



Annual Financial Report

2023



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Information about the Company and information for shareholders

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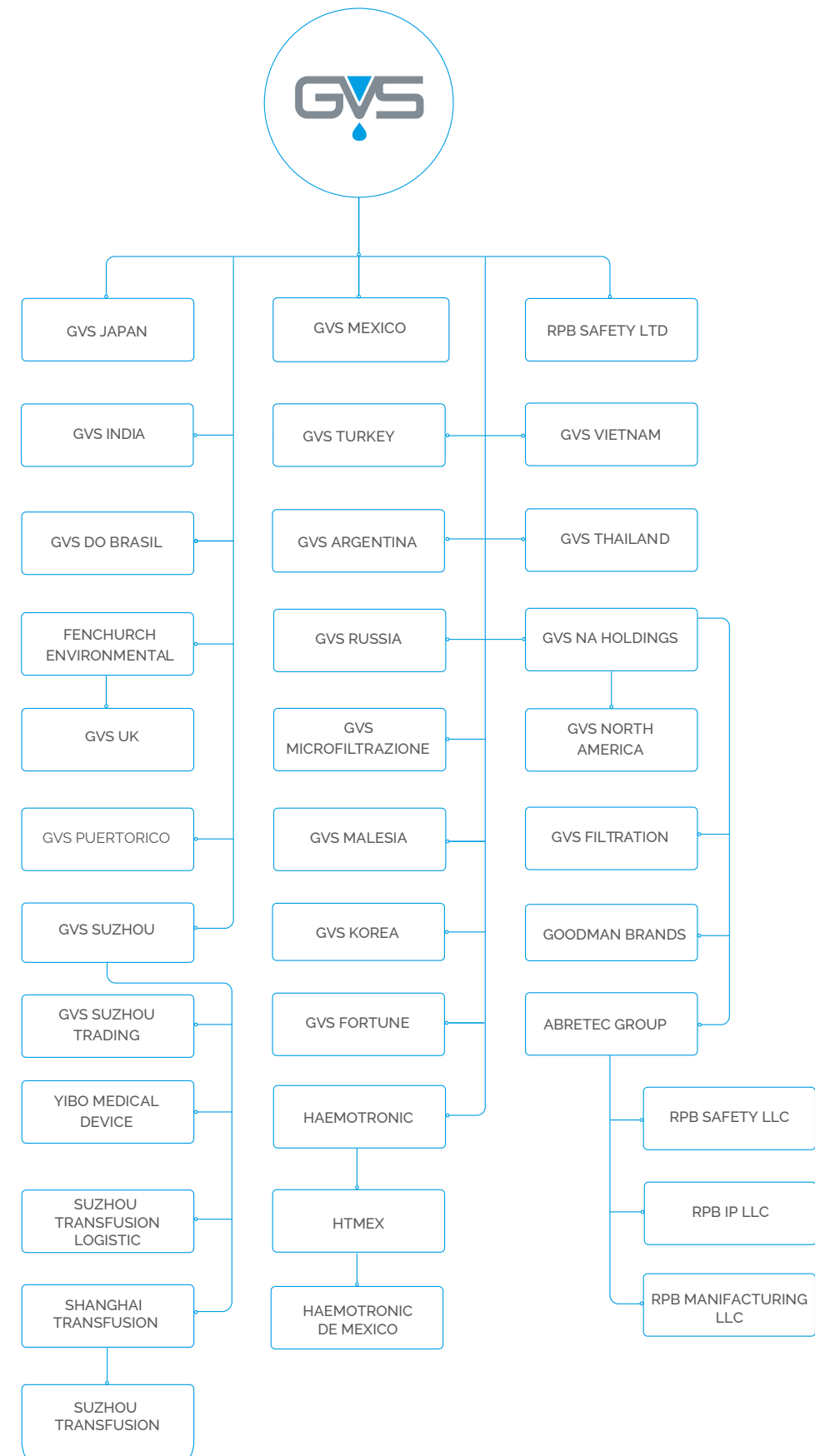
LEGAL INFORMATION

Share capital: Euro 1,750,000
Tax code 03636630372
VAT number 00644831208
REA of Bologna 0305386
Register of Companies of Bologna 45539

INVESTOR RELATIONS

E-mail: investorrelations@gvs.com

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.

Corporate bodies

Board of Directors

Chairman (independent)
Chief Executive Officer
Non-Executive Directors

Alessandro Nasi
Massimo Scagliarini
Marco Pacini
Grazia Valentini
Marco Scagliarini
Simona Scarpaleggia ^{(1) (2)}
Anna Tanganelli ⁽¹⁾
Pietro Cordova ^{(1) (2)}
Michela Schizzi ⁽²⁾

Independent Directors

Board of Auditors

Chairman
Standing auditors

Maria Federica Izzo
Francesca Sandrolini
Giuseppe Farchione
Alessia Fulgeri
Mario Difino

Alternate auditors

Manager responsible for the preparation of the Company's corporate accountants

Emanuele Stanco

Independent Auditors

PricewaterhouseCoopers SpA

(1) Member of the Control, Risk and Sustainability and Related Party Transactions 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 2023.

The annual and consolidated financial statements at 31 December 2023 were prepared in accordance with EU-IFRS standards. The consolidated financial statements at 31 December 2023 closes with a profit of Euro 13,642 thousand, after Euro 4,677 thousand in taxation and a total of Euro 44,719 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 2023, 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 2023

The GVS Group is one of the world's leading suppliers of advanced filtering solutions for highly critical applications and offers advanced filtering solutions for a multitude of applications, primarily in the field of *Healthcare & Life Sciences*.

2023 was marked by strong uncertainties, due to the worsening of the international geopolitical and macro-economic situation. In addition to the ongoing Russian-Ukrainian conflict, 2023 saw the opening of a new war in the Middle East and a sudden increase in interest rates by the main central banks to counter the inflationary spiral, which generated a sharp slowdown in the growth expectations of the main European economies.

Despite the unfavourable international backdrop, the GVS Group continued its growth, through the full integration of the companies acquired during 2022, the implementation of strategic actions aimed at recovering operating margins and constantly reducing financial debt.

These results were achieved despite the impact in its sectors of reference, in particular *Healthcare & Life Sciences* and *Energy & Mobility*, of the policies to reduce inventory by its customers (de-stocking), a phenomenon that involved various manufacturing sectors and which had a negative impact on the Group's expected sales volumes for the year.

The table below breaks down revenues from contracts with customers by division in the periods ending on 31 December 2023 and 31 December 2022.

(in thousands of Euro)	Financial year ended 31 December	
	2023	2022
<i>Healthcare Liquid</i>	226,185	181,297
<i>Healthcare Air & Gas</i>	29,473	30,031
<i>Laboratory</i>	31,592	34,057
Healthcare & Life Sciences	287,249	245,385
<i>Powertrain & Drivetrain</i>	29,065	31,177
<i>Safety & Electronics</i>	21,541	22,315
<i>Sport & Utility</i>	16,224	23,838
Energy & Mobility	66,830	77,330
<i>Personal Safety</i>	66,314	59,961
<i>Air Safety</i>	4,344	4,915
Health & Safety	70,657	64,876
Revenue from contracts with customers	424,737	387,591

During 2023, GVS achieved consolidated revenues of Euro 424.7 million, up by 9.6% compared to Euro 387.6 million recorded in the previous year, thanks to the contribution of the *Healthcare & Life Sciences* division and the *Health & Safety* division. The contribution of the first division includes the latest acquisitions made during the previous year, the STT group and the Haemotronic group, which contributed to the 2022 revenues starting from the date of their acquisition which took place, respectively, on 1 March 2022 and 15 June 2022.

The revenues of the *Healthcare & Life Sciences* division recorded a significant business growth in the *Healthcare Liquid business* (+24.8%), compared to the previous year, thanks to the acquisitions of STT and Haemotronic concluded in 2022, absorbing the decline recorded in the *Healthcare Air & Gas* and *Laboratory* business, which posted a decreasing turnover of 1.9% and 7.2%, respectively, standing at Euro 29.5 million and Euro 31.6 million, respectively.

The *Energy & Mobility* division recorded a trend with a decrease of 13.6% in terms of revenues compared to the previous year, following the destocking policies implemented by its customers; the *Sports & Utility* segment, in particular, recorded 31.9% lower sales than in the previous year.

The Health & Safety division reported a 8.9% year-on-year increase in turnover, driven by favourable sector dynamics and the achievement of commercial synergies with the RPB Group, which was acquired in September 2021.

In terms of performance and breakdown of revenues from contracts with customers as of 31 December 2023:

- the *Healthcare & Life Sciences* division, which represents 67.6% of the total, recorded revenues of Euro 287.2 million and grew by 17.1% compared to the twelve months of 2022. STT and Haemotronic, taken over and consolidated respectively from 1 March 2022 and from 15 June 2022, contributed approximately Euro 133.4 million during 2023;

- the *Energy & Mobility* division, which represents 15.7% of the total, recorded a decrease in turnover level of 13.6% compared to the same period of 2022, reaching Euro 66.8 million;
- the *Health & Safety* division represents 16.6% of the total and settled at Euro 70.7 million with an increase of 8.9% compared to the same period of the previous year.

The financial statements for the year closing at 31 December 2023 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)	The 12-month period closed on 31 December							
	2023	including non recurring	2023 Adjusted	%	2022	including non recurring	2022 Adjusted	%
Revenue from sales and services	424,737	-	424,737	100.0%	387,591	-	387,591	100.0%
Other operating income	7,620	1,716	5,904	1.4%	4,442	-	4,442	1.1%
Total revenues	432,357	1,716	430,641	101.4%	392,033	-	392,033	101.1%
Raw materials purchases costs and variation in inventories	(144,236)	-	(144,236)	-34.0%	(141,198)	(6,717)	(134,481)	-34.7%
Services costs	(56,740)	(268)	(56,472)	-13.3%	(54,573)	(1,967)	(52,606)	-13.6%
Other operating costs	(6,872)	(2,340)	(4,532)	-1.1%	(5,301)	-	(5,301)	-1.4%
Added value	224,509	(892)	225,401	53.1%	190,961	(8,684)	199,645	51.5%
Personnel costs	(131,754)	(1,404)	(130,350)	-30.7%	(123,529)	(2,897)	(120,632)	-31.1%
EBITDA	92,755	(2,296)	95,051	22.4%	67,432	(11,581)	79,013	20.4%
Amortisation and depreciation	(44,125)	(17,090)	(27,035)	-6.4%	(37,972)	(14,216)	(23,756)	-6.1%
Provisions and writedowns	(594)	-	(594)	-0.1%	(506)	-	(506)	-0.1%
EBIT	48,036	(19,386)	67,422	15.9%	28,955	(25,797)	54,752	14.1%
Financial income and costs	(29,717)	(3,099)	(26,618)	-6.3%	5,671	(2,571)	8,242	2.1%
Pre-tax result	18,318	(22,485)	40,804	9.6%	34,626	(28,368)	62,994	16.3%
Income tax	(4,677)	4,734	(9,410)	-2.2%	(10,505)	6,017	(16,522)	-4.3%
Group's and minority shareholders' net profit or loss	13,642	(17,752)	31,394	7.4%	24,121	(22,351)	46,472	12.0%

At 31 December 2023, the consolidated economic results of operations were as follows: total revenues from ordinary operations amounted to Euro 430.6 million (Euro 392 million in 2022); EBITDA from ordinary operations Euro 95.1 million (Euro 79 million in 2022); EBIT from ordinary operations Euro 67.4 million (Euro 54.8 million in 2022).

EBITDA from ordinary operations grew by 20.3% compared to the twelve months of 2022, with a 22.4% margin on revenues, a significant improvement compared to the 20.4% margin recorded in 2022. The increase in the result compared with the previous year benefits from the contribution of the acquisitions completed in 2022 and from the price increase introduced during 2023. The EBITDA margin in the fourth quarter of 2023 stood at 23.3%, up sharply from the 19.4% recorded in the last quarter of 2022, thanks to the contribution of the increase in prices and cost efficiency actions implemented during the year.

EBIT from ordinary operations with a margin on revenues of 15.9% is equal to Euro 67.4 million (+23.1%) compared to Euro 54.8 million in the same period of the previous year and in line with the growth achieved at the level of EBITDA from ordinary operations.

Net financial costs from ordinary operations (net of exchange rate losses of Euro 10,651 thousand recorded in 2023 and exchange rate gains of Euro 14,398 thousand recorded in 2022) increased in the period in question, going from Euro 6,156 thousand in the period ended 31 December 2022 to Euro 15,967 thousand in the period ended 31 December 2023. This was mainly due to new financial payables linked to the acquisitions, completed during 2022, and to the increase in market interest rates some loans are related to.

The pre-tax result of the recurring activities reached Euro 40.8 million in the period in question, with a decrease of Euro 22.1 million compared to Euro 63 million in 2022, mainly due to the exchange loss in 2023 compared to the exchange gain recognized in 2022.

Non-recurring proceeds and charges in the period ending on 31 December 2023 refer to: (i) grants obtained from the Chinese government for the relocation of the Suzhou production site (Euro 373 thousand); (ii) the recharge to the seller of Haemotronic SpA, for an indemnity relating to a specific dispute for which a specific risk provision was recognised in the same amount (Euro 1,343 thousand); (iii) costs relating to Group personnel following the reorganization process in progress (totalling Euro 1,404 thousand); (iv) consultancy costs relating to services received of an exceptional nature (Euro 268 thousand), (v) costs allocated to the provision for the relocation and rationalization of the Group's production sites (totalling Euro 755 thousand); (vi) costs allocated to the risk provision for a specific dispute relating to Haemotronic SpA that arose before the acquisition (Euro 1,343 thousand); (vii) costs allocated to the provision for indirect taxes and related penalties for Euro 241 thousand; (viii) depreciation of intangible and tangible assets recorded following the purchase price allocation of the Kuss, RPB, STT and Haemotronic groups (for a total of Euro 16,108 thousand); (ix) write-downs of tangible fixed assets resulting from the relocation and rationalization plan of the Group's production sites for Euro 982 thousand; and finally (x) to interest recorded following the discounting of payables for earn-out for the acquisitions of the STT and Haemotronic groups (Euro 3,099 thousand), net of the related tax effect. Non-recurring charges for taxes also include Euro 1,121 thousand relating to the costs pertaining to the tax dispute concluded with GVS SpA and the Rumanian subsidiary for direct taxes.

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 Euro 1,000 thousand relating to the costs of the tax dispute with the Company.

Analysis of reclassified equity position

(in thousands of Euro)	As of 31 December 2023	As of 31 December 2022
Net intangible fixed assets	471,701	494,846
Right of use assets, net	20,207	22,991
Net tangible fixed assets	122,884	120,403
Financial fixed assets	3,531	3,579
Other fixed assets	10,718	12,004
Fixed capital (A)	629,041	653,824
Net trade receivables	54,114	72,945
Inventories	84,808	106,922
Payables to suppliers	(38,452)	(57,944)
Net commercial working capital (B)	100,470	121,923
Other current assets	21,203	19,410
Other current liabilities	(40,465)	(32,072)
Total current assets/liabilities (C)	(19,263)	(12,662)
Net working capital (D) = (B) + (C)	81,207	109,260
Other non-current liabilities (E)	(35,447)	(46,086)
Employee termination indemnity and end of service indemnity (F)	(3,120)	(4,630)
Provisions for risks and charges (G)	(8,529)	(9,221)
Net invested capital (H) = (A+D+E+F+G)	663,153	703,148
Shareholders' equity	(334,478)	(327,675)
Consolidated shareholders' equity (I)	(334,478)	(327,675)
(Short-term financial indebtedness)/Liquidity	60,503	(306,602)
(Net medium-/long-term financial indebtedness)	(389,178)	(68,871)
Net financial indebtedness (L)	(328,675)	(375,473)
Own funds and net financial indebtedness (M) = (I+L)	(663,153)	(703,148)

Fixed capital at 31 December 2023 shows a decrease of Euro 24,782 thousand, mainly as a result of depreciation and negative exchange differences in the period, net of investments relating to tangible and intangible fixed assets. Specifically, net intangible fixed assets decreased by Euro 23,145 thousand, of which Euro 19,516 thousand for amortization and write-downs and Euro 11,003 thousand for the negative exchange translation reserve for the period, net of net increases for the period equal to Euro 7,401 thousand. Tangible fixed assets recorded an increase of Euro 2,481 thousand, of which Euro 21,314 thousand relating to investments capitalized in the period net of depreciation and write-downs equal to Euro 17,863 thousand.

The net decrease in usage rights equal to Euro 2,784 thousand is mainly linked to depreciation for a total of Euro 6,747 thousand. Lastly, other fixed assets decreased by Euro 1,335 thousand following the change in non-current financial instruments of Euro 1,819 thousand and prepaid tax receivables of Euro 635 thousand net of the increase in long-term receivables of Euro 3,037 thousand recorded at 31 December 2023.

The balance of trade net working capital at 31 December 2023 shows a decrease of Euro 21,453 thousand compared to 31 December 2022, due to the reduction in trade receivables (Euro 18,830 thousand) and to the decrease in inventories (Euro 22,114 thousand), net of the negative change in trade payables of Euro 19,491 thousand.

The increase in other current assets at 31 December 2023, amounting to Euro 1,793 thousand, was mainly due to the increase in receivables for direct taxes.

The increase in other current liabilities at 31 December 2023 compared to 31 December 2022, equal to Euro 8,393 thousand, is mainly attributable to the increase in payables for direct taxes and payables to employees.

The decrease in other non-current liabilities as of 31 December 2023 mainly relates to deferred tax liabilities, originally recorded as a result of purchase price allocation relating to the acquisitions of RPB, STT and Haemotronic, reported on the income statement in line with the amortisation of intangible assets recorded in 2023 and not tax deductible.

Provisions for risks and charges and the provisions for employee severance indemnities and termination indemnities, respectively Euro 8,529 thousand and Euro 3,120 thousand, decreased during the year mainly due to net utilisations of provisions relating to the reorganisation of personnel, the relocation and rationalisation of the group's plants, tax disputes, as well as the provision for termination indemnities settled during the period.

Shareholders' equity increased by Euro 6,803 thousand at 31 December 2023, mainly due to the effect of comprehensive income for the period of Euro 5,232 thousand and the change in the reserve relating to the *long-term incentives* plan (Euro 1,019 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.

<i>(in thousands of Euro)</i>	As of 31 December 2023	As of 31 December 2022
(A) Cash and cash equivalents	191,473	135,169
(B) Cash equivalents	-	-
Financial assets held for trading	2,317	4,592
Financial lease receivables	168	187
(C) Other current financial assets	2,485	4,779
(D) Liquidity (A)+(B)+(C)	193,958	139,948
Current bank debts	-	-
Financial payables to parent companies	1,531	-
Financial lease liabilities to other companies in the GVS Group	1,475	2,907
Financial lease liabilities	5,909	5,405
Other current payables	-	-
Other financial liabilities	20,789	256
(E) Current financial indebtedness	29,704	8,568
(F) Current portion of non-current indebtedness	103,751	437,982
(G) Current financial indebtedness (E)+(F)	133,455	446,550
(H) Net current financial indebtedness (G)-(D)	60,503	(306,602)
Non-current bank borrowings	275,715	10,094
Non-current bond	-	-
Other financial liabilities	25,299	41,878
Other financial liabilities to GVS Group	75,000	-
Financial lease liabilities to other companies in the GVS Group	1,430	1,547
Non-current financial lease liabilities	11,734	15,352
(I) Non-current financial indebtedness	389,178	68,871
Passive derivative financial instruments	-	-
(J) Debt instruments	-	-
(K) Trade payables and other non-current payables	-	-
(L) Non-current financial indebtedness (I)+(J)+(K)	389,178	68,871
(M) Total net financial indebtedness (H)-(L)	(328,675)	(375,473)

The reduction in net financial debt at 31 December 2023 compared to 31 December 2022, equal to a total of Euro 46,798 thousand, is mainly due to the cash generated by operations net of the liquidity used for net investments in tangible and intangible fixed assets for the period (Euro 28,175 thousand), for net financial charges (Euro 19,815 thousand) and for the payment of taxes (Euro 10,508 thousand). In terms of current operations, the cash generated by operations, equal to Euro 96,598 thousand and the liquidity generated by changes in working capital for Euro 20,186 thousand, was much higher than the amount used for the payment of financial charges, taxes, use of provisions for risks and charges and investments,

resulting in a reduction of overall net financial debt. Net current financial debt, equal to a negative Euro 306,602 thousand as of 31 December 2022, amounted to a positive Euro 60,503 thousand as of 31 December 2023. Non-current financial debt, equal to a negative Euro 68,871 thousand as of 31 December 2022, amounted to a negative Euro 389,178 thousand as of 31 December 2023. These changes, between current and non-current payables, are mainly attributable to the portion of medium-term loans classified as short-term loans as of 31 December 2022, following the provisions of IAS 1. At 31 December 2022, even if essentially these payables were not due within the twelve-month period following 31 December 2022, as the Company had not received any formal request for payment from the credit institutions, the reclassification had been accounted for in the consolidated financial statements as required by international accounting standards. At 31 December 2023, financial payables had been reclassified in the financial statements in accordance with the related amortization plans. We also note that in the period under review, the Company obtained a loan of Euro 75 million from the parent company GVS Group Srl, the liquidity of which was invested in time deposit bank accounts and current accounts tied to market rates.

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 303,046 thousand at 31 December 2023 and negative Euro 343,325 thousand at 31 December 2022.

<i>(in thousands of Euro)</i>	As of 31 December 2023	As of 31 December 2022
(M) Total net financial indebtedness	(328,675)	(375,473)
Non-current active derivative financial instruments	4,829	6,648
Long-term financial receivables	420	476
Financial lease liabilities (net)	20,380	25,024
Total net financial position	(303,046)	(343,325)

The following table shows the adjusted net financial indebtedness:

<i>(in thousands of Euro)</i>	As of 31 December 2023	As of 31 December 2022
(M) Total net financial indebtedness	(328,675)	(375,473)
GVS Group loan (including interest)	76,531	-
Total adjusted net financial indebtedness	(252,144)	(375,473)

Adjusted net financial indebtedness was calculated by excluding from financial payables the amount of Euro 76,531 thousand, equal to the shareholder loan received from GVS Group S.r.l. (Euro 75,000 thousand), in line with the definition of net financial indebtedness in existing loan agreements as regards the method of calculating financial covenants.

Cash flow statement

The cash flow statement appears below.

<i>(in thousands of Euro)</i>	Financial year ended 31 December	
	2023	2022
Pre-tax result	18,319	34,625
- Adjustment for:		
Amortisation, depreciation and writedowns	44,125	37,972
Capital losses / (capital gains) from sale of assets	74	21
Financial costs / (income)	29,717	(5,671)
Other non-monetary variations	4,363	6,750
Cash flow generated / (absorbed) by operations before variations in net working capital	96,598	73,697
Variation in inventories	14,637	3,144
Variation in trade receivables	19,150	(11,921)
Variation in trade payables	(17,394)	13,834
Variation in other assets and liabilities	3,793	9,133
Use of provisions for risks and charges and for employee benefits	(4,707)	(1,919)
Taxes paid	(10,508)	(9,846)
Net cash flow generated / (absorbed) by operations	101,569	76,121
Investments in tangible assets	(21,314)	(17,841)
Investments in intangible assets	(6,862)	(5,024)
Disposal of tangible assets	357	129
Investment in financial assets	(96,601)	(4,116)
Disinvestment in financial assets	98,691	6,451
Payment for purchase of business unit net of cash on hand acquired	(1,098)	(236,027)
Net cash flow generated / (absorbed) by investment	(26,826)	(256,429)
Opening of long-term financial liabilities	75,000	232,531
Repayment of long-term financial liabilities	(68,875)	(43,861)
Variations in current financial payables	2,174	-
Repayment of lease liabilities	(8,576)	(5,390)
Financial costs paid	(17,913)	(4,903)
Financial income collected	3,339	1,808
Treasury shares	(62)	(1,405)
Net cash flow generated/(absorbed) by financial assets	(14,913)	178,780
Total variation in cash on hand	59,830	(1,527)
Cash on hand at the start of the period	135,169	136,893
Total variation in cash on hand	59,830	(1,527)
Conversion differences on cash on hand	(3,526)	(197)
Cash on hand at the end of the period	191,473	135,169

During the period ended 31 December 2023, operations generated greater liquidity of Euro 25,448 thousand compared to the previous year, mainly due to the effect of the increase in EBITDA and to better management of net working capital, which generated a greater cash flow than the previous period thanks to a drop in inventories and trade receivables.

Without considering the extraordinary fees due to the business combinations which characterized the previous period, the net investment of the period shows a higher absorption of liquidity, compared to the same period of the previous year, for Euro 5,325 thousand mainly as a result of investments in tangible and intangible assets.

Without considering the Euro 230 million loan signed in the first half of 2022 for the acquisition of Haemotronic, the financial assets in 2023 show a higher level of liquidity compared to the same period of the previous year, for Euro 36,307 thousand, mainly as a result of the new financial debt of Euro 75,000 thousand obtained in the first half of 2023 from the parent company GVS Group Srl net of interest and repayments made in the two periods compared.

Indicators

The Group's principal economic and financial indicators and other indicators at 31 December 2023 and 31 December 2022 are listed below.

<i>(in thousands of Euro)</i>	Period ended 31 December	
	2023	2022
ROE (net profit/total net shareholders' equity)	4%	7%
ROI (EBIT from ordinary operations/net invested capital)	10%	8%
ROS (EBIT from ordinary operations/ordinary total revenues)	16%	14%
EBITDA	92,755	67,432
Adjusted EBITDA	95,051	79,013
Net interest expense (excluding exchange gains / losses and interest for discounting earn out)	(15,968)	(6,156)
Net Financial Debt	(328,675)	(375,473)
Net financial position	(303,046)	(343,325)
Total intangible fixed assets/Total fixed assets	75%	76%
Total intangible fixed assets/Total assets	48%	50%
Acid test (short-term assets/short-term liabilities)	1.0	1.0
Net interest expense / payables to lenders	3.3%	1.3%
Indebtedness ratio (net financial indebtedness/shareholders' equity)	0.98	1.15
Net financial position/shareholders' equity	0.91	1.05
EBITDA/Interest	5.81	10.95
EBITDA from ordinary operations/Interest	5.95	12.83
Net financial position/EBITDA	3.27	5.09
Net financial position/adjusted EBITDA	3.19	4.35
Net financial debt / EBITDA	3.54	5.57
Net financial indebtedness/adjusted EBITDA	3.46	4.75

The Parent Company GVS SpA

The consolidated financial statements of the Parent Company GVS SpA for the year closing at 31 December 2023 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							
	2023	including non recurring	2023 from ordinary operations	%	2022	including non recurring	2022 from ordinary operations	%
Revenue from sales and services	74,265		74,265	100.0%	78,107		78,107	100.0%
Other operating income	6,457	1,343	5,114	6.9%	5,725		5,725	7.3%
Total revenues	80,722	1,343	79,379	106.9%	83,833		83,833	107.3%
Raw materials purchases costs and variation in inventories	(29,677)		(29,677)	-40.0%	(31,279)		(31,279)	-40.0%
Services costs	(15,331)	(268)	(15,063)	-20.3%	(14,566)	(553)	(14,013)	-17.9%
Other operating costs	(3,008)		(3,008)	-4.0%	(5,191)		(5,191)	-6.6%
Added value	32,705	1,075	31,630	42.6%	32,797	(553)	33,350	42.7%
Personnel costs	(29,395)	(403)	(28,992)	-39.0%	(28,181)	(1,558)	(26,623)	-34.1%
EBITDA	3,310	672	2,638	3.6%	4,616	(2,111)	6,727	8.6%
Amortisation and depreciation	(6,201)	(289)	(5,912)	-8.0%	(5,607)		(5,607)	-7.2%
Provisions and writedowns	-		-	0.0%	(49)		(49)	-0.1%
EBIT	(2,891)	383	(3,274)	-4.4%	(1,040)	(2,111)	1,071	1.4%
Financial income and costs	(15,001)	(2,822)	(12,179)	-16.4%	23,386	(1,544)	24,930	31.9%
Income from equity investments	4,175		4,175		5,142		5,142	
Pre-tax result	(13,717)	(2,439)	(11,278)	-15.2%	27,487	(3,655)	31,142	39.9%
Income tax	4,014	(20)	4,034	5.4%	(7,060)	20	(7,080)	-9.1%
Group's and minority shareholders' net profit or loss	(9,703)	(2,459)	(7,244)	-9.8%	20,428	(3,635)	24,063	30.8%

Revenues from ordinary operations mainly derive from (i) revenues from contracts with customers for Euro 74,265 thousand (Euro 78,017 thousand in 2022) and (ii) other operating income of Euro 5,114 thousand (Euro 5,725 thousand in 2022).

The normalised operating result for 2023 was positive for Euro 3,274 thousand, after saving Euro 5,912 thousand (of which Euro 4,407 thousand related to tangible assets, Euro 234 thousand to intangible assets and Euro 1,271 thousand to assets represented by usage rights following application of IFRS 16).

The result of financial operations from ordinary operations, negative for Euro 12,179 thousand, includes financial proceeds of Euro 17,939 thousand and financial costs of Euro 30,118 thousand. This result also includes negative net exchange differences of Euro 9,109 thousand, mostly unrealized.

Income from equity investments equal to Euro 4,175 thousand mainly relates to the dividends earned by the subsidiaries collected in 2023.

Net profit for the year 2023 was a loss of Euro 9,703 thousand, after recording income taxes for a positive amount of Euro 4,014 thousand.

Analysis of reclassified equity position

The capital structure of GVS S.p.A. as of 31 December 2023, compared with that at 31 December 2022, is as follows:

Reclassified statement of assets and liabilities of the Parent Company GVS SpA (in thousands of Euro)	31 Dec. 2023	31 Dec. 2022
Net intangible fixed assets	2,799	2,694
Right of use assets, net	1,797	2,227
Net tangible fixed assets	26,847	27,241
Equity investments	391,446	333,560
Other fixed assets	6,896	4,075
Active derivatives	4,829	6,648
Non-current financial receivables from subsidiaries	165,677	269,207
Fixed capital (A)	600,291	645,652
Net trade receivables	20,514	29,419
Inventories	8,183	9,656
Payables to suppliers	(9,156)	(12,094)
Net commercial working capital (B)	19,541	26,981
Other current assets	10,177	12,512
Other current liabilities	(15,561)	(12,909)
Total current assets/liabilities (C)	(5,384)	(397)
Net working capital (D)= (B) + (C)	14,157	26,585
Other non-current liabilities (E)	(5,565)	(8,881)
Employee termination indemnity and end of service indemnity (F)	(2,146)	(3,623)
Provisions for risks and charges (G)	(2,898)	(4,843)
Net invested capital (H) = (A+D+E+F+G)	603,839	654,889
Shareholders' equity	(194,919)	(205,212)
Consolidated shareholders' equity (I)	(194,919)	(205,212)
(Short-term financial indebtedness)/Liquidity	(24,313)	(371,504)
(Net medium-/long-term financial indebtedness)	(384,607)	(78,173)
Net financial indebtedness (L)	(408,920)	(449,677)
Own funds and net financial indebtedness (M) = (I+L)	(603,839)	(654,889)

The net invested capital at 31 December 2023, amounting to Euro 603,839 thousand, was fully financed for Euro 194,919 thousand from net equity and Euro 408,920 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 of 31 December 2023, compared with 31 December 2022, is as follows:

Net financial indebtedness and net financial position of the Parent Company GVS SpA (in thousands of Euro)		
	31 December 2023	31 December 2022
Cash	17	35
Cash and cash equivalents	118,217	35,326
Financial assets held for trading	-	-
(A) Liquidity	118,234	35,361
Financial receivables from subsidiaries	28,753	26,174
Other financial receivables	-	-
(B) Current financial receivables	28,753	26,174
(C) Current bank debts	-	-
(D) Current portion of non-current indebtedness	(99,954)	(431,912)
Financial payables to parent companies	(1,531)	-
Financial payables to subsidiaries	(50,719)	-
Financial payables to other companies in the GVS Group due to leasing	(389)	(838)
Financial lease liabilities	(366)	(288)
Other financial liabilities	(18,341)	-
(E) Other current financial liabilities	(71,346)	(1,126)
(F) Current financial indebtedness (C)+(D)+(E)	(171,300)	(433,039)
(G) Net current financial indebtedness (A)+(B)+(F)	(24,313)	(371,504)
Non-current bank borrowings	(270,413)	(86)
Non-current bond	-	-
Non-current financial payables to parent companies	(75,000)	-
Non-current financial payables to subsidiaries	(21,085)	(43,845)
Financial payables to other companies in the GVS Group due to leasing	(721)	(872)
Non-current financial lease liabilities	(404)	(307)
Non-current derivative instruments	-	-
Other financial liabilities	(16,984)	(33,063)
(H) Non-current financial indebtedness	(384,607)	(78,173)
(I) Net financial indebtedness (G)+(H)	(408,920)	(449,677)
Non-current derivative instruments	4,829	6,648
Non-current financial receivables from subsidiaries	165,677	269,207
Financial lease liabilities	1,880	2,305
Total net financial position	(236,535)	(171,516)

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 both 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 or emergence of new product *trends*.

Investments for the period ended 31 December 2023 are mainly attributable to strengthening production capacity and maintaining production in all the *business* divisions. Investments in the period included approximately Euro 4,113 thousand for the construction of the new plant in Suzhou (China), construction of which began in the previous year.

Furthermore, it should be noted that, with reference to the period ended 31 December 2023, 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, Romania 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.

(in thousands of Euro)	Period ended 31 December	
	2023	2022
Research and development costs	24,978	23,183
Research and development costs/revenues from contracts with customers	5.9%	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.

Employee training, combined with the attitude of making the things we seek in all management personnel happen, as well as 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 organisation is lean. 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 2023.

Starting from 8 October 2021, the Company launched the buyback program authorized by the Shareholders' Meeting of 27 April 2021. On 18 September 2023, GVS SpA, in implementation of the shareholders' resolution authorising the purchase and disposal of treasury shares of 3 May 2023, appointed Kepler Cheuvreux SA to carry out liquidity support activities on the regulated market Euronext Milan, organised and managed by Borsa Italiana S.p.A. ("Euronext Milan"), under conditions of independence.

The liquidity support activity on the ordinary shares issued by GVS S.p.A. lasts for 12 months, starting on 20 September 2023, up to a maximum of Euro 1.5 million, in accordance with market practice no. 1, referred to in CONSOB Resolution No. 21318 of 7 April 2020. As of 31 December 2023, the Company held 241.1 treasury shares representing a total stake of 0.14% in 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 2023 and the previous year.

(in thousands of Euro)	31 December 2023		31 December 2022	
	Shareholders' equity	Result for the year	Shareholders' equity	Result for the year
GVS SpA financial statements	194,919	(9,703)	205,212	20,428
Differences between the net assets of consolidated equity investments and their value in the financial statements of the Parent Company and results of subsidiaries:	137,529	31,124	119,672	11,520
Goodwills	6,744	-	6,205	-
Elimination of intragroup transactions	(4,637)	(1,563)	(2,974)	(1,591)
Reversal of intragroup dividends	-	(6,503)	-	(5,152)
Adjustments to align individual financial statements with Group accounting policies	(77)	287	(441)	(1,084)
Shareholders' equity and net income attributable to non-controlling interests	(27)	5	(45)	(22)
GVS Group Consolidated Financial Statements	334,451	13,647	327,629	24,098
Shareholders' equity and net income attributable to non-controlling interests	27	(5)	45	22
Total shareholders' equity and results of the consolidated financial statements	334,478	13,642	327,674	24,120

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 wars in Ukraine and in the Middle East, the Company monitors the geopolitical context and the situation in these countries on a daily basis to assess the potential direct and indirect effects in future, both in terms of strengthening the inflation dynamics in the supply markets of raw materials and energy costs, and in terms of sales reduction in the affected areas. Currently, the Group's direct exposure to the areas concerned is marginal.

Intergroup 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 costs and financial
Associated companies - Companies in the GVS Group	Services costs

GVS SpA and the subsidiary Haemotronic SpA participate in the optional national tax consolidation system under the GVS Group. Transactions with subsidiaries are primarily commercial (sale of raw materials and finished goods, and provision of services for production) and financial (provision of intergroup 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 intergroup 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 fairness, 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 Regulation 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/en/governance.

The Code of Conduct can be viewed on the Borsa Italiana S.p.A. 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 2023 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 2023 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 2023

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 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 comply with the level of financial covenants leverage ratio (equal to 3.5x), calculated on a pro-forma basis with the resulting cash flow deriving from the shareholder loan as at 31 December 2022 and without considering the amount of the shareholder loan as a financial debt for the purpose of calculating the leverage ratio, as resulting from the agreements reached with the financial counterparties on 23 December 2022.

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 of 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 costs for the Company as a result of the rate increase policy implemented by the European Central Bank to combat inflation.

EVENTS SUBSEQUENT TO THE CLOSE OF THE FINANCIAL YEAR

No significant events occurred after the end of the period.

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 defining the strategies aimed at reducing its impacts on the Group's operations, and the consequences of its own activities on climate change.

The recent work of the 28th United Nations Conference of the Parties (COP 28), chaired by the United Arab Emirates, confirmed the centrality and urgency of the climate agenda. The wars in Ukraine and the Middle East, 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 2023 Non-Financial Consolidated 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 Related 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 due to the expectations of stakeholders on issues relating to climate change and reputational damage arising from a possible loss of credibility to the Group in the event of failure to develop an appropriate climate strategy.

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 improve its economic and financial performance, which began in the fourth quarter of 2022 and continued over the past year, despite the negative impact of its customer de-stocking policies on sales growth.

In the first quarter of 2024, the Company expects to achieve turnover essentially in line with the first quarter of 2023, due to a residual effect of de-stocking, particularly in the *Healthcare & Life Sciences and Energy & Mobility* divisions; a gradual recovery in sales volume growth is expected in the second half of 2024.

In terms of profitability, GVS will continue its improvement process, thanks to the contribution of the current efficiency actions.

In light of the actions described above, GVS expects to achieve the following results in 2024:

- a low-to-mid single digit growth in consolidated turnover compared to 2023;
- a normalised EBITDA margin increasing between 100 and 200 basis points compared to 2023;
- an expected adjusted leverage ratio of around 2.0x at 31 December 2024.

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

In relation to the separate Financial Statements as of 31 December 2023, which shows a net loss of Euro 9,703,061 to the Shareholders' Meeting, the Board of Director proposes that the shareholders' meeting:

- approve the separate financial statements as of 31 December 2023;
- approve the proposal to cover the net loss for the year 2023, amounting to Euro 9,703,061, by using the extraordinary reserve.

Zola Predosa, 26 March 2024

For the Board of Directors
Massimo Scagliarini
Chief Executive Officer





05.

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at 31 december 2023

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Consolidated Financial Statements
as at 31 december 2023



Consolidated statement of assets and liabilities*

(in thousands of Euro)	Notes	As of 31 December	
		2023	2022
ASSETS			
Non-current assets			
Intangible assets	7.1	471,701	494,846
Right of use assets	7.2	20,207	22,991
Tangible assets	7.3	122,884	120,404
Deferred tax assets	7.4	2,852	3,487
Non-current financial assets	7.5	3,531	3,754
Non-current derivative financial instruments	7.6	4,829	6,648
Other receivables and non-current assets	7.11	3,037	1,695
Total non-current assets		629,041	653,825
Current assets			
Inventories	7.7	84,808	106,922
Trade receivables	7.8	54,114	72,944
Assets from contracts with customers	7.9	964	1,205
Current tax receivables	7.10	7,486	5,691
Other receivables and current assets	7.11	12,753	12,514
Current financial assets	7.5	2,484	4,779
Cash and cash equivalents	7.12	191,473	135,169
Total current assets		354,082	339,224
TOTAL ASSETS		983,123	993,049
SHAREHOLDERS' EQUITY AND LIABILITIES			
Share capital		1,750	1,750
Reserves		319,054	301,780
Net income		13,647	24,098
Group net shareholders' equity		334,451	327,628
Shareholders' equity attributable to non-controlling interests		27	46
Total shareholders' equity	7.13	334,478	327,674
Non-current liabilities			
Debt for the purchase of equity investments and non-current earn out	7.14	24,677	40,983
Non-current financial liabilities	7.15	351,337	10,989
Non-current leasing liabilities	7.2	13,164	16,899
Deferred tax liabilities	7.4	35,447	46,086
Provisions for employee benefits	7.17	3,120	4,630
Provisions for risks and charges	7.18	8,529	9,221
Total non-current liabilities		436,274	128,808
Current liabilities			
Debt for the purchase of equity investments and current earn out	7.14	18,342	-
Current financial liabilities	7.15	107,729	438,238
Current leasing liabilities	7.2	7,384	8,312
Trade payables	7.19	38,452	57,944
Liabilities from contracts with customers	7.9	6,029	7,224
Current tax payables	7.10	8,130	2,662
Other current payables and liabilities	7.20	26,305	22,187
Total current liabilities		212,370	536,567
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		983,123	993,049

(*) Pursuant to 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	
		2023	2022
Revenue from contracts with customers	8.1	424,737	387,591
Other operating income	8.2	7,620	4,442
Total revenues		432,357	392,033
Purchases and consumption of raw materials, semi-products and finished products	8.3	(144,236)	(141,198)
Personnel costs	8.4	(131,754)	(123,529)
Service costs	8.5	(56,740)	(54,573)
Other operating costs	8.6	(6,872)	(5,301)
EBITDA		92,755	67,432
Net impairment losses on financial assets	8.7	(594)	(506)
Amortisation, depreciation and writedowns	8.8	(44,125)	(37,972)
EBIT		48,036	28,955
Financial income	8.9	3,339	15,145
Financial costs	8.9	(33,056)	(9,475)
Pre-tax result		18,319	34,625
Income tax	8.10	(4,677)	(10,505)
Net income		13,642	24,120
<i>Group's share</i>		<i>13,647</i>	<i>24,098</i>
<i>Minority share</i>		<i>(5)</i>	<i>22</i>
<i>Basic net profit per share (in Euro)</i>	8.11	<i>0.08</i>	<i>0.14</i>
<i>Diluted net profit per share (in Euro)</i>	8.11	<i>0.08</i>	<i>0.14</i>

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

Comprehensive consolidated income statement

(in thousands of Euro)	Notes	Financial year ended 31 December	
		2023	2022
Net income		13,642	24,120
Other components of the comprehensive income statement which will be reclassified in the income statement in subsequent years			
Profits (losses) on cash flow hedges	7.6	(1,819)	6,525
Effect of taxation		436	(1,566)
Difference due to conversion of financial statements in foreign currency	7.13	(6,828)	2,052
		(8,210)	7,011
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	7.17	(277)	772
Effect of taxation		77	(215)
		(200)	557
Total other components in the comprehensive income statement		(8,410)	7,568
Comprehensive net profit		5,232	31,688
Group's share		5,282	31,683
Minority share		(50)	5



Prospectus of changes in consolidated shareholders' equity

(in thousands of Euro)	Share capital	Reserves					Reserves		Net income	Group net shareholders' equity	Shareholders' equity attributable to non-controlling interests	Total shareholders' equity
		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				
As of 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
<i>Comprehensive net profit</i>	-	-	-	-	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)
As of 31 December 2022	1,750	92,770	350	60,628	(1,177)	(4,853)	444	153,619	24,098	327,629	46	327,674

(in thousands of Euro)	Share capital	Reserves					Reserves		Net income	Group net shareholders' equity	Shareholders' equity attributable to non-controlling interests	Total shareholders' equity
		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				
As of 31 December 2022	1,750	92,770	350	60,628	(1,177)	(4,853)	444	153,619	24,098	327,629	46	327,674
Net income	-	-	-	-	-	-	-	-	13,647	13,647	(5)	13,642
Total other components in the comprehensive income statement	-	-	-	-	(6,783)	-	(200)	(1,382)	-	(8,365)	(45)	(8,410)
<i>Comprehensive net profit</i>	-	-	-	-	(6,783)	-	(200)	(1,382)	13,647	5,282	(50)	5,232
Allocation of net profit from previous year	-	-	-	4,274	-	-	-	19,824	(24,098)	-	-	-
Assignment of treasury shares for long-term incentives	-	-	-	-	-	2,406	-	(2,406)	-	-	-	-
Purchase of treasury shares	-	-	-	-	-	(77)	-	15	-	(62)	-	(62)
Hyperinflation reserve	-	-	-	-	284	-	-	298	-	582	32	614
Increase in reserves for long-term incentives	-	-	-	-	-	-	-	1,019	-	1,019	-	1,019
As of 31 December 2023	1,750	92,770	350	64,902	(7,676)	(2,524)	244	170,987	13,647	334,451	27	334,478

Consolidated statement of cash flows*

(in thousands of Euro)	Notes	Financial year ended 31 December	
		2023	2022
Pre-tax result		18,319	34,625
- Adjustment for:			
Amortisation, depreciation and writedowns	8,8	44,125	37,972
Capital losses / (capital gains) from sale of assets	8,2 - 8,6	74	21
Financial costs / (income)	8,9	29,717	(5,671)
Other non-monetary variations		4,363	6,750
Cash flow generated / (absorbed) by operations before variations in net working capital		96,598	73,697
Variation in inventories	7,7	14,637	3,144
Variation in trade receivables	7,8	19,150	(11,921)
Variation in trade payables	7,19	(17,394)	13,834
Variation in other assets and liabilities	7,11 - 7,20	3,793	9,133
Use of provisions for risks and charges and for employee benefits	7,17 - 7,18	(4,707)	(1,919)
Taxes paid	8,10	(10,508)	(9,846)
Net cash flow generated / (absorbed) by operations		101,569	76,121
Investments in tangible assets	7,3	(21,314)	(17,841)
Investments in intangible assets	7,1	(6,862)	(5,024)
Disposal of tangible assets	7,3	357	129
Investment in financial assets	7,5	(96,601)	(4,116)
Disinvestment in financial assets	7,5	98,691	6,451
Payment for purchase of business unit net of cash on hand acquired		(1,098)	(236,027)
Net cash flow generated / (absorbed) by investment		(26,826)	(256,429)
Opening of long-term financial liabilities	7,15	75,000	232,531
Repayment of long-term financial liabilities	7,15	(68,875)	(43,861)
Variations in current financial payables	7,15	2,174	-
Repayment of lease liabilities	7,2	(8,576)	(5,390)
Financial costs paid	8,9	(17,913)	(4,903)
Financial income collected	8,9	3,339	1,808
Treasury shares	7,13	(62)	(1,405)
Net cash flow generated/(absorbed) by financial assets		(14,913)	178,780
Total variation in cash on hand		59,830	(1,527)
Cash on hand at the start of the period		135,169	136,893
Total variation in cash on hand		59,830	(1,527)
Conversion differences on cash on hand		(3,526)	(197)
Cash on hand at the end of the period		191,473	135,169

(*) Pursuant to 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 2023

1. General information

1.1 Foreword

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 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.

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, primarily in the field of Healthcare & Life Sciences.

2. Summary of the accounting standards adopted

2.1 Declaration of conformity with international accounting standards

The consolidated financial statements at 31 December 2023 (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 26 March 2024 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 also be noted that with reference to business continuity, the economic and financial performance of the Group recorded during the year was very positive and cash equivalents at 31 December 2023, amounting to Euro 191.5 million, 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 previous paragraph, 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 2023, 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 2023	Direct owner	Percentage of control as of 31 December	
					2023	2022
YUYao Yibo Medical Device Co, Ltd	China - Yuyao	CNY	5,420,000	GVS Technology (Suzhou) Co, Ltd,	100.00%	100.00%
GVS Technology (Suzhou) Co, Ltd,	China - Suzhou (PRC)	CNY	182,658,405	GVS SpA	100.00%	100.00%
Suzhou GVS Trading Co, Ltd,	China - Ningbo	CNY	250,000	GVS Technology (Suzhou) Co, Ltd,	100.00%	100.00%
GVS Fortune Holding Ltd	Hong Kong (PRC)	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	United Kingdom - Morecambe	GBP	1,469	GVS SpA	100.00%	100.00%
GVS Filter Technology UK Ltd	United Kingdom - Morecambe	GBP	27,000	Fenchurch Environmental Group Ltd	100.00%	100.00%
GVS do Brasil Ltda	Brazil - 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	Mexico - Nuevo Leon	MXN	50,000	GVS SpA	99.90%	99.90%
GVS Korea Ltd	Korea - Seoul	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	Japan - Tokyo	JPY	1,000,000	GVS SpA	100.00%	100.00%
GVS Russia LLC	Russia - Moscow	RUB	10,000	GVS SpA	100.00%	100.00%
GVS Filtre Teknolojileri	Turkey - 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,	Malaysia - Petaling Jaya	MYR	3,000,000	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 Zealand - Christchurch	NZD	1,000	GVS SpA	100.00%	100.00%
GVS Filtration Co., Ltd,	Thailand - Bangkok	THB	12,000,000	GVS SpA	100.00%	100.00%
Shanghai Transfusion Technology Co, Ltd	China - Shanghai (PRC)	CNY	86,757,543	GVS Technology (Suzhou) Co, Ltd,	100.00%	100.00%
Suzhou Laishi Transfusion Equipment Co, Ltd,	China - Suzhou (PRC)	CNY	2,271,895	Shanghai Transfusion Technology Co, Ltd	100.00%	100.00%
GVS Logistics Management (Shanghai) Co, Ltd	China - Shanghai (PRC)	CNY	25,000,000	GVS Technology (Suzhou) Co, Ltd,	100.00%	NA
GVS Vietnam Company Limited	Vietnam - Ho Chi Minh City	VND	449,800,000	GVS SpA	100.00%	100.00%
Haemotronic SpA	Italy - Mirandola (MO)	EUR	5,040,000	GVS SpA	100.00%	100.00%
Htmex inc	USA - McAllen, Texas	USD	2,500,000	Haemotronic SpA	100.00%	100.00%
Haemotronic de Mexico S DE RL DE CV	Mexico - Raynosa	MXN	29,603	Htmex Inc	100.00%	100.00%

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.

In December 2023, GVS Technology (Suzhou) Co. Ltd, (100% owned by GVSS.p.A.) deliberated and completed the demerger of its subsidiary Shanghai Transfusion Technology Co. Ltd ("STT"), a historic Chinese company, leader in the production and sale of products related to blood treatment. Following the demerger, a new company was created, GVS Logistics Management (Shanghai) Co. Ltd, directly controlled by GVS Technology (Suzhou) Co. Ltd, to which the management of the logistics and the warehouse of the same STT of the relevant industrial branch was transferred. The scope of consolidation did not change with respect to 31 December 2022, as the effects of the demerger were eliminated in the consolidated financial statements prepared at 31 December 2023.

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 income;

- 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 - Assorevi'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:

Currency	At 31 December		Financial year ended 31 December	
	2023	2022	2023 (average)	2022 (average)
Brazilian Real	5.3618	5.6386	5.401	5.4399
Argentine Peso (*)	892.9239	188.5033	313.8989	136.7767
Chinese Renminbi	7.8509	7.3582	7.6600	7.0788
American Dollar	1.105	1.0666	1.081	1.0530
Hong Kong Dollar	8.6314	8.3163	8.464	8.2451
Japanese Yen	156.3300	140.6600	151.9902	138.0274
Korean Won	1433.6600	1,344.0900	1412.8800	1,358.0733
Russian Ruble	98.6700	78.9716	92.5447	74.9892
Turkish Lira (*)	32.6531	19.9649	25.7596	17.4088
Mexican Peso	18.7231	20.8560	19.1830	21.1869
Romanian Ron	4.9756	4.9495	4.946	4.9313
Indian Rupee	91.9045	88.1710	89.3001	82.6864
Malaysian Ringitt	5.0775	4.6984	4.9319	4.6279
New Zealand dollar	1.7504	1.6798	1.762	1.6582
Thai Baht	37.9730	36.8350	37.6311	36.8562
Vietnamese Dong	26.808	25.183	25.770	24.630
British Pound	0.86905	0.8869	0.8697	0.8528

(*) 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 the sale of an asset is not the fair value of the asset, or if the payments due for the lease are not at

market prices, the entity shall make the following adjustments to assess the proceeds of the sale at fair value: (i) the conditions lower than market prices must be accounted for as an upfront payment of the payments due for the lease and (ii) the conditions higher than market prices must be accounted for as an additional loan provided by the lessor-purchaser to the lessee-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.

The Group may make use of the transfer instrument for a part of its trade receivables

through factoring transactions. Receivables transfer transactions may be with recourse or without recourse; certain transfers without recourse include deferred payment clauses, requiring an exemption from the transferor or implying the maintenance of significant exposure to the performance of cash flows deriving from the transferred receivables. This type of transaction does not meet the requirements of IFRS 9 for the derecognition of financial assets from the financial statements, since the related risks and benefits have not been substantially transferred. Accordingly, all receivables sold through factoring transactions that do not meet the elimination requirements established by IFRS 9 remain recognised in the Group's financial statements, although they have been legally sold; a financial liability of the same amount is recognised in the financial statements as payables for advances on the transfer of receivables. Gains and losses relating to the transfer of such assets are only recognised when the assets themselves are removed from the Group's Statement of Financial Position. It should be noted that as of 31 December 2023, the Group companies only made transfers of trade receivables without recourse that meet all the requirements of IFRS 9 for their *derecognition*.

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. We also note that as of 1 January 2022, the Group also adopted accounting standard IAS 29 for its Turkish subsidiary GVS Filtre Teknolojileri, given the inflation rate that characterised the country's economy during the current year.

Revenue from contracts with customers

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 2023

The following IFRS accounting standards, amendments and interpretations were applied for the first time by the Group from 1 January 2023:

- 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 IASB has developed the standard to eliminate inconsistencies and weaknesses in accounting policies, by providing a single principle-based framework to account for all types of insurance contracts, including reinsurance contracts that an insurer holds. The new standard also envisages presentation and disclosure requirements to improve comparability between entities belonging to this sector. The new standard measures an insurance contract on the basis of a General Model or a simplified version of the latter, called Premium Allocation Approach ("PAA"). The main characteristics of the General Model are:
 - estimates and assumptions of future cash flows are always current;
 - the measurement reflects the time value of money;
 - the estimates provide for extensive use of observable market information;
 - there is a current and explicit risk measurement;
 - the expected profit is deferred and aggregated into insurance contract groups at the time of initial recognition; and,
 - the expected profit is recognised during the contractual coverage period taking into account adjustments arising from changes in assumptions relating to the cash flows of each group of contracts.
- The premium allocation approach involves measuring the liability for the residual coverage of a group of insurance contracts provided that, at the time of initial recognition, the entity expects that this liability reasonably represents an approximation of the General Model. Contracts with a coverage period of one year or less are automatically eligible for the premium allocation approach. The simplifications deriving from the application of the PAA method do not apply to the measurement of liabilities for outstanding claims, which are measured with the General Model. However, it is unnecessary to discount those cash flows if it is expected that payment or collection of the balance will take place within one year of the date on which the claim took place. The entity must apply the new standard to insurance contracts issued, including reinsurance contracts

issued, reinsurance contracts held and also investment contracts with a discretionary participation feature (DPF). On 09 December 2021, the IASB published an amendment entitled "Amendments to IFRS 17 Insurance contracts: *Initial Application of IFRS 17 and IFRS 9 – Comparative Information*". The amendment is a transition option relating to the comparative information on financial assets presented at the date of first application of IFRS 17. The amendment has been applied since 1 January 2023, together with the application of IFRS 17, to avoid temporary accounting misalignments between financial assets and liabilities of insurance contracts, and therefore to improve the usefulness of comparative information for readers of the financial statements. The adoption of this standard and the related amendment have had no impact on the GVS Group's consolidated financial statements.

- The *International Accounting Standards Board* published the document "Deferred taxes relating to assets and liabilities arising from a single transaction (Amendments to IAS 12)" which clarifies how the companies account for deferred taxes on transactions such as leasing and decommissioning obligations. The main change in deferred taxes relating to assets and liabilities arising from a single transaction (Amendments to IAS 12) is an exemption from the initial recognition exemption under IAS 12.15 (b) and IAS 12.24. Accordingly, the exemption from initial recognition does not apply to transactions in which deductible and taxable temporary differences of the same amount arise on initial recognition. This is also explained in the paragraph IAS 12.22A just included.

The entity that applies "Deferred taxes relating to assets and liabilities arising from a single transaction" must also, at the beginning of the first comparative year presented:

- a) recognise the deferred tax asset, if it is probable that taxable income will be earned in respect of which the deductible temporary difference may be used, and the deferred tax liability for all deductible and taxable temporary differences associated with: (i) right-of-use assets and lease liabilities; and (ii) dismantling, restoration and similar liabilities and the corresponding amounts recognised as part of the cost of the relevant asset; and
- b) recognise the cumulative effect of the first application of the amendments as an adjustment to the opening balance of retained earnings (or, as the case may be, other components of equity) at that date.

The adoption did not have any impact on the GVS 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 to IAS 1 and IFRS Practice Statement 2 aim to clarify disclosure of accounting standards by replacing the obligation to indicate "material accounting standards" with the obligation to indicate "material information on accounting standards". The amendments also provide guidance on the circumstances in which it is likely that the information will be considered material and therefore require disclosure. The document amends IAS 1 as follows:
 - an entity is now required to provide its material information on accounting standards rather than its material accounting standards, several paragraphs have been added to explain how an entity can identify both material information on accounting standards and provide examples of when information on accounting standards is likely to be material;

- the amendments clarify that the information in the accounting policies may be material by their nature, even if the amounts involved are insignificant;
- the amendments clarify that information on accounting policies is material if users of an entity's financial statements need it to understand other material information in the financial statements; and
- the amendments clarify that if an entity provides non-material information on accounting standards, such information shall not obscure material information on accounting standards.

The above amendments have no impact on the measurement or presentation of financial statement items, but only on the disclosure of the accounting standards of the entities.

The amendments to IAS 8, which have added the definition of accounting estimates, clarify that the effects of a change in an input or measurement technique are changes in accounting estimates, unless they result from correction of errors in previous periods. These amendments clarify how entities should distinguish between changes in accounting estimates, changes in accounting policies and corrections of errors from previous periods.

- In December 2021, the Organisation for Economic Co-operation and Development (OECD) published a draft legislative framework for a global minimum tax that should be used by individual jurisdictions. The objective of the framework is to reduce the shift of profits from one jurisdiction to another in order to reduce the overall tax burden of corporate groups. In March 2022, the OECD published a set of detailed technical guidelines on the rules of Pillar Two. The interested parties have expressed concerns to the IASB regarding the potential implications on the accounting of income taxes and in particular on the accounting of deferred taxes, deriving from the rules of the Pillar Two model. The IASB issued *Amendments (the Amendments) International Tax Reform - Pillar Two*, in response to the concerns of stakeholders of 23 May 2023. The adoption of this amendment had no impact on the GVS 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 2023

- amendments to IAS 1 *Presentation of Financial Statements*:
 - *Classification of Liabilities as Current or Non-Current*;
 - *Classification of Liabilities as Current or Non-Current - deferral of effective date*;
 - *Non-current Liabilities with Covenants*.
- changes to IFRS 16: *Liability in a Sale and Leaseback* (changes to IFRS 16 Leases);

Amendments to IAS 1

In January 2020, the IASB issued amendments to IAS 1, which clarify how an entity must classify liabilities as current or non-current.

These changes are expected to have a significant impact on many entities, with multiple liabilities classified as current, particularly those with covenants relating to loans. Amendments are mandatory for financial statements beginning on or after 1 January 2023.

On 31 October 2022, the IASB published *Non-current Liabilities with Covenants* (Amendments to IAS 1) to clarify how the conditions that an entity must meet within twelve months of the reporting date affect the classification of a liability.

The amendments to IAS 1 specify that the covenants to be complied with after the reporting date do not affect the classification of the debt as current or non-current at the reporting date. On the other hand, the amendments require a company to provide information on these covenants in the notes to the financial statements. The changes are effective for annual periods beginning on or after 1 January 2024.

Amendments to IFRS 16: Liability in a Sale and Leaseback (changes to IFRS 16 Leases)

The *International Accounting Standards Board (Board)* released the 2020 Exposure Draft titled *Lease Liability in a Sale and Leaseback*. This document specifies the method used by a seller lessee to initially measure the right of use asset and the liability for the lease arising from a sale and leaseback transaction and the way in which the seller-lessor subsequently measures this liability.

In 2021 the Board reviewed the feedback received on the Exposure Draft. At its September 2021 meeting, the Interpretations Committee discussed the project and discussed the direction of the project while considering such feedback. In September 2022, the IASB amended IFRS 16. The amendments add paragraph 102A to IFRS 16. According to this paragraph, the seller-lessee is required to determine the "lease payments" or "revised lease payments" so as not to recognise any amount of profit or loss relating to the right of use retained by the seller-lessee. The paragraph does not prescribe a particular method for achieving this result.

At present, the Group is analysing the principles indicated and assessing whether their adoption will have a significant impact on the 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:

- IFRS 14 *Regulatory Deferral Accounts* - Approval process suspended pending the new accounting standard on rate-regulated activities;
- *sale or contribution of assets between an investor and its associate or joint venture (Amendments to IFRS 10 and IAS 28)* - Approval process suspended pending the conclusion of the IASB project on the equity method;
- amendments to IAS 7 - *Statement of cash flows* and IFRS 7 - *Financial instruments*: Additional information: *Supplier Finance Arrangements* (issued on 25 May 2023);
- amendments to IAS 21 - *The Effects of Changes in Foreign Exchange Rates: Lack of Exchangeability* (issued 15 August 2023).

It is expected that the amendments to IAS 21 may be approved before the effective date of 1 January 2025, while for the amendments to IAS 7 and IFRS 7 it is unlikely that the endorsement process will be completed before the effective date of 1 January 2024.

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 wars in Ukraine and in the Middle East, the Company monitors the geopolitical context and the situation in these countries on a daily basis to assess the potential direct and indirect effects in future, both in terms of strengthening the inflation dynamics in the supply markets of raw materials and energy costs, and in terms of sales reduction in the affected areas. Currently, the Group's direct exposure to the areas concerned is marginal.

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).

The Group has not entered into any contracts hedging exchange rate fluctuations.

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 2023 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.

<i>(in thousands of Euro)</i>	Currency appreciation of 5%		Currency depreciation of 5%	
	At 31 December		At 31 December	
	2023	2022	2023	2022
USD	12,083	15,028	(10,932)	(13,597)
GBP	(708)	(560)	641	506
EUR	208	288	(188)	(261)
Other	(523)	(481)	473	421
Total	11,059	14,276	(10,006)	(12,930)

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 costs. 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:

<i>(in thousands of Euro)</i>	Impact on profit net of taxes	
	- 50 bps	+ 50 bps
Financial year ended 31 December 2023	852	(852)
Financial year ended 31 December 2022	473	(473)

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 2023 according to due date, net of the provision for writedown of receivables.

<i>(in thousands of Euro)</i>	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 as of 31 December 2023	44,702	11,050	1,527	919	58,200
Provision for writedown of receivables	-	(1,639)	(1,527)	(919)	(4,086)
Trade receivables as of 31 December 2023	44,702	9,411	-	-	54,114

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 2023.

<i>(in thousands of Euro)</i>	As of 31 December 2023					Contractual value	Book value
	Within 1 year	Between 1 and 2 years	Between 3 and 5 years	beyond 5 years			
Liabilities for the purchase of equity investments and earn out	19,000	19,000	8,279	-		46,279	43,019
Financial liabilities	123,124	123,615	256,158	45		502,943	459,066
Leasing liabilities	7,730	4,625	8,641	26		21,022	20,548
Trade payables	38,452	-	-	-		38,452	38,452
Other current payables and liabilities	26,305	-	-	-		26,305	26,305

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 2023 and 31 December 2022.

(in thousands of Euro)	Book value	
	As of 31 December 2023	As of 31 December 2022
FINANCIAL ASSETS:		
Financial assets measured at amortised cost:		
Non-current financial assets	3,502	3,715
Other receivables and non-current assets	3,037	1,695
Trade receivables	54,114	72,944
Other receivables and current assets	10,458	9,791
Current financial assets	168	187
Cash and cash equivalents	191,473	135,169
	262,752	223,500
Financial assets measured at fair value entered in the income statement:		
Non-current financial assets	29	39
Current financial assets	2,317	4,592
	2,345	4,631
Derivative financial instruments	4,829	6,648
TOTAL FINANCIAL ASSETS	269,926	234,780

(in thousands of Euro)	Book value	
	As of 31 December 2023	As of 31 December 2022
FINANCIAL LIABILITIES:		
Financial liabilities measured at amortised cost:		
Non-current financial liabilities	351,337	10,989
Non-current leasing liabilities	13,164	16,899
Current financial liabilities	107,729	438,238
Current leasing liabilities	7,384	8,312
Trade payables	38,452	57,944
Other current liabilities	25,003	21,953
	543,069	554,335
Financial liabilities measured at fair value entered in the income statement:		
Liabilities for the purchase of equity investments and non-current earn out	24,677	40,983
Liabilities for the purchase of equity investments and current earn out	18,342	-
	43,019	40,983
TOTAL FINANCIAL LIABILITIES	586,088	595,317

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:

<i>(in thousands of Euro)</i>	As of 31 December 2023		
	Level 1	Level 2	Level 3
Non-current financial assets	-	-	29
Current financial assets	-	2,317	-
Non-current derivative financial instruments	-	4,829	-
Total assets measured at fair value	-	7,146	29

<i>(in thousands of Euro)</i>	As of 31 December 2023		
	Level 1	Level 2	Level 3
Debt for the purchase of equity investments and current earn out	-	-	24,677
Debt for the purchase of equity investments and non-current earn out	-	-	18,342
Total liabilities measured at fair value	-	-	43,019

<i>(in thousands of Euro)</i>	As of 31 December 2023		
	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

<i>(in thousands of Euro)</i>	As of 31 December 2023		
	Level 1	Level 2	Level 3
Debt for the purchase of equity investments and current earn out	-	-	40,983
Total liabilities measured at fair value	-	-	40,983

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 8.1.

In accordance with the provisions of IFRS 8, paragraph 34, in the financial year ending on 31 December 2023 there was no customer generating individually more than 10% of the Group's total revenues.

The table below lists non-current assets, other than financial assets and deferred tax assets and active derivatives, by geographic area as of 31 December 2023 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.

<i>(in thousands of Euro)</i>	At 31 December	
	2023	2022
Italy	145,831	152,137
United States	127,149	143,135
United Kingdom	7,969	7,153
Brazil	2,703	2,834
China	58,317	60,388
Romania	4,810	3,234
Mexico	19,789	15,990
Puerto Rico	5,867	5,158
Other	2,636	3,242
Non-current assets not allocated	242,759	246,664
Total	617,828	639,937

7. Notes to the consolidated statement of assets and liabilities

7.1 Intangible assets

The table below reports the composition of, and movement in, intangible assets in the year ending on 31 December 2023.

<i>(in thousands of Euro)</i>	Development costs	Goodwill	Customer relationship	Technology	Industrial patent rights and rights to use intellectual property	Concessions, licenses, trademarks, and similar rights	Other fixed assets	Fixed assets in progress	Total
Historical cost as of 31 December 2022	17,238	246,664	208,292	27,397	12,923	33,029	3,692	1,153	550,389
Investments	5,746	-	-	-	72	372	149	522	6,862
Reclassification	205	-	-	-	17	422	19	(491)	173
Write-downs	-	-	-	-	-	(14)	-	-	(14)
Business combinations	-	539	-	-	-	-	-	-	539
Conversion reserves	(976)	(4,444)	(5,111)	(1,089)	(342)	(939)	(329)	0	(13,229)
Historical cost at the end of the period	22,214	242,759	203,182	26,308	12,670	32,870	3,532	1,184	544,719
Provision for amortisation and depreciation as of 31 December 2022	(8,639)	-	(25,385)	(1,914)	(8,148)	(7,817)	(3,640)	-	(55,542)
Amortisation and depreciation	(3,184)	-	(12,163)	(1,597)	(1,102)	(1,453)	(3)	-	(19,502)
Reclassification	-	-	-	-	-	(200)	-	-	(200)
Conversion reserves	636	-	1,009	113	205	(53)	315	-	2,226
Depreciation fund at the end of the period	(11,186)	-	(36,539)	(3,398)	(9,046)	(9,522)	(3,327)	-	(73,018)
Net book value as of 31 December 2022	8,600	246,664	182,908	25,483	4,775	25,212	53	1,153	494,846
Net book value at the end of the period	11,028	242,759	166,643	22,910	3,624	23,348	205	1,184	471,701

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 2023, amounting to Euro 6,862 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.

During the year under review, the group identified impairment losses on intangible assets of Euro 14 thousand and set aside the relative provision for impairment.

Goodwill increased during 2023, by Euro 539 thousand, following the adjustment of the acquisition price of the Haemotronic group.

INTANGIBLE ASSETS WITH AN INDEFINITE USEFUL LIFESPAN

Goodwill

At 31 December 2023 the value of goodwill, equal to Euro 242,759 thousand (Euro 246,664 thousand at 31 December 2022), mainly refers to the acquisition of the STT Groups, Haemotronic, KUSS and RPB, as well as other previous business combinations. The change in the period, in addition to the price adjustments relating to the acquisition of the Haemotronic group (Euro 539 thousand), is due to the negative exchange rate effect for Euro 4,444 thousand.

The table below shows the detail of goodwill as of 31 December 2023 and 31 December 2022 broken down in the portion attributable to the more meaningful acquisitions and what is attributable to other minor business combinations.

(in thousands of Euro)	At 31 December	
	2023	2022
KUSS Takeover	51,180	53,023
RPB Acquisition	28,815	29,815
STT Acquisition	18,973	20,243
Haemotronic takeover	122,939	122,400
Other business combinations	20,852	21,183
Total goodwill	242,759	246,664

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 2023, goodwill, equal to Euro 242,759 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 2024 budget, approved by the Board of Directors on 13 December 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 of 31 December 2023 a prudential exercise was used (worst case), starting from the 2024 budget approved by the Board of Directors on 13 December 2023, to which, for the turnover data for the years 2025 to 2027, an inertial growth rate equal to a prudent estimate of sector inflation was mathematically applied and for the EBITDA margin, for the same years, the 2024 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).

7.2 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.

(in thousands of Euro)	At 31 December	
	2023	2022
Net book value of right of use assets (real estate)	15,324	18,085
Net book value of right of use assets (automobiles)	1,266	868
Net book value of right of use assets (machinery)	3,617	4,038
Total net book value of right of use assets	20,207	22,991
Current leasing liabilities	7,384	8,312
Non-current leasing liabilities	13,164	16,899
Total leasing liabilities	20,548	25,211

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

(in thousands of Euro)	Financial year ended 31 December	
	2023	2022
Amortisation of right of use assets (real estate)	5,573	4,774
Amortisation of right of use assets (automobiles)	768	296
Amortisation of right of use assets (machinery)	406	275
Total amortisation of right of use assets	6,747	5,345
Interest payable on leases	673	435
Total outgoing cash flows due to leasing	9,249	5,825

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.

The assets represented by usage rights recorded during 2023 mainly relate to: (i) renewals of lease agreements relating to industrial and office buildings, as well as renewals of residential properties used as condominiums by employees; and (ii) the signing of new lease agreements relating to company cars.

As of 31 December 2023, 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 2023 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
As of 31 December 2023	7,730	4,625	8,641	26	21,022	20,548
As of 31 December 2022	8,062	8,227	5,435	6,207	27,931	25,211

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.

7.3 Tangible assets

The table below shows the breakdown and movements of tangible assets in the year ending on 31 December 2023.

(in thousands of Euro)	Land and buildings	Plants and machinery	Industrial and commercial equipment	Other assets	Improvements on third party assets	Tangible assets in progress and advances	Total
Historical cost as of 31 December 2022	26,947	147,071	80,762	15,057	13,385	20,951	304,172
Investments	305	354	1,272	127	221	19,034	21,314
Disposal	-	(202)	(307)	(586)	(12)	-	(1,108)
Reclassification	-	8,842	4,363	1,228	540	(15,146)	(173)
Write-downs	-	-	(504)	(68)	(108)	(289)	(968)
Conversion reserves	(724)	(800)	(800)	(345)	86	(221)	(2,803)
Historical cost at the end of the period	26,528	155,265	84,786	15,414	14,112	24,329	320,434
Provision for amortisation and depreciation as of 31 December 2022	(684)	(106,338)	(58,685)	(12,175)	(5,887)		(183,769)
Amortisation and depreciation	(999)	(8,383)	(5,507)	(951)	(1,055)		(16,894)
Disposal	-	199	129	336	12		677
Reclassification	-	750	(589)	42	(3)		200
Conversion reserves	28	1,249	791	187	(19)		2,236
Depreciation fund at the end of the period	(1,656)	(112,522)	(63,861)	(12,559)	(6,951)		(197,550)
Net book value as of 31 December 2022	26,262	40,733	22,077	2,882	7,498	20,951	120,404
Net book value at the end of the period	24,872	42,743	20,925	2,855	7,161	24,329	122,884

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

Investments in tangible assets of Euro 21,314 thousand are mainly attributable to strengthening production capacity and maintaining production in all business divisions. Current investments include about Euro 7,683 thousand for the construction of the new plant in Suzhou (China), an increase of Euro 4,113 thousand during 2023.

Furthermore, it should be noted that, with reference to the period ended 31 December 2023, 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, Romania and Mexico. As of 31 December 2023, no indications of possible impairment of tangible assets arose. In the period in question, write-downs of tangible fixed assets were recorded for Euro 968 thousand, mainly related to the plan for relocation and rationalization of production sites in progress within the Group, for which the long-term usefulness of these investments is no longer recognized.

As of 31 December 2023, there were no real estate assets or capital goods burdened by any kind of guarantee provided to a third party.

7.4 Deferred tax assets and deferred tax liabilities

The table below reports details of deferred tax assets as of 31 December 2023 and 31 December 2022.

(in thousands of Euro)	At 31 December	
	2023	2022
Unrealised profits and losses on exchanges	-	1,885
Non-deductible costs	4,170	4,403
Intangible assets	4,169	6,117
Previous tax losses	2,852	1,263
Inventories	3,551	2,318
Tangible assets	191	117
Provisions for employee benefits	814	590
Right of use assets	183	196
Trade receivables	507	661
Provisions for risks	1,533	1,197
Other	203	283
Gross deferred tax assets	18,173	19,030
Compensation with deferred tax liabilities	(15,321)	(15,543)
Total deferred tax assets	2,852	3,487

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

Deferred 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 2023 and 31 December 2022.

(in thousands of Euro)	At 31 December	
	2023	2022
Unrealised foreign exchange profits	3,803	9,089
Tangible assets	7,350	8,789
Intangible assets	36,898	40,901
Derivative financial instruments	1,159	1,596
Assets represented by usage rights	1,558	1,254
Gross deferred tax liabilities	50,768	61,629
Compensation with deferred tax assets	(15,321)	(15,543)
Total deferred tax liabilities	35,447	46,086

The table below shows changes in the gross value of deferred tax assets and deferred tax liabilities for the year ended 31 December 2023.

(in thousands of Euro)	Total deferred tax assets	Total deferred tax liabilities
Balance as of 31 December 2022	19,030	61,629
Provisions (releases) to income statement	(908)	(9,552)
Provisions (releases) to comprehensive income statement	77	(437)
Conversion reserves	(26)	(872)
Balance as of 31 December 2023	18,173	50,768

Deferred 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.

7.5 Financial assets (current and non-current)

The table below reports details of current and non-current financial assets as of 31 December 2023 and 31 December 2022.

(in thousands of Euro)	At 31 December	
	2023	2022
Security deposits	3,082	3,064
Non-current leasing assets	-	174
Loans	420	476
Capital instruments	29	39
Non-current financial assets	3,531	3,754
Investment funds	2,317	4,592
Current leasing assets	168	187
Current financial assets	2,484	4,779
Total financial assets	6,015	8,533

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.

The item loans is attributable to a loan granted to a counterpart outside the Group by the subsidiary company Htmex Inc.

7.6 Non-current derivative financial instruments

Non-current active financial derivatives amount to Euro 4,829 thousand at 31 December 2023 (Euro 6,648 thousand at 31 December 2022).

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 also note 7.13). 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.

7.7 Inventories

The table below reports details of inventories as of 31 December 2023 and 31 December 2022.

(in thousands of Euro)	At 31 December	
	2023	2022
Finished products and goods	37,105	51,738
Raw materials, subsidiary materials and consumables	43,065	46,636
Products in progress and semi-products	10,722	14,029
Spare parts	2,938	3,206
Gross inventories	93,831	115,609
Provision for writedown of inventory	(6,474)	(5,950)
Provision for write-downs of spare parts	(2,548)	(2,738)
Inventories	84,808	106,922

In the reference period, the change in the item compared to the previous year is attributable to the de-stocking policies implemented by the Group. The provision for write-down of inventories and spare parts increased during the period as a result of the total provision equal to Euro 969 thousand, net of uses and the exchange rate effect equal to Euro 326 thousand and Euro 308 thousand respectively.

7.8 Trade receivables

The table below reports details of trade receivables as of 31 December 2023 and 31 December 2022.

(in thousands of Euro)	At 31 December	
	2023	2022
Trade receivables from customers	58,108	78,080
Trade receivables from related parties	92	82
Trade receivables (gross)	58,200	78,162
Provision for writedown of trade receivables	(4,086)	(5,218)
Trade receivables	54,114	72,944

The book value of trade receivables is considered to approximate their fair value. During 2023, the Group availed itself of the instrument of transferring a portion of its trade receivables through factoring without recourse transactions. As at 31 December 2023, the amount of the assignments of trade receivables through factoring without recourse, for which the derecognition of the related receivables, amounted to Euro 15,094 thousand.

The table below breaks down trade receivables at 31 December 2023 and 31 December 2022, net of the provision for writedown of receivables.

<i>(in thousands of Euro)</i>	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 as of 31 December 2023	44,702	11,050	1,527	919	58,200
Provision for writedown of receivables	-	(1,639)	(1,527)	(919)	(4,086)
Trade receivables as of 31 December 2023	44,702	9,411	-	-	54,114
Gross trade receivables as of 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 of 31 December 2022	58,434	14,510	-	-	72,944

Gross trade receivables at 31 December 2023 and 31 December 2022, include Euro 13,496 thousand and Euro 19,728 thousand, respectively, referable to overdue items, including Euro 2,446 thousand and Euro 4,512 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 2023 and 31 December 2022.

<i>(in thousands of Euro)</i>	Provision for writedown of trade receivables
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	594
Use	(1,577)
Conversion reserves	(149)
Balance as of 31 December 2023	4,086

Net provisions to the provision for writedown of receivables appear in the income statement under the item net writedowns of financial assets (see note 8.7).

7.9 Assets and liabilities deriving from contracts with customers

Assets from contracts with customers, equal to Euro 964 thousand and Euro 1,205 thousand at 31 December 2023 and 31 December 2022 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 6,029 thousand and Euro 7,224 thousand at 31 December 2023 and 31 December 2022 respectively, mainly 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 2023 and 31 December 2022.

<i>(in thousands of Euro)</i>	At 31 December	
	2023	2022
Gross assets from contracts with customers	1,577	2,623
Compensation with liabilities from contracts with customers	(613)	(1,418)
Assets from contracts with customers	964	1,205
Gross liabilities from contracts with customers	6,642	8,642
Compensation with assets from contracts with customers	(613)	(1,418)
Liabilities from contracts with customers	6,029	7,224

7.10 Current tax receivables and payables

Current tax receivables at 31 December 2023 and 31 December 2022 total Euro 7,486 thousand and Euro 5,691 thousand respectively.

Current tax payables at 31 December 2023 and 31 December 2022 amount to Euro 8,130 thousand and Euro 2,662 thousand respectively.

Changes in the net balance of these assets and liabilities in the years ending on 31 December 2023 and 31 December 2022 primarily pertain to allocation of current income taxes amounting to Euro 13,449 thousand and Euro 9,828 thousand and payments of Euro 10,508 thousand and Euro 9,846 thousand, respectively.

7.11 Other receivables and assets (current and non-current)

Other receivables and non-current assets, equal to Euro 3,037 thousand, refer exclusively to the indemnity recognized at the acquisition date from the seller of the Haemotronic group, to cover specific risks pertaining to the group acquired in the previous year. In 2023 this receivable was increased by Euro 1,343 thousand, in line with the increase in the provision for risks recorded in the financial statements.

The table below reports details of other receivables and current assets as of 31 December 2023 and 31 December 2022.

<i>(in thousands of Euro)</i>	At 31 December	
	2023	2022
Advances and instalments	619	1,223
Tax receivables	8,219	8,578
Prepaid expenses	1,676	1,500
Receivables from government agencies	1,525	667
Receivable from employees	129	160
Other receivables	585	386
Other receivables and current assets	12,753	12,514

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

Tax receivables mainly include VAT receivables from the tax authorities, and receivables from government agencies mainly relate to receivables for contributions to be collected.

7.12 Cash and cash equivalents

The table below reports details of cash on hand as of 31 December 2023 and 31 December 2022.

(in thousands of Euro)	At 31 December	
	2023	2022
Bank and postal accounts	191,454	135,137
Cash and cash equivalents on hand	19	32
Cash on hand and cash equivalents	191,473	135,169

As of 31 December 2023 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.

7.13 Shareholders' equity

The table below reports details of shareholders' equity as of 31 December 2023 and 31 December 2022.

(in thousands of Euro)	At 31 December	
	2023	2022
Share capital	1,750	1,750
Share premium reserve	92,770	92,770
Legal reserve	350	350
Extraordinary reserve	64,903	60,628
Translation reserve	(7,676)	(1,177)
Negative reserve for treasury shares	(2,524)	(4,853)
Actuarial profits and losses reserve	244	444
Profit (loss) carried over and other reserves	170,987	153,619
Net income	13,647	24,098
Minority interests	27	45
Total shareholders' equity	334,478	327,674

The statement of variations in consolidated shareholders' equity appears in the relevant financial statement.

Movements in shareholders' equity in the year ending on 31 December 2023 pertained to:

- entry of the overall total annual net profit, amounting to Euro 5,232 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 614 thousand;
- the purchase of treasury shares for Euro 62 thousand;
- the increase in reserves following the new long-term incentives plan for Euro 1,019 thousand.

Share capital

As of 31 December 2023, the Company's fully subscribed and paid-up share capital was Euro 1,750 thousand, divided into 175,000,000 ordinary shares with no par value.

Translation reserve

The translation reserve includes all differences resulting from translation into Euro of the financial statements of subsidiaries included in the consolidation perimeter expressed in foreign currency.

Negative reserve for treasury shares

The treasury shares reserve refers to the purchase of 241,142 treasury shares representing a total stake of 0.14% in 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.

Cash flow hedge reserve

As of 31 December 2023, this item amounted to a positive Euro 3,669 thousand and was related to interest rate hedging contracts entered into so as to specifically hedge variable rate loan agreements, taking into account the related tax effect of the fair value of the derivatives.

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.

7.14 Liabilities for the purchase of equity investments and current and non-current earn out

The total amount of this item, as at 31 December 2023, amounted to Euro 43,019 thousand and refers to the variable component of the price defined in the business combination in relation to the Haemotronic and STT groups. This debt was discounted upon initial recognition.

7.15 Financial liabilities (current and non-current)

The table below reports details of current and non-current financial liabilities as of 31 December 2023 and 31 December 2022.

(in thousands of Euro)	As of 31 December 2023		As of 31 December 2022	
	Current portion	Non-current portion	Current portion	Non-current portion
2014 Bond Loan	4,525	-	9,336	-
2017 Bond Loan	7,993	-	15,967	-
Total bonded loans	12,518	-	25,303	-

Mediobanca loan (2020)	4,437	4,437	13,310	-
Unicredit loan (2020)	4,002	4,012	12,005	-
Club Deal loan (2021)	29,944	89,832	149,632	-
Club Deal loan (2022)	45,818	171,818	228,798	-
Valsabbina loan (Haemotronic)	375	938	375	1,125
Credem loan (Haemotronic)	601	301	2,459	903
BPM loan (Haemotronic)	1,258	-	1,252	1,258
BPER loan (Haemotronic)	530	2,638	526	3,168
Intesa loans (Haemotronic)	1,102	1,304	1,099	2,407
Banco Popolare loan (Haemotronic)	577	435	573	1,012
BPV loan (Haemotronic)	-	-	78	221
Commercial lines of credit	7	-	8	-
Accrued payables	2,583	-	2,563	-
Total financial payables to banks	91,233	275,714	412,679	10,094
GVS Group Srl loan	1,531	75,000	-	-
Subsidized loan Horizon call for tenders	228	395	211	624
Loans under special terms Invitalia	45	227	45	271
Financial payables to factors	2,174	-	-	-
Total other financial liabilities	3,978	75,622	256	895
Total financial liabilities	107,729	351,337	438,238	10,989

As mentioned before, it is highlighted that during the year, 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 (the "Loan"). 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 was 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 treasury bill 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 repayment in full 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.

Below is a description of the additional principal items making up the Group's financial liabilities as of 31 December 2023.

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 costs 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.

- 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. no more than 3.00 on each Determination Date up to 31 December 2018, and
 - ii. no more than 2.50 on each Determination Date starting on 30 June 2019.

As of 31 December 2023, the financial constraints have been met.

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 costs 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. no more than 3.00 on each Determination Date up to 31 December 2018, and
 - ii. no more than 2.50 on each Determination Date starting on 30 June 2019.

As of 31 December 2023, the financial constraints have been met.

The 2014 Bonded Loan is not backed by collateral.

B) LOANS IN EXISTENCE AS OF 31 DECEMBER 2023

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 Euro 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 costs, 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.

As of 31 December 2023, the financial constraints have been met.

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 costs, 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.

As of 31 December 2023, the financial constraints have been met.

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 costs, 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 Determination Date starting on 31 December 2024.

As of 31 December 2023, the financial constraints have been met.

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 quarterly 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 costs, 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;

As of 31 December 2023, the financial constraints have been met.

The 2020 Mediobanca Loan is not backed by collateral.

C) OTHER FINANCIAL LIABILITIES IN EXISTENCE AS OF 31 DECEMBER 2023

C1) Loans taken out by Haemotronic SpA

The following table summarises the main characteristics of the financial liabilities of the subsidiary Haemotronic SpA:

<i>(in thousands of Euro)</i>	Nominal value at 31 December 2023	Maturity	Interest instalment	Interest rate	Guarantee	Covenants
Valsabbina loan	1,313	01/04/2027	half yearly	1.302%	NO	NO
Credem Loan	902	15/06/2025	quarterly	0.150%	NO	NO
BPM loan	1,258	31/12/2024	quarterly	0.400%	NO	NO
BPER loan	3,168	31/12/2028	half yearly	0.800%	NO	NO
Intesa Loan	753	30/06/2025	monthly	0.250%	NO	NO
Intesa Loan	1,653	21/09/2026	monthly	0.150%	NO	NO
Banco Popolare loan	1,012	30/09/2025	quarterly	0.550%	NO	NO
Total Haemotronic loans	10,058					

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 part of 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. The residual debt at 31 December 2023 amounts to Euro 272 thousand.

The table below reports, for the period 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.

<i>(in thousands of Euro)</i>	As of 1 January 2023	Opening	Reclass.	Repayment	Variation in accrued payables on interest	Amortised cost	(Profits) losses on exchanges	As of 31 December 2023
Non-current financial liabilities	10,989	75,000	265,924	-	-	-	(576)	351,337
Current financial liabilities	438,238	2,174	(265,924)	(68,875)	1,550	566	-	107,729
Total financial liabilities	449,227	77,174	-	(68,875)	1,550	566	(576)	459,066

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

7.16 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.

<i>(in thousands of Euro)</i>	As of 31 December 2023	As of 31 December 2022
(A) Cash and cash equivalents	191,473	135,169
(B) Cash equivalents	-	-
Financial assets held for trading	2,317	4,592
Financial lease receivables	168	187
(C) Other current financial assets	2,484	4,779
(D) Liquidity (A)+(B)+(C)	193,958	139,948
Current bank debts	-	-
Financial payables to parent companies	1,531	-
Financial lease liabilities to other companies in the GVS Group	1,475	2,907
<i>Financial lease liabilities</i>	5,909	5,405
Other current payables	-	-
Other financial liabilities	20,789	256
(E) Current financial indebtedness	29,704	8,568
(F) Current portion of non-current indebtedness	103,751	437,982
(G) Current financial indebtedness (E)+(F)	133,455	446,550
(H) Net current financial indebtedness (G)-(D)	60,503	(306,602)

<i>(in thousands of Euro)</i>	As of 31 December 2023	As of 31 December 2022
Non-current bank borrowings	275,715	10,094
Other financial liabilities	25,299	41,878
Other financial liabilities to GVS Group	75,000	-
Financial lease liabilities to other companies in the GVS Group	1,430	1,547
<i>Non-current financial lease liabilities</i>	11,734	15,352
(I) Non-current financial indebtedness	389,178	68,871
Passive derivative financial instruments	-	-
(J) Debt instruments	-	-
(K) Trade payables and other non-current payables	-	-
(L) Non-current financial indebtedness (I)+(J)+(K)	389,178	68,871
(M) Total net financial indebtedness (H)-(L)	(328,675)	(375,473)

For further details on the composition of the items in the table, see Notes 7.12., 7.14 and 7.15.

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 303,046 thousand at 31 December 2023 and Euro 343,325 thousand at 31 December 2022.

<i>(in thousands of Euro)</i>	As of 31 December 2023	As of 31 December 2022
(M) Total net financial indebtedness	(328,675)	(375,473)
Non-current active derivative financial instruments	4,829	6,648
Long-term financial receivables	420	476
Financial lease liabilities (net)	20,380	25,024
Total net financial position	(303,046)	(343,325)

The following table shows the adjusted net financial indebtedness:

<i>(in thousands of Euro)</i>	As of 31 December 2023	As of 31 December 2022
(M) Total net financial indebtedness	(328,675)	(375,473)
GVS Group loan (including interest)	76,531	-
Total adjusted net financial indebtedness	(252,144)	(375,473)

Adjusted net financial indebtedness was calculated by excluding from financial payables the amount of Euro 76,531 thousand, equal to the shareholder loan received from GVS Group S.r.l. (Euro 75,000 thousand), in line with the definition of net financial indebtedness in existing loan agreements as regards the method of calculating financial covenants.

7.17 Provisions for employee benefits

The table below shows the breakdown and movements of provisions for employee benefits in the years ending on 31 December 2023 and 31 December 2022.

(in thousands of Euro)	Termination indemnity	End of office indemnity	Provisions for employee benefits
Balance as of 31 December 2021	2,667	1,699	4,366
Current service cost	174	80	254
Financial costs	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
Current service cost	-	114	114
Financial costs	57		57
Actuarial losses/(profits)	94	184	277
Benefits paid	(244)	(1,714)	(1,958)
Balance as of 31 December 2023	3,038	83	3,120

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 2023 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 3,038 thousand and Euro 3,131 thousand on 31 December 2023 and 31 December 2022, 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 2023 and 31 December 2022 in accordance with the provisions of IAS 19 are listed below.

(As a percentage)	At 31 December	
	2023	2022
Financial hypotheses		
Annual actualisation rate	3.17%/3.09%	3.77%/3.63%
Annual inflation rate	2%	5.9% for 2023, 2.3% for 2024, 2% from 2025
Annual rate of increase in overall pay	3%	Inflation + 1%
Annual rate of increase in the termination indemnity	3%	5.9% for 2023, 3.33% for 2024, 3% from 2025
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 2023 and 31 December 2022.

(in thousands of Euro)	Annual actualisation rate		Annual inflation rate		Annual turnover	
	+0.50%	-0.50%	+0.25%	-0.25%	+2.00%	-2.00%
Employee benefits (termination indemnity) as of 31 December 2023	(131)	141	41	(39)	24	(28)
Employee benefits (termination indemnity) as of 31 December 2022	(170)	(24)	113	-	(3)	(13)

End of office indemnity (TFM)

Employee benefits for TFM amount to Euro 83 thousand and Euro 1,499 thousand on 31 December 2023 and 31 December 2022, respectively. The decrease compared with the previous year is due to the complete liquidation of the TFM fund by the previous administrators, following the appointment of the new Board of Directors in May 2023.

7.18 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 2023 and 31 December 2022.

<i>(in thousands of Euro)</i>		Provisions for risks and charges
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
Allocation		4,694
Release		(450)
Use		(4,888)
Conversion reserves		(48)
Balance as of 31 December 2023		8,529

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 notice of assessment ("FNA") was issued. In 2020, the Parent Company resolved the complaints contained in this FNA through a tax settlement inspection procedure. During 2022, the Parent Company received verification notices from the tax authorities 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 the first half of 2023, the Company resolved disputes relating to the transfer price for the tax period 2016 through a tax assessment procedure. On 3 October 2023, GVS SpA was made aware of a FNA in which the tax authorities contested the determination of the tax base, for IRES (corporate income tax) and IRAP (regional tax on productive activities) purposes, for the 2017, 2018 and 2019 tax periods, believing that the tax base should be adjusted upwards in application of transfer pricing legislation. Following the issue of the FNA, GVS SpA. engaged in dialogue with the tax authorities, which led to a definition of the charges as follows::

- tax period 2017: completion, on 4 December 2023, of a tax settlement resulting in a higher IRES of Euro 287 thousand and a higher IRAP of Euro 31 thousand, plus interest;
- tax period 2018: completion, on 31 January 2024, of a tax settlement resulting in a higher IRES of Euro 312 thousand and a higher IRAP of Euro 50 thousand, plus interest;
- tax period 2019: making of a voluntary correction by presentation:
 - a supplementary declaration for IRES purposes, with a difference of Euro 480 thousand in the group tax consolidation;
 - a supplementary declaration for IRAP purposes, resulting in a higher tax of Euro 78 thousand.

Consequently, in the consolidated financial statements as of 31 December 2023, the dedicated tax risk provision was increased by Euro 700 thousand and used in the amount of Euro 2,114 thousand.

During the previous year, the Romanian subsidiary GVS Microfiltrazione Srl was subject to a tax verification in relation to direct taxes for the years 2016 to 2020 and indirect taxes for the period from 1 April 2016 to 31 May 2021. On 14 July 2023, the subsidiary received the results of the verifications carried out which lead to higher income taxes of Euro 421 thousand as well as higher VAT of Euro 161 thousand. Against these refutations, while your company is convinced that it acted fairly, a dedicated provision for risks has been set aside for a total amount of Euro 663 thousand, including the sums indicated above and an estimate of possible penalties, which was fully utilised in the second half of 2023 when the assessment notice was settled. GVS Microfiltrazione Srl appealed against the findings of the audit.

Finally, in 2023, the Group has set aside in the income statement items:

- "other personnel costs" in the amount of Euro 1,233 thousand following non-recurring expenses relating to the personnel reorganisation process and;
- "other operating costs" in the amount of Euro 755 thousand for the plan to relocate and rationalise the Group's plants and Euro 1,343 thousand for a specific dispute relating to Haemotronic SpA, arising before the acquisition.

Uses in the period refer almost exclusively to payments made to the personnel and rationalisation costs paid following the implementation of the aforementioned reorganization plans, which began during the previous year.

7.19 Trade payables

The table below reports details of trade payables as of 31 December 2023 and 31 December 2022.

<i>(in thousands of Euro)</i>	At 31 December	
	2023	2022
Trade payables to suppliers	38,452	57,944
Trade payables to related parties	-	-
Trade payables	38,452	57,944

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.

7.20 Other current payables and liabilities

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

(in thousands of Euro)	At 31 December	
	2023	2022
Payable to employees	16,668	13,307
Payable to social security institutions	4,153	4,028
Tax payables	2,881	3,290
Accrued payables	123	146
Deferred income	1,179	88
Payable to directors	997	872
Other	304	456
Other current payables and liabilities	26,305	22,187

2023 and 31 December 2022.

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 owed to pension and social security institutions.

Tax payables as of 31 December 2023 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.

Deferred income, increased by Euro 1,091 thousand during 2023, mainly relates to contributions to non-repayable projects, the costs of which will be incurred during 2024 and subsequent years.

8. Notes to the consolidated income statement

It should be noted that the income statement data for 2023 are not comparable with those for 2022, as the acquisitions of the STT Group and the Haemotronic Group on 1 March 2022 and 14 June 2022 respectively were finalised during the previous financial year.

8.1 Revenue from contracts with customers

The table below breaks down revenues from contracts with customers by division in the years ending on 31 December 2023 and 31 December 2022.

(in thousands of Euro)	Financial year ended 31 December	
	2023	2022
<i>Healthcare Liquid</i>	226,185	181,297
<i>Healthcare Air & Gas</i>	29,473	30,031
<i>Laboratory</i>	31,592	34,057
Healthcare & Life Sciences	287,249	245,385
<i>Powertrain & Drivetrain</i>	29,065	31,177
<i>Safety & Electronics</i>	21,541	22,315
<i>Sport & Utility</i>	16,224	23,838
Energy & Mobility	66,830	77,330
<i>Personal Safety</i>	66,314	59,961
<i>Air Safety</i>	4,344	4,915
Health & Safety	70,657	64,876
Revenue from contracts with customers	424,737	387,591

The increase in revenues in the period ended 31 December 2023 compared to the previous year is mainly attributable to the performance of the Healthcare & Life Sciences division, whose growth in the current period is impacted by the acquisitions of the STT and Haemotronic groups.

For further information on the trend in turnover compared with the same period of the previous year, please refer to what is set out in the Directors' Report on Operations.

The table below breaks down revenues from contracts with customers by type of sale in the years ending on 31 December 2023 and 31 December 2022.

(in thousands of Euro)	Financial year ended 31 December	
	2023	2022
Business-to-business (BTB)	330,869	300,916
Business-to-consumer (BTC)	93,868	86,675
Total revenue from contracts with customers	424,737	387,591

The table below breaks down revenues from contracts with customers by geographic area in the years ending on 31 December 2023 and 31 December 2022.

<i>(in thousands of Euro)</i>	Financial year ended 31 December	
	2023	2022
North America	197,005	188,585
Europe	123,529	102,256
Asia	74,575	67,146
Other countries	29,628	29,604
Total revenue from contracts with customers	424,737	387,591

Revenues as of 31 December 2023 are mainly attributable to the sale of finished products

Please see the report on operations for more information.

8.2 Other operating income

The table below breaks down other operating income in the years ending on 31 December 2023 and 31 December 2022.

<i>(in thousands of Euro)</i>	Financial year ended 31 December	
	2023	2022
Contributions for operating expenses	2,716	1,777
Release of provision for risks	450	-
Recovery and chargeback	2,316	1,016
Insurance refunds	452	11
Recovery of scrap	507	550
Proceeds from lease payments receivable	42	-
Capital gains on sales	94	17
Other	1,043	1,071
Other operating income	7,620	4,442

Contributions for operating expenses mainly refer to government subsidies obtained by GVS SpA and the subsidiary Haemotronic SpA to cover operating costs.

The release of the provision for risks of Euro 450 thousand was booked in 2023, following the downsizing of the dispute and request for compensation for damages received in the previous year by a specific customer, for which a provision of Euro 600 thousand had been set aside.

Other operating income, for the period ended 31 December 2023, also includes non-recurring income relating to a grant obtained from the Chinese government for the relocation of the production site (Euro 373 thousand) and a recharge to the seller of Haemotronic SpA (Euro 1,343 thousand) for an indemnity relating to a specific dispute for which a specific risk provision was recognised in the same amount.

8.3 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 2023 and 31 December 2022.

<i>(in thousands of Euro)</i>	Financial year ended 31 December	
	2023	2022
Purchases of raw materials	129,549	135,322
Variation in inventories of products in progress, semi-finished goods and finished products	19,794	5,231
Variation in inventories of raw materials, subsidiary materials and goods	(5,107)	645
Purchases and consumption of raw materials, semi-products and finished products	144,236	141,198

The increase of the period, compared to the previous financial year, is mainly due to the business combinations carried out during the first half of 2022 (STT and Haemotronic groups).

8.4 Personnel costs

The table below breaks down personnel costs in the years ending on 31 December 2023 and 31 December 2022.

<i>(in thousands of Euro)</i>	Financial year ended 31 December	
	2023	2022
Salaries and wages	101,803	93,927
Social security contributions	26,795	25,120
Cost of termination indemnity	1,882	1,345
Other costs	1,274	3,137
Personnel costs	131,754	123,529

The increase in personnel costs in the period ended 31 December 2023, compared to the previous financial year, is mainly due to the business combinations carried out during 2022 (STT and Haemotronic groups). In addition, wages and salaries and other costs for the period ended 31 December 2023 include, respectively, Euro 171 thousand and Euro 1,233 thousand in non-recurring expenses relating to the ongoing reorganisation process within the Group (Euro 2,897 thousand as of 31 December 2022).

The table below reports the average number of Group employees in the years ending on 31 December 2023 and 31 December 2022, broken down by category.

<i>(In units)</i>	Financial year ended 31 December	
	2023	2022
Blue-collar workers	3,009	4,241
White-collar workers	1,218	1,057
Management	116	191
Executives	44	44
Total employees	4,386	5,533

The reduction in the average number of employees relates to the reorganisation plans put in place in the Group during 2023 and the inclusion in the average number of temporary/fixed-term workers in 2022.

8.5 Service costs

The table below breaks down service costs in the years ending on 31 December 2023 and 31 December 2022.

<i>(in thousands of Euro)</i>	Financial year ended 31 December	
	2023	2022
Utilities and cleaning services	14,141	14,199
Maintenance	5,273	4,991
Transportation	7,138	7,853
Consulting services	5,616	6,378
Travel and lodging	2,667	2,427
Subcontracting	4,854	2,614
<i>Marketing and trade fairs</i>	1,452	1,265
Insurance	1,855	2,065
Services related to personnel	2,888	1,975
Commissions	4,225	3,848
Directors' fees	2,782	3,309
Other services	3,849	3,649
Service costs	56,740	54,573

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 2022 (STT and Haemotronic groups).

8.6 Other operating costs

The table below breaks down other operating costs in the years ending on 31 December 2023 and 31 December 2022.

<i>(in thousands of Euro)</i>	Financial year ended 31 December	
	2023	2022
Leasing costs	1,486	2,180
Indirect taxation	1,327	1,172
Membership fees and charity contributions	430	335
Allocation to provision for risks	2,340	600
Losses on sales	168	38
Other minor costs	1,121	976
Other operating costs	6,872	5,301

The item other operating costs, for the period ended 31 December 2023, includes non-recurring charges relating to (i) costs allocated to the provision for the relocation and rationalization of the Group's production sites (for a total of Euro 755 thousand), (ii) costs allocated to the risk provision for a specific dispute relating to Haemotronic SpA that arose before the acquisition (Euro 1,343 thousand) and (iii) provisions for indirect tax risks and related fines of Euro 242 thousand, following the results of the verification concluded by the Romanian tax authorities at our subsidiary.

As previously mentioned, the item other operating costs, for the year ended 31 December 2022, includes charges set aside for a dispute arising from a request received from a specific customer, for Euro 600 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.

8.7 Net impairment losses on financial assets

Net writedowns of financial assets, entered on the basis of the requirements of IFRS 9, totalled Euro 594 thousand and Euro 506 thousand in the years ending on 31 December 2023 and 31 December 2022, 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 2023 and 31 December 2022 appears in note 7.8 - "Trade receivables".

8.8 Amortisation, depreciation and writedowns

The table below breaks down amortisation, depreciation and writedowns in the years ending on 31 December 2023 and 31 December 2022.

(in thousands of Euro)	Financial year ended 31 December	
	2023	2022
Amortisation and writedowns of intangible assets	19,516	17,055
Depreciation and writedowns of tangible assets	17,862	15,572
Amortisation and writedowns of right of use assets	6,747	5,345
Amortisation, depreciation and writedowns	44,125	37,972

A breakdown of the composition of, and movements in, intangible assets and tangible assets for the years ending on 31 December 2023 and 31 December 2022 is provided in notes 7.1 and 7.3. Information on assets represented by usage rights appears in note 7.2.

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 STT and Haemotronic groups, acquired during the first quarter of 2022 and near the end of the second quarter of 2022 respectively. In addition, write-downs of tangible and intangible fixed assets of Euro 982 thousand were recognized in the period in question, mainly linked to the plan for relocation and rationalization of production sites in progress within the Group, for which the long-term usefulness of these investments is no longer recognized.

8.9 Financial income and costs

The table below breaks down financial income in the years ending on 31 December 2023 and 31 December 2022.

(in thousands of Euro)	Financial year ended 31 December	
	2023	2022
Net profits on exchanges	-	14,398
Other financial income	3,339	747
Financial income	3,339	15,145

The table below breaks down financial costs in the years ending on 31 December 2023 and 31 December 2022.

(in thousands of Euro)	Financial year ended 31 December	
	2023	2022
Interest on bonded loans	724	1,268
Interest on loans	15,363	4,504
Net losses on exchanges	10,651	-
Interest on leasing liabilities	673	435
Interest on actualisation of provisions for employee benefits	57	21
Amortised cost	566	420
Interest payable to parent companies	1,531	-
Interest for debt discounting for earn out	3,099	2,571
Other financial costs	392	256
Financial costs	33,056	9,475

Financial costs and income in the periods ending 31 December 2023 and 31 December 2022, respectively, include the net losses and the net unrealized exchange gains deriving mainly 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 relevant bond loan denominated in dollars.

8.10 Annual income tax

The table below breaks down annual income tax in the years ending on 31 December 2023 and 31 December 2022.

(in thousands of Euro)	Financial year ended 31 December	
	2023	2022
Current taxes	13,449	9,828
Deferred taxes	(8,644)	(912)
Taxes relating to previous/non-recurring years	(128)	1,589
Income tax	4,677	10,505

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 2023 and 31 December 2022.

(in thousands of Euro)	Financial year ended 31 December	
	2023	2022
Pre-tax result	18,319	34,625
Theoretical tax rate	24.0%	24.0%
Theoretical tax burden	4,397	8,310
Effect of difference between local rates and theoretical tax rate	(408)	(385)
Permanent differences effect of taxation	(485)	149
IRAP (Regional production tax)	842	807
Other	330	1,624
Income tax	4,677	10,505

8.11 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	
	2023	2022
Group's share of net profit (in thousands of Euro)	13,647	24,120
Weighted average number of shares in circulation	174,718,093	174,562,162
Profit per share (in Euro)	0.08	0.14

Diluted earnings per share at 31 December 2023 was positive at 0.08 (positive at Euro 0.14 at 31 December 2022) 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.

9. 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 2022 the subsidiary based in Turkey is operating in a situation of high inflation. Profit or loss on the net monetary position, allocated to the income statement, amounts to a negative value of Euro 104 thousand and Euro 169 thousand for the period ended 31 December 2023 and 31 December 2022, respectively.

10. Non-recurring revenues and operating costs

In compliance with the provisions of CONSOB Resolution 15519 of 27 July 2006 and CONSOB Communication No. DEM/6064293 of 28 July 2006, the consolidated income statement has been attached, with a separate indication of the amount of costs and revenues arising from non-recurring transactions.

Non-recurring proceeds and charges in the period ending on 31 December 2023 refer to: (i) grants obtained from the Chinese government for the relocation of the Suzhou production site (Euro 373 thousand); (ii) the recharge to the seller of Haemotronic SpA, for an indemnity relating to a specific dispute for which a specific risk provision was recognised in the same amount (Euro 1,343 thousand); (iii) costs relating to Group personnel following the reorganization process in progress (totalling Euro 1,404 thousand); (iv) consultancy costs relating to services received of an exceptional nature (Euro 268 thousand), (v) costs allocated to the provision for the relocation and rationalization of the Group's production sites (totalling Euro 755 thousand); (vi) costs allocated to the risk provision for a specific dispute relating to Haemotronic SpA that arose before the acquisition (Euro 1,343 thousand); (vii) costs allocated to the provision for indirect taxes and related penalties for Euro 241 thousand; (viii) depreciation of intangible and tangible assets recorded following the purchase price allocation of the Kuss, RPB, STT and Haemotronic groups (for a total of Euro 16,108 thousand); (ix) write-downs of tangible fixed assets resulting from the relocation and rationalization plan of the Group's production sites for Euro 982 thousand; and finally (x) to interest recorded following the discounting of payables for earn-out for the acquisitions of the STT and Haemotronic groups (Euro 3,099 thousand), net of the related tax effect. Non-recurring charges for taxes also include Euro 1,121 thousand relating to the costs pertaining to the tax dispute concluded with GVS SpA and the Rumanian subsidiary for direct taxes.

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 Euro 1,000 thousand relating to the costs of the tax dispute with the Company.

11. 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 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 2023 and 31 December 2022.

	Parent company	Companies subject to parent company's control				
(in thousands of Euro)	GVS Group	GVS Real Estate S.r.l. and subsidiaries	Top management	Total	Total item in the financial statement	Impact on the financial statement
Right of use assets						
As of 31 December 2023	-	3,005	-	3,005	20,207	14.9%
As of 31 December 2022	-	3,261	-	3,261	22,991	14.2%
Tangible fixed assets						
As of 31 December 2023	-	-	10	10	122,884	0.0%
As of 31 December 2022	-	-	14	14	120,404	0.0%
Trade Receivables						
As of 31 December 2023	20	41	31	92	54,114	0.2%
As of 31 December 2022	20	21	41	82	72,994	0.1%
Current tax receivables						
As of 31 December 2023	4,382	-	-	4,382	7,486	58.5%
As of 31 December 2022	2,973	-	-	2,973	5,691	52.2%
Non-current financial liabilities						
As of 31 December 2023	75,000			75,000	351,337	21.3%
Non-current leasing liabilities						
As of 31 December 2023	-	1,430	-	1,430	13,164	10.9%
As of 31 December 2022	-	1,547	-	1,547	16,899	9.2%
Provisions for employee benefits						
As of 31 December 2023	-	-	83	83	3,120	2.6%
As of 31 December 2022	-	-	1,499	1,499	4,630	32.4%
Current financial liabilities						
As of 31 December 2023	1,531			1,531	107,729	1.4%
Current leasing liabilities						
As of 31 December 2023	-	1,475	-	1,475	7,384	20.0%
As of 31 December 2022	-	2,907	-	2,907	8,312	35.0%
Current tax payables						
As of 31 December 2023	3,660			3,660	8,130	45.0%
Other current payables and liabilities						
As of 31 December 2023	-	-	3,396	3,396	26,305	12.9%
As of 31 December 2022	-	-	2,227	2,227	21,187	10.0%

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

	Parent company	Companies subject to parent company's control				
(in thousands of Euro)	GVS Group	GVS Real Estate S.r.l. and subsidiaries	Top Management	Total	Total item in the financial statement	Impact on the financial statement
Other operating income						
Financial year ended 31 December 2023	20	41	31	92	7,620	1.2%
Financial year ended 31 December 2022	20	42	41	103	4,442	2.3%
Personnel costs						
Financial year ended 31 December 2023	-	-	5,271	5,271	131,754	4.0%
Financial year ended 31 December 2022	-	-	3,373	3,373	123,529	2.7%
Service costs						
Financial year ended 31 December 2023	-	-	2,617	2,617	56,740	4.6%
Financial year ended 31 December 2022	-	-	3,205	3,205	54,573	5.9%
Amortisation, depreciation and writedowns						
Financial year ended 31 December 2023	-	2,134	3	2,137	44,125	4.8%
Financial year ended 31 December 2022	-	2,008	5	2,013	37,972	5.3%
Financial costs						
Financial year ended 31 December 2023	1,531	118	-	1,649	33,056	5.0%
Financial year ended 31 December 2022	-	162	-	162	9,475	1.7%

TRANSACTIONS WITH THE GVS GROUP

The Company and the subsidiary Haemotronic SpA (the latter from 2023) participate in the optional national tax consolidation system under GVS Group. Current tax receivables and payables at 31 December 2023 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., 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 2023, the Group recorded assets represented by usage rights and relative leasing liabilities for Euro 1,160 thousand and Euro 1,110 thousand, as well as depreciation and financial costs for Euro 767 thousand and Euro 14 thousand respectively.

TRANSACTIONS WITH GVS REAL ESTATE US

On 31 December 2023, the Group company GVS Filtration Inc has in effect two rental agreements with GVS Real Estate US for 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 2023 of assets represented by usage rights amounting to Euro 594 thousand and Euro 545 thousand respectively (Euro 574 thousand and the corresponding leasing liabilities amounting to Euro 802 thousand at 31 December 2022), as well as amortisation, depreciation and writedowns and financial costs in the period ending on 31 December 2023, for Euro 405 thousand and Euro 10 thousand respectively (Euro 358 thousand and Euro 3 thousand at 31 December 2022).

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 2023, of assets represented by usage rights and leasing liabilities of Euro 376 thousand and Euro 300 thousand respectively (Euro 906 thousand and Euro 1,417 thousand at 31 December 2022), and of amortisation, depreciation and writedowns and financial costs for the period ending on 31 December 2023 of Euro 644 thousand and Euro 44 thousand respectively (Euro 564 thousand and Euro 90 thousand at 31 December 2022).

TRANSACTIONS WITH GVS PATRIMONIO IMMOBILIARE

The company of the GVS Microfiltrazione Group has in force 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 2023, of assets represented by usage rights and leasing liabilities of Euro 755 thousand and Euro 733 thousand respectively (Euro 257 thousand and Euro 285 thousand at 31 December 2022), and of amortisation, depreciation and writedowns and financial costs for the period ending on 31 December 2023 of Euro 236 thousand and Euro 16 thousand respectively (Euro 239 thousand and Euro 11 thousand at 31 December 2022).

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 2023, of assets represented by usage rights and leasing liabilities of Euro 120 thousand and Euro 217 thousand respectively (Euro 102 thousand and Euro 266 thousand at 31 December 2022), and of amortisation, depreciation and writedowns and financial costs for the period ending on 31 December 2023 of Euro 82 thousand and Euro 34 thousand respectively (Euro 53 thousand and Euro 41 thousand at 31 December 2022).

TRANSACTIONS WITH TOP MANAGEMENT

As of the date of the 2023 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*, the director of human resources and the general counsel;

The table below provides details of fees payable to members of Top Management and the Board of Directors of GVS SpA in the years ending on 31 December 2023 and 31 December 2022, including contributions.

<i>(in thousands of Euro)</i>	Financial year ended 31 December	
	2023	2022
Fees for office held	1,929	1,367
Bonuses and other incentives	2,855	1,805
Other fees	486	202
Directors' fees	2,617	3,205
Total	7,888	6,579

Please note that:

- other current payables and liabilities as of 31 December 2023 include payables to directors for fees not yet paid totalling Euro 997 thousand (Euro 872 thousand at 31 December 2022);
- provisions for employee benefits as of 31 December 2023 include the value of end of service indemnity for directors totalling Euro 83 thousand (Euro 1,499 thousand at 31 December 2022);
- costs for services for the period ended 31 December 2023 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 2,617 thousand (Euro 3,205 thousand for the period ended 31 December 2022).

12. Commitments and risks

Sureties and guarantees granted to third parties

At 31 December 2023, the Group had sureties and guarantees in place for a total amount of Euro 1.182 thousand.

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.

13. Directors' and auditors' fees

Emoluments for the 2023 financial year due to directors of GVS SpA (including bonuses, charges related to the performance shares plan, provisions for severance indemnity and related contributions) and statutory auditors of GVS SpA amounted to Euro 2,617 thousand and Euro 96 thousand, respectively.

The following table gives details of the remuneration for executive directors and non-executive directors in 2023.

<i>(in thousands of Euro)</i>		2023
Chairman of the Board of Directors		190
Executive Directors		2,276
Non-Executive Directors		151
Total cost		2,617

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

14. Independent auditor's fees

The independent auditor's fees amount to Euro 439 thousand and Euro 554 thousand for the years ending on 31 December 2023 and 31 December 2022, respectively. In compliance with the provisions of Art. 149-duodecies of the CONSOB Issuers Regulation, the fees for 2023 for audit services and other services provided by the independent auditors and entities belonging to its network and others have been attached.

15. 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 2023 and 31 December 2022.

<i>(in thousands of Euro)</i>	Financial year ended 31 December	
	2023	2022
Research and development costs	24,978	23,183
Capitalised development costs	(6,268)	(4,153)
Amortisation of capitalised development costs	3,184	2,427
Research and development costs entered as operating costs	21,894	21,457

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

No significant events occurred after the end of the period.

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

The Consolidated Financial Statements ending on 31 December 2023 were approved on 26 March 2024 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 amount of positions with related parties

<i>(in thousands of Euro)</i>	As of 31 December 2023	of which with related parties	percentage	As of 31 December 2022	of which with related parties	percentage
ASSETS						
Non-current assets						
Intangible assets	471,701			494,846		
Right of use assets	20,207	3,005	14.9%	22,991	3,261	14.2%
Tangible assets	122,884	10	0.0%	120,404	14	0.0%
Deferred tax assets	2,852			3,487		
Non-current financial assets	3,531			3,754		
Non-current derivative financial instruments	4,829			6,648		
Other receivables and non-current assets	3,037			1,695		
Total non-current assets	629,041			653,825		
Current assets						
Inventories	84,808			106,922		
Trade receivables	54,114	92	0.2%	72,944	82	0.1%
Assets from contracts with customers	964			1,205		
Current tax receivables	7,486	4,382	58.5%	5,691	2,973	52.2%
Other receivables and current assets	12,753			12,514		
Current financial assets	2,484			4,779		
Cash and cash equivalents	191,473			135,169		
Total current assets	354,082			339,224		
Total Assets held for sale	-			-		
TOTAL ASSETS	983,123			993,049		
SHAREHOLDERS' EQUITY AND LIABILITIES						
Share capital	1,750			1,750		
Reserves	319,054			301,780		
Net income	13,647			24,098		
Group net shareholders' equity	334,451			327,628		
Shareholders' equity attributable to non-controlling interests	27			46		
Total shareholders' equity	334,478			327,674		

Non-current liabilities						
Liabilities for the purchase of equity investments and earn out	24,677			40,983		
Non-current financial liabilities	351,337	75,000	21.3%	10,989		
Non-current leasing liabilities	13,164	1,430	10.9%	16,899	1,547	9.2%
Deferred tax liabilities	35,447			46,086		
Provisions for employee benefits	3,120	83	2.6%	4,630	1,499	32.4%
Provisions for risks and charges	8,529			9,221		
Total non-current liabilities	436,274			128,808		
Current liabilities						
Liabilities for the purchase of equity investments and earn out	18,342			-		
Current financial liabilities	107,729	1,531	1.4%	438,238		
Current leasing liabilities	7,384	1,475	20.0%	8,312	2,907	35.0%
Trade payables	38,452			57,944		
Liabilities from contracts with customers	6,029			7,224		
Current tax payables	8,130	3,660	45.0%	2,662		
Other current payables and liabilities	26,305	3,396	12.9%	22,187	2,227	10.0%
Total current liabilities	212,370			536,567		
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	983,123			993,049		

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

<i>(in thousands of Euro)</i>	Period ended 31 December					
	2023	of which with related parties	percentage	2022	of which with related parties	percentage
Revenue from contracts with customers	424,737			387,591		
Other operating income	7,620	92	1.2%	4,442	103	2.3%
Total revenues	432,357			392,033		
Purchases and consumption of raw materials, semi-products and finished products	(144,236)			(141,198)		
Personnel costs	(131,754)	(5,271)	4.0%	(123,529)	(3,373)	2.7%
Service costs	(56,740)	(2,617)	4.6%	(54,573)	(3,205)	5.9%
Other operating costs	(6,872)			(5,301)		
EBITDA	92,755			67,432		
Net impairment losses on financial assets	(594)			(506)		
Amortisation, depreciation and writedowns	(44,125)	(2,137)	4.8%	(37,972)	(2,013)	5.3%
EBIT	48,036			28,955		
Financial income	3,339			15,145		
Financial costs	(33,056)	(1,649)	5.0%	(9,475)	(162)	1.7%
Pre-tax result	18,319			34,625		
Income tax	(4,677)			(10,505)		
Net income	13,642			24,120		
<i>Group's share</i>	13,647			24,098		
<i>Minority share</i>	(5)			22		

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

(in thousands of Euro)	Period ended 31 December					
	2023	of which with related parties	percentage	2022	of which with related parties	percentage
Pre-tax result	18,319	(11,582)	-63.2%	34,625	(8,650)	-25.0%
- Adjustment for:						
Amortisation, depreciation and writedowns	44,125	2,137	4.8%	37,972	2,013	5.3%
Capital losses / (capital gains) from sale of assets	74			21		
Financial costs / (income)	29,717	1,649	5.5%	(5,671)	162	-2.9%
Other non-monetary variations	4,363	(1,417)	-32.5%	6,750	(200)	-3.0%
Cash flow generated / (absorbed) by operations before variations in net working capital	96,598			73,697		
Variation in inventories	14,637			3,144		
Variation in trade receivables	19,150	(10)	-0.1%	(11,921)	(82)	0.7%
Variation in trade payables	(17,394)			13,834		
Variation in other assets and liabilities	3,793	1,169	30.8%	9,133	(428)	-4.7%
Use of provisions for risks and charges and for employee benefits	(4,707)			(1,919)		
Taxes paid	(10,508)	2,251	-21.4%	(9,846)	489	-5.0%
Net cash flow generated / (absorbed) by operations	101,569			76,121		
Investments in tangible assets	(21,314)			(17,841)		
Investments in intangible assets	(6,862)			(5,024)		
Disposal of tangible assets	357			129		
Investment in financial assets	(96,601)			(4,116)		
Disinvestment in financial assets	98,691			6,451		
Payment for purchase of business unit net of cash on hand acquired	(1,098)			(236,027)		
Net cash flow generated / (absorbed) by investment	(26,826)			(256,429)		
Opening of long-term financial liabilities	75,000	75,000	100.0%	232,531		
Repayment of long-term financial liabilities	(68,875)			(43,861)		
Variations in current financial payables	2,174			-		
Repayment of lease liabilities	(8,576)	(3,426)	39.9%	(5,390)	(1,414)	26.2%
Financial costs paid	(17,913)	(118)	0.7%	(4,903)	(162)	3.3%
Financial income collected	3,339			1,808		
Treasury shares	(62)			(1,405)		
Net cash flow generated/(absorbed) by financial assets	(14,913)			178,780		
Total variation in cash on hand	59,830			(1,527)		
Cash on hand at the start of the year	135,169			136,893		
Total variation in cash on hand	59,830			(1,527)		
Conversion differences on cash on hand	(3,526)			(197)		
Cash on hand at the end of the year	191,473			135,169		

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

(in thousands of Euro)	The 12-month period closed on 31 December							
	2023	of which non- recurring	2023 Adjusted	percentage	2022	of which non- recurring	2022 Adjusted	percentage
Revenue from contracts with customers	424,737		424,737		387,591		387,591	
Other operating income	7,620	1,716	5,904	22.5%	4,442		4,442	
Total revenues	432,357	1,716	430,641		392,033	-	392,033	
Purchases and consumption of raw materials, semi-products and finished products	(144,236)		(144,236)		(141,198)	(6,717)	(134,481)	4.8%
Personnel costs	(131,754)	(1,404)	(130,350)	1.1%	(123,529)	(2,897)	(120,632)	2.3%
Service costs	(56,740)	(268)	(56,472)	0.5%	(54,573)	(1,967)	(52,606)	3.6%
Other operating costs	(6,872)	(2,340)	(4,532)	34.1%	(5,301)		(5,301)	
EBITDA	92,755	(2,296)	95,051		67,432	(11,581)	79,013	
Net impairment losses on financial assets	(594)		(594)		(506)		(506)	
Amortisation, depreciation and writedowns	(44,125)	(17,090)	(27,035)	38.7%	(37,972)	(14,216)	(23,756)	37.4%
EBIT	48,036	(19,386)	67,422		28,955	(25,797)	54,752	
Financial income	3,339		3,339		15,145		15,145	
Financial costs	(33,056)	(3,099)	(29,957)	9.4%	(9,475)	(2,571)	(6,904)	27.1%
Pre-tax result	18,319	(22,485)	40,804		34,625	(28,368)	62,993	
Income tax	(4,677)	4,734	(9,410)	-101.2%	(10,505)	6,017	(16,522)	-57.3%
Net income	13,642	(17,752)	31,394		24,120	(22,351)	46,471	

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 2023 for audit services and other services provided by the independent auditors and entities belonging to its network as well as others.

<i>(in thousands of Euro)</i>	Subject that has provided the service	Recipient/assignment	2023 fees
	PwC SpA	Parent company - audit of the financial statements	59
	PwC SpA	Parent company - audit of the consolidated financial statements	200
	PwC SpA	Parent company - audit of the half-yearly report	81
	PwC SpA	Subsidiaries - audit services for consolidated financial statements and annual financial statements	40
Total Audit of Accounting			380
	PwC SpA	Parent Company – Agreed upon procedures to certify accounting data	3
	PwC SpA	Parent Company – ISA 805 relating to the certification of Research and Development credit	31
	PwC SpA	Parent company - <i>Limited assurance</i> NFS	25
Total other services (NAS)			59
TOTAL			439



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 2023.

2. The assessment of the adequacy of the administrative and accounting procedures for the preparation of the Consolidated Financial Statements at 31 December 2023 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:

- are prepared in compliance with the 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 as well as the provisions 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, 26 March 2024

Massimo Scagliarini
Chief Executive Officer



Emanuele Stanco
Manager responsible for the preparation
of the accounting documents



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 2023, 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 2023, 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 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.

PricewaterhouseCoopers SpA

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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 2023 are equal to Euro 424,737 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.

Auditing procedures performed in response to key audit matters

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 actual operation and 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 2023 and January 2024 and we verified, against supporting documents, their correct cut-off in accordance with the accrual basis of accounting.



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 471,701 thousand, accounting for 47.9% of total assets, and includes goodwill for a total of Euro 242,759 thousand and intangible assets with finite lives for a total of Euro 228,942 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, i.e. the higher of value in use and fair value less costs of disposal.

As of 31 December 2023 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 2024-2027 prepared assuming inertial growth, at a rate equal to the expected inflation rate, of the figures in the 2024 budget approved by the Company’s board of directors on 13 December 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 assets 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 are related to the correct definition and identification of the CGUs and to the estimation of the future cashflows and the definition of the discount rates to be applied to those cashflows.

Auditing procedures performed in response to key audit matters

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 amount of the CGU, we verified the reasonableness of the key assumptions reflected in the valuation model, including the discount rates and the long-term growth rates, we verified the mathematical accuracy of the models used, and we compared 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 2024 budget approved by the Company’s board of directors on 13 December 2023, making a critical assessment of the reasonableness of the assumptions underlying the estimated cashflows for the period 2024-2027, also in light of the historical performance 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.

Key Audit Matters

Auditing procedures performed in response to key audit matters

Finally, our procedures included analysing the 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 GVS 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 are 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 2023, 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 2023 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 2023, 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 2023 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 2023 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, 15 April 2024

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 2023

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Statement of assets and liabilities*

(in Euro)	Notes	At 31 December	
		2023	2022
ASSETS			
Non-current assets			
Intangible assets	6.1	2,799,485	2,693,631
Right of use assets	6.2	1,797,338	2,227,479
Tangible assets	6.3	26,846,665	27,240,598
Equity investments	6.4	391,446,241	333,559,524
Deferred tax assets	6.5	1,997,627	337,077
Non-current financial assets	6.6	167,537,775	271,250,466
Non-current derivative financial instruments	6.7	4,828,623	6,647,982
Other receivables and non-current assets	6.8	3,037,451	1,694,854
Total non-current assets		600,291,205	645,651,611
Current assets			
Inventories	6.9	8,183,247	9,656,381
Trade receivables	6.10	20,513,992	29,418,994
Assets from contracts with customers	6.11	341,098	534,244
Current tax receivables	6.21	4,868,645	2,972,980
Other receivables and current assets	6.12	4,966,614	9,004,961
Current financial assets	6.6	28,752,768	26,173,580
Cash and cash equivalents	6.13	118,234,553	35,361,081
Total current assets		185,860,917	113,122,221
TOTAL ASSETS		786,152,123	758,773,832
SHAREHOLDERS' EQUITY AND LIABILITIES			
Share capital		1,750,000	1,750,000
Reserves		202,871,716	183,034,547
Net income		(9,703,061)	20,427,718
Total shareholders' equity	6.14	194,918,655	205,212,265
Non-current liabilities			
Debt for the purchase of equity investments and earn out	6.15	16,984,279	33,063,075
Non-current financial liabilities	6.16	366,497,806	43,931,120
Non-current leasing liabilities	6.2	1,124,251	1,178,748
Deferred tax liabilities	6.5	5,565,367	8,881,235
Provisions for employee benefits	6.18	2,145,822	3,622,911
Provisions for risks and charges	6.19	2,898,240	4,843,060
Total non-current liabilities		395,215,765	95,520,149
Current liabilities			
Debt for the purchase of equity investments and earn out	6.15	18,341,646	-
Current financial liabilities	6.16	152,203,250	431,912,250
Current leasing liabilities	6.2	754,850	1,126,398
Trade payables	6.20	9,156,129	12,093,956
Liabilities from contracts with customers	6.11	1,806,524	614,130
Current tax payables	6.21	1,600,346	191,095
Other current payables and liabilities	6.22	12,154,957	12,103,589
Total current liabilities		196,017,703	458,041,418
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		786,152,123	758,773,832

(*) Pursuant to 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	
		2023	2022
Revenue from contracts with customers	7.1	74,264,826	78,107,496
Other operating income	7.2	6,457,014	5,725,203
Total revenues		80,721,840	83,832,699
Purchases and consumption of raw materials, semi-products and finished products	7.3	(29,677,483)	(31,278,594)
Personnel costs	7.4	(29,395,034)	(28,181,499)
Service costs	7.5	(15,331,361)	(14,566,190)
Other operating costs	7.6	(3,007,602)	(5,190,509)
EBITDA		3,310,360	4,615,907
Net impairment losses on financial assets	7.7	-	(49,272)
Amortisation, depreciation and writedowns	7.8	(6,201,352)	(5,607,122)
EBIT		(2,890,992)	(1,040,487)
Financial income	7.9	17,938,290	32,146,897
Financial costs	7.9	(32,939,695)	(8,760,844)
Income and expense from equity investments	7.10	4,175,679	5,141,680
Pre-tax result		(13,716,718)	27,487,246
Income tax	7.11	4,013,657	(7,059,528)
Net income		(9,703,061)	20,427,718
Basic net profit per share	7.12	(0.06)	0.12
Diluted net profit per share	7.12	(0.06)	0.12

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

Comprehensive income statement

(In Euro)	Notes	Financial year ended 31 December	
		2023	2022
Net income		(9,703,061)	20,427,718
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	(1,819,358)	6,524,592
Effect of taxation		436,646	(1,565,902)
		(1,382,712)	4,958,690
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	(229,403)	759,574
Effect of taxation		64,003	(211,921)
		(165,400)	547,653
Total other components in the comprehensive income statement		(1,548,112)	5,506,343
Comprehensive net profit		(11,251,173)	25,934,061



Prospectus of changes in shareholders' equity

(In Euro)	Reserves							Net income	Total shareholders' equity
	Share capital	Share premium reserve	Legal reserve	Extraordinary reserve	Negative reserve for treasury shares	Actuarial profits and losses reserve	Profit (loss) carried over and other reserves		
As of 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
<i>Comprehensive net profit</i>	-	-	-	-	-	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
As of 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
Net income	-	-	-	-	-	-	-	(9,703,061)	(9,703,061)
Total other components in the comprehensive income statement	-	-	-	-	-	(165,400)	(1,382,712)	-	(1,548,112)
<i>Comprehensive net profit</i>	-	-	-	-	-	(165,400)	(1,382,712)	(9,703,061)	(11,251,173)
Allocation of net profit from previous year	-	-	-	4,273,931	-	-	16,153,787	(20,427,718)	-
Purchase of treasury shares	-	-	-	-	(76,760)	-	15,070	-	(61,690)
Assignment of treasury shares for long-term incentives	-	-	-	-	2,406,290	-	(2,406,290)	-	-
Increase in reserves for long-term incentives	-	-	-	-	-	-	1,019,253	-	1,019,253
As of 31 December 2023	1,750,000	92,770,286	350,000	64,903,023	(2,523,927)	304,205	47,068,129	(9,703,061)	194,918,656

Cash flow statement

(In Euro)	Note	Financial year ended 31 December	
		2023	2022
Pre-tax result		(13,716,718)	27,487,246
- Adjustment for:			
Amortisation, depreciation and writedowns	7,8	6,201,352	5,607,122
Capital losses / (capital gains) from sale of assets	7,2 - 7,6	22,000	(2,000)
Financial costs / (income)	7,9	15,001,405	(23,386,053)
Income and expense from equity investments	7,10	(4,175,679)	(5,141,680)
Other non-monetary variations		(60,021)	4,324,835
Cash flow generated / (absorbed) by operations before variations in net working capital		3,272,339	8,889,470
Variation in inventories	6,9	1,276,811	(338,925)
Variation in trade receivables	6,10	8,905,002	13,185,096
Variation in trade payables	6,20	(2,937,827)	(17,580,520)
Variation in other assets and liabilities	6,12 - 6,22	2,504,080	770,024
Use of provisions for risks and charges and for employee benefits	6,18 - 6,19	(2,327,312)	(1,531,516)
Taxes paid	7,11	(1,120,831)	(1,813,155)
Net cash flow generated / (absorbed) by operations		9,572,262	1,580,474
Investments in tangible assets	6,3	(5,261,359)	(6,292,814)
Investments in intangible assets	6,1	(331,443)	(189,833)
Disposal of tangible assets	6,3	929,000	56,000
Granting of financial receivables from subsidiaries and other financial assets	6,6	(99,559,101)	(54,424,502)
Repayment of financial receivables from subsidiaries and other financial assets	6,6	137,437,458	5,023,884
Equity investments	6,4	(1,509,747)	(248,315,982)
Dividends from equity investments	6,4	8,793,319	8,464,551
Net cash flow generated / (absorbed) by investment		40,498,127	(295,678,696)
Opening of long-term financial liabilities	6,16	102,990,516	262,789,850
Repayment of long-term financial liabilities	6,16	(63,329,000)	(22,639,000)
Variations in current financial payables	6,16	688,334	-
Repayment of lease liabilities	6,2	(1,267,204)	(1,248,317)
Financial costs paid	7,9	(19,791,119)	(4,660,613)
Financial income collected	7,9	13,573,246	13,602,000
Treasury shares	6,14	(61,690)	(1,405,280)
Net cash flow generated/(absorbed) by financial assets		32,803,082	246,438,641
Total variation in cash on hand		82,873,472	(47,659,581)
Cash on hand at the start of the year		35,361,081	82,847,421
Total variation in cash on hand		82,873,472	(47,659,581)
Total variation in cash on hand GVS Sud Srl merger		-	173,242
Cash on hand at the end of the year		118,234,553	35,361,082

Explanatory notes to the Financial Statements at 31 december 2023

1. General information

1.1 Foreword

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, primarily in the field of *Healthcare & Life Sciences*.

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 2023 (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 26 March 2024 and subjected to auditing by independent auditor PricewaterhouseCoopers S.p.A.

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 also be noted that with reference to business continuity, cash equivalents at 31 December 2023, 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 previous paragraph, 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) 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 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.

The Company may make use of the transfer instrument for a part of its trade receivables through factoring transactions. Receivables transfer transactions may be with recourse or without recourse; certain transfers without recourse include deferred payment clauses, requiring an exemption from the transferor or implying the maintenance of significant exposure to the performance of cash flows deriving from the transferred receivables. This type of transaction does not meet the requirements of IFRS 9 for the derecognition of financial assets from the financial statements, since the related risks and benefits have not been substantially transferred. Accordingly, all receivables sold through factoring transactions that do not meet the elimination requirements established by IFRS 9 remain recognised in the Company's financial statements, although they have been legally sold;

a financial liability of the same amount is recognised in the financial statements as payables for advances on the transfer of receivables. Gains and losses on the sale of such assets are only recognised when the assets are removed from the Company's Financial Position. As of 31 December 2023, the Company only assigned trade receivables without recourse, which meet all the requirements of IFRS 9 for derecognition of such receivables.

[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 contracts with customers](#)

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 2023

The following IFRS accounting standards, amendments and interpretations were applied for the first time by the Company from 1 January 2023:

- 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 IASB has developed the standard to eliminate inconsistencies and weaknesses in accounting policies, by providing a single principle-based framework to account for all types of insurance contracts, including reinsurance contracts that an insurer holds. The new standard also envisages presentation and disclosure requirements to improve comparability between entities belonging to this sector. The new standard measures an insurance contract on the basis of a General Model or a simplified version of the latter, called Premium Allocation Approach ("PAA"). The main characteristics of the General Model are:
 - estimates and assumptions of future cash flows are always current;
 - the measurement reflects the time value of money;
 - the estimates provide for extensive use of observable market information;
 - there is a current and explicit risk measurement;
 - the expected profit is deferred and aggregated into insurance contract groups at the time of initial recognition; and,
 - the expected profit is recognised during the contractual coverage period taking into account adjustments arising from changes in assumptions relating to the cash flows of each group of contracts.
 The premium allocation approach involves measuring the liability for the residual coverage of a group of insurance contracts provided that, at the time of initial recognition, the entity expects that this liability reasonably represents an approximation of the General

Model. Contracts with a coverage period of one year or less are automatically eligible for the premium allocation approach. The simplifications deriving from the application of the PAA method do not apply to the measurement of liabilities for outstanding claims, which are measured with the General Model. However, it is unnecessary to discount those cash flows if it is expected that payment or collection of the balance will take place within one year of the date on which the claim took place. The entity must apply the new standard to insurance contracts issued, including reinsurance contracts issued, reinsurance contracts held and also investment contracts with a discretionary participation feature (DPF). On 09 December 2021, the IASB published an amendment entitled "Amendments to IFRS 17 Insurance contracts: Initial Application of IFRS 17 and IFRS 9 – Comparative Information". The amendment is a transition option relating to the comparative information on financial assets presented at the date of first application of IFRS 17. The amendment has been applied since 1 January 2023, together with the application of IFRS 17, to avoid temporary accounting misalignments between financial assets and liabilities of insurance contracts, and therefore to improve the usefulness of comparative information for readers of the financial statements. The adoption of this standard and the related amendment have had no impact on GVS SpA's financial statements.

- The International Accounting Standards Board published the document "Deferred taxes relating to assets and liabilities arising from a single transaction (Amendments to IAS 12)" which clarifies how the companies account for deferred taxes on transactions such as leasing and decommissioning obligations. The main change in deferred taxes relating to assets and liabilities arising from a single transaction (Amendments to IAS 12) is an exemption from the initial recognition exemption under IAS 12.15 (b) and IAS 12.24. Accordingly, the exemption from initial recognition does not apply to transactions in which deductible and taxable temporary differences of the same amount arise on initial recognition. This is also explained in the paragraph IAS 12.22A just included.

The entity that applies "Deferred taxes relating to assets and liabilities arising from a single transaction" must also, at the beginning of the first comparative year presented:

- recognise the deferred tax asset, if it is probable that taxable income will be earned in respect of which the deductible temporary difference may be used, and the deferred tax liability for all deductible and taxable temporary differences associated with: (i) right-of-use assets and lease liabilities; and (ii) dismantling, restoration and similar liabilities and the corresponding amounts recognised as part of the cost of the relevant asset; and
- recognise the cumulative effect of the first application of the amendments as an adjustment to the opening balance of retained earnings (or, as the case may be, other components of equity) at that date.

The adoption did not have any effects on the financial statements of GVS SpA.

- 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 to IAS 1 and IFRS Practice Statement 2 aim to clarify disclosure of accounting standards by replacing the obligation to indicate "material accounting standards" with the obligation to indicate "material information on accounting standards". The amendments also provide guidance on the circumstances in which it is likely that the information will be considered material and therefore require disclosure.

The document amends IAS 1 as follows:

- an entity is now required to provide its material information on accounting standards rather than its material accounting standards, several paragraphs have been added to explain how an entity can identify both material information on accounting standards and provide examples of when information on accounting standards is likely to be material;
- the amendments clarify that the information in the accounting policies may be material by their nature, even if the amounts involved are insignificant;
- the amendments clarify that information on accounting policies is material if users of an entity's financial statements need it to understand other material information in the financial statements; and
- the amendments clarify that if an entity provides non-material information on accounting standards, such information shall not obscure material information on accounting standards.

The above amendments have no impact on the measurement or presentation of financial statement items, but only on the disclosure of the accounting standards of the entities.

The amendments to IAS 8, which have added the definition of accounting estimates, clarify that the effects of a change in an input or measurement technique are changes in accounting estimates, unless they result from correction of errors in previous periods. These amendments clarify how entities should distinguish between changes in accounting estimates, changes in accounting policies and corrections of errors from previous periods.

- In December 2021, the Organisation for Economic Co-operation and Development (OECD) published a draft legislative framework for a global minimum tax that should be used by individual jurisdictions. The objective of the framework is to reduce the shift of profits from one jurisdiction to another in order to reduce the overall tax burden of corporate groups. In March 2022, the OECD published a set of detailed technical guidelines on the rules of Pillar Two. The interested parties have expressed concerns to the IASB regarding the potential implications on the accounting of income taxes and in particular on the accounting of deferred taxes, deriving from the rules of the Pillar Two model. The IASB issued Amendments (the Amendments) International Tax Reform - Pillar Two, in response to the concerns of stakeholders of 23 May 2023. The adoption of this amendment had no impact on the Company's 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 2023;

- amendments to IAS 1 *Presentation of Financial Statements*:
 - *Classification of Liabilities as Current or Non-Current*;
 - *Classification of Liabilities as Current or Non-Current - deferral of effective date*;
 - *Non-current Liabilities with Covenants*.
- amendments to IFRS 16: *Liability in a Sale and Leaseback* (changes to IFRS 16 Leases)

Amendments to IAS 1

In January 2020, the IASB issued amendments to IAS 1, which clarify how an entity must classify liabilities as current or non-current.

These changes are expected to have a significant impact on many entities, with multiple liabilities classified as current, particularly those with covenants relating to loans. Amendments are mandatory for financial statements beginning on or after 1 January 2023.

On 31 October 2022, the IASB published Non-current Liabilities with Covenants (Amendments to IAS 1) to clarify how the conditions that an entity must meet within twelve months of the reporting date affect the classification of a liability.

The amendments to IAS 1 specify that the covenants to be complied with after the reporting date do not affect the classification of the debt as current or non-current at the reporting date. On the other hand, the amendments require a company to provide information on these covenants in the notes to the financial statements. The changes are effective for annual periods beginning on or after 1 January 2024.

Amendments to IFRS 16: Liability in a Sale and Leaseback (changes to IFRS 16 Leases)

The International Accounting Standards Board (Board) released the 2020 Exposure Draft titled Lease Liability in a Sale and Leaseback. This document specifies the method used by a seller lessee to initially measure the right of use asset and the liability for the lease arising from a sale and leaseback transaction and the way in which the seller-lessor subsequently measures this liability.

In 2021 the Board reviewed the feedback received on the Exposure Draft. At its September 2021 meeting, the Interpretations Committee discussed the project and discussed the direction of the project while considering such feedback. In September 2022, the IASB amended IFRS 16. The amendments add paragraph 102A to IFRS 16. According to this paragraph, the seller-lessee is required to determine the "lease payments" or "revised lease payments" so as not to recognise any amount of profit or loss relating to the right of use retained by the seller-lessee. The paragraph does not prescribe a particular method for achieving this result.

At present, the Company is analysing the principles indicated and assessing whether their adoption will have a significant impact on the separate 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.

- IFRS 14 Regulatory Deferral Accounts - Approval process suspended pending the new accounting standard on rate-regulated activities;
- • sale or contribution of assets between an investor and its associate or joint venture (Amendments to IFRS 10 and IAS 28) – Approval process suspended pending the conclusion of the IASB project on the equity method;
- • amendments to IAS 7 - Statement of cash flows and IFRS 7 - Financial instruments: Additional information: Supplier Finance Arrangements (issued on 25 May 2023);
- • amendments to IAS 21 - The Effects of Changes in Foreign Exchange Rates: Lack of Exchangeability (issued 15 August 2023).

It is expected that the amendments to IAS 21 may be approved before the effective date of 1 January 2025, while for the amendments to IAS 7 and IFRS 7 it is unlikely that the endorsement process will be completed before the effective date of 1 January 2024.

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.

In relation to the wars in Ukraine and in the Middle East, the Company monitors the geopolitical context and the situation in these countries on a daily basis to assess the potential direct and indirect effects in future, both in terms of strengthening the inflation dynamics in the supply markets of raw materials and energy costs, and in terms of sales reduction in the affected areas. Currently, the Company's direct exposure to the areas concerned is marginal.

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 2023 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.

(in thousands of Euro)	Currency appreciation of 5%		Currency depreciation of 5%	
	At 31 December		At 31 December	
Currency	2023	2022	2022	38,000
USD	10,459	16,254	(9,472)	(14,706)
JPY	(255)	(283)	230	256
GBP	(652)	(487)	590	441
Other	(196)	(161)	177	145
Total	9,366	15,323	(8,474)	(13,864)

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, to current accounts held in dollars, 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 costs. 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:

<i>(in thousands of Euro)</i>	Impact on profit net of taxes	
	- 50 bps	+ 50 bps
Financial year ended 31 December 2023	852	(852)
Financial year ended 31 December 2022	473	(473)

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.

With regard to its financial counterparties, in 2023 the Company achieved approximately 10% of sales to a third-party customer, part of an international group characterised by adequate capital and financial soundness, the solvency risk of which 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.

The table below represents an analysis of due dates, based on contractual repayment obligations, as of 31 December 2023.

<i>(in thousands of Euro)</i>	As of 31 December 2023					
	Within 1 year	Between 1 and 2 years	Between 3 and 5 years	Beyond 5 years	Contractual value	Book value
Liabilities for the purchase of equity investments and earn out	19,000	19,000	-	-	38,000	35,326
Financial liabilities	167,621	120,800	252,957	21,130	562,508	518,701
Leasing liabilities	695	655	556	26	1,932	1,879
Trade payables	9,156	-	-	-	9,156	9,156
Other current payables and liabilities	12,155	-	-	-	12,155	12,155

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 2023 and 31 December 2022.

(in thousands of Euro)	Book value at 31 December	
	2023	2022
FINANCIAL ASSETS:		
Financial assets measured at amortised cost:		
Non-current financial assets	167,513	271,215
Trade receivables	20,514	29,419
Other receivables and current assets	3,521	5,182
Current financial assets	28,753	26,174
Cash and cash equivalents	118,235	35,361
	338,536	367,351
Derivative financial instruments	4,829	6,648
TOTAL FINANCIAL ASSETS	343,365	373,999
(in thousands of Euro)	Book value at 31 December	
	2023	2022
FINANCIAL LIABILITIES:		
Financial liabilities measured at amortised cost:		
Non-current financial liabilities	366,498	43,931
Non-current leasing liabilities	1,124	1,179
Current financial liabilities	152,203	431,912
Current leasing liabilities	755	1,126
Trade payables	9,156	12,094
Other current liabilities	11,861	12,024
	541,597	502,266
Financial liabilities measured at fair value entered in the income statement:		
Liabilities for the purchase of equity investments and non-current earn out	16,984	33,063
Liabilities for the purchase of equity investments and current earn out	18,342	-
	35,326	33,063
Non-current derivative financial instruments	-	-
TOTAL FINANCIAL LIABILITIES	576,923	535,329

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 tr
- **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:

(in thousands of Euro)	As of 31 December 2023		
	Level 1	Level 2	Level 3
Non-current derivative financial instruments	-	4,829	-
Assets measured at fair value	-	4,829	-
(in thousands of Euro)	As of 31 December 2023		
	Level 1	Level 2	Level 3
Liabilities for the purchase of equity investments and non-current earn out	-	-	35,326
Total liabilities measured at fair value	-	-	35,326
(in thousands of Euro)	As of 31 December 2022		
	Level 1	Level 2	Level 3
Non-current derivative financial instruments	-	6,648	-
Assets measured at fair value	-	6,648	-
(in thousands of Euro)	As of 31 December 2022		
	Level 1	Level 2	Level 3
Liabilities for the purchase of equity investments and non-current earn out	-	-	33,063
Total liabilities measured at fair value	-	-	33,063

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 2023 and 31 December 2022.

<i>(in thousands of Euro)</i>	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 2022	1,915	2,564	3,719	245	8,443
Investments	-	69	148	114	331
Reclassification	-	-	157	(149)	8
Historical cost as of 31 December 2023	1,915	2,633	4,024	210	8,782
Provision for amortisation and depreciation as of 31 December 2022	-	(2,342)	(3,407)	-	(5,749)
Amortisation and depreciation	-	(101)	(133)	-	(234)
Provision for amortisation and depreciation as of 31 December 2023	-	(2,443)	(3,540)	-	(5,983)
Net book value as of 31 December 2022	1,915	222	312	245	2,694
Net book value as of 31 December 2023	1,915	190	484	210	2,799

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 2023 amounted to Euro 331 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 2023 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.

<i>(in thousands of Euro)</i>	At 31 December	
	2023	2022
Net book value of right of use assets (real estate)	1,180	1,679
Net book value of right of use assets (automobiles)	618	548
Net book value of right of use assets (machinery)	-	-
Total net book value of right of use assets	1,798	2,227
Current leasing liabilities	755	1,126
Non-current leasing liabilities	1,124	1,179
Total leasing liabilities	1,879	2,305

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

<i>(in thousands of Euro)</i>	Financial year ended 31 December	
	2023	2022
Amortisation of right of use assets (real estate)	812	1,148
Amortisation of right of use assets (automobiles)	459	123
Amortisation of right of use assets (machinery)	-	2
Total amortisation of right of use assets	1,271	1,273
Interest payable on leases	20	14
Total outgoing cash flows due to leasing	1,287	1,262

Assets represented by usage rights relating to buildings at 31 December 2023, mainly relate to the leasing of warehouses and two production sites.

As of 31 December 2023, 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 2023 and 31 December 2022.

<i>(in thousands of Euro)</i>	Within 1 year	Between 1 and 2 years	Between 3 and 5 years	Beyond 5 years	Contractual value	Book value
As of 31 December 2023	695	655	556	26	1,932	1,879
As of 31 December 2022	1,142	720	339	110	2,311	2,305

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 2023 and 31 December 2023.

<i>(in thousands of Euro)</i>	Plants and machinery	Industrial and commercial equipment	Other assets	Improvements on third party assets	Tangible assets in progress and advances	Total
Historical cost as of 31 December 2022	22,557	48,306	4,559	2,004	8,130	85,556
Investments	-	1,528	-	-	3,733	5,261
Disposal	-	(1,047)	-	-	(703)	(1,750)
Write-downs	-	-	-	-	(289)	(289)
Reclassification	1,605	3,720	311	208	(5,852)	(8)
Historical cost as of 31 December 2023	24,162	52,507	4,870	2,212	5,019	88,770
-						
Provision for amortisation and depreciation as of 31 December 2022	(18,202)	(34,953)	(3,898)	(1,262)	-	(58,315)
Amortisation and depreciation	(906)	(3,182)	(169)	(150)		(4,407)
Disposal	-	799	-	-		799
Provision for amortisation and depreciation as of 31 December 2023	(19,108)	(37,336)	(4,067)	(1,412)	-	(61,923)
Net book value as of 31 December 2022	4,355	13,353	661	742	8,130	27,241
Net book value as of 31 December 2023	5,054	15,171	803	800	5,019	26,847

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

As of 31 December 2023, no indications of possible impairment of tangible assets arose. In the period in question, write-downs of tangible fixed assets were recorded for Euro 289 thousand, mainly related to the plan for relocation and rationalization of production sites in progress within the Group, for which the long-term usefulness of these investments is no longer recognized.

As of 31 December 2023, 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 2023 and the net book value at the same date.

Company	Registered offices	Currency	Share capital at 31 December 2023	Percentage of direct control at 31 December		Net book value as of 31 December 2023
				2023	2022	
Haemotronic SpA	Mirandola (MO)	EUR	5,040,000	100.0%	100.0%	255,439
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%	75,598
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	100.0%	100.0%	-
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%	100.0%	323
GVS Filter India Private Limited	India - Mumbai	INR	100,000	100.0%	100.0%	401
GVS Vietnam LLC	Vietnam- Ho Chi Minh City	VND	449,800,000	100.0%	100.0%	37
GVS Microfiltrazione Srl	Romania - Ciorani	RON	1,600	100.0%	100.0%	1
GVS Filtration SDN, BHD,	Malaysia - Petaling Jaya	MYR	3,000,000	100.0%	100.0%	640
Total						391,446

The table below shows the breakdown of equity investments as of 31 December 2023 and 31 December 2022.

<i>(in thousands of Euro)</i>	At 31 December	
	2023	2022
Equity investments (gross value)	395,636	335,421
Provision for writedown of investments	(4,190)	(1,862)
Total equity investments	391,446	333,559

The provision for equity investments in the period considered relates for Euro 1,600 thousand to the investment in GVS do Brasil Ltda for Euro 219 thousand to the investment in GVS Argentina SA and Euro 43 thousand to the investment in GVS Fortune Holding Ltd. This provision was increased by Euro 2,328 thousand in 2023 due to the writedown of the investment in RPB Safety Ltd, which was placed in liquidation during the year.

With the exception of the above, 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 2023.

<i>(in thousands of Euro)</i>	Gross value at 31 December 2022	Increases	Decreases	Gross value at 31 December 2023
Haemotronic Spa	254,900	539	-	255.439
Fenchurch Environmental Group Ltd	21,195	-	-	21,195
GVS Puerto Rico LLC	13,658	-	-	13,658
GVS NA Holdings Inc	16,334	59,264	-	75,598
GVS do Brasil Ltda	5,857	-	-	5,857
GVS Technology (Suzhou) Co, Ltd.	15,551	-	-	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	340	-	-	340
GVS North America Inc	106	-	-	106
GVS Fortune Holding Ltd	43	-	-	43
GVS Russia LLC	6	-	-	6
GVS Filtration SDN, BHD,	228	412	-	640
GVS Filtration Co., Ltd,	323	-	-	323
GVS Filter Technology de Mexico	2,358	-	-	2,358
GVS Filter India Private Limited	401	-	-	401
GVS Vietnam LLC	37	-	-	37
GVS Microfiltrazione Srl	1	-	-	1
Total	335,421	60,215	-	395,636

The increases in 2023 are mainly due to: (i) the adjustment of the purchase price of the shares in Haemotronic SpA of Euro 539 thousand and (ii) the increase in shareholders' equity in some subsidiaries of Euro 59,676 thousand, through the payment of new cash, as in the case of the Malaysian subsidiary, or through the waiver of an existing intercompany loan, as in the case of GVS NA Holding Inc.

6.5 Deferred tax assets and deferred tax liabilities

The table below reports details of deferred tax assets as of 31 December 2023 and 31 December 2022.

<i>(in thousands of Euro)</i>	At 31 December	
	2023	2022
Tax losses	1,765	-
Inventories	152	152
Tangible assets	4	4
Provisions for employee benefits	14	15
Right of use assets	26	21
Provision for risks	37	144
Gross deferred tax assets	1,998	337
Compensation with deferred tax liabilities	-	-
Total deferred tax assets	1,998	337

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

Deferred 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 2023, deferred tax assets related to tax losses amounted to Euro 1,765 thousand.

The table below reports details of deferred tax liabilities as of 31 December 2023 and 31 December 2022.

<i>(in thousands of Euro)</i>	At 31 December	
	2023	2022
Unrealised profits and losses on exchanges	4,122	7,041
Intangible assets	284	245
Derivative financial instruments	1,159	1,596
Gross deferred tax liabilities	5,565	8,882
Compensation with deferred tax assets	-	-
Total deferred tax liabilities	5,565	8,882

The table below shows changes in the gross value of deferred tax assets and deferred tax liabilities for the year ended 31 December 2023.

<i>(in thousands of Euro)</i>	Total deferred tax assets	Total deferred tax liabilities
Balance as of 31 December 2022	337	8,882
Provisions (releases) to income statement	1,598	(2,880)
Provisions (releases) to comprehensive income statement	64	(437)
Balance as of 31 December 2023	1,998	5,565

Deferred 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 2023 and 31 December 2022.

<i>(in thousands of Euro)</i>	At 31 December	
	2023	2022
Security deposits	1,836	2,008
Capital instruments	25	35
Non-current financial receivables from subsidiary companies	165,677	269,207
Non-current financial assets	167,538	271,250
Current financial receivables due from subsidiary companies	28,753	26,174
Current financial assets	28,753	26,174
Total financial assets	196,291	297,424

The table below reports details of financial receivables (current and non-current) from subsidiary companies as of 31 December 2023 and 31 December 2022.

<i>(in thousands of Euro)</i>	At 31 December	
	2023	2022
GVS NA Holdings Inc	136,216	224,920
GVS Technology (Suzhou) Co, Ltd,	36,074	51,408
GVS Filtration Co., Ltd,	303	303
GVS Filter Technology de Mexico	19,656	16,646
GVS Russia LLC	971	944
GVS Filter India Private Limited	432	410
GVS Filtration SDN, BHD,	752	750
GVS Vietnam LLC	28	-
GVS Fortune Holding Ltd	40	40
Provision for writedown of Fortune	(40)	(40)
Total financial receivables from subsidiaries	194,430	295,381

As of 31 December 2022, 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. In 2023, the Company waived the loan granted in 2017, and the reduction in the loan led to an increase in the value of the equity investment in GVS NA Holdings Inc. The financial receivable from GVS Technology (Suzhou) Co. Ltd refers to the loan granted during 2022 to finance the acquisition of STT, partially repaid during the current year.

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 Euro 4,829 thousand at 31 December 2023 (Euro 6,648 thousand at 31 December 2022).

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 6.14). 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 of 31 December 2023, equal to Euro 3,037 thousand, refers to an asset recorded against the seller of Haemotronic SpA for compensation in connection with a specific dispute. This receivable was increased by Euro 1,343 thousand in 2023.

6.9 Inventories

The table below reports details of inventories as of 31 December 2023 and 31 December 2022.

<i>(in thousands of Euro)</i>	At 31 December	
	2023	2022
Finished products and goods	4,251	4,539
Raw materials, subsidiary materials and consumables	3,546	4,484
Products in progress and semi-products	1,232	1,283
Gross inventories	9,029	10,306
Provision for writedown of inventory	(846)	(650)
Inventories	8,183	9,656

The net provision for inventory write-down amounts to Euro 196 thousand for the year ended 31 December 2023 (Euro 50 thousand in the year ended 31 December 2022).

6.10 Trade receivables

The table below reports details of trade receivables as of 31 December 2023 and 31 December 2022.

(in thousands of Euro)	At 31 December	
	2023	2022
Trade receivables from customers	6,727	11,102
Trade receivables due from subsidiaries	14,190	18,699
Trade receivables from other related parties	61	82
Trade receivables (gross)	20,978	29,883
Provision for writedown of trade receivables	(464)	(464)
Trade receivables	20,514	29,419

The book value of trade receivables is considered to approximate their fair value. During 2023, the Company availed itself of the instrument of transferring a portion of its trade receivables through factoring without recourse transactions. As at 31 December 2023, the amount of the assignments of trade receivables through factoring without recourse, for which the derecognition of the related receivables, amounted to Euro 6,721 thousand.

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 2023 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 as of 31 December 2023	13,867	3,241	419	3,451	20,978
Provision for writedown of receivables	-	-	(232)	(232)	(464)
Trade receivables as of 31 December 2023	13,867	3,241	187	3,219	20,514
Gross trade receivables as of 31 December 2022	23,249	3,031	2,250	1,353	29,883
Provision for writedown of receivables	-	-	(268)	(196)	(464)
Trade receivables as of 31 December 2022	23,249	3,031	1,982	1,157	29,419

Gross trade receivables at 31 December 2023 and 31 December 2022, include Euro 7,111 thousand and Euro 6,634 thousand, respectively, referable to overdue items, including Euro 3,870 thousand and Euro 3,603 thousand, representing items overdue by more than 90 days. Of these, Euro 3,402 thousand and Euro 2,558 thousand, respectively at 31 December 2023 and 31 December 2022, 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 2023 and 31 December 2022.

(in thousands of Euro)	Provision for writedown of trade receivables
Balance as of 31 December 2021	415
Net provisions	49
Use	-
Balance as of 31 December 2022	464
Net provisions	-
Use	-
Balance as of 31 December 2023	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 341 thousand and Euro 534 thousand at 31 December 2023 and 31 December 2022 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 1,807 thousand and Euro 614 thousand at 31 December 2023 and 31 December 2022 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 2023 and 31 December 2022.

(in thousands of Euro)	At 31 December	
	2023	2022
Gross assets from contracts with customers	1,192	1,952
Compensation with liabilities from contracts with customers	(851)	(1,418)
Assets from contracts with customers	341	534
Gross liabilities from contracts with customers	2,658	2,032
Compensation with assets from contracts with customers	(851)	(1,418)
Liabilities from contracts with customers	1,807	614

6.12 Other receivables and current assets

The table below reports details of other receivables and current assets as of 31 December 2023 and 31 December 2022.

(in thousands of Euro)	At 31 December	
	2023	2022
Dividends receivable	577	2,305
Tax receivables	1,637	2,154
Prepaid expenses	282	260
Receivables for contributions	566	-
Advances and instalments	172	896
Receivable from employees	20	20
Receivables from group companies for "EBIT adjustment"	426	2,667
Other receivables	1,287	703
Other receivables and current assets	4,967	9,005

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

The dividend receivables at 31 December 2023 refer mainly 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 2023 and 2022.

Tax receivables primarily represent VAT credits with internal revenue.

6.13 Cash and cash equivalents

The table below reports details of cash on hand as of 31 December 2023 and 31 December 2022.

(in thousands of Euro)	At 31 December	
	2023	2022
Bank and postal accounts	118,218	35,340
Cash and cash equivalents on hand	17	21
Cash on hand and cash equivalents	118,235	35,361

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 2023 and 31 December 2022.

(in thousands of Euro)	At 31 December	
	2023	2022
Share capital	1,750	1,750
Share premium reserve	92,771	92,771
Legal reserve	350	350
Extraordinary reserve	64,903	60,629
Negative reserve for treasury shares	(2,524)	(4,853)
Reserve from derivative financial instruments	3,670	5,052
Actuarial profits and losses reserve	304	470
Profit (loss) carried over and other reserves	43,396	28,615
Net income	(9,703)	20,428
Total shareholders' equity	194,918	205,212

The statement of variations in shareholders' equity appears in the relevant financial statement.

[Share capital](#)

As of 31 December 2023, the Company's fully subscribed and paid-up share capital was Euro 1,750 thousand, divided into 175,000,000 ordinary shares with no par value.

[Negative reserve for treasury shares](#)

The treasury shares reserve refers to the purchase of 241,142 treasury shares representing a total stake of 0.14% in 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.

<i>(in thousands of Euro)</i>	As of 31 December 2023	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	64,903	Profits	A;B;C	64,903
Payments on capital increase	129	Capital	A;B;C	129
Exchange gains reserve	28,250	Profits	A;B;C	28,250
Revaluation reserve	2,537	Capital	A;B;C	2,537
Actuarial profits and losses reserve	304	Profits		-
Reserve from derivative financial instruments	3,670	Profits		-
Merger surplus	7,919	Capital	A;B;C	7,919
Negative reserve for treasury shares	(2,524)	Capital		-
Reserve from first adoption of EU-IFRS	(854)	Profits		-
Negative reserve - IFRS contribution	(655)	Capital		-
LTI incentive plan reserve	1,019	Capital	A;B;C	1,019
Profits / (losses carried forward)	5,029	Profits	A;B;C	5,029
Retained earnings/(losses) - IFRS adjustments	23	Profits		-
Total	204,620			202,906
Non-distributable portion				32,633
Residual distributable portion				170,273

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 (current and non-current) earn out

The amount recorded as at 31 December 2023 refers to the earn out relating to the Haemotronic business combination, defined and agreed between the parties recorded at the acquisition date, including interest.

This debt was discounted upon initial recognition.

6.16 Financial liabilities (current and non-current)

The table below reports details of current and non-current financial liabilities as of 31 December 2023 and 31 December 2022.

<i>(in thousands of Euro)</i>	At 31 December			
	2023		2022	
	Current portion	Non-current portion	Current portion	Non-current portion
2014 Bond Loan	4,525	-	9,336	-
2017 Bond Loan	7,993	-	15,967	-
Total bonded loans	12,518	-	25,303	-
Club Deal Loan Agreement (2021)	29,944	89,832	149,632	-
Club Deal Loan Agreement (2022)	45,818	171,818	228,798	-
Mediobanca loan (2020)	4,437	4,437	13,310	-
Unicredit loan (2020)	4,002	4,012	12,005	-
Accrued payables and other minor items	2,500	-	2,546	-
Total financial payables to banks	86,701	270,099	406,292	-
GVS Japan KK loan	37	4,800	-	5,336
GVS Korea Ltd loans	132	4,270	-	4,555
GVS Filter Technology UK Ltd loans	339	12,015	-	8,954
Haemotronic SpA loans	-	-	-	25,000
Liabilities for centralised treasury management	50,211	-	-	-
Total financial payables to subsidiaries	50,719	21,085	-	43,845
GVS Group Srl loan	1,531	75,000	-	-
Subsidized loan Horizon call for tenders	-	87	-	87
Invitalia	45	227	317	-
Financial payables to factors	688	-	-	-
Total other financial liabilities	2,264	75,314	317	87
Total financial liabilities	152,203	366,497	431,912	43,932

As mentioned before, it is highlighted that during the year, 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 (the "Loan"). 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 was 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 treasury bill 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 repayment in full 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.

Below is a description of the additional principal items making up the Group's financial liabilities as of 31 December 2023.

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 costs 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. no more than 3.00 on each Determination Date up to 31 December 2018, and
 - ii. no more than 2.50 on each Determination Date starting on 30 June 2019.

As of 31 December 2023, the financial constraints have been met.

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 costs 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. no more than 3.00 on each Determination Date up to 31 December 2018, and
 - ii. no more than 2.50 on each Determination Date starting on 30 June 2019.

As of 31 December 2023, the financial constraints have been met.

The 2014 Bonded Loan is not backed by collateral.

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 Euro 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 costs, 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;

As of 31 December 2023, the financial constraints have been met.

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 costs, 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;

As of 31 December 2023, the financial constraints have been met.

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 costs, 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 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 as at 31 December 2023;
 - iii. no more than 3.5 on each Determination Date starting on 31 December 2024;

As of 31 December 2023, the financial constraints have been met

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 quarterly 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 costs, 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;

As of 31 December 2023, the financial constraints have been met.

C) LOANS FROM SUBSIDIARIES

C1) GVS Japan KK loan

At 31 December 2023, GVS obtained a loan from GVS Japan KK for a total of Euro 4,800 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 2023, GVS obtained various loans from GVS Kora Ltd for a total of Euro 4,270 thousand to finance operating activities. The interest rates applied vary from contract to contract.

C3) GVS Filter Technology UK Loan

At 31 December 2023, GVS obtained a loan from GVS Filter Technology UK Ltd for a total of Euro 12,015 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 three-month 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. This loan was fully extinguished in 2023.

C5) Financial liabilities for centralised treasury management.

In addition, during the year the Company signed a cash pooling zero balance contact with the subsidiary Haemotronic SpA. This is an instrument for optimal cash flow management that enables centralised management of the Group's financial requirements through the transfer to a "treasurer" (or "pooler"), i.e. GVS SpA, of the current account surplus or deficit of the Italian subsidiary. Following the transfer of the balances on the pool account, Haemotronic takes in consideration a payable in the event of a transfer of a debit balance or a receivable in the event of a transfer of a credit balance. Subsequently, GVS SpA accounts for individual debit and credit transactions.

The table below reports, for the period 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.

<i>(in thousands of Euro)</i>	As of 1 January 2023	Opening	Reclassification	Repayment	Variation in accrued payables on interest	Amortised cost	(Profits) losses on exchanges	As of 31 December 2023
Non-current financial liabilities	43,931	102,991	220,682		-	-	(1,106)	366,49
Current financial liabilities	431,912	688	(220,682)	(63,329)	3,048	566	-	151,203
Total financial liabilities	475,843	103,679	-	(63,329)	3,048	566	(1,106)	518,701

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 GVS SpA (in thousands of Euro)		
	31 december 2023	31 december 2022
Cash	17	35
Cash and cash equivalents	118,217	35,326
Financial assets held for trading	-	-
(A) Liquidity	118,234	35,361
Financial receivables from subsidiaries	28,753	26,174
Other financial receivables	-	-
(B) Current financial receivables	28,753	26,174
(C) Current bank debts		
(D) Current portion of non-current indebtedness	(99,954)	(431,912)
Financial payables to parent companies	(1,531)	-
Financial payables to subsidiaries	(50,719)	-
Financial payables to other companies in the GVS Group due to leasing	(389)	(838)
Financial lease liabilities	(366)	(288)
Other financial liabilities	(18,341)	-
(E) Other current financial liabilities	(71,346)	(1,126)
(F) Current financial indebtedness (C)+(D)+(E)	(171,300)	(433,039)
(G) Net current financial indebtedness (A)+(B)+(F)	(24,313)	(371,504)
Non-current bank borrowings	(270,413)	(86)
Non-current bond	-	-
Non-current financial payables to parent companies	(75,000)	-
Non-current financial payables to subsidiaries	(21,085)	(43,845)
Financial payables to other companies in the GVS Group due to leasing	(721)	(872)
Non-current financial lease liabilities	(404)	(307)
Non-current derivative instruments	-	-
Other financial liabilities	(16,984)	(33,063)
(H) Non-current financial indebtedness	(384,607)	(78,173)
(I) Net financial indebtedness (G)+(H)	(408,920)	(449,677)
Non-current derivative instruments	4,829	6,648
Non-current financial receivables from subsidiaries	165,677	269,207
Financial lease liabilities	1,880	2,305
Total net financial position	(236,535)	(171,516)

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 and non-current derivatives, amounts to negative Euro 236,535 thousand and Euro 171,516 thousand as of 31 December 2023 and 31 December 2022.

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 2023 and 31 December 2022.

(in thousands of Euro)	Termination indemnity	End of office indemnity	Provisions for employee benefits
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 costs	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
Current service cost	-	114	114
Financial costs	23	-	23
Actuarial losses/(profits)	45	184	229
Benefits paid	(128)	(1,715)	(1,843)
Balance as of 31 December 2023	2,063	82	2,145

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 2023 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 2,063 thousand and Euro 2,123 thousand on 31 December 2023 and 31 December 2022, 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 2023 and 31 December 2022 in accordance with the provisions of IAS 19 are listed below.

(As a percentage)	At 31 December	
	2023	2022
Financial hypotheses		
Annual actualisation rate	3.17%/3.09%	3.77%/3.63%
Annual inflation rate	2%	5.9% for 2023, 2.3% for 2024, 2% from 2025
Annual rate of increase in overall pay	3%	Inflation + 1%
Annual rate of increase in the termination indemnity	3%	5.9% for 2023, 3.33% for 2024, 3% from 2025
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 2023 and 31 December 2022.

(in thousands of Euro)	Annual actualisation rate		Annual inflation rate		Annual turnover	
	+0.50%	-0.50%	+0.25%	-0.25%	+2.00%	-2.00%
Employee benefits (termination indemnity) as of 31 December 2023	(102)	110	32	(31)	21	(24)
Employee benefits (termination indemnity) as of 31 December 2022	(138)	(56)	104	10	(8)	(6)

End of office indemnity (TFM)

Employee benefits for TFM amount to Euro 82 thousand and Euro 1,499 thousand on 31 December 2023 and 31 December 2022, respectively. The decrease compared with the previous year is due to the complete liquidation of the TFM fund by the previous administrators, following the appointment of the new Board of Directors in May 2023.

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 2023 and 31 December 2022.

(in thousands of Euro)	Provisions for risks and charges
Balance as of 31 December 2021	3,000
Allocation	3,158
Use	(1,315)
Balance as of 31 December 2022	4,843
Allocation	1,103
Release	(450)
Use	(2,598)
Balance as of 31 December 2023	2,898

In 2018, GVS SpA underwent a verification by the Italian tax authorities (Agenzia delle Entrate) for the 2015 fiscal year, as a result of which a formal notice of assessment ("FNA") was issued. In 2020, the Company resolved the complaints contained in this FNA through a tax settlement inspection procedure. During 2022, GVS received assessment notices from the tax authorities 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 the first half of 2023, the Company resolved disputes relating to the transfer price for the tax period 2016 through a tax assessment procedure. On 3 October 2023, GVS SpA was made aware of a FNA in which the tax authorities contested the determination of the tax base, for IRES (corporate income tax) and IRAP (regional tax on productive activities) purposes, for the 2017, 2018 and 2019 tax periods, believing that the tax base should be adjusted upwards in application of transfer pricing legislation. Following the issue of the FNA, GVS SpA. engaged in dialogue with the tax authorities, which led to a definition of the charges as follows:

- tax period 2017: completion, on 4 December 2023, of a tax settlement resulting in a higher IRES of Euro 287 thousand and a higher IRAP of Euro 31 thousand, plus interest;
- tax period 2018: completion, on 31 January 2024, of a tax settlement resulting in a higher IRES of Euro 312 thousand and a higher IRAP of Euro 50 thousand, plus interest;
- tax period 2019: making of a voluntary correction by presentation:
 - a supplementary declaration for IRES purposes, with a difference of Euro 480 thousand in the group tax consolidation;
 - a supplementary declaration for IRAP purposes, resulting in a higher tax of Euro 78 thousand.

Consequently, in the financial statements as of 31 December 2023, the dedicated tax risk provision was increased by Euro 700 thousand and used in the amount of Euro 2,114 thousand.

In addition, in 2023, the Company allocated Euro 403 thousand to the income statement under "other personnel costs" in relation to non-recurring expenses relating to the staff reorganisation process. Uses during the period refer to payments made to employees.

6.20 Trade payables

The table below reports details of trade payables as of 31 December 2023 and 31 December 2022.

(in thousands of Euro)	At 31 December	
	2023	2022
Trade payables to suppliers	7,247	9,655
Trade payables to subsidiaries	1,909	2,439
Trade payables from other related parties	-	-
Trade payables	9,156	12,094

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

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 4,869 thousand and Euro 2,973 thousand at 31 December 2023 and 31 December 2022 respectively.

Current tax payables at 31 December 2023 amounted to Euro 1,600 thousand and mainly relate to the instalment of the IRES and IRAP payable, in accordance with the agreements signed following the settlement of the dispute over the transfer price.

Changes in the net balance of these assets and liabilities in the years ending on 31 December 2023 and 31 December 2022 primarily pertain to allocation of current income taxes amounting to Euro 90 thousand and Euro 2,068 thousand and payments of Euro 1,121 thousand and Euro 1,813 thousand, respectively.

6.22 Other current payables and liabilities

The table below reports details of other current payables and liabilities as of 31 December 2023 and 31 December 2022.

(in thousands of Euro)	At 31 December	
	2023	2022
Payable to employees	6,697	4,960
Payable to social security institutions	1,324	1,249
Deferred income	256	2
Tax payables	1,135	1,201
Payable to directors	988	858
Accrued payables	38	78
Payables to group companies for "EBIT adjustment"	1,515	3,326
Other	202	430
Other current payables and liabilities	12,155	12,104

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 2023 and 2022.

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

Tax payables as of 31 December 2023 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 Revenue 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 2023 and 31 December 2022.

(in thousands of Euro)	Financial year ended 31 December	
	2023	2022
Healthcare Liquid	54,052	56,579
Healthcare Air & Gas	318	642
Laboratory	3,822	4,904
Healthcare & Lifesciences	58,191	62,125
Powertrain & Drivetrain	1,962	1,566
Safety & Electronics	11,801	12,102
Energy & Mobility	13,764	13,668
Personal Safety	2,127	2,118
Air Safety	183	196
Health & Safety	2,310	2,314
Revenue from contracts with customers	74,265	78,107

The decrease in revenues in the period ended 31 December 2023 compared to the same period of the previous year is mainly attributable to the performance of the Healthcare & Life Sciences division, due to a reduction in both the Healthcare Liquid and Laboratory businesses. *Energy & Mobility* and *Health & Safety* divisions show revenues that are essentially in line with the previous year.

The table below breaks down revenues from contracts with customers by geographic area in the years ending on 31 December 2023 and 31 December 2022.

(in thousands of Euro)	Financial year ended 31 December	
	2023	2022
North America	19,886	22,474
Europe	26,473	31,447
Asia	24,592	20,090
Other	3,314	4,096
Total revenue from contracts with customers	74,265	78,107

Revenues as of 31 December 2023 are mainly attributable to the sale of finished products.

7.2 Other operating income

The table below breaks down other operating income in the years ending on 31 December 2023 and 31 December 2022.

(in thousands of Euro)	Financial year ended 31 December	
	2023	2022
Recovery and chargeback	3,893	2,388
Contributions for operating expenses	735	277
Release of provision for risks	450	-
Insurance refunds	-	9
Recovery of scrap	98	108
Capital gains on sales	4	2
Operating revenues from group companies for "EBIT adjustment"	424	2,667
Other	853	274
Other operating income	6,457	5,725

Operating revenue from subsidiaries for EBIT adjustment relate to the transfer price policy applied by the Group during 2023 and 2022.

Recoveries and chargebacks for the period ended 31 December 2023 include non-recurring income from the seller of Haemotronic SpA (Euro 1,343 thousand) for compensation relating to a specific dispute. The release of the provision for risks of Euro 450 thousand related to a provision was posted on the balance sheet in 2023, following the downsizing of the dispute and request for compensation for damages received in the previous year by a specific customer, for which a provision of Euro 600 thousand had been set aside.

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 2023 and 31 December 2022.

(in thousands of Euro)	Financial year ended 31 December	
	2023	2022
Purchases of raw materials, finished products, components and consumables	28,584	32,630
Variation in inventories of products in progress, semi-finished goods and finished products	22	(1,329)
Variation in inventories of raw materials, subsidiary materials and goods	1,071	(22)
Purchases and consumption of raw materials, semi-products and finished products	29,677	31,279

The item does not include any allocation to the provision for writedown of inventory for the year ended 31 December 2023 (Euro 50 thousand for the year ended 31 December 2022).

7.4 Personnel costs

The table below breaks down personnel costs in the years ending on 31 December 2023 and 31 December 2022.

<i>(in thousands of Euro)</i>	Financial year ended 31 December	
	2023	2022
Salaries and wages	21,696	19,874
Social security contributions	6,154	5,714
Cost of termination indemnity	1,142	1,035
Other personnel costs	403	1,558
Personnel costs	29,395	28,181

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 403 thousand (Euro 1,558 thousand at 31 December 2022).

The table below reports the average number of Company employees in the years ending on 31 December 2023 and 31 December 2022, broken down by category.

<i>(In units)</i>	Financial year ended 31 December	
	2023	2022
Blue-collar workers	235	250
White-collar workers	113	113
Management	20	20
Executives	23	20
Total employees	391	403

7.5 Service costs

The table below breaks down service costs in the years ending on 31 December 2023 and 31 December 2022.

<i>(in thousands of Euro)</i>	Financial year ended 31 December	
	2023	2022
Utilities and cleaning services	2,424	2,071
Maintenance	490	597
Transportation	383	363
Consulting services	2,309	1,930
Travel and lodging	1,048	1,028
Subcontracting	2,676	2,476
<i>Marketing and trade fairs</i>	349	218
Insurance	949	694
Employee services	400	277
Commissions	209	149
Directors' fees	2,761	3,205
Other services	1,333	1,558
Service costs	15,331	14,566

Service costs, in the period ended 31 December 2023 and 31 December 2022, include, for Euro 268 thousand and 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 2023 and 31 December 2022.

<i>(in thousands of Euro)</i>	Financial year ended 31 December	
	2023	2022
Leasing costs	304	493
Indirect taxation	127	42
Losses on sales	26	-
Membership fees and charity contributions	181	189
Allocation to provision for risks	-	600
Operating costs from group companies for "EBIT adjustment"	1,515	3,326
Other minor costs	855	541
Other operating costs	3,008	5,191

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 2023 and 2022.

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

7.7 Net impairment losses on financial assets

Net writedowns of financial assets, entered on the basis of the requirements of IFRS 9, totalled Euro 49 thousand for the year ended 31 December 2022, and represent writedown of trade receivables. As of 31 December 2023, the provision for the writedown of trade receivables was not increased.

A breakdown of movements in the provision for writedown of receivables for the years ending on 31 December 2023 and 31 December 2022 appears in note 6.10 - "Trade receivables".

7.8 Amortisation, depreciation and writedowns

The table below breaks down amortisation, depreciation and writedowns in the years ending on 31 December 2023 and 31 December 2022.

<i>(in thousands of Euro)</i>	Financial year ended 31 December	
	2023	2022
Amortisation and writedowns of intangible assets	234	219
Depreciation and writedowns of tangible assets	4,696	4,115
Amortisation and writedowns of right of use assets	1,271	1,273
Amortisation, depreciation and writedowns	6,201	5,608

A breakdown of the composition of, and movements in, intangible assets and tangible assets for the years ending on 31 December 2023 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 income and costs

The table below breaks down financial income in the years ending on 31 December 2023 and 31 December 2022.

<i>(in thousands of Euro)</i>	Financial year ended 31 December	
	2023	2022
Interest income	17,938	14,086
Net profits on exchanges	-	18,045
Other financial income	-	16
Financial income	17,938	32,147

Interest income mainly relates to loans granted by GVS to subsidiaries (see Note 6.6) and interest income on current accounts and time deposits.

The table below breaks down financial costs in the years ending on 31 December 2023 and 31 December 2022.

<i>(in thousands of Euro)</i>	Financial year ended 31 December	
	2023	2022
Interest on bonded loans	724	1,268
Interest on loans	15,140	4,439
Net losses on exchanges	9,109	-
Interest on leasing liabilities	20	14
Interest on actualisation of provisions for employee benefits	23	13
Amortised cost	566	420
Interest for discounting for earn out	2,822	1,544
Interest payable to parent companies	1,531	-
Interest expense relating to cash pooling	1,058	-
Other financial costs	1,947	1,062
Financial costs	32,940	8,761

Financial costs and income in the periods ending 31 December 2023 and 31 December 2022, respectively, include the net losses and the net unrealized exchange gains deriving mainly 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 relevant 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 2023 and 31 December 2022.

<i>(in thousands of Euro)</i>	Financial year ended 31 December	
	2023	2022
Dividends from equity investments	6,503	5,152
Revaluations (write-downs) from equity investments	(2,327)	(10)
Income and expense from equity investments	4,176	5,142

The table below breaks down equity investments for the years ending on 31 December 2023 and 31 December 2022.

<i>(in thousands of Euro)</i>	Financial year ended 31 December	
	2023	2022
Current taxes	90	2,068
Deferred taxes	(4,478)	3,644
GVS Microfiltrazione Srl	4,000	3,200
Total dividends from equity investments	6,503	5,152

7.11 Annual income tax

The table below breaks down annual income tax in the years ending on 31 December 2023 and 31 December 2022.

<i>(in thousands of Euro)</i>	Financial year ended 31 December	
	2023	2022
Current taxes	90	2,068
Deferred taxes	(4,478)	3,644
Non-recurring taxes	375	1,348
Income tax	(4,013)	7,060

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 2023 and 31 December 2022.

<i>(in thousands of Euro)</i>	Financial year ended 31 December	
	2023	2022
Pre-tax result	(13,717)	27,487
Theoretical tax rate	24.0%	24.0%
Theoretical tax burden	(3,292)	6,597
Permanent differences effects of taxation	(1,096)	(1,198)
IRAP (Regional production tax)	-	555
Other	375	1,106
Income tax	(4,013)	7,060

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	
	2023	2022
Net profit (in Euro thousand)	(9,073)	20,428
Weighted average number of shares in circulation	174,718,093	174,562,162
Profit per share (in Euro)	(0.06)	0.12

Diluted earnings per share at 31 December 2022 was negative at 0.06 (positive at Euro 0.12 at 31 December 2022) 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

In compliance with the provisions of CONSOB Resolution 15519 of 27 July 2006 and CONSOB Communication No. DEM/6064293 of 28 July 2006, the income statement has been attached, with a separate indication of the amount of costs and revenues arising from non-recurring transactions.

Non-recurring income and expenses for the period ended 31 December 2023 refer to: (i) the recharge to the seller of Haemotronic SpA for an indemnity relating to a specific dispute (Euro 1,343 thousand); (ii) costs relating to Group personnel following the ongoing reorganisation process (Euro 403 thousand in total); (iii) consultancy costs relating to services received on an exceptional basis (Euro 268 thousand); (iv) writedowns of tangible fixed assets resulting from the plan to relocate and rationalise the Group's production sites (Euro 289 thousand); and finally (x) interest recognised following the discounting of payables for earn outs for the takeover of the Haemotronic group (Euro 2,822 thousand), net of the related effect of taxation. Non-recurring charges for taxes also include Euro 700 thousand relating to the costs pertaining to the tax dispute concluded with GVS for direct taxes.

Non-recurring income and expenses for the period ended 31 December 2022 refer to: (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 Euro 1,000 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 2023 and 31 December 2022.

<i>(in thousands of Euro)</i>	Company subsidiaries	GVS Group	GVS Real Estate	Top management	Total	Total item in the financial statement	Impact on the financial statement
Right of use assets							
As of 31 December 2023	-	-	1,160	-	1,160	1,797	64.6%
As of 31 December 2022	-	-	1,238	-	1,238	2,227	55.6%
Tangible fixed assets							
As of 31 December 2023	-	-	-	12	12	26,847	0.0%
As of 31 December 2022	-	-	-	14	14	27,241	0.1%
Non-current financial assets							
As of 31 December 2023	165,677	-	-	-	165,677	167,538	98.9%
As of 31 December 2022	269,207	-	-	-	269,207	271,250	99.2%
Trade receivables							
As of 31 December 2023	14,190	20	10	31	14,251	20,514	69.5%
As of 31 December 2022	18,699	20	21	41	18,781	29,419	63.8%

Current tax receivables							
As of 31 December 2023	-	4,382	-	-	4,382	4,869	90.0%
As of 31 December 2022	-	2,973	-	-	2,973	2,973	100.0%
Current financial assets							
As of 31 December 2023	28,753	-	-	-	28,753	28,753	100.0%
As of 31 December 2022	26,174	-	-	-	26,174	26,174	100.0%
Other receivables and current assets							
As of 31 December 2023	1,003	-	-	-	1,003	4,967	20.2%
As of 31 December 2022	4,972	-	-	-	4,972	9,005	55.2%
Non-current financial liabilities							
As of 31 December 2023	21,085	75,000	-	-	96,085	366,498	26.2%
As of 31 December 2022	43,845	-	-	-	43,845	43,931	99.8%
Non-current leasing liabilities							
As of 31 December 2023	-	-	721	-	721	1,124	64.1%
As of 31 December 2022	-	-	872	-	872	1,179	74.0%
Provisions for employee benefits							
As of 31 December 2023	-	-	-	83	83	2,146	64.1%
As of 31 December 2022	-	-	-	1,499	1,499	3,623	41.4%
Current financial liabilities							
As of 31 December 2023	50,719	1,531	-	-	52,251	152,203	34.3%
Current leasing liabilities							
As of 31 December 2023	-	-	389	-	389	755	51.5%
As of 31 December 2022	-	-	838	-	838	1,126	74.4%
Trade payables							
As of 31 December 2023	1,909	-	-	-	1,909	9,156	20.8%
As of 31 December 2022	2,439	-	-	-	2,439	12,094	20.2%
Other current payables and liabilities							
As of 31 December 2023	1,515	-	-	3,396	4,911	12,155	40.4%
As of 31 December 2022	3,326	-	-	2,227	5,553	12,104	45.9%

The table below lists the Company's economic relations with related parties for the years ending on 31 December 2023 and 31 December 2022.

<i>(in thousands of Euro)</i>	Company subsidiaries	GVS Group	GVS Real Estate	Top management	Total	Total item in the financial statement	Impact on the financial statement
Revenue from contracts with customers							
Financial year ended 31 December 2023	18,946	-	-	-	18,946	74,265	25.5%
Financial year ended 31 December 2022	24,199	-	-	-	24,199	78,107	31.0%
Other operating income							
Financial year ended 31 December 2023	3,286	20	10	31	3,347	6,457	51.8%
Financial year ended 31 December 2022	4,711	20	10	41	4,782	5,725	83.5%
Purchases and consumption of raw materials,							
semi-finished products and finished products	7,942	-	-	-	7,942	29,677	26.8%
Financial year ended 31 December 2023	7,360	-	-	-	7,360	31,279	23.5%
Financial year ended 31 December 2022							
Personnel costs	-	-	-	5,271	5,271	29,395	17.9%
Financial year ended 31 December 2023	-	-	-	3,373	3,373	28,181	12.0%
Financial year ended 31 December 2022							
Service costs	3,014	-	-	3,205	6,219	15,331	40.6%
Financial year ended 31 December 2023	2,293	-	-	3,205	5,498	14,566	37.7%
Other operating costs							
Financial year ended 31 December 2023	1,515	-	-	-	1,515	3,008	50.4%
Financial year ended 31 December 2022	3,326	-	-	-	3,326	5,191	64.1%
Amortisation, depreciation and writedowns							
Financial year ended 31 December 2023	-	-	767	-	767	6,291	12.4%
Financial year ended 31 December 2022	-	-	795	-	795	5,607	14.2%
Financial income							
Financial year ended 31 December 2023	15,516	-	-	-	15,516	17,938	86.5%
Financial year ended 31 December 2022	13,886	-	-	-	13,886	32,147	43.2%
Financial costs							
Financial year ended 31 December 2023	2,793	1,531	14	-	4,338	32,940	13.2%
Financial year ended 31 December 2022	677	-	16	-	693	8,761	7.9%
Income and expense from equity investments							
Financial year ended 31 December 2023	6,503	-	-	-	6,503	4,176	155.7%
Financial year ended 31 December 2022	5,142	-	-	-	5,142	5,142	100.0%

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 to the subsidiaries for the financial years ended 31 December 2023 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).

Cash pooling contract

During the year the Company signed a cash pooling zero balance contact with the subsidiary Haemotronic SpA. This is an instrument for optimal cash flow management that enables centralised management of the Group's financial requirements through the transfer to a "treasurer" (or "pooler"), i.e. GVS SpA, of the current account surplus or deficit of the Italian subsidiary. Following the transfer of the balances on the pool account, Haemotronic takes in consideration a payable in the event of a transfer of a debit balance or a receivable in the event of a transfer of a credit balance. Subsequently, GVS SpA accounts for individual debit and credit transactions.

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 2023 and 31 December 2022 refer exclusively to this case.

TRANSACTIONS WITH GVS REAL ESTATE

iGVS 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) and Monocalzati (AV). On the basis of these lease contracts, at 31 December 2023, the Company recorded assets represented by usage rights and relative leasing liabilities for Euro 1,160 thousand and Euro 1,110 thousand, as well as depreciation and financial costs for Euro 767 thousand and Euro 14 thousand respectively.

TRANSACTIONS WITH TOP MANAGEMENT

As of the date of the 2023 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, the director of human resources and the general counsel;

The table below provides details of fees payable to members of Top Management and members of the Company's Board of Directors in the years ending on 31 December 2023 and 31 December 2022, including contributions.

	Financial year ended 31 December	
	2023	2022
<i>(in thousands of Euro)</i>		
Fees for office held	1,929	1,367
<i>Bonuses and other incentives</i>	2,855	1,805
Other fees	486	202
Directors' fees	2,617	3,205
Total	7,888	6,579

Please note that:

- other current payables and liabilities as of 31 December 2023 include payables to directors for fees not yet paid totalling Euro 988 thousand (Euro 858 thousand at 31 December 2022);
- provisions for employee benefits as of 31 December 2023 include the value of end of service indemnity for directors totalling Euro 83 thousand (Euro 1,499 thousand at 31 December 2022);
- costs for services for the period ended 31 December 2023 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 2,617 thousand (Euro 3,205 thousand for the period ended 31 December 2022).

10. Commitments and risks

Sureties and guarantees granted to third parties

At 31 December 2023, the Company had sureties and guarantees in place for a total amount of Euro 1,182 thousand.

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 2023 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 2,617 thousand and Euro 97 thousand, respectively.

The following table gives details of the remuneration for executive directors and non-executive directors in 2023.

(in thousands of Euro)		2023
Chairman of the Board of Directors		190
Executive Directors		2,276
Non-Executive Directors		151
Total cost		2,617

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 399 thousand and Euro 482 thousand for the years ending on 31 December 2023 and 31 December 2022, respectively. In compliance with the provisions of Art. 149-duodecies of the CONSOB Issuers Regulation, the fees for 2023 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 Euro 3,838 thousand and Euro 3,376 thousand for the years ended 31 December 2023 and 31 December 2022.

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

No significant events occurred after the end of the period.

15. Information pursuant to Art. 1, paragraph 125, of Law no. 124 of 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 2023 the following sums were received:

Disbursing subject	Grant received (in thousands of Euro)	Reason
European Commission	73	EIT manufacturing
European Commission	94	Horizon Europe
Ministry of Environment and Energy Security	95	Maine project financed through PNRR funds
Ministry of Enterprise and Made in Italy	470	Greenflow Contribution

16. Approval of the Financial Statements and authorisation for publication

The Financial Statements ending on 31 December 2023 were approved on 26 March 2024 by the Board of Directors, which authorised their publication within the legal deadline.

Zola Predosa, 26 March 2024



For the Board of Directors
Chief Executive Officer
Massimo Scagliarini

Schedules Attached to the Financial Statements

Statement of financial position, with indication of the amount of positions with related parties

(in thousands of Euro)	As of 31 December 2023	of which with related parties	percentage	As of 31 December 2022	of which with related parties	percentage
ASSETS						
Non-current assets						
Intangible assets	2,799			2,694		
Right of use assets	1,797	1,160	64.5%	2,227	1,238	55.6%
Tangible assets	26,847	12	0.0%	27,241	14	0.1%
Equity investments	391,446			333,560		
Deferred tax assets	1,998			337		
Non-current financial assets	167,538	165,677	98.9%	271,250	269,207	99.2%
Non-current derivative financial instruments	4,829			6,648		
Other receivables and non-current assets	3,037			1,695		
Total non-current assets	600,291			645,652		
Current assets						
Inventories	8,183			9,656		
Trade receivables	20,514	14,251	69.5%	29,419	18,781	63.8%
Assets from contracts with customers	341			534		
Current tax receivables	4,869	4,382	90.0%	2,973	2,973	100.0%
Other receivables and current assets	4,967	1,003	20.2%	9,005	4,972	55.2%
Current financial assets	28,753	28,753	100.0%	26,174	26,174	100.0%
Cash and cash equivalents	118,235			35,361		
Total current assets	185,861			113,122		
TOTAL ASSETS	786,152			758,774		
SHAREHOLDERS' EQUITY AND LIABILITIES						
Share capital	1,750			1,750		
Reserves	202,872			183,035		
Net income	(9,703)			20,428		
Total shareholders' equity	194,918			205,212		
Non-current liabilities						
Liabilities for the purchase of equity investments and earn out	16,984			33,063		
Non-current financial liabilities	366,498	96,085	26.2%	43,931	43,845	99.8%
Non-current leasing liabilities	1,124	721	64.1%	1,179	872	74.0%

Deferred tax liabilities	5,565			8,881		
Provisions for employee benefits	2,146	83	3.9%	3,623	1,499	41.4%
Provisions for risks and charges	2,898			4,843		
Total non-current liabilities	395,216			95,520		
Current liabilities						
Liabilities for the purchase of equity investments and earn out	18,342			-		
Current financial liabilities	152,203	52,251	34.3%	431,912		
Current leasing liabilities	755	389	51.5%	1,126	838	74.4%
Trade payables	9,156	1,909	20.8%	12,094	2,439	20.2%
Liabilities from contracts with customers	1,807			614		
Current tax payables	1,600			191		
Other current payables and liabilities	12,155	4,911	40.4%	12,104	5,553	45.9%
Total current liabilities	196,018			458,041		
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	786,152			758,774		

Income statement, with indication of the amounts of positions with related parties

(in thousands of Euro)	Financial year ended 31 December					
	2023	of which with related parties	percentage	2022	of which with related parties	percentage
Revenue from contracts with customers	74,265	18,946	25.5%	78,107	24,199	31.0%
Other operating income	6,457	3,347	51.8%	5,725	4,782	83.5%
Total revenues	80,722			83,833		
Purchases and consumption of raw materials, semi-products and finished products	(29,677)	(7,942)	26.8%	(31,279)	(7,360)	23.5%
Personnel costs	(29,395)	(5,271)	17.9%	(28,181)	(3,373)	12.0%
Service costs	(15,331)	(5,652)	36.9%	(14,566)	(5,498)	37.7%
Other operating costs	(3,008)			(5,191)		
EBITDA	3,310			4,616		
Net impairment losses on financial assets	-			(49)		
Amortisation, depreciation and writedowns	(6,201)	(767)	12.4%	(5,607)	(795)	14.2%
EBIT	(2,891)			(1,040)		
Financial income	17,938	15,516	86.5%	32,147	13,886	43.2%
Financial costs	(32,940)	(4,338)	13.2%	(8,761)	(693)	7.9%
Income and expense from equity investments	4,176	6,503	155.7%	5,142	5,142	100.0%
Pre-tax result	(13,717)			27,487		
Income tax	4,013			(7,060)		
Net income	(9,703)			20,428		

Statement of cash flows, with indication of the amount of positions with related parties

(in thousands of Euro)	Financial year ended 31 December					
	2023	of which with related parties	percentage	2022	of which with related parties	percentage
Pre-tax result	(13,717)	20,342	-148%	27,487	30,290	110%
- Adjustment for:				-		
Amortisation, depreciation and writedowns	6,201	767	12%	5,607	795	14%
Capital losses / (capital gains) from sale of assets	22			(2)		
Financial costs / (income)	15,001	4,338	29%	(23,386)	693	-3%
Income and expense from equity investments	(4,176)	(6,503)	156%	(5,142)	(5,142)	100%
Other non-monetary variations	(60)		0%	4,325	(200)	-5%
Cash flow generated / (absorbed) by operations before variations in net working capital	3,272			8,889		
Variation in inventories	1,277			(339)		
Variation in trade receivables	8,905	4,530	51%	13,185	(7,162)	-54%
Variation in trade payables	(2,938)	(530)	18%	(17,581)	(19,292)	110%
Variation in other assets and liabilities	2,504	3,327	133%	770	3,011	391%
Use of provisions for risks and charges and for employee benefits	(2,327)	(1,416)	61%	(1,532)		
Taxes paid	(1,121)	(511)	46%	(1,813)	(1,667)	92%
Net cash flow generated / (absorbed) by operations	9,572			1,580		
Investments in tangible assets	(5,261)	2	0%	(6,293)	4	0%
Investments in intangible assets	(331)			(190)		
Disposal of tangible assets	929			56		
Opening of financial receivables from subsidiaries and other financial assets	(99,559)			(54,425)		
Repayment of financial receivables from subsidiaries and other financial assets	137,437	41,026	30%	5,024	(63,525)	-1264%
Equity investments	(1,510)			(248,316)		
Dividends from equity investments	8,793	6,503	74%	8,465	5,142	61%
Net cash flow generated / (absorbed) by investment	40,498			(295,679)		
Opening of long-term financial liabilities	102,991	102,991	100%	262,790	29,021	11%
Repayment of long-term financial liabilities	(63,329)			(22,639)		
Variations in current financial payables	688			-		
Repayment of lease liabilities	(1,267)	(1,289)	102%	(1,248)	(635)	51%
Financial costs paid	(19,791)	(2,838)	14%	(4,661)	(693)	15%
Financial income collected	13,573			13,602		
Treasury shares	(62)			(1,405)		
Net cash flow generated/(absorbed) by financial assets	32,803			246,439		
Total variation in cash on hand	82,873			(47,660)		
Cash on hand at the start of the year	35,361			82,847		
Total variation in cash on hand	82,873			(47,660)		
Total variation in cash on hand GVS Sud Srl merger	-			173		
Cash on hand at the end of the year	118,235			35,361		

Income statement, with indication of the amount deriving from non-recurring transactions

(in thousands of Euro)	Financial year ended 31 December							
	2023	of which non-recurring	2023 from ordinary operations	percentage	2022	of which non-recurring	2022 from ordinary operations	percentage
Revenue from contracts with customers	74,265		74,265		78,107		78,107	
Other operating income	6,457	1,343	5,114	20.8%	5,725		5,725	
Total revenues	80,722	1,343	79,379		83,833	-	83,833	
Purchases and consumption of raw materials, semi-products and finished products	(29,677)		(29,677)		(31,279)		(31,279)	
Personnel costs	(29,395)	(403)	(28,992)	1.4%	(28,181)	(1,558)	(26,623)	5.5%
Service costs	(15,331)	(268)	(15,063)	1.7%	(14,566)	(553)	(14,013)	3.8%
Other operating costs	(3,008)		(3,008)		(5,191)		(5,191)	
EBITDA	3,310	672	2,638		4,616	(2,111)	6,727	
Net impairment losses on financial assets	-		-		(49)		(49)	
Amortisation, depreciation and writedowns	(6,201)	(289)	(5,912)	4.7%	(5,607)		(5,607)	
EBIT	(2,891)	383	(3,274)		(1,040)	(2,111)	1,071	
Financial income	17,938		17,938		32,147		32,147	
Financial costs	(32,940)	(2,822)	(30,118)	8.6%	(8,761)	(1,544)	(7,217)	17.6%
Income and expense from equity investments	4,176		4,176		5,142		5,142	
Pre-tax result	(13,717)	(2,439)	(11,278)		27,487	(3,655)	31,142	
Income tax	4,013	(20)	4,033	-0.5%	(7,060)	20	(7,080)	-0.3%
Net income	(9,703)	(2,459)	(7,245)		20,428	(3,635)	24,063	

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 2023 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	2023 fees
	PwC SpA	Parent company - audit of the financial statements	59
	PwC SpA	Parent company - audit of the consolidated financial statements	200
	PwC SpA	Parent company - audit of the half-yearly report	81
Total Audit of Accounting			340
	PwC SpA	Parent Company – Agreed upon procedures to certify accounting data	3
	PwC SpA	Parent Company – ISA 805 relating to the certification of Research and Development credit	31
	PwC SpA	Parent company - Limited assurance NFS	25
Total other services (NAS)			59
TOTAL			399

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 2023.
2. The assessment of the adequacy of the administrative and accounting procedures for the preparation of the Financial Statements at 31 December 2023 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:

• are prepared in compliance with the 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 as well as the provisions 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, 26 March 2024

Massimo Scagliarini
Chief Executive Officer



Emanuele Stanco
Manager responsible for the preparation
of the accounting documents



REPORT OF THE BOARD OF STATUTORY AUDITORS TO THE SHAREHOLDERS' MEETING ON THE FINANCIAL STATEMENTS AS OF 31 DECEMBER 2023

Report of the Board of Auditors to the Shareholders' Meeting of GVS SpA pursuant to Article 153 of Legislative Decree No. 58/1998 and Article 2429, para. 2 of the Italian Civil Code

Dear Shareholders,

This Report was prepared by the Board of Auditors of GVS SpA (hereinafter also referred to as the Company or GVS) appointed by the Shareholders' Meeting of 3 May 2023 represented by Professor Maria Federica Izzo (Chair), Francesca Sandrolini (Statutory Auditor) and Giuseppe Farchione (Statutory Auditor), in office for three years until approval of the financial statements as at 31 December 2025.

This Report reports on the results for the year 2023, the supervisory activities and the other activities carried out by the Board of Auditors during the year ended 31 December 2023, drawn up pursuant to Article 153 of Legislative Decree No. 58/1998 (Consolidated Finance Act, CFA) and Article 2429 of the Italian Civil Code, the Rules of Conduct of the Board of Auditors of Listed Companies issued by the National Council of Chartered Accountants and Accounting Experts, in the version updated in December 2023 (hereinafter the "Rules of Conduct") as well as Consob provisions on corporate controls.

In this Report, also in accordance with the instructions provided by Consob in Communication DEM/1025564 of 6 April 2001, as subsequently amended and supplemented, the Board of Auditors reports on the activities carried out, separately for each subject matter of supervision as required by the regulations governing the Board's activities.

GVS having adopted the traditional governance, and given that the statutory audit of the accounts has been entrusted to the Auditing Firm PricewaterhouseCoopers SpA (hereinafter also PwC) for the years ending on 31 December 2028, the Board of Auditors is identified as the "Internal Control and Audit Committee" (CCIRC) which has further specific functions of control and monitoring of financial reporting and the statutory audit as provided for in Article 19 of Legislative Decree No. 39 of 27 January 2010, as amended by Legislative Decree No. 135 of 17 July 2016, which are also noted in this Report. With this Report, the Board of Auditors also reports on the supervisory activities carried out with reference to the obligations relating to the Non-Financial Statement referred to in Legislative Decree No. 254/2016.

In fulfilling these obligations, the Board, as the senior body for the overall corporate control system, also provides an integrated framework for the results of such controls.

On 10 May 2023, the Board, in its current composition, examined and transposed – considering them complete and fully acceptable – the Regulations of the Board of Auditors drawn up by the previous body.

1. INFORMATION ON THE MOST SIGNIFICANT ECONOMIC, FINANCIAL AND CAPITAL TRANSACTIONS CARRIED OUT BY THE COMPANY

On the basis of the information received and following the analyses conducted by the Board, with particular regard to the most significant economic, financial and capital transactions carried out during 2023, we recall the following:

- ✓ in the year 2023, GVS achieved consolidated revenues of Euro 424.7 million, up 9.6% from Euro 387.6 million recorded in 2022. EBIT from ordinary operations showed a revenue margin of 15.9% and was Euro 67.4 million compared with Euro 54.8 million in 2022;
- ✓ despite the unfavourable international backdrop, GVS continued to grow, through the full integration of the companies acquired during 2022, the implementation of actions aimed at recovering operating margins and constantly reducing financial debt;
- ✓ consolidated shareholders' equity increased by Euro 6,803 thousand at 31 December 2023, mainly due to the effect of comprehensive income for the period of Euro 5,232 thousand and the change in the reserve relating to the long-term incentives plan (Euro 1,019 thousand);
- ✓ the Group's net financial debt at 31 December 2023 was down by Euro 46,798 thousand compared to 31 December 2022;
- ✓ 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 303,046 thousand at 31 December 2023, compared to negative Euro 343,325 thousand at 31 December 2022;
- ✓ on 8 March 2023, the parent company GVS SpA signed an agreement 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 comply with the level of financial covenants leverage ratio (equal to 3.5x), calculated on a pro-forma basis with the resulting cash flow deriving from the shareholder loan as at 31 December 2022 and without considering the amount of the shareholder loan as a financial debt for the purpose of calculating the leverage ratio, as resulting from the agreements reached with the financial counterparties on 23 December 2022;
- ✓ on 8 March 2023, the parent company GVS SpA reached an agreement with (i) the pool of lender banks of the credit lines (Euro 230 million, expiring in 2027 and Euro 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 (Euro 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 of 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 costs for the Company as a result of the rate increase policy implemented by the European Central Bank to combat inflation;
- ✓ on 18 September 2023, GVS SpA, in implementation of the shareholders' resolution authorising the purchase and disposal of treasury shares of 3 May 2023, appointed Kepler Cheuvreux SA to carry out liquidity support activities on the regulated market Euronext Milan, organised and managed by Borsa Italiana SpA, under conditions of independence. The liquidity support activity on the ordinary shares issued by GVS SpA lasts for 12 months, starting on 20 September 2023, up to a maximum of Euro 1.5 million, in accordance with market practice no. 1, referred to in CONSOB Resolution No. 21318 of 7 April 2020. As of 31 December 2023, the Company held

241,142 treasury shares representing a total stake of 0.14% in the Company's share capital.

In 2023, the Board of Auditors obtained information on the most significant economic, financial and capital transactions carried out by the Company and its subsidiaries, participating in meetings of the Board of Directors, as well as holding specific meetings with senior management. As far as the Board of Auditors is aware, such transactions were not manifestly imprudent or risky, nor were they in potential conflict of interest, nor did they conflict with resolutions passed by the Shareholders' Meeting or were such as to compromise the integrity of the Company's assets. The Directors' Management Report provides information on the above operations approved in accordance with the law and the Articles of Association. The Board of Auditors, having taken note of the contents of the Management Report, has no comments to make.

2. INFORMATION ON ANY ATYPICAL AND/OR UNUSUAL TRANSACTIONS, INCLUDING INTRA-GROUP OR RELATED-PARTY TRANSACTIONS AND
3. ASSESSMENT OF THE ADEQUACY OF DISCLOSURES MADE BY DIRECTORS REGARDING ATYPICAL AND/OR UNUSUAL TRANSACTIONS, INCLUDING INTRA-GROUP OR RELATED-PARTY TRANSACTIONS

During 2023, no atypical and/or unusual operations were brought to the attention of the Board of Auditors. The Management Report and the Explanatory Notes to the Financial Statements and the Consolidated Financial Statements describe the non-recurring operations and their effects on the results of operations and the statement of financial position for the year 2023. In the Explanatory Notes, the Directors present the main intra-group and related-party transactions, identified on the basis of international accounting standards and the relevant instructions issued by Consob. Reference is made to these Notes with regard to identifying the type of transactions and the related economic, capital and financial effects.

The Board of Auditors recalls that the Company has adopted, pursuant to Article 2391-a of the Italian Civil Code and in accordance with the Consob regulatory provisions contained in Resolution No. 17221 of 12 March 2010 (as subsequently amended and supplemented), a specific "Procedure for transactions with related parties" that classifies transactions into different categories, applying specific steps for validation and approval to each of them. This procedure was updated, in its latest version, by the Board of Directors on 3 July 2023, following the positive opinion of the Control, Risk and Sustainability Committee. The amendments made concern Article 3 of the procedure and the other provisions that refer to it, and were made in order to adapt them to the provisions of the RPT Regulations for significant transactions, derogated by the Company for three years following listing pursuant to Article 10, paragraph 1, of the RPT Regulations.

From the information obtained, including as a result of the investigations carried out and analysis of the documentation obtained, no information is available to suggest that the related-party transactions of GVS, indicated in the annual financial report as at 31 December 2023, have not been implemented and managed in the interest of the Company.

Considering the size and structure of the Company and the GVS Group, the Board of Auditors, without prejudice to the above, assesses that the Board of Directors, in the annual financial report as at 31 December 2023, has provided an adequate explanation of the transactions carried out with subsidiaries and other related parties, explaining their economic, financial and capital effects.

4. COMMENTS AND PROPOSALS ON THE FINDINGS AND REQUESTS FOR INFORMATION CONTAINED IN THE INDEPENDENT AUDITORS' REPORT AND THE SUPPLEMENTARY REPORT

On 14 February 2020, the Shareholders' Meeting of GVS SpA, as mentioned above, renewed its mandate for the statutory audit of the Company's separate and consolidated financial statements, for the financial years 31 December 2020 to 31 December 2028, to the Independent Auditors PricewaterhouseCoopers SpA.

On 15 April 2024, the Independent Auditors issued the reports pursuant to Article 14 of Legislative Decree No. 39 of 27 January 2010 and Article 10 of Regulation (EC) No 537/2014, which certify that the Financial Statements and the Consolidated Financial Statements as at 31 December 2023 are compliant with the International Financial Reporting Standards adopted by the European Union, as well as with the provisions issued in implementation of Article 9 of Legislative Decree No. 38 of 2005, and have been clearly drawn up and give a true and fair view of the financial position, results of operations and cash flows of the Company and the Group. The reports were issued without any remarks or requests for information.

Purely for information purposes, it should be noted that in its reports, the Independent Auditors considered it appropriate to identify the following key audit matters:

- in the consolidated financial statements: "Recognition of revenues" and "Recoverability of intangible assets";
- in the annual financial statements: "Recognition of revenues".

The Independent Auditors also assess that the Management Report and certain specific information in the Report on Corporate Governance and Ownership Structure indicated in Article 123-a, para. 4 of Legislative Decree No. 58/1998 are consistent with the Company's Financial Statements and with the Group's Consolidated Financial Statements and comply with the law.

The Independent Auditors also assessed that the financial statements and the consolidated financial statements were prepared in XHTML (*Extensible Hypertext Markup Language*) format and that the consolidated financial statements were marked, in all significant aspects, in accordance with the provisions of Delegated Regulation (EU) No 2019/815. Certain information contained in the Notes to the Consolidated Financial Statements when extracted from the XHTML format in an XBRL application, due to certain technical limitations, may not be reproduced in the same way as the corresponding information that can be viewed in the XHTML format of the consolidated financial statements.

Lastly, the appointed independent auditors, PwC, issued the Supplementary Report for the Internal Control and Audit Committee pursuant to Article 11 of Regulation (EC) No 537/2014, the contents of which, with regard to the financial statements to which this Report refers, are consistent with those of the aforementioned audit report. The Board acknowledged the contents of the Supplementary Report issued by the Independent Auditors without any significant comments. Said report shall be forwarded, with any comments of the Board of Auditors, to the Board of Directors.

With regard to the Non-Financial Disclosure, on 15 April 2024 the Independent Auditors PwC issued a specific report pursuant to Article 3, para. 10 of Legislative Decree No. 254 of

30 December 2016, and Article 5 of Consob Implementing Regulation No. 20267 of 18 January 2018.

5. INDICATION OF ANY COMPLAINTS PURSUANT TO ARTICLE 2408 OF THE ITALIAN CIVIL CODE AND INITIATIVES TAKEN

During 2023 and up to the date of preparation of this Report, the Board of Auditors did not receive any complaints pursuant to Article 2408 of the Italian Civil Code and, therefore, no initiative has been taken by the Board of Auditors in this regard.

6. INFORMATION ON ANY PRESENTATION OF COMPLAINTS AND ANY ACTION TAKEN

The Board of Auditors did not receive any statements submitted by Shareholders and/or third parties during the year 2023 and up to the date of preparation of this Report, nor is the Board aware of any statements and/or comments submitted to the Company by Shareholders and/or third parties. Accordingly, the Board of Auditors has not taken any action in this respect.

7. INFORMATION ON ANY ADDITIONAL APPOINTMENTS TO THE INDEPENDENT AUDITORS AND THE ASSOCIATED COSTS

During the year 2023 and up to the date of this Report to the Shareholders, the Board of Auditors, acting as the "Internal Control and Audit Committee", carried out a constant process of monitoring the activities carried out by the Independent Auditors and verified and monitored, pursuant to Article 19 of Legislative Decree 39/2010, the independence of the Independent Auditors, pursuant to Articles 10, 10-a, 10-b, 10-c and 17 of the aforementioned Decree and Article 6 of Regulation (EU) 537/2014, in particular with regard to the provision of services other than auditing (referred to as "non-audit services") to the audited entity.

In accordance with specific regulations, the remuneration paid by the Company to PricewaterhouseCoopers SpA for statutory auditing activities was recognised in the financial statements as at 31 December 2023, which totalled Euro 340.3 thousand, broken down as follows:

- Euro 58.7 thousand for the statutory audit of the Financial Statements, pursuant to Article 14 of Legislative Decree No. 39/2010;
- Euro 200.4 thousand for the statutory audit of the Consolidated Financial Statements;
- Euro 81.2 thousand for the review of the half-yearly report.

It should be noted that the above statutory audit fees include, in addition to the ISTAT [Italian National Statistics Institute] revaluation, the supplement requested from the Company in its letter dated 16 November 2021, by PricewaterhouseCoopers SpA for the remaining years of the mandate 2021-2028, in relation to the increase in the times associated with additional audit activities compared to what was included in the initial proposal for the years 2020-2028.

In addition to the above, it should be noted that the audit fees, including the ISTAT revaluation, paid to PricewaterhouseCoopers SpA for auditing subsidiaries for the purposes of auditing the Consolidated Financial Statements recognised in the financial statements as at 31 December 2023 amount to Euro 40 thousand.

It should also be noted that PricewaterhouseCoopers SpA, in letters dated 21 December 2022, sent to the Board on 24 July 2023, and dated 4 September 2023, sent to the Board on 16 January 2024, made a request to supplement its fees in relation to:

- the increase in additional audit hours compared to what was included in the initial proposal for the years 2020-2028 and its subsequent integration as a result of the acquisition on 1 March 2022 by GVS SpA of Shanghai Blood Transfusion Technology Co. Ltd. and Suzhou Laishi Transfusion Equipment Co. Ltd and the acquisition on 15 June 2022 of Haemotronic SpA and its subsidiaries (one-off supplement for 2022 and recurring for the years 2023-2028);
- the need to carry out auditing procedures provided for by the SA Italia 700B auditing principle on financial reports prepared in XHTML (Extensible Hypertext Markup Language) format pursuant to the ESEF (European Single Electronic Format) Regulation for each financial year ending 31 December 2022 onwards (recurring supplement);
- the need to perform additional verification activities relating to the financial parameters of some loans at 30 June 2022 and 31 December 2022, the identification of the cash-generating units for the purposes of the impairment test on goodwill (one-off supplement), and the application of the ISA 315 Revised review principle (recurring supplement).

The requests made by PricewaterhouseCoopers SpA to supplement the fees concern activities relating to:

- a total of Euro 78 thousand for one-off auditing activities relating to 2022;
- Euro 14.2 thousand for recurring auditing activities for the years 2022-2028;
- Euro 39 thousand for recurring auditing activities for the years 2023-2028.

Such requests for additional fees are the subject of the reasoned proposal entered in the Agenda at the Shareholders' Meeting of 7 May 2024, to which reference is made for further details.

With reference to the issue of non-audit services, it is noted that, at the instigation of the Board in its role as Internal Control and Audit Committee, the Company has adopted a specific procedure, applied at Group level, aimed at regulating the award to the Independent Auditors and to entities belonging to the corresponding network of mandates for non-audit services ("Operating instruction for the award of a mandate for non-audit services to the Independent Auditors or to an entity in the network to which it belongs").

The fees for the above assignments, granted to PricewaterhouseCoopers SpA and recognised in the financial statements as at 31 December 2023, total Euro 59 thousand, broken down as follows:

- Euro 3 thousand - Agreed upon procedures for certification of accounting data, mandate previously examined by the Board of Auditors in its previous composition;
- Euro 31 thousand – ISA 805 relating to the certification of Research and Development credit;
- Euro 25 thousand - Limited Assurance of the Non-Financial Statement (NFS), transferred at the time of renewal of the statutory audit of the annual financial statements and consolidated financial statements of the Company, for the years 31 December 2020 to 31 December 2028.

Details of these fees are also included in an annex to the Company's Individual and Consolidated Financial Statements, as required by Article 149-l of Consob's Issuers' Regulation.

With regard to the granting of non-audit assignments, the Board of Auditors carried out its own independent assessments of the potential risks to the independence of the independent auditor, ensuring that the non-audit service was not included among those prohibited, as defined by Article 5, paragraph 1 of Regulation (EU) 537/2014. It also assessed the reasons for the engagement of the Independent Auditors PwC or an entity in its network by the management of the Company and ensured that the fees requested appeared to be determined in such a way as to guarantee the quality and reliability of the work and that they were such as not to determine the emergence of possible risks to the independence of the Independent Auditors.

In this regard, it should be noted that as of 2023 (having consolidated the three-year period normally provided for in the Company's award of the mandate to PwC), monitoring was undertaken to verify compliance with the quantitative limit on fees for non-audit assignments pursuant to Article 4 of the aforementioned European Regulation (referred to as the Fee Cap). The Board of Auditors certifies that the limit was met during 2023.

The Board of Auditors – having obtained annual confirmation of the independence of the Independent Auditors, issued on 15 April 2024, pursuant to Article 6 (2) (A) of Regulation (EU) No 537/2014 and pursuant to paragraph 17 of ISA Italia 260 on the absence of situations capable of compromising independence pursuant to Articles 10 and 17 of Legislative Decree No. 39/2010 and Articles 4 and 5 of Regulation (EU) No 537/2014 – assesses that there are no critical aspects in terms of the independence of the Independent Auditors or causes of incompatibility pursuant to Articles 10, 10-a and 17 of the Consolidated Law on Statutory Audit and its implementing provisions. The Board of Auditors also acknowledged the Transparency Report prepared by the Independent Auditors, published on its website pursuant to Article 13 of the same European Regulation.

8. INFORMATION ON ANY ADDITIONAL APPOINTMENTS TO PARTIES ASSOCIATED WITH THE COMPANY RESPONSIBLE FOR AUDITING OF ONGOING RELATIONSHIPS AND THE RELEVANT COSTS

As already set out in the previous chapter of this Report, in accordance with Article 19, paragraph 1, letter e) of Legislative Decree 39/2010 and Article 5 (4) of Regulation (EC) No 537/2014, the Board of Auditors also examines proposals, submitted for its attention, for the award of non-audit services to entities belonging to the network of the Independent Auditors. During 2023, the Company did not assign any mandates to parties in the network of the Independent Auditors PwC.

9. INFORMATION ON THE EXISTENCE OF OPINIONS ISSUED PURSUANT TO LAW IN 2023 BY THE BOARD OF AUDITORS

During 2023, the Board of Auditors issued the following opinions:

- opinion on the 2023 Internal Audit Plan, approved by the Board of Directors on 21 March 2023;
- favourable opinion on the remuneration of the Chief Executive Officer pursuant to Article 2389, para. 3 of the Italian Civil Code, approved by the Board of Directors on 15 May 2023;

- favourable opinion on the 2023-2025 Performance Shares Plan, approved by the Board of Directors on 3 July 2023.

10. INDEPENDENCE OF THE MEMBERS OF THE BOARD OF AUDITORS AND ACTIVITIES PERFORMED, INDICATING THE FREQUENCY AND NUMBER OF MEETINGS

On its initial formation, and during the periodic self-assessment, the Board of Auditors verified that all members of the Board of Auditors met the requirements of integrity and professionalism pursuant to Article 148, paragraph 4 of the CFA, and that it does not exceed the limit of the offices held pursuant to Article 148-a of the CFA and Article 144-*l* et seq. of the Issuers' Regulation, as well as the independence requirements laid down in Article 148, paragraph 3 of the CFA and those required by the Corporate Governance Code adopted by GVS SpA. The Board of Auditors also verified that its members had sufficient time to dedicate to the performance of their duties (35 days for the chair, 30 days for standing members), including in relation to positions already taken up, their professional or working commitments. The powers of the Body as a whole, assessed on the basis of the Guidelines to the Shareholders' Meeting for the renewal of the Body drawn up by the outgoing Board of Auditors, appear significant. They ensure full and functional coverage of all areas related to the function and also translate into constructive work that enables, among other things, the professional enrichment of each member of the Board.

The current Board of Auditors carried out its own Self-Assessment for the year 2023, also on the basis of the contents of Article 3 of its Regulation. The opinion expressed by the Statutory Auditors was positive, also in relation to the size and functioning of the body.

The Board sent the Board of Directors the results of its assessments with a specific Self-Assessment Summary drawn up in accordance with the provisions of the document prepared by the National Council of Chartered Accountants and Accounting Experts entitled "Self-Assessment of the Board of Auditors – Rules of conduct of the Board of Auditors of listed companies. Standard Q.1.1", referred to in standard Q.1.7. Self-assessment by the Board of Auditors.

With reference to the activities within its competence, during the year under review, the Board of Auditors declares that it has:

- held in 2023 a total of 35 meetings (24 in the current composition and 11 in the previous composition), 8 in joint (total or partial) session with the Control, Risk and Sustainability Committee (hereinafter also referred to as the CRSC) and 5 in joint (total or partial) session with the Appointments and Remuneration Committee (hereinafter also referred to as the NRC). The Controlling Body then participated in the meetings of internal Board committees not held jointly and assisted in 10 meetings of the Board of Directors;
- held in 2024, as at the date of this report, a total of 16 meetings, attended 3 meetings of the Control, Risk and Sustainability Committee (all held jointly with the Board of Auditors), and 4 meetings of the Appointments and Remuneration Committee (including 3 meetings held jointly with the Board of Auditors), and assisted in 2 meetings of the Board of Directors.

Interaction with the Board and management was constant at meetings.

The current Board took note of the recommendations made by the previous Controlling Body during the first months of 2023, taking them into due consideration with regard to the planning of its activities in both 2023 and 2024. In light of these recommendations, which are considered broadly acceptable in relation to the opportunities for developing the activities of the Controlling Body and areas for improvement, the members of the Board therefore highlight (a) the advisability of increasing the number of meetings in attendance, including during meetings of the Board of Directors and internal Board Committees; (b) the advisability of assigning to the Controlling Body a budget intended for possible advisory support; (c) the identification of the most appropriate ways to carry out an effective exchange of information with foreign subsidiaries without a controlling body; and (d) the advisability of an annual induction plan for directors and statutory auditors with pre-defined sessions.

The Board of Auditors also verified the correct application of the criteria and procedures adopted by the Board of Directors to assess the independence of its members, with particular regard to the requirements for independent directors.

11. COMMENTS ON COMPLIANCE WITH THE PRINCIPLES OF PROPER GOVERNANCE AND COMPLIANCE WITH THE LAW AND ARTICLES OF ASSOCIATION

The Board acquired knowledge of and supervised, to the extent of its competence, compliance with the principles of sound governance through interviews and meetings with the Company's management. In particular, it supervised the correct implementation of the provisions of the Corporate Governance Code, as referred to in greater detail in point 17 below.

The Board met periodically with the Chief Executive Officer, pursuant to Article 150, para. 1 of the CFA, obtaining adequate information on the activities carried out and the most significant economic, financial and capital transactions carried out by the Company and its subsidiaries.

As regards the decision-making processes of the Board of Directors, the Board monitored the compliance with the law and the Articles of Association of management decisions made by Directors, including by attending Board meetings, and verified that the related resolutions were supported by adequate information processes.

Based on the information made available to it, the Board of Auditors may reasonably assess that the transactions carried out by the Board of Directors comply with the law and the Articles of Association and are not manifestly imprudent, risky, contrary to resolutions passed by the Shareholders' Meeting or such as to compromise the integrity of the company's assets.

The Board of Auditors also acknowledged the Remuneration Report pursuant to Article 123-b of the CFA and pursuant to Article 84-d of the Issuers' Regulation, and monitored compliance with the provisions established by Legislative Decree 254/2016.

In the course of the supervisory activity carried out by the Board of Auditors as described above, and based on the information and data acquired, no facts emerged which infer non-compliance with the law and the deed of incorporation or such as to justify notification to the Supervisory Authorities or mention in this Report.

12. COMMENTS ON ORGANISATIONAL STRUCTURE

The Board acquired knowledge of and supervised, to the extent of its competence, the adequacy of the organisational structure by gathering information from the Company's directors and management.

The Board of Directors in office consists of nine members, five of whom meet the independence requirements provided for in the combined provisions of Articles 147-b, para. 4, and 148, para. 3 of the CFA, as well as the Code of Corporate Governance. All directors were appointed on 3 May 2023. The Board of Directors has not established any internal executive committee, and is made up of the Chair and Independent Directors, and a Chief Executive Officer.

The Company has not appointed a Lead Independent Director, since the conditions laid down in Recommendation 13 of the Corporate Governance Code are not met.

The Company has set up within the Board of Directors the Appointments and Remuneration Committee and the Control, Risk and Sustainability Committee, both composed of three non-executive and independent directors.

As part of its supervisory activity, the Board of Auditors has made numerous suggestions to the Company, also in light of the Group's expansion. This makes it necessary, in particular, to strengthen the organisational structure, complete the process of formalising internal operating procedures and tools and implement a more complex Internal Audit function, as specified in greater detail in this Report.

On 26 March 2024, the Board of Directors, which is responsible for preparing the company's organisational structure, assessed the organisational structure to be adequate, based also on the positive opinion of the CRSC.

13. COMMENTS ON SUPERVISORY ACTIVITY ON THE ADEQUACY OF THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

The Report on Corporate Governance and Ownership Structure for the year 2023 describes the main characteristics of the Internal Control and Risk Management System (ICRMS), which represents all the rules, procedures and organisational structures aimed at identifying, measuring, managing and monitoring the main risks faced by the Company. The Company's Internal Control and Risk Management System guidelines are defined by the Board of Directors, with the support of the Control, Risk and Sustainability Committee. The Board of Directors also assesses, at least once a year, the adequacy and proper functioning of the Internal Control and Risk Management System, with the support of the Internal Audit function and the Control, Risk and Sustainability Committee. The Company's Internal Audit function operates on the basis of an annual plan that defines which activities and processes to audit on a risk-based approach.

Also during the year under review, the Company continued the process, which began at the time of the listing, of strengthening the Internal Control and Risk Management System in order to align it progressively with national best practices.

The Board supervised and conducted in-depth analyses of the adequacy of the ICRMS, verifying its concrete functioning through:

- a) obtaining information from the heads of the respective company departments, which is also intended to verify the existence, adequacy and actual implementation of the procedures;
- b) participation in the work of the Control, Risk and Sustainability Committee and, where the topics addressed have so requested, their joint discussion with the said

Committee, also exchanging information on initiatives that it considered appropriate to promote or request in relation to the issues addressed;

- c) the periodic meeting with the Head of the Internal Audit Function to analyse the results of the specific audit activities carried out, with particular attention to those relating to foreign subsidiaries without controlling bodies. As a result, no critical issues to be included in this Report have emerged;
- d) the periodic exchange of information with the Independent Auditors;
- e) the periodic exchange of information with the Supervisory Body, from which no critical issues or significant reports have emerged;
- f) the periodic meeting with the Chief Executive Officer in their capacity as Director Responsible for the ICRMS, with which the Board agreed its comments regarding improving the architecture of the controls put in place by the Company;
- g) periodic meetings with the control bodies of parent companies and subsidiaries for the exchange of information pursuant to paragraphs 1 and 2 of Article 151 of Legislative Decree 58/1998, which did not reveal any critical issues to be reported in this Report.

The Board of Auditors acknowledges that the set of aforementioned information flows is substantially adequate, although the implementation and formalisation of the Company's internal processes undertaken since the listing is still evolving.

Within the scope of its duties, in particular, the Board of Auditors has monitored the adequacy of the Internal Control and Risk Management System by: i) examining the positive annual assessment expressed on 26 March 2024, following the favourable opinion of the Control, Risk and Sustainability Committee on 22 March 2024, by the Board of Directors on the adequacy of the ICRMS with respect to the characteristics of the company and the risk profile assumed, as well as its effectiveness; ii) the information made available by the heads of the various company functions; iii) the examination of company documents; iv) the analysis of Reports drawn up at the conclusion of verification activities by the Internal Audit function, with the relevant findings and recommended actions; v) reviewing the Reports on the Internal Control and Risk Management System of Internal Audit containing periodic updates on the progress of the activities carried out, the outcome of the monitoring of the mitigation processes introduced, and a review of the annual update of the risk assessment preparation of the annual audit plan; vi) periodic meetings with the Financial Reporting Officer and examination of the periodic Reports containing the results of tests and checks on the system of controls on the process of preparing financial information; vii) an analysis of the results of the work carried out by the Independent Auditors, with particular regard to the content of the management letter relating to the statutory audit of 2022 and the Supplementary Report pursuant to Article 11 of European Regulation No 537/2014 with reference to the Financial Statements at 31 December 2023, issued on 15 April 2024; viii) the examination of the Periodic Reports and the Annual Report on the activities carried out prepared by the Control, Risk and Sustainability Committee; and, lastly, ix) the information obtained, in the context of a continuous exchange of information with the General Counsel also in relation to the main disputes of the Company and the Group.

With regard to the structure of the Internal Audit function, the Board of Auditors acknowledged: i) the entry into the workforce, as of 4 September 2023, of an Internal Audit Specialist; ii) the resignation, as of 19 February 2024, of the Head of the function, appointed on 9 November 2022; iii) the appointment, on 26 March 2024, by the Board of Directors of the new Head (who will enter into service as of May 2024), following the positive opinion of

the Control, Risk and Sustainability Committee at the meeting of 22 March 2024 and following consultation with the Board of Auditors.

Completion of the activities set out in the 2023 Internal Audit Plan, approved by the Board of Directors on 21 March 2023, was also ensured through support for operational activities provided by specialised external companies, which allowed the planned scope of activities to be covered. As described in the Annual Internal Audit Report for 2023, this activity did not reveal any significant critical issues that could prejudice the operability and suitability of the ICRMS, but aspects of improvement, which were closely monitored.

The Board paid particular attention to the remediation plans, often related to computer-related implementations, set out in the general Action Plan, urging the swift implementation of the remedial actions and containment of any rescheduling.

The Internal Audit 2024 Plan was approved by the Board of Directors at its meeting held on 21 February 2024, subject to the positive opinion of the Control, Risk and Sustainability Committee and having consulted the Board of Auditors. Although the Board of Auditors welcomed the increase in days of support from the external company to ensure the completion of the planned activities, it renewed its recommendation on the need to continue strengthening the staff of the function to market benchmarks in order to better adapt the current internal organisational structure of the function to the increased size and complexity of the GVS Group as a result of the acquisitions made.

With regard to the Finance structure, the Board of Auditors periodically met with the Group Chief Financial Officer and monitored the size of the structure, including from an evolutionary perspective, in view of the growing importance and pervasiveness of the issues covered. During the year under review, the structure also expanded due to the addition of the Head of Treasury, who plans and monitors the Company's financial assets and liquidity, while ensuring compliance with regulatory requirements for the entire GVS Group, and the Head of ESG, who coordinates the processes, initiatives and activities aimed at the sustainable development of the Company and the GVS Group. The Board of Auditors also acknowledged the appointment of the new Investor Relator and M&A Director as of 1 February 2023.

With respect to the staffing of central structures, and with particular regard to administration, finance and management control functions, the Board also endorses the recommendation of the Control, Risk and Sustainability Committee to ensure that constant attention is paid to reinforcement and correct sizing, as well as to the risk management area to be implemented in a structured manner.

The Board of Auditors also supervised compliance with the remuneration policies, participating in all meetings of the Appointments and Remuneration Committee.

The Board of Auditors also interacted periodically with the Supervisory Board (SB), which was renewed in the same composition on 9 November 2023. At the meetings held, the Board examined the periodic reports on the Supervisory Board's activities on a half-yearly basis. This examination did not reveal any reprehensible actions and/or indicators of anomalies in relation to the provisions of Decree 231/01. Finally, the Board also examined the update, approved by the Company's Board of Directors on 26 March 2024, of the Special Parts of the Organisational, Management and Control Model pursuant to Legislative Decree 231/2001 (Organisational Model) in relation to certain types of contraband offences referred to as Predicate offences.

The Board acknowledges that on 3 July 2023 the Company adopted a new procedure for managing confidential reports (Whistleblowing Policy), prepared pursuant to Legislative

Decree No. 24 of 10 March 2023, established a platform dedicated to reports, as required by legislation and best practices, and published the updated version of the Organisational Model with respect to the amendments of Article 6 of Legislative Decree 231/01, as well as the Code of Ethics. Furthermore, the Board acknowledges that during the year under review, the Company adopted new Policies. The Board of Auditors recommended continuing the process of formalising and standardising internal operating procedures and instruments.

In light of the above and based on the control and analysis activities carried out and considering, *inter alia*, the content of the Annual Report on the Internal Control and Risk Management System of the Internal Audit function, the Annual Report of the Financial Reporting Officer, the Annual Report on the activities of the CRSC, the exchange of information with the Independent Auditors and the Supervisory Body, without prejudice to the recommendations indicated above, no significant elements, situations or critical issues have emerged that might lead the Board of Auditors to consider the Internal Control and Risk Management System to be inadequate as a whole. The Board of Auditors will continue to monitor the consolidation of the reference model adopted by the Company, with particular regard to aspects relating to the ICRMS.

14. COMMENTS ON THE ADMINISTRATIVE AND ACCOUNTING SYSTEM AND ITS RELIABILITY IN CORRECTLY REPRESENTING OPERATIONAL EVENTS

The Board oversaw the adequacy of the administrative and accounting system, as well as the reliability thereof, in correctly representing operational events, by obtaining information from the Financial Reporting Officer, examining company documentation, exchanging information with the Control, Risk and Sustainability Committee and with the head of the Internal Audit Function.

The Independent Auditors did not report any irregularity in the regular meetings with the Board of Auditors regarding the administrative-accounting system, assessed on the basis of its ability to correctly represent company events and the timely updating of company accounts. In the management letter relating to the statutory audit of 2022, PwC pointed out that no significant shortcomings had been found, but highlighted points for improvement on the internal control system, which was the subject of improved action by management in 2023.

The Board of Auditors monitored the process and organisation envisaged for the preparation of the separate financial statements, consolidated financial statements and periodic financial reports, including by meeting regularly with the Financial Reporting Officer. It also monitored other communications of a financial nature, verifying the existence of adequate procedures, albeit in a phase of gradual evolution, to oversee the process of collecting, training and disseminating financial information.

During these periodic meetings, the Financial Reporting Officer did not report any significant shortcomings in operating and control processes that could invalidate the overall adequacy and effective application of administrative and accounting procedures, for the purposes of the correct economic, capital and financial representation of operating events in accordance with international accounting standards, and the correspondence of the financial statements with the results of accounting books and records (pursuant to the provisions of Law 262/2005).

This representation is confirmed by the contents of the "Report of the Financial Reporting Officer to the Board of Directors for the purposes of certifying the Consolidated Financial

Statements at 31 December 2023 of GVS SpA pursuant to Article 154-a of Legislative Decree No. 58 of 24 February 1998, submitted to the Board of Directors on 26 March 2024. Based on the activities carried out and also taking into account the results related to the testing and verification activities on the controls system for the process of preparing financial information, the Financial Reporting Officer, in agreement with the Chief Executive Officer, decided to sign the certification of the consolidated financial statements as at 31 December 2023.

The Board of Auditors therefore acknowledged the declarations issued, pursuant to Article 81-b of Consob Regulation No. 11971 of 14 May 1999, as subsequently amended and supplemented, and Article 154-a of the CFA, the Chief Executive Officer and the Financial Reporting Officer, respectively for the Company's Financial Statements and for the Consolidated Financial Statements of the Group, regarding: a) the adequacy and effective application of the administrative and accounting procedures for the preparation of the Financial Statements and the Consolidated Financial Statements; b) the compliance of the content of the accounting documents with the IFRS/IAS international accounting standards endorsed by the European Community; c) the correspondence of the documents to the results of the accounting books and records and their suitability to correctly represent the capital, economic and financial situation of the Company and all the companies included in the consolidation; d) the fact that the Management Report includes a reliable analysis of the performance of the operating result, as well as the capital, economic and financial situation of the issuer and the companies included in the consolidation, together with a description of the main risks and uncertainties to which they are exposed.

In particular, in light of its investigations and discussions with the independent auditors, the Board of Auditors assesses: i) that the process of preparing the financial statements as a whole complies with applicable laws and regulations and is consistent with the resolutions adopted by the Board of Directors; ii) that the accounting principles have been correctly applied; iii) that the Management Report provides the necessary information on the activities and significant transactions of which the Board of Auditors was informed during the year, on the main risks and uncertainties of the Group, as well as on intra-group and related-party transactions.

Regarding the impairment test, which as at 31 December 2023 amounted to 242,759 thousand, the Board examined, with the Financial Reporting Officer and with the External Auditors, the results of the valuation analyses carried out on the basis of the Budget 2024 approved by the Board of Directors on 13 December 2023, as well as forecast data for the period 2025-2027, drawn up by management and not submitted for the approval of the Board of Directors, applying to Budget 2024, for the turnover data, inertial growth in line with sector inflation and confirming the Budget 2024 value for the Ebitda margin. For the purposes of the verification, which did not result in any impairment, testing revealed, as in previous years, that a single Cash Generating Unit (CGU) consists of all the operating activities of the GVS Group as a whole, to which the entire goodwill recognised in the financial statements at 31 December 2023 was allocated. Considering that the projected data for the period 2025-2027, estimated using the methods described above, already represents a worst-case scenario and considering the prudent approach used to determine the value in use, the Company has decided not to prepare a sensitivity analysis.

The results of the impairment test were approved at the meeting of the Board of Directors on 26 March 2024.

In this regard, it should be noted, as already mentioned in another Section of this Report, that in its Report, to which the Board of Auditors refers, the Independent Auditors included among the Key Audit Matters of the Consolidated Financial Statements as at 31 December 2023 the recoverability of intangible assets of which the impairment test is the main test.

In specific sections of the Management Report and the Explanatory Notes, the Company has provided information on the direct exposure, which remains marginal, of the GVS Group to the areas affected by the effects of conflict in Ukraine and the Middle East.

On 22 March 2024, the Control, Risk and Sustainability Committee assessed the correct use of accounting principles and their consistency for the purposes of preparing the consolidated financial statements.

As mentioned above, on 26 March 2024, the Board of Directors positively assessed the organisational, administrative and accounting structure with respect to the current size and type of activity carried out by GVS and its subsidiaries, in the context of assessing the adequacy and effectiveness of the Internal Control and Risk Management System with respect to the characteristics of the company and the risk profile assumed.

As the Board of Auditors does not have any legal control of the accounts pursuant to Legislative Decree 39/2010, since this is the responsibility of the Independent Auditors, based on information obtained from the latter, the Financial Reporting Officer and the results obtained, the Board does not have any comments to make regarding the adequacy of the administrative and accounting system and its reliability in correctly representing operational events.

14.1 COMMENTS ON THE PROCESS OF PREPARING THE NON-FINANCIAL STATEMENT

In performing its duties, the Board of Auditors supervised compliance with the provisions of Legislative Decree 254/2016, relating to the communication of non-financial information and the Implementing Regulation issued by Consob by resolution of 18 January 2018 regarding the preparation of the Consolidated Non-Financial Statement (NFS) approved by the Board of Directors on 26 March 2024. The consolidated NFS of the Group, as provided for by Article 5, para. 3, letter b) of the aforesaid Decree, constitutes a separate report from the Management Report and is made available on the company website. This Declaration contains information of an environmental and social nature relating to personnel, respect for human rights and the fight against active and passive corruption, to the extent necessary for an understanding of the company's performance, the situation in which it operates and the impact deriving from its activity, developing the material issues identified in the non-financial field through a materiality analysis applied to the issues envisaged by Legislative Decree 254/2016 and the reporting framework adopted (GRI Standards).

The process activities for producing the Consolidated Non-Financial Statement have been described in a special document ("Non-Financial and Sustainability Reporting procedure").

As part of its duties, the Board supervised the process of preparing the NFS by requesting periodic updates on how to prepare the document and review the documentation made available by the Company. The Board notes that the NFS includes the information useful for alignment with the EU Taxonomy required by Article 8 of European Regulation 2020/852.

The Board acknowledges that during 2023 the Company strengthened the sustainability governance structure by establishing the Cross-functional Sustainability Committee, a management committee composed of the Chief Executive Officer and the first line members of the Company most involved in managing sustainability issues, with the task of implementing the strategic direction on sustainability issues, which, during 2024, will feed into the definition of the first multi-annual Sustainability Plan at Group level.

Therefore, the Board of Auditors:

- met with the Corporate ESG Sustainability Manager, in order to obtain, *inter alia*, information on: i) the materiality analysis carried out by the Company to define the non-financial reporting areas relevant to the GVS Group, recommending that dialogue with stakeholders be made more effective by differentiating the methods of engagement; ii) the Gap Analysis activities with respect to the changes introduced by the Delegated Regulations supplementing Regulation (EU) 2020/852; iii) the Gap Analysis activities under way to adapt to the Corporate Sustainability Reporting Directive (CSRD) and the European Sustainability Reporting Standards (ESRS);
- acknowledged the provision, in order to encourage the furtherance of the ESG Strategy, in the 2024 Short-Term Variable Incentive Plan and the Medium-/Long-Term Variable Incentive Plan, of objectives relating to ESG issues, linked respectively to the reduction in the rate of workplace accidents compared with the 2023 results, and the quality and safety of products placed on the market, measured in terms of the ratio between the quantity of products recognised as non-compliant to the quantities produced in 2025 (period end value provided that the value is an improvement compared with 2024);
- met the Independent Auditors PricewaterhouseCoopers SpA, who were given the task of attesting compliance (limited assurance engagement), within which the meeting was presented with the team review, strategy, main risks and audit plan with a specific focus on the procedures adopted, the scope of the checks, and the details of the Group companies sampled for testing;
- renewed the recommendation to management and the Board of Directors to accelerate the evolution process for integrating ESG objectives into the company strategy, by defining the Multi-annual Sustainability Plan in 2024, and to complete the risk management framework with a more detailed identification of the risks that may compromise achieving the ESG objectives that will be included in the Sustainability Plan.

In December 2023, Consob sent a communication to the Board of Statutory Auditors requesting information, for the purposes of the ordinary supervision of the NFS, pursuant to Article 9, para. 3 of Legislative Decree No. 254/2016 and Article 115 of Legislative Decree No. 58/98, with reference, *inter alia*, to the NFS for 2022 and to the initiatives adopted by the Company to adapt to new legislation on sustainability reporting, to which the Board responded in the first months of 2024 within the established and/or agreed deadlines.

Based on the information obtained, having taken note of the Certification issued by the Independent Auditors on 15 April 2024, which states that no information has been received to assess whether the Group's NFS for the year ended 31 December 2023 has been prepared, in all significant aspects, in accordance with the requirements of Articles 3 and 4 of Legislative Decree 254/2016 and the selection of the GRI (Global Reporting Initiative) Standards, the Board of Auditors has no comments to make regarding elements of non-compliance and/or violation of the relevant legislative provisions.

15. COMMENTS ON THE ADEQUACY OF THE INSTRUCTIONS GIVEN TO SUBSIDIARIES PURSUANT TO ARTICLE 114 OF LEGISLATIVE DECREE NO. 58/1998 – MANAGEMENT AND COORDINATION

The Board has acquired knowledge of and supervised, to the extent of its competence, the adequacy of the instructions given by the Company to subsidiaries pursuant to Article 114, para. 2 of Legislative Decree No. 58/1998, by obtaining information from the heads of the relevant company departments, from the Chief Executive Officer and meetings with the Independent Auditors, for the purposes of the reciprocal exchange of relevant data and information. In relation to the close functional and operational links, a continuous, constant and adequate flow of information is ensured. Based on the information brought to the attention of the Board, no elements have emerged which could lead to an assessment that the Company is not in a position to fulfil its obligations with regard to the relevant facts and to consolidate the data required by law, within the time-scales and according to the procedures required.

16. COMMENTS ON MEETINGS HELD WITH AUDITORS

The Board of Auditors held regular meetings with the representatives of the Independent Auditors PricewaterhouseCoopers SpA, carrying out on such occasions a fruitful exchange of information as required pursuant to Article 150, para. 3 of Legislative Decree No. 58/1998. Through the information obtained from the Independent Auditors, the Board of Auditors established compliance with the rules and laws pertaining to the preparation and layout of the Annual Financial Statements and the Consolidated Financial Statements and the Management Report. In particular, the Board together with the Independent Auditors PwC examined the summary of the results of the GVS Group at 31 December 2023, the planning of the audit procedures and the audit plan, the audit approach on the main balance sheet items, the risk factors identified, the specialists involved in the audit activities and the ongoing audit activities.

During these periodic meetings, no actions or facts deemed reprehensible and deserving of reporting pursuant to Article 155, para. 2 of Legislative Decree No. 58/1998. During these meetings, no anomalies, critical issues or omissions were detected by the Independent Auditors and brought to the attention of the Board of Auditors.

The Board examined, including with the Independent Auditors, the contents of the Supplementary Report pursuant to Article 11 of Regulation (EC) No 537/2014, which will be forwarded to the Board of Directors with any comments made by the Board itself. Since the examination of the Report in question, no aspects that need to be highlighted in this Report have emerged.

17. ADHERENCE OF THE COMPANY TO THE CORPORATE GOVERNANCE CODE OF THE GOVERNANCE COMMITTEE AND ASSESSMENT OF THE INDEPENDENCE OF THE MEMBERS OF THE ORGANISATIONAL STRUCTURE DESCRIBED IN PARAGRAPH 12

The Company has adhered to the Corporate Governance Code and undertakes to carry out the activities necessary to implement the related principles. The Board of Auditors supervised the

procedures for the concrete implementation of the Corporate Governance Code, adopted by the Board of Directors, without identifying any critical issues.

It should also be noted that in the Corporate Governance Report the Company reported on the recommendations made by the Corporate Governance Committee in the letters issued during 2023.

18. FINAL ASSESSMENTS OF THE ACTIVITIES PERFORMED

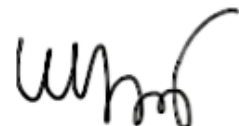
During the activities described, and based on the information periodically exchanged with the Independent Auditors, PricewaterhouseCoopers SpA, no omissions and/or reprehensible facts and/or irregularities were found, or in any case significant facts such as to require reporting to the Supervisory Authorities or mention in this Report.

19. INDICATION OF ANY PROPOSALS TO BE REPRESENTED AT THE SHAREHOLDERS' MEETING PURSUANT TO ARTICLE 153, PARA. 2 OF LEGISLATIVE DECREE NO. 58/1998

In view of the foregoing, the Board of Auditors assesses that there are no impediments to the approval of the financial statements as at 31 December 2023 as prepared by the Board of Directors and has no comments to make with regard to the proposals for resolutions made by the Board of Directors.

Rome/Milan/Bologna, 16 April 2024

p. Board of Auditors
Chair, Professor Maria Federica Izzo





Independent auditor's report
on the Financial Statements
as at 31 december 2023

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 2023, 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 2023, 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

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 2023 are equal to Euro 74,265 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.

Auditing procedures performed in response to key audit matters

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 actual operation and 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 2023 and January 2024 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 are 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 2023, 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 2023 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 2023, 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 2023 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 2023 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, 15 April 2024

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.

GVS SPA

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