HIGH PERFORMANCE THERMOPLASTICS

LATI INDUSTRIA TERMOPLASTICI
2020 ANNUAL REPORT

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Portrait on the cover drawn by Abdelmoti Mohamed Zaid - LATI employee

LETTER TO STAKEHOLDERS

Dear reader,

I would like this annual report to be much more than merely financial statements. I would like for it to be considered a key chapter of a bigger story.

I hope that reading this document offers you an in-depth vision of the people, products and processes that have been part of our story in 2020. A story of success despite the unprecedented changes.

As an employee or customer of LATI S.p.A. or as a partner or supplier of the company, it is very likely that you have been one of the main protagonists in this story.

It is a story which has involved the participation of an unexpected and certainly unwelcome guest: the COVID-19 pandemic.

The pandemic forced us to rethink almost every aspect of our operations; our consolidated management techniques successfully adopted in 2019 were put up for discussion by this global-scale “black swan event”.

Faced with this, how did we react?

A story of flexibility, determination and engagement

- After the outbreak of the pandemic, we put into action some “resilience scenarios”, systematic simulations with biweekly updates to our financial and operating forecasts. This agile and innovative approach has allowed us to quickly adapt to circumstances which are in a state of continuous rapid change, as was the case in 2020. Above all, changing our method and mindset has allowed us to constantly adapt our production goals and our inventory, without absorbing cash.

- This flexible and pragmatic approach, which was aimed at ensuring sufficient liquidity, will remain a crucial tactic to cope with the uncertainties continuing in 2021.

- Our ability to promptly adapt to the circumstances kept up with our steadfast determination to safeguard our most precious resource: the health and well-being of our people. The rigorous application of a clear COVID-19 protocol proved that the virus is not endemic in the work place. The reward for our incessant commitment to ensuring maximum security was obtaining the ISO:45001 certification in 2020 for both our production sites. The government also confirmed its trust in us by granting LATI the status of a production company of essential goods, allowing us to maintain our production plans.

The speed (but not rush) to take decisions was another crucial factor which allowed us to successfully address the COVID-19 emergency. The prerequisite for speed at LATI was the removal of traditional hierarchies within our company. The involvement of managers and teams from all company departments helped spread a culture of shared leadership which allowed us to implement a permanent large-scale remote working system.

While the flexibility, determination and involvement of everyone helped us to grow in a moment of uncertainty, a fourth factor made it possible: trust.

The ability to successfully implement remote working goes beyond technological knowledge or digital know-how. It is a question of trust. Without trust, there is the risk that remote could become synonymous with distant.

And nevertheless, we are convinced that, in many ways and despite the sometimes inevitable physical separation, the LATI community became much more united in 2020. Perhaps more united than ever before.

Mutual trust within our community was the antidote to anxiety. Sincere and transparent communication about the evolution of the situation - always honest and without minimising problems - boosted courage throughout the whole organisation and encouraged a greater sharing of individual and collective responsibility, pushing us to focus more on results.

The stories behind our results

But let's return now to the theme of storytelling. Even if you are not a finance expert, I am certain that behind the numbers and data provided in this report, you will find three clear narrative lines. Three lines which tell of where we started (last year), where we are today and, perhaps most importantly, where we are going.

In short, what stories do the numbers tell us?

Our performance in 2020 reflects our values, the leadership and key skills which have historically been LATI's distinguishing traits. Our above-average performance reflects our increasing innovative ability. Our innovation has led to a profitable mix of products which have allowed us to expand into sectors and applications which are even more diversified. This diversification has, in turn, compensated for the lower demand, creating a virtuous circle of profitability and cash generation.

Thanks to a strong recovery after summer 2020, our revenues were mostly in line with the previous year, contracting slightly by 4.5%.

Our gross operating profit (EBITDA) of €17 million is higher than expected and allowed us to continue with our investment plan for a total of €8.5 million per year.

It allowed us to support our non-core activities and lay solid foundations for sustainable development in the name of automation, digitalisation and internationalisation.

We have maintained our solid financial position with low levels of debt and an NFP/EBITDA ratio of less than one.

We have considerable room for future investments and we are ready to take into consideration extraordinary transactions.

Thanks to our considerable tax base we are considered to be "big contributors". This year we will pay taxes of €3.7 million and we are proud to contribute to the process of redistributing wealth which is at the heart of our tax system.

We are also proud to think that part of the wealth generated by LATI will be redistributed to the people who are most vulnerable at the moment, helping to attenuate the social inequalities which have been exacerbated by the pandemic.

This is, in a nutshell, the story told by our 2020 financial statements.

If you are one of our employees, customers, investors or business partners who contributed to writing this success story during this moment of unprecedented adversity, I would like to extend to you my most sincere gratitude. Gratitude for your perseverance, flexibility and trust.

Or perhaps you are a young graduate, a potential customer, a business partner or simply an interested member of our local community. If this is the case, allow me to invite you to consider how you could contribute to writing the future chapters of our company’s story.

I assure you that we will take your interest into serious consideration.

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 R.E.A. no. 41557

DIRECTORS' REPORT

INTRODUCTION

Dear shareholders,

The financial statements as at and for the year ended 31 December 2020 which we submit for your approval show a net profit for the year of €9,686,922 (2019: €6,143,338).

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 constant 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%.

2020 opened with weak recovery, only to be devastated by the health emergency.

The economic crisis connected to the pandemic will go down in history. Even though the manufacturing sector was less affected than others such as tourism, retail and restoration, it still faced significant challenges. Widespread lockdowns led demand to collapse, above all because they impeded the consumption of durable goods, but also due to the fact that many customers temporarily suspended production in compliance with the decrees, or due to staff shortages caused by COVID-19.

Sales were down until the summer, only to increase dramatically from September. This late recovery allowed us to close the year with volumes in line with the budget, down by just 4% compared to 2019.

BUSINESS, FINANCIAL POSITION AND PERFORMANCE

LATI experienced a significant drop in demand during the first wave of the pandemic. Luckily, LATI's business, identified by ATECO code 20.16 for chemical products, was deemed essential by the government. We did not have to close in March and absences for illness did not cause any production discontinuity. We were able to cope with the drop in demand, which was, however, more contained than that experienced by specialised manufacturers in the automotive sector, by making use of the Italian furlough scheme and suspending third-party processing from the end of March. By promptly adapting our production to fit demand, we did not have to increase stocks and therefore did not absorb cash. Liquidity was one of our strong suits, which we preserved also thanks to careful credit management. We always maintained good profitability, which was helped, in the first half of the year, by a decrease in costs. In the last quarter, inflation induced by the recovery of consumption, put pressure on our profit margins, but our sales teams swiftly updated our price lists. LATI was able to stem the risk of erosion of its profit margins thanks to the good coordination between the procurement and sales departments, which enabled it to manage price trends in a timely manner, therefore increasing added value.

In general, our product and market diversification has allowed us to mitigate fluctuations in demand and to improve our profit margins.

Considering the above and as described later on, the company's gross operating profit increased by around €5.1 million on 2019 to €17,308,571.

Therefore, its 2020 performance is extremely positive, especially given the crisis caused by the ongoing pandemic.

The company's key financial figures reflect its performance.

PROCUREMENT

In 2020, the procurement department guaranteed good availability of basic raw materials, through supplier diversification and the fact that, when market demand plummeted (especially in the automotive sector) due to the pandemic, it was able to benefit from excellent commercial levers and obtain significant advantages in terms of production cost.

The average purchase price of raw materials was, therefore, lower than in 2019, reporting a purchase price in line with the average price recorded during previous shortages in 2017-2018. The price difference is easily explained by what happened along the petrochemical chain in 2020, with the price per barrel hitting record lows, with an average Brent index for the entire year of around 50USD/barrel. The critical threshold for the price of crude oil and the closure of a number of plants at the top of the supply chain of the raw materials purchased by LATI resulted in a good procurement cycle with contained prices until the third quarter of 2020.

In 2020, our main polymers PA66 and PA6 decreased consistently in the first nine months of the year (January-September) compared to the last prices in December 2019. In the fourth quarter of 2020, the recovery of demand for plastic materials saw a rise in prices, with the first signs of product scarcity and a recovery of prices in December. This allowed us to end the year with a satisfying average price nonetheless.

The procurement department is now facing new challenges for economic recovery, working on the diversification of sources in order to prevent the unavailability of raw materials and containing price increases.

KEY EVENTS OF THE YEAR

Profit and loss account

For a betting understanding of the events of 2020, 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 €9,686,922.

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 2018-2019-2020 three-year period

RECLASSIFIED	2020	2019	2018
GROSS TURNOVER	**130,974,701**	**145,493,269**	**164,358,858**
Variable costs	88,231,273	107,704,410	124,173,794
I GROSS PROFIT	**42,743,428**	**37,788,859**	**40,169,198**
Fixed costs	25,419,385	26,087,565	25,213,796
Gross operating profit	**17,324,042**	**11,701,294**	**14,955,402**
Gross operating profit %	**13.23%**	**8.04%**	**9.11%**
Amortisation and depreciation	3,249,148	3,141,167	2,659,585
Operating profit	**14,074,894**	**8,560,127**	**12,295,817**
Net financial income (charges)	754,539	100,586	-25,776
Expenses	215,018	259,696	275,923
Write-downs of investments	-294,192	-168,326	-304,408
PRE-TAX PROFIT	**13,399,530**	**8,368,170**	**12,350,079**
Taxes	3,712,608	2,224,832	3,396,985
NET PROFIT	**9,686,922**	**6,143,338**	**8,953,094**

Sales volumes

In 2020, sales volumes contracted by 4.5% compared to the previous year, which had already decreased compared to 2018. In total, over the 2019-2020 two-year period, sales volumes fell by 20.5%.

Gross turnover

Equally, in the 2019-2020 two-year period, gross turnover also decreased by 20.3%. The contraction in 2019 was directly connected to the decrease in sales volumes, while in 2020, the further reduction was due to the decrease in sales prices due to the lower purchase price of raw materials.

These phenomena are in line with the entire reference sector: the first slowdown in growth recorded in 2019 was worsened by the COVID-19 pandemic in 2020.

Variable costs (sales and manufacturing)

Variable sales and manufacturing costs decreased in 2020 by 18.1% on 2019. In the 2019-2020 two-year period, the total reduction amounted to 28.9%. This phenomenon is explained by the following elements:

- the reduction in raw materials purchase prices;
- lower energy costs thanks to improved efficiency of usage;
- greater efficiency in the use of raw materials;
- centralisation and optimisation of transport thanks to the branches set up.

I Gross profit

In 2020, the FIRST (I) gross profit improved by 13.1%. In 2019, the FIRST (I) gross profit had decreased by 6% due to the decrease in sales volumes. In 2020, the lower profitability of 2019 was remedied and the gross profit increased, resulting in an increase of 6.4% for the 2019-2020 two-year period.

Fixed costs

In 2020, fixed costs decreased by 2.6% on 2019. This reduction is directly connected to the pandemic, which curtailed costs related to:

- travel and transfers;
- marketing;
- maintenance (during the months of national lockdown, third party maintenance companies were not granted access to the premises);
- certain personnel services, such as the canteen.

Costs related to IT services (purchases to allow for remote working) and health and cleaning services (sanitisation, additional health protocols for personnel, PPE) increased.

Gross operating profit

Adjusted gross operating profit for 2020 amounts to €17,324,042, the highest in LATI's history. In 2019, it had decreased by 21.8% on 2018. In 2020 it increased by 48.1% compared to 2019, meaning it increased by 15.8% in the 2019-2020 two-year period.

The fact that LATI was able to improve its performance in terms of value creation during a two-year period characterised by economic stagnation throughout the Eurozone (2019) and a pandemic (2020) confirms the effectiveness of both its cost-flexibility strategy and strategic repositioning strategy, set out and put into practice by LATI starting from 2016 and updated yearly during the strategic review and resolution on the company’s strategic plan.

Reconciliation between the profit and loss account and reclassified profit and loss account – 2020 –

PROFIT AND LOSS ACCOUNT	STATUTORY vs RECLASSIFIED
Turnover from sales and services	**130,931,439**
Raw materials sales	**15,728**
Provision of services	**52,200**
Customer bonuses	**111,190**
GROSS TURNOVER	**130,974,701**
Variable sales costs (1)	**5,769,465**
Variable manufacturing costs (2)	**82,461,808**
Fixed costs (3)	25,419,385
ADJUSTED GROSS OPERATING PROFIT	**17,324,042**
Cash discounts granted to customers	- 406,235
Cost of financial services	+ 421,714
GROSS OPERATING PROFIT (EBITDA)	**17,308,571**
Amortisation, depreciation and provisions for risks	3,695,460
OPERATING PROFIT	**13,613,111**
Other operating income and charges	-254,659
Financial income and charges	-343,577
Other charges and exchange rate gains/losses	809,657
Write-downs/write-backs of investments	2,159
PRE-TAX PROFIT	**13,399,530**
Taxes	3,712,608
NET PROFIT	**9,686,922**

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 reclassified on a financial basis, based on decreasing monetisation level

	31/12/2020	31/12/2019	31/12/2018
Current assets (1)	**83,199,734**	**74,474,013**	**77,701,317**
Quick assets	29,588,595	20,119,844	5,059,988
Non-quick current assets	30,872,304	30,622,474	37,758,951
Available assets	22,738,835	23,731,695	34,882,378
Net non-current assets (2)	**45,983,968**	**42,139,157**	**43,265,235**
Intangible fixed assets	1,062,604	761,985	902,051
Tangible fixed assets	42,047,739	38,422,847	36,630,403
Financial fixed assets	2,873,625	2,954,325	5,732,781
Invested capital (3)	**129,183,702**	**116,613,170**	**120,966,552**
Current liabilities	38,372,267	37,522,536	48,600,729
Non-current liabilities	21,299,396	19,080,715	16,923,104
Net equity	69,512,039	60,009,919	55,442,719
COVERAGE	**129,183,702**	**116,613,170**	**120,966,552**

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

In 2020, LATI continued to increase its liquid funds, up 47.1% on 2019.

LATI also contained its working capital in terms of inventory of finished goods and raw materials which decreased by 4.1% on 2019 (and which had already decreased on 2018). In 2020, the inventory count was reinforced in order to avoid creating excess inventory levels compared to the decrease in demand recorded in the first half of the year. The subsequent recovery of sales at previously unseen growth rates, on the other hand, caused tensions along the sector's procurement chain. LATI reacted by promptly reactivating outsourcing and temporary work, but despite this, it still recorded a finished goods inventory rotation ratio which was 42% below standard. In the first half of 2021, inventory is expected to increase in line with demand to restore the correct finished goods inventory rotation ratio which allows LATI an effective service for its customers.

Net non-current assets

As set out in the company's strategic plan, the long-term Torbissima industrial project continued, with a 9.4% increase in tangible fixed assets compared to 31 December 2019.

In 2020, the company computerisation, digitalisation and automation project also started, which led to a 9.1% increase in intangible fixed assets compared to 31 December 2019.

Invested capital

The structure of LATI's sources of funds historically favoured own funds over third party funds. In 2020, net equity increased by 15.8% and non-current liabilities increased by 11.6%.

The 2020 funding structure consists of:

- Own funds 53.8%,
- Current liabilities 29.7%,
- Non-current liabilities 16.5%

In 2019, own funds comprised 51.5%, current liabilities 32.2% and non-current liabilities 16.4%.

Key financial indicators

Company indicators

Indicator	Scope	2020	2019	2018
ROE	Economic Net profit/net equity	13.94%	10.24%	16.15%
ROI	Economic Operating profit (loss)/assets	10.54%	7.40%	10.65%
ROS	Economic Operating profit (loss)/turnover from sales	10.40%	5.94%	7.84%
Own funds less fixed assets - €	Patrimonial Net equity – fixed assets	23,528,071	17,870,762	12,177,484
Own funds to fixed assets ratio	Patrimonial Net equity/fixed assets	151.17%	142.41%	128.15%
Own funds plus non-current debt less fixed assets - €	Patrimonial (Net equity + non-current liabilities) – fixed assets	44,827,467	36,951,477	29,100,588
Own funds plus non-current debt to fixed assets ratio	Patrimonial (Net equity + non-current liabilities)/fixed assets	197.48%	187.69%	167.26%
Debt to equity ratio	Financial (Current liabilities + non-current liabilities)/Net equity	0.86	0.94	1.18
Debt ratio	Financial (Non-current liabilities)/Net equity	0.31	0.32	0.31
Adjusted profitability index	Management Adjusted EBITDA/gross turnover	13.2%	8.0%	9.1%
Net financial position (debt) - NFP €	Management Liquidity - loans and borrowings	4,505,120	-5,684,794	-17,300,050
NFP/adjusted EBITDA	Management NFP/adjusted EBITDA	-0.26	0.33	0.98

All the key financial indicators improved in 2020 compared to both 2019 and 2018 except for ROI, which improved on 2019 but is slightly down on 2018.

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.

LATI's capacity to increase both ROS and its profitability index should be highlighted, as should its ability to increase its core business operating profit at the same rate as its turnover.

Lastly, the debt ratio, net financial position and NFP/adjusted EBITDA should be noted, as the excellent performance of 2019 was exceeded in 2020. From October 2020, loans and borrowings were lower than quick assets, making it possible for LATI to instantly pay off all of its loans.

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.

2020 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.

Repositioning is also the best way to guarantee **sustainable development** as it allows us to maximise value and not volume, saving resources.

Also 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.

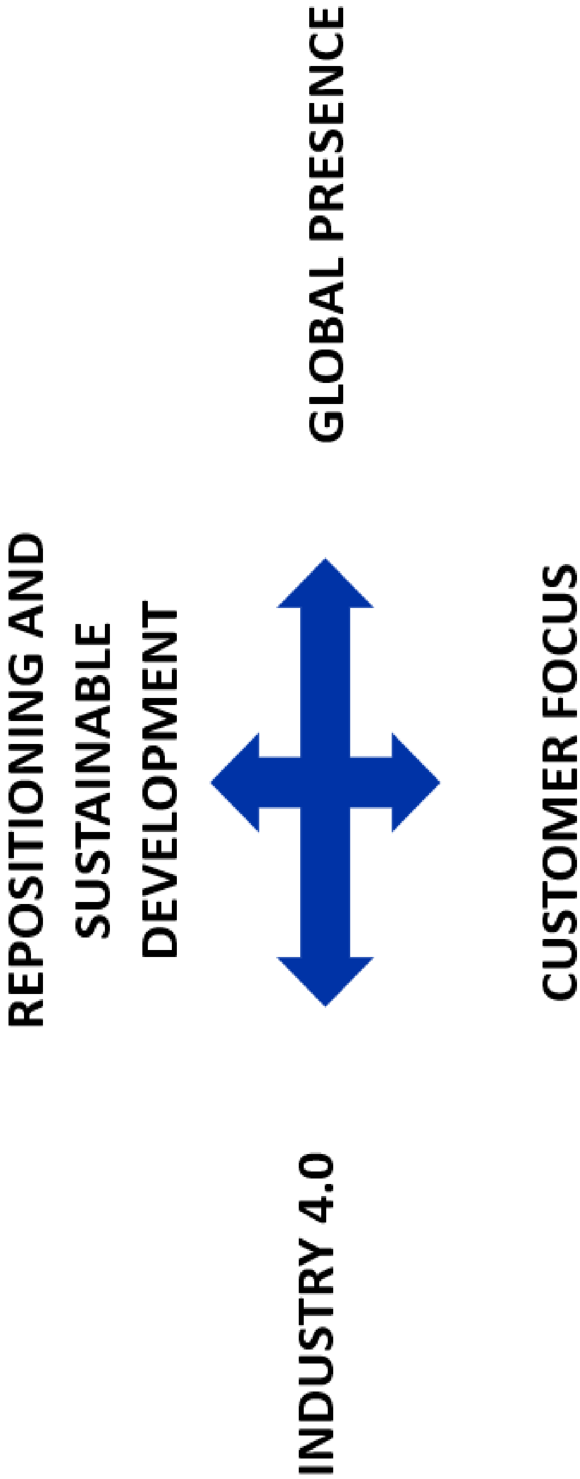
In fact, the customer will be at the heart of it! Indeed, our third strategic pillar is **Customer focus.** Thanks to our distinctive skills, we are a technical point of reference on the market, we have an excellent reputation and we know how to earn the trust of customers.

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.

Lastly, our customers are also at the root of our fourth 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 2021-2023 three-year period, our strategy (set out in the following page) will continue:

1. generating **sustainable development** through **repositioning**
2. continuing our journey towards **Industry 4.0** to boost efficiency and our competitive edge
3. improving our **customer focus** with a faster service and
4. a **global presence**


GLOBAL PRESENCE
REPOSITIONING AND SUSTAINABLE DEVELOPMENT
CUSTOMER FOCUS
INDUSTRY 4.0

TECHNOLOGY AND INNOVATION

In 2020, LATI decisively and systematically continued with its projects for the evolution of the entire industrial and logistics department both in terms of production plant and the service system with works aimed at making important improvements in terms of technical/production aspects and with regard to the environment and safety and undertaking an important and strategic programme of 360° digitalisation of the factory and logistics, embracing the Industry 4.0 principles.

Gornate site

Starting from 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, the site 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.

<u>Torbissima Lot 1</u>

In this regard, in 2020, Lot 1 of the Torbissima project was completed. For this, the company planned and commenced construction of the west roof, constructed in line with the required fire prevention standards. It will allow the company to keep some finished goods, which were previously stocked outside, under a protective cover (a fundamental improvement for the quality of the goods), and in the near future it will be possible to keep production and service plant and equipment covered. Also to complete the works on this first lot, the moulding and quality analysis laboratory was completed on the ground floor of the building, as was the factory laboratory. The latter construction allowed the company to dismantle the old laboratory which was in the middle of the factory, making space for important future installations.

<u>Torbissima Lot 2</u>

During the year, Lot 2 activities continued, leading to the construction of the new building for the preparation and blending department (ARUPE), which is located between the current production area and the raw materials warehouse with a view to optimising internal pre-extrusion flows. The new department comprises a preassembled structure which is almost complete and which only needs to be wired with electricity and connected to the fire prevention system and to the networks. The works to complete the new ARUPE department are expected to finish in March 2021.

Inside, the company intends to place a transfer system, the new turbo mix and the new automatic weighing system; outside the area covered by the roof, to the north of ARUPE, on the other hand, there will be all the filtration systems for the production plant in this area and silos/mixers. To this end, it was designed in compliance with the strict ATEX regulations.

Another important project that was part of Lot 2 was a new room for furnaces to clean the metallic parts used in extrusion. Works to set up a room for the installation of these furnaces will begin in spring 2021. The furnaces are new generation and do not require an after-burner, they are efficient and running costs are lower than the old model.

With a view to improving work spaces, the installation of the mechanical part of the new air intake and emissions reducing system was completed (certain connections and some electrics need to be finished) for the new extrusion lines and the current lines, which are identical to the one installed in Vedano Olona, which proved suitable and efficient, were improved. The Gornate Olona system will be fitted with sensors to detect the functioning of its components and will be included in the IoT factory project.

Torbissima ARUPE

With regard to industrial plants, the Gornate site was renovated through the introduction of new technologically advanced equipment and the upgrade of the existing system through functional and safety revamping. In the pre-extrusion area, the automatic weighing system which weighs additives and colourants was delivered in December 2020 and will be assembled as soon as the ARUPE area is accessible.

The automatic weighing system was designed in accordance with the specifications set out by LATI with regard to the type of material, number of items weighed and raw materials involved and frequency of use.

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.

There have been the following significant improvements: 1) guaranteeing the traceability of the batch with greater accuracy than the current system, significantly affecting the quality of finished goods; 2) live inventory updates specific to each weighing activity; 3) noteworthy reduction in operating activities, decreasing the possibility of error (significantly influencing the quality of the finished goods) and speeding up operations; 4) reducing paper documents; 5) verifying and checking the system's activities and the weighing through the use of scanner guns and automatic labelling; 6) ergonomic improvement for the reduction of manual weighing activities.

All weighing, labelling and stocking systems interface with each other and communicate with the SAP factory management system, guaranteeing the traceability and utmost control of the plant, materials 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.

Torbissima new extrusion line

During the year, the installation of a new extrusion line for the production of thermoplastic compounds, which are highly reinforced and loaded, in addition to special compounds, was completed.

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

The extruder has geometric characteristics which improve productivity and promote the creation of highly charged compounds, reducing the thermal stress of the product, aspects which are of the utmost importance for the type of product to be made by the plant.

The various components of the formula, which will be compounded by the extruder are connected to gravimetric dosing lines. Depending of the type of material, the dosing line is made with specific equipment designed to use the original packaging. This new solution streamlines the pre-extrusion activities and allows for 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).

Some digital functions of the system include recording conduction parameters, mapping the causes of machinery breakdowns, collecting data on and analysing energy consumption, OEE, etc..

Lines are developed in order to limit cleaning and, if necessary, make them as flexible and lean as possible.

Thanks to the cutting system and the applied power of the extrusion plant, there was a significant improvement in the hourly production capacity on certain important self-extinguishing product lines and the possibility of important scale-ups of special products.

Outbound Torbissima

Also in the context of the industrial development of the Gornate site (called Torbissima) another strategically fundamental activity was the project to review the outbound logistics process. This provides for the design of a new warehouse for the management of finished goods.

A connection between the end-of-line and the finished goods warehouse is also planned, with automatic solutions for the movement of materials.

The project comprises:

- a new storage and collection warehouse for finished goods;
- a new picking system for finished goods;
- connection between the end of production and the new finished goods warehouse;
- computerised management of stock and flows, integrated with the current ERP system.

In order to optimise management efficiency and the use of the space while also guaranteeing an improvement in terms of the ergonomics of the work, the company intends to assess different possible solutions for the automation of the aforementioned activities.

The target technological solutions of the new storage warehouse will therefore be aimed at taking advantage of all possibilities for the company to push itself as far as possible to use the most automated solutions to make the entire delivery department more efficient (with the possibility of automatic preparation of picking for delivery) both to minimise the possibility of error in deliveries, so as to increase the volume of daily deliveries, and to improve aspects of flexibility in the outbound service. The characteristics of warehousing intensity (taking advantage of vertical storage and the efficiency of spaces) will allow the company to unite its two logistics sites in Vedano Olona and Gornate Olona, thus making significant savings compared to the current situation in which the duplication of resources significantly increases management costs.

The warehouse will logically be connected to the Sap ERP system thanks to a warehouse management system which allows all inventory checks, connections with other company departments (e.g., customer service and controls) and, therefore, thanks to its high level of automation and digitalisation, it will be included in the Industry 4.0 activities. The dedicated WMS allows for the effective and controlled performance of warehouse operations, the management of material handling activities, the optimisation of spaces, the reduction of timeframes and the continued and punctual management of activities and resources (human and automatic).

With a view to improving the handling of bags, a bag unloader was acquired (installed in early 2021). The bag handlers help operators to lift the bags. The lifter comprises a vacuum generator, lifting unit and control and suction units. To lift and lower loads, the system only uses the vacuum. The handler will be used to manoeuvre the no. 4 mixing plant and will be ATEX compliant.

PME factory energy control

In the context of controlling and saving energy and in line with the company's sustainability strategy, a new factory PME (power monitoring expert) energy control system was implemented. The system was specifically planned to help high-intensity energy consumption structures to maximise timeframes and operating efficiency. PME is a window into the network of digitalised feeding which takes advantage of IoT connectivity. This system will allow for in-depth analyses of costs which will be generated in the production phases of each plant and will therefore allow for the allocation of costs to productions in accordance with the requirements of the management control systems.

Photovoltaic plant

Also from a sustainability standpoint, on the roofing of the new Arupe department and on the roof of the forklift recharger, a new photovoltaic plant with peak power of 117.78 kWp was installed. This plant allows for solar power to be used directly in the production departments.

Vedano Olona site

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

Infrastructures and IT systems

In 2020, the company began computerising and digitalising the production-logistics area, which over the next two years, will make it possible to check in real time the data from and progress of each phase of internal and external production and logistics and online and offline controls.

The development provides for the design and introduction of the following computerisation layers:

a. on-the-ground connection with machinery to enable data exchange (IoT);
b. data collection, archiving, analysis and BI (Edge Computing + IoT Platform);
c. connection to the factory manufacturing execution system (MES);
d. integration with the maintenance system;
e. connection to the company ERP system;
f. connection with the company scheduling.

In parallel with this first project, in 2020, the company also started a project for migration to this new ERP - S4H system, which comprises three macro areas:

1. introduction of a company datawarehouse - BW4Hana - which started in 2020;
2. introduction of a company BI system - SAC BI - started in 2020;
3. migration to the new ERP - S4HANA - for which activities started in July 2020 and which is expected to go live in May 2021.

To support the Industry 4.0 projects and the overall company computerisation and digitalisation projects, IT infrastructures and architectures were strengthened in 2020.

The main projects were the following:

- installation of 19 new Azure servers to manage the future management infrastructure;
- creation of a Cloud BACKUP infrastructure.

Furthermore, due to the need to work remotely, the following activities, which were urgent due to the COVID-19 pandemic, were carried out:

- the number of network and email users were doubled due to the local/on premises dual management (around 220 at the moment);
- configuration of 96 internal users and 77 external users for remote access;
- introduction of Microsoft Teams to allow for meetings, audio/video calls and instant messages;
- creation of two meeting rooms for remote access;
- introduction of Microsoft Outlook (already activated for half of users).

Lastly, due to the introduction of Cloud technologies alongside on-premises technologies, a broad review of the network infrastructure was necessary, in addition to strengthening the security infrastructure, with the following elements which are currently underway:

- additional automatic update methods for PCs;
- new Intrusion Detection System;
- HoneyPot, in order to catch any potential attacks and divert them away;
- Vulnerability Assessment, for prompt assessment of the IT security status.

RESEARCH AND DEVELOPMENT AND SUSTAINABILITY

In 2020, R&D focused on studying:

- different materials, prioritising the need to highlight sustainability, i.e., materials with a lower environmental footprint in terms of use of resources and CO2 emissions compared to the alternative currently used;
- solutions for new modes of transport, particularly materials which meet the extreme energy distribution needs of electric cars.

External requests and internal development have led to the formulation, small-scale production and characterisation of different compounds deriving from 139 projects which generated 182 samples for a total of 4,825kg.

Research activities mainly focused on the following types of compounds:

a. Studying environmentally sustainable materials which use recycled materials selected from the post-consumption chain, in line with the sustainability strategy and with a circular economy

Currently, sustainability in its different facets is more than a trend, it is even set out in new legislation and goals related to the reduction of emissions as set out in the Paris Agreement. The EU's Nationally Determined Contributions (NDCs) provided for by the Paris Agreement comprise the reduction of greenhouse gas emissions by at least 40% by 2030 compared to 1990 levels, within the broadest context for 2030 with regard to climate and energy. This requires a legislative intervention and a request for the development of new solutions along the whole supply chain of goods and components.

The main studies were carried out for the creation of new materials with a high technical content starting with the selected recycled materials, which originate from post-consumption materials. We have sought to enhance these materials with the idea of upgrading their performance with a specific formulation. Another important stage of this development was the assessment of the consistency of the final performance and the stability over time of the new products.

Using this concept, particular versions of self-extinguishing materials were created, such as: products which combine the important use of PET from fragments of recycled bottles which, combined with other polymers (such as PA and PBT), allowed for the creation, after significant patent research, of self-extinguishing materials which comply with the most demanding legislation and, at the same time, materials with significant mechanical and stiffness characteristics both in the lab and on an industrial scale.

Other solutions were researched and developed with the use of polyethylene originating from selected and recycled food containers and washing detergent bottles; other products used polyethylene produced using biomasses made using sugar cane, which were then formulated and modified with suitable additives, reinforcements or loads obtained from recycling agricultural waste products such as nut shells (almonds, walnuts, hazelnuts) or sawdust.

One important project involved polycarbonate from panes which had been used as roofing for greenhouses and other structures. The crushed panes were formulated and processed for the development of transparent, stabilised and coloured materials and enhanced with a new type of additives in order to reach a high level of fireproofing, this allowed for it to be used in lights and other manufactured designs through an additive manufacturing process (3D printing directly from the grain).

Within the context of the circular economy, LATI joined the Circular Plastics Alliance (CPA) which is an initiative created by the European Community which aims to hit a target of ten million tonnes of recycled plastic per year on the EU market by 2025. The signatories of the CPA, which are over 200 organisations from the entire value chain for plastics, include: companies, organisations, universities, standard bodies and public authorities which, with the support of the European Commission, are committed to working together to achieve a common goal. LATI is an active member of the CPA EEE (electrical and electronic equipment) group, the research and development subgroup which in 2020 worked to define the most significant needs in the field of technological research and development which are essential to reach the goals. This list will give rise to a series of investments in the most trenchant sectors from collection through separation, characterisation and usage supported by an appropriate legislative context and a well-aimed design for recycling.

b. Studying new materials for use in the field of electric mobility

Electric mobility and, specifically, electric cars present an important opportunity for materials with new features and which may be more sustainable. Electric cars are the most critical element and there are new requirements for materials which will be used “underhood” or in components involved in energy distribution. These requirements include: lightness, colour stability, maintaining dielectric rigidity, i.e., thermal insulation capacity over time (even in hot/humid conditions); resistance against high temperatures; they must not be toxic and must not impede the recycling of finished goods; they must be self-extinguishing and halogen free (non-toxic); they must be very stable and must not move, depositing material on electrical contacts; they must be impact and vibration resistant at temperatures which may vary between -30 and 150°C or above in the working environment.

In this context, fire retardant materials have new potential, with more demanding characteristics, for which it is necessary to study new solutions which simultaneously respond to all needs. In a number of cases, the FR function is just one of many requirements (thermal conductibility, lubricating capacity and others).

To support the development and characterisation of these materials, we have had to set out new testing procedures which combine a number of required elements for which there are various standards, but the requirements have not been standardised (UV and temperature resistance, no discolouration or significant deterioration of its properties). The main characteristics were investigated and assessed after accelerated ageing at high temperatures (140°C) or accelerated UV exposure.

For this reason, we performed a number of tests which are part of a complex project and with many potential applications:

- study underway and improvement of stability in a hot and humid environment for different categories of HF and FR products (KB, V0HF1, PBT HF1); these materials will be produced on an industrial scale and proposed to the market for application standardisation;
- study of products indicated for connectors: HF versions of very fluid and stable products which are not influenced by hot and humid environments with V0 @ 0.4mm: on non-reinforced PA66, PPA, PBT, PA9T bases;
- the FR HR "orange" version was developed to meet the safety requirements for the high-tension connectivity in the electric car which requires a bright ad stable colour (orange) to flag the risk of contact; with good mechanical characteristics; resistant to temperatures and UV rays; good electric and chemical stability in hot and humid environments. The LATER 4 G/30-V0HF2 Orange material has unique characteristics in the range of halogen-free products because they are formulated using an exclusive combination of polymers, self-extinguishing components, stabilising additives and reinforcements.

c. Co-funded projects

The funded projects in which R&D is currently engaged are the following:

1. 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 line with the reinforcement, the polymers chosen for the project are sustainable; for this reason, we selected the PE produced from biomass and the recycled PP.

In this project, LATI is committed to the formulation, production and characterisation of compounds containing lignin as a structural reinforcer and to give the material various functionalities (AE, dimensional stability, etc.). The materials will be used in household appliances (within the group which is part of the project consortium).

In 2020, different versions of reinforced or charged materials were made with lignin, which should have sufficient mechanical characteristics to be used in structural parts of dishwashers and other mechanical uses at temperatures of up to 70°c, in contact with aqueous, fatty and detergent solutions, as well as rinsing solutions. A number of different bio PE solutions were formulated and characterised (LATENE HD 20BIO LX/07 NT: LX15, LX/25 and LX/35) at the same time as similar PP formulations (LATENE 20 LX/07 NT: LX15, LX/25 and LX/35) including versions with seaming compounds in order to improve the fibre matrix adhesion (LATENE AG20 LX/15 NT: with different seaming compounds). The effect of humidity was also studied.

The best solutions will then be tested, as will their stability in the work environment.

2. SAbyNA: project funded by the European Community as part of the Horizon 2020 programme. The main aim of SabyNA is to develop integrated guidelines in a systematic way and made to measure for the different industrial sectors, help to provide criteria and indications in order to support the selection and design strategies in the development of safer nanotechnologies (safer products and processes throughout the entire life cycle).

The study of these strategies will be implemented and validated using the platform developed by SAbyNA for the entire 3D printing process (from the production of raw materials, the filaments and in printing) and in the production and application of the paints.

LATI is supporting the creation of materials and processes (3D printing - one of the case studies selected). It will carry out tests on the tool with the support of in vivo tests and characterisation of the toxicological impact of the process and the nanotechnological product. In this context, two main categories of product were selected: materials with carbon nanotubes and antibacterial nanomaterials.

In 2020, certain test samples were made. These were used to make filaments for 3D printing which contained carbon nanotubes (using a PC, LATIOHM 87/28 AM PD13-07 bobbins were made) and materials with additives with antibacterial nanomaterials (LATENE EP 3 AM NT:HA1 bobbins containing particles of nanosilver) which will be used to make prototypes. The production phases of the relative materials, filaments and in the production of various objects will be monitored in 2021 (as set out in the project plan).

HUMAN RESOURCES AND ORGANISATION

In compliance with our values of focusing on employment, employability and the well-being of our employees, despite the objective difficulties connected to the pandemic, LATI maintained full employment levels, even hiring new resources in the second half of the year. In June and July, LATI also made very limited use of the Italian COVID-19 furlough scheme pursuant to article 19 of Law no. 27 of 24 April 2020 made available by the government and extended to include temporary staff, so as not to penalise workers.

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

A prudent accrual of €100,000 was made in 2020 for potential disputes with employees.

In 2020, LATI also introduced some initiatives already clarified in the company’s strategic plan. Specifically, the possibility to work remotely, reorganisation of the training plan, COVID-related safety at work and company welfare policies.

Remote working

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.

LATI set up a number of round-table discussions and, through an internal survey, it gathered opinions from personnel who were forced to work remotely from March 2020 due to the pandemic.

In July, in compliance with the provisions of articles 18-23.2 of Law no. 81 of 22 May 2017, LATI:

- prepared the internal remote working regulation signed with the trade union representatives;
- signed the related trade union agreement;
- provided the mandatory training about remote working;
- finalised individual agreements.

This is how remote working was institutionalised with the greatest organisational flexibility allowing for up to five days per week depending on the needs of each company department.

In order to support this development, specific online training about the fundamental aspects was provided to facilitate the change and strengthen the adoption of coordination and leadership styles based on trust, independence, responsibility, communication, time management and digital collaboration.

Training

2020 saw the launch of the high-impact project related to the sharing of the LATI Skills Model.

The entire company organisation - first level, people managers, employees, operators - was involved in two macro-phases:

- specific training;
- skills assessment between the person in charge and the employee.

In 2020 training underwent a drastic reorganisation in terms of training methods, duration and content in order to make all courses available remotely and/or using mixed methods where users do not have internet connection, guaranteeing the highest protection of the health of the employees involved.

The subject areas covered were as follows:

- soft skills courses (skills, negotiation, communication, remote working). These were partly remodelled in terms of duration and dates and were available via distance learning for all company personnel working remotely;
- courses for factory workers provided for by the training plan (two hours at the end of their shift). These were carried out where possible with remote trainers via Teams and personnel were separated into different available rooms. This innovation had an advantage which can also be used in the future, or rather the ability to provide training at both Vedano and Gornate sites simultaneously;
- 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.

To support the management of in-person courses during the public health emergency, the safety officer prepared a specific procedure, which is still in place, aimed at ensuring the safety of people and environments.

COVID-19 safety

A number of activities were rolled out to manage the public health emergency, including:

- signing the memorandum of understanding between the trade unions for the application of the Condindustria/trade unions for the management of work activities carried out by internal and external personnel at the registered office;
- creation of the COVID-19 Commission with regular meetings to monitor the measures rolled out and other activities;
- management of communal spaces (e.g., canteen, changing rooms, bathrooms);
- in June 2020, employees were offered the serological test on a voluntary basis, with the aim of putting employees' minds at rest and contributing to the project run by ATS (the Italian health agency) to map the spread of the pandemic;
- an agreement made with a specialised centre for COVID-19 swabs and serological screening.

Welfare

As confirmation of the many initiatives carried out, in 2020, LATI obtained the WORKPLACE THAT PROMOTES HEALTH certificate from the WHP (Workplace Health Promotion) network of the Lombardy region.

The innovations in this area include making the fitness courses (holistic training, pilates, roll up) available entirely remotely. LATI's gym courses were offered for free to anyone who was interested.

In 2020, scholarships were also introduced for the children of our employees, which had been strongly desired by the Conterno family. Seven candidates between secondary school and university took part, competing in a project related to "young people for sustainable plastic". The final ranking was based on a combination of academic merit and the evaluation of the project. The experience proved very positive: we had the chance to appreciate innovative and well-devised ideas and to find out more about the content during the demonstration which took place remotely. The young people demonstrated strong interest and great creative capacity, which was much appreciated by the evaluation commission.

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

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

ISO 14001:2015

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

ISO 45001:2018

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

The surveillance audits for the new environmental management system (ISO 14001) and the quality system (ISO 9001) standards were carried out in June 2020.

Both audits were successful.

In July 2020, the adjustment project in compliance with ISO 45001 was completed and the company obtained the related certification.

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 and the COVID-19 pandemic, especially in terms of sales volumes and the products' value added.

  Sales volumes decreased slightly during the year (-4.9%). Sales volumes trends were out of sync with the previous year however, with volumes down 15.4% in the first half of the year compared to the first half of 2019, as a result of the lockdown due to the pandemic, but up by 10.2% in the second half of the year compared to the second half of 2019.

  An identical trend was seen on the raw materials market, which experienced a slowdown in prices during the year. From October 2020, with the recovery of sales, prices of raw materials gradually increased, but on an annual basis this did not lead to a decrease in added value. Within this general situation, LATI benefited from a marked decrease in costs which, together with its ability to maintain the sales prices of its finished goods on the market, led to an increase in its profit margins, reaching the highest unit added value ever seen by the company.

There was a robust increase in orders acquired from September 2020 and this trend has continued into 2021. This increase appears to once again be due to the recovery of the market after the downturn during the pandemic.

- Liquidity risk

Already in 2019, LATI was able to discount its trade receivables for collection with banks, to use non-current loans to fund investments and to monitor the use of financial resources for working capital. This generated incremental cash flows of €12 million, confirming LATI's solvency and its ability to meet its financial obligations.

In 2020, LATI continued to maintain constant control of both the use of discounting its trade receivables for collection with banks and the use of its financial resources for working capital, generating additional incremental cash flows of €12 million.

From October 2020, the company's net financial position underwent a turnaround, highlighting LATI's ability to immediately meet its financial obligations, with a cash surplus of over €4 million.

The excellent financial performance and the ongoing strong increase in orders acquired confirm the need to monitor changes in working capital, while nevertheless guaranteeing a reasonable amount of inventory of finished goods and raw materials in order to preserve the service level on the market.

- 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.

However, as a result of the pandemic, the first signs of an increase in interest rates recorded in the second half of 2019 came to a halt. The credit enhancement measures introduced in the Eurozone offer businesses the opportunity to refinance their existing loans at interest rates reduced by 20%-30% and payment rescheduling. From April 2021, LATI will make use of this opportunity.

- 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, there was neither a worsening of outstanding payments nor an increase in the DSO. However, the company considers it fundamental to constantly monitor its exposures, which are covered by a first insurance policy, although it does have an excess clause.

- Risks connected to the COVID-19 pandemic

The risks connected to the COVID-19 pandemic fall into two categories:

a. suspension of production in compliance with governmental provisions;
b. spread of the virus among workers;

The first risk does not apply to LATI as it belongs to a production segment which is deemed strategic for the Italian Economy and as such was not subject to the shutdowns imposed in March 2020.

In order to prevent the spread of the virus, on the other hand, a number of measures were implemented:

a. creation of a COVID-19 Commission to monitor the efficacy of the measures adopted;
b. checking and managing access to communal spaces;
c. checking, managing and, in some cases, blocking access to third-party personnel;
d. roll-out of remote working for all personnel whose physical presence at the company offices is not necessary;
e. agreement with a specialised centre to carry out COVID-19 swabs;
f. regular sanitisation.

After a year of managing the contagion risk, the efficacy of the measures has been demonstrated. LATI personnel promptly adapted to the new situation, showing a great degree of collaboration and respect for their own health and the health of others, swiftly reporting any exposure to contagion risks.

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

Company	Receivables	Payables	Guarantees received	Guarantees given	Costs and charges	Revenues and income
SVI S.p.A.	2,022,456	1,329,705	-	-	261,886	-
LATI Shanghai	306,971	14,865	-	-	135,005	2,155,881
LATI UK Ltd	465,862	-	-	-	-	2,029,221
LATI Usa Trade Inc.	14,155	20,997	-	-	218,757	119,615
LATI Schweiz SA (*)	-	-	-	-	-	-

Financial transactions

Company	Financial receivables	Loans and borrowings	Guarantees received	Guarantees given	Financial charges	Financial income
SVI S.p.A.	-	-	-	-	-	-
LATI Shanghai	-	-	-	-	-	-
LATI UK Ltd	-	-	-	-	-	-
LATI Usa Trade Inc.	-	-	-	-	-	-
LATI Schweiz SA (*)	-	-	-	-	-	296,352

(*) company removed from the Company Registrar on 6 July 2020

The above transactions, which are neither atypical nor unusual, were carried out on an arm’s length basis. The receivables from SVI S.p.A. comprises intragroup VAT (€1,853,540) and foreign tax assets exceeding the Italian current taxes and related to previous years and recoverable in future years (€168,916).

The payables to SVI S.p.A. relate to invoices to be received for services (€61,886), payables for the domestic tax consolidation scheme (€1,531,320) from which €6,651 can be detracted for withholding taxes on bank interest income and €256,849 for foreign tax assets exceeding the Italian current taxes.

All other balances with group companies arise from trading transactions.

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

- technical and administrative assistance and advisory services (SVI S.p.A.);
- commissions (foreign subsidiaries).

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

- trading income for sales of goods, provision of services and financial income for the gains on the derecognition of the investment in LATI Schweiz SA.

In 2020, the company made no decisions that were particularly influenced by the company that manages and coordinates it, except for trading and organisational transactions aimed at benefiting from group synergies and the temporary support that the company provided to SVI S.p.A. through loans.

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

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

Subsidiaries

LATI U.K. ltd.

Due to the pandemic, in 2020, the English market recorded a 13.4% decrease in sales volumes and an 11.3% decrease in turnover. Furthermore, at the end of the year, the turbulent "Brexit" journey was completed. Unit profit margins remained in line with the rise in materials prices and the subsidiary recorded a net profit of €88,438 (2019: €83,517) despite the decrease in turnover from €2,628,345 to €2,331,741. The first figures for 2021 suggest a recovery of sales volumes, which at the moment are slightly higher than the budget forecast.

LATI U.S.A. Trading, Inc.

The subsidiary recorded a net profit of €278,990 for 2020 (compared to a net profit of €68,256 for 2019). This was possible thanks to the increase in revenues related to commercial brokerage commissions which increased from €129,283 to €222,464. The tax provision including deferred tax liabilities also increased by €58,811. In 2020, 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. 2021 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 sales levels: the drop in sales was mostly in February 2020. Looking at the entire year, the subsidiary recorded a 2.5% decrease in turnover compared to 2019. With regard to local overheads, there was 12.2% increase compared to 2019. In 2020, LATI Shanghai Co. Ltd. completed the implementation of the company ERP system also for the administration and control department, with an automated connection to the local tax returns system (GTS Golden Tax System). This innovation highlighted the need to reorganise internal procedures and look for external expertise to fill the current gap, which is why overheads increased. In 2021, business growth is expected to recover and the figures recognised in the first months of 2021 confirm this forecast.

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 of the first few months of 2021 is much higher than expected, as already highlighted at the end of 2020. Given that the public health situation is still not under control in the Eurozone and considering the exceptional nature of the pandemic, it is not currently possible to estimate whether the rate of orders acquired in January, February and March 2021 will continue throughout the whole year. LATI has based its 2021 budget on sales volumes expected to be in line with 2020 and expected performance similar to 2019, before the pandemic, resulting in a worsening of the unit added value in 2021 related to tensions on the raw materials procurement market in terms of price and availability. Despite the seriousness of the situation, there is no reason to doubt the company's ability to continue as a going concern, which is confirmed by its proven ability to keep the health situation under control at its premises. There were no interruptions to production in the first quarter of 2021, which is now coming to an end, and LATI performed better than expected. LATI's business, i.e., the production of plastics in primary forms, is currently considered strategic by the Italian government.

The main risk for LATI is a global recession which could follow the pandemic. Considering the global cooperation demonstrated in 2020 for the Eurozone and given the government's commitment to activating and making available measures to support businesses, forecasts for 2021 confirm the possibility that LATI's performance will be at least in line with 2019.

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 2021-2023 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 2020, 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 2020, 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.

Lastly, we remind you that the board of statutory auditors’ term of office has expired.

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

Vedano Olona, 29 March 2021

For the board of directors

Chairman

(Francesco 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

LATI INDUSTRIA TERMOPLASTICI S.p.A.

FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2020

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

	31/12/2020	31/12/2019
Balance sheet		
Assets		
A) Share capital proceeds to be received		
B) Fixed assets		
I - Intangible fixed assets		
1) start-up and capital costs	384,243	620,482
4) concessions, licences, trademarks and similar rights	108,989	117,658
6) assets under development and payments on account	551,488	0
7) other	17,884	23,845
Total intangible fixed assets	1,062,604	761,985
II - Tangible fixed assets		
1) land and buildings	22,668,420	22,873,363
2) plant and machinery	11,006,662	11,857,297
3) industrial and commercial equipment	376,204	465,351
4) other assets	245,604	267,608
5) assets under construction and payments on account	7,750,849	2,959,228
Total tangible fixed assets	42,047,739	38,422,847
III - Financial fixed assets		
1) equity investments		
a) subsidiaries	779,686	854,325
c) parents	1,994,226	1,994,226
d-bis) other companies	77,082	79,242
Total equity investments	2,850,994	2,927,793
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	22,631	26,532
Total from others	22,631	26,532
Total receivables	22,631	26,532
Total financial fixed assets	2,873,625	2,954,325
Total fixed assets (B)	45,983,968	42,139,157
C) Current assets		
I - Inventory		
1) raw materials, consumables and supplies	10,357,610	9,289,745
2) work in progress and semi-finished products	778,513	772,738
4) finished goods	11,440,042	13,496,233
Total inventory	22,576,165	23,558,716
II - Receivables		
1) trade receivables		
due within one year	26,604,173	25,746,792
Total trade receivables	26,604,173	25,746,792
2) from subsidiaries		
due within one year	786,988	577,267
Total from subsidiaries	786,988	577,267
3) from associates		
4) from parents		

due within one year	2,022,456	2,306,092
Total from parents	2,022,456	2,306,092
5) from subsidiaries of parents		
5-bis) tax receivables		
due within one year	268,289	426,656
Total tax receivables	268,289	426,656
5-ter) deferred tax assets	1,003,542	1,198,975
5-quater) from others		
due within one year	186,856	366,692
Total from others	186,856	366,692
Total receivables	30,872,304	30,622,474
III - Current financial assets		
IV - Liquid funds		
1) bank and postal accounts	29,587,723	20,118,992
3) cash-in-hand and cash equivalents	872	852
Total liquid funds	29,588,595	20,119,844
Total current assets (C)	83,037,064	74,301,034
D) Prepayments and accrued income	162,670	172,979
Total assets	129,183,702	116,613,170
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	45,557,879	39,636,541
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	43,525,972
VII - Hedging reserve	(92,528)	(129,726)
IX - Net profit for the year	9,686,922	6,143,338
Total net equity	69,512,039	60,009,919
B) Provisions for risks and charges		
1) pension and similar provisions	8,858	8,725
3) derivatives	92,528	129,726
4) other provisions	2,385,689	1,981,448
Total provisions for risks and charges	2,487,075	2,119,899
C) Employees' leaving entitlement	2,095,537	2,241,226
D) Payables		
1) bonds		
2) convertible bonds		
3) shareholder loans		
4) bank loans and borrowings		
due within one year	8,366,691	11,085,048
due after one year	16,716,784	14,719,590
Total bank loans and borrowings	25,083,475	25,804,638
5) loans and borrowings from other financial backers		
6) payments on account		
due within one year	21,648	137,936
Total payments on account	21,648	137,936
7) trade payables		
due within one year	25,545,617	23,301,832
Total trade payables	25,545,617	23,301,832
8) commercial paper		

9) payables to subsidiaries		
due within one year	35,862	59,781
Total payables to subsidiaries	35,862	59,781
10) payables to associates		
11) payables to parents		
due within one year	1,329,705	90,743
Total payables to parents	1,329,705	90,743
11-bis) payables to subsidiaries of parents		
12) tax payables		
due within one year	892,076	704,283
Total tax payables	892,076	704,283
13) social security charges payable		
due within one year	913,319	915,250
Total social security charges payable	913,319	915,250
14) other payables		
due within one year	1,224,748	1,194,620
Total other payables	1,224,748	1,194,620
Total payables	55,046,450	52,209,083
E) Accrued expenses and deferred income	42,601	33,043
Total liabilities	129,183,702	116,613,170

Profit and loss account

	2020	2019
Profit and loss account		
A) Production revenues		
1) turnover from sales and services	130,931,439	145,370,594
2) change in work in progress, semi-finished products and finished goods	-2,050,416	-6,161,390
5) other revenues and income		
grants related to income	168,096	0
other	685,609	937,334
Total other revenues and income	853,705	937,334
Total production revenues	129,734,728	140,146,538
B) Production cost		
6) raw materials, consumables, supplies and goods	79,863,068	88,818,983
7) services	15,255,803	15,059,299
8) use of third party assets	700,908	599,203
9) personnel expenses		
a) wages and salaries	11,336,933	11,396,571
b) social security contributions	3,593,683	3,614,689
c) employees' leaving entitlement	732,734	754,303
e) other costs	1,157,189	1,016,833
Total personnel expenses	16,820,539	16,782,396
10) amortisation, depreciation and write-downs		
a) amortisation of intangible fixed assets	305,119	486,216
b) depreciation of tangible fixed assets	2,944,029	2,654,951
Total amortisation, depreciation and write-downs	3,249,148	3,141,167
11) changes in raw materials, consumables, supplies and goods	-1,067,866	5,782,394
13) other provisions	446,312	392,948
14) other operating costs	599,046	681,143
Total production cost	115,866,958	131,257,533
Operating profit (A-B)	13,867,770	8,889,005
C) Net financial income		

15) income from equity investments		
in subsidiaries	296,352	168,949
in other companies	0	40
Total income from equity investments	296,352	168,989
16) other financial income:		
a) from financial receivables classified as fixed assets		
d) other income		
from others	47,225	5,498
Total other income	47,225	5,498
Total other financial income	47,225	5,498
17) interest and other financial charges		
other	708,131	721,118
Total interest and other financial charges	708,131	721,118
17-bis) net exchange rate gains (losses)	(101,527)	26,602
Net financial charges (15+16-17+/-17-bis)	(466,081)	(520,029)
D) Adjustments to financial assets and liabilities		
18) write-backs		
a) equity investments	278,990	68,256
Total write-backs	278,990	68,256
19) write-downs		
a) equity investments	281,149	69,062
Total write-downs	281,149	69,062
Total adjustments (18-19)	(2,159)	(806)
Profit before taxes (A-B+-C+-D)	13,399,530	8,368,170
20) Income taxes, current and deferred		
current taxes	3,513,343	2,373,273
taxes relative to prior years	3,832	2,102
deferred taxes	195,433	(150,543)
Total income taxes, current and deferred	3,712,608	2,224,832
21) Net profit for the year	9,686,922	6,143,338

Cash flow statement, indirect method

	2020	2019
A) Cash flows from operating activities (indirect method)		
Net profit for the year	9,686,922	6,143,338
Income taxes	3,712,608	2,224,832
Net interest expense	762,433	689,018
Dividends	0	(168,989)
(Profits)/losses from the sale of assets	(385,601)	0
1) Net profit for the year before income taxes, interest, dividends and profits/losses from the sale of assets	13,776,362	8,888,199
Non-monetary adjustments that did not affect net working capital		
Accruals to provisions	1,137,108	1,152,476
Amortisation and depreciation	3,249,148	3,141,167
Other non-monetary adjustments	(2,159)	(137,905)
Total non-monetary adjustments that did not affect net working capital	4,384,097	4,155,738
2) Cash flows before changes in net working capital	18,160,459	13,043,937
Changes in net working capital		
Decrease in inventory	982,551	11,943,784
Decrease/(increase) in trade receivables	(857,381)	7,268,905
Increase/(decrease) in trade payables	2,243,785	(13,351,982)
Decrease in prepayments and accrued income	10,309	55,395
Increase in accrued expenses and deferred income	9,558	12,311
Other net decreases in net working capital	511,042	437,136
Total changes in net working capital	2,899,864	6,365,549
3) Cash flows after changes in net working capital	21,060,323	19,409,486
Other adjustments		
Net interest paid	(762,433)	(689,018)
Income taxes paid	-2,301,354	-2,341,284
Dividends collected	0	168,989
Use of provisions	(878,423)	(828,896)
Other collections	2,159	806
Total other adjustments	-3,940,051	-3,689,403
Cash flows from operating activities (A)	17,120,272	15,720,083
B) Cash flows from investing activities		
Tangible fixed assets		
Additions	-6,590,644	-4,442,229
Disposals	110,972	0
Intangible fixed assets		
Additions	(605,738)	(346,150)

Financial fixed assets		
Disposals	377,052	12,718
Other current financial assets		
Cash flows used in investing activities (B)	-6,708,358	-4,775,661
C) Cash flows from financing activities		
Third party funds		
Increase/(decrease) in short-term bank borrowings	-2,718,357	2,391,591
New loans	3,150,000	10,500,000
Repayment of loans	-1,152,806	-8,702,985
Own funds		
Dividends and interim dividends paid	(222,000)	(73,172)
Cash flows from (used in) financing activities (C)	(943,163)	4,115,434
Increase in liquid funds (A ± B ± C)	9,468,751	15,059,856
Opening liquid funds		
Bank and postal accounts	20,118,992	5,059,885
Cash-in-hand and cash equivalents	852	103
Total opening liquid funds	20,119,844	5,059,988
Closing liquid funds		
Bank and postal accounts	29,587,723	20,118,992
Cash-in-hand and cash equivalents	872	852
Total closing liquid funds	29,588,595	20,119,844

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 2020

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

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 are starting 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	2,083,000	196,039	2,602,287	0	315,759	5,197,085
Amortisation (accumulated amortisation)	1,462,518	196,039	2,484,629		291,914	4,435,100
Carrying amount	620,482		117,658	0	23,845	761,985
Changes						
Acquisitions			54,251	551,488		605,739
Sales and disposals (carrying amount)	901,810		1,280			903,090
Amortisation	236,239		62,920		5,961	305,120
Other changes	901,810		1,280			903,090
Total changes	(236,239)		(8,669)	551,488	(5,961)	300,619
Closing 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

As shown in the balance sheet, start-up and capital costs comprise costs incurred in previous years to set up LATI Sweden Filial (€188,113), the German branch (€348,238), the French branch (€220,455) and the Slovakian branch (€141,086), as well as those incurred in 2019 to set up the Spanish branch (€283,299). Costs incurred in previous years to acquire LATI France Sas' customer relationships of €901,810 were derecognised during the year as the amortisation ended in 2019.

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 of data processing procedures and licences for the use of application software, as well as costs incurred during the year for the purchase of software licences (€54,251).

Assets under development include costs incurred during the year for projects under way which are expected to be completed in 2021, mainly related to IoT connections, the MES system, SAP migration and the introduction of Business Intelligence.

“Other” includes some deferred costs.

Tangible fixed assets

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

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

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

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

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

Temporarily unused assets are also depreciated.

Land is not depreciated.

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

The depreciation rates applied are as follows:

- Buildings: 3%
- Light constructions: 10%

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

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

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

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

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

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

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

Changes in tangible fixed assets

	Land and buildings	Plant and machinery	Industrial and commercial equipment	Other assets	Assets under construction and payments on account	Total tangible fixed assets
Opening balance						
Cost	23,668,186	56,851,740	8,533,986	3,180,291	2,959,228	95,193,431
Revaluations	16,462,268	1,510,714				17,972,982
Depreciation (accumulated depreciation)	17,257,091	46,505,157	8,068,635	2,912,683		74,743,566
Carrying amount	22,873,363	11,857,297	465,351	267,608	2,959,228	38,422,847
Changes						
Acquisitions	34,916	271,815	305,389	67,507	5,911,018	6,590,645
Reclassifications (carrying amount)	734,569	333,114	40,600		-1,108,283	
Sales and disposals (carrying amount)		62,524	121,662	69,355	11,114	264,655
Depreciation	974,428	1,452,305	435,136	82,160		2,944,029
Other changes		59,265	121,662	62,004		242,931
Total changes	(204,943)	(850,635)	(89,147)	(22,004)	4,791,621	3,624,892
Closing 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

The principal increases in tangible fixed assets relate to:

- the works underway for the new ARUPE departments in Torba for €1.67 million;
- the installation of a new extruder at the Torba site for €2.95 million;
- the acquisition and beginning of the installation of a dosing/weighing machine for €0.83 million. Moreover, the company reconditioned certain plant and machinery to meet its current needs and purchased various assets strictly necessary for carrying out its operations.

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

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

The accounting policies have not changed since the previous year.

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

Financial fixed assets

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

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

Equity investments

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

Equity-accounted investments

For equity accounting purposes, the company used the financial statements at 31 December 2020 approved by the investees' shareholders.

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

The carrying amount of the equity-accounted investment in Lati USA Trading Inc. did not change during the year. As a result of the increase in the subsidiary's net equity it was written down.

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.

The investment in LATI Schweiz Thermoplastics SA, formerly recognised at cost, was derecognised following its removal from the Company Registrar.

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
Opening balance				
Cost	16,009,754	1,994,226	216,033	18,220,013
Write-backs	162,632		5,904	168,536
Write-downs	15,318,061		142,695	15,460,756
Carrying amount	854,325	1,994,226	79,242	2,927,793
Changes				
Write-backs	278,990	0		278,990
Write-downs	278,990	0	2,160	281,150
Other changes	(74,639)			(74,639)
Total changes	(74,639)		(2,160)	(76,799)
Closing balance				
Cost	15,935,115	1,994,226	216,033	18,145,374
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

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

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

Changes in and due date of financial receivables

	Opening balance	Changes	Closing balance	Portion due after one year
From others	26,532	(3,901)	22,631	22,631
Total	26,532	(3,901)	22,631	22,631

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	166,846	87,520	1,084,526	1,084,526	100.00	192,076
	LATI USA TRADING INC	UNITED STATES OF AMERICA	692,690	259,687	746,703	746,703	100.00	387,610
	LATI SHANGHAI CO LTD	PEOPLE'S REPUBLIC OF CHINA	234,104	538,879	3,592,175	3,592,175	100.00	200,000
Total								779,686

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 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	14,822	14,822
EU countries	7,809	7,809
Total	22,631	22,631

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.

The investment in LATI Schweiz Thermoplastics SA in liquidation was derecognised following its removal from the Company Registrar.

This transaction gave rise to a gain of €296,352 recognised under financial income.

Caption BIII 1d) "Equity investments in other companies" of €77,082 is detailed below:

Other companies	
Cesap S.r.l.	€7,518
Atlantide S.A.	€13,801
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

The €2,160 decrease over the previous year end is due to the write-down of the investment in Atlantide SA.

Current assets

Inventory

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

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

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

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

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

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

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

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

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

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

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

Accumulated write-downs of those finished goods whose realisation is doubtful or whose reporting-date carrying amount is lower than their realisable value amounted to €645,582.

The provision for inventory write-downs, which had an opening balance of €697,940, was fully used and reinstated.

Accumulated write-downs of obsolescent or slow-moving items amounted to €500,279.

The provision for inventory write-downs, which had an opening balance of €412,904, 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.

Finished goods inventory

	Opening balance	Change	Closing balance
Raw materials, consumables and supplies	9,289,745	1,067,865	10,357,610
Work in progress and semi-finished products	772,738	5,775	778,513
Finished goods	13,496,233	-2,056,191	11,440,042
Total inventory	23,558,716	(982,551)	22,576,165

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	25,746,792	857,381	26,604,173	26,604,173
From subsidiaries	577,267	209,721	786,988	786,988
From parents	2,306,092	(283,636)	2,022,456	2,022,456
Tax receivables	426,656	(158,367)	268,289	268,289
Deferred tax assets	1,198,975	(195,433)	1,003,542	
From others	366,692	(179,836)	186,856	186,856
Total	30,622,474	249,830	30,872,304	29,868,762

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 €702,385, which is deemed to adequately cover existing risks. The opening provision of €724,931 was used for €22,546, while no additional write-downs were made.

Receivables from subsidiaries are mainly due to trading transactions.

Receivables from parents comprise the group VAT (€1,853,540) and foreign tax assets exceeding the Italian current taxes and recoverable in future years (€168,916).

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	14,634,215	8,338,516	1,479,421	2,152,021	26,604,173
From subsidiaries		465,862	321,126		786,988
From parents	2,022,456				2,022,456
Tax receivables	69,102	190,242		8,945	268,289
Deferred tax assets	1,003,542				1,003,542
From others	160,399		26,457		186,856
Total	17,889,714	8,994,620	1,827,004	2,160,966	30,872,304

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

Amounts due from employees	14,415
Holidays taken but not yet accrued	40,373
Amounts due from suppliers	6,056
Credit notes to be received from suppliers	11,319
Advances paid to suppliers	61,944
Prepaid insurance premiums for employees (INAIL)	17,200
Other	35,549
TOTAL FROM OTHERS	**186,856**

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	20,118,992	9,468,731	29,587,723
Cash-in-hand and cash equivalents	852	20	872
Total liquid funds	20,119,844	9,468,751	29,588,595

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	172,979	(10,309)	162,670
Total prepayments and accrued income	172,979	(10,309)	162,670

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

	Amount
Borrowing costs	3,622
Membership fees	23,990
Insurance premiums	7,601
Assistance and maintenance fees	84,968
Leases	1,381
Royalties	14,688
Hires and rentals	24,252
Trade fairs	1,250
Other prepayments	918
TOTAL	162,670

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 €9,502,120 from €60,009,919 to €69,512,039, due to:

- the net profit for 2020 (€9,686,922);
- the distribution of a portion of the extraordinary reserve, as per the shareholders' resolution of 26 October 2020 (-€222,000);
- fair value losses on hedging derivatives (€37,198).

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	Reclassifications		
Share capital	3,818,400	0	0	0	0	0		3,818,400
Revaluation reserves	5,027,935	0	0	0	0	0		5,027,935
Legal reserve	1,624,000	0	0	0	0	0		1,624,000
Other reserves								
Extraordinary reserve	39,636,541			6,143,338	222,000			45,557,879
Reserves for shares of the parent	1,994,226	0	0	0	0	0		1,994,226
Negative goodwill	1,895,205	0	0	0	0	0		1,895,205
Total other reserves	43,525,972			6,143,338	222,000			49,447,310
Hedging reserve	(129,726)			37,198				(92,528)
Net profit for the year	6,143,338		6,143,338				9,686,922	9,686,922
Total net equity	60,009,919		6,143,338	6,180,536	222,000		9,686,922	69,512,039

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				
Revaluation reserves	5,027,935	R	A,B,C	5,027,935		
Legal reserve	1,624,000	I	B			
Other reserves						
Extraordinary reserve	45,557,879	I	A,B,C	45,557,879		5,032,000
Reserves for shares of the parent	1,994,226	I				
Negative goodwill	1,895,205	C	A,B	1,895,205		
Total other reserves	49,447,310			47,453,084		5,032,000
Hedging reserve	(92,528)			(92,528)		
Total	59,825,117			52,388,491		5,032,000
Non-distributable portion				2,186,920		
Distributable portion				50,201,571		

Where:

A: capital increases B: to cover losses

C: dividends D: other uses required by the by-laws E: Other

"Origin":

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	(129,726)
Changes	
Fair value gains	37,198
Closing balance	(92,528)

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

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

As required by article 2426.5) of the Italian Civil Code, although the extraordinary reserve is available, €384,243 thereof is not distributable since the financial statements include start-up and capital costs of the same amount that have not yet been fully amortised.

On 26 October 2020, the shareholders resolved to distribute €222,000 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 €92,528, 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	8,725	129,726	1,981,448	2,119,899
Changes				
Accruals	133		404,241	404,374
Utilisations		37,198		37,198
Total changes	133	(37,198)	404,241	367,176
Closing balance	8,858	92,528	2,385,689	2,487,075

Pension and similar provisions (caption B1), which cover possible costs for foreign agents' termination indemnities, increased by €133 during the year.

The provision for future risks included in caption B3) and amounting to €2,385,689 comprises:

- an accrual for product non-compliance of €65,444, including €5,444 added during the year;
- an accrual for customer claims of €146,312, which was used for €42,515 during the year and restored for the entire amount of €146,312;
- an accrual of €60,000 for future restoration costs for the area the Pedemontana Lombarda motorway runs through (€60,000), recognised after the merger of VMP S.p.A. into the company;
- an accrual 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;

- an accrual of €500,000 to cover possible restoration costs for the Gorla Maggiore shed’s basic systems. The accrual was necessary after the damage incurred as a result of the various thefts and the deterioration due to the shed’s prolonged disuse;
- an accrual 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);
- a residual accrual of €25,000 for possible future costs for accidents;
- an accrual of €3,500 for document storage risks of the German branch, arising from the 2017 merger of the German subsidiary;
- an accrual of €187,000 made in 2019 for costs relating to the discontinuance of the subsidiary Lati Schweiz’s operations;
- an accrual of €200,000 made in 2020 for costs to repair the damage to a building caused by a hailstorm;
- an accrual of €100,000 was made in 2020 for potential disputes with employees.

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	2,241,226
Changes	
Accruals	732,734
Utilisations	878,423
Total changes	(145,689)
Closing balance	2,095,537

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	25,804,638	(721,163)	25,083,475	8,366,691	16,716,784
Payments on account	137,936	(116,288)	21,648	21,648	
Trade payables	23,301,832	2,243,785	25,545,617	25,545,617	
Payables to subsidiaries	59,781	(23,919)	35,862	35,862	
Payables to parents	90,743	1,238,962	1,329,705	1,329,705	
Tax payables	704,283	187,793	892,076	892,076	
Social security charges payable	915,250	(1,931)	913,319	913,319	
Other payables	1,194,620	30,128	1,224,748	1,224,748	
Total payables	52,209,083	2,837,367	55,046,450	38,329,666	16,716,784

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	5,098,777	15,541,523	1,175,261	21,815,561
Advances under usual reserve	3,267,914	0	0	3,267,914
Total	8,366,691	15,541,523	1,175,261	25,083,475

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 with an outstanding amount of €5,998,731 to be repaid by 31 January 2026, with certain covenants;
- a loan granted by Cariparma with an outstanding amount of €5,606,329 to be repaid by 21 December 2024, with certain covenants;
- a first loan granted by Banca Popolare di Sondrio with an outstanding amount of €1,706,843 to be repaid by 20 February 2025;

- a second loan granted by Banca Popolare di Sondrio with an outstanding amount of €1,497,483 to be repaid by 1 December 2025;
- a third loan granted by Banca Popolare di Sondrio with an outstanding amount of €1,495,307 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	25,083,475				25,083,475
Payments on account		9,463	5,000	7,185	21,648
Trade payables	17,217,984	6,947,275	233,000	1,147,358	25,545,617
Payables to subsidiaries				35,862	35,862
Payables to parents	1,329,705				1,329,705
Tax payables	484,118	387,235		20,723	892,076
Social security charges payable	791,256	122,063			913,319
Other payables	1,014,511	208,663		1,574	1,224,748
Total payables	45,921,049	7,674,699	238,000	1,212,702	55,046,450

Payables secured by company's assets

Payables (caption D 4) include:

a loan granted by Banca Popolare di Sondrio with an outstanding amount of €657,357, secured by first-level mortgages on the Torba 3 and Gorla Maggiore (formerly VMP) buildings, due within one year.

	Payables secured by collateral				Payables not secured by collateral	Total
	Mortgages	**Pledges**	**Special liens**	**Total**		
Bank loans and borrowings	657,357			657,357	24,426,118	25,083,475
Payments on account					21,648	21,648
Trade payables					25,545,617	25,545,617
Payables to subsidiaries					35,862	35,862
Payables to parents					1,329,705	1,329,705
Tax payables					892,076	892,076
Social security charges payable					913,319	913,319
Other payables					1,224,748	1,224,748
Total payables	657,357			657,357	54,389,093	55,046,450

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

Remunerations and bonuses due to employees	761,124
Accrued wages and salaries.	297,275
Amounts due to the industry association	7,405
Accrued insurance premiums	20,813
Contributions to the occupational pension fund (Fondo Gomma Plastica)	58,374
Payables to customers	3,420
Other	76,337
TOTAL OTHER PAYABLES	**1,224,748**

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	33,043	8,769	41,812
Deferred income	0	789	789
Total	33,043	9,558	42,601

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

	Amount
Accrued bank interest expense	41,812
Deferred income for revenues received in advance	789
Total	**42,601**

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.

	2020
TURNOVER FROM SALES AND SERVICES	130,931,439
Total	130,931,439

Breakdown of turnover from sales and services by geographical segment

Turnover from sales is broken down by geographical segment below:

	2019
Italy	40,172,342
Abroad	90,759,097
Total	130,931,439

Some of the largest items of other revenues and income are the grant for research and development as per Law no. 190/2014 (€60,646), which was paid and used during the year, and grants related to income (€168,096).

Financial income and charges

Dividends

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

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

Breakdown of income from equity investments

As shown in caption C15) of the profit and loss account, income from equity investments totalled €296,352, relating to the gain arising from the closure of the subsidiary LATI Schweiz.

	Income from equity investments
In subsidiaries	296,352
Total	296,352

Breakdown of other financial income and interest and other financial charges.

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

Other financial income

	Amount
Interest income on current accounts	25,582
Other interest income	1,057
Extraordinary financial income	20,586
Total	**47,225**

Interest and other financial charges

	Amount
Interest expense on non-current loans	271,247
Interest expense on credit facilities (advances on invoices) and current accounts	827
Cash discounts granted to customers	406,243
Interest on derivatives	29,313
Other interest expense	501
Total	708,131

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	150,362
unrealised exchange rate gains	-
reversal of unrealised exchange rate gains	-
realised exchange rate losses	- 251,889
unrealised exchange rate losses	-
Net exchange rate losses (caption C17-bis)	**- 101,527**

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 (€10,370). 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.	€278,990
Write-downs:	
LATI USA Trading Inc.	€278,990
Atlantide s.a.	€2,159

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	2019	Reversals	2020	Increase	2020	Deferred taxes	2020
		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%
Depreciation of revaluations as per Law no. 266/05	900,000	35,100	900,000	35,100			-	-
		216,000		216,000				-
Depreciation of revaluations as per Law no. 2/2009	187,864	7,326	187,864	7,326			-	-
		45,087		45,087				-
Provisions for future risks and charges	1,743,618	58,888	69,178	1,853	451,889	13,723	2,126,329	70,758
		418,469		16,603		108,454		510,320
Provision for inventory write-downs	1,110,843	43,323	1,110,843	43,323	1,145,861	44,689	1,145,861	44,689
		266,603		266,602		275,006		275,007
Undeducted provision for bad debts	450,753	-	22,547	-	-	-	428,206	-
		108,179		5,411		-		102,768
TOTAL	4,393,078	1,198,975	2,290,432	637,305	1,597,750	441,872	3,700,396	1,003,542

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” as provided below:

Current taxes:		€3,517,175
- IRAP	€388,649	
- Income taxes	€3,124,694	
- Taxes relative to prior years	€3,832	
Deferred taxes:		€195,433
- Increase in deferred tax assets	€441,872	
- Reversal of deferred tax assets	€637,305	
Total income taxes		**€ 3,712,608**

Other information

SHAREHOLDER LOANS

None.

FINANCE LEASES

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

- the present value of future lease payments and of the repurchase option discounted using the effective interest rate of each contract;
- the interest expense for the year;
- the total carrying amount the leased assets would have had at the reporting date if they had been capitalised, with separate indication of depreciation, write-downs and reversals of write-downs for the year.

			Leased asset				
	Present value of future lease payments and purchase option	Interest expense for the year	Historical cost	Depreciation for the year	Acc. depreciation at 31/12/2020	-Write-downs +Reversals of write-downs for the year	Carrying amount 31/12/2020
Machinery BII2)	9,530	732	73,500	9,188	50,534		22,966
Machinery BII2)	6,292	914	90,000	11,250	61,875		28,125

Research and development

As described in the directors' report, in 2020 the company carried out activities that fall under the admission criteria set out by Law no. 160/2019, 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:

Project 1 - gaining and using new technical and scientific knowledge aimed at the development and testing of innovative thermoplastic compounds: a) environmentally sustainable materials from post-consumption recycling; b) new materials for use in the field of electric mobility;

Project 2 - Innovation 4.0 - introduction of solutions for the digitalisation of the production, transport and traceability processes for finished goods;

Project 3 - POLYSTE project - development of new knowledge in the advanced materials

sector (Lombardy region project + CARIPLO Foundation);
Project 4 - SAbyNA project - for the selection and design strategies in the development of safer nanotechnologies. Project funded by HORIZON 2020.
Considering article 2426.5 of the Italian Civil Code and OIC 24 issued by the Italian Accounting Profession and in accordance with article 108 of Presidential decree no. 917/86 (the Consolidated Income Tax Act), as subsequently amended, the R&D costs have been fully recognised in the profit and loss account as costs pertaining to the year.
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.

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

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

a) 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

b) 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	11,389,146	711,355	31,015,712	43,116,213
Revalued assets:				
Historical cost	12,126,909	210,262	858,059	13,195,230
Law no. 72/1983	-	-	1,510,714	1,510,714
Law no. 413/1991	1,271,950	61,975	-	1,333,925
Law no. 266/2005	10,000,000	-	-	10,000,000
Law decree no. 185/2008	5,128,343	-	-	5,128,343
Closing gross amount	39,916,348	983,592	33,384,485	74,284,425
Accumulated depreciation	17,499,812	731,707	30,847,289	49,078,808
Carrying amount	22,416,536	251,885	2,537,196	25,205,617

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	10
Junior managers	26
White collars	92
Blue collars	129
Total	257

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	750,000	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	9,200
Total	39,200

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, off-balance sheet commitments include future lease payments totalling €14,189.

They are made up as follows:

Lessor	Contract no.	Expiry date	Amount
Alba Leasing S.p.A.	1071994/1	03/08/2021	€8,796
Credit Agricole Leasing Italy S.p.A.	01523259/001	12/05/2021	€5,393
TOTAL			**€14,189**

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

Assets and loans earmarked for a special deal

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

Related party transactions

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

Off-balance sheet agreements

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

Post-balance sheet events

The most important post-balance sheet event is the ongoing global public health emergency for the Coronavirus pandemic.

Despite the global situation, the company's turnover of the first few months of 2021 is much higher than expected. Given that the public health situation is still not under control in the Eurozone and considering the exceptional nature of the pandemic, it is not currently possible to estimate whether the rate of orders acquired in January, February and March 2021 will continue throughout the whole year. LATI has based its

2021 budget on sales volumes expected to be in line with 2020 and expected performance similar to 2019, before the pandemic, resulting in a worsening of the unit added value in 2021 related to tensions on the raw materials procurement market in terms of price and availability.

The main risk for LATI is a global recession which could follow the pandemic. Considering the global cooperation demonstrated in 2020 for the Eurozone and given the government's commitment to activating and making available measures to support businesses, forecasts for 2021 confirm the possibility that LATI's performance will be at least in line with 2019.

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
BPM-maximum rate-amortising cap	D2791891	€722,321	31/12/2021	€0.92
Credit Agricole-IRS liability	2017/65896	€6,000,000	21/12/2023	-€92,527.54

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

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

Management and coordination

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	31/12/2019
B) Fixed assets	8,536,514
C) Current assets	2,064,275
D) Prepayments and accrued income	4,410
Total assets	10,605,199
A) Net equity	
Share capital	1,680,000
Reserves	4,060,555
Net profit for the year	2,383,478
Total net equity	8,124,033
C) Employees' leaving entitlement	60,462
D) Payables	2,420,704
Total liabilities	10,605,199

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

	Most recent year
Reporting date	31/12/2019
A) Production revenues	314,999
B) Production cost	383,331
C) Net financial income	2,462,819
Income taxes	11,009
Net profit for the year	2,383,478

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

The disclosure about amounts received by the company in 2020 required by article 1.125-129 of Law no. 124/125, 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
SIMEST	108,934	Subsidised financing for the capitalisation of SME exporters
Lombardy region - DG education and training	22,500	Adoption of company remote working plan
FONDIMPRESA	7,685	F.A.L.CO: training for companies in Lombardy
Tax authorities	163,475	Elimination of first IRAP payment on account in 2020 - article no. 24 of Law decree no. 34/220
Tax authorities	26,073	Sanitisation and PPE credit - article 125 of Law decree no. 34/2020
Tax authorities	60,646	R&D credit - Law no. 232/2016
Vedano Olona municipality	16,804	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

Total subsidies, grants, paid positions and economic advantages: €406,117.00.

Proposal for the allocation of the net profit for the year

We propose that the €9,686,922.30 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, 29 March 2021

For the board of directors

Chairman

Francesco Conterno

INDEPENDENT AUDITORS' REPORT

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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 2020, 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 2020 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 2020 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 2020 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 2020 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, 14 April 2021

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.,

We have approved this report based on the following documents at 31 December 2020 provided to us by the board of directors, which approved them on 29 March 2021:

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

The basis of preparation used to draft this report is the same as that used in the previous year and complies with the legal requirements and rule 7.1 of the "*Code of conduct for boards of statutory auditors of non-listed companies*", issued by the Italian Accounting Profession on 18 December 2020 and applicable as of 1 January 2021.

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

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

- the company's core business did not change during the year and is consistent with the business object;
- the organisational and IT structure has been adapted to the company's business development and the ongoing COVID-19 health emergency;
- human resources making up the company's "workforce" changed in line with its business development;
- during 2020, the company's operations were comparable to those of the previous year and, therefore, our checks were carried out on the assumptions that they were comparable, after having ascertained that the financial figures and results of operations were substantially comparable to those of the previous year.

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

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

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

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

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

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

Throughout the year, we noted the following:

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

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

In conclusion, we state that:

- 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 directors, including during our meetings, on the company's general performance and outlook, specifically with regard to the impacts of the COVID-19 public health emergency which has continued into 2021 and the main risks and uncertainties related to the company's ability to continue as a going concern and the plans in place to overcome these risks and uncertainties. We also obtained information about the most significant transactions, due to their size or characteristics, carried out by the company and its subsidiaries and, based on the information obtained, we did not identify any issues to be reported herein;
- we obtained the relevant information from 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 the adequacy and functioning of the company's organisational, administrative and accounting structure, also with regard to the prompt detection of crises or the inability to continue as a going concern, also by collecting information from the department heads. We did not identify any issues 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 the 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 provide for by the law during the year.
- During our checks, as described above, we did not identify any additional matters to be reported herein.

Comments and recommendations about the financial statements and their approval

The board of directors approved the draft financial statements as at and for the year ended 31 December 2020. They comprise a balance sheet, a profit and loss account, a cash flow statement and the notes thereto.

Moreover:

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

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

- we checked the accounting policies used to account for the assets and liabilities, also checked by us as part of our mandatory duties, and found them substantially unchanged from those adopted in the previous year and in compliance with article 2426 of the Italian Civil Code;

- we checked the general basis of preparation of the draft financial statements, its overall consistency with the law in terms of preparation and layout and did not identify any issues to be reported herein;
- we checked the compliance with the legal provisions governing the preparation of directors' reports and did not identify any issues to be reported herein:
- in preparing the financial statements, the board of directors did not depart from the legal requirements as permitted by article 2423.5 of the Italian Civil Code;
- we checked the consistency of the financial statements with the events and information of which we became aware during the performance of our duties and did not identify any issues to be reported herein;
- pursuant to article 2426.5 of the Italian Civil Code, we specifically checked any material items recognised in caption B) I - 1) of the balance sheet assets, giving our consent to their recognition. For informational purposes, we note that the company will not be able to distribute dividends from the income-related reserves exceeding the carrying amount of those items capitalised under assets;
- the notes to the financial statements provide the disclosures on derivatives required by article 2427-bis of the Italian Civil Code and specifically on the company's unlisted interest swaps hedging part of its bank loans;
- adequate disclosures have been provided on commitments, guarantees and contingent liabilities.

Net profit for the year

The net profit for the year ended 31 December 2020 approved by the board of directors amounts to €9,686,922.

Conclusion

Based on the above and to the extent of the information provided to us or gathered through our regular checks, we unanimously believe that there are no issues preventing your approval of the draft financial statements as at and for the year ended 31 December 2020 as they stand and submitted to you by the board of directors.

While noting that the related decision lies with the shareholders, we have no comments on the board of directors' proposal for the allocation of the net profit for the year set out at the end of the notes to the financial statements as per article 2427.22-septies of the Italian Civil Code.

Varese, 14 April 2021

The board of statutory

auditors

(Sonia De Micheli) (Maria Vittoria

Bruno)

(Sonia Pugliese)

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VARESE Chamber of Commerce REA no. 41557

MINUTES OF THE ORDINARY SHAREHOLDERS’ MEETING OF 29 APRIL 2021

On 29 April 2021 at 3pm, 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 of Law no.21/2021, 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 2020 and the statutory auditors’ and independent auditors’ reports thereon and related resolutions;
2. appointment of the board of directors;
3. calculation of fees for the board of directors.

The meeting was held on first call.

The following directors were connected:

- Francesco Conterno - Chairman of the board of directors
- Domenico Vitangeli
- Michela Conterno
- Livia Conterno
- Cristina Boffi
- Loredana Mercante
- Laura Massironi
- Aldo Tucci
- Dominique Renaudin.

The following people were also connected:

- Sonia De Micheli – Chairwoman of the board of statutory auditors
- Maria Vittoria Bruno – Statutory auditor
- Sonia Pugliese – 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, who was remotely connected from home, took the chair and Michele Bignami, a company consultant, also 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 2020 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 2020.

All the above documents are attached hereto.

Again unanimously, the shareholders approved the proposed allocation of the net profit for the year of €9,686,922.30 to the extraordinary reserve, since the legal reserve is already in line with the legal requirements.

Moving on to the second item on the agenda, the chair informed those present that the board of directors' term of office had expired and that it was necessary to appoint a new board.

He therefore invited the shareholders to take the related resolution.

The shareholders unanimously resolved to appoint nine new members to the board of directors and confirmed that they would be the following:

- Francesco Conterno, born in Vedano Olona (VA) on 23 September 1943 – tax code: CNTFNC43P23L703O;
- Domenico Vitangeli, born in Montefiore dell'Aso (AP) on 4 August 1938 – tax code: VTNDNC38M04F501E;
- Michela Conterno, born in Milan on 15 July 1975 – tax code: CNTMHL75L55F205J;
- Livia Conterno, born in Milan on 15 July 1975 - tax code: CNTLVI75L55F205Y.
- Aldo Tucci, born in Varese on 16 February 1948 – tax code: TCCLDA48B16L682H;
- Dominique Jacques Michel Renaudin, born in Paris on 25 January 1951 – tax code: RND DNQ 51A25 Z110U;
- Cristina Boffi, born in Desio on 23 November 1954 – tax code: BFFCST54S63D286U;
- Loredana Mercante, born in Medellin (Colombia) on 22 March 1960 – tax code: MRCLDN60C62Z604V;
- Laura Massironi, born in Milan on 30 August 1965 – tax code: MSSLRA65M70F205G.
- Francesco Conterno was reappointed chairman of the board of directors.

The board of directors will remain in office until approval of the financial statements as at and for the year ending 31 December 2023.

All directors are domiciled at the company’s registered office at Via F. Baracca 7, 21040 Vedano Olona (VA).

With regard to the third item on the agenda, the shareholders resolved to pay each member of the board of directors an annual fee of €5,000.00 (five thousand/00) and deferred to the board of directors the assigning of fees for directors who carry out specific duties pursuant to article 2389 of the Italian Civil Code.

As there were no other items on the agenda, the chair declared the meeting dismissed at 3.25pm, after having read and approved these minutes signed by the chair and the secretary.

(Francesco Conterno)

Il Presidente

(Michele Bignami)

Il Segretario

LATI HIGH PERFORMANCE THERMOPLASTICS

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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.