LATI® HIGH PERFORMANCE THERMOPLASTICS

# LATI INDUSTRIA TERMOPLASTICI
# 2021 ANNUAL REPORT

## Contents



*Cover:* Michela e Livia Conterno.

## LETTER TO STAKEHOLDERS

Dear readers

2021 was both a very challenging but also rewarding year. The current difficulties have brought us together, not only within our organisation but along the entire supply chain. We were the facilitators of unprecedented transparent and empowering engagement between our suppliers and customers in the pursuit of creative and real solutions in order not to disrupt production through the chain.

Our story this year starts with an important change in our shareholder base due to the generational handover. This had already taken place on an operational level and was now formalised at ownership level. Our chairman, Francesco Conterno, transferred his shares in the group to us, his daughters, Livia and Michela, ensuring continuity of LATI as a third generation family-owned business. Our leadership becomes increasingly pink, underpinning our growing dedication to social responsibility, the wellbeing of the individual and the organisation.

With this in mind, we have learned to live with Covid-19, providing ongoing assistance to our people thanks to the unceasing work of our Health and Safety Officer and HR department. We are fully convinced of the effectiveness of hybrid work, based on trust and results, remote work and flexible working hours for the back office departments. We will always work towards our goal of promoting wellbeing, also through the work/life balance.

And now on to business: the uptick in consumption after the lockdown triggered a huge increase in demand, including for industrial goods. Chemical manufacturers, at the start of our chain, were unprepared for this surge of unexpected proportions after having drastically cut back their capacity and workforce. This has inflated prices and, even worse, caused raw material shortages.

How have we taken on these challenges?

- We have managed inflation by revisiting our price lists promptly in order to protect our profit margins. We have also achieved a better structuring of added value, thanks to an improved product mix (as part of our Repositioning drive) and continuous diversification.

- We have dealt with the shortage crisis by combining the forces of the procurement, sales and supply chain departments to carefully deploy our resources. The R&D department's contribution has been fundamental in deciding how to do without or rapidly sourcing alternatives. Our formulators drew on their creativity without compromising product quality or safety.

- Production capacity could have been a hindrance holding us back. In fact, we encountered difficulties in reconnecting or starting new partnerships with contractors. We have managed to compensate this limited external capacity by increasing our in-house capacity: a new extrusion line, a pilot project in automation and digitalisation, was rolled out mid year. This has allowed an increase of approximately 450 tonne/month in production capacity at a time of great demand.

Our performance was utterly satisfactory given the current difficulties and uncertainties. Volumes grew 23.7% and, aided by inflation, we are close to turnover of €200 million, with €197 million achieved by the group and €180 million by LATI S.p.A.

Our gross operating profit increased by 32.6% on the previous year to €22.9 million, driven mostly by investments in technology and human capital, as well as fair remuneration and bonuses as part of our family tradition to share the value we generate.

This allows us to continue the Torbissima Project with new enthusiasm. In fact, we decided to outsource the logistics to have more space for production, laying the basis for an increase in internal production capacity (up to 48,000 tonnes by 2025) and to build a site for special materials, thus achieving two goals at once: productivity for self-extinguishing materials and flexibility for special materials, concurrently offering our customers a better service.

As we write, new challenges are appearing on the horizon. We are apprehensive about the outcome of the war in Ukraine but also calm as we have learnt to deal flexibly with uncertainty, drawing on the experience gained from Covid-19 in the past two years.

Being flexible does not mean sailing through life without making plans; rather, our strategic pillars guide us through the darker times as well. We will thus continue our journey with optimism travelling towards our goals of Repositioning, Industry 4.0, Customer orientation, Sustainability and Global Presence.

Specifically, Sustainability is an encouraging powerhouse and gives us confidence. In fact, we have decided to become a benefit company, to give formal recognition to our nature as a “do-good company”, as we have already been defined by Fondazione Piatti, a third sector body that assists people with autism and intellectual disabilities.

Together with this important transformation, we are also going to renovate our long-standing head office in Vedano Olona, which will house our new offices for hybrid working and a new technological R&D hub. The new premises will give the company a contemporary touch respectful of our industrial background, touting comfort, sustainability and service to the community.

We would like to thank our stakeholders for their constant trust in us and invite you to continue to sustain us through both moments of difficulty and success as we pursue our objectives to create economic and social value. We take your interest seriously.

Michela Conterno

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 REA no. 41557

## DIRECTORS' REPORT

### INTRODUCTION

Dear shareholders,

The financial statements as at and for the year ended 31 December 2021 which we submit for your approval show a net profit for the year of €14,774,546 (2020: €9,686,922).

### EVOLUTION OF THE MACROECONOMIC CONTEXT

Our business is directly affected by the performance of the global macro-economy. The main sectors in which we operate (electrical, household appliances and automotive sector) usually perform in line with all markets.

After years of steady economic growth, 2019 was a turning point for our sector. Due to the tariff war and the difficult global geopolitical scenario, we recorded a significant decrease in demand, with volumes down by around 17%.

The economic crisis of 2020 connected to the Covid-19 pandemic triggered a fall in demand of 4.5% by volume.

As foreseen in the last quarter of 2020, demand levels were high in 2021 comparable to those of 2018 with an annual increase in sales volumes of 23.7%. The year was characterised by difficulties in procurement caused by shortages and price hikes, while energy costs increased as did transport costs.

## BUSINESS, FINANCIAL POSITION AND PERFORMANCE

The global markets picked up in 2021 with a not entirely expected surge, after the economic crisis caused by the pandemic in 2020. Demand was strong and driven by the sectors in which LATI traditionally has a strong presence, such as electrical and household appliances.

This upturn in demand was held back in part by the global suppliers' inability to rapidly adapt to the new scenario after the difficult months seen since early 2020.

As a result, raw material prices shot up and inventories steadily shrank.

LATI had to revisit its prices significantly on more than one occasion during the year while concurrently rationing the quantities of products supplied to its customers.

Despite these difficulties, however, sales volumes increased on 2020 for all the main sectors and markets served by the company, especially in Asia.

LATI successfully continued its repositioning strategy, achieving new sales records for special products such as self-lubricating and electrically conductive products.

## PROCUREMENT

In 2021, the procurement department absorbed the considerable impact of the acceleration in post-pandemic demand. Starting from the last quarter of 2020, there was a steady increase in orders from all industrial sectors for the production of chemical derivatives to produce plastic materials while the product offering found it difficult to start up again at the same speed.

The pandemic interrupted the chemical supply chain's regular activities and affected the re-integration of stocks in a world which could not keep up with the increase in demand in our sector. In the first quarter of 2021, the availability of raw materials was already partly compromised and by the end of March, LATI's stock levels had been drastically decreased from its habitual four to five weeks to just one week, especially for the polymer-derived products. Supply management was also affected by the increasingly longer transportation times by ships on which LATI and its suppliers heavily rely, especially for goods made in Asia, due to the significant offshoring policies of large multinationals in recent decades (reinforcing fibres, pigments, process additives and self-extinguishing additives).

The procurement department responded to this crisis in 2021 with a huge campaign of new approvals for alternative raw materials to resolve the shortages that could have potentially halted production. The number of alternative codes that can be used in the company's bills of materials was doubled with the assistance of the R&D and product industrialisation departments, replacing products that were not available either due to the delivery times or in the volumes requested by the planning and sales departments.

The prolonged gap between demand and offer led to price speculation which drove up the average purchase price of the company's raw materials during the year: +€0.78/kg or +35% compared to

2020. The average purchase price thus exceeded the highest figures of recent years and even those of the serious polyamide 66 (P66) shortage in 2017 and 2018 or that of 2010 and 2011 crisis due to the default of the US banking system between the end of 2008 and 2009.

2021 showed how fragile the industrial supply chains are in the face of serious and wholly unforeseeable events that concurrently involve inter-related and complicated supply chains, in terms of both production sustainability and logistics efficiency. Communications had to be stepped up with the customers' purchases offices and the company's suppliers throughout the year to create an ever closer relationship and ensure smooth exchanges of information useful to avoid production shut-downs.

The procurement department is tackling the fall-out of these events by focusing on supply risk management through the diversification of the more sustainable sources in line with the new global scenario. Averting the lack of raw materials and trying to contain price increases, which have been out of control for several months, are a time-consuming but essential task to ensure the sustainability of our production and that of our customers.

## KEY EVENTS OF THE YEAR

### Profit and loss account

For a better understanding of the events of 2021, in line with the methodology for the preparation of the strategic plans and the definition of strategic company KPIs, we reclassified the profit and loss account on a management accounts basis.

The profit and loss account and the reclassified profit and loss account were prepared using the same accounting policies, therefore recognising the same net profit of €14,774,546.

The reclassified profit and loss account has the following characteristics:

a. starting from gross turnover, it shows profitability gradually decreasing;
b. it allocates costs to volumes sold based on the classification of variable/fixed, direct/indirect, specific/common costs;
c. it shows the contribution of each macro area to profit.

Reclassified profit and loss account related to the 2019-2020-2021 three-year period

| RECLASSIFIED | 2021 | 2020 | 2019 |
|---|---|---|---|
| **GROSS TURNOVER** | **179,884,266** | **130,974,701** | **145,493,269** |
| Variable costs | 127,573,680 | 88,231,273 | 107,704,410 |
| **GROSS PROFIT** | **52,310,587** | **42,743,428** | **37,788,859** |
| Fixed costs | 29,336,026 | 25,419,385 | 26,087,565 |
| **ADJUSTED GROSS OPERATING PROFIT** | **22,974,561** | **17,324,042** | **11,701,294** |
| **ADJUSTED GROSS OPERATING PROFIT %** | **12.77%** | **13.23%** | **8.04%** |
| Amortisation and depreciation | 3,618,038 | 3,249,148 | 3,141,167 |
| **ADJUSTED OPERATING PROFIT** | **19,356,523** | **14,074,894** | **8,560,127** |
| Net financial income (charges) | -64,569 | 754,539 | 100,586 |
| Expenses | 240,049 | 215,018 | 259,696 |
| Write-downs of investments | -729,566 | -294,192 | -168,326 |
| **PRE-TAX PROFIT** | **19,910,609** | **13,399,530** | **8,368,170** |
| Taxes | 5,136,063 | 3,712,608 | 2,224,832 |
| **NET PROFIT** | **14,774,546** | **9,686,922** | **6,143,338** |

## Sales volumes

In 2021, sales volumes increased by 23.7% compared to the previous year which saw a 4.5% contraction due to the pandemic.

## Gross turnover

Equally, gross turnover grew in 2021: +37.3% tied to the rise in sales volumes and sales prices, caused by inflation which pushed up commodity prices.

These trends are in line with that seen throughout the company's sector. The growth of 2021 is closely linked to the contraction triggered by Covid-19 in 2020.

## Variable costs (sales and manufacturing)

Variable sales and manufacturing costs increased by 44.6% in 2021. They had decreased by 28.9% in the 2019-2020 two-year period as a result of the smaller sales volumes.

The increase in 2021 compared to 2018 (the last year of growth) is 2.7% and is mostly due to the higher sales volumes and commodity prices.

## Gross profit

The gross profit improved by 22.4% in 2021 compared to an increase of 13.1% in the previous year. The upturn commenced in 2020 was continued in 2021 for a three-year improvement of 38.4%.

## Fixed costs

Fixed costs increased by 15.4% in 2021 due to the starting-up again of activities that had been temporarily shuttered in 2020 due to the pandemic. The largest increases were mainly attributable to:

- personnel expenses (including temporary workers);
- maintenance costs;
- IT service costs (transition to cloud technologies).

Health and cleaning service costs were in line with the previous year (sanitisation, additional health protocols for personnel and PPE).

## Adjusted gross operating profit

The adjusted gross operating profit for 2021 amounts to €22,974,561, the highest in LATI's history, with a 32.6% increase on 2020 and 96.3% on 2019.

LATI was able to constantly improve its performance in terms of value creation during a two-year period characterised by the pandemic, supply difficulties and surging commodity prices, confirming the effectiveness of both its cost-flexibility strategy and strategic repositioning strategy.

Both strategies were confirmed and fine-tuned during the annual strategic review and approval of the company's strategic plan.

## Reconciliation between the profit and loss account and reclassified profit and loss account – 2021 –

| PROFIT AND LOSS ACCOUNT | STATUTORY vs RECLASSIFIED |
|---|---|
| **Turnover from sales and services** | **180,060,043** |
| Raw materials sales | - 298,842 |
| Customer bonuses | + 123,065 |
| **GROSS TURNOVER** | **179,884,266** |
| Variable sales costs (1) | - 7,907,933 |
| Variable manufacturing costs (2) | - 119,665,746 |
| Fixed costs (3) | - 29,336,026 |
| **ADJUSTED GROSS OPERATING PROFIT** | **22,974,561** |
| Cash discounts granted to customers | + 578,799 |
| Financial services, accruals, expenses | - 835,619 |
| **GROSS OPERATING PROFIT** | **22,717,740** |
| Amortisation, depreciation and provisions for risks | - 3,466,038 |
| **ADJUSTED OPERATING PROFIT** | **18,947,702** |
| Other operating income and charges | + 902,228 |
| **OPERATING PROFIT** | **19,849,702** |
| Bank interest | + 42,778 |
| Dividends, write-downs/write-backs of equity investments | +729,567 |
| **NORMALISED OPERATING PROFIT** | **20,622,275** |
| Financial charges | -828,223 |
| Exchange rate gains | 116,557 |
| **PRE-TAX PROFIT** | **19,910,610** |
| Taxes | - 5,136,063 |
| **NET PROFIT** | **14,774,546** |

Where:

(1) Variable sales costs include

- cash discounts granted to customers
- customer bonuses
- complaints
- commissions
- transport to customers
- packaging materials

(2) Variable manufacturing costs include

- purchases of raw materials
- change in raw materials
- utilities (electricity, gas, water)
- third-party processing
- internal transport
- change in finished goods

(3) Fixed costs

- personnel expenses
- personnel services
- maintenance costs
- EDP costs
- rent and leases
- telephones
- insurance premiums
- consultancies
- travel and marketing expenses
- cleaning and security expenses
- product approval
- expenses and contributions

## Balance sheet

Balance sheet – Balance sheet reclassified on a financial basis, based on decreasing monetisation level

| | 31/12/2021 | 31/12/2020 | 31/12/2019 |
|---|---|---|---|
| **Current assets (1)** | **106,638,257** | **83,199,734** | **74,474,013** |
| Quick assets | 25,605,585 | 29,588,595 | 20,119,844 |
| Non-quick current assets | 42,283,090 | 30,872,304 | 30,622,474 |
| Available assets | 38,749,582 | 22,738,835 | 23,731,695 |
| **Net non-current assets (2)** | **51,434,569** | **45,983,968** | **42,139,157** |
| Intangible fixed assets | 1,446,041 | 1,062,604 | 761,985 |
| Tangible fixed assets | 41,751,217 | 42,047,739 | 38,422,847 |
| Financial fixed assets | 8,237,311 | 2,873,625 | 2,954,325 |
| **Invested capital (3)** | **158,072,826** | **129,183,702** | **116,613,170** |
| Current liabilities | 58,995,749 | 38,372,267 | 37,522,536 |
| Non-current liabilities | 15,943,172 | 21,299,396 | 19,080,715 |
| Net equity | 83,133,905 | 69,512,039 | 60,009,919 |
| **COVERAGE** | **158,072,826** | **129,183,702** | **116,613,170** |

Where:

(1) Current assets: which can be monetised within one year, include:

- Quick assets, that can be readily monetised at a small cost (cash, banks, government bonds, postal current accounts, etc.)
- Non-quick current assets, available in the short term (any type of current receivables and other assets)
- Available assets, whose monetisation requires one or more transactions within the business cycle (inventory, etc.)

(2) Net non-current assets, which can be monetised within one year

(3) Invested capital, which comprises:

- Current liabilities, to be repaid within one year
- Non-current liabilities to be repaid within one year
- Net equity: with the same duration as the company.

### Current assets

At 31 December 2021, quick assets show a 13.5% decrease due to the €5,000,000 investment made to offset the effect of negative interest rates on current account liquidity.

Working capital increased during the year with respect to the closing balance of finished products and raw materials which was 70.4% higher compared to 31 December 2020 and 2019. This situation reflects rising inflation on commodity prices which affected all components of net working capital. Physical stocks of finished products were 30% below normal levels for the entire year. In 2021, the company was unable to increase its stock level as the growth rate of sales volumes continued to create difficulties all along the supply chain and for internal and external manufacturing with a below-standard finished product turnover rate.

Net non-current assets

As provided for in the strategic plan, the company continued its long-term industrial Torbissima Project during the year, introducing automation systems in the production units and completing the launch of the ERP S4H system. As a result, intangible fixed assets increased by 36.1%.

In 2021, LATI also invested in a financial instrument to offset the effect of negative interest rates due to excess liquidity.

Invested capital

The structure of LATI's sources of funds has historically favoured own funds over third party funds. In 2021, net equity increased by 19.6% and non-current liabilities decreased by 25.1%.

The reporting-date funding structure consists of:

- own funds 52.6%,
- current liabilities 37.3%,
- non-current liabilities 10.1%

At 31 December 2020, own funds accounted for 53.8%, current liabilities 29.7% and non-current liabilities 16.5%.

## Key financial indicators

### Company indicators

| | | 2021 | 2020 | 2019 |
|---|---|---|---|---|
| ROE | Performance<br>Net profit/net equity | 17.77% | 13.94% | 10.24% |
| ROI | Performance<br>Operating profit/assets | 11.99% | 10.54% | 7.40% |
| ROS | Performance<br>Operating profit/turnover from sales | 10.52% | 10.40% | 5.94% |
| Own funds less fixed assets - € | Financial position<br>Net equity - fixed assets | 31,699,336 | 23,528,071 | 17,870,762 |
| Own funds to fixed assets ratio | Financial position<br>Net equity/fixed assets | 161.63% | 151.17% | 142.41% |
| Own funds plus non-current debt less fixed assets - € | Financial position<br>(Net equity + non-current liabilities) – fixed assets | 47,642,508 | 44,827,467 | 36,951,477 |
| Own funds plus non-current debt to fixed assets ratio | Financial position<br>(Net equity + non-current liabilities)/fixed assets | 192.63% | 197.48% | 187.69% |
| Debt to equity ratio | Funding<br>(Current liabilities + non-current liabilities)/Net equity | 0.90 | 0.86 | 0.94 |
| Debt ratio | Funding<br>(Non-current liabilities)/Net equity | 0.27 | 0.36 | 0.32 |
| Adjusted profitability index | Management accounts<br>Adjusted gross operating profit/gross turnover | 12.8% | 13.2% | 8.0% |
| Net financial position - NFP € | Management accounts<br>Liquidity - loans and borrowings | 8,182,708 | 4,505,120 | -5,684,794 |
| NFP/adjusted gross operating profit | Management accounts<br>NFP/adjusted EBITDA | +0.36 | +0.26 | -0.33 |

All the key indicators (performance, financial position, funding and management accounts) improved in 2021 compared to both 2020 and 2019.

Own funds less fixed assets and own funds plus non-current debt less fixed assets show LATI's ability to fund its activities mostly using own funds, despite the long-term Torbissima investment plan and the tensions related to the pandemic.

The company's ability to increase ROS and maintain profitability above 12%, confirming its 2020 performance and its ability to consolidate its core business operating profit, which it increased as a result of the higher volumes, is well worth noting.

The debt ratio, net financial position and the NFP/adjusted gross operating profit should also be noted: the company continued its excellent performance of 2019 and 2020 in 2021 despite the difficulties with its working capital.

The strength of this financial stability together with the company's incremental ability to generate value from its core business confirmed the feasibility of LATI's strategic plan, also having the possibility to harness additional opportunities.

**2021-2023 STRATEGIC PLAN**

LATI is a solid and successful company, with good positioning in self-extinguishing materials for the European electrical and household appliances market. Together with the continued protection of its core business and leveraging its distinctive know-how, for years LATI has been committed to extending its portfolio with products of increasingly higher added value.

Our special compounds, whether they be self-lubricating, thermally conductive or electrically conductive, magnetically detectable or for 3D moulding, are able to find increasingly diversified market niches: from automotive to design, from food to machinery, from coffee machines to medicine. Diversification, which has been made possible by our ability to innovate, has proven to be our strength during the recession caused by the pandemic. This not only allowed us to mitigate the drop in demand, but also to make structural improvements to our gross profit.

2021 therefore confirmed the effectiveness of our first strategic pillar: **repositioning.** Improving the product mix aimed at increasing sales of STAR products is the driver of long-term value.

Again in the name of **sustainable development,** but also for the customer, our second strategic pillar is: **Industry 4.0.**

Our aim is to modernise our industrial logistics and production processes through automation and digitalisation, in order to make them increasingly efficient and sustainable. This does not stop at our factories. We want to re-engineer all our processes, making them faster and more interconnected with the market.

LATI will not be the only beneficiary of the improved efficiency created by these significant investments, the customer will also appreciate our improved competitive offer.

In fact, the customer will be at the heart of it! Indeed, our third strategic pillar is **customer orientation.** Thanks to our distinctive skills, we are a technical point of reference on the market, we have an excellent reputation and we know how to earn the trust of customers.

We must also excel, however, in the service we provide and strengthen our development capacity. For some years, we have been working on speeding up our market response times by outsourcing production and hiring temporary workers to work at the factory.

Our fourth strategic pillar is **sustainability**. This is assisted by the repositioning pillar as it allows us to maximise value rather than volume, saving the planet's precious resources.

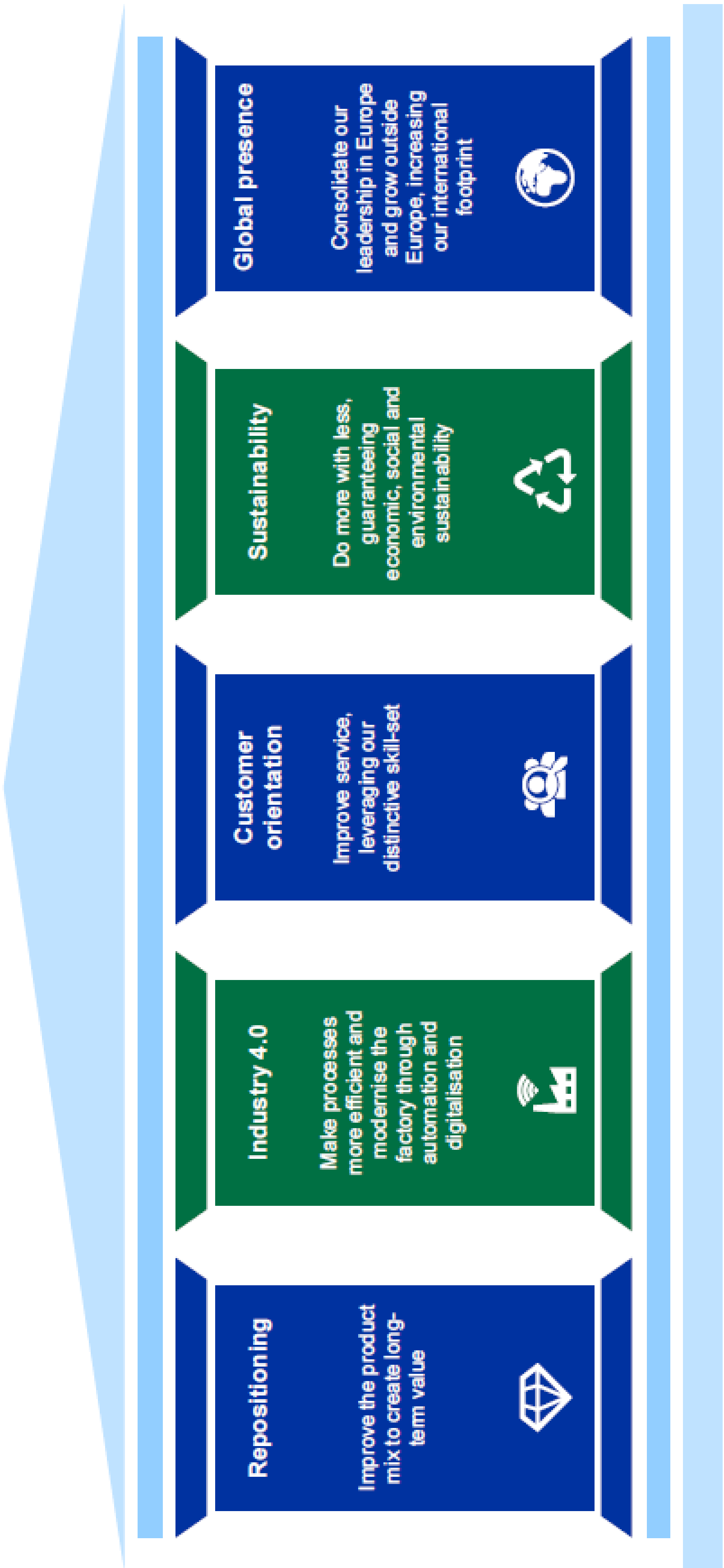
We also pursue sustainability through our products, with a greater recycled content and organic materials, and our processes, thanks to energy efficiency measures, the purchase of green energy and self-generation of energy from renewable sources.

Lastly, our customers are at the root of our fifth strategic pillar: **global presence.** Indeed, our customers are international and they expect the same type of solutions and level of service around the world. LATI has been an international company since the 1980s, but 80% of our exports are to Europe. We must increase our presence across the ocean because our customers demand it. The advantages will be twofold: boosting the loyalty of our European customers and increasing our global turnover, which in Europe only increases during times of market expansion.

Again for the 2022-2024 three-year period, our strategy (set out in the following page) will continue:

1. generate long-term value through **repositioning** and
2. continue our journey towards **Industry 4.0** to boost efficiency and our competitive edge
3. improve our **customer orientation** with a faster service,
4. a **sustainable** approach and
5. a **global presence**.

## 3.1 Strategic initiatives



## TECHNOLOGY AND INNOVATION

In 2021, LATI continued the technological parts of its projects to revolutionise the entire industrial and logistics sides of its business, both in terms of the production plant and the service system with works aimed at making important improvements to technical/production aspects and with regard to the environment and safety and undertaking an important and strategic programme to digitalise the factory. This was reinforced by some important organisational changes made during the year as requested by management, such as the set up of an independent technology innovation unit to focus on engineering activities, a technical office and the wide-scale industrialisation of the process and service systems which were completely detached from the maintenance systems at both sites. In order to concentrate maintenance activities (electrical and mechanical) on the factories' purely industrial areas and systems, the company opted to transfer the maintenance unit to the operations department and to set up a new general services unit as part of the technical procurement area and, therefore, the procurement department, which will concentrate on providing maintenance services to all the factory's core and non-core systems.

The Gornate site, which has now become the production hub for the company, thanks to the Torbissima Project aimed at industrial and logistics development with a view to expansion and rationalisation, became home to important projects, receiving large investments that will continue over the next few years and which should generate benefits in terms of smaller operating costs and greater safety and ergonomics in the short term, providing the company with greater production flexibility.

ARUPE department

The electrical/mechanical services were completed and connected to the fire prevention system and the services networks for the new weighing, preparation and blending ARUPE department.

This department houses the new automatic weighting system and will also have the transfer systems and the new turbo mixes. The entire department was designed and built in compliance with the ATEX Directive.

Another important project completed during the year was the new area for furnaces to clean the metallic parts used in extrusion (Schwing furnaces). These furnaces, which are either on-site and awaiting installation or being purchased, are next generation, do not require an after-burner, are efficient and their running costs are lower than the old model.

Semi-automatic weighing system

The Gornate site has been upgraded with the arrival of new cutting edge equipment. A semi-automatic weighing system for the weighing of additives and colourants has been fully installed in the pre-extrusion area and is now in operation.

The system automatically weighs out the amounts set out in the formula and labels the bag. It guides and controls the dosing which is manually performed by the operator, providing a report of the operations carried out manually. The significant improvements are guaranteeing the traceability of the batch, the live inventory updates specific to each weighing activity, the reduction in operating activities, decreasing the possibility of error and checking the plant loading and weighing activities through the use of scanner guns and lastly but not less importantly ergonomic improvement for the reduction of manual weighing activities.

The weighing, labelling and stocking systems interface with each other and communicate with the SAP factory management system and the manufacturing execution system (MES) system, guaranteeing the traceability and utmost control of the plant and activities. Thanks to its direct connection with the company ERP system, remote diagnostics, the simplification of the man/machine interface and the high level of digitalisation, the plant is fully compatible with an Industry 4.0 project.

New BV 84 extrusion line

During the year, the new BV 84 extrusion line for the production of thermoplastic compounds, which are highly reinforced and loaded, and the special compounds was rolled out and production commenced in June 2021.

The project is part of the 4.0 digital innovation objective: the digitalisation of processes and products in different value creation areas and fields (process/product traceability, logistics/inventory/movement, quality control, automatic tracing of quality specifications of a product, raw materials, etc.).

The various components of the formula, which will be compounded by the extruder, are connected to seven gravimetric dosing lines. Depending on the type of material, the dosing line is served by specific equipment designed to use the original packaging. This new solution streamlines the pre-extrusion activities and allows for the dosing lines to be dedicated to individual raw materials with a view to limiting cleaning activities and potential contamination from other products.

The machine is equipped with digital control as it is connected in line with the company ERP, with the IoT system which extracts the data from the field and transfers them to the factory manufacturing execution system (MES).

The line has been developed to minimise cleaning and, if necessary, make it as flexible and streamlined as possible. During production (in August 2021), the company decided to change the initial underwater pelletizing configuration to a traditional strand cutting method which facilitated the mass production of both brominated and non-brominated self-extinguishing products, requested by the market in large quantities. The underwater pelletizing system will be reused as an alternative to the traditional system for the production of specials.

Photovoltaic plant

A new photovoltaic plant with peak power of 117.87 kWp was installed on the roof of the new Arupe department and on the roof of the forklift recharger unit in 2020 and was rolled out in June 2021.

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

Outbound logistics

Another strategic activity carried out at the Gornate site was the review of the outbound logistics process. This initially entailed the design and building of a new warehouse for finished products with the creation of a connection between the end of the line and the finished products warehouse, with automatic solutions for the handling of materials. Due to the new organisation of the production areas, the company opted to strategically prioritise production rather than the space used to store finished products and accordingly decided to engage a third party logistics partner. This partner was selected on its ability to provide an integrated logistics service including:

- the transportation of finished products;
- the storage and pick-up from the warehouse of finished products (including by unpacking pallets or taking products out of an individual bag);
- the preparation of finished products for shipping and their loading onto the vehicles;
- the computerised management of inventory flows, integrated with the company's ERP systems to allow for inventory counts and exchanges of information with other company departments (e.g., customer service and controls).

The company's logistics department and its current shipping partners will be entirely responsible for the logistics aspects of shipping the finished products, using a well-defined and integrated outsourcing logistics model to ensure tight controls over the logistics flows and costs and to monitor performance KPIs. This solution will be adopted for both production sites (Vedano and Gornate) and for finished products produced with toll compounding.

This third party logistics (3PL) system will free up space at the Gornate site to facilitate new production and the conversion to a more streamlined process at the Vedano factory. It will also mean that the company's outbound logistics services better match customers' needs (flexibility and efficiency) and are more sustainable (e.g., resort to intermodal solutions).

Smart factory

Two other pivotal projects that are part of the digital innovation 4.0 drive took place during the year with the end goal of digitalising the processes of various departments and creating value. They are at a good point and involve the digitalisation of the factory unit (MII) and the maintenance area (Maintenance App).

The Torbissima Project includes a structural and technological transition to a Smart Factory. General management was required to redesign the entire production process and the field data collection methods to become 4.0 compliant. This entailed revisiting the factory's processes and digitalisation (thanks to the use of the IoT system) of all the production areas starting from the preparation and weighing unit, and on to the mixing, extrusion, drying and packaging units.

The MII system (SAP's MES solution adopted by the company) is essential to streamline factory management and move it online, enable direct checks of production and service/energy costs, real time tracking of production orders (connected online with Compass, the company scheduling tool), online recording of timings, production volumes and stopping times (and reasons therefor) and the direct link with energy and maintenance variables. At year end, the digitalisation project using MES was being tested on a complete pilot flow at the Gornate site.

In order to step up maintenance activities as well, the company installed a maintenance app with a new maintenance system that interfaces directly with the SAP ERP system. It is currently undergoing UAT at the Vedano and Gornate sites and will improve the existing maintenance processes, thanks to a more mobile and interactive approach (through the deployment of devices to be used on-site) to collecting data from the systems and the routine, scheduled and extraordinary maintenance activities in order to achieve a better organised and planned maintenance model that also interfaces with the management control systems (using a method to statistically analyse KPI that ensures continuous improvement).

**Infrastructures and IT systems**

During the year, the company continued its project to computerise and digitalise the production-logistics area started in 2020, which will make it possible to perform real time checks of the data from and progress of each phase of internal and external production and logistics and online and offline controls. Activities carried out in 2021 included:

- completion of the migration to the new ERP - S4HANA (June 2021);
- increasing the number of connected machines to record production data (IoT);

- release of new functionalities as part of the BI (business intelligence) project;
- continuation of development of the MES system;
- roll-out of the maintenance system with the consignment of tablets to maintenance personnel (December 2021).

To support the Industry 4.0 projects and the company computerisation and digitalisation projects, IT infrastructures and architectures were strengthened in 2021 through:

- installation of 14 new Azure servers and expansion of the structure to a total of 33 servers;
- doubling the Wi-Fi infrastructure at the two sites to ensure connectivity for the maintenance projects and future developments;
- completion of the migration to Microsoft Outlook for the entire workforce.

The company also prioritised actions to ensure cybersecurity, such as:

- introduction of a remote management system for mobile terminals to ensure compliance with company policies and facilitate their configuration;
- activation of a new malware prevention system for emails, with additional protection for any links included in them;
- launch of a HoneyPot system to trap attackers and deflect them from their main targets;
- roll-out of an automated internal system to detect vulnerabilities in the company servers;
- vulnerability assessment, for the prompt assessment of the IT security status.

The company also introduced a video surveillance system at the Vedano Olona and Gornate Olona sites to check the movements of people and vehicles in the areas outside the sites in order to ensure the safety of people, assets and areas deemed strategic for the sites' operations.

## RESEARCH AND DEVELOPMENT AND SUSTAINABILITY

In 2021, the company started 99 R&D projects which led to the coding of 104 new products and the formulation and processing of 453 experimental batches, including 131 which were trialled by customers for application tests. The main research issues treated by the department during the year were:

a) the development of sustainable solutions, i.e., materials that proactively contribute to limiting the product's environmental impact over its entire life cycle;
b) a wide selection of flexible materials, previously not part of the product range;
c) the study of new materials that could potentially be used for electric mobility and E&E.

### a) Study, assessment and development of sustainable solutions

The R&D department studied product sustainability during the year carrying out various activities, such as:

- Performance of a special product sustainability assessment with an in-depth LCA (life cycle assessment) study, which quantifies the environmental impact of a product through its life cycle from production of the raw materials to delivery of the material to the customer/molding machine operator. This study compared various product categories:
  I. the self-extinguishing material based on PA66 and glass fibre reinforced red phosphorus compared to an equivalent formulation where 50% of the virgin PA66 was replaced with PA66 obtained with the mechanical recycling of post-industrial textile waste;
  II. the self-extinguishing PA6 based compound with reinforced melamine cyanurate compared to an equivalent formulation based on PA6 obtained from chemical recycling;
  III. the self-extinguishing compound made of fossil-based PE compared to the same product made using bio-based PE (sugar cane biomass).

  The results of this study showed the benefits of using recycled materials based on various indicators analysed in the LCA (global warming potential; ozone depletion potential; POCP = impact of tropospheric ozone; acidification potential; eutrophification potential; ADP - minerals and metals; ADP-fossil -consumption of fossil resources -; water depletion potential). The study's data are very interesting and show that there is a large reduction in these indicators when recycled or bio-origin products are used; specifically on GWP (up to -80% for polymer when mechanically recycled polymer is used; -60% - again for polymer - with the use of chemically recycled polymer and up to -90% with the use of bio-origin polymers replacing the equivalent fossil-based PE). Based on the study and market demand, the company will mainly focus on the indicator representing CO2 emissions per kilo of product (GWP - global warming potential) in 2022 considering a wide range of LATI products. It will also assess the potential changes that might affect the GWP (raw materials from other origins, suppliers, production locations).

- In 2021, the company created a new product family, LATIECO, which includes products with raw materials obtained from mechanical or chemical recycling. The 13 formulated and coded LATIECO products include various categories (self-extinguishing, 3D printing, coloured versions) and various base polymers (PA6, PA66, PP and PC) and self-extinguishing versions using chemically recycled PA6.

- The LATIGEA family, which includes compounds developed with renewable source polymers, was extended to include four new coded materials based on PLA and three coded products made with the new bio-based PA as an alternative to AE or reinforced fibre now made with PA6 or fossil-based PA66.

- After an extensive process to validate the products by the R&D department, the company entered into a partnership with a producer of compounds loaded with hemp processing waste and developed using various polymer matrices (ABS, PP, HIPS and PEHD). This agreement has enabled the company to increase its portfolio of sustainable products and complies with the principle of a circular economy.

### b) Development of flexible materials

The company has traditionally always produced rigid materials, except for a few exceptions based on reinforced polyurethane. The idea behind the development of "flexible" materials was to study and design new product types (in the elastomer field) that have all those functionalities that it has developed for rigid materials (self-extinguishing, thermally or electrically conductive, self-lubricating and suitability for 3D printing).

The company has studied 13 types of flexible materials which it built pre-industrial models of using a thermoplastic elastomer base (SEBS), making up the LASTIFLEX family. The products studied included halogen-free self-extinguishing products, controlled density products (LATIMASS 31), x-ray shielding products (LATIGRAY 31: to be used in applications as a shield instead of lead), thermally conductive products (LATICONTHER 31) or electrostatic dissipative products (LATIOHM 31). Some of these materials have been offered to selected customers for their assessment.

### c) Study of technical materials for applications in the electric mobility and E&E sectors

The company has studied new materials that can potentially be used in the electric mobility sector and as alternatives to existing products for which monopolies exist or for which it is difficult to source the raw materials.

The materials have to meet certain reliability and safety criteria. The company selects new compounds made with a different aramid that has greater chemical resistance and exceptional mechanical properties, including in high humidity and high temperature conditions (including above 200°C). LATI studied and produced seven products (LARAMID T family), including two self-extinguishing products (with and without halogen), 50% glass fibre reinforced, one thermally conductive product and one self-lubricating product.

The company assessed new raw materials or combinations of raw materials that are already available to formulate new self-extinguishing halogen-free products, which have good flame retardant properties as well as mechanical characteristics and are stable in humid environments. This would allow their use in very demanding applications. LATI decided not to use self-extinguishing additives that regularly have supply problems. As a result, it developed small samples of two types of materials that are currently being trialled by customers.

## Co-funded projects

### POLISTE

Advanced POlymeric materials based on LIgnin for Sustainable TEchnologies. The project is funded by the CARIPLO foundation and by the Lombardy Region and aims to develop new advanced and sustainable polymeric materials using modified Lignocellulosic biomass (micro/nano particles and fibres). Lignin is currently a widely-available by-product of biomass, obtained from the paper industry and other bio-refinery processes, in addition to a fraction of digestate in the biogas industry (which is very significant in Lombardy). A potential advantage of Lignin is its aromatic nature (essentially the only renewable aromatic source available on a large scale) and its environmental stability which is higher than that of other available biopolymers.

In 2021, the company developed compounds with different mass content of lignin, of a type already marketed and not functionalised in different concentrations (7%, 15%, 25% and 35%) using a fossil-based PP and bio-based HDPE, to study the effect of the addition of natural filler and identify an optimal percentage. Based on the mechanical and molding properties, the company selected a 15% compound and used this base to perform a second round of experiments to test the effect of different compatibilising additives to improve the adhesion between the polymer matrix and the lignin and, therefore, the compound's mechanical properties. None of the three additives had significant effects. The company also investigated the effect of drying the lignin before the extrusion process, finding that it slightly weakens the material but improves the process.

The third experiment involved compounds of different biopolymers deemed interesting from a circular economy viewpoint: a PBS (bio-based) and a PHB (bio-based, biodegradable) with 10% and 15% of lignin. In addition and in order to study the possibility of using alternative sources of lignin, two other tests were performed using BPS and PHB as the base supplemented with 15% of walnut shells. At the same time, a recycled PP (rPP), supplied by the project partner, was analysed and two compounds were developed with 10% and 15% of lignin. The results, confirmed by the tests performed by the Polytechnic University, showed significantly better mechanical performances compared to the virgin PP, confirming the wisdom of the company's choices.

**SAbyNA**

SAbyNA is conceived to become the guidance platform to support the development of safer nanomaterials. Nanomaterials hold the promise of changing the everyday world in fundamental ways. However, as with any innovation, scientists need to shed light on the potential health and environmental risks along the life cycle of a product. The EU-funded SAbyNA project plans to develop a user-friendly platform with optimal workflows to support the development of safe-by-design nanomaterials and nano-enabled products. The workflows will integrate safe-by-design strategies and risk mitigation measures along with decision trees that facilitate the identification of the most suitable approaches for workers, consumers and the environment. Continuous dialogue with different stakeholders and end users will maximise the added value of the project's safe-by-design guidance platform, which will also be demonstrated in real-life industrial case studies.

LATI's R&D contribution to SAbyNA

LATI is the leader of work package 7 (WP7, industrial partners) and coordinates all the group activities (organisation of meetings, management of internal communications, writing of reports, communications to industrial stakeholders). In its role as the WP7 leader, LATI also represents the work package in the scientific committee and participates in the activities of the other work packages for the aspects related to the industry and case studies.

As the industrial partners, after numerous process iterations, LATI and LATI3DLab have developed and characterised innovative formulations of filaments for 3D printing (FDM technology), specifically, a grade of polycarbonate for antistatic applications (containing carbon nanotubes) and a grade of polypropylene for antibacterial applications (containing silver nanoparticles). During the year, they provided the filaments to the research body LEITAT which successfully printed the first prototypes of parts for professional aspiration in ATEX environments and for the orthopaedic sector using the additive technology. Part of the material was concurrently provided to research bodies that characterised the release of substances of concern (SoC) during the process conditions and the composition of materials used using state-of-the-art analytical tools.

WP7's report was delivered to the European Commission's auditor within the established timeline and no observations have been received to date about any delays or changes in the project.

The scientific contribution made by WP7 in 2021 led to the preparation of two poster contributions which, if accepted, will be presented at the international conference in 2022.

## HUMAN RESOURCES AND ORGANISATION

Despite continuation of the critical conditions seen in the previous year, the company's HR policies adopted again in 2021 were consistent with its commitment expressed in its values and skills system.

LATI gives great importance to the employment, employability and wellbeing of its people.

It carried out many projects to support its employees and develop its strategies.

## HUMAN RESOURCES AND ORGANISATION

LATI maintained full employment levels and hired new employees for its offices and production departments.

Partly to cover the normal departure of employees who have reached retirement age, the company has implemented recruitment policies to support the company's development. Its intention is to enhance the current workforce's know-how with technical and transversal skills to facilitate the company's digital transition and internationalisation.

LATI reorganised some departments to include strategic emerging roles in order to be better placed to take on new market challenges (this project was completed in January 2022).

During the year, it settled two disputes with employees for which it had prudently set aside sufficient provisions to cover the related costs.

It does not expect to be involved in disputes or found liable for injuries or work-related illnesses involving employees or former employees or proceedings in which it is found guilty in 2022. Therefore, it has not set up a provision for risks.

## REMOTE WORK

For LATI, the challenge posed by the public health emergency in 2020 represented an opportunity to develop new ways of organising work with a view to maintaining a work/life balance.

The trial introduction of remote work from August to December 2020 was very successful and has been confirmed as a company practice with employees able to work remotely up to five days a week.

This change in practice strengthened the employees' confidence and empowered them, encouraging a flexible and results-orientated culture.

In tandem with this change, the company also modified the office working hours, agreeing with the trade unions that all the employees who previously qualified for the "annual flexible working hours" scheme would no longer have their working hours checked using the clock in/clock out mechanism.

In 2021, the company offered parents with special family needs part-time work.

## EMPLOYABILITY

The new blending training model was consolidated in 2021. To emphasise the importance of training, the renewed agreement for the 2021-2023 performance bonuses provides for training to be given to all employees and the inclusion of a participation indicator pegged to part of the bonus.

The company provided online and/or blending training courses to ensure the maximum safety of its employees against the risk of contracting Covid-19.

Its extensive training programme was divided into four areas:

soft skills courses: courses on digital agility skills were prioritised and included aspects such as interdepartmental collaboration (at a time when distance was imposed), encouraging proactiveness and an aptitude for change as well as written and oral communication;

courses for factory workers provided for by the training plan (two hours at the end of their shift). These were provided, when possible, online by trainers using Teams and/or internal personnel separated among the available rooms, thus ensuring simultaneous training to employees at both sites. The courses covered various subjects related to sustainability, the market and LATI projects, wellbeing and correct life styles and cybersecurity;

transversal skills courses: language courses were started up again in 2021, offering German as well as English this year, and excel courses;

safety training provided in accordance with the ruling legislation. This was provided remotely where permitted by the law or in-person where required for the practical part. In addition to mandatory training courses, the company also held a safety coaching course for most of the workforce to raise awareness about this important issue, which was very successful.

## COVID-19 SAFETY

During the year, the company continued to monitor its employees' health and safety in accordance with the relevant regulations.

Employees who caught the virus were checked up on regularly and the company gave them swabs and assistance for their children with home schooling (see the next section).

The company doctor provided prompt services and clarifications about the vaccination campaign, which LATI confirmed it was interested in through the sector association.

## WELFARE

The company qualified again in 2021 as a WORKPLACE THAT PROMOTES HEALTH, receiving the related certification from the WHP (Workplace Health Promotion) network of the Lombardy region.

This qualification acknowledges the many initiatives introduced by the company, especially as regards the work/life balance.

In addition to the innovations already described in the section on remote work, in 2021, the company:

- provided financial assistance to parents with children doing online schooling to fully cover the cost of a tutor to help them with their school work;
- covered the registration fee and part of the cost of summer camps for its employees' children;
- introduced a tailor service and clothes collection point at favourable rates to encourage a virtuous cycle and sustainability;

- extended its fitness courses with different times to suit employees' work and family schedules. The courses are available online and are free to anyone interested;
- expanded the agreements with gyms and swimming pools.

In 2021, the company revisited its traditional LATI scholarship for employees' children, which had been strongly desired by the Conterno family.

The scholarship, to be assigned in 2022, has been opened to a wider range of candidates (children, siblings, grandchildren or partners of LATI employees) and the topics have been changed. The new generations shall present projects on how they perceive the company of the future. Over the next few years, LATI intends to significantly reorganise its offices and it decided to involve the young people in this change project, encouraging them to reflect on issues important to the company (environments that foster digitalisation and collaboration among colleagues) and its outside world (sustainability, integration with the local community, prevention of urban decay).

## QUALITY, SAFETY AND THE ENVIRONMENT

The company's quality, environmental and safety management system complies with ISO 9001:2015, ISO 14001:2015 and ISO 45001:2018 (customer orientation, leadership, staff involvement, process-based approach, system-based approach to management, continual improvement, evidence-based decision-making, mutually beneficial relationships with suppliers, promoting respect for the environment in all its forms and safeguarding the health and safety of workers).

Each site has a centrally-coordinated organisational structure dedicated to the quality, environmental and safety 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, ISO 14001:2015 and ISO 45001:2020 certified sites

ISO 9001:2015 certificate no. 041

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

ISO 14001:2015 certificate no. 333

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

ISO 45001:2018 certificate no. IT-119353

| Site | First issue date | Certified by |
|---|---|---|
| Vedano Olona | 28/07/2020 | Certiquality |
| Gornate Olona | 28/07/2020 | Certiquality |

In June 2021, the audit to renew the ISO 14001 (environmental management system) and ISO 9001 (quality management system) certifications took place. The ISO 45001 (safety management system) certification was renewed through a surveillance audit.

All 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.

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 on its website - www.lati.com.

The Quality, Environment and Safety department is also responsible for sustainability and hit important goals, such as the Ecovadis rating and its preparation of a sustainability report.

## 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 the products' value added.

  Sales volumes increased by 23.7% compared to 2020 returning to pre-Covid-19 levels. Customer order levels and, therefore, sales volumes in 2021 were continuously above the average figures for 2020 and 2019.

  An identical trend was seen on the raw materials market with rising prices throughout the year, while tensions on the supply front increased.

  Towards the end of the year, energy prices began to rise steadily.

- Liquidity risk

  Over the past two years, LATI has steadily optimised:

  - its use of bank facilities to discount trade receivables;
  - its use of non-current loans to finance investments;
  - its monitoring of the use of financial resources to fund working capital;

  ending both years with a net financial position.

  In 2021, the company was forced to closely monitor working capital as the surging commodity prices transferred to sales prices and the carrying amount of inventory. Despite this situation, it improved its net financial position from €4,505,120 at the end of 2020 to €8,182,708 at 31 December 2021.

Continued

- strong demand (shown by the order volumes);
- hikes in commodity and energy product prices;
- tensions in the supply market

all confirmed the need to track changes in working capital while ensuring suitable levels of finished products and raw materials to guarantee service levels.

- Interest rate risk

Most of the sources of funding are at variable rates, theoretically exposing the company to the risk of volatility. The company has two loans hedged by interest rate swaps.

As a result of the pandemic, interest rates were frozen in the 2020-2021 two-year period. In 2021, the company renegotiated part of its loans, pegging them to strategic ESG parameters and obtaining additional benefits in terms of interest rates and longer repayment schedules. In the first quarter of 2021, LATI will have to finance the second part of its strategic plan and will again avail of the ESG benefits.

- Credit risk

This is substantially the risk that the company will not be paid by its customers. In general, the company's credit risk is not significantly concentrated as it has a high number of customers.

As a precaution in light of the pandemic, LATI stepped up its monitoring of exposure to credit risk.

In 2020 and 2021, there was neither a worsening of outstanding payments nor an increase in the DSO. However, the company considers it fundamental to constantly monitor its trade receivables, which are covered by a top insurance policy, although it does have an excess clause.

- Risks connected to the Covid-19 pandemic

During the year, the company continued to monitor the risk that the virus would spread among its employees. It maintained all the measures introduced in 2020 and adopted new ones as necessary and required by the national public health plan.

The effectiveness of its measures was seen again in 2021: employees promptly adapted to the new situation showing a great degree of collaboration and respect for their own health and that of others, swiftly reporting any exposure to contagion risks.

- Risks connected to the conflict between Russia and Ukraine

The repercussions of the conflict are difficult to foresee. LATI does not have direct commercial activities with the countries involved and is monitoring the situation with respect to its customers and suppliers that work with companies in the two countries.

## 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. | 2,217,616 | 819,488 | - | - | 140,000 | - |
| LATI Shanghai | 577,984 | 285,211 | - | - | 2,738,472 | 2,308,915 |
| LATI UK Ltd | 449,282 | - | - | - | - | 2,045,940 |
| LATI Usa Trade Inc. | 4,406 | 30,803 | - | - | 336,309 | 94,503 |

## Financial transactions

| | Financial receivables | Loans and borrowings | Guarantees received | Guarantees given | Financial charges | Financial income |
|---|---|---|---|---|---|---|
| SVI S.p.A. | - | - | - | - | - | 80,000 |
| LATI Shanghai | - | - | - | - | - | 277,746 |
| LATI UK Ltd | - | - | - | - | - | - |
| LATI Usa Trade Inc. | - | - | - | - | - | - |

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. relate to the VAT consolidation scheme (€2,016,745) and foreign tax assets exceeding the Italian current taxes and related to previous years and recoverable in future years (€200,871).

The payables to SVI S.p.A. include amounts arising from the tax consolidation scheme of €1,242,970, to be offset against withholdings on bank interest income of €11,109, foreign tax assets exceeding the Italian current taxes of €384,780 and taxes paid abroad of €27,594.

All other intragroup receivables and payables 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.);
- commissions (foreign subsidiaries).

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

- with respect to the foreign subsidiaries, trading income from the sale of goods, the provision of services and financial income in the form of dividends received from the parent, SVI S.p.A., and the subsidiary LATI Shanghai Co. Ltd.

In 2021, 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.

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

The main events affecting the company's foreign operations are summarised below:

**Subsidiaries**

**LATI U.K. ltd.**

In 2021, the English market saw a 4.6% increase in sales volumes and an 18.7% rise in turnover. Unit profit margins decreased due to the higher prices of materials and the subsidiary recorded a net profit of €49,542 (2020: €88,438) despite the upturn in turnover from €2,331,741 to €2,534,026. The initial figures for 2022 suggest steady sales in line with 2021.

**LATI U.S.A. Trading, Inc.**

The subsidiary recorded a net profit of €423,166 for 2021 (compared to a net profit of €278,990 for 2020. This was possible thanks to the increase in revenues related to commercial brokerage commissions which increased from €207,072 to €336,309. The tax provision including deferred tax liabilities also increased by €145,928. In 2021, 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. 2022 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. The Chinese subsidiary was the first to be hit by the pandemic but was also the first to recover pre-Covid-19 sales levels. In 2021, the company's turnover increased by 35.6% over 2021. Its net profit jumped 193% from €538,879 to €1,580,882 for 2021. The subsidiary expects its business to grow again in 2022 and the figures for the first few months of the year confirm this assumption.

**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 AND POST-BALANCE SHEET EVENTS

The company's turnover for the first few months of 2022 is in line with the budget in terms of sales volumes but above it with respect to inflationary tensions.

The post-balance sheet events are the prolongation of the global healthcare emergency and pandemic and Russia's invasion of Ukraine.

The pandemic problem is resolving itself although its fallout on the economy has been significant leading principally to an increase in commodity and energy prices. This situation risks worsening due to the outbreak of the war in Ukraine, which is one of the major global natural gas suppliers.

While the consequences of both the pandemic and the ongoing conflict cannot be predicted, the company has shown itself to be profitable and to have a strong financial position over the years.

The main risk to which it is exposed is the global recession, continued difficulties in the supply market and escalating energy product prices which would affect the company both for its internal consumption and transport to customers.

LATI can rely on its sound financial position. In order to support profitability and its ability to create value, it will also have to follow the development guidelines set out in its 2022-2024 strategic plan and, in particular, drive its repositioning strategy towards high value added products, a sustainability strategy, a digitalisation and automation strategy and growth of its global presence.

**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 2021, 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 2021, 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.

Vedano Olona, 28 March 2022

For the board of directors

Chairman

Francesco Conterno

(signed on the original)

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 REA no. 41557

# LATI INDUSTRIA TERMOPLASTICI S.p.A.

## FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2021

| General information | |
|---|---|
| **Company information** | |
| Registered office in: | VEDANO OLONA, VIA BARACCA 7 |
| 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 |
| Register of cooperatives number: | |

Amounts are in Euros

# BALANCE SHEET

| | 31/12/2021 | 31/12/2020 |
|---|---|---|
| **Balance sheet** | | |
| **Assets** | | |
| **A) Share capital proceeds to be received** | | |
| **B) Fixed assets** | | |
| I - Intangible fixed assets | | |
| 1) start-up and capital costs | 185,628 | 384,243 |
| 4) concessions, licences, trademarks and similar rights | 1,191,471 | 108,989 |
| 6) assets under development and payments on account | 57,019 | 551,488 |
| 7) other | 11,923 | 17,884 |
| Total intangible fixed assets | 1,446,041 | 1,062,604 |
| II - Tangible fixed assets | | |
| 1) land and buildings | 24,307,989 | 22,668,420 |
| 2) plant and machinery | 14,667,314 | 11,006,662 |
| 3) industrial and commercial equipment | 367,343 | 376,204 |
| 4) other assets | 217,646 | 245,604 |
| 5) assets under construction and payments on account | 2,190,925 | 7,750,849 |
| Total tangible fixed assets | 41,751,217 | 42,047,739 |
| III - Financial fixed assets | | |
| 1) equity investments | | |
| a) subsidiaries | 1,151,142 | 779,686 |
| c) parents | 1,994,226 | 1,994,226 |
| d-bis) other companies | 69,881 | 77,082 |
| Total equity investments | 3,215,249 | 2,850,994 |
| 2) financial receivables | | |
| a) from subsidiaries | | |
| b) from associates | | |
| c) from parents | | |
| d) from subsidiaries of parents | | |
| d-bis) from others | | |
| due after one year | 22,062 | 22,631 |
| Total from others | 22,062 | 22,631 |
| Total receivables | 22,062 | 22,631 |
| other securities | 5,000,000 | 0 |
| Total financial fixed assets | 8,237,311 | 2,873,625 |
| Total fixed assets (B) | 51,434,569 | 45,983,968 |
| **C) Current assets** | | |
| I - Inventory | | |
| 1) raw materials, consumables and supplies | 22,788,422 | 10,357,610 |
| 2) work in progress and semi-finished products | 1,025,845 | 778,513 |
| 4) finished goods | 14,493,861 | 11,440,042 |
| 5) payments on account | 213,600 | 0 |
| Total inventory | 38,521,728 | 22,576,165 |
| II - Receivables | | |
| 1) trade receivables | | |
| due within one year | 37,863,658 | 26,604,173 |
| Total trade receivables | 37,863,658 | 26,604,173 |

| | | |
|---|---|---|
| 2) from subsidiaries | | |
| due within one year | 818,072 | 786,988 |
| Total from subsidiaries | 818,072 | 786,988 |
| 3) from associates | | |
| 4) from parents | | |
| due within one year | 2,217,616 | 2,022,456 |
| Total from parents | 2,217,616 | 2,022,456 |
| 5) from subsidiaries of parents | | |
| 5-bis) tax receivables | | |
| due within one year | 311,513 | 268,289 |
| Total tax receivables | 311,513 | 268,289 |
| 5-ter) deferred tax assets | 842,525 | 1,003,542 |
| 5-quater) from others | | |
| due within one year | 229,706 | 186,856 |
| Total from others | 229,706 | 186,856 |
| Total receivables | 42,283,090 | 30,872,304 |
| III - Current financial assets | | |
| IV - Liquid funds | | |
| 1) bank and postal accounts | 25,605,088 | 29,587,723 |
| 3) cash-in-hand and cash equivalents | 497 | 872 |
| Total liquid funds | 25,605,585 | 29,588,595 |
| Total current assets (C) | 106,410,403 | 83,037,064 |
| D) Prepayments and accrued income | 227,854 | 162,670 |
| **Total assets** | 158,072,826 | 129,183,702 |
| **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 | 54,038,602 | 45,557,879 |
| Reserves for shares of the parent | 1,994,226 | 1,994,226 |
| Negative goodwill | 1,895,205 | 1,895,205 |
| Total other reserves | 57,928,033 | 49,447,310 |
| VII - Hedging reserve | (39,009) | (92,528) |
| IX - Net profit for the year | 14,774,546 | 9,686,922 |
| Total net equity | 83,133,905 | 69,512,039 |
| **B) Provisions for risks and charges** | | |
| 1) pension and similar provisions | 8,911 | 8,858 |
| 3) derivatives | 39,009 | 92,528 |
| 4) other provisions | 2,227,967 | 2,385,689 |
| Total provisions for risks and charges | 2,275,887 | 2,487,075 |
| **C) Employees' leaving entitlement** | 1,943,691 | 2,095,537 |
| **D) Payables** | | |
| 1) bonds | | |
| 2) convertible bonds | | |
| 3) shareholder loans | | |
| 4) bank loans and borrowings | | |
| due within one year | 10,699,283 | 8,366,691 |
| due after one year | 11,723,594 | 16,716,784 |
| Total bank loans and borrowings | 22,422,877 | 25,083,475 |
| 5) loans and borrowings from other financial backers | | |
| 6) payments on account | | |
| due within one year | 61,159 | 21,648 |

| | | |
|---|---|---|
| Total payments on account | 61,159 | 21,648 |
| 7) trade payables | | |
| due within one year | 43,074,101 | 25,545,617 |
| Total trade payables | 43,074,101 | 25,545,617 |
| 8) commercial paper | | |
| 9) payables to subsidiaries | | |
| due within one year | 316,014 | 35,862 |
| Total payables to subsidiaries | 316,014 | 35,862 |
| 10) payables to associates | | |
| 11) payables to parents | | |
| due within one year | 819,488 | 1,329,705 |
| Total payables to parents | 819,488 | 1,329,705 |
| 11-bis) payables to subsidiaries of parents | | |
| 12) tax payables | | |
| due within one year | 1,478,947 | 892,076 |
| Total tax payables | 1,478,947 | 892,076 |
| 13) social security charges payable | | |
| due within one year | 1,038,706 | 913,319 |
| Total social security charges payable | 1,038,706 | 913,319 |
| 14) other payables | | |
| due within one year | 1,497,008 | 1,224,748 |
| Total other payables | 1,497,008 | 1,224,748 |
| Total payables | 70,708,300 | 55,046,450 |
| E) Accrued expenses and deferred income | 11,043 | 42,601 |
| **Total liabilities** | 158,072,826 | 129,183,702 |

# Profit and loss account

| | 2021 | 2020 |
|---|---|---|
| | | |
| **A) Production revenues** | | |
| 1) turnover from sales and services | 180,060,043 | 130,931,439 |
| 2) change in work in progress, semi-finished products and finished goods | 3,301,152 | -2,050,416 |
| 5) other revenues and income | | |
| grants related to income | 57,183 | 168,096 |
| other | 1,478,475 | 685,609 |
| Total other revenues and income | 1,535,658 | 853,705 |
| **Total production revenues** | 184,896,853 | 129,734,728 |
| **B) Production cost** | | |
| 6) raw materials, consumables, supplies and goods | 133,228,113 | 79,863,068 |
| 7) services | 19,889,734 | 15,255,803 |
| 8) use of third party assets | 843,277 | 700,908 |
| 9) personnel expenses | | |
| a) wages and salaries | 12,226,128 | 11,336,933 |
| b) social security contributions | 3,961,543 | 3,593,683 |
| c) employees' leaving entitlement | 834,307 | 732,734 |
| e) other costs | 2,091,165 | 1,157,189 |
| Total personnel expenses | 19,113,143 | 16,820,539 |
| 10) amortisation, depreciation and write-downs | | |
| a) amortisation of intangible fixed assets | 525,531 | 305,119 |
| b) depreciation of tangible fixed assets | 3,092,507 | 2,944,029 |
| Total amortisation, depreciation and write-downs | 3,618,038 | 3,249,148 |
| 11) changes in raw materials, consumables, supplies and goods | (12,430,812) | -1,067,866 |
| 13) other provisions | 152,000 | 446,312 |
| 14) other operating costs | 633,430 | 599,046 |
| **Total production cost** | 165,046,923 | 115,866,958 |
| **Operating profit (A-B)** | 19,849,930 | 13,867,770 |
| C) Financial income and charges | | |
| 15) income from equity investments | | |
| in subsidiaries | 277,746 | 296,352 |
| in parents | 80,000 | 0 |
| in other companies | 48 | 0 |
| Total income from equity investments | 357,794 | 296,352 |
| 16) other financial income: | | |
| a) from financial receivables classified as fixed assets | | |
| d) other income | | |
| from others | 42,778 | 47,225 |
| Total other income | 42,778 | 47,225 |
| Total other financial income | 42,778 | 47,225 |
| 17) interest and other financial charges | | |
| other | 828,222 | 708,131 |
| Total interest and other financial charges | 828,222 | 708,131 |
| 17-bis) net exchange rate gains (losses) | 116,557 | (101,527) |
| Net financial charges (15+16-17+/-17-bis) | (311,093) | (466,081) |

| | | |
|---|---|---|
| D) Adjustments to financial assets and liabilities | | |
| 18) write-backs | | |
| a) equity investments | 423,483 | 278,990 |
| Total write-backs | 423,483 | 278,990 |
| 19) write-downs | | |
| a) equity investments | 51,710 | 281,149 |
| Total write-downs | 51,710 | 281,149 |
| Total adjustments (18-19) | 371,773 | (2,159) |
| **Profit before taxes (A-B+-C+-D)** | 19,910,610 | 13,399,530 |
| **20) Income taxes, current and deferred** | | |
| current taxes | 4,980,495 | 3,513,343 |
| taxes relative to prior years | (5,448) | 3,832 |
| deferred taxes | 161,017 | 195,433 |
| Total income taxes, current and deferred | 5,136,064 | 3,712,608 |
| **21) Net profit for the year** | 14,774,546 | 9,686,922 |

# Cash flow statement, indirect method

| | 2021 | 2020 |
|---|---|---|
| A) Cash flows from operating activities (indirect method) | | |
| Net profit for the year | 14,774,546 | 9,686,922 |
| Income taxes | 5,136,064 | 3,712,608 |
| Net interest expense | 668,887 | 762,433 |
| Dividends | 357,794 | 0 |
| Net profits from the sale of assets | (9,970) | (385,601) |
| 1) Profit for the year before income taxes, interest, dividends and profits/losses from the sale of assets | 20,927,321 | 13,776,362 |
| *Non-monetary adjustments that did not affect net working capital* | | |
| Accruals to provisions | 986,360 | 1,137,108 |
| Amortisation and depreciation | 3,618,038 | 3,249,148 |
| Other non-monetary adjustments | (371,772) | (2,159) |
| Total non-monetary adjustments that did not affect net working capital | 4,232,626 | 4,384,097 |
| 2) Cash flows before changes in net working capital | 25,159,947 | 18,160,459 |
| *Changes in net working capital* | | |
| Decrease/(increase) in inventory | (15,945,563) | 982,551 |
| Increase in trade receivables | (11,259,485) | (857,381) |
| Increase in trade payables | 17,528,484 | 2,243,785 |
| Decrease/(increase) in prepayments and accrued income | (65,184) | 10,309 |
| Increase/(decrease) in accrued expenses and deferred income | (31,558) | 9,558 |
| Other decreases/(increases) in net working capital | (390,559) | 511,042 |
| Total changes in net working capital | (10,163,865) | 2,899,864 |
| 3) Cash flows after changes in net working capital | 14,996,082 | 21,060,323 |
| *Other adjustments* | | |
| Net interest paid | (668,887) | (762,433) |
| Income taxes paid | (4,102,842) | (2,301,354) |
| Dividends collected | (357,794) | 0 |
| Use of provisions | (1,295,875) | (878,423) |
| Other collections | 0 | 2,159 |
| Total other adjustments | (6,425,398) | (3,940,051) |
| Cash flows from operating activities (A) | 8,570,684 | 17,120,272 |
| B) Cash flows from investing activities | | |
| Tangible fixed assets | | |
| Additions | (2,795,985) | (6,590,644) |
| Disposals | 9,970 | 110,972 |
| Intangible fixed assets | | |
| Additions | (908,968) | (605,738) |

| | | |
|---|---|---|
| Financial fixed assets | | |
| Additions | (5,000,000) | 0 |
| Disposals | 8,087 | 377,052 |
| Other current financial assets | | |
| Cash flows used in investing activities (B) | (8,686,896) | (6,708,358) |
| C) Cash flows from financing activities | | |
| Third party funds | | |
| Increase/(decrease) in short-term bank borrowings | 2,332,592 | (2,718,357) |
| New loans | 7,500,000 | 3,150,000 |
| Repayment of loans | (12,493,190) | (1,152,806) |
| Own funds | | |
| Dividends and interim dividends paid | (1,206,200) | (222,000) |
| Cash flows used in financing activities (C) | (3,866,798) | (943,163) |
| Increase (decrease) in liquid funds (A ± B ± C) | (3,983,010) | 9,468,751 |
| Opening liquid funds | | |
| Bank and postal accounts | 29,587,723 | 20,118,992 |
| Cash-in-hand and cash equivalents | 872 | 852 |
| Total opening liquid funds | 29,588,595 | 20,119,844 |
| Closing liquid funds | | |
| Bank and postal accounts | 25,605,088 | 29,587,723 |
| Cash-in-hand and cash equivalents | 497 | 872 |
| Total closing liquid funds | 25,605,585 | 29,588,595 |

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 REA no. 41557

**NOTES TO THE FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2021**

## 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 (the “OIC”). 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.

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 SVI 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 SVI 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, SVI 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

### General principles

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.

## 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 and start to contribute to assets.

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.

## 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 intangible fixed assets |
|---|---|---|---|---|---|---|
| **Opening balance** | | | | | | |
| **Cost** | 1,181,190 | 196,039 | 2,655,258 | 551,488 | 315,759 | 4,899,734 |
| **Amortisation (accumulated amortisation)** | 796,947 | 196,039 | 2,546,269 | | 297,875 | 3,837,130 |
| **Carrying amount** | 384,243 | | 108,989 | 551,488 | 17,884 | 1,062,604 |
| **Changes** | | | | | | |
| **Acquisitions** | | | 873,949 | 35,019 | | 908,968 |
| **Reclassifications (carrying amount)** | | | 529,488 | (529,488) | | |
| **Sales and disposals (carrying amount)** | 188,113 | | | | 283,963 | 472,076 |
| **Amortisation** | 198,615 | | 320,955 | | 5,961 | 525,531 |
| **Other changes** | 188,113 | | | | 283,963 | 472,076 |
| **Total changes** | (198,615) | | 1,082,482 | (494,469) | (5,961) | 383,437 |
| **Closing balance** | | | | | | |
| **Cost** | 993,077 | 196,039 | 4,058,695 | 57,019 | 31,796 | 5,336,626 |
| **Amortisation (accumulated amortisation)** | 807,449 | 196,039 | 2,867,224 | | 19,873 | 3,890,585 |
| **Carrying amount** | 185,628 | | 1,191,471 | 57,019 | 11,923 | 1,446,041 |

As shown in the balance sheet, start-up and capital costs comprise costs incurred in previous years to set up the German branch (€348,238), the French branch (€220,455), the Slovakian branch (€141,086) and the Spanish branch (€283,298). Costs incurred in previous years to set up LATI Sweden Filial (€188,113) were derecognised during the year as the amortisation ended in 2020. Intangible assets that were fully amortised were also derecognised (€283,963).

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.

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

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 and development of data processing procedures and licences for the use of application software, as well as costs incurred during the year to acquire software licences and their implementation (€1,403,437), mostly related to the migration to SAP/4Hana and for the BI and MES projects.

Assets under development include costs incurred during the year for projects under way which are expected to be completed in 2022.

"Other" includes some deferred costs. Completely amortised costs were derecognised during the year.

## 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 carrying amount of 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.

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 tangible fixed assets |
|---|---|---|---|---|---|---|
| **Opening balance** | | | | | | |
| **Cost** | 24,437,671 | 57,394,145 | 8,758,313 | 3,178,443 | 7,750,849 | 101,519,421 |
| **Revaluations** | 16,462,268 | 1,510,714 | | | | 17,972,982 |
| **Depreciation (accumulated depreciation)** | 18,231,519 | 47,898,197 | 8,382,109 | 2,932,839 | | 77,444,664 |
| **Carrying amount** | 22,668,420 | 11,006,662 | 376,204 | 245,604 | 7,750,849 | 42,047,739 |
| **Changes** | | | | | | |
| **Acquisitions** | 558,575 | 1,603,178 | 247,574 | 38,447 | 490,185 | 2,937,959 |
| **Reclassifications (carrying amount)** | 2,108,333 | 3,748,321 | 38,611 | 12,870 | -5,908,135 | 0 |
| **Sales and disposals (carrying amount)** | | 87,798 | | 79,909 | -141,974 | 309,681 |
| **Depreciation** | 1,027,339 | 1,690,847 | 295,046 | 79,275 | | 3,092,507 |
| **Other changes** | | 87,798 | | 79,909 | | 167,707 |
| **Total changes** | 1,639,569 | 3,660,652 | (8,861) | (27,958) | -5,559,924 | (296,522) |
| **Closing balance** | | | | | | |
| **Cost** | 27,104,579 | 62,657,846 | 9,044,498 | 3,149,851 | 2,190,925 | 104,147,699 |
| **Revaluations** | 16,462,268 | 1,510,714 | | | | 17,972,982 |
| **Depreciation (accumulated depreciation)** | 19,258,858 | 49,501,246 | 8,677,155 | 2,932,205 | | 80,369,464 |
| **Carrying amount** | 24,307,989 | 14,667,314 | 367,343 | 217,646 | 2,190,925 | 41,751,217 |

The principal increases in tangible fixed assets relate to:

- completion of the works for the new ARUPE department in Torba (€2 million);
- the roll-out of a new extruder at the Torba site (€3.66 million);
- the rollout of a new photovoltaic plant (€178 thousand) and an energy efficiency monitoring system.

Assets under construction include payments on account made during the year for the next reconditioning of plant and machinery required to develop and upgrade the Torba site. The decreases relate to the work completed during the year and reclassified to the related depreciable asset caption.

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 2021 approved by the investee's 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 equity-accounted investment in Lati USA Trading Inc. increased by €371,456 during the year. It was written back by €423,166 as a result of the increase in its net equity and then written down by €51,710.

Equity investments measured at cost

The investments in LATI UK Ltd and LATI Shanghai Co. Ltd. are recognised at purchase or incorporation cost, including transaction costs.

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, SVI 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

| | Subsidiaries | Parents | Other companies | Total equity investments | Other securities |
|---|---|---|---|---|---|
| **Opening balance** | | | | | |
| **Cost** | 15,935,115 | 1,994,226 | 216,033 | 18,145,374 | 0 |
| **Write-backs** | 441,622 | | 5,904 | 447,526 | |
| **Write-downs** | 15,597,051 | | 144,855 | 15,741,906 | |
| **Carrying amount** | 779,686 | 1,994,226 | 77,082 | 2,850,994 | 0 |
| **Changes** | | | | | |
| **Acquisitions** | | | | | 5,000,000 |
| **Write-backs** | 423,166 | | 317 | 423,483 | |
| **Decreases and disposals** | | | 7,518 | 7,518 | |
| **Write-downs** | 51,710 | | | 51,710 | |
| **Total changes** | 371,456 | | (7,201) | 364,255 | 5,000,000 |
| **Closing balance** | | | | | |
| **Cost** | 15,935,115 | 1,994,226 | 208,515 | 18,137,856 | 5,000,000 |
| **Write-backs** | 864,788 | | 6,221 | 871,009 | |
| **Write-downs** | 15,648,761 | | 144,855 | 15,793,616 | |
| **Carrying amount** | 1,151,142 | 1,994,226 | 69,881 | 3,215,249 | 5,000,000 |

The write-down of over €15 million refers to LATI USA Trading Inc., written down starting from the early 2000s.

Given the size of its group's assets, there are no concerns about the recoverability of the company's investment in SVI.

During the year, the company sold its investment (carrying amount of €7,519) in CESAP S.r.l., which is no longer deemed a core asset, making a loss of €3,019.

The other change compared to 31 December 2020 relates to the write-back of €317 of the investment in Atlantide SA.

### OTHER SECURITIES

This caption includes a €5,000,000 insurance contract, BNL Key Selection, taken out with BNL-BNP Paribas. It has a term of 36 months and no entry or exit costs or fines.

The policy can be monetised in 20 to 30 days and can also be used as a guarantee for credit facilities after six months.

The fund is made up of bonds for 30% (class I) and liquidity for 70% (class 3).

## Changes in and due date of financial receivables

| | Opening balance | Changes | Closing balance | Portion due after one year |
|---|---|---|---|---|
| **From others** | 22,631 | (569) | 22,062 | 22,062 |
| **Total** | 22,631 | (569) | 22,062 | 22,062 |

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:

| | | City, if in Italy, or foreign country | Share capital (€) | Net profit for the most recent year (€) | Net equity (€) | Investment held (€) | Investment held (%) | Carrying amount or related receivable |
|---|---|---|---|---|---|---|---|---|
| | **LATI U.K. LTD** | GREAT BRITAIN AND NORTHERN IRELAND | 178,512 | 50,681 | 1,211,033 | 1,211,033 | 100.00 | 192,076 |
| | **LATI USA TRADING INC** | UNITED STATES OF AMERICA | 750,486 | 441,885 | 1,250,890 | 1,250,890 | 100.00 | 759,066 |
| | **LATI SHANGHAI CO LTD** | PEOPLE'S REPUBLIC OF CHINA | 261,039 | 1,580,882 | 5,286,001 | 5,286,001 | 100.00 | 200,000 |
| **Total** | | | | | | | | 1,151,142 |

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 as deferred tax assets recognised in the subsidiary's financial statements were not fully considered in the final measurement.

## 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** | 14,342 | 14,342 |
| | **EU countries** | 7,720 | 7,720 |
| **Total** | | 22,062 | 22,062 |

### 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 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.

Caption BIII 1d) "Equity investments in other companies" of €69,881 is detailed below:

| Other companies | |
|---|---|
| Atlantide S.A. | €14,118 |
| 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 |
| Investment in GIUNCA network | €100 |
| Investment in Global Compact network | €1,500 |
| **Total** | **€69,881** |

# 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 that are slow-moving or whose reporting-date carrying amount is lower than their realisable value amounted to €426,249.

The provision for inventory write-downs, which had an opening balance of €645,582, was fully used and reinstated.

Accumulated write-downs of obsolete or slow-moving raw materials amounted to €388,582.

The provision for inventory write-downs, which had an opening balance of €500,279, was fully used and reinstated.

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.

The payments on account include amounts paid for raw materials ordered from Lati Shanghai.

| | Opening balance | Change | Closing balance |
|---|---|---|---|
| **Raw materials, consumables and supplies** | 10,357,610 | 12,430,812 | 22,788,422 |
| **Work in progress and semi-finished products** | 778,513 | 247,332 | 1,025,845 |
| **Finished goods** | 11,440,042 | 3,053,819 | 14,493,861 |
| **Payments on account** | 0 | 213,600 | 213,600 |
| **Total inventory** | 22,576,165 | 15,945,563 | 38,521,728 |

The rise in the closing balance of finished products and raw materials is mostly due to the higher commodity prices as the actual quantities in stock only increased by 466 tonnes (+5.5%).

## 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** | 26,604,173 | 11,259,485 | 37,863,658 | 37,863,658 |
| **From subsidiaries** | 786,988 | 31,084 | 818,072 | 818,072 |
| **From parents** | 2,022,456 | 195,160 | 2,217,616 | 2,217,616 |
| **Tax receivables** | 268,289 | 43,224 | 311,513 | 311,513 |
| **Deferred tax assets** | 1,003,542 | (161,017) | 842,525 | |
| **From others** | 186,856 | 42,850 | 229,706 | 229,706 |
| **Total** | 30,872,304 | 11,410,786 | 42,283,090 | 41,440,565 |

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

Most of the company’s receivables are insured and are written down through the provision for bad debts of €612,978, which is deemed to adequately cover existing risks. The opening provision of €702,385 was used for €9,407 while €80,000 was released to the profit and loss account. No additional write-downs were made. The accruals to the provision are not tax deductible.

Receivables from subsidiaries are mainly due to trading transactions.

Receivables from parents comprise the group VAT (€2,016,745) and foreign tax assets exceeding the Italian current taxes and recoverable in future years (€200,871).

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 | Other countries | Total |
|---|---|---|---|---|---|
| **Trade receivables** | 21,781,817 | 11,897,243 | 1,106,779 | 3,077,819 | 37,863,658 |
| **From subsidiaries** | | | 449,283 | 368,789 | 818,072 |
| **From parents** | 2,217,616 | | | | 2,217,616 |
| **Tax receivables** | 241,142 | 61,426 | | 8,945 | 311,513 |
| **Deferred tax assets** | 842,525 | | | | 842,525 |
| **From others** | 166,621 | 63,085 | | | 229,706 |
| **Total** | 25,249,721 | 12,021,754 | 1,556,062 | 3,455,553 | 42,283,090 |

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

| | |
|---|---|
| Amounts due from employees | 30,320 |
| Holidays taken but not yet accrued | 15,627 |
| Amounts due from suppliers | 2,392 |
| Credit notes to be received from suppliers | 50,854 |
| Advances paid to suppliers | 25,779 |
| Other | 104,734 |
| **TOTAL** | **229,706** |

## 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** | 29,587,723 | -3,982,635 | 25,605,088 |
| **Cash-in-hand and cash equivalents** | 872 | -375 | 497 |
| **Total liquid funds** | 29,588,595 | -3,983,010 | 25,605,585 |

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** | 162,670 | 65,184 | 227,854 |
| **Total prepayments and accrued income** | 162,670 | 65,184 | 227,854 |

**The breakdown of the caption required by article 2427.1.7 of the Italian Civil Code is as follows:**

| | Amount |
|---|---|
| Borrowing costs | 2,686 |
| Membership fees | 23,128 |
| Insurance premiums | 29,933 |
| Assistance and maintenance fees | 91,446 |
| Royalties | 20,640 |
| Hires and rentals | 32,556 |
| Trade fairs | 15,772 |
| Other prepayments | 11,693 |
| **TOTAL** | **227,854** |

# 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 €13,621,866 from €69,512,039 to €83,133,905, due to:

- the net profit for 2021 (€14,774,546);
- the distribution of a portion of the extraordinary reserve, as per the shareholders' resolution of 29 April 2021 (-€1,206,200);
- fair value losses on hedging derivatives (-€53,519);
- rounding of €1.

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 previous year net profit | | Other changes | | | Net profit for the year | Closing balance |
|---|---|---|---|---|---|---|---|---|
| | | Dividends | Other allocations | Increase | Decrease | Reclassi-fications | | |
| **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** | 45,557,879 | | | 9,686,923 | 1,206,200 | | | 54,038,602 |
| **Reserves for shares of the parent** | 1,994,226 | | | | | | | 1,994,226 |
| **Negative goodwill** | 1,895,205 | | | | | | | 1,895,205 |
| **Total other reserves** | 49,447,310 | | | 9,686,923 | 1,206,200 | | | 57,928,033 |
| **Hedging reserve** | (92,528) | | | 53,519 | | | | (39,009) |
| **Net profit for the year** | 9,686,922 | | 9,686,922 | | | | 14,774,546 | 14,774,546 |
| **Total net equity** | 69,512,039 | | 9,686,922 | 9,740,442 | 1,206,200 | | 14,774,546 | 83,133,905 |

**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 |

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 | | | 0 | 0 |
| **Revaluation reserves** | 5,027,935 | R | A,B,C | 5,027,935 | 0 | 0 |
| **Legal reserve** | 1,624,000 | I | B | | 0 | 0 |
| **Other reserves** | | | | | | |
| **Extraordinary reserve** | 54,038,602 | I | A,B,C | 54,038,602 | 0 | 3,922,000 |
| **Reserves for shares of the parent** | 1,994,226 | I | | | 0 | 0 |
| **Negative goodwill** | 1,895,205 | I | A,B,C | 1,895,205 | 0 | 0 |
| **Total other reserves** | 57,928,033 | | | 55,933,807 | 0 | 3,922,000 |
| **Hedging reserve** | (39,009) | | | (39,009) | 0 | 0 |
| **Total** | 68,359,359 | | | 60,922,733 | 0 | 3,922,000 |
| **Non-distributable portion** | | | | 185,628 | | |
| **Distributable portion** | | | | 60,737,105 | | |

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

| | Hedging reserve |
|---|---|
| **Opening balance** | (92,528) |
| **Changes** | |
| **Fair value gains** | 53,519 |
| **Closing balance** | (39,009) |

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, €185,628 of the reserves cannot be distributed since the financial statements include start-up and capital costs of the same amount that have not yet been fully amortised.

On 29 April 2021, the shareholders resolved to distribute €1,206,200 from the extraordinary reserve.

## 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 in 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 €39,009, 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 | Derivatives | Other provisions | Total provisions for risks and charges |
|---|---|---|---|---|
| **Opening balance** | 8,858 | 92,528 | 2,385,689 | 2,487,075 |
| **Changes** | | | | |
| **Accruals** | 53 | | 152,000 | 152,053 |
| **Utilisations** | | 53,519 | 309,722 | 363,241 |
| **Total changes** | 53 | (53,519) | (157,722) | (211,188) |
| **Closing balance** | 8,911 | 39,009 | 2,227,967 | 2,275,887 |

Pension and similar provisions (caption B1), which cover possible costs for foreign agents' termination indemnities, increased by €53 during the year.

The provision for future risks included in caption B3) of €2,227,967, which is not tax deductible apart from €261,217 of the provisions for site reclamation costs, comprises:

- a provision for possible costs of product non-compliance and related claims of €253,444, of which €28,312 was used during the year and €80,000 added;

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

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

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

- a provision of €753,433 for land reclamation costs. It includes the reclassification of the 2015 depreciation of land related to owned buildings (€261,217) and accruals made in previous years (€492,216); €261,217 was deducted for tax purposes in previous years;

- a provision of €3,500 for document storage risks of the German branch, arising from the 2017 merger of the German subsidiary;

- a provision of €187,000 made in 2019 for costs relating to the discontinuance of the subsidiary Lati Schweiz's operations;

- a provision of €53,590 made in 2020 for costs to repair the damage to a building caused by a hailstorm, of which €146,410 was used during the year;

- a provision of €72,000 made in 2021 for possible costs related to VAT payments in Germany;

- a provision of €100,000 made in 2020 for potential disputes with employees was partly used during the year (€90,450) and partly released (€9,550);

- a provision of €25,000 for possible claims, which was still recognised in 2020, was used during the year (€2,990) and released (€22,010).

## 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** | 2,095,537 |
| **Changes** | |
| **Accruals** | 834,307 |
| **Utilisations** | 986,153 |
| **Total changes** | (151,846) |
| **Closing balance** | 1,943,691 |

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** | 25,083,475 | -2,660,598 | 22,422,877 | 10,699,283 | 11,723,594 |
| **Payments on account** | 21,648 | 39,511 | 61,159 | 61,159 | |
| **Trade payables** | 25,545,617 | 17,528,484 | 43,074,101 | 43,074,101 | |
| **Payables to subsidiaries** | 35,862 | 280,152 | 316,014 | 316,014 | |
| **Payables to parents** | 1,329,705 | (510,217) | 819,488 | 819,488 | |
| **Tax payables** | 892,076 | 586,871 | 1,478,947 | 1,478,947 | |
| **Social security charges payable** | 913,319 | 125,387 | 1,038,706 | 1,038,706 | |
| **Other payables** | 1,224,748 | 272,260 | 1,497,008 | 1,497,008 | |
| **Total payables** | 55,046,450 | 15,661,850 | 70,708,300 | 58,984,706 | 11,723,594 |

As required by article 24 of Law no. 238 of 23 December 2021, it should be noted that the company has not offset assets and liabilities.

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 |
|---|---|---|---|---|
| Bank loans | 5,226,643 | 11,270,033 | 453,561 | 16,950,237 |
| Advances under usual reserve | 5,472,640 | 0 | 0 | 5,472,640 |
| Total | 10,699,283 | 11,270,033 | 453,561 | 22,422,877 |

Bank loans mainly comprise loans granted to construct the new Torba site.

Specifically, the company took out the following loans for this purpose:

- a loan granted by Unicredit on 13 May 2021 with an outstanding amount of €5,703,732 to be repaid by 31 March 2027, with certain ESG covenants related to the maintenance of the ECOVADIS certification (Golden medal status); this loan replaced the previous loan of €6.25 million, of which €5 million covered by a SACE guarantee.

- a loan granted by Cariparma on 23 January 2018 with an outstanding amount of €4,497,814 to be repaid by 21 December 2024, with certain covenants based on standard financial indicators;

- a first loan granted by Banca Popolare di Sondrio on 20 February 2018 with an outstanding amount of €1,315,403 to be repaid by 20 February 2025;

- a second loan granted by Banca Popolare di Sondrio on 12 December 2019 with an outstanding amount of €1,496,500 to be repaid by 1 April 2027.

## 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 | Other countries | Total |
|---|---|---|---|---|---|
| **Bank loans and borrowings** | 22,422,877 | | | | 22,422,877 |
| **Payments on account** | | 49,181 | | 11,978 | 61,159 |
| **Trade payables** | 27,608,928 | 12,885,804 | 862,990 | 1,716,379 | 43,074,101 |
| **Payables to subsidiaries** | | | | 316,014 | 316,014 |
| **Payables to parents** | 819,488 | | | | 819,488 |
| **Tax payables** | 534,432 | 924,486 | | 20,029 | 1,478,947 |
| **Social security charges payable** | 832,609 | 206,097 | | | 1,038,706 |
| **Other payables** | 1,004,085 | 492,923 | | | 1,497,008 |
| **Total payables** | 53,222,419 | 14,558,491 | 862,990 | 2,064,400 | 70,708,300 |

## Payables secured by company’s assets

Payables (caption D 4) include a loan granted by Banca Popolare di Sondrio with an outstanding amount of €405,134, secured by first-level mortgages on the Torba 3 and Gorla Maggiore (formerly VMP) buildings, due within five years.

| | Payables secured by collateral | | | | Payables not secured by collateral | Total |
|---|---|---|---|---|---|---|
| | Mortgages | Pledges | Special liens | Total | | |
| **Bank loans and borrowings** | 405,134 | | | 405,134 | 22,017,743 | 22,422,877 |
| **Payments on account** | | | | | 61,159 | 61,159 |
| **Trade payables** | | | | | 43,074,101 | 43,074,101 |
| **Payables to subsidiaries** | | | | | 316,014 | 316,014 |
| **Payables to parents** | | | | | 819,488 | 819,488 |
| **Tax payables** | | | | | 1,478,947 | 1,478,947 |
| **Social security charges payable** | | | | | 1,038,706 | 1,038,706 |
| **Other payables** | | | | | 1,497,008 | 1,497,008 |
| **Total payables** | 405,134 | | | 405,134 | 70,303,166 | 70,708,300 |

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

| | |
|---|---|
| Remunerations and bonuses due to employees | 895,447 |
| Accrued wages and salaries. | 352,075 |
| Amounts due to the industry association | 7,608 |
| Accrued insurance premiums | 71,753 |
| Contributions to the occupational pension fund (Fondo Gomma Plastica) | 63,759 |
| Credit notes to be issued | 23,711 |
| Payables to customers | 6,295 |
| Other | 76,360 |
| **TOTAL** | **1,497,008** |

## Accrued expenses and deferred income

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

| | Opening balance | Change | Closing balance |
|---|---|---|---|
| **Accrued expenses** | 41,812 | (31,590) | 10,222 |
| **Deferred income** | 789 | 32 | 821 |
| **Total** | 42,601 | (31,558) | 11,043 |

**The breakdown of the caption required by article 2427.1.7 of the Italian Civil Code is as follows:**

| | Amount |
|---|---|
| Accrued bank interest expense | 10,163 |
| Accrued lease expenses | 59 |
| Deferred revenues | 821 |
| **TOTAL** | **11,043** |

## 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.

| | 2021 |
|---|---|
| **TURNOVER FROM SALES AND SERVICES** | 180,060,043 |
| **Total** | 180,060,043 |

### Breakdown of turnover from sales and services by geographical segment

Turnover from sales is broken down by geographical segment below:

| | | 2021 |
|---|---|---|
| | **Italy** | 59,583,961 |
| | **Abroad** | 120,476,082 |
| **Total** | | 180,060,043 |

Some of the largest items of other revenues and income are the grant for research and development as per Law no. 190/2014 (€225,511), which was paid in 2021, and grants related to income (€57,183).

### Production revenues

| | Opening balance | Changes | Closing balance |
|---|---|---|---|
| 1) Turnover from sales and services | 130,931,439 | 49,128,604 | 180,060,043 |
| 2) Change in work in progress, semi-finished products and finished goods | -2,050,416 | 5,351,568 | 3,301,152 |
| 3) Change in contract work in progress | | | |
| 4) Internal work capitalised | | | |
| 5) Other revenues and income | 853,705 | 681,953 | 1,535,658 |
| Total | 129,734,728 | 55,162,125 | 184,896,853 |

## Production cost

| | Opening balance | Changes | Closing balance |
|---|---|---|---|
| 6) Raw materials, consumables, supplies and goods | 79,863,068 | 53,365,045 | 133,228,113 |
| 7) Services | 15,255,803 | 4,633,931 | 19,889,734 |
| 8) Use of third party assets | 700,908 | 142,369 | 843,277 |
| 9) Personnel expenses | | | |
| a) Wages and salaries | 11,336,933 | 889,195 | 12,226,128 |
| b) Social security contributions | 3,593,683 | 367,860 | 3,961,543 |
| c) Employees' leaving entitlement | 732,734 | 101,573 | 834,307 |
| d) Pension and similar provisions | | | |
| e) Other costs | 1,157,189 | 933,976 | 2,091,165 |
| 10) Amortisation, depreciation and write-downs | | | |
| a) Amortisation of intangible fixed assets | 305,119 | 220,412 | 525,531 |
| b) Depreciation of tangible fixed assets | 2,944,029 | 148,478 | 3,092,507 |
| c) Other write-downs of fixed assets | | | |
| d) Write-downs of current receivables and liquid funds | | | |
| 11) Changes in raw materials, consumables, supplies and goods | -1,067,866 | -11,362,946 | -12,430,812 |
| 12) Provisions for risks | | | |
| 13) Other provisions | 446,312 | -294,312 | 152,000 |
| 14) Other operating costs | 599,046 | 34,384 | 633,430 |
| Total | 115,866,958 | 49,179,965 | 165,046,923 |

# 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.

## Income from equity investments

As shown in caption C15) of the profit and loss account, financial income amounts to €357,794, comprising dividends received from Lati Shanghai (€277,746), the parent (€80,000) and on other securities (€48).

| | Income other than dividends |
|---|---|
| **In subsidiaries** | 277,746 |
| **In parents** | 80,000 |
| **In other companies** | 48 |
| **Total** | 357,794 |

### 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 | 42,725 |
| Other interest income | 53 |
| **TOTAL** | **42,778** |

**Interest and other financial charges**

| | Amount |
|---|---:|
| Interest expense on non-current loans | 239,999 |
| Interest expense on credit facilities (advances on invoices) and current accounts | 1,426 |
| Cash discounts granted to customers | 578,799 |
| Interest on derivatives | 4,619 |
| Other interest expense | 360 |
| Losses on the sale of financial fixed assets | 3,019 |
| **TOTAL** | **828,222** |

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

| | |
|---|---:|
| Realised exchange rate gains | 244,450 |
| Unrealised exchange rate gains | - |
| Reversal of unrealised exchange rate gains | - |
| Realised exchange rate losses | - 127,893 |
| Unrealised exchange rate losses | - |
| **Net exchange rate gains (caption C17-bis)** | **116,557** |

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 (€5,366). 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. | € 423,166 |
| Atlantide s.a. | € 317 |
| | |
| **Write-downs:** | |
| LATI USA Trading Inc. | € 51,710 |

## 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:

| | Deferred taxes | 2020 | Reversals | 2021 | Increase | 2021 | Deferred taxes | 2021 |
|---|---|---|---|---|---|---|---|---|
| | | IRAP 3.9% | | IRAP 3.9% | | IRAP 3.9% | | IRAP 3.9% |
| Deductible temporary differences | Tax base | IRES 24.0% | Tax base | IRES 24.0% | Tax base | IRES 24.0% | Tax base | IRES 24.0% |
| Provisions for future risks and charges | 2,120,971 | 70,549 | 309,722 | 7,204 | 80,000 | 3,120 | 1,891,249 | 66,465 |
| | | 509,034 | | 74,333 | | 19,200 | | 453,901 |
| Accruals to provision for agents' termination indemnities | 5,358 | 209 | | | 53 | 2 | 5,411 | 211 |
| | | 1,286 | | | | 13 | | 1,299 |
| Provision for inventory write-downs | 1,145,861 | 44,689 | 1,145,861 | 44,689 | 814,832 | 31,778 | 814,832 | 31,778 |
| | | 275,007 | | 275,006 | | 195,560 | | 195,561 |
| Undeducted provision for bad debts | 428,206 | - | 89,407 | - | - | - | 338,799 | - |
| | | 102,768 | | 21,458 | | - | | 81,310 |
| Unpaid directors' fees | - | - | - | - | 50,000 | - | 50,000 | - |
| | | - | | - | | 12,000 | | 12,000 |
| TOTAL | 3,700,396 | 1,003,542 | 1,544,990 | 422,690 | 944,885 | 261,673 | 3,100,291 | 842,525 |

During the year, the company released the deferred tax assets on the depreciation of revalued buildings not deducted in the first few years after application as they are not expected to be disposed of, at least not in the short-term.

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

| | | |
|---|---|---|
| Current taxes: | | €4,975,047 |
| - IRAP | €765,858 | |
| - Income taxes | €4,214,637 | |
| - Taxes relative to prior years | -€5,448 | |
| Deferred taxes: | | €161,017 |
| - Increase in deferred tax assets | €261,673 | |
| - Reversal of deferred tax assets | €422,690 | |
| **Total income taxes** | | **€5,136,064** |

## Other information

### SHAREHOLDER LOANS

None.

## FINANCE LEASES

None.

### Research and development

In 2021, the company carried out activities that qualify as eligible under Law no. 160/2019 as subsequently amended, and to this end, it dedicated a significant amount of its resources to carry out the following projects at the Vedano Olona and Gornate sites:

a) Via F. Baracca 7 - VEDANO OLONA (VA) - Project 1 - R&D - Gaining and using new technical and scientific knowledge aimed at the development and testing of innovative thermoplastic compounds.

b) Via F. Baracca 7 - VEDANO OLONA (VA) - Project 2 - POLYSTE Project - Development of new knowledge in the advanced materials sector (Lombardy region + CARIPLO Foundation project).

c) Via F. Baracca 7 - VEDANO OLONA (VA) - Project 3 - SAbyNA Project -Selection of design strategies for the development of safer nanotechnologies. Project funded by HORIZON 2020.

d) Via delle Industrie 1 (frazione Torba) - GORNATE OLONA (VA) – Project 4 - Innovation 4.0 - Introduction of solutions for the digitalisation of the production, transport and tracking processes for finished goods.

e) Via F. Baracca 7 - VEDANO OLONA (VA) - Project 5 - Technological innovation - Design, development, implementation and testing of new technological solutions for the production of plastic compounds.

Considering article 2426.5 of the Italian Civil Code and OIC 24 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.

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 1.198/209 of Law no. 160/2019 as amended by article 1.1064 of Law no. 178/2020 as subsequently amended.

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

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. 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 | 13,998,599 | 768,810 | 34,970,752 | 49,738,161 |
| **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 | 42,525,801 | 1,041,047 | 37,339,525 | 80,906,373 |
| Accumulated depreciation | 18,493,278 | 765,581 | 31,657,426 | 50,916,285 |
| Carrying amount | 24,032,523 | 275,466 | 5,682,099 | 29,990,088 |

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** | 15 |
| **Junior managers** | 37 |
| **White collars** | 84 |
| **Blue collars** | 130 |
| **Total** | 266 |

## 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** | 810,000 | 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** | 30,000 |
| **Other audit services** | 6,500 |
| **Total** | 36,500 |

## 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 | 3,818,400.00 | 740,000 | 3,818,400.00 |
| Total | | 740,000 | 3,818,400.00 | 740,000 | 3,818,400.00 |

## 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, the company does not have other off-balance sheet commitments.

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 post-balance sheet events are the prolongation of the global healthcare emergency and pandemic and Russia's invasion of Ukraine.

The pandemic problem is resolving itself although its fallout on the economy has been significant leading principally to an increase in commodity and energy prices. This situation risks worsening due to the outbreak of the war in Ukraine, which is one of the major global natural gas suppliers.

The repercussions of the pandemic and conflict are difficult to foresee. As described in the section on its main risks and uncertainties in the directors' report, LATI does not have direct commercial activities with the countries involved and is monitoring the situation with respect to its customers and suppliers that work with companies in the two countries.

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.

## 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 |
|---|---|---|---|---|
| Credit Agricole-IRS liability | 2017/65896 | €6,000,000 | 21/12/2023 | -€39,009 |
| Unicredit-IRS protetto Pay ESG | MMX28166381 | €1,145,833 | 31/05/2027 | €775 |
| Unicredit-IRS protetto Pay ESG | MMX28166363 | €5,706,522 | 31/03/2027 | €5,138 |

As already mentioned, the fair value loss has been provided for in a provision and recognised in net equity.

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

### Management and coordination

1. 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 of the Italian Civil Code, this parent also manages and coordinates it as per article 2497 and following articles of the Italian Civil Code.

2. 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

| | Most recent year |
|---|---|
| Reporting date | 31/12/2020 |
| B) Fixed assets | 8,535,269 |
| C) Current assets | 3,035,849 |
| D) Prepayments and accrued income | 4,260 |
| Total assets | 11,575,378 |
| A) Net equity | |
| Share capital | 1,680,000 |
| Reserves | 6,444,033 |
| Net profit for the year | 144,411 |
| Total net equity | 8,268,444 |
| C) Employees' leaving entitlement | 64,072 |
| D) Payables | 3,242,862 |
| Total liabilities | 11,575,378 |

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

| | Most recent year |
|---|---|
| Reporting date | 31/12/2020 |
| A) Production revenues | 281,887 |
| B) Production cost | 384,833 |
| C) Net financial income | 215,684 |
| Income taxes | (31,673) |
| Net profit for the year | 144,411 |

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

The disclosure about amounts received by the company in 2021 required by article 1.125-129 of Law no. 124/2017, considering the guidelines issued to date, is as follows:

**Government grants pursuant to article 1.125 of Law no. 124 of 4 August 2017**

| Granting body | Grant received | Reason |
|---|---|---|
| Tax authorities | 225,511 | R&D&I tax credit - Law no. 160/2019 |
| Vedano Olona municipality | 19,120 | Reimbursement for the effective hours and days to fulfil position as mayor of Vedano Olona, as per article 80 of Legislative decree no. 267/2000 |
| Cassa per i servizi energetici e ambiente | 537,378 | Subsidies for energy intensive companies |
| FONDIMPRESA | 11,161 | Training grants (article 31) |
| SACE S.p.A. | 273,494 | COVID-19: Sace Garanzia Italy – MidCap |

Total subsidies, grants, paid positions and economic advantages: €1,096,664.00

Total economic advantages received: 0.00

The state aid received and presented in the above point refer to guarantees with a nominal amount of €6,250,000.

## Proposal for the allocation of the net profit for the year

We propose that the €14,774,546.12 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, 28 March 2022

For the board of directors

Chairman

Francesco Conterno

(signed on the original)

KPMG S.p.A.
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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 2021, 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 2021 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*

### *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 2021 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 2021 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 2021 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, 12 April 2022

KPMG S.p.A.

(signed on the original)

Paolo Rota
Director of Audit

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 REA no. 41557

## 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.,

***Re: Statutory auditors' report to the shareholders pursuant to article 2429.2 of the Italian Civil Code***

Our activities in 2021 were based on the legal requirements and the Code of conduct for boards of statutory auditors of unlisted companies issued by the Italian Accounting Profession published in December 2020 and applicable as of 1 January 2021.

This report provides a description of such activities and our findings.

You have been presented with the draft financial statements of LATI TERMOPLASTICI S.p.A. as at and for the year ended 31 December 2021, prepared in accordance with the Italian regulations governing their preparation, which show a net profit for the year of €14,774,546. These draft financial statements were also made available to us within the legal timeline.

As we were not engaged to perform the statutory audit, we carried out the supervisory activities required by rule 3.8 of the Code of conduct for boards of statutory auditors of unlisted companies, consisting of a brief procedure to check that the financial statements had been prepared correctly. The independent auditors, which issue an opinion on the financial statements pursuant to article 14 of Legislative decree no. 39 of 27 January 2010, are responsible for checking that the financial statements are consistent with the accounting records.

***Supervisory activities pursuant to article 2403 and following articles of the Italian Civil Code***

We monitored the compliance with the law and company's bylaws, as well as proper administration principles.

We attended the shareholders' and board of directors' meetings and, based on the available information, we did not detect any violations of laws or by-laws, or transactions that were blatantly imprudent, risky, in potential conflict of interest or such to compromise the integrity of the company's assets.

We obtained information from the managing director during our meetings on the company's general performance and outlook, as well as the most significant transactions, due to their size or characteristics, carried out by the company and its subsidiaries. Based on the information obtained, we did not identify any issues to be reported herein.

We gained an understanding of and supervised the adequacy and proper functioning of the company's organisational, administrative and accounting structure, specifically with respect to the measures introduced by the board of directors to cope with the Covid-19 emergency and the fall-out of the war in Ukraine, including by collecting information from the department heads. We did not identify any issues to be reported herein.

We read the report of the supervisory body and did not identify any critical issues affecting the organisational model to be reported herein.

We gained an understanding of and supervised, to the extent of our duties, the adequacy and functioning of the company's administrative-accounting system, also with reference to the impact of Covid-19 emergency on IT and digital systems and the latter's reliability in accurately representing transactions, also by collecting information from the department heads. We did not identify any issues to be reported herein.

We did not receive any complaints as per article 2408 of the Italian Civil Code from the shareholders.

We did not issue any of the opinions or observations provided for by the law during the year.

In 2021, the board of directors did not receive any communications as per article 15 of Law decree no. 118/2021.

During our checks, as described above, we did not identify any additional matters to be reported herein.

***Comments on the financial statements***

The independent auditors, KPMG S.p.A., engaged to perform the statutory audit, provided us with their unmodified report.

Their report states: "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 2021 and of its financial performance and cash flows for the year then ended in accordance with the Italian regulations governing their preparation".

To the best of our knowledge, in preparing the financial statements, the board of directors did not depart from the legal requirements as permitted by article 2423.5 of the Italian Civil Code.

***Comments and recommendations about the approval of the financial statements***

Based on our work and the opinion expressed by the independent auditors, we invite you to approve the financial statements as at and for the year ended 31 December 2021 prepared by the board of directors as they stand.

We agree with the board of directors' proposed allocation of the net profit for the year as presented in the notes to the financial statements.

*Varese, 12 April 2022*

The board of statutory auditors

**Dott.ssa Sonia De Micheli**

**Dott.ssa Maria Vittoria Bruno**

**Dott.ssa Sonia Pugliese**

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 REA no. 41557

**MINUTES OF THE ORDINARY SHAREHOLDERS' MEETING OF 28 APRIL 2022**

On 28 April 2022 at 3.00 p.m., the shareholders of LATI - Industria Termoplastici S.p.A. held an ordinary meeting via video call on the Teams platform, as permitted by article 106 of Law decree no. 18/2020 and article 3.1 of Law decree no. 228/2021, after the meeting had been regularly called, to discuss and resolve on the following

AGENDA

1. reading of the directors' report, the financial statements as at and for the year ended 31 December 2021 and the statutory auditors' and independent auditors' reports thereon and related resolutions;
2. resolutions about the new statutory audit engagement for the 2022-2024 three-year period.

The meeting was held on first call.

The following directors were present in-person:

- Francesco Conterno - Chairman

- Michela Conterno

- Cristina Boffi

- Laura Massironi

- Aldo Tucci

The following directors were connected:

- Domenico Vitangeli

- Livia Conterno

- Loredana Mercante

- Dominique Renaudin.

The following people were also connected:

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

- Sonia Pugliese – Statutory auditor

- Maria Vittoria Bruno – Statutory auditor.

Upon invitation, Michela Limido, 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 took the chair and Michele Bignami, a company consultant, remotely connected, was appointed as secretary of the meeting.

After having been appointed the meeting chair, the chairman 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 chair invited the secretary to present the main data from the directors' report and the financial statements at

31 December 2021 once all those present confirmed that they had seen the documents.

Sonia De Micheli 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 2021.

All the above documents are attached hereto.

Again unanimously, the shareholders approved the proposed allocation of the net profit for the year of €14,774,546.12 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 engagement assigned to the independent auditors had expired and, therefore, they should provide accordingly for the next three-year period (2022-2024).

In line with the reasoned proposal made by the board of statutory auditors, the shareholders unanimously resolved to confirm the three-year engagement and, therefore, until the approval of the 2024 financial statements, of KPMG S.p.A., registered office in Via Vittor Pisani 25, Milan, included in the register of auditors as no. 70623.

This engagement will be carried out at the terms and conditions set out in KPMG's engagement letter of 13 April 2022, which provides for a fee of €34,500.00 each year, to be increased for any additional agreed-upon services. The total fee for the audit of the financial statements for the three years is thus €103,500.00.

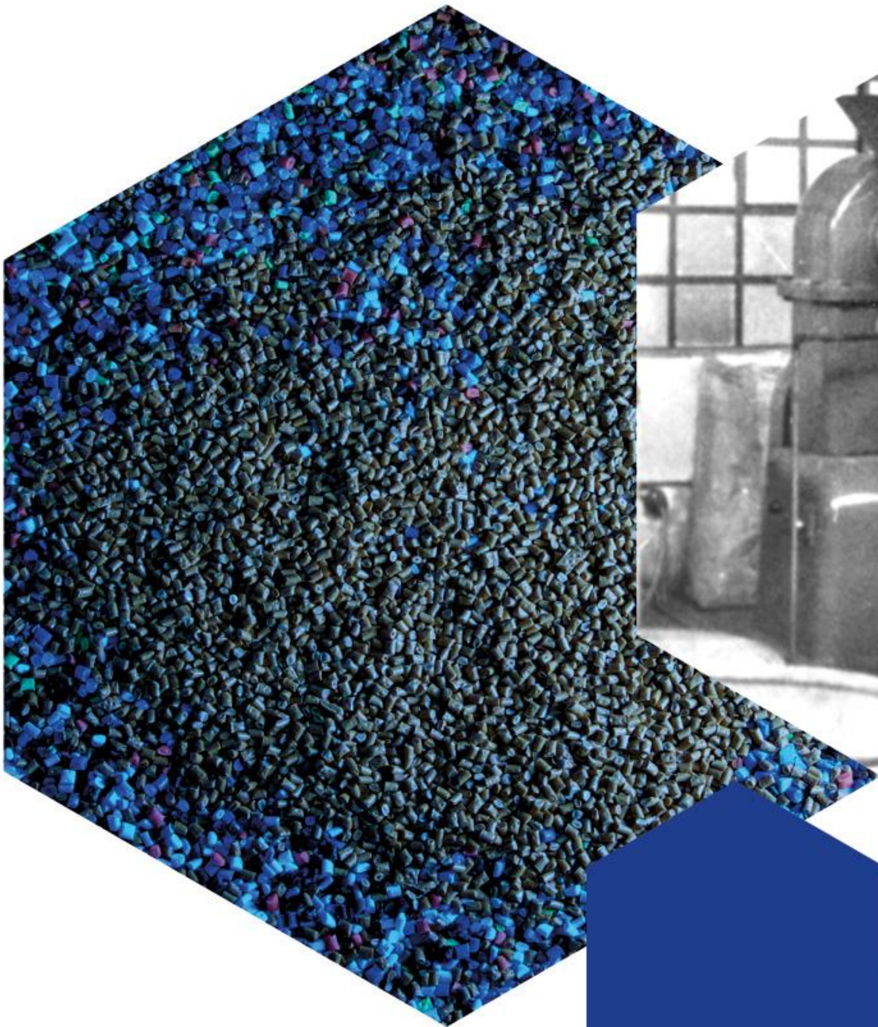
As there were no other items on the agenda, the chair declared the meeting dismissed at 3.35 p.m., after having read and approved these minutes signed by the chair and the secretary.

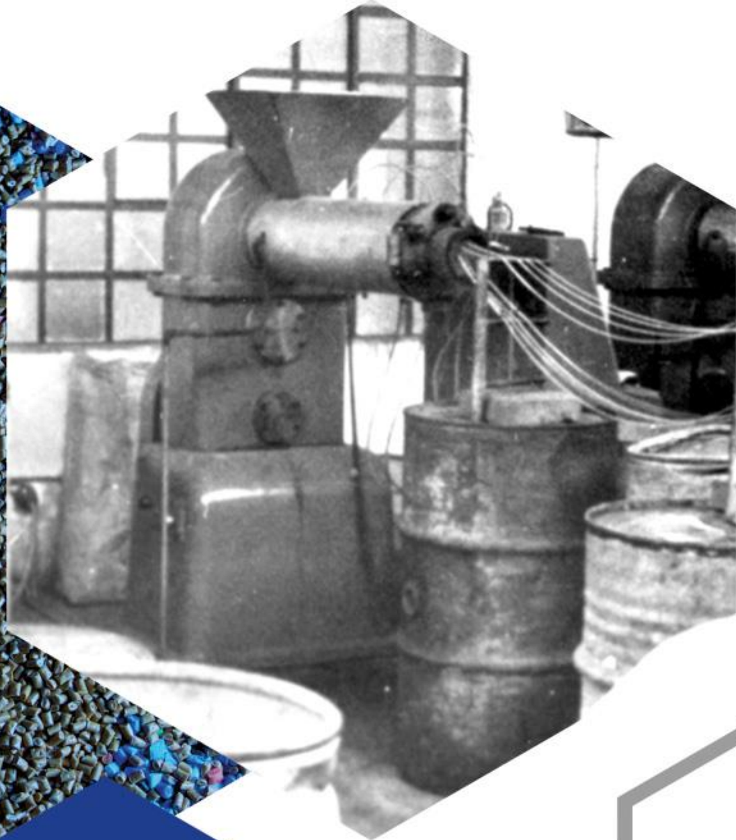
Il Presidente

(Prof. Francesco Conterno)

Il Segretario

(dr. Michele Bignami)





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Branch offices of LATI industria termoplastici S.p.A. are present in Usa, Europe and Asia.
Find nearest office by visiting our site www.lati.com.

CERTIFIED MANAGEMENT SYSTEMS CQY CERTIQUALITY UNI EN ISO 9001:2015 UNI EN ISO 14001:2015 UNI ISO 45001:2018 | CERTIQUALITY È MEMBRO DELLA FEDERAZIONE CISQ

GOLD 2021 ecovadis Sustainability Rating

100% green energy

CRIBIS Prime Company

FAI CORPORATE GOLDEN DONOR *Noi sosteniamo il FAI*