certain liabilities that are obligations to pay fixed or determinable sums of cash or its equivalent to financial backers, suppliers or other parties. They are recognised in line with their nature (or origin) regardless of when they are required to be settled.

Payables arising from the purchase of goods are recognised when the production process for the goods has been completed and the substantial transfer of title has taken place, with the transfer of risks and benefits being the key parameter. Payables relating to services are recognised once the services have been delivered, i.e., when they have been carried out. Loans and borrowings and payables unrelated to the procurement of goods and services are recognised when the company has an obligation vis-a-vis the counterparty. Payables for advances from customers are recognised when the right to collect the advance arises.

Payables are recognised at amortised cost, considering the time value of money.

The amortised cost method is not applied when its effects are irrelevant, which is usually the case for current payables or when transaction costs, commissions paid between the parties and any other difference between the original and settlement amounts at the due date are insignificant.

In this case, payables are initially recognised at their nominal amount, net of bonuses, discounts and allowances contractually provided for or, in any case, granted. They are subsequently measured at their nominal amount plus interest calculated at the nominal interest rate, reduced by principal and interest paid.

In the event of early settlement, the difference between the residual outstanding amount and the outlay to settle the obligation is recognised as financial income or charges.

The company opted not to recognise payables existing at 31 December 2015 at amortised cost and did not discount them, including in accordance with the transitory provisions set out in article 12.2 of Legislative decree no. 139/2015.

Cash discounts and allowances that were not included in the calculation of the carrying amount at initial recognition as they could not be determined when the payable was originally recognised are recognised upon settlement as financial income.

Payables are derecognised, in whole or in part, when the relevant contractual and/or legal obligations are extinguished for settlement or other reasons, or are transferred.

Changes in and due date of payables	Opening balance	Change	Closing balance	Portion due within one year	Portion due after one year
Bank loans and borrowings	21,632,378	4,172,260	25,804,638	11,085,048	14,719,590
Loans and borrowings from other financial backers	457,660	(457,660)			
Payments on account	70,247	67,689	137,936	137,936	
Trade payables	35,085,816	(11,783,984)	23,301,832	23,301,832	
Payable to subsidiaries	60,050	(269)	59,781	59,781	
Payables to parents	694,916	(604,173)	90,743	90,743	
Tax payables	1,140,792	(436,509)	704,283	704,283	
Social security charges payable	991,865	(76,615)	915,250	915,250	
Other payables	1,368,848	(174,228)	1,194,620	1,194,620	
Total payables	61,502,572	(9,293,489)	52,209,083	37,489,493	14,719,590

Trade payables dropped by €11,783,984 due to the smaller turnover for the year, the investment slowdown and, partly, the reduction in the price of the reference raw materials, especially in the last few months of the year.

Bank loans and borrowings include those granted for the construction of the new Torba site, which are due after more than five years. They are broken down by due date below:

	Within one year	From 1 to 5 years	After 5 years	Total
UNICREDIT-TORBISSIMA	345,910	2,839,861	364,229	3,550,000
BANCA POP. SONDRIO-TORBISSIMA	290,540	1,605,865	103,595	2,000,000
BANCA POP. SONDRIO-TORBISSIMA	-	1,190,950	309,050	1,500,000
BANCA POP. SONDRIO-TORBISSIMA	-	811,088	688,912	1,500,000
OTHER LOANS	6,161,765	6,806,040	-	12,967,805
CURRENT ACCOUNTS	4,286,833	-	-	4,286,833
Total	11,085,048	13,253,804	1,465,786	25,804,638

Breakdown of payables by geographical segment

For clarity purposes, total payables (caption D) are broken down by geographical segment below:

	Italy	European Union	Non-EU European countries	Rest of the world	Total
Bank loans and borrowings	25,804,638				25,804,638
Payments on account	33,306	25,878		78,752	137,936
Trade payables	13,640,391	7,972,304	474,927	1,214,210	23,301,832
Payable to subsidiaries				59,781	59,781
Payables to parents	90,743				90,743
Tax payables	379,361	304,893		20,029	704,283
Social security charges payable	798,609	116,641			915,250
Other payables	931,125	260,440	2,523	532	1,194,620
Total payables	41,678,173	8,680,156	477,450	1,373,304	52,209,083

Payables secured by company’s assets

Payables (caption D 4) include:

a loan granted by Banca Popolare di Sondrio with an outstanding amount of €896,172, secured by first-level mortages on the Torba 3 and Gorla Maggiore (fornerly VMP) buildings, due within one year.

	Payables secured by collateral				Payables not secured by collateral	Total
	Mortgages	Pledges	Special liens	Total		
Bank loans and borrowings	896,172			896,172	24,908,466	25,804,638
Payments on account					137,936	137,936
Trade payables					23,301,832	23,301,832
Payable to subsidiaries					59,781	59,781
Payables to parents					90,743	90,743
Tax payables					704,283	704,283
Social security charges payable					915,250	915,250
Other payables					1,194,620	1,194,620
Total payables	896,172			896,172	51,312,911	52,209,083

Given the materiality of other payables, their breakdown is provided below:

- Remunerations and bonuses due to employees	609,267
- Accrued wages and salaries	288,660
- Credit notes to be issued to customers	133,237
- Amounts due to the industry association	7,222
- Accrued insurance premiums	8,283
- Contributions to the occupational pension fund (Fondo Gomma Plastica)	60,211
- Payables to customers	7,366
- Other	80,374
TOTAL OTHER PAYABLES	1,194,620

Accrued expenses and deferred income

Accrued expenses are recognised on an accruals basis in accordance with article 2424-bis of the Italian Civil Code.

There is no deferred income.

	Opening balance	Change	Closing balance
Accrued expenses	20,732	12,311	33,043
Total	20,732	12,311	33,043

The breakdown of the caption required by article 2427.7 of the Italian Civil Code is as follows:

ACCRUED EXPENSES

	Amount
Accrued bank interest expense	33,043
TOTAL	33,043

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NOTES TO THE PROFIT AND LOSS ACCOUNT

Revenues and income, costs and charges are stated net of returns, allowances, discounts and premiums, as well as taxes directly related to the sale of goods or provision of services, in compliance with the accruals and prudence concepts.

Revenues from the sale of goods are recognised when the production process for the goods has been completed and the exchange has already taken place, i.e., upon the substantial rather than formal transfer of title, with the transfer of risks and benefits being the key parameter.

Revenues and income, costs and charges relating to foreign currency transactions are translated using the spot exchange rate ruling on the date of the relevant transaction.

When the amortised cost method is applied, interest is recognised using the effective interest method.

Financial charges are recognised for the amount accrued during the year.

Revenues and costs, whose amount or impact is exceptional, are disclosed in a specific section of these notes.

Production revenues

Breakdown of turnover from sales and services by business segment

The company solely operates in one business segment. Accordingly, its revenues are not further broken down.

	2019
Turnover from sales and services	145,370,594
Total	145,370,594

Breakdown of turnover from sales and services by geographical segment

Turnover from sales is broken down by geographical segment below:

	2019
ITALY	45,689,267
ABROAD	99,681,327
Total	145,370,594

One of the largest items of other revenues and income is the grant for research and development as per Law no. 190/2014 (€225,616), which was paid and used during the year.

FINANCIAL INCOME AND CHARGES

Dividends

Dividends are recognised as financial income when the company obtains the right to collect them, following the resolution of an investee's shareholders to distribute profits or reserves.

If an investee distributes own shares or assigns shares as part of a bonus issue as a dividend, the company does not recognise any financial income.

Breakdown of income from equity investments

As shown in caption C15) of the profit and loss account, income from equity investments totalled €168,989, €168,949 of which relating to subsidiaries:

DIVIDENDS	2019
Lati UK Ltd.	€168,949
Other companies	€40

Breakdown of other financial income and interest and other financial charges

As required by article 2427.11/12 of the Italian Civil Code, a breakdown of these captions is provided below as they are material:

Other financial income

	Amount
Interest income on current accounts	3,908
Other interest income	1,590
Total	5,498

Interest and other financial charges

	Amount
Interest expense on non-current loans	252,268
Interest expense on credit facilities (advances on invoices)	2,593
Cash discounts granted to customers	465,697
Other interest expense	560
Total	721,118

Although not mandatorily required by the applicable law, a breakdown of caption C17-bis) of the profit and loss account is provided below:

	Amount
- realised exchange rate gains	110,378
- unrealised exchange rate gains	-
- reversal of prior year unrealised exchange rate gains	-
- realised exchange rate losses	(83,776)
- unrealised exchange rate losses	-
- Net exchange rate gains (caption C17-bis))	26,602

Assets and liabilities generated by foreign currency transactions are initially recognised in Euros, applying the transaction-date spot rate between the Euro and foreign currency to the foreign currency amount. The company did not re-translate foreign currency receivables and payables from/to third parties using the closing rate as the difference would have been immaterial (€932). There were no post-balance sheet changes in exchange rates that would have significantly affected the company's financial statements.

Adjustments to financial assets and liabilities

Equity-accounted investments in subsidiaries and other companies changed as follows during the year:

Write-backs:	
Lati USA Trading Inc.	68,256

Write-downs:	
Lati USA Trading Inc.	68,256
Atlantide	806

Amount and nature of individual revenue/cost items whose amount or impact is exceptional

None.

Income taxes, current and deferred

Current income taxes for the year are calculated on the basis of a realistic forecast of the taxable profit under the relevant tax legislation and applying the enacted tax rates at the reporting date. The related tax payable is stated at its nominal amount in the balance sheet, net of payments on account, withholding taxes and tax receivables which may be offset and have not been claimed for reimbursement. A tax asset is recognised for payments on account, withholdings and receivables exceeding the taxes payable.

The company is part of the parent SVI - Sviluppo Industriale S.p.A.'s domestic tax consolidation scheme for IRES purposes. Accordingly, the balance sheet shows the receivables and payables from/to the consolidating company representing the tax benefits given and received.

Deferred tax assets are calculated on the accumulated amount of all temporary differences between the carrying amounts of assets and liabilities and their tax base that will reverse in subsequent years. The company did not recognise deferred tax liabilities. Deferred tax assets are recognised when the temporary differences arise and are calculated at the tax rates that will be applicable in the year in which the temporary differences reverse, if they have already been established at the reporting date, otherwise at the enacted tax rates at the reporting date. The company recognised deferred tax assets as it is reasonably certain that it will earn a taxable profit sufficient to offset the amount of the temporary differences in the year in which they will reverse. Moreover, any future tax losses would be transferred to the parent as part of the tax consolidation agreement, with the recognition of an offsetting benefit proportionate to the applicable IRES rate.

The temporary differences giving rise to the recognition of deferred tax assets, the related tax rates and changes for the year, as well as the amounts recognised in the profit and loss account, are set out in the following table:

	Opening deferred tax assets		2019 reversals		2019 increase		Closing deferred tax assets	
Deductible temporary differences	Tax base	Tax: IRAP 3.9% IRES 24%	Tax base	Tax: IRAP 3.9% IRES 24%	Tax base	Tax: IRAP 3.9% IRES 24%	Tax base	Tax: IRAP 3.9% IRES 24%
Depreciation of revaluations as per Law no. 266/05	900,000	35,100 216,000					900,000	35,100 216,000
Depreciation of revaluations as per Law no. 2/2009	187,864	7,326 45,087					187,864	7,326 45,087
Accruals to provision for products' non-compliance	60,000	2,340 14,400	-	- -	42,515	1,658 10,204	102,515	3,998 24,604
Accruals to provision for agents' termination indemnities					5,225	204 1,254	5,225	204 1,254
Accruals to provisions for HR risks					187,000	- 44,880	187,000	- 44,880
Future litigation costs	5,000	195 1,200					5,000	195 1,200
Future costs for employment contracts	25,000	- 6,000					25,000	- 6,000
Accruals to inventory provision	940,178	36,667 225,642	445,141	17,360 106,834	615,806	24,016 147,794	1,110,843	43,323 266,602
Undeducted accruals to provision for bad debts	454,382	- 109,050	3,629	- 871	-	- -	450,753	- 108,179
Accrual to provision for maintenance of former VMP	60,000	2,340 14,400					60,000	2,340 14,400
Accrual to provision for roof replacement costs of former VMP	345,000	13,455 82,800					345,000	13,455 82,800
Accrual to provision for restoration costs of former VMP	500,000	19,500 120,000					500,000	19,500 120,000
Accrual to provision for reclamation costs	328,782	12,822 78,908					328,782	12,822 78,908
Accrual to provision for land reclamation costs of former VMP	21,663	- 5,199			163,433	6,374 39,224	185,096	6,374 44,423
TOTAL	3,827,869	1,048,432	448,770	125,065	1,013,979	275,608	4,393,078	1,198,975

A breakdown of caption 20) "Income taxes, current and deferred" as provided below:

Current taxes:		€410,790
IRAP	€408,688	
Taxes relative to prior years	€2,102	
Deferred taxes:		€(150,543)
Increase in deferred tax assets	€275,608	
Reversal of deferred tax assets	€125,065	
Taxes from participation in the domestic tax consolidation scheme		€1,964,585
Income taxes from participation in the domestic tax consolidation scheme	€1,964,585	
Total income taxes		€2,224,832

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Other information

SHAREHOLDER LOANS

None.

FINANCE LEASES

Assets held under finance leases are detailed in the following table, which shows the following information:

- the present value of future lease payments and of the repurchase option discounted using the effective interest rate of each contract;
- the interest expense for the year;

- the total carrying amount the leased assets would have had at the reporting date if they had been capitalised, with separate indication of depreciation, write-downs and reversals of write-downs for the year.

	Present value of future lease payments and purchase option	Interest expense for the year	Leased asset				
			Historical cost	Depreciation for the year	Acc. depreciation at 31/12/2019	-Write-downs +Reversals of write-downs for the year	Carrying amount 31/12/2019
Machinery BII2)	19,510	517	73,500	9,188	36,752		36,748
Machinery BII2)	17,820	526	90,000	11,250	45,000		45,000

Research and development

As described in the directors' report, during 2019, the company carried out research and development activities for technological innovation in both the Gornate Olona and Vedano Olona sites and focused, in particular, on two projects:

project 1: gaining and using new technical and scientific knowledge aimed at the development and testing of innovative thermoplastic compounds;

project 2: gaining and using new technical and scientific knowledge aimed at the design of a new compounding extrusion line.

The R&D costs incurred in 2019 for the above projects amount to €1,200,397.

Considering article 2426.5 of the Italian Civil Code and OIC 24 issued by the Italian Accounting Profession and in accordance with article 108 of Presidential decree no. 917/86 (the Consolidated Income Tax Act), as subsequently amended, the R&D costs have been fully recognised in the profit and loss account as costs pertaining to the year.

Although the law gives entities the option to choose whether to expense such costs during the year or through amortisation over no more than five years, the company did not consider it appropriate to capitalise such costs under assets, despite the fact that they relate to applied research and pre-competitive development aimed at achieving a better and new product or production process. This is also because it believes that assessing whether these costs will be recovered through future cash inflows (which is essential for their capitalisation) is highly subjective and uncertain.

The company is confident that these innovative projects will produce satisfactory results in terms of turnover, with a positive impact on its financial position and results of operations.

With reference to its R&D activities, the company will apply for the benefits provided for by article 1.35 of Law no. 190 of 23 December 2014, as subsequently amended, including by article 1.70-72 of Law no. 145 of 30 December 2018.

Relevant information about taxation, whose disclosure is useful or mandatory for tax purposes

a) The taxability of reserves at the reporting date is as follows:

1. Reserves or other items that will be added to the company's taxable profit when distributed comprise:

Revaluation reserve as per Law no. 2/2009	€5,027,935

2. Income-related reserves, which include:

Legal reserve	€1,624,000
Extraordinary reserve	€39,636,541
Reserves for shares of the parent	€1,994,226
Total	€43,254,767

b) The provision for bad debts did not increase during the year and related to the following trade receivables at the reporting date:

Customers	€26,471,723
Insured customers	€(19,078,544)
Subsidiaries	€577,267
Total	€7,970,446
0.50%	€39,852
2019 tax deductible accrual	€ -
2019 non-tax deductible accrual	€ -
Priori year tax deducted provision	€125,453
Prior year taxed provision	€728,560
Utilisation of tax deducted provision	€125,453
Utilisation of taxed provision	€3,629
Closing tax deducted provision	€ -
Closing taxed provision	€724,931
Total deductible amount (5% of trade receivables)	€398,522

c) Disclosure required by Law no. 72/1983:

In accordance with the above law, the company’s assets that underwent monetary revaluations are set out below:

	Land and buildings	Light constructions	Machinery	TOTAL
Non-revalued assets				
Historical cost	10,766,158	564,858	30,923,149	42,254,165
Revalued assets:				
Historical cost	12,126,909	210,262	858,059	13,195,230
Law no. 72/1983			1,510,714	1,510,714
Law no. 413/1991	1,271,950	61,975		1,333,925
Law no. 266/2005	10,000,000			10,000,000
Law decree no. 185/2008	5,128,343			5,128,343
Closing gross amount	39,293,360	837,095	33,291,922	73,422,377
Accumulated depreciation	16,554,833	702,259	30,239,565	47,496,657
Carrying amount	22,738,527	134,836	3,052,357	25,925,720

The company has reclassified light constructions to land and buildings in its financial statements.

Workforce

The company's average number of employees is broken down below by category:

	Average number
Managers	9
Junior managers	26
White collars	93
Blue collars	133
Total	261

Directors' and statutory auditors' fees, advances and loans granted thereto and commitments undertaken on their behalf

Directors' and statutory auditors fees are as follows:

	Directors	Statutory auditors
Fees	720,000	23,296

The company did not grant any advances or loans to its directors and statutory auditors, nor did it undertake commitments due to guarantees on their behalf.

Independent auditors' fees

Independent auditors' fees are as follows:

	Amount
Statutory audit of the annual financial statements	23,000
Other audit services	7,800
Total	30,800

Classes of issued shares

The company's share capital comprises 740,000 ordinary shares with a unit nominal amount of €5.16, all subscribed in previous years.

	Opening balance, number	Opening balance, nominal amount	Closing balance, number	Closing balance, nominal amount
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

The company did not issue bonus shares, convertible bonds, warrants, options or other securities or similar instruments.

Other financial instruments issued

None.

Off-balance sheet commitments, guarantees and contingent liabilities

In addition to ordinary orders acquired and to be carried out during its business activities and commitments undertaken on a regular basis, whose disclosure herein is usually considered immaterial to assess the company's financial position and cash flows, off-balance sheet commitments include future lease payments totalling €40,201.

They are made up as follows:

Lessor	Contract no.	Expiry date	Amount €
Alba Leasing S.p.A.	1071994/1	3/8/2021	20,965
Credit Agricole Leasing Italia S.p.A.	01523259/001	12/5/2021	19,236
TOTAL			40,201

There are no other off-balance sheet commitments relating to pension and similar obligations or taken on vis-à-vis subsidiaries and parents.

Assets and loans earmarked for a special deal

The company does not have any assets earmarked for a special deal or loans allocated to a special deal.

Related party transactions

As required by article 2427.22-bis of the Italian Civil Code, it is noted that related party transactions were agreed at market conditions.

Off-balance sheet agreements

The company has not entered into off-balance sheet agreements whose risks and benefits are material and such as to affect an assessment of its financial position, results of operations and cash flows.

Post-balance sheet events

The most important post-balance sheet event is the global public health emergency for the Coronavirus pandemic. The virus broke out in China near the reporting date and escalated in the first few months of 2020. On 30 January 2020, the International Health Regulations Emergency Committee of the World Health Organisation declared the existence of an international emergency. Governments have been forced to impose an extremely strict lockdown on their citizens , which risks paralysing the economic and productive system of the various countries. As already discussed in the directors' report, also taking into account the legislative provisions issued by the Italian government, the company immediately took measures to contain the possible impacts for the health of its employees. Moreover, based on its performance in the first quarter of 2020, neither the company's revenues nor DSO have been affected. Although there are expectations of a global recession, the possible future consequences on the national and international macro-economy and, consequently, on all the company's activities, cannot be presently estimated.

Also considering its historical profitability and solid financial and cash flows structure, management believes that there are no significant uncertainties, as defined by the OIC, about the company's ability to continue as a going concern.

Companies preparing the consolidated financial statements of the largest/smallest group that includes the company as a subsidiary

The consolidated financial statements of the largest group that includes the company as a subsidiary are prepared by the parent SVI-Sviluppo Industriale S.p.A. and are lodged at this parent's registered office.

Disclosure on financial instruments required by article 2427-bis of the Italian Civil Code

There are no material financial fixed assets covered by the scope of the above legal requirement.

The unlisted interest rate swaps are detailed below, together with their reporting-date fair values:

	Identification code	Nominal amount	Maturity date	Fair value
BPM-maximum rate-amortising cap	D2791891	€1,438,185	31/12/2021	€4.71
BPM-maximum rate-amortising cap	C679402	€187,500	15/06/2020	€0.00
Credit Agricole-Cap purchase	2016/63647	€1,500,000	29/06/2020	€0.00
Credit Agricole-IRS liability	2017/65896	€6,000,000	21/12/2023	€(129,726.00)

As already mentioned, the fair value loss has been recognised in net equity.

Key figures from the financial statements of the company that manages and coordinates Lati

Management and coordination

a) Pursuant to article 2497-bis of the Italian Civil Code, the key figures from the most recent financial statements and related prior year figures of SVI - Sviluppo Industriale S.p.A., with registered office at Corso Venezia 61, Milan, Milan company registration no. 01924470154 are set out below. Indeed, as also shown in deeds, correspondence and the specific section of the company register, by virtue of its control over Lati Industria Termoplastici S.p.A. as per article 2359.1.1, this parent also manages and coordinates it as per article 2497 and following articles of the Italian Civil Code.

b) Consolidated financial statements: pursuant to article 27.3/4 of Legislative decree no. 127 of 9 April 1991, the company is not required to prepare consolidated financial statements, which are prepared by its parent, SVI - Sviluppo Industriale S.p.A., with registered office at Corso Venezia 61, Milan.

Key figures from the balance sheet of the company that manages and coordinates Lati:

BALANCE SHEET	MOST RECENT REPORTING DATE	PREVIOUS REPORTING DATE
Reporting date	31/12/2018	31/12/2017
B) Fixed assets	8,538,317	8,540,208
C) Current assets	2,288,499	3,081,436
D) Prepayments and accrued income	4,225	5,470
Total assets	10,831,041	11,627,115
A) Net equity		
- Share capital	1,680,000	1,680,000
- Reserves	3,064,042	1,886,477
- Net profit for the year	996,515	1,177,564
- Total net equity	5,740,557	4,744,041

BALANCE SHEET	MOST RECENT REPORTING DATE	PREVIOUS REPORTING DATE
C) Employees' leaving entitlement	56,762	54,793
D) Payables	5,033,722	6,828,281
Total liabilities	10,831,041	11,627,115

Key figures from the profit and loss account of the company that manages and coordinates Lati

PROFIT AND LOSS ACCOUNT	MOST RECENT YEAR	PREVIOUS YEAR
Reporting date	31/12/2018	31/12/2017
A) Production revenues	396,508	415,659
B) Production cost	596,258	510,648
C) Net financial income	1,158,263	1,301,560
Income taxes	(38,002)	29,007
Net profit for the year	996,515	1,177,564

Off-balance sheet commitments, guarantees and contingent liabilities

There are no off-balance sheet commitments, guarantees or contingent liabilities, nor are there any off-balance sheet agreements or transactions that may expose the company to unexpected risks or benefits.

Disclosure required by article 1.125 of Law no. 124 of 4 August 2017

The disclosure required by article 1.125-129 of Law no. 124/2017, considering the guidelines issued to date, about amounts received by the company in 2017 is as follows:

- from the Italian government – Inland Revenue Office – tax code 06363391001 – €225,616 as benefit for investments in research and development activities (article 3 of Law decree no.145/2013, as replaced by article 1.35 of Law no. 190/2014; Law no. 232/2016), which was offset through the F24 tax form filed on 2 December 2019;

- from the Vedano Olona municipality – tax code 00317720126 – €21,914.80 (total collected, while the portion pertaining to 2019 is €20,164.32) as a reimbursement for the effective hours and days (remuneration and insurance) during which a company employee was absent to fulfil their duties as mayor of Vedano Olona, as per article 80 of Legislative decree no. 267/2000;
- from INPS €3,016.56 for the NEET (scheme to employ young people) incentive collected on 30 December 2019;
- from Fondimpresa (inter-professional fund) €9,100.00 as part of the S.TE.P. Sviluppo Territoriale per il Progresso project collected on 20 November 2019;
- from Cassa per i servizi energetici ed ambientali (CSEA) €6,827.08 collected on 16 September 2019;
- from INPS €2,706.24 for the NEET (scheme to employ young people) incentive collected on 30 December 2019.

Proposal for the allocation of the net profit for the year

We propose that the €6,143,338.38 net profit for the year be fully allocated to the extraordinary reserve since the legal reserve is already in line with the legal requirements.

Final part

In conclusion, there is no additional information to be provided. The data and figures set out in these notes comply with the accounting records and faithfully present the transactions carried out during the year.

Vedano Olona, 30 March 2020

For the board of directors

Chairman

Francesco Conterno

LATI INDUSTRIA TERMOPLASTICI S.p.A.

Registered office in Vedano Olona (Va) – Via Francesco Baracca 7

Share capital €3,818,400 fully paid-up Tax code and VAT no.: 00214880122

STATUTORY AUDITORS' REPORT

TO THE SHAREHOLDERS PURSUANT TO ARTICLE 2429.2 OF THE ITALIAN CIVIL CODE

To the shareholders of Lati Industria Termoplastici S.p.A.,

we have approved this report by waving the terms as per article 2429 of the Italian Civil Code, based on the following documents at 31 December 2019 provided to us by the board of directors, which approved them on 30 March 2020:

- draft financial statements, comprising the notes thereto and a cash flow statement;
- directors' report.

The basis of preparation used to draft this report is the same as that used in the previous year and complies with the legal requirements and rule 7.1 of the "*Code of conduct for boards of statutory auditors of non-listed companies*", issued by the Italian Accounting Profession and applicable as of 30 September 2015.

Knowledge of the company, risk assessment and report on our duties

Based on the knowledge acquired during our engagement, we state the following:

- the company's core business did not change during the year and is consistent with the business object;

- the organisational and IT structure has been adapted to the company’s business development;
- human resources making up the company’s “workforce” changed in line with its business development and branches’ reorganisation;
- during 2019, the company’s operations were comparable to those of the previous year and, therefore, our checks were carried out on the assumptions that they were comparable, after having ascertained that the financial figures and results of operations were substantially comparable to those of the previous year.

This report summarises the work we performed to provide the information required by article 2429.2 of the Italian Civil Code and specifically about:

- the results of operations;
- our work carried out to fulfil our obligations;
- comments and recommendations about the financial statements, with particular reference to the possible use by the board of directors of the waiver provided for by article 2423.4 of the Italian Civil Code;
- any reports received from shareholders as per article 2408 of the Italian Civil Code.

We remain at your disposal to discuss any further issues during your meeting. We carried out our duties over the entire year, during which we regularly held the meetings required by article 2404 of the Italian Civil Code. Specific minutes were drafted after these meetings, duly signed for unanimous approval.

Work performed

During our regular checks and at the board of directors’ meetings, we obtained information on the company’s business activities, especially focusing on issues of a special and/or extraordinary nature, in order to identify their impact on the company's results of operations, financial position and cash flows, as well as on risks, including credit risks, which are monitored constantly. Furthermore, we held meetings with the company's consultants assisting it with specific and technical accounting and tax issues. We also regularly assessed the suitability of the company's organisational and operating structure and its adaptability to ensure that its minimum operating requirements are always met.

Our relations with the individuals working for the company - directors, employees and external consultants - were based on mutual collaboration in line with the respective roles, after having explained those of this board.

Throughout the year, we noted the following:

- the internal administrative staff recording company transactions are adequate considering the company's current needs;
- their technical expertise continue to be adequate compared to the company's ordinary transactions to be recorded and they have sufficient knowledge of various business issues;
- the external consultants and professionals assisting the company with accounting, tax and corporate issues are unchanged from the previous year and, therefore, were already familiar with the company's business and ordinary and extraordinary management issues that may have an impact on the financial statements.

During our monthly meetings, the managing director provided us with the information required by article 2381.5 of the Italian Civil Code. Accordingly, the directors have substantially and formally complied with their obligations arising therefrom.

To sum up, based on the work we carried out during the year, we state that:

- the decisions taken by the shareholders and the board of statutory auditors comply with the law and the by-laws and were not openly imprudent or such as to definitively jeopardise the integrity of the company's assets;
- we obtained sufficient information on the company's general performance and outlook, as well as on the most significant transactions, in terms of amount or characteristics, carried out by the company. These are regularly compared to financial projections in order to confirm and monitor the decisions taken by the board of directors;
- the transactions carried out by the company were also in compliance with the law and by-laws and were not potentially in contrast with the shareholders' resolutions or such as to jeopardise the integrity of the company's assets;
- we have no comments on the suitability of the company's organisational structure and administrative and accounting system, or on the latter's reliability in accurately representing transactions;
- during our checks, as described above, we did not identify any additional matters to be reported herein;
- we did not need to take action for omissions of the board of directors as per article 2406 of the Italian Civil Code;
- we did not receive any reports as per article 2408 of the Italian Civil Code;
- we did not file any reports as per article 2409.7 of the Italian Civil Code.

During the year, we agreed to recognise the costs incurred to set up the Spanish branch as start-up and capital costs under the balance sheet assets. As required by OIC 24 and article 2426 of the Italian Civil Code, under the amortisation pattern identified by the board of directors, the asset will be amortised over five years.

Comments and recommendations about the financial statements and their approval

The board of directors approved the draft financial statements as at and for the year ended 31 December 2019. They comprise a balance sheet, a profit and loss account, a cash flow statement and the notes thereto.

Moreover:

- the board of directors also prepared a directors' report as per article 2428 of the Italian Civil Code;
- we were provided with these documents for the purposes of their filing at the company's registered office, together with this report;
- KPMG S.p.A. was engaged to perform the statutory audit and prepared its report pursuant to article 14 of Legislative decree no. 39 of 27 January 2010. This report is unqualified and, therefore, the opinion expressed is clean.

We examined the draft financial statements, with respect to which we provide the following information:

- we checked the accounting policies used to account for the assets and liabilities, also checked by us as part of our mandatory duties, and found them substantially unchanged from those adopted in the previous year and in compliance with article 2426 of the Italian Civil Code;
- we checked the general basis of preparation of the draft financial statements, its overall consistency with the law in terms of preparation and layout and did not identify any issues to be reported herein;
- we checked the compliance with the legal provisions governing the preparation of directors' reports and did not identify any issues to be reported herein:

- in preparing the financial statements, the board of directors did not depart from the legal requirements as permitted by article 2423.4 of the Italian Civil Code;
- we checked the consistency of the financial statements with the events and information of which we became aware during the performance of our duties and did not identify any issues to be reported herein;
- pursuant to article 2426.5 of the Italian Civil Code, we specifically checked any material items recognised in caption B) I - 1) of the balance sheet assets, giving our consent to their recognition. For informational purposes, we note that the company will not be able to distribute dividends from the income-related reserves exceeding the carrying amount of those items capitalised under assets;
- the notes to the financial statements provide the disclosures on derivatives required by article 2427-bis of the Italian Civil Code and specifically on the company's unlisted interest swaps hedging part of its bank loans;
- adequate disclosures have been provided on commitments, guarantees and contingent liabilities;
- pursuant to article 30 of Legislative decree no. 81/08, as subsequently amended, the company updated its organisational model as per Legislative decree no. 231/01 and appointed the members of the supervisory board;
- while noting that the related decision lies with the shareholders, we have no comments on the board of directors' proposal for the allocation of the net profit for the year set out at the end of the notes to the financial statement as per article 2427.22-septies of the Italian Civil Code.

Net profit for the year

The net profit for the year ended 31 December 2019 approved by the board of directors amounts to € 6,143,338.

Conclusion

Based on the above and to the extent of the information provided to us or gathered through our regular checks, we unanimously believe that there are no issues preventing your approval of the draft financial statements as at and for the year ended 31 December 2019 as they stand and submitted to you by the board of directors. Lastly, we remind that this board's term of office has expired Thanking you for the trust placed in us, we invite you to resolve on the appointment of a new board of statutory auditors.

Varese, 11 April 2020

The board of statutory auditors

Sonia De Micheli

Maria Vittoria Bruno

Sonia Pugliese

LATI INDUSTRIA TERMOPLASTICI S.p.A.

Registered office: Via Francesco Baracca 7 - 21040 Vedano Olona

SHARE CAPITAL: €3,818,400 fully paid-up.

Tax code and company registration no. 00214880122

VAT no. 00214880122

VARESE Chamber of Commerce R.E.A. no. 41557

PEC – lati@pec.net

Company managed and coordinated by SVI Sviluppo Industriale S.p.A.

MINUTES OF THE ORDINARY SHAREHOLDERS’ MEETING OF 27 APRIL 2020

On 27 April 2020 at 3.00 pm, the shareholders of LATI - Industria Termoplastici S.p.A. held an ordinary meeting via video call on the Webex platform, as permitted by article 106 of Law decree no. 18/2020, after the meeting had been regularly called, to discuss and resolve on the following

AGENDA

− reading of the directors’ report, the financial statements as at and for the year ended 31 December 2019 and the statutory auditors’ and independent auditors’ reports thereon and related resolutions;

− appointment of the board of statutory auditors for the three years from 2020 to 2022, establishing the related fees.

The meeting was held on first call.

The following directors were connected:

- Francesco Conterno - Chairman
- Domenico Vitangeli - Deputy chairman
- Michela Conterno - Managing director
- Livia Conterno

- Laura Massironi

- Loredana Mercante

- Dominique Renaudin

- Aldo Tucci

- Cristina Boffi

Moreover, the following people were connected:

- Sonia De Micheli – Chairwoman of the board of statutory auditors

- Maria Vittoria Bruno – Statutory auditor

- Sonia Pugliese – Statutory auditor

Upon invitation, Elena Baratelli, the company's CFO, and Alessandro Tonolini were also connected.

Pursuant to the law and the bylaws, Francesco Conterno, chairman of the board of directors, who was remotely connected from home, took the chair and Michele Bignami, a company's consultant, also remotely connected, was appointed as secretary to the meeting.

After having appointed the meeting chair, he ascertained and declared that:

the holders of 740,000 shares, equal to 100.00% of the company's share capital, were present directly or by proxy, as follows:

SVI - Sviluppo Industriale S.p.A., holding 724,660 shares, directly through its legal representative, Francesco Conterno;

Carla Conterno, holding 15,340 shares, by proxy given to Alessandro Tonolini;

all members of the board of directors were present;

- all standing statutory auditors were present;

the meeting was duly constituted and able to pass resolutions.

After having opened the discussion on the first item on the agenda, the chairman invited the secretary to present the main data from the directors' report and the financial statements at 31 December 2019.

Maria Vittoria Bruno then read the statutory auditors' and independent auditors' reports.

After a brief discussion and having acknowledged the statutory auditors' and independent auditors' reports, the shareholders unanimously approved the directors' report and the financial statements at 31 December 2019.

All the above documents are attached hereto.

Again unanimously, the shareholders approved the proposed allocation of the net profit for the year of €6,143,338.38 to the extraordinary reserve, since the legal reserve is already in line with the legal requirements.

Moving on to the second item on the agenda, the chair informed those present that the board of statutory auditors' term of office had expired and, therefore, invited the shareholders to take the related resolution.

After having acknowledged that the candidates for the position of statutory and standing auditors had already provided the company with the list of positions held by them as directors and statutory auditors with other companies, the shareholders unanimously resolved to appoint the following standing statutory auditors:

- Sonia De Micheli, born in Luino (VA) on 28 December 1969 and resident in Luino (VA), Via XXV Aprile 25/A - tax code DMC SNO 69T68 E734Q – included in the certified auditor register at no. 91718;
- Sonia Pugliese, born in Gallarate (VA) on 2 July 1964 and resident in Gallarate (VA), Via Agnelli 2 – tax code PGL SNO 64L42 D869Q – included in the certified auditor register at no. 47793;
- Maria Vittoria Bruno, born in Castellanza (VA) on 6 March 1965 and resident in Busto Arsizio (VA), Via Mazzini 7 – tax code BRN MVT 65C46 C139S - included in the certified auditor register at no. 8492;

and the following alternate statutory auditors:

- Sonia Molea, born in Varese on 9 April 1965 and resident in Varese, Via Piermarini 7 – tax code MLO SNO 65D49 L682B – included in the certified auditor register at no. 92845;

- Sarah Pieretti, born in Sarzana (SP) on 2 February 1979 and resident in Daverio (VA), Via XXV Aprile 7 – tax code PRT SRH 79B42 I449O – included in the certified auditor register at no. 167653.

Sonia De Micheli was reappointed as chairwoman of the board of statutory auditors.

All appointed statutory auditors are eligible for their office under the Italian law.

The board of statutory auditors, which is granted an annual and all-inclusive fee of €22,400, will remain in office until approval of the financial statements as at and for the year ending 31 December 2022.

The chair noted that KPMG S.p.A., the parent's, SVI - Sviluppo Industriale S.p.A., independent auditors, is engaged to perform the company's statutory audit.

As there were no other items on the agenda, the chair declared the meeting dismissed at 3.55 pm, after having read and approved these minutes signed by the chair and the secretary.

Chair	Secretary
(Francesco Conterno)	(Michele Bignami)

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(Translation from the Italian original which remains the definitive version)

Independent auditors' report pursuant to article 14 of Legislative decree no. 39 of 27 January 2010

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. (the "company"), which comprise the balance sheet as at 31 December 2019, the profit and loss account and cash flow statement for the year then ended and notes thereto.

In our opinion, the financial statements give a true and fair view of the financial position of LATI Industria Termoplastici S.p.A. as at 31 December 2019 and of its financial performance and cash flows for the year then ended in accordance with the Italian regulations governing their preparation.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the "*Auditors' responsibilities for the audit of the financial statements*" section of our report. We are independent of the company in accordance with the ethics and independence rules and standards applicable in Italy to audits of financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other matters

Comparative figures

The company's 2018 consolidated financial statements were audited by other auditors, who expressed their unqualified opinion thereon on 12 March 2019.

Management and coordination

As required by the law, the company disclosed the key figures from the latest financial statements of the company that manages and coordinates it in the notes to its own financial statements. Our opinion on the financial statements of LATI Industria Termoplastici S.p.A. does not extend to such data.

Responsibilities of the company's directors and board of statutory auditors ("Collegio Sindacale") for the financial statements

The directors are responsible for the preparation of financial statements that give a true and fair view in accordance with the Italian regulations governing their preparation and, in accordance with the Italian law, for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The directors are responsible for assessing the company's ability to continue as a going concern and for the appropriate use of the going concern basis in the preparation of the financial statements and for the adequacy of the related disclosures. The use of this basis of accounting is appropriate unless the directors believe that the conditions for liquidating the company or ceasing operations exist, or have no realistic alternative but to do so.

The *Collegio Sindacale* is responsible for overseeing, within the terms established by the Italian law, the company's financial reporting process.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with 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 ISA Italia, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

— identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, 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 for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

— obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control;

— evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;

— conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the company to cease to continue as a going concern;

— evaluate 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 communicate with those charged with governance, identified at the appropriate level 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 to article 14.2.e) of Legislative decree no. 39/10

The company's directors are responsible for the preparation of a directors' report at 31 December 2019 and for the consistency of such report with the related financial statements and its compliance with the applicable law.

We have performed the procedures required by Standard on Auditing (SA Italia) 720B in order to express an opinion on the consistency of the directors' report with the company's financial statements at 31 December 2019 and its compliance with the applicable law and to state whether we have identified material misstatements.

In our opinion, the directors' report is consistent with the company's financial statements at 31 December 2019 and has been prepared in compliance with the applicable law.

With reference to the above statement required by article 14.2.e) of Legislative decree no. 39/10, based on our knowledge and understanding of the entity and its environment obtained through our audit, we have nothing to report.

Varese, 11 April 2020

KPMG S.p.A.

(signed on the original)

Paolo Rota
Director of Audit