HIGH
PERFORMANCE
THERMOPLASTICS

LATI INDUSTRIA TERMOPLASTICI
ANNUAL REPORT 2023

Contents

Cover: Michela Conterno.

LETTER TO STAKEHOLDERS

Dear reader,

The general macroeconomic trend in 2023 was negative.

After years of continuous growth, Italy's industry slowed down dramatically, in line with that seen in the other major European countries, whose GDP grew less than 2022 while Germany even entered recession.

Inflation and rising interest rates held back consumption and investment. We also felt the effects of the uncertainties rife on the international scene, with the continuation of the war in Ukraine and the onset of the war in the Gaza Strip.

2024 has begun with further geopolitical instability due to Houthi attacks in the Red Sea. In addition to this, European competitiveness continues to be constrained by China's industrial overcapacity, the lack of industrial policies to support European production, and higher energy costs than in other parts of the world.

LATI's performance reflects the general macroeconomic trend.

Our industry's performance has mirrored that of GDP as LATI serves markets such as the electrical, home appliances and automotive markets, which are affected by general macroeconomic trends.

In particular, after the boom in consumption of durable goods in 2022, due to inflation and rising interest rates, consumers stopped spending or investing in property renovations, buying home appliances or changing their cars in 2023.

This meant that, after years of growth and very positive results, which earned our company inclusion among the 1,000 Italian Champion Companies on Italypost's list, LATI saw a 21% drop in sales by volume, and an even more severe 28% drop in turnover due to deflation. The decline in volume is mainly due to the economic situation, but also both we and our customers are encountering Asian competition for the first time in Europe as well.

Repositioning and being ready for recovery are our trump cards.

In this context, our strategy of repositioning toward specialty products with high added value, and in market niches that are less affected by competition and cyclical fluctuations, has proven successful. In fact, sales of these materials are holding up better than traditional materials, or even bucking the trend.

For example, thermally conductive compounds for lighting engineering and automotive lighting and self-lubricating materials for levers and gears in the electrical and automotive sectors have encountered great success.

Motor vehicle electrification will also open up interesting opportunities for our self-extinguishing formulations. As confirmation of our commitment and intention to grow in the automotive sector, we are proud to have obtained an important accolade: the IATF certification!

Although the gross margin held its ground, partly due to a more sophisticated product mix, the gross operating profit dropped 50%, due to rising overheads compared to the previous year. This is because we have continued to invest in our development, increasing our industrial assets and technical expertise as part of our forward-looking drive.

Our financial situation is very solid: we closed the year with significant liquidity of around €35 million and a NFD/EBITDA ratio below 1, thanks to our low level of debt and a cost of money that reflects our excellent sustainability rating. By virtue of our financial strength and the deliberate strategy of not reducing our workforce in times of crisis, we are well poised to benefit from the recovery that will inevitably come soon.

Our business plan to modernise the production sector continues.

We continue to invest in the Gornate Olona site to centralise and optimise production activities. In 2023, we outsourced outbound logistics to one of our trusted, efficient and sustainability-oriented partners to free up space for production activities. This will enable us to accommodate Vedano Olona's production lines, which will be transferred by 2026

given that in an increasingly challenging scenario, it will be important to have a lean, automated and digital factory. Investment in new facilities, digital technologies and people training will give us a twofold advantage:

- to become increasingly competitive for our customers;
- to be progressively more attractive as a workplace to our staff.

The demographic winter will exacerbate the war for talent, and it will be vital for us to continue to be able to rely on skilled workers, technicians and engineers. This is why, even in times of crisis, we keep everyone on board and invest in reskilling. It follows that lean and digital transformation will be key to increasing engagement and making the workplace a challenging, enjoyable and safe place.

Because being a Benefit Society means putting people at the centre.

Our charter of values requires us to guarantee employment and employability.

Despite the slump in sales, we resorted to the government-sponsored lay-off scheme less than needed. In order to support the purchasing power of our people, we supplemented their salaries by up to 90%, and the variable component of the remuneration package has not been penalised by the worsened business performance.

We are also very proud, in this difficult year, to have achieved an important result in line with our values and all-female ownership: certification for gender equality. In a historically male-dominated industry, where the STEM disciplines that underpin our success are still in the hands of men, we intend to create the conditions to provide equal opportunity, growth, and attractive salaries based on merit and skills.

Our work environment is welcoming and attractive because we provide a work-life balance. Indeed, flexible hours and hybrid work, with remote working agreements up to 5 days out of 5, continue to be essential for us.

We also continue to invest in corporate welfare. We have added a rich platform of personal services to supplement our WHP (Workplace Health Promotion) journey and the activities of the Giunca Network, which include important agreements for the population of member companies.

In addition, through Welfood, our people have free access to a psychologist, nutritionist, posturologist and much more!

Sustainability remains a pillar of our strategy, both socially and environmentally. Our roadmap towards decarbonisation continues at full speed, so much so that we have improved our Ecovadis rating from 68/100 to 73/100, holding on to our Gold Medal and placing the company in the top 4% of the highest scoring companies in our industry.

We are ready to meet the challenges of the future.

We are confident about the future, bolstered by our values and past good results, and we are convinced that recovery is just around the corner. Two new lines will handle new orders with greater productivity and efficiency. We are also ready to grow externally. Organic growth has been solid albeit slow given the fluctuating European market with limited prospects.

By leveraging our technical expertise, our financial strength, and with the prudence that has always been our hallmark, we are determined to support our international clients in their growth and create development opportunities for our people.

We will soon celebrate our 80th birthday.

But we remain young at heart, forward-looking and driven by our highly innovative spirit. Always in keeping with tradition.

Michela Conterno

LATI INDUSTRIA TERMOPLASTICI S.p.A.

Company managed and coordinated by
SVI Sviluppo Industriale S.p.A.
Registered office: Via Francesco Baracca, 7 - 21040 Vedano Olona
Share capital: €3,818,400 fully paid-up

Varese company registration no. 00214880122

Tax code and VAT no. 00214880122

VARESE Chamber of Commerce REA no. 41557

DIRECTORS' REPORT

INTRODUCTION

Dear shareholders,

The financial statements as at and for the year ended 31 December 2023, which we submit for your approval show a net profit for the year of €3,082,586 (2022: €11,815,687).

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) usually perform in line with the general trend.

The second part of 2022 had seen a substantial decrease in demand, mostly attributable to the perceived extreme instability on the markets. This trend was confirmed during 2023, which saw a general slowdown in business performance.

LATI saw a contraction in sales volumes of about 21.0% and a greater contraction in turnover of 28.4% due to deflationary phenomena transferred from the supply markets of both raw materials and energy products.

BUSINESS, FINANCIAL POSITION AND PERFORMANCE

2023 was marked by a continued slowdown in demand. In 2021, and through to mid-2022, the changed macroeconomic environment had spread fears of a potential shortage of raw materials, which triggered an increase in demand and consequently in inventories.

As a result of these trends, a substantial slowdown in demand was seen as early as the second half of 2022.

During 2023, companies in the sectors most closely related to consumer goods, such as home appliances, continued their strategy of reducing inventories, putting off reordering materials to 2023-early 2024.

PROCUREMENT

In 2023, purchases of raw materials were affected by the long period of slowing market demand, which led to a gradual deflation of the prices offered during the year. As a result, the cumulative average price dropped by 28% and purchase volume shrank by 24% on the previous year.

This sustained drop in prices, in the face of dwindling volumes in LATI’s industry, has impacted financial performances in Europe’s chemical supply chains:

- already in the third quarter of the year, some integrated industry groups published quarterly reports showing losses that inevitably led to cost containment;
- the last quarter of 2023 saw the closure of several production facilities in Europe and announcements of staff cuts;
- control of net working capital thus became vitally important for several LATI suppliers, which took steps to minimise their inventories by the end of the year.

The geopolitical situation triggered by the Israeli-Palestinian conflict, which began in October 2023, has not disrupted the plastics supply chain. On the other hand, the December 2023 Houthi attacks from Yemen on commercial ships crossing the Red Sea have already foreshadowed future difficulties in restarting production chains because of delays in transportation from Asia.

However, raw materials management in 2023 proved to be less complex than in the critical shortage crisis years of 2021 and 2022.

This allowed the purchasing department to focus on price containment actions, and activities to improve sustainable development.

Specifically:

- environmental labelling has been applied on the packaging used for all the company’s finished products, i.e., paper-based and plastic-based primary and secondary packaging.

The company's packaging suppliers were asked to affix the new alphanumeric codes provided for by Decision 97/129/EC. As a result, customers can now benefit from correct traceability for disposal of packaging, which benefits environmental sustainability. Several company departments check the correct labelling and compliance with the requirements imposed by the relevant regulations in Italy;

- several site visits and audits were carried out at the production facilities of key suppliers in order to monitor adoption of the improvement plans suggested in 2022. Some of these visits were also intended to improve the company's understanding of the process and medium- to long-term strategies in anticipation of possible investments in new products or production equipment;
- In order to obtain IATF 16949 certification, we adapted the supplier qualification process to the new requirements, introducing a new procedure that involves increasingly ethical and responsible procurement. It includes:
    - definition of contracts with all subcontractors for tolling activities in Europe;
    - obtaining the main QHSE certifications;
    - the annual assignment of their classification score (A,B,C,D) to all suppliers;
    - the management in written form of an appropriate improvement plan to achieve a higher grade.

The purchasing department met its KPIs:

- LATI achieved a percentage of class A and B suppliers above the 75% target;
- delivery delays were contained to 2% (punctuality target number of deliveries/year = 95%).

KEY EVENTS OF THE YEAR

Profit and loss account

For a better understanding of the events of 2023, 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 €3,082,586.

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 for the 2021-2022-2023 three-year period

	2023	2022	2021
GROSS TURNOVER	**153,100,074**	**213,784,157**	**179,884,266**
Variable costs	112,882,393	163,465,229	127,573,680
GROSS PROFIT	**40,217,681**	**50,318,928**	**52,310,587**
Fixed costs	31,890,714	30,036,084	29,336,026
ADJUSTED GROSS OPERATING PROFIT	**8,326,967**	**20,282,844**	**22,974,561**
ADJUSTED GROSS OPERATING PROFIT %	**5.44%**	**9.49%**	**12.77%**
Amortisation and depreciation	4,281,572	4,020,679	3,618,038
ADJUSTED OPERATING PROFIT	**4,045,395**	**16,262,165**	**19,356,523**
Net financial income (charges)	909,006	313,010	-64,569
Expenses	320,183	298,848	240,049
Write-downs of equity investments	-584,137	-189,185	-729,566
PRE-TAX PROFIT	**3,400,343**	**15,839,492**	**19,910,609**
Income taxes	317,757	4,023,805	5,136,063
NET PROFIT	**3,082,586**	**11,815,687**	**14,774,546**

Sales volumes

In 2023, sales volumes dropped 21.0% compared to the previous year which saw a 8.6% decrease.

Gross turnover

Gross turnover contracted by 28.4% in 2023 due to the falling sales volumes and prices, driven by the reduction in purchases prices for raw materials and energy.

These trends are in line with that seen throughout the company's sector.

Variable costs (sales and manufacturing)

Variable sales and manufacturing costs decreased by 30.9% in 2023.

Gross profit

The gross profit dropped 20.1% in 2023 compared to a reduction of 3.8% in 2022.

Fixed costs

Fixed costs increased by 6.2% over 2022. The largest increases were mainly attributable to personnel expenses and IT service costs (transition to cloud technologies).

Adjusted gross operating profit

The adjusted gross operating profit for 2023 amounts to €8,326,967, which is 58.9% smaller than that for 2022.

However, LATI has been able to preserve its ability to create value, including in a macroeconomic environment characterised by recession. The sales volumes of 2023 are similar to those achieved before 2012 when the adjusted gross operating profit was however roughly half or a third of that of 2023. The 2023 result was possible thanks to the implementation of the cost flexibility and strategic repositioning strategies.

Reconciliation between the profit and loss account and reclassified profit and loss account – 2023 –

PROFIT AND LOSS ACCOUNT	STATUTORY vs RECLASSIFIED
Turnover from sales and services	**152,991,292**
Raw materials sales	- 12,053
Customer bonuses	+ 120,835
GROSS TURNOVER	**153,100,074**
Variable sales costs (1)	- 6,250,579
Variable manufacturing costs (2)	- 106,631,814
Fixed costs (3)	- 31,890,714
ADJUSTED GROSS OPERATING PROFIT	**8,326,967**
Cash discounts granted to customers	- 490,946
Prior year assets, accruals, expenses	+ 259,192
GROSS OPERATING PROFIT	**8.558.7220**
Amortisation and depreciation	- 4,281,572
OPERATING PROFIT	**4,277,150**
Bank interest	-550,722
Dividends, write-downs/write-backs of equity investments	-584,137
NORMALISED OPERATING PROFIT	**5,412,009**
Financial charges	1,945,106
Exchange rate gains	66,560
PRE-TAX PROFIT	**3,400,343**
Income taxes	317,757
NET PROFIT	**3,082,586**

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 include

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

Balance sheet

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

	2023	2022	2021
Current assets (1)	**99,364,695**	**112,889,092**	**106,638,257**
Quick assets	34,596,902	25,460,977	25,605,585
Non-quick current assets	32,636,439	40,343,399	42,283,090
Available assets	32,131,354	47,084,716	38,749,582
Net non-current assets (2)	**62,059,196**	**54,853,563**	**51,434,569**
Intangible fixed assets	1,560,141	1,816,750	1,446,041
Tangible fixed assets	51,015,071	42,639,146	41,751,217
Financial fixed assets	9,123,337	9,378,227	8,237,311
Receivables due after one year	360,647	1,019,440	
INVESTED CAPITAL (3)	**161,423,891**	**167,742,655**	**158,072,826**
Current liabilities	35,393,485	50,025,537	58,995,749
Non-current liabilities	29,160,785	22,506,931	15,943,172
Net equity	96,869,621	95,210,187	83,133,905
COVERAGE	**161,423,891**	**167,742,655**	**158,072,826**

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 after one year
- Net equity: with the same duration as the company.

Current assets

At 31 December 2023, quick assets increased by 35.9% and the investments made in 2022 had been renewed in order to offset the negative interest rates on current account facilities, increasing the amount to €5,500,000.

Working capital decreased with a 31.8% contraction in closing inventory and a 19.1% reduction in receivables. This situation reflects the slowdown in demand that had already begun in the second half of 2022. Physical stocks of finished products returned to normal levels compared to those of 2021 and 2022.

Net non-current assets

As provided for in the strategic plan, investments for the long-term industrial Torbissima Project increased in 2023, recouping the delays incurred in 2021 and 2022. The project to introduce automation systems in the production units also continued. As a result, tangible fixed assets increased by 19.6%.

In 2023, LATI also invested in a financial instrument to offset the effect of negative interest rates due to excess liquidity.

Invested capital

The structure of LATI's sources of funds has historically favoured own funds over third-party funds.

In 2023, LATI took out three new loans for a total of €15.5 million with three leading banks. It negotiated terms and interest rate hedges in order to lock down a secure position.

As a result, non-current liabilities and net equity rose respectively by 29.5% and 1.7% during the year while current liabilities contracted 29.2%.

The reporting-date funding structure consists of:

	31/12/2023	31/12/2022	31/12/2021
Own funds	60.0%	56.8%	52.6%
Non-current liabilities	18.1%	13.4%	10.1%
Current liabilities	21.9%	29.8%	37.3%
Total	**100.0%**	**100.0%**	**100.0%**

Key financial indicators

Company indicators

		2023	2022	2021
ROE	Performance Net profit/net equity	3.18%	12.41%	17.77%
ROI	Performance Operating profit/assets	1.71%	8.07%	11.99%
ROS	Performance Operating profit/turnover from sales	1.81%	6.33%	10.52%
Own funds less fixed assets - €	Financial position Net equity – fixed assets	34,810,425	40,356,624	31,699,336
Own funds to fixed assets ratio	Financial position Net equity/fixed assets	156.09%	173.57%	161.63%
Own funds plus non-current debt less fixed assets - €	Financial position (Net equity + non-current liabilities) – fixed assets	63,971,210	62,863,555	47,642,508
Own funds plus non-current debt to fixed assets ratio	Financial position (Net equity + non-current liabilities)/fixed assets	203.08%	214.60%	192.63%
Debt to equity ratio	Funding (Current liabilities + non-current liabilities)/Net equity	0.67	0.76	0.90
Debt ratio	Funding (Non-current liabilities)/Net equity	0.40	0.39	0.27
Adjusted profitability index	Management accounts Adjusted gross operating profit/gross turnover	5.4%	9.5%	12.8%
Net financial position — NFP €	Management accounts Liquidity - loans and borrowings	+1,290,193	-6,295,418	+8,182,708
NFP/adjusted gross operating profit	Management accounts NFP/adjusted gross operating profit	0.15	0.31	0.36

The key indicators (performance, financial position, funding and management accounts) showed downward trends compared to 2022, specifically:

- the performance and management accounts indicators worsened on 2022 due to the downturn in sales volumes and turnover;
- the financial position indicators confirmed LATI's ability to counter the global recession and maintain its net equity items at a high level;
- the funding indicators confirmed the company's ability to source funds from third parties for its investments as per the 2025-2027 strategic plan.

All of the indicators reflect ordinary company operations and show the company's ability to manage unstable market conditions with risk mitigating and attenuating actions.

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

The fall in sales volumes in 2023 hindered the increase in ROS and did not allow the company to maintain its profitability index above 12%.

Despite this, LATI has been able to ensure adequacy gross profitability and coverage of its specific costs by carefully monitoring its value chain.

The debt ratio, net financial position and the NFP/adjusted gross operating profit ratio are all positive as the company continued its excellent performance of the previous three years in 2023. We was able to source funds of €15.5 million, with a leverage ratio of less than 1 and a net financial position of more than €1 million.

The strength of this financial stability together with our ability to control the value of the company's core business confirmed the feasibility of LATI's strategic plan and its skill in seeking out new opportunities.

2025-2026 STRATEGIC PLAN

Once again in 2023, we pursued our strategies in line with the previous years' pillars in order to:

1. generate long-term value through **repositioning**
2. continue our journey towards **Industry 4.0** to boost efficiency and our competitive edge;

3. improve our **customer orientation** with a faster service:
4. pursue a **sustainable** approach; and
5. a **global presence**.

Once a year, we review the strategic plan in order to confirm and ensure:

- consistency with directions taken by the markets;
- consistency with the company's strategic objectives;
- financial feasibility considering the higher costs and delays in procuring materials for the factories and plants.

During such review, LATI found its strategic objectives to be sound and the revisited strategic investment plan set out in the 2025-2026 strategic plan (approved by the board of directors) to be financially feasible.

Specifically, as provided for in the strategic plan, strategic structural investments were made in 2023 while most of the investment plan will be included in the 2024 budget. Moreover, the company found that the 2024-2026 plan is consistent with its objectives and financial feasibility of the investment plan.

TECHNOLOGY AND INNOVATION

In 2023, we pursued our strategic path of streamlining and digitalising the factory in order to improve both the technical and production aspects as well as its environmental impact and safety.

This technological evolution process has affected the entire industrial and logistics department, production systems and service department.

The Gornate site has been the recipient of major investments and management improvement projects aimed at industrial and logistics development, with a view to expansion and rationalisation.

These investments will continue over the next few years and we are confident that they will generate smaller operating costs, improved safety and ergonomics, and greater flexibility in production.

Investments made during the year at the Vedano Olona site were mainly for maintenance reasons in accordance with regulatory developments.

A. Outbound logistics

We undertook the business process reengineering of the entire area involving not only logistics, but also customer service, corporate IT, and our external partners.

We have started working with a new external logistics operator, Innocenti Depositi, in the Limito di Pioltello location. This company has proven to be the ideal partner because of its advanced logistics services and the availability of a recently-built racked warehouse equipped with all the fire prevention systems necessary to store LATI products.

In addition, it has an excellent level of digitisation and computerised control of product flows that interfaces effectively with LATI’s SAP system to link up shipping and inventory management.

The integrated and outsourced logistics service shuttles finished products, stores and picks up finished products (including semi-finished products) for their shipping, and provides computerised management of stocks and flows, integrated with the company’s ERP systems.

The new logistics solution was rolled out in January 2023 (with the physical transfer of inventory) and continued to perform successfully throughout the year.

B. Smart Factory

In 2023, digitisation of the production department (MES and IoT), essential to achieve the goals of Digital Innovation 4.0 with the related computerisation of processes in different factory areas, progressed successfully.

LATI continued its structural and technological transition to a Smart Factory. The entire production process and the field data collection methods were redesigned to become Industry 4.0 compliant. This entailed revisiting the factory’s processes and digitalisation (thanks to the use of the IoT system)

of all the production areas starting from the preparation and weighing unit, and on to the mixing, extrusion, drying and packaging units, i.e, all those areas linked to the service systems.

After the roll-out of a pilot production line to test the flows and recordings throughout the entire production process at the Gornate site (wave 1 of the project), the product finishing stage was also digitalised.

To do this, we started from the weighing stage (Colorservice automatic weighing system) and continued on to the finishing of finished products (4 dryer ovens and a bag and octabin packaging line) through blending (blender 4) and extrusion (BV 84/1 G).

As a result, the extrusion lines (BV 92/2 G, BV 92/3g, BV 92/4G, BV92/5G and BV 70/1 G) and the blending systems (blenders 1, 2 and 3) were linked with IoT and managed with the SAP MII system in 2023 (wave 2 of the project).

Thanks to the IoT system, the machine cycle stages of these lines can advance, as can the real-time sharing of process data using a dedicated control dashboard. The IoT system also enables data reception and related storage, and therefore consultation of the information recorded in Power BI.

This important industrial evolution has required significant and continuous training and change management activities for operators, and involved both the factory's senior management and operational resources.

Again in 2023, a large part of the most strategic service lines for the operation of the factory itself were connected with factory IoT. They included the air intake and filtration systems, process water management and treatment plants, degassing lines, ovens for cleaning system parts, and the container washing line for internal transport and storage.

These important connection and data recording projects will enable better maintenance and operation of the service facilities themselves.

C. <u>Lean project</u>

A key project for the entire industry is the introduction of the lean philosophy, which involves in-depth analyses of the value stream map and opportunities for waste reduction and process efficiency.

In the early part of the year, we carried out a major company check-up through a comprehensive site assessment assisted by specialized consultants from STI Engineering. Our aim was to assess the possibility of a lean manufacturing intervention within the company and to gain an understanding of the characteristics of LATI and its organisation.

We identified some important KPIs that will be used to monitor the company's continuous improvement. An essential part of this process is the identification and standardisation, through operating procedures, of best practices related primarily to all tooling, cleaning, and start-up activities of the systems.
We set up an Obeyaa (a collaboration and coordination workspace) where the various work teams can meet to brainstorm and engage.

We intend to hold short and efficient daily meetings to analyse any major department problems in this workspace. We will also deploy a visual management approach, which is already used to search for and eliminate mudas (wastefulness) in the factory, to support our activities.

In the second half of 2023, we implemented the SMED (Single-Minute Exchange of Dies) method on an extrusion line with excellent results. The SMED method is used to reduce line changeover times and to set up and clean up the entire preparation and weighing department.

Many employees at various levels have been trained on these issues.

D Maintenance parts management

During 2023, we rolled out a project for the timely management of spare parts in the warehouse which involved the construction of a new spare parts warehouse in Torba and implementation of spare parts management by coding in SAP.

This project will allow us to carefully monitor the use of spare parts for the systems and to automatically manage strategic supplies to be held in the warehouse.

At the end of 2023, the new spare parts warehouse had been completed and the SAP functionalities required for supply management had been implemented.

After the racking is assembled, we will begin transferring spare parts from the current warehouse in Vedano to the new one in Gornate.

A major project is also underway in the same area involving the IT and controlling department to manage the spare parts and consumables needed by the maintenance and operations department directly in the SAP system.

This will make spare parts management more efficient and allow for better oversight of the warehouses by synergistically enabling better control of inventory and associated costs.

Engineering department

During 2023, we continued our technology and innovation projects focusing on different aspects and specifically:

A. Project T2 to expand production capacity;
B. Project T4 to transfer production from Vedano Olona to Torba;
C. Implementation and improvement of general factory services at Torba;
D. research and development of production processes to continuously improve efficiency.

A. **Project T2**

This project's main objective is to boost capacity by roughly 12 thousand tonnes/year, installing a new blending area, two new state-of-the-art extrusion lines with an innovative raw material feeding system and a completely redesigned end of line.

In addition, the new production area will boast an in-line finished product homogenisation system and automatic packaging system that will load bags and octabins onto pallets.

A project team consisting of LATI's technical department and two engineering companies completed the engineering phase in 2023. It then selected the contractor for the manufacture of the support plates for the metal support systems of the extruder feeding systems, and the homogenisation and storage silos of the finished product.

At the end of 2023, having completed the above structures, we began to set up the new extrusion lines: the start-up of the first line will be completed in mid-2024, and that of the second line towards the end of the year.

B. **Project T4**

Project T4 was devised due to the company's need to transfer production from Vedano Olona to Torba, chiefly motivated by logistics and local issues.

After exploring options for relocating production within the Torba production site, we built a new production area to house some production lines from the Vedano Olona site and other new lines.

The design concept was particularly challenging due to the high number of product codes to be analysed and the particular production features of each individual code.

We studied different layout and engineering solutions that would suit the types of materials used in the STAR product family, which are difficult to produce and requiring special equipment.

Thanks to these studies taking into consideration the pre-existing situation at the site, we will be able to define the most appropriate solution and begin the pre-engineering stage.

C. **Implementation and improvement of general factory services at Torba**

New systems were designed and built during the year to support production especially with regard to environmental and energy factors.

As a result of the study for the repositioning of dust filtration systems and bringing them up to standard under ATEX regulation, these systems that filter the dust raised while moving raw materials from silos, the unpacking area and the blending area, were modified, moved, connected and activated in a new safe area.

This project was particularly onerous because the factory had to be kept in operation while the works were being carried out.

We installed and started up a new industrial water degassing treatment system, a crucial production process. The new system will reduce maintenance activities and line downtime.

A new suction and abatement system was installed to deal with the dust raised when feeding the extrusion and post-extrusion lines. This will improve the work environment and reduce the size of areas classified under ATEX regulations.

The system will be fully operational in the first half of 2024.

In 2023, the design of a new suction system for gaseous effluents generated by the extrusion process was completed and the system will be installed in 2024.

The aforementioned activities and related benefits were key to the development and implementation of Project T2.

D. Research and development of production processes to continuously improve efficiency

During 2023, the new filament cutting system was doubled, increasing the throughput and line uptime, while cutting down on downtime for maintenance.

Specific tests were carried out at specialised suppliers on innovative equipment for producing special materials that are hard to manage during the extrusion stage. Given the positive results, we purchased the new cutting system which will be installed by mid 2024.

Information & Communication Technology department

We carried out numerous projects in the following three main areas:

A. Data network

- Migration of servers to new, high performance machines capable of handling the increasing load of user activities completed.
- Activation of disaster recovery site to handle any failures of the Azure data centre that the cloud servers back up onto, in order to be able to restart, within the established timeline, on a second data centre in the case of serious problems.

Implementation of the new network infrastructure, initially scheduled for 2023, has been postponed pending the definition of the location of the new offices.

B. Cybersecurity

- Activation of a SOC that monitors the situation 24/7 and reports possible emergency situations, intervening directly if necessary.
- Activation of Web and Dark Web monitoring for stolen passwords, conversations in which LATI is mentioned for criminal activities, or fake websites that exploit its name.
- Introduction of specific software to monitor security vulnerabilities in SAP systems.
- Extension of two-factor authentication for VPN connection to consultants and other providers.

C. SAP and satellite systems

- **New credit management model:** data integration via the Allianz Smart Link interface enables timely credit control with flag thresholds based on logical and homogeneous customer clusters.

- **Factory 4.0** - Integration of the Torba systems has been completed with integration of all lines into Factory 4.0. We have also implemented consolidation/enhancement activities that facilitate the use of the factory MES.

- Enhanced integration with **Innocenti's external warehouse**: new packing system integrated with loading unit details (via data exchange interface between Innocenti and LATI); management of products accepted before shipping to customers; management of LATI products; integration for inventory management.

- **IATF**: cross-departmental activities to meet the requirements needed to achieve IATF certification.

- **Raw materials price list** to give the entire organisation complete visibility of current and future prices (with support from bulk management tools)

- Definition of the prototype for the management of the **finished products price list** (with support from bulk management tools)

RESEARCH AND DEVELOPMENT AND SUSTAINABILITY

During 2023, the R&D department engaged in the study, formulation and production of new materials for a wide range of uses. This took place as part of three product development projects.

The main research issues treated by the department during the year were:

Project 1: Developing new solutions and gaining new technical and scientific knowledge aimed at the formulation and testing of innovative thermoplastic compounds.

Project 2: Assessment of the sustainability of our products and their footprint using the "Life Cycle Assessment" methodology

Project 3: SabyNA Project - a project funded by the EU Horizon 2020 research and innovation programme - which aims to select the best strategies for the design and development of safer nanocomposites.

Project 1: 2023 product research & development activities

In 2023, the company started 123 R&D projects, responding, in part, to various customer requests as well as the need to manage improvement activities or produce materials that meet new needs, regulations or market trends.

This entailed the formulation, processing and characterisation of 445 experimental batches, including 152 which were trialled by customers for application tests.

The company coded 118 products.

The main research issues treated by the department during the year were:

a. Development of sustainable solutions:

We continue to design and implement increasingly sustainable solutions, many of which required the approval of new recycled raw materials and new supply sources.

Many products have been made using recycled polymers (chemically or mechanically) with a percentage of recycled product that varies from 30% to 100% of the total polymer; they have all demonstrated adequate performance and reliability levels.

In order to be able to define an optimal recycled percentage for each product, such as to ensure a proper performance/sustainability ratio, the department subjected them to specific tests, complete characterisations, and verification of the impact of the percentage of material on performance.

It also studied and approved some recycled fibres as well as other components to achieve an improvement in the sustainability scale of the product.

These new components, generally obtained from a mechanical recycling process, were then introduced into LATI's sustainable product range.

To determine and quantify the benefits of these materials, the department assessed, and is in the process of carrying out, several product LCAs. More than 100 laboratory-scale tests, in addition to industrial-scale tests, were carried out to develop these types of products.

We also approved different types of biopolymers and assessed and used the following biomass-derived polymers: PE & PP (LATIGEA 45 & LATIGEA 52); various PLA (starting material of LATIGEA B versions); PA5,6 (LATIGEA SP5); PA5,10 (LATIGEA SP10); PA11 (LATIGEA SP11).

These materials have been studied and compared with those currently in use in order to achieve an improvement in the sustainability rating of the company's products; in general, materials from a mechanical recycling process have been introduced into the range of our sustainable products.

In 2023, 30 new sustainable products were coded, and we currently have 44 LATIGEA codes and 57 LATIECO codes, as well as new sustainable versions made from recycled fibre.

b. Development of PFAS-free materials:

A major project in 2023 was the development of PFAS-free self-lubricating materials. LATI's self-lubricating products (LATILUB brand) have been formulated to reduce the coefficient of friction and wear between moving elements such as gears, bushings and bearings, cams, pins, sliding surfaces, etc..

Many of the LATILUB products contain PTEFE as a key component. This is a very stable fluorinated polymer that can be used as such (e.g., in aggressive chemical environments) thanks to its unbeatable chemical resistance, or as a functional additive in the form of powder in another polymer matrix in some LATILUB compounds.

However, because of its chemical composition and structure, PTEFE falls into the current group of PFAS (per- and polyfluoroalkyl) substances that several EU member states want to ban.

PFAS substances are under scrutiny because they do not break down in the environment and can have a negative impact on human health if not managed properly.

Therefore, the replacement of PTFE has been, and still is, an important subject of study; in 2023, we tried to replace it with different polymers such as UHMWPE (ultra-high molecular weight polyethylene). However, this does not perform equally under all conditions, particularly in relation to polymers working at high temperatures or when wear and tear must be countered.

Therefore, we tested different ceramic fillers, nanofillers, different grades of UHMEPE, silicones, and other highly crystalline polymers. However, a completely satisfactory solution has not yet been found, and in addition, each material requires a specific study (25 products from the LATULUB family have been studied). However, experimentation with these alternatives has provided us with indications on the most suitable test method and conditions for each category of materials.

Project 2: Sustainability assessment of LATI products

In previous years, LATI had already analysed the environmental impact of the most representative products on the market (life cycle assessment-LCA), and this provided us with important guidelines that we drew on in the production of our compounds.

We have recently started to assess new compounds, and the impact that the use of recycled materials and/or biopolymers has on the reduction of product sustainability indicators using modern methodologies)

We are currently evaluating the LCA of several of our products, concurrently analysing the overall impacts of the current version of the products (which includes virgin raw materials) and a “sustainable” version of the products using raw materials from post-industrial waste and/or bio-based polymers.

In 2023, LATI continued its partnership with Insubria University by co-funding a Ph.D. scholarship. The Ph.D. research study is focused on further exploration of the following topic, “Analysing the life cycle of industrial processes for high-performance plastic products.”

LATI is also on the advisory board of the ProPla (Proteins from Plastics) project funded by the Cariplo Foundation and coordinated by Professor Loredano Pollegioni of Insubria University. The project has a pre-competitive, multi- and interdisciplinary approach and aims to convert PET-based microplastics into amino acids.

Project 3: SAbyNA Project

Funded by the European Community as part of Horizon 2020, the SAbyNA Project aims to develop a user-friendly IT platform to support the assessment and mitigation of risks regarding nanomaterials (NMs and NEPs) and their production processes using a safe-by-design approach.

The project reworks existing methods, models and tools in order to reduce their complexity and cost. LATI supported the project by making materials and processes (3D printing was one of the selected case studies), carried out validation tests and analysis on the environment and impact of the process and the end nanotechnology product, both from a toxicological and sustainability point of view.

Thanks to its extensive experience in managing EU research projects, LATI's R&D department was elected leader of the industrial partners, coordinating the activities and organising these projects. In 2023, LATI also attended international conferences in collaboration with academic partners and contributed to the preparation of a draft scientific article.

The results of the project were presented at the international conference NanoInnovation.

HUMAN RESOURCES AND ORGANISATION

Despite the rather critical condition of the markets and global politics in 2023, LATI continued its HR policies aimed at ensuring the employment, employability and well-being of its people, staying true to its values and dual purpose stated in its by-laws as a benefit company.

Actions taken in 2023 can be grouped into the following five areas:

- Organisational development
- Strengthening skills
- Inclusion and equality
- Personal well-being
- Financial stability

Organisational development

LATI maintained full employment levels, strengthening its workforce during the year with the stabilisation of staff and the hiring of new professionals, to support business development and emerging issues.

Partly to cover the normal departure of employees who have reached retirement age, the company continues to implement recruitment policies to support its development with new jobs and roles and to facilitate the company's digital transition, communication and internationalisation.

We completed the definition of job descriptions (JDs) by making them clearer and more shareable both for the people assigned to the role and for the entire organisation. In 2023, we began to transfer these job descriptions to the My LATI Space platform, which will be used by employees to sign their JDs and for consultation.

We set up two general departments to support the managing director, each with their own area of responsibility and covering business and service activities. This new organisational model was rolled out in January 2024.

The business department's main purpose is to assist the managing director draw up strategies which it is then responsible for implementing. It sets out the commercial strategy and international development plans as well as preparing the marketing plan. This department also drives product and process innovation and the achievement of greater competitiveness by optimising the cost of materials and making production and processes more efficient.

The services department supports the managing director with development of the strategy and is responsible for its execution; it ensures reporting and financial sustainability, supports profitability, drives digitisation and process optimisation, and is responsible for risk management and human capital enhancement.

The company does not expect to be involved in disputes or found liable for injuries or work-related illnesses involving employees or former employees or proceedings in which it is found guilty in 2024. Therefore, it has not set up a provision for risks.

Remote work

Remote work is now an established practice at LATI. It allows each supervisor to organise the work of their team in-person or remotely, depending of their specificities and needs.

The hybrid model was further consolidated in 2023 with the publication of remote work guidelines and a revisiting of the skills model.

These two documents interpret LATI’s development in line with its founding values and strategies and have the main purpose of guiding the key behaviours that lead the company in its evolution, digitisation and modernisation journey.

These initiatives were disseminated through the “NuoviLATI” communication channel and published on the company intranet.

The “NuoviLATI” channel is also used to provide periodic educational and informational contributions to stimulate business development and suggestions for employees on how to better organise their in-person/remote activities and to strengthen their sense of community and social interactions.

Strengthening skills

In 2023, training was enhanced by the increasing use of the new platform dedicated to HR soft skills: the My LATI Space (provided by Cornerstone).

The new tool is designed to:

- improve the learning experience and keep the skills database updated;
- systematise the assessment process and reinforce the practice of feedback to motivate people to realise their full potential;
- offer a modern multi-channel learning experience that applies the best practices of a leading platform;
- gradually create solutions accessible to all, stimulating a sense of belonging and community;

- transfer existing data and generate new reports within the system, so that they are always up-to-date and focused on the company's specific detection/reporting requirements.

Specifically, in 2023, the tool was used:

- for induction processes (for mandatory compliance courses or basic technical training) in Italy and abroad;
- as a container for courses and webinars (mandatory and optional), so that they are always available to the workforce;
- as a way of making up compulsory training in the event of absences or failure to pass the final test;
- as an additional library of learning pills (more than 1,000 titles) on a range of skills (Microsoft Office, public speaking, well-being, sustainability, quality, etc.) freely available to all everyone (stimulus to self-learning).

The 2023 training plan is filled with content designed to strengthen pre-existing skills and develop new mindsets, especially regarding interdepartmental collaboration, inclusion, sustainability, social responsibility and digital innovation.

The driver of the new training initiatives is to support the company's development strategies by growing individual skills.

The training courses are always also offered to people under staff leasing contracts.

The training programme can be divided into different areas:

- **Sustainability** courses on environmental, social and governance sustainability
- **Compliance** courses on corporate regulations and legal obligations (e.g., cybersecurity, Legislative decree no. 231, privacy)
- **Transversal training** with a special focus on:
  - DE&I: courses to cultivate a culture of inclusivity, equal opportunities and fairness and encourage the use of inclusive language
  - soft skills: courses to stimulate collaboration across departments and among colleagues on the same team, to encourage proactiveness and an aptitude for change, and digital skills (e.g., digital mindset, collaboration, interdepartmental relationships, negotiation, etc.)
- **Languages:** language improvement courses
- **Managerial:** refresher courses related to work team management/tools and useful soft skills

- **Quality**: refresher and/or training courses on topics related to product and process quality, quality monitoring tools, and voluntary certification systems in place in the company
- **Health and safety**: courses provided in accordance with current regulations and to promote and spread a culture of safety
- **Technical**: refresher and/or training courses on topics closely related to LATI materials, processes and products and/or role-specific skills; training for new hires (LATI-In course).

In 2023, an average of 24 hours of training per person was provided.

Inclusion and equality

In 2023, LATI obtained gender-equality certification under the UNI PdR 125:2022 standard, a testament to the company's values and culture traditionally oriented towards equity and inclusion.

This accolade attests to the company's maturity on DE&I issues and demonstrates our commitment, towards all stakeholders, to creating a safe, respectful, inclusive and people-oriented working environment.

Certification consists of a set of quantitative and qualitative performance indicators (KPIs), through which LATI has been assessed as adequate and thereby certified by an external entity (Certiquality).

The KPIs considered relate to the level of implementation of policies and procedures in favour of equality and equity, the dissemination of training and awareness-raising activities on issues of inclusion and respect, and the promotion of initiatives in favour of parenthood, work life balance, and the psychological and physical well-being of workers.

The certification, obtained in December 2023, includes the preparation of a strategic plan for gender equality containing a set of goals and commitments that the company has implemented in 2023 and intends to carry out in 2024.

Specifically, it achieved the following results in 2023:

- preparation and dissemination of the gender equality policy;
- establishment of the gender equality steering committee;
- implementation of an anonymous whistleblowing channel to be used to report any form of harassment and non-inclusiveness;
- training to the entire workforce on the code of ethics and the 231 model, as well as on the topics of respect, zero tolerance, inclusion and inclusive language;
- strengthening of corporate welfare initiatives to support parenting (support projects for new parents, Welfood counselling platform with dedicated professionals, birth kit)
- revisiting of procedures for recruiting, training and development, parenting, MBO management and annual objectives; the establishment of guidelines for remuneration

policies to ensure equal opportunities, fairness, and meritocracy in professional placement and development paths.

Once a year, the steering committee will manage and monitor issues and performance indicators (KPIs) related to inclusion, gender equality and integration to maintain certification. It will also define improvement actions for gender equality policies.

LATI earmarks specific budget resources for the development of activities to support inclusion, gender equality and integration.

Personal well-being

In 2023, LATI honed in on actions centred on people and listening, to ensure respect, inclusion, well-being and to support its need to attract and retain talent.

The pinnacle of this journey was the recognition of "Best Place to Work - Blue Collars companies" certification, placing LATI among the top 10 Italian manufacturing companies that have achieved this result.

LATI has also stood out for its participation in solidarity projects, such as:

- the Fondazione Piatti Social Volunteer Project, which involved the participation of a LATI team in the relay race at the 2023 Milan Marathon, and the presence of company employees on a paid voluntary basis for 3 half days at one of the Foundation's shelters which hosts adults with disabilities;
- the social team building event held at the commercial seminar with the "Io do una Mano" association as a combination of support for disabilities and the virtuous use of LATI materials for 3D printing.

LATI's partnership with schools continued with recurring work experience stints of secondary school students and taking part in the Varese Confindustria "Generazione d'industria" initiative. In 2023, it also contributed to the Giunca Network's "Let's Build the Future" orientation program for teenagers, hosting the initial day of the course and then following all subsequent stages both in-person and remotely.

With regard to corporate welfare, the company qualified again in 2023 as a "Workplace that promotes health", receiving the related certification from the WHP (Workplace Health Promotion) network of the Lombardy region.

We organise a wide range of activities to support employees' well-being: focusing on nutrition with awareness campaigns, organising fitness courses at the company, offering cultural visits, scholarships, concessions for children's summer camps, discounts at various businesses and gyms.

In 2023, the company partnered with Welfood, a service company that supports people in improving their daily habits, generating awareness and lasting change in individuals and companies.

This partnership allows LATI to offer all its employees some collective and/or individual moments on topics related to mental and physical well-being. Specifically, the service offers:

- a series of webinars designed to promote healthy lifestyles and mental and physical well-being;
- the opportunity to have up to four sessions paid for by the company with a well-being professional (psychologist, caregiver, parenting expert, nutritionist, sports coach, smoking cessation counsellor).

Financial stability and government sponsored lay-off scheme

The government sponsored lay-off scheme commenced in 2022 ended on 19 March 2023.

The company had to apply for another

government sponsored lay-off scheme for the period from 26 June to 7 October 2023 due to a fall in orders which mean that production activities had to be reduced.

This involved 152 employees for a total of 7,411.5 hours.

The company paid the relevant amount in advance on a monthly basis, using the lay-off period to accrue contractual instalments and supplemented the salary amount up to 90% of the gross annual pay of the employees involved. These conditions were also applied to blue collars with staff leasing contracts.

From 2021, employees can convert their performance bonus into corporate welfare benefits by allocating the bonus to the Flexible Benefit Platform where the gross amount can be used as a net amount.

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 45001:2018 certified sites.

ISO 9001:2015 certificate no. 041

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

ISO 14001:2015 certificate no. 333

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

ISO 45001:2018 certificate no. IT-119353

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

In July 2023, the audit to renew the ISO 14001 (environmental management system) and ISO 45001 (occupational health and safety) certifications took place. In December 2023, the IATF certification process was completed.

All audits were successful. No major or minor non-compliance was detected with respect to the environmental and occupational health and safety management systems. Minor non-compliance issues were identified as a result of the IATF audit which have already been taken care of and resolved.

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.

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 in 2023, such as:

- maintaining its Ecovadis gold rating; increasing its score by 5 points (from 68/100 to 73/100) and placing the company in the narrow 4% of assessed companies with the highest scores in their sector;
- publishing its third sustainability report which was certified by a third party;
- publishing of the first Impact Report and first B Impact Assessment achieving a score of 72.8/200 and thus approaching the 80-point threshold for obtaining certification;
- obtaining a B score from the Carbon Disclosure Project CDP, ranking above the market average. This achievement is clear proof of our careful and efficient management of the environmental impacts of its production activities and processes;
- Offsetting its own scope 1 emissions through the purchase of carbon credits related to sustainable development projects certified by LIFE Gate.

LATI is also developing an energy management system with the goal of obtaining ISO 50001 certification and has designed and introduced improvements such as:

- completing the installation of dedicated electrical monitoring software devices (PME);
- installation of a trigeneration system.

MAIN RISKS AND UNCERTAINTIES

- **Market risks**

  Like all manufacturers that use plastic materials, our company is exposed to the risks associated with the general market conditions, especially in terms of sales volumes and the products' value added.

  Sales volumes decreased by 21.0% compared to 2022. Customer order levels and, therefore, sales volumes slowed down gradually.

  Raw materials prices fell in 2023 as did energy prices although they did return to the levels seen at the end of 2021.

- **Liquidity risk**

Over the past two years, LATI has steadily optimised:

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

LATI recorded a small net financial position at 31 December 2023, maintaining its NFP/EBITDA ratio below 0.

The company's net working capital decreased in 2023 due to the effect of inflation. Thanks to its constant monitoring of:

- days sales outstanding – DSO
- days payable outstanding – DPO
- days inventory outstanding – DIO
- total exposure to customers,

LATI was able to partially control and manage the decrease in net working capital while ensuring suitable levels of finished products and raw materials to guarantee service levels.

- **Interest rate risk**

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

During 2023, LATI negotiated two new loans, also pegged to strategic ESG parameters, totalling €12.5 million, while simultaneously negotiating their hedging with two derivative instruments designed to mitigate interest rate risks.

- **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. During 2023, credit exposure monitoring activities were also digitalised and automated, allowing ex ante checks of its exposure when recording sales orders and flexible and consistent management.

Once again in 2023, there was neither a worsening of outstanding payments nor an increase in the DSO.

The company's exposure is covered by a major insurance policy, although it does have an excess clause. In any case, LATI minimised its credit risk through the insurance policy and obtained a bonus from the insurance company as a reward for its excellent performance. However, the company considers it fundamental to constantly monitor its exposures.

- **Risks connected to the conflict between Russia and Ukraine, the Israel-Palestine escalation and Houthi attacks**

The conflict between Russia and Ukraine had indirect effects on LATI as it does not have direct commercial activities with either country and is monitoring the situation with respect to its customers and suppliers that work with companies in the two countries.

As mentioned earlier, the new Israel-Palestine crisis and the Houthi attacks on Red Sea trade have heightened the perception of risk in the supply of raw materials. LATI has responded to this additional tension by increasing its stocks of raw materials wherever possible in order not to compromise its production capacity.

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 subsidiaries, are summarised below:

Trading transactions

	Receivables	Payables	Guarantees received	Guarantees given	Costs and charges	Revenues and income
SVI S.p.A.	4,993,658	70,000	-	-	140,000	-
LATI Shanghai	231,985	13,691	-	-	520,680	1,010,712
LATI UK Ltd	444,224	-	-	-	-	1,713,192
LATI USA Trade Inc.	242	6,320	-	-	161,794	1,084,327

Financial transactions

	Financial receivables	Loans and borrowings	Guarantees received	Guarantees given	Financial charges	Financial income
SVI S.p.A.	-	-	-	-	-	-
LATI Shanghai	-	-	-	-	-	-
LATI UK Ltd	-	-	-	-	-	345,205
LATI USA Trade Inc.	-	-	-	-	-	-

The above transactions, which are neither atypical nor unusual, were carried out on an arm's-length basis. The receivables from SVI S.p.A. relate to:

- the VAT consolidation scheme (€1,742,749);
- the tax consolidation scheme and foreign taxes recoverable in future years as they exceed Italian current taxes (€3,226,119);
- taxes incurred abroad (€24,789).

All other intragroup receivables and payables arise from trading transactions.

The costs incurred by LATI relate to:

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

LATI's revenues and income relate to:

- with respect to the foreign subsidiaries, trading income from the sale of goods, the provision of services and financial income in the form of dividends received from LATI UK.

In 2023, the company made no decisions that were particularly influenced by the company that manages and coordinates it, except for trading and organisational transactions aimed at benefiting from group synergies.

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

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

Subsidiaries

LATI UK Ltd.

In 2023, the English market saw a 13.0% decrease in sales volumes and a 16.1% drop in turnover. Profit margins were substantially aligned with 2022 and the subsidiary recorded a net profit of €59,031 (2022: €42,973) despite the reduction in turnover from €2,779,434 to €2,331,186. The initial figures for 2024 suggest a performance in line with the last quarter of 2023, albeit with a slight improvement.

LATI USA Trading, Inc.

The subsidiary recorded a net profit of €102,978 for 2023 (compared to a net profit of €375,461 for 2022). Revenues related to commercial brokerage commissions decreased from €280,510 to €159,046. Deferred tax assets also decreased (down €143,290). In 2023, LATI's product qualification activities with customers continued, especially in the electrical and household appliances sector, and the subsidiary started to work with new customers. 2024 sales volumes are expected to be in line with the previous year and the subsidiary will create 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. In 2023, the subsidiary's turnover dropped 21.9% over 2022. Its net profit decreased by 15.3% from €1,667,071 to €1,411,976 for 2023. The subsidiary expects its business next year to remain in line with 2023.

Parent

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

OWN SHARES AND SHARES OF GROUP COMPANIES

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

OUTLOOK AND POST-BALANCE SHEET EVENTS

The company's turnover for the first few months of 2024 is in line with the budget in terms of sales volumes and price trends. Specifically, it has seen a slight increase in volumes and a modest reduction in sales prices.

The significant post-balance sheet events include:

- the prolongation of global tension raised by the Israeli-Palestinian conflict;
- a general deflationary trend;
- possible supply risks due to the Houthi attacks from Yemen on commercial ships sailing through the Red Sea in December 2023.

While the consequences of both the ongoing war and price tensions cannot be predicted, the company has shown itself to be profitable, able to preserve its value and to have a strong financial position over the years.

The main risk to which it is exposed is the continued weak demand. The first quarter of 2024 showed a slight recovery compared to that set out in the 2024 budget. The economic situation remains uncertain however as the market is showing both initial signs of slight revival and further elements that could cause issues for Europe’s competitive edge.

As in previous years, LATI can rely on its sound financial position and clear course of strategic development aimed at maintaining profitability and its ability to create value. Specifically, it is becoming increasingly more important to combine its sustainability strategy with its repositioning strategy towards sustainable, safe, long-lasting plastic products with high added value that make the most of LATI’s specific know-how.

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 2023, the company carried out production at its Vedano Olona site (which houses its legal and operating offices) and Gornate Olona site. It also 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 2023, 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 our term of office has expired.

Thanking you for your trust placed in us, we invite you to resolve on the appointment of a new board of directors.

Vedano Olona, 25 March 2024

For the board of directors

Chairman

(Dominique Renaudin)

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 2023

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

	31/12/2023	31/12/2022
Balance sheet		
Assets		
A) Share capital proceeds to be received		
B) Fixed assets		
I - Intangible fixed assets		
1) start-up and capital costs		56,660
4) concessions, licences, trademarks and similar rights	1,332,044	1,600,534
6) assets under development and payments on account	188,698	75,955
7) other	39,399	83,601
Total intangible fixed assets	1,560,141	1,816,750
II - Tangible fixed assets		
1) land and buildings	21,924,903	22,382,580
2) plant and machinery	16,683,642	14,610,470
3) industrial and commercial equipment	380,495	466,352
4) other assets	256,066	170,423
5) assets under construction and payments on account	11,769,965	5,009,321
Total tangible fixed assets	51,015,071	42,639,146
III - Financial fixed assets		
1) equity investments		
a) subsidiaries	1,560,098	1,362,799
c) parents	1,994,226	1,994,226
d-bis) other companies	64,748	69,303
Total equity investments	3,619,072	3,426,328
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	44,444	22,129
Total from others	44,444	22,129
Total receivables	44,444	22,129
3) other securities	4,953,910	4,907,946
4) derivatives	505,911	1,021,824
Total financial fixed assets	9,123,337	9,378,227
Total fixed assets (B)	61,698,549	53,834,123
C) Current assets		
I - Inventory		
1) raw materials, consumables and supplies	12,897,646	21,640,852
2) work in progress and semi-finished products	464,250	978,741
4) finished goods	18,042,214	24,167,428
5) payments on account	315,963	53,915
Total inventory	31,720,073	46,840,936
II - Receivables		
1) trade receivables		
due within one year	24,746,699	33,376,442
Total trade receivables	24,746,699	33,376,442
2) from subsidiaries		
due within one year	676,451	1,105,779

Total from subsidiaries	676,451	1,105,779
3) from associates		
4) from parents		
due within one year	4,993,658	3,530,183
Total from parents	4,993,658	3,530,183
5) from subsidiaries of parents		
5-bis) tax receivables		
due within one year	1,316,994	1,450,939
due after one year	360,647	1,019,440
Total tax receivables	1,677,641	2,470,379
5-ter) deferred tax assets	671,455	520,184
5-quater) from others		
due within one year	231,182	359,872
Total from others	231,182	359,872
Total receivables	32,997,086	41,362,839
III - Current financial assets		
6) other securities	5,500,000	5,000,000
Total current financial assets	5,500,000	5,000,000
IV - Liquid funds		
1) bank and postal accounts	29,096,735	20,460,447
3) cash-in-hand and cash equivalents	167	530
Total liquid funds	29,096,902	20,460,977
Total current assets (C)	99,314,061	113,664,752
D) Prepayments and accrued income	411,281	243,780
Total assets	161,423,891	167,742,655
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	79,222,835	68,258,148
Reserves for shares of the parent	1,994,226	1,994,226
Negative goodwill	1,895,205	1,895,205
Total other reserves	83,112,266	72,147,579
VII - Hedging reserve	204,434	776,586
IX - Net profit for the year	3,082,586	11,815,687
Total net equity	96,869,621	95,210,187
B) Provisions for risks and charges		
1) pension and similar provisions	9,197	9,044
2) tax provision, including deferred tax liabilities	121,419	245,238
3) derivatives	236,919	0
4) other provisions	928,766	891,124
Total provisions for risks and charges	1,296,301	1,145,406
C) Employees' leaving entitlement	1,396,870	1,678,511
D) Payables		
1) bonds		
2) convertible bonds		
3) shareholder loans		
4) bank loans and borrowings		
due within one year	11,793,005	16,981,328
due after one year	26,467,614	19,683,014
Total bank loans and borrowings	38,260,619	36,664,342
5) loans and borrowings from other financial backers		

6) payments on account		
due within one year	23,535	63,410
Total payments on account	23,535	63,410
7) trade payables		
due within one year	18,255,646	27,619,077
Total trade payables	18,255,646	27,619,077
8) commercial paper		
9) payables to subsidiaries		
due within one year	20,011	22,002
Total payables to subsidiaries	20,011	22,002
10) payables to associates		
11) payables to parents		
due within one year	70,000	70,000
Total payables to parents	70,000	70,000
11-bis) payables to subsidiaries of parents		
12) tax payables		
due within one year	1,149,077	1,401,504
Total tax payables	1,149,077	1,401,504
13) social security charges payable		
due within one year	1,215,555	974,177
Total social security charges payable	1,215,555	974,177
14) other payables		
due within one year	1,612,559	1,684,503
Total other payables	1,612,559	1,684,503
Total payables	60,607,002	68,499,015
E) Accrued expenses and deferred income	1,254,097	1,209,536
Total liabilities	161,423,891	167,742,655

Profit and loss account

	2023	2022
Profit and loss account		
A) Production revenues		
1) turnover from sales and services	152,991,292	213,832,297
2) change in work in progress, semi-finished products and finished goods	(6,639,705)	9,626,463
5) other revenues and income		
grants related to income	1,184,763	2,152,355
in other companies	1,123,279	1,997,747
Total other revenues and income	2,308,042	4,150,102
Total production revenues	148,659,629	227,608,862
B) Production cost		
6) raw materials, consumables, supplies and goods	88,028,519	156,920,370
7) services	20,872,936	26,465,497
8) use of third party assets	1,406,221	891,180
9) personnel expenses		
a) wages and salaries	13,314,539	12,439,684
b) social security contributions	4,313,583	3,978,513
c) employees' leaving entitlement	867,224	939,319
e) other costs	1,709,684	2,929,742
Total personnel expenses	20,205,030	20,287,258
10) amortisation, depreciation and write-downs		
a) amortisation of intangible fixed assets	633,469	657,784
b) depreciation of tangible fixed assets	3,648,103	3,362,895
Total amortisation, depreciation and write-downs	4,281,572	4,020,679
11) changes in raw materials, consumables, supplies and goods	8,743,206	1,147,570
13) other provisions	47,000	188,000
14) other operating costs	797,995	863,075
Total production cost	144,382,479	210,783,629
Operating profit (A-B)	4,277,150	16,825,233
C) Financial income and charges		
15) income from equity investments		
in subsidiaries	345,205	
in parents		130,000
in other companies	224	160
Total income from equity investments	345,429	130,160
16) other financial income:		
a) from financial receivables classified as fixed assets		
d) other income		
in other companies	550,722	18,763
Total other income	550,722	18,763
Total other financial income	550,722	18,763
17) interest and other financial charges		
in other companies	1,945,106	1,233,833
Total interest and other financial charges	1,945,106	1,233,833
17-bis) net exchange rate losses	(66,560)	(19,856)
Net financial charges (15+16-17+/-17-bis)	(1,115,515)	(1,104,766)
D) Adjustments to financial assets and liabilities		
18) write-backs		
a) equity investments	197,299	380,311

b) financial fixed assets which are not equity investments	45,964	0
Total write-backs	243,263	380,311
19) write-downs		
a) equity investments	4,555	169,232
b) financial fixed assets which are not equity investments		92,054
Total write-downs	4,555	261,286
Total adjustments (18-19)	238,708	119,025
Profit before taxes (A-B+-C+-D)	3,400,343	15,839,492
20) Income taxes, current and deferred		
current taxes	412,210	3,703,520
taxes relative to prior years	(43)	(2,056)
deferred taxes	(94,410)	322,341
Total income taxes, current and deferred	317,757	4,023,805
21) Net profit for the year	3,082,586	11,815,687

Cash flow statement, indirect method

	2023	2022
A) Cash flows from operating activities (indirect method)		
Net profit for the year	3,082,586	11,815,687
Income taxes	317,757	4,023,805
Net interest expense	1,460,944	1,234,926
Dividends	(345,429)	(130,160)
Profits from the sale of assets	(2,900)	(89,035)
1) Profit for the year before income taxes, interest, dividends and profits/losses from the sale of assets	4,512,958	16,855,223
Non-monetary adjustments that did not affect net working capital		
Accruals to provisions	914,377	1,127,453
Amortisation and depreciation	4,281,572	4,020,679
Write-downs for impairment losses		
Other non-monetary adjustments	(238,708)	(119,025)
Total non-monetary adjustments that did not affect net working capital	4,957,241	5,029,107
2) Cash flows before changes in net working capital	9,470,199	21,884,330
Changes in net working capital		
Decrease/(increase) in inventory	15,120,863	(8,319,208)
Decrease in trade receivables	8,138,796	4,487,216
Decrease in trade payables	(9,363,431)	(15,452,773)
Decrease in prepayments and accrued income	(140,015)	(15,926)
Increase/(decrease) in accrued expenses and deferred income	(69,443)	1,198,493
Other increases/(decreases) in net working capital	13,217	(4,564,943)
Total changes in net working capital	13,699,987	(22,667,141)
3) Cash flows after changes in net working capital	23,170,186	(782,811)
Other adjustments		
Net interest paid	(883,480)	(1,234,926)
Dividends collected	224	130,160
Income taxes paid	(317,757)	(4,023,805)
Use of provisions	(1,158,223)	(1,411,180)
Total other adjustments	(2,359,236)	(6,539,751)
Cash flows from (used in) operating activities (A)	20,810,950	(7,322,562)
B) Cash flows from investing activities		
Tangible fixed assets		
Additions	(13,133,851)	(6,536,527)
Disposals	112,724	1,056,576
Intangible fixed assets		

Additions	(376,860)	(1,028,493)
Financial fixed assets		
Additions	(22,315)	(67)
Disposals		
Other current financial assets		
Additions	(5,500,000)	(5,000,000)
Disposals	5,000,000	
Cash flows used in investing activities (B)	(12,920,302)	(11,508,511)
C) Cash flows from financing activities		
Third party funds		
Increase/(decrease) in short-term bank borrowings	(5,188,323)	6,282,045
New loans	15,500,000	15,000,000
Repayment of loans	(8,715,400)	(7,040,580)
Own funds		
Dividends and interim dividends paid	(851,000)	(555,000)
Cash flows generated by financing activities (C)	745,277	13,686,465
Increase (decrease) in liquid funds (A ± B ± C)	8,635,925	(5,144,608)
Opening liquid funds		
Bank and postal accounts	20,460,447	25,605,088
Cash-in-hand and cash equivalents	530	497
Total opening liquid funds	20,460,977	25,605,585
Closing liquid funds		
Bank and postal accounts	29,096,735	20,460,447
Cash-in-hand and cash equivalents	167	530
Total closing liquid funds	29,096,902	20,460,977

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 2023

The financial statements of LATI Industria Termoplastici S.p.A. (the '"company'" or '"LATI'") 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 the company's operations and transactions with subsidiaries 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 Corso Venezia 61, Milan 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.

LATI became a benefit company on 25 July 2022, specifying in its by-laws the objectives of common good that it pursues in its daily operations.

Basis of preparation

General principles

The financial statements captions have been measured in accordance with the general principles of prudence and accruals on a going-concern basis. Captions have been recognised and presented in accordance with the substance over form principle, if in compliance with the Italian Civil Code and the OIC. The company has also complied with the principles 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, is recognised in the profit and loss account when the estimates are changed, if they affect just one period, and also in the following periods, if they affect both the current and subsequent periods.

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 described 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 write-downs. 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.

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: 20-33.33%

Assets under development are not amortised. The amortisation process begins when these assets are reclassified to their relevant intangible fixed asset caption and start to contribute to the company’s business.

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	993,077	196,039	4,952,372	75,955	147,676	6,365,119
Amortisation (accumulated amortisation)	936,417	196,039	3,351,838		64,075	4,548,369
Carrying amount	56,660		1,600,534	75,955	83,601	1,816,750
Changes						
Acquisitions				376,860		376,860
Reclassifications (carrying amount)			264,117	(264,117)		
Amortisation	56,660		532,607		44,202	633,469
Total changes	(56,660)		(268,490)	112,743	(44,202)	(256,609)
Closing balance						
Cost	993,077	196,039	5,216,489	188,698	147,676	6,741,979
Amortisation (accumulated amortisation)	993,077	196,039	3,884,445		108,277	5,181,838
Carrying amount			1,332,044	188,698	39,399	1,560,141

As shown in the balance sheet, start-up and capital costs comprise costs incurred in previous years to set up the German branch (€348,238), the French branch (€220,455), the Slovakian branch (€141,086) and the Spanish branch (€283,298).

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 license and a third-party patent. They did not change during the year.

Concessions, licences, trademarks and similar rights comprise the deferred costs for the acquisition and development of data processing procedures and licences for the use of application software, as well as costs incurred during the year to acquire software licences and their implementation

(€264,117), mostly related to the BI and MES projects.

Assets under development include costs incurred during the year for projects under way which are expected to be completed in 2024.

"'Other'" includes some deferred costs.

Tangible fixed assets

Tangible fixed assets are recognised at purchase or production cost, adjusted by accumulated depreciation, revaluations 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 production costs for the portion reasonable attributable to the asset 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 amortisation 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%

Any 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.

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	23,323,086	62,276,620	9,251,636	3,040,530	5,009,321	102,901,193
Write-backs	16,068,418	1,510,714				17,579,132
Amortisation (accumulated amortisation)	17,008,924	49,176,864	8,785,284	2,870,107		77,841,179
Carrying amount	22,382,580	14,610,470	466,352	170,423	5,009,321	42,639,146
Changes of the year						
Acquisitions	505,392	2,098,059	223,005	124,502	9,182,893	12,133,851
Reclassifications (carrying amount)		2,243,127	32,690	36,608	-2,312,425	
Sales and disposals (carrying amount)		281,765	68,423	14,469	109,824	474,481
Depreciation	963,069	2,268,015	341,552	75,467		3,648,103
Other changes		281,766	68,423	14,469		364,658
Total changes	(457,677)	2,073,172	(85,857)	85,643	6,760,644	8,375,925
Closing balance						
Cost	23,828,478	66,336,041	9,438,908	3,187,171	11,769,965	114,560,563
Write-backs	16,068,418	1,510,714				17,579,132
Amortisation (accumulated amortisation)	17,971,993	51,163,113	9,058,413	2,931,105		81,124,624
Carrying amount	21,924,903	16,683,642	380,495	256,066	11,769,965	51,015,071

The principal increases in tangible fixed assets relate to:

- the purchase, at an auction, of a building (formerly Rete 55) located in the municipality of Gornate Olona (Torba district);

- the redevelopment (still underway) of the existing building '"T3'";

- the expansion of some service systems, partly under construction, preparatory to the expansion of necessary to increase the production capacity of the Torba site: assets under construction include payments on advance, among other things, for the two new extrusion lines and in general for future strategic assets.

Decreases in assets are mainly 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 2023 approved by the investee's shareholders.

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

The carrying amount of the equity-accounted investment in Lati USA Trading Inc. increased by €197,299 during the year as a result of the increase in its net equity (€105,235) and the write-back of €92,064 to align it to its recoverable amount.

Equity investments measured at cost

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

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

Changes in equity investments, other securities and derivatives

	Subsidiaries	Parents	Other companies	Total equity investments	Other securities	Derivatives
Opening balance						
Cost	15,935,115	1,994,226	208,515	18,137,856	5,000,000	1,021,824
Write-backs	1,245,099		6,221	1,251,320	0	
Write-downs	15,817,415		145,433	15,962,848	92,054	
Carrying amount	1,362,799	1,994,226	69,303	3,426,328	4,907,946	1,021,824
Changes of the year						
Write-backs	197,299			197,299	45,964	
Write-downs			4,555	4,555		515,913
Total changes	197,299		(4,555)	192,744	45,964	(515,913)
Closing balance						
Cost	15,935,115	1,994,226	208,515	18,137,856	5,000,000	505,911
Write-backs	1,442,398		6,221	1,448,619	45,964	
Write-downs	15,817,415		149,988	15,967,403	92,054	
Carrying amount	1,560,098	1,994,226	64,748	3,619,072	4,953,910	505,911

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

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

The investment in Atlantide SA was written down by €4,555 during the year to adjust its carrying amount to the company's share of its net equity at year end.

OTHER SECURITIES AND DERIVATIVES

Other securities include a €5,000,000 insurance policy, BNL Key Selection, entered into with BNL-BNP Paribas in 2021. It has a term of 36 months and no entry or exit costs or fines.

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

It is invested in bonds for 30% (class I) and liquidity for 70% (class 3).

The investment, written down in 2022 by €92,054, was adjusted to its fair value at 31 December 2023 and thus written back by €45,964.

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.

Derivatives of €505,911 are recognised under financial fixed assets. This is the difference between the notional amount and fair value of the interest rate swaps (IRS liability) entered into with Unicredit, BNL and BPM to hedge the interest risk on the loans obtained for the Torbissima Project and the development of the investment plan as per the business plan.

Changes in and due date of financial receivables

	Opening balance	Changes of the year	Closing balance	Portion due after one year
From others	22,129	22,315	44,444	44,444
Total	22,129	22,315	44,444	44,444

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 UK Ltd.	GREAT BRITAIN AND NORTHERN IRELAND	172,602	59,082	926,987	926,987	100.00	192,076
	LATI USA TRADING INC	UNITED STATES OF AMERICA	769,231	102,978	1,747,526	1,747,526	100.00	1,168,022
	LATI SHANGHAI CO. LTD	PEOPLE'S REPUBLIC OF CHINA	239,221	1,377,643	7,724,947	7,724,947	100.00	200,000
Total								1,560,098

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

The carrying amount of the equity-accounted investment in LATI USA Trading Inc. differs from the investee's net equity as deferred tax assets recognised in the subsidiary's financial statements were not fully considered in the final measurement.

Breakdown of financial receivables by geographical segment

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

		From others	Total
	Italy	36,526	36,526
	EU countries	7,918	7,918
Total		44,444	44,444

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

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

Caption BIII 1d) '"Equity investments in other companies'" of €64,748 is detailed below:

Other companies	
Atlantide SA	€8,985
Industrie e Università S.r.l.	€38,897
Isrim Soc. Cons. A.r.l.	€7,961
Associazione Energia & Impresa	€500
CoNaI	€3,554
Società Cooperativa di Garanzia AR.CA	€129
Banca Popolare di Sondrio	€3,122
Investment in GIUNCA Network	€100
Investment in Global Compact network	€1,500
Total	**€64,748**

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 cost method to measure raw materials.

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

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

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

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

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

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

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

Accumulated write-downs of those finished goods that are slow-moving or whose reporting-date carrying amount is lower than their realisable value amounted to €694,137.

The provision for inventory write-downs, which had an opening balance of €421,822, was fully used and reinstated at €694,137.

Accumulated write-downs of obsolete or slow-moving raw materials amounted to €628,346.

The provision for inventory write-downs, which had an opening balance of €459,338, was fully used and reinstated.

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

The payments on account include amounts paid for raw materials.

	Opening balance	Change	Closing balance
Raw materials, consumables and supplies	21,640,852	-8,743,206	12,897,646
Work in progress and semi-finished products	978,741	(514,491)	464,250
Finished goods	24,167,428	-6,125,214	18,042,214
Payments on account	53,915		315,963
Total inventory	46,840,936	(15,120,863)	31,720,073

2023 saw a reduction of about €15 million or 32.3% in the closing balance of finished products and raw materials compared to 2022. This is attributable to a drop in the purchase price of raw materials (€1.74/kg, down 34.2% compared to 2022) as well as, in the case of finished products, a decrease in energy costs.

In addition, volumes in storage decreased by 534 tonnes or 5.5% on 31 December 2022 as shown below:

- Raw materials down 372 tonnes (-8.4%);
- Finished products down 162 tonnes (- 3.1%).

<u>Current receivables</u>

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 limited to the portion not covered by the insurance policy if compensation is reasonably certain.

Changes in and due date of current receivables

	Opening balance	Change	Closing balance	Portion due within one year	Portion due after one year
Trade receivables	33,376,442	-8,629,743	24,746,699	24,746,699	
From subsidiaries	1,105,779	(429,328)	676,451	676,451	
From parents	3,530,183	1,463,475	4,993,658	4,993,658	
Tax receivables	2,470,379	(792,738)	1,677,641	1,316,994	360,647
Deferred tax assets	520,184	151,271	671,455		
From others	359,872	(128,690)	231,182	231,182	
Total	41,362,839	-8,365,753	32,997,086	31,964,984	360,647

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

Most of the company’s trade receivables are insured and are written down through the provision for bad debts of €522,744, which is deemed to adequately cover existing risks. The opening provision of €534,765 was used for €11,013 while €1,008 was released to the profit and loss account. No additional write-downs were made. The accruals to the provision are not tax deductible.

Receivables from subsidiaries are mainly due to trading transactions.

Receivables from parents comprise the group VAT (€1,742,749), amounts arising from the domestic tax consolidation scheme (€3,250,909) and foreign taxes exceeding the Italian current taxes and recoverable in future years.

Tax receivables show the difference between payments on account and 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	13,757,503	8,141,391	913,947	1,933,858	24,746,699
From subsidiaries			444,224	232,227	676,451
From parents	4,993,658				4,993,658
Tax receivables	1,594,031	83,610			1,677,641
Deferred tax assets	671,455				671,455
From others	176,344	54,838			231,182
Total	21,192,991	8,279,839	1,358,171	2,166,085	32,997,086

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

Amounts due from employees	26,558
Holidays taken but not yet accrued	14,175
Amounts due from suppliers	6,610
Credit notes to be received from suppliers	25,000
Advances paid to suppliers	28,761
Other	130,078
TOTAL	**231,182**

Current financial assets

Change in current financial assets

The following temporary liquidity investments are recorded under current financial assets:

	Amount	Start date	Expiry date
CREDIT AGRICOLE - TIME DEPOSIT	1,000,000.00	12/09/2023	11/12/2023
CREDIT AGRICOLE - TIME DEPOSIT	500,000.00	28/05/2023	28/05/2024
BANCA POPOLARE DI SONDRIO - TIME DEPOSIT	3,000,000.00	05/12/2023	05/06/2024
UNICREDIT - TIME DEPOSIT	1,000,000.00	07/12/2023	07/06/2024
TOTAL	**5,500,000.00**		

	Opening balance	Changes	Closing balance
Other securities	5,000,000	500,000	5,500,000
Total current financial assets	5,000,000	500,000	5,500,000

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	20,460,447	8,636,288	29,096,735
Cash-in-hand and cash equivalents	530	(363)	167
Total liquid funds	20,460,977	8,635,925	29,096,902

Prepayments and accrued income

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

Accrued income comprises interest income on the time deposits.

Prepayments and accrued income are made up as follows:

	Opening balance	Change	Closing balance
Accrued income	12,400	15,087	27,487
Prepayments	231,380	152,414	383,794
Total prepayments and accrued income	243,780	167,501	411,281

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

	Amount
Interest income	27,486
Hires and rentals	35,240
Membership fees	19,651
insurance premiums	50,157
Assistance and maintenance fees	207,647
License fees	18,416
Other prepayments	52,684
Total	**411.281**

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 a net €1,659,434, from €95,210,187 to €96,869,621, due to:

- the net profit for 2023 (€3,082,586);
- the distribution to the shareholders of a portion of the extraordinary reserve, as per their ‘ resolution of 27 April 2023 (€851,000);
- fair value gains on hedging derivatives (€572,152);

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							3,818,400
Revaluation reserves	5,027,935							5,027,935
Legal reserve	1,624,000							1,624,000
Other reserves								
Extraordinary reserve	68,258,148			11,815,687	(851,000)			79,222,835
Reserves for shares of the parent	1,994,226							1,994,226
Negative goodwill	1,895,205							1,895,205
Total other reserves	72,147,579			11,815,687	(851,000)			83,112,266
Hedging reserve	776,586				(572,152)			204,434
Net profit for the year	11,815,687		(11,815,687)				3,082,586	3,082,586
Total net equity	95,210,187		(11,815,687)	11,815,687	(1,423,152)		3,082,586	96,869,621

For transparency purposes, 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, totaling €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 Sviluppo Industriale S.p.A., equal to €1,994,226 which is 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 utilisation 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	79,222,835	I	A,B,C	79,222,835		1,983,200
Reserves for shares of the parent	1,994,226	I				
Negative goodwill	1,895,205	I				
Total other reserves	83,112,266			79,222,835		1,983,200
Hedging reserve	204,434					
Total	93,787,035			84,250,770		1,983,200
Distributable portion				84,250,770		

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

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

Changes in the hedging reserve and other reserves

The hedging reserve shows the accumulated net fair value gains on hedging derivatives, with respect to which more details are provided elsewhere in these notes.

	Hedging reserve
Opening balance	776,586
Changes	
Fair value losses	752,832
Deferred tax effect	180,680
Closing balance	204,434

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.

The hedging reserve is recognised net of deferred taxes of €180,680.

On 27 April 2023, the shareholders resolved to distribute €851,000 from the extraordinary reserve.

Provisions for risks and charges

Information on the 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 €236,919, which is the difference between the notional amount and fair value of the interest rate swaps (IRS liability) and collars entered into with BPM, Banca Intesa and Banca Popolare di Sondrio to hedge the interest risks on the loan obtained for the Torbissima project.

	Pension and similar provisions	Tax provision, including deferred tax liabilities	Derivatives	Other provisions	Total provisions for risks and charges
Opening balance	9,044	245,238		891,124	1,145,406
Changes of the year					
Accruals	153		236,919	47,000	284,072
Utilisations		123,819		9,358	133,177
Total changes	153	(123,819)	236,919	37,642	150,895
Closing balance	9,197	121,419	236,919	928,766	1,296,301

Pension and similar provisions (caption B1), which cover possible costs for foreign agents' termination indemnities, increased by €153 during the year.

The company used €123,819 of the tax provision including deferred tax liabilities of €245,238, equal to 24% of the hedging reserve recognised in 2022.

The provision for future risks included in caption B3) of €928,766, which is not tax deductible apart from €11,489 of the provision for land reclamation costs regarding the Vedano site, comprises:

- a provision for possible costs of product non-compliance and related claims of €90,995, of which €9,358 was used during the year;

- a provision for land reclamation costs of €340,271. It includes the 2015 reclassification of the accumulated depreciation of the appurtenant land at Vedano Olona (€11,489) and accruals made in previous years (€328,782), of which €11,489 was deducted for tax purposes in previous years;

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

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

- a provision of €307,000 set up in 2021 and increased by €188,000 in 2022 and by €47,000 in 2023 for possible costs related to VAT payments in Germany.

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 are reclassified to payables.

	Employees' leaving entitlement
Opening balance	1,678,511
Changes of the year	
Accruals	867,224
Utilisations	1,148,865
Total changes	(281,641)
Closing balance	1,396,870

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.

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	36,664,342	1,596,277	38,260,619	11,793,005	26,467,614
Payments on account	63,410	(39,875)	23,535	23,535	
Trade payables	27,619,077	-9,363,431	18,255,646	18,255,646	
Payables to subsidiaries	22,002	(1,991)	20,011	20,011	
Payables to parents	70,000		70,000	70,000	
Tax payables	1,401,504	(252,427)	1,149,077	1,149,077	
Social security charges payable	974,177	241,378	1,215,555	1,215,555	
Other payables	1,684,503	(71,944)	1,612,559	1,612,559	
Total payables	68,499,015	-7,892,013	60,607,002	34,139,388	26,467,614

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

Bank loans and borrowings due after more than five years are broken down by due date below:

	WITHIN 1 YEAR	FROM 1 TO 5 YEARS	AFTER 5 YEARS	TOTAL
BANK LOANS	7,034,936	22,877,330	3,590,285	33,502,550
ADVANCES UNDER USUAL RESERVE	3,924,710			3,924,710
ADVANCES ON EXPORTS				
IMPORT FINANCING	833,359			833,359
	11,793,005	22,877,330	3,590,285	38,260,619

Bank loans mainly comprise loans granted to construct the new Torba site, to move production there from the Vedano Olona production site, renovate the offices and continue the investment plan as per the business plan.

Specifically, the company took out the following loans for these purposes:

- a loan granted by Banca Intesa on 27 July 2023 with an outstanding amount of €7,451,006 to be repaid by 30 June 2033, with certain ESG-based covenants;
- a loan granted by BPM on 4 September 2023 with an outstanding amount of €4,975,300 to be repaid by 30 September 2030, with certain ESG-based covenants as well as other covenants based on standard financial indicators such as net financial indebtedness/EBITDA ratio equal to or less

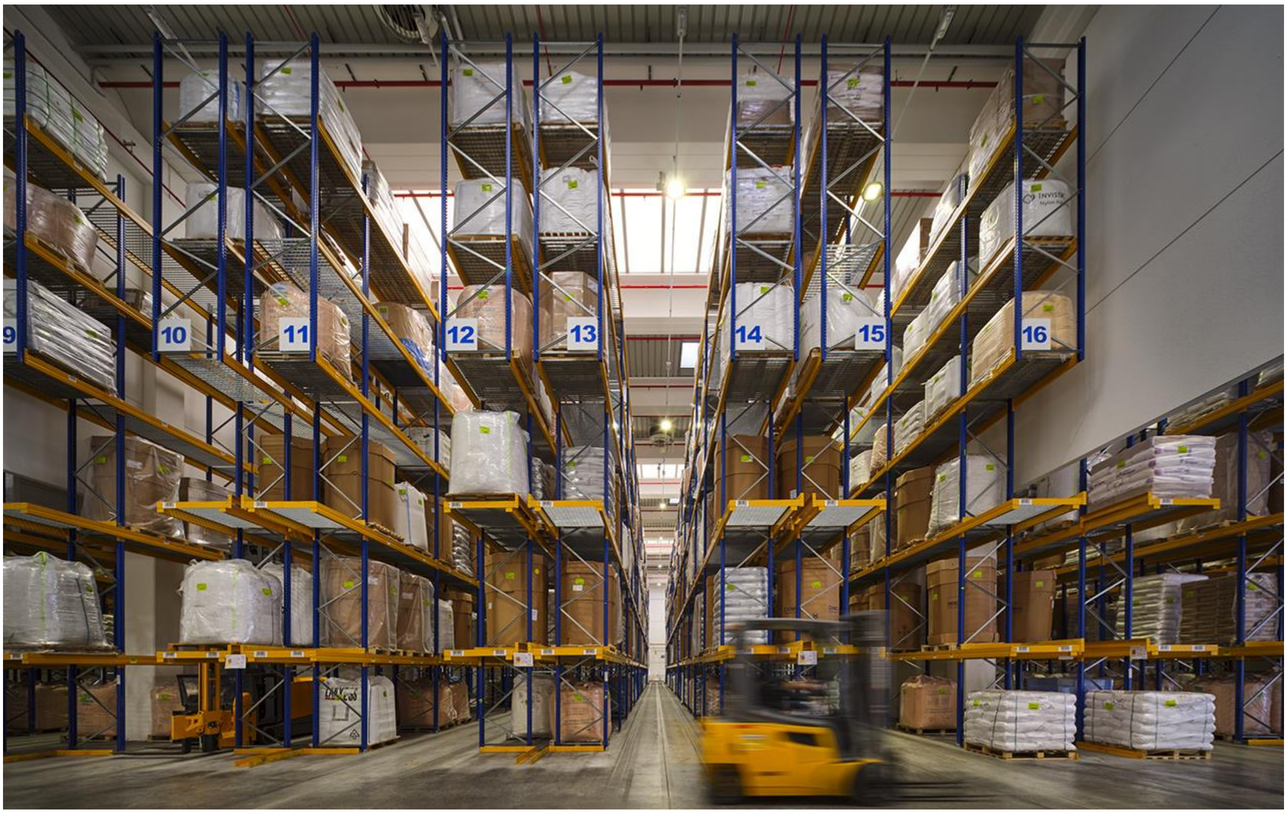
than three;

- a loan granted by BNL on 20 May 2022 with an outstanding amount of €7,992,069 to be repaid by 19 November 2027, with certain ESG-based covenants as well as other covenants based on standard financial indicators such as net financial indebtedness/EBITDA ratio equal to or less than 3 and net financial indebtedness/net equity ratio equal to or less than one;
- a loan granted by BPM on 10 June 2022 with an outstanding amount of €3,961,688 to be repaid by 30 June 2027, with certain ESG-based covenants as well as other covenants based on standard financial indicators such as net financial indebtedness/EBITDA ratio equal to or less than three;
- a loan granted by Cariparma on 23 January 2018 with an outstanding amount of €1,531,158 to be repaid by 21 December 2024, with certain covenants based on standard financial indicators;
- a loan granted by Banca Popolare di Sondrio on 1 September 2023, to substitute the two loans taken out in 2018 and 2019, with an outstanding amount of €2,806,290 to be repaid by 1 August 2028;
- a loan granted by Unicredit on 13 May 2021 with an outstanding amount of €3,531,506 to be repaid by 31 March 2027, with certain ESG-based covenants (Ecovadis rating).

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	38,260,619				38,260,619
Payments on account		14,104	1,182	8,249	23,535
Trade payables	12,701,559	4,356,498	84,158	1,113,431	18,255,646
Payables to subsidiaries				20,011	20,011
Payables to parents	70,000				70,000
Tax payables	646,994	482,054	20,029		1,149,077
Social security charges payable	1,072,100	143,455			1,215,555
Other payables	1,292,217	320,342			1,612,559
Total payables	54,043,489	5,316,453	105,369	1,141,691	60,607,002



Payables secured by collateral on the company's assets

There are no payables secured by collateral.

	Payables secured by collateral				Payables not secured by collateral	Total
	Mortgages	Pledges	Special liens	Total		
Bank loans and borrowings					38,260,619	38,260,619
Payments on account					23,535	23,535
Trade payables					18,255,646	18,255,646
Payables to subsidiaries					20,011	20,011
Payables to parents					70,000	70,000
Tax payables					1,149,077	1,149,077
Social security charges payable					1,215,555	1,215,555
Other payables					1,612,559	1,612,559
Total payables					60,607,002	60,607,002

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

Remuneration and bonuses due to employees	906,918
Accrued wages and salaries	437,266
Amounts due to trade unions	8,788
Accrued insurance premiums	8,978
Contributions to the occupational pension fund (Fondo Gomma Plastica)	82,862
Credit notes to be issued	61,673
Payables to customers	23,562
Other	82,512
TOTAL	**1,612,559**

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	73,192	40,812	114,004
Deferred income	1,136,344	3,749	1,140,093
Total	1,209,536	44,561	1,254,097

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

	Amount
Accrued bank interest expense	114,004
Deferred income for the grant for Industry 4.0 investments	1,139,204
Deferred revenues	889
Total	**1,254,097**

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.

	2023
TURNOVER FROM SALES AND SERVICES	152,991,292
Total	152,991,292

Reference should be made to the directors' report for explanations regarding changes in sales revenue.

Breakdown of turnover from sales and services by geographical segment

Turnover from sales is broken down by geographical segment below:

		2023
	Italy	49,218,302
	Abroad	103,772,990
Total		152,991,292

Some of the largest items of other revenues and income are the research and development tax benefit (€402,768), which was received in 2023, the tax benefit for energy-intensive and gas-intensive companies (€781,995), tax benefits on investments in assets used in operations (€189,449) and prior year income of €334,033.

Production revenues

	2022	Change	2023
1) Turnover from sales and services	213,832,297	-60,841,005	152,991,292
2) Change in work in progress, semi-finished products and finished goods	9,626,463	-16,266,168	-6,639,705
3) Change in contract work in progress			
4) Internal work capitalised			
5) Other revenues and income	4,150,102	-1,842,060	2,308,042
Total production revenues	227,608,862	-78,949,233	148,659,629

Production cost

	2022	Change	2023
6) raw materials, consumables, supplies and goods	156,920,370	-68,891,851	88,028,519
7) Services	26,465,497	-5,592,561	20,872,936
8) Use of third party assets	891,180	515,041	1,406,221
9) Personnel expenses			
a) wages and salaries	12,439,684	874,855	13,314,539
b) social security contributions	3,978,513	335,070	4,313,583
c) employees' leaving entitlement	939,319	-72,095	867,224
d) pension and similar costs			
e) other costs	2,929,742	-1,220,058	1,709,684
10) Amortisation, depreciation and write-downs			
a) amortisation of intangible fixed assets	657,784	-24,315	633,469
b) depreciation of tangible fixed assets	3,362,895	285,208	3,648,103
c) other write-downs of fixed assets			
d) write-downs of current receivables and liquid funds			
11) Changes in raw materials, consumables, supplies and goods	1,147,570	7,595,636	8,743,206
12) Provisions for risks			
13) Other provisions	188,000	-141,000	47,000
14) Other operating costs	863,075	-65,080	797,995
Total production cost	210,783,629	-66,401,150	144,382,479

Financial income and charges

Dividends

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

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

Income from equity investments

As shown in caption C15) of the profit and loss account, financial income amounts to €345,429, comprising dividends received from the subsidiary LATI UK (€345,205), not collected during the year, and on other securities (€224).

	Income other than dividends
From subsidiaries	345,205
From others	224
Total	345,429

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 bank deposits	180,316
Interest income on derivatives	369,631
Other interest income	775
Total	**550,722**

Interest and other financial charges

	Amount
Interest expense on non-current loans	1,288,047
Interest expense on credit facilities (advances on invoices) and current accounts	163,559
Cash discounts granted to customers	490,946
Interest on derivatives	1,292
Other interest expense	1,262
Total	**1,945,106**

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	183,241
Unrealised exchange rate gains	-
Reversal of unrealised exchange rate gains	-
Realised exchange rate losses	- 249,801
Unrealised exchange rate losses	-
Net exchange rate losses (caption C17-bis))	**- 66,560**

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 (negative €16,819). 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.	€197,300
Write-downs:	
Atlantide SA	€4,555

The investment in other securities recognised in 2021 was written back by €45,963 during the year.

Amount and nature of individual revenues/costs of exceptional size or impact

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 receivable is recognised when payments on account, withholdings and receivables exceed the taxes payable.

The company is part of the parent'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 tax assets	2022	Reversals	2023	Increase	2023	Deferred tax assets	2023
		IRAP 3.9%		IRAP 3.9%		IRAP 3.9%		IRAP 3.9%
Deductible temporary differences	Tax base	IRES 24.0%	Tax base	IRES 24.0%	Tax base	IRES 24.0%	Tax base	IRES 24.0%
Provisions for future risks and charges	616,136	16,736	9,358	365	-	-	606,778	16,371
		147,873		2,246		-		145,627
Accruals for agents' termination indemnities	5,543	216			153	6	5,696	222
		1,331				37		1,368
Provision for inventory write-downs	881,160	34,365	881,160	34,365	1,322,483	51,577	1,322,483	51,577
		211,480		211,479		317,396		317,397
Undeducted provision for bad debts	295,716	-	-	-	-	-	295,716	-
		70,970		-		-		70,970
Unpaid directors' fees	63,000	-	63,000	-	-	-	-	-
		15,120		15,120		-		-
Write-down of securities recognised under current financial assets	92,054	-	45,964	-	-	-	46,090	-
		22,093		11,031		-		11,062
Derivatives	-	-	-	-	236,919	-	236,919	-
		-		-		56,861		56,861
TOTAL	**1,953,609**	**520,184**	**999,482**	**274,606**	**1,559,555**	**425,877**	**2,513,682**	**671,455**

Deferred tax assets of €56,861, related to the recognition of derivative liabilities, were allocated to the hedging reserve and not to the profit and loss account.

The company also recognised deferred tax liabilities of €121,419 for IRES related to the recognition of derivative assets. A balancing entry was recorded as a reduction in the hedging reserve.

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

Current taxes:		€412,167
- IRAP	€179,742	
- Income taxes	€232,468	
- Taxes relative to prior years	-€43	
Deferred taxes:		-€94,410
- Increase in deferred tax assets	-€369,016	
- Reversal of deferred tax assets	€274,606	
Total income taxes		**€317,757**

Other information

SHAREHOLDER LOANS

None.

FINANCE LEASES

None.

Research and development

During 2023, the R&D department worked on the study, formulation and production of new materials for a wide range of applications. This took place as part of three product development projects:

The main research issues treated by the department during the year were:

Project 1: Developing new solutions and gaining new technical and scientific knowledge aimed at the formulation and testing of innovative thermoplastic compounds.

Project 2: Assessment of the sustainability of our products and their footprint using the '"Life Cycle Assessment'" methodology

Project 3: SAbyNA Project — a project funded by the EU Horizon 2020 research and innovation program - which aims to select the best strategies for the design and development of safer nanocomposites.

The company is confident that these innovative projects will produce satisfactory results in terms of turnover, with a positive impact on its financial position and results of operations.
With reference to its R&D activities, the company will apply for the benefits provided for by article 1.198/209 of Law no. 160/2019 as amended by article 1.1064 of Law no. 178/2020 as subsequently amended.

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

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

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

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

2. Disclosure required by Law no. 72/1983:

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

	Land and buildings	Light constructions	Machinery	TOTAL
Non-revalued assets:				
Historical cost	13,762,800	621,995	37,319,684	51,704,479
Revalued assets:				
Historical cost	9,233,421	210,262	858,059	10,301,742
Law no. 72/1983	-	-	1,510,714	1,510,714
Law no. 413/1991	878,100	61,975	-	940,075
Law no. 266/2005	10,000,000	-	-	10,000,000
Law decree no. 185/2008	5,128,343	-	-	5,128,343
Closing gross amount	39,002,664	894,232	39,688,457	79,585,353
Accumulated depreciation	17,281,969	690,024	33,257,403	51,229,396
Carrying amount	21,720,695	204,208	6,431,054	28,355,957

The company has reclassified light constructions to land and buildings.

Workforce

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

	Average number
Managers	14
Junior managers	44
White collars	88

Blue collars	142
Total	288

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	1,128,333	29,605

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 financial statements	36,467
Other audit services	7,190
Total	43,657

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	740000	3,818,400.00
Total		740,000	3,818,400.00	740000	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 by the company

None.

Off-balance sheet commitments, guarantees and contingent liabilities

In addition to ordinary orders acquired and to be carried out during its business activities and commitments undertaken on a regular basis, whose disclosure herein is usually considered immaterial to assess the company's financial position and cash flows, the company does not have other off-balance sheet commitments.

There are no other off-balance sheet commitments relating to pension and similar obligations or taken on vis-à-vis subsidiaries and parents, with the sole exception of the guarantee given through BNL to the Bank of Nanjing for €2,400,000 (reduced to €1,200,000 in January 2024) and a guarantee given through Banca Intesa to Banca Intesa SanPaolo Shanghai of €1,000,000, both on behalf of the subsidiary LATI Shanghai.

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.

Information on related party transactions

As required by article 2427.22-bis of the Italian Civil Code, it is noted that all 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 company's turnover for the first few months of 2024 is in line with the budget in terms of sales volumes and price trends. Specifically, it has seen a slight increase in volumes and a modest reduction in sales prices.

The significant post-balance sheet events include:

- the prolongation of global tension raised by the Israel-Palestine conflict;

- the general deflationary trend;

- possible supply risks due to the Houthi attacks from Yemen on commercial ships sailing through the Red Sea in December 2023.

While the consequences of both the ongoing war and price tensions cannot be predicted, the company has shown itself to be profitable, able to preserve its value and to have a strong financial position over the years.

The main risk to which it is exposed is the continued weak demand. The first quarter of 2024 showed a slight recovery compared to that set out in the 2024 budget. The economic situation remains uncertain however as the market is showing both initial signs of slight revival and further elements that could cause issues for Europe's competitive edge.

As in previous years, LATI can rely on its sound financial position and clear course of strategic development aimed at maintaining profitability and its ability to create value. Specifically, it is becoming increasingly more important to combine its sustainability strategy with its repositioning strategy towards sustainable, safe, long-lasting plastic products with high added value that make the most of LATI's specific know-how.

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
Unicredit-IRS protetto Pay ESG	MMX28166381	€729,167	31/05/2027	€38,380
Unicredit-IRS protetto Pay ESG	MMX28166363	€3,532,609	31/03/2027	€171,646
Banco BPM-fixed rate with minimum guarantee	1-1-109	€3,900,634	30/06/2027	€60,393
BNL-BNP Paribas	27443282	€8,000,000	19/11/2027	€235,492
BPM - amortising floor collar	1-1-107	€5,000,000	30/09/2026	-€80,361
Intesa - IRS	99347183	€7,500,000	30/09/2026	-€124,196
Banco Popolare di Sondrio - collar	150,001	€2,819,885	01/08/2026	-€32,362

As already mentioned, the fair value gain has been recognised under financial fixed assets with a balancing entry in net equity, while the fair value loss has been provided for in a provision with a balancing entry in net equity as described earlier.

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:

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

	Most recent year	Previous year
Reporting date	31/12/2022	31/12/2021
B) Fixed assets	8,532,622	8,533,450
C) Current assets	3,208,201	3,616,398
D) Prepayments and accrued income	4,583	4,034
Total assets	11,745,406	12,153,882
A) Net equity		
Share capital	1,680,000	1,680,000
Reserves	5,493,510	5,788,442
Net profit for the year	371,895	1,005,066
Total net equity	7,545,405	8,473,508
C) Employees' leaving entitlement	77,836	69,246
D) Payables	4,122,165	3,610,981
E) Accrued expenses and deferred income		147
Total liabilities	11,745,406	12,153,882

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

	Most recent year	2022
Reporting date	2022	31/12/2021
A) Production revenues	160,002	160,000
B) Production cost	381,444	379,085
C) Financial income and charges	541,803	1,179,505
Income taxes	(51,534)	(44,646)
Net profit for the year	371,895	1,005,066

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

The disclosure about amounts received by the company in 2023 required by article 1.125-129 of Law no. 124/2017, considering the guidelines issued to date, is as follows:

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

Granting body	Grant received	Reason
Ministry of Economy and Finance-Tax authorities	402,768	R&D&I tax benefit - Law no. 160/2019
Ministry of Economy and Finance-Tax authorities	600,083	Tax benefit for energy-intensive companies
Ministry of Economy and Finance-Tax authorities	181,912	Tax benefit for gas-intensive companies
Cassa per i servizi energetici e ambiente	403,458	Subsidies for energy-intensive companies
Fondimpresa	8,672	Training grants (article 31)
INPS	4,998	Exemption from paying contributions (art. 1.10-15 of Law no. 178/2020)
Made scarl	500	Training grants (article 31)
Vedano Olona municipality	19,707	Reimbursement for the effective hours and days to fulfil position as mayor, as per article 80 of Legislative decree no. 267/2000
Municipality of Venegono Superiore	418	Reimbursement for the effective hours and days to fulfil position as municipal councillor, as per article 80 of Legislative decree no. 267/2000
Ministry of Economy and Finance-Tax authorities	189,449	Tax benefit on investments

Total subsidies, grants, paid positions and economic advantages: 0

Total economic advantages received: €1,811,965

Proposal for the allocation of the net profit for the year

We propose that the €3,082,586.16 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, 25 March 2024

For the board of directors

The chairman of the board of directors

(Dominique Renaudin)

INDEPENDENT AUDITORS' REPORT

KPMG S.p.A.
Revisione e organizzazione contabile
Corso Matteotti, 1
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PEC kpmgspa@pec.kpmg.it

(This independent auditors' report has been translated into English solely for the convenience of international readers. Accordingly, only the original Italian version is authoritative.)

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 2023, 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 2023 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 the 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 audit 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.

KPMG

LATI Industria Termoplastici S.p.A.
Independent auditors' report
31 December 2023

Responsibilities of directors and the 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;

KPMG

LATI Industria Termoplastici S.p.A.
Independent auditors' report
31 December 2023

- 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 2023 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 2023 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 2023 and has been prepared in compliance with the applicable law.

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

Varese, 11 April 2024

KPMG S.p.A.

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

REPORT OF THE BOARD OF STATUTORY AUDITORS TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 PURSUANT TO ARTICLE 2429, COMMA 2 OF THE ITALIAN CIVIL CODETATUTORY AUDITORS' REPORT TO THE SHAREHOLDERS PURSUANT TO ARTICLE 31 OF THE ITALIAN CIVIL CODE

To the shareholders of LATI INDUSTRIA TERMOPLASTICI S.P.A.,

The oversight activities carried out for the year ended December 31st, 2022, were based on the legal requirements and the Rules of Conduct for the Boards of Statutory Auditors of unlisted companies issued by the Italian Association of Chartered Accountants and Accounting Experts.

This report details the abovementioned activities and the related findings.

You have been presented with the financial statements of LATI TERMOPLASTICI S.P.A. as at December 31st, 2023, prepared in accordance with the Italian regulations governing their disclosure, and which show a net profit of € 3,082,586. The financial statements were made available to us as per the requirements of the prevailing legislation.

The Board of Statutory Auditors, which is not appointed to carry out the legal audit, carried out the supervision of the financial statements as set forth by Rule 3.8. of the "Rules of

Conduct for the Boards of Statutory Auditors of unlisted companies”, comprising an overall summary check designed to verify the correct drawing up of the financial statements. Verification of the accuracy of accounting data is the responsibility of the appointed independent auditor.

The appointed independent auditors, KPMG S.p.a., provided us with their report dated April 11th, 2023, and containing an unmodified opinion.

The report of the independent auditors confirms that the financial statements as at 31.12.2023 give a true and fair assessment of the financial position, performance and cashflow of LATI TERMOPLASTICI S.P.A. and likewise confirms that said statements were drawn up in accordance with the regulations governing their preparation.

Supervisory activities pursuant to Article 2403 (and subsequent amendments) of the Italian Civil Code

We monitored compliance with the law and the company’s statute, as well as compliance with the principles of proper administration and, in particular, the adequacy and actual functioning of the organisational, administrative and accounting framework adopted by the company.

We attended shareholders' meetings and meetings of the Board of Directors and, based on the information available, we have no particular findings or issues of note to report.

During our meetings, the management of the company provided us with information on the general performance of operations and their foreseeable evolution, as well as details of the most significant transactions - in terms of their size or nature - carried out by the company and its subsidiaries. Based on the information obtained, we have no particular observations to report.

Liaising with the independent auditors, we promptly exchanged data and information relevant to the execution of our oversight.

We have read the report of the Supervisory Body and have not identified any critical issues for the purposes of this report.

We analysed and monitored the company’s organizational, administrative, and accounting system and its effective functioning, not least through information-gathering with departmental heads, and did not identify any issues of note in this regard.

Within the limitations of our brief, we analysed and monitored the adequacy and functioning of the company’s administrative-accounting system, and its reliability in providing an accurate representation of the company’s performance. We did so by interviewing departmental heads and through the examination of company documentation, and we did not subsequently identify any issues of note.

We did not receive any complaints from shareholders as per Articles 2408 and 2409 of the Italian Civil Code.

We did not file any complaints pursuant to Article 2409 of the Italian Civil Code.

During the Meeting of the Board of Directors' of February 27th, 2023, the Board of Statutory Auditors approved the award of an extraordinary bonus to the CEO for the financial year 2023. During 2023 the Board of Statutory Auditors did not issue any other opinions or comments as required by law.

During the year, we did not report any issues to the Board of Directors in respect of the stipulations of Article 25-octies of Legislative Decree No. 14, dated January 12th, 2019.

We did not receive any reports of concerns from public creditors in respect of the stipulations of Article 25-novies of Legislative Decree No. 14, dated January 12th, 2019.

During the oversight activities described above, no other significant facts emerged that are worthy of note in this report.

Comments on the Financial Statements

As stated in the report of the independent auditor, “The financial statements give a true and fair assessment of the financial position, performance and cashflow of LATI TERMOPLASTICI S.P.A. for the year ending 31.12.2023, in accordance with the Italian regulations and criteria governing the preparation of said statements”.

To the best of our knowledge, the Board of Directors, in drafting the financial statements, did not breach the legal requirements of Article 2423, Paragraph 5, of the Italian Civil Code.

Comments and recommendations regarding approval of the financial statements

Considering the results of our work and the opinion expressed in the report of the independent auditors, we find no impediment to the shareholders’ approval of the financial statements drawn up by the Board of Directors for the year ended December 31st, 2023.

The Board of Statutory Auditors endorses the proposal of the Board of Directors for the allocation of annual net profit, as detailed in the explanatory notes to the financial statements.

Varese, April 11th, 2024

The Board of Statutory Auditors

Dott.ssa Sonia De Micheli

Dott.ssa Maria Vittoria Bruno

Dott.ssa Sonia Pugliese

LATI INDUSTRIA TERMOPLASTICI S.p.A.

Company managed and coordinated by
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Registered office: Via Francesco Baracca 7 - 21040 Vedano Olona
Share capital: €3,818,400 fully paid-up

Varese company registration no. 00214880122

Tax code and VAT no. 00214880122

VARESE Chamber of Commerce REA no. 41557

MINUTES OF THE ORDINARY SHAREHOLDERS' MEETING OF 29 APRIL 2024

On April 29th, 2024, at 3pm, the shareholders of LATI – Industria Termoplastici S.p.A. held an ordinary meeting at the registered offices of Torba – Gornate Olona, via delle Industrie and via video call on the Teams platform, after the meeting had been regularly called to discuss and resolve on the following:

AGENDA

1. Reading of the directors' report, financial statements for the year ended as of December 31st, 2023, and the statutory auditors' and independent auditors' reports thereon and related resolutions.
2. *… [omissis];*
3. *… [omissis];*
4. any other matters.

The meeting was held on first call.

The following Directors attended in-person:

- Dominique Renaudin.
- Cristina Boffi
- Laura Massironi - Aldo Tucci

- Domenico Vitangeli

The following Directors attended the meeting via videoconference:

- Michela Conterno
- Livia Conterno
- Loredana Mercante

The ladies below mentioned attended in person as well:

- Sonia De Micheli – Chairwoman of the Board of Statutory Auditors
- Maria Vittoria Bruno – Statutory Auditor
- Sonia Pugliese, Statutory Auditor.

By invitation, Michela Limido, the Company's CFO, Valentina Elena Lazzarotti, Marco Guazzoni, Martina Ballerio, Emanuele Giangreco and Alessandro Tonolini attended the meeting in person.

At the explicit request of Mr. Dominique Renaudin, Chairman of the Board of Directors, Dr. Michela Conterno takes the chair of the meeting and Dr. Michele Bignami, consultant of the company, is called to act as Secretary, who, present at the meeting, accepts.

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

- the holders of 740,000 shares, equal to 100% of the Company's share capital, were present directly or by proxy, as follows:
- SVI Sviluppo Industriale SpA, holding 724,660 shares in his own name, in the person of legal representative Livia Conterno; or Conterno Carla, owner of 15,340 shares, by proxy to Dr. Alessandro Tonolini; the presence of all the members of the Board of Directors;
- the presence of all Standing Auditors; declares the meeting duly constituted and able to pass resolutions.

Having declared the discussion on the first item on the agenda open, the Chairman invites the Secretary present the main data of the directors' report and of the financial statements as of December 31st, 2023 once all the attendees confirmed that they had seen the documents.

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

After a brief discussion and having acknowledged the statutory auditors’ and independent auditors’ reports, the shareholders unanimously approved the directors’ report and the financial statements as of December 31st, 2022.

All the above documents are attached thereto.

Also unanimously, the meeting, approves the board of directors' proposal to allocate the profit for the year of €3,082,586.16 to the extraordinary reserve, as the tied reserve has already reached the legal limits.

With respect to the second item of the agenda, … *[omissis].*

With respect to the third item of the agenda, … *[omissis].*

As there are no other items on the agenda, the Chairman declared the meeting dissolved at 3:25 pm, after having read and approved these minutes that will be undersigned by the Chairman and Secretary.

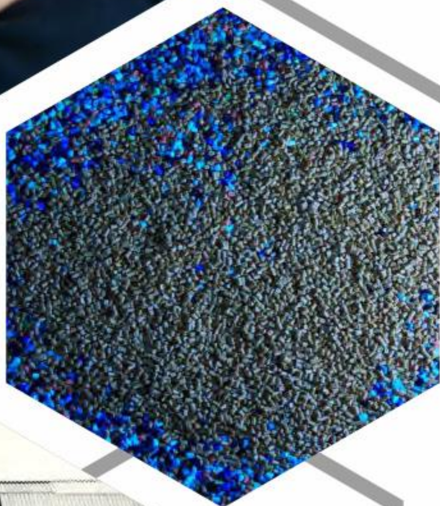
Chairman

(Michela Conterno)

Secretary

(dr. Michele Bignami)

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