

ITALY INNOVAZIONI S.P.A.

Auditors report to the shareholders' meeting

<u>Corporate Data</u>	
<u>Registered Office</u>	<u>ROME</u>
<u>Tax Identification Code</u>	<u>12807431007</u>
<u>Economic and Administrative Index No.</u>	<u>ROMA1401805</u>
<u>VAT No.</u>	<u>12807431007</u>
<u>Share Capital EUR</u>	<u>3,823,190.00</u>
<u>Legal Status</u>	<u>JOINT STOCK COMPANY UNDER ITALIAN LAW</u>
<u>Main business sector (ATECO)</u>	<u>749099</u>
<u>Company under liquidation</u>	<u>No</u>
<u>Company with Sole Shareholder</u>	<u>No</u>
<u>Company managed and coordinated by another company</u>	<u>No</u>
<u>Name of the company or body that manages and coordinates a subsidiary</u>	
<u>Membership of a group</u>	<u>No</u>
<u>Name of the parent company</u>	
<u>Country of the parent company</u>	
<u>Registration number in the cooperatives' register</u>	

The amounts indicated above are in EUR

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

To the shareholders' meeting of ITALY INNOVAZIONI S.P.A.

In the financial year ended on 31 December 2018, the board of statutory auditors carried out both the duties provided for under Articles 2403 *et seq.* of the Italian Civil Code and those provided for under Article 2409-bis of the Italian Civil Code.

Section A) of this unified report contains the "Independent auditor's report drafted in accordance with Article 14 of Legislative Decree No. 39 of 27 January 2010" and section B) contains the "Report drafted in accordance with Article 2429, paragraph 2 of the Italian Civil Code".

Part one: Report drafted in accordance with Article 14 of Legislative Decree No. 39/2010

A) Independent auditor's report drafted in accordance with Article 14 of Legislative Decree No. 39 of 27 January 2010

Report on the auditing of the Company's financial statements

Assessment

We have audited the attached annual financial statements for the company ITALY INNOVAZIONI S.p.A., which consist of the balance sheet, the explanatory notes, the profit and loss account, the cash flow statement and the management report for the year ended on 31 December 2018.

In our opinion, the financial statements provide a true and fair view of the Company's assets and liabilities and have been drafted in accordance with the Italian provisions governing the relevant drafting criteria.

Elements underlying the assessment

We conducted the audit in accordance with the ISA Italy international auditing standards. Our duties under these principles are further described in the section of this report called *The auditor's duties in auditing the financial statements*. In compliance with the Italian rules and principles governing ethics and independence, applicable to the auditing of financial statements, we are independent from the Company. We believe we have acquired sufficient and appropriate evidence on which to base our assessment.

The directors' and the board of statutory auditors' duties in relation to the financial statements

The directors are responsible for preparing financial statements that provide a true and fair view in accordance with the Italian provisions governing the relevant drafting criteria. As provided for by law, they are also responsible for conducting such internal controls as are deemed necessary for the preparation of financial statements that do not contain significant mistakes as a result of fraudulent or unintentional conduct or events.

The directors are responsible for assessing the company's ability to continue to operate as a going concern and, in preparing the financial statements, for the extent to which the going concern assumption is appropriate, as well as for the adequate disclosure thereof. The directors shall use the going concern assumption in preparing financial statements, unless they have reached the conclusion that the conditions for liquidating the company or interrupting its business activities have been fulfilled, or they do not have actual alternatives to such decisions.

The board of statutory auditors is responsible for supervising, within the terms established by law, the process of preparing the Company's financial documents.

The auditor's duties in auditing the financial statements.

Our objective is that of acquiring a reasonable degree of certainty that the financial statements as a whole do not contain significant mistakes as a result of fraudulent or unintentional conduct or events, as well as issuing an audit report that includes our assessment thereof. Reasonable certainty means a high degree of certainty, which, however, does not provide a guarantee that an audit carried out in accordance with the International ISA Italy Auditing Standards always identifies a significant mistake (should such mistake be made). Mistakes can be the result of fraudulent or unintentional conduct or events and are considered significant if it can be reasonably expected that, individually or together, they will be able to influence the economic decisions taken by users on the basis of the financial statements.

As part of the audit carried out in accordance with ISA Italia's international audit principles, we have exercised our professional judgment and have maintained professional scepticism for the entire duration of the audit. Furthermore:

- We have identified and assessed the risks of any material mistakes in the financial statements as a result of fraudulent or unintentional conduct or events. We have defined and carried out audits in response to these risks. We have acquired sufficient and appropriate evidence on which to base our audit. The risk of not identifying a significant mistake committed as a result of fraudulent conduct is higher than the risk of not identifying a significant mistake committed as a result of unintentional conduct or events, since fraud can entail the parties involved colluding with each other, engaging in forgeries, intentionally omitting information, making misleading representations or tampering with the Company's internal control system;

- We have acquired an understanding of the Company's internal control system that is relevant to the audit for the purpose of defining the auditing procedures that are appropriate in the circumstances and not for the purpose of giving an opinion on the effectiveness of the said internal control system;
- We have assessed the appropriateness of the accounting principles used and the reasonableness of the accounting estimates made by the directors, including the related disclosures;
- We have reached a conclusion on the appropriateness of the directors using the going concern assumption and, based on the evidence obtained, on the possible existence of significant uncertainty about events or circumstances that may give rise to considerable doubts on the company's ability to continue operating as a functioning entity. In light of this significant uncertainty, we are required to draw attention in the audit report to the relevant financial disclosure, or, in the event that this disclosure is inadequate, reflect this fact when giving our assessment thereof. Our conclusions are based on the evidence obtained up to the date on which this report is drafted. However, subsequent events or circumstances might lead to the company ceasing to operate as a going concern.
- We have assessed the presentation, structure and content of the financial statements as a whole, including the financial disclosure, and assessed whether the financial statements reflect the underlying transactions and events in such a way as to provide a proper portrayal thereof;
- Among other things, we have notified to the persons in charge of the Company's governance (who - as required by ISA Italy - have been identified at an appropriate level) the planned scope and timing of the audit and the significant results that have been revealed thereby, including any significant shortcomings in the internal control system identified during the course of the audit.

Report on other legal and regulatory provisions

With regard to the statement provided for under Article 14, paragraph 2, letter e) of Legislative Decree No. 39/2010, issued on the basis of our knowledge and understanding of the Company and the context in which it operates, and acquired during the course of the audit, we have nothing to report.

Part two: Report drafted in accordance with Article 2429, paragraph 2 of the Italian Civil Code

B) Report on the supervisory activities conducted in accordance with Article 2429, paragraph 2 of the Italian Civil Code

During the course of the financial year ended 31 December 2018, we conducted our activities in compliance with the applicable provisions of law and the Board of Statutory Auditors' Rules of conduct issued by the National Institute of Chartered Accountants and Accounting Experts, in furtherance of which we successfully carried out a self-assessment.

More specifically:

B1) Supervisory activities conducted in accordance with Article 2403 et seq. of the Italian Civil Code

- We ensured that the applicable provisions of law and the articles of association, as well as the principal of proper management, were complied with;
- We took part in the shareholders' meetings and the board of directors' meetings, in respect of which, based on the available information, no violations of the law or of the articles of association were ascertained, nor has the company engaged in transactions that are manifestly unwise, reckless, in potential conflict of interest or such as to compromise the integrity of the company's assets;
- During board meetings, we obtained from the Chairman of the Board of Directors information about the manner in which the company was generally run and foreseeable future trends, as well as about the most important transactions - in terms of the size or features thereof - carried out by the Company; based on the information acquired, we have no particular observations to make.
- We examined the Company's organisational structure and monitored, to the extent of our duty, the adequacy and functioning thereof, also by collecting information from the department managers, and, in this regard, we do have no particular observations to make;

- We examined the Company's management and accounting system and monitored, to the extent of our duty, the adequacy and functioning thereof, as well as the extent to which it could be relied on to correctly represent the Company's affairs (also by collecting information from the department managers); in this regard, we have no particular observations to make:

No complaints have been received in accordance with Article 2408 of the Italian Civil Code.

During the financial year, no opinions provided for under the law were issued by the board of statutory auditors.

During the supervisory activity, no further significant facts transpired - as has been described above – that were such as to require any mention thereof being made in this report.

B2) Comments regarding the financial statements

To the best of our knowledge, the directors, in drafting the financial statements, have not derogated from the law in accordance with Article 2423, paragraph 5 of the Italian Civil Code.

In accordance with Article 2426, No. 5 of the Italian Civil Code, we have approved the registration in the balance sheet of start-up and expansion costs amounting to EUR 40.601 (totalling EUR 41.541), as well as development costs amounting to EUR 72.296, as assets.

We have verified that the financial statements reflect the facts and information of which we became apprised while performing our duties, and we have no observations to make in this regard.

The Balance Sheet has recorded a loss for the year of EUR 379,649, which is summarised as follows:

BALANCE SHEET	AMOUNT
Receivables from shareholders for payments due	0
Fixed assets	3,686,198
Current assets	641,343
Accruals and prepayments	23,987
Total assets	4,351,528
Net assets	4,275,132
Provisions for risks and charges	0
Statutory severance pay	102
Amounts payable	76,294
Accruals and prepayments	0
Total liabilities	4,351,528

The Profit and Loss Account indicates, in summary, the following amounts:

PROFIT AND LOSS ACCOUNT	AMOUNT
Production value	12,090
Production costs	391,636

Balance	-379,546
Financial income and expenses	-103
Value adjustments to financial assets	0
Income taxes	0
Profit (loss) for the year	-379,649

The results of the audit conducted are indicated in section A) of this report.

B3) Comments and proposals regarding the approval of the financial statements

In light of the outcome of our activities, the board of statutory auditors proposes to the shareholders' meeting the approval of the financial statements for the year ended on 31 December 2018 prepared by the management body.

The board of statutory auditors agrees with the allocation of the operating result proposed by the management body in the explanatory notes.

Cosenza, 10 June 2019

The Board of Statutory Auditors

Ms Alessandra Greco (Chairwoman)

Mr Pasquale Oddo (Standing Statutory Auditor)

Mr Gianluca Bilotta (Standing Statutory Auditor).