Annual Financial Report
2022

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Information about the Company and Information for Shareholders

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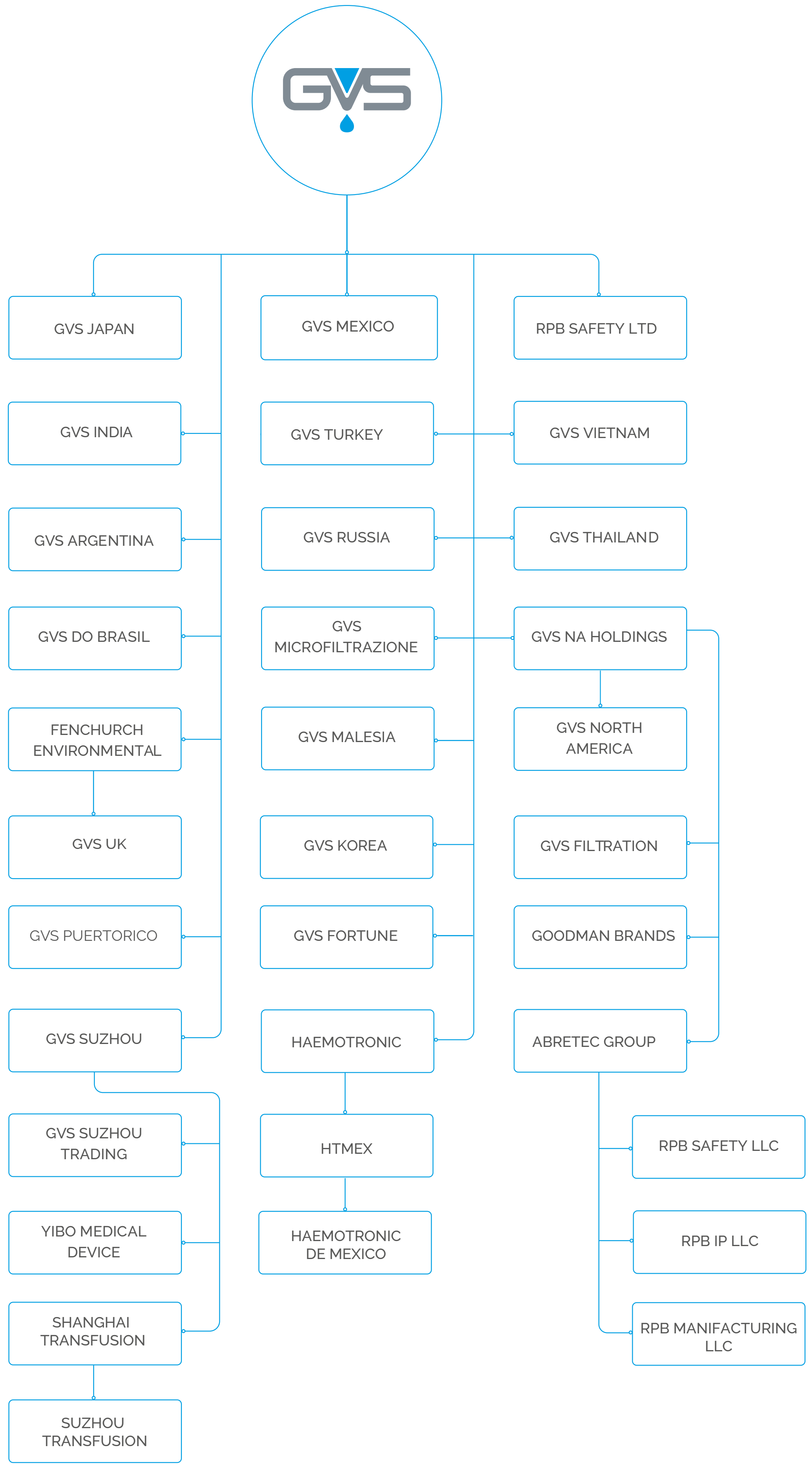
Group Structure*



*For information on the company name, registered office, the currency in which the Company operates, share capital of the GVS Group companies and the stake held by GVS SpA, please see the Explanatory Notes.
** The Shanghai Transfusion and Suzhou Transfusion acquisition agreement was signed on 20 December 2021 with closing date in March 2022.

Corporate Bodies

Board of Directors	
Chair	Grazia Valentini [2]
Chief Executive Officer	Massimo Scagliarini
Executive Directors	Marco Scagliarini
	Mario Saccone
	Matteo Viola
Independent Directors	Nadia Buttignol [1]
	Arabella Caporello [1]
	Alessandro Nasi [2]
	Michela Schizzi [1] [2]
Board of Auditors	
Chair	Patrizia Lucia Maria Riva
Standing auditors	Francesca Sandrolini
	Stefania Grazia
Substitute auditors	Daniela Baesi
	Mario Difino
Manager responsible for the preparation of the company's accounting documents	Emanuele Stanco
Independent Auditors	PricewaterhouseCoopers SpA

(1) Member of the Control, Risk and Sustainability Committee
(2) Member of the Nominations and Remuneration Committee

04.

Directors' Report on Operations

Foreword

The Management Report of GVS SpA (hereinafter also referred to as the "Company" or the "Parent Company") and that of the GVS Group are presented with the annual financial statements and consolidated financial statements at 31 December 2022.

The annual and consolidated financial statements at 31 December 2022 were prepared in accordance with EU-IFRS standards. The consolidated financial statements at 31 December 2022 closes with a profit of Euro 24,120 thousand, after Euro 10,505 thousand in taxation and a total of Euro 38,478 thousand in amortisation, depreciation and writedowns. The Management Report is intended to provide information the situation of the Company and the GVS Group and on management trends as a whole and in the various areas in which the Group operates, also through its subsidiary companies, and has been prepared in compliance with the provisions of section 2428 of Italy's Civil Code.

The tables below have been prepared on the basis of the consolidated financial statements and the annual financial statements at 31 December 2022, to which reference should be made. The latter were prepared in accordance with the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and approved by the European Union, as well as with measures issued in implementation of Article 9 of Legislative Decree no. 38/2005.

Group Performance and Analysis of the Results of the Year 2022

The GVS Group is one of the world's leading suppliers of filter solutions for applications in the following industries: Healthcare & Life Sciences, Energy & Mobility and Health & Safety. The year 2020 and the first part of 2021 were strongly influenced by the outbreak of the COVID-19 pandemic, which for the Group had a significant impact on the sales of two sub-divisions: Healthcare Air & Gas and Personal Safety. The second half of 2021 and 2022 were periods characterized initially by a sustained recovery of the global economy, with a correlated inflationary push combined with the difficulty of procuring some materials, and subsequently by the energy crisis triggered by the war in Ukraine with a further growth in related expense items.

In this macroeconomic context with a high rate of instability and unpredictability, the GVS Group has carried out three new acquisitions over the last 18 months, making the management scope even more complex to read, especially in terms of comparability with previous homogeneous periods. For this reason, the internal comparison metrics start by neutralizing the impacts of the sales of disposable masks (FFP3) linked specifically to the continuation of the pandemic.

The table below breaks down revenues from contracts with customers by division in the periods ending on 31 December 2021 and 31 December 2022 presented with and without sales of disposable masks.

	Period ended 31 December		
(in thousands of Euro)	2022	2021 without sales of disposable masks for the pandemic	2021
Healthcare Liquid	181,297	100,107	100,107
Healthcare Air & Gas	30,031	48,607	48,607
Laboratory	34,057	31,602	31,602
Healthcare & Life Sciences	**245,385**	**180,316**	**180,316**
Powertrain & Drivetrain	31,177	29,000	29,000
Safety & Electronics	22,315	21,626	21,626
Sport & Utility	23,838	20,089	20,089
Energy & Mobility	**77,330**	**70,715**	**70,715**
Personal Safety	59,961	30,981	81,981
Air Safety	4,915	5,114	5,114
Health & Safety	**64,876**	**36,095**	**87,095**
Revenue from customer contracts	**387,591**	**287,126**	**338,126**

During 2022 GVS achieved consolidated revenues of Euro 387.6 million, +14.6% compared to Euro 338.1 million, recorded in 2021. The figure is up by 35% thanks to the contribution of the latest acquisitions once the impact of sales deriving from the spread of the COVID-19 pandemic in the twelve months of 2021 (normalized sales equal to Euro 287.1 million) have been neutralised.

The revenues of the Healthcare & Life Sciences division recorded significant growth in the Healthcare Liquid business (+81.1%), compared to last year, thanks also to the acquisitions concluded in the first part of 2022 (Euro 75 million), absorbing the contraction recorded in the Healthcare Air & Gas business. The Laboratory business shows an increase in turnover of 7.8%, settling at Euro 34 million, against the revenues of 2021, equal to Euro 31.6 million, which had also benefited during 2021 from revenues equal to Euro 3 million, following an agreement reached with a customer for the early closure of a supply order.

The Energy & Mobility division recorded a positive trend with an increase of 9.4% in terms of revenues compared to the same period of the previous year, with the confirmation of the gradual recovery of production levels prior to the pandemic, thanks to the recovery of orders that had been rescheduled due to the disruptions of the logistics and supply chain in the sector.

Once the effects of extraordinary consumption deriving from the pandemic had been overcome, the Health & Safety division refocused on the development of the business of professional masks, benefiting also from the positive contribution of the acquisition of the RPB business, consolidated from September 2021, which recorded revenues of approximately 42 million euros in 2022.

In terms of performance and breakdown of revenues from contracts with customers as of 31 December 2022:

- the Healthcare & Life Sciences division, which represents 63.3% of the total, recorded revenues of Euro 245.4 million and grew by 36.1% compared to 2021. STT and Haemotronic, taken over and consolidated respectively from 1 March 2022 and from 15 June 2022, contributed approximately Euro 75 million;
- the Energy & Mobility division, which represents 20% of the total, recorded an increase in turnover level of 9.4% compared to 2021, reaching Euro 77.3 million;

- the Health & Safety division represents 16.7% of the total and settled at Euro 64.8 million with a reduction of 25.5% compared to the same period of the previous year. After neutralising the effect of sales of disposable masks due to COVID-19, a growth of 79.7% is recorded.

The financial statements for the year closing at 31 December 2022 are shown below in comparison with those of the previous year, reclassified on the basis of current practice in financial analysis.

Analysis of reclassified financial position

	Financial year ended 31 December							
(in thousands of Euro)	2022	of which non-recurring	2022 *Adjusted*	%	2021	of which non-recurring	2020 *Adjusted*	%
Revenues from sales and services	387,591		387,591	100.0%	338,126		338,126	100.0%
Other revenues and proceeds	4,442		4,442	1.1%	4,949	3,644	1,305	0.4%
Total revenues	**392,033**	**-**	**392,033**	**101.1%**	**343,075**	**3,644**	**339,431**	**100.4%**
Cost of raw materials purchases and variations in inventories	(141,198)	(6,717)	(134,481)	-34.7%	(96,094)	(1,548)	(94,546)	-28.0%
Services	(54,573)	(1,967)	(52,606)	-13.6%	(36,662)	(2,068)	(34,594)	-10.2%
Various operating costs	(5,301)		(5,301)	-1.4%	(5,390)	(1,583)	(3,807)	-1.1%
Added value	**190,961**	**(8,684)**	**199,645**	**51.5%**	**204,929**	**(1,555)**	**206,484**	**61.1%**
Cost of labour	(123,529)	(2,897)	(120,632)	-31.1%	(98,599)		(98,599)	-29.2%
EBITDA	**67,432**	**(11,581)**	**79,013**	**20.4%**	**106,330**	**(1,555)**	**107,885**	**31.9%**
Amortisation and depreciation	(37,972)	(14,216)	(23,756)	-6.1%	(23,528)	(5,384)	(18,144)	-5.4%
Provisions and writedowns	(506)		(506)	-0.1%	(462)		(462)	-0.1%
EBIT	**28,955**	**(25,797)**	**54,752**	**14.1%**	**82,340**	**(6,939)**	**89,279**	**26.4%**
Financial proceeds and charges	5,671	(2,571)	8,242	2.1%	7,418	(630)	8,048	2.4%
Pre-tax result	**34,625**	**(28,368)**	**62,993**	**16.3%**	**89,758**	**(7,569)**	**97,327**	**28.8%**
Income tax	(10,505)	6,017	(16,522)	-4.3%	(22,153)	(184)	(21,969)	-6.5%
Group's and minority shareholders' net profit or loss	**24,120**	**(22,351)**	**46,471**	**12.0%**	**67,604**	**(7,753)**	**75,357**	**22.3%**

At 31 December 2022, the consolidated economic results of operations were as follows: total revenues from ordinary operations amounted to Euro 392 million (Euro 339.4 million in 2021); EBITDA from ordinary operations Euro 79 million (Euro 107.9 million in 2021); EBIT from ordinary operations Euro 54.8 million (Euro 89.3 million in 2021).

Adjusted EBITDA shows a margin on revenues of 20.4% and is equal to Euro 79 million (Euro 107.9 million in 2021). The result for the period was affected (*i*) by the delay in applying the increase in sales prices to offset the increase in production costs relating to raw materials and energy, (*ii*) by the normalization of profitability linked to the lower sales attributable to the COVID pandemic and the consequent lower absorption of industrial fixed costs, as well as the decrease in sales in the Healthcare Air & Gas sector resulting from the loss of a significant customer of the division, as well as (*iii*) by the investments made to strengthen the commercial and managerial structure at the service of future growth with the consequent increase in the level of operating leverage.

EBIT from ordinary operations with a margin on revenues of 14.1% is equal to Euro 54.8 million, -38.7% compared to Euro 89.3 million in the period of the previous year. There was an increase in the item amortization and depreciation attributable to the acquisitions of RPB, STT and Haemotronic and for the remaining part attributable to the acceleration of the investment plans implemented by the Group over the last few years, in order to cope with the necessary increase in production capacity.

Net financial charges from ordinary operations (without considering the impact of net exchange rate gains of Euro 14,398 thousand recorded in 2022 and of Euro 10,052 thousand recorded in 2021) increased in the period in question, going from Euro 2,004 thousand for the period ended 31 December 2021 to Euro 6,156 thousand for the period ended 31 December 2022, mainly due to the new financial payables linked to the acquisitions, completed in the second half of 2021 and the first half of 2022, and to the increase in market interest rates, some portions of the loans are related to.

The pre-tax result of recurrent activities reached Euro 63 million in 2022, Euro 34.3 million lower than the 2021 figure of Euro 97.3 million, due to the effect of the factors described above.

Non-recurrent proceeds and charges in the period ending on 31 December 2022 represent: (*i*) to greater costs related to the higher inventory value attributed following the purchase price allocation of the RPB, STT and Haemotronic groups (a total of Euro 6,717 thousand); (*ii*) costs allocated to the provision for the reorganization process relating to Group personnel (totalling Euro 2,897 thousand); (*iii*) to consultancy costs related to company acquisitions and/or services received/used of an exceptional nature (Euro 1,967 thousand), (*iv*) amortization of intangible and depreciation of tangible assets recognized following the purchase price allocation of the Kuss, RPB, Haemotronic and STT groups (a total of Euro 14,216 thousand) and finally (*v*) interest recorded following the discounting of the debts for earn out for the acquisitions of the STT, RPB and Haemotronic groups (Euro 2,571 thousand), net of the related effect of taxation. Non-recurring charges for taxes also include € 1,000 thousand relating to the costs of the tax dispute with the Company.

Non-recurrent proceeds and charges in the period ending on 31 December 2021 represent: (*i*) to the capital gains realized following the sale to the Chinese government of the production site in Suzhou (Euro 1,952 thousand) and the sale of the factories located in Brazil and Romania (Euro 828 thousand and Euro 91 thousand); (*ii*) to grants obtained from the Chinese government for the relocation of the same production site (Euro 773 thousand); (*iii*) to CONSOB supervisory costs paid lump sum in relation to the IPO procedure (Euro 991 thousand) and consultancy costs for the purchase of the RPB group and for other extraordinary transactions in place (Euro 1,077 thousand); (*iv*) to costs allocated to the provisions for the relocation of the Chinese production site, mentioned above, and of the English production site (for a total of Euro 1,583 thousand); (*v*) to the higher costs relating to the inventory value attributed following the purchase price allocation of the RPB group (Euro 1,548 thousand), (*vi*) to amortization of intangible and tangible assets recognized following the purchase price allocation of the Kuss and RPB groups (Euro 5,384 thousand) and finally (*vii*) to the interest recorded following the discounting of the debt for earn out to be paid for the aforementioned acquisition (Euro 630 thousand), net of the related effect of taxation. Non-recurring charges for taxes also include € 2,000 thousand relating to the costs of the tax dispute with the Company.

Analysis of reclassified equity position

(in thousands of Euro)	At 31 December 2022	At 31 December 2021
Net intangible fixed assets	494,846	227,743
Net usage rights	22,991	10,420
Net tangible fixed assets	120,403	77,622
Financial fixed assets	3,579	978
Other fixed assets	12,004	1,965
Fixed capital (A)	**653,824**	**318,727**
Net trade receivables	72,945	52,975
Inventories	106,922	72,353
Payables to suppliers	(57,944)	(23,820)
Net commercial working capital (B)	**121,923**	**101,508**
Other current assets	19,410	19,279
Other current liabilities	(32,072)	(21,629)
Total current assets/liabilities (C)	**(12,662)**	**(2,351)**
Net working capital (D)= (B) + (C)	**109,260**	**99,157**
Other non-current liabilities (E)	(46,086)	(5,675)
Employee termination indemnity and end of service indemnity (F)	(4,630)	(4,366)
Provisions for risks and charges (G)	(9,221)	(4,654)
Net invested capital (H) = (A+D+E+F+G)	**703,148**	**403,188**
Shareholders' equity	(327,675)	(295,346)
Consolidated shareholders' equity (I)	**(327,675)**	**(295,346)**
(Short-term financial indebtedness)/Liquidity	**(306,602)**	79,095
(Net medium/long term financial indebtedness)	(68,871)	(186,937)
Net financial indebtedness (L)	**(375,473)**	**(107,843)**
Own funds and net financial indebtedness (M) = (I+L)	**(703,148)**	**(403,188)**

The short-term net financial debt, equal to Euro 306,602 thousand, reflects the fact that a portion of the medium-term financial debt (Euro 366,603 thousand) was reclassified under the balance sheet item "Current financial liabilities" in line with the provisions of IAS 1, on the basis of which in the event of overrun of a covenant, the financial debt is classified among non-current liabilities only if the lender has agreed, before the closing date of the financial year, to provide a grace period ending at least twelve months after the closing date of the financial year, within which the entity can remedy the breach and during which the lender cannot request an immediate repayment. With reference to GVS, a period has been identified in which the Company can remedy the covenant, through a subordinated and unsecured shareholder loan, but this period is less than 12 months. Even if essentially these payables are not due within the twelve-month period following 31 December 2022, as the Company has not received any formal request for payment from the credit institutions, the reclassification has been accounted for in the consolidated financial statements as required by international accounting principles. We therefore note that at the date of this report on operations the breakdown between adjusted short-term and medium / long-term net financial debt, which reflects the actual share of loans to be paid in the next twelve months, differs from the as reported short and medium / long term breakdown, prepared in accordance with the requirements of IAS 1, and is highlighted in the following table:

(in thousands of Euro)	At 31 December 2022	At 31 December 2021
(Short-term financial indebtedness)/Liquidity *as reported*	(306,602)	79,095
(Net medium/long term financial indebtedness) *as reported*	(68,871)	(186,937)
Net financial indebtedness (L)	**(375,473)**	**(107,843)**
(Short-term financial indebtedness)/Liquidity *adjusted*	60,001	79,095
(Net medium/long term financial indebtedness) *adjusted*	(435,474)	(186,937)
Net financial indebtedness (L)	**(375,473)**	**(107,843)**

Fixed capital at 31 December 2022 shows an increase of Euro 335,097 thousand, mainly due to the acquisition of the STT and Haemotronic groups for a comprehensive amount of Euro 322,065 thousand. Specifically, net intangible assets increased by € 267,103 thousand, of which € 268,533 thousand for the additional goodwill and provisional intangible fixed assets amounts recorded from the STT and Haemotronic acquisitions, net of the exchange rate effect and depreciation for the period; tangible fixed assets increased by € 42,782 thousand, of which € 38,686 thousand related to STT and Haemotronic and net usage rights increased by Euro 12,571 thousand, of which Euro 11,801 thousand relating to Haemotronic net of amortisation of the period.

The balance of commercial net working capital at 31 December 2022 shows an increase of Euro 20,415 thousand, compared to 31 December 2021, due for Euro 30,603 to the net working capital relating to the STT and Haemotronic groups. Excluding the increase to be attributed to these extraordinary transactions and the exchange rate effect in the period, trade working capital shows an overall decrease of Euro 5,670 thousand, which mainly concerned trade payables whose increase compared to last year more than offset the increase in trade receivables.

The increase in other current assets as at 31 December 2022, equal to Euro 131 thousand, is mainly attributable to extraordinary transactions for the period for Euro 3,047 thousand, due to the increase in prepaid expenses and tax receivables for indirect taxes, which offset the reduction shown by direct tax credits.

The increase in other current liabilities at 31 December 2022 compared to 31 December 2021, equal to Euro 10,443 thousand, is mainly attributable to the STT and Haemotronic groups due to the increase in payables for indirect taxes, payables to employees and to social security institutions and advances received from customers.
The increase in other non-current liabilities at 31 December 2022 mainly refers to deferred tax liabilities recognized following the purchase price allocation relating to the acquisitions of STT and Haemotronic.

Provisions for risks and charges, equal to Euro 9,221 thousand, increased during the year due to the acquisitions of STT and Haemotronic and non-recurring provisions for risks and personnel reorganization, by Euro 1,000 thousand relating to costs relating to the tax dispute involving the Company.

Shareholders' equity at 31 December 2022 increased by Euro 32,329 thousand, mainly due to the overall result for the period equal to Euro 31,688 thousand.

The reader is referred to the next section for information on changes in net financial indebtedness.

Analysis of net financial indebtedness and net financial position

Trends in net financial indebtedness and net financial position are analysed below.

	(in thousands of Euro)	At 31 December 2022	At 31 December 2021
(A)	Cash on hand	135,169	136,893
(B)	Cash equivalents	-	-
	Term deposits	-	727
	Shares held for trading	4,592	7,437
	Financial receivables due to leasing	187	173
(C)	Other current financial assets	4,779	8,337
(D)	**Liquidity (A)+(B)+(C)**	**139,948**	**145,230**
	Current bank debts	-	-
	Financial payables to other companies in the GVS Group due to leasing	2,907	2,117
	Financial payables for leasing	5,405	2,643
	Other current payables	-	19,670
	Other financial payables	256	545
(E)	Current financial indebtedness	8,568	24,975
(F)	Current portion of non-current indebtedness	437,982	41,160
(G)	**Current financial indebtedness (E)+(F) as reported**	**446,550**	**66,135**
(H)	**Net current financial indebtedness (G)-(D)**	**(306,602)**	**79,095**
	Non-current bank debts	10,094	155,320
	Non-current bonded loans	-	24,758
	Other financial payables	41,878	87
	Financial payables to other companies in the GVS Group due to leasing	1,547	2,784
	Non-current financial payables for leasing	15,352	3,989
(I)	Non-current financial payables	68,871	186,937
	Passive derivative financial instruments	-	-
(J)	Debt instruments	-	-
(K)	Trade payables and other non-current payables	-	-
(L)	**Non-current financial indebtedness (I)+(J)+(K) as reported**	**68,871**	**186,937**
(M)	**Total net financial indebtedness (H)-(L)**	**(375,473)**	**(107,843)**

The change in net financial indebtedness at 31 December 2022 compared to 31 December 2021, totalling € 267,630 thousand, is mainly due to the net liquidity used for the acquisition of the STT and Haemotronic groups equal to € 215,958 thousand, to the net financial indebtedness for leasing and non-leasing obtained with the same STT and Haemotronic (€49,688 thousand) and to the non-current financial payables for earn out, recorded at 31 December 2022 for Euro 40,983 thousand, relating to the same extraordinary transactions. In terms of current operations, the cash generated by operations and the cash generated by working capital were much higher than the liquidity necessary to meet the ordinary investments made in the period, than that used for the payment of financial charges, taxes and the purchase of treasury shares. The increase in current net financial debt, equal to Euro 385,697 thousand, is mainly attributable to the portion of medium-term loans classified as short-term as at 31 December 2022 following the provisions of IAS 1. Even if essentially these payables are not due within the twelve-month period following 31 December 2022, as the Company has not received any formal request for payment from the credit institutions, the reclassification has been accounted for in the consolidated financial statements as required by international accounting principles.

As mentioned earlier, adjusted short-term net financial debt, which reflects the actual share of loans to be paid in the next twelve months, differs from debt as reported, prepared in accordance with the requirements of IAS 1, and is highlighted in the following table:

	(in thousands of Euro)	At 31 December 2022	At 31 December 2021
(A)	Cash on hand	135,169	136,893
(B)	Cash equivalents	-	-
(C)	Other current financial assets	4,779	8,337
(D)	**Liquidity (A)+(B)+(C)**	**139,948**	**145,230**
(E)	Current financial indebtedness	8,568	24,975
(F)	Current portion of non-current indebtedness	71,379	41,160
(G)	**Adjusted current financial indebtedness (E)+(F)**	**79,947**	**66,135**
(H)	**Adjusted net current financial indebtedness (G)-(D) adjusted**	**60,001**	**79,095**
(I)	Non-current financial payables	435,474	186,937
(J)	Debt instruments	-	-
(K)	Trade payables and other non-current payables	-	-
(L)	**Adjusted non-current financial indebtedness (I)+(J)+(K)**	**435,474**	**186,937**
(M)	**Total net financial indebtedness (H)-(L)**	**(375,473)**	**(107,843)**

The increase in adjusted current financial debt, equal to Euro 13,812 thousand, is related to the increase in the short-term portion of loans, only partially compensated by the payable for earn out relating to the RPB group equal to approximately Euro 20 million, the payment of which was made during the period under review. The increase in adjusted non-current financial debt, equal to Euro 248,536 thousand, is mainly attributable to the new debt of Euro 230 million underwritten for the acquisition of Haemotronic and the payables for earn out relating to the STT and Haemotronic groups, for Euro 40,983 thousand, payment of which will be made in the course of subsequent financial years, starting from the year 2024.

The Group's net financial position (including non-current active derivatives and non-current active loans, and excluding net current and non-current leasing liabilities recorded in accordance with the provisions of IFRS 16) is equal to negative Euro 343,325 thousand at 31 December 2022 and negative Euro 96,360 thousand at 31 December 2021.

(in thousands of Euro)	At 31 December 2022	At 31 December 2021
(M) Total net financial indebtedness	**(375,473)**	**(107,843)**
Non-current active derivative financial instruments	6,648	123
Long-term financial receivables	476	-
Financial payables for leasing (net)	25,024	11,359
Total net financial position	**(343,325)**	**(96,360)**

Cash flow statement

The cash flow statement appears below.

	Financial year ended 31 December	
(in thousands of Euro)	**2022**	**2021**
Pre-tax result	34,625	89,757
- Adjustment for:		
Amortisation, depreciation and writedowns	37,972	23,528
Capital losses / (capital gains) from sale of assets	21	(2,884)
Financial charges / (proceeds)	(5,671)	(7,418)
Other non-monetary variations	6,750	6,653
Cash flow generated / (absorbed) by operations before variations in net working capital	***73,697***	***109,637***
Variation in inventories	3,144	(9,530)
Variation in trade receivables	(11,921)	(4,671)
Variation in trade payables	13,834	(6,411)
Variation in other assets and liabilities	9,133	(662)
Use of provisions for risks and charges and for employee benefits	(1,919)	(265)
Taxes paid	(9,846)	(32,616)
Net cash flow generated / (absorbed) by operations	**76,121**	**55,483**
Investments in tangible assets	(17,841)	(19,440)
Investments in intangible assets	(5,024)	(3,755)
Disposal of tangible assets	129	7,184
Investment in financial assets	(4,116)	(3,372)
Disinvestment in financial assets	6,451	358
Payment for purchase of business unit net of cash on hand acquired	(236,027)	(129,217)
Net cash flow generated / (absorbed) by investment	**(256,429)**	**(148,242)**
Opening of long-term financial payables	232,531	150,171
Repayment of long-term financial payables	(43,861)	(18,543)
Repayment of leasing liabilities	(5,390)	(2,284)
Financial charges paid	(4,903)	(2,940)
Financial proceeds collected	1,808	479
Treasury shares	(1,405)	(3,448)
Dividends paid	-	(22,722)
Net cash flow generated/(absorbed) by financial assets	**178,780**	**100,712**
Total variation in cash on hand	**(1,527)**	**7,954**

Cash on hand at the start of the period	**136,893**	**125,068**
Total variation in cash on hand	(1,527)	7,954
Conversion differences on cash on hand	(197)	3,871
Cash on hand at the end of the period	**135,169**	**136,893**

During the period ended 31 December 2022, operations before changes in net working capital generated less liquidity of Euro 35,940 thousand compared to the same period of the previous year, mainly due to the reduction in EBITDA linked to the sales of disposable masks in 2021, more than offset by a higher cash flow, equal to Euro 56,578 thousand, generated by the management of working capital compared to the previous year.

During the period ended 31 December 2022, net investment activity (for ordinary and extraordinary acquisitions) shows a greater absorption of liquidity, compared to the same period of the previous year, for Euro 108,188 thousand following the acquisition of the STT and Haemotronic groups and the payment of the debt for earn out relating to the RPB group, carried out during 2022. This is unlike the RPB acquisition, as the first payment took place in the third quarter of 2021.

The item financial assets amounting to Euro 78,068 thousand, shows a higher level of liquidity compared to the same period of the previous year, mainly as a result of the new financial debt of Euro 230 million incurred in 2022 for the acquisition of Haemotronic, against the loan of Euro 150 million obtained in 2021 for the acquisition of RPB.

Indicators

The Group's principal economic and financial indicators and other indicators at 31 December 2021 and 31 December 2022 are listed below.

	Period ended 31 December	
(in thousands of Euro)	**2022**	**2021**
ROE (net profit/total net shareholders' equity)	7%	23%
ROI (EBIT from ordinary operations/net invested capital)	8%	22%
ROS (EBIT from ordinary operations/ordinary total revenues)	14%	26%
EBITDA	67,432	106,330
Adjusted EBITDA	79,013	107,885
Net interest expense (excluding exchange gains / losses and interest for discounting earn out)	(6,156)	(2,004)
Net Financial Debt	(375,473)	(107,843)
Net financial position	(343,325)	(96,360)
Total intangible fixed assets/Total fixed assets	76%	71%
Total intangible fixed assets/Total assets	50%	37%
Acid test (short-term assets/short-term liabilities)	1.0	1.6
Net interest expense / payables to lenders	1.3%	0.9%
Indebtedness ratio (net financial indebtedness/shareholders' equity)	1.15	0.37
Net financial position/shareholders' equity	1.05	0.33
EBITDA/Interest	10.95	53.06
EBITDA from ordinary operations/Interest	12.83	53.83
Net financial position/EBITDA	5.09	0.91
Net financial position/adjusted EBITDA	4.35	0.89
Net financial debt / EBITDA	5.57	1.01
Net financial indebtedness/adjusted EBITDA	4.75	1.00

The Parent Company GVS SpA

The consolidated financial statements of the Parent Company GVS SpA for the year closing at 31 December 2022 are shown below in comparison with those of the previous year, reclassified on the basis of current practice in financial analysis.

Analysis of reclassified financial position

(in thousands of Euro)	Financial year ended 31 December							
	2022	of which non-recurring	2022 from ordinary operations	%	2021	of which non-recurring	2021 from ordinary operations	%
Revenues from sales and services	78,107		78,107	100.0%	89,955		89,955	100.0%
Other revenues and proceeds	5,725		5,725	7.3%	2,605		2,605	2.9%
Total revenues	**83,833**		**83,833**	**107.3%**	**92,560**		**92,560**	**102.9%**
Cost of raw materials purchases and variations in inventories	(31,279)		(31,279)	-40.0%	(42,289)		(42,289)	-47.0%
Services	(14,566)	(553)	(14,013)	-17.9%	(15,571)	(1,007)	(14,564)	-16.2%
Various operating costs	(5,191)		(5,191)	-6.6%	(1,075)		(1,075)	-1.2%
Added value	**32,797**	**(553)**	**33,350**	**42.7%**	**33,625**	**(1,007)**	**34,632**	**38.5%**
Cost of labour	(28,181)	(1,558)	(26,623)	-34.1%	(25,615)		(25,615)	-28.5%
EBITDA	**4,616**	**(2,111)**	**6,727**	**8.6%**	**8,010**	**(1,007)**	**9,017**	**10.0%**
Amortisation and depreciation	(5,607)		(5,607)	-7.2%	(4,921)		(4,921)	-5.5%
Provisions and writedowns	(49)		(49)	-0.1%	(60)		(60)	-0.1%
EBIT	**(1,040)**	**(2,111)**	**1,071**	**1.4%**	**3,030**	**(1,007)**	**4,037**	**4.5%**
Financial proceeds and charges	23,386	(1,544)	24,930	31.9%	12,940	(11)	12,951	14.4%
Income from equity investments	5,142		5,142		29,464		29,464	
Pre-tax result	**27,487**	**(3,655)**	**31,142**	**39.9%**	**45,434**	**(1,018)**	**46,452**	**51.6%**
Income tax	(7,060)	20	(7,080)	-9.1%	(7,731)	(1,720)	(6,011)	-6.7%
Group's and minority shareholders' net profit or loss	**20,428**	**(3,635)**	**24,063**	**30.8%**	**37,703**	**(2,738)**	**40,441**	**45.0%**

Revenues from ordinary operations mainly derive from (*i*) revenues from contracts with customers for € 78,017 thousand (€ 89,955 thousand in 2021) and (*ii*) other revenues and income of € 5,725 thousand (€ 2,605 thousand in 2021).

The normalised operating result for 2022 was positive for € 1,071 thousand, after saving € 5,607 thousand (of which € 4,115 thousand related to tangible assets, € 219 thousand to intangible assets and € 1,273 thousand to assets represented by usage rights following application of IFRS 16) and provisions for writedowns for € 49 thousand.

The result of financial operations from ordinary operations, positive for € 24,930 thousand, includes financial proceeds of € 32,147 thousand and financial charges of € 7,217 thousand. This result also includes positive net exchange differences of € 18,045 thousand, mostly unrealized.

Income from equity investments equal to € 5,142 thousand mainly relates to the dividends earned by the subsidiaries collected in 2022 and in the first few months of 2023.

The net result for 2022, after a tax burden of € 7,060 thousand, amounted to € 20,428 thousand.

Analysis of reclassified equity position

The capital structure of GVS S.p.A. as at 31 December 2022, compared with that at 31 December 2021, is as follows:

Reclassified statement of assets and liabilities of the Parent Company GVS SpA (in thousands of Euro)	31 Dec. 2022	31 Dec. 2021
Net intangible fixed assets	2,694	2,967
Net usage rights	2,227	1,870
Net tangible fixed assets	27,241	24,324
Equity investments	333,560	68,131
Other fixed assets	4,075	24
Active derivatives	6,648	123
Non-current financial receivables from subsidiaries	269,207	214,378
Fixed capital (A)	**645,652**	**311,817**
Net trade receivables	29,419	23,176
Inventories	9,656	7,734
Payables to suppliers	(12,094)	(28,128)
Net commercial working capital (B)	**26,981**	**2,781**
Other current assets	12,512	14,281
Other current liabilities	(12,909)	(11,119)
Total current assets/liabilities (C)	**(397)**	**3,162**
Net working capital (D)= (B) + (C)	**26,585**	**5,943**
Other non-current liabilities (E)	(8,881)	(3,239)
Employee termination indemnity and end of service indemnity (F)	(3,623)	(2,610)
Provisions for risks and charges (G)	(4,843)	(3,000)
Net invested capital (H) = (A+D+E+F+G)	**654,889**	**308,911**
Shareholders' equity	(205,212)	(170,696)
Consolidated shareholders' equity (I)	**(205,212)**	**(170,696)**
(Short-term financial indebtedness)/Liquidity	(371,504)	57,679
(Net medium/long term financial indebtedness)	(78,173)	(195,894)
Net financial indebtedness (L)	**(449,677)**	**(138,215)**
Own funds and net financial indebtedness (M) = (I+L)	**(654,889)**	**(308,911)**

The net invested capital at 31 December 2022, amounting to € 654,889 thousand, was fully financed for € 205,212 thousand from net equity and € 449,677 thousand from the net financial debt.

The changes in the balance sheet are analysed and described in the notes to the financial statements.

Analysis of net financial indebtedness and net financial position

The net financial position of the Parent Company as at 31 December 2022, compared with 31 December 2021, is as follows:

	Net financial indebtedness and net financial position of the Parent Company GVS SpA *(in thousands of Euro)*	31 Dec. 2022	31 Dec. 2021
	Cash	35	32
	Cash on hand	35,326	82,815
	Shares held for trading	-	-
(A)	**Liquidity**	**35,361**	**82,847**
	Financial receivables from subsidiaries	26,174	17,478
	Other financial receivables	-	-
(B)	**Current financial receivables**	**26,174**	**17,478**
(C)	Current bank debts	-	-
(D)	Current portion of non-current indebtedness	(431,912)	(41,481)
	Financial payables to other companies in the GVS Group due to leasing	(838)	(509)
	Financial payables for leasing	(288)	(393)
	Other financial payables	-	(264)
(E)	Other current financial payables	(1,126)	(1,166)
(F)	**Current financial indebtedness (C)+(D)+(E)**	**(433,039)**	**(42,647)**
(G)	**Net current financial indebtedness (A)+(B)+(F)**	**(371,504)**	**57,679**
	Non-current bank debts	(86)	(155,320)
	Non-current bonded loans	-	(24,758)
	Non-current financial payables to subsidiaries	(43,845)	(14,824)
	Financial payables to other companies in the GVS Group due to leasing	(872)	(730)
	Non-current financial payables for leasing	(307)	(262)
	Other financial payables	(33,063)	-
(H)	**Non-current financial indebtedness**	**(78,173)**	**(195,894)**
(I)	**Net financial indebtedness (G)+(H)**	**(449,677)**	**(138,215)**
	Non-current derivative instruments	6,648	123
	Non-current financial receivables from subsidiaries	269,207	214,378
	Financial payables for leasing	2,305	1,894
(H)	**Total net financial position**	**(171,516)**	**78,180**

The complete cash flow statement is shown in the financial statements.

INVESTMENTS

The Group's investment policy aims to achieve diversification in terms of product range and creation of new technological solutions for integration into the range of products it offers for sale. The development of new products is important for the Group, in order to continuously increase the satisfaction of its customers. Moreover, during the year the Group has invested in improvement of the efficiency of production through reinforcement and boosting of automation processes and adaptation of its productive capacity to ensure immediate flexibility in response to a possible increase in activity and adaptability to emerging trends.

Investments for the period ended 31 December 2022 are mainly attributable to the strengthening of the production capacity of the Group and in particular for the Healthcare & Life Sciences division.

Furthermore, it should be noted that, with reference to the period ended 31 December 2022, the main investments concerned the production plants in Italy, the plants in the United States of America and the GVS sites in the United Kingdom, China and Mexico.

RESEARCH AND DEVELOPMENT

With research and development centres all over the world, GVS offers an extremely efficient service tailored to respond to its customers' requests: from product conception and design to validation and mass production.

The Group's R&D work aims to introduce new products and implement new production processes. These activities are divided into a number of different phases, from conception and start of the process of designing and new product process to large-scale industrial production. The main indicators for the period under review compared with the period of the previous year are shown below.

	Period ended 31 December	
(in thousands of Euro)	**2022**	**2021**
Research and development costs	23,183	20,422
Research and development costs/revenues from contracts with customers	6.0%	6.0%

HUMAN RESOURCES

People are the most important asset for GVS. Our mission is to improve and protect people's lives by achieving three main objectives: to promote a culture of safety and well-being; to bring innovation to the sectors in which we operate through research and; to guarantee the reliability of the technologies of tomorrow in order to create a sustainable future. This mission guides our decisions and the way we manage and train our resources.

We work constantly to ensure a safe and peaceful work environment, based on respect for people, solidarity, the absence of discrimination and careful observance of all local laws and cultures of each of the countries where we operate.

To support the continuous growth of the company and ensure careful management of people even in a greater dimension and complexity, we believe that investment in HR processes is fundamental. Designing and implementing increasingly effective systems for attracting, selecting and keeping talented workers is the fundamental strategy for the sustainability of the Group. The goal is to strengthen all company areas, based on the sound skills of the most experienced men and women, combined with the enthusiasm of those who start their professional development path and those who bring new skills and new perspectives from the outside.

We strongly believe in the effectiveness of sharing objectives and remuneration to always keep the motivation and satisfaction level of our people high, strongly guiding the achievement of strategic results. Corporate objectives are spread to all organizational levels. Everyone around the world is rewarded on a personal level as well as at team and organizational level.

Employee training, combined with the attitude of making the things we seek in all management personnel happen, and the drive for continuous improvement, are the basis of the innovations, reliability and quality of the products and services that the Group offers. The company organization is lean and processes are rigorous but flexible to ensure rapid decisions with the aim of always providing high levels of service to our customers.
The values that characterize the people of GVS are honesty, transparency, respect and simplicity combined with an open and dynamic leadership style that favours the creation of an environment in which everyone is driven to do their best and focused on guaranteeing constant growth together with continuous improvement, maintaining a healthy lifestyle and a peaceful work environment.

ADDITIONAL INFORMATION

The Company does not own, and never has owned, stocks or shares in its parent company, even through an intermediary, and therefore did not buy or sell any such stocks or shares in 2022.

Starting from 8 October 2021, the Company launched the buyback program authorized by the Shareholders' Meeting of 27 April 2021. As of 31 December 2022, treasury shares in portfolio are 450,000 shares for a total amount equal to 0.26% of the Company's share capital.

The Group did not conduct any atypical or unusual transactions during the year.

The table below compares the result of the period and the Parent Company's shareholders' equity with the corresponding values of the Group's consolidated financial statements for 31 December 2022 and the previous year.

	31 December 2022		31 December 2021	
(in thousands of Euro)	**Shareholders' equity**	**Result for the year**	**Shareholders' equity**	**Result for the year**
GVS SpA financial statements	205,212	20,428	170,696	37,702
Differences between shareholders' equity of consolidated shareholdings and their value in the Parent Company's financial statements and the subsidiaries' results:	119,672	11,520	120,546	61,035
Goodwills	6,205	-	5,180	-
Elimination of infragroup transactions	(2,974)	(1,591)	(1,383)	(897)
Reversal of infragroup dividends	-	(5,152)	-	(29,508)
Adjustments to align individual financial statements with Group accounting policies	(441)	(1,084)	307	(730)
Shareholders' equity and net income attributable to non-controlling interests	(45)	(22)	(40)	(14)
GVS Group Consolidated Financial Statements	**327,629**	**24,098**	**295,307**	**67,590**
Shareholders' equity and net income attributable to non-controlling interests	45	22	40	14
Total shareholders' equity and results for the year of the consolidated financial statements	**327,674**	**24,120**	**295,347**	**67,604**

PRINCIPAL RISKS AND UNCERTAINTIES

In conducting its business, the Company is exposed to financial risk, as described in the Explanatory Notes, representing:

- market risk, deriving from oscillating exchange rates between the Euro and the other currencies in which the Group operates, and of interest rates;
- credit risk, deriving from the possibility of a counterpart defaulting;
- liquidity risk, deriving from insufficiency of financial resources to fulfil financial commitments.

The Group's goal is to maintain balanced management of its financial exposure over the years in order to guarantee a debt structure that is balanced with the composition of the company's assets and capable of guaranteeing the necessary flexibility in operations through use of liquidity generated by current operations and resort to bank loans.

The capacity of characteristic management to generate liquidity and the capacity for indebtedness allow the Group to adequately satisfy the requirements of its operations and financing of operative working capital and investment capital, and to fulfil its financial obligations.

The Group's financial policy and management of financial risk are guided and monitored at the central level. In particular, the central finance function assesses and approves provisional financial requirements, monitors trends and applies appropriate corrective actions where necessary.

For more details, refer to the "Management of financial risk" section of the Explanatory Notes. In relation to the war that broke out between Ukraine and Russia, the Company monitors the geopolitical context and the situation in Russia on a daily basis to assess the potential direct and indirect effects. Currently, the Group's financial exposure to the areas concerned is marginal and is around 0.3% of turnover.

Inter-group and related party transactions

With regard to relations with subsidiary, associated, parent and affiliated companies, please see the analytical indications given in the explanatory notes to these financial statements. The following is a summary of the types of transactions that have taken place:

Company	Type of transaction
Parent Company - GVS Group S.r.l.	Financial, consolidated fiscal
Subsidiaries	Commercial, performance of services and financial
Associated companies - Companies in the GVS Group	Services

GVS SpA participates in the optional national tax consolidation system under GVS Group S.r.l. Transactions with subsidiaries are primarily commercial (sale of raw materials and finished goods, and providing of services for production) and financial (providing infragroup loans) in nature and are conducted under the conditions normally in effect on the market. The Company and a number of its subsidiaries have stipulated contracts for the leasing of real estate properties with companies directly or indirectly controlled by GVS Group S.r.l., under the conditions normally in effect on the market.

With regard to transactions with related parties, including inter-group transactions, it should be noted that these were neither atypical nor unusual and are part of the normal course of business of Group companies. They were carried out in compliance with internal procedure that contains rules aimed at ensuring their transparency and correctness, pursuant to the CONSOB Regulation no. 17221/2010.

In the notes to the consolidated financial statements and the annual financial statements, the Company provides the disclosures required pursuant to Art. 154-ter of the TUF as indicated by the CONSOB Rule no. 17221 of 12 March 2010 and subsequent CONSOB Resolution no. 17389 of 23 June 2010. The disclosure on transactions with related parties required by the CONSOB Communication of 28 July 2006 is presented in the attached tables.

For more details, refer to the section entitled "Transactions with related parties" in the Explanatory Notes.

CORPORATE GOVERNANCE

The corporate governance system adopted by GVS complies with the guidelines contained in the Code of Conduct for Italian listed companies published by Borsa Italiana S.p.A. In compliance with regulatory obligations, the Report on Corporate Governance and Ownership Structure is prepared annually, which contains a general description of the corporate governance system adopted by the Group and reports on the ownership structure and compliance with the Code of Conduct, including the main governance practices applied and the characteristics of the internal control and risk management system also in relation to the financial reporting process.

The above report can be viewed on the website *www.gvs.com* - Governance.

The Code of Conduct can be viewed on the Borsa Italiana S.p.A. website *www.borsaitaliana.it*.

Annually, the Board of Directors, on the proposal of the Remuneration Committee, defines the remuneration policy, in accordance with regulatory provisions and recommendations of the Code of Conduct. In accordance with the law, the remuneration policy is the first section of the Report on Remuneration Policy and Remuneration paid and will be submitted to the Shareholders' Meeting called to approve the 2022 annual financial statements.

STATEMENT ON NON-FINANCIAL DATA

In compliance with the provisions of article 5, paragraph 3, letter b of Legislative Decree 254/2016, the Company has prepared the consolidated declaration of a non-financial nature as a separate report. The 2022 consolidated declaration of a non-financial nature prepared in accordance with the "GRI Reporting Standards" is available on the Group's website *www.gvs.com*.

SIGNIFICANT EVENTS OCCURRING IN 2022

In October 2021, the Company launched the treasury share purchase program authorized by the Shareholders' Meeting of 27 April 2021 (the "Buyback Plan"), within the terms already disclosed to the market. In execution of the aforementioned shareholders' resolution, the first part of the Buyback Plan was concluded in 2022, for a number of treasury shares equal to 450,000 shares (equal to 0.26% of the subscribed and paid-up share capital).

On 02 March 2022, the GVS Group, through its subsidiary GVS Technology (Suzhou) Co. Ltd, has completed the acquisition of the entire share capital of Shanghai Transfusion Technology Co. Ltd ("STT") and its subsidiary, a historic Chinese company, leader in the production and sale of products related to blood treatment. The closing of the transaction took place following the meeting of all conditions precedent set out in the sale contract. The consideration paid at the closing was equal to approximately 55 million euros. A deferred payment, of a maximum amount of approximately 9 million euros, will be paid to the seller in the event that STT obtains the authorization to produce and market a new strategic line of products. During 2022, the price was subjected to some adjustments on the basis of the net working capital and net financial position. The acquisition was financed with the available liquidity of GVS. After the closing, STT repaid the loan of approximately CNY 73.5 million (approximately EUR 10.5 million) granted by the seller in order to finance certain pre-closing payments and provide STT with adequate working capital.

In March 2022, GVS agreed with the RPB sellers on the amount to pay as earn out, equal to nearly € 20 million, on the basis of achievement of the Adjusted EBITDA targets of the RPB Group in the course of 2021 and provided for liquidation of the same amount in the same month.

On 15 June 2022, the GVS Group completed the takeover of the entire share capital of Haemotronic SpA and its subsidiaries, a historic Italian company specializing in the production of components and bags for the medical sector with plants in Italy and Mexico. The closing of the transaction took place following the meeting of all conditions precedent set out in the sale contract. The consideration paid at the closing was equal to approximately 224 million euros. A deferred payment, for at most approximately 38 million euros, will be paid to the seller upon reaching specific objectives of adjusted EBITDA, whose payment is expected in 2024 and 2025. During 2022, the price was subjected to some adjustments on the basis of the net working capital and net financial position. In order to finance the transaction, GVS signed a 5-year loan agreement for a total amount of € 230 million with a pool of lending banks, including Mediobanca - Banca di Credito Finanziario SpA and Unicredit SpA, acting, inter alia, in the capacity of arrangers, global coordinators and original lenders.

In July 2022, GVS SpA entered into three interest rate swap-type derivative contracts with Mediobanca - Banca di Credito Finanziario SpA, Credit Agricole Italia SpA and Unicredit SpA for a total initial nominal amount of Euro 150,000 thousand, aimed at fully hedging the risk of fluctuation of the interest rates of the loan granted by the same credit institutions in the course of 2021, following the acquisition of RPB. Such derivative financial instruments, having a decreasing nominal value equal to the nominal value of the hedged items, guarantee a fixed interest rate for the entire duration of the loan.

On 23 September 2022, the Board of Directors of GVS SpA drafted the project for the merger by incorporation of the wholly owned subsidiary GVS Sud Srl. This extraordinary transaction did not generate any effect on the consolidated financial statements, but only generated effects on the separate financial statements of the Company as at 31 December 2022, due to the inclusion of the accounting data of GVS Sud Srl starting from 1 January 2022.

In October 2022, GVS agreed with the seller of STT on the amount to be received as a price adjustment based on the net working capital and the net financial position at the closing date, against which the amount of Euro 3,184 thousand was provided by the escrow account during the same month.

In October 2022, GVS agreed with the seller of Haemotronic on the amount to be received, equal to Euro 1,000 thousand, as a price adjustment based on the net working capital and the net financial position at the closing date.

It should be noted that on 23 December 2022, as part of the activities aimed at verifying compliance with the contract covenants for the measurement of the same as at 31 December 2022, the Group reached an agreement with (i) the pool of lender banks of the credit lines (Euro 230 million, maturing in 2027 and Euro 150 million, maturing in 2026) and (ii) the bondholders referred to in the bond loans (Euro 40 million, maturing in 2024 and USD 35 million, maturing in 2024) for the modification and adjustment of the financial covenants leverage ratio. At the same time, the shareholder GVS Group Srl undertook to disburse a subordinated and unsecured shareholder loan in favour of GVS SpA in such an amount as to allow compliance with the leverage ratio as at 31 December 2022. This solution, which was completed in the first months of 2023 with the disbursement of this loan, made it possible to remedy compliance with the aforementioned covenants as at 31 December 2022, during the first few months of 2023 without capital interventions. The agreement with the pool of lending banks provides for the following adjustments and modifications to covenants relating to the ratio between consolidated net financial debt and consolidated pro-forma EBITDA (leverage ratio): (i) inclusion in the calculation of the consolidated net financial position as at 31 December 2022 of the cash deriving from any subordinated shareholder loans disbursed after 31 December 2022 and before the date of sending the compliance certificate certifying the value of leverage ratio as at 31 December 2022; (ii) change in the definition of consolidated financial debt aimed at excluding the indebtedness deriving from any subordinated shareholder loans from the calculation of the consolidated net financial position; (iii) increase of the parameter of leverage ratio, calculated with the above modification, for the checks as at 30 June 2023 and as at 31 December 2023 compared to the levels set at the time of signing the syndicated loans (from 3.5x to 4.25x and 4.00x respectively as at 30 June 2023 and as at 31 December 2023), in order to guarantee a wider space of comfort in a market situation and complex geopolitical scenarios. An adjustment agreement of the covenants was also reached with the bondholders who gave their written consent to modifications of bond loans with similar content to those mentioned above with reference to pool loans, also undertaking to express a vote in favour of the approval of these amendments at the meeting of the bondholders of the bond loans. For the sake of completeness, it should be noted that similar amendments have been shared and formalized in relation to the bilateral credit lines (Unicredit and Mediobanca) for a residual amount of approximately Euro 25 million as at 31 December 2022.

EVENTS SUBSEQUENT TO THE CLOSE OF THE FINANCIAL YEAR

Provision by the majority shareholder of a subordinated and unsecured loan

On 8 March 2023, as part of activities aimed at ensuring compliance with the contract covenants for the measurement of 31 December 2022, GVS SpA signed a contract with the majority shareholder GVS Group Srl, concerning a subordinated and unsecured shareholder loan of Euro 75 million maturing on 31 December 2027, disbursed the day following the signing of the contract.

This solution made it possible, after the end of the financial year as at 31 December 2022, to remedy compliance with the level of financial covenants leverage ratio (equal to 3.5x), as resulting following the agreements reached with the financial counterparties on 23 December 2022. In particular, the amount of the shareholder loan was determined on the basis of the preliminary information available and which sees at 31 December 2022 a consolidated net financial position of approximately Euro 375 million and an adjusted EBITDA pro-forma (which considers the 12-month EBITDA of the business combinations carried out during 2022) for the purposes of calculating the financial covenants of approximately Euro 86 million.

Agreement for the modification of the interest coverage ratio of the financial covenant

On 8 March 2023, the Company reached an agreement with (i) the pool of lender banks of the credit lines (EUR 230 million, expiring in 2027 and EUR 150 million, expiring in 2026) and the credit institutions regarding the outstanding bilateral loans, as well as (ii) the bondholders referred to in the bond loans (EUR 40 million, maturing in 2024, and USD 35 million, maturing in 2024), for the modification of the interest coverage ratio of the financial covenant. The agreement provides for a lowering of the interest coverage ratio parameter for the checks as at 30 June 2023 and 31 December 2023 compared to the levels set at the time of signing the loans and the subscription agreements of the bond loans (from 4.5x to 3.5x).

The redefinition of this parameter was negotiated on a prudential basis to take into account a scenario in 2023 of an increase in financial expenses for the Company as a result of the rate increase policy implemented by the European Central Bank to combat inflation.

CLIMATE CHANGE AND POTENTIAL IMPACTS FOR THE GROUP

As far as climate change is concerned, attention is being paid by Company management, which assesses both the risks and defines the strategies aimed at reducing its impacts on the Group's operations, and the impacts of its own activities on it.

The recent work of the 27th United Nations Conference of the Parties (COP 27), chaired by Egypt, confirmed the centrality and urgency of the climate agenda. The war in Ukraine, and in particular the related energy crisis and increased consumption of coal to deal with the crisis, have placed emphasis on the need to accelerate the transition to renewable sources as a means of strengthening energy security.

The management of the GVS Group, in line with these principles, considers environmental protection a priority objective and undertakes to promote actions aimed at improving environmental performance and limiting the impacts generated.
For further information on the quantitative data for energy consumption, emissions and waste management, please refer to the 2022 Non-Financial Statement.

Based on the information currently available, management has carried out assessments on the possible risks and uncertainties associated with climate change. Below is a summary of the analysis conducted using the scheme of the Task Force on Climate Relayed Financial Disclosure.

Climate-related risks	Potential Impacts
Regulatory and legal risks	No significant economic impacts are expected from cost increases or reductions in the demand for products and services.
Risks of technology	We are not expecting any significant economic impacts related to the replacement of products and services with others with low emissions and no significant development and implementation costs for new processes are expected.
Market risk	No significant economic impacts are expected from the reduction in demand for goods and services due to changes in consumer habits or an increase in raw materials.
Reputational risks	No significant economic impacts are expected from a reduction in demand for goods and services due to changes in consumer preferences; no significant reduction in revenues due to a drop in production capacity or reduced access to capital is expected.

Group Management constantly evaluates solutions that can mitigate the negative impacts linked to the increase in costs and, on the other hand, guarantee a reduction of the negative effects that company business has on the climate.

In view of the above, the Directors do not foresee significant risks related to changes in the climate and do not foresee significant effects on the economic and financial results of the Group. At the date of this report, there are no significant risks of adjusting the book values of assets and liabilities or uncertainties that influence the assumptions used to prepare the estimates deriving from climate change.

BUSINESS OUTLOOK

GVS continues to pursue the organic consolidation of the results obtained so far, thanks to the progressive industrial and commercial integration of the recent acquisitions and to a rebalancing of the mix of the product portfolio overcoming the extraordinary scenario linked to COVID-19. The objective is to confirm the organic growth trend that has historically characterized the Group, maintaining a high level of attention for timeliness in responding to the demands of the market and of its customers with ever greater integration of ESG factors in the business strategy.

The year 2023 remains marked by strong uncertainties, mainly linked to geopolitical tensions and the effects on the economy of the restrictive monetary policies promoted by central banks to counter inflationary events.

In this context, the Group remains focused on the objective of recovering margins, through the implementation of specific strategic actions such as:

- the increase in sales prices, to realign industrial profitability in light of the increase in raw material costs recorded in 2022. The increase is expected to be fully operational in the second quarter of 2023;
- the realization of the synergies identified in the context of recent acquisitions, in particular relating to RPB, STT and Haemotronic, both with a view to making production costs more efficient, by exploiting the full overlapping of processes with GVS systems, and to promoting cross-selling activities on the aggregate customer base;
- the implementation of special projects, aimed at recovering efficiency in production saturation, mainly through the rationalization of production plants in the United States and China and the internationalization of production currently carried out by third parties.

In light of the actions described above, GVS expects to achieve the following results in 2023:

- Consolidated turnover between Euro 440 and Euro 460 million;
- Adjusted EBITDA between Euro 95 million and Euro 105 million;
- Consolidated net financial position between Euro 340 million and Euro 360 million;
- approximately Euro 15 million of extraordinary investments linked to the new plant in Suzhou in China.

PROPOSED APPROVAL OF THE FINANCIAL STATEMENTS AND ALLOCATION OF RESULTS FOR THE YEAR

In relation to the separate Financial Statements as of 31 December 2022, which shows a net profit of Euro 20,427,718 to the Shareholders' Meeting, the Board of Director proposes that the shareholders' meeting:

- approve the separate financial statements as of 31 December 2022;
- approve the proposal to allocate the 2022 net profit of EUR 20.427.718, as follows:
  - € 16,153,787 to reserve for unrealized exchange gains;
  - the balance, equal to Euro 4,273,931, to extraordinary reserve.

Zola Predosa, 21 march 2023

For the Board of Directors
Massimo Scagliarini
Chief Executive Officer

05.

Consolidated Financial Statements at 31 December 2022

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Consolidated Statement of Assets and Liabilities*

(in thousands of Euro)	Notes	At 31 december 2022	2021
ASSETS			
Non-current assets			
Intangible assets	8.1	494,846	227,743
Assets represented by usage rights	8.2	22,991	10,420
Tangible assets	8.3	120,404	77,622
Advance tax assets	8.4	3,487	1,502
Non-current financial assets	8.5	3,754	1,318
Non-current derivative financial instruments	8.6	6,648	123
Other receivables and non-current assets	8.11	1,695	-
Total non-current assets		**653,825**	**318,728**
Current assets			
Inventories	8.7	106,922	72,353
Trade receivables	8.8	72,944	52,975
Assets from contracts with customers	8.9	1,205	1,678
Current tax receivables	8.10	5,691	7,590
Other receivables and current assets	8.11	12,514	10,011
Current financial assets	8.5	4,779	8,337
Cash on hand	8.12	135,169	136,893
Total current assets		**339,224**	**289,837**
TOTAL ASSETS		**993,049**	**608,565**
SHAREHOLDERS' EQUITY AND LIABILITIES			
Share capital		1,750	1,750
Reserves		301,780	225,967
Net income		24,098	67,590
Group net shareholders' equity		**327,628**	**295,307**
Shareholders' equity attributable to non-controlling interests		46	40
Total shareholders' equity	8.13	**327,674**	**295,347**
Non-current liabilities			
Debt for the purchase of equity investments and non-current earn out	7	40,983	-
Non-current financial liabilities	8.14	10,989	180,164
Non-current leasing liabilities	8.2	16,899	6,773
Deferred tax liabilities	8.4	46,086	5,675
Provisions for employee benefits	8.16	4,630	4,366
Provisions for risks and charges	8.17	9,221	4,654
Total non-current liabilities		**128,808**	**201,632**
Current liabilities			
Debt for the purchase of equity investments and current earn out	7	-	19,670
Current financial liabilities	8.14	438,238	41,706
Current leasing liabilities	8.2	8,312	4,760
Trade payables	8.18	57,944	23,820
Liabilities from contracts with customers	8.9	7,224	3,417
Current tax payables	8.10	2,662	3,047
Other current payables and liabilities	8.19	22,187	15,166
Total current liabilities		**536,567**	**111,586**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**993,049**	**608,565**

(*) Pursuant to the CONSOB Resolution No. 15519 of 27 July 2016, the effects of transactions with related parties on consolidated statement of assets and liabilities are highlighted in the attached tables.

Consolidated Income Statement*

(in thousands of Euro)	Notes	Financial year ended 31 December 2022	2021
Revenue from customer contracts	9.1	387,591	338,126
Other revenues and proceeds	9.2	4,442	4,949
Total revenues		**392,033**	**343,075**
Purchases and consumption of raw materials, semi-products and finished products	9.3	(141,198)	(96,094)
Personnel costs	9.4	(123,529)	(98,599)
Service costs	9.5	(54,573)	(36,662)
Other operating costs	9.6	(5,301)	(5,390)
EBITDA		**67,432**	**106,330**
Net writedowns of financial assets	9.7	(506)	(462)
Amortisation, depreciation and writedowns	9.8	(37,972)	(23,528)
EBIT		**28,955**	**82,340**
Financial proceeds	9.9	15,145	10,531
Financial charges	9.9	(9,475)	(3,113)
Pre-tax result		**34,625**	**89,757**
Income tax	9.10	(10,505)	(22,153)
Net income		**24,120**	**67,604**
Group's share		*24,098*	*67,590*
Minority share		*22*	*14*
Basic net profit per share (in Euro)	9.11	*0.14*	*0.39*
Diluted net profit per share (in Euro)	9.11	*0.14*	*0.39*

(*) Pursuant to the CONSOB Resolution No. 15519 of 27 July 2016, the effects of transactions with related parties on consolidated statement of assets and liabilities are highlighted in the attached tables.

Comprehensive Consolidated Income Statement

		Financial year ended 31 December	
(in thousands of Euro)	**Notes**	**2022**	**2021**
Net income		**24,120**	**67,604**
Other components of the comprehensive income statement which will be reclassified in the income statement in subsequent years			
Profits (losses) on cash flow hedges	8.6	6,525	123
Effect of taxation		(1,566)	(30)
Difference due to conversion of financial statements in foreign currency	8.13	2,052	8,386
		7,011	**8,479**
Other components of the comprehensive income statement which will not be reclassified in the income statement in subsequent years			
Actuarial profit (loss) due to employee defined benefit plans	8.16	772	103
Effect of taxation		(215)	(29)
		557	**74**
Total other components in the comprehensive income statement		**7,568**	**8,553**
Comprehensive net profit		**31,688**	**76,157**
Group's share		*31,683*	*76,147*
Minority share		*5*	*10*

Prospectus of Changes in Consolidated Shareholders' Equity

		Reserves										
(in thousands of Euro)	**Share capital**	***Share premium reserve***	***Legal reserve***	***Extraordinary reserve***	***Translation reserve***	***Negative reserve for treasury shares***	***Actuarial profits and losses reserve***	***Profit (loss) carried over and other reserves***	**Net income**	**Group net shareholders' equity**	**Minority interests**	**Total shareholders' equity**
At 31 December 2020	**1,750**	**92,770**	**329**	**30,485**	**(11,636)**	**-**	**(187)**	**51,093**	**78,063**	**242,667**	**30**	**242,697**
Net income	-	-	-	-	-	-	-	-	67,590	67,590	14	67,604
Total other components in the comprehensive income statement	-	-	-	-	8,390	-	74	93	-	8,557	(4)	8,553
Comprehensive net profit	-	-	-	-	*8,390*	-	*74*	*93*	*67,590*	*76,147*	*10*	*76,157*
Allocation of net profit from previous year	-	-	21	4,537	-	-	-	73,505	(78,063)	-	-	-
Hyperinflation in Argentina	-	-	-	-	-	-	-	7	-	7	-	7
Purchase of treasury shares	-	-	-	-	-	(3,448)	-	-	-	(3,448)	-	(3,448)
Dividends approved	-	-	-	-	-	-	-	(22,750)	-	(22,750)	-	(22,750)
Increase in reserves for long-term incentives	-	-	-	-	-	-	-	2,684	-	2,684	-	2,684
Total increase / (decrease)	**-**	**-**	***21***	***4,537***	***8,390***	***(3,448)***	***74***	***53,539***	***(10,473)***	***52,640***	***10***	***52,650***
At 31 December 2021	**1,750**	**92,770**	**350**	**35,022**	**(3,246)**	**(3,448)**	**(113)**	**104,632**	**67,590**	**295,307**	**40**	**295,347**

		Reserves										
(in thousands of Euro)	**Share capital**	***Share premium reserve***	***Legal reserve***	***Extraordinary reserve***	***Translation reserve***	***Negative reserve for treasury shares***	***Actuarial profits and losses reserve***	***Profit (loss) carried over and other reserves***	**Net income**	**Group net shareholders' equity**	**Minority interests**	**Total shareholders' equity**
At 31 December 2021	**1,750**	**92,770**	**350**	**35,022**	**(3,246)**	**(3,448)**	**(113)**	**104,632**	**67,590**	**295,307**	**40**	**295,347**
Net income	-	-	-	-	-	-	-	-	24,098	24,098	22	24,120
Total other components in the comprehensive income statement	-	-	-	-	2,069	-	557	4,959	-	7,585	(17)	7,568
Comprehensive net profit	-	-	-	-	*2,069*	-	*557*	*4,959*	*24,098*	*31,683*	*5*	*31,688*
Allocation of net profit from previous year	-	-	-	25,606	-	-	-	41,984	(67,590)	-	-	-
Increase in reserves for long-term incentives	-	-	-	-	-	-	-	1,875	-	1,875	-	1,875
Hyperinflation reserve	-	-	-	-	-	-	-	169	-	169	-	169
Purchase of treasury shares	-	-	-	-	-	(1,405)	-	-	-	(1,405)	-	(1,405)
At 31 December 2022	**1,750**	**92,770**	**350**	**60,628**	**(1,177)**	**(4,853)**	**444**	**153,619**	**24,098**	**327,629**	**45**	**327,674**

Consolidated Statement of Cash Flows*

(in thousands of Euro)	Notes	Financial year ended 31 December 2021	2020
Pre-tax result		34,625	89,757
- Adjustment for:			
Amortisation, depreciation and writedowns	9.8	37,972	23,528
Capital losses / (capital gains) from sale of assets	9.2 - 9.6	21	(2,884)
Financial charges / (proceeds)	9.9	(5,671)	(7,418)
Other non-monetary variations		6,750	6,653
Cash flow generated / (absorbed) by operations before variations in net working capital		***73,697***	***109,637***
Variation in inventories	8.7	3,144	(9,530)
Variation in trade receivables	8.8	(11,921)	(4,671)
Variation in trade payables	8.18	13,834	(6,411)
Variation in other assets and liabilities	8.11 - 8.19	9,133	(662)
Use of provisions for risks and charges and for employee benefits		(1,919)	(265)
Taxes paid	9.10	(9,846)	(32,616)
Net cash flow generated / (absorbed) by operations		**76,121**	**55,483**
Investments in tangible assets	8.3	(17,841)	(19,440)
Investments in intangible assets	8.1	(5,024)	(3,755)
Disposal of tangible assets	8.3	129	7,184
Investment in financial assets	8.5	(4,116)	(3,372)
Disinvestment in financial assets	8.5	6,451	358
Payment for purchase of business unit net of cash on hand acquired	7	(236,027)	(129,217)
Net cash flow generated / (absorbed) by investment		**(256,429)**	**(148,242)**
Opening of long-term financial payables	8.14	232,531	150,171
Repayment of long-term financial payables	8.14	(43,861)	(18,543)
Variations in current financial payables	8.14	-	-
Opening of leasing payables		-	(0)
Repayment of leasing liabilities	8.2	(5,390)	(2,284)
Financial charges paid	9.9	(4,903)	(2,940)
Financial proceeds collected	9.9	1,808	479
Net fee for IPO	8.13	(0)	-
Treasury shares		(1,405)	(3,448)
Dividends paid	8.13	0	(22,722)
Net cash flow generated/(absorbed) by financial assets		**178,780**	**100,712**
Total variation in cash on hand		**(1,527)**	**7,954**
Cash on hand at the start of the period		**136,893**	**125,068**
Total variation in cash on hand		(1,527)	7,954
Conversion differences on cash on hand		(197)	3,871
Cash on hand at the end of the period		**135,169**	**136,893**

(*) Pursuant to the CONSOB Resolution no. 15519 of 27 July 2016, the effects of transactions with related parties on consolidated cash flows are highlighted in the attached tables.

Explanatory Notes to the Consolidated Financial Statements at 31 December 2022

1. General information

1.1 Introduction

GVS S.p.A. (hereinafter referred to as "**GVS**", the "**Company**" or the "**Parent Company**" and, with its subsidiaries, as the "**GVS Group**" or simply the "**Group**") is a company established and domiciled in Italy, with registered offices in Zola Predosa (BO), Via Roma 50, organised according to the law of the Republic of Italy.

GVS is owned by the company GVS Group S.r.l. (hereinafter the "**GVS Group**"), which directly holds 60% of the share capital. There is no other entity exercising direction and coordination of the Company. The ultimate parent is Lighthouse 11 SpA, which directly holds 50.52% of the share capital of the GVS Group.

The GVS Group is a leading supplier of advanced filtering solutions for highly critical applications and offers advanced filtering solutions for a multitude of applications in a number of highly regulated sectors, organised into the following business divisions: Healthcare & Life Sciences, Energy & Mobility and Health & Safety.

1.2 Transactions executed during the periods under examination

TAKEOVER OF THE STT GROUP

On 02 March 2022, the GVS Group, through its subsidiary GVS Technology (Suzhou) Co. Ltd, has completed the acquisition of the entire share capital of Shanghai Transfusion Technology Co. Ltd ("STT") and its subsidiary, a historic Chinese company, leader in the production and sale of products related to blood treatment. The closing of the transaction took place following the meeting of all conditions precedent set out in the sale contract. The consideration paid at the closing was equal to approximately 55 million euros. A deferred payment, of a maximum amount of approximately 9 million euros, will be paid to the seller in the event that STT obtains the authorization to produce and market a new strategic line of products. The price has been subject to some adjustments on the basis of the net working capital and net financial position. The acquisition was financed with the available liquidity of GVS. After the closing, STT repaid the loan of approximately CNY 73.5 million (approximately EUR 10.5 million) granted by the seller in order to finance certain pre-closing payments and provide STT with adequate working capital.

On the basis of the foregoing, and pursuant to IFRS 3, it should be noted that the valuation period, or the period during which the purchaser can adjust the provisional amounts recognized in a business combination, may not yet be considered concluded.

The accounting effects of the STT group takeover are described in note 7, "Business combinations".

TAKEOVER OF THE HAEMOTRONIC GROUP

On 15 June 2022, the GVS Group completed the takeover of the entire share capital of Haemotronic SpA and its subsidiaries, a historic Italian company specializing in the production of components and bags for the medical sector with plants in Italy and Mexico. The closing of the transaction took place following the meeting of all conditions precedent set out in the sale contract. The consideration paid at the closing was equal to approximately 224 million euros. A deferred payment, for at most approximately 38 million euros, will be paid to the seller upon reaching specific objectives of adjusted EBITDA, the payment of which is expected in the year 2024 and in the year 2025. The price has been subject to some adjustments on the basis of the net working capital and net financial position. In order to finance the transaction, GVS signed a 5-year loan agreement for a total amount of € 230 million with a pool of lending banks, including Mediobanca - Banca di Credito Finanziario SpA and Unicredit SpA, acting, inter alia, in the capacity of arrangers, global coordinators and original lenders.

On the basis of the foregoing, and pursuant to IFRS 3, it should be noted that the valuation period, or the period during which the purchaser can adjust the provisional amounts recognized in a business combination, may not yet be considered concluded. The accounting effects of the Haemotronic group takeover are described in note 7, "Business combinations".

TAKEOVER OF THE RPB GROUP

It should be noted that in March 2022, GVS agreed with the RPB sellers on the amount to pay as earn out on the basis of achievement of the Adjusted EBITDA targets of the RPB Group in the course of 2021 and provided for liquidation of the same amount in the same month.

2. Summary of the accounting standards adopted

2.1 Declaration of conformity with international accounting standards

The consolidated financial statements at 31 December 2022 (hereinafter the "**Consolidated Financial Statements**") have been prepared in compliance with the International Accounting Standards ("IFRS") issued by the International Accounting Standards Board and endorsed by the European Union. "IFRS" means all revised international accounting standards ("IAS"), as well as all interpretative documents issued by the International Financial Reporting Interpretations Committee (IFRIC) and the previous Standing Interpretations Committee (SIC).

The consolidated financial statements have also been prepared in accordance with the provisions adopted by the CONSOB on the subject of financial statements, pursuant to Art. 9 of Legislative Decree 38/2005 and other CONSOB regulations and provisions regarding the financial statements.

These Consolidated Financial Statements were approved by the Company's Board of Directors on 21 March 2023 and subjected to auditing by independent auditor PricewaterhouseCoopers S.p.A.

The principal criteria and accounting standards applied in preparation of the Consolidated Financial Statements are listed below.

2.2 General principles of preparation

The Consolidated Financial Statements consist of the financial statements obligatorily required under standard IAS 1, and that is, the statement of financial position, statement of profit and loss, comprehensive statement of profit and loss, statement of changes in equity and statement of cash flows, as well as explanatory notes, and are completed with the board of directors' report on management.

The Group adopts an income statement structure showing cost components broken down by nature, while the assets and liabilities of the balance sheet and financial position are divided between current and non-current. The statement of cash flows is prepared by the indirect method. The schemes employed are those that best represent the Group's economic and financial standing.

An asset is classified as current when:

- it may be supposed that the asset will be sold, or is owned for sale or consumption, during the course of the company's regular operating cycle;
- it is owned primarily for the purpose of sale;
- it is supposed that it will be sold within twelve months of the end of the year;
- it consists of liquid assets or cash equivalents (unless it is forbidden to trade it or use it to pay a liability for at least twelve months from the end of the year).

All other assets are classified as non-current. Standard IAS 1 includes tangible assets, intangible assets and long-term financial assets among non-current assets.

A liability is classified as current when:

- it is expected to be extinguished in the course of the company's regular operating cycle;
- it is owned primarily for the purpose of sale;
- it will be extinguished within twelve months of the end of the year;
- there is no unconditional right to defer payment of the liability for at least twelve months after the end of the year. Clauses of a liability that could, if the counterpart so wishes, give rise to its extinction through issuing of instruments representing capital do not affect its classification.

The company has classified all other liabilities as non-current.

The operating cycle is the amount of time that passes between acquisition of goods for the production process and cashing them in as liquid assets or cash equivalents. When the regular operating cycle is not clearly identifiable, its duration is assumed to be twelve months.

The Consolidated Financial Statements are prepared in Euro, the currency in which the Company operates. The statement of financial position, statement of profit and loss, the explanatory notes and the tables illustrating them are expressed in thousands of Euro, unless otherwise specified.

The Consolidated Financial Statements have been prepared as follows:

- on the basis of optimal knowledge of EU-IFRS, taking into account best practice in the field; any future orientations and updated interpretations will be reflected in subsequent years, on the basis of the methods specified in the applicable accounting standards;
- with a view to business continuity, on an accrual accounting basis, in compliance with the principle of the relevance and significance of the information and the prevalence of substance over form, and with a view to promoting consistency with future presentations. Assets and liabilities, costs and revenues are not compensated against one another unless this is permitted or required under International Accounting Standards;
- on the basis of the conventional criterion of historical cost, with the exception of assessment of financial assets and liabilities in cases in which it is obligatory to apply the fair value criterion, and for the financial statements of companies operating in economies subject to hyperinflation, which are prepared on the basis of the current cost criterion.

It should be noted that on 23 December 2022, as part of the activities aimed at verifying compliance with the contract covenants for the measurement of the same as at 31 December 2022, the Group reached an agreement with (i) the pool of lender banks of the credit lines (Euro 230 million, maturing in 2027 and Euro 150 million, maturing in 2026) and (ii) the bondholders referred to in the bond loans (Euro 40 million, maturing in 2024 and USD 35 million, maturing in 2024) for the modification and adjustment of the financial covenants leverage ratio. At the same time, the shareholder GVS Group Srl undertook to disburse a subordinated and unsecured shareholder loan in favour of GVS SpA to an extent such as to allow for compliance with the leverage ratio as at 31 December 2022. This solution, which was completed in the first months of 2023 with the disbursement of this loan, made it possible to remedy compliance with the aforementioned covenants as at 31 December 2022, during the first few months of 2023 without capital interventions.

The agreement with the pool of lending banks provides for the following adjustments and modifications to covenants relating to the ratio between consolidated net financial debt and consolidated pro-forma EBITDA (leverage ratio): (i) inclusion in the calculation of the consolidated net financial position as at 31 December 2022 of the cash deriving from any subordinated shareholder loans disbursed after 31 December 2022 and before the date of sending the compliance certificate certifying the value of leverage ratio as at 31 December 2022; (ii) change in the definition of consolidated financial debt aimed at excluding the indebtedness deriving from any subordinated shareholder loans from the calculation of the consolidated net financial position; (iii) increase of the parameter of leverage ratio, calculated with the above modification, for the checks as at 30 June 2023 and as at 31 December 2023 compared to the levels set at the time of signing the syndicated loans (from 3.5x to 4.25x and 4.00x respectively as at 30 June 2023 and as at 31 December 2023), in order to guarantee a wider space of comfort in a market situation and complex geopolitical scenarios.

An adjustment agreement of the covenants was also reached with the bondholders who gave their written consent to modifications of bond loans with similar content to those mentioned above with reference to pool loans, also undertaking to express a vote in favour of the approval of these amendments at the meeting of the bondholders of the bond loans.

For the sake of completeness, it should be noted that similar amendments were shared and formalized in relation to the bilateral credit lines for a residual amount of Euro 25 million as at 31 December 2022.

It should be noted that the need to amend the loan agreements can only be attributed to the significant increase in financial debt, which occurred in June 2022 following the acquisition of Haemotronic SpA and not to operational criticalities related to the Group's business. Furthermore, the projections for 2023, prepared by the Directors, allow us to consider sustainable the financial debt increased following the acquisitions made in 2021 and 2022.

The solution identified above is based on the will of the majority shareholder to support the Company. In particular, on 8 March 2023, GVS SpA signed an agreement with the majority shareholder GVS Group Srl, concerning a subordinated and unsecured shareholder loan of Euro 75 million expiring on 31 December 2027, disbursed the day following the signing of the contract. This solution made it possible, after the end of the financial year as at 31 December 2022, to remedy compliance with the level of financial covenants leverage ratio (equal to 3.5x), as resulting following the agreements reached with the financial counterparties on 23 December 2022. In particular, the amount of the shareholder loan was determined on the basis of the preliminary information available and which sees at 31 December 2022 a consolidated net financial position of approximately Euro 375 million and an adjusted EBITDA pro-forma (which considers the 12-month EBITDA of the business combinations carried out during 2022) for the purposes of calculating the financial covenants of approximately Euro 86 million. The terms and conditions of this loan, defined between the Company and GVS Group following the outcome of the procedure for carrying out transactions with related parties in compliance with current provisions, are highlighted below:

- Amount: Euro 75 million, to be repaid, save early repayment, on 31 December 2027.
- Purpose: The purpose of the loan is to enable compliance with the leverage ratio, envisaged pursuant to existing loans, at the recognition of 31 December 2022 (limit level equal to 3.5x). Furthermore, should operational needs require it, the sums deriving from the loan could still be used by GVS for operational needs.
- Use: the Company has undertaken not to use the sums deriving from the loan to the extent that it has additional resources available, being able in any case to carry out treasury management activities.

- Interest: The loan provides for a remuneration equal to 80% of the gross yield of the Italian BOT (Buono Ordinario del Tesoro) with a 12-month maturity, to be calculated exclusively on the amount not used by the Company for operational needs. Therefore, to the extent that GVS uses all or a portion of the loan for operational needs, no interest will accrue on these uses. The initial interest rate (i.e., from the disbursement date to 31 December 2023) was conventionally determined at 2.5% on an annual basis. The accrual and payment of interest remain subject to further conditions inherent mainly to the subordinated nature of the loan and compliance with the financial covenants envisaged by the existing debt.
- In case of early repayment: there is an obligation for GVS to repay the loan in full (plus any interest), subject to a positive evaluation by the Company of its short-medium term financial solidity in the event that: the Company were to repay in full the debt deriving from the loans and bond loans existing prior to the respective repayment dates or after 30 June 2024, if the ratio between consolidated net debt (calculated assuming full repayment of the loan) and consolidated EBITDA does not exceed, on the verification date, the coefficient of 3.0x. The sums deriving from the loan may be used by GVS Group Srl for the subscription of any capital increases of the Company.
- Subordination: Except in the cases of early repayment and any payment of interest described above, the loan is subordinated to the syndicated loans and existing bond loans.

Despite what was concluded and finalized with the lending banks and with the shareholder GVS Group, as at 31 December 2022, the Company reclassified the medium-term portion of these loans under current liabilities in the consolidated financial statements. While the financial payables mentioned above are not due within the twelve months following 31 December 2022, the reclassification was accounted for as required by IAS 1, on the basis of which in the event a covenant is overrun, the financial debt is classified among non-current liabilities only if the lender has agreed, before the closing date of the financial year, to provide a grace period ending at least twelve months after the closing date of the financial year, within which the entity can remedy the breach and during which the lender cannot request an immediate repayment. With reference to GVS, a period has been identified in which the Company can remedy the covenant, through a subordinated and unsecured shareholder loan, but this period is less than 12 months.

In consideration of the results achieved as at 31 December 2022, the most up-to-date information available and the financial support obtained from the majority shareholder and described above, based on their best estimates, while taking into account the uncertainties relating to the current macroeconomic context tied to the Russia-Ukraine conflict and other phenomena such as inflation, the directors believe that there are no critical issues in relation to compliance with the financial parameters at the deadlines set by the existing loan agreements.

It should also be noted that with reference to business continuity, cash equivalents at 31 December 2022, amounting to Euro 135.2 million, the credit lines currently available and the cash flows that will be generated by operations are considered adequate to meet the Group's obligations and to finance its operations.

On the basis of the information available at the date of approval of this Financial Report and in consideration of the above, the Directors believe that the going concern assumption with which they have drawn up these consolidated financial statements is appropriate.

With regard to the performance in the year 2022, please read the Directors' Report on Operations.

2.3 Consolidation criteria and methods

The Consolidated Financial Statements include the statement of financial position and the statement of profit and loss of the Company and its subsidiaries, approved by their respective administrative bodies, prepared on the basis of their accounting situations and, where applicable, opportunely corrected to ensure that they conform to EU-IFRS.

The table below lists information on the company name, registered offices, currency of operation, share capital and portion thereof owned directly by the Group for all GVS's subsidiaries.

Company name	Registered offices	Currency	Share capital at 31 December 2022	Direct owner	Percentage of control at 31 december	
					2022	2021
YUYao Yibo Medical Device Co. Ltd	Cina - Yuyao	CNY	5,420,000	GVS Technology (Suzhou) Co. Ltd.	100.00%	100.00%
GVS Technology (Suzhou) Co. Ltd.	Cina - Suzhou (RPC)	CNY	182,658,405	GVS SpA	100.00%	100.00%
Suzhou GVS Trading Co. Ltd.	Cina - Ningbo	CNY	250,000	GVS Technology (Suzhou) Co. Ltd.	100.00%	100.00%
GVS Fortune Holding Ltd	Hong Kong (RPC)	HKD	1	GVS SpA	100.00%	100.00%
GVS North America Inc	USA - Sanford (MA)	USD	Na	GVS North America Holdings Inc	100.00%	100.00%
GVS Filtration Inc	USA - Findlay (OH)	USD	10	GVS North America Holdings Inc	100.00%	100.00%
GVS NA Holdings Inc	USA - Sanford (MA)	USD	0.10	GVS SpA	100.00%	100.00%
Fenchurch Environmental Group Ltd	Regno Unito - Morecambe	GBP	1,469	GVS SpA	100.00%	100.00%
GVS Filter Technology UK Ltd	Regno Unito - Morecambe	GBP	27,000	Fenchurch Environmental Group Ltd	100.00%	100.00%
GVS do Brasil Ltda	Brasile - Municipio de Monte Mor, Campinas	BRL	20,755,226	GVS SpA	99.95%	99.95%
GVS Argentina Sa	Argentina - Buenos Aires	ARS	1,510,212	GVS SpA	94.12%	94.12%
GVS Filter Technology de Mexico	Messico - Nuevo Leon	MXN	50,000	GVS SpA	99.90%	99.90%
GVS Korea Ltd	Korea - Seul	KRW	100,000,000	GVS SpA	100.00%	100.00%
GVS Microfiltrazione Srl	Romania - Ciorani	RON	1,600	GVS SpA	100.00%	100.00%
GVS Japan KK	Giappone - Tokyo	JPY	1,000,000	GVS SpA	100.00%	100.00%
GVS Russia LLC	Russia - Mosca	RUB	10,000	GVS SpA	100.00%	100.00%
GVS Filtre Teknolojileri	Turchia - Istanbul	TRY	100,000	GVS SpA	100.00%	100.00%
GVS Puerto Rico LLC	Puerto Rico - Fajardo	USD	Na	GVS SpA	100.00%	100.00%
GVS Filtration SDN. BHD.	Malesia - Petaling Jaya	MYR	1,000,000	GVS SpA	100.00%	100.00%
GVS Filter India Private Limited	India - Mumbai	INR	100,000	GVS SpA	100.00%	100.00%
Abretec Group LLC	USA - Detroit (MI)	USD	14,455,437	GVS North America Holdings Inc	100.00%	100.00%

Goodnan Brands LLC	USA - Detroit (MI)	USD	0	GVS North America Holdings Inc	100.00%	100.00%
RPB Safety LLC	USA - Detroit (MI)	USD	0	Abretec Group LLC	100.00%	100.00%
RPB Manufacturing LLC	USA - Detroit (MI)	USD	0	Abretec Group LLC	100.00%	100.00%
RPB IP LLC	USA - Detroit (MI)	USD	0	Abretec Group LLC	100.00%	100.00%
RPB Safety Ltd	New Zeland Christchurch	NZD	1,000	GVS SpA	100.00%	100.00%
GVS Filtration Co., Ltd.	Thailandia - Bangkok	THB	12,000,000	GVS SpA	100.00%	100.00%
Shanghai Transfusion Technology Co. Ltd	Cina - Shanghai (RPC)	CNY	113,450,000	GVS Technology (Suzhou) Co. Ltd.	100.00%	N/A
Suzhou Laishi Transfusion Equipment Co. Ltd.	Cina - Suzhou (RPC)	CNY	2,271,895	GVS Technology (Suzhou) Co. Ltd.	100.00%	N/A
GVS Vietnam Company Limited	Vietnam - Ho Chi Minh City	VND	449,800,000	GVS SpA	100.00%	N/A
Haemotronic SpA	Italia - Mirandola (MO)	EUR	5,040,000	GVS SpA	100.00%	N/A
Htmex inc	USA - Mcallen (TX)	USD	2,500,000	S.i.t.ra Srl	100.00%	N/A
Haemotronic de Mexico S DE RL DE CV	Mexico- Raynosa	MXN	29,603	Htmex Inc	100.00%	N/A

Note that as of the date of the Consolidated Financial Statements, all companies included in the consolidation area are consolidated using the full consolidation method.
With the exception of GVS Filter India Private Limited, whose financial year ends on 31 March, the reporting date of the consolidated companies is 31 December, which is the date at which the financial statements of the Parent Company are closed.

The principal variations in the scope of consolidation are briefly described below. The effect on the accounts of acquisitions in the period under examination are described in detail in note 7, "Business combinations".

During the year, the scope of consolidation changed from the previous year, following the acquisition of the entire share capital of Shanghai Transfusion Technology Co. Ltd ("STT"), a historic Chinese company, leader in the production and sale of products related to blood treatment. In particular, GVS Technology (Suzhou) Co. Ltd., (100% owned by GVS SpA) acquired 100% of the share capital of the Chinese company Shanghai Transfusion Technology Co. Ltd. and its subsidiary Suzhou Laishi Transfusion Equipment Co. Ltd. The acquisition took place on 02 March 2022 against which the economic effects from the date of acquisition of control were recorded in the Consolidated Financial Statements.

During the month of June 2022, GVS also acquired the entire share capital of Haemotronic SpA ("Haemotronic"), specialized in the production of components and bags for the medical sector with plants in Italy and Mexico. In particular, GVS SpA acquired 100% of the share capital of the Italian company Haemotronic SpA and its subsidiaries Bartek Srl and Sitra Srl (merged by incorporation into Haemotronic SpA at 31 December 2022) and the direct and indirect subsidiaries of the latter, Htmex Inc. and Haemotronic de Mexico S DE RL DE CV. The acquisition took place on 15 June 2022, starting from that date, the economic results of the newly acquired companies were recorded in the consolidated financial statements.

The criteria adopted by the Group in determination of the scope of consolidation and the consolidation principles are described below.

SUBSIDIARY COMPANIES

An investor controls an entity when: (*i*) it has power over the entity in which it invests, (*ii*) it is exposed to, or entitled to participate in, the variability of its economic returns, and (*iii*) it is capable of exercising its decision-making power over significant assets in the entity itself in such a way as to influence these returns. The existence of control is checked every time events and/or circumstances indicate that there may have been a change in one of these elements qualifying control. Subsidiaries are consolidated by the full consolidation method starting on the date on which control is acquired and cease to be consolidated on the date on which control is lost. The criteria adopted for full consolidation are as follows:

- assets and liabilities, charges and income from controlled entities are taken line by line, attributing to any minority shareholders their share in the company's shareholders' equity and annual net profit; these shares are reported separately in shareholders' equity and in the comprehensive income statement;
- profits and losses, including the effect of taxation, deriving from transactions among companies which are consolidated in full and not yet realised in relation to third parties are eliminated, with the exception of losses, which are not eliminated if the transaction offers evidence of a reduction of the value of the asset transferred. Reciprocal payables and receivables, costs and revenues are also eliminated, as are financial charges and proceeds;
- in the presence of interests acquired subsequently to obtaining control (acquisition of minority interests), if there is any difference between purchase cost and the corresponding portion of net assets acquired, it is recorded in the Group's shareholders' equity; similarly, the effects of sale of minority shares without loss of control are recorded under shareholders' equity. Sale of shares resulting in a loss of control, on the other hand, will result in recording in the comprehensive income statement:
  - **(i)** of any capital gains/losses, calculated as the difference between the payment received and the corresponding portion of consolidated shareholders' equity sold;
  - **(ii)** of the effect of remeasurement of the residual share maintained, if any, to align it with fair value;
  - **(iii)** of any values that may be entered under other components of overall profit in relation to the subsidiary in which the company no longer owns the controlling share, which will be reversed to the comprehensive income statement, or, if this is not done, to the item "Profit carried over" under shareholders' equity.

The value of the share maintained, if any, aligned with its fair value as of the date of loss of control, represents the new value at which the equity investment will be recorded, which also serves as the reference value for its subsequent assessment on the basis of the applicable assessment criteria.

BUSINESS COMBINATIONS

Business combinations as a result of which the controlling share in a business is acquired are recorded in compliance with IFRS 3, applying what is known as the acquisition method. Specifically, identifiable assets acquired and liabilities and potential liabilities taken on are recorded at their current value as of the date of acquisition, which is the date on which the controlling share is acquired (the "**Acquisition Date**"), with the exception of deferred tax assets and liabilities, assets and liabilities pertaining to employee benefits, and assets destined for sale, which are entered on the basis of the applicable accounting standards. Since there are no minority shareholders, the difference between the fair value of the payment transferred and the net fair value of the identifiable assets and liabilities, if positive, is entered under intangible assets as goodwill, while if negative, after checking that the current value of the assets and liabilities acquired and the purchase cost have been measured correctly, they are recorded as proceeds directly on the income statement.

Goodwill is recognised on the financial statements at the date of acquisition of control of a business and is determined as an excess of (a) over (b), in the following way: a) the sum of the consideration paid (measured in accordance with IFRS 3 that is generally determined on the basis of the fair value at the acquisition date), the amount of any non-controlling interest, and, in the case of a business combination carried out in several phases, the fair value at the date of acquisition of control of the equity investment already held in the acquired entity; b) the fair value of identifiable assets acquired net of identifiable liabilities assumed, measured at the date of acquisition of control.

Minority shares as of the acquisition date may be measured at fair value or pro-quota on the basis of the value of the net assets acknowledged for the enterprise purchased. The choice of assessment method is made for each individual transaction.

When determination of the value of the assets and liabilities of the business purchased is provisional, it must be completed within a maximum of twelve months from the acquisition date, taking into account only information on events and circumstances that were in existence as of the Acquisition Date. In the year in which this determination is concluded, the corresponding provisional values will be corrected retrospectively. The accessory costs of the transaction are recorded in the income statement at the time when they are incurred.

Acquisition cost is represented by the fair value on the Acquisition Date of the assets transferred, the liabilities taken on and the capital instruments issued for the purposes of the purchase, and also includes the potential consideration, that is, the portion of the consideration for which the amount and effective payment are dependent on future events. The potential consideration is recorded on the basis of its fair value as of the Acquisition Date, and subsequent variations in fair value are recorded in the income statement if the potential consideration is a financial asset or liability, while potential considerations classified as shareholders' equity are not redetermined and their subsequent extinction is entered directly under shareholders' equity.

If control is gained at a later stage, purchase cost is determined by adding the fair value of the share previously held to the amount paid for the additional share. If there is a difference between the fair value of the share previously held and its book value, this is allocated to the comprehensive income statement. When control is taken over, any amounts previously recognised in other comprehensive income components are recorded on the comprehensive income statement.

Business combination operations under which the companies in which shares are held are controlled by the same entity or entities before and after the combination operation and for which control is not transitory are described as operations "under common control". These operations are not regulated by IFRS 3 or other EU-IFRS. In the absence of an applicable accounting standard, the choice of the method by which these operations are represented in the accounts must ensure compliance with the provisions of IAS 8, that is, dependable, faithful representation of the transaction. Moreover, the accounting standard chosen for representation of operations "under common control" must reflect their economic substance, independently of their legal form. The existence of economic substance therefore constitutes the key element determining the method to be used to enter these operations in the accounts. Economic substance must refer to generation of added value which takes concrete form in significant changes in the cash flows of the net assets transferred. When recording the operation in the accounts, it is also important to take current interpretation and orientation into account; specifically, refer to the provisions of OPI 1 (*Orientamenti Preliminari Assirevi in tema IFRS - Assirevi*'s Preliminary Orientation regarding IFRS) (Revised), on "accounting treatment of business combinations of entities under common control in separate and consolidated financial statements".

The net assets transferred must therefore be entered at their book value in the company acquired or, if available, the values appearing in the consolidated financial statements of the common controlling company.

TRANSACTIONS WITH MINORITY SHAREHOLDERS

The Group records transactions with minority shareholders as "equity transactions". Therefore, in the event of acquisition and transfer of additional shares once the controlling share has been reached, the difference between the purchase cost and the book value of the minority shares purchased will be allocated to the Group's shareholders' equity.

CONVERSION OF THE FINANCIAL STATEMENTS OF FOREIGN COMPANIES

Subsidiaries' financial statements are prepared in the currency of the country where their registered offices are located. The rules applicable to conversion of the financial statements of companies expressed in currencies other than the Euro, with the exception of companies operating in economies subject to hyperinflation, are as follows:

- assets and liabilities are converted at the exchange rate in effect on the date of the financial statements;
- costs and revenues are converted at the average exchange rate for the year;
- the "conversion reserve", included among the items in the comprehensive income statement, includes both exchange differences generated by conversion of economic quantities at an exchange rate different from the one in effect on the closing date and those generated by conversion of shareholders' equity on the opening date at the historic exchange rate;
- goodwill, where it exists, and adjustments of fair value related to the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and converted at the exchange rate in effect at the close of the year.

The table below lists the exchange rates used for conversion of the financial statements of companies operating in a currency other than the Euro for the periods indicated:

	At 31 December		Financial year ended 31 December	
Currency	2022	2021	2022 (average)	2021 (average)
Brazilian Real	5.6386	6.3101	5.4399	6.3779
Argentine Peso (*)	188.5033	116.3622	136.7767	112.4215
Chinese Renminbi	7.3582	7.1947	7.0788	7.6282
American Dollar	1.0666	1.1326	1.0530	1.1827
Hong Kong Dollar	8.3163	8.8333	8.2451	9.1932
Japanese Yen	140.6600	130.3800	138.0274	129.8767
Korean Won	1,344.0900	1,346.3800	1,358.0733	1,354.0570
Russian Ruble	78.9716	85.3004	74.9892	87.1527
Turkish Lira (*)	19.9649	15.2335	17.4088	10.5124
Mexican Peso	20.8560	23.1438	21.1869	23.9852
Romanian Ron	4.9495	4.9490	4.9313	4.9215
Indian Rupee	88.1710	84.2292	82.6864	87.4392
Malaysian Ringitt	4.6984	4.7184	4.6279	4.9015
New Zealand dollar	1.6798	1.6579	1.6582	1.6724
Thai Baht	36.8350	37.6530	36.8562	37.8368
Vietnamese Dong	25,183	N/A	24,630	N/A
British Pound	0.8869	0.8403	0.8528	0.8596

(*) Refer to note 2.4 for a description of the accounting standards and assessment criteria applied to economies subject to hyperinflation.

CONVERSION OF ITEMS IN FOREIGN CURRENCY

Transactions in currencies other than the currency in which the Company operates are entered at the exchange rate in effect on the date of the transaction. Monetary assets and liabilities in currencies other than the Euro are subsequently adapted to the exchange rate in existence as of the close of the year. Any resulting exchange rate differences are reflected in the statement of profit and loss, under the item "Profits and losses on exchanges".

2.4 Accounting standards and assessment criteria

The criteria adopted for the classification, entry, assessment and cancellation of various items in the assets and liabilities, and the criteria applied to entry of income components, are listed below.

Intangible assets

An intangible asset is an asset which meets all of the following conditions:

- it is identifiable;
- it is not monetary;
- it has no physical consistency;
- it is controlled by the company preparing the financial statements;
- it is expected to produce future economic benefits for the company.

If an asset does not meet the requirements for definition as an intangible asset listed above, the cost of its purchase or in-house generation will be entered as a cost when it is incurred.

Intangible assets are initially entered at cost. The cost of intangible assets acquired from outside the company includes the purchase price and any directly attributable costs.

Goodwill generated internally is not entered as an asset, nor are intangible assets resulting from research (or the research stage in an in-house project).

An intangible asset deriving from development or the development stage in an in-house project is entered if it can be demonstrated to meet the following conditions:

- technical feasibility of completing the intangible asset to make it available for use or sale;
- the intention to complete the intangible asset for use or sale;
- the ability to use or sell the intangible asset;
- the way in which the intangible asset can generate future economic benefits, and particularly the existence of a market for the product produced by the intangible asset or for the intangible asset itself, or, if it is to be used for internal purposes, its utility;
- availability of sufficient technical, financial or other resources to complete the development of the asset for use or sale;
- the ability to reliably assess the cost attributable to the intangible asset during its development.

Intangible assets are measured using the cost method, in accordance with one of two different criteria set forth under IAS 38 (the cost model and the redetermination of value model). The cost model states that following initial entry, an intangible asset must be entered at cost, after subtraction of amortisation accumulated and any losses due to reduction of accumulated value.

The useful lifespan estimated by the Group for various categories of intangible asset is specified below:

Category of intangible asset	Depreciation rate
Development costs	4 to 6 years
Customer relationship	4 to 20 years
Technology	4 to 20 years
Industrial patent rights and rights to use intellectual property	5 to 14 years
Concessions, licenses, trademarks, and similar rights	5 to 14 years
Other fixed assets	1.5 years

The following principal intangible assets may be identified in the Group:

(a) Goodwill

Goodwill is classified as an intangible asset with an indefinite useful lifespan, initially entered based on the provisions of IFRS 3, as described above, and then subjected to assessment at least once a year with the aim of identifying any loss of value (in this regard, refer to the section below entitled "*Reduction of the value of Goodwill, tangible and intangible assets and assets represented by usage rights*"). Value may not be restored if it has previously been written down due to loss of value.

(b) Intangible assets with a defined useful lifespan

Intangible assets with a defined useful lifespan are entered at cost, as stated above, minus amortisation accumulated and any loss of value.

Amortisation begins when the asset is made available for use and is divided up systematically on the basis of residual potential for use, that is, on the basis of estimated useful lifespan; the value to be amortised and the recoverability of book value are subject to the criteria specified, respectively, in the sections on "*Tangible assets*" and "*Reduction of the value of Goodwill, tangible and intangible assets and assets represented by usage rights*".

Usage rights and leasing assets and liabilities

In accordance with IFRS 16, a contract is, or contains, a leasing agreement if it ensures, in exchange for a consideration, a right to control use of a specified asset for a given period of time. The contract will be assessed again to determine whether it is, or contains, a leasing agreement only in the event of a change in its terms and conditions.

In a contract which is, or contains, a leasing agreement, every lease component is separate from non-lease components, unless the Group applies the practical expedient identified in point 15 of IFRS 16. This practical expedient permits the tenant to choose, for every class of underlying asset, not to separate the non-lease components from the lease components and to enter all lease components and their associated non-lease components as a single lease component.

The term of the lease is determined as the period during which the leasing agreement cannot be cancelled, to which the following time periods must be added:

- time periods covered by an option to extend the lease, if the tenant has a reasonable degree of certainty of exercising the option; and
- time periods covered by the option to cancel the lease, if the tenant has a reasonable degree of certainty that the option will not be exercised.

In assessing whether the tenant has a reasonable degree of certainty of exercising the option of extending the lease or that the option of cancelling the lease will not be exercised, all pertinent events and circumstances forming an economic incentive for the tenant to exercise the option of extending the lease and not to exercise the option of cancelling the lease are taken into consideration. The tenant must recalculate the term of the lease if the period during which the leasing agreement cannot be cancelled changes. As of the date on which the contract goes into effect, the Group enters assets representing usage rights and the corresponding lease liability.

As of the date on which the contract goes into effect, the value of assets represented by usage rights is identified as their cost. The cost of assets represented by usage rights includes:

a) the amount of the initial assessment of the lease liability;
b) payments due on the lease made on the date or prior to the date on which the agreement goes into effect, after subtraction of lease incentives received;
c) initial costs born directly by the tenant; and
d) an estimate of the costs the tenant will have to bear for dismantling and removal of the underlying asset and restoration of the site on which it is located, or for restoration of the underlying asset to the condition required under the terms and conditions of the lease agreement, unless these costs are incurred for the production of inventory. The obligation regarding the above costs arises for the tenant as of the date on which the contract goes into effect or as a consequence of use of the underlying asset during a given time period.

As of the date on which the contract goes into effect, the tenant must assess lease liabilities at the current value of payments due on the lease not paid as of that date. Payments due on the lease include the following amounts:

a) fixed payments, after subtraction of any lease incentives receivable;
b) variable payments due on the lease which depend on an indicator or rate, initially measured on the basis of an indicator or the rate in effect on the date on which the contract goes into effect;
c) amounts the tenant will have to pay to guarantee the residual amount;
d) the price of exercising the purchase option, if the tenant has a reasonable degree of certainty of exercising the option; and
e) payment of penalties for cancellation of the lease agreement, if the term of the lease takes into account the possibility of the tenant exercising the option of cancelling the lease.

Payments made on the lease must be updated on the basis of the implicit interest rate of the lease, if it can easily be determined. If this is not possible, the tenant must use the marginal financing rate, that is, the incremental interest rate the company would have to pay to obtain a loan of the same term and amount as the lease agreement.

Following initial entry, the Group measures assets representing usage rights at cost:

a) net of amortisation and reductions in value accumulated; and
b) corrected to take into account recalculation of the lease liability, if necessary.

Following initial entry, the lease liability will be measured on the basis of:

a) increasing book value to take into account interest on the lease liability;
b) decreasing book value to take into account payments made on the lease; and
c) recalculating book value to take into account any new assessments of or changes to the lease or revision of payments due on the lease of fixed amount.

In the event of changes to the lease which do not constitute a separate leasing agreement, assets represented by usage rights will be recalculated (raising or lowering them) consistently with the change in the lease liability as of the date of the change. The lease liability will be recalculated on the basis of the new conditions identified in the lease agreement, using the actualisation rate as of the date of the change.

It should be noted that the Group avails itself of the exemption provided for in IFRS 16, with reference to leasing of assets of small value. In these cases, the asset representing usage rights and the corresponding lease liability are not entered, and payments due on the lease are entered in the statement of profit and loss.

The Group has decided not to avail itself of the exemption permitted under IFRS 16 for short-term leasing agreements (that is, leasing contracts with a term of twelve months or less from the date on which they go into effect).

The landlord must classify each of its leases as operative or financial. A lease is classified as financial if it substantially transfers all the risks and benefits connected with ownership of the underlying asset. A lease is classified as operative if it does not substantially transfer all the risks and benefits connected with ownership of the underlying asset. In a financial lease, on the date on which the lease goes into effect the landlord must record the assets held under financial leasing agreements in the statement of financial position, showing them as receivables with a value equal to the net investment in the lease. In an operative lease, the landlord must enter payments due as proceeds, based on the criterion of constant rates or another systematic criterion. The landlord must also enter costs, including depreciation, incurred in order to earn the proceeds on the lease.

If the entity transfers a give asset to another entity and then leases it under a lease agreement, it will be necessary to determine whether the transfer should be entered in the accounts as a sale on the basis of the provisions of IFRS 15. In this case, the tenant-seller must assess the asset consisting of usage rights from leaseback as a percentage of the previous book value of the asset for which the tenant-seller maintains usage rights. As a result, the tenant-seller must enter only the amount of profit or loss on the rights transferred to the landlord-buyer. If the fair value of the consideration for sale of the asset is not equal to the fair value of the asset, or if payments due on the lease agreement are not at market prices, the entity must perform the following corrections in order to enter the value of revenues from the sale at fair value: (*i*) conditions which are below market price must be entered in the accounts as an advance on the payments due on the lease, and (*ii*) conditions which are above market price must be entered in the accounts as an additional loan provided by the landlord-buyer to the tenant-seller.

Tangible assets

Real property, plants and machinery are entered in the accounts as tangible assets only if the following conditions simultaneously apply:

- it is probable that the company will enjoy the future economic benefits referable to the asset;
- cost can be reliably determined.

Tangible assets as initially entered at cost, defined as the amount of cash or cash equivalents paid, or the fair value of other considerations paid to acquire an asset, at the time of its purchase or replacement. Subsequently to initial entry, tangible assets will be measured by the cost method, after subtraction of depreciation allowance entered and any loss of value that may have been accumulated.

The cost includes charges directly incurred in order to make use of these assets possible, and any dismantling or removal costs that may be incurred under contractual obligations requiring the asset to be restored to its original condition.

Charges incurred for maintenance and repairs of an ordinary and/or cyclical nature are directly attributable to the statement of profit and loss at the time when they are incurred. Capitalisation of costs inherent in expansion, modernisation or improvement of structural elements owned by or in use by third parties is performed to the extent that it responds to the requirements for separate classification as an asset or part of an asset.

The depreciation criterion applied to tangible assets is the constant instalments method, throughout their useful lifespan.

The useful lifespan estimated by the Group for various categories of tangible asset is shown below:

Category of tangible asset	Depreciation rate
Buildings	33 years
Light constructions	10 years
Generic plants and machinery	13 years
Specific plants and machinery	8 years
Furniture and fittings	8 years
Office equipment and electronic equipment	5 years
Various equipment	2.5 years
Vehicles for internal transportation and automobiles	4 to 5 years

At the end of each year the company checks whether there have been any significant changes in the expected features of the economic benefits deriving from assets capitalised, and if there are, it changes the depreciation criterion, which is considered a change in estimate on the basis of standard IAS 8.

The value of the tangible asset is completely reversed when it is disposed of or when the company no longer expects to derive any economic benefit from its sale.

Contributions to capital account are entered when there is a reasonable degree of certainty that they will be received and that all the conditions pertaining to them have been met. Contributions are therefore reduced the value of tangible fixed assets and credited to the statement of profit and loss reducing the value of depreciation in proportion to the useful lifespan of the corresponding assets.

IMPAIRMENT OF GOODWILL, TANGIBLE ASSETS AND INTANGIBLE ASSETS, AND ASSETS REPRESENTED BY USAGE RIGHTS

(a) Goodwill
As stated above, goodwill is subject to verification of the recoverability of value (known as the *impairment test*) at least once a year in the presence of indicators that could suggest a reduction in its value, according to the provisions of IAS 36 (Impairment of assets). This check is normally conducted at the end of each year, so that the reference date for the verification is the date of the financial statements.

The impairment test is conducted on each of the units generating cash flow ("Cash Generating Units" or "CGU") to which goodwill has been allocated. The CGU of an asset is the smallest group of assets including the asset itself that generates incoming cash flows which are broadly independent of the incoming cash flows of other assets or groups of assets. Impairment of goodwill is entered if its recoverable value is lower than the value at which it was entered in the financial statements. Recoverable value is defined as the fair value of the CGU, after subtraction of disposal charges, and its value in use, defined as the current value of future cash flows estimated for the asset, whichever is greater. In determining value in use, expected future cash flows are actualised using a pre-tax discount rate reflecting the current market value of the cost of money, in relation to the investment period and specific risks inherent in the asset. If the reduction of value resulting from the impairment test exceeds the value of goodwill allocated to the CGU, the residual excess will be allocated to assets included in the CGU in proportion to their book value. The minimum limit on this allocation is the higher of:

- the asset's fair value after subtraction of sale costs;
- value in use, as defined above;
- zero.

The original value of goodwill cannot be restored when the reasons that resulted in its impairment no longer apply.

(b) Assets (tangible, intangible and usage rights) with a finite useful life
On the date of each financial statement a test is conducted to determine if there are any indicators that tangible assets, intangible assets and usage rights may have suffered impairment. Both internal and external information sources are taken into consideration. Internal information sources include: obsolescence or physical deterioration of the asset, any significant changes in the way the asset is used, and economic trends in the asset in comparison with forecasts. External sources include: price trends on the market for the assets, any changes in technology, the market or regulations, and market trends in interest rates or the cost of capital used to assess investments.

If the presence of such indicators is identified, the recoverable value of the assets will be estimated, allocating any writedowns over book value to the comprehensive income statement. The recoverable value of an asset is represented by fair value, after subtraction of accessory sale costs, and the corresponding value of use, determined by actualising estimated future cash flows from the asset, including, if significant and reasonably determinable, those deriving from sale at the end of its useful lifespan, after subtraction of any disposal charges. In determining value in use, expected future cash flows are actualised using a pre-tax discount rate reflecting the current market value of the cost of money, in relation to the investment period and specific risks inherent in the asset. In the case of an asset that does not generate broadly independent cash flows, recoverable value is determined in relation to the cash generating unit to which the asset belongs.

Impairment is acknowledged in the comprehensive income statement when the value at which the asset is entered, or the value of the CGU to which it is allocated, exceeds its recoverable value. Impairment of a CGU is allocated first to reduction of the book value of any goodwill that may be attributed to it, and then to reduction of other assets in proportion to their book value and within the limits of their recoverable value. If the requirements for a previous writedown no longer apply, the book value of the asset will be restored, with allocation to the statement of profit and loss, within the limits of the net book value the asset in question would have had if it had not been written down and if it had been subjected to depreciation.

Financial assets

When initially reported, financial assets must be classified in one of the three categories listed below, on the basis of the following elements:

- the business model the entity uses for management of financial assets; and
- the features of the contractual cash flows of the financial asset.

Financial assets will then be cancelled from the financial statement only if their sale results in substantial transfer of all the risks and benefits connected with the assets. If, on the other hand, a significant portion of the risks and benefits pertaining to the assets sold is retained, the assets will continue to appear in the financial statements, even if their ownership has been legally transferred.

a) Financial assets measured at amortised cost
This category includes financial assets that satisfy both of the following conditions:

- the financial asset is owned on the basis of a business model aimed at collecting cash flows under a contract ("Hold to Collect" business model); and
- the terms of the contract for the financial assets specify cash flows on specific dates represented solely by payment of principal and interest on the amount of the principal remaining to be repaid (that is, they pass the "SPPI test").

At the time of initial entry, these assets are reported at fair value, including transaction costs or proceeds directly attributable to the instrument. Following initial entry, the financial assets under examination will be measured at amortised cost, using the effective interest rate method. The amortised cost method is not applied to assets – measured at historical cost – of such a brief duration that the effect of application of actualisation would be negligible, to those without a definite term, and for revoked receivables.

b) Financial assets measured at fair value with an impact on overall profitability
This category includes financial assets that satisfy both of the following conditions:

- the financial asset is owned on the basis of a business model aimed at collecting cash flows under a contract and through sale of the financial asset itself ("Hold to Collect and Sell" business model); and
- the terms of the contract for the financial assets specify cash flows on specific dates represented solely by payment of principal and interest on the amount of the principal remaining to be repaid (that is, they pass the "SPPI test").

This category includes equity interests which may not be described as relations of control, connection and joint control, which are not held for trading, for which the option of designation at fair value has been exercised with an impact on overall profitability.

At the time of initial entry, these assets are reported at fair value, including transaction costs or proceeds directly attributable to the instrument. Subsequently to initial entry, equity interests which may not be described as relations of control, connection and joint control are measured at fair value, and the amounts offset against them under shareholders' equity (Statement of comprehensive profitability) must not be subsequently transferred to the income statement, even in the event of sale. The only component referable to the equities in question which is subject to entry in the income statement is the corresponding dividends.

For equities included in this category, which are not listed on an active market, the cost criterion is used to estimate fair value merely residually and limited to a few circumstances, that is, if the most recent information for measuring fair value is insufficient, or if there are a wide range of possible appraisals of fair value and cost represents the best estimate of fair value within this range of values.

c) Financial assets measured at fair value with an impact on the income statement
This category includes financial assets other than those classified among "Financial assets measured at amortised cost" and among "Financial assets measured at fair value with an impact on overall profitability".

This category includes financial assets held for trading and derivatives contracts which cannot be classified as hedges (represented as assets if their fair value is positive and as liabilities if their fair value is negative).

At the time of initial entry, financial assets measured at fair value with an impact on the income statement are measured at fair value, without taking into consideration transaction costs or proceeds directly attributable to the instrument. On subsequent reporting dates, they are measured at fair value and the effects of their measurement are allocated to the income statement.

Derivative financial instruments and hedges
Derivative financial instruments are entered in accordance with the provisions of IFRS 9.

On the date of stipulation of the contract, derivative financial instruments are initially measured at fair value, as financial assets measured at fair value with an impact on the income statement if fair value is positive or as financial liabilities measured at fair value with an impact on the income statement if fair value is negative.

If financial instruments are not entered as hedges, changes in fair value detected subsequently to initial entry are treated as components of the profit or loss for the financial year. If, on the other hand, the derivative instruments meet the requirements for classification as hedges, subsequent variations in fair value are entered on the basis of specific criteria, described below.

A derivative financial instrument is classified as a hedge if the relationship between the hedge and the item hedged is formally documented, including risk management goals, hedging strategy and methods to be used to determine its perspective and retrospective efficacy. The efficacy of each hedge is verified both at the time of creation of each derivative instrument and during its life, and particularly on the closing date of each financial statement or interim report. A hedge is normally considered highly "effective" if, both at the start and during its life, changes in fair value, in the case of fair value hedges, or in expected future cash flows, in the case of cash flow hedges, of the element hedged are substantially compensated by changes in the fair value of the hedge.

Accounting standard IFRS 9 permits designation of the following three hedging relationships:

a) fair value hedge: when the hedge covers variations in the fair value of assets and liabilities appearing in the financial statements, both changes in the fair value of the hedge and variations in the item covered are allocated to the income statement;
b) cash flow hedge: when the hedge is intended to neutralise the risk of changes in cash flows originating from the future execution of contractual obligations in existence as of the date of the financial statement, changes in the fair value of the hedge registered subsequently to the first measurement are entered in the accounts, limited to the effective portion only, in the comprehensive income statement and therefore in a shareholders' equity reserve. When the economic effects originated by the hedged item appear, the amount entered in the comprehensive income statement is transferred to the income statement. If the hedge is not perfectly effective, the change in the fair value of the hedge referable to the ineffective portion is entered in the income statement immediately;
c) coverage of a net investment in a foreign company (net investment hedge).

If the checks do not confirm the efficacy of the hedge, from that time on hedging operations will no longer be entered in the accounts, and the derivative hedging contract will be reclassified among financial assets measured at fair value with an impact on the income statement or financial liabilities measured at fair value with an impact on the income statement.

Moreover, the hedging relationship ceases when:

- the derivative instrument expires or is sold, rescinded or exercised;
- the item hedged is sold, expires, or is refunded;
- it is not longer very likely that the future transaction hedged will be performed.

Refer to note 5.5 for information on asset and liability categories and information on fair value.

Trade receivables

Trade receivables deriving from the transfer of goods and the providing of services are measured according to the terms of the contract with the customer, on the basis of the provisions of IFRS 15, and classified on the basis of the nature of the debtor and/or the expiry date of the receivable (this definition includes invoices to be issued for services already performed).

Moreover, as trade receivables are normally short-term and do not involve payment of interest, there is no calculation of amortised cost, and they are entered in the accounts on the basis of the face value appearing on the invoices or in the contracts stipulated with customers: this provision is also applied to trade receivables which have a contractual term of more than twelve months, unless their effect is not particularly significant. This choice is a result of the fact that the amount of short-term receivables is very similar whether the historical cost method or the amortised cost criterion is applied, and the impact of actualisation would therefore be entirely negligible.

Trade receivables are subject to impairment testing under the provisions of IFRS 9. Trade receivables are divided by expiration date for the purposes of the measurement process. Performing receivables are subjected to collective measurement, grouping individual types of exposure on the basis of similar levels of credit risk. They are measured on the basis of expected losses throughout the lifespan of the receivable, determined on the basis of losses registered for assets with similar credit risk features on the basis of historical experience, and corrected to reflect expected future economic conditions.

Inventories

Inventories are goods:

- possessed for sale in the normal course of the company's business;
- used in productive processes for sale;
- in the form of materials or supplies of goods to be used in the production process or in the performance of services.

Inventories are entered at cost and subsequently measured at cost or net realisable value, whichever is lower.

The cost of inventories includes all purchase costs, transformation costs and all other costs incurred to put the inventories in their current location and condition, but does not include exchange rate differences in the event of inventories invoiced in foreign currency. In accordance with the provisions of IAS 2, the average weighted cost method is used to determine the cost of inventories.

If net realisable value is lower than cost, the surplus is written down immediately in the income statement.

Cash on hand and cash equivalents

Cash on hand and cash equivalents are entered at face value or amortised cost, depending on their nature. Cash equivalents represent short-term financial commitments with high liquidity, which are promptly convertible into a known amount of cash and subject to an insignificant risk of variations in value, the original expiry of which at the time of purchase was no more than 3 months.

Payables

Trade payables and other payables are initially entered at fair value and subsequently measured on the basis of the amortised cost method.

Payables to banks and other financial backers are initially entered at fair value, not including directly allocated accessory costs, and are subsequently measured on the basis of amortised cost, applying the effective interest rate. In the event that, following a change in the conditions of a financial payable, there should be a change in the estimated expected cash flows resulting in a change in these flows of less than 10%, the amortised cost of the financial liability must be recalculated and the net profit or loss must include a profit or loss resulting from the change. The amortised cost of the financial payable must be recalculated as the current value of financial flows renegotiated or modified, actualised at the effective original interest rate of the financial payable. Any costs or commissions incurred in relation to the change will adjust the book value of the financial payable modified, and will be amortised throughout the remaining lifespan of the modified financial payable.

Payables are eliminated from the financial statements when paid, and when the Group has transferred all risks and charges pertaining to the instrument.

Employee benefits

Employee benefits include benefits paid to employees or their dependants, and may be liquidated by payment (or through the supply of goods and services) directly to the employees, their spouses, children or other dependants or to third parties, such as insurance companies; they may be divided into short-term benefits, benefits payable to employees upon termination of their employment, and post-employment benefits.

Short-term benefits, which also include incentives programmes represented by annual bonuses, MBOs and once-only renewal of collective national contracts of employment, are entered as liabilities (appropriation of costs) after subtracting any amounts already paid, and as a cost, unless another IFRS standard requires or permits inclusion of benefits in the cost of an asset (such as the cost of personnel working on development of intangible assets generated in-house).

The category of benefits upon termination of employment includes retirement incentive plans, which arise in the event of voluntary resignation in which the employee or group of employees participates in trade union agreements for access to solidarity funds, and dismissal plans, which arise in the event of termination of employment as the result of a unilateral decision made by the company. The company enters the cost of such benefits as a liability in the financial statement on the most immediate date between the moment at which the company can no longer retract the offer of the benefits and the moment at which the company bears the cost of personnel reorganisation falling under accounting standard IAS 37. Funds appropriated for redundancy or retirement are reviewed at least once every six months.

Post-employment benefit plans may be divided into two categories: defined-contribution plans and defined-benefit plans.

Defined-contribution plans primarily include:

- Supplementary pension funds requiring a defined contribution by the company;
- the Employee Termination Indemnity fund, limited to portions accruing since 1 January 2007 in the case of companies with more than 50 employees, whatever the employee's chosen allocation of the funds may be;
- portions of Employee Termination Indemnity accrued since 1 January 2007 and allocated to supplementary pension funds, in companies with less than 50 employees;
- supplementary medical insurance funds;
- the End of Service Indemnity allocated to directors.

Defined-benefit plans, on the other hand, include:

- Employee Termination Indemnity, limited to portions accrued up to 31 December 2006 for all companies and portions accrued since 1 January 2007 and not allocated to supplementary pension plans in the case of companies with less than 50 employees;
- supplementary pension funds under conditions requiring payment of a defined benefit to participants;
- seniority bonuses involving an extraordinary payment to employees upon reaching a certain degree of seniority.

In defined-contribution plans, the obligation of the company preparing the financial statements is determined on the basis of the contributions due in the year in question, so that measurement of the obligation does not require actuarial hypotheses and there is no possibility of actuarial profits or losses.

Entry of defined-benefit plans in the accounts is characterised by resort to actuarial hypotheses to determine the value of the obligation. This measurement is performed once a year by an external actuary. The company performs time-discounting using the unitary credit projection method, which involves projection of future expenditures on the basis of historical analysis of statistics and of the demographic curve, and financial time-discounting of these flows on the basis of a market interest rate. Actuarial profits and losses are offset against shareholders' equity (under the item "Reserve for actuarial profits and losses") as required by accounting standard IAS 19.

Performance share plan

The Group recognises incentives made up of a capital shareholding plan to certain senior management members and beneficiaries who hold key positions in the Group. The performance share plan is a type of "equity settled" plan, where the beneficiary is entitled to receive shares of GVS S.p.A. free of charge at the end of the vesting period. For the "equity settled" performance share plan, the fair value is recorded on the income statement among personnel costs over the period between the assignment date and the expiry date, and a reserve of shareholders' equity is recorded. Fair value is determined at the assignment date, reflecting the market conditions prevailing at the date in question. At each reporting date, the Group checks the assumptions about the number of performance shares expected to be accrued and recognises the effect of any change in the estimate of the number of performance shares on the income statement, adjusting the corresponding equity reserve. If the performance shares are exercised at the end of the vesting period, the corresponding increase in shareholders equity is recorded.

Provisions for potential risks and charges, assets and liabilities

Potential assets and liabilities may be divided into categories according to their nature and impact on the accounting records. Specifically:

- provisions are effective obligations of uncertain amount and contingency/due date arising out of past events, in relation to which it is probable that there will be an expenditure of economic resources, the amount of which may be reliably estimated;
- potential liabilities are possible obligations in relation to which expenditure of economic resources is not a remote probability;
- remote liabilities are those in relation to which expenditure of economic resources is a remote probability;
- potential assets are assets in relation to which the requirement of certainty is not met, so that they may not be entered in the financial statements;
- an onerous contract is a contract in which the non-discretionary costs essential for fulfilment of obligations exceed the economic benefits assumed to be obtainable from the contract;
- a reorganisation is a programme planned and controlled by Company management making significant changes to the field of action of an activity undertaken by the company or the way in which an activity is managed.

For the purposes of entry of the cost in the accounts, provisions are recorded if there is uncertainty as to the due date or amount of the flow of resources required to fulfil the obligation or other liabilities, particularly trade payables or allocation for presumed payables.

Provisions differ from other liabilities in that there is no certainty regarding the due date or amount of the future cost of fulfilment. In view of their different nature, provisions are entered separately from trade payables and allocation of funds for presumed payables.

A liability or provision to a fund is entered in the accounts when:

- there is a current legal or implicit obligation arising out of past events;
- it is probable that resources capable of producing economic benefits may have to be used to fulfil the obligation;
- the amount of the obligation may be reliably estimated.

Provisions require use of estimates. Under extremely rare circumstances in which it is not possible to obtain a reliable estimate, the amount of the liability cannot be reliably determined, and so it is described as a potential liability.

Provisions for risks and charges are made for an amount representing the best possible estimate of the expenditure that will be required to fulfil the corresponding obligation in existence as of the date of the financial statements, taking into consideration the risks and uncertainties that inevitably surround many events and circumstances. The amount of the provision reflects any future events which could affect the amount required to fulfil an obligation if there is sufficient objective evidence that these events will occur.

Once the best possible estimate of the expenditure required to fulfil the corresponding obligation in existence as of the date of the financial statements has been determined, the current value of the provision is determined, if the effect of the current value of cash is significant.

Treasury shares

Treasury shares are entered at cost and reduce the value of shareholders' equity. The effects of any subsequent sale of treasury shares will be recorded under shareholders' equity.

Hyperinflation

Companies operating in countries with high inflation rates recalculate the value of non-monetary assets and liabilities in their original financial statements to eliminate the distorting effects of the currency's loss of spending power. The inflation rate used for the purposes of adoption of inflation accounting is the consumer price index.

Companies operating in countries where the cumulative inflation rate over a three-year period is approximately 100% or more adopt inflation accounting, interrupting it if the cumulative inflation rate over a three-year period falls below 100%.

Profits and losses on net monetary position are allocated to the income statement.
Financial statements prepared in currencies other than the Euro by companies operating in countries with a high inflation rate are converted into Euro applying the exchange rate in effect at the end of the year to items in both the statement of assets and liabilities and the income statement.

In the third quarter of 2018 the cumulative inflation rate over the last three years in Argentina exceeded 100%. This and other characteristics of the country's economy led the Group to adopt IAS 29 for the Argentinian company GVS Argentina S.A. beginning on 1 January 2018. Starting from 1 January 2022, the Group has adopted the IAS 29 accounting standard also for the Turkish subsidiary.

Revenue from customer contracts

Revenues from contracts with customers are entered when the following conditions apply:

- the contract with the customer has been identified;
- the performance obligations contained in the contract have been identified;
- the price has been determined;
- the price has been allocated to individual contractual obligations contained in the contract;
- the contractual obligation contained in the contract has been fulfilled.

The Group reports revenues from contracts with customers when (or progressively as) contractual obligations are fulfilled, transferring to the customer the promised item or service (the asset). The asset is transferred when (or progressively as) the customer acquires control over it.

The Group transfers control of the asset or service over time, and therefore fulfils the contractual obligation and obtains revenues over time, if one of the following criteria is met:

- the customer simultaneously receives and uses the benefits deriving from the entity's service as the entity provides the service;
- the Group's service creates or improves the asset (such as work in progress) of which the customer takes over control as the asset is created or improved;
- the Group's service does not create an asset presenting an alternative use for the Group, and the Group is entitled to demand payment for the services completed up to the date taken into consideration.

If a contractual obligation is not fulfilled over time, the contractual obligation is fulfilled at a given moment in time. In this case, the Group receives revenues from it when the customer acquires control over the promised asset.

The contractual consideration included in the contract with the customer may include fixed amounts, variable amounts, or both. If the contractual consideration includes a variable amount (e.g. discounts, price concessions, incentives, penalties, or other similar elements), the Group estimates the amount of the consideration to which it will be entitled in exchange for the transfer of the promised goods or services to the customer. The Group includes the estimated amount of the variable consideration in the price of the operation only to the extent that it is highly probable that there will not be a significant downward adjustment of total revenues once the uncertainty surrounding this consideration is subsequently cleared up.

If the Group is entitled to receive a consideration in exchange for goods or services transferred to the customer, the Group will enter an asset from contracts with customers in its accounts. In the presence of an obligation to transfer goods and services to the customer for which a payment has been received from the customer, the Group records a liability from contracts with customers.

Incremental costs of obtaining contracts with customers are entered in the accounts as assets and amortised throughout the duration of the underlying contract, if the Group expects to recover them. Incremental costs of obtaining a contract are costs the Group incurs in order to obtain a contract with the customer, which it would not have incurred if it had not obtained the contract. Costs of obtaining a contract that would have been incurred even if the contract were not obtained must be entered as costs at the time at which they are incurred, unless explicitly chargeable to the customer even if no contract was obtained.

Costs incurred for fulfilment of contracts with customers are capitalised as assets and amortised throughout the term of the underlying contract only if these costs do not fall in the scope of application of another accounting standard (such as IAS 2 – Inventories, IAS 16 – Property, plant and equipment, and IAS 38 – Intangible assets) and satisfy all the following conditions:

- costs are directly correlated to the contract or to an expected contract which the entity can specifically identify;
- costs permit the entity to obtain new or greater resources for use fulfilling (or continuing to fulfil) its obligations in the future;
- these costs are expected to be recovered.

Acknowledgement of costs
Costs are entered in the income statement on the basis of the *pro tempore* principle.

Dividends
Dividends received are entered in the income statement on the basis of the *pro tempore* principle, that is, in the year in which entitlement to the corresponding receivable arises, following the resolution of the subsidiary's shareholders' meeting to distribute dividends.

The dividends distributed are represented as movements in shareholders' equity in the year in which they are approved by the shareholders' meeting.

Income tax
Current taxes are calculated on the basis of annual taxable income, applying the taxation rates in effect as of the date of the financial statements. Current taxes for the year under examination and previous years are recorded as liabilities, to the extent to which they have been paid. Current tax assets and liabilities pertaining to the current year and past years must be determined at the value expected to be recovered from the tax authorities, or paid to them, applying the tax rates and tax legislation in effect or substantially emanated as of the date of the financial statements.

Deferred taxes may be divided into:

- deferred tax liabilities, representing the amount of income tax payable in future years referable to temporary differences in taxable amounts;
- deferred tax assets, which are portions of income tax that may be recovered in future financial years, referable to deductible temporary differences, carrying over of unused tax losses, and carrying over of unused tax credits.

Deferred tax assets and liabilities are calculated applying the taxation rate to the temporary differences taxable or deductible identified, or to unused tax losses and tax credits.

On the date of each financial statement a new measurement is conducted of both deferred tax assets not entered in the financial statements and advance tax assets entered in the financial statements, in order to verify the existence of the requirement of probability of recovery of deferred tax assets.

For determining taxes, any uncertainties as to the application of tax laws in accordance with IFRIC 23 are considered.

Profit per share
Basic profit per share is calculated by dividing the Group's net profit or loss by the weighted average number of ordinary shares in circulation during the year, excluding treasury shares.

Diluted profit per share is calculated by dividing the Group's net profit or loss by the weighted average number of ordinary shares in circulation during the year, excluding treasury shares. For the purposes of calculation of diluted profit per share, the weighted average number of ordinary shares in circulation during the year is modified by assuming that all owners of rights that could potentially have a diluting effect, if any, exercise their rights, while the Group's net profit or loss is adjusted to take into account the eventual effects of exercising these rights, after taxation.

Operating segments
An operating segment is a component of an entity:

- which undertakes business activities generating revenues and costs (including revenues and costs regarding transactions with other components of the same entity);
- the operating results of which are periodically reviewed at the highest decision-making level in the entity for the purposes of adoption of decisions regarding resources to be allocated to the area and assessment of the results; and
- for which separate financial information is available.

Refer to note 6 for information on operating segments.

3. Recently issued accounting standards

a) IFRS accounting standards, amendments and interpretations effective from 1 January 2021
The following IFRS accounting standards, amendments and interpretations were applied for the first time by the Group from 1st January 2022:

- Amendments to IFRS 3 Business Combinations: the purpose of the amendments is to update the reference in IFRS 3 to the Conceptual Framework in the revised version, without this resulting in any changes to the provisions of the standard.
- Amendments to IAS 16 Property, Plant and Equipment: the purpose of the amendments is not to allow the deduction from the cost of property, plant and equipment of the amount received from the sale of goods produced in the test phase of the asset. These sales revenues and related costs will therefore be recognised on the income statement.
- Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets: the amendment clarifies that when estimating whether a contract is onerous, all costs directly attributable to the contract shall be considered. Accordingly, the assessment of whether a contract is onerous includes not only incremental costs (such as the cost of the material used in the processing), but also all costs that the enterprise cannot avoid because it has entered into the contract (such as, for example, the depreciation of machinery used to perform the contract).
- Annual Improvements 2018-2020: amendments were made to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IAS 41 Agriculture and the Illustrative Examples of IFRS 16 Leases.

All amendments entered into force on 1 January 2022. The adoption of these amendments had no impact on the Group's consolidated financial statements.

b) IFRS and IFRIC accounting standards, amendments and interpretations endorsed by the European Union, not yet mandatorily applicable and not adopted early by the Group at 31 December 2022

- On 18 May 2017, the IASB published the standard IFRS 17 - Insurance Contracts which is intended to replace the standard IFRS 4 - Insurance Contracts. The objective of the new standard is to ensure that an entity provides relevant information that faithfully presents the rights and obligations deriving from insurance contracts issued. The directors do not expect that the adoption of this standard will have any meaningful effect on the Group's consolidated financial statements.
- On 12 February 2021, the IASB published two amendments entitled '*Disclosure of Accounting Policies-Amendments to IAS 1 and IFRS Practice Statement 2*' and '*Definition of Accounting Estimates-Amendments to IAS 8*'. The amendments are intended to improve the disclosure of accounting policies so as to provide more useful information to investors and other primary users of financial statements and to help companies distinguish changes in accounting estimates from changes in accounting policies. The amendments will apply from 1 January 2023, but earlier application is permitted. The directors are currently evaluating the possible effects of the introduction of these amendments on the Group's consolidated financial statements.
- On 7 May 2021, the IASB published an amendment entitled '*Amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction*'. The document clarifies how deferred taxes should be accounted for on certain transactions that may generate assets and liabilities of equal amounts, such as leases and decommissioning obligations. The amendments will apply from 1 January 2023, but earlier application is permitted. The directors do not expect that the adoption of this amendment will have any meaningful effect on the Group's consolidated financial statements.

c) IFRS accounting standards, amendments and interpretations not yet endorsed by the European Union

As of the reference date of this document, the competent European Union bodies have not yet concluded the approval process required for adoption of the amendments and standards described below.

- On 23 January 2020, the IASB published an amendment entitled '*Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current*'. The document aims to clarify how to classify debts and other short-term or long-term liabilities. The amendments enter into force on 1 January 2023; however, earlier application is permitted. The directors do not expect that the adoption of this amendment will have any meaningful effect on the Group's consolidated financial statements.

4. Estimates and assumptions

Preparation of financial statements requires directors to apply accounting standards and methods which, in certain circumstances, are based on difficult and subjective measurements and estimates which are based on historical experience and on assumptions which may or may not be considered reasonable and realistic, depending on their circumstances.

Application of these estimates and assumptions influences the amounts appearing in the accounts in the financial statements, such as the statement of financial position, the income statement, the overall income statement, the financial report and the explanatory information supplied. The final results of items in the financial statements determined on the basis of estimates and assumptions may differ, in some cases significantly, from those appearing in financial statements which report the effects of the occurrence of the event estimated, due to the uncertainty characteristic of assumptions and the conditions on which estimates are based.

Areas requiring particular subjectivity on the part of directors in preparation of estimates, and for which a change in the conditions underlying the assumptions made could have a significant impact on the Group's financial results, are as follows:

a) *Impairment of tangible assets and intangible assets with a defined useful lifespan*: tangible and intangible assets with a defined useful lifespan are tested for impairment in the presence of indicators suggesting difficulty recovering their net book value through use. Determination of the existence of such indicators requires the directors to perform subjective assessments on the basis of information available from both internal and external sources and historical experience. Moreover, when it is determined that a potential loss of value may be generated, it is necessary to proceed with its determination by means of assessment techniques considered appropriate. Correct identification of indicators of potential loss of value and estimates for its determination depend on subjective assessments and on factors which may vary with time, affecting the measurements and estimates made by management.

b) *Impairment of intangible assets of indefinite useful lifespan (goodwill)*: the value of goodwill is tested annually for impairment, to be entered in the income statement. The test involves allocation of goodwill to cash flow generating units and subsequent determination of their recoverable value, defined as fair value or value of use, whichever is greater. If recoverable value is less than the book value of the cash flow generating units, the goodwill allocated to them must be written down.

c) *Provision for writedown of receivables*: determination of this provision reflects management's estimate of customers' historic and expected solvency.

d) _Provisions for risks and charges_: the existence or non-existence of a current (legal or implicit) obligation is not always easy to determine. Directors assess such phenomena on a case-by-case basis, jointly with estimation of the amount of economic resources required to fulfil the obligation. If the directors believe that the appearance of a liability is merely possible, the risk is indicated in the explanatory note regarding risks and commitments, without setting aside any funds.

e) _Useful lifespan of tangible and intangible assets_: useful lifespan is determined when the asset is entered in the financial statements and reviewed at least once a year, at the close of the year. Estimates of the duration of useful lifespan are based on historical experience, market conditions and expectations regarding future events which could have an impact on the asset's useful lifespan, including technological change. It is therefore possible that actual useful lifespan may differ from estimated useful lifespan.

f) _Deferred tax assets_: deferred tax assets are entered on the basis of the probability of the existence of future tax revenues in relation to which temporary differences or eventual tax losses may be used within a reasonable time period.

g) _Inventories_: final product inventories presenting features of obsolescence or slow turnover are periodically subjected to an assessment test and written down if their recoverable value is less than their book value. Writedowns are based on the directors' assumptions and estimates based on their experience and on the results historically achieved.

h) _Leasing liabilities_: the amount of leasing liabilities and therefore the corresponding assets due to usage rights depend on determination of the lease term. This determination is subject to management's assessment, with specific reference to the decision whether or not to include time periods covered by renewal options or cancellation of the lease agreement under leasing contracts. These assessments will be reviewed in the presence of a significant event or a significant change in circumstances with an impact on management's reasonable certainty of exercising an option that was not previously taken into consideration in determining the lease term, or not to exercise an option that was previously taken into consideration in determining the lease term.

5. Management of financial risk

In the area of business risk, the principal risks identified, monitored and, to the extent specified below, actively managed by the Group are as follows:

- market risk, deriving from oscillating exchange rates between the Euro and the other currencies in which the Group operates, and of interest rates;
- credit risk, deriving from the possibility of a counterpart defaulting;
- liquidity risk, deriving from insufficiency of financial resources to fulfil financial commitments.

The Group's goal is to maintain balanced management of its financial exposure over the years in order to guarantee a debt structure that is balanced with the composition of the company's assets and capable of guaranteeing the necessary flexibility in operations through use of liquidity generated by current operations and resort to bank loans.

The capacity of characteristic management to generate liquidity and the capacity for indebtedness allow the Group to adequately satisfy the requirements of its operations and financing of operative working capital and investment capital, and to fulfil its financial obligations.

The Group's financial policy and management of financial risk are guided and monitored at the central level. In particular, the central finance function assesses and approves provisional financial requirements, monitors trends and applies appropriate corrective actions where necessary.

In relation to the war that broke out between Ukraine and Russia, the Company monitors the geopolitical context and the situation in Russia on a daily basis to assess the potential direct and indirect effects. Currently, the Group's financial exposure to the areas concerned is marginal and is around 0.3% of turnover.

The following note supplies qualitative and quantitative information on the impact of these risks on the Group.

5.1 Market risk

EXCHANGE RATE RISK

Exposure to exchange rate risk is a result of the Group's commercial activities conducted in currencies other than the Euro. Revenues and costs in foreign currency may be influenced by exchange rate fluctuation with an impact on sales margins (economic risk), just as trade payables and receivables in foreign currency may be affected by the exchange rate used, with an impact on economic results (transaction risk). Finally, fluctuating exchange rates also have an impact on consolidated profit or loss and on shareholders' equity, because the financial statements of a number of Group companies are prepared in currencies other than the Euro and then converted (translation risk).

Revenues from contracts with customers are normally in Euro or Dollars, or indexed to the Euro. The Group has not signed contracts concerning instruments to hedge exchange rate fluctuations, and uses the exchange rate risk management policy to maintain the target ratio between purchases of raw materials and revenues denominated in a single currency lower than 30%. Exceeding this ratio with reference to one of the currencies in which the Group operates indicates an overexposure to the exchange rate risk associated with that currency. There were no significant deviations from this target ratio during the year.

SENSITIVITY ANALYSIS FOR EXCHANGE RATE RISK

For the purposes of sensitivity analysis for exchange rate risk, items on the statement of assets and liabilities at 31 December 2021 and 31 December 2022 (financial assets and liabilities) in currencies other than the currency in which each Group company operates have been identified. In assessing the potential effects of fluctuating exchange rates on net profit or loss, infragroup payables and receivables in currencies other than the account currency are also taken into consideration.

For the purposes of this analysis, two scenarios were taken into consideration which discount a 5% appreciation and depreciation, respectively, in the nominal exchange rate between the currency in which the item is entered in the financial statements and the account currency.

The table below shows the results of this analysis.

	Currency appreciation of 5%		Currency depreciation of 5%	
(in thousands of Euro)	At 31 December		At 31 December	
Currency	**2022**	**2021**	**2022**	**2021**
USD	15,028	13,242	(13,597)	(11,980)
GBP	(560)	(183)	506	165
EUR	288	448	(261)	(405)
Other	(481)	(285)	421	267
Total	**14,276**	**13,221**	**(12,930)**	**(11,954)**

Balances in dollars mainly refer to intra-group loans granted by GVS to the subsidiary GVS North America Holdings Inc. to the Chinese and Mexican subsidiaries, as well as to the residual portion of the bond issued in 2014.

INTEREST RATE RISK

The Group uses external financial resources in the form of debts and, where considered appropriate, invests available liquidity in money market instruments. Variations in interest rates influence the cost and yield of various forms of financing and investment, and therefore have an impact on the level of consolidated net financial charges. The Group is exposed to the risk of interest rate fluctuations, in view of the fact that some of its debts have variable interest rates. The Group's policy aims to limit/eliminate the risk of interest rate fluctuation by subscribing contracts hedging the risk of interest rate variation.

SENSITIVITY ANALYSIS REGARDING INTEREST RATE RISK

A sensitivity analysis has been prepared to determine the effect on the consolidated income statement of a hypothetical positive and negative variation of 50 bps in the interest rate as compared to the rate effectively recorded in each period.

This analysis was conducted primarily in relation to the following items:

- cash on hand and cash equivalents;
- short-term and medium- to long-term payables to banks.

Cash on hand and cash equivalents made reference to average cash on hand and the average interest rate for the period, while the impact of short-term and medium- to long-term payables to banks was calculated specifically.

The table below shows the results of this analysis

	Impact on profit net of taxes	
(in thousands of Euro)	**- 50 bps**	**+ 50 bps**
Financial year ended 31 December 2022	473	(473)
Financial year ended 31 December 2021	190	(190)

5.2 Credit risk

The Group deals with exposure to the credit risk inherent in the possibility of insolvency (defaulting) and/or deterioration of the creditworthiness of its customers through instruments for assessing each individual counterpart through a dedicated organisational structure equipped with adequate tools for constant daily monitoring of customers' behaviour and creditworthiness.

The Group is currently structured to implement a process of ongoing monitoring of credits, modulated with different degrees of reminders, varying on the basis of specific knowledge of the customer and of the number of days by which payment is delayed, in order to optimise working capital and minimise this form of risk.

As regards its financial counterparties, the Group is not characterised by significant concentrations of credit risk or solvency risk.

The table below breaks down trade receivables at 31 December 2022 according to due date, net of the provision for writedown of receivables. We note that, as of the date of this report, net receivables entered in the "past due from 91 to 180 days" bracket, for an amount equal to Euro 4,054 thousand, have been fully collected.

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(in thousands of Euro)	**Not yet due**	**Overdue by 1 to 90 days**	**Overdue by 91 to 180 days**	**Overdue by more than 181 days**	**Total**
Gross trade receivables at 31 December 2022	58,434	15,216	2,381	2,131	**78,162**
Provision for writedown of receivables	-	(706)	(2,381)	(2,131)	**(5,218)**
Trade receivables as at 31 December 2022	**58,434**	**14,510**	**-**	**-**	**72,944**

5.3 Liquidity risk

Liquidity risk represents the possibility of the Group becoming incapable of obtaining the financial resources necessary to guarantee current operations and fulfilment of obligations falling due, or that these resources might be available only at a high cost.

In order to mitigate this risk, the Group: (*i*) periodically determines forecast financial requirements on the basis of the operative needs, in order to act promptly to obtain any additional resources that may be necessary, (*ii*) performs all actions required to obtain such resources, (*iii*) ensures adequate composition in terms of due dates, instruments and degree of availability.

The Group believes the lines of credit currently available, combined with the cash flows generated by current operations, to be sufficient to meet financial requirements for and repayment of loans on their due dates.

The table below represents an analysis of due dates, based on contractual repayment obligations, as of 31 December 2022.

	At 31 December 2022					
(in thousands of Euro)	**within 1 year**	**between 1 and 2 years**	**between 3 and 5 years**	**beyond 5 years**	**Contractual value**	**Book value**
Debt for the purchase of equity investments and earn out	-	28,393	19,000	-	**47,393**	**40,983**
Financial liabilities	85,694	113,525	290,657	796	**490,672**	**449,227**
Leasing liabilities	8,062	8,227	5,435	6,207	**27,931**	**25,211**
Trade payables	57,944	-	-	-	**57,944**	**57,944**
Other current payables and liabilities	22,187	-	-	-	**22,187**	**22,187**

The amounts indicated in the table above represent undiscounted face values determined with reference to the residual contractual due dates for both the portion representing principal and the portion representing interest.

5.4 Capital management

The Group's capital management aims to guarantee a solid credit rating and appropriate levels of capital indicators to support the Group's investment plans and fulfil contractual commitments to financial backers.

The Group has the capital necessary to finance its requirements for growth of its business lines and for its operations; sources of financing represent a balanced mix of risk capital and debt capital, in order to guarantee a balanced financial structure and minimise the total cost of capital, benefiting all stakeholders.

Remuneration of risk capital is monitored on the basis of market trends and business performance, once all other obligations, such as service of the Group's debt, have been fulfilled; in order to ensure adequate remuneration of capital, safeguarding of business continuity and growth of lines of business, the Group constantly monitors the evolution of its level of indebtedness in relation to shareholders' equity, business trends, and forecast short, medium and long-term cash flows.

5.5 Categories of financial assets and liabilities and information on fair value

Categories of financial assets and liabilities

The tables below break down financial assets and liabilities by category according to IFRS 9 at 31 December 2021 and 31 December 2022.

	Book value	
(in thousands of Euro)	**At 31 December 2022**	**At 31 December 2021**
FINANCIAL ASSETS:		
Financial assets measured at amortised cost:		
Non-current financial assets	3,715	1,303
Other receivables and non-current assets	1,695	-
Trade receivables	72,944	52,975
Other receivables and current assets	9,791	6,773
Current financial assets	187	900
Cash on hand	135,169	136,893
	223,500	**198,844**
Financial assets measured at fair value entered in the income statement:		
Non-current financial assets	39	15
Current financial assets	4,592	7,437
	4,631	**7,452**
Derivative financial instruments	**6,648**	**123**
TOTAL FINANCIAL ASSETS	**234,780**	**206,419**

(in thousands of Euro)	Book value At 31 December 2022	At 31 December 2021
FINANCIAL LIABILITIES:		
Financial liabilities measured at amortised cost:		
Non-current financial liabilities	10,989	180,164
Non-current leasing liabilities	16,899	6,773
Current financial liabilities	438,238	41,706
Current leasing liabilities	8,312	4,760
Trade payables	57,944	23,820
Other current liabilities	21,953	15,062
	554,335	**272,285**
Financial liabilities measured at fair value entered in the income statement:		
Debt for the purchase of equity investments and non-current earn out	40,983	-
Debt for the purchase of equity investments and current earn out	-	19,670
	40,983	**19,670**
TOTAL FINANCIAL LIABILITIES	**595,317**	**291,955**

In view of the nature of short-term financial assets and liabilities, the book value of the majority of these items is considered to represent a reasonable approximation of fair value.

Non-current financial assets and liabilities are regulated or measured at market rates, and their fair value is therefore considered to be substantially in line with their current book value.

Information on fair value

IFRS 13 requires the value of assets and liabilities measured at fair value in the company's financial position to be classified on the basis of a hierarchy of levels reflecting the significance of the input used to determine fair value. The fair value of financial instruments is classified on the basis of the following hierarchic levels:

- **Level 1**: fair value determined with reference to listed prices (not adjusted) on active markets for identical financial instruments. In Level 1 the emphasis is therefore placed on determination of the following elements: (a) the principal market for the asset or liability, or, in the absence of a principal market, the most advantageous market for the asset or liability; (b) the possibility of the entity conducting a transaction in the asset or liability at the price in effect on that market as of the measurement date.
- **Level 2**: fair value determined with reference to assessment techniques referring to variables that may be observed on active markets. The input for this level includes: (a) prices listed for similar assets or liabilities in active markets; (b) prices listed for identical or similar assets or liabilities in inactive markets; (c) figures other than the listed prices that may be observed for the assets or liabilities, such as interest rates or yield curves which may be observed at commonly listed intervals, implicit volatility, credit spread, or input conformed by the market.
- **Level 3**: fair value determined on the basis of assessment techniques referring to market variables that cannot be observed.

The tables below list financial assets and liabilities measured at fair value, divided on the basis of their levels in the hierarchy:

	At 31 December 2022		
(in thousands of Euro)	Level 1	Level 2	Level 3
Non-current financial assets	-	-	39
Current financial assets	-	4,592	-
Non-current derivative financial instruments	-	6,648	-
Total assets measured at fair value	**-**	**11,240**	**39**

	At 31 December 2022		
(in thousands of Euro)	Level 1	Level 2	Level 3
Debt for the purchase of equity investments and non-current earn out	-	-	40,983
Total liabilities measured at fair value	**-**	**-**	**40,983**

	At 31 December 2021		
(in thousands of Euro)	Level 1	Level 2	Level 3
Non-current financial assets	-	-	15
Current financial assets	-	7,437	-
Non-current derivative financial instruments	-	123	-
Total assets measured at fair value	**-**	**7,560**	**15**

	At 31 December 2021		
(in thousands of Euro)	Level 1	Level 2	Level 3
Debt for the purchase of equity investments and current earn out	-	-	19,670
Total liabilities measured at fair value	**-**	**-**	**19,670**

There have been no transfers among different levels in the fair value hierarchy in the financial years under consideration here.

6. Information on operating segments

Information on operating segments has been prepared on the basis of IFRS 8 "Operating segments" (hereinafter "**IFRS 8**"), which requires the information to be presented consistently with the methods adopted by the directors in making operative decisions.

The Group bases its management on a matrix structure divided by product line, distribution channel and geographic area, an organisation which identifies a unified strategic vision of the business in a synthetic view. This structure is reflected in the way in which management monitors and strategically guides the Group's activities. Top management reviews the Group's economic performance as a whole, so individual operating segments may not be identified. The Group's activity has therefore been represented as a single segment for the purposes of reporting under IFRS 8.

Details of revenues from contracts with customers by product line, distribution channel and geographic area appear in note 9.1.

In accordance with the provisions of IFRS 8, paragraph 34, in the financial year ending on 31 December 2022 there was no customer generating individually more than 10% of the Group's total revenues. On the contrary, for the 2021 financial year there was only one customer generating revenues above this threshold.

The table below lists non-current assets, other than financial assets and advance tax assets and active derivatives, by geographic area as of 31 December 2021 and 31 December 2022, allocated on the basis of the country in which the assets are located. Non-current assets which are not allocated are represented entirely by goodwill.

	At 31 December	
(in thousands of Euro)	**2022**	**2021**
Italy	152,137	28,716
United States	143,135	142,981
United Kingdom	7,153	8,047
Brazil	2,834	2,573
China	60,388	11,432
Romania	3,234	3,434
Mexico	15,990	11,818
Puerto Rico	5,158	5,251
Other	3,242	3,154
Non-current assets not allocated	246,664	98,379
Total	**639,937**	**315,785**

7. Business combinations

This section describes the Group's business combinations in the year ending on 31 December 2022, as defined by IFRS 3 – "Business combinations".

Takeover of the STT Group

On 02 March 2022, the GVS Group, through its subsidiary GVS Technology (Suzhou) Co. Ltd, has completed the acquisition of the entire share capital of Shanghai Transfusion Technology Co. Ltd ("STT") and its subsidiary, a historic Chinese company, leader in the production and sale of products related to blood treatment. The closing of the transaction took place following the meeting of all conditions precedent set out in the sale contract. The consideration paid at the closing, including the cash acquired, was equal to approximately 55 million euros. A deferred payment, of a maximum amount of approximately 9 million euros, will be paid after the end of 2023 to the seller in the event that STT obtains the authorization to produce and market a new strategic line of products and finalises the sale of real estate. The initial price has been adjusted based on the final net working capital and net financial position at the acquisition date. The acquisition was financed with the available liquidity of GVS. After the closing, STT repaid the loan of approximately CNY 73.5 million (approximately EUR 10.5 million) granted by the seller in order to finance certain pre-closing payments and provide STT with adequate working capital.

The earn out mentioned above, defined and agreed between the parties, was recorded at the acquisition date in a separate item of non-current financial liabilities for an initial amount of Euro 7,566 thousand.

The following table shows the details of the cash flows deriving from the STT acquisition, thus excluding the debt for earn out which will be paid in the year 2024.

(in thousands of Euro)	**Financial year ended 31 December 2022**
Consideration paid	52,049
Net cash on hand acquired	(4,859)
Outgoing cash flow due to investment	**47,190**

The table below reports the fair value of the assets and liabilities identifiable as of the date of the takeover.

(in thousands of Euro)	Provisional fair value as of the purchase date
ASSETS	
Non-current assets	
Intangible assets	37,174
Tangible assets	14,289
Advance tax assets	877
Non-current financial assets	384
Total non-current assets	**52,724**
Current assets	
Inventories	7,674
Trade receivables	4,488
Current tax receivables	48
Other receivables and current assets	57
Cash on hand	4,859
Total current assets	**17,124**
Total assets	**69,848**
Non-current liabilities	
Deferred tax liabilities	12,091
Total non-current liabilities	**12,091**
Current liabilities	
Current financial liabilities	11,257
Trade payables	5,380
Liabilities from contracts with customers	1,299
Current tax payables	350
Other current payables and liabilities	933
Total current liabilities	**19,219**
Total liabilities	**31,310**
Total net assets acquired (A)	**38,538**
Consideration (B)	**59,615**
Goodwill (B) - (A)	**21,077**

As an effect of the completion of the purchase price allocation, the following principal adjustments of the fair value of the assets and liabilities acquired were performed:

- entry of the value of the customer relationship among intangible assets, worth Euro 28,571 thousand (Euro 21,428 thousand net of the effect of taxation);
- entry of the value of the trademark among intangible assets, worth Euro 1,468 thousand (Euro 1,098 thousand net of the effect of taxation);
- entry of the value of technology among intangible assets, worth Euro 5,478 thousand (Euro 4,109 thousand net of the effect of taxation);
- revaluation of inventories worth Euro 2,406 thousand (Euro 1,805 net of the related effect of taxation);
- revaluation of the value of the production building and the right to use the land for a total of Euro 9,997 thousand (Euro 7,498 net of the related effect of taxation).

Residual goodwill, amounting to Euro 21,077 thousand, is attributable to the capacity of the company taken over to generate future economic benefits, particularly in relation to the generation of new business opportunities. Transaction costs related to the STT Takeover, entered entirely in the income statement in the year under the item cost of services, amount to Euro 221 thousand. The fair value of the acquired assets and liabilities identifiable at the date of acquisition and goodwill have been recognised on a provisional basis, as the valuation period as defined by IFRS 3 is ongoing.

The contribution made by the acquired business to the Group's revenues from contracts with customers in the ten-month period ending on 31 December was Euro 20,283 thousand.

Takeover of the Haemotronic group

On 15 June 2022, the GVS Group completed the takeover of the entire share capital of Haemotronic SpA and its subsidiaries, a historic Italian company specializing in the production of components and bags for the medical sector with plants in Italy and Mexico. The closing of the transaction took place following the meeting of all conditions precedent set out in the sale contract. The consideration paid at the closing was equal to approximately 224 million euros. A deferred payment, for at most approximately 38 million euros, will be paid to the seller upon reaching specific objectives of adjusted EBITDA, the payment of which is expected in the year 2024 and in the year 2025. The initial price has been adjusted based on the final net working capital and net financial position at the acquisition date. In order to finance the transaction, GVS signed a 5-year loan agreement for a total amount of € 230 million with a pool of lending banks, including Mediobanca - Banca di Credito Finanziario SpA and Unicredit SpA, acting, inter alia, in the capacity of arrangers, global coordinators and original lenders.

The earn out mentioned above was defined and agreed between the parties was recorded at the acquisition date together with other minor adjustments to the acquisition price in a separate item of non-current financial liabilities for the total amount of Euro 31,524 thousand.

The following table shows the details of the cash flows deriving from the Haemotronic acquisition, thus excluding the debt for earn out which will be paid in the financial years of 2024 and 2025.

(in thousands of Euro)	Financial year ended 31 December 2022
Consideration paid	224,292
Net cash on hand acquired	(55,524)
Outgoing cash flow due to investment	**168,768**

The table below reports the fair value of the assets and liabilities identifiable as of the date of the takeover.

(in thousands of Euro)	**Provisional fair value as of the purchase date**
ASSETS	
Non-current assets	
Intangible assets	87,882
Assets represented by usage rights	11,800
Tangible assets	24,395
Advance tax assets	1,297
Non-current financial assets	490
Total non-current assets	**125,864**
Current assets	
Inventories	22,217
Trade receivables	17,315
Current tax receivables	51
Other receivables and current assets	2,892
Current financial assets	200
Cash on hand	55,524
Total current assets	**98,199**
Total assets	**224,063**
Non-current liabilities	
Non-current financial liabilities	14,159
Non-current leasing liabilities	10,862
Deferred tax liabilities	27,207
Provisions for employee benefits	1,169
Provisions for risks and charges	2,136
Total non-current liabilities	**55,533**
Current liabilities	
Current financial liabilities	10,758
Current leasing liabilities	2,853
Trade payables	15,711
Liabilities from contracts with customers	229
Current tax payables	1,295
Other current payables and liabilities	6,044
Total current liabilities	**36,890**
Total liabilities	**92,422**
Total net assets acquired (A)	**131,640**
Consideration (B)	**254,041**
Goodwill (B) - (A)	**122,400**

As an effect of the completion of the purchase price allocation, the following principal adjustments of the fair value of the assets and liabilities acquired were performed:

- entry of the value of the customer relationship among intangible assets, worth Euro 82,330 thousand (Euro 59,360 thousand net of the effect of taxation);
- entry of the value of the trademark among intangible assets, worth Euro 5,489 thousand;
- revaluation of inventories worth Euro 2,246 thousand (Euro 1,664 net of the related effect of taxation);
- revaluation of the value of the production building and land for a total of Euro 8,141 thousand (Euro 5,870 net of the related effect of taxation).

Residual goodwill, amounting to Euro 122,400 thousand, is attributable to the capacity of the company taken over to generate future economic benefits, particularly in relation to the generation of new business opportunities.

Transaction costs related to the Haemotronic takeover, entered entirely in the income statement under the item cost of services, amount to Euro 877 thousand.

The fair value of the acquired assets and liabilities identifiable at the date of acquisition and goodwill have been recognised on a provisional basis, as the valuation period as defined by IFRS 3 is ongoing.

The contribution made by the acquired business to the Group's revenues from contracts with customers in the period of six months and fifteen days ending on 31 December was Euro 54,668 thousand.

8. Notes to the consolidated statement of assets and liabilities

8.1 Intangible assets

The table below reports the composition of, and movement in, intangible assets in the year ending on 31 December 2022.

(in thousands of Euro)	Develop-ment costs	Goodwill	Customer relationship	Technology	Industrial patent rights and rights to use intellectual property	Concessions, licenses, trademarks, and similar rights	Other fixed assets	Assets under construction	Total
Historical cost as of 31 December 2021	**13,038**	**98,379**	**92,841**	**20,863**	**11,579**	**22,619**	**4,037**	**1,221**	**264,578**
Investments	3,668	-	-	-	176	333	182	666	**5,024**
Reclassification	250	-	-	-	66	38	-	(716)	**(362)**
Business combinations	-	143,477	110,900	5,478	539	9,137	-	-	**269,531**
Conversion reserves	283	4,807	4,551	1,055	564	902	(527)	(19)	**11,617**
Historical cost at the end of the period	**17,238**	**246,664**	**208,292**	**27,397**	**12,923**	**33,029**	**3,692**	**1,153**	**550,389**
Provision for amortisation and depreciation as of 31 December 2021	**(6,157)**	**-**	**(14,283)**	**(348)**	**(6,260)**	**(5,760)**	**(4,027)**	**-**	**(36,834)**
Amortisation and depreciation	(2,427)	-	(10,352)	(1,577)	(1,114)	(1,500)	(86)	-	**(17,055)**
Reclassification	-	-	-	-	-	-	-	-	**-**
Business combinations	-	-	-	-	(539)	(460)	-	-	**(999)**
Conversion reserves	(55)	-	(750)	10	(235)	(97)	473	-	**(655)**
Depreciation fund at the end of the period	**(8,639)**	**-**	**(25,385)**	**(1,914)**	**(8,148)**	**(7,817)**	**(3,640)**	**-**	**(55,542)**
Net book value as of 31 December 2021	**6,881**	**98,379**	**78,558**	**20,516**	**5,319**	**16,859**	**10**	**1,221**	**227,743**
Net book value at the end of the period	**8,600**	**246,664**	**182,908**	**25,483**	**4,775**	**25,212**	**53**	**1,153**	**494,846**

INTANGIBLE ASSETS WITH A DEFINED USEFUL LIFESPAN

Customer relationship reflects the value of business relations measured following allocation of the consideration paid for the takeover of KUSS, RPB, STT and Haemotronic.

Patent rights primarily reflect the value measured at the time of allocation of the consideration paid for the KUSS takeover, in addition to filing of new patent applications.

The technology refers mainly to what is valued in the allocation of the consideration paid for the acquisitions of RPB and STT.

The trademarks refer mainly to what is valued in the allocation of the consideration paid for the acquisitions of RPB and STT.

Concessions, licences and similar rights represent the purchase and customisation of industrial management and programming software.

Investment in intangible assets in the year ending on 31 December 2022, amounting to Euro 5,024 thousand, was primarily attributable to the cost of development and fixed assets in progress and reflects amounts paid for development of new products and the corresponding production processes.

No indications of possible impairment of intangible assets arose in the year under examination.

The effects of business combinations pertain to the change in the scope of consolidation resulting from the STT and Haemotronic takeovers, the effects of which are described in note 7.

INTANGIBLE ASSETS WITH AN INDEFINITE USEFUL LIFESPAN

Goodwill

As of 31 December 2022, the value of goodwill mainly relates to the takeover of the KUSS Group on 28 July 2017, the acquisition of the RPB group which took place on 31 August 2021, and the acquisitions concluded during 2022 for the STT and Haemotronic groups.

The table below shows the detail of goodwill as at 31 December 2021 and 31 December 2022 broken down in the portion attributable to the more meaningful acquisitions and what is attributable to other minor business combinations.

	At 31 December	
(in thousands of Euro)	**2022**	**2021**
KUSS Takeover	53,023	49,932
RPB Takeover	29,815	28,137
STT Takeover	20,243	-
Haemotronic takeover	122,400	-
Other business combinations	21,183	20,310
Total goodwill	**246,664**	**98,379**

In line with the requirements of IAS 36, an impairment test was conducted on the date of the financial statements to check for impairment of goodwill. For the purposes of verification of the recoverability of goodwill entered among intangible fixed assets, a single Cash Generating Unit ("CGU") has been identified, consisting of all the GVS Group's activities together. For the purposes of identification of this CGU, the information required by IAS 36 is taken into consideration, including the fact that company management monitors Group operations on a consolidated basis and the fact that company management makes strategic decisions at the Group-wide level, especially those regarding the product range and investment decisions.

As of 31 December 2022, goodwill, equal to € 246,664 thousand, was subjected to impairment tests in accordance with IAS 36, or comparing the carrying amount of the net assets of the CGU with the corresponding recoverable value. Specifically, the recoverable value configuration is that of value in use, determined prudently through a purely mathematical exercise, by discounting the forecast data, not subject to approval by the Board of Directors, of the CGUs ("DCF Method") relating to the period of 4 years following the balance sheet date, prepared assuming an inertial growth equal to sector inflation, compared to the data of the 2023 budget, approved by the Board of Directors on 8 March 2023. It should also be noted that the market value taken from the market capitalization at the balance sheet date is higher than the book value of the net assets of the CGU.

The final value of the CGU was determined on the basis of the criterion of the perpetuity of the CGU's cash flow from ordinary operations in the last financial year for which the forecasts taken into consideration are available, assuming a growth rate and an actualisation rate (WACC, representing the weighted average of cost of capital and cost of debt, after taxes) of 2.3% and 10.3%, respectively.

The following sources of information were used in estimating the value of use of the CGU to which goodwill is allocated:

- internal sources: IAS 36 requires that value of use be based on the most recent forecasts of inflows prepared by top management. For the purpose of impairment tests of goodwill as at 31 December 2022 a prudential exercise was used (worst case), starting from the 2023 budget approved by the Board of Directors on 8 March 2023, to which, for the turnover data for the years 2024 to 2026, an inertial growth rate equal to sector inflation was mathematically applied and for the EBITDA margin, for the same years, the 2023 budget value was confirmed;

- external sources: the impairment test on goodwill used external information sources in calculation of the average weighted cost of capital, determined on the basis of the capital asset pricing model ("CAPM"). Specifically, as required by IAS 36, the cost of capital was calculated taking into consideration the target financial structure resulting from analysis of the financial structure of comparable listed companies. In determining the cost of capital, an increase was also applied to take into account the smaller size / liquidity of the CGU compared to comparable listed companies.

The results of the impairment test did not reveal any impairment of goodwill.

The cash flows estimated in the ways described above configure the impairment test as worst case scenario and given the prudent approach used to determine the value in use, the Company has decided not to prepare any sensitivity analysis, such as the determination of the break-even WACC or the recalculation of the value in use as the growth rate and/or discount rate varies (WACC, which represents the weighted average between the cost of equity and the cost of debt, after taxes).

8.2 Assets represented by usage rights and current and non-current leasing liabilities

The principal items of capital information regarding the Group's leasing contracts, primarily as tenant, appear in the table below.

	At 31 December	
(in thousands of Euro)	**2022**	**2021**
Net book value of assets represented by usage rights (real estate)	18,085	9,345
Net book value of assets represented by usage rights (automobiles)	868	925
Net book value of assets represented by usage rights (machinery)	4,038	150
Total net book value of assets represented by usage rights	**22,991**	**10,420**
Current leasing liabilities	8,312	4,760
Non-current leasing liabilities	16,899	6,773
Total leasing liabilities	**25,211**	**11,533**

The table below shows the principal economic and financial information on the Group's leasing contracts.

	Financial year ended 31 December	
(in thousands of Euro)	**2022**	**2021**
Amortisation of assets represented by usage rights (real estate)	4,774	3,420
Amortisation of assets represented by usage rights (automobiles)	296	583
Amortisation of assets represented by usage rights (machinery)	275	72
Total amortisation of assets represented by usage rights	**5,345**	**4,075**
Interest payable on leases	**435**	**252**
Total outgoing cash flows due to leasing	**5,825**	**2,536**

The assets represented by usage rights relating to buildings mainly relate to the leasing of five production sites in North America, the production sites in Italy, production plants in Mexico, Romania and Brazil and various buildings used for production in the United Kingdom.

Assets corresponding to usage rights in the year 2022 are primarily attributable to: (*i*) renewals of the lease agreement relating to the production sites of GVS Filtration Inc., located in North America, (*ii*) the signing of a new lease contract relating to the expansion of the Haemotronic SpA production plant located in Italy and finally (*iii*) to renewals and new lease agreements in the United Kingdom, Italy and China for buildings used for material storage.

The increase for the period is mainly attributable to the business combinations carried out in 2022.

As of 31 December 2022, the Group had not identified any indicators of lasting impairment of assets corresponding to usage rights.

The table below shows the non-actualised contractual value of the Group's leasing liabilities as of 31 December 2021 and 31 December 2022.

(in thousands of Euro)	**within 1 year**	**between 1 and 2 years**	**between 3 and 5 years**	**beyond 5 years**	**Contractual value**	**Book value**
At 31 December 2022	8,062	8,227	5,435	6,207	**27,931**	**25,211**
At 31 December 2021	5,014	3,828	2,635	453	**11,930**	**11,533**

The actualisation rate was determined on the basis of the Group's marginal financing rate, that is, the rate the Group would have to pay for a loan, with a similar term and guarantees, necessary to purchase an asset of similar value to the asset consisting of usage rights in a similar economic context. The Group decided to apply a single actualisation rate to a leasing portfolio with reasonably similar characteristics, such as lease agreements with a similar residual term for a class of similar underlying assets in a similar economic context.

8.3 Tangible assets

The table below shows the breakdown and movements of tangible assets in the year ending on 31 December 2022.

(in thousands of Euro)	Land and buildings	Plants and machinery	Industrial and commercial equipment	Other assets	Improve-ments on third party assets	Tangible assets in progress and advances	Total
Historical cost as of 31 December 2021	**-**	**102,648**	**65,001**	**11,171**	**9,496**	**13,099**	**201,415**
Investments	687	1,685	2,261	663	690	11,855	**17,841**
Disposal	-	(422)	(170)	(471)	(2)	-	**(1,065)**
Reclassification	2,362	3,926	1,741	9	408	(8,084)	**362**
Business combinations	24,406	33,827	11,952	3,601	2,494	3,920	**80,199**
Conversion reserves	(508)	5,407	(23)	84	299	161	**5,420**
Historical cost at the end of the period	**26,947**	**147,071**	**80,762**	**15,057**	**13,385**	**20,951**	**304,172**
Provision for amortisation and depreciation as of 31 December 2021	**-**	**(66,041)**	**(44,792)**	**(8,495)**	**(4,464)**	**-**	**(123,792)**
Amortisation and depreciation	(729)	(7,870)	(4,905)	(1,109)	(958)		**(15,571)**
Disposal	-	339	150	426	-		**915**
Reclassification	-	(500)	488	35	(23)		**-**
Business combinations	-	(28,327)	(9,772)	(2,980)	(436)		**(41,514)**
Conversion reserves	44	(3,939)	146	(53)	(5)		**(3,807)**
Depreciation fund at the end of the period	**(684)**	**(106,338)**	**(58,685)**	**(12,175)**	**(5,887)**	**-**	**(183,769)**
Net book value as of 31 December 2021	**-**	**36,607**	**20,209**	**2,676**	**5,031**	**13,099**	**77,622**
Net book value at the end of the period	**26,262**	**40,733**	**22,077**	**2,882**	**7,498**	**20,951**	**120,404**

Tangible assets refer primarily to capital goods, such as plant, machinery, moulds and equipment used in the production process.

Investments in tangible assets amounting to Euro 17,841 thousand are mainly attributable to the expansion of production capacity for the Healthcare & Life Sciences division. Investments in progress refer for approximately Euro 2,600 thousand to the construction of the new plant in Suzhou, China.

Furthermore, it should be noted that, with reference to the period ended 31 December 2022, the main investments concerned the production plants in Italy, the plants in the United States of America and the GVS sites in the United Kingdom, China and Mexico.

The effects of business combinations are attributable to consolidation of the STT and Haemotronic groups as of respective acquisition dates. Refer to note 7 for more information.

At 31 December 2022, the Group had not found any indicators of impairment of tangible assets.

As of 31 December 2022, there were no real estate assets or capital goods burdened by any kind of guarantee provided to a third party.

8.4 Advance tax assets and deferred tax liabilities

The table below reports details of advance tax assets as of 31 December 2021 and 31 December 2022.

	At 31 December	
(in thousands of Euro)	**2022**	**2021**
Unrealised profits and losses on exchanges	1,885	1,643
Non-deductible costs	4,403	642
Intangible assets	6,117	9,409
Previous tax losses	1,263	433
Inventories	2,318	2,569
Tangible assets	117	162
Provisions for employee benefits	590	1,178
Assets represented by usage rights	196	144
Trade receivables	661	227
Provisions for risks	1,197	414
Other	283	541
Gross advance tax assets	**19,030**	**17,362**
Compensation with deferred tax liabilities	(15,543)	(15,861)
Total advance tax assets	**3,487**	**1,502**

Advance tax assets are entered as it is considered probable that sufficient taxable income will be generated to permit their use.

Advance tax assets pertaining to previous tax losses are acknowledged only if it is probable that sufficient taxable income may become available in the future to permit recovery of the assets.

The table below reports details of deferred tax liabilities as of 31 December 2021 and 31 December 2022.

	At 31 December	
(in thousands of Euro)	**2022**	**2021**
Unrealised profits and losses on exchanges	9,089	4,875
Tangible assets	8,789	4,631
Intangible assets	40,901	11,900
Derivative financial instruments	1,596	30
Provisions for employee benefits	-	27
Assets represented by usage rights	1,254	-
Other	-	74
Gross deferred tax liabilities	**61,629**	**21,537**
Compensation with advance tax assets	(15,543)	(15,861)
Total deferred tax liabilities	**46,086**	**5,675**

The table below shows changes in the gross value of advance tax assets and deferred tax liabilities for the year ended 31 December 2022.

(in thousands of Euro)	Total advance tax assets	Total deferred tax liabilities
Balance as of 31 December 2021	**17,362**	**21,537**
Provisions (releases) to income statement	(14)	(926)
Provisions (releases) to comprehensive income statement	(215)	1,566
Business combinations	2,173	39,297
Conversion reserves	(276)	155
Balance as of 31 December 2022	**19,030**	**61,629**

Advance tax assets and deferred tax liabilities are a result of temporary differences between the value attributed to an asset or liability in the financial statement and the value attributed to the same asset or liability for tax purposes.

The increase in deferred taxes for the period is mainly attributable to the combinations carried out during 2022 and the related process of purchase price allocation.

8.5 Financial assets (current and non-current)

The table below reports details of current and non-current financial assets as of 31 December 2021 and 31 December 2022.

	At 31 December	
(in thousands of Euro)	**2022**	**2021**
Security deposits	3,064	963
Non-current leasing assets	174	340
Loans	476	-
Capital instruments	39	15
Non-current financial assets	**3,754**	**1,318**
Investment funds	4,592	7,437
Term deposits	-	727
Current leasing assets	187	173
Current financial assets	**4,779**	**8,337**
Total financial assets	**8,533**	**9,655**

Security deposits, classified as financial assets measured at amortised cost: on the basis of IFRS 9, represent a down-payment on an investment and for sums paid under existing leasing agreements.

Leasing assets refer to a sub-leasing contract assessed as a financial asset on the basis of the requirements of IFRS 16. The sub-lease, identified under a contract with a customer, regards a portion of a production site in North America.

Investment funds, classified as financial assets measured at fair value entered in the income statement on the basis of IFRS 9, represent excess liquidity invested in unlisted securities representing investment funds, primarily linked with the course of interbank interest rates on the Brazilian market.

Term deposits as at 31 December 2021, classified as financial assets measured at amortized cost on the basis of IFRS 9, mainly referred to sums deposited by the American subsidiary on an escrow account freely available based on agreements reached on the definition of the net working capital of the RPB Group at the acquisition date. During 2022, this amount was fully collected.

8.6 Non-current derivative financial instruments

Non-current active financial derivatives amount to € 6,648 thousand at 31 December 2021 (€ 123 thousand at 31 December 2021).

The balance of this item is entirely the result of the positive fair value of five IRS (Interest rate Swap) derivative contracts hedging the risk of changes in interest rates of contracts entered into with Unicredit and Mediobanca during 2020 and the syndicated loan taken out with Unicredit, Mediobanca and Credit Agricole in 2021 (see note 8.14). The derivative financial instruments, having individually an original notional amount equal to the nominal value of the hedged items, guarantee a fixed interest rate for the entire duration of the loans covered.

In accordance with the provisions of IFRS 9, the derivatives contracts were designated as a financial instrument hedging interest rates. Consequently, the changes in the fair value of the derivatives were accounted for in a specific equity reserve, with an impact on the comprehensive income statement.

8.7 Inventories

The table below reports details of inventories as of 31 December 2021 and 31 December 2022.

	At 31 December	
(in thousands of Euro)	**2022**	**2021**
Finished products and goods	51,738	32,317
Raw materials, subsidiary materials and consumables	46,636	37,855
Products in progress and semi-products	14,029	6,282
Spare parts	3,206	3,176
Gross inventories	**115,609**	**79,630**
Provision for writedown of inventory	(5,950)	(4,738)
Provision for write-downs of spare parts	(2,738)	(2,539)
Inventories	**106,922**	**72,353**

Net of the acquisitions made in 2022, the net use of writedown of inventory and spare parts amounts to Euro 979 thousand for the year ended 31 December 2022, while the net provision at 31 December 2021 was equal to Euro 1,234 thousand.

8.8 Trade receivables

The table below reports details of trade receivables as of 31 December 2021 and 31 December 2022.

	At 31 December	
(in thousands of Euro)	2022	2021
Trade receivables from customers	78,080	54,426
Trade receivables from related parties	82	-
Trade receivables (gross)	**78,162**	**54,426**
Provision for writedown of trade receivables	**(5,218)**	**(1,451)**
Trade receivables	**72,944**	**52,975**

The book value of trade receivables is considered to approximate their fair value.

The table below breaks down trade receivables at 31 December 2021 and 31 December 2022, net of the provision for writedown of receivables.

(in thousands of Euro)	Not yet due	Overdue by 1 to 90 days	Overdue by 91 to 180 days	Overdue by more than 181 days	Total
Gross trade receivables at 31 December 2022	58,434	15,216	2,381	2,131	**78,162**
Provision for writedown of receivables	-	(706)	(2,381)	(2,131)	**(5,218)**
Trade receivables at 31 December 2022	**58,434**	**14,510**	**-**	**-**	**72,944**
Gross trade receivables at 31 December 2021	40,250	8,640	5,370	166	54,426
Provision for writedown of receivables	-	(494)	(791)	(166)	(1,451)
Trade receivables at 31 December 2021	**40,250**	**8,146**	**4,579**	**-**	**52,975**

Gross trade receivables at 31 December 2022 and 31 December 2021, include Euro 19,728 thousand and Euro 14,176 thousand, respectively, referable to overdue items, including Euro 4,512 thousand and Euro 5,536 thousand, representing items overdue by more than 90 days.

The table below reports movements in the provision for writedown of trade receivables in the years ending on 31 December 2021 and 31 December 2022.

(in thousands of Euro)	Provision for writedown of trade receivables
Balance as of 31 December 2020	**960**
Net provisions	462
Use	(20)
Conversion reserves	49
Balance as of 31 December 2021	**1,451**
Net provisions	506
Business combinations	3,315
Conversion reserves	(54)
Balance as of 31 December 2022	**5,218**

Net provisions to the provision for writedown of receivables appear in the income statement under the item net writedowns of financial assets (see note 9.7).

8.9 Assets and liabilities deriving from contracts with customers

Assets from contracts with customers, equal to Euro 1,205 thousand and Euro 1,678 thousand at 31 December 2022 and 31 December 2021 respectively, primarily represented the right to obtain a consideration for goods transferred to customers in relation to the production of moulds and equipment.

Liabilities from contracts with customers, worth Euro 7,224 thousand and Euro 3,417 thousand at 31 December 2022 and 31 December 2021 respectively, represent advances received from customers for contractual obligations not yet met. The item increased by Euro 3,807 thousand following the business combinations carried out in the period and specifically by Euro 3,053 thousand relating to the STT group.

Assets and liabilities from contracts with customers are shown net in the statement of assets and liabilities if they refer to the same contractual obligation to the same customer. The table below shows the gross amount of assets and liabilities from contracts with customers, and how they are compensated, as of 31 December 2021 and 31 December 2022.

	At 31 December	
(in thousands of Euro)	2022	2021
Gross assets from contracts with customers	2,623	3,110
Compensation with liabilities from contracts with customers	(1,418)	(1,432)
Assets from contracts with customers	**1,205**	**1,678**
Gross liabilities from contracts with customers	8,642	4,849
Compensation with assets from contracts with customers	(1,418)	(1,432)
Liabilities from contracts with customers	**7,224**	**3,417**

8.10 Current tax receivables and payables

Current tax receivables at 31 December 2022 and 31 December 2021 total € 5,691 thousand and € 7,590 thousand respectively.

Current tax payables at 31 December 2022 and 31 December 2021 amount to € 2,662 thousand and € 3,047 thousand respectively.

Changes in the net balance of these assets and liabilities in the years ending on 31 December 2022 and 31 December 2021 primarily pertain to allocation of current income taxes amounting to Euro 9,828 thousand, Euro and Euro 16,139 thousand and payments of Euro 9,846 thousand, thousand and Euro 32,616 thousand, respectively.

8.11 Other receivables and current assets

The table below reports details of other receivables and current assets as of 31 December 2021 and 31 December 2022.

	At 31 December	
(in thousands of Euro)	**2022**	**2021**
Advances and instalments	1,223	1,484
Tax receivables	8,578	5,476
Prepaid expenses	1,500	1,754
Receivables from government agencies	667	681
Receivable from employees	160	99
Other receivables	386	517
Other receivables and current assets	**12,514**	**10,011**

Advances and instalments primarily represent sums paid for supplies yet to be received and commitments to honour.

Tax receivables primarily represent VAT credits with internal revenue, the increase for the period is essentially attributable to the business combination of Haemotronic which took place in 2022.

8.12 Cash on hand

The table below reports details of cash on hand as of 31 December 2021 and 31 December 2022.

	At 31 December	
(in thousands of Euro)	**2022**	**2021**
Bank and postal accounts	135,137	136,858
Cash and cash equivalents on hand	32	35
Cash on hand and cash equivalents	**135,169**	**136,893**

As of 31 December 2021 and 31 December 2022, cash on hand was not subject to any restrictions or limitations.

The financial report shows variations in cash on hand during the years under examination.

8.13 Shareholders' equity

The table below reports details of shareholders' equity as of 31 December 2021 and 31 December 2022.

	At 31 December	
(in thousands of Euro)	**2022**	**2021**
Share capital	1,750	1,750
Share premium reserve	92,770	92,770
Legal reserve	350	350
Extraordinary reserve	60,628	35,022
Translation reserve	(1,177)	(3,246)
Negative reserve for treasury shares	(4,853)	(3,448)
Actuarial profits and losses reserve	444	(113)
Profit (loss) carried over and other reserves	153,619	104,632
Net income	24,098	67,590
Minority interests	45	40
Total shareholders' equity	**327,674**	**295,347**

The statement of variations in consolidated shareholders' equity appears in the note on this topic.

Movements in shareholders' equity in the year ending on 31 December 2022 pertained to:

- entry of the overall total annual net profit, amounting to Euro 31,688 thousand;
- revaluation of the shareholders' equity of the subsidiaries based in Argentina and Turkey of the period in question, in view of application of accounting standard IAS 29 regarding the accounting of companies operating in economies characterised by hyperinflation, which had a positive impact of Euro 169 thousand;
- the purchase of treasury shares for € 1,405 thousand;
- the increase in reserves following the long-term incentives plan for € 1,875 thousand.

Share capital

As of 31 December 2022, the Company's fully subscribed and paid-in share capital amounted to Euro 1,750 thousand, and are divided into 175,000,000 ordinary shares without any face value.

Translation reserve

The reserve for treasury shares refers to the purchase of 450,000 shares representing a total of 0.26% of the Company's share capital.

Actuarial profits and losses reserve

The actuarial profits and losses reserve includes profits and losses deriving from changes to the actuarial hypotheses in relation to defined benefit plans.

Reserve from first adoption of EU-IFRS

The reserve for first adoption of EU-IFRS, included among other reserves, has a negative balance of Euro 1,532 thousand in the years under examination, and represents the effects of conversion from Italian accounting standards to EU-IFRS standards.

8.14 Financial liabilities (current and non-current)

The table below reports details of current and non-current financial liabilities as of 31 December 2021 and 31 December 2022.

	At 31 december			
	2022		2021	
(in thousands of Euro)	Current portion	Non-current portion	Current portion	Non-current portion
2014 Bond Loan	9,336	-	4,375	8,789
2017 Bond Loan	15,967	-	7,969	15,969
Total bonded loans	**25,303**	**-**	**12,344**	**24,758**
Mediobanca loan (2020)	13,310	-	4,434	13,314
Unicredit loan (2020)	12,005	-	3,981	12,008
Club Deal loan (2021)	149,632	-	19,482	129,998
Club Deal loan (2022)	228,798	-	-	-
Valsabbina loan (Haemotronic)	375	1,125	-	-
Credem loans (Haemotronic)	2,459	903	-	-
BPM loans (Haemotronic)	1,252	1,258	-	-
BPER loans (Haemotronic)	526	3,168	-	-
Intesa loans (Haemotronic)	1,099	2,407	-	-
Banco Popolare loan (Haemotronic)	573	1,012	-	-
BPV loan (Haemotronic)	78	221	-	-
Commercial lines of credit	8	-	-	-
Accrued payables	2,563	-	920	
Total financial payables to banks	**412,679**	**10,094**	**28,816**	**155,319**
Subsidized loan Horizon call for tenders	211	624	-	87
Loans under special terms Invitalia	45	271	545	-
Total other financial payables	**256**	**895**	**545**	**87**
Total financial liabilities	**438,238**	**10,989**	**41,706**	**180,164**

In order to finance the acquisition of Haemotronic, GVS signed a new 5-year loan agreement for a total nominal amount equal to € 230 million with a pool of lending banks, including Mediobanca - Banca di Credito Finanziario SpA and Unicredit SpA, which acted, inter alia, in the capacity of arrangers, global coordinators and original lenders. Furthermore, following this acquisition, the financial liabilities of the GVS group changed by the nominal amount of the loans already in place with Haemotronic SpA, which do not envisage financial constraints.

Below is a description of the principal items making up the Group's financial liabilities as of 31 December 2022.

A) BONDED LOANS

A1) 2017 Bonded Loan

On 25 July 2017, GVS issued an unlisted bonded loan guaranteed by GVS North America Inc, GVS NA Holdings, Inc and GVS Filter Technology UK Ltd (jointly referred to as the "Guarantors"), reserved for corporate investors, with a face value totalling Euro 40,000 thousand (hereinafter the "2017 Bonded Loan").

The 2017 Bonded Loan, placed with an issue price of 100% of its face value, which, after changes to the contracts during 2022 and 2023, involved payment of interest through six-monthly post-dated coupons falling due on 25 January and 25 July of each year, calculated as described below:

- at an annual rate of 3.0% if the ratio between net financial indebtedness and consolidated EBITDA calculated as of the date of the annual financial report or half-year financial report previous to payment of the coupon is less than or equal to 3.0;
- at an annual rate of 3.25% if the ratio between net financial indebtedness and consolidated EBITDA calculated as of the date of the annual financial report or half-year financial report previous to payment of the coupon, ranges from 3.0 to 3.5;
- at an annual rate of 3.5% if the ratio between net financial indebtedness and consolidated EBITDA calculated as of the date of the annual financial report or half-year financial report previous to payment of the coupon ranges from 3.5 to 3.75;
- at an annual rate of 3.75% if the ratio between net financial indebtedness and consolidated EBITDA calculated as of the date of the annual financial report or half-year financial report previous to payment of the coupon ranges from 3.75 to 4.00;
- at an annual rate of 4.25% if the ratio between net financial indebtedness and consolidated EBITDA calculated as of the date of the annual financial report or half-year financial report previous to payment of the coupon is more than 4.00.

The 2017 Bonded Loan provided for repayment of the face value of the debt through payment of annual instalments in the amount of Euro 8,000 thousand beginning on 25 July 2020. The 2017 Bonded Loan contract, as changed during 2022 and 2023, sets out as financial constraints, compliance at the consolidated level, with the following requirements:

- a minimum ratio of EBITDA to net financial charges of at least 4.50 as of the date of each annual and half-yearly financial statement for as long as the contract remains in effect (each "Determination Date"), with the exception of the audits as at 30 June 2023 and 31 December 2023 for which the minimum ratio has been defined as at least 3.5;
- a maximum ratio of net financial indebtedness to EBITDA as described below:
  - **i.** no more than 3.5 as at 31 December 2022;
  - **ii.** no more than 4.25 as at 30 June 2023;
  - **iii.** no more than 4 as at 31 December 2023;
  - **iv.** no more than 3.5 on each subsequent Determination Date starting on 30 June 2024;
- a maximum ratio of net financial indebtedness to shareholders' equity as described below:
  - **i.** i. no more than 3.00 on each Determination Date up to 31 December 2018, and
  - **ii.** ii. no more than 2.50 on each Determination Date starting on 30 June 2019.

Compliance with financial constraints as at 31 December 2022 was remedied, following the subordinated shareholder loan obtained in March 2023. In this regard, see what is reported in paragraph 2.2 "General principles of preparation".

The 2017 Bonded Loan was not assisted by real guarantees.

a2) 2014 Bonded Loan

On 9 January 2014, the Company issued a bonded loan falling due on 9 January 2024, guaranteed by GVS North America Inc, Maine Manufacturing LLC and GVS Filter Technology UK Ltd, reserved for corporate investors, with a face value totalling USD 35,000 thousand, initially listed on the Vienna stock exchange and then recalled from trading (hereinafter the "2014 Bonded Loan"). The 2014 Bond Loan, placed with an issue price equal to 100% of the nominal value, provides for, following the changes to the same loan that took place in 2017, 2022 and 2023, interest calculated as described below:

- at an annual rate of 6.5% if the ratio between net financial indebtedness and consolidated EBITDA calculated as of the date of the annual financial report or half-year financial report previous to payment of the coupon is less than 3.0;
- at an annual rate of 6.75% if the ratio between net financial indebtedness and consolidated EBITDA calculated as of the date of the annual financial report or half-year financial report previous to payment of the coupon ranges from 3.0 to 3.5;
- at an annual rate of 7% if the ratio between net financial indebtedness and consolidated EBITDA calculated as of the date of the annual financial report or half-year financial report previous to payment of the coupon ranges from 3.5 to 3.75;
- at an annual rate of 7.25% if the ratio between net financial indebtedness and consolidated EBITDA calculated as of the date of the annual financial report or half-year financial report previous to payment of the coupon ranges from 3.75 to 4.00;
- at an annual rate of 7.75% if the ratio between net financial indebtedness and consolidated EBITDA calculated as of the date of the annual financial report or half-year financial report previous to payment of the coupon is more than 4.00.

The interest was paid with six-monthly post-dated coupons falling due on 9 January and 9 July of each year. Under the bonded loan, following a 4-year pre-amortisation period, the face value of the debt was to be repaid by payment of annual instalments of USD 5,000 thousand starting on 9 January 2018.

The 2014 Bonded Loan also sets out after changes made to the same loan during 2017, 2020 and 2023, as a financial constraint, compliance at consolidated level with:

- a minimum ratio of EBITDA to net financial charges of at least 4.50 as of the date of each annual and half-yearly financial statement for as long as the contract remains in effect (each "Determination Date"), with the exception of the audits as at 30 June 2023 and 31 December 2023 for which the minimum ratio has been defined as at least 3.5;
- a maximum ratio of net financial indebtedness to EBITDA as described below:
  - v. no more than 3.5 as at 31 December 2022;
  - vi. no more than 4.25 as at 30 June 2023;
  - vii. no more than 4 as at 31 December 2023;
  - viii. no more than 3.5 on each subsequent Determination Date starting on 30 June 2024
- a maximum ratio of net financial indebtedness to shareholders' equity as described below:
  - iii. i. no more than 3.00 on each Determination Date up to 31 December 2018, and
  - iv. ii. no more than 2.50 on each Determination Date starting on 30 June 2019.

Compliance with financial constraints as at 31 December 2022 was remedied, following the subordinated shareholder loan obtained in March 2023. In this regard, see what is reported in paragraph 2.2 "General principles of preparation".

The 2014 Bonded Loan was not assisted by real guarantees.

B) LOANS IN EXISTENCE AS OF 31 DECEMBER 2022

b1) Pool Financing Agreement (2022)

In order to finance the acquisition of Haemotronic, in 2022, GVS signed a new 5-year loan agreement for a total nominal amount of € 230 million with a pool of lending banks, including Mediobanca - Banca di Credito Finanziario SpA and Unicredit SpA, which acted, inter alia, in the capacity of arrangers, global coordinators and original lenders.

The contract provides for the repayment of the line of credit starting from the 18th month from the date of use of the line and the amortization plan is defined as follows:

- 5% of the residual debt, at the expiry of the 18th month;
- 10% of the residual debt at the expiry of the 24th month and every six months for the following two six-month periods;
- 15% of the residual debt at the expiry of the 42nd month and every six months for the following six-month period;
- 17.5% of the residual debt at the expiry of the 54th month and in the last half year period.

The line of credit requires payment of interest at an annual rate equal to the Euribor six-month rate plus a spread which varies on the basis of the ratio of net financial indebtedness to consolidated EBITDA, as defined in the agreement even after changes made in 2022 and 2023, from a minimum of 100 basis points if the ratio is less than 1.25, to a maximum of 245 basis points, if the ratio is greater than or equal to 4.

The financing agreement requires, as financial constraints, compliance at the consolidated level with:

- a ratio between consolidated EBITDA and net financial expenses, greater than or equal to 4.5 at the date of each annual and half-yearly financial report during the term of this agreement, with the exception of the audits as at 30 June 2023 and 31 December 2023 for which the minimum ratio was defined as at least equal to 3.5;
- a maximum ratio of net financial indebtedness to EBITDA as described below:
  - i. no more than 3.5 as at 31 December 2022 and
  - ii. no more than 4.25 as at 30 June 2023;
  - iii. no more than 4 as at 31 December 2023;
  - iv. no more than 3.5 on each subsequent Determination Date starting on 30 June 2024.

Compliance with financial constraints as at 31 December 2022 was remedied, following the subordinated shareholder loan obtained in March 2023. In this regard, see what is reported in paragraph 2.2 “General principles of preparation”.

The 2022 Pool Loan is not backed by collateral.

B2) Pool Financing Agreement (2021)

On 30 July 2021, GVS on the one hand, Mediobanca - Banca di Credito Finanziario SpA, in the capacity of arranger, facility agent and global coordinator, and Credit Agricole Italia SpA and Unicredit SpA, in their capacity as arrangers on the other, signed a loan agreement (hereinafter the “2021 Pool Loan Agreement”), concerning making available to GVS a line of credit for an amount equal to Euro 150,000 thousand, aimed at financing the RPB Acquisition and the related costs, without providing any collateral.

The contract provides for the repayment of the line of credit starting from the 18th month from the date of use of the line and the amortization plan is defined as follows:

- 10% of the residual debt at the expiry of the 18th month and every six months for the following three six-month periods;
- 12.5% of the residual debt, at the expiry of the 42nd month;
- 15% of the residual debt at the expiry of the 48th month and every six months for the following six-month period;
- 17.5% of the residual debt in the last six-month period.

The line of credit requires payment of interest at an annual rate equal to the Euribor six-month rate plus a spread which varies on the basis of the ratio of net financial indebtedness to consolidated EBITDA, as defined in the agreement even after changes made in 2022 and 2023, from a minimum of 100 basis points if the ratio is less than 1.25, to a maximum of 245 basis points, if the ratio is greater than or equal to 4.

The financing agreement requires, as financial constraints, compliance at the consolidated level with:

- a ratio between consolidated EBITDA and net financial expenses, greater than or equal to 4.5 at the date of each annual and half-yearly financial report during the term of this agreement, with the exception of the audits as at 30 June 2023 and 31 December 2023 for which the minimum ratio was defined as at least equal to 3.5;
- a maximum ratio of net financial indebtedness to EBITDA as described below:
  - v. no more than 3.5 as at 31 December 2022 and
  - vi. no more than 4.25 as at 30 June 2023;
  - vii. no more than 4 as at 31 December 2023;
  - viii. no more than 3.5 on each subsequent Determination Date starting on 30 June 2024.

Compliance with financial constraints as at 31 December 2022 was remedied, following the subordinated shareholder loan obtained in March 2023. In this regard, see what is reported in paragraph 2.2 “General principles of preparation”.

The 2021 Pool Loan is not backed by collateral.

B3) Unicredit mortgage (2020)

IOn 13 November 2020 GVS stipulated a mortgage agreement with Unicredit S.p.A. for a total of Euro 20,000 thousand. The loan falls due on 30 November 2025. The agreement requires payment of 60 deferred quarterly instalments from 28 February 2021 until the due date. The interest rate is variable and corresponds to the Euribor 3-month rate plus a spread of 0.75%. The contract sets out, as a financial constraint, compliance at the consolidated level with:

- a minimum ratio between consolidated EBITDA and net financial expenses, equal to at least 4.5 at the date of each annual financial report during the term of this contract, with the exception of the audits as at 31 December 2023 for which the minimum ratio has been defined as at least equal at 3.5;
- a maximum ratio of net financial indebtedness to EBITDA as described below:
  - i. no more than 3.5 as at 31 December 2022 and
  - ii. no more than 4 as at 31 December 2023;
  - iii. no more than 3.5 on each subsequent Determination Date starting on 31 December 2024.

Compliance with financial constraints as at 31 December 2022 was remedied, following the subordinated shareholder loan obtained in March 2023. In this regard, see what is reported in paragraph 2.2 “General principles of preparation”.

The 2020 Unicredit Loan was not backed by collateral.

B4) Mediobanca (2020)

On 12 November 2020 GVS stipulated a loan agreement with Mediobanca for a total of Euro 20,000 thousand. The loan falls due on 12 November 2025. The agreement requires payment of 9 deferred six-monthly instalments from 12 November 2021 until the due date. The interest rate applicable to the loan agreement, also following the changes that took place in 2022 and 2023, is variable and corresponds to the 6-month Euribor increased by a spread of a minimum of 85 bps, if this ratio is less than 2, up to a maximum of 175 bps, if this ratio is greater than or equal to 4.

The contract requires, as a financial constraint, compliance at the consolidated level with:

- a minimum ratio between consolidated EBITDA and net financial expenses, equal to at least 4.5 at the date of each annual financial report during the term of this contract, with the exception of the audits as at 30 June 2023 and 31 December 2023 for which the minimum ratio has been defined as at least equal at 3.5;
- a maximum ratio of net financial indebtedness to EBITDA as described below:
  - i. no more than 3.5 as at 31 December 2022 and
  - ii. no more than 4.25 as at 30 June 2023;
  - iii. no more than 4 as at 31 December 2023;
  - iv. no more than 3.5 on each subsequent Determination Date starting on 30 June 2024.

Compliance with financial constraints as at 31 December 2022 was remedied, following the subordinated shareholder loan obtained in March 2023. In this regard, see what is reported in paragraph 2.2 “General principles of preparation”.

C) OTHER FINANCIAL PAYABLES IN EXISTENCE AS OF 31 DECEMBER 2022

c1) Loans taken out by Haemotronic SpA

Following the takeover of the Haemotronic group, the financial liabilities of the GVS group changed by the nominal amount of the loans already existing in Haemotronic SpA.

The following table summarizes the main characteristics:

(in thousands of Euro)	Nominal value at 31 December 2022	Maturity	Interest in-stalment	Interest rate	Guarantee	Covenants
Valsabbina loan	1,500	01/10/2026	half yearly	1.302%	NO	NO
Credem Loan	1,503	15/06/2025	quarterly	0.150%	NO	NO
Credem Loan	858	13/04/2023	quarterly	0.150%	NO	NO
Credem Loan	1,001	24/11/2023	quarterly	0.150%	NO	NO
BPM loan	2,510	31/12/2024	quarterly	0.400%	NO	NO
BPER loan	3,694	31/12/2028	half yearly	0.800%	NO	NO
Intesa Loan	1,254	30/06/2025	monthly	0.250%	NO	NO
Intesa Loan	2,252	21/09/2026	monthly	0.150%	NO	NO
Banco Popolare loan	1,585	30/09/2025	quarterly	0.550%	NO	NO
BPV loan	299	16/09/2026	quarterly	1.070%	NO	NO
Total Haemotronic loans	**16,456**					

c2) Invitalia

During the Coronavirus emergency, Invitalia published the Special Measures to Protect Health and Support the Economy (CuraItalia) tender call, in which both GVS and its subsidiary GVS SUD S.r.l. (now merged into GVS SpA) participated, and their application was accepted. During the month of April 2020, both companies received a loan under special terms with no interest. Against the Company investing in production lines for personal protective equipment, the tender covered 75% of the investment and gave the possibility of transforming the loan under special terms into a non-repayable grant, depending on the speed with which the production lines became operational. Both companies provided the lender with documentation to support the various investments and in March 2022 they both received communication from Invitalia that the total amount of Euro 316 thousand was actually disbursed in the form of a subsidized loan, while the difference of Euro 228 thousand was disbursed as a non-repayable grant, partly into the management account and partly into the plant account. At 31 December 2021, lacking such notification, and the related repayment plan for the portion received in the form of a loan under special terms, the entire amount had been prudentially classified as a short-term financial liability.

The tables below report, for the financial years under examination, variations in financial liabilities resulting from cash flows generated and/or absorbed by financing, and deriving from non-monetary elements, as required by IAS 7.

(in thousands of Euro)	At 01 January 2022	Opening	Change in the scope of consol.	Reclass.	Repayment	Variation in accrued payables on interest	Amortised cost	(Profits) losses on exchanges	At 31 December 2022
Non-current financial liabilities	180,164	229,081	14,456	(413,119)	-	-	-	408	10,989
Current financial liabilities	41,706	3,451	21,718	413,119	(43,861)	1,685	420	-	438,238
Total financial liabilities	**221,870**	**232,531**	**36,174**	**-**	**(43,861)**	**1,685**	**420**	**408**	**449,227**

With reference to the reclassification, see what is reported in paragraph 2.2 “General principles of preparation”.

8.15 Net financial indebtedness and net financial position

In accordance with the requirements of the CONSOB communication of 28 July 2006 and in compliance with ESMA guidelines of 4 March 2021 (ESMA32-382-1138), the net financial debt of the GVS Group at 31 December is reported.

	(in thousands of Euro)	At 31 December 2022	At 31 December 2021
(A)	Cash on hand	135,169	136,893
(B)	Cash equivalents	-	-
	Term deposits	-	727
	Shares held for trading	4,592	7,437
	Financial receivables due to leasing	187	173
(C)	Other current financial assets	4,779	8,337
(D)	**Liquidity (A)+(B)+(C)**	**139,948**	**145,230**
	Current bank debts	-	-
	Financial payables to other companies in the GVS Group due to leasing	2,907	2,117
	Financial payables for leasing	5,405	2,643
	Other current payables	-	19,670
	Other financial payables	256	545
(E)	Current financial indebtedness	8,568	24,975
(F)	Current portion of non-current indebtedness	437,982	41,160
(G)	**Current financial indebtedness (E)+(F)**	**446,550**	**66,135**
(H)	**Net current financial indebtedness (G)-(D)**	**(306,602)**	**79,095**
	Non-current bank debts	10,094	155,320
	Non-current bonded loans	-	24,758
	Other financial payables	41,878	87
	Financial payables to other companies in the GVS Group due to leasing	1,547	2,784
	Non-current financial payables for leasing	15,352	3,989
(I)	Non-current financial payables	68,871	186,937
	Passive derivative financial instruments	-	-
(J)	Debt instruments	-	-
(K)	Trade payables and other non-current payables	-	-
(L)	**Non-current financial indebtedness (I)+(J)+(K)**	**68,871**	**186,937**
(M)	**Total net financial indebtedness (H)-(L)**	**(375,473)**	**(107,843)**

As previously explained, a portion of the medium-term financial debt, equal to Euro 366,603 thousand, was reclassified as current at 31 December 2022. Even if essentially these payables are not due within the twelve-month period following 31 December 2022, as the Company has not received any formal request for payment from the credit institutions, the short-term classification of this medium-term portion of the loans was accounted for as required by IAS 1. With reference to the reclassification, see what is reported in paragraph 2.2 "General principles of preparation".

For further details on the composition of the items in the table, see Note 8.12 and Note 8.14.

The Group's net financial position (including non-current active derivatives and non-current active loans, and excluding net current and non-current leasing liabilities recorded in accordance with the provisions of IFRS 16) are equal to negative Euro 343,325 thousand at 31 December 2022 and Euro 96,360 thousand at 31 December 2021.

(in thousands of Euro)	At 31 December 2022	At 31 December 2021
(M) Total net financial indebtedness	**(375,473)**	**(107,843)**
Non-current active derivative financial instruments	6,648	123
Long-term financial receivables	476	-
Financial payables for leasing (net)	25,024	11,359
Total net financial position	**(343,325)**	**(96,360)**

8.16 Provisions for employee benefits

The table below shows the breakdown and movements of provisions for employee benefits in the years ending on 31 December 2021 and 31 December 2022.

(in thousands of Euro)	Termination indemnity	End of office indemnity	Provisions for employee benefits
Balance as of 31 December 2020	**2,882**	**1,617**	**4,499**
Current service cost	145	81	226
Financial charges	9	-	9
Actuarial losses/(profits)	(104)	1	(103)
Benefits paid	(266)	-	(266)
Balance as of 31 December 2021	**2,667**	**1,699**	**4,366**
Current service cost	174	80	254
Financial charges	15	6	21
Business combinations	1,169	-	1,169
Actuarial losses/(profits)	(486)	(286)	(772)
Benefits paid	(408)	-	(408)
Balance as of 31 December 2022	**3,131**	**1,499**	**4,630**

Provisions for employees represent an estimate of the Company's obligation, determined on the basis of actuarial techniques, representing the amount to be paid to employees upon termination of their employment.

As of 31 December 2021 and 31 December 2022, provisions for employee benefits represented termination indemnity (known in Italy as "**TFR**") allocated for employees and end of service indemnity (known in Italy as "**TFM**") allocated for directors.

Termination indemnity (TFR)

Employee benefits for termination indemnity amount to Euro 3,131 thousand and Euro 2,667 thousand on 31 December 2022 and 31 December 2021, respectively, at the Group's Italian companies only.

The value of the payable represented by termination indemnity, which falls under the definition of defined benefit plans according to IAS 19, has been determined on the basis of actuarial logic. The principal actuarial, financial and demographic hypotheses used to determine the value of the liability as of 31 December 2021 and 31 December 2022 in accordance with the provisions of IAS 19 are listed below.

	At 31 December	
(As a percentage)	**2022**	**2021**
Financial hypotheses		
Annual actualisation rate	3.77%/3.63%	0.98%
Annual inflation rate	5.9% for 2023, 2.3% for 2024, 2% from 2025	1.20%
Annual rate of increase in overall pay	Inflation + 1%	2.20%
Annual rate of increase in the termination indemnity	5.9% for 2023, 3.33% for 2024, 3% from 2025	2.40%
Demographic hypotheses		
Death	Table illustrating probability of death, as determined by the State General Accounting Office, known as RG48	Table illustrating probability of death, as determined by the State General Accounting Office, known as RG48
Invalidity	Probability adopted in the INPS form for projections as of 2010	Probability adopted in the INPS form for projections as of 2010
Retirement	Reaching the first of the valid retirement requirements for Obligatory General Insurance	Reaching the first of the valid retirement requirements for Obligatory General Insurance
Probability of advancing termination indemnity	3.00%	3.00%
Annual turnover	2.50%	2.50%

The table below sums up the sensitivity analysis for each actuarial, financial and demographic hypothesis, showing the effects (in absolute terms) that would result from changes in the actuarial hypotheses reasonably considered possible as of 31 December 2021 and 31 December 2022.

	Annual actualisation rate		Annual inflation rate		Annual turnover	
(in thousands of Euro)	**+0.50%**	**-0.50%**	**+0.25%**	**-0.25%**	**+2.00%**	**-2.00%**
Employee benefits (termination indemnity) as of 31 December 2022	(170)	(24)	113	-	(3)	(13)
Employee benefits (termination indemnity) as of 31 December 2021	(150)	174	40	(30)	(77)	106

End of office indemnity (TFM)

Employee benefits for TFM amount to Euro 1,499 thousand and Euro 1,699 thousand on 31 December 2022 and 31 December 2021, respectively.

The value of the payable represented by end of service indemnity, which falls under the definition of defined benefit plans according to IAS 19, has been determined on the basis of actuarial logic. The principal actuarial, financial and demographic hypotheses used to determine the value of the liability as of 31 December 2021 and 31 December 2022 in accordance with the provisions of IAS 19 are listed below.

	At 31 December	
(As a percentage)	**2022**	**2021**
Financial hypotheses		
Annual actualisation rate	3.57%	0.29%
Annual rate of increase in overall pay	0.00%	0.00%
Annual rate of increase in end of service indemnity	0.00%	0.00%
Demographic hypotheses		
Death	Table illustrating probability of death, as determined by the State General Accounting Office, known as RG48	Table illustrating probability of death, as determined by the State General Accounting Office, known as RG48
Invalidity	Probability adopted in the INPS form for projections as of 2010	Probability adopted in the INPS form for projections as of 2010
Retirement	Reaching the age of 65, if subsequent to the end of the term of office, or the end date of the term of office	Reaching the age of 65, if subsequent to the end of the term of office, or the end date of the term of office
Annual turnover	2.50%	2.50%

The table below sums up the sensitivity analysis for each actuarial, financial and demographic hypothesis, showing the effects (in absolute terms) that would result from changes in the actuarial hypotheses reasonably considered possible as of 31 December 2021 and 31 December 2022.

	Annual actualisation rate		Annual turnover	
(in thousands of Euro)	**+0.50%**	**-0.50%**	**+2.00%**	**-2.00%**
Employee benefits (end of service indemnity) as of 31 December 2021	(34)	36	113	(12)
Employee benefits (end of service indemnity) as of 31 December 2020	(47)	51	130	(152)

8.17 Provisions for risks and charges

The table below shows the breakdown and movements of provisions for risks and charges in the years ending on 31 December 2021 and 31 December 2022.

(in thousands of Euro)	**Provisions for risks and charges**
Balance as of 31 December 2020	**1,000**
Allocation	3,583
Use	-
Conversion reserves	71
Balance as of 31 December 2021	**4,654**
Allocation	4,497
Business combinations	2,136
Use	(2,009)
Conversion reserves	(57)
Balance as of 31 December 2022	**9,221**

In 2018 the Parent Company underwent a verification by the Italian tax authorities (Agenzia delle Entrate) for the 2015 fiscal year, as a result of which a formal report of verification was issued. During December 2020, the Company settled the refutations relating to the same report of verification by means of verification with acceptance procedure. During the current year, the Company also received verification notices from the Revenue Agency for the 2016 tax period relating to the transfer price and consequently as a prudential measure, supported by its consultants, made a further provision of Euro 1,000 thousand, in addition to the amount set aside in previous years.

In addition, during the period under review, the Group set aside the amount of Euro 2,897 thousand in the income statement item "other personnel costs", against non-recurring charges relating to the personnel reorganization process started during 2022 and in the income statement item "other operating costs" the amount of Euro 600 thousand for a dispute with a customer. Uses in the period refer almost exclusively to payments made to the personnel, following the implementation of the aforementioned reorganization plan.

During the year, the Romanian subsidiary GVS Microfiltrazione was subject to a tax audit in relation to direct taxes for the years 2016 to 2020 and direct taxes for the period from 1 April 2016 to 31 May 2021. The verification is still ongoing and the Romanian tax authorities have not yet issued any reports.

Finally, the provision for risks and charges increased by Euro 2,136 thousand, following the business combinations, mainly due to a specific dispute relating to Haemotronic SpA.

8.18 Trade payables

The table below reports details of trade payables as of 31 December 2021 and 31 December 2022.

	At 31 December	
(in thousands of Euro)	**2022**	**2021**
Trade payables to suppliers	57,944	23,820
Trade payables to related parties	-	-
Trade payables	**57,944**	**23,820**

Trade payables primarily regard transactions for the purchase of raw materials, components and services.

The book value of trade payables is considered to approximate their fair value.

8.19 Other current payables and liabilities

The table below reports details of other current payables and liabilities as of 31 December 2021 and 31 December 2022.

	At 31 December	
(in thousands of Euro)	**2022**	**2021**
Payable to employees	13,307	9,157
Payable to social security institutions	4,028	2,708
Tax payables	3,290	1,596
Accrued payables	146	49
Deferred income	88	55
Payable to directors	872	1,175
Other	456	426
Other current payables and liabilities	**22,187**	**15,166**

Payables to employees primarily reflect salaries payable and deferred charges such as holidays, leaves and bonuses.

Payables to social security institutions primarily represent payment of contributions owned to pension and social security institutions.

Tax payables as of 31 December 2021 and 31 December 2022 primarily include tax payables for taxes not correlated to income, consisting primarily of VAT and other indirect taxes payable and withholding tax on employees' pay.

9. Notes to the consolidated income statement

9.1 Revenues from contracts with customers

The table below breaks down revenues from contracts with customers by division in the years ending on 31 December 2021 and 31 December 2022.

	Financial year ended 31 December	
(in thousands of Euro)	**2022**	**2021**
Healthcare Liquid	181,297	100,107
Healthcare Air & Gas	30,031	48,607
Laboratory	34,057	31,602
Healthcare & Life Sciences	**245,385**	**180,316**
Powertrain & Drivetrain	31,177	29,000
Safety & Electronics	22,315	21,626
Sport & Utility	23,838	20,089
Energy & Mobility	**77,330**	**70,715**
Personal Safety	59,961	81,981
Air Safety	4,915	5,114
Health & Safety	**64,876**	**87,095**
Revenue from customer contracts	**387,591**	**338,126**

The increase in revenues in the period ended 31 December 2022 compared to the same period of the previous year is mainly attributable to the performance of the Healthcare & Life Sciences division, whose growth in the current year is impacted by the acquisitions of STT and Haemotronic completed during 2022.

The Health & Safety division, which benefited from RPB's contribution for approximately Euro 42 million in 2022, settled at a turnover level of Euro 64.9 million with a significant reduction compared to the same period of 2021; it was influenced by exceptional sales from disposable masks due to COVID-19. The Energy & Mobility division recorded a positive trend with an increase of 9.4% in terms of revenues compared to the same period of the previous year, which had nevertheless been a period of strong growth, with the confirmation of the gradual recovery of production levels prior to the pandemic, thanks to the recovery of orders that had been rescheduled due to the disruptions of the logistics and supply chain in the sector. The revenues of the Healthcare & Life Sciences division, considering the business combinations mentioned above which contributed during 2022 for approximately Euro 75 million, grew during the period in question, compared to the corresponding period of the previous year, thanks to a sustained growth trend in the Healthcare Liquid business, which has largely offset the decrease in Healthcare Air & Gas. The Laboratory business shows a 7.8% increase in turnover, settling at Euro 34 million, against the revenues of 2021, equal to Euro 31.6 million, which had also benefited from revenues of Euro 3 million, following an agreement reached with a customer for the early closure of a supply order.

The table below breaks down revenues from contracts with customers by type of sale in the years ending on 31 December 2021 and 31 December 2022.

	Financial year ended 31 December	
(in thousands of Euro)	**2022**	**2021**
Business to business (BTB)	300,916	237,877
Business to consumer (BTC)	86,675	100,249
Total revenue from customer contracts	**387,591**	**338,126**

The table below breaks down revenues from contracts with customers by geographic area in the years ending on 31 December 2021 and 31 December 2022.

	Financial year ended 31 December	
(in thousands of Euro)	**2022**	**2021**
North America	188,585	145,546
Europe	102,256	120,337
Asia	67,146	48,626
Other countries	29,604	23,617
Total revenue from customer contracts	**387,591**	**338,126**

Revenues as of 31 December 2022 are mainly attributable to the sale of finished products.

Please see the report on operations for more information.

9.2 Other revenues and proceeds

The table below breaks down other revenues and proceeds in the years ending on 31 December 2021 and 31 December 2022.

	Financial year ended 31 December	
(in thousands of Euro)	**2022**	**2021**
Contributions for operating expenses	1,777	159
Recovery and chargeback	1,016	63
Insurance refunds	11	36
Recovery of scrap	550	265
Capital gains on sales	17	2,890
Other	1,071	1,536
Other revenues and proceeds	**4,442**	**4,949**

Contributions for operating expenses mainly refer to government subsidies obtained by the subsidiary Haemotronic SpA, after the acquisition date.

Other revenues and proceeds for the period ended 31 December 2021 included non-recurrent proceeds related to: (*i*) the capital gain realised following the sale of the Suzhou production site to the Chinese government (€1,952 thousand); (*ii*) contributions received from the Chinese government for the relocation of the same production site (€773 thousand).

9.3 Purchases and consumption of raw materials, semi-products and finished products

The table below breaks down purchases and consumption of raw materials, semi-products and finished products in the years ending on 31 December 2021 and 31 December 2022.

	Financial year ended 31 December	
(in thousands of Euro)	**2022**	**2021**
Purchases of raw materials	135,322	103,484
Variation in inventories of products in progress, semi-products and finished products	5,231	(589)
Variation in inventories of raw materials, subsidiary materials and goods	645	(6,801)
Purchases and consumption of raw materials, semi-products and finished products	**141,198**	**96,094**

The item includes, net of business acquisitions in the period, the use of the inventory write-down provision for Euro 979 thousand for the year ended 31 December 2022 and Euro 1,234 thousand for the provision recorded during the previous year.

9.4 Personnel costs

The table below breaks down personnel costs in the years ending on 31 December 2021 and 31 December 2022.

	Financial year ended 31 December	
(in thousands of Euro)	**2022**	**2021**
Salaries and wages	93,927	76,995
Social security contributions	25,120	20,502
Cost of termination indemnity	1,345	1,061
Other costs	3,137	41
Personnel costs	**123,529**	**98,599**

The increase in personnel costs in the period ended 31 December 2022 compared to the previous year is primarily due to the business combinations carried out in 2022 (STT and Haemotronic) and during the last half of the previous year (RPB). Furthermore, the item other personnel costs includes non-recurring charges relating to the costs allocated relating to staff reorganization for a total amount of Euro 2,897 thousand.

The table below reports the average number of Group employees in the years ending on 31 December 2021 and 31 December 2022, broken down by category.

	Financial year ended 31 December	
(In units)	**2022**	**2021**
Blue-collar workers	4,241	2,467
White-collar workers	1,057	514
Management	191	60
Executives	44	36
Total employees	**5,533**	**3,077**

9.5 Service costs

The table below breaks down service costs in the years ending on 31 December 2021 and 31 December 2022.

	Financial year ended 31 December	
(in thousands of Euro)	**2022**	**2021**
Utilities and cleaning services	14,199	7,892
Maintenance	4,991	4,522
Transportation	7,853	4,642
Consulting services	6,378	4,046
Travel and lodging	2,427	988
Subcontracting	2,614	1,746
Marketing and trade fairs	1,265	1,036
Insurance	2,065	1,797
Cafeteria	1,975	1,496
Commissions	3,848	616
Directors' fees	3,309	3,430
Other services	3,649	4,451
Service costs	**54,573**	**36,662**

In the period ended 31 December 2022, consulting services include, for Euro 1,447 thousand, costs relating to the acquisition of business/shareholdings and/or services received on an exceptional and non-recurring basis.
Consulting services, in the period ended 31 December 2021, included Euro 1,077 thousand for costs relating to services received in support of the acquisitions made in the current year.
It should be clarified that the increase in service costs is mostly due to costs relating to the newly-acquired companies in the business combinations carried out during the second half of 2021 and during 2022.

9.6 Other operating costs

The table below breaks down other operating costs in the years ending on 31 December 2021 and 31 December 2022.

	Financial year ended 31 December	
(in thousands of Euro)	**2022**	**2021**
Leasing costs	2,180	1,724
Indirect taxation	1,172	958
Membership fees and charity contributions	335	444
Allocation to provision for risks	600	1,583
Losses on sales	38	6
Other minor costs	976	675
Other operating costs	**5,301**	**5,390**

The item other operating costs, for the year ended 31 December 2022, includes charges set aside for a dispute and request received from a specific customer, for Euro 600 thousand.

The item other operating expenses, for the financial year ended 31 December 2021, included non-recurrent charges related to costs allocated to the provisions for the relocation of the production sites in China and in England for a total amount of € 1,583 thousand.

Leasing costs include: (*i*) leasing fees for properties of modest value, for which the Group avails itself of the exemption permitted under IFRS 16, (*ii*) variable components of a number of leasing fees and (*iii*) costs connected with use of property under leasing agreements not subject to IFRS 16.

9.7 Net writedowns of financial assets

Net writedowns of financial assets, entered on the basis of the requirements of IFRS 9, totalled Euro 506 thousand and Euro 462 thousand in the years ending on 31 December 2022 and 31 December 2021, respectively, and represent writedown of trade receivables.

A breakdown of movements in the provision for writedown of receivables for the years ending on 31 December 2021 and 31 December 2022 appears in note 8.8 - "Trade receivables".

9.8 Amortisation, depreciation and writedowns

The table below breaks down amortisation, depreciation and writedowns in the years ending on 31 December 2021 and 31 December 2022.

	Financial year ended 31 December	
(in thousands of Euro)	**2022**	**2021**
Amortisation and writedowns of intangible assets	17,055	7,594
Depreciation and writedowns of tangible assets	15,572	11,859
Amortisation and writedowns of assets represented by usage rights	5,345	4,074
Amortisation, depreciation and writedowns	**37,972**	**23,527**

A breakdown of the composition of, and movements in, intangible assets and tangible assets for the years ending on 31 December 2021 and 31 December 2022 is provided in notes 8.1 and 8.3. Information on assets represented by usage rights appears in note 8.2.

The increase in the item is mainly attributable to the amortization of intangible assets and depreciation of tangible assets recorded following the purchase price allocation of the RPB, STT and Haemotronic groups, acquired during the second half of 2021 and the first half of 2022.

9.9 Financial proceeds and charges

The table below breaks down financial proceeds in the years ending on 31 December 2021 and 31 December 2022.

	Financial year ended 31 December	
(in thousands of Euro)	**2022**	**2021**
Net profits on exchanges	14,398	10,052
Other financial proceeds	747	479
Financial proceeds	**15,145**	**10,531**

The table below breaks down financial charges in the years ending on 31 December 2021 and 31 December 2022.

	Financial year ended 31 December	
(in thousands of Euro)	**2022**	**2021**
Interest on bonded loans	1,268	1,704
Interest on loans	4,504	291
Interest on leasing liabilities	435	252
Interest on actualisation of provisions for employee benefits	21	9
Amortised cost	420	144
Interest for debt discounting for earn out	2,571	630
Other financial charges	256	83
Financial charges	**9,475**	**3,113**

Financial income and financial charges in the years ending 31 December 2021 and 31 December 2022 include the net unrealized exchange gains deriving from the adjustment in Euro of intra-group loans granted in dollars by GVS to the subsidiaries GVS NA Holdings Inc., GVS Technology (Suzhou) Co. Ltd., and GVS Filter Technology de Mexico, net of the exchange effect of the bond loan denominated in dollars.

9.10 Annual income tax

The table below breaks down annual income tax in the years ending on 31 December 2021 and 31 December 2022.

	Financial year ended 31 December	
(in thousands of Euro)	**2022**	**2021**
Current taxes	9,828	16,139
Deferred taxes	(912)	5,919
Taxes relating to previous/non-recurring years	1,589	95
Income tax	**10,505**	**22,153**

The table below reconciles the theoretical tax rate with the effective impact of taxation on the pre-tax result in the years ending on 31 December 2021 and 31 December 2022.

	Financial year ended 31 December	
(in thousands of Euro)	**2022**	**2021**
Pre-tax result	**34,625**	**89,757**
Theoretical tax rate	24.0%	24.0%
Theoretical tax burden	**8,310**	**21,542**
Effect of difference between local rates and theoretical tax rate	(385)	(1,978)
Permanent differences effect of taxation	149	530
IRAP (Regional production tax)	807	681
Other	1,624	1,379
Income tax	**10,505**	**22,153**

9.11 Net profit per share

The table below reports net profit per share, calculated as the ratio between net profit and the weighted average number of ordinary shares in circulation in the period, excluding treasury shares.

	Financial year ended 31 December	
	2022	**2021**
Group's share of net profit (in thousands of Euro)	24,120	67,604
Weighted average number of shares in circulation	174,562,162	174,693,198
Profit per share (in Euro)	**0.14**	**0.39**

Diluted earnings per share at 31 December 2022 was positive at 0.14 (positive at € 0.39 at 31 December 2021) calculated by dividing the result attributable to the shareholders of GVS SpA by the weighted average number of shares in circulation, adjusted to take into account the effects of all potential ordinary shares with dilutive effect. As potential ordinary shares with dilutive effect, those linked to the performance shares plan have been considered.

10. Hyperinflation

On the basis of the provisions of EU-IFRS regarding the entry and exit criteria for inflation accounting, the Argentinian subsidiary GVS Argentina S.A. adopted inflation accounting beginning in the year ending on 31 December 2018 and starting from the current year the subsidiary based in Turkey is operating in a situation of high inflation. Profit or loss on net monetary position, allocated to the income statement, amounts to a negative value of Euro 169 thousand for the year ending on 31 December 2022 and to a negative Euro 7 thousand for the year ending on 31 December 2021.

11. Non-recurring revenues and operating costs

In compliance with the provisions of the CONSOB Resolution 15519 of 27 July 2006 and CONSOB Communication No. DEM/6064293 of 28 July 2006, the consolidated income statement has been presented as an annex with separate indication of the amounts of costs and revenues deriving from non-recurring operations.

Non-recurrent proceeds and charges in the period ending on 31 December 2022 represent: (*i*) to greater costs related to the higher inventory value attributed following the purchase price allocation of the RPB, STT and Haemotronic groups (a total of Euro 6,717 thousand); (*ii*) costs allocated to the provision for the reorganization process relating to Group personnel (totalling Euro 2,897 thousand); (*iii*) to consultancy costs related to company acquisitions and/or services received/used of an exceptional nature (Euro 1,967 thousand), (*iv*) amortization of intangible and depreciation of tangible assets recognized following the purchase price allocation of the Kuss, RPB, Haemotronic and STT groups (a total of Euro 14,216 thousand) and finally (*v*) interest recorded following the discounting of the debts for earn out for the acquisitions of the STT, RPB and Haemotronic groups (Euro 2,571 thousand), net of the related effect of taxation. Non-recurring charges for taxes also include € 1,000 thousand relating to the costs of the tax dispute with the Company.

Non-recurrent proceeds and charges in the period ending on 31 December 2021 represent: (*i*) to the capital gains realized following the sale to the Chinese government of the production site in Suzhou (Euro 1,952 thousand) and the sale of the factories located in Brazil and Romania (Euro 828 thousand and Euro 91 thousand); (*ii*) to grants obtained from the Chinese government for the relocation of the same production site (Euro 773 thousand); (*iii*) to CONSOB supervisory costs paid lump sum in relation to the IPO procedure (Euro 991 thousand) and consultancy costs for the purchase of the RPB group and for other extraordinary transactions in place (Euro 1,077 thousand); (*iv*) to costs allocated to the provisions for the relocation of the Chinese production site, mentioned above, and of the English production site (for a total of Euro 1,583 thousand); (*v*) to the higher costs relating to the inventory value attributed following the purchase price allocation of the RPB group (Euro 1,548 thousand), (*vi*) to amortization of intangible and tangible assets recognized following the purchase price allocation of the Kuss and RPB groups (Euro 5,384 thousand) and finally (*vii*) to the interest recorded following the discounting of the debt for earn out to be paid for the aforementioned acquisition (Euro 630 thousand), net of the related effect of taxation. Non-recurring charges for taxes also include € 2,000 thousand relating to the costs of the tax dispute with the Company.

12. Transactions with related parties

Transactions with related parties identified on the basis of the criteria set forth in IAS 24 are primarily of a commercial and financial nature, and are conducted under regular market conditions.

The tables below provide details of economic and capital relations with related parties. The companies indicated have been identified as related parties because they are directly or indirectly linked to the Group's reference shareholders.

It should also be noted that, in compliance with the provisions of the CONSOB Resolution 15519 of 27 July 2006 and CONSOB Communication no. DEM/6064293 of 28 July 2006, the consolidated income statement, the consolidated balance sheet and the consolidated statement of cash flows are attached, with separate indication of transactions with related parties and an indication of their percentage weight on individual balances.

The table below sums up the Group's payables and receivables in relation to related parties at 31 December 2021 and 31 December 2022.

	Parent company	Companies subject to parent company's control	Top management	Total	Total item in the financial statement	Impact on the financial statement
(in thousands of Euro)	GVS Group	GVS Real Estate S.r.l. and subsidiaries				
Assets represented by usage rights						
At 31 December 2022	-	3,261	-	**3,261**	**22,991**	**14.2%**
At 31 December 2021	-	4,155	-	**4,155**	**10,420**	**39.9%**
Tangible fixed assets						
At 31 December 2022	-	-	14	**14**	**120,404**	**0.0%**
At 31 December 2021	-	-	18	**18**	**77,622**	**0.0%**
Trade Receivables						
At 31 December 2022	20	21	41	**82**	**72,994**	**0.1%**
Current tax receivables						
At 31 December 2022	2,973	-	-	**2,973**	**5,691**	**52.2%**
At 31 December 2021	3,462	-	-	**3,462**	**7,590**	**45.6%**
Other receivables and current assets						
At 31 December 2021	-	12	-	**12**	**10,011**	**0.1%**
Non-current leasing liabilities						
At 31 December 2022	-	1,547	-	**1,547**	**16,899**	**9.2%**
At 31 December 2021	-	2,783	-	**2,783**	**6,773**	**41.1%**
Provisions for employee benefits						
At 31 December 2022	-	-	1,699	**1,499**	**4,630**	**32.4**
At 31 December 2021	-	-	1,699	**1,699**	**4,366**	**38.9**
Current leasing liabilities						
At 31 December 2022	-	2,907	-	**2,907**	**8,312**	**35.0%**
At 31 December 2021	-	1,970	-	**1,970**	**4,760**	**41.4%**
Other current payables and liabilities						
At 31 December 2022	-	-	2,227	**2,227**	**21,187**	**10.0%**
At 31 December 2021	308	-	2,359	**2,667**	**15,166**	**17.6%**

The table below lists the Group's economic relations with related parties.

	Parent company	Companies subject to parent company's control	Top management	Total	Total item in the financial statement	Impact on the financial statement
(in thousands of Euro)	GVS Group	GVS Real Estate S.r.l. and subsidiaries				
Other revenues and proceeds						
Financial year ended 31 December 2022	20	42	41	**103**	**4,442**	**2.3%**
Financial year ended 31 December 2021	10	949	-	**959**	**4,949**	**19.4%**
Personnel costs						
Financial year ended 31 December 2022	-	-	3,373	**3,373**	**123,529**	**2.7%**
Financial year ended 31 December 2021	-	-	3,418	**3,418**	**98,599**	**3.5%**
Service costs						
Financial year ended 31 December 2022	-	-	3,205	**3,205**	**54,573**	**5.9%**
Financial year ended 31 December 2021	-	-	3,430	**3,430**	**36,662**	**9.4%**
Amortisation, depreciation and writedowns						
Financial year ended 31 December 2022	-	2,008	5	**2,013**	**37,972**	**5.3%**
Financial year ended 31 December 2021	-	1,154	-	**1,154**	**23,527**	**4.9%**
Financial charges						
Financial year ended 31 December 2022	-	162	-	**162**	**9,475**	**1.7%**
Financial year ended 31 December 2021	-	81	-	**81**	**3,113**	**2.6%**

TRANSACTIONS WITH THE GVS GROUP

The Company participates in the optional national tax consolidation system under the GVS Group. Current tax receivables at 31 December 2021 and 31 December 2022 refer exclusively to this case.

TRANSACTIONS WITH GVS REAL ESTATE

On 5 March 2018, GVS stipulated a leasing agreement with GVS Real Estate S.r.l., expiring on 28 January 2024, for two production facilities, one of which includes the Company's registered offices in Zola Predosa (BO). On 11 December 2019, the company GVS Sud S.r.l., merged by incorporation into GVS, signed an agreement with GVS Real Estate S.r.l. for the sale of land and buildings pertaining to a production facility in Avellino and thereafter entered into the lease agreement. In addition, in December 2021 GVS had taken over the lease agreements concerning the buildings used as warehouses located in Zola Predosa (BO) previously signed with a third-party lessor and following their sale to GVS Real Estate Srl, transferred to the latter, as the new lessor. On the basis of these lease contracts, at 31 December 2022, the Group recorded assets represented by usage rights and relative leasing liabilities for Euro 1,238 thousand and Euro 1,710 thousand, as well as depreciation and financial charges for Euro 795 thousand and Euro 17 thousand respectively at 31 December 2022.

TRANSACTIONS WITH GVS REAL ESTATE US

On 31 December 2021, the Group company GVS Filtration Inc renewed two rental agreements with GVS Real Estate US for sale of land and buildings pertaining to two production facilities in Ohio and Wisconsin. The leasing agreements for the real estate properties sold as described above resulted in entry as of 31 December 2022 of assets represented by usage rights amounting to Euro 574 thousand and Euro 802 thousand respectively (Euro 275 thousand and the corresponding leasing liabilities amounting to Euro 609 thousand at 31 December 2021), as well as amortisation, depreciation and writedowns and financial charges in the period ending on 31 December 2022, for Euro 358 thousand and Euro 3 thousand respectively (Euro 262 thousand and Euro 8 thousand at 31 December 2021).

TRANSACTIONS WITH GVS REAL ESTATE MEXICO

In July 2021, the company of the GVS Filter Technology de Mexico Group signed a lease agreement with GVS Real Estate Mexico, relating to the production site in the city of Apocada. The leasing agreement involved recording, as of 31 December 2022, of assets represented by usage rights and leasing liabilities of Euro 906 thousand and Euro 1,417 thousand respectively (Euro 1,333 thousand and Euro 1,331 thousand at 31 December 2021), and of amortisation, depreciation and writedowns and financial charges for the period ending on 31 December 2022 of Euro 564 thousand and Euro 90 thousand respectively (Euro 207 thousand and Euro 49 thousand at 31 December 2021).

TRANSACTIONS WITH GVS PATRIMONIO IMMOBILIARE

During 2021, the company of the GVS Microfiltrazione Group signed a lease agreement with the company GVS Patrimonio Immobiliare of the property attributable to the production site located in Ciorani. The leasing agreement involved recording, as of 31 December 2022, of assets represented by usage rights and leasing liabilities of Euro 257 thousand and Euro 285 thousand respectively (Euro 495 thousand and Euro 495 thousand at 31 December 2021), and of amortisation, depreciation and writedowns and financial charges for the period ending on 31 December 2022 of Euro 239 thousand and Euro 11 thousand respectively.

TRANSACTIONS WITH GVS REAL ESTATE DO BRASIL

In December 2021, the company of the GVS Do Brasil group signed an agreement with GVS Real Estate Do Brasil for the sale of land and buildings pertaining to a production site in Monte Mor. At the same time as the sale, the parties signed one lease agreement under which GVS Real Estate Do Brasil leased the property sold back to the Group. The leasing agreement involved recording, as of 31 December 2022, of assets represented by usage rights and leasing liabilities of Euro 102 thousand and Euro 266 thousand respectively (Euro 136 thousand and Euro 336 thousand at 31 December 2021), and of amortisation, depreciation and writedowns and financial charges for the period ending on 31 December 2022 of Euro 53 thousand and Euro 41 thousand respectively.

TRANSACTIONS WITH TOP MANAGEMENT

As of the date of the 2022 financial statements the following are considered members of the Group's Top Management:

- the chief executive officer;
- the chief financial officer;
- the chief operation officer;
- the managers of the (*i*) Healthcare & Life Sciences; (*ii*) Health & Safety; (*iii*) Energy & Mobility; (*iv*) Research & Development divisions and the director of human resources;
- the Chairman of the Board of Directors.

The table below provides details of fees payable to members of Top Management in the years ending on 31 December 2021 and 31 December 2022, including contributions.

	Financial year ended 31 December	
(in thousands of Euro)	**2022**	**2021**
Fees for office held	1,367	1,218
Bonuses and other incentives	1,805	2,032
Other fees	202	169
Directors' fees	3,205	3,430
Total	**6,577**	**6,848**

Please note that:

- other current payables and liabilities as of 31 December 2022 include payables to directors for fees not yet paid totalling Euro 872 thousand (Euro 1,175 thousand at 31 December 2021);
- provisions for employee benefits as of 31 December 2022 include the value of end of service indemnity for directors totalling Euro 1,499 thousand (Euro 1,699 thousand at 31 December 2021);
- costs for services for the period ended 31 December 2022 include directors' fees, expenses tied to the performance share plan and allocations to the provisions for end of service indemnity for a total amount of Euro 3,205 thousand (Euro 3,430 thousand for the period ended 31 December 2021).

13. Commitments and risks

Sureties and guarantees granted to third parties

As of 31 December 2022 the Group has no existing sureties and/or guarantees.

Potential liabilities

Given that the Group operates internationally, it is exposed to legal risks primarily due to professional, corporate and tax liability. Disbursements relating to ongoing or future proceedings cannot be expected with certainty and it is possible that court outcomes may result in costs not covered or not fully covered by insurance claims having effects on the Group's financial situation and results. On the other hand, where it is likely to be due to an outlay of resources to meet obligations and this amount can be reliably estimated, the Group made specific allocations to the provision for risks and charges.

14. Directors' and auditors' fees

Emoluments for the 2022 financial year due to directors (including bonuses, charges related to the performance shares plan, provisions for severance indemnity and related contributions) and statutory auditors amounted to Euro 3,205 thousand and Euro 95 thousand, respectively.

The following table gives details of the remuneration for executive directors and non-executive directors in 2022.

(in thousands of Euro)	**2022**
Chairman of the Board of Directors	260
Executive Directors	2,795
Non-executive directors	150
Total cost	**3,205**

No loans or advances were granted to directors or shareholders during the year.

15. Independent auditor's fees

The independent auditor's fees amount to Euro 554 thousand and Euro 330 thousand for the years ending on 31 December 2022 and 31 December 2021, respectively. In compliance with the provisions of Art. 149-duodecies of the CONSOB Issuers Regulation, the fees for 2022 for audit services and other services provided by the independent auditors and entities belonging to its network and others have been attached.

16. Research and development

The Group's R&D work aims to introduce new products and implement new production processes. These activities are divided into a number of different phases, from conception and start of the process of designing and new product process to large-scale industrial production.

The table below reports research and development costs entered among operating costs in the years ending on 31 December 2021 and 31 December 2022.

	Financial year ended 31 December	
(in thousands of Euro)	**2022**	**2021**
Research and development costs	23,183	20,422
Capitalised development costs	(4,153)	(3,615)
Amortisation of capitalised development costs	2,427	1,728
Research and development costs entered as operating costs	**21,457**	**18,535**

17. Events of significance following the close of the financial period

Provision by the majority shareholder of a subordinated and unsecured loan

On 8 March 2023, as part of activities aimed at ensuring compliance with the contract covenants for the measurement of 31 December 2022, GVS SpA signed a contract with the majority shareholder GVS Group Srl, concerning a subordinated and unsecured shareholder loan of Euro 75 million maturing on 31 December 2027, disbursed the day following the signing of the contract.

This solution made it possible to remedy compliance with the level of financial covenants leverage ratio as at 31 December 2022, as resulting following the agreements reached with the financial counterparties on 23 December 2022. In particular, the amount of the shareholder loan was determined on the basis of the preliminary information available and which sees at 31 December 2022 a consolidated net financial position of approximately Euro 375 million and an adjusted EBITDA pro-forma for the purposes of calculating the financial covenants of approximately Euro 86 million.

Agreement for the modification of the interest coverage ratio of the financial covenant

On 8 March 2023, the Company reached an agreement with (i) the pool of lender banks of the credit lines (EUR 230 million, expiring in 2027 and EUR 150 million, expiring in 2026) and the credit institutions regarding the outstanding bilateral loans, as well as (ii) the bondholders referred to in the bond loans (EUR 40 million, maturing in 2024, and USD 35 million, maturing in 2024), for the modification of the interest coverage ratio of the financial covenant. The agreement provides for a lowering of the interest coverage ratio parameter for the checks as at 30 June 2023 and 31 December 2023 compared to the levels set at the time of signing the loans and the subscription agreements of the bond loans (from 4.5x to 3.5x).

The redefinition of this parameter was negotiated on a prudential basis to take into account a scenario in 2023 of an increase in financial expenses for the Company as a result of the rate increase policy implemented by the European Central Bank to combat inflation.

18. Approval of the Consolidated Financial Statements and authorisation for publication

The Consolidated Financial Statements ending on 31 December 2022 were approved on 21 March 2023 by the Board of Directors, which authorised their publication within the legal deadline.

Schedules Annexed to the Consolidated Financial Statements

Consolidated statement of financial position, with indication of the amounts of positions with related parties

(in thousands of Euro)	At 31 December 2022	of which with related parties	percentage	At 31 December 2021	of which with related parties	percentage
ASSETS						
Non-current assets						
Intangible assets	494,846			227,743		
Assets represented by usage rights	22,991	3,261	14.2%	10,420	4,155	39.9%
Tangible assets	120,404	14	0.0%	77,622	18	0.0%
Advance tax assets	3,487			1,502		
Non-current financial assets	3,754			1,318		
Non-current derivative financial instruments	6,648			123		
Other receivables and non-current assets	1,695			-		
Total non-current assets	**653,825**			**318,728**		
Current assets						
Inventories	106,922			72,353		
Trade receivables	72,944	82	0.1%	52,975		
Assets from contracts with customers	1,205			1,678		
Current tax receivables	5,691	2,973	52.2%	7,590	3,462	45.6%
Other receivables and current assets	12,514			10,011	12	0.1%
Current financial assets	4,779			8,337		
Cash on hand	135,169			136,893		
Total current assets	**339,224**			**289,837**		
Total Assets held for sale	**-**			**-**		
TOTAL ASSETS	**993,049**			**608,565**		
SHAREHOLDERS' EQUITY AND LIABILITIES						
Share capital	1,750			1,750		
Reserves	301,780			225,967		
Net income	24,098			67,590		
Group net shareholders' equity	**327,628**			**295,307**		
Shareholders' equity attributable to non-controlling interests	46			40		
Total shareholders' equity	**327,674**			**295,347**		
Non-current liabilities						
Debt for the purchase of equity investments and earn out	40,983			-		
Non-current financial liabilities	10,989			180,164		
Non-current leasing liabilities	16,899	1,547	9.2%	6,773	2,783	41.1%
Deferred tax liabilities	46,086			5,675		
Provisions for employee benefits	4,630	1,499	32.4%	4,366	1,699	38.9%
Provisions for risks and charges	9,221			4,654		
Total non-current liabilities	128,808			201,632		
Current liabilities						
Debt for the purchase of equity investments and earn out	-			19,670		
Current financial liabilities	438,238			41,706		
Current leasing liabilities	8,312	2,907	35.0%	4,760	1,970	41.4%
Trade payables	57,944		0.0%	23,820		
Liabilities from contracts with customers	7,224			3,417		
Current tax payables	2,662		0.0%	3,047		
Other current payables and liabilities	22,187	2,227	10.0%	15,166	2,667	17.6%
Total current liabilities	**536,567**			**111,586**		
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**993,049**			**608,565**		

Consolidated income statement, with indication of the amounts of positions with related parties

	Period ended 31 December					
(in thousands of Euro)	2022	of which with related parties	percentage	2021	of which with related parties	percentage
Revenue from customer contracts	387,591			338,126		
Other revenues and proceeds	4,442	103	2.3%	4,949	959	19.4%
Total revenues	**392,033**			**343,075**		
Purchases and consumption of raw materials, semi-products and finished products	(141,198)			(96,094)		
Personnel costs	(123,529)	(3,373)	2.7%	(98,599)	(3,418)	3.5%
Service costs	(54,573)	(3,205)	5.9%	(36,662)	(3,430)	9.4%
Other operating costs	(5,301)			(5,390)		
EBITDA	**67,432**			**106,330**		
Net writedowns of financial assets	(506)			(462)		
Amortisation, depreciation and writedowns	(37,972)	(2,013)	5.3%	(23,528)	(1,154)	4.9%
EBIT	**28,955**			**82,340**		
Financial proceeds	15,145			10,531		
Financial charges	(9,475)	(162)	1.7%	(3,113)	(81)	2.6%
Pre-tax result	**34,625**			**89,757**		
Income tax	(10,505)			(22,153)		
Net income	**24,120**			**67,604**		
Group's share	24,098			67,590		
Minority share	22			14		

Consolidated statement of cash flows, with indication of the amounts of positions with related parties

(in thousands of Euro)	Period ended 31 December					
	2022	**of which with related parties**	**percentage**	**2021**	**of which with related parties**	**percentage**
Pre-tax result	34,625	(8,650)	-25.0%	89,757	(6,185)	-6.9%
- Adjustment for:						
Amortisation, depreciation and writedowns	37,972	2,013	5.3%	23,528	828	3.5%
Capital losses / (capital gains) from sale of assets	21			(2,884)		
Financial charges / (proceeds)	(5,671)	162	-2.9%	(7,418)	50	-0.7%
Other non-monetary variations	6,750	(200)	-3.0%	6,653	32	0.5%
Cash flow generated / (absorbed) by operations before variations in net working capital	***73,697***			***109,637***		
Variation in inventories	3,144			(9,530)		
Variation in trade receivables	(11,921)	(82)	0.7%	(4,671)	(27)	0.6%
Variation in trade payables	13,834	(0)	0.0%	(6,411)	(0)	0.0%
Variation in other assets and liabilities	9,133	(428)	-4.7%	(662)	(760)	114.9%
Use of provisions for risks and charges and for employee benefits	(1,919)			(265)		
Taxes paid	(9,846)	489	-5.0%	(32,616)	(7,081)	21.7%
Net cash flow generated / (absorbed) by operations	**76,121**			**55,483**		
Investments in tangible assets	(17,841)		0.0%	(19,440)	(23)	0.1%
Investments in intangible assets	(5,024)			(3,755)		
Disposal of tangible assets	129			7,184		
Investment in financial assets	(4,116)			(3,372)		
Disinvestment in financial assets	6,451			358		
Payment for purchase of business unit net of cash on hand acquired	(236,027)			(129,217)		
Net cash flow generated / (absorbed) by investment	**(256,429)**			**(148,242)**		
Opening of long-term financial payables	232,531			150,171		
Repayment of long-term financial payables	(43,861)			(18,543)		
Repayment of leasing liabilities	(5,390)	(1,414)	26.2%	(2,284)	(985)	43.1%
Financial charges paid	(4,903)	(162)	3.3%	(2,940)	(50)	1.7%
Financial proceeds collected	1,808			479		
Treasury shares	(1,405)			(3,448)		
Dividends paid	-			(22,722)	(13,650)	60.1%
Net cash flow generated/(absorbed) by financial assets	**178,780**			**100,712**		
Total variation in cash on hand	**(1,527)**			**7,954**		
Cash on hand at the start of the year	**136,893**			**125,068**		
Total variation in cash on hand	(1,527)			7,954		
Conversion differences on cash on hand	(197)			3,871		
Cash on hand at the end of the year	**135,169**			**136,893**		

Consolidated income statement, with indication of the amounts deriving from non-recurring transactions

(in thousands of Euro)	The 12-month period closed on 31 December							
	2022	**of which non-recurring**	**2022 *Adjusted***	**percentage**	**2021**	**of which non-recurring**	**2021 *Adjusted***	**percentage**
Revenue from customer contracts	387,591		387,591		338,126		338,126	
Other revenues and proceeds	4,442		4,442		4,949	3,644	1,305	73.6%
Total revenues	**392,033**	**-**	**392,033**		**343,075**	**3,644**	**339,431**	
Purchases and consumption of raw materials, semi-products and finished products	(141,198)	(6,717)	(134,481)	4.8%	(96,094)	(1,548)	(94,546)	1.6%
Personnel costs	(123,529)	(2,897)	(120,632)	2.3%	(98,599)		(98,599)	
Service costs	(54,573)	(1,967)	(52,606)	3.6%	(36,662)	(2,068)	(34,594)	5.6%
Other operating costs	(5,301)		(5,301)		(5,390)	(1,583)	(3,807)	29.4%
EBITDA	**67,432**	**(11,581)**	**79,013**		**106,330**	**(1,555)**	**107,885**	
Net writedowns of financial assets	(506)		(506)		(462)		(462)	
Amortisation, depreciation and writedowns	(37,972)	(14,216)	(23,756)	37.4%	(23,528)	(5,384)	(18,144)	22.9%
EBIT	**28,955**	**(25,797)**	**54,752**		**82,340**	**(6,939)**	**89,279**	
Financial proceeds	15,145		15,145		10,531		10,531	
Financial charges	(9,475)	(2,571)	(6,904)	27.1%	(3,113)	(630)	(2,483)	
Pre-tax result	**34,625**	**(28,368)**	**62,993**		**89,757**	**(7,569)**	**97,326**	
Income tax	(10,505)	6,017	(16,522)	-57.3%	(22,153)	(184)	(21,969)	0.8%
Net income	**24,120**	**(22,351)**	**46,471**		**67,604**	**(7,753)**	**75,357**	

Information pursuant to Art. 149-Duodecies of the CONSOB Issuers' Regulation

The following schedule, prepared pursuant to Art. 149-*duodecies* of the CONSOB Issuers' Regulation, highlights the fees for 2022 for audit services and other services provided by the independent auditors and entities belonging to its network as well as others.

(in thousands of Euro)	Subject that has provided the service	Recipient/assignment	2022 fees
	PwC SpA	Parent company - audit of the financial statements	58
	PwC SpA	Parent company - audit of the consolidated financial statements	168
	PwC SpA	Parent company - audit of the half-yearly report	81
	PwC SpA	Subsidiaries - audit services for consolidated financial statements	72
Total Audit of Accounting			**379**
	PricewaterhouseCoopers Business Services Srl	Parent company – Financial and Tax Due Diligence	150
	PwC SpA	Parent company - Limited assurance NFS	25
Total other services (NAS)			**175**
TOTAL			**554**

Certification of the Consolidated Financial Statements Pursuant to Article 154 *bis* of Legislative Decree 58/98

1. The undersigned, Massimo Scagliarini, Chief Executive Officer and Emanuele Stanco, Manager responsible for the preparation of the accounting documents of GVS S.p.A., taking into account the provisions of Article 154-*bis*, paragraphs 3 and 4 of Legislative Decree no. 58 of 24 February 1998, certify:

    - the adequacy in relation to the characteristics of the business, and
    - the effective application of the administrative and accounting procedures for the preparation of the Consolidated Financial Statements during the year 2022.

2. The assessment of the adequacy of the administrative and accounting procedures for the preparation of the Consolidated Financial Statements at 31 December 2022 was carried out on the basis of the standards and methodologies defined by GVS mainly in accordance with the Internal Control - Integrated Framework model issued by the Committee of Sponsoring Organisations of the Treadway Commission, which represents a reference framework for the internal control system generally accepted at the international level.

3. In addition, they also certify that:

3.1 The Consolidated Financial Statements:

- have been prepared in compliance with applicable international accounting standards recognised by the European Community pursuant to Regulation (EC) No. 1606/2002 of the European Parliament and of the Council of 19 July 2002 and with the measures issued in implementation of Article 9 of Legislative Decree no. 38/2005;
- correspond to the results in accounting books and records;
- are suitable to provide a true and fair view of the statement of financial position, and the statement of profit and loss of the issuer and all the companies included in the consolidation.

3.2 The Report on Operations includes a reliable analysis of the performance and operating result as well as of the situation of the issuer and of the companies included in the consolidation, together with a description of the principal risks and uncertainties to which they are exposed.

Zola Predosa, 21 March 2023

Massimo Scagliarini
Chief Executive Officer

Emanuele Stanco
Manager Responsible for the preparation of the Company's accounting documents

Emanuele Stanco

pwc

Independent auditor's report

in accordance with article 14 of Legislative Decree No. 39 of 27 January 2010 2010 and article 10 of Regulation (EU) No. 537/2014

To the shareholders of
GVS SpA

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of the GVS Group, which comprise the consolidated statement of financial position as of 31 December 2022, the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the GVS Group as of 31 December 2022, and of the result of its operations and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No. 38/2005.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of this report. We are independent of GVS SpA (hereinafter also the "Company") pursuant to the regulations and standards on ethics and independence applicable to audits of financial statements under Italian law. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed

PricewaterhouseCoopers SpA

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in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matters	*Auditing procedures performed in response to key audit matters*
Revenue recognition *Note 2.4 "Accounting standards and assessment criteria" and Note 9.1 "Revenues from contracts with customers" to the consolidated financial statements*	
Revenues from contracts with customers in the consolidated financial statements of the GVS Group as of 31 December 2022 are equal to Euro 387,591 thousand, mainly attributable to the sale of finished products. Those revenues are recognised, in accordance with IFRS 15 – *Revenue from contracts with customers*, when control of the products is transferred to the customer. The correct recognition of revenues was a key matter in our audit in consideration of the materiality of the item and the large number of transactions making up the total amount.	Our audit approach consisted, preliminarily, in understanding and evaluating the methods and procedures defined by the GVS Group for the recognition and measurement of sales revenues. Moreover, we identified and validated the operating effectiveness of controls over the revenue recognition process. Taking into account the understanding, evaluation and validation of internal controls mentioned above, we then planned and performed substantive tests on the item in question. In detail, on a representative sample of transactions we verified the existence and accuracy of revenues reported in the consolidated financial statements by examining the information in the supporting documents. We also performed external confirmation procedures on a sample of customers with the aim of obtaining evidence supporting the receivables recognised. Finally, we selected a sample of sales transactions in December 2022 and January 2023 and we verified, against supporting documents, their correct cut-off in accordance with the accrual basis of accounting.

Key Audit Matters	*Auditing procedures performed in response to key audit matters*
Recoverability of intangible assets *Note 2.4 "Accounting standards and assessment criteria" and Note 8.1 "Intangible assets" to the consolidated financial statements*	
The value of intangible assets in the consolidated financial statements of GVS SpA is equal to Euro 494,846 thousand, accounting for 49.8% of total assets, and includes goodwill for a total of Euro 246,664 thousand and intangible assets with finite lives for a total of Euro 248,182 thousand. In accordance with IAS 36 – *Impairment of assets*, management tests the value of goodwill for impairment at least annually, by comparing the carrying amount of the cash generating unit (CGU) to which goodwill amounts are allocated with its recoverable amount, and the related recoverable value, represented by the greater of value in use and fair value less costs to disposal. As of 31 December 2022 the recoverable amount of the CGU was determined on the basis of value in use, by discounting to present value the estimated future cashflows for the period 2023-2026 prepared assuming inertial growth, at a rate equal to the expected inflation rate, of the figures in the 2023 budget approved by the Company's Board of Directors on 8 March 2023, plus the terminal value. Other intangible assets with finite lives are tested only if indicators of impairment are present. We considered the recoverability of intangible asset values a key audit matter in consideration of the materiality of the amounts and of the elements of uncertainty and estimation intrinsic to the Directors' assessment of their recoverability. The key elements of uncertainty and estimation are related to the correct definition and identification of the CGUs and to the estimation	Our audit approach consisted, preliminarily, in understanding and evaluating the methods and procedures defined by the Company to determine the recoverable amounts of goodwill and to identify indicators of impairment of intangible assets with finite lives. We analysed the reasonableness of management's considerations about the identification of a single CGU to which the goodwill amounts are allocated, verifying their consistency with the organisation structure of the GVS Group. With regard to goodwill, also with the support of business valuation experts from the PwC network, we analysed the methods adopted by management to determine the recoverable amounts of the CGU, we verified the reasonableness of the key assumptions reflected in the valuation models, including the discount rates, we verified the mathematical accuracy of the models used and we compared the value in use with the carrying amount of the CGU. We analysed the forecasts used to assess the recoverability of goodwill, verifying their consistency with the 2023 budget approved by the Company's Board of Directors on 8 March 2023, making a critical assessment of the reasonableness of the assumptions underlying the estimated cashflows for the period 2023-2026, also in light of the historical results of the GVS Group. With regard to intangible assets with finite lives we verified the reasonableness of management's considerations about the absence of impairment indicators. Finally, our procedures included analysing the

Key Audit Matters	Auditing procedures performed in response to key audit matters
of the future cashflows and the definition of the discount rates to be applied to those cashflows.	notes to the consolidated financial statements and the overall adequacy and completeness of related disclosures.

Responsibilities of the Directors and the Board of Statutory Auditors for the Consolidated Financial Statements

The Directors are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No. 38/2005 and, in the terms prescribed by law, for such internal control as they determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

The Directors are responsible for assessing the Group's ability to continue as a going concern and, in preparing the consolidated financial statements, for the appropriate application of the going concern basis of accounting, and for disclosing matters related to going concern. In preparing the consolidated financial statements, the Directors use the going concern basis of accounting unless they either intend to liquidate GVS SpA or to cease operations, or have no realistic alternative but to do so.

The Board of statutory auditors is responsible for overseeing, in the terms prescribed by law, the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's 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 International Standards on Auditing (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 the consolidated financial statements.

As part of our audit conducted in accordance with International Standards on Auditing (ISA Italia), we exercised professional judgement and maintained professional scepticism throughout the audit. Furthermore:

- We identified and assessed the risks of material misstatement of the consolidated financial statements, whether due to fraud or error; we designed and performed audit procedures responsive to those risks; we obtained 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;

- We obtained 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 Group's internal control;
- We evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors;
- We concluded 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 Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated 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 auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern;
- We evaluated the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- We obtained sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion on the consolidated financial statements.

We communicated with those charged with governance, identified at an appropriate level as 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 identified during our audit.

We also provided those charged with governance with a statement that we complied with the regulations and standards on ethics and independence applicable under Italian law and communicated with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate the related risks, or safeguards applied.

From the matters communicated with those charged with governance, we determined those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We described these matters in our auditor's report.

Additional Disclosures required by Article 10 of Regulation (EU) No. 537/2014

On 14 February 2020 the shareholders of GVS SpA in general meeting engaged us to perform the statutory audit of the Company's and consolidated financial statements for the years ending 31 December 2020 to 31 December 2028.

We declare that we did not provide any prohibited non-audit services referred to in article 5, paragraph 1, of Regulation (EU) No. 537/2014 and that we remained independent of the Company in conducting the statutory audit.

We confirm that the opinion on the consolidated financial statements expressed in this report is consistent with the additional report to those charged with governance, in their capacity as audit committee, prepared pursuant to article 11 of the aforementioned Regulation.

Report on Compliance with other Laws and Regulations

Opinion on compliance with the provisions of Commission Delegated Regulation (EU) 2019/815

The Directors of GVS SpA re responsible for the application of the provisions of Commission Delegated Regulation (EU) 2019/815 concerning regulatory technical standards on the specification of a single electronic reporting format (ESEF - European Single Electronic Format) (hereinafter, the "Commission Delegated Regulation") to the consolidated financial statements as of 31 December 2022, to be included in the annual report.

We have performed the procedures specified in auditing standard (SA Italia) No. 700B in order to express an opinion on the compliance of the consolidated financial statements with the provisions of the Commission Delegated Regulation.

In our opinion, the consolidated financial statements as of 31 December 2022 have been prepared in XHTML format and have been marked up, in all significant respects, in compliance with the provisions of the Commission Delegated Regulation.

Due to certain technical limitations, some information included in the notes to the consolidated financial statements when extracted from the XHTML format to an XBRL instance may not be reproduced in an identical manner with respect to the corresponding information presented in the consolidated financial statements in XHTML format.

Opinion in accordance with Article 14, paragraph 2, letter e), of Legislative Decree No. 39/2010 and Article 123-bis, paragraph 4, of Legislative Decree No. 58/1998

The Directors of GVS SpA are responsible for preparing a report on operations and a report on the corporate governance and ownership structure of the GVS Group as of 31 December 2022, including their consistency with the relevant consolidated financial statements and their compliance with the law.

We have performed the procedures required under auditing standard (SA Italia) No. 720B in order to express an opinion on the consistency of the report on operations and of the specific information included in the report on corporate governance and ownership structure referred to in article 123-bis, paragraph 4, of Legislative Decree No. 58/1998, with the consolidated financial statements of the GVS Group as of 31 December 2022 and on their compliance with the law, as well as to issue a statement on material misstatements, if any.

In our opinion, the report on operations and the specific information included in the report on corporate governance and ownership structure mentioned above are consistent with the consolidated financial statements of the GVS Group as of 31 December 2022 and are prepared in compliance with the law.

With reference to the statement referred to in article 14, paragraph 2, letter e), of Legislative Decree No. 39/2010, issued on the basis of our knowledge and understanding of the Company and its environment obtained in the course of the audit, we have nothing to report.

Statement in accordance with article 4 of Consob's Regulation implementing Legislative Decree No. 254 of 30 December 2016

The Directors of GVS SpA are responsible for the preparation of the non-financial statement pursuant to Legislative Decree No. 254 of 30 December 2016.
We have verified that the Directors approved the non-financial statement.

Pursuant to article 3, paragraph 10, of Legislative Decree No. 254 of 30 December 2016, the non-financial statement is the subject of a separate statement of compliance issued by ourselves.

Bologna, 12 April 2023

PricewaterhouseCoopers SpA

Signed by

Giuseppe Ermocida
(Partner)

This independent auditor's report has been translated into the English language solely for the convenience of international readers. Accordingly, only the original text in Italian language is authoritative.

06.

Financial Statements at 31 December 2022

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Statement of Assets and Liabilities*

(in Euro)	Notes	At 31 December 2022	2021
ASSETS			
Non-current assets			
Intangible assets	6.1	2,693,631	2,967,290
Assets represented by usage rights	6.2	2,227,479	1,869,948
Tangible assets	6.3	27,240,598	24,323,697
Equity investments	6.4	333,559,524	68,130,538
Advance tax assets	6.5	337,077	-
Non-current financial assets	6.6	271,250,466	214,402,170
Non-current derivative financial instruments	6.7	6,647,982	123,390
Other receivables and non-current assets	6.8	1,694,854	-
Total non-current assets		**645,651,611**	**311,817,033**
Current assets			
Inventories	6.9	9,656,381	7,733,556
Trade receivables	6.10	29,418,994	23,175,899
Assets from contracts with customers	6.11	534,244	2,640,596
Current tax receivables	6.21	2,972,980	2,922,400
Other receivables and current assets	6.12	9,004,961	8,717,816
Current financial assets	6.6	26,173,580	17,478,347
Cash on hand	6.13	35,361,081	82,847,421
Total current assets		**113,122,221**	**145,516,036**
TOTAL ASSETS		**758,773,832**	**457,333,069**
SHAREHOLDERS' EQUITY AND LIABILITIES			
Share capital		1,750,000	1,750,000
Reserves		183,034,547	131,243,173
Net income		20,427,718	37,702,783
Total shareholders' equity	**6.14**	**205,212,265**	**170,695,956**
Non-current liabilities			
Debt for the purchase of equity investments and earn out	6.15	33,063,075	-
Non-current financial liabilities	6.16	43,931,120	194,901,837
Non-current leasing liabilities	6.2	1,178,748	992,017
Deferred tax liabilities	6.5	8,881,235	3,239,329
Provisions for employee benefits	6.18	3,622,911	2,609,896
Provisions for risks and charges	6.19	4,843,060	3,000,000
Total non-current liabilities		**95,520,149**	**204,743,079**
Current liabilities			
Debt for the purchase of equity investments and earn out	6.15	-	264,254
Current financial liabilities	6.16	431,912,250	41,481,239
Current leasing liabilities	6.2	1,126,398	902,022
Trade payables	6.20	12,093,956	28,127,619
Liabilities from contracts with customers	6.11	614,130	2,598,968
Current tax payables	6.21	191,095	-
Other current payables and liabilities	6.22	12,103,589	8,519,931
Total current liabilities		**458,041,418**	**81,894,034**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**758,773,832**	**457,333,069**

(*) Pursuant to the CONSOB Resolution No. 15519 of 27 July 2016, the effects of transactions with related parties on statement of assets and liabilities are highlighted in the attached tables.

Income Statement*

(in Euro)	Notes	Financial year ended 31 December 2022	2021
Revenue from customer contracts	7.1	78,107,496	89,955,085
Other revenues and proceeds	7.2	5,725,203	2,605,172
Total revenues		**83,832,699**	**92,560,257**
Purchases and consumption of raw materials, semi-products and finished products	7.3	(31,278,594)	(42,288,963)
Personnel costs	7.4	(28,181,499)	(25,614,941)
Service costs	7.5	(14,566,190)	(15,570,758)
Other operating costs	7.6	(5,190,509)	(1,075,352)
EBITDA		**4,615,907**	**8,010,243**
Net writedowns of financial assets	7.7	(49,272)	(59,778)
Amortisation, depreciation and writedowns	7.8	(5,607,122)	(4,920,631)
EBIT		**(1,040,487)**	**3,029,834**
Financial proceeds	7.9	32,146,897	15,365,628
Financial charges	7.9	(8,760,844)	(2,425,621)
Income and expense from equity investments	7.10	5,141,680	29,464,323
Pre-tax result		**27,487,246**	**45,434,164**
Income tax	7.11	(7,059,528)	(7,731,381)
Net income		**20,427,718**	**37,702,783**
Basic net profit per share	7.12	*0.12*	*0.22*
Diluted net profit per share	7.12	*0.12*	*0.22*

(*) Pursuant to the CONSOB Resolution No. 15519 of 27 July 2016, the effects of transactions with related parties on statement of assets and liabilities are highlighted in the attached tables.

Comprehensive Income Statement

(in Euro)	Notes	Financial year ended 31 December 2022	2021
Net income		**20,427,718**	**37,702,783**
Other components of the comprehensive income statement which will be reclassified in the income statement in subsequent years			
Profits (losses) on cash flow hedges	6.7	6,524,592	123,390
Effect of taxation		(1,565,902)	(29,614)
		4,958,690	**93,776**
Other components of the comprehensive income statement which will not be reclassified in the income statement in subsequent years (net of effect of taxation)			
Actuarial profit (loss) due to employee defined benefit plans	6.18	759,574	(9,764)
Effect of taxation		(211,921)	2,724
		547,653	**(7,040)**
Total other components in the comprehensive income statement		**5,506,343**	**86,736**
Comprehensive net profit		**25,934,061**	**37,789,519**

Prospectus of Changes in Shareholders' Equity

(in Euro)	Share capital	Reserves: Share premium reserve	Legal reserve	Extraordinary reserve	Negative reserve for treasury shares	Actuarial profits and losses reserve	Profit (loss) carried over and other reserves	Net income	Total shareholders' equity
At 31 December 2020	**1,750,000**	**92,770,286**	**329,367**	**30,485,257**	**-**	**(71,008)**	**3,848,526**	**27,308,128**	**156,420,556**
Net income	-	-	-	-	-	-	-	37,702,783	37,702,783
Total other components in the comprehensive income statement	-	-	-	-	-	(7,040)	93,776	-	86,736
Comprehensive net profit	-	-	-	-	-	*(7,040)*	*93,776*	*37,702,783*	*37,789,519*
Allocation of net profit from previous year	-	-	20,633	4,537,495	-	-	22,750,000	(27,308,128)	-
Purchase of treasury shares	-	-	-	-	(3,448,176)	-	-	-	(3,448,176)
Dividends approved	-	-	-	-	-	-	(22,750,000)	-	(22,750,000)
Increase in reserves for long-term incentives	-	-	-	-	-	-	2,684,056	-	2,684,056
At 31 December 2021	**1,750,000**	**92,770,286**	**350,000**	**35,022,752**	**(3,448,176)**	**(78,048)**	**6,626,358**	**37,702,783**	**170,695,955**
Net income	-	-	-	-	-	-	-	20,427,718	20,427,718
Total other components in the comprehensive income statement	-	-	-	-	-	547,653	4,958,690	-	5,506,343
Comprehensive net profit	-	-	-	-	-	*547,653*	*4,958,690*	*20,427,718*	*25,934,061*
Allocation of net profit from previous year	-	-	-	25,606,340	-	-	12,096,443	(37,702,783)	-
Purchase of treasury shares	-	-	-	-	(1,405,280)	-	-	-	(1,405,280)
GVS Sud Srl merger surplus	-	-	-	-	-	-	7,919,398	-	7,919,398
Increase in reserves for long-term incentives	-	-	-	-	-	-	2,068,132	-	2,068,132
At 31 December 2022	**1,750,000**	**92,770,286**	**350,000**	**60,629,092**	**(4,853,456)**	**469,605**	**33,669,021**	**20,427,718**	**205,212,266**

Cash flow statement

(In Euro)	Notes	Financial year ended 31 December 2022	2021
Pre-tax result		27,487,246	45,434,164
- Adjustment for:			
Amortisation, depreciation and writedowns	7.8	5,607,122	4,920,631
Capital losses / (capital gains) from sale of assets	7.2 - 7.6	(2,000)	(6,000)
Financial charges / (proceeds)	7.9	(23,386,053)	(12,940,007)
Income and expense from equity investments	7.10	(5,141,680)	(29,464,323)
Other non-monetary variations		4,324,835	2,501,871
Cash flow generated / (absorbed) by operations before variations in net working capital		***8,889,470***	***10,446,336***
Variation in inventories	6.9	(338,925)	(1,089,807)
Variation in trade receivables	6.10	13,185,096	4,881,664
Variation in trade payables	6.20	(17,580,520)	(3,861,308)
Variation in other assets and liabilities	6.12 - 6.22	770,024	505,385
Use of provisions for risks and charges and for employee benefits	6.18 - 6.19	(1,531,516)	(264,630)
Taxes paid	7.11	(1,813,155)	(9,358,932)
Net cash flow generated / (absorbed) by operations		**1,580,474**	**1,258,709**
Investments in tangible assets	6.3	(6,292,814)	(8,865,777)
Investments in intangible assets	6.1	(189,833)	(141,244)
Disposal of tangible assets	6.3	56,000	712,466
Opening of financial receivables from subsidiaries and other financial assets	6.6	(54,424,502)	(135,811,649)
Repayment of financial receivables from subsidiaries	6.6	5,023,884	9,393,304
Equity investments	6.4	(248,315,982)	(3,856,368)
Dividends from equity investments	6.4	8,464,551	26,264,242
Net cash flow generated / (absorbed) by investment		**(295,678,696)**	**(112,305,026)**
Opening of long-term financial payables	6.16	262,789,850	156,023,000
Repayment of long-term financial payables	6.16	(22,639,000)	(18,543,000)
Repayment of leasing liabilities	6.2	(1,248,317)	(936,297)
Financial charges paid	7.9	(4,660,613)	(2,284,681)
Financial proceeds collected	7.9	13,602,000	2,351,628
Treasury shares	6.14	(1,405,280)	(3,448,176)
Dividends paid	6.14	-	(22,722,069)
Net cash flow generated/(absorbed) by financial assets		**246,438,641**	**110,440,404**
Total variation in cash on hand		**(47,659,581)**	**(605,914)**
Cash on hand at the start of the year		**82,847,421**	**83,453,335**
Total variation in cash on hand		(47,659,581)	(605,914)
Total change in cash on hand GVS Sud Srl merger		173,242	-
Cash on hand at the end of the year		**35,361,082**	**82,847,421**

Explanatory Notes to the Financial Statements at 31 December 2022

1. General information

1.1 Introduction

GVS S.p.A. (hereinafter "**GVS**" or the "**Company**") is a company established and domiciled in Italy, with registered office in Zola Predosa (BO), Via Roma 50, organised under Italian law.

GVS is controlled by the company GVS Group S.r.l. (hereinafter the "GVS Group"), which directly holds 60% of the share capital. There is no other entity exercising direction and coordination of the Company. The ultimate parent is Lighthouse 11 SpA, which directly holds 50.52% of the share capital of the GVS Group.

GVS is a leading supplier of advanced filtering solutions for highly critical applications and offers advanced filtering solutions for a multitude of applications in a number of highly regulated sectors, organised into the following business divisions: Healthcare & Life Sciences, Energy & Mobility and Health & Safety.

2. Summary of the accounting standards adopted

2.1 Declaration of conformity with international accounting standards

The financial statements for the year ending 31 December 2022 (hereinafter the "Financial Statements") have been prepared in compliance with international accounting standards ("IFRS") issued by the International Accounting Standards Board and endorsed by the European Union. "IFRS" means all revised international accounting standards ("IAS"), as well as all interpretative documents issued by the International Financial Reporting Interpretations Committee (IFRIC) and the previous Standing Interpretations Committee (SIC).

The Financial Statements have also been prepared in accordance with the provisions adopted by the CONSOB on the subject of financial statements, pursuant to Art. 9 of Legislative Decree 38/2005 and other CONSOB regulations and provisions regarding the financial statements.

These Financial Statements were approved by the Company's Board of Directors on 21 March 2023 and subjected to auditing by independent auditor PricewaterhouseCoopers S.p.A.

The Board of Directors of GVS SpA on 23 September 2022 drafted the project for the merger by incorporation of the wholly owned subsidiary GVS Sud Srl. This extraordinary transaction generated effects on the separate financial statements as at 31 December 2022, due to the inclusion of the accounting data of GVS Sud Srl from 1 January 2022, i.e., the accounting backdating date of the merger by incorporation. Without any specific indications from international accounting standards, the transaction was accounted for on the basis of the provisions included in the Assirevi OPI document no. 2R, which provides for the application of the principle of continuity of values, given the absence of an exchange with third economies, in case of mergers that are not acquisitions. In particular, this interpretation gives relevance to the pre-existence of a control relationship and to the cost deriving from the consolidated financial statements of the Company. As envisaged by OPI no. 2R, the difference that emerged during the cancellation of the value of the investment and the corresponding portion of the merged company's shareholders' equity resulting from the separate financial statements, equal to Euro 7,919 thousand, was classified as an increase in shareholders' equity in continuity with the values recorded in the consolidated financial statements as at 31 December 2021. Following this extraordinary transaction, the economic and equity values of the separate financial statements as at 31 December 2022 are not fully comparable with those of the previous year.

The principal criteria and accounting standards applied in preparation of the Financial Statements are listed below.

2.2 General principles of preparation

The Financial Statements consist of the financial statements obligatorily required under standard IAS 1, and that is, the statement of financial position, statement of profit and loss, comprehensive statement of profit and loss, statement of changes in equity and statement of cash flows, as well as explanatory notes, and are completed with the board of directors' report on management.

The Company chose to represent its statement of profit and loss according to the nature of the expense, while the assets and liabilities in the statement of financial position are divided into current and non-current. The statement of cash flows is prepared by the indirect method. The schemes employed are those that best represent the Company's economic and financial standing.

An asset is classified as current when:
- it may be supposed that the asset will be sold, or is owned for sale or consumption, during the course of the company's regular operating cycle;
- it is owned primarily for the purpose of sale;
- it is supposed that it will be sold within twelve months of the end of the year;
- it consists of liquid assets or cash equivalents (unless it is forbidden to trade it or use it to pay a liability for at least twelve months from the end of the year).

All other assets are classified as non-current. Standard IAS 1 includes tangible assets, intangible assets and long-term financial assets among non-current assets.

A liability is classified as current when:

- it is expected to be extinguished in the course of the company's regular operating cycle;
- it is owned primarily for the purpose of sale;
- it will be extinguished within twelve months of the end of the year;
- there is no unconditional right to defer payment of the liability for at least twelve months after the end of the year. Clauses of a liability that could, if the counterpart so wishes, give rise to its extinction through issuing of instruments representing capital do not affect its classification.

The company has classified all other liabilities as non-current.

The operating cycle is the amount of time that passes between acquisition of goods for the production process and cashing them in as liquid assets or cash equivalents. When the regular operating cycle is not clearly identifiable, its duration is assumed to be twelve months.

The Financial Statements are prepared in Euro, the currency in which the Company operates. The statement of financial position, statement of profit and loss, the explanatory notes and the tables illustrating them are expressed in thousands of Euro, unless otherwise specified.

The Financial Statements have been prepared as follows:

- on the basis of optimal knowledge of EU-IFRS, taking into account best practice in the field; any future orientations and updated interpretations will be reflected in subsequent years, on the basis of the methods specified in the applicable accounting standards;
- with a view to business continuity, on an accrual accounting basis, in compliance with the principle of the relevance and significance of the information and the prevalence of substance over form, and with a view to promoting consistency with future presentations. Assets and liabilities, costs and revenues are not compensated against one another unless this is permitted or required under International Accounting Standards;
- on the basis of the conventional criterion of historical cost, with the exception of assessment of financial assets and liabilities in cases in which it is obligatory to apply the fair value criterion, and for the financial statements of companies operating in economies subject to hyperinflation, which are prepared on the basis of the current cost criterion.

It should be noted that on 23 December 2022, as part of the activities aimed at verifying compliance with the contract covenants for the measurement of the same as at 31 December 2022, the Company reached an agreement with (i) the pool of lender banks of the credit lines (Euro 230 million, maturing in 2027 and Euro 150 million, maturing in 2026) and (ii) the bondholders referred to in the bond loans (Euro 40 million, maturing in 2024 and USD 35 million, maturing in 2024) for the modification and adjustment of the financial covenants leverage ratio. At the same time, the shareholder GVS Group Srl undertook to disburse a subordinated and unsecured shareholder loan in favour of GVS SpA to an extent such as to allow for the compliance with the leverage ratio as at 31 December 2022. This solution, which was completed in the first months of 2023 with the disbursement of this loan, made it possible to remedy compliance with the aforementioned covenants as at 31 December 2022, during the first few months of 2023 without capital interventions.

The agreement with the pool of lending banks provides for the following adjustments and modifications to covenants relating to the ratio between consolidated net financial debt and consolidated pro-forma EBITDA (leverage ratio): (i) inclusion in the calculation of the consolidated net financial position as at 31 December 2022 of the cash deriving from any subordinated shareholder loans disbursed after 31 December 2022 and before the date of sending the compliance certificate certifying the value of leverage ratio as at 31 December 2022; (ii) change in the definition of consolidated financial debt aimed at excluding the indebtedness deriving from any subordinated shareholder loans from the calculation of the consolidated net financial position; (iii) increase of the parameter of leverage ratio, calculated with the above modification, for the checks as at 30 June 2023 and as at 31 December 2023 compared to the levels set at the time of signing the syndicated loans (from 3.5x to 4.25x and 4.00x respectively as at 30 June 2023 and as at 31 December 2023), in order to guarantee a wider space of comfort in a market situation and complex geopolitical scenarios.

An adjustment agreement of the covenants was also reached with the bondholders who gave their written consent to modifications of bond loans with similar content to those mentioned above with reference to pool loans, also undertaking to express a vote in favour of the approval of these amendments at the meeting of the bondholders of the bond loans.

For the sake of completeness, it should be noted that similar amendments were shared and formalized in relation to the bilateral credit lines for a residual amount of Euro 25 million as at 31 December 2022.

It should be noted that the need to amend the loan agreements can only be attributed to the significant increase in financial debt, which occurred in June 2022 following the acquisition of Haemotronic SpA and not to operational criticalities related to Company and Group business. Furthermore, the projections for 2023, prepared by the Directors, allow us to consider sustainable the financial debt increased following the acquisitions made in 2021 and 2022.

The solution identified above is based on the will of the majority shareholder to support the Company. In particular, on 8 March 2023, GVS SpA signed an agreement with the majority shareholder GVS Group Srl, concerning a subordinated and unsecured shareholder loan of Euro 75 million expiring on 31 December 2027, disbursed the day following the signing of the contract. This solution made it possible, after the end of the financial year as at 31 December 2022, to remedy compliance with the level of financial covenants leverage ratio (equal to 3.5x), as resulting following the agreements reached with the financial counterparties on 23 December 2022. In particular, the amount of the shareholder loan was determined on the basis of the preliminary information available and which sees at 31 December 2022 a consolidated net financial position of approximately Euro 375 million and an adjusted EBITDA pro-forma (which considers the 12-month EBITDA of the business combinations carried out during 2022) for the purposes of calculating the financial covenants of approximately Euro 86 million. The terms and conditions of this loan, defined between the Company and GVS Group following the outcome of the procedure for carrying out transactions with related parties in compliance with current provisions, are highlighted below:

- Amount: Euro 75 million, to be repaid, save early repayment, on 31 December 2027.
- Purpose: The purpose of the loan is to enable compliance with the leverage ratio, envisaged pursuant to existing loans, at the recognition of 31 December 2022 (limit level equal to 3.5x). Furthermore, should operational needs require it, the sums deriving from the loan could still be used by GVS for operational needs.
- Use: the Company has undertaken not to use the sums deriving from the loan to the extent that it has additional resources available, being able in any case to carry out treasury management activities.
- Interest: The loan provides for a remuneration equal to 80% of the gross yield of the Italian BOT (Buono Ordinario del Tesoro) with a 12-month maturity, to be calculated exclusively on the amount not used by the Company for operational needs. Therefore, to the extent that GVS uses all or a portion of the loan for operational needs, no interest will accrue on these uses. The initial interest rate (i.e., from the disbursement date to 31 December 2023) was conventionally determined at 2.5% on an annual basis. The accrual and payment of interest remain subject to further conditions inherent mainly to the subordinated nature of the loan and compliance with the financial covenants envisaged by the existing debt.
- In case of early repayment: there is an obligation for GVS to repay the loan in full (plus any interest), subject to a positive evaluation by the Company of its short-medium term financial solidity in the event that: the Company were to repay in full the debt deriving from the loans and bond loans existing prior to the respective repayment dates or after 30 June 2024, if the ratio between consolidated net debt (calculated assuming full repayment of the loan) and consolidated EBITDA does not exceed, on the verification date, the coefficient of 3.0x. The sums deriving from the loan may be used by GVS Group Srl for the subscription of any capital increases of the Company.
- Subordination: Except in the cases of early repayment and any payment of interest described above, the loan is subordinated to the syndicated loans and existing bond loans.

Despite what was concluded and finalized with the lending banks and with the shareholder GVS Group, as at 31 December 2022, the Company reclassified the medium-term portion of these loans under current liabilities in the consolidated financial statements. While the financial payables mentioned above are not due within the twelve months following 31 December 2022, the reclassification was accounted for as required by IAS 1, on the basis of which in the event a covenant is overrun, the financial debt is classified among non-current liabilities only if the lender has agreed, before the closing date of the financial year, to provide a grace period ending at least twelve months after the closing date of the financial year, within which the entity can remedy the breach and during which the lender cannot request an immediate repayment. With reference to GVS, a period has been identified in which the Company can remedy the covenant, through a subordinated and unsecured shareholder loan, but this period is less than 12 months.

In consideration of the results achieved as at 31 December 2022, the most up-to-date information available and the financial support obtained from the majority shareholder and described above, based on their best estimates, while taking into account the uncertainties relating to the current macroeconomic context tied to the Russia-Ukraine conflict and other phenomena such as inflation, the directors believe that there are no critical issues in relation to compliance with the financial parameters at the deadlines set by the existing loan agreements.

It should also be noted that with reference to business continuity, cash equivalents at 31 December 2022, the credit lines currently available and the cash flows that will be generated by operations are considered adequate to meet the Company's obligations and to finance its operations.

On the basis of the information available at the date of approval of this Financial Report and in consideration of the above, the Directors believe that the going concern assumption with which they have drawn up these annual financial statements is appropriate.

2.3 Accounting standards and assessment criteria

The criteria adopted for the classification, entry, assessment and cancellation of various items in the assets and liabilities, and the criteria applied to entry of income components, are listed below.

Intangible assets

An intangible asset is an asset which meets all of the following conditions:

- it is identifiable;
- it is not monetary;
- it has no physical consistency;
- it is controlled by the company preparing the financial statements;
- it is expected to produce future economic benefits for the company.

If an asset does not meet the requirements for definition as an intangible asset listed above, the cost of its purchase or in-house generation will be entered as a cost when it is incurred.

Intangible assets are initially entered at cost. The cost of intangible assets acquired from outside the company includes the purchase price and any directly attributable costs.

Goodwill generated internally is not entered as an asset, nor are intangible assets resulting from research (or the research stage in an in-house project).

An intangible asset deriving from development or the development stage in an in-house project is entered if it can be demonstrated to meet the following conditions:

- technical feasibility of completing the intangible asset to make it available for use or sale;
- the intention to complete the intangible asset for use or sale;
- the ability to use or sell the intangible asset;
- the way in which the intangible asset can generate future economic benefits, and particularly the existence of a market for the product produced by the intangible asset or for the intangible asset itself, or, if it is to be used for internal purposes, its utility;
- availability of sufficient technical, financial or other resources to complete the development of the asset for use or sale;
- the ability to reliably assess the cost attributable to the intangible asset during its development.

Intangible assets are measured using the cost method, in accordance with one of two different criteria set forth under IAS 38 (the cost model and the redetermination of value model). The cost model states that following initial entry, an intangible asset must be entered at cost, after subtraction of amortisation accumulated and any losses due to reduction of accumulated value.

The useful lifespan estimated by the Company for various categories of intangible asset is specified below:

Category of intangible asset	Depreciation rate
Industrial patent rights and rights to use intellectual property	5 years
Concessions, licenses, trademarks, and similar rights	5 years

The following principal intangible assets may be identified in the Company:

(a) Goodwill

Goodwill is classified as an intangible asset with an indefinite useful lifespan, initially entered at cost, as described above, and then subjected to assessment at least once a year with the aim of identifying any loss of value (in this regard, refer to the section below entitled "Reduction of the value of Goodwill, tangible and intangible assets and assets represented by usage rights"). Value may not be restored if it has previously been written down due to loss of value.

(b) Intangible assets with a defined useful lifespan

Intangible assets with a defined useful lifespan are entered at cost, as stated above, minus amortisation accumulated and any loss of value.

Amortisation begins when the asset is made available for use and is divided up systematically on the basis of residual potential for use, that is, on the basis of estimated useful lifespan; the value to be amortised and the recoverability of book value are subject to the criteria specified, respectively, in the sections on "*Tangible assets*" and "*Reduction of the value of Goodwill, tangible and intangible assets and assets represented by usage rights*".

Usage rights and leasing assets and liabilities

In accordance with IFRS 16, a contract is, or contains, a leasing agreement if it ensures, in exchange for a consideration, a right to control use of a specified asset for a given period of time. The contract will be assessed again to determine whether it is, or contains, a leasing agreement only in the event of a change in its terms and conditions.

In a contract which is, or contains, a leasing agreement, every lease component is separate from non-lease components, unless the Company applies the practical expedient identified in point 15 of IFRS 16. This practical expedient permits the tenant to choose, for every class of underlying asset, not to separate the non-lease components from the lease components and to enter all lease components and their associated non-lease components as a single lease component.

The term of the lease is determined as the period during which the leasing agreement cannot be cancelled, to which the following time periods must be added:

- time periods covered by an option to extend the lease, if the tenant has a reasonable degree of certainty of exercising the option; and
- time periods covered by the option to cancel the lease, if the tenant has a reasonable degree of certainty that the option will not be exercised.

In assessing whether the tenant has a reasonable degree of certainty of exercising the option of extending the lease or that the option of cancelling the lease will not be exercised, all pertinent events and circumstances forming an economic incentive for the tenant to exercise the option of extending the lease and not to exercise the option of cancelling the lease are taken into consideration. The tenant must recalculate the term of the lease if the period during which the leasing agreement cannot be cancelled changes.

As of the date on which the contract goes into effect, the Company enters assets represented by usage rights and the corresponding lease liability.

As of the date on which the contract goes into effect, the value of assets represented by usage rights is identified as their cost. The cost of assets represented by usage rights includes:

a) the amount of the initial assessment of the lease liability;
b) payments due on the lease made on the date or prior to the date on which the agreement goes into effect, after subtraction of lease incentives received;
c) initial costs born directly by the tenant; and
d) an estimate of the costs the tenant will have to bear for dismantling and removal of the underlying asset and restoration of the site on which it is located, or for restoration of the underlying asset to the condition required under the terms and conditions of the lease agreement, unless these costs are incurred for the production of inventory. The obligation regarding the above costs arises for the tenant as of the date on which the contract goes into effect or as a consequence of use of the underlying asset during a given time period.

As of the date on which the contract goes into effect, the tenant must assess lease liabilities at the current value of payments due on the lease not paid as of that date. Payments due on the lease include the following amounts:

a) fixed payments, after subtraction of any lease incentives receivable;
b) variable payments due on the lease which depend on an indicator or rate, initially measured on the basis of an indicator or the rate in effect on the date on which the contract goes into effect;
c) amounts the tenant will have to pay to guarantee the residual amount;
d) the price of exercising the purchase option, if the tenant has a reasonable degree of certainty of exercising the option; and
e) epayment of penalties for cancellation of the lease agreement, if the term of the lease takes into account the possibility of the tenant exercising the option of cancelling the lease.

Payments made on the lease must be updated on the basis of the implicit interest rate of the lease, if it can easily be determined. If this is not possible, the tenant must use the marginal financing rate, that is, the incremental interest rate the company would have to pay to obtain a loan of the same term and amount as the lease agreement.

Following initial entry, the Group measures assets representing usage rights at cost:

a) net of amortisation and reductions in value accumulated; and
b) corrected to take into account recalculation of the lease liability, if necessary.

Following initial entry, the lease liability will be measured on the basis of:

a) increasing book value to take into account interest on the lease liability;
b) decreasing book value to take into account payments made on the lease; and
c) recalculating book value to take into account any new assessments of or changes to the lease or revision of payments due on the lease of fixed amount.

In the event of changes to the lease which do not constitute a separate leasing agreement, assets represented by usage rights will be recalculated (raising or lowering them) consistently with the change in the lease liability as of the date of the change. The lease liability will be recalculated on the basis of the new conditions identified in the lease agreement, using the actualisation rate as of the date of the change.

It should be noted that the Company avails itself of the exemption provided for in IFRS 16, with reference to leasing of assets of small value. In these cases, the asset representing usage rights and the corresponding lease liability are not entered, and payments due on the lease are entered in the statement of profit and loss.

The Company has decided not to avail itself of the exemption permitted under IFRS 16 for short-term leasing agreements (that is, leasing contracts with a term of 12 months or less from the date on which they go into effect).

The landlord must classify each of its leases as operative or financial. A lease is classified as financial if it substantially transfers all the risks and benefits connected with ownership of the underlying asset. A lease is classified as operative if it does not substantially transfer all the risks and benefits connected with ownership of the underlying asset. In a financial lease, on the date on which the lease goes into effect the landlord must record the assets held under financial leasing agreements in the statement of financial position, showing them as receivables with a value equal to the net investment in the lease. In an operative lease, the landlord must enter payments due as proceeds, based on the criterion of constant rates or another systematic criterion. The landlord must also enter costs, including depreciation, incurred in order to earn the proceeds on the lease.

Tangible assets

Real property, plants and machinery are entered in the accounts as tangible assets only if the following conditions simultaneously apply:

- it is probable that the company will enjoy the future economic benefits referable to the asset;
- cost can be reliably determined.

Tangible assets as initially entered at cost, defined as the amount of cash or cash equivalents paid, or the fair value of other considerations paid to acquire an asset, at the time of its purchase or replacement. Subsequently to initial entry, tangible assets will be measured by the cost method, after subtraction of depreciation allowance entered and any loss of value that may have been accumulated.

The cost includes charges directly incurred in order to make use of these assets possible, and any dismantling or removal costs that may be incurred under contractual obligations requiring the asset to be restored to its original condition.

Charges incurred for maintenance and repairs of an ordinary and/or cyclical nature are directly attributable to the statement of profit and loss at the time when they are incurred. Capitalisation of costs inherent in expansion, modernisation or improvement of structural elements owned by or in use by third parties is performed to the extent that it responds to the requirements for separate classification as an asset or part of an asset.

The depreciation criterion applied to tangible assets is the constant instalments method, throughout their useful lifespan.

The useful lifespan estimated by the Group for various categories of tangible assets is shown below:

Category of tangible asset	Depreciation rate
Buildings	33 years
Light constructions	10 years
Generic plants and machinery	13 years
Specific plants and machinery	8 years
Specific moulds and equipment	8 years
Industrial and commercial equipment	2.5 years
Furniture and fittings	8 years
Office equipment and electronic equipment	5 years
Motor vehicles	4 years
Vehicles for internal transportation	5 years

At the end of each year the Company checks whether there have been any significant changes in the expected features of the economic benefits deriving from assets capitalised, and if there are, it changes the depreciation criterion, which is considered a change in estimate on the basis of standard IAS 8.

The value of the tangible asset is completely reversed when it is disposed of or when the company no longer expects to derive any economic benefit from its sale.

Contributions to capital account are entered when there is a reasonable degree of certainty that they will be received and that all the conditions pertaining to them have been met. Contributions are therefore reduced the value of tangible fixed assets and credited to the statement of profit and loss reducing the value of depreciation in proportion to the useful lifespan of the corresponding assets.

Impairment of Goodwill, tangible assets and intangible assets, and assets represented by usage rights

(a) Goodwill

As stated above, goodwill is subject to verification of the recoverability of value (known as the impairment test) at least once a year in the presence of indicators that could suggest a reduction in its value, according to the provisions of IAS 36 (Impairment of assets). This check is normally conducted at the end of each year, so that the reference date for the verification is the date of the financial statements.

The impairment test is conducted on each of the units generating cash flow ("Cash Generating Units" or "CGU") to which goodwill has been allocated. The CGU of an asset is the smallest group of assets including the asset that generates incoming cash flows which are broadly independent of the incoming cash flows of other assets or groups of assets. Impairment of goodwill is entered if its recoverable value is lower than the value at which it was entered in the financial statements. Recoverable value is defined as the fair value of the CGU, after subtraction of disposal charges, and its value in use, defined as the current value of future cash flows estimated for the asset, whichever is greater. In determining value in use, expected future cash flows are actualised using a pre-tax discount rate reflecting the current market value of the cost of money, in relation to the investment period and specific risks inherent in the asset. If the reduction of value resulting from the impairment test exceeds the value of goodwill allocated to the CGU, the residual excess will be allocated to assets included in the CGU in proportion to their book value. The minimum limit on this allocation is the higher of:

- the asset's fair value after subtraction of sale costs;
- value in use, as defined above;
- zero.

The original value of goodwill cannot be restored when the reasons that resulted in its impairment no longer apply.

(b) Assets (tangible, intangible and usage rights) with a finite useful life

On the date of each financial statement a test is conducted to determine if there are any indicators that tangible assets, intangible assets and usage rights may have suffered impairment. Both internal and external information sources are taken into consideration. Internal information sources include: obsolescence or physical deterioration of the asset, any significant changes in the way the asset is used, and economic trends in the asset in comparison with forecasts. External sources include: price trends on the market for the assets, any changes in technology, the market or regulations, and market trends in interest rates or the cost of capital used to assess investments.

If the presence of such indicators is identified, the recoverable value of the assets will be estimated, allocating any writedowns over book value to the comprehensive income statement. The recoverable value of an asset is represented by fair value, after subtraction of accessory sale costs, and the corresponding value of use, determined by actualising estimated future cash flows from the asset, including, if significant and reasonably determinable, those deriving from sale at the end of its useful lifespan, after subtraction of any disposal charges. In determining value in use, expected future cash flows are actualised using a pre-tax discount rate reflecting the current market value of the cost of money, in relation to the investment period and specific risks inherent in the asset. In the case of an asset that does not generate broadly independent cash flows, recoverable value is determined in relation to the cash generating unit to which the asset belongs.

Impairment is acknowledged in the comprehensive income statement when the value at which the asset is entered, or the value of the CGU to which it is allocated, exceeds its recoverable value. Impairment of a CGU is allocated first to reduction of the book value of any goodwill that may be attributed to it, and then to reduction of other assets in proportion to their book value and within the limits of their recoverable value. If the requirements for a previous writedown no longer apply, the book value of the asset will be restored, with allocation to the statement of profit and loss, within the limits of the net book value the asset in question would have had if it had not been written down and if it had been subjected to depreciation.

Equity investments

Investments in subsidiaries are valued at cost, net of any impairment. An equity investment is impaired when its book value exceeds its recoverable value. The book values of investments are subject to evaluation whenever there are apparent internal or external indicators to the enterprise indicating the possibility of a reduction of the value of the investment.

In particular, the indicators analysed to assess whether an investment has suffered a loss of value are as follows:

- the book value of the investment on the separate financial statements exceeds the book value of the investee's net assets stated on the consolidated financial statements, including any related goodwill;
- the dividend distributed by the investee company exceeds the total undistributed earnings of the subsidiary from the date of purchase or incorporation;
- the operating result achieved by the investee company is significantly lower than the amount envisaged in the management plan, if this indicator can be considered meaningful for the reference company;
- significantly diminishing operating results are expected in future years;
- there are changes in the technological, market, economic or regulatory environment in which the subsidiary operates that may have significant adverse effects on the Company's results.

The impairment test consists of comparing the book value of the investment with the recoverable value of the investment. If the recoverable amount of an investment is lower than the book value, the book value is reduced to the recoverable amount. This reduction represents an impairment loss recognised on the income statement.

The recoverable amount of an investment is identified as the greater of its fair value and value in use. The value in use of an investment is the present value of future cash flows that are expected to result from a cash-generating investment. The value in use reflects the effects of factors that may be entity specific, factors that may not be applicable to any entity. If the assumptions for impairment previously made are no longer valid, the book value of the investment is restored with an allocation to the income statement, limited to the original cost.

Financial assets

When initially reported, financial assets must be classified in one of the three categories listed below, on the basis of the following elements:

- the business model the entity uses for management of financial assets; and
- the features of the contractual cash flows of the financial asset.

Financial assets will then be cancelled from the financial statement only if their sale results in substantial transfer of all the risks and benefits connected with the assets. If, on the other hand, a significant portion of the risks and benefits pertaining to the assets sold is retained, the assets will continue to appear in the financial statements, even if their ownership has been legally transferred.

a) Financial assets measured at amortised cost

This category includes financial assets that satisfy both of the following conditions:

- the financial asset is owned on the basis of a business model aimed at collecting cash flows under a contract ("Hold to Collect" business model); and
- the terms of the contract for the financial assets specify cash flows on specific dates represented solely by payment of principal and interest on the amount of the principal remaining to be repaid (that is, they pass the "SPPI test").

At the time of initial entry, these assets are reported at fair value, including transaction costs or proceeds directly attributable to the instrument. Following initial entry, the financial assets under examination will be measured at amortised cost, using the effective interest rate method. The amortised cost method is not applied to assets – measured at historical cost – of such a brief duration that the effect of application of actualisation would be negligible, to those without a definite term, and for revoked receivables.

b) Financial assets measured at fair value with an impact on overall profitability

This category includes financial assets that satisfy both of the following conditions:

- the financial asset is owned on the basis of a business model aimed at collecting cash flows under a contract and through sale of the financial asset itself ("Hold to Collect and Sell" business model); and
- the terms of the contract for the financial assets specify cash flows on specific dates represented solely by payment of principal and interest on the amount of the principal remaining to be repaid (that is, they pass the "SPPI test").

This category includes equity interests which may not be described as relations of control, connection and joint control, which are not held for trading, for which the option of designation at fair value has been exercised with an impact on overall profitability.

At the time of initial entry, these assets are reported at fair value, including transaction costs or proceeds directly attributable to the instrument. Subsequently to initial entry, equity interests which may not be described as relations of control, connection and joint control are measured at fair value, and the amounts offset against them under shareholders' equity (Statement of comprehensive profitability) must not be subsequently transferred to the income statement, even in the event of sale. The only component referable to the equities in question which is subject to entry in the income statement is the corresponding dividends.

For equities included in this category, which are not listed on an active market, the cost criterion is used to estimate fair value merely residually and limited to a few circumstances, that is, if the most recent information for measuring fair value is insufficient, or if there are a wide range of possible appraisals of fair value and cost represents the best estimate of fair value within this range of values.

c) Financial assets measured at fair value with an impact on the income statement
This category includes financial assets other than those classified among "Financial assets measured at amortised cost" and among "Financial assets measured at fair value with an impact on overall profitability".

This category includes financial assets held for trading and derivatives contracts which cannot be classified as hedges (represented as assets if their fair value is positive and as liabilities if their fair value is negative).

At the time of initial entry, financial assets measured at fair value with an impact on the income statement are measured at fair value, without taking into consideration transaction costs or proceeds directly attributable to the instrument. On subsequent reporting dates, they are measured at fair value and the effects of their measurement are allocated to the income statement.

Derivative financial instruments and hedges
Derivative financial instruments are entered in accordance with the provisions of IFRS 9.

On the date of stipulation of the contract, derivative financial instruments are initially measured at fair value, as financial assets measured at fair value with an impact on the income statement if fair value is positive or as financial liabilities measured at fair value with an impact on the income statement if fair value is negative.

If financial instruments are not entered as hedges, changes in fair value detected subsequently to initial entry are treated as components of the profit or loss for the financial year. If, on the other hand, the derivative instruments meet the requirements for classification as hedges, subsequent variations in fair value are entered on the basis of specific criteria, described below.

A derivative financial instrument is classified as a hedge if the relationship between the hedge and the item hedged is formally documented, including risk management goals, hedging strategy and methods to be used to determine its perspective and retrospective efficacy. The efficacy of each hedge is verified both at the time of creation of each derivative instrument and during its life, and particularly on the closing date of each financial statement or interim report. A hedge is normally considered highly "effective" if, both at the start and during its life, changes in fair value, in the case of fair value hedges, or in expected future cash flows, in the case of cash flow hedges, of the element hedged are substantially compensated by changes in the fair value of the hedge.

Accounting standard IFRS 9 permits designation of the following three hedging relationships:

d) fair value hedge: when the hedge covers variations in the fair value of assets and liabilities appearing in the financial statements, both changes in the fair value of the hedge and variations in the item covered are allocated to the income statement;
e) cash flow hedge: when the hedge is intended to neutralise the risk of changes in cash flows originating from the future execution of contractual obligations in existence as of the date of the financial statement, changes in the fair value of the hedge registered subsequently to the first measurement are entered in the accounts, limited to the effective portion only, in the comprehensive income statement and therefore in a shareholders' equity reserve. When the economic effects originated by the hedged item appear, the amount entered in the comprehensive income statement is transferred to the income statement. If the hedge is not perfectly effective, the change in the fair value of the hedge referable to the ineffective portion is entered in the income statement immediately;
f) coverage of a net investment in a foreign company (net investment hedge).

If the checks do not confirm the efficacy of the hedge, from that time on hedging operations will no longer be entered in the accounts, and the derivative hedging contract will be reclassified among financial assets measured at fair value with an impact on the income statement or financial liabilities measured at fair value with an impact on the income statement. Moreover, the hedging relationship ceases when:

- the derivative instrument expires or is sold, rescinded or exercised;
- the item hedged is sold, expires, or is refunded;
- it is not longer very likely that the future transaction hedged will be performed.

Refer to note 5.5 for information on asset and liability categories and information on fair value.

Trade receivables
Trade receivables deriving from the transfer of goods and the providing of services are measured according to the terms of the contract with the customer, on the basis of the provisions of IFRS 15, and classified on the basis of the nature of the debtor and/or the expiry date of the receivable (this definition includes invoices to be issued for services already performed).

Moreover, as trade receivables are normally short-term and do not involve payment of interest, there is no calculation of amortised cost, and they are entered in the accounts on the basis of the face value appearing on the invoices or in the contracts stipulated with customers: this provision is also applied to trade receivables which have a contractual term of more than 12 months, unless their effect is not particularly significant. This choice is a result of the fact that the amount of short-term receivables is very similar whether the historical cost method or the amortised cost criterion is applied, and the impact of actualisation would therefore be entirely negligible.

Trade receivables are subject to impairment testing under the provisions of IFRS 9. Trade receivables are divided by expiration date for the purposes of the measurement process. Performing receivables are subjected to collective measurement, grouping individual types of exposure on the basis of similar levels of credit risk. They are measured on the basis of expected losses throughout the lifespan of the receivable, determined on the basis of losses registered for assets with similar credit risk features on the basis of historical experience, and corrected to reflect expected future economic conditions.

Inventories

Inventories are goods:

- possessed for sale in the normal course of the company's business;
- used in productive processes for sale;
- in the form of materials or supplies of goods to be used in the production process or in the performance of services.

Inventories are entered at cost and measured at cost or net realisable value, whichever is lower.

The cost of inventories includes all purchase costs, transformation costs and all other costs incurred to put the inventories in their current location and condition, but does not include exchange rate differences in the event of inventories invoiced in foreign currency. In accordance with the provisions of IAS 2, the average weighted cost method is used to determine the cost of inventories.

If net realisable value is lower than cost, the surplus is written down immediately in the income statement.

Cash on hand and cash equivalents

Cash on hand and cash equivalents are entered at face value or amortised cost, depending on their nature. Cash equivalents represent short-term financial commitments with high liquidity, which are promptly convertible into a known amount of cash and subject to an insignificant risk of variations in value, the original expiry of which at the time of purchase was no more than 3 months.

Payables

Trade payables and other payables are initially entered at fair value and subsequently measured on the basis of the amortised cost method.

Payables to banks and other financial backers are initially entered at fair value, not including directly allocated accessory costs, and are subsequently measured on the basis of amortised cost, applying the effective interest rate. In the event that, following a change in the conditions of a financial payable, there should be a change in the estimated expected cash flows resulting in a change in these flows of less than 10%, the amortised cost of the financial liability must be recalculated and the net profit or loss must include a profit or loss resulting from the change. The amortised cost of the financial payable must be recalculated as the current value of financial flows renegotiated or modified, actualised at the effective original interest rate of the financial payable. Any costs or commissions incurred in relation to the change will adjust the book value of the financial payable modified, and will be amortised throughout the remaining lifespan of the modified financial payable.

Payables are eliminated from the financial statements when paid, and when the Company has transferred all risks and charges pertaining to the instrument.

Employee benefits

Employee benefits include benefits paid to employees or their dependants, and may be liquidated by payment (or through the supply of goods and services) directly to the employees, their spouses, children or other dependants or to third parties, such as insurance companies; they may be divided into short-term benefits, benefits payable to employees upon termination of their employment, and post-employment benefits.

Short-term benefits, which also include incentives programmes represented by annual bonuses, MBOs and once-only renewal of collective national contracts of employment, are entered as liabilities (appropriation of costs) after subtracting any amounts already paid, and as a cost, unless another IFRS standard requires or permits inclusion of benefits in the cost of an asset (such as the cost of personnel working on development of intangible assets generated in-house).

The category of benefits upon termination of employment includes retirement incentive plans, which arise in the event of voluntary resignation in which the employee or group of employees participates in trade union agreements for access to solidarity funds, and dismissal plans, which arise in the event of termination of employment as the result of a unilateral decision made by the company. The company enters the cost of such benefits as a liability in the financial statement on the most immediate date between the moment at which the company can no longer retract the offer of the benefits and the moment at which the company bears the cost of personnel reorganisation falling under accounting standard IAS 37. Funds appropriated for redundancy or retirement are reviewed at least once every six months.

Post-employment benefit plans may be divided into two categories: defined-contribution plans and defined-benefit plans.

Defined-contribution plans primarily include:

- supplementary pension funds requiring a defined contribution by the company;
- the Employee Termination Indemnity fund, limited to portions accruing since 1 January 2007 in the case of companies with more than 50 employees, whatever the employee's chosen allocation of the funds may be;
- portions of Employee Termination Indemnity accrued since 1 January 2007 and allocated to supplementary pension funds, in companies with less than 50 employees;
- supplementary medical insurance funds;
- the End of Service Indemnity allocated to directors.

Defined-benefit plans, on the other hand, include:

- Employee Termination Indemnity, limited to portions accrued up to 31 December 2006 for all companies and portions accrued since 1 January 2007 and not allocated to supplementary pension plans in the case of companies with less than 50 employees;
- supplementary pension funds under conditions requiring payment of a defined benefit to participants;
- seniority bonuses involving an extraordinary payment to employees upon reaching a certain degree of seniority.

In defined-contribution plans, the obligation of the company preparing the financial statements is determined on the basis of the contributions due in the year in question, so that measurement of the obligation does not require actuarial hypotheses and there is no possibility of actuarial profits or losses.

Entry of defined-benefit plans in the accounts is characterised by resort to actuarial hypotheses to determine the value of the obligation. This measurement is performed once a year by an external actuary. The company performs time-discounting using the unitary credit projection method, which involves projection of future expenditures on the basis of historical analysis of statistics and of the demographic curve, and financial time-discounting of these flows on the basis of a market interest rate. Actuarial profits and losses are offset against shareholders' equity (under the item "Reserve for actuarial profits and losses") as required by accounting standard IAS 19.

Performance share plan

The Company recognises incentives made up of a capital shareholding plan, to certain senior management members and beneficiaries who hold key positions in the Group. The performance share plan is a type of "equity settled" plan, where the beneficiary is entitled to receive shares of GVS S.p.A. free of charge at the end of the vesting period. For the "equity settled" performance share plan, the fair value is recognised on the income statement among personnel costs, for the employees of GVS S.p.A. and an increase in the related equity investment for the employees of the subsidiaries, over the period between the assignment date and the expiry date of the same, and a reserve of shareholders' equity is recorded. Fair value is determined at the assignment date, reflecting the market conditions prevailing at the date in question. At each reporting date, the Company checks the assumptions regarding the number of performance shares expected to be accrued and recognises the effect of any change in the estimate of the number of performance shares on the income statement, adjusting the corresponding equity reserve. If the performance shares are exercised at the end of the vesting period, the corresponding increase in shareholders equity is recorded.

Provisions for potential risks and charges, assets and liabilities

Potential assets and liabilities may be divided into categories according to their nature and impact on the accounting records. Specifically:

- provisions are effective obligations of uncertain amount and contingency/due date arising out of past events, in relation to which it is probable that there will be an expenditure of economic resources, the amount of which may be reliably estimated;
- potential liabilities are possible obligations in relation to which expenditure of economic resources is not a remote probability;
- remote liabilities are those in relation to which expenditure of economic resources is a remote probability;
- potential assets are assets in relation to which the requirement of certainty is not met, so that they may not be entered in the financial statements;
- an onerous contract is a contract in which the non-discretionary costs essential for fulfilment of obligations exceed the economic benefits assumed to be obtainable from the contract;
- a reorganisation is a programme planned and controlled by Company management making significant changes to the field of action of an activity undertaken by the company or the way in which an activity is managed.

For the purposes of entry of the cost in the accounts, provisions are recorded if there is uncertainty as to the due date or amount of the flow of resources required to fulfil the obligation or other liabilities, particularly trade payables or allocation for presumed payables.

Provisions differ from other liabilities in that there is no certainty regarding the due date or amount of the future cost of fulfilment. In view of their different nature, provisions are entered separately from trade payables and allocation of funds for presumed payables.

A liability or provision to a fund is entered in the accounts when:

- there is a current legal or implicit obligation arising out of past events;
- it is probable that resources capable of producing economic benefits may have to be used to fulfil the obligation;
- the amount of the obligation may be reliably estimated.

Provisions require use of estimates. Under extremely rare circumstances in which it is not possible to obtain a reliable estimate, the amount of the liability cannot be reliably determined, and so it is described as a potential liability.

Provisions for risks and charges are made for an amount representing the best possible estimate of the expenditure that will be required to fulfil the corresponding obligation in existence as of the date of the financial statements, taking into consideration the risks and uncertainties that inevitably surround many events and circumstances. The amount of the provision reflects any future events which could affect the amount required to fulfil an obligation if there is sufficient objective evidence that these events will occur.

Once the best possible estimate of the expenditure required to fulfil the corresponding obligation in existence as of the date of the financial statements has been determined, the current value of the provision is determined, if the effect of the current value of cash is significant.

Treasury shares

Treasury shares are entered at cost and reduce the value of shareholders' equity. The effects of any subsequent sale of treasury shares will be recorded under shareholders' equity.

Revenue from customer contracts

Revenues from contracts with customers are entered when the following conditions apply:

- the contract with the customer has been identified;
- the performance obligations contained in the contract have been identified;
- the price has been determined;
- the price has been allocated to individual contractual obligations contained in the contract;
- the contractual obligation contained in the contract has been fulfilled.

The Company reports revenues from contracts with customers when (or progressively as) contractual obligations are fulfilled, transferring to the customer the promised item or service (the asset). The asset is transferred when (or progressively as) the customer acquires control over it.

The Company transfers control of the asset or service over time, and therefore fulfils the contractual obligation and obtains revenues over time, if one of the following criteria is met:

- the customer simultaneously receives and uses the benefits deriving from the entity's service as the entity provides the service;
- the Company's service creates or improves the asset (such as work in progress) of which the customer takes over control as the asset is created or improved;
- the Company's service does not create an asset presenting an alternative use for the Company, and the same is entitled to demand payment for the services completed up to the date taken into consideration.

If a contractual obligation is not fulfilled over time, the contractual obligation is fulfilled at a given moment in time. In this case, the Company receives revenues from it when the customer acquires control of the promised asset.

The contractual consideration included in the contract with the customer may include fixed amounts, variable amounts, or both. If the contractual consideration includes a variable amount (e.g. discounts, price concessions, incentives, penalties, or other similar elements), the Company estimates the amount of the consideration to which it will be entitled in exchange for the transfer of the promised goods or services to the customer. The Company includes the estimated amount of the variable consideration in the price of the operation only to the extent that it is highly probable that there will not be a significant downward adjustment of total revenues once the uncertainty surrounding this consideration is subsequently cleared up.

If the Company is entitled to receive a consideration in exchange for goods or services transferred to the customer, the Company will enter an asset from contracts with customers in its accounts. In the presence of an obligation to transfer goods and services to the customer for which a payment has been received from the customer, the Company records a liability from contracts with customers.

Incremental costs of obtaining contracts with customers are entered in the accounts as assets and amortised throughout the duration of the underlying contract, if the Company expects to recover them. Incremental costs of obtaining a contract are costs the Company incurs in order to obtain a contract with the customer, which it would not have incurred if it had not obtained the contract. Costs of obtaining a contract that would have been incurred even if the contract were not obtained must be entered as costs at the time at which they are incurred, unless explicitly chargeable to the customer even if no contract was obtained.

Costs incurred for fulfilment of contracts with customers are capitalised as assets and amortised throughout the term of the underlying contract only if these costs do not fall in the scope of application of another accounting standard (such as IAS 2 – Inventories, IAS 16 – Property, plant and equipment, and IAS 38 – Intangible assets) and satisfy all the following conditions:

- costs are directly correlated to the contract or to an expected contract which the entity can specifically identify;
- costs permit the entity to obtain new or greater resources for use fulfilling (or continuing to fulfil) its obligations in the future;
- these costs are expected to be recovered.

Acknowledgement of costs

Costs are entered in the income statement on the basis of the *pro tempore* principle.

Dividends

Dividends received are entered in the income statement on the basis of the *pro tempore* principle, that is, in the year in which entitlement to the corresponding receivable arises, following the resolution of the subsidiary's shareholders' meeting to distribute dividends.

The dividends distributed are represented as movements in shareholders' equity in the year in which they are approved by the shareholders' meeting.

Income tax

Current taxes are calculated on the basis of annual taxable income, applying the taxation rates in effect as of the date of the financial statements. Current taxes for the year under examination and previous years are recorded as liabilities, to the extent to which they have been paid. Current tax assets and liabilities pertaining to the current year and past years must be determined at the value expected to be recovered from the tax authorities, or paid to them, applying the tax rates and tax legislation in effect or substantially emanated as of the date of the financial statements.

Deferred taxes may be divided into:

- deferred tax liabilities, representing the amount of income tax payable in future years referable to temporary differences in taxable amounts;
- deferred tax assets, which are portions of income tax that may be recovered in future financial years, referable to deductible temporary differences, carrying over of unused tax losses, and carrying over of unused tax credits.

Deferred tax assets and liabilities are calculated applying the taxation rate to the temporary differences taxable or deductible identified, or to unused tax losses and tax credits.

On the date of each financial statement a new measurement is conducted of both deferred tax assets not entered in the financial statements and advance tax assets entered in the financial statements, in order to verify the existence of the requirement of probability of recovery of deferred tax assets.

Profit per share

Basic profit per share is calculated by dividing the Company's net profit or loss by the weighted average number of ordinary shares in circulation during the year, excluding treasury shares.

Diluted profit per share is calculated by dividing the Company's net profit or loss by the weighted average number of ordinary shares in circulation during the year, excluding treasury shares. For the purposes of calculation of diluted profit per share, the weighted average number of ordinary shares in circulation is modified by assuming that all owners of rights that could potentially have a diluting effect, if any, while the Company's net profit or loss is adjusted to take into account the eventual effects of exercising these rights after taxation.

Conversion of items in foreign currency

Transactions in currencies other than the currency in which the Company operates are entered at the exchange rate in effect on the date of the transaction. Monetary assets and liabilities in currencies other than the Euro are subsequently adapted to the exchange rate in existence as of the close of the year. Any resulting exchange rate differences are reflected in the statement of profit and loss, under the item “Profits and losses on exchanges”.

3. Recently issued accounting standards

a) IFRS accounting standards, amendments and interpretations effective from 1 January 2022

The following IFRS accounting standards, amendments and interpretations were applied for the first time by the Company from 1 January 2022:

- Amendments to IFRS 3 Business Combinations: the purpose of the amendments is to update the reference in IFRS 3 to the Conceptual Framework in the revised version, without this resulting in any changes to the provisions of the standard.
- Amendments to IAS 16 Property, Plant and Equipment: the purpose of the amendments is not to allow the deduction from the cost of property, plant and equipment of the amount received from the sale of goods produced in the test phase of the asset. These sales revenues and related costs will therefore be recognised on the income statement.
- Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets: the amendment clarifies that when estimating whether a contract is onerous, all costs directly attributable to the contract shall be considered. Accordingly, the assessment of whether a contract is onerous includes not only incremental costs (such as the cost of the material used in the processing), but also all costs that the enterprise cannot avoid because it has entered into the contract (such as, for example, the depreciation of machinery used to perform the contract).
- Annual Improvements 2018-2020: amendments were made to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IAS 41 Agriculture and the Illustrative Examples of IFRS 16 Leases.

All amendments entered into force on 1 January 2022. The adoption of these amendments had no impact on the Company's annual financial statements.

b) IFRS and IFRIC accounting standards, amendments and interpretations endorsed by the European Union, not yet mandatorily applicable and not adopted early by the Group at 31 December 2022

- On 18 May 2017, the IASB published the standard IFRS 17 - Insurance Contracts which is intended to replace the standard IFRS 4 - Insurance Contracts. The objective of the new standard is to ensure that an entity provides relevant information that faithfully presents the rights and obligations deriving from insurance contracts issued. The directors do not expect that the adoption of this standard will have any meaningful effect on the Company's financial statements;
- On 12 February 2021, the IASB published two amendments entitled '*Disclosure of Accounting Policies-Amendments to IAS 1 and IFRS Practice Statement 2*' and '*Definition of Accounting Estimates-Amendments to IAS 8*'. The amendments are intended to improve the disclosure of accounting policies so as to provide more useful information to investors and other primary users of financial statements and to help companies distinguish changes in accounting estimates from changes in accounting policies. The amendments will apply from 1 January 2023, but earlier application is permitted. The directors are currently evaluating the possible effects of the introduction of these amendments on the Company's annual financial statements.
- On 7 May 2021, the IASB published an amendment entitled '*Amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction*'. The document clarifies how deferred taxes should be accounted for on certain transactions that may generate assets and liabilities of equal amounts, such as leases and decommissioning obligations. The amendments will apply from 1 January 2023, but earlier application is permitted. The directors do not expect that the adoption of this amendment will have any meaningful effect on the Company's annual financial statements.

c) IFRS accounting standards, amendments and interpretations not yet endorsed by the European Union

As of the reference date of this document, the competent European Union bodies have not yet concluded the approval process required for adoption of the amendments and standards described below.

- On 23 January 2020, the IASB published an amendment entitled 'Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current'. The document aims to clarify how to classify debts and other short-term or long-term liabilities. The amendments enter into force on 1 January 2023; however, earlier application is permitted. The directors do not expect that the adoption of this amendment will have any meaningful effect on the Company's financial statements.

4. Estimates and assumptions

Preparation of financial statements requires directors to apply accounting standards and methods which, in certain circumstances, are based on difficult and subjective measurements and estimates which are based on historical experience and on assumptions which may or may not be considered reasonable and realistic, depending on their circumstances.

Application of these estimates and assumptions influences the amounts appearing in the accounts in the financial statements, such as the statement of financial position, the income statement, the overall income statement, the financial report and the explanatory information supplied. The final results of items in the financial statements determined on the basis of estimates and assumptions may differ, in some cases significantly, from those appearing in financial statements which report the effects of the occurrence of the event estimated, due to the uncertainty characteristic of assumptions and the conditions on which estimates are based.

Areas requiring particular subjectivity on the part of directors in preparation of estimates, and for which a change in the conditions underlying the assumptions made could have a significant impact on the Company's financial results, are as follows:

i) *Impairment of tangible assets and intangible assets with a defined useful lifespan*: tangible and intangible assets with a defined useful lifespan are tested for impairment in the presence of indicators suggesting difficulty recovering their net book value through use. Determination of the existence of such indicators requires the directors to perform subjective assessments on the basis of information available from both internal and external sources and historical experience. Moreover, when it is determined that a potential loss of value may be generated, it is necessary to proceed with its determination by means of assessment techniques considered appropriate. Correct identification of indicators of potential loss of value and estimates for its determination depend on subjective assessments and on factors which may vary with time, affecting the measurements and estimates made by management.
j) *Impairment of intangible assets of indefinite useful lifespan (goodwill):* the value of goodwill is tested annually for impairment, to be entered in the income statement. The test involves allocation of goodwill to cash flow generating units and subsequent determination of their recoverable value, defined as fair value or value of use, whichever is greater. If recoverable value is less than the book value of the cash flow generating units, the goodwill allocated to them must be written down.
k) *Provision for writedown of receivables*: determination of this provision reflects management's estimate of customers' historic and expected solvency.
l) *Provisions for risks and charges*: the existence or non-existence of a current (legal or implicit) obligation is not always easy to determine. Directors assess such phenomena on a case-by-case basis, jointly with estimation of the amount of economic resources required to fulfil the obligation. If the directors believe that the appearance of a liability is merely possible, the risk is indicated in the explanatory note regarding risks and commitments, without setting aside any funds.
m) *Useful lifespan of tangible and intangible assets*: useful lifespan is determined when the asset is entered in the financial statements and reviewed at least once a year, at the close of the year. Estimates of the duration of useful lifespan are based on historical experience, market conditions and expectations regarding future events which could have an impact on the asset's useful lifespan, including technological change. It is therefore possible that actual useful lifespan may differ from estimated useful lifespan.
n) *Deferred tax assets*: deferred tax assets are entered on the basis of the probability of the existence of future tax revenues in relation to which temporary differences or eventual tax losses may be used within a reasonable time period.
o) *Inventories*: final product inventories presenting features of obsolescence or slow turnover are periodically subjected to an assessment test and written down if their recoverable value is less than their book value. Writedowns are based on the directors' assumptions and estimates based on their experience and on the results historically achieved.
p) *Leasing liabilities*: the amount of leasing liabilities and therefore the corresponding assets due to usage rights depend on determination of the lease term. This determination is subject to management's assessment, with specific reference to the decision whether or not to include time periods covered by renewal options or cancellation of the lease agreement under leasing contracts. These assessments will be reviewed in the presence of a significant event or a significant change in circumstances with an impact on management's reasonable certainty of exercising an option that was not previously taken into consideration in determining the lease term, or not to exercise an option that was previously taken into consideration in determining the lease term.

5. Management of financial risk

In the area of business risk, the principal risks identified, monitored and, to the extent specified below, actively managed by the Company are as follows:

- market risk, deriving from oscillating exchange rates between the Euro and the other currencies in which the Company operates, and of interest rates;
- credit risk, deriving from the possibility of a counterpart defaulting;
- liquidity risk, deriving from insufficiency of financial resources to fulfil financial commitments.

The Company's goal is to maintain balanced management of its financial exposure over the years in order to guarantee a debt structure that is balanced with the composition of the company's assets and capable of guaranteeing the necessary flexibility in operations through use of liquidity generated by current operations and resort to bank loans.

The capacity of characteristic management to generate liquidity and the capacity for indebtedness allow the Company to adequately satisfy the requirements of its operations and financing of operative working capital and investment capital, and to fulfil its financial obligations.

The Company's financial policy and management of financial risk are guided and monitored at the central level. In particular, the central finance function assesses and approves provisional financial requirements, monitors trends and applies appropriate corrective actions where necessary. The following note supplies qualitative and quantitative information on the impact of these risks on the Company.

5.1 Market risk

EXCHANGE RATE RISK

Exposure to exchange rate risk is a result of the Company's commercial activities conducted in currencies other than the Euro. Revenues and costs in foreign currency may be influenced by exchange rate fluctuation with an impact on sales margins (economic risk), just as trade payables and receivables in foreign currency may be affected by the exchange rate used, with an impact on economic results (transaction risk).

Revenues from contracts with customers are normally in Euro or Dollars, or indexed to the Euro. At the Date of the Prospectus, the Company does not use instruments to hedge exchange rate fluctuations, but uses the exchange rate risk management policy to maintain the target ratio between purchases of raw materials and revenues denominated in a single currency lower than 30%. Exceeding this ratio with reference to one of the currencies in which the Company operates indicates an overexposure to the exchange rate risk associated with that currency. There were no significant deviations from this target ratio during the year.

SENSITIVITY ANALYSIS FOR EXCHANGE RATE RISK

For the purposes of sensitivity analysis for exchange rate risk, items in the statement of assets and liabilities at 31 December 2021 and 31 December 2022 (financial assets and liabilities) in currencies other than the currency in which the Company operates have been identified. In assessing the potential effects of fluctuating exchange rates on net profit or loss, infragroup payables and receivables in currencies other than the account currency are also taken into consideration. For the purposes of this analysis, two scenarios were taken into consideration which discount a 5% appreciation and depreciation, respectively, in the nominal exchange rate between the currency in which the item is entered in the financial statements and the account currency. The table below shows the results of this analysis.

	Currency appreciation of 5%		Currency depreciation of 5%	
(in thousands of Euro)	At 31 December		At 31 December	
Currency	**2022**	**2021**	**2022**	**2021**
USD	16,254	12,550	(14,706)	(11,355)
JPY	(283)	(155)	256	140
GBP	(487)	(305)	441	276
Other	(161)	16	145	(14)
Total	**15,323**	**12,107**	**(13,864)**	**(10,954)**

Balances in dollars mainly refer to intra-group loans granted by GVS to the subsidiary GVS North America Holdings Inc. to the Chinese and Mexican subsidiaries, as well as to the residual portion of the bond issued in 2014.

INTEREST RATE RISK

The Company uses external financial resources in the form of debt. Variations in interest rates influence the cost and yield of various forms of financing and investment, and therefore have an impact on the level of net financial charges. The Company is exposed to the risk of interest rate fluctuations, in view of the fact that some of its debts have variable interest rates. The Company's policy aims to limit the risk of interest rate fluctuation by subscribing contracts hedging the risk of interest rate variation.

SENSITIVITY ANALYSIS REGARDING INTEREST RATE RISK

A sensitivity analysis has been prepared to determine the effect on the income statement of a hypothetical positive and negative variation of 50 bps in the interest rate as compared to the rate effectively recorded in each period.

This analysis was conducted primarily in relation to the following items:

- cash on hand and cash equivalents;
- short-term and medium- to long-term payables to banks.

Cash on hand and cash equivalents made reference to average cash on hand and the average interest rate for the period, while the impact of short-term and medium- to long-term payables to banks was calculated specifically.

The table below shows the results of this analysis:

	Impact on profit net of taxes	
(in thousands of Euro)	**- 50 bps**	**+ 50 bps**
Financial year ended 31 December 2022	473	(473)
Financial year ended 31 December 2021	190	(190)

5.2 Credit risk

The Company deals with exposure to the credit risk inherent in the possibility of insolvency (defaulting) and/or deterioration of the creditworthiness of its customers through instruments for assessing each individual counterpart through a dedicated organisational structure equipped with adequate tools for constant daily monitoring of customers' behaviour and creditworthiness.

The Company is currently structured to implement a process of ongoing monitoring of credits, modulated with different degrees of reminders, varying on the basis of specific knowledge of the customer and of the number of days by which payment is delayed, in order to optimise working capital and minimise this form of risk.

As regards its financial counterparties, the Company recorded around 10% of its sales to a subsidiary company during 2022 whose solvency risk is therefore limited.

5.3 Liquidity risk

Liquidity risk represents the possibility of the Company becoming incapable of obtaining the financial resources necessary to guarantee current operations and fulfilment of obligations falling due, or that these resources might be available only at a high cost.

In order to mitigate this risk, the Company: (i) periodically determines forecast financial requirements on the basis of the operative needs, in order to act promptly to obtain any additional resources that may be necessary, (ii) performs all actions required to obtain such resources, (iii) ensures adequate composition in terms of due dates, instruments and degree of availability.

The Company believes the lines of credit currently available, combined with the cash flows generated by current operations, to be sufficient to meet financial requirements for and repayment of loans on their due dates.

(in thousands of Euro)	At 31 December 2022 within 1 year	between 1 and 2 years	between 3 and 5 years	beyond 5 years	Contractual value	Book value
Debt for the purchase of equity investments and earn out	-	19,559	19,000	-	**38,559**	**33,063**
Financial liabilities	79,009	108,730	285,594	43,950	**517,283**	**475,843**
Leasing liabilities	1,142	720	339	110	**2,311**	**2,305**
Trade payables	12,094	-	-	-	**12,094**	**12,094**
Other current payables and liabilities	12,104	-	-	-	**12,104**	**12,104**

The table below represents an analysis of due dates, based on contractual repayment obligations, as of 31 December 2022.

The amounts indicated in the table above represent undiscounted face values determined with reference to the residual contractual due dates for both the portion representing principal and the portion representing interest.

5.4 Capital management

The Company's capital management aims to guarantee a solid credit rating and appropriate levels of capital indicators to support the Group's investment plans and fulfil contractual commitments to financial backers.

The Company has the capital necessary to finance its requirements for growth of its business lines and for its operations; sources of financing represent a balanced mix of risk capital and debt capital, in order to guarantee a balanced financial structure and minimise the total cost of capital, benefiting all stakeholders.

Remuneration of risk capital is monitored on the basis of market trends and business performance, once all other obligations, such as service of the debt, have been fulfilled; in order to ensure adequate remuneration of capital, safeguarding of business continuity and growth of lines of business, the Company constantly monitors the evolution of its level of indebtedness in relation to shareholders' equity, business trends, and forecast short, medium and long-term cash flows.

5.5 Categories of financial assets and liabilities and information on fair value

Categories of financial assets and liabilities

The tables below break down financial assets and liabilities by category according to IFRS 9 at 31 December 2021 and 31 December 2022.

(in thousands of Euro)	Book value at 31 December 2022	2021
FINANCIAL ASSETS:		
Financial assets measured at amortised cost		
Non-current financial assets	271,215	214,402
Trade receivables	29,419	23,176
Other receivables and current assets	5,182	7,511
Current financial assets	26,174	17,478
Cash on hand	35,361	82,847
	367,351	**345,414**
Derivative financial instruments	**6,648**	**123**
TOTAL FINANCIAL ASSETS	**373,999**	**345,537**

(in thousands of Euro)	Book value at 31 December 2022	2021
FINANCIAL LIABILITIES:		
Financial liabilities measured at amortised cost:		
Non-current financial liabilities	43,931	194,902
Non-current leasing liabilities	1,179	992
Current financial liabilities	431,912	41,481
Current leasing liabilities	1,126	902
Trade payables	12,094	28,128
Other current liabilities	12,024	7,547
	502,266	**273,952**
Financial liabilities measured at fair value entered in the income statement		
Debt for the purchase of equity investments and non-current earn out	33,063	-
Debt for the purchase of equity investments and current earn out	-	264
	33,063	**264**
Non-current derivative financial instruments	**-**	**-**
TOTAL FINANCIAL LIABILITIES	**535,329**	**274,216**

In view of the nature of short-term financial assets and liabilities, the book value of the majority of these items is considered to represent a reasonable approximation of fair value.

Non-current financial assets and liabilities are regulated or measured at market rates, and their fair value is therefore considered to be substantially in line with their current book value

Information on fair value

IFRS 13 requires the value of assets and liabilities measured at fair value in the company's financial position to be classified on the basis of a hierarchy of levels reflecting the significance of the input used to determine fair value. The fair value of financial instruments is classified on the basis of the following hierarchic levels:

- **Level 1**: fair value determined with reference to listed prices (not adjusted) on active markets for identical financial instruments. In Level 1 the emphasis is therefore placed on determination of the following elements: (a) the principal market for the asset or liability, or, in the absence of a principal market, the most advantageous market for the asset or liability; (b) the possibility of the entity conducting a transaction in the asset or liability at the price in effect on that market as of the measurement date.
- **Level 2**: fair value determined with reference to assessment techniques referring to variables that may be observed on active markets. The input for this level includes: (a) prices listed for similar assets or liabilities in active markets; (b) prices listed for identical or similar assets or liabilities in inactive markets; (c) figures other than the listed prices that may be observed for the assets or liabilities, such as interest rates or yield curves which may be observed at commonly listed intervals, implicit volatility, credit spread, or input conformed by the market.
- **Level 3**: fair value determined on the basis of assessment techniques referring to market variables that cannot be observed.

The tables below list financial assets and liabilities measured at fair value, divided on the basis of their levels in the hierarchy:

	At 31 December 2022		
(in thousands of Euro)	**Level 1**	**Level 2**	**Level 3**
Non-current derivative financial instruments	-	6,648	-
Assets measured at fair value	**-**	**6,648**	**-**

	At 31 December 2022		
(in thousands of Euro)	**Level 1**	**Level 2**	**Level 3**
Debt for the purchase of equity investments and non-current earn out	-	-	33,063
Total liabilities measured at fair value	**-**	**-**	**33,063**

	At 31 December 2021		
(in thousands of Euro)	**Level 1**	**Level 2**	**Level 3**
Non-current derivative financial instruments	-	123	-
Total liabilities measured at fair value	**-**	**123**	**-**

	At 31 December 2022		
(in thousands of Euro)	**Level 1**	**Level 2**	**Level 3**
Debt for the purchase of equity investments and non-current earn out	-	-	264
Total liabilities measured at fair value	**-**	**-**	**264**

It should be noted that at 31 December 2022 there were no financial liabilities valued at fair value and at 31 December 2021 there were no financial assets valued at fair value.

In the periods considered, there have been no transfers among different levels in the fair value hierarchy.

6. Notes to the statement of assets and liabilities

6.1 Intangible assets

The table below reports the composition of, and movement in, intangible assets in the years ending on 31 December 2021 and 31 December 2022.

(in thousands of Euro)	Goodwill	Industrial patent rights and rights to use intellectual property	Concessions, licenses, trademarks, and similar rights	Fixed assets in progress	Total
Historical cost as of 31 December 2021	**1,915**	**2,447**	**3,420**	**489**	**8,271**
Investments	-	117	72	-	**189**
GVS SpA merger by incorporation	-	-	227	-	**227**
Reclassification	-	-	-	(244)	**(244)**
Historical cost as of 31 December 2022	**1,915**	**2,564**	**3,719**	**245**	**8,443**
Provision for amortisation and depreciation as of 31 December 2021	**-**	**(2,246)**	**(3,058)**	**-**	**(5,304)**
GVS SpA merger by incorporation	-	-	(227)	-	**(227)**
Amortisation and depreciation	-	(96)	(122)	-	**(218)**
Provision for amortisation and depreciation as of 31 December 2022	**-**	**(2,342)**	**(3,407)**	**-**	**(5,749)**
Net book value as of 31 December 2021	**1,915**	**201**	**362**	**489**	**2,967**
Net book value as of 31 December 2022	**1,915**	**222**	**312**	**245**	**2,694**

INTANGIBLE ASSETS WITH A DEFINED USEFUL LIFESPAN

Patent rights refer to the filing of new applications.

Concessions, licences and similar rights represent the purchase and customisation of industrial management and programming software.

Investments in intangible assets for the year ended 31 December 2022 amounted to € 189 thousand, mainly due to new software and patents.

No indications of possible impairment of intangible assets arose in the years under examination.

INTANGIBLE ASSETS WITH AN INDEFINITE USEFUL LIFESPAN

Goodwill

As of 31 December 2021 and 31 December 2022 the value of goodwill refers exclusively to business combinations that took place prior to 1 January 2017, the transition date to international accounting standards. This value is considered to be adequately supported in terms of expected economic results and related cash flows. The recoverable value was checked as part of the broader impairment test carried out for the Consolidated Financial Statements. The parameters used for the impairment test are shown in note 8.1 of the notes to the Consolidated Financial Statements.

6.2 Assets represented by usage rights and current and non-current leasing liabilities

The principal items of capital information regarding the Company's leasing contracts, primarily as tenant, appear in the table below.

	At 31 December	
(in thousands of Euro)	**2022**	**2021**
Net book value of assets represented by usage rights (real estate)	1,679	1,215
Net book value of assets represented by usage rights (automobiles)	548	642
Net book value of assets represented by usage rights (machinery)	-	13
Total net book value of assets represented by usage rights	**2,227**	**1,870**
Current leasing liabilities	1,126	902
Non-current leasing liabilities	1,179	992
Total leasing liabilities	**2,305**	**1,894**

The table below shows the principal economic and financial information on the Company's leasing contracts.

	Financial year ended 31 December	
(in thousands of Euro)	**2022**	**2021**
Amortisation of assets represented by usage rights (real estate)	1,148	529
Amortisation of assets represented by usage rights (automobiles)	123	356
Amortisation of assets represented by usage rights (machinery)	2	14
Total amortisation of assets represented by usage rights	**1,273**	**899**
Interest payable on leases	**14**	**24**
Total outgoing cash flows due to leasing	**1,262**	**960**

Assets represented by usage rights relating to buildings at 31 December 2022, mainly relate to the leasing of warehouses and two production sites.

The assets recorded during the year ended 31 December 2022 mainly refer to the conclusion of contracts for property to be used as a warehouse.

As of 31 December 2022, the Company had not identified any indicators of lasting impairment of assets corresponding to usage rights.

The table below shows the non-actualised contractual value of the Company's leasing liabilities as of 31 December 2021 and 31 December 2022.

(in thousands of Euro)	**within 1 year**	**between 1 and 2 years**	**between 3 and 5 years**	**beyond 5 years**	**Contractual value**	**Book value**
At 31 December 2022	1,142	720	339	110	**2,311**	**2,305**
At 31 December 2021	916	762	225	-	**1,904**	**1,894**

The actualisation rate was determined on the basis of the Company's marginal financing rate, that is, the rate the Company would have to pay for a loan, with a similar term and guarantees, necessary to purchase an asset of similar value to the asset consisting of usage rights in a similar economic context. The Company decided to apply a single actualisation rate to a leasing portfolio with reasonably similar characteristics, such as lease agreements with a similar residual term for a class of similar underlying assets in a similar economic context.

6.3 Tangible assets

The table below shows the breakdown and movements of tangible assets in the years ending on 31 December 2021 and 31 December 2022.

(in thousands of Euro)	**Plants and machinery**	**Industrial and commercial equipment**	**Other assets**	**Improve-ments on third party assets**	**Tangible assets in progress and advances**	**Total**
Historical cost as of 31 December 2021	**11,356**	**42,548**	**4,148**	**1,465**	**5,466**	**64,983**
Investments	1,556	1,742	35	539	2,420	**6,292**
Disposal	(22)	(38)	-	-	-	**(60)**
Merger by incorporation of GVS Sud Srl	9,667	4,054	376	-	-	**14,097**
Reclassification	-	-	-	-	244	**244**
Historical cost as of 31 December 2022	**22,557**	**48,306**	**4,559**	**2,004**	**8,130**	**85,556**
Provision for amortisation and depreciation as of 31 December 2021	**(7,999)**	**(28,242)**	**(3,290)**	**(1,128)**	**-**	**(40,659)**
Amortisation and depreciation	(800)	(2,939)	(242)	(134)	-	**(4,115)**
Disposal	2	4	-	-	-	**6**
Merger by incorporation of GVS Sud Srl	(9,405)	(3,776)	(366)	-	-	**(13,547)**
Reclassification	-	-	-		-	**-**
Provision for amortisation and depreciation as of 31 December 2022	**(18,202)**	**(34,953)**	**(3,898)**	**(1,262)**	**-**	**(58,315)**
Net book value as of 31 December 2021	**3,357**	**14,306**	**858**	**337**	**5,466**	**24,324**
Net book value as of 31 December 2022	**4,355**	**13,353**	**661**	**742**	**8,130**	**27,241**

Tangible assets refer primarily to capital goods, such as plant, machinery and equipment used in the production process.

Investments in intangible assets equal to € 6,292 thousand are mainly attributable to the expansion of production capacity of the Healthcare & Life Sciences division, as well as for the expansion of the product range.

No indications of possible impairment of tangible assets arose in the years under examination.

As of 31 December 2022, there were no real estate assets or capital goods burdened by any kind of guarantee provided to a third party.

6.4 Equity Investments

The table below shows the details of the equity investments as of 31 December 2022 and the net book value at the same date.

Company	Registered offices	Currency	Share capital at 31 December 2022	Percentage of direct control at 31 December		Net book value as of 31 December 2022
				2022	2021	
Haemotronic SpA	Mirandola (MO)	EUR	5,040,000	100.0%	N/A	254,900
Fenchurch Environmental Group Ltd	United Kingdom - Morecambe	GBP	1,469	100.0%	100.0%	21,195
GVS Puerto Rico LLC	Puerto Rico - Fajardo	USD	N/A	100.0%	100.0%	13,658
GVS NA Holdings Inc	USA - Sanford (MA)	USD	0.10	100.0%	100.0%	16,334
GVS do Brasil Ltda	Brazil - Municipio de Monte Mor, Campinas	BRL	20,755,226	99.9%	99.9%	4,257
GVS Technology (Suzhou) Co. Ltd.	China - Suzhou (PRC)	CNY	182,658,405	100.0%	100.0%	15,551
RPB Safety Ltd	New Zealand - Christchurch	NZD	1,000	100.00%	n.a.	2,328
GVS Japan KK	Japan - Tokyo	JPY	1,000,000	100.0%	100.0%	1,133
GVS Filtre Teknolojileri	Turkey - Istanbul	TRY	100,000	100.0%	100.0%	264
GVS Argentina Sa	Argentina - Buenos Aires	ARS	1,510,212	94.1%	94.1%	139
GVS Korea Ltd	Korea - Seoul	KRW	100,000,000	100.0%	100.0%	340
GVS Fortune Holding Ltd	Hong Kong (PRC)	HKD	1	100.0%	100.0%	-
GVS Russia LLC	Russia - Moscow	RUB	10,000	100.0%	100.0%	6
GVS North America Inc	USA - Sanford (MA)	USD	n.a.	0.0%	0.0%	106
GVS Filter Technology de Mexico	Mexico - Nuevo Leon	MXN	50,000	99.9%	99.9%	2,358
GVS Filtration Co., Ltd.	Thailand - Bangkok	THB	12,000,000	100.0%	n.a.	323
GVS Filter India Private Limited	India - Mumbai	INR	100,000	100.0%	n.a.	401
GVS Vietnam LLC	Vietnam- Ho Chi Minh City	VND	449,800,000	100.0%	n.a.	37
GVS Microfiltrazione Srl	Romania - Ciorani	RON	1,600	100.0%	100.0%	1
GVS Filtration SDN. BHD.	Malaysia - Petaling Jaya	MYR	1,000,000	100.0%	100.0%	228
Total						**333,559**

The table below shows the breakdown of equity investments as of 31 December 2021 and 31 December 2022.

	At 31 December	
(in thousands of Euro)	2022	2021
Equity investments (gross value)	335,421	69,993
Provision for writedown of investments	(1,862)	(1,862)
Total equity investments	**333,559**	**68,131**

The provision for equity investments in the period considered relates for € 1,600 thousand to the investment in GVS do Brasil Ltda for € 219 thousand to the investment in GVS Argentina SA and € 43 thousand to the investment in GVS Fortune Holding Ltd.

It should be noted that during the period analysed, no indications of possible impairment were identified in relation to equity investments, and consequently, in line with IAS 36, it was not considered necessary to carry out the impairment test.

The table below reports movements in the gross value of trade receivables in the half year ending on 31 December 2022.

(in thousands of Euro)	Gross value at 31 December 2021	Increases	Increases due to the perfor-mance share plan	Merger by incorporation	Decreases	Gross value at 31 December 2022
Haemotronic SpA	-	254,900	-	-	-	254,900
Fenchurch Environmental Group Ltd	21,195	-	-	-	-	21,195
GVS Puerto Rico LLC	13,658	-	-	-	-	13,658
GVS Sud Srl	12,825	-	-	(12,825)	-	-
GVS NA Holdings Inc	8,227	8,107	-	-	-	16,334
GVS do Brasil Ltda	5,857	-	-	-	-	5,857
GVS Technology (Suzhou) Co. Ltd.	3,676	11,713	163	-	-	15,551
RPB Safety Ltd	2,328	-	-	-	-	2,328
GVS Japan KK	1,133	-	-	-	-	1,133
GVS Filtre Teknolojileri	264	-	-	-	-	264
GVS Argentina Sa	358	-	-	-	-	358
GVS Korea Ltd	218	-	123	-	-	340
GVS North America Inc	58	-	48	-	-	106
GVS Fortune Holding Ltd	43	-	-	-	-	43
GVS Russia LLC	6	-	-	-	-	6
GVS Filtration SDN. BHD.	4	224	-	-	-	228
GVS Filtration Co., Ltd.	80	243	-	-	-	323
GVS Filter Technology de Mexico	56	2,257	45	-	-	2,358
GVS Filter India Private Limited	1	400	-	-	-	401
GVS Vietnam LLC	6	31	-	-	-	37
GVS Microfiltrazione Srl	1	-	-	-	-	1
Total	**69,993**	**277,875**	**378**	**(12,825)**	**-**	**335,421**

The increases in 2022 are primarily attributable to: (*i*) € 254,900 thousand, the purchase of all the shares of Haemotronic SpA, (*ii*) for € 22,975 thousand, the capital increase in various subsidiaries and (*iii*) for € 378 thousand, the cost of the year relating to the performance share plan attributable to the employees of the subsidiaries.

The decreases are attributable to the merger by incorporation of GVS Sud Srl into GVS SpA.

6.5 Advance tax assets

The table below reports details of advance tax assets as of 31 December 2021 and 31 December 2022.

	At 31 December	
(in thousands of Euro)	**2022**	**2021**
Unrealised profits and losses on exchanges	-	1,644
Intangible assets	3	3
Inventories	152	141
Tangible assets	4	4
Provisions for employee benefits	15	20
Assets represented by usage rights	21	7
Provision for risks	144	-
Other minor costs	-	15
Gross advance tax assets	**337**	**1,834**
Compensation with deferred tax liabilities	-	(1,834)
Total advance tax assets	**337**	**-**

Advance tax assets are entered as it is considered probable that sufficient taxable income will be generated to permit their use.

Advance tax assets pertaining to previous tax losses are acknowledged only if it is probable that sufficient taxable income may become available in the future to permit recovery of the assets. As of 31 December 2021 and 31 December 2022, there are no advance tax assets not acknowledged in relation to tax losses.

The table below reports details of deferred tax liabilities as of 31 December 2021 and 31 December 2022.

	At 31 December	
(in thousands of Euro)	**2022**	**2021**
Unrealised profits and losses on exchanges	7,041	4,811
Intangible assets	245	206
Derivative financial instruments	1,596	30
Provisions for employee benefits	-	27
Dividends	-	-
Gross deferred tax liabilities	**8,882**	**5,074**
Compensation with advance tax assets	-	(1,834)
Total deferred tax liabilities	**8,882**	**3,240**

The table below shows changes in the gross value of advance tax assets and deferred tax liabilities for the year ended 31 December 2022.

(in thousands of Euro)	**Total advance tax assets**	**Total deferred tax liabilities**
Balance as of 31 December 2021	**1,834**	**5,074**
Merger by incorporation of GVS Sud Srl	118	-
Provisions (releases) to income statement	(1,401)	2,242
Provisions (releases) to comprehensive income statement	(212)	1,566
Balance as of 31 December 2022	**337**	**8,882**

Advance tax assets and deferred tax liabilities are a result of temporary differences between the value attributed to an asset or liability in the financial statement and the value attributed to the same asset or liability for tax purposes.

6.6 Financial assets (current and non-current)

The table below reports details of current and non-current financial assets as of 31 December 2021 and 31 December 2022.

	At 31 December	
(in thousands of Euro)	**2022**	**2021**
Security deposits	2,008	24
Capital instruments	35	-
Non-current financial receivables from subsidiary companies	269,207	214,378
Non-current financial assets	**271,250**	**214,402**
Current financial receivables due from subsidiary companies	26,174	17,478
Current financial assets	**26,174**	**17,478**
Total financial assets	**297,424**	**231,880**

The table below reports details of financial receivables (current and non-current) from subsidiary companies as of 31 December 2021 and 31 December 2022.

	At 31 December	
(in thousands of Euro)	**2022**	**2021**
GVS NA Holdings Inc	224,920	216,670
GVS Technology (Suzhou) Co. Ltd.	51,408	-
GVS Filtration Co., Ltd.	303	2
GVS Filter Technology de Mexico	16,646	13,381
GVS Russia LLC	944	944
GVS Filter India Private Limited	410	210
GVS Filtration SDN. BHD.	750	486
GVS Filtre Teknolojileri	-	164
GVS Fortune Holding Ltd	40	30
Provision for writedown of Fortune	(40)	(30)
Total financial receivables from subsidiaries	**295,381**	**231,857**

The financial receivables due from GVS NA Holdings Inc refer to loans granted by GVS on 31 July 2017 and 31 August 2021 to finance the KUSS and RPB acquisitions. Financial receivables from GVS Technology (Suzhou) Co. Ltd refer to the loan granted during 2022 to finance the acquisition of STT.

Security deposits, entered among non-current financial assets, classified as financial assets and measured at amortised cost on the basis of IFRS 9, represent a down-payment on an investment and for sums paid under existing leasing agreements.

6.7 Non-current derivative financial instruments

Non-current active financial derivatives amount to € 6,648 thousand at 31 December 2022 (€ 123 thousand at 31 December 2021).

The balance of this item is entirely the result of the positive fair value of five IRS (Interest rate Swap) derivative contracts hedging the risk of changes in interest rates of contracts entered into with Unicredit and Mediobanca during 2020 and the syndicated loan taken out with Unicredit, Mediobanca and Credit Agricole in 2021 (see note 8.14). The derivative financial instruments, having individually an original notional amount equal to the nominal value of the hedged items, guarantee a fixed interest rate for the entire duration of the loans covered.

In accordance with the provisions of IFRS 9, the derivatives contracts were designated as a financial instrument hedging interest rates. Consequently, the changes in the fair value of the derivatives were accounted for in a specific equity reserve, with an impact on the comprehensive income statement.

6.8 Other receivables and non-current assets

The amount recorded as at 31 December 2022, equal to Euro 1,695 thousand, refers to an asset recorded for the indemnity by the seller of Haemotronic SpA for a specific dispute for which an allocation to provision for risks was recorded.

6.9 Inventories

The table below reports details of inventories as of 31 December 2021 and 31 December 2022.

	At 31 December	
(in thousands of Euro)	**2022**	**2021**
Finished products and goods	4,539	4,094
Raw materials, subsidiary materials and consumables	4,484	3,352
Products in progress and semi-products	1,283	888
Gross inventories	**10,306**	**8,334**
Provision for writedown of inventory	(650)	(600)
Inventories	**9,656**	**7,734**

The net provision for inventory write-down amounts to € 50 thousand for the year ended 31 December 2022, equal to the amount allocated during the previous year.

6.10 Trade receivables

The table below reports details of trade receivables as of 31 December 2021 and 31 December 2022.

	At 31 December	
(in thousands of Euro)	**2022**	**2021**
Trade receivables from customers	11,102	11,972
Trade receivables due from subsidiaries	18,699	11,607
Trade receivables from other related parties	82	12
Trade receivables (gross)	**29,883**	**23,591**
Provision for writedown of trade receivables	(464)	(415)
Trade receivables	**29,419**	**23,176**

Trade receivables from related parties are analysed in note 9, "Transactions with related parties".

The book value of trade receivables is considered to approximate their fair value.

The table below breaks down trade receivables at 31 December 2021 and 31 December 2022 according to due date, net of the provision for writedown of receivables.

(in thousands of Euro)	Not yet due	Overdue by 1 to 90 days	Overdue by 91 to 180 days	Overdue by more than 181 days	Total
Gross trade receivables at 31 December 2022	23,249	3,031	2,250	1,353	**29,883**
Provision for writedown of receivables		-	(268)	(196)	(464)
Trade receivables at 31 December 2022	**23,249**	**3,031**	**1,982**	**1,157**	**29,419**
Gross trade receivables at 31 December 2021	18,844	2,861	947	939	**23,591**
Provision for writedown of receivables		-	(353)	(62)	(415)
Trade receivables at 31 December 2021	**18,844**	**2,861**	**594**	**877**	**23,176**

Gross trade receivables at 31 December 2022 and 31 December 2021, include Euro 6,634 thousand and Euro 4,747 thousand, respectively, referable to overdue items, including Euro 3,603 thousand and Euro 1,886 thousand, representing items overdue by more than 90 days. Of these, € 2,558 thousand and € 1,062 thousand, respectively at 31 December 2022 and 31 December 2021, refer to amounts due from group companies and consequently have not been written down.

Pursuant to Art. 2427, number 6, of the Italian Civil Code, there are no receivables due beyond 5 years.

The table below reports movements in the provision for writedown of trade receivables in the years ending on 31 December 2021 and 31 December 2022.

(in thousands of Euro)	Provision for writedown of trade receivables
Balance as of 31 December 2020	**355**
Net provisions	60
Use	-
Balance as of 31 December 2021	**415**
Net provisions	49
Use	-
Balance as of 31 December 2022	**464**

Net provisions to the provision for writedown of receivables appear in the income statement under the item net writedowns of financial assets (see note 7.7).

6.11 Assets and liabilities deriving from contracts with customers

Assets from contracts with customers, equal to Euro 534 thousand and Euro 2,641 thousand at 31 December 2022 and 31 December 2021 respectively, primarily represented the right to obtain a consideration for goods transferred to customers in relation to the production of moulds and equipment.

Liabilities from contracts with customers, worth Euro 614 thousand and Euro 2,599 thousand at 31 December 2022 and 31 December 2021 respectively, represent advances received from customers for contractual obligations not yet met.

Assets and liabilities from contracts with customers are shown net in the statement of assets and liabilities if they refer to the same contractual obligation to the same customer.

The table below shows the gross amount of assets and liabilities from contracts with customers, and how they are compensated, as of 31 December 2021 and 31 December 2022.

	At 31 December	
(in thousands of Euro)	**2022**	**2021**
Gross assets from contracts with customers	1,952	4,073
Compensation with liabilities from contracts with customers	(1,418)	(1,432)
Assets from contracts with customers	**534**	**2,641**
Gross liabilities from contracts with customers	2,032	4,031
Compensation with assets from contracts with customers	(1,418)	(1,432)
Liabilities from contracts with customers	**614**	**2,599**

6.12 Other receivables and current assets

The table below reports details of other receivables and current assets as of 31 December 2021 and 31 December 2022.

	At 31 December	
(in thousands of Euro)	**2022**	**2021**
Dividends receivable	2,305	5,267
Tax receivables	1,484	1,439
Prepaid expenses	260	282
Advances and instalments	896	925
Receivable from employees	20	53
Receivables from group companies for "EBIT adjustment"	2,667	-
Other receivables	1,373	752
Other receivables and current assets	**9,005**	**8,718**

Advances and instalments primarily represent sums paid for supplies yet to be received. The dividend receivables at 31 December 2021 and 31 December 2022 refer respectively to the dividends resolved by GVS do Brasil Ltda and not yet collected at the date of the balance sheet.

The receivables from subsidiaries for EBIT adjustment are attributable to the transfer price policy applied by the Group during 2022.

Tax receivables primarily represent VAT credits with internal revenue.

6.13 Cash on hand

The table below reports details of cash on hand as of 31 December 2021 and 31 December 2022.

	At 31 December	
(in thousands of Euro)	2022	2021
Bank and postal accounts	35,340	82,819
Cash and cash equivalents on hand	21	28
Cash on hand and cash equivalents	**35,361**	**82,847**

In the periods in question, cash on hand was not subject to any restrictions or limitations.

The financial report shows variations in cash on hand during the years under examination.

6.14 Shareholders' equity

The table below reports details of shareholders' equity as of 31 December 2021 and 31 December 2022.

	At 31 December	
(in thousands of Euro)	2022	2021
Share capital	1,750	1,750
Share premium reserve	92,771	92,771
Legal reserve	350	350
Extraordinary reserve	60,629	35,023
Negative reserve for treasury shares	(4,853)	(3,448)
Reserve from derivative financial instruments	5,052	94
Actuarial profits and losses reserve	470	(78)
Profit (loss) carried over and other reserves	28,615	6,532
Net income	20,428	37,703
Total shareholders' equity	**205,212**	**170,696**

The statement of changes in shareholders' equity appears in the section on this topic.

Share capital
As of 31 December 2022, the Company's fully subscribed and paid-in share capital amounted to Euro 1,750 thousand, and are divided into 175,000,000 ordinary shares without any face value.

Negative reserve for treasury shares
The reserve for treasury shares refers to the purchase of 450,000 shares representing a total of 0.26% of the Company's share capital.

Actuarial profits and losses reserve
The actuarial profits and losses reserve includes profits and losses deriving from changes to the actuarial hypotheses in relation to defined benefit plans.

Reserve from first adoption of EU-IFRS
The reserve for first adoption of EU-IFRS, included among other reserves, has a negative balance of Euro 854 thousand in the years under examination, and represents the effects of conversion from Italian accounting standards to EU-IFRS standards.

The table below shows equity items, specifying their origin, possibility of utilisation and distribution, as well as their utilisations in previous years.

(in thousands of Euro)	At 31 December 2022	Origin / nature	Possibility of utilisation	Portion available
Share capital	1,750	Capital		-
Share premium reserve	92,771	Capital	A; B; C	92,771
Legal reserve	350	Profits	B	350
Extraordinary reserve	60,629	Profits	A; B; C	60,629
Payments on capital increase	129	Capital	A; B; C	129
Exchange gains reserve	12,096	Profits	A; B; C	12,096
Revaluation reserve	2,537	Capital	A; B; C	2,537
Actuarial profits and losses reserve	470	Profits		-
Reserve from derivative financial instruments	5,052	Profits		-
Merger surplus	7,919	Capital	A; B; C	7,919
Negative reserve for treasury shares	(4,853)	Capital		-
Reserve from first adoption of EU-IFRS	(854)	Profits		-
Negative reserve - IFRS contribution	(655)	Capital		-
LTI incentive plan reserve	5,402	Capital	A; B; C	5,402
Profits / (losses carried forward)	2,018	Profits	A; B; C	2,018
Retained earnings/(losses) - IFRS adjustments	23	Profits		-
Total	**184,784**			**183,851**
Non-distributable portion				18,808
Residual distributable portion				**165,043**

The above table provides the possibility of utilisation for each item as follows:

- A: for capital increase;
- B: to cover losses and
- C: for distribution to shareholders.

6.15 Debt for the purchase of equity investments and earn out

The amount recorded as at 31 December 2022 refers to the earn out relating to the Haemotronic business combination, defined and agreed between the parties recorded at the acquisition date together with other minor adjustments to the acquisition price, including interest.

6.16 Financial liabilities (current and non-current)

The table below reports details of current and non-current financial liabilities as of 31 December 2021 and 31 December 2022.

	At 31 December			
	2022		2021	
(in thousands of Euro)	Current portion	Non-current portion	Current portion	Non-current portion
2014 Bond Loan	9,336	-	4,375	8,789
2017 Bond Loan	15,967	-	7,969	15,969
Total bonded loans	**25,303**	**-**	**12,344**	**24,758**
Club Deal Loan Agreement (2021)	149,632	-	19,482	129,998
Club Deal Loan Agreement (2022)	228,798	-	-	-
Mediobanca loan (2020)	13,310	-	4,434	13,314
Unicredit loan (2020)	12,005	-	3,981	12,008
Accrued payables and other minor items	2,546	-	904	-
Total financial payables to banks	**406,292**	**-**	**28,801**	**155,319**
GVS Japan KK loan	-	5,336	-	5,756
GVS Korea Ltd loans	-	4,555	-	4,763
GVS Filter Technology UK Ltd loans	-	8,954	-	2,975
Haemotronic SpA loans	-	25,000	-	-
GVS Sud Srl loans	-	-	-	1,330
Total financial payables to subsidiaries	**-**	**43,845**	**-**	**14,824**
Subsidized loan Horizon call for tenders	-	87	-	-
Invitalia	317	-	336	-
Total other financial payables	**317**	**87**	**336**	**-**
Total financial liabilities	**431,912**	**43,932**	**41,481**	**194,902**

In order to finance the acquisition of Haemotronic, GVS signed a new 5-year loan agreement for a total nominal amount equal to € 230 million with a pool of lending banks, including Mediobanca - Banca di Credito Finanziario SpA and Unicredit SpA, which acted, inter alia, in the capacity of arrangers, global coordinators and original lenders. Furthermore, following this acquisition, the financial liabilities of the GVS group changed by the nominal amount of the loans already existing in Haemotronic SpA.

Below is a description of the principal items making up the Group's financial liabilities as of 31 December 2022.

A) BONDED LOANS

a1) 2017 Bonded Loan

On 25 July 2017, GVS issued an unlisted bonded loan guaranteed by GVS North America Inc, GVS NA Holdings, Inc and GVS Filter Technology UK Ltd (jointly referred to as the "Guarantors"), reserved for corporate investors, with a face value totalling Euro 40,000 thousand (hereinafter the "2017 Bonded Loan").

The 2017 Bonded Loan, placed with an issue price of 100% of its face value, which, after changes to the contracts during 2022 and 2023, involved payment of interest through six-monthly post-dated coupons falling due on 25 January and 25 July of each year, calculated as described below:

- at an annual rate of 3.0% if the ratio between net financial indebtedness and consolidated EBITDA calculated as of the date of the annual financial report or half-year financial report previous to payment of the coupon is less than or equal to 3.0;
- at an annual rate of 3.25% if the ratio between net financial indebtedness and consolidated EBITDA calculated as of the date of the annual financial report or half-year financial report previous to payment of the coupon, ranges from 3.0 to 3.5;
- at an annual rate of 3.5% if the ratio between net financial indebtedness and consolidated EBITDA calculated as of the date of the annual financial report or half-year financial report previous to payment of the coupon ranges from 3.5 to 3.75;
- at an annual rate of 3.75% if the ratio between net financial indebtedness and consolidated EBITDA calculated as of the date of the annual financial report or half-year financial report previous to payment of the coupon ranges from 3.75 to 4.00;
- at an annual rate of 4.25% if the ratio between net financial indebtedness and consolidated EBITDA calculated as of the date of the annual financial report or half-year financial report previous to payment of the coupon is more than 4.00.

The 2017 Bonded Loan provided for repayment of the face value of the debt through payment of annual instalments in the amount of Euro 8,000 thousand beginning on 25 July 2020.

The 2017 Bonded Loan contract, as changed during 2022 and 2023, sets out as financial constraints, compliance at the consolidated level, with the following requirements:

- a minimum ratio of EBITDA to net financial charges of at least 4.50 as of the date of each annual and half-yearly financial statement for as long as the contract remains in effect (each "Determination Date"), with the exception of the audits as at 30 June 2023 and 31 December 2023 for which the minimum ratio has been defined as at least 3.5.
- a maximum ratio of net financial indebtedness to EBITDA as described below:
  - v. no more than 3.5 as at 31 December 2022;
  - vi. no more than 4.25 as at 30 June 2023;
  - vii. no more than 4 as at 31 December 2023;
  - viii. no more than 3.5 on each subsequent Determination Date starting on 30 June 2024;
- a maximum ratio of net financial indebtedness to shareholders' equity as described below:
  iii. no more than 3.00 on each Determination Date up to 31 December 2018, and
  iv. no more than 2.50 on each Determination Date starting on 30 June 2019.

Compliance with financial constraints as at 31 December 2022 was remedied, following the subordinated shareholder loan obtained in March 2023. In this regard, see what is reported in paragraph 2.2 "General principles of preparation".

The 2017 Bonded Loan was not assisted by real guarantees.

a2) 2014 Bonded Loan

On 9 January 2014, the Company issued a bonded loan falling due on 9 January 2024, guaranteed by GVS North America Inc, Maine Manufacturing LLC and GVS Filter Technology UK Ltd, reserved for corporate investors, with a face value totalling USD 35,000 thousand, initially listed on the Vienna stock exchange and then recalled from trading (hereinafter the "2014 Bonded Loan"). The 2014 Bond Loan, placed with an issue price equal to 100% of the nominal value, provides for, following the changes to the same loan that took place in 2017, 2022 and 2023, interest calculated as described below:

- at an annual rate of 6.5% if the ratio between net financial indebtedness and consolidated EBITDA calculated as of the date of the annual financial report or half-year financial report previous to payment of the coupon is less than 3.0;
- at an annual rate of 6.75% if the ratio between net financial indebtedness and consolidated EBITDA calculated as of the date of the annual financial report or half-year financial report previous to payment of the coupon ranges from 3.0 to 3.5;
- at an annual rate of 7% if the ratio between net financial indebtedness and consolidated EBITDA calculated as of the date of the annual financial report or half-year financial report previous to payment of the coupon ranges from 3.5 to 3.75;
- at an annual rate of 7.25% if the ratio between net financial indebtedness and consolidated EBITDA calculated as of the date of the annual financial report or half-year financial report previous to payment of the coupon ranges from 3.75 to 4.00;
- at an annual rate of 7.75% if the ratio between net financial indebtedness and consolidated EBITDA calculated as of the date of the annual financial report or half-year financial report previous to payment of the coupon is more than 4.00.

The interest was paid with six-monthly post-dated coupons falling due on 9 January and 9 July of each year. Under the bonded loan, following a 4-year pre-amortisation period, the face value of the debt was to be repaid by payment of annual instalments of USD 5,000 thousand starting on 9 January 2018.

The 2014 Bonded Loan also sets out after changes made to the same loan during 2017, 2020 and 2023, as a financial constraint, compliance at consolidated level with:

- a minimum ratio of EBITDA to net financial charges of at least 4.50 as of the date of each annual and half-yearly financial statement for as long as the contract remains in effect (each "Determination Date"), with the exception of the audits as at 30 June 2023 and 31 December 2023 for which the minimum ratio has been defined as at least 3.5;
- a maximum ratio of net financial indebtedness to EBITDA as described below:
  - **v.** no more than 3.5 as at 31 December 2022;
  - **vi.** no more than 4.25 as at 30 June 2023;
  - **vii.** no more than 4 as at 31 December 2023;
  - **viii.** no more than 3.5 on each subsequent Determination Date starting on 30 June 2024
- a maximum ratio of net financial indebtedness to shareholders' equity as described below:
  - **iii.** no more than 3.00 on each Determination Date up to 31 December 2018, and
  - **iv.** no more than 2.50 on each Determination Date starting on 30 June 2019.

Compliance with financial constraints as at 31 December 2022 was remedied, following the subordinated shareholder loan obtained in March 2023. In this regard, see what is reported in paragraph 2.2 "General principles of preparation.

The 2014 Bonded Loan was not assisted by real guarantees.

B) LOANS IN EXISTENCE AS OF 31 DECEMBER 2022

b1) Pool Financing Agreement (2022)

In order to finance the acquisition of Haemotronic, in 2022, GVS signed a new 5-year loan agreement for a total nominal amount of € 230 million with a pool of lending banks, including Mediobanca - Banca di Credito Finanziario SpA and Unicredit SpA, which acted, inter alia, in the capacity of arrangers, global coordinators and original lenders.

The contract provides for the repayment of the line of credit starting from the 18th month from the date of use of the line and the amortization plan is defined as follows:

- 5% of the residual debt, at the expiry of the 18th month;
- 10% of the residual debt at the expiry of the 24th month and every six months for the following two six-month periods;
- 15% of the residual debt at the expiry of the 42nd month and every six months for the following six-month period;
- 17.5% of the residual debt at the expiry of the 54th month and in the last half year period.

The line of credit requires payment of interest at an annual rate equal to the Euribor six-month rate plus a spread which varies on the basis of the ratio of net financial indebtedness to consolidated EBITDA, as defined in the agreement even after changes made in 2022 and 2023, from a minimum of 100 basis points if the ratio is less than 1.25, to a maximum of 245 basis points, if the ratio is greater than or equal to 4.

The financing agreement requires, as financial constraints, compliance at the consolidated level with:

- a ratio between consolidated EBITDA and net financial expenses, greater than or equal to 4.5 at the date of each annual and half-yearly financial report during the term of this agreement, with the exception of the audits as at 30 June 2023 and 31 December 2023 for which the minimum ratio was defined as at least equal to 3.5;
- a maximum ratio of net financial indebtedness to EBITDA as described below:
  - **v.** no more than 3.5 as at 31 December 2022 and
  - **vi.** no more than 4.25 as at 30 June 2023;
  - **vii.** no more than 4 as at 31 December 2023;
  - **viii.** no more than 3.5 on each subsequent Determination Date starting on 30 June 2024.

Compliance with financial constraints as at 31 December 2022 was remedied, following the subordinated shareholder loan obtained in March 2023. In this regard, see what is reported in paragraph 2.2 “General principles of preparation”.

The 2022 Pool Loan is not backed by collateral.

b2) Pool Financing Agreement (2021)

On 30 July 2021, GVS on the one hand, Mediobanca - Banca di Credito Finanziario SpA, in the capacity of arranger, facility agent and global coordinator, and Credit Agricole Italia SpA and Unicredit SpA, in their capacity as arrangers on the other, signed a loan agreement (hereinafter the “2021 Pool Loan Agreement”), concerning making available to GVS a line of credit for an amount equal to Euro 150,000 thousand, aimed at financing the RPB Acquisition and the related costs, without providing any collateral.

The contract provides for the repayment of the line of credit starting from the 18th month from the date of use of the line and the amortization plan is defined as follows:

- 10% of the residual debt at the expiry of the 18th month and every six months for the following three six-month periods;
- 12.5% of the residual debt, at the expiry of the 42nd month;
- 15% of the residual debt at the expiry of the 48th month and every six months for the following six-month period;
- 17.5% of the residual debt in the last six-month period.

The line of credit requires payment of interest at an annual rate equal to the Euribor six-month rate plus a spread which varies on the basis of the ratio of net financial indebtedness to consolidated EBITDA, as defined in the agreement even after changes made in 2022 and 2023, from a minimum of 100 basis points if the ratio is less than 1.25, to a maximum of 245 basis points, if the ratio is greater than or equal to 4.

The financing agreement requires, as financial constraints, compliance at the consolidated level with:

- a ratio between consolidated EBITDA and net financial expenses, greater than or equal to 4.5 at the date of each annual and half-yearly financial report during the term of this agreement, with the exception of the audits as at 30 June 2023 and 31 December 2023 for which the minimum ratio was defined as at least equal to 3.5;
- a maximum ratio of net financial indebtedness to EBITDA as described below:
  - **v.** no more than 3.5 as at 31 December 2022 and
  - **vi.** no more than 4.25 as at 30 June 2023;
  - **vii.** no more than 4 as at 31 December 2023;
  - **viii.** no more than 3.5 on each subsequent Determination Date starting on 30 June 2024

Compliance with financial constraints as at 31 December 2022 was remedied, following the subordinated shareholder loan obtained in March 2023. In this regard, see what is reported in paragraph 2.2 “General principles of preparation”.

The 2021 Pool Loan is not backed by collateral.

b3) Unicredit mortgage (2020)

On 13 November 2020 GVS stipulated a mortgage agreement with Unicredit S.p.A. for a total of Euro 20,000 thousand. The loan falls due on 30 November 2025. The agreement requires payment of 60 deferred quarterly instalments from 28 February 2021 until the due date. The interest rate is variable and corresponds to the Euribor 3-month rate plus a spread of 0.75%. The contract sets out, as a financial constraint, compliance at the consolidated level with:

- a minimum ratio between consolidated EBITDA and net financial expenses, equal to at least 4.5 at the date of each annual financial report during the term of this contract, with the exception of the audits as at 31 December 2023 for which the minimum ratio has been defined as at least equal at 3.5;
- a maximum ratio of net financial indebtedness to EBITDA as described below:
  - **v.** no more than 3.5 as at 31 December 2022 and
  - **vi.** no more than 4 as at 31 December 2023;
  - **vii.** no more than 3.5 on each Determination Date starting on 31 December 2024.

Compliance with financial constraints as at 31 December 2022 was remedied, following the subordinated shareholder loan obtained in March 2023. In this regard, see what is reported in paragraph 2.2 “General principles of preparation”.

The 2020 Unicredit Loan was not backed by collatera.

b4) Mediobanca (2020)

On 12 November 2020 GVS stipulated a loan agreement with Mediobanca for a total of Euro 20,000 thousand. The loan falls due on 12 November 2025. The agreement requires payment of 9 deferred six-monthly instalments from 12 November 2021 until the due date. The interest rate applicable to the loan agreement, also following the changes that took place in 2022 and 2023, is variable and corresponds to the 6-month Euribor increased by a spread of a minimum of 85 bps, if this ratio is less than 2, up to a maximum of 175 bps, if this ratio is greater than or equal to 4.

The contract requires, as a financial constraint, compliance at the consolidated level with:

- a minimum ratio between consolidated EBITDA and net financial expenses, equal to at least 4.5 at the date of each annual financial report during the term of this contract, with the exception of the audits as at 30 June 2023 and 31 December 2023 for which the minimum ratio has been defined as at least equal at 3.5;
- a maximum ratio of net financial indebtedness to EBITDA as described below:
  - v. no more than 3.5 as at 31 December 2022 and
  - vi. no more than 4.25 as at 30 June 2023;
  - vii. no more than 4 as at 31 December 2023;
  - viii. no more than 3.5 on each subsequent Determination Date starting on 30 June 2024.

Compliance with financial constraints as at 31 December 2022 was remedied, following the subordinated shareholder loan obtained in March 2023. In this regard, see what is reported in paragraph 2.2 "General principles of preparation".

C) LOANS FROM SUBSIDIARIES

c1) GVS Japan KK loan

At 31 December 2022, GVS obtained a loan from GVS Japan KK for a total of Euro 5,336 thousand. The loan contract, the amount of which is to be used exclusively to finance operating activities, provides for an interest rate equal to the change in each six-month period (from January to July and from July to December) in the six-month Libor plus a spread of 1.53%.

c2) GVS Korea Ltd loans

At 31 December 2022, GVS obtained various loans from GVS Kora Ltd for a total of Euro 4,555 thousand. The loan contracts, the amounts of which are to be used exclusively to finance the operating activities, provide for an interest rate equal to the six-month USD Libor plus a spread of 2.0%.

c3) GVS Filter Technology UK Loan

At 31 December 2022, GVS obtained a loan from GVS Filter Technology UK Ltd for a total of Euro 8,954 thousand. The loan contract, the amount of which is to be used exclusively to finance operating activities, provides for an interest rate equal to the one-year GBP Libor plus a spread of 0.3%.

c4) Haemotronic SpA loans

During 2022, GVS signed a loan agreement for an amount of Euro 25,000 thousand. The loan contract, the amount of which is to be used exclusively to finance the operating activities, provides for an interest rate equal to the six-month Euribor plus a spread of 1.13%.

The tables below report, for the period under examination, changes in financial liabilities resulting from cash flows generated and/or absorbed by financing, and deriving from non-monetary elements, as required by IAS 7.

(in thousands of Euro)	At 01 January 2022	Opening	Reclassification	Repayment	Variation in accrued payables on interest	Amortised cost	(Profits) losses on exchanges	GVS Sud merger	At 31 December 2022
Non-current financial liabilities	194,902	262,790	(413,403)	-	-	-	(358)	(1,034)	43,931
Current financial liabilities	41,481	-	413,403	(22,639)	1,668	(967)	-	-	431,912
Total financial liabilities	**236,383**	**262,790**	**-**	**(22,639)**	**1,668**	**(967)**	**(358)**	**(1,034)**	**475,843**

6.17 Net financial indebtedness and net financial position

In accordance with the requirements of the CONSOB communication of 28 July 2006 and in compliance with ESMA guidelines 04 March 2021(ESMA32-382-1138), the net financial debt of the Company at 31 December is reported.

	Net financial indebtedness and net financial position of the Parent Company GVS SpA *(in thousands of Euro)*	**31 Dec. 2022**	**31 Dec. 2021**
	Cash	35	32
	Cash on hand	35,326	82,815
	Shares held for trading	-	-
(A)	**Liquidity**	**35,361**	**82,847**
	Financial receivables from subsidiaries	26,174	17,478
	Financial receivables from other Group companies		
	Financial receivables due to leasing	-	-
	Other financial receivables		
(B)	**Current financial receivables**	**26,174**	**17,478**
(C)	Current bank debts		
(D)	Current portion of non-current indebtedness	(431,912)	(41,481)
	Financial payables to other companies in the GVS Group due to leasing	(838)	(509)
	Financial payables for leasing	(288)	(393)
	Other financial payables		(264)
(E)	Other current financial payables	(1,126)	(1,166)
(F)	**Current financial indebtedness (C)+(D)+(E)**	**(433,039)**	**(42,647)**
(G)	**Net current financial indebtedness (A)+(B)+(F)**	**(371,504)**	**57,679**
	Non-current bank debts	(86)	(155,320)
	Non-current bonded loans		(24,758)
	Non-current financial payables to subsidiaries	(43,845)	(14,824)
	Financial payables to other companies in the GVS Group due to leasing	(872)	(730)
	Non-current financial payables for leasing	(307)	(262)
	Non-current derivative instruments	-	-
	Other financial payables	(33,063)	-
(H)	**Non-current financial indebtedness**	**(78,173)**	**(195,894)**
(I)	**Net financial indebtedness (G)+(H)**	**(449,677)**	**(138,215)**
	Non-current derivative instruments	6,648	123
	Non-current financial receivables from subsidiaries	269,207	214,378
	Financial payables for leasing	2,305	1,894
(H)	**Total net financial position**	**(171,516)**	**78,180**

The net financial position of the Company excluding current and non-current leases, recognised in accordance with IFRS 16 and including the non-current portion of financial receivables to subsidiaries, amounts to negative € 171,516 thousand and positive € 78,180 thousand as of 31 December 2022 and 31 December 2021.

6.18 Provisions for employee benefits

The table below shows the breakdown and movements of provisions for employee benefits in the years ending on 31 December 2021 and 31 December 2022.

(in thousands of Euro)	**Termination indemnity**	**End of office indemnity**	**Provisions for employee benefits**
Balance as of 31 December 2020	**1,164**	**1,617**	**2,781**
Current service cost	-	81	81
Financial charges	3	-	3
Actuarial losses/(profits)	9	1	10
Benefits paid	(265)	-	(265)
Balance as of 31 December 2021	**911**	**1,699**	**2,609**
Current service cost	140	80	220
GVS Sud Srl merger	1,756	-	1,756
Financial charges	7	6	13
Actuarial losses/(profits)	(473)	(286)	(759)
Benefits paid	(217)	-	(217)
Balance as of 31 December 2022	**2,123**	**1,499**	**3,622**

Provisions for employees represent an estimate of the Company's obligation, determined on the basis of actuarial techniques, representing the amount to be paid to employees upon termination of their employment.

As of 31 December 2021 and 31 December 2022, provisions for employee benefits represented termination indemnity (known in Italy as "**TFR**") allocated for employees and end of service indemnity (known in Italy as "**TFM**") allocated for directors.

Termination indemnity (TFR)

Employee benefits for TFR amount to Euro 2,123 thousand and Euro 911 thousand on 31 December 2022 and 31 December 2021, respectively.

The value of the payable represented by termination indemnity, which falls under the definition of defined benefit plans according to IAS 19, has been determined on the basis of actuarial logic. The principal actuarial, financial and demographic hypotheses used to determine the value of the liability as of 31 December 2021 and 31 December 2022 in accordance with the provisions of IAS 19 are listed below.

	At 31 December	
(As a percentage)	2022	2021
Financial hypotheses		
Annual actualisation rate	3.77%/3.63%	0.98%
Annual inflation rate	5.9% for 2023, 2.3% for 2024, 2% from 2025	1.20%
Annual rate of increase in overall pay	Inflation + 1%	2.20%
Annual rate of increase in the termination indemnity	5.9% for 2023, 3.33% for 2024, 3% from 2025	2.40%
Demographic hypotheses		
Death	Table illustrating probability of death, as determined by the State General Accounting Office, known as RG48	Table illustrating probability of death, as determined by the State General Accounting Office, known as RG48
Invalidity	Probability adopted in the INPS form for projections as of 2010	Probability adopted in the INPS form for projections as of 2010
Retirement	Reaching the first of the valid retirement requirements for Obligatory General Insurance	Reaching the first of the valid retirement requirements for Obligatory General Insurance
Probability of advancing termination indemnity	3.00%	3.00%
Annual turnover	2.50%	2.50%

The table below sums up the sensitivity analysis for each actuarial, financial and demographic hypothesis, showing the effects (in absolute terms) that would result from changes in the actuarial hypotheses reasonably considered possible as of 31 December 2021 and 31 December 2022.

	Annual actualisation rate		Annual inflation rate		Annual turnover	
(in thousands of Euro)	+0.50%	-0.50%	+0.25%	-0.25%	+2.00%	-2.00%
Employee benefits (termination indemnity) as of 31 December 2022	(138)	(56)	104	10	(8)	(6)
Employee benefits (termination indemnity) as of 31 December 2021	(39)	41	11	(12)	(9)	11

End of office indemnity (TFM)

Employee benefits for TFM amount to Euro 1,499 thousand and Euro 1,699 thousand on 31 December 2022 and 31 December 2021, respectively.

The value of the payable represented by end of service indemnity, which falls under the definition of defined benefit plans according to IAS 19, has been determined on the basis of actuarial logic. The principal actuarial, financial and demographic hypotheses used to determine the value of the liability as of 31 December 2021 and 31 December 2022 in accordance with the provisions of IAS 19 are listed below.

	At 31 December	
(As a percentage)	2022	2021
Financial hypotheses		
Annual actualisation rate	3.57%	0.29%
Annual rate of increase in overall pay	0.00%	0.00%
Annual rate of increase in end of service indemnity	0.00%	0.00%
Demographic hypotheses		
Death	Table illustrating probability of death, as determined by the State General Accounting Office, known as RG48	Table illustrating probability of death, as determined by the State General Accounting Office, known as RG48
Invalidity	Probability adopted in the INPS form for projections as of 2010	Probability adopted in the INPS form for projections as of 2010
Retirement	Reaching the age of 65, if subsequent to the end of the term of office, or the end date of the term of office	Reaching the age of 65, if subsequent to the end of the term of office, or the end date of the term of office
Annual turnover	2.50%	2.50%

The table below sums up the sensitivity analysis for each actuarial, financial and demographic hypothesis, showing the effects (in absolute terms) that would result from changes in the actuarial hypotheses reasonably considered possible as of 31 December 2021 and 31 December 2022.

	Annual actualisation rate		Annual turnover	
(in thousands of Euro)	+0.50%	-0.50%	+2.00%	-2.00%
Employee benefits (end of service indemnity) as of 31 December 2022	(34)	36	113	(129)
Employee benefits (end of service indemnity) as of 31 December 2021	(47)	51	130	(152)

6.19 Provisions for risks and charges

The table below shows the breakdown and movements of provisions for risks and charges in the years ending on 31 December 2021.

(in thousands of Euro)	Provisions for risks and charges
Balance as of 31 December 2020	**1,000**
Allocation	2,000
Use	-
Balance as of 31 December 2021	**3,000**
Allocation	3,158
Use	(1,315)
Balance as of 31 December 2022	**4,843**

In 2018 the Parent Company underwent a verification by the Italian tax authorities (Agenzia delle Entrate) for the 2015 fiscal year, as a result of which a formal report of verification was issued. During December 2020, the Company settled the refutations relating to the same report of verification by means of verification with acceptance procedure. During the current year, the Company also received verification notices from the Revenue Agency for the 2016 tax period relating to the transfer price and consequently as a prudential measure, supported by its consultants, made a further provision of Euro 1,000 thousand, in addition to the amount set aside in previous years.

In addition, during the period under review, the Group set aside the amount of Euro 1,557 thousand in the income statement item "other personnel costs", against non-recurring charges relating to the personnel reorganization process started during 2022 and in the income statement item "other operating costs" the amount of Euro 600 thousand for a dispute with a customer. Uses in the period refer almost exclusively to payments made to the personnel, following the implementation of the aforementioned reorganization plan.

6.20 Trade payables

The table below reports details of trade payables as of 31 December 2021 and 31 December 2022.

	At 31 December	
(in thousands of Euro)	**2022**	**2021**
Trade payables to suppliers	9,655	6,397
Trade payables to subsidiaries	2,439	21,731
Trade payables from other related parties	-	-
Trade payables	**12,094**	**28,128**

Trade payables primarily regard transactions for the purchase of raw materials, components and services. The reduction is mainly attributable to the subsidiary GVS Sud Srl, merged by incorporation into GVS SpA during the year.

Trade payables to related parties are analysed in note 9, "Transactions with related parties".

The book value of trade payables is considered to approximate their fair value.

6.21 Current tax receivables and payables

Current tax receivables amounted to Euro 2,972 thousand and Euro 2,922 thousand at 31 December 2022 and 31 December 2021 respectively.

Current tax payables amount to Euro 191 thousand and refer exclusively to the payable for IRAP.

Changes in the net balance of these assets and liabilities in the years ending on 31 December 2022 and 31 December 2021 primarily pertain to allocation of current income taxes amounting to Euro 2,068 thousand, Euro and Euro 1,246 thousand and payments of Euro 1,813 thousand, thousand and Euro 9,359 thousand, respectively.

6.22 Other current payables and liabilities

The table below reports details of other current payables and liabilities as of 31 December 2021 and 31 December 2022.

	At 31 December	
(in thousands of Euro)	**2022**	**2021**
Payable to employees	4,960	4,138
Payable to social security institutions	1,249	1,305
Deferred income	2	950
Tax payables	1,201	865
Payable to directors	858	1,171
Accrued payables	78	23
Payables to group companies for "EBIT adjustment"	3,326	-
Other	430	68
Other current payables and liabilities	**12,104**	**8,520**

Payables to employees primarily reflect salaries payable and deferred charges such as holidays, leave and bonuses.

Payables to subsidiaries for EBIT adjustment are related to the transfer price policy applied by the group during 2022.

Payables to social security institutions primarily represent payment of contributions owned to pension and social security institutions.

Tax payables as of 31 December 2021 and 31 December 2022 primarily include tax payables for taxes not correlated to income, consisting primarily of withholding tax on employees' pay.

7. Notes to the income statement

7.1 Revenues from contracts with customers

The table below breaks down revenues from contracts with customers by type of product in the years ending on 31 December 2021 and 31 December 2022.

	Financial year ended 31 December	
(in thousands of Euro)	**2022**	**2021**
Healthcare Liquid	56,579	53,873
Healthcare Air & Gas	642	719
Laboratory	4,904	3,702
Healthcare & Life Sciences	**62,125**	**58,294**
Powertrain & Drivetrain	1,566	1,803
Safety & Electronics	12,102	15,468
Energy & Mobility	**13,668**	**17,271**
Personal Safety	2,118	14,282
Air Safety	196	108
Health & Safety	**2,314**	**14,390**
Revenue from customer contracts	**78,107**	**89,955**

The decrease in revenues in the period ended 31 December 2022 compared to the same period of the previous year is mainly attributable to the performance of the Health & Safety division and the Energy & Mobility division. Revenues of the Healthcare & Life Sciences division grew during the year in question due to the resumption of a sustained growth trend in both the Healthcare Liquid business and the laboratory business.

The table below breaks down revenues from contracts with customers by geographic area in the years ending on 31 December 2021 and 31 December 2022.

	Financial year ended 31 December	
(in thousands of Euro)	**2022**	**2021**
North America	22,474	20,599
Europe	31,447	42,955
Asia	20,090	22,518
Other	4,096	3,883
Total revenue from customer contracts	**78,107**	**89,955**

Revenues as of 31 December 2022 are mainly attributable to the sale of finished products.

7.2 Other revenues and proceeds

The table below breaks down other revenues and proceeds in the years ending on 31 December 2021 and 31 December 2022.

	Financial year ended 31 December	
(in thousands of Euro)	**2022**	**2021**
Recovery and chargeback	2,388	2,192
Contributions for operating expenses	277	54
Insurance refunds	9	36
Recovery of scrap	108	59
Capital gains on sales	2	6
Operating revenues from group companies for "EBIT adjustment"	2,667	-
Other	274	258
Other revenues and proceeds	**5,725**	**2,605**

Contributions for operating expenses mainly refer to a grant obtained from the European Commission for a specific project.

Operating revenue from subsidiaries for EBIT adjustment relate to the transfer price policy applied by the Group during 2022.

7.3 Purchases and consumption of raw materials, semi-products and finished products

The table below breaks down purchases and consumption of raw materials, semi-products and finished products in the years ending on 31 December 2021 and 31 December 2022.

	Financial year ended 31 December	
(in thousands of Euro)	**2022**	**2021**
Purchases of raw materials, finished products, components and consumables	32,630	43,710
Variation in inventories of products in progress, semi-products and finished products	(1,329)	36
Variation in inventories of raw materials, subsidiary materials and goods	(22)	(1,457)
Purchases and consumption of raw materials, semi-products and finished products	**31,279**	**42,289**

This item includes allocation to the provision for writedown of inventory amounting to Euro 50 thousand in the year ending on 31 December 2022 and Euro 50 thousand in the year ending on 31 December 2021.

7.4 Personnel costs

The table below breaks down personnel costs in the years ending on 31 December 2021 and 31 December 2022.

	Financial year ended 31 December	
(in thousands of Euro)	**2022**	**2021**
Salaries and wages	19,874	19,340
Social security contributions	5,714	5,392
Cost of termination indemnity	1,035	883
Other personnel costs	1,558	-
Personnel costs	**28,181**	**25,615**

The increase in personnel costs in the period ended 31 December 2022, compared to the previous year, is mainly due to the merger by incorporation of GVS Sud Srl. Furthermore, the item other personnel costs includes non-recurring charges relating to costs set aside for the personnel reorganization started in 2022 for a total amount of Euro 1,558 thousand.

The table below reports the average number of Company employees in the years ending on 31 December 2021 and 31 December 2022, broken down by category.

	Financial year ended 31 December	
(In units)	**2022**	**2021**
Blue-collar workers	250	184
White-collar workers	113	124
Management	20	17
Executives	20	17
Total employees	**403**	**342**

7.5 Service costs

The table below breaks down service costs in the years ending on 31 December 2021 and 31 December 2022.

	Financial year ended 31 December	
(in thousands of Euro)	**2022**	**2021**
Utilities and cleaning services	2,071	1,622
Maintenance	597	925
Transportation	363	723
Consulting services	1,930	1,192
Travel and lodging	1,028	439
Subcontracting	2,476	3,230
Marketing and trade fairs	218	325
Insurance	694	678
Cafeteria	277	271
Commissions	149	168
Directors' fees	3,205	3,430
Other services	1,558	2,568
Service costs	**14,566**	**15,571**

Service costs, in the period ended 31 December 2022, include, for Euro 553 thousand, costs relating to services received on an exceptional and non-recurring basis.

7.6 Other operating costs

The table below breaks down other operating costs in the years ending on 31 December 2021 and 31 December 2022.

	Financial year ended 31 December	
(in thousands of Euro)	**2022**	**2021**
Leasing costs	493	373
Indirect taxation	42	46
Membership fees and charity contributions	189	318
Allocation to provision for risks	600	-
Operating costs from group companies for "EBIT adjustment"	3,326	-
Other minor costs	541	338
Other operating costs	**5,191**	**1,075**

Leasing costs include: (*i*) leasing fees for properties of modest value, for which the Company avails itself of the exemption permitted under IFRS 16 and, (*ii*) costs connected with use of property under leasing agreements not subject to IFRS 16.

Operating costs from subsidiaries or EBIT adjustment are related to the transfer price policy applied by the Group during 2022.

The item other operating costs, for the year ended 31 December 2022, also includes charges set aside for a dispute and request received from a specific customer, for Euro 600 thousand.

7.7 Net writedowns of financial assets

Net writedowns of financial assets, entered on the basis of the requirements of IFRS 9, totalled Euro 49 thousand and Euro 60 thousand in the years ending on 31 December 2022 and 31 December 2021, respectively, and represent writedown of trade receivables.

A breakdown of movements in the provision for writedown of receivables for the years ending on 31 December 2021 and 31 December 2022 appears in note 6.9 - "Trade receivables"..

7.8 Amortisation, depreciation and writedowns

The table below breaks down amortisation, depreciation and writedowns in the years ending on 31 December 2021 and 31 December 2022.

	Financial year ended 31 December	
(in thousands of Euro)	**2022**	**2021**
Amortisation and writedowns of intangible assets	219	239
Depreciation and writedowns of tangible assets	4,115	3,782
Amortisation and writedowns of assets represented by usage rights	1,273	899
Amortisation, depreciation and writedowns	**5,608**	**4,921**

A breakdown of the composition of, and movements in, intangible assets and tangible assets for the years ending on 31 December 2021 and 31 December 2022 is provided in notes 6.1 and 6.3. Information on assets represented by usage rights in the period examined appears in note 6.2.

7.9 Financial proceeds and charges

The table below breaks down financial proceeds in the years ending on 31 December 2021 and 31 December 2022.

	Financial year ended 31 December	
(in thousands of Euro)	**2022**	**2021**
Interest income	14,086	3,782
Net profits on exchanges	18,045	11,580
Other financial proceeds	16	4
Financial proceeds	**32,147**	**15,366**

Interest income is only attributable to loans granted by GVS to subsidiaries (see Note 6.6).

The table below breaks down financial charges in the years ending on 31 December 2021 and 31 December 2022.

	Financial year ended 31 December	
(in thousands of Euro)	**2022**	**2021**
Interest on bonded loans	1,268	1,704
Interest on loans	4,439	291
Interest on leasing liabilities	14	24
Interest on actualisation of provisions for employee benefits	13	3
Amortised cost	420	144
Interest for discounting for earn out	1,544	11
Other financial charges	1,062	249
Financial charges	**8,761**	**2,426**

Financial income and financial charges in the years ending 31 December 2021 and 31 December 2022 include the net unrealized exchange gains deriving from the adjustment in Euro of intra-group loans granted in dollars by GVS to the subsidiaries GVS NA Holdings Inc., GVS Technology (Suzhou) Co. Ltd., and GVS Filter Technology de Mexico, net of the exchange effect of the bond loan denominated in dollars.

7.10 Income and expense from equity investments

The table below breaks down financial proceeds and expense from equity investments for the years ending on 31 December 2021 and 31 December 2022.

	Financial year ended 31 December	
(in thousands of Euro)	**2022**	**2021**
Dividends from equity investments	5,152	29,508
Revaluations (write-downs) from equity investments	(10)	(44)
Income and expense from equity investments	**5,142**	**29,464**

The table below breaks down equity investments for the years ending on 31 December 2021 and 31 December 2022.

	Financial year ended 31 December	
(in thousands of Euro)	**2022**	**2021**
GVS do Brasil Ltda	1,952	4,753
Fenchurch Environmental Group Ltd	-	17,857
GVS Microfiltrazione Srl	3,200	6,898
Total dividends from equity investments	**5,152**	**29,508**

7.11 Annual income tax

The table below breaks down annual income tax in the years ending on 31 December 2021 and 31 December 2022.

	Financial year ended 31 December	
(in thousands of Euro)	**2022**	**2021**
Current taxes	2,068	1,246
Deferred taxes	3,644	4,758
Non-recurring taxes	1,348	1,727
Income tax	**7,060**	**7,731**

The table below reconciles the theoretical tax rate with the effective impact of taxation on the pre-tax result in the years ending on 31 December 2021 and 31 December 2022.

	Financial year ended 31 December	
(in thousands of Euro)	2022	2021
Pre-tax result	**27,487**	**45,434**
Theoretical tax rate	24.0%	24.0%
Theoretical tax burden	**6,597**	**10,904**
Permanent differences effects of taxation	(1,198)	(6,127)
IRAP (Regional production tax)	555	572
Other	1,106	2,382
Income tax	**7,060**	**7,731**

7.12 Net profit per share

The table below reports net profit per share, calculated as the ratio between net profit and the weighted average number of ordinary shares in circulation in the period, excluding treasury shares.

	Financial year ended 31 December	
	2022	2021
Net profit (in € thousand)	20,428	37,703
Weighted average number of shares in circulation	174,562,162	174,693,198
Profit per share (in Euro)	**0.12**	**0.22**

Diluted earnings per share at 31 December 2022 was positive at 0.12 (positive at € 0.22 at 31 December 2021) calculated by dividing the result attributable to the shareholders of GVS SpA by the weighted average number of shares in circulation, adjusted to take into account the effects of all potential ordinary shares with dilutive effect. As potential ordinary shares with dilutive effect, those linked to the performance shares plan have been considered.

8. Non-recurring revenues and operating costs

It should also be noted that, in compliance with the provisions of the CONSOB Resolution 15519 of 27 July 2006 and CONSOB Communication No. DEM/6064293 of 28 July 2006, the income statement has been presented as an annex with separate indication of the amounts of costs and revenues deriving from non-recurring operations.

Non-recurrent proceeds and charges in the period ending on 31 December 2022 represent: (i) costs set aside for the reorganization process relating to the Company's personnel (totalling Euro 1,558 thousand); (ii) consulting costs relating to company acquisitions and/or services received/used exceptionally (Euro 553 thousand); (ii) the interest recorded following the discounting of payables for earn out for the acquisitions of the RPB and Haemotronic groups (Euro 1,544 thousand), net of the related effect of taxation. Non-recurring charges for taxes also include € 1,000 thousand relating to the costs of the tax dispute with the Company.

Non-recurring income and expenses for the period ended 31 December 2021 refer to (iii) CONSOB supervisory costs paid lump sum in relation to the IPO procedure (Euro 991 thousand) and consultancy costs for the purchase of the RPB group and for other extraordinary transactions in place (Euro 16 thousand); and finally to (v) the interest recorded following the discounting of the debt for earn out to be paid for the aforementioned acquisition (Euro 11 thousand), net of the related tax effect. Non-recurring charges for taxes also include € 2,000 thousand relating to the costs of the tax dispute with the Company.

9. Transactions with related parties

Transactions carried out with related parties identified on the basis of the criteria set forth in IAS 24 are primarily of a commercial and financial nature, and are conducted under regular market conditions.

The tables below provide details of economic and capital relations with related parties. The companies indicated have been identified as related parties because they are directly or indirectly linked to the Company's reference shareholders.

The table below sums up the Company's payables and receivables in relation to related parties at 31 December 2021 and 31 December 2022.

(in thousands of Euro)	Subsidiary companies	GVS Group	GVS Real Estate	Top man-agement	Total	Total item in the financial statement	Impact on the financial statement
Assets represented by usage rights							
At 31 December 2022	-	-	1,238	-	**1,238**	**2,227**	**55.6%**
At 31 December 2021	-	-	927	-	**927**	**1,870**	**49.6%**
Tangible fixed assets							
At 31 December 2022	-	-	-	14	**14**	**27,241**	**0.1%**
At 31 December 2021	-	-	-	18	**18**	**24,324**	**0.1%**
Non-current financial assets							
At 31 December 2022	269,207	-	-	-	**269,207**	**271,250**	**99.2%**
At 31 December 2021	214,378	-	-	-	**214,378**	**214,402**	**100.0%**
Trade receivables							
At 31 December 2022	18,699	20	21	41	**18,781**	**29,419**	**63.8%**
At 31 December 2021	11,607	12	-	-	**11,619**	**23,176**	**50.1%**
Current tax receivables							
At 31 December 2022	-	2,973	-	-	**2,973**	**2,973**	**100.0%**
At 31 December 2021	-	2,820	-	-	**2,820**	**2,922**	**96.5%**
Current financial assets							
At 31 December 2022	26,174	-	-	-	**26,174**	**26,174**	**100.0%**
At 31 December 2021	17,478	-	-	-	**17,478**	**17,478**	**100.0%**
Other receivables and current assets							
At 31 December 2022	4,972	-	-	-	**4,972**	**9,005**	**55.2%**
At 31 December 2021	5,740	-	12	-	**5,752**	**8,718**	**66.0%**
Non-current financial liabilities							
At 31 December 2022	43,845	-	-	-	**43,845**	**43,931**	**99.8%**
At 31 December 2021	14,824	-	-	-	**14,824**	**194,902**	**7.6%**
Non-current leasing liabilities							
At 31 December 2022	-	-	872	-	**872**	**1,179**	**74.0%**
At 31 December 2021	-	-	730	-	**730**	**992**	**73.6%**
Provisions for employee benefits							
At 31 December 2022	-	-	-	1,499	**1,499**	**3,623**	**41.4%**
At 31 December 2021	-	-	-	1,699	**1,699**	**2,610**	**65.1%**
Current leasing liabilities							
At 31 December 2022	-	-	838	-	**838**	**1,126**	**74.4%**
At 31 December 2021	-	-	509	-	**509**	**902**	**56.4%**
Trade payables							
At 31 December 2022	2,439	-	-	-	**2,439**	**12,094**	**20.2%**
At 31 December 2021	21,731	-	-	-	**21,731**	**28,128**	**77.3%**
Other current payables and liabilities							
At 31 December 2022	3,326	-	-	2,227	**5,553**	**12,104**	**45.9%**
At 31 December 2021	963	-	-	2,359	**3,322**	**8,520**	**39.0%**

The table below lists the Company's economic relations with related parties for the years ending on 31 December 2021 and 31 December 2022.

(in thousands of Euro)	Subsidiary companies	GVS Group	GVS Real Estate	Top man-agement	Total	Total item in the financial statement	Impact on the financial statement
Revenue from customer contracts							
Financial year ended 31 December 2022	24,199	-	-	-	**24,199**	**78,107**	**31.0%**
Financial year ended 31 December 2021	29,323	-	-	-	**29,323**	**89,955**	**32.6%**
Other revenues and proceeds							
Financial year ended 31 December 2022	4,711	20	10	41	**4,782**	**5,725**	**83.5%**
Financial year ended 31 December 2021	2,152	10	10	-	**2,172**	**2,605**	**83.4%**
Purchases and consumption of raw materials, semi-products and finished products							
Financial year ended 31 December 2022	7,360	-	-	-	**7,360**	**31,279**	**23.5%**
Financial year ended 31 December 2021	18,095	-	-	-	**18,095**	**42,289**	**42.8%**
Personnel costs							
Financial year ended 31 December 2022	-	-	-	3,373	**3,373**	**28,181**	**12.0%**
Financial year ended 31 December 2021	-	-	-	3,418	**3,418**	**25,615**	**13.3%**
Service costs							
Financial year ended 31 December 2022	2,293	-	-	3,205	**5,498**	**14,566**	**37.7%**
Financial year ended 31 December 2021	3,233	-	-	3,430	**6,663**	**15,571**	**42.8%**
Other operating costs							
Financial year ended 31 December 2022	3,326	-	-	-	**3,326**	**5,191**	**64.1%**
Amortisation, depreciation and writedowns							
Financial year ended 31 December 2022	-	-	795	-	**795**	**5,607**	**14.2%**
Financial year ended 31 December 2021	-	-	390	-	**390**	**4,921**	**7.9%**
Financial proceeds							
Financial year ended 31 December 2022	13,886	-	-	-	**13,886**	**32,147**	**43.2%**
Financial year ended 31 December 2021	3,782	-	-	-	**3,782**	**15,366**	**24.6%**
Financial charges							
Financial year ended 31 December 2022	677	-	16	-	**693**	**8,761**	**7.9%**
Financial year ended 31 December 2021	154	-	12	-	**166**	**2,426**	**6.8%**
Income and expense from equity investments							
Financial year ended 31 December 2022	5,142	-	-	-	**5,142**	**5,142**	**100.0%**
Financial year ended 31 December 2021	29,508	-	-	-	**29,508**	**29,464**	**100.1%**

TRANSACTIONS WITH SUBSIDIARY COMPANIES

Provision of certain quality control services by GVS Microfiltrazione S.r.l. for the benefit of GVS

GVS has a relationship with GVS Microfiltrazione S.r.l. based on which the subsidiary provides a quality control service aimed at certifying that these products meet specific technical requirements.

Service costs for the financial years ended 31 December 2021 and 31 December 2022 mainly relate to the quality control services described above.

Loans granted by GVS to subsidiaries

Financial assets (current and non-current) and financial income are mainly attributable to the loans granted to GVS NA Holdings intended to finance the KUSS and RPB acquisitions, to the loan granted in 2022 to the Chinese subsidiary GVS Technology (Suzhou) Co. Ltd for the STT acquisition, as well as to minor loans granted by GVS to the subsidiaries to be used to finance related operations and to refinance their existing debt (see the related notes 6.6 and 7.9).

TRANSACTIONS WITH THE GVS GROUP

The Company participates in the optional national tax consolidation system under GVS Group S.r.l. Current tax receivables at 31 December 2021 and 31 December 2022 refer exclusively to this case.

TRANSACTIONS WITH GVS REAL ESTATE

GVS stipulated leasing agreements with GVS Real Estate S.r.l., for production sites and warehouses, one of which includes the Company's registered offices in Zola Predosa (BO). On the basis of these lease contracts, at 31 December 2022, the Company recorded assets represented by usage rights and relative leasing liabilities for Euro 1,238 thousand and Euro 1,710 thousand, as well as depreciation and financial charges for Euro 795 thousand and Euro 17 thousand respectively at 31 December 2022.

TRANSACTIONS WITH TOP MANAGEMENT

As of the date of the 2022 financial statements the following are considered members of the Group's Top Management:

- the chief executive officer;
- the chief financial officer;
- the chief operation officer;
- the managers of the (*i*) Healthcare & Life Sciences; (*ii*) Health & Safety; (*iii*) Energy & Mobility; (iv) Research & Development divisions and the director of human resources;
- the Chairman of the Board of Directors.

The table below provides details of fees payable to members of Top Management in the years ending on 31 December 2021 and 31 December 2022, including contributions.

	Financial year ended 31 December	
(in thousands of Euro)	**2022**	**2021**
Fees for office held	1,367	1,218
Bonuses and other incentives	1,805	2,032
Other fees	202	169
Directors' fees	3,205	3,430
Total	**6,577**	**6,848**

Please note that:

- other current payables and liabilities as of 31 December 2022 include payables to directors for fees not yet paid totalling Euro 858 thousand (Euro 1,171 thousand at 31 December 2021);
- provisions for employee benefits as of 31 December 2022 include the value of end of service indemnity for directors totalling Euro 1,499 thousand (Euro 1,699 thousand at 31 December 2021);
- costs for services for the period ended 31 December 2022 include directors' fees, expenses tied to the performance share plan and allocations to the provisions for end of service indemnity for a total amount of Euro 3,205 thousand (Euro 3,430 thousand for the period ended 31 December 2021).

10. Commitments and risks

Sureties and guarantees granted to third parties

As of 31 December 2022 the Company has no existing sureties or guarantees.

Potential liabilities

Given that the Company operates internationally, it is exposed to legal risks primarily due to professional, corporate and tax liability. Disbursements relating to ongoing or future proceedings cannot be forecast with certainty and it is possible that court outcomes may result in costs not covered or not fully covered, by insurance claims having an effect on the Company's financial situation and results. On the other hand, where it is likely to be due to an outlay of resources to meet obligations and this amount can be reliably estimated, the Company made specific allocations to the provision for risks and charges.

11. Directors' and auditors' fees

Emoluments for the 2022 financial year due to directors (including bonuses, charges related to the performance shares plan, provisions for severance indemnity and related contributions) and statutory auditors amounted to Euro 3,205 thousand and Euro 95 thousand, respectively.

The following table gives details of the remuneration for executive directors and non-executive directors in 2022.

(in thousands of Euro)	**2022**
Chairman of the Board of Directors	260
Executive Directors	2,795
Non-executive directors	150
Total cost	**3,205**

No loans or advances were granted to directors or shareholders during the year.

12. Independent auditor's fees

The independent auditor's fees amount to Euro 482 thousand and Euro 241 thousand for the years ending on 31 December 2022 and 31 December 2021, respectively. In compliance with the provisions of Art. 149-*duodecies* of the CONSOB Issuers Regulation, the fees for 2022 for audit services and other services provided by the independent auditors and entities belonging to its network and others have been attached.

13. Research and development

The Company's R&D work aims to introduce new products and implement new production processes. These activities are divided into a number of different phases, from conception and start of the process of designing and new product process to large-scale industrial production.

Research and development expenses amounted to €3,376 thousand and €4,395 thousand for the years ended 31 December 2021 and 31 December 2022.

14. Events of significance following the close of the financial period

Provision by the majority shareholder of a subordinated and unsecured loan

On 8 March 2023, as part of activities aimed at ensuring compliance with the contract covenants for the measurement of 31 December 2022, GVS SpA signed a contract with the majority shareholder GVS Group Srl, concerning a subordinated and unsecured shareholder loan of Euro 75 million maturing on 31 December 2027, disbursed the day following the signing of the contract.

This solution made it possible, after the end of the financial year as at 31 December 2022, to remedy compliance with the level of financial covenants leverage ratio (equal to 3.5x), as resulting following the agreements reached with the financial counterparties on 23 December 2022. In particular, the amount of the shareholder loan was determined on the basis of the preliminary information available and which sees at 31 December 2022 a consolidated net financial position of approximately Euro 375 million and an adjusted EBITDA pro-forma (which considers the 12-month EBITDA of the business combinations carried out during 2022) for the purposes of calculating the financial covenants of approximately Euro 86 million.

Agreement for the modification of the interest coverage ratio of the financial covenant

On 8 March 2023, the Company reached an agreement with (i) the pool of lender banks of the credit lines (EUR 230 million, expiring in 2027 and EUR 150 million, expiring in 2026) and the credit institutions regarding the outstanding bilateral loans, as well as (ii) the bondholders referred to in the bond loans (EUR 40 million, maturing in 2024, and USD 35 million, maturing in 2024), for the modification of the interest coverage ratio of the financial covenant. The agreement provides for a lowering of the interest coverage ratio parameter for the checks as at 30 June 2023 and 31 December 2023 compared to the levels set at the time of signing the loans and the subscription agreements of the bond loans (from 4.5x to 3.5x).

The redefinition of this parameter was negotiated on a prudential basis to take into account a scenario in 2023 of an increase in financial expenses for the Company as a result of the rate increase policy implemented by the European Central Bank to combat inflation.

15. Disclosures pursuant to Art. 1, paragraph 125 of Law 124 dated 4 August 2017

In relation to the provisions of Art. 1, paragraph 125 of Law 124/2017, concerning the obligation to disclose in the explanatory notes any sums of money received during the financial year by way of subsidies or grants from the public administrations and entities referred to in paragraph 125 of that article, the Company hereby certifies that during 2022 the following sums were received:

Disbursing subject	Grant received (in thousands of Euro)	Reason
European funding body	130	EIT manufacturing
MISE	54	Research and development grant
Invitalia	52	Curaitalia Tender call

16. Approval of the Financial Statements and authorisation for publication

The Financial Statements ending on 31 December 2022 were approved on 21 March 2023 by the Board of Directors, which authorised their publication within the legal deadline.

Zola Predosa, 21 March 2023

For the Board of Directors
Chief Executive Officer
Massimo Scagliarini

Schedules Attached to the Financial Statements

Statement of financial position, with indication of the amounts of positions with related parties

(in thousands of Euro)	At 31 December 2022	of which with related parties	percentage	At 31 December 2021	of which with related parties	percentage
ASSETS						
Non-current assets						
Intangible assets	2,694			2,967		
Assets represented by usage rights	2,227	1,238	55.6%	1,870	927	49.6%
Tangible assets	27,241	14	0.1%	24,324	18	0.1%
Equity investments	333,560			68,131		
Advance tax assets	337			-		
Non-current financial assets	271,250	269,207	99.2%	214,402	214,378	100.0%
Non-current derivative financial instruments	6,648			123		
Other receivables and non-current assets	1,695			-		
Total non-current assets	**645,652**			**311,817**		
Current assets						
Inventories	9,656			7,734		
Trade receivables	29,419	18,781	63.8%	23,176	11,619	50.1%
Assets from contracts with customers	534			2,641		
Current tax receivables	2,973	2,973	100.0%	2,922	2,820	96.5%
Other receivables and current assets	9,005	4,972	55.2%	8,718	5,752	66.0%
Current financial assets	26,174	26,174	100.0%	17,478	17,478	100.0%
Cash on hand	35,361			82,847		
Total current assets	**113,122**			**145,516**		
TOTAL ASSETS	**758,774**			**457,333**		

SHAREHOLDERS' EQUITY AND LIABILITIES						
Share capital	1,750			1,750		
Reserves	183,035			131,243		
Net income	20,428			37,703		
Total shareholders' equity	**205,212**			**170,696**		
Non-current liabilities						
Debt for the purchase of equity investments and earn out	33,063			-		
Non-current financial liabilities	43,931	43,845	99.8%	194,902	14,824	7.6%
Non-current leasing liabilities	1,179	872	74.0%	992	730	73.6%
Deferred tax liabilities	8,881			3,239		
Provisions for employee benefits	3,623	1,499	41.4%	2,610	1,699	65.1%
Provisions for risks and charges	4,843			3,000		
Total non-current liabilities	**95,520**			**204,743**		
Current liabilities						
Debt for the purchase of equity investments and earn out	-			264		
Current financial liabilities	431,912			41,481		
Current leasing liabilities	1,126	838	74.4%	902	509	56.4%
Trade payables	12,094	2,439	20.2%	28,128	21,731	77.3%
Liabilities from contracts with customers	614			2,599		
Current tax payables	191	-		-	-	
Other current payables and liabilities	12,104	5,553	45.9%	8,520	3,322	39.0%
Total current liabilities	**458,041**			**81,894**		
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**758,774**			**457,333**		

Income statement, with indication of the amounts of positions with related parties

	Financial year ended 31 December					
(in thousands of Euro)	**2022**	**of which with related parties**	**percentage**	**2021**	**of which with related parties**	**percentage**
Revenue from customer contracts	78,107	24,199	31.0%	89,955	29,323	32.6%
Other revenues and proceeds	5,725	4,782	83.5%	2,605	2,172	83.4%
Total revenues	**83,833**			**92,560**		
Purchases and consumption of raw materials, semi-products and finished products	(31,279)	(7,360)	23.5%	(42,289)	(18,095)	42.8%
Personnel costs	(28,181)	(3,373)	12.0%	(25,615)	(3,418)	13.3%
Service costs	(14,566)	(5,498)	37.7%	(15,571)	(6,663)	42.8%
Other operating costs	(5,191)			(1,075)		
EBITDA	**4,616**			**8,010**		
Net writedowns of financial assets	(49)			(60)		
Amortisation, depreciation and writedowns	(5,607)	(795)	14.2%	(4,921)	(390)	7.9%
EBIT	**(1,040)**			**3,030**		
Financial proceeds	32,147	13,886	43.2%	15,366	3,782	24.6%
Financial charges	(8,761)	(693)	7.9%	(2,426)	(166)	6.8%
Income and expense from equity investments	5,142	5,142	100.0%	29,464	29,508	100.1%
Pre-tax result	**27,487**			**45,434**		
Income tax	(7,060)			(7,731)		
Net income	**20,428**			**37,703**		

Statement of cash flows, with indication of the amounts of positions with related parties

	Financial year ended 31 December					
(in thousands of Euro)	**2022**	**of which with related parties**	**percentage**	**2021**	**of which with related parties**	**percentage**
Pre-tax result	27,487	30,290	110%	45,434	36,054	79%
- Adjustment for:				-		
Amortisation, depreciation and writedowns	5,607	795	14%	4,921	390	8%
Capital losses / (capital gains) from sale of assets	(2)			(6)		
Financial charges / (proceeds)	(23,386)	693	-3%	(12,940)	166	-1%
Income and expense from equity investments	(5,142)	(5,142)	100%	(29,464)	(29,508)	100%
Other non-monetary variations	4,325	(200)	-5%	2,502	82	3%
Cash flow generated / (absorbed) by operations before variations in net working capital	***8,889***			***10,446***		
Variation in inventories	(339)			(1,090)		
Variation in trade receivables	13,185	(7,162)	-54%	4,882	1,160	24%
Variation in trade payables	(17,581)	(19,292)	110%	(3,861)	(817)	21%
Variation in other assets and liabilities	770	3,011	391%	505	(18,494)	-3659%
Use of provisions for risks and charges and for employee benefits	(1,532)			(265)		
Taxes paid	(1,813)	(1,667)	92%	(9,359)	(7,821)	84%
Net cash flow generated / (absorbed) by operations	**1,580**			**1,259**		
Investments in tangible assets	(6,293)	4	0%	(8,866)	(18)	0%
Investments in intangible assets	(190)			(141)		
Disposal of tangible assets	56			712		
Opening of financial receivables from subsidiaries and other financial assets	(54,425)			(135,812)		
Repayment of financial receivables from subsidiaries	5,024	(63,525)	-1264%	9,393	(138,943)	-1479%
Equity investments	(248,316)			(3,856)		
Dividends from equity investments	8,465	5,142	61%	26,264	29,508	112%
Net cash flow generated / (absorbed) by investment	**(295,679)**			**(112,305)**		
Opening of long-term financial payables	262,790	29,021	11%	156,023	5,840	4%
Repayment of long-term financial payables	(22,639)			(18,543)		
Repayment of leasing liabilities	(1,248)	(635)	51%	(936)	(102)	11%
Financial charges paid	(4,661)	(693)	15%	(2,285)	(166)	7%
Financial proceeds collected	13,602			2,352		
Dividends paid	-		0%	(22,722)	13,650	-60%
Net cash flow generated/(absorbed) by financial assets	**247,844**			**113,889**		
Total variation in cash on hand	**(46,254)**			**2,842**		
Cash on hand at the start of the year	**82,847**			**83,453**		
Total variation in cash on hand	(47,660)			(606)		
Total change in cash on hand GVS Sud Srl merger	173			-		
Cash on hand at the end of the year	**35,361**			**82,847**		

Income statement, with indication of the amounts deriving from non-recurring transactions

	Financial year ended 31 December							
(in thousands of Euro)	**2022**	**of which non-recurring**	**2022 from ordinary operations**	**percent-age**	**2021**	**of which non-recurring**	**2021 from ordinary operations**	**percent-age**
Revenue from customer contracts	78,107		78,107		89,955		89,955	
Other revenues and proceeds	5,725		5,725		2,605		2,605	
Total revenues	**83,833**	**-**	**83,833**		**92,560**	**-**	**92,560**	
Purchases and consumption of raw materials, semi-products and finished products	(31,279)		(31,279)		(42,289)		(42,289)	
Personnel costs	(28,181)	(1,558)	(26,623)	5.5%	(25,615)		(25,615)	0.0%
Service costs	(14,566)	(553)	(14,013)	3.8%	(15,571)	(1,007)	(14,564)	6.5%
Other operating costs	(5,191)		(5,191)		(1,075)		(1,075)	
EBITDA	**4,616**	**(2,111)**	**6,727**		**8,010**	**(1,007)**	**9,017**	
Net writedowns of financial assets	(49)		(49)		(60)		(60)	
Amortisation, depreciation and writedowns	(5,607)		(5,607)		(4,921)		(4,921)	
EBIT	**(1,040)**	**(2,111)**	**1,071**		**3,030**	**(1,007)**	**4,037**	
Financial proceeds	32,147		32,147		15,366		15,366	
Financial charges	(8,761)	(1,544)	(7,217)	17.6%	(2,426)	(11)	(2,415)	0.5%
Income and expense from equity investments	5,142		5,142		29,464		29,464	
Pre-tax result	**27,487**	**(3,655)**	**31,142**		**45,434**	**(1,018)**	**46,452**	
Income tax	(7,060)	20	(7,080)	-0.3%	(7,731)	(1,720)	(6,011)	22.3%
Net income	**20,428**	**(3,635)**	**24,063**		**37,703**	**(2,738)**	**40,441**	

Information pursuant to Art. 149-*Duodecies* of the CONSOB Issuers' Regulation

The following schedule, prepared pursuant to Art. 149-*duodecies* of the CONSOB Issuers' Regulation, highlights the fees for 2022 for audit services and other services provided by the independent auditors and entities belonging to its network as well as others.

(in thousands of Euro)	Person who provided the service	Recipient/assignment	2022 fees
	PwC SpA	Parent company - audit of the financial statements	58
	PwC SpA	Parent company - audit of the consolidated financial statements	168
	PwC SpA	Parent company - audit of the half-yearly report	81
Total Audit of Accounting			**307**
	PricewaterhouseCoopers Business Services Srl	Capogruppo – *Financial e tax Due Diligence*	150
	PwC SpA	Capogruppo – *Limited assurance* DNF	25
Total other services (NAS)			**175**
TOTAL			**482**

Certification of the Financial Statements Pursuant to Article 154 *bis* of Legislative Decree 58/98

1. The undersigned, Massimo Scagliarini, Chief Executive Officer and Emanuele Stanco, Manager responsible for the preparation of the accounting documents of GVS S.p.A., taking into account the provisions of Article 154-*bis*, paragraphs 3 and 4 of Legislative Decree no. 58 of 24 February 1998, certify:

   - the adequacy in relation to the characteristics of the business, and
   - the effective application of the administrative and accounting procedures for the preparation of the Financial Statements during the year 2022.

2. The assessment of the adequacy of the administrative and accounting procedures for the preparation of the Financial Statements at 31 December 2022 was carried out on the basis of the standards and methodologies defined by GVS mainly in accordance with the Internal Control - Integrated Framework model issued by the Committee of Sponsoring Organisations of the Treadway Commission, which represents a reference framework for the internal control system generally accepted at the international level.

3. In addition, they also certify that:

3.1 the Annual Financial Statements:

- have been prepared in compliance with applicable international accounting standards recognised by the European Community pursuant to Regulation (EC) No. 1606/2002 of the European Parliament and of the Council of 19 July 2002 and with the measures issued in implementation of Article 9 of Legislative Decree no. 38/2005;
- correspond to the results in accounting books and records;
- are suitable to provide a true and fair view of the statement of financial position, and the statement of profit and loss of the issuer.

3.2 the Report on Operations includes a reliable analysis of operating performance and results as well as of the situation of the issuer, together with a description of the principal risks and uncertainties to which they are exposed.

Zola Predosa, 21 March 2023

Massimo Scagliarini Chief Executive Officer	Emanuele Stanco Manager Responsible for the preparation of the Company's accounting documents
	Emanuele Stanco

Report of the Board Of Statutory Auditors to the Shareholders' Meeting on the Financial Statements for the Year Ended 31 December 2022

Relazione del Collegio Sindacale all'Assemblea degli Azionisti di GVS S.p.A.
ai sensi dell'art. 153 del D.Lgs. n. 58/1998 e dell'art. 2429 del Codice Civile

Egregi Azionisti,

la presente Relazione è stata redatta dal Collegio Sindacale di GVS S.p.A. (di seguito anche la Società o GVS) nominato dall'Assemblea degli Azionisti del 13 marzo 2020 con delibera sospensivamente condizionata all'avvio delle negoziazioni. Per effetto della intervenuta ammissione alla quotazione al Mercato Telematico Azionario (MTA), ora Euronext Milan (EXM), il Collegio Sindacale è in carica, nella attuale composizione, dal 19 giugno 2020 fino all'approvazione del bilancio al 31 dicembre 2022.

La presente Relazione riferisce sulle attività di vigilanza e sulle altre attività svolte dal Collegio Sindacale nel corso dell'esercizio chiuso al 31 dicembre 2022, redatta ai sensi dell'art. 153 del D.Lgs. n. 58/1998 (TUF) e dell'art. 2429 del Codice Civile, dalle Norme di Comportamento del Collegio Sindacale di Società Quotate emanate dal Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili da ultimo aggiornate nell'aprile 2018 (di seguito le "Norme di Comportamento"), tra cui la norma Q.7.1, delle disposizioni Consob in materia di controlli societari e delle indicazioni contenute nel Codice di *Corporate Governance*.
Con la presente Relazione, anche in osservanza alle indicazioni fornite dalla Consob con Comunicazione DEM/1025564 del 6 aprile 2001, come successivamente modificata e integrata, il Collegio Sindacale dà conto delle attività svolte, distintamente per ciascun oggetto di vigilanza previsto dalle normative che regolano l'attività del Collegio medesimo.

Avendo GVS adottato il modello di *governance* tradizionale, e premesso che la revisione legale dei conti è stata affidata alla Società di Revisione PricewaterhouseCoopers S.p.A. (di seguito anche PwC) per gli esercizi con chiusura fino al 31 dicembre 2028, il Collegio Sindacale si identifica con il "Comitato per il Controllo Interno e la Revisione Contabile" (CCIRC) cui competono ulteriori specifiche funzioni di controllo e monitoraggio sull'informativa finanziaria e sulla revisione legale previste dall'art. 19 del D.Lgs. 27 gennaio 2010 n. 39, così come modificato dal D.Lgs. 17 luglio 2016 n. 135, delle quali si dà altresì atto nella presente Relazione. Con la presente Relazione, il Collegio Sindacale riferisce anche sull'attività di vigilanza svolta con riferimento agli obblighi relativi alla Dichiarazione di carattere non finanziario di cui al D.Lgs. n. 254/2016.
Nell'assolvimento di tali obblighi il Collegio, quale organo apicale del complessivo sistema dei controlli societari, fornisce altresì un quadro integrato delle risultanze dei controlli stessi.

Nel corso dell'esercizio 2022 il Collegio Sindacale ha adottato un proprio Regolamento, approvato internamente in data 07.11.2022, per disciplinare il funzionamento dell'organo e assicurare una linea di continuità in considerazione del prossimo rinnovo per scadenza mandato.

1. INDICAZIONI SULLE OPERAZIONI DI MAGGIORE RILIEVO ECONOMICO, FINANZIARIO E PATRIMONIALE EFFETTUATE DALLA SOCIETA'

Sulla base delle informazioni ricevute e in esito alle apposite analisi condotte dal Collegio, con riguardo alle operazioni di maggior rilievo economico, finanziario e patrimoniale compiute nel corso del 2022, si richiama quanto segue:

- ✓ nel corso dell'esercizio 2022 GVS ha realizzato ricavi consolidati pari a Euro 387,6 milioni, in crescita del 14,6% rispetto a Euro 338,1 milioni registrati nell'esercizio 2021. L'*EBIT-adjusted* presenta un margine sui ricavi del 20,4% ed è pari a Euro 79 milioni rispetto a Euro 107,9 milioni del 2021 con un margine sulle vendite del 31,9%. Il risultato del periodo è stato influenzato soprattutto dal ritardato adeguamento dei prezzi di vendita a compensazione dell'aumento dei costi di produzione relativi alle materie prime e all'energia elettrica, oltre alla normalizzazione della profittabilità collegata alle minori vendite riconducibili alla pandemia COVID 19;
- ✓ nel mese di marzo 2022, il Gruppo GVS tramite la controllata GVS Technology (Suzhou) Co. Ltd. ha acquisito il 100% del capitale sociale della società Shanghai Transfusion Technology Co. Ltd ("STT"), storica azienda cinese *leader* nella produzione e vendita di prodotti legati al trattamento del sangue. L'operazione è stata finanziata con la liquidità disponibile di GVS;
- ✓ nel mese di giugno 2022 il Gruppo ha acquisito il 100% del Gruppo Haemotronic S.p.A., storica azienda italiana specializzata nella produzione di componenti e sacche per il settore medicale con stabilimenti sia in Italia che in Messico. Per finanziare l'operazione GVS ha sottoscritto un contratto di finanziamento a 5 anni di Euro 230 milioni con un *pool* di banche finanziatrici;
- ✓ nel mese di luglio 2022 GVS S.p.A. ha sottoscritto tre contratti derivati *Interest Rate Swap,* per un importo complessivo di Euro 150 milioni, finalizzati a coprire interamente il rischio di variazione dei tassi di interesse del finanziamento concesso dai medesimi istituti bancari nel corso del 2021 a seguito dell'acquisizione di RPB;
- ✓ in data 23 settembre 2022, il Consiglio di Amministrazione di GVS S.p.A. ha redatto il progetto di fusione per incorporazione della società interamente controllata GVS Sud S.r.l. con effetto contabile a partire dal 1° gennaio 2022;
- ✓ nel corso del mese di dicembre 2022, nell'ambito delle attività volte a verificare il rispetto dei *covenant* contrattuali per la misurazione degli stessi al 31 dicembre 2022, la Società ha raggiunto un accordo con il *pool* di banche finanziatrici delle linee di credito (Euro 230 milioni, scadenza 2027 ed Euro 150 milioni, scadenza 2026) e con i portatori delle obbligazioni di cui ai prestiti obbligazionari (Euro 40 milioni, scadenza 2024 e USD 35 milioni, scadenza 2024) per la modifica e l'adeguamento del *covenant* finanziario *leverage ratio*. Contestualmente il socio GVS Group S.r.l. si è impegnato ad erogare un finanziamento soci subordinato e non garantito a favore di GVS S.p.A. in misura tale da consentire di sanare il rispetto del *leverage ratio* al 31 dicembre 2022. Si segnala inoltre che in data 8 marzo 2023, a completamento degli impegni assunti, la Società ha già sottoscritto il contratto con il socio di maggioranza GVS Group S.r.l., avente ad oggetto il suddetto finanziamento soci subordinato e non garantito per un ammontare di Euro 75 milioni con scadenza il 31 dicembre 2027. Tale finanziamento è stato erogato il giorno successivo alla firma del contratto stesso. Tale soluzione ha quindi consentito di sanare il rispetto del livello di *covenant* finanziario *leverage ratio* come risultante a seguito degli accordi raggiunti con le controparti finanziarie in data 23 dicembre 2022. Si precisa che nel bilancio al 31 dicembre 2022 i debiti finanziari a medio termine pari ad Euro 366,6 milioni, sono stati oggetto di riclassifica a breve termine in ottemperanza a quanto previsto dal principio contabile di riferimento (IAS1) che prescrive che in caso di sforamento di un *covenant* il debito finanziario venga classificato tra le passività non correnti solo nel caso in cui il finanziatore abbia concordato, prima della data di chiusura dell'esercizio, di fornire un periodo di tolleranza che termini almeno dodici mesi dopo la data di chiusura dell'esercizio entro il quale l'entità può sanare la violazione e durante il quale il finanziatore non può richiedere un rimborso immediato. Con riferimento alla Società è stato rilevato un periodo in cui sanare il *covenant* attraverso un finanziamento soci subordinato e non garantito, ma tale periodo è inferiore a dodici mesi.

Nel corso del 2022, il Collegio Sindacale ha acquisito informazioni in ordine alle operazioni di maggior rilievo economico, finanziario e patrimoniale svolte dalla Società e dalle società controllate, partecipando alle riunioni del Consiglio di Amministrazione, nonché svolgendo specifici incontri con l'alta direzione nonché con la società incaricata della revisione legale (PwC). Tali operazioni, per quanto a conoscenza di questo Collegio Sindacale, non sono risultate manifestamente imprudenti o azzardate, né in potenziale conflitto di interessi, né in contrasto con le delibere assunte dall'Assemblea degli Azionisti o tali da compromettere l'integrità del patrimonio aziendale. La Relazione sulla Gestione degli Amministratori fornisce ampia ed esauriente informativa in ordine alle citate operazioni, ivi adeguatamente rappresentate, nonché alle motivazioni che hanno portato il Consiglio di Amministrazione della Società a dare corso alle predette operazioni, deliberate in conformità alla Legge e allo Statuto Sociale. Il Collegio Sindacale, preso anche atto di quanto riferito nella Relazione sulla Gestione, non ha osservazioni da proporre.

2. INDICAZIONI SULLA EVENTUALE ESISTENZA DI OPERAZIONI ATIPICHE E/O INUSUALI COMPRESE QUELLE INFRAGRUPPO O CON PARTI CORRELATE E
3. VALUTAZIONE DELL'ADEGUATEZZA DELLE INFORMATIVE RESE DAGLI AMMINISTRATORI IN ORDINE AD OPERAZIONI ATIPICHE E/O INUSUALI, COMPRESE QUELLE INFRAGRUPPO O CON PARTI CORRELATE

Nel corso dell'esercizio 2022, non sono state portate all'attenzione del Collegio Sindacale operazioni atipiche e/o inusuali. La Relazione sulla Gestione e le Note Esplicative al bilancio d'esercizio e al bilancio consolidato descrivono le operazioni non ricorrenti e i relativi effetti sui risultati economici e sulla situazione patrimoniale dell'esercizio 2022. Nelle Note Esplicative, gli Amministratori evidenziano le principali operazioni infragruppo e con parti correlate, individuate sulla base dei principi contabili internazionali e delle disposizioni emanate in materia da Consob. Si rinvia a tali Note per quanto attiene all'individuazione della tipologia delle operazioni e dei relativi effetti economici, patrimoniali e finanziari.
Il Collegio Sindacale ricorda che la Società ha adottato, ai sensi dell'art. 2391-bis Codice Civile e in conformità alle prescrizioni regolamentari Consob contenute nella Delibera n. 17221 del 12 marzo 2010 (e successive modifiche e integrazioni), una specifica "Procedura per operazioni con parti correlate" che classifica le operazioni in diverse categorie, applicando a ciascuna di esse un percorso specifico di validazione e approvazione. Tale procedura è stata aggiornata al fine di adeguare le disposizioni ivi contenute alle modifiche approvate da Consob con delibera n. 21624 del 10 dicembre 2020 al Regolamento Parti Correlate e approvata, nei termini di legge, nella sua ultima versione dal Consiglio di Amministrazione in data 23 giugno 2021, previo parere del Comitato Controllo, Rischi e Sostenibilità e del Collegio Sindacale.
Nel corso dell'esercizio 2022 è stata, inoltre, messa a regime, anche a seguito di solleciti da parte del Collegio Sindacale stesso, la reportistica periodica con cadenza trimestrale, relativa

alle operazioni di minore rilevanza e alle operazioni escluse, come previsto dalla Procedura per le Operazioni con Parti Correlate del Gruppo GVS (Procedura OPC).
Dalle informazioni acquisite, anche all'esito degli approfondimenti effettuati, e dall'analisi della documentazione ottenuta, non si rilevano elementi tali da far considerare che le operazioni con parti correlate di GVS, indicate nella Relazione finanziaria annuale al 31 dicembre 2022, non siano state poste in essere e gestite nell'interesse della Società.
Tenuto conto della dimensione e della struttura della Società e del Gruppo GVS, il Collegio Sindacale, fermo tutto quanto sopra rappresentato, valuta che il Consiglio di Amministrazione, nella Relazione finanziaria annuale al 31 dicembre 2022, abbia fornito un'adeguata illustrazione sulle operazioni poste in essere con società controllate e con altre parti correlate, esplicitandone gli effetti economici, finanziari e patrimoniali.

4. OSSERVAZIONI E PROPOSTE SUI RILIEVI E RICHIAMI DI INFORMATIVA CONTENUTE NELLA RELAZIONE DELLA SOCIETA' DI REVISIONE E NELLA RELAZIONE AGGIUNTIVA

L'Assemblea degli Azionisti di GVS S.p.A. ha rinnovato in data 14 febbraio 2020 l'incarico di revisione legale del bilancio d'esercizio e del bilancio consolidato della Società, per gli esercizi dal 31 dicembre 2020 al 31 dicembre 2028, alla Società di Revisione PricewaterhouseCoopers S.p.A..
La Società di Revisione ha rilasciato, in data 12 aprile 2023, le relazioni ai sensi dell'art. 14 del D.Lgs. n. 39 del 27 gennaio 2010 e dell'art. 10 del Regolamento (UE) n. 537/2014 nelle quali si attesta che il Bilancio d'esercizio e il Bilancio consolidato al 31 dicembre 2022 sono conformi agli IAS/IFRS adottati dall'UE, nonché ai provvedimenti emanati in attuazione dell'art. 9 del D.Lgs. n. 38 del 2005, e sono redatti con chiarezza e rappresentano in modo veritiero e corretto la situazione patrimoniale e finanziaria, il risultato economico e i flussi di cassa della Società e del Gruppo. Le relazioni sono state emesse senza rilievi e senza richiami di informativa.

Si richiama a titolo meramente informativo che nelle proprie relazioni, la Società di Revisione ha valutato opportuno individuare i seguenti aspetti chiave (*key audit matters)*:
- per il bilancio consolidato: "Riconoscimento dei ricavi" e "Recuperabilità delle attività immateriali";
- per il bilancio d'esercizio: "Riconoscimento dei ricavi".

La Società di Revisione valuta altresì che la Relazione sulla Gestione e alcune specifiche informazioni della Relazione sul Governo Societario e gli Assetti Proprietari indicate nell'art. 123-bis, c. 4, del D.Lgs. n. 58/1998 sono coerenti con il Bilancio d'esercizio della Società e con il Bilancio consolidato del Gruppo e conformi alle norme di legge.

La Società di Revisione ha altresì valutato che il bilancio di esercizio e il bilancio consolidato sono stati predisposti nel formato XHTML e che il bilancio consolidato è stato marcato, in tutti gli aspetti significativi, in conformità alle disposizioni del Regolamento Delegato (UE) n. 2019/815.

La società incaricata della revisione legale PwC ha rilasciato, infine, la Relazione Aggiuntiva per il Comitato per il Controllo Interno e la Revisione Contabile ai sensi dell'art. 11 del Regolamento (UE) n. 537/2014, i cui contenuti, per quanto concerne il bilancio cui la presente Relazione si riferisce, sono coerenti con quelli della summenzionata relazione di revisione. Il Collegio ha preso atto dei contenuti della Relazione aggiuntiva emessa dalla Società di

Revisione senza osservazioni di rilievo. Tale relazione verrà trasmessa, con le eventuali osservazioni del Collegio Sindacale, al Consiglio di Amministrazione.

Per quanto riguarda la Dichiarazione di carattere non finanziario, la Società di Revisione PwC ha rilasciato, sempre in data 12 aprile 2023, apposita relazione ai sensi dell'art. 3, c. 10, del D.Lgs. 30 dicembre 2016, n. 254, e dell'art. 5 del Regolamento di attuazione Consob, del 18 gennaio 2018, n. 20267.

5. INDICAZIONE SULLE EVENTUALI DENUNCE EX ART. 2408 DEL CODICE CIVILE ED INIZIATIVE INTRAPRESE

Il Collegio Sindacale, nel corso dell'esercizio 2022 e sino alla data di redazione della presente Relazione, non ha ricevuto alcuna denuncia ex art. 2408 del Codice Civile e, pertanto, nessuna iniziativa è stata presa dal Collegio Sindacale in merito.

6. INDICAZIONI SULL'EVENTUALE PRESENTAZIONE DI ESPOSTI ED EVENTUALI INIZIATIVE INTRAPRESE

Al Collegio Sindacale non sono pervenuti nel corso dell'anno 2022 e sino alla data di redazione della presente Relazione, esposti presentati da Azionisti e/o terzi, né il Collegio Sindacale è a conoscenza di esposti e/o rilievi che siano stati presentati alla Società da Azionisti e/o terzi. Pertanto, nessuna iniziativa è stata in tal senso intrapresa dal Collegio Sindacale.

7. INDICAZIONI DI EVENTUALI ULTERIORI INCARICHI SUPPLEMENTARI ALLA SOCIETA' DI REVISIONE E DEI RELATIVI COSTI

Nel corso dell'esercizio 2022 e sino alla data della presente Relazione agli Azionisti, il Collegio Sindacale, nel ruolo di "Comitato per il Controllo Interno e la Revisione Contabile", ha svolto un costante processo di monitoraggio dell'attività posta in essere dalla Società di Revisione e ha verificato e monitorato, ai sensi dell'art.19 del D.lgs. 39/2010, l'indipendenza della Società di Revisione legale, a norma degli articoli 10, 10-bis, 10-ter, 10-quater e 17 del citato decreto e dell'articolo 6 del Regolamento (UE) 537/2014, in particolare per quanto concerne la prestazione di servizi diversi dalla revisione (cosiddetti "servizi *non audit*") all'ente sottoposto a revisione.
In conformità alle specifiche normative, si dà atto dei compensi, riconosciuti dalla Società a PricewaterhouseCoopers S.p.A. per l'attività di revisione legale e rilevati nel bilancio al 31 dicembre 2022, che ammontano complessivamente ad Euro 307 migliaia così dettagliati:
- Euro 58 migliaia per la revisione legale del Bilancio d'esercizio, ai sensi dell'art. 14 del D.Lgs. n. 39/2010;
- Euro 168 migliaia per la revisione legale del Bilancio consolidato;
- Euro 81 migliaia per la revisione della relazione semestrale.

Si segnala che i suddetti corrispettivi di revisione legale comprendono, oltre alla rivalutazione ISTAT, l'integrazione richiesta alla Società, con lettera datata 16 novembre 2021, da PricewaterhouseCoopers S.p.A. per gli esercizi di durata residua dell'incarico 2021-2028, in relazione all'aggravio dei tempi connessi ad attività di revisione aggiuntive rispetto a quanto incluso nell'iniziale proposta per gli esercizi 2020-2028.

Oltre a quanto sopra, si rileva che i compensi di revisione contabile, comprensivi di rivalutazione ISTAT, riconosciuti alla PricewaterhouseCoopers S.p.A. per attività di *audit* su società controllate ai fini della revisione del bilancio consolidato rilevate nel bilancio al 31 dicembre 2022 ammontano ad Euro 72 migliaia.

Con riferimento alla tematica dei *non-audit services*, si rende noto che, su impulso del Collegio nel suo ruolo di Comitato per il Controllo Interno e la Revisione Contabile, la Società ha adottato una specifica procedura, applicata a livello di Gruppo, volta a disciplinare il conferimento alla Società di Revisione ed a entità appartenenti al relativo *network* di incarichi aventi ad oggetto servizi diversi dalla revisione legale ("Istruzione operativa conferimento di un incarico per servizi *non audit* alla Società di Revisione Contabile o ad un'entità della rete a cui la stessa appartiene").

I corrispettivi dei predetti incarichi, conferiti alla PricewaterhouseCoopers S.p.A., non preventivamente esaminati dal Collegio Sindacale nella sua attuale composizione, in quanto oggetto di conferimento in data anteriore al 19 giugno 2020, rilevati nel bilancio al 31 dicembre 2022, ammontano complessivamente ad euro 25 migliaia e si riferiscono alla *Limited Assurance* della Dichiarazione Non Finanziaria (DNF).
Il dettaglio di tali compensi viene altresì ripreso in allegato al Bilancio separato e Bilancio consolidato della Società come richiesto dall'articolo 149-*duodecies* del Regolamento Emittenti di Consob.
Relativamente al conferimento di incarichi diversi dalla revisione, il Collegio Sindacale, ha svolto proprie autonome valutazioni sui rischi potenziali di indipendenza del revisore legale accertando che il servizio *non audit* non rientrasse tra quelli vietati, così come definiti dall'art. 5, paragrafo 1, del Regolamento (UE) 537/2014, le ragioni dell'attribuzione dell'incarico alla Società di Revisione PwC o a entità della sua rete da parte del *management* della Società e che i corrispettivi richiesti apparissero determinati in modo da garantire la qualità e l'affidabilità dei lavori e che gli stessi fossero tali da non determinare l'insorgere di possibili rischi per l'indipendenza della Società di Revisione.
In proposito, si segnala che a decorrere dal 2023 (essendosi consolidato il triennio normativamente previsto dal conferimento dell'incarico a PwC da parte della Società) è entrato in vigore il monitoraggio volto a verificare il rispetto del limite quantitativo dei corrispettivi per incarichi non di revisione previsto dall'art. 4 del richiamato Regolamento europeo (cosiddetto *Fee Cap*).

Il Collegio Sindacale – ottenuta la conferma annuale dell'indipendenza della Società di Revisione, rilasciata in data 12 aprile 2023, ai sensi dell'art. 6 par. 2 lett. A) del Regolamento (UE) n. 537/2014 e ai sensi del par. 17 dell'ISA Italia 260 nella quale la medesima informa circa l'insussistenza di situazioni idonee a compromettere l'indipendenza ai sensi degli articoli 10 e 17 del D.Lgs. n. 39/2010 e degli articoli 4 e 5 del Regolamento (UE) n. 537/2014 - valuta che non sussistano aspetti critici sotto il profilo dell'indipendenza della Società di Revisione ovvero cause di incompatibilità ai sensi degli artt. 10, 10-bis e 17 del Testo unico della revisione legale e delle relative disposizioni attuative. Il Collegio Sindacale ha altresì preso atto della Relazione di Trasparenza predisposta dalla Società di Revisione, pubblicata sul sito della stessa ai sensi dell'art. 13 del predetto Regolamento europeo.

8. INDICAZIONI DI EVENTUALI ULTERIORI INCARICHI A SOGGETTI LEGATI ALLA SOCIETA' INCARICATA DELLA REVISIONE DA RAPPORTI CONTINUATIVI E DEI RELATIVI COSTI

Come già esposto nel precedente capitolo della presente Relazione, in ottemperanza a quanto previsto dall'art. 19, comma 1, lett. e), del D.Lgs. 39/2010 e dall'art. 5, par. 4, del Regolamento (UE) n. 537/2014, il Collegio Sindacale ha anche esaminato, nel corso dell'esercizio 2022, le proposte, sottoposte alla sua attenzione, di conferimento di *non-audit services* a soggetti legati alla rete della Società di Revisione.
Nel corso dell'anno 2022, la Società ha corrisposto Euro 150 migliaia a *PricewaterhouseCoopers Business Services* S.r.l. per attività di *Due diligence*.
Il dettaglio di tali compensi viene altresì ripreso in allegato al Bilancio separato e Bilancio consolidato della Società come richiesto dall'articolo 149-*duodecies* del Regolamento Emittenti di Consob.

9. INDICAZIONI DELL'ESISTENZA DI PARERI RILASCIATI AI SENSI DI LEGGE NEL CORSO DELL'ESERCIZIO 2022 DAL COLLEGIO SINDACALE

Nel corso dell'esercizio 2022 il Collegio Sindacale ha rilasciato i seguenti pareri:
- parere favorevole sul Piano di *Internal Audit* 2022, approvato dal Consiglio di Amministrazione in data 22 marzo 2022;
- parere sulla remunerazione dell'Amministratore Delegato ai sensi dell'art. 2389, c. 3, c.c. in data 22 marzo 2022;
- parere sulla proposta di fusione di GVS Sud S.r.l. in GVS S.p.A. in data 23 settembre 2022.

10. INDIPENDENZA DEI COMPONENTI DEL COLLEGIO SINDACALE E ATTIVITA' SVOLTE CON INDICAZIONE DELLA FREQUENZA E DEL NUMERO DELLE RIUNIONI

Il Collegio ha verificato l'assenza di cause di ineleggibilità, decadenza e incompatibilità (al momento di efficacia della propria nomina ossia dal 19 giugno 2020, nella riunione del 12 marzo 2021, nella riunione del 17 marzo 2022 e da ultimo nella riunione del 20 marzo 2023) in capo ai suoi componenti, ai sensi dell'art. 148 TUF e delle Norme di Comportamento, oltre alla sussistenza dei requisiti di indipendenza in capo agli stessi ai sensi del Codice di *Corporate Governance* al quale la Società ha aderito.
Il Collegio Sindacale ha altresì verificato la corretta applicazione dei criteri e delle procedure adottati dal Consiglio di Amministrazione per valutare l'indipendenza dei propri membri.

Per effettuare l'autovalutazione relativa all'esercizio 2022 il Collegio ha richiesto, al fine di rendere tale attività un processo completamente trasparente e strutturato, il supporto di società *leader* nella consulenza sulle tematiche di *corporate governance*, che ha seguito anche l'Autovalutazione del Consiglio di Amministrazione della Società, sul quale processo il Collegio Sindacale ha vigilato.
L'attività è stata svolta mediante una modalità integrata che vede la compilazione da parte di ciascun sindaco di un questionario concernente la dimensione, la composizione e il funzionamento del Collegio Sindacale nel suo insieme ed una intervista individuale effettuate da parte dell'*advisor* per approfondire sia gli aspetti più rilevanti emersi dalla compilazione del

questionario, sia l'apporto dei singoli sindaci in termini di stile e contenuto del contributo fornito.

I componenti del Collegio Sindacale hanno rispettato il limite di cumulo degli incarichi previsto dall'art. 148-*bis* del TUF e dagli artt. 144-*duodecies* e ss. del Regolamento Emittenti, nonché i requisiti di indipendenza previsti dall'art. 148, c. 3, del TUF.
Il Collegio ha comunicato al Consiglio di Amministrazione gli esiti delle proprie verifiche con apposita Sintesi di Autovalutazione redatta in conformità al documento predisposto dal Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili titolato "L'autovalutazione del Collegio Sindacale – Norme di comportamento del collegio sindacale di società quotate", con particolare riferimento alla norma Q.1.1..

In vista del prossimo rinnovo dell'Organo, il Collegio Sindacale ha inoltre messo a disposizione degli Azionisti una sintesi delle competenze, professionalità ed esperienze che meglio hanno contribuito al buon funzionamento del Collegio stesso nel corso del mandato in scadenza, in coerenza anche con quanto emerso dal processo di autovalutazione annuale dell'organo di controllo. Tale sintesi è pubblicata sul sito della Società, a cui si rimanda per i contenuti.

Con riferimento all'attività di sua competenza, nel corso dell'esercizio in esame, il Collegio Sindacale dichiara di avere:

- svolto nell'esercizio 2022 n. 23 riunioni, di cui 3 in seduta congiunta su specifici punti con il CCRS, partecipato alle n. 11 riunioni del Comitato Controllo, Rischi e Sostenibilità e alle 7 riunioni del Comitato Nomine e Remunerazione, e assistito a n. 10 riunioni del Consiglio di Amministrazione;
- svolto nell'esercizio 2023, alla data della presente relazione, n. 9 riunioni, partecipato alle n. 5 riunioni del Comitato Controllo, Rischi e Sostenibilità, e alle n. 5 riunioni del Comitato Nomine e Remunerazione, e assistito alle n. 3 riunioni del Consiglio di Amministrazione;
- incontrato l'Organismo di Vigilanza;
- ottenuto dagli amministratori con periodicità almeno trimestrale, ai sensi dell'art. 150, c. 1, del TUF, adeguate informazioni sull'attività svolta e sulle operazioni di maggior rilievo economico, finanziario, e patrimoniale effettuate dalla Società e dalle sue controllate;
- scambiato tempestivamente con i responsabili della Società di Revisione i dati e le informazioni rilevanti per l'espletamento dei rispettivi compiti, ai sensi dell'art. 150 del TUF.

Con riguardo allo svolgimento delle riunioni, l'interazione con il Consiglio e il *management* è stata costante. Il Collegio Sindacale auspica tuttavia un miglioramento della tempestività e della qualità dell'informativa preventiva elaborata dalle strutture e messa a disposizione dell'organo.
In termini di area di miglioramento, i componenti il Collegio auspicano, a partire dall'avvio del nuovo mandato, che siano organizzate sessioni di formazione e *onboarding*, possibilmente in presenza.

11. OSSERVAZIONI SUL RISPETTO DEI PRINCIPI DI CORRETTA GOVERNANCE E SUL RISPETTO DELLE NORME DI LEGGE E DI STATUTO

Il Collegio ha acquisito conoscenza e vigilato, per quanto di propria competenza, sul rispetto dei principi di corretta *governance* tramite audizioni, osservazioni dirette e incontri con il *management* della Società. In particolare, ha vigilato sulla corretta implementazione delle previsioni del Codice di *Corporate Governance*, come più ampiamente riferito nel successivo punto 17.
Per quanto attiene ai processi deliberativi del Consiglio di Amministrazione, il Collegio ha vigilato, anche mediante la partecipazione alle adunanze consiliari, sulla conformità alla legge e allo statuto sociale delle scelte di gestione assunte dagli Amministratori e ha verificato che le relative delibere fossero supportate da processi di informazione adeguati.

Il Collegio Sindacale, sulla base delle informazioni rese ad esso disponibili, può ragionevolmente valutare che le operazioni poste in essere dal Consiglio di Amministrazione siano conformi alla legge e allo statuto sociale e non siano manifestamente imprudenti, azzardate o in contrasto con le delibere assunte dall'Assemblea o tali da compromettere l'integrità del patrimonio sociale.
Il Collegio Sindacale ha preso anche atto dell'avvenuta predisposizione della Relazione sulla Remunerazione *ex* art. 123-*ter* del TUF ed *ex* art. 84-*quater* del Regolamento Emittenti, nonché vigilato sull'osservanza delle disposizioni stabilite dal D.Lgs. 254/2016.

Nel corso dell'attività di vigilanza, svolta dal Collegio Sindacale secondo le modalità sopra descritte, sulla base delle informazioni e dei dati acquisiti, non sono emersi fatti da cui desumere il mancato rispetto della legge e dell'atto costitutivo o tali da giustificare segnalazioni alle Autorità di Vigilanza o la menzione nella presente Relazione.

12. OSSERVAZIONI SULLA STRUTTURA ORGANIZZATIVA

Il Collegio ha acquisito conoscenza e vigilato, per quanto di propria competenza, sull'adeguatezza della struttura organizzativa, mediante raccolta di informazioni dal *management* della Società.
Il Consiglio di Amministrazione in carica è formato da nove componenti, di cui quattro in possesso dei requisiti di indipendenza previsti dal combinato disposto degli artt. 147-*ter*, c. 4, e 148, c. 3, del TUF, nonché dal Codice di *Corporate Governance*. Tutti gli amministratori indipendenti sono stati nominati in data 13 marzo 2020, con efficacia subordinata alla data di avvio delle negoziazioni verificatasi il 19 giugno 2020, nell'ambito del processo di quotazione di GVS S.p.A. sul MTA (ora Euronext Milan). Il Consiglio di Amministrazione non ha costituito al proprio interno alcun comitato esecutivo, e risulta composto, oltre che dal Presidente e dagli Amministratori Indipendenti, da un Amministratore Delegato e tre consiglieri esecutivi.
La Società non ha provveduto a nominare un *Lead Indipendent Director*, non ricorrendo le condizioni di cui alla Raccomandazione 13 del Codice di *Corporate Governance*.
La Società ha istituito all'interno del Consiglio di Amministrazione il Comitato Nomine e Remunerazione ed il Comitato Controllo Rischi e Sostenibilità, entrambi composti da tre amministratori non esecutivi. Tutti i componenti del Comitato Controllo Rischi e Sostenibilità sono amministratori indipendenti. Il Comitato Nomine e Remunerazioni tra i cui componenti vi è il Presidente della Società, si compone in maggioranza di amministratori indipendenti.

Si dà atto che in data 31 dicembre 2022 è terminato il regime transitorio previsto dall'art. 44 – *bis*, comma secondo, del D.L. n. 76/2020. Di conseguenza, la Società ha perso la qualifica di PMI con applicazione di un'ulteriore soglia rilevante ai fini degli obblighi di comunicazione delle partecipazioni rilevanti, ai sensi dell'art. 120 del TUF, pari al 3% del capitale.
Si ricorda che in data 17 dicembre 2021 il Consiglio di Amministrazione ha adottato una politica per la gestione del dialogo con la generalità degli azionisti e altri soggetti interessati, conformemente alle raccomandazioni del Codice di *Corporate Governance*, tenendo conto delle politiche di *engagement* adottate dagli investitori istituzionali della Società. Tale politica prevede che, nella gestione del dialogo, la Società operi in osservanza del principio di trasparenza delle informazioni fornite, del principio di parità di trattamento degli Azionisti, nonché delle disposizioni di legge e regolamentari vigenti.

Si segnala che, su proposta del Comitato Nomine e Remunerazione, in data 22 marzo 2022 il Consiglio di Amministrazione ha adottato un orientamento in merito al numero massimo di incarichi di amministrazione e di controllo che gli Amministratori possono assumere presso altre società di rilevanti dimensioni, e che possa essere considerato compatibile con un efficace svolgimento del ruolo di amministratore della Società, tenendo conto dell'impegno derivante dal ruolo ricoperto. Come raccomandato dal Codice di *Corporate Governance* in data 16 dicembre 2022 il Consiglio di Amministrazione, su proposta del Comitato Nomine e Remunerazioni, ha inoltre approvato un piano per la successione dell'Amministratore Delegato nel quale sono descritte le procedure volte a gestire la successione di quest'ultimo nelle ipotesi di cessazione anticipato dalla carica o di impedimento permanente allo svolgimento delle proprie funzioni.
Nell'ambito della propria attività di vigilanza, il Collegio Sindacale ha fornito numerosi suggerimenti alla Società, anche alla luce dell'espansione della realtà aziendale, che rende, in particolare, necessario l'irrobustimento dell'assetto organizzativo e l'implementazione di una più articolata funzione di *Internal Audit*, come meglio specificato nel prosieguo della presente Relazione.

13. OSSERVAZIONI SULL'ADEGUATEZZA DEL SISTEMA DI CONTROLLO INTERNO E GESTIONE DEI RISCHI

Nella Relazione sul Governo Societario e gli Assetti Proprietari relativa all'esercizio 2022, sono descritte le principali caratteristiche del sistema di controllo interno e di gestione dei rischi che rappresenta l'insieme delle regole, delle procedure e delle strutture organizzative volte a consentire l'identificazione, la misurazione, la gestione e il monitoraggio dei principali rischi aziendali.

Anche nel corso dell'esercizio in esame, la Società ha proseguito il percorso, iniziato in concomitanza alla quotazione, di rafforzamento del sistema di controllo interno e gestione dei rischi (SCIGR), al fine di un progressivo allineamento alle *best practice* nazionali.

Il Collegio ha vigilato e condotto approfondimenti sull'adeguatezza del SCIGR, verificandone il concreto funzionamento mediante:

a) l'ottenimento di informazioni dai responsabili delle rispettive funzioni aziendali, volte anche a verificare l'esistenza, l'adeguatezza e la concreta attuazione delle procedure;
b) riunioni congiunte su specifiche tematiche con il Comitato Controllo, Rischi e Sostenibilità, ferma restando la diversità di compiti e ruoli dei due Organi, e la partecipazione di almeno un componente del Collegio Sindacale a tutte le riunioni del predetto Comitato scambiando informazioni anche in ordine alle iniziative che si è valutato opportuno promuovere o richiedere a fronte dei temi affrontati;
c) l'incontro periodico con il Responsabile della Funzione di *Internal Audit*;
d) lo scambio costante di informazioni con la Società di Revisione;
e) lo scambio periodico di informazioni con l'Organismo di Vigilanza, dal quale non sono emerse criticità o segnalazioni rilevanti;
f) l'incontro periodico con l'Amministratore Delegato in qualità di Amministratore Incaricato del SCIGR con il quale il Collegio ha condiviso le proprie osservazioni in merito al miglioramento dell'architettura dei controlli posta in essere dalla Società;
g) incontri periodici con gli organi di controllo della società controllante e delle società controllate per scambi di informazioni ai sensi dei commi 1 e 2 dell'art. 151 del D.Lgs. 58/1998, dai quali non sono emerse criticità da segnalare nella presente Relazione.

Il Collegio Sindacale dà atto che il complesso dei sopramenzionati flussi informativi risulta sostanzialmente adeguato, ancorché l'implementazione e formalizzazione dei processi interni intraprese dalla Società all'esito della intervenuta quotazione siano ancora in evoluzione.

Nell'ambito delle proprie funzioni, in particolare, il Collegio Sindacale ha valutato e vigilato sull'adeguatezza del Sistema di Controllo Interno e di Gestione dei Rischi attraverso: i) l'esame della positiva valutazione espressa in data 21 marzo 2023, previo parere del Comitato Controllo, Rischi e Sostenibilità, dal Consiglio di Amministrazione sull'adeguatezza del sistema di controllo interno e di gestione dei rischi rispetto alle caratteristiche dell'impresa e al profilo di rischio assunto, nonché la sua efficacia; ii) le informazioni rese disponibili dai responsabili delle diverse funzioni aziendali; iii) l'esame dei documenti aziendali; iv) l'analisi dei *Report* redatti alla conclusione delle attività di verifica dalla funzione di *Internal Audit*, con le relative risultanze e le azioni raccomandate v) l'esame delle Relazioni della funzione di *Internal Audit* contenenti gli aggiornamenti periodici sull'evoluzione del processo di gestione dei rischi, l'esito delle attività di monitoraggio dei processi di mitigazione introdotti e di *risk assessment;* vi) l'analisi dei risultati del lavoro svolto dalla Società di Revisione avuto particolare riguardo al contenuto della Relazione Aggiuntiva, rilasciata il 12 aprile 2023 ai sensi dell'art. 11 del Regolamento Europeo n.537/2014; vii) l'esame delle Relazioni periodiche sull'attività svolta predisposte dal Comitato Controllo, Rischi e Sostenibilità; viii) e, infine, l'informativa ottenuta, nell'ambito di un continuo scambio informativo posto in essere con il *General Counsel*.

Nel corso dell'esercizio in esame il Collegio Sindacale ha preso atto delle dimissioni, a far data dal 21 ottobre 2022, del Responsabile della funzione di *Internal Audit* e dell'assunzione del Dott. Dario Balsano nominato, in virtù della significativa esperienza nel ruolo in altri gruppi industriali, Responsabile della funzione di *Internal Audit* dal Consiglio di Amministrazione, previo parere positivo del Comitato Controllo, Rischi e Sostenibilità, nella seduta del 9 novembre 2022. Il completamento delle attività previste dal Piano di *Internal Audit* 2022, approvato dal C.d.A. in data 22 marzo 2022, è stato garantito mediante l'incremento, rispetto a quanto previsto nel Piano stesso, delle attività operative fornite dalla società specializzata a supporto della funzione, che ha consentito di coprire il perimetro di attività programmato. Da tale attività, come descritto nella Relazione annuale *Internal Audit* relativa all'esercizio 2022, non sono emersi profili di criticità significativi tali da pregiudicare l'operatività e l'idoneità del SCIGR, ma aspetti di miglioramento, attentamente monitorati.
Tutte le osservazioni sono state condivise con il management di riferimento ed i *remediation plan* associati, spesso connessi a implementazioni di tipo informatico, sono riportati nell'*Action Plan* generale alla quale supervisione il Collegio ha riservato particolare attenzione,

sollecitando la più celere attuazione delle azioni di rimedio e il contenimento delle eventuali ripianificazioni.
Si dà atto che il Piano di *Internal Audit* 2023 è stato approvato dal Consiglio di Amministrazione nella seduta tenutasi in data 21 marzo 2023, previo positivo parere del Comitato Controllo, Rischi e Sostenibilità, sentito il Collegio Sindacale.

Il Collegio Sindacale e il Comitato Controllo, Rischi e Sostenibilità, pur prendendo positivamente atto dell'ampliamento delle risorse della funzione di *Internal Audit* tramite l'inserimento di un'ulteriore figura, il cui processo di ricerca è tutt'ora in corso, hanno rinnovato la raccomandazione circa il necessario proseguimento del percorso di rafforzamento dell'organico della funzione, attualmente coadiuvata da supporto esterno, ai *benchmark* di mercato, al fine di meglio dimensionare l'attuale struttura organizzativa interna della funzione alla accresciuta dimensione e complessità del Gruppo GVS conseguente alle acquisizioni realizzate.
Il Collegio Sindacale ha preso atto dell'avvicendamento nella funzione di *Group Chief Financial Office* tra il Dott. Mario Saccone ed il Dott. Marco Pacini, a far data dal 31 dicembre 2022, avviando con lo stesso, fin da subito momenti di confronto e/o di approfondimento circa l'opportunità di miglioramento, anche in ottica evolutiva, della Struttura in considerazione della crescente rilevanza e pervasività delle tematiche presidiate.
L'ampliamento del Gruppo GVS a seguito delle recenti acquisizioni ed il particolare contesto macroeconomico degli ultimi anni con il quale il Gruppo si è dovuto confrontare, hanno, infatti, reso di sensibile rilevanza, anche in chiave strategica di *business*, le iniziative e le attività di previsione e monitoraggio nel continuo delle dinamiche economiche, di capitale e finanziarie condotte e sviluppate dalla struttura organizzativa *Group Finance, Accounting, Controlling & Tax* relativamente alla quale si condivide la raccomandazione del il Comitato Controllo Rischi e Sostenibilità affinchè venga prestata costante attenzione in ottica di corretto dimensionamento. Inoltre, si dà atto che ad esito di *assessment* finalizzato ad individuare possibili aree di miglioramento del *cost control model* condotto, nei primi mesi del 2023, il Comitato Controllo Rischi e Sostenibilità, ha espresso raccomandazione affinchè si individuino gli opportuni interventi evolutivi, anche al fine del progressivo affinamento dei sistemi di monitoraggio e di *reporting* verso gli organi di *Governance* che assicuri una informativa sempre più completa ed efficace.

Il Collegio Sindacale, preso atto della nomina del Dott. Guido Bacchelli a *Investor Relator and M&A Director* a far data dal 1 febbraio 2023, rilevando taluni aspetti che necessitano di rafforzamento, ha sottolineato l'esigenza di prestare massima attenzione all'efficacia dei presidi interni atti a monitorare e gestire le comunicazioni al mercato.

Si rappresenta, inoltre, che nell'ambito delle prerogative di vigilanza, il Collegio ha supervisionato l'articolato processo di analisi svolto dal Comitato Controllo Rischi e Sostenibilità, propedeutico all'esame da parte del Consiglio di Amministrazione della Società, per la predisposizione del *Budget* 2023, raccomandando l'adozione di una apposita *Policy*, che disciplini azioni e tempistiche.

Il Collegio Sindacale ha altresì monitorato le attività svolte dal *management* in relazione ai *covenant* finanziari seguendo le analisi per la misurazione degli stessi alle scadenze contrattuali che hanno portato al raggiungimento di un accordo, con le banche finanziatrici delle linee di credito e i portatori dei prestiti obbligazionari: i) in data 23 dicembre 2022, per la modifica della definizione di indebitamento finanziario consolidato volta ad escludere dal computo della

posizione finanziaria netta consolidata (PFN) l'indebitamento derivante da eventuali finanziamenti soci e l'inclusione nella PFN al 31 dicembre 2022 della cassa derivante da eventuali finanziamenti soci subordinati erogati successivamente al 31 dicembre 2022 ed anteriormente alla data di invio del *compliance certificate* attestante il valore del *leverage ratio* al 31 dicembre 2022, nonché all'innalzamento del parametro del *leverage ratio* per le verifiche al 30 giugno 2023 e al 31 dicembre 2023 rispetto ai livelli previsti in sede di sottoscrizione dei finanziamenti in *pool* e dei prestiti obbligazionari; ii) in data 8 marzo 2023, per la riduzione dell'*interest coverage ratio* per le verifiche al 30 giugno 2023 e 31 dicembre 2023 rispetto ai livelli previsti in sede di sottoscrizione dei finanziamenti in *pool* e dei prestiti obbligazionari.

Il Collegio ha vigilato sugli approfondimenti connessi alla quantificazione del finanziamento Soci, subordinato e non garantito, da parte della controllante GVS Group S.r.l., in misura tale da consentire di sanare il rispetto del *leverage ratio* al 31 dicembre 2022, determinato, sulla base delle informazioni disponibili, in un importo complessivo di Euro 75 milioni, da qualificarsi quale operazione di maggiore rilevanza con parti correlate. Il Collegio ha vigilato altresì sul rispetto di quanto previsto dal Regolamento Operazioni con Parti Correlate Consob n. 17221/2010 (Regolamento OPC) e della Procedura per le Operazioni con Parti Correlate del Gruppo GVS (Procedura OPC), che ha visto l'approvazione del contratto di finanziamento con il socio di maggioranza, avente scadenza 31 dicembre 2027, da parte del Consiglio di Amministrazione in data 8 marzo 2023, previo unanime parere favorevole non vincolante rilasciato in data 7 marzo 2023 dal Comitato Controllo Rischi e Sostenibilità nel ruolo di Comitato per le Operazioni con Parti Correlate. Con riferimento all'applicazione della Procedura OPC, si precisa che la Società, in quanto "società di recente quotazione" ai sensi dell'articolo 3, comma 1, lettera g) del Regolamento OPC, si è avvalsa della possibilità di applicare la procedura stabilita per le operazioni con parti correlate di minore rilevanza, come previsto dall'art. 10 del Regolamento OPC e della Procedura OPC, fermi gli adempimenti informativi previsti per le operazioni di maggiore rilevanza. Il finanziamento, erogato il giorno successivo la firma del contratto, ha consentito di sanare il rispetto al 31 dicembre 2022 del livello di *covenant* finanziario *leverage ratio*, come risultante a seguito degli accordi raggiunti con le controparti finanziarie.

Nell'esercizio dei doveri di vigilanza, il Collegio Sindacale ha rivolto la propria attenzione anche ai presidi funzionali predisposti dalla Società al rispetto delle misure restrittive di carattere economico finanziario decise dall'Unione Europea a seguito della crisi russo-ucraina, richiedendo un momento di confronto e di approfondimento specifico con il referente della struttura aziendale competente (*Legal, Financial Contract & Insurance*) dal quale non sono emerse criticità da segnalare nella presente Relazione.

Il Collegio Sindacale ha, inoltre, esaminato con cadenza semestrale le relazioni periodiche sull'attività svolta dall'Organismo di Vigilanza (OdV) ed ha esaminato il piano di attività per l'anno 2022 esaminando e condividendo l'aggiornamento, approvato dal C.d.A. della Società in data 16 dicembre 2022, del Modello di organizzazione, gestione e controllo ai sensi del D.Lgs. 231/2001 (Modello Organizzativo), resosi necessario a seguito delle modifiche organizzative intervenute con la fusione per incorporazione della controllata GVS Sud S.r.l. in GVS S.p.A..
Inoltre, il Collegio Sindacale ha preso atto della prosecuzione, dell'implementazione del *Global Compliance Program* di Gruppo, che definisce le linee guida, i principi, le specifiche *policy* e i presidi per l'estensione dei protocolli previsti dal Modello Organizzativo e dal Codice Etico anche alle società controllate estere del Gruppo GVS, al fine di prevenire la commissione

di illeciti nella conduzione delle attività aziendali, avviato a fine 2021. Allo stato risultano approvate e pubblicate sul sito web le seguenti Policy: i) *Compliance Program*; ii) *Anticorruption Policy;* iii) *Code of Conduct for Suppliers*, iv) *Intellectual properties and Privacy Policy;* v) *Information Tecnology Policy.*
Nel corso dell'esercizio in esame, con riferimento al Sistema di Gestione della Sicurezza sul lavoro e Ambiente si dà atto che sono stati completati gli *audit* di sorveglianza delle certificazioni secondo la Norma Standard UNI ISO 45001: 2018 e 14001.
Per quanto riguarda il sistema interno di segnalazioni riservate (*Whistleblowing*), l'OdV, organismo che sovraintende al sistema, ha dato atto di aver ricevuto una segnalazione che, ad esito degli approfondimenti dallo stesso effettuati, è stata archiviata in quanto non ha evidenziato violazioni del Modello Organizzativo e/o violazioni di procedure, né criticità degne di segnalazione.
Alla luce di tutto quanto sopra e sulla base di quanto risulta dalle attività di controllo poste in essere, delle analisi svolte e sulla base degli elementi informativi acquisiti, ferme le aree di necessario miglioramento e le raccomandazioni sopra evidenziate e pur nella consapevolezza che in un Gruppo in continua evoluzione dimensionale e geografica il sistema di controllo interno e gestione dei rischi della Società richiede continui interventi evolutivi e di costante rafforzamento, non sono emersi elementi che possano indurre il Collegio Sindacale a ritenere tale sistema non adeguato nel suo complesso. Il Collegio Sindacale continuerà a monitorare il consolidamento del modello organizzativo con particolare riguardo agli aspetti attinenti il sistema di controllo interno e di gestione dei rischi.

14. OSSERVAZIONI SUL SISTEMA AMMINISTRATIVO CONTABILE E SULLA AFFIDABILITA' DI QUEST'ULTIMO A RAPPRESENTARE CORRETTAMENTE I FATTI DI GESTIONE

Il Collegio ha valutato e vigilato sull'adeguatezza del sistema amministrativo e contabile, nonché sull'affidabilità dello stesso a rappresentare correttamente i fatti di gestione mediante l'ottenimento di informazioni dal Dirigente Preposto, l'esame della documentazione aziendale, lo scambio di informazioni con il Comitato Controllo Rischi e Sostenibilità e con il responsabile della Funzione di *Internal Audit*.

La Società di Revisione non ha segnalato alcun rilievo nei periodici incontri intercorsi con il Collegio Sindacale per quanto attiene il sistema amministrativo-contabile, valutato in base alla sua capacità di rappresentare correttamente i fatti aziendali ed il tempestivo aggiornamento della contabilità sociale.

Il Collegio Sindacale ha vigilato, anche incontrando periodicamente il Dirigente Preposto alla redazione dei documenti contabili e societari, sul processo e sull'organizzazione previsti per la formazione del bilancio di esercizio, del bilancio consolidato e delle relazioni finanziarie periodiche, oltre che delle altre comunicazioni di carattere finanziario, verificando l'esistenza di adeguate procedure, seppur in fase di progressiva evoluzione, a presidio del processo di raccolta, formazione e diffusione delle informative finanziarie.
Nel corso dei citati periodici incontri, il Dirigente Preposto non ha segnalato significative carenze nei processi operativi e di controllo che possano inficiare il giudizio di complessiva adeguatezza ed effettiva applicazione delle procedure amministrativo-contabili, al fine della corretta rappresentazione economica, patrimoniale e finanziaria dei fatti di gestione in conformità ai principi contabili internazionali, e la corrispondenza del bilancio alle risultanze dei libri e delle scritture contabili (in ottemperanza alle disposizioni della Legge 262/2005).

Tale rappresentazione è confermata da quanto rappresentato nella "Relazione del Dirigente Preposto alla redazione dei documenti contabili e societari al Consiglio di Amministrazione ai fini dell'attestazione del Bilancio consolidato al 31 dicembre 2022 di GVS S.p.A. ai sensi dell'art. 154-bis del D. Lgs. 24 febbraio 1998, n. 58", sottoposta al Consiglio di Amministrazione del 21 marzo 2023, nella quale relazione, sulla base delle attività svolte e tenuto altresì conto delle risultanze connesse alle attività di *test* e verifica sul sistema dei controlli sul processo di formazione dell'informativa finanziaria, il Dirigente Preposto, in accordo con l'Amministratore Delegato, ha ritenuto di poter sottoscrivere l'attestazione del bilancio consolidato al 31 dicembre 2022.

Il Collegio Sindacale ha, quindi, preso atto delle attestazioni rilasciate, ai sensi dell'art. 81-*ter* del Regolamento Consob n. 11971 del 14 maggio 1999, successive modifiche e integrazioni, e dell'art. 154-*bis* del TUF dall'Amministratore Delegato e dal Dirigente Preposto rispettivamente per il bilancio di esercizio della Società e per il bilancio consolidato del Gruppo circa: a) l'adeguatezza e l'effettiva applicazione delle procedure amministrative e contabili per la formazione del bilancio d'esercizio e del bilancio consolidato; b) la conformità del contenuto dei documenti contabili ai principi contabili internazionali IFRS/IAS omologati dalla Comunità Europea; c) la corrispondenza dei documenti stessi alle risultanze dei libri e delle scritture contabili e la loro idoneità a rappresentare correttamente la situazione patrimoniale, economica e finanziaria della Società e dell'insieme delle imprese incluse nel consolidamento; d) il fatto che la relazione sulla gestione comprende un'analisi attendibile dell'andamento del risultato della gestione, nonché della situazione patrimoniale, economica e finanziaria dell'emittente e delle imprese incluse nel consolidamento, unitamente alla descrizione dei principali rischi e incertezze cui sono esposti.

In particolare, il Collegio Sindacale, alla luce anche degli approfondimenti effettuati e dei confronti avuti con la Società di Revisione, valuta: i) che il processo di formazione del bilancio sia nel suo complesso conforme alle leggi e regolamenti vigenti nonché coerente con le deliberazioni adottate dal Consiglio di Amministrazione; ii) che i principi contabili siano stati applicati in maniera corretta; iii) che la Relazione sulla Gestione fornisca la necessaria informativa sull'attività e sulle operazioni di rilievo di cui il Collegio Sindacale è stato messo al corrente nel corso dell'esercizio, sui principali rischi ed incertezze del Gruppo, nonché sulle operazioni infragruppo e con parti correlate.

Per quanto riguarda il *test di impairment* degli avviamenti, che al 31 dicembre 2022 ammontano a 246.664 migliaia, il Collegio ha esaminato e discusso con il Dirigente Preposto e con la Società di Revisione i risultati delle analisi valutative svolte sulla base del *Budget* 2023, predisposto con il supporto di un consulente esterno ed approvato dal Consiglio di Amministrazione in data 8 marzo 2023, nonché di dati previsionali relativi al periodo 2024-2026, elaborati dal *management* e non sottoposti all'approvazione del C.d.A., applicando al *Budget* 2023 un tasso di crescita inerziale pari all'inflazione di settore e confermando per l'*Ebitda margin* il valore di *Budget* 2023. Ai fini della verifica, da cui non è mersa alcuna perdita di valore, è stata identificata, come per i *test* relativi agli esercizi precedenti, un'unica *Cash Generating Unit* (CGU) costituita dall'insieme delle attività operative del Gruppo GVS nel suo complesso, alla quale è stato allocato l'intero avviamento iscritto in bilancio al 31.12.2022. La Società, ritenendo che i dati previsionali relativi al periodo 2024-2026 stimati con le modalità sopra descritte rappresentino già uno *worst* scenario e considerato l'approccio prudente utilizzato per la determinazione del *value in use*, ha ritenuto di non predisporre alcuna *sensitivity analysis*.

Al riguardo si evidenzia, come già anticipato in altra Sezione della presente Relazione, che la Società di Revisione, nella propria Relazione, ha inserito tra le *Key Audit Matters* del Bilancio consolidato al 31 dicembre 2022 la recuperabilità delle attività immateriali di cui l'*impairment test* è la verifica principale e alla quale il Collegio Sindacale fa rinvio.

Il Collegio ha altresì verificato che la Società, in apposite sezioni della Relazione sulla Gestione, ha fornito informativa in merito all'esposizione diretta, che permane marginale, del Gruppo GVS nei confronti delle aree interessate agli effetti del conflitto bellico in Ucraina.

Come anticipato nel paragrafo precedente, in data 21 marzo 2023 il Consiglio di Amministrazione ha valutato, nell'ambito del giudizio di adeguatezza ed efficacia del sistema di controllo interno e di gestione dei rischi rispetto alle caratteristiche dell'impresa e al profilo di rischio assunto, positivamente l'assetto organizzativo, amministrativo e contabile rispetto alle attuali dimensioni e alla tipologia di attività svolta da GVS e Controllate.

Non rientrando nei compiti del Collegio Sindacale il controllo legale dei conti ex D.Lgs. 39/2010, essendo questo demandato alla Società di Revisione, sulla base delle informazioni avute da quest'ultima, dal Dirigente Preposto e delle risultanze riscontrate, il Collegio non ha osservazioni di competenza da formulare sull'adeguatezza del sistema amministrativo-contabile e sulla sua affidabilità a rappresentare correttamente i fatti di gestione.

14.1 OSSERVAZIONI SUL PROCESSO DI PREDISPOSIZIONE DELLA DICHIARAZIONE NON FINANZIARIA

Il Collegio Sindacale ha vigilato, nell'esercizio della propria funzione, sull'osservanza delle disposizioni del D.Lgs. 254/2016, relativo alla comunicazione di informazioni di carattere non finanziario e del Regolamento di attuazione emesso dalla Consob con delibera del 18 gennaio 2018 in ordine alla redazione della Dichiarazione consolidata di carattere non finanziario (DNF) approvata dal C.d.A. in data 21 marzo 2023. La DNF consolidata del Gruppo, come previsto dall'art. 5, c. 3, lettera b) del citato Decreto, costituisce una relazione distinta rispetto alla Relazione sulla Gestione ed è resa disponibile sul sito internet istituzionale. Tale Dichiarazione contiene informazioni di carattere ambientale, sociale, relative al personale, al rispetto dei diritti umani, alla lotta contro la corruzione attiva e passiva, nella misura necessaria alla comprensione dell'andamento dell'impresa, della situazione in cui opera e dell'impatto derivante dalla sua attività, sviluppando i temi materiali identificati in ambito non finanziario attraverso l'analisi di materialità applicata alle tematiche previste dal D.Lgs. 254/2016 e dal *framework* di rendicontazione adottato (GRI *Standard*).
Le attività di processo per la redazione della Dichiarazione consolidata di carattere non finanziario sono state descritte all'interno di un apposito documento ("*Non-Financial and Sustainability Reporting procedure*").

Il Collegio, nell'ambito delle funzioni ad esso attribuite, ha vigilato sul processo di redazione della DNF esaminando anche le risultanze delle attività di verifica condotte su alcune società del Gruppo dalla Funzione di *Internal Audit* relativamente alle procedure di raccolta dei dati ESG e sull'accuratezza/completezza dei dati comunicati a supporto della funzione *Sustainability ESG Corporate*.

Nel corso dell'esercizio in esame, la struttura organizzativa della Società, nel cui perimetro di competenza rientra la Sostenibilità e le tematiche ESG (*Engineering, R&D & Quality*), ha

registrato un intervento evolutivo nella sua articolazione mediante l'istituzione della posizione di *Corporate ESG Sustainability Manager* a far data dal 1° marzo 2022.

Il Collegio Sindacale ha quindi:
- incontrato il *Corporate ESG Sustainability Manager*, al fine di acquisire informazioni in merito all'analisi di materialità, svolta dalla Società per definire gli ambiti informativi non finanziari rilevanti per il Gruppo GVS, al coinvolgimento delle società controllate, alle procedure e strumenti operativi adottati per la raccolta di dati/informazioni e loro successiva analisi, controllo e consolidamento, raccomandando di rendere più efficace l'interlocuzione con gli *stakeholders* mediante la differenziazione delle modalità di *engagement*.
- incontrato la Società di Revisione PricewaterhouseCoopers S.p.A., alla quale è stato conferito l'incarico di attestazione di conformità (*limited review*), nell'ambito del quale incontro sono state presentate le attività svolte per l'esame della DNF consolidata del Gruppo con specifica attenzione alle procedure adottate, al perimetro delle verifiche con il dettaglio delle società del Gruppo e delle tematiche oggetto di campionamento per l'attività di *testing*;
- rinnovato la raccomandazione al *management* e all'Organo amministrativo di accelerare il percorso evolutivo volto all'integrazione di obiettivi ESG nella strategia aziendale, nonché di completare l'integrazione nel *framework* di gestione dei rischi dei fattori di rischio collegati alle tematiche legate al clima, alla *Governance* e alla *Social sustainability*, al fine della loro misurazione e mitigazione nel lungo periodo.

Sulla base delle informazioni acquisite, preso atto della Attestazione rilasciata dalla Società di Revisione in data 12 aprile 2023, la quale riporta che non sono pervenuti elementi che facciano valutare che la DNF del Gruppo relativa all'esercizio chiuso al 31 dicembre 2022 non sia stata redatta, in tutti gli aspetti significativi, secondo quanto richiesto dagli artt. 3 e 4 del D.Lgs. 254/2016 e dal GRI (*Global Reporting Initiative*) *Standards*, il Collegio Sindacale non ha osservazioni di competenza da formulare circa elementi di non conformità e/o di violazione delle relative disposizioni normative.

15. OSSERVAZIONI SULL'ADEGUATEZZA DELLE DISPOSIZIONI IMPARTITE ALLE SOCIETA' CONTROLLATE AI SENSI DELL'ART. 114 D.LGS. N. 58/1998 – ATTIVITA' DI DIREZIONE E COORDINAMENTO

Il Collegio ha acquisito conoscenza e vigilato, per quanto di sua competenza, sull'adeguatezza delle disposizioni impartite dalla Società alle società controllate ai sensi dell'art. 114, c. 2, del D.Lgs. n. 58/1998, tramite l'acquisizione di informazioni dai responsabili delle competenti funzioni aziendali ed incontri con la Società di Revisione, ai fini del reciproco scambio di dati ed informazioni rilevanti. In relazione agli stretti legami funzionali ed operativi, vengono garantiti un continuo, costante ed adeguato flusso di informazioni. In base agli elementi portati a conoscenza del Collegio non sono emersi elementi che possano far valutare che la Società non sia in grado di adempiere nei tempi e con le modalità richieste agli obblighi in ordine ai fatti rilevanti nonché al consolidamento dei dati previsti dalla Legge.

16. OSSERVAZIONI IN ORDINE ALLE RIUNIONI TENUTASI CON I REVISORI

Il Collegio Sindacale ha tenuto periodiche riunioni con gli esponenti della Società di Revisione PricewaterhouseCoopers S.p.A., attivando in tali occasioni un proficuo scambio di informazioni così come richiesto ai sensi dell'art. 150, c. 3, D.Lgs. n. 58/1998.

Il Collegio Sindacale ha accertato tramite le informazioni assunte dalla Società di Revisione l'osservanza delle norme e delle leggi inerenti la formazione e l'impostazione del bilancio d'esercizio e del bilancio consolidato e della Relazione sulla Gestione. Con la Società di Revisione PwC sono stati esaminati, in particolare, la sintesi dei risultati del Gruppo GVS al 31 dicembre 2022 e la rappresentazione nei prospetti di bilancio degli elementi significativi sotto l'aspetto economico, patrimoniale e finanziario, l'approccio, le procedure e il piano di revisione adottato sulle principali aree di bilancio, i fattori di rischio identificati, gli specialisti coinvolti nelle attività di verifica nonché le conclusioni raggiunte al completamento delle procedure di verifica. Le tematiche contabili più rilevanti correlate agli eventi significativi avvenuti nel corso dell'esercizio sono state: l'analisi del rispetto dei *covenants* finanziari al 31 dicembre 2022, la contabilizzazione delle aggregazioni aziendali, in base all'IFRS 3R relative al Gruppo STT e al Gruppo Haemotronic, la contabilizzazione della fusione tra GVS S.p.A. e GVS Sud S.r.l. e le modalità di esecuzione dell'*impairment test*.
Nel corso di tali periodici incontri non si sono evidenziati atti o fatti valutati censurabili e meritevoli di segnalazione ai sensi dell'art. 155, c. 2, del D.Lgs. n. 58/1998. In tali incontri non sono emerse anomalie, criticità ed omissioni rilevate dalla Società di Revisione e portate da questa a conoscenza del Collegio Sindacale.

Il Collegio ha esaminato i contenuti della Relazione Aggiuntiva ex art. 11 del Regolamento (UE) n. 537/2014 che verrà trasmessa al Consiglio di Amministrazione con le eventuali osservazioni del Collegio stesso. Dall'esame della Relazione in parola non sono emersi aspetti che debbano essere evidenziati nella presente Relazione.

17. ADESIONE DELLA SOCIETÀ AL CODICE DI CORPORATE GOVERNANCE DEL COMITATO PER LA GOVERNANCE E VALUTAZIONE DELL'INDIPENDENZA DEI COMPONENTI DELLA STRUTTURA ORGANIZZATIVA DESCRITTA AL PAR. 12

La Società ha aderito al Codice di *Corporate Governance* impegnandosi ad effettuare le attività necessarie all'attuazione dei relativi principi. Il Collegio Sindacale ha vigilato sulle modalità di concreta attuazione del Codice di *Corporate Governance*, adottato dal Consiglio di Amministrazione, senza riscontrare criticità.
Inoltre si evidenzia che le raccomandazioni formulate nella lettera del 3 dicembre 2021 del Presidente del Comitato per la *Corporate Governance* sono state portate all'attenzione del Consiglio di Amministrazione in data 22 marzo 2022, e la Società ha rendicontato sulle stesse nell'ambito della Relazione sulla *Governance*.

18. VALUTAZIONI CONCLUSIVE IN ORDINE ALL'ATTIVITA' SVOLTA

Nel corso delle attività descritte, nonché sulla base delle informazioni periodicamente scambiate anche con la Società di Revisione PricewaterhouseCoopers S.p.A., non sono stati rilevati omissioni e/o fatti censurabili e/o irregolarità, o comunque fatti significativi tali da richiedere la segnalazione alle Autorità di Vigilanza ovvero menzione nella presente Relazione.

19. INDICAZIONE DI EVENTUALI PROPOSTE DA RAPPRESENTARE ALL'ASSEMBLEA AI SENSI DELL'ART. 153, C. 2, DEL D.LGS. n. 58/1998

Tenuto conto di tutto quanto precede, il Collegio Sindacale valuta che non sussistano motivi ostativi all'approvazione del bilancio al 31 dicembre 2022 così come predisposto dal Consiglio

di Amministrazione e non ha obiezioni da formulare con riguardo alle proposte di destinazione del risultato di esercizio.

A conclusione del terzo e ultimo esercizio di mandato, si ringrazia per la fiducia accordata con la nomina nonchè gli Amministratori ed il personale tutto della Società per l'assistenza nell'espletamento del ruolo e delle relative funzioni.

Milano/Bologna, 12 aprile 2023

p. Il Collegio Sindacale
Il Presidente Prof.ssa Patrizia Riva

Independent Auditor's Report on the Financial Statements as at 31 December 2022

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Independent auditor's report

in accordance with article 14 of Legislative Decree No. 39 of 27 January 2010 and article 10 of Regulation (EU) No. 537/2014

To the shareholders of
GVS SpA

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of GVS SpA (hereinafter also the "Company"), which comprise the statement of financial position as of 31 December 2022, the income statement, statement of comprehensive income, statement of changes in shareholders' equity, statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of GVS SpA as of 31 December 2022, and of the result of its operations and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No. 38/2005.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of this report. We are independent of the Company pursuant to the regulations and standards on ethics and independence applicable to audits of financial statements under Italian law. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

PricewaterhouseCoopers SpA

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Key Audit Matters	***Auditing procedures performed in response to key audit matters***
Revenue recognition Note 2.3 "*Accounting standards and assessment criteria*" and Note 7.1 "*Revenues from contracts with customers*" to the financial statements	
Revenues from contracts with customers in the financial statements of GVS SpA as of 31 December 2022 are equal to Euro 78,107 thousand, mainly attributable to the sale of finished products. Those revenues are recognised, in accordance with IFRS 15 – *Revenue from contracts with customers*, when control of the products is transferred to the customer. The correct recognition of revenues was a key matter in our audit in consideration of the materiality of the item and the large number of transactions making up the total amount.	Our audit approach consisted, preliminarily, in understanding and evaluating the methods and procedures defined by the Company for the recognition and measurement of sales revenues. Moreover, we identified and validated the operating effectiveness of controls over the revenue recognition process. Taking into account the understanding, evaluation and validation of internal controls mentioned above, we then planned and performed substantive tests on the item in question. In detail, on a representative sample of transactions we verified the existence and accuracy of revenues reported in the financial statements by examining the information in the supporting documents. We also performed external confirmation procedures on a sample of customers with the aim of obtaining evidence supporting the receivables recognised. Finally, we selected a sample of sales transactions in December 2022 and January 2023 and we verified, against supporting documents, their correct cut-off in accordance with the accrual basis of accounting.

Responsibilities of the Directors and the Board of Statutory Auditors for the Financial Statements

The Directors are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No. 38/2005 and, in the terms prescribed by 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, in preparing the financial statements, for the appropriate application of the going concern basis of accounting, and for disclosing matters related to going concern. In preparing the financial statements, the Directors use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The Board of statutory auditors is responsible for overseeing, in the terms prescribed by law, the Company's financial reporting process.

Auditor's 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 auditor's 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 International Standards on Auditing (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 the financial statements.

As part of our audit conducted in accordance with International Standards on Auditing (ISA Italia), we exercised our professional judgement and maintained professional scepticism throughout the audit. Furthermore:

- We identified and assessed the risks of material misstatement of the financial statements, whether due to fraud or error; we designed and performed audit procedures responsive to those risks; we obtained 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;
- We obtained 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;
- We evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors;
- We concluded 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 auditor's 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 auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern;

- We evaluated 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 communicated with those charged with governance, identified at an appropriate level as 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 identified during our audit.

We also provided those charged with governance with a statement that we complied with the regulations and standards on ethics and independence applicable under Italian law and communicated with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate the related risks, or safeguards applied.

From the matters communicated with those charged with governance, we determined those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We described these matters in our auditor's report.

Additional Disclosures required by Article 10 of Regulation (EU) No 537/2014

On 14 February 2020 the shareholders of GVS SpA in general meeting engaged us to perform the statutory audit of the Company's and consolidated financial statements for the years ending 31 December 2020 to 31 December 2028.

We declare that we did not provide any prohibited non-audit services referred to in article 5, paragraph 1, of Regulation (EU) No. 537/2014 and that we remained independent of the Company in conducting the statutory audit.

We confirm that the opinion on the financial statements expressed in this report is consistent with the additional report to those charged with governance, in their capacity as audit committee, prepared pursuant to article 11 of the aforementioned Regulation.

Report on Compliance with other Laws and Regulations

Opinion on compliance with the provisions of Commission Delegated Regulation (EU) 2019/815

The Directors of GVS SpA re responsible for the application of the provisions of Commission Delegated Regulation (EU) 2019/815 concerning regulatory technical standards on the specification of a single electronic reporting format (ESEF - European Single Electronic Format) (hereinafter, the "Commission Delegated Regulation") to the financial statements as of 31 December 2022, to be included in the annual report.

We have performed the procedures specified in auditing standard (SA Italia) No. 700B in order to express an opinion on the compliance of the financial statements with the provisions of the Commission Delegated Regulation.

In our opinion, the financial statements as of 31 December 2022 have been prepared in XHTML format and have been marked up, in all significant respects, in compliance with the provisions of the Commission Delegated Regulation.

Opinion in accordance with Article 14, paragraph 2, letter e), of Legislative Decree No. 39/2010 and Article 123-bis, paragraph 4, of Legislative Decree No. 58/1998

The Directors of GVS SpA are responsible for preparing a report on operations and a report on the corporate governance and ownership structure of GVS SpA as of 31 December 2022, including their consistency with the relevant financial statements and their compliance with the law.

We have performed the procedures required under auditing standard (SA Italia) No. 720B in order to express an opinion on the consistency of the report on operations and of the specific information included in the report on corporate governance and ownership structure referred to in article 123-bis, paragraph 4, of Legislative Decree No. 58/1998, with the financial statements of GVS SpA as of 31 December 2022 and on their compliance with the law, as well as to issue a statement on material misstatements, if any.

In our opinion, the report on operations and the specific information included in the report on corporate governance and ownership structure mentioned above are consistent with the financial statements of GVS SpA as of 31 December 2022 and are prepared in compliance with the law.

With reference to the statement referred to in article 14, paragraph 2, letter e), of Legislative Decree No. 39/2010, issued on the basis of our knowledge and understanding of the Company and its environment obtained in the course of the audit, we have nothing to report.

Bologna, 12 April 2023

PricewaterhouseCoopers SpA

Signed by

Giuseppe Ermocida
(Partner)

This independent auditor's report has been translated into the English language solely for the convenience of international readers. Accordingly, only the original text in Italian language is authoritative

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