



Annual Financial Report

2021

Annual Financial Report 2021

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INFORMATION ABOUT THE COMPANY AND INFORMATION FOR SHAREHOLDERS

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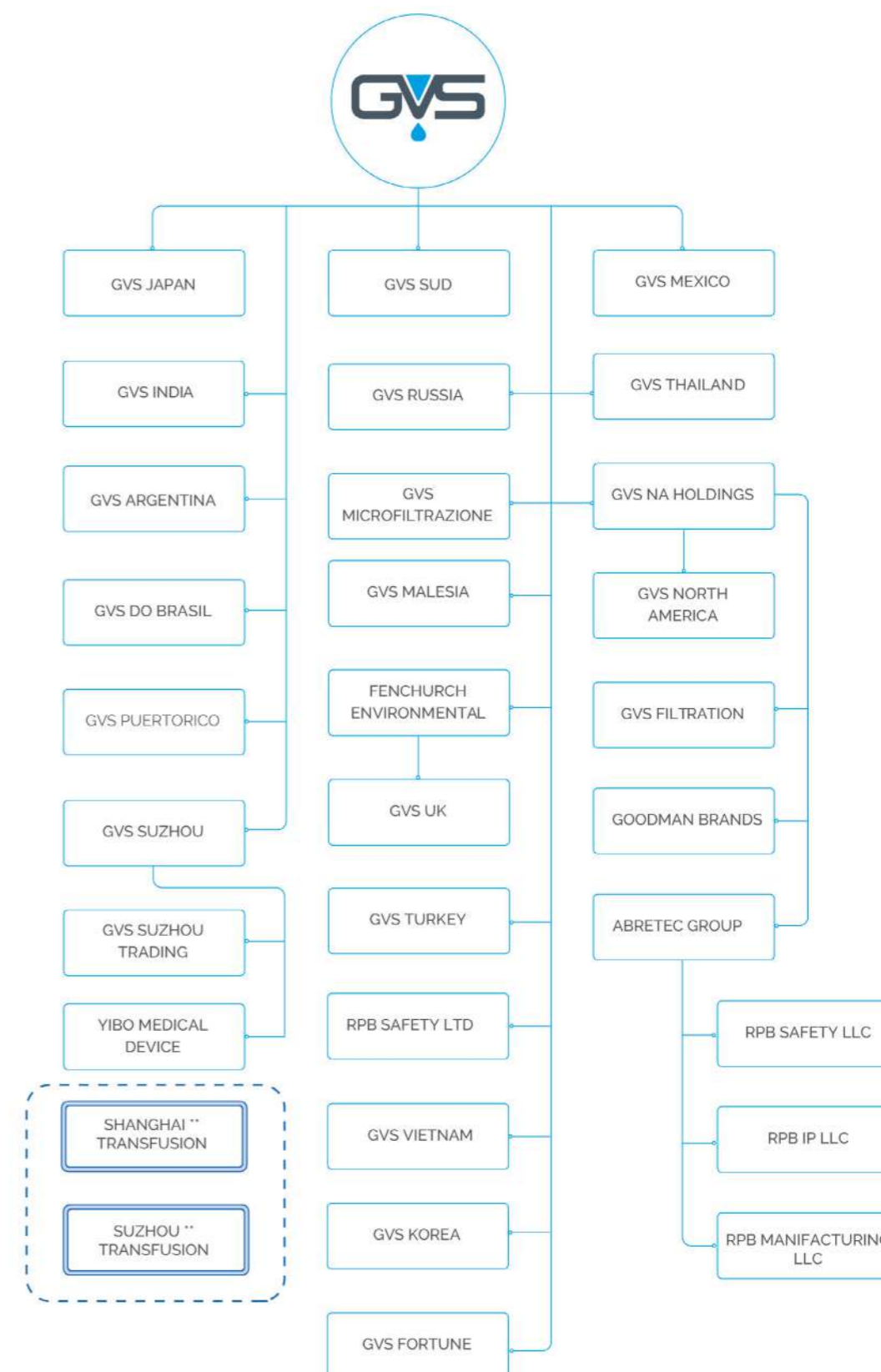
LEGAL INFORMATION

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

INVESTOR RELATIONS

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GROUP STRUCTURE*



*FOR INFORMATION ON THE COMPANY NAME, REGISTERED OFFICE, THE CURRENCY IN WHICH THE COMPANY OPERATES, SHARE CAPITAL OF THE GVS GROUP COMPANIES AND THE STAKE HELD BY GVS SPA, PLEASE SEE THE EXPLANATORY NOTES.

** THE SHANGHAI TRANSFUSION AND SUZHOU TRANSFUSION ACQUISITION AGREEMENT WAS SIGNED ON 20 DECEMBER 2021 WITH CLOSING DATE IN MARCH 2022.

CORPORATE BODIES

Board of Directors

Chairman
Chief Executive Officer
Amministratori esecutivi

Grazia Valentini ⁽²⁾
Massimo Scagliarini
Marco Scagliarini
Mario Saccone
Matteo Viola
Nadia Buttignol ⁽¹⁾
Arabella Caporello ⁽¹⁾
Alessandro Nasi ⁽²⁾
Michela Schizzi ^{(1) (2)}

Executive Directors

Board of Auditors

Chair
Standing auditors

Patrizia Lucia Maria Riva
Francesca Sandrolini
Stefania Grazia
Daniela Baesi
Mario Difino

Substitute auditors

Manager responsible for the preparation of the Company's

Emanuele Stanco

Independent auditors

PricewaterhouseCoopers SpA

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





04.

DIRECTORS' REPORT ON OPERATIONS

Foreword

The Management Report of GVS SpA (hereinafter also referred to as the "Company" or the "Parent Company") and that of the GVS Group are presented with the annual financial statements and consolidated financial statements at 31 December 2021.

The annual and consolidated financial statements at 31 December 2021 were prepared in accordance with EU-IFRS standards. The consolidated financial statements at 31 December 2021 closes with a profit of Euro 67,604 thousand, after Euro 22,153 thousand in taxation and a total of Euro 23,990 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 2021, 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 2021

The GVS Group is one of the world's leading suppliers of filter solutions for applications in the following industries: Healthcare & Life Sciences, Energy & Mobility and Health & Safety.

The table below breaks down revenues from contracts with customers by division in the years ending on 31 December 2020 and 31 December 2021.

(in thousands of Euro)	Financial year ended 31 December	
	2021	2020
<i>Healthcare Liquid</i>	100.107	80.254
<i>Healthcare Air & Gas</i>	48.607	58.665
<i>Laboratory</i>	31.602	20.185
Healthcare & Life Sciences	180.316	159.104
<i>Powertrain & Drivetrain</i>	29.000	27.181
<i>Safety & Electronics</i>	21.626	20.597
<i>Sport & Utility</i>	20.089	17.415
Energy & Mobility	70.715	65.193
<i>Personal Safety</i>	81.981	132.933
<i>Air Safety</i>	5.114	6.066
Health & Safety	87.095	138.999
Revenue from customer contracts	338.126	363.296

In the year just ended, GVS achieved consolidated revenues of Euro 338.1 million, compared to Euro 363.3 million recorded in the previous year, but up by 9%, neutralizing the impact of sales deriving from disposable masks in 2021 (approximately Euro 51 million) and in 2020 (approximately Euro 100 million) resulting from the spread of the COVID-19 pandemic.

The revenues of the Healthcare & Life Sciences division grew during the year due to a positive trend of the Laboratory and Healthcare Liquid businesses, which more than absorbed the correction recorded in the Healthcare Air & Gas business. The trend of the Energy & Mobility division, whose turnover grew from Euro 65.2 million in 2020 to Euro 70.7 million in 2021 (+ 8.5%), was characterized by the gradual recovery of production levels prior to the pandemic in the first half of the year, with a slowdown in the second half, which led to a rescheduling of orders and related delivery times as a result of disruption of the sector's logistics and supply chain. The Health & Safety division absorbed the normalization of consumption of disposable masks resulting from the pandemic and the slowdown in the business of professional masks linked to the excesses of stock in the market. At the same time the Health & Safety division benefited from the positive contribution of the acquisition of the RPB business, which brought the last quarter of 2021 back to a trend of substantial growth (+ 86%) compared to the average of the previous quarters (2020 and 2021), net of the effects relating to disposable masks.

In terms of performance and breakdown of revenues from contracts with customers as of 31 December 2021:

- the Healthcare & Life Sciences division, which represents 53.3% of the total, recorded revenues of Euro 180.3 million and grew by 13.3% compared to 2020;
- the Energy & Mobility division, which represents 20.9% of the total, recorded an increase of 8.4% compared to 2020, reaching Euro 70.7 million;
- the Health & Safety division, which represents 25.8% of the total, recorded a reduction of 37.3% compared to 2020, reaching Euro 87.1 million, thanks to the contribution of RPB for approximately Euro 13 million, as it was consolidated starting from September.

The financial statements for the year closing at 31 December 2021 are shown below in comparison with those of the previous year, reclassified on the basis of current practice in financial analysis.

Analysis of reclassified financial position

Financial year ended 31 December								
(in thousands of Euro)	2021	of which non-recurring	2021 from ordinary operations	%	2020	of which non-recurring	2020 from ordinary operations	%
Revenues from sales and services	338.126		338.126	100,0%	363.296		363.296	100,0%
Other revenues and proceeds	4.949	3.644	1.305	0%	1.916		1.916	1%
Total revenues	343.075	3.644	339.431	100,0%	365.212	-	365.212	101%
Cost of raw materials purchases and variations in inventories	(96.094)	(1.548)	(94.546)	-28%	(88.560)	(65)	(88.495)	-24%
Services	(36.662)	(2.068)	(34.594)	-10%	(36.216)	(4.553)	(31.663)	-9%
Various operating costs	(5.390)	(1.583)	(3.807)	-1%	(3.197)		(3.197)	-1%
Added value	204.929	(1.555)	206.484	61%	237.240	(4.618)	241.858	67%
Cost of labour	(98.599)		(98.599)	-29%	(98.877)	(1.080)	(97.797)	-27%
EBITDA	106.330	(1.555)	107.885	32%	138.363	(5.698)	144.061	40%
Amortisation and depreciation	(23.528)	(5.384)	(18.144)	-5%	(19.030)	(3.865)	(15.165)	-4%
Provisions and writedowns	(462)		(462)	0%	(335)		(335)	0%
EBIT	82.340	(6.939)	89.279	26%	118.998	(9.563)	128.561	35%
Financial proceeds and charges	7.418	(630)	8.048	2%	(13.107)	-	(13.107)	-4%
Pre-tax result	89.758	(7.569)	97.327	29%	105.891	(9.563)	115.454	32%
Income tax	(22.153)	(184)	(21.970)	-6%	(27.808)	409	(28.217)	-8%
Group's and minority shareholders' net profit or loss	67.604	(7.753)	75.358	22%	78.083	(9.154)	87.237	24%

The consolidated economic results of operations of the period closing at 31 December 2021 were as follows: total revenues from ordinary operations amounted to Euro 339.4 million (Euro 365.2 million in 2020); EBITDA from ordinary operations amounted to Euro 107.8 million (Euro 144 million in 2020); EBIT from ordinary operations came to Euro 89.3 million (Euro 128.6 million in 2020).

EBITDA from ordinary operations shows a margin on revenues of 32.0% and is equal to 107.9 million euros (-25.1%) compared to 144.1 million euros in 2020 and a margin of 40.0%. This difference stems from:

- a different mix of sales achieved in the periods under comparison, due to a change in the mix of products sold, mainly driven by the progressive normalization of consumption linked to disposable masks and the consequent reduction in terms of absorption of fixed costs;
- a growth in the finished product inventory which led to a different ratio between production volumes valued at average cost and sales volumes, as well as a greater significance of costs for services, compared to 2020;
- an increase in absolute value of personnel costs in the period ended 31 December 2021 compared to 2020 due to the acquisitions completed in 2020 and the strengthening of the Group structure, mainly in the commercial area, in addition to impacts relating to the delayed reduction in the cost of direct labour linked to the uncertainties in production volumes deriving from the COVID-19 pandemic. In fact, during the 2020 financial year,

the Group obtained a direct staff structure in order to promptly and effectively deal with the strong growth in volumes. In the 2021 financial year, while waiting to understand the evolution of consumption deriving from the pandemic, the direct structure was maintained throughout the first half of 2021 and only subsequently in the third and fourth quarters did GVS began to implement the reduction of direct personnel, which led to a drop in the cost of employees involved in production, starting from the second half of 2021. The percentage impact of personnel costs on revenues from sales and services rose from the previous year, from 26.9% in 2020 to 29.2% in 2021.

EBIT from ordinary operations showing a margin on revenues of 26.4% is equal to 89.3 million euros (-30.6%) compared to 128.6 million euros in the previous year and a margin of 35.4%. An increase has been recorded in absolute value of the item amortisation, depreciation and write-downs for Euro 3.1 million compared with the previous financial year, mainly due to the acceleration of the investment plans implemented by the Group during 2020 to meet the increase in production capacity which was necessary.

Net financial charges (net of net exchange losses of € 10,052 thousand recorded in the period ended 31 December 2021 and net losses on exchanges of € 9,473 thousand recorded in 2020) decreased in the period. In fact, they change from Euro 3,634 thousand of 2020 to Euro 2,004 in 2021, mainly due to the reduction in interest expense following the decrease in financial payables characterized by higher nominal rates and the closing and subsequent signing of new loans at more advantageous economic conditions, which took place during 2020.

The pre-tax result of recurrent activities reached Euro 97.3 million in 2021, Euro 18.1 million lower than the 2020 figure of Euro 115.4 million, due to the effect of the factors described above.

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

Non-recurrent proceeds and charges in the period ending on 31 December 2020 represent: (i) amortisation of intangible and tangible assets recorded following the purchase price allocation of the Kuss group (Euro 3,865 thousand), (ii) consultancy costs and one-off bonuses paid to personnel in relation to the IPO procedure concluded on 19 June 2020 (Euro 5,081 thousand), (iii) consultancy costs for purchase of the shareholding in Puerto Rico (Euro 268 thousand) (iv) personnel reorganisation costs (Euro 284 thousand), and

(v) the higher costs related to the value of inventories assigned after the purchase price allocation of the GCA Business Unit (Euro 65 thousand), net of the related tax effect. Non-recurring charges for taxes also include € 1,535 thousand relating to the costs of the tax dispute with the Company.

Analysis of reclassified equity position

(in migliaia di Euro)	At 31 December 2021	At 31 December 2020
Net intangible fixed assets	227,743	90,979
Net usage rights	10,420	8,438
Net tangible fixed assets	77,622	68,925
Financial fixed assets	978	967
Other fixed assets	1,965	4,568
Fixed capital (A)	318,727	173,877
Net trade receivables	52,975	52,084
Inventories	72,353	46,048
Payables to suppliers	(23,820)	(25,585)
Net commercial working capital (B)	101,508	72,548
Other current assets	19,279	10,253
Other current liabilities	(21,629)	(36,933)
Total current assets/liabilities (C)	(2,351)	(26,680)
Net working capital (D) = (B) + (C)	99,157	45,867
Other non-current liabilities (E)	(5,675)	(3,167)
Employee termination indemnity and end of service indemnity (F)	(4,366)	(4,499)
Provisions for risks and charges (G)	(4,654)	(1,000)
Net invested capital (H) = (A+D+E+F+G)	403,188	211,078
Shareholders' equity	(295,346)	(242,698)
Consolidated shareholders' equity (I)	(295,346)	(242,698)
(Short-term financial indebtedness)/Liquidity	79,095	106,925
(Net medium/long term financial indebtedness)	(186,937)	(75,306)
Net financial indebtedness (L)	(107,843)	31,619
Own funds and net financial indebtedness (M) = (I+L)	(403,188)	(211,078)

Fixed capital at 31 December 2021 shows an increase of Euro 144,849 thousand, mainly due to the acquisition of the RPB group for a total amount of Euro 133,826 thousand. Specifically, net intangible fixed assets increased by € 136,764 thousand, of which € 127,764 thousand for the additional goodwill, customer list, technology and additional trademark resulting from RPB, tangible fixed assets increased by € 8,697 thousand, of which € 3,271 thousand due to RPB and usage rights increased by Euro 1,982 thousand, of which Euro 1,807 thousand relating to RPB.

The balance of commercial net working capital at 31 December 2021 shows an increase of Euro 28,961 thousand, compared to 31 December 2020, due for Euro 15,487 to the net working capital relating to the RPB group at the acquisition date. Excluding the increase in inventories to be attributed to this extraordinary operation for Euro 12,840 thousand, the increase in inventory of Euro 13,465 thousand mainly concerned raw materials to anticipate future price increases and to avoid production disruption due to the known problems of force majeure and the criticalities of the supply chain and transportation, and the finished products of the Personal Safety business to be ready to seize every opportunity when the market restarts.

The increase in other current assets at 31 December 2021, amounting to € 9,026 thousand, was mainly due to the increase in receivables for direct and indirect taxes and prepaid expenses.

The decrease in other current liabilities at 31 December 2021 compared to 31 December 2020, amounting to € 15,304 thousand, was mainly due to the decrease in current tax payables for € 11,438 and payables for indirect tax and payables to employees for € 2,456 thousand.

Shareholders' equity at 31 December 2021 increased by € 52,650 thousand, mainly due to the overall result for the period of € 76,157 thousand, reduced by dividends resolved for € 22,750 thousand.

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

Analysis of net financial indebtedness and net financial position

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

(in thousands of Euro)	At 31 December 2021	At 31 December 2020
(A) Cash on hand	136.893	125.068
(B) Cash equivalents	-	-
Term deposits	727	358
Shares held for trading	7.437	4.517
Financial receivables due to leasing	173	151
(C) Other current financial assets	8.337	5.026
(D) Liquidity (A)+(B)+(C)	145.230	130.093
Financial payables to other companies in the GVS Group due to leasing	2.117	965
Financial payables for leasing	2.643	2.530
Debt for the purchase of equity investments and earn out	19.670	-
Other financial payables	545	567
(E) Current financial indebtedness	24.975	4.063
(F) Current portion of non-current indebtedness	41.160	19.106
(G) Current financial indebtedness (E)+(F)	66.135	23.168
(H) Net current financial indebtedness (G)-(D)	79.095	106.925
Non-current bank debts	155.320	33.649
Non-current bonded loans	24.758	36.079
Other financial payables	87	-
Financial payables to other companies in the GVS Group due to leasing	2.784	2.146
Non-current financial payables for leasing	3.989	3.325
(I) Non-current financial indebtedness	186.937	75.199
Passive derivative financial instruments	-	107
(J) Debt instruments	-	107
(K) Trade payables and other non-current payables	-	-
(L) Non-current financial indebtedness (I)+(J)+(K)	186.937	75.306
(M) Total net financial indebtedness (H)-(L)	(107.843)	31.619
(in thousands of Euro)	At 31 December 2021	At 31 December 2020
(M) Total net financial indebtedness	(107.843)	31.619
Non-current active derivative financial instruments	123	-
Financial payables for leasing (net)	11.359	8.815
Total net financial position	(96.360)	40.435

The change in net financial indebtedness at 31 December 2021 compared to 31 December 2020, totalling € 139,462 thousand, is mainly due to the net liquidity used for the acquisition

of the RPB group equal to € 129,217 thousand and the current financial indebtedness for earn out, equal to Euro 19,670 thousand, relating to the same transaction. In terms of current operations, the cash generated by operations was sufficient to meet the ordinary investments made during the period and the liquidity used for the payment of dividends and financial charges. The increase in non-current financial indebtedness, equal to Euro 111,631 thousand, is mainly attributable to the new loan of Euro 150 million taken out over 5 years with a pool of lending banks: Mediobanca - Banca di Credito Finanziario S.p.A., which also acts as agent, Unicredit S.p.A. and Crédit Agricole Italia S.p.A. The increase in current financial debt, equal to Euro 42,967 thousand, is mainly attributable to the payable for the earn out mentioned above, whose payment is expected in the first half of 2022 and to the current portion of the loan signed in 2021 for the acquisition of the RPB Group.

Note that existing loan agreements require the GVS Group to comply with certain financial parameters, which were met as of 31 December 2021.

The Group's net financial position, excluding non-current active derivatives and net current and non-current leasing liabilities, measured in accordance with the provisions of IFRS 16 and equal to a total of Euro 11,359 thousand at 31 December 2021 and Euro 8,815 thousand at 31 December 2020 respectively, amounted to negative Euro 96,360 thousand and positive Euro 40,435 thousand as of these dates.

Cash flow statement

The cash flow statement appears below.

(in thousands of Euro)	Financial year ended 31 December	
	2021	2020
Pre-tax result	89.757	105.891
- Adjustment for:		
Amortisation, depreciation and writedowns	23.528	19.030
Capital losses / (capital gains) from sale of assets	(2.884)	2
Financial charges / (proceeds)	(7.418)	13.107
Other non-monetary variations	6.653	3.146
Cash flow generated / (absorbed) by operations before variations in net working capital	109.637	141.176
Variation in inventories	(9.530)	(21.008)
Variation in trade receivables	(4.671)	(6.165)
Variation in trade payables	(6.411)	18.182
Variation in other assets and liabilities	(662)	(1.718)
Use of provisions for risks and charges and for employee benefits	(265)	(118)
Taxes paid	(32.616)	(16.277)
Net cash flow generated / (absorbed) by operations	55.483	114.073
Investments in tangible assets	(19.440)	(27.306)
Investments in intangible assets	(3.755)	(4.059)
Disposal of tangible assets	7.184	608
Investment in financial assets	(3.372)	(4.443)
Disinvestment in financial assets	358	191
Payment for purchase of businesses, net of cash on hand acquired	(129.217)	(10.534)
Net cash flow generated / (absorbed) by investment	(148.242)	(45.543)

Opening of long-term financial payables	150.171	40.503
Repayment of long-term financial payables	(18.543)	(103.325)
Repayment of leasing liabilities	(2.284)	(4.272)
Financial charges paid	(2.940)	(4.959)
Financial proceeds collected	479	265
Net fee for IPO	-	74.508
Treasury shares	(3.448)	-
Dividends paid	(22.722)	(1.681)
Net cash flow generated/(absorbed) by financial assets	100.712	1.039
Total variation in cash on hand	7.954	69.569
Cash on hand at the start of the year	125.068	58.542
Total variation in cash on hand	7.954	69.569
Conversion differences on cash on hand	3.871	(3.043)
Cash on hand at the end of the year	136.893	125.068

During the period ending on 31 December 2021, operations generated Euro 31,539 thousand less liquidity than in the same period of the previous year, primarily as a result of the decreased EBITDA; in addition, cash flows absorbed by working capital were Euro 27,050 thousand higher.

During the period ended 31 December 2021, the net investment activity (ordinary and for extraordinary acquisitions) shows an absorption of liquidity, compared to the same period of the previous year, for Euro 102,699 thousand, mainly due to the acquisition of the RPB Group.

Financial assets shows a greater cash contribution for Euro 99,674 compared to the same period of the previous year, mainly due to the signing of the new loan of Euro 150 million net of the payment of dividends in June 2021 and of the repayments of the loan instalments, compared to the previous year characterized by the cash contribution obtained following the capital increase, net of the repayments of the instalments of the loans paid.

Indicators

The Group's principal economic and financial indicators and other indicators at 31 December 2020 and 31 December 2021 are listed below.

(numerical data in thousands of Euros)	Period ended 31 December	
	2021	2020
ROE (net profit/total net shareholders' equity)	23%	32%
ROI (EBIT from ordinary operations/net invested capital)	22%	61%
ROS (EBIT from ordinary operations/total revenues)	26%	35%
EBITDA	106.329	138.363
EBITDA from ordinary operations	107.885	144.061
Net interest expense (excluding gains/losses on exchanges)	(2.635)	(3.634)
Net Financial Debt	(107.843)	31.619
Net financial position	(96.360)	40.435
Total intangible fixed assets/Total fixed assets	71%	52%

Total intangible fixed assets/Total assets	37%	22%
Acid test (short-term assets/short-term liabilities)	1,6	1,0
Net interest payable/net financial indebtedness	2%	-11%
Indebtedness ratio (net financial indebtedness/shareholders' equity)	0,37	(0,13)
Net financial position/shareholders' equity	0,33	(0,17)
EBITDA/Interest	40,35	38,08
EBITDA from ordinary operations/Interest	40,94	39,64
Net financial position/EBITDA	0,91	(0,29)
Net financial position/EBITDA from ordinary operations	0,89	(0,28)
Net financial debt / EBITDA	1,01	(0,23)
Net financial indebtedness/EBITDA from ordinary operations	1,00	(0,22)

The Parent Company GVS SpA

The consolidated financial statements of the Parent Company GVS SpA for the year closing at 31 December 2021 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							
	2021	of which non-recurring	2021 from ordinary operations	%	2020	of which non-recurring	2020 from ordinary operations	%
Revenues from sales and services	89.955		89.955	100,0%	124.155		124.155	100,0%
Other revenues and proceeds	2.605		2.605	2,9%	3.438		3.438	2,8%
Total revenues	92.560		92.560	102,9%	127.592		127.592	102,8%
Cost of raw materials purchases and variations in inventories	(42.289)		(42.289)	-47,0%	(48.964)		(48.964)	-39,4%
Services	(15.571)	(1.007)	(14.564)	-16,2%	(16.483)	(4.285)	(12.198)	-9,8%
Various operating costs	(1.075)		(1.075)	-1,2%	(942)		(942)	-0,8%
Added value	33.625	(1.007)	34.632	38,5%	61.204	(4.285)	65.489	52,7%
Cost of labour	(25.615)		(25.615)	-28,5%	(26.622)	(796)	(25.826)	-20,8%
EBITDA	8.010	(1.007)	9.017	10,0%	34.582	(5.081)	39.663	31,9%
Amortisation and depreciation	(4.921)		(4.921)	-5,5%	(4.416)		(4.416)	-3,6%
Provisions and writedowns	(60)		(60)	-0,1%	(77)		(77)	-0,1%
EBIT	3.030	(1.007)	4.037	4,5%	30.089	(5.081)	35.170	28,3%
Financial proceeds and charges	12.940	(11)	12.951	14,4%	(8.764)		(8.764)	-7,1%
Income from equity investments	29.464		29.464	32,7%	14.516		14.516	11,6%
Pre-tax result	45.434	(1.018)	46.452	51,6%	35.841	(5.081)	40.922	33,0%
Income tax	(7.731)	(1.720)	(6.011)	-6,7%	(8.532)	(166)	(8.367)	-6,7%
Group's and minority shareholders' net profit or loss	37.703	(2.738)	40.441	45,0%	27.308	(5.247)	32.555	26,2%

Revenues from ordinary operations mainly derive from (i) revenues from contracts with customers for € 89,955 thousand (€ 124,155 thousand in 2020) and (ii) other revenues and income of € 2,605 thousand (€ 3,438 thousand in 2020).

The normalised operating result for 2021 was positive for € 4,037 thousand, after saving € 4,921 thousand (of which € 3,782 thousand related to tangible assets, € 239 thousand to intangible assets and € 899 thousand to assets represented by usage rights following application of IFRS 16).

The result of financial operations, positive for € 12,940 thousand, includes financial proceeds of € 3,786 thousand and financial charges of € 2,426 thousand. This result also includes positive net exchange differences of € 11,580 thousand, mostly unrealized.

Income from equity investments equal to € 29,464 thousand mainly relates to the dividends earned by the subsidiaries collected in 2021.

The net result for 2021, after a tax burden of € 7,731 thousand, amounted to € 37,703 thousand.

Analysis of reclassified equity position

The capital structure of GVS S.p.A. as at 31 December 2021, compared with that at 31 December 2020, is as follows:

Reclassified statement of assets and liabilities of the Parent Company GVS SpA (in thousands of Euro)	31 Dec. 2021	31 Dec. 2020
Net intangible fixed assets	2.967	3.034
Net usage rights	1.870	2.012
Net tangible fixed assets	24.324	19.979
Shareholdings in other companies	68.155	63.705
Other fixed assets	123	1.544
Non-current financial receivables from subsidiaries	214.378	77.747
Fixed capital (A)	311.817	168.021
Net trade receivables	23.176	28.117
Inventories	7.734	6.694
Payables to suppliers	(28.128)	(31.989)
Net commercial working capital (B)	2.781	2.822
Other current assets	14.281	7.695
Other current liabilities	(11.119)	(16.581)
Total current assets/liabilities (C)	3.162	(8.886)
Net working capital (D) = (B) + (C)	5.943	(6.064)
Other non-current liabilities (E)	(3.239)	-
Employee termination indemnity and end of service indemnity (F)	(2.610)	(2.780)
Provisions for risks and charges (G)	(3.000)	(1.000)
Net invested capital (H) = (A) + (D) + (E) + (F) + (G)	308.911	158.177
Shareholders' equity	(170.696)	(156.421)
Consolidated shareholders' equity (I)	(170.696)	(156.421)
(Short-term financial indebtedness)/Liquidity	57.679	78.324
(Net medium/long term financial indebtedness)	(195.894)	(80.080)
Net financial indebtedness (L)	(138.215)	(1.756)
Own funds and net financial indebtedness (M) = (I) + (L)	(308.911)	(158.177)

The net invested capital at 31 December 2021, amounting to € 308,911 thousand, was fully financed for € 170,696 thousand from net equity and € 138,215 thousand from the net financial debt.

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

Analysis of net financial indebtedness and net financial position

The net financial position of the Parent Company as at 31 December 2021, compared with 31 December 2020, is as follows:

Net financial debt and NFP (in thousands of Euro)		At 31 December 2021	At 31 December 2020
(A)	Cash on hand	82.847	83.453
(B)	Cash equivalents	-	-
	Financial receivables from subsidiaries	17.478	15.166
(C)	Other current financial assets	17.478	15.166
(D)	Liquidity (A)+(B)+(C)	100.325	98.619
	Financial payables to other companies in the GVS Group due to leasing	509	388
	Financial payables for leasing	393	400
	Debt for the purchase of equity investments and earn out	264	-
	Other financial payables	336	401
(E)	Current financial indebtedness	1.502	1.190
(F)	Current portion of non-current indebtedness	41.145	19.106
(G)	Current financial indebtedness (E)+(F)	42.648	20.296
(H)	Net current financial indebtedness (G)-(D)	57.678	78.324
	Non-current bank debts	155.319	33.649
	Non-current bonded loans	24.758	36.080
	Non-current financial payables to subsidiaries	14.824	8.984
	Financial payables to other companies in the GVS Group due to leasing	730	857
	Non-current financial payables for leasing	262	405
(I)	Non-current financial indebtedness	195.894	79.974
	Non-current derivative instruments	-	107
(J)	Debt instruments	-	107
(K)	Trade payables and other non-current payables	-	-
(L)	Non-current financial indebtedness (I)+(J)+(K)	195.894	80.081
(M)	Total net financial indebtedness (H)-(L)	(138.216)	(1.757)
	Non-current derivative instruments	123	-
	Non-current financial receivables from subsidiaries	214.378	77.747
	Financial payables for leasing	1.894	2.050
Total net financial position		78.180	78.040

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

INVESTMENTS

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

Investments for the period ended 31 December 2021 is mainly attributable to the expansion of production capacity of the Healthcare & Life Sciences division, as well as for the Health & Safety and Energy & Mobility divisions for the expansion of the product range.

Furthermore, it should be noted that, with reference to the period ended 31 December 2021, 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 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	
	2021	2020
Research and development costs	20.422	19.854
Research and development costs/revenues from contracts with customers	6,0%	5,5%

HUMAN RESOURCES

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

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

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

new perspectives from the outside.

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

Employee training, combined with the attitude of making the things we seek in all management personnel happen, and the drive for continuous improvement, are the basis of the innovations, reliability and quality of the products and services that the Group offers.

The company organization is lean and processes are rigorous but flexible to ensure rapid decisions with the aim of always providing high levels of service to our customers.

The values that characterize the people of GVS are honesty, transparency, respect and simplicity combined with an open and dynamic leadership style that favours the creation of an environment in which everyone is driven to do their best and focused on guaranteeing constant growth together with continuous improvement, maintaining a healthy lifestyle and a peaceful work environment.

ADDITIONAL INFORMATION

The Company does not own, and never has owned, stocks or shares in its parent company, even through an intermediary, and therefore did not buy or sell any such stocks or shares in 2021.

Starting from 8 October 2021, the Company launched the buyback program authorized by the Shareholders' Meeting of 27 April 2021 (the "Buyback Plan"). As of 31 December 2021, treasury shares in portfolio are 306,802 shares for a total amount equal to 0.18% of the Company's share capital.

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

The table below compares the result of the period and the Parent Company's shareholders' equity with the corresponding values of the Group's consolidated financial statements for 31 December 2021 and the previous year.

(in thousands of Euro)	31 December 2021		31 December 2020	
	Share-holders' equity	Result for the year	Share-holders' equity	Result for the year
GVS SpA financial statements	170.696	37.702	156.421	27.308
Differences between shareholders' equity of consolidated shareholdings and their value in the Parent Company's financial statements and the subsidiaries' results:	120.546	61.035	81.266	65.178
Goodwill	5.180		5.182	
Elimination of infragroup transactions	(1.383)	(897)	(730)	91
Reversal of infragroup dividends		(29.508)		(14.516)
Adjustments to align individual financial statements with Group accounting policies	307	(730)	558	22
Shareholders' equity and net income attributable to non-controlling interests	(40)	(14)	(30)	(20)
GVS Group Consolidated Financial Statements	295.306	67.588	242.667	78.063
Shareholders' equity and net income attributable to non-controlling interests	40	14	30	20
Total shareholders' equity and results for the year of the consolidated financial statements	295.346	67.602	242.697	78.083

PRINCIPAL RISKS AND UNCERTAINTIES

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

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

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

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

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

For more details, refer to the "Management of financial risk" section of the Explanatory Notes.

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

Inter-group and related party transactions

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

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

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

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

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

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

CORPORATE GOVERNANCE

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

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

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

Annually, the Board of Directors, on the proposal of the Remuneration Committee, defines the remuneration policy, in accordance with regulatory provisions and recommendations of the Code of Conduct. In accordance with the law, the remuneration policy is the first section of the Report on Remuneration Policy and Remuneration paid and will be submitted to the Shareholders' Meeting called to approve the 2021 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 2021 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 2021

In the month of January 2021, the subsidiary GVS Technology (Suzhou) Co. Ltd. transferred ownership of its production site in Suzhou to the Chinese Public Authority and recorded an extraordinary capital gain of approximately Euro 1,953 thousand. At the same time, if on the one hand contributions obtained from the Chinese government for the relocation of the same production site for € 773 thousand were recorded on the consolidated income statement, on the other hand a provision for charges for the relocation of the same factory was recorded for € 943 thousand. According to the agreements reached, the company will continue to operate there, free of charge, until relocation to a new production site is completed. The timing of the transfer of production and the warehouse to the new production site, currently under construction, will subsequently be agreed between the parties, in order to avoid discontinuity in the production and marketing of products.

On 20 January 2020 the GVS ordinary shareholders' meeting had resolved to approve the plan for partial demerger by assignment of a portion of the assets of GVS Microfiltrazione S.r.l. to the newly established company GVS Patrimonio Immobiliare S.r.l. During January 2021 the demerger was legally effective and the new real estate company was established. The net assets transferred at their book value as of the date of the demerger may be identified mainly as: (i) land; (ii) a production facility with warehouse, and (iii) liabilities corresponding to these assets, as stated in the demerger plan. Following the demerger, GVS Microfiltrazione S.r.l. is the direct parent of GVS Patrimonio Immobiliare S.r.l. In December 2021, GVS Microfiltrazione S.r.l. concluded the sale of the equity investment in GVS Patrimonio Immobiliare S.r.l. with GVS Real Estate S.r.l. The sale price of the investment, equal to Euro 160 thousand, was mainly determined based on the market value of the property, established by an independent expert, net of the financial debt recorded towards GVS SpA. The parties also signed a lease agreement by which GVS Patrimonio Immobiliare leased the property held by GVS Patrimonio Immobiliare to GVS Microfiltrazione.

On 31 August 2021, the GVS Group acquired 100% of the share capital of the RPB Group, which specialises in the design and manufacture of respiratory protection, including compressed air respirators and powered air-purifying respirators. In particular, GVS NA Holding Inc. (100% owned by GVS S.p.A.) acquired 100% of the share capital of the American companies Goodman Brands LLC and Abretec Group LLC, while GVS S.p.A. ac-

quired 100% of the share capital of RPB Safety Limited (a New Zealand company). The purchase price was set at a maximum of USD 194.4 million. The transaction provides for an upfront payment of approximately \$150 million for the acquisition of 100% of the share capital, and a possible earn-out of \$44.4 million (maximum value), the payment of which, expected in 2022, will be proportionally related to the achievement of the RPB group's 2021 Adjusted EBITDA targets. In order to finance the transaction, GVS signed a 5-year loan agreement for 150 million Euro with a pool of lending banks: Mediobanca - Banca di Credito Finanziario S.p.A., which also acts as agent, Unicredit S.p.A. and Crédit Agricole Italia S.p.A. GVS S.p.A. then made available to GVS NA Holding Inc. the funds necessary for the purchase of the two American companies through an intra-group loan at market conditions. The earn out mentioned above was defined and agreed between the parties in March 2022 and amounts to USD 22,624 thousand. This financial debt and these adjustments have been reflected in the financial situation reported at 31 December 2021, in line with the applicable accounting standards.

In October 2021, the Company launched the treasury share purchase program authorized by the Shareholders' Meeting of 27 April 2021 (the "Buyback Plan") within the terms already disclosed to the market. In execution of the aforementioned shareholders' resolution, starting from 8 October 2021 and until 30 April 2022, the first part of the Buyback Plan was launched, for the maximum number of 450,000 treasury shares that can be purchased (equal to 0.26% of the subscribed and paid-up share capital) and the maximum value of which has been established at Euro 6,000,000. As of 31 December 2021, treasury shares in portfolio are 306,802 shares for a total amount equal to 0.18% of the Company's share capital.

On 20 December 2021, GVS, through the subsidiary GVS Technology (Suzhou) Co. Ltd., has entered into a binding agreement with Ningbo Fuji Medical Technology Co. Ltd., a subsidiary of Shanghai Fosun Pharmaceutical (Group) Co. Ltd., to acquire the entire share capital of Shanghai Transfusion Technology Co. Ltd. (the "Company"), a Shanghai-based company active in the manufacture and sale of products related to blood treatment. The closing of the transaction took place in 2022. For more details, please refer to what is reported in the following paragraph "Events subsequent to the close of the financial year".

In December 2021, the company of the GVS Do Brasil Ltda Group signed a deed of sale with the company GVS Real Estate Do Brasil Ltda (hereinafter "GVS RE Brasil"), a company controlled by GVS Real Estate Srl, for land and some buildings attributable to the production site located in Brazil (Monte Mor). The amount of the sale, agreed by the parties on the basis of the market value determined by an independent third party's appraisal, was BRL 10,610 thousand. The parties subsequently signed a lease agreement under which GVS RE Brasil leased the property sold back to GVS Do Brasil Ltda.

EVENTS SUBSEQUENT TO THE CLOSE OF THE FINANCIAL YEAR

Acquisition of Shanghai Transfusion Technology Co. Ltd.

On 02 March 2022, the GVS Group, through its subsidiary GVS Technology (Suzhou) Co. Ltd, has completed the acquisition of the entire share capital of Shanghai Transfusion Technology Co. Ltd ("STT"), a historic Chinese company, leader in the production and sale of products related to blood treatment. The closing of the transaction took place following the meeting of all conditions precedent set out in the sale contract. The consideration paid at the closing was equal to approximately 50 million euros. A deferred payment, of a maximum amount of approximately 9 million euros, will be paid to the seller in the event that STT obtains the authorization to produce and market a new strategic line of products. The price may be subject to some adjustments on the basis of the working capital and net

financial position. The acquisition was financed with the available liquidity of GVS. After the closing, STT will repay the loan of approximately CNY 70.0 million (approximately EUR 10.0 million) granted by the seller in order to finance certain pre-closing payments and provide STT with adequate working capital.

Waiver of payment of the principal amount foreseen for the financial year 2022 of the loan agreement signed for the RPB acquisition

In March 2022, GVS obtained from the lending banks of the loan for the RPB Acquisition, a waiver to pay the principal amount initially scheduled for financial year 2022. Although in this report this amount has been highlighted among short-term financial liabilities, the amount of Euro 19,560 thousand will be repaid starting from financial year 2023.

Definition of the earn out for the RPB acquisition

In March 2022, GVS agreed with the RPB sellers, the amount to pay as earn out on the basis of achievement of the Adjusted EBITDA targets of the RPB Group in the course of 2021. Note that this financial debt has been reflected in the financial situation reported at 31 December 2021, in line with the applicable accounting standards.

BUSINESS OUTLOOK

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

Particular attention to the performance of operations is linked to the current situation of geopolitical tension, which, although marginal in terms of direct exposure for the GVS Group, may have indirect economic impacts to be faced during the year.

The company's goal for 2025 is to reach a CAGR of 11% in terms of organic growth and a 7% growth through acquisitions compared to 2019, the last reference year before the extraordinary effects linked to COVID-19. The objective confirms the growth strategy through acquisitions in addition to the consolidation of the organic growth trend.

As part of this process, and in consideration of economic and geopolitical cyclical uncertainty variables, for 2022 the forecast is to consolidate moderate growth in terms of turnover compared to 2021, thus positively absorbing the reduction in the extraordinary values recorded in the year for the sale of disposable masks, thanks to the positive contribution of the most recent acquisitions. In terms of EBITDA margin, a limited dilution is expected due to the acquisitions themselves.

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

In relation to the separate Financial Statements as of 31 December 2021, which shows a net profit of Euro 37,702,783 to the Shareholders' Meeting, the Board of Directors proposes that the shareholders' meeting:

- approve the separate financial statements as of 31 December 2021;
- approve the proposal to allocate the 2021 net profit of EUR 37,702,783, as follows:
 - € 12,096,443 to reserve for unrealized exchange gains;
 - the balance, equal to Euro 25,606,340, to extraordinary reserve.

Zola Predosa, 22 March 2022

For the Board of Directors
Massimo Scagliarini
Chief Executive Officer





05.

CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2021

Summary

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Consolidated statement of assets and liabilities*

(in thousands of Euro)	Notes	At 31 December	
		2021	2020
ASSETS			
Non-current assets			
Intangible assets	8.1	227.743	90.979
Assets represented by usage rights	8.2	10.420	8.438
Tangible assets	8.3	77.622	68.925
Advance tax assets	8.4	1.502	4.568
Non-current financial assets	8.5	1.318	968
Non-current derivative financial instruments	8.6	123	-
Total non-current assets		318.728	173.878
Current assets			
Inventories	8.7	72.353	46.048
Trade receivables	8.8	52.975	52.084
Assets from contracts with customers	8.9	1.678	1.753
Current tax receivables	8.10	7.590	202
Other receivables and current assets	8.11	10.011	8.299
Current financial assets	8.5	8.337	5.026
Cash on hand	8.12	136.893	125.068
Total current assets		289.837	238.480
TOTAL ASSETS		608.565	412.358
SHAREHOLDERS' EQUITY AND LIABILITIES			
Share capital		1.750	1.750
Reserves		225.967	162.854
Net income		67.590	78.063
Group net shareholders' equity		295.307	242.667
Minority interests		40	30
Total shareholders' equity	8.13	295.347	242.697
Non-current liabilities			
Non-current financial liabilities	8.14	180.164	69.728
Non-current leasing liabilities	8.2	6.773	5.471
Deferred tax liabilities	8.4	5.675	3.167
Provisions for employee benefits	8.16	4.366	4.499
Provisions for risks and charges	8.17	4.654	1.000
Non-current derivative financial instruments		-	107
Total non-current liabilities		201.632	83.972
Current liabilities			
<i>Debt for the purchase of equity investments and earn out</i>	7	19.670	-
Current financial liabilities	8.14	41.706	19.673
Current leasing liabilities	8.2	4.760	3.495
Trade payables	8.18	23.820	25.585
Liabilities from contracts with customers	8.9	3.417	4.894
Current tax payables	8.10	3.047	14.485
Other current payables and liabilities	8.19	15.166	17.557
Total current liabilities		111.586	85.689
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		608.565	412.358

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

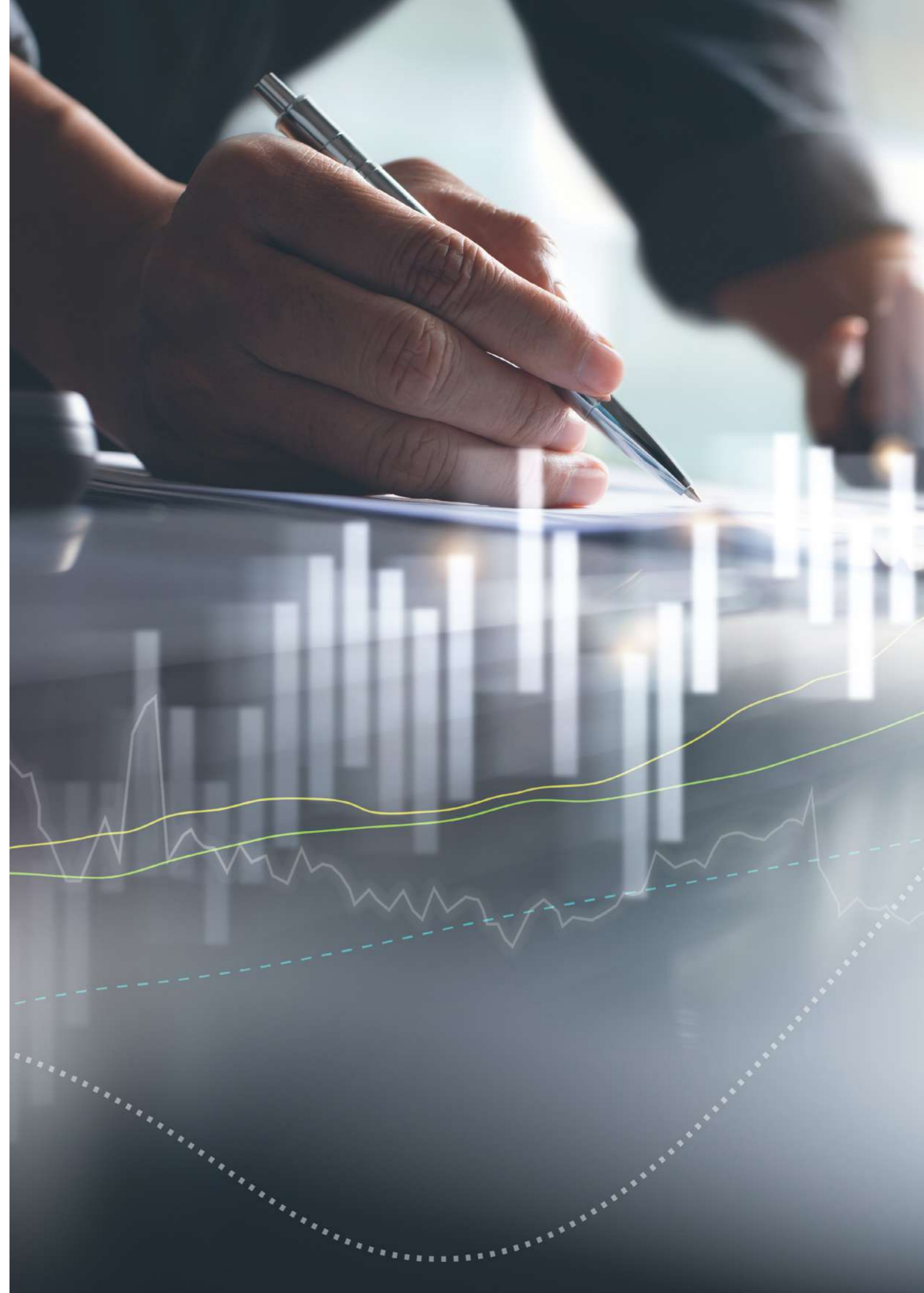
Consolidated income statement*

(in thousands of Euro)	Notes	Financial year ended 31 December	
		2021	2020
Revenue from customer contracts	9.1	338.126	363.296
Other revenues and proceeds	9.2	4.949	1.916
Total revenues		343.075	365.212
Purchases and consumption of raw materials, semi-products and finished products	9.3	(96.094)	(88.560)
Personnel costs	9.4	(98.599)	(98.877)
Service costs	9.5	(36.662)	(36.216)
Other operating costs	9.6	(5.390)	(3.197)
EBITDA		106.330	138.363
Net writedowns of financial assets	9.7	(462)	(335)
Amortisation, depreciation and writedowns	9.8	(23.528)	(19.030)
EBIT		82.340	118.998
Financial proceeds	9.9	10.531	265
Financial charges	9.9	(3.113)	(13.372)
Pre-tax result		89.757	105.891
Income tax	9.10	(22.153)	(27.808)
Net income		67.604	78.083
<i>Group's share</i>		<i>67.590</i>	<i>78.063</i>
<i>Minority share</i>		<i>14</i>	<i>20</i>
<i>Basic net profit per share</i>	9.11	<i>0.39</i>	<i>0.57</i>
<i>Diluted net profit per share</i>	9.11	<i>0.39</i>	<i>0.56</i>

(*) Pursuant to the 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	
		2021	2020
Net income		67.604	78.083
Profits (losses) on cash flow hedges	8.6	123	-
Effect of taxation		(30)	
Difference due to conversion of financial statements in foreign currency	8.13	8.386	(8.607)
Total other components of the comprehensive income statement which will be reclassified in the income statement in subsequent years		8.479	(8.607)
Actuarial profit (loss) due to employee defined benefit plans	8.16	103	(188)
Effect of taxation		(29)	52
Other components of the comprehensive income statement which will not be reclassified in the income statement in subsequent years		74	(136)
Total other components in the comprehensive income statement		8.553	(8.743)
Comprehensive net profit		76.157	69.340
<i>Group's share</i>		<i>76.147</i>	<i>69.331</i>
<i>Minority share</i>		<i>10</i>	<i>9</i>



Prospectus of changes in consolidated shareholders' equity

(in thousands of Euro)	Reserves								Net income	Group net shareholders' equity	Minority interests	Total shareholders' equity
	Share capital	Share premium reserve	Legal reserve	Extraordinary reserve	Translation reserve	Negative reserve for treasury shares	Actuarial profits and losses reserve	Profit (loss) carried over and other reserves				
At 31 December 2019	1.650	13.247	329	25.745	(3.040)	(10.981)	(51)	34.240	33.083	94.222	18	94.240
Net income	-	-	-	-	-	-	-	-	78.063	78.063	20	78.083
Total other components in the comprehensive income statement	-	-	-	-	(8.596)	-	(136)	-	-	(8.732)	(11)	(8.743)
Comprehensive net profit	-	-	-	-	(8.596)	-	(136)	-	78.063	69.331	9	69.340
Allocation of net profit from previous year	-	-	-	15.114	-	-	-	17.969	(33.083)	-	-	-
Hyperinflation in Argentina	-	-	-	-	-	-	-	49	-	49	3	52
Cancellation of treasury shares and reclassifications reserves	-	64	-	(10.374)	-	10.981	-	(671)	-	-	-	-
Capital increase	100	81.400	-	-	-	-	-	-	-	81.500	-	81.500
Accessory costs to the capital increase	-	(2.692)	-	-	-	-	-	-	-	(2.692)	-	(2.692)
Taxes relating to capital increase costs	-	751	-	-	-	-	-	-	-	751	-	751
Profit sharing of employees	-	-	-	-	-	-	-	(1.145)	-	(1.145)	-	(1.145)
Increase of reserves for long-term incentives	-	-	-	-	-	-	-	651	-	651	-	651
Total increase / (decrease)	100	79.523	-	4.740	(8.596)	10.981	(136)	16.853	44.980	148.445	12	148.457
At 31 December 2020	1.750	92.770	329	30.485	(11.636)	-	(187)	51.093	78.063	242.667	30	242.697

(in thousands of Euro)	Reserves								Net income	Group net shareholders' equity	Minority interests	Total shareholders' equity
	Share capital	Share premium reserve	Legal reserve	Extraordinary reserve	Translation reserve	Negative reserve for treasury shares	Actuarial profits and losses reserve	Profit (loss) carried over and other reserves				
At 31 December 2020	1.750	92.770	329	30.485	(11.636)	-	(187)	51.093	78.063	242.667	30	242.697
Net income	-	-	-	-	-	-	-	-	67.590	67.590	14	67.604
Total other components in the comprehensive income statement	-	-	-	-	8.390	-	74	93	-	8.557	(4)	8.553
<i>Comprehensive net profit</i>	-	-	-	-	8.390	-	74	93	67.590	76.147	10	76.157
Allocation of net profit from previous year	-	-	21	4.537	-	-	-	73.505	(78.063)	-	-	-
Hyperinflation in Argentina	-	-	-	-	-	-	-	7	-	7	-	7
Purchase of treasury shares	-	-	-	-	-	(3.448)	-	-	-	(3.448)	-	(3.448)
Dividends approved	-	-	-	-	-	-	-	(22.750)	-	(22.750)	-	(22.750)
Increase of reserves for long-term incentives	-	-	-	-	-	-	-	2.684	-	2.684	-	2.684
Total increase / (decrease)	-	-	21	4.537	8.390	(3.448)	74	53.539	(10.473)	52.640	10	52.650
At 31 December 2021	1.750	92.770	350	35.022	(3.246)	(3.448)	(113)	104.632	67.590	295.307	40	295.347

Consolidated statement of cash flows*

(in thousands of Euro)	Notes	Financial year ended 31 December	
		2021	2020
Pre-tax result		89.757	105.891
- <i>Adjustment for:</i>			
Amortisation, depreciation and writedowns	9.8	23.528	19.030
Capital losses / (capital gains) from sale of assets	9.2 - 9.6	(2.884)	2
Financial charges / (proceeds)	9.9	(7.418)	13.107
Other non-monetary variations		6.653	3.146
Cash flow generated / (absorbed) by operations before variations in net working capital		109.637	141.176
Variation in inventories	8.7	(9.530)	(21.008)
Variation in trade receivables	8.8	(4.671)	(6.165)
Variation in trade payables	8.18	(6.411)	18.182
Variation in other assets and liabilities	8.11 - 8.19	(662)	(1.718)
Use of provisions for risks and charges and for employee benefits	8.16 - 8.17	(265)	(118)
Taxes paid	9.10	(32.616)	(16.277)
Net cash flow generated / (absorbed) by operations		55.483	114.073
Investments in tangible assets	8.3	(19.440)	(27.306)
Investments in intangible assets	8.1	(3.755)	(4.059)
Disposal of tangible assets	8.3	7.184	608
Investment in financial assets	8.5	(3.372)	(4.443)
Disinvestment in financial assets	8.5	358	191
Payment for purchase of businesses, net of cash on hand acquired	7	(129.217)	(10.534)
Net cash flow generated / (absorbed) by investment		(148.242)	(45.543)
Opening of long-term financial payables	8.14	150.171	40.503
Repayment of long-term financial payables	8.14	(18.543)	(103.325)
Repayment of leasing liabilities	8.2	(2.284)	(4.272)
Financial charges paid	9.9	(2.940)	(4.959)
Financial proceeds collected	9.9	479	265
Net fee for IPO	8.13	-	74.508
Treasury shares	8.13	(3.448)	-
Dividends paid	8.13	(22.722)	(1.681)
Net cash flow generated/(absorbed) by financial assets		100.712	1.039
Total variation in cash on hand		7.954	69.569
Cash on hand at the start of the year		125.068	58.542
Total variation in cash on hand		7.954	69.569
Conversion differences on cash on hand		3.871	(3.043)
Cash on hand at the end of the year		136.893	125.068

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

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2021

1. General information

1.1 Introduction

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

GVS is owned by the company GVS Group S.r.l. (hereinafter the "GVS Group"), che detiene direttamente il 60% del capitale sociale. Non vi sono soggetti che esercitano attività di direzione e coordinamento sulla Società. A partire dall'esercizio 2021, la controllante di ultimo livello è Lighthouse 11 SpA, che detiene direttamente il 50,52% del capitale sociale della GVS Group.

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

1.2 Transactions executed during the periods under examination

TAKEOVER OF THE RPB GROUP

On 31 August 2021, the GVS Group, through GVS SpA and the subsidiary GVS NA Holdings Inc., entered into a contract for the purchase of shares representing the entire share capital of Abretec Group LLC, Goodman Brands LLC and the New Zealand company RPB Safety Limited (hereinafter the "RPB Acquisition"). In particular, GVS NA Holding Inc. (100% owned by GVS S.p.A.) acquired 100% of the share capital of the American companies Goodman Brands LLC and Abretec Group LLC, while GVS S.p.A. acquired 100% of the share capital of RPB Safety Limited, (hereinafter, jointly, the "RPB Group"). The RPB Group specialises in the design and manufacture of respiratory protection, including compressed air respirators and powered air-purifying respirators. The purchase took place on 31 August 2021 (hereinafter the "Closing Date").

The contract for the RPB Acquisition provides for a provisional price, determined as the sum of (i) USD 150 million, (ii) the net financial position (iii) any difference between the net working capital and the related target value of USD 13.5 million, and (iv) an earn out of a maximum value of 44.4 million dollars, whose payment, expected in 2022, is proportionally

correlated to the achievement of the 2021 Adjusted EBITDA targets of the RPB Group. For the purposes of determination of the payment, the provisional price was adjusted on the basis of the differences identified by the parties in relation to the amount of the components of the provisional price determined as of the Closing Date, and on the basis of additional adjustments identified in the contract of sale. In particular, during the month of December 2021 the parties defined a provisional price adjustment of USD 824 thousand. The adjustment was regulated on the date in question using an escrow account set up by GVS on the Closing Date, released in January 2022 in favour of GVS, following definition of the amount of the payment. Lastly, the earn out mentioned above was defined and agreed between the parties in March 2022 and amounts to USD 22,624 thousand. This financial debt and these adjustments have been reflected in the financial situation reported at 31 December 2021, in line with the applicable accounting standards.

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

It is also specified that the transaction in question was carried out through the use of external sources of financing; in particular, through the subscription of a 5-year loan agreement of Euro 150 million with a pool of lending banks: Mediobanca - Banca di Credito Finanziario S.p.A., which also acts as agent, Unicredit S.p.A. and Crédit Agricole Italia S.p.A. GVS S.p.A. then made available to GVS NA Holding Inc. the funds necessary for the purchase of the two American companies through an intra-group loan at market conditions.

The accounting effects of the RPB Takeover are described in note 7, "Business combinations".

REAL ESTATE REORGANISATION

Sale and leaseback operations

In December 2021, the company of the GVS Do Brasil Ltda Group signed a deed of sale with the company GVS Real Estate Do Brasil Ltda (hereinafter "GVS RE Brasil"), a company controlled by GVS Real Estate Srl, for land and some buildings attributable to the production site located in Brazil (Monte Mor). The amount of the sale, agreed by the parties on the basis of the market value determined by an independent third party's appraisal, was BRL 10,610 thousand. The parties subsequently signed a lease agreement under which GVS RE Brasil leased the property sold back to GVS Do Brasil Ltda. This contract has a duration of three years with expiry on 31 December 2024, unless tacitly extended for a further three years. The annual rental fee is agreed (on the basis of the market value determined by the appraisal carried out by an independent third party) as the sum of BRL 845 thousand, to be paid in advance monthly instalments.

On 20 January 2020 the GVS ordinary shareholders' meeting had resolved to approve the plan for partial demerger by assignment of a portion of the assets of GVS Microfiltrazione S.r.l. to the newly established company GVS Patrimonio Immobiliare S.r.l. During January 2021 the demerger was legally effective and the new real estate company was established. The net assets transferred at their book value as of the date of the demerger may be identified mainly as: (i) land; (ii) a production facility with warehouse, and (iii) liabilities corresponding to these assets, as stated in the demerger plan. Following the demerger, GVS Microfiltrazione S.r.l. is the direct parent of GVS Patrimonio Immobiliare S.r.l. In December 2021, GVS Microfiltrazione S.r.l. concluded the sale of the equity investment in GVS Patrimonio Immobiliare S.r.l. with GVS Real Estate S.r.l. The sale price of the

investment, equal to Euro 160 thousand, was mainly determined based on the market value of the property, established by an independent expert, net of the financial debt recorded towards GVS SpA. The parties also signed a lease agreement by which GVS Patrimonio Immobiliare leased the property held by GVS Patrimonio Immobiliare to GVS Microfiltrazione. This contract has a duration of three years with expiry on 31 December 2023, unless tacitly extended for a further three years. The annual rental fee is agreed (on the basis of the market value determined by the appraisal carried out by an independent third party) as the sum of Euro 245 thousand, to be paid in advance monthly instalments.

The operations described above, regarding the two production facilities situated in Brazil and Romania, are considered sale and leaseback agreements under IFRS 16. These transactions shall be jointly referred to as the **"Sale and Leaseback Operations"**.

For information on how Sale and Leaseback Operations have been entered in the accounts, refer to the sub-section on "Assets and liabilities for right of use and leasing" in note 2.4.

2. Summary of the accounting standards adopted

2.1 Declaration of conformity with international accounting standards

The consolidated financial statements at 31 December 2021 (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 22 March 2022 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 2021, amounting to Euro 136.9 million, credit lines currently available and the cash flows that will be generated by operations are considered more than sufficient to meet the Group's obligations and to finance its 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.

Name	Registered offices	Currency	Share capital at 31 December 2021	Direct owner	Percentage of control	
					At 31 December 2021	At 31 December 2020
GVS Sud Srl	Italia - Zola Predosa (BO)	EUR	10.000	GVS SpA	100,00%	100,00%
YUYao Yibo Medical Device Co. Ltd	Cina - Yuyao	CNY	5.420.000	GVS Technology (Suzhou) Co. Ltd.	100,00%	100,00%
GVS Technology (Suzhou) Co. Ltd.	Cina - Suzhou (RPC)	CNY	25.297.047	GVS SpA	100,00%	100,00%
Suzhou GVS Trading Co. Ltd.	Cina - Ningbo	CNY	250.000	GVS Technology (Suzhou) Co. Ltd.	100,00%	100,00%
GVS Fortune Holding Ltd	Hong Kong (RPC)	HKD	1	GVS SpA	100,00%	100,00%
GVS North America Inc	USA - Sanford (MA)	USD	Na	GVS North America Holdings Inc	100,00%	100,00%
GVS Filtration Inc	USA - Findlay (OH)	USD	10	GVS North America Holdings Inc	100,00%	100,00%
GVS NA Holdings Inc	USA - Sanford (MA)	USD	0,10	GVS SpA	100,00%	100,00%
Fenchurch Environmental Group Ltd	Regno Unito - Morecambe	GBP	1.469	GVS SpA	100,00%	100,00%
GVS Filter Technology UK Ltd	Regno Unito - Morecambe	GBP	27.000	Fenchurch Environmental Group Ltd	100,00%	100,00%
GVS do Brasil Ltda	Brasile - Município de Monte Mor, Campinas	BRL	20.755.226	GVS SpA	99,95%	99,95%
GVS Argentina Sa	Argentina - Buenos Aires	ARS	1.510.212	GVS SpA	94,12%	94,12%
GVS Filter Technology de Mexico	Messico - Nuevo Leon	MXN	50.000	GVS SpA	99,90%	99,90%
GVS Korea Ltd	Korea - Seul	KRW	100.000.000	GVS SpA	100,00%	100,00%

GVS Microfiltrazione Srl	Romania - Ciorani	RON	1.600	GVS SpA	100,00%	100,00%
GVS Japan KK	Giappone - Tokyo	JPY	1.000.000	GVS SpA	100,00%	100,00%
GVS Russia LLC	Russia - Mosca	RUB	10.000	GVS SpA	100,00%	100,00%
GVS Filtre Teknolojileri	Turchia - Istanbul	TRY	100.000	GVS SpA	100,00%	100,00%
GVS Puerto Rico LLC	Puerto Rico - Fajardo	USD	Na	GVS SpA	100,00%	100,00%
GVS Filtration SDN. BHD.	Malesia - Petaling Jaya	MYR	1	GVS SpA	100,00%	100,00%
GVS Filter India Private Limited	India - Mumbai	INR	100.000	GVS SpA	100,00%	Na
Abretec Group LLC	USA - Detroit (MI)	USD	14.455.437	GVS North America Holdings Inc	100,00%	Na
Goodnan Brands LLC	USA - Detroit (MI)	USD	0	GVS North America Holdings Inc	100,00%	Na
RPB Safety LLC	USA - Detroit (MI)	USD	0	Abretec Group LLC	100,00%	Na
RPB Manufacturing LLC	USA - Detroit (MI)	USD	0	Abretec Group LLC	100,00%	Na
RPB IP LLC	USA - Detroit (MI)	USD	0	Abretec Group LLC	100,00%	Na
RPB Safety Ltd	New Zeland Christchurch	NZD	1.000	GVS SpA	100,00%	Na
GVS Filtration Co., Ltd.	Thailandia - Bangkok	THB	3.000.000	GVS SpA	100,00%	Na

Note that as of the date of the Consolidated Financial Statements, all companies included in the consolidation area are consolidated using the full consolidation method.

With the exception of GVS Filter India Private Limited, whose financial year ends on 31 March, the reporting date of the consolidated companies is 31 December, which is the date at which the financial statements of the Parent Company are closed.

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

During the year, the consolidation area changed compared to the previous year, following the acquisition of the RPB Group, specializing in the design and manufacture of respiratory protection, including compressed air respirators and powered air-purifying respirators. In particular, GVS NA Holding Inc. (100% owned by GVS S.p.A.) acquired 100% of the share capital of the American companies Goodman Brands LLC and Abretec Group LLC, while GVS S.p.A. acquired 100% of the share capital of RPB Safety Limited (a New Zealand company). The acquisition took place on 31 August 2021 against which the economic effects from the date of acquisition of control were recorded in the Consolidated Financial Statements.

In the period in question, the scope of consolidation also changed from the previous year, following the establishment of three commercial companies in India, Thailand and Vietnam respectively. As at 31 December 2021, the latter company was not operational and the share capital had not yet been paid in.

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

SUBSIDIARY COMPANIES

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

- assets and liabilities, charges and income from controlled entities are taken line by line, attributing to any minority shareholders their share in the company's shareholders' equity and annual net profit; these shares are reported separately in shareholders' equity and in the comprehensive income statement;
- profits and losses, including the effect of taxation, deriving from transactions among companies which are consolidated in full and not yet realised in relation to third parties are eliminated, with the exception of losses, which are not eliminated if the transaction offers evidence of a reduction of the value of the asset transferred. Reciprocal payables and receivables, costs and revenues are also eliminated, as are financial charges and proceeds;
- in the presence of interests acquired subsequently to obtaining control (acquisition of minority interests), if there is any difference between purchase cost and the corresponding portion of net assets acquired, it is recorded in the Group's shareholders' equity; similarly, the effects of sale of minority shares without loss of control are recorded under shareholders' equity. Sale of shares resulting in a loss of control, on the other hand, will result in recording in the comprehensive income statement:
 - of any capital gains/losses, calculated as the difference between the payment received and the corresponding portion of consolidated shareholders' equity sold;
 - of the effect of remeasurement of the residual share maintained, if any, to align it with fair value;
 - 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	
	2021	2020	2021	2020
Brazilian Real	6,3101	6,3735	6,3779	5,8943
Argentine Peso (*)	116,3622	103,2494	112,4215	80,9218
Chinese Renminbi	7,1947	8,0225	7,6282	7,8747
American Dollar	1,1326	1,2271	1,1827	1,1422
Hong Kong Dollar	8,8333	9,5142	9,1932	8,8587
Japanese Yen	130,3800	126,4900	129,8767	121,8458
Korean Won	1,346,3800	1,336,0000	1,354,0570	1,345,5765
Russian Ruble	85,3004	91,4671	87,1527	82,7248
Turkish Lira	15,2335	9,1131	10,5124	8,0547
Mexican Peso	23,1438	24,4160	23,9852	24,5194
Romanian Ron	4,9490	4,8683	4,9215	4,8383
Indian Rupee	84,2292	n.a	87,4392	n.a
Malaysian Ringitt	4,7184	n.a	4,9015	n.a
New Zealand dollar	1,6579	n.a	1,6724	n.a
Thai Baht	37,6530	n.a	37,8368	n.a
British Pound	0,8403	0,8990	0,8596	0,8897

(*) 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	8 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. the amount of the initial assessment of the 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:

- 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;
- initial costs born directly by the tenant; and
- 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:

- fixed payments, after subtraction of any lease incentives receivable;
- 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;
- amounts the tenant will have to pay to guarantee the residual amount;
- the price of exercising the purchase option, if the tenant has a reasonable degree of certainty of exercising the option; and
- payment of penalties for cancellation of the lease agreement, if the term of the lease takes into account the possibility of the tenant exercising the option of cancelling the lease.

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

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

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

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

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

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

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

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

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

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

Tangible assets

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

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

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

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

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

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

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

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

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

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

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

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

(a) Goodwill

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

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

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

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

(b) Assets (tangible, intangible and usage rights) with a finite useful life

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

If the presence of such indicators is identified, the recoverable value of the assets will be estimated, allocating any writedowns over book value to the comprehensive income statement. The recoverable value of an asset is represented by fair value, after subtraction of accessory sale costs, and the corresponding value of use, determined by actualising estimated future cash flows from the asset, including, if significant and reasonably determinable, those deriving from sale at the end of its useful lifespan, after subtraction of any disposal charges. In determining value in use, expected future cash flows are actualised using a pre-tax discount rate reflecting the current market value of the cost of money, in relation to the investment period and specific risks inherent in the asset. In

the case of an asset that does not generate broadly independent cash flows, recoverable value is determined in relation to the cash generating unit to which the asset belongs.

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

Financial assets

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

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

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

a) Financial assets measured at amortised cost

This category includes financial assets that satisfy both of the following conditions:

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

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

b) Financial assets measured at fair value with an impact on overall profitability

This category includes financial assets that satisfy both of the following conditions:

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

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

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

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

c) Financial assets measured at fair value with an impact on the income statement

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

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

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

Derivative financial instruments and hedges

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

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

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

A derivative financial instrument is classified as a hedge if the relationship between the hedge and the item hedged is formally documented, including risk management goals,

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

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

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

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

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

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

Trade receivables

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

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

whether the historical cost method or the amortised cost criterion is applied, and the impact of actualisation would therefore be entirely negligible.

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

Inventories

Inventories are goods:

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

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

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

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

Cash on hand and cash equivalents

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

Payables

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

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

financial payable.

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

Employee benefits

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

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

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

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

Defined-contribution plans primarily include:

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

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

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

- seniority bonuses involving an extraordinary payment to employees upon reaching a certain degree of seniority.

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

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

Performance share plan

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

Revenue from customer contracts

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

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

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

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

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

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

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

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

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

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

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

Acknowledgement of costs

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

Listing costs

In accordance with IAS 32, listing costs pertaining to a public subscription offer are entered in the accounts as a direct reduction of shareholders' equity, while costs pertaining to a public offer of sale are entered directly in the income statement. If the listing operation is successful, the ratio between the number of new shares and the number of post-listing shares will determine the percentage of charges to be entered as directly reducing shareholders' equity. If the listing operation does not take place, these costs must be entered in the income statement.

Dividends

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

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

Income tax

Current taxes are calculated on the basis of annual taxable income, applying the taxation rates in effect as of the date of the financial statements. Current taxes for the year under

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

Deferred taxes may be divided into:

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

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

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

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

Profit per share

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

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

Operating segments

An operating segment is a component of an entity:

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

Refer to note 6 for information on operating segments.

3. Recently issued accounting standards

a) IFRS accounting standards, amendments and interpretations effective from 1 January 2021.

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

- On 31 March 2021, the IASB published an amendment entitled "Covid-19-Related Rent Concessions beyond 30 June 2021 (Amendments to IFRS 16)" with which it extends the period of application of the amendment issued in 2020 by one year, which provided for the lessees the right to account for the reductions in rents connected to COVID-19 without having to assess, through the analysis of the contracts, whether the definition of lease modification of IFRS 16 was respected. Therefore, the lessees who applied this option in the 2020 financial year recognized the effects of the reductions in rent directly on the income statement at the effective date of the reduction. The 2021 amendment is only available to entities that have already adopted the 2020 amendment.
- On 27 August 2020, in light of the interbank interest rate reform such as IBOR, the IASB published the document "Interest Rate Benchmark Reform-Phase 2" which contains amendments to the following standards:
 - *IFRS 9 Financial Instruments*;
 - *IAS 39 Financial Instruments: Recognition and Measurement*;
 - *IFRS 7 Financial Instruments: Disclosures*;
 - *IFRS 4 Insurance Contracts*;
 - *IFRS 16 Leases*.

All amendments entered into force on 1 January 2021. The adoption of these amendments had no impact on the Group's consolidated financial statements.

b) IFRS and IFRIC accounting standards, amendments and interpretations endorsed by the European Union, not yet mandatorily applicable and not adopted early by the Group at 31 December 2021

On 14 May 2020, the IASB published the following amendments entitled:

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

Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IAS 41 Agriculture and the Illustrative Examples of IFRS 16 Leases.

All amendments will enter into force on 1 January 2022. The directors do not expect that the adoption of these amendments will have any meaningful effect on the Group's consolidated financial statements.

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

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

- On 23 January 2020, the IASB published an amendment entitled 'Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current'. The document aims to clarify how to classify debts and other short-term or long-term liabilities. The amendments enter into force on 1 January 2023; however, earlier application is permitted. The directors do not expect that the adoption of these amendments will have any meaningful effect on the Group's consolidated financial statements.
- On 12 February 2021, the IASB published two amendments entitled 'Disclosure of Accounting Policies-Amendments to IAS 1 and IFRS Practice Statement 2' and 'Definition of Accounting Estimates-Amendments to IAS 8'. The amendments are intended to improve the disclosure of accounting policies so as to provide more useful information to investors and other primary users of financial statements and to help companies distinguish changes in accounting estimates from changes in accounting policies. The amendments will apply from 1 January 2023, but earlier application is permitted. The directors are currently evaluating the possible effects of the introduction of these amendments on the Group's consolidated financial statements.
- On 7 May 2021, the IASB published an amendment entitled "Amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction". The document clarifies how deferred taxes should be accounted for on certain transactions that may generate assets and liabilities of equal amounts, such as leases and decommissioning obligations. The amendments will apply from 1 January 2023, but earlier application is permitted. The directors do not expect that the adoption of this amendment will have any meaningful effect on the Group's consolidated financial statements.

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:

- 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.
- 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.
- Provision for writedown of receivables: determination of this provision reflects management's estimate of customers' historic and expected solvency.
- 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.
- 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.
- 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.
- 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.
- Leasing liabilities: the amount of leasing liabilities and therefore the corresponding assets due to usage rights depend on determination of the lease term. This determination is subject to management's assessment, with specific reference to the decision whether

or not to include time periods covered by renewal options or cancellation of the lease agreement under leasing contracts. These assessments will be reviewed in the presence of a significant event or a significant change in circumstances with an impact on management's reasonable certainty of exercising an option that was not previously taken into consideration in determining the lease term, or not to exercise an option that was previously taken into consideration in determining the lease term.

5. Management of financial risk

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

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

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

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

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

In relation to the war that broke out between Ukraine and Russia, the Company monitors the geopolitical context and the situation in Russia on a daily basis to assess the potential

direct and indirect effects. Currently, the Group's financial exposure to the areas concerned is marginal and is around 0.3% of turnover.

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

5.1 Market risk

EXCHANGE RATE RISK

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

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

SENSITIVITY ANALYSIS FOR EXCHANGE RATE RISK

For the purposes of sensitivity analysis for exchange rate risk, items on the statement of assets and liabilities at 31 December 2020 and 31 December 2021 (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.

(in thousands of Euro)	Currency appreciation of 5%		Currency depreciation of 5%	
	At 31 December		At 31 December	
	2021	2020	2021	2020
Currency				
USD	13.242	4.303	(11.980)	(3.893)
GBP	(183)	65	165	(59)
EUR	448	(255)	(405)	230
Other	(285)	(478)	267	381
Total	13.221	3.635	(11.954)	(3.341)

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

INTEREST RATE RISK

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

SENSITIVITY ANALYSIS REGARDING INTEREST RATE RISK

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

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

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

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

The table below shows the results of this analysis

(in thousands of Euro)	Impact on profit net of taxes	
	- 50 bps	+ 50 bps
Financial year ended 31 December 2021	190	(190)
Financial year ended 31 December 2020	162	(162)

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 2021 according to due date, net of the provision for writedown of receivables. We note that, as of the date of this report, net receivables entered in the "past due from 91 to 180 days" bracket, for an amount equal to Euro 4,054 thousand, have been fully collected.

(in thousands of Euro)	Not yet due	Overdue by 1 to 90 days	Overdue by 91 to 180 days	Overdue by more than 181 days	Total
Gross trade receivables at 31 December 2021	40.250	8.640	5.370	166	54.426
Provision for writedown of receivables	-	(494)	(791)	(166)	(1.451)
Trade receivables at 31 December 2021	40.250	8.146	4.579	-	52.975

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.

(in thousands of Euro)	At 31 December 2021					
	within 1 year	between 1 and 2 years	between 3 and 5 years	beyond 5 years	Contractual value	Book value
Debt for the purchase of equity investments and earn out	19.999	-	-	-	19.999	19.670
Financial liabilities	43.545	48.085	134.624	15	226.268	221.870
Leasing liabilities	5.014	3.828	2.635	453	11.930	11.533
Trade payables	23.820	-	-	-	23.820	23.820
Other current payables and liabilities	15.166	-	-	-	15.166	15.166

The table below represents an analysis of due dates, based on contractual repayment obligations, as of 31 December 2021.

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 2020 and 31 December 2021.

(in thousands of Euro)	Book value	
	At 31 December	
	2021	2020
FINANCIAL ASSETS:		
Financial assets measured at amortised cost:		
Non-current financial assets	1.303	964
Trade receivables	52.975	52.084
Other receivables and current assets	6.092	5.240
Current financial assets	900	151
Cash on hand	136.893	125.068
	198.163	183.507
Financial assets measured at fair value entered in the income statement:		
Non-current financial assets	15	4
Current financial assets	7.437	4.517
	7.452	4.521
Non-current derivative financial instruments	123	-
TOTAL FINANCIAL ASSETS	205.738	188.028

(in thousands of Euro)	Book value	
	At 31 December	
	2021	2020
FINANCIAL LIABILITIES:		
Financial liabilities measured at amortised cost:		
Non-current financial liabilities	180.164	69.728
Non-current leasing liabilities	6.773	5.471
Debt for the purchase of equity investments and earn out	19.670	-
Current financial liabilities	41.706	19.673
Current leasing liabilities	4.760	3.495
Trade payables	23.820	25.585
Other current liabilities	15.062	17.285
	291.955	141.237
Non-current derivative financial instruments	-	107
TOTAL FINANCIAL LIABILITIES	291.955	141.344

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

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

Information on fair value

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

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

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

At 31 December 2021			
(in thousands of Euro)	Level 1	Level 2	Level 3
Non-current financial assets	-	-	15
Current financial assets	-	7.437	-
Non-current derivative financial instruments	-	123	-
Total assets measured at fair value	-	7.560	15

At 31 December 2021			
(in thousands of Euro)	Level 1	Level 2	Level 3
Non-current derivative financial instruments	-	-	-
Total liabilities measured at fair value	-	-	-

At 31 December 2020			
(in thousands of Euro)	Level 1	Level 2	Level 3
Non-current financial assets	-	-	4
Current financial assets	-	4.517	-
Total assets measured at fair value	-	4.517	4

At 31 December 2020			
(in thousands of Euro)	Level 1	Level 2	Level 3
Non-current derivative financial instruments	-	107	-
Total liabilities measured at fair value	-	107	-

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

6. Information on operating segments

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

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

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

In accordance with the provisions of IFRS 8, paragraph 34, in the financial year ending on 31 December 2021 there was just one customer, generating more than 10% of the Group's total revenues whose solvency risk is at any rate limited. On the contrary, for the 2020 financial year there were no individual customers generating revenues above this threshold.

The table below lists non-current assets other than financial assets and advance tax assets by geographic area as of 31 December 2020 and 31 December 2021, allocated on the basis of the country in which the assets are located. Non-current assets which are not allocated are represented entirely by goodwill.

At 31 December		
(in thousands of Euro)	2021	2020
Italy	28.716	24.948
United States	142.981	37.872
United Kingdom	8.047	8.298
Brazil	2.573	2.910
China	11.432	8.728
Romania	3.434	5.431
Mexico	11.818	9.160
Puerto Rico	5.251	4.928
Other	3.154	654
Non-current assets not allocated	98.379	65.413
Total	315.785	168.342

7. Business combinations

II This section describes the Group's business combinations in the year ending on 31 December 2021, as defined by IFRS 3 – "Business combinations".

Takeover of the RPB Group

On 31 August 2021, the GVS Group acquired 100% of the share capital of the RPB Group, which specialises in the design and manufacture of respiratory protection, including compressed air respirators and powered air-purifying respirators. In particular, GVS NA Holding Inc. (100% owned by GVS S.p.A.) acquired 100% of the share capital of the American companies Goodman Brands LLC and Abretec Group LLC, while GVS S.p.A. acquired 100% of the share capital of RPB Safety Limited (a New Zealand company). The purchase price was set at a maximum of USD 194.4 million. The transaction provides for an upfront payment of approximately \$150 million for the acquisition of 100% of the share capital, and an earn-out with a maximum value of \$44.4 million, the payment of which, expected in 2022, is proportionally related to the achievement of the RPB group's 2021 Adjusted EBITDA targets. The earn out was defined and agreed between the parties in March 2022 and was recorded together with other minor adjustments to the acquisition price in a separate item of current financial liabilities for an amount equal to Euro 19,670 thousand.

The following table shows the details of the cash flows deriving from the RBP Acquisition, thus excluding the debt for earn out which will be paid in the year 2022.

(in thousands of Euro)	Financial year ended 31 December 2021
Consideration paid	130.767
Net cash on hand acquired	(1.551)
Outgoing cash flow due to investment	129.217

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

(in thousands of Euro)	Provisional fair value as of the purchase date
ASSETS	
Non-current assets	
Intangible assets	100.791
Assets represented by usage rights	1.807
Tangible assets	3.271
Advance tax assets	979
Non-current financial assets	6
Total non-current assets	106.853
Current assets	
Inventories	12.840
Trade receivables	4.279
Other receivables and current assets	122
Cash on hand	1.551

Total current assets	18.792
Total assets	125.645
Non-current liabilities	
Non-current leasing liabilities	1.420
Deferred tax liabilities	433
Total non-current liabilities	1.852
Current liabilities	
Current leasing liabilities	416
Trade payables	1.633
Liabilities from contracts with customers	126
Current tax payables	57
Other current payables and liabilities	268
Total current liabilities	2.500
Total liabilities	4.352
Total net assets acquired (A)	121.293
Consideration (B)	148.267
Goodwill (B) - (A)	26.973

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

- entry of the value of the customer relationship among intangible assets, worth Euro 66,134 thousand (Euro 65,850 thousand net of the effect of taxation);
- entry of the value of the trademark among intangible assets, worth Euro 14,676 thousand (Euro 14,613 thousand net of the effect of taxation);
- entry of the value of technology among intangible assets, worth Euro 19,981 thousand (Euro 19,896 thousand net of the effect of taxation);
- revaluation of inventories for € 2,476 thousand (net of the obsolescence provision for € 1,352 thousand and the related tax effect of € 439 thousand).

Residual goodwill, amounting to Euro 26,973 thousand, is attributable to the capacity of the company taken over to generate future economic benefits, particularly in relation to the generation of new business opportunities.

Transaction costs related to the RPB Takeover, entered entirely in the income statement under the item cost of services, amount to Euro 934 thousand.

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

The contribution made by the acquired business to the Group's revenues from contracts with customers in the four-month period ending on 31 December was Euro 13,327 thousand.

8. Notes to the consolidated statement of assets and liabilities

8.1 Intangible assets

The table below reports the composition of, and movement in, intangible assets in the year ending on 31 December 2021.

(in thousands of Euro)	Develop-ment costs	Goodwill	Customer relationship	Technology	Industrial patent rights and rights to use intellectual property	Conces-sions, licenses, trade-marks, and similar rights	Other fixed assets	Fixed assets in progress	Total
Historical cost as of 31 December 2020	8.805	65.413	21.954	-	10.755	5.598	3.792	1.882	118.199
Investments	3.128	-	-	-	82	145	9	391	3.755
Reclassification	221	-	-	-	41	1.341	-	(1.138)	466
Business combinations	-	26.973	66.134	19.981	-	14.676	-	-	127.764
Conversion reserves	884	5.994	4.753	882	701	859	236	86	14.394
Historical cost as of 31 December 2021	13.038	98.379	92.841	20.863	11.579	22.619	4.037	1.221	264.578
Provision for amortisation and depreciation as of 31 December 2020	(4.041)	-	(9.376)	-	(5.004)	(5.007)	(3.792)	-	(27.220)
Amortisation and depreciation	(1.728)	-	(3.950)	(333)	(979)	(606)	1	-	(7.594)
Conversion reserves	(389)	-	(956)	(15)	(277)	(148)	(236)	-	(2.021)
Provision for amortisation and depreciation as of 31 December 2021	(6.157)	-	(14.283)	(348)	(6.260)	(5.760)	(4.027)	-	(36.835)
Net book value as of 31 December 2020	4.764	65.413	12.578	-	5.751	591	0	1.882	90.979
Net book value as of 31 December 2021	6.881	98.379	78.558	20.516	5.319	16.859	10	1.221	227.742

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 and RPB.

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.

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 2021, amounting to Euro 3,755 thousand, was primarily attributable to the cost of development and fixed assets in progress and reflects amounts paid for development of new products and the

corresponding production processes.

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

The effects of business combinations pertain to the change in the scope of consolidation resulting from the RPB Takeover, the effects of which are described in note 7.

INTANGIBLE ASSETS WITH AN INDEFINITE USEFUL LIFESPAN

Goodwill

At 31 December 2021, the value of goodwill mainly refers to the acquisition of the KUSS Group which took place on 28 July 2017 and the acquisition of the RPB Group which took place on 31 August 2021.

The table below shows the detail of goodwill as at 31 December 2020 and 31 December 2021 broken down in the portion attributable to the KUSS and RPB takeover and, on the other hand, what is attributable to other minor business combinations.

(in thousands of Euro)	At 31 December	
	2021	2020
KUSS Takeover	49.932	46.087
RPB Takeover	28.137	-
Other business combinations	20.310	19.326
Total goodwill	98.379	65.413

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 2021, goodwill, equal to € 98,379 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, recoverable value is identified as value of use, determined by actualising the provisional income of the CGU ("**DCF Method**") for 4 years subsequent to the date of the financial statements. The key assumptions used to determine the provisional income of the CGU are estimated growth of sales, of EBITDA, of cash flows from operations, of the growth rate of final value and of the average weighted cost of capital (actualisation rate), taking into account economic and financial performance and profitability and future expectations presumable under the "2022-2025 Business Plan" approved on 22 March 2022 by the GVS Board of Directors.

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 1.0% and 9.7%, 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. The "2022-2025 Business Plan" was used in the impairment test conducted on goodwill on 31 December 2021,
- 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.

A sensitivity analysis was also conducted, determining break-even WACC, which, while keeping other parameters constant, would eliminate the difference between the recoverable value and the book value of the CGU. Under these circumstances, the breakeven WACC was 18.3%.

Finally, GVS has developed a sensitivity analysis of the estimated recoverable value. The Group considers that the growth rate and WACC are key parameters in the fair value estimate and has therefore carried out this sensitivity analysis, assuming a growth rate of 0%, 0.5%, 1.5% and 2.0%, and a discount rate (WACC, which represents the weighted average of the cost of equity capital and the cost of debt, after taxes) respectively of 10.7%, 10.2%, 9.2% and 8.7%.

In the context of a slowdown of the spread of COVID-19 globally and the recent geopolitical situation, the Group estimated the plan flows used for the impairment test, including for 2022 and subsequent years a consolidation of the results achieved and a transition to the new normal, with a progressive replacement of the volumes generated with structural volumes by the pandemic.

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

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

(in thousands of Euro)	At 31 December	
	2021	2020
Net book value of assets represented by usage rights (real estate)	9.345	7.253
Net book value of assets represented by usage rights (automobiles)	925	1.095
Net book value of assets represented by usage rights (machinery)	150	90
Total net book value of assets represented by usage rights	10.420	8.438
Current leasing liabilities	4.760	3.495
Non-current leasing liabilities	6.773	5.471
Total leasing liabilities	11.533	8.966

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	
	2021	2020
Amortisation of assets represented by usage rights (real estate)	3.420	3.351
Amortisation of assets represented by usage rights (automobiles)	583	302
Amortisation of assets represented by usage rights (machinery)	72	62
Total amortisation of assets represented by usage rights	4.075	3.715
Interest payable on leases	252	243
Total outgoing cash flows due to leasing	2.536	4.515

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

Assets corresponding to usage rights in the year 2021 are primarily attributable to: (i) to the sale and leaseback operations, mainly referring to the production sites located in Romania and Brazil (see note 1.2), (ii) the renewal of the lease agreement relating to a production site located in North America, (iii) the signing of a new lease agreement relating to the expansion of the production plant located in Mexico and finally (iii) new lease contracts and renewals in China, Korea for material storage buildings.

As of 31 December 2021, 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 2020 and 31 December 2021.

(in thousands of Euro)	within 1 year	between 1 and 2 years	between 3 and 5 years	beyond 5 years	Contractual value	Book value
At 31 December 2021	5.014	3.828	2.635	453	11.930	11.533
At 31 December 2020	3.652	2.635	3.007	-	9.294	8.966

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

8.3 Tangible assets

The table below shows the breakdown and movements of tangible assets in the year ending on 31 December 2021.

(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 2020	6.170	87.419	55.661	8.568	5.920	10.609	174.346
Investments	12	1.588	275	764	221	16.581	19.440
Disposal	(5.687)	(587)	(45)	(185)	-	(722)	(7.225)
Reclassification	(613)	7.507	4.077	206	2.356	(13.999)	(466)
Business combinations	-	-	3.896	1.465	588	64	6.012
Conversion reserves	117	6.721	1.138	353	411	567	9.307
Historical cost as of 31 December 2021	(0)	102.648	65.001	11.171	9.496	13.099	201.414
Provision for amortisation and depreciation as of 31 December 2020	(2.074)	(55.358)	(38.103)	(6.777)	(3.109)	-	(105.421)
Amortisation and depreciation	(136)	(6.253)	(4.059)	(787)	(624)		(11.859)
Disposal	1.773	299	31	143	(2)		2.244
Reclassification	521	-	-	1	(522)		0
Business combinations	-	(0)	(1.908)	(801)	(33)		(2.742)
Conversion reserves	(83)	(4.728)	(753)	(275)	(175)		(6.014)
Provision for amortisation and depreciation as of 31 December 2021	0	(66.041)	(44.792)	(8.495)	(4.464)	-	(123.792)
Net book value as of 31 December 2020	4.095	32.061	17.558	1.791	2.812	10.609	68.925
Net book value as of 31 December 2021	0	36.607	20.209	2.676	5.031	13.099	77.622

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

Investments in intangible assets equal to € 19,440 thousand are mainly attributable to the expansion of production capacity of the Healthcare & Life Sciences division, as well as for the Health & Safety and Energy & Mobility divisions for the expansion of the product range. Investments in progress refer for approximately Euro 1,600 thousand to the construction of the new factory in Suzhou, China.

Furthermore, it should be noted that, with reference to the period ended 31 December 2021, 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 and China.

The effects of business combinations are attributable to consolidation of the RPB Group beginning on 31 August 2021. Refer to note 7 for more information.

The net value of tangible assets disposed of during the year mainly relates to the divestment of the production plants in Romania and Brazil. Refer to note 1.2 for more information.

At 31 December 2021, the Group had not found any indicators of impairment of tangible assets.

As of 31 December 2021, there were no real estate assets or capital goods burdened by any kind of guarantee provided to a third party.

8.4 Advance tax assets and deferred tax liabilities

The table below reports details of advance tax assets as of 31 December 2020 and 31 December 2021.

(in thousands of Euro)	At 31 December	
	2021	2020
Unrealised profits and losses on exchanges	1.643	3.514
Non-deductible costs	642	109
Intangible assets	9.409	11.764
Previous tax losses	433	146
Inventories	2.569	1.476
Tangible assets	162	154
Provisions for employee benefits	1.178	769
Assets represented by usage rights	144	125
Trade receivables	227	139
Provisions for risks	414	-
Other	541	193
Gross advance tax assets	17.362	18.389
Compensation with deferred tax liabilities	(15.861)	(13.821)
Total advance tax assets	1.502	4.568

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

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

The table below reports details of deferred tax liabilities as of 31 December 2020 and 31 December 2021.

(in thousands of Euro)	At 31 December	
	2021	2020
Unrealised profits and losses on exchanges	4.875	1.900
Tangible assets	4.631	2.458
Intangible assets	11.900	12.557
Derivative financial instruments	30	-
Provisions for employee benefits	27	37
Sub-leasing	-	10
Other	74	26
Gross deferred tax liabilities	21.537	16.988
Compensation with advance tax assets	(15.861)	(13.821)
Total deferred tax liabilities	5.675	3.167

The table below shows changes in the gross value of advance tax assets and deferred tax liabilities for the year ended 31 December 2021.

(in thousands of Euro)	Total advance tax assets	Total deferred tax liabilities
Balance as of 31 December 2020	18.389	16.988
Provisions (releases) to income statement	(2.240)	3.680
Provisions (releases) to comprehensive income statement	(29)	30
Business combinations	979	432
Conversion reserves	263	406
Balance as of 31 December 2021	17.362	21.537

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

8.5 Financial assets (current and non-current)

The table below reports details of current and non-current financial assets as of 31 December 2020 and 31 December 2021.

(in thousands of Euro)	At 31 December	
	2021	2020
Security deposits	963	964
Non-current leasing assets	340	-
Capital instruments	15	4
Non-current financial assets	1.318	968
Investment funds	7.437	4.517
Term deposits	727	358
Current leasing assets	173	151
Current financial assets	8.337	5.026
Total financial assets	9.655	5.994

Security deposits, classified as financial assets measured at amortised cost: on the basis of IFRS 9, represent sums paid under existing leasing agreements.

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

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

Term deposits as at 31 December 2021, classified as financial assets measured at amortized cost on the basis of IFRS 9, mainly refer to sums deposited by the American company on an escrow account freely available over the next three months, subject to agreements reached on the definition of the net working capital of the RPB Group at the acquisition date.

8.6 Non-current derivative financial instruments

Non-current active financial derivatives amount to € 123 thousand at 31 December 2021. The balance of this item is entirely the result of the positive fair value of two IRS (Interest rate Swap) derivative contracts hedging the risk of changes in interest rates of contracts entered into with Unicredit and Mediobanca during 2020 (see note 8.14). Derivative financial instruments, having individually an original notional amount of € 20,000 thousand, equal to the nominal value of the hedged items, guarantee a fixed interest rate for the entire duration of the loan entered into with Mediobanca and Unicredit.

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

8.7 Inventories

The table below reports details of inventories as of 31 December 2020 and 31 December 2021.

(in thousands of Euro)	At 31 December	
	2021	2020
Finished products and goods	32.317	21.345
Raw materials, subsidiary materials and consumables	37.855	22.423
Products in progress and semi-products	6.282	4.802
Spare parts	3.176	1.799
Gross inventories	79.630	50.369
Provision for writedown of inventory	(4.738)	(3.004)
Provision for write-downs of spare parts	(2.539)	(1.317)
Inventories	72.353	46.048

The net provisions for inventories and spare parts for the year ended 31 December 2021 amounted to Euro 1,234 thousand (€ 1,950 thousand as of 31 December 2020).

8.8 Trade receivables

The table below reports details of trade receivables as of 31 December 2020 and 31

(in thousands of Euro)	At 31 December	
	2021	2020
Trade receivables from customers	54.426	53.044
Trade receivables from related parties	-	-
Trade receivables (gross)	54.426	53.044
Provision for writedown of trade receivables	(1.451)	(960)
Trade receivables	52.975	52.084

December 2021.

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

The table below breaks down trade receivables at 31 December 2020 and 31 December 2021, net of the provision for writedown of receivables.

(in thousands of Euro)	Not yet due	Overdue by 1 to 90 days	Overdue by 91 to 180 days	Overdue by more than 181 days	Total
Gross trade receivables at 31 December 2021	40.250	8.640	5.370	166	54.426
Provision for writedown of receivables	-	(494)	(791)	(166)	(1.451)
Trade receivables at 31 December 2021	40.250	8.146	4.579	-	52.975
Gross trade receivables at 31 December 2020	38.011	14.474	403	156	53.044
Provision for writedown of receivables	-	(400)	(403)	(156)	(960)
Trade receivables at 31 December 2020	38.011	14.074	-	-	52.084

Gross trade receivables at 31 December 2021 and 31 December 2020, include Euro 14,176 thousand and Euro 15,033 thousand, respectively, referable to overdue items, including Euro 5,536 thousand and Euro 559 thousand, representing items overdue by more than 90 days. We note that, as of the date of this report, net receivables entered in the "past due from 91 to 180 days" bracket, for an amount equal to Euro 4,054 thousand, have been fully collected.

(in thousands of Euro)	Provision for writedown of trade receivables
Balance as of 31 December 2019	803
Net provisions	335
Use	(127)
Conversion reserves	(52)
Balance as of 31 December 2020	960
Net provisions	462
Use	(20)
Conversion reserves	49
Balance as of 31 December 2021	1.451

The table below reports movements in the provision for writedown of trade receivables in the years ending on 31 December 2020 and 31 December 2021.

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

8.9 Assets and liabilities deriving from contracts with customers

Assets from contracts with customers, equal to Euro 1,678 thousand and Euro 1,753 thousand at 31 December 2021 and 31 December 2020 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 3,417 thousand and Euro 4,894 thousand at 31 December 2021 and 31 December 2020 respectively, represent advances received from customers for contractual obligations not yet met. The item decreased by Euro 1,477 thousand, mainly following the sale of the production site in China to the government.

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

(in thousands of Euro)	At 31 December	
	2021	2020
Gross assets from contracts with customers	3.110	3.231
Compensation with liabilities from contracts with customers	(1.432)	(1.478)
Assets from contracts with customers	1.678	1.753
Gross liabilities from contracts with customers	4.849	6.372
Compensation with assets from contracts with customers	(1.432)	(1.478)
Liabilities from contracts with customers	3.417	4.894

table below shows the gross amount of assets and liabilities from contracts with customers, and how they are compensated, as of 31 December 2020 and 31 December 2021.

8.10 Current tax receivables and payables

Current tax receivables at 31 December 2021 and 31 December 2020 total € 7,590 thousand and € 202 thousand respectively.

Current tax payables at 31 December 2021 and 31 December 2020 amount to € 3,047 thousand and € 14,485 thousand respectively.

Changes in the net balance of these assets and liabilities in the years ending on 31 December 2021 and 31 December 2020 primarily pertain to allocation of current income taxes amounting to Euro 16,139 thousand, Euro and Euro 27,116 thousand and payments of Euro 32,616 thousand, thousand and Euro 16,277 thousand, respectively.

8.11 Other receivables and current assets

The table below reports details of other receivables and current assets as of 31 December 2020 and 31 December 2021.

(in thousands of Euro)	At 31 December	
	2021	2020
Advances and instalments	1.484	2.378
Tax receivables	5.476	4.687
Prepaid expenses	1.754	681
Receivables from government agencies	681	-
Receivable from employees	99	62
Other receivables	517	491
Other receivables and current assets	10.011	8.299

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

Tax receivables primarily represent VAT credits with internal revenue.

8.12 Cash on hand

The table below reports details of cash on hand as of 31 December 2020 and 31 December 2021.

(in thousands of Euro)	At 31 December	
	2021	2020
Bank and postal accounts	136.858	125.034
Cash and cash equivalents on hand	35	34
Cash on hand and cash equivalents	136.893	125.068

As of 31 December 2020 and 31 December 2021, cash on hand was not subject to any restrictions or limitations.

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

8.13 Shareholders' equity

The table below reports details of shareholders' equity as of 31 December 2020 and 31 December 2021.

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

(in thousands of Euro)	At 31 December	
	2021	2020
Share capital	1.750	1.750
Share premium reserve	92.770	92.770
Legal reserve	350	329
Extraordinary reserve	35.022	30.485
Translation reserve	(3.246)	(11.636)
Negative reserve for treasury shares	(3.448)	-
Actuarial profits and losses reserve	(113)	(187)
Profit (loss) carried over and other reserves	104.632	51.093
Net income	67.590	78.063
Minority interests	40	30
Total shareholders' equity	295.347	242.697

Movements in shareholders' equity in the year ending on 31 December 2021 pertained to:

- entry of the overall total annual net profit, amounting to Euro 76,157 thousand;
- revaluation of the shareholders' equity of the subsidiary GVS Argentina S.A. 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 7 thousand;
- the purchase of treasury shares for € 3,448 thousand;
- the reduction in reserves for Euro 22,750 thousand following the resolution to distribute dividends in the year 2021;
- the increase in reserves following the long-term incentives plan for € 2,684 thousand.

Share capital

As of 31 December 2021, the Company's fully subscribed and paid-in share capital amounted to Euro 1,750 thousand, and are divided into 175,000,000 ordinary shares without any face value.

Translation reserve

The 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 reserve for treasury shares refers to the purchase of 306,802 shares representing a total of 0.18% of the Company's share capital.

Actuarial profits and losses reserve

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

Reserve from first adoption of EU-IFRS

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

8.14 Financial liabilities (current and non-current)

The table below reports details of current and non-current financial liabilities as of 31 December 2020 and 31 December 2021.

(in thousands of Euro)	At 31 December			
	2021		2020	
	Current portion	Non-current portion	Current portion	Non-current portion
2014 Bond Loan	4.375	8.789	4.035	12.145
2017 Bond Loan	7.969	15.969	7.967	23.935
Total bonded loans	12.344	24.758	12.002	36.080
Club Deal Loan Agreement	19.482	129.998	-	-
Mediobanca loan (2020)	4.434	13.314	2.213	17.712
Unicredit loan (2020)	3.981	12.008	3.954	15.936
Accrued payables and other minor items	920	-	937	-
Total financial payables to banks	28.816	155.319	7.103	33.649
Horizon loan under special terms (GVS SUD)		87	-	-
Education Ministry (MIUR) loan under special terms (GVS SpA)	-	-	65	-
Invitalia Loan	545	-	502	-
Total other financial payables	545	87	567	-
Total financial liabilities	41.706	180.165	19.673	69.728

During the year, a new syndicated loan was signed for an amount of Euro 150,000 thousand and other subsidized and non-subsidized loans, of lesser importance, including the subsidized loan linked to the Horizon tender call obtained by GVS Sud for a total amount of Euro 87 thousand, with a charge equal to 0.16% on an annual basis and reimbursement starting from financial year 2024.

Below is a description of the principal items making up the Group's financial liabilities as of 31 December 2021.

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, 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 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 and from 31 December 2018 to the end of the contract is between 3.0 and 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 and until 31 December 2018 is between 3.5 and 3.75.

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 requires, as financial constraints, compliance at the consolidated level, with the following requirements:

- a minimum ratio of EBITDA to net financial charges of at least 4.50 as of the date of each annual and half-yearly financial statement for as long as the contract remains in effect (each "Determination Date");
- a maximum ratio of net financial indebtedness to EBITDA as described below:
 - i. no more than 3.75 on each Determination Date up to 31 December 2018, and
 - ii. no more than 3.50 on each Determination Date starting on 30 June 2019.
- 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 2021, 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 Bonded Loan, placed with an issue price equal to 100% of its face value, involved, after changes to the same loan occurring in 2017 payment, interest calculated at an annual floating rate between 7.0% or 6.5%, depending on the ratio of consolidated net financial indebtedness to consolidated EBITDA, as defined in the contract, calculated on the date of the annual financial statements or half-yearly financial report prior to payment of the coupon, if between 3.75 and 3.0 or below 3, respectively. 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 provides for changes to the same loan during 2017 as a financial constraint, with respect, at consolidated level, to:

- a minimum ratio of EBITDA to net financial charges of at least 4.50 as of the date of each annual and half-yearly financial statement for as long as the contract remains in effect (each "Determination Date");
- a maximum ratio of net financial indebtedness to EBITDA as described below:
 - iii. no more than 3.75 on each Determination Date up to 31 December 2018, and
 - iv. no more than 3.50 on each Determination Date starting on 30 June 2019;
- a maximum ratio of net financial indebtedness to shareholders' equity as described below:
 - iii. no more than 3.00 on each Determination Date up to 31 December 2018, and
 - iv. no more than 2.50 on each Determination Date starting on 30 June 2019.

As of 31 December 2021, the financial constraints have been met.

The 2014 Bonded Loan was not assisted by real guarantees.

B) LOANS IN EXISTENCE AS OF 31 DECEMBER 2021

b1) 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 "Pool Loan Agreement"), concerning the making available to GVS of a line of credit for an amount equal to Euro 150,000 thousand, aimed at financing the RPB Acquisition and the related costs, without the granting of any guarantee.

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.

Furthermore, the contract provided for the repayment in 2022 of the positive difference between the residual debt of Euro 150,000 thousand and the total price of the RPB Acquisition, including the debt for earn out and related charges. Although in this report this amount has been highlighted among short-term financial liabilities, in March 2022 GVS obtained a waiver from the lending banks to repay this amount; therefore no payment of the principal is foreseen for the year 2022.

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, between a minimum of 80 basis points if the ratio is less than 1.25 and a maximum of 120 basis points if the ratio is greater than 2.25.

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

- a ratio of consolidated EBITDA to net financial charges, higher than or equal to 4.5 as of the date of the annual and half-yearly financial statements for as long as the contract remains in effect;
- a ratio of consolidated net financial indebtedness to consolidated EBITDA, as defined in the contract, of less than or equal to 3.5 as of the date of the annual and half-yearly financial statements for as long as the contract remains in effect.

As of 31 December 2021, the financial constraints have been met.

b2) 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 requires, as a financial constraint, compliance at the consolidated level with:

- a minimum ratio of consolidated EBITDA to net financial charges of at least 4.5 as of the date of the annual financial statements for as long as the contract remains in effect;
- a maximum ratio of consolidated net financial indebtedness to consolidated EBITDA, of no more than 3.5 as of the date of the annual financial statements for as long as the contract remains in effect.

As of 31 December 2021, the financial constraints have been met.

b3) Mediobanca (2020)

On 12 November 2020 GVS stipulated a loan agreement with Mediobanca for a total of Euro 20,000 thousand. The loan falls due on 12 November 2025. The agreement requires payment of 9 deferred six-monthly instalments from 12 November 2021 until the due date. The interest rate is variable and corresponds to the Euribor 6-month rate plus a spread of 0.80%, if the ratio of consolidated net financial debt to consolidated EBITDA is below 2, or the alternative plus a spread of 1.05%, with a ratio greater than or equal to 2.

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

- a ratio of consolidated EBITDA to net financial charges, higher than 4.5 as of the date of the annual and half-yearly financial statements for as long as the contract remains in effect;
- a ratio of consolidated net financial indebtedness to consolidated EBITDA, as defined in the contract, of less than 3.5 as of the date of the annual and half-yearly financial statements for as long as the contract remains in effect.

As of 31 December 2021, the financial constraints have been met.

C) OTHER FINANCIAL PAYABLES IN EXISTENCE AS OF 31 DECEMBER 2021

c1) 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. 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 companies investing in production lines for personal protective equipment, the tender will cover 75% of the investment and gives the possibility of transforming the loan under special terms into a non-repayable grant, depending on the speed with which the production lines become 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 317 thousand was actually disbursed in the form of a subsidized loan, while the difference of Euro 228 thousand was disbursed as a non-repayable grant, partly into the management account and partly into the plant account. At 31 December 2021, lacking such notification, and the related repayment plan for the portion received in the form of a loan under special terms, the entire amount has been prudentially classified as a short-term financial liability.

The tables below report, for the financial years under examination, variations in financial liabilities resulting from cash flows generated and/or absorbed by financing, and deriving

(in thousands of Euro)	At 01 January 2021	Opening	Reclassification	Repayment	Variation in accrued payables on interest	Amortised cost	Change in fair value	(Profits) losses on exchanges	At 31 December 2021
Non-current financial liabilities	69.728	150.087	(40.978)		-	-	106	1.221	180.164
Current financial liabilities	19.673	84	40.978	(18.543)	(60)	(426)	-	-	41.706
Total financial liabilities	89.401	150.171	-	(18.543)	(60)	(426)	106	1.221	221.870

from non-monetary elements, as required by IAS 7.

8.15 Net financial indebtedness and net financial position

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

(in thousands of Euro)		At 31 December 2021	At 31 December 2020
(A)	Cash on hand	136.893	125.068
(B)	Cash equivalents	-	-
	Term deposits	727	358
	Shares held for trading	7.437	4.517
	Financial receivables due to leasing	173	151
(C)	Other current financial assets	8.337	5.026
(D)	Liquidity (A)+(B)+(C)	145.230	130.093

	Financial payables to other companies in the GVS Group due to leasing	2.117	965
	Financial payables for leasing	2.643	2.530
	Debt for the purchase of equity investments and earn out	19.670	-
	Other financial payables	545	567
(E)	Current financial indebtedness	24.975	4.063
(F)	Current portion of non-current indebtedness	41.160	19.106
(G)	Current financial indebtedness (E)+(F)	66.135	23.168

(H)	Net current financial indebtedness (G)-(D)	79.095	106.925
	Non-current bank debts	155.320	33.649
	Non-current bonded loans	24.758	36.079
	Other financial payables	87	-
	Financial payables to other companies in the GVS Group due to leasing	2.784	2.146
	Non-current financial payables for leasing	3.989	3.325
(I)	Non-current financial indebtedness	186.937	75.199
	Passive derivative financial instruments	-	107
(J)	Debt instruments	-	107
(K)	Trade payables and other non-current payables	-	-
(L)	Non-current financial indebtedness (I)+(J)+(K)	186.937	75.306
(M)	Total net financial indebtedness (H)-(L)	(107.843)	31.619

(in thousands of Euro)		At 31 December 2021	At 31 December 2020
(M)	Total net financial Indebtedness	(107.843)	31.619
	Non-current active derivative financial instruments	123	-
	Financial payables for leasing (net)	11.359	8.815
	Total net financial position	(96.360)	40.435

The Group's net financial position excluding net current and non-current leasing liabilities, measured in accordance with the provisions of IFRS 16 and equal to a total of Euro 11,359 thousand and Euro 8,815 thousand on 31 December 2021 and 31 December 2020 respectively, amounted to a negative Euro 96,360 thousand and a positive Euro 40,435 thousand as of these dates.

8.16 Provisions for employee benefits

The table below shows the breakdown and movements of provisions for employee benefits in the years ending on 31 December 2020 and 31 December 2021.

(in thousands of Euro)	Termination indemnity	End of office indemnity	Provisions for employee benefits
Balance as of 31 December 2019	2.719	1.474	4.193
<i>Current service cost</i>	133	78	211
Financial charges	21	5	26
Actuarial losses/(profits)	128	61	188
Benefits paid	(118)	-	(118)
Balance as of 31 December 2020	2.882	1.617	4.499
<i>Current service cost</i>	145	81	226
Financial charges	10	-	9
Actuarial losses/(profits)	(104)	1	(103)
Benefits paid	(266)	-	(266)
Balance as of 31 December 2021	2.667	1.699	4.366

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 2020 and 31 December 2021, 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 2,667 thousand and Euro 2,882 thousand on 31 December 2021 and 31 December 2020, 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 2020 and 31 December 2021 in accordance with the provisions of IAS 19 are listed below.

(As a percentage)	At 31 December	
	2021	2020
Financial hypotheses		
Annual actualisation rate	0,98%	0,34%
Annual inflation rate	1,20%	1,00%
Annual rate of increase in overall pay	2,20%	2,00%
Annual rate of increase in end of service indemnity	2,40%	2,25%
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 2020 and 31 December 2021.

(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 2021	(150)	174	40	(30)	(77)	106
Employee benefits (termination indemnity) as of 31 December 2020	(5)	356	208	128	59	308

End of office indemnity (TFM)

Employee benefits for TFM amount to Euro 1,699 thousand and Euro 1,617 thousand on 31 December 2021 and 31 December 2020, respectively.

The value of the payable represented by end of service indemnity, which falls under the definition of defined benefit plans according to IAS 19, has been determined on the basis of actuarial logic. The principal actuarial, financial and demographic hypotheses used to determine the value of the liability as of 31 December 2020 and 31 December 2021 in accordance with the provisions of IAS 19 are listed below.

(As a percentage)	At 31 December	
	2021	2020
Financial hypotheses		
Annual actualisation rate	0,29%	-0,02%
Annual rate of increase in overall pay	0,00%	0,00%
Annual rate of increase in end of service indemnity	0,00%	0,00%
Demographic hypotheses		
Death	Table illustrating probability of death, as determined by the State General Accounting Office, known as RG48	Table illustrating probability of death, as determined by the State General Accounting Office, known as RG48
Invalidity	Probability adopted in the INPS form for projections as of 2010	Probability adopted in the INPS form for projections as of 2010
Retirement	Reaching the age of 65, if subsequent to the end of the term of office, or the end date of the term of office	Reaching the age of 65, if subsequent to the end of the term of office, or the end date of the term of office
Annual turnover	2,50%	2,50%

The table below sums up the sensitivity analysis for each actuarial, financial and demographic hypothesis, showing the effects (in absolute terms) that would result from changes in the actuarial hypotheses reasonably considered possible as of 31 December 2020 and 31 December 2021.

(in thousands of Euro)	Annual actualisation rate		Annual turnover	
	+0,50%	-0,50%	+2,00%	-2,00%
Employee benefits (end of service indemnity) as of 31 December 2021	(47)	51	130	(152)
Employee benefits (end of service indemnity) as of 31 December 2020	94	195	265	(2)

8.17 Provisions for risks and charges

The table below shows the breakdown and movements of provisions for risks and charges in the years ending on 31 December 2020 and 31 December 2021.

(in thousands of Euro)	Provisions for risks and charges
Balance as of 31 December 2019	-
Allocation	1.000
Use	-
Conversion reserves	-
Balance as of 31 December 2020	1.000
Allocation	3.583
Use	-
Conversion reserves	71
Balance as of 31 December 2021	4.654

In 2018 the Parent Company underwent a verification by the Italian tax authorities (Agenzia delle Entrate) for the 2015 fiscal year, as a result of which a formal report of verification was issued. During December 2020, the Company settled the refutations relating to the same report of verification by means of verification with acceptance procedure. Some of the refutations made by the Revenue Agency in the report of verification could be repeated in relation to transactions carried out by the Company in subsequent tax periods and consequently, supported by its consultants, the Company has prudently made provisions of € 2,000 thousand, in addition to the sum allocated during the previous financial year.

During the period, the sum of € 1,583 thousand was allocated to the provision for the relocation of production sites in China and England for € 943 thousand and € 640 thousand, respectively, to cover the costs and incidental expenses that the Group will incur to transfer production to the new facilities.

8.18 Trade payables

The table below reports details of trade payables as of 31 December 2020 and 31 December 2021.

(in thousands of Euro)	At 31 December	
	2021	2020
Trade payables to suppliers	23.820	25.585
Trade payables to related parties	-	-
Trade payables	23.820	25.585

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

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

8.19 Other current payables and liabilities

The table below reports details of other current payables and liabilities as of 31 December 2020 and 31 December 2021.

(in thousands of Euro)	At 31 December	
	2021	2020
Payable to employees	9.157	10.811
Payable to social security institutions	2.708	2.594
Tax payables	1.596	2.398
Accrued payables	49	58
Deferred income	55	214
Payable to directors	1.175	1.360
Other	426	122
Other current payables and liabilities	15.166	17.557

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 2020 and 31 December 2021 primarily include tax payables for taxes not correlated to income, consisting primarily of VAT and other indirect taxes payable and withholding tax on employees' pay.

9. Notes to the consolidated income statement

9.1 Revenues from contracts with customers

The table below breaks down revenues from contracts with customers by division in the years ending on 31 December 2020 and 31 December 2021.

(in thousands of Euro)	Financial year ended 31 December	
	2021	2020
<i>Healthcare Liquid</i>	100.107	80.254
<i>Healthcare Air & Gas</i>	48.607	58.665
<i>Laboratory</i>	31.602	20.185
<i>Healthcare & Life Sciences</i>	180.316	159.104
<i>Powertrain & Drivetrain</i>	29.000	27.181
<i>Safety & Electronics</i>	21.626	20.597
<i>Sport & Utility</i>	20.089	17.415
<i>Energy & Mobility</i>	70.715	65.193
<i>Personal Safety</i>	81.981	132.933
<i>Air Safety</i>	5.114	6.066
<i>Health & Safety</i>	87.095	138.999
Revenue from customer contracts	338.126	363.296

The decrease in revenues in the period ended 31 December 2021 compared to the same period of the previous year is mainly attributable to the performance of the Health & Safety division, whose extraordinary growth in the previous year had been driven by the needs deriving from the spread of the COVID-19 pandemic. The contraction in revenues from contracts with customers, recorded by the Energy & Mobility division in 2020, was also due to the exceptional events of the period, and during 2021 there was a return to the trend prior to the pandemic. The revenues of the Healthcare & Life Sciences division, have risen during the year under examination, due to the resumption of a sustained growth trend in the Laboratory business and the Healthcare Liquid business, which, in addition to absorbing the effects of the acquisitions realised in 2020, recorded a recovery in the activities that had suffered most from some contractions related to the effects of the pandemic.

The table below breaks down revenues from contracts with customers by type of sale in the years ending on 31 December 2020 and 31 December 2021.

(in thousands of Euro)	Financial year ended 31 December	
	2021	2020
<i>Business to business (BTB)</i>	237.877	184.581
<i>Business to consumer (BTC)</i>	100.249	178.715
Total revenue from customer contracts	338.126	363.296

The table below breaks down revenues from contracts with customers by geographic area in the years ending on 31 December 2020 and 31 December 2021.

(in thousands of Euro)	Financial year ended 31 December	
	2021	2020
North America	145.546	138.290
Europe	120.337	156.467
Asia	48.626	50.244
Other countries	23.617	18.295
Total revenue from customer contracts	338.126	363.296

Revenues as of 31 December 2021 are mainly attributable to the sale of finished products.

Please see the report on operations for more information.

9.2 Other revenues and proceeds

The table below breaks down other revenues and proceeds in the years ending on 31 December 2020 and 31 December 2021.

(in thousands of Euro)	Financial year ended 31 December	
	2021	2020
Contributions for operating expenses	159	346
Recovery and chargeback	63	70
Insurance refunds	36	3
Recovery of scrap	265	243
Capital gains on sales	2.890	38
Other	1.536	1.216
Other revenues and proceeds	4.949	1.916

Capital gains on sales in the year ending on 31 December 2021 are primarily represented by capital gains from the disposal of the production site in China to the local government and to the sale of real estate in Romania and Brazil as a result of the Sale and Leaseback Operations (refer to section 1.2).

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

The table below breaks down purchases and consumption of raw materials, semi-products and finished products in the years ending on 31 December 2020 and 31 December 2021.

(in thousands of Euro)	Financial year ended 31 December	
	2021	2020
Purchases of raw materials	103.484	100.243
Variation in inventories of products in progress, semi-products and finished products	(589)	(4.606)
Variation in inventories of raw materials, subsidiary materials and goods	(6.801)	(7.077)
Purchases and consumption of raw materials, semi-products and finished products	96.094	88.560

This item includes the change in the provision for writedown of inventory amounting to Euro 1,234 thousand in the year ending on 31 December 2021 and Euro 1,950 thousand in the year ending on 31 December 2020.

9.4 Personnel costs

The table below breaks down personnel costs in the years ending on 31 December 2020 and 31 December 2021.

(in thousands of Euro)	Financial year ended 31 December	
	2021	2020
Salaries and wages	76.995	77.116
Social security contributions	20.502	20.495
Cost of termination indemnity	1.061	982
Other costs	41	284
Personnel costs	98.599	98.877

The table below reports the average number of Group employees in the years ending on 31 December 2020 and 31 December 2021, broken down by category.

(In units)	Financial year ended 31 December	
	2021	2020
Blue-collar workers	2.467	2.656
White-collar workers	514	383
Management	60	46
Executives	36	28
Total employees	3.077	3.113

9.5 Service costs

The table below breaks down service costs in the years ending on 31 December 2020 and 31 December 2021.

(in thousands of Euro)	Financial year ended 31 December	
	2021	2020
Utilities and cleaning services	7.892	6.646
Maintenance	4.522	3.901
Transportation	4.642	5.481
Consulting services	4.046	7.099
Travel and lodging	988	748
Subcontracting	1.746	2.263
Marketing and trade fairs	1.036	799
Insurance	1.797	1.198
Cafeteria	1.496	1.517
Commissions	616	1.031
Directors' fees	3.430	2.560
Other services	4.451	2.973
Service costs	36.662	36.216

Consulting services, in the period ended 31 December 2021, includes Euro 1,077 thousand for costs relating to services received in support of the acquisitions made in the current year. The item other services includes, for €991 thousand, the 2021 CONSOB supervisory fee.

Consulting services, in the period ended 31 December 2020, included, for Euro 4,285 thousand, costs relating to the listing of GVS ordinary shares on the Mercato Telematico Azionario organised and managed by the Italian Stock Exchange.

9.6 Other operating costs

The table below breaks down other operating costs in the years ending on 31 December 2020 and 31 December 2021.

(in thousands of Euro)	Financial year ended 31 December	
	2021	2020
Leasing costs	1.724	1.328
Indirect taxation	958	927
Membership fees and charity contributions	444	294
Allocation to provision for risks	1.583	-
Losses on sales	6	40
Other minor costs	675	608
Other operating costs	5.390	3.197

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

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

9.7 Net writedowns of financial assets

Net writedowns of financial assets, entered on the basis of the requirements of IFRS 9, totalled Euro 462 thousand and Euro 335 thousand in the years ending on 31 December 2021 and 31 December 2020, 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 2020 and 31 December 2021 appears in note 8.8 - "Trade receivables".

9.8 Amortisation, depreciation and writedowns

The table below breaks down amortisation, depreciation and writedowns in the years ending on 31 December 2020 and 31 December 2021.

(in thousands of Euro)	Financial year ended 31 December	
	2021	2020
Amortisation and writedowns of intangible assets	7.594	5.828
Depreciation and writedowns of tangible assets	11.859	9.487
Amortisation and writedowns of assets represented by usage rights	4.074	3.715
Amortisation, depreciation and writedowns	23.527	19.030

A breakdown of the composition of, and movements in, intangible assets and tangible assets for the years ending on 31 December 2020 and 31 December 2021 is provided in notes 8.1 and 8.3. Information on assets represented by usage rights appears in note 8.2.

9.9 Financial proceeds and charges

The table below breaks down financial proceeds in the years ending on 31 December 2020 and 31 December 2021.

(in thousands of Euro)	Financial year ended 31 December	
	2021	2020
Net profits on exchanges	10.052	-
Other financial proceeds	479	265
Financial proceeds	10.531	265

The table below breaks down financial charges in the years ending on 31 December 2020 and 31 December 2021.

(in thousands of Euro)	Financial year ended 31 December	
	2021	2020
Interest on bonded loans	1,704	2,420
Interest on loans	291	588
Net losses on exchanges	-	9,473
Interest on leasing liabilities	252	243
Interest on actualisation of provisions for employee benefits	9	26
Amortised cost	144	563
Interest for debt discounting for earn out	630	-
Other financial charges	83	59
Financial charges	3.113	13.372

Financial income and charges include in the year ended 31 December 2021 net profits on exchanges and in the year ended 31 December 2020 net losses on exchanges mainly related to unrealised gains and losses deriving from the adjustment in Euro of the dollar-denominated bonded loan and from the intercompany loan granted in dollars by GVS to the subsidiary GVS NA Holdings Inc.

9.10 Annual income tax

The table below breaks down annual income tax in the years ending on 31 December 2020 and 31 December 2021.

(in thousands of Euro)	Financial year ended 31 December	
	2021	2020
Current taxes	16,139	27,116
Deferred taxes	5,919	(1,135)
Taxes relating to previous/non-recurring years	95	1,827
Income tax	22.153	27.808

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 2020 and 31 December 2021.

(in thousands of Euro)	Financial year ended 31 December	
	2021	2020
Pre-tax result	89.757	105.891
Theoretical tax rate	24,0%	24,0%
Theoretical tax burden	21.542	25.414
Effect of difference between local rates and theoretical tax rate	(1,978)	(424)
Permanent differences effect of taxation	530	(1,021)
IRAP (Regional production tax)	681	1,771
Other	1,379	2,068
Income tax	22.153	27.808

9.11 Net profit per share

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

	Financial year ended 31 December	
	2021	2020
Group's share of net profit (in thousands of Euro)	67,604	78,083
Weighted average number of shares in circulation	174,693,198	137,719,608
Profit per share (in Euro)	0.39	0.57

Diluted earnings per share at 31 December 2021 was positive at 0.39 (positive at € 0.56 at 31 December 2020) calculated by dividing the result attributable to the shareholders of GVS SpA by the weighted average number of shares in circulation, adjusted to take into account the effects of all potential ordinary shares with dilutive effect. As potential ordinary shares with dilutive effect, those linked to the performance shares plan have been considered.

10. Hyperinflation

On the basis of the provisions of EU-IFRS regarding the entry and exit criteria for inflation accounting, the Argentinian subsidiary GVS Argentina S.A. adopted inflation accounting beginning in the year ending on 31 December 2018; it is the only Group company to operate in a situation of high inflation. Profit or loss on net monetary position, allocated to the income statement among financial proceeds and charges, amounts to a negative value of Euro 78 thousand for the year ending on 31 December 2021 and to a negative Euro 26 thousand for the year ending on 31 December 2020.

11. Non-recurring revenues and operating costs

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

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

Non-recurrent proceeds and charges in the period ending on 31 December 2020 represent: (i) amortisation of intangible and tangible assets recorded following the purchase price allocation of the Kuss group (Euro 3,865 thousand), (ii) consultancy costs and one-off bonuses paid to personnel in relation to the IPO procedure concluded on 19 June 2020 (Euro 5,081 thousand), (iii) consultancy costs for purchase of the shareholding in Puerto Rico (Euro 268 thousand) (iv) personnel reorganisation costs (Euro 284 thousand), and (v) the higher costs related to the value of inventories assigned after the purchase price allocation of the GCA Business Unit (Euro 65 thousand), net of the related tax effect. Non-recurring charges for taxes also include € 1,535 thousand relating to the costs of the tax dispute described above.

12. Transactions with related parties

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

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

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

The table below sums up the Group's payables and receivables in relation to related parties at 31 December 2020 and 31 December 2021.

	Parent company	Companies subject to parent company's control	Top management	Total	Total item in the financial statement	Impact on the financial statement
(in thousands of Euro)	GVS Group	GVS Real Estate S.r.l. and subsidiaries				
Assets represented by usage rights		subsidiaries				
At 31 December 2021		4.155	4.155	10.420	39,9%	39,9%
At 31 December 2020	-	2.953	-	2.953	8.438	35,0%
Tangible fixed assets						
At 31 December 2021			18	18	77.622	0,0%
Current tax receivables						
At 31 December 2021	3.462		3.462	7.590	45,6%	45,6%
Other receivables and current assets						
At 31 December 2021		12	12	10.011	0,1%	0,1%
Non-current leasing liabilities						
At 31 December 2021		2.783	2.783	6.773	41,1%	41,1%
At 31 December 2020	-	2.146	-	2.146	5.471	39,2%
Provisions for employee benefits:						
At 31 December 2021			1.699	1.699	4.366	38,9
At 31 December 2020	-	-	1.617	1.617	4.499	35,9%
Current leasing liabilities						
At 31 December 2021		1.970	1.970	4.760	41,4%	41,4%
At 31 December 2020	-	965	-	965	3.495	27,6%
Current tax payables						
At 31 December 2020	5.041	-	-	5.041	14.485	34,8%
Other current payables and liabilities						
At 31 December 2021	308		2.359	2.667	15.166	17,6%
At 31 December 2020	-	-	2.855	2.855	17.557	16,3%

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

	Parent company	Companies subject to parent company's control	Top Management	Total	Total item in the financial statement	Impact on the financial statement
(in thousands of Euro)	GVS Group	GVS Real Estate S.r.l. and subsidiaries				
Other revenues and proceeds		subsidiaries				
Financial year ended 31 December 2021	10	949	-	959	4.949	19,4%
Financial year ended 31 December 2020	-	-	-	-	1.916	0,0%
Personnel costs						
Financial year ended 31 December 2021	-	-	3.418	3.418	98.599	3,5%
Financial year ended 31 December 2020	-	-	3.432	3.432	98.877	3,5%
Service costs						
Financial year ended 31 December 2021	-	-	3.430	3.430	36.662	9,4%
Financial year ended 31 December 2020	815	-	2.485	3.300	36.216	9,1%
Amortisation, depreciation and writedowns						
Financial year ended 31 December 2021	-	1.154	-	1.154	23.527	4,9%
Financial year ended 31 December 2020	-	950	-	950	19.030	5,0%
Financial charges						
Financial year ended 31 December 2021	-	81	-	81	3.060	2,6%
Financial year ended 31 December 2020	-	46	-	46	13.372	0,3%

TRANSACTIONS WITH THE GVS GROUP

The Company and its Italian subsidiary GVS Sud S.r.l. participate in the optional national tax consolidation system under GVS Group. Current tax receivables at 31 December 2021 and current tax payables at 31 December 2020 refer exclusively to this case.

TRANSACTIONS WITH GVS REAL ESTATE

On 5 March 2018, GVS stipulated a leasing agreement with GVS Real Estate S.r.l., expiring on 28 January 2024, for two production facilities, one of which includes the Company's registered offices in Zola Predosa (BO). In addition, in December 2021 GVS took 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 2021, the Group recorded assets represented by usage rights and relative leasing liabilities for Euro 927 thousand and Euro 1,240 thousand (Euro 1,221 thousand and Euro 1,246 thousand at 31 December 2019), as well as depreciation and financial charges for Euro 385 thousand and Euro 12 thousand at 31 December 2021 (Euro 386 thousand and Euro 17 thousand at 31 December 2020) respectively.

On 11 December 2019, the Group company GVS Sud S.r.l. signed an agreement with GVS Real Estate S.r.l. for the sale of land and buildings pertaining to a production facility in Italy (Avellino). The parties subsequently signed a lease agreement under which GVS Real Estate S.r.l. leased the property sold back to the Group. The leasing agreement for the land and buildings sold involved entry, as of 31 December 2021, of assets represented by usage

rights and leasing liabilities of Euro 953 thousand and Euro 982 thousand respectively (Euro 1,191 thousand and Euro 1,221 thousand, respectively at 31 December 2020), and of amortisation, depreciation and writedowns and financial charges for the period ending on 31 December 2021 of Euro 238 thousand and Euro 11 thousand respectively.

TRANSACTIONS WITH GVS REAL ESTATE US

On 3 September 2019, the Group company GVS Filtration Inc signed two sales agreements with GVS Real Estate US for sale of land and buildings pertaining to two production facilities in Ohio and Wisconsin. At the same time as the sale, the parties signed two lease agreements under which GVS Real Estate US leased the properties sold back to the Group. The leasing agreements for the real estate properties sold as described above resulted in entry as of 31 December 2021 of assets represented by usage rights amounting to Euro 275 thousand and Euro 609 thousand respectively (Euro 506 thousand and the corresponding leasing liabilities amounting to Euro 609 thousand at 31 December 2020), as well as amortisation, depreciation and writedowns and financial charges in the period ending on 31 December 2021 amounting to Euro 262 thousand and Euro 8 thousand respectively.

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 entry, as of 31 December 2021, of assets represented by usage rights and leasing liabilities of Euro 1,333 thousand and Euro 1,331 thousand, respectively, and of amortisation, depreciation and writedowns and financial charges for the period ending on 31 December 2021 of Euro 207 thousand and Euro 49 thousand, respectively.

TRANSACTIONS WITH GVS PATRIMONIO IMMOBILIARE

During 2021, following the corporate reorganization operation, the company of the GVS Microfiltrazione Group signed a lease agreement with the company GVS Patrimonio Immobiliare through which GVS Patrimonio Immobiliare leased to the Group the property attributable to the production site located in Ciorani. This lease contract entailed the registration, as of 31 December 2021, of assets represented by usage rights and the related leasing liabilities for Euro 495 thousand.

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 lease contract relating to the aforementioned property object of the previous sale entailed the registration, at 31 December 2021, of assets represented by usage rights and related leasing liabilities for Euro 136 thousand and Euro 336 thousand respectively.

TRANSACTIONS WITH TOP MANAGEMENT

As of the date of the 2021 financial statements the following are considered members of the Group's Top Management:

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

The table below provides details of fees payable to members of Top Management in the years ending on 31 December 2020 and 31 December 2021, including contributions.

(in thousands of Euro)	Financial year ended 31 December	
	2021	2020
Fees for office held	1.218	1.101
Bonuses and other incentives	2.032	2.126
Other fees	169	205
Directors' fees	3.430	2.485
Total	6.848	5.916

Please note that:

- other current payables and liabilities as of 31 December 2021 include payables to directors for fees not yet paid totalling Euro 1,175 thousand (Euro 1,360 thousand at 31 December 2020);
- provisions for employee benefits as of 31 December 2021 include the value of end of service indemnity for directors totalling Euro 1,699 thousand (Euro 1,617 thousand at 31 December 2020);
- costs for services for the period ended 31 December 2021 include directors' fees, expenses tied to the performance share plan and allocations to the provisions for end of service indemnity for a total amount of Euro 3,430 thousand (Euro 2,485 thousand for the period ended 31 December 2020).

13. Commitments and risks

Sureties and guarantees granted to third parties

At 31 December 2021, the Group had sureties and guarantees in place for a total amount of Euro 100 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.

14. Directors' and auditors' fees

Emoluments for the 2021 financial year due to directors (including bonuses, charges related to the performance shares plan, provisions for severance indemnity and related contributions) and statutory auditors amounted to Euro 3,430 thousand and Euro 95 thousand, respectively.

The following table gives details of the remuneration for executive directors and non-executive directors in 2021.

(in thousands of Euro)	2021
Chairman of the Board of Directors	260
Executive Directors	3.020
Non-executive directors	150
Total cost	3.430

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

15. Independent auditor's fees

The independent auditor's fees amount to Euro 330 thousand and Euro 1,528 thousand for the years ending on 31 December 2021 and 31 December 2020, respectively. In compliance with the provisions of Art. 149-duodecies of the CONSOB Issuers Regulation, the fees for 2021 for audit services and other services provided by the independent auditors and entities belonging to its network and others have been attached.

16. Research and development

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

The table below reports research and development costs entered among operating costs in the years ending on 31 December 2020 and 31 December 2021.

(in thousands of Euro)	Financial year ended 31 December	
	2021	2020
Research and development costs	20.422	19.854
Capitalised development costs	(3.615)	(2.274)
Amortisation of capitalised development costs	1.728	1.532
Research and development costs entered as operating costs	18.535	19.112

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

Acquisition of Shanghai Transfusion Technology Co. Ltd

On 02 March 2022, the GVS Group, through its subsidiary GVS Technology (Suzhou) Co. Ltd, has completed the acquisition of the entire share capital of Shanghai Transfusion Technology Co. Ltd ("STT"), a historic Chinese company, leader in the production and sale of products related to blood treatment. The closing of the transaction took place following the meeting of all conditions precedent set out in the sale contract. The consideration paid at the closing was equal to approximately 50 million euros. A deferred payment, of a maximum amount of approximately 9 million euros, will be paid to the seller in the event that STT obtains the authorization to produce and market a new strategic line of products. The price may be subject to some adjustments on the basis of the working capital and net financial position. The acquisition was financed with the available liquidity of GVS. After the closing, STT will repay the loan of approximately CNY 70.0 million (approximately EUR 10.0 million) granted by the seller in order to finance certain pre-closing payments and provide STT with adequate working capital.

Waiver of payment of the principal amount foreseen for the financial year 2022 of the loan agreement signed for the RPB acquisition

In March 2022, GVS obtained from the lending banks of the loan for the RPB Acquisition, a waiver to pay the principal amount initially scheduled for financial year 2022. Although in this report this amount has been highlighted among short-term financial liabilities, the amount of Euro 19,560 thousand will be repaid starting from financial year 2023.

Definition of the earn out for the RPB acquisition

In March 2022, GVS agreed with the RPB sellers, the amount to pay as earn out on the basis of achievement of the Adjusted EBITDA targets of the RPB Group in the course of 2021. Note that this financial debt has been reflected in the financial situation reported at 31 December 2021, in line with the applicable accounting standards, and the accounting effects of the RPB Takeover are described in note 7 "Business combinations".

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

Bilancio Consolidato chiuso al 31 dicembre 2021 è stato approvato dal Consiglio di Amministrazione del 22 marzo 2022, che ne autorizza la pubblicazione nei termini di legge.

SCHEDULES ANNEXED TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

(in thousands of Euro)	At 31 December 2021	of which with related parties	percentage	At 31 December 2020	of which with related parties	percentage
ASSETS						
Non-current assets						
Intangible assets	227.743			90.979		
Assets represented by usage rights	10.420	4.155	39.9%	8.438	2.953	35.0%
Tangible assets	77.622	18	0,0%	68.925		
Advance tax assets	1.502			4.568		
Non-current financial assets	1.318			968		
Non-current derivative financial instruments	123			-		
Other receivables and non-current assets	-			-		
Total non-current assets	318.728			173.878		
Current assets						
Inventories	72.353			46.048		
Trade receivables	52.975			52.084		
Assets from contracts with customers	1.678			1.753		
Current tax receivables	7.590	3.462	45.6%	202		
Other receivables and current assets	10.011	12	0,1%	8.299	(0)	0,0%
Current financial assets	8.337			5.026		
Cash on hand	136.893			125.068		
Total current assets	289.837			238.480		
TOTAL ASSETS	608.565			412.358		
SHAREHOLDERS' EQUITY AND LIABILITIES						
Share capital	1.750			1.750		
Reserves	225.967			162.854		
Net income	67.590			78.063		
Group net shareholders' equity	295.307			242.667		
Minority interests	40			30		
Total shareholders' equity	295.347			242.697		
Non-current liabilities						
Debt for the purchase of equity investments and earn out	-			-		
Non-current financial liabilities	180.164			69.728		
Non-current leasing liabilities	6.773	2.783	41.1%	5.471	2.146	39.2%
Deferred tax liabilities	5.675			3.167		

Provisions for employee benefits	4.366	1.699	38.9%	4.499	1.617	35.9%
Provisions for risks and charges	4.654			1.000		
Non-current derivative financial instruments	-			107		
Other non-current payables and liabilities	-			-		
Total non-current liabilities	201.632			83.972		
Current liabilities						
Debt for the purchase of equity investments and earn out	19.670			-		
Current financial liabilities	41.706			19.673		
Current leasing liabilities	4.760	1.970	41.4%	3.495	965	27.6%
Trade payables	23.820	(0)	0,0%	25.585	(0)	0,0%
Liabilities from contracts with customers	3.417			4.894		
Current tax payables	3.047	-	0,0%	14.485	5.041	34.8%
Other current payables and liabilities	15.166	2.667	17.6%	17.557	2.855	16.3%
Total current liabilities	111.586			85.689		
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	608.565			412.358		

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

(in thousands of Euro)	Financial year ended 31 December					
	2021	of which with related parties	percentage	2020	of which with related parties	percentage
Revenue from customer contracts	338.126			363.296		
Other revenues and proceeds	4.949	959	19.4%	1.916	-	
Total revenues	343.075			365.212		
Purchases and consumption of raw materials, semi-products and finished products	(96.094)			(88.560)		
Personnel costs	(98.599)	(3.418)	3.5%	(98.877)	(3.432)	3.5%
Service costs	(36.662)	(3.430)	9.4%	(36.216)	(3.300)	9.1%
Other operating costs	(5.390)			(3.197)		
EBITDA	106.330			138.363		
Net writedowns of financial assets	(462)			(335)		
Amortisation, depreciation and writedowns	(23.528)	(1.154)	4.9%	(19.030)	(950)	5.0%
EBIT	82.340			118.998		
Financial proceeds	10.531			265		
Financial charges	(3.113)	(81)	2.6%	(13.372)	(46)	0.3%
Pre-tax result	89.757			105.891		
Income tax	(22.153)			(27.808)		
Net income	67.604			78.083		
<i>Group's share</i>	<i>67.590</i>			<i>78.063</i>		
<i>Minority share</i>	<i>14</i>			<i>20</i>		

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

(in thousands of Euro)	Financial year ended 31 December					
	2021	of which with related parties	percentage	2020	of which with related parties	percentage
Pre-tax result	89.757	(8.083)	-9%	105.891	(7.727)	-7%
<i>- Adjustment for:</i>						
Amortisation, depreciation and writedowns	23.528	1.154	5%	19.030	950	5%
Capital losses / (capital gains) from sale of assets	(2.884)			2		
Financial charges / (proceeds)	(7.418)	81	-1%	13.107	46	0%
Other non-monetary variations	6.653	82	1%	3.146	143	5%
Cash flow generated / (absorbed) by operations before variations in net working capital	109.637			141.176		
Variation in inventories	(9.530)			(21.008)		
Variation in trade receivables	(4.671)			(6.165)	-	0%
Variation in trade payables	(6.411)	-	0%	18.182	(31)	0%
Variation in other assets and liabilities	(662)	(200)	30%	(1.718)	3.168	-184%
Use of provisions for risks and charges and for employee benefits	(265)			(118)		
Taxes paid	(32.616)	(9.320)	29%	(16.277)	(3.315)	20%
Net cash flow generated / (absorbed) by operations	55.483			114.073		
Investments in tangible assets	(19.440)	(18)		(27.306)		
Investments in intangible assets	(3.755)			(4.059)		
Disposal of tangible assets	7.184			608		
Investment in financial assets	(3.372)			(4.443)		
Disinvestment in financial assets	358			191		
Payment for purchase of businesses, net of cash on hand acquired	(129.217)			(10.534)		
Net cash flow generated / (absorbed) by investment	(148.242)			(45.543)		
Opening of long-term financial payables	150.171			40.503		
Repayment of long-term financial payables	(18.543)			(103.325)		
Repayment of leasing liabilities	(2.284)	(714)	31%	(4.272)	(1.005)	24%
Financial charges paid	(2.940)	(81)	3%	(4.959)	(46)	1%
Financial proceeds collected	479			265		
Net fee for IPO	-			74.508		
Treasury shares	(3.448)			-		
Dividends paid	(22.722)	(16.350)	72%	(1.681)	(1.681)	100%
Net cash flow generated/(absorbed) by financial assets	100.712			1.039		
Total variation in cash on hand	7.954			69.569		
Cash on hand at the start of the year	125.068			58.542		
Total variation in cash on hand	7.954			69.569		
Conversion differences on cash on hand	3.871			(3.043)		
Cash on hand at the end of the year	136.893			125.068		

(*) Ai sensi della delibera Consob n. 15519 del 27 luglio 2016, gli effetti delle transazioni con parti correlate sulla Situazione patrimoniale e finanziaria sono evidenziati nei prospetti allegati.

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

(in thousands of Euro)	Financial year ended 31 December							
	2021	of which non-recurring	2021 from ordinary operations	percentage	2020	of which non-recurring	2020 from ordinary operations	percentage
Revenue from customer contracts	338.126		338.126		363.296		363.296	
Other revenues and proceeds	4.949	3.644	1.305	73,6%	1.916		1.916	
Total revenues	343.075	3.644	339.431		365.212	-	365.212	
Purchases and consumption of raw materials, semi-products and finished products	(96.094)	(1.548)	(94.546)	1,6%	(88.560)	(65)	(88.495)	0,1%
Personnel costs	(98.599)		(98.599)		(98.877)	(1.080)	(97.797)	1,1%
Service costs	(36.662)	(2.068)	(34.594)	5,6%	(36.216)	(4.553)	(31.663)	12,6%
Other operating costs	(5.390)	(1.583)	(3.807)	29,4%	(3.197)		(3.197)	
EBITDA	106.330	(1.555)	107.885		138.363	(5.698)	144.061	
Net writedowns of financial assets	(462)		(462)		(335)		(335)	
Amortisation, depreciation and writedowns	(23.528)	(5.384)	(18.144)	22,9%	(19.030)	(3.865)	(15.165)	20,3%
EBIT	82.340	(6.939)	89.279		118.998	(9.563)	128.561	
Financial proceeds	10.531		10.531		265		265	
Financial charges	(3.113)	(630)	(2.483)	20,2%	(13.372)		(13.372)	
Pre-tax result	89.757	(7.569)	97.327		105.891	(9.563)	115.454	
Income tax	(22.153)	(184)	(21.970)	0,8%	(27.808)	409	(28.217)	-1,5%
Net income	67.604	(7.753)	75.357		78.083	(9.154)	87.237	

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 2021 for audit services and other services provided by the independent auditors and entities belonging to its network as well as others.

(in thousands of Euro)	Person who provided the service	Recipient/assignment	2021 fees
	PwC SpA	Parent company - audit of the financial statements	50
	PwC SpA	Parent company - audit of the consolidated financial statements	99
	PwC SpA	Parent company - audit of the half-yearly report	71
	PwC SpA	GVS SUD S.r.l. - audit of the financial statements	4
	PwC SpA	Subsidiaries - audit services for consolidated financial statements	67
Total Audit of Accounting			291
	PricewaterhouseCoopers Business Services Srl	Parent Company - Methodological support to the manager in charge of survey / mapping tasks pursuant to Law 262/2005	14
	PwC SpA	Parent company - Limited assurance NFS	25
Total other services (NAS)			39
TOTAL			330



CERTIFICATION OF THE CONSOLIDATED FINANCIAL STATEMENTS PURSUANT TO ARTICLE 154 BIS OF LEGISLATIVE DECREE 58/98



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 Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of GVS Group which comprise the consolidated statement of financial position as of 31 December 2021, 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 2021, 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

PricewaterhouseCoopers SpA

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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 2021.

2. The assessment of the adequacy of the administrative and accounting procedures for the preparation of the Consolidated Financial Statements at 31 December 2021 was carried out on the basis of the standards and methodologies defined by GVS mainly in accordance with the Internal Control - Integrated Framework model issued by the Committee of Sponsoring Organisations of the Treadway Commission, which represents a reference framework for the internal control system generally accepted at the international level.

3. In addition, they also certify that:

3.1 the Consolidated Financial Statements:

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

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

Zola Predosa, 22 March 2022

Massimo Scagliarini
Amministratore Delegato

Emanuele Stanco
Dirigente preposto alla redazione
dei documenti contabili societari



opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matters

Auditing procedures performed in response to key audit matters

Revenue recognition

Note 2.4 “Accounting standards and assessment criteria” and Note 9.1 “Revenues from contracts with customers” to the consolidated financial statements

Revenues from contracts with customers in the consolidated financial statements of the GVS Group as of 31 December 2021 are equal to Euro 338,126 thousand, mainly attributable to the sale of finished products. Those revenues are recognised, in accordance with IFRS 15 – *Revenue from contracts with customers*, when control of the products is transferred to the customer.

The correct recognition of revenues was a key matter in our audit in consideration of the materiality of the item and the large number of transactions making up the total amount.

Our audit approach consisted, preliminarily, in understanding and evaluating the methods and procedures defined by the GVS Group for the recognition and measurement of sales revenues. Moreover, we identified and validated the operating effectiveness of controls over the revenue recognition process.

Taking into account the understanding, evaluation and validation of internal controls mentioned above, we then planned and performed substantive tests on the item in question.

In detail, on a representative sample of transactions we verified the existence and accuracy of revenues reported in the consolidated financial statements by examining the information in the supporting documents.

We also performed external confirmation procedures on a sample of customers with the aim of obtaining evidence supporting the transactions recorded

Finally, we selected a sample of sales transactions in December 2021 and January 2022 and we verified, against supporting documents, their correct cut-off in accordance with the accrual basis of accounting.



Recoverability of intangible assets

Note 2.4 “Accounting standards and assessment criteria” and Note 9.1 “Revenues from contracts with customers” to the consolidated financial statements

The value of intangible assets in the consolidated financial statements of GVS SpA is equal to Euro 227,743 thousand, accounting for 37.4% of total assets, and includes goodwill for Euro 98,379 thousand and intangible assets with finite lives for Euro 129,364 thousand.

Goodwill relates to the acquisition of the KUSS Group, which took place in previous years, for Euro 49,932 thousand, to the acquisition of the RPB Group, which took place in 2021, for Euro 28,137 thousand, and to other business combinations for Euro 20,310 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 each cash generating unit (CGU) to which goodwill is allocated with the respective recoverable amount, i.e. the higher of value in use and fair value less costs of disposal. As of 31 December 2021 the recoverable amounts were determined on the basis of value in use, by discounting to present value the estimated future cashflows in the 2022-2025 business plan approved by the Company’s board of Directors on 22 March 2022, plus terminal value.

Other intangible assets with finite lives are tested only if indicators of impairment are present.

We considered the recoverability of intangible asset values a key audit matter in consideration of the materiality of the amounts and of the elements of uncertainty and estimation intrinsic to the Directors’ assessment of their recoverability.

The key elements of uncertainty and estimation are related to the correct definition and

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.

With reference to goodwill, also with the support of business valuation experts from the PwC network, we analysed the methods adopted by management to determine the recoverable amounts, we verified the reasonableness of the key assumptions reflected in the valuation models, including the discount rates, we verified the mathematical accuracy of the models used and we compared the value in use with the carrying amount of each CGU.

We analysed the reasonableness of management’s considerations about the identification of the CGUs and the process of allocation of goodwill, verifying their consistency with the organisation structure of the GVS Group and of its operating segments.

With regard to intangible assets with finite lives we verified the reasonableness of management’s considerations about the absence of impairment indicators.

We analysed the forecasts used to assess the recoverability of goodwill, verifying their consistency with the 2022-2025 business plan approved by the Company’s board of Directors on 22 March 2022, making a critical assessment of the reasonableness of the estimated cashflows, also in light of the historical results of the GVS Group.

Finally, our procedures included analysing the notes to the consolidated financial statements and the overall adequacy and completeness of



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.

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

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

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

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

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

- We identified and assessed the risks of material misstatement of the consolidated financial statements, whether due to fraud or error; we designed and performed audit procedures responsive to those risks; we obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- We obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an



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

We communicated with those charged with governance, identified at an appropriate level as required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identified during our audit.

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

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) No. 2019/815

The Directors of GVS SpA are responsible for the application of the provisions of Commission Delegated Regulation (EU) No. 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, 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 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 the GVS Group as of 31 December 2021, 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. 58/98, with the consolidated financial statements of the GVS Group as of 31 December 2021 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 2021 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. 39/10, 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, 5 April 2022

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.

**INDEPENDENT AUDITOR'S
REPORT ON THE
CONSOLIDATED FINANCIAL
STATEMENTS AS AT 31
DECEMBER 2021**

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INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2021 234

Statement of assets and liabilities*

		At 31 December	
(in Euro)	Notes	2021	2020
ASSETS			
Non-current assets			
Intangible assets	6.1	2.967.290	3.033.783
Assets represented by usage rights	6.2	1.869.948	2.012.438
Tangible assets	6.3	24.323.697	19.978.689
Equity investments	6.4	68.130.538	63.679.712
Advance tax assets	6.5	-	1.544.287
Non-current financial assets	6.6	214.402.170	77.771.901
Non-current derivative financial instruments	6.7	123.390	-
Total non-current assets		311.817.033	168.020.810
Current assets			
Inventories	6.8	7.733.556	6.693.749
Trade receivables	6.9	23.175.899	28.117.341
Assets from contracts with customers	6.10	2.640.596	1.816.380
Current tax receivables	6.19	2.922.400	-
Other receivables and current assets	6.11	8.717.816	4.400.728
Current financial assets	6.6	17.478.347	15.166.430
Cash on hand	6.12	82.847.421	83.453.335
Total current assets		145.516.036	139.647.963
TOTAL ASSETS		457.333.069	307.668.773
SHAREHOLDERS' EQUITY AND LIABILITIES			
Share capital		1.750.000	1.750.000
Reserves		131.243.173	127.362.428
Net income		37.702.783	27.308.128
Total shareholders' equity	6.13	170.695.956	156.420.556
Non-current liabilities			
Non-current financial liabilities	6.14	194.901.837	78.711.934
Non-current leasing liabilities	6.2	992.017	1.261.714
Deferred tax liabilities	6.5	3.239.329	-
Provisions for employee benefits	6.16	2.609.896	2.780.362
Provisions for risks and charges	6.17	3.000.000	1.000.000
Non-current derivative financial instruments		-	106.519
Total non-current liabilities		204.743.079	83.860.529
Current liabilities			
Debt for the purchase of equity investments and earn out		264.254	-
Current financial liabilities	6.14	41.481.239	19.507.153
Current leasing liabilities	6.2	902.022	788.521
Trade payables	6.18	28.127.619	31.988.927
Liabilities from contracts with customers	6.10	2.598.968	1.445.144
Current tax payables	6.19	-	5.463.532
Other current payables and liabilities	6.20	8.519.932	8.194.412
Total current liabilities		81.894.035	67.387.689
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		457.333.070	307.668.774

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

Income statement*

(In Euro)	Notes	Financial year ended 31 December	
		2021	2020
Revenue from customer contracts	7.1	89.955.085	124.154.708
Other revenues and proceeds	7.2	2.605.172	3.437.747
Total revenues		92.560.257	127.592.455
Purchases and consumption of raw materials, semi-products and finished products	7.3	(42.288.963)	(48.963.966)
Personnel costs	7.4	(25.614.941)	(26.622.015)
Service costs	7.5	(15.570.758)	(16.482.726)
Other operating costs	7.6	(1.075.352)	(941.544)
EBITDA		8.010.243	34.582.204
Net writedowns of financial assets	7.7	(59.778)	(77.139)
Amortisation, depreciation and writedowns	7.8	(4.920.631)	(4.416.308)
EBIT		3.029.834	30.088.757
Financial proceeds	7.9	15.365.628	2.734.410
Financial charges	7.9	(2.425.621)	(11.498.576)
Income and expense from equity investments	7.10	29.464.323	14.515.861
Pre-tax result		45.434.164	35.840.452
Income tax	7.11	(7.731.381)	(8.532.324)
Net income		37.702.783	27.308.128
<i>Basic net profit per share</i>	7.12	0,22	0,20
<i>Diluted net profit per share</i>	7.12	0,22	0,20

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

Comprehensive income statement

(In Euro)	Notes	Financial year ended 31 December	
		2021	2020
Net income		37.702.783	27.308.128
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	123.390	-
Effect of taxation		(29.614)	-
		93.776	-
Other components of the comprehensive income statement which will not be reclassified in the income statement in subsequent years (net of effect of taxation)			
Actuarial profit (loss) due to employee defined benefit plans	6.16	(9.764)	(91.611)
Effect of taxation		2.724	25.559
		(7.040)	(66.052)
Total other components in the comprehensive income statement		86.736	(66.052)
Comprehensive net profit		37.789.519	27.242.076

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		
At 31 December 2019	1.650.000	13.311.543	329.367	27.130.475	(10.981.337)	(4.956)	2.420.911	15.113.149	48.969.152
Net income	-	-	-	-	-	-	-	27.308.128	27.308.128
Total other components in the comprehensive income statement	-	-	-	-	-	(66.052)	-	-	(66.052)
Comprehensive net profit	-	-	-	-	-	(66.052)	-	27.308.128	27.242.076
Allocation of net profit from previous year	-	-	-	14.336.119	-	-	777.030	(15.113.149)	-
Cancellation of treasury shares	-	-	-	(10.981.337)	10.981.337	-	-	-	-
Capital increase	100.000	81.400.000	-	-	-	-	-	-	81.500.000
Accessory costs to the capital increase	-	(2.692.451)	-	-	-	-	-	-	(2.692.451)
Taxes relating to capital increase costs	-	751.194	-	-	-	-	-	-	751.194
Increase of reserves for long-term incentives	-	-	-	-	-	-	650.585	-	650.585
At 31 December 2020	1.750.000	92.770.286	329.367	30.485.257	-	(71.008)	3.848.526	27.308.128	156.420.556
Net income	-	-	-	-	-	-	-	37.702.783	37.702.783
Total other components in the comprehensive income statement	-	-	-	-	-	(7.040)	93.776	-	86.736
Comprehensive net profit	-	-	-	-	-	(7.040)	93.776	37.702.783	37.789.519
Allocation of net profit from previous year	-	-	20.633	4.537.495	-	-	22.750.000	(27.308.128)	-
Purchase of treasury shares	-	-	-	-	(3.448.176)	-	-	-	(3.448.176)
Dividends approved	-	-	-	-	-	-	(22.750.000)	-	(22.750.000)
Increase of reserves for long-term incentives	-	-	-	-	-	-	2.684.056	-	2.684.056
At 31 December 2021	1.750.000	92.770.286	350.000	35.022.752	(3.448.176)	(78.048)	6.626.358	37.702.783	170.695.955

Cash flow statement

(In Euro)	Notes	Financial year ended 31 December	
		2021	2020
Pre-tax result		45.434.164	35.840.452
- Adjustment for:			
Amortisation, depreciation and writedowns	7.8	4.920.631	4.416.308
Capital losses / (capital gains) from sale of assets	7.2 - 7.6	(6.000)	-
Financial charges / (proceeds)	7.9	(12.940.007)	8.764.166
Income and expense from equity investments	7.10	(29.464.323)	(14.515.861)
Other non-monetary variations		2.501.871	1.177.201
Cash flow generated / (absorbed) by operations before variations in net working capital		10.446.336	35.682.266
Variation in inventories	6.8	(1.089.807)	(2.225.961)
Variation in trade receivables	6.9	4.881.664	(10.567.804)
Variation in trade payables	6.18	(3.861.308)	11.745.466
Variation in other assets and liabilities	6.11 - 6.20	505.385	(68.043)
Use of provisions for risks and charges and for employee benefits	6.16 - 6.17	(264.630)	(118.438)
Taxes paid	7.11	(9.358.932)	(3.747.164)
Net cash flow generated / (absorbed) by operations		1.258.709	30.700.321
Investments in tangible assets	6.3	(8.865.777)	(6.516.777)
Investments in intangible assets	6.1	(141.244)	(479.244)
Disposal of tangible assets	6.3	712.466	58.154
Opening of financial receivables from subsidiaries and other financial assets	6.6	(135.811.649)	(5.855.000)
Repayment of financial receivables from subsidiaries	6.6	9.393.304	16.944.732
Equity investments	6.4	(3.856.368)	(13.662.319)
Dividends from equity investments	6.4	26.264.242	14.515.861
Net cash flow generated / (absorbed) by investment		(112.305.026)	5.005.407
Opening of long-term financial payables	6.14	156.023.000	42.282.530
Repayment of long-term financial payables	6.14	(18.543.000)	(103.226.879)
Repayment of leasing liabilities	6.2	(936.297)	(894.120)
Financial charges paid	7.9	(2.284.681)	(4.781.168)
Financial proceeds collected	7.9	2.351.628	2.734.000
Net fee for IPO	6.13	-	74.507.229
Treasury shares	6.13	(3.448.176)	-
Dividends paid	6.13	(22.722.069)	(1.681.145)
Net cash flow generated/(absorbed) by financial assets		110.440.404	8.940.447
Total variation in cash on hand		(605.914)	44.646.175
Cash on hand at the start of the year		83.453.335	38.807.160
Total variation in cash on hand		(605.914)	44.646.175
Cash on hand at the end of the year		82.847.421	83.453.335

EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2021

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. Starting from the 2021 financial year, the ultimate parent is Lighthouse 11 SpA, which directly holds 50.52% of the share capital of the GVS Group.

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

2. Summary of the accounting standards adopted

2.1 Declaration of conformity with international accounting standards

The Financial Statements 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 22 March 2022 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.

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 suspended among liabilities and credited to the statement of profit and loss 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 no longer very likely that the future transaction hedged will be performed.

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

Trade receivables

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

Moreover, as trade receivables are normally short-term and do not involve payment of interest, there is no calculation of amortised cost, and they are entered in the accounts on the basis of the face value appearing on the invoices or in the contracts stipulated with customers: this provision is also applied to trade receivables which have a contractual term of more than 12 months, unless their effect is not particularly significant. This choice is a result of the fact that the amount of short-term receivables is very similar whether the historical cost method or the amortised cost criterion is applied, and the impact of actualisation would therefore be entirely negligible.

Trade receivables are subject to impairment testing under the provisions of IFRS 9. Trade receivables are divided by expiration date for the purposes of the measurement process.

Performing receivables are subjected to collective measurement, grouping individual types of exposure on the basis of similar levels of credit risk. They are measured on the basis of expected losses throughout the lifespan of the receivable, determined on the basis of losses registered for assets with similar credit risk features on the basis of historical experience, and corrected to reflect expected future economic conditions.

Inventories

Inventories are goods:

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

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

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

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

Cash on hand and cash equivalents

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

Payables

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

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

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

Employee benefits

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

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

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

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

Defined-contribution plans primarily include:

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

Defined-contribution plans primarily 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; supplementary medical insurance funds.

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 to the income statement, adjusting the corresponding equity reserve. If the performance shares are exercised at the end of the vesting period, the corresponding increase in shareholders equity is recorded.

Provisions for potential risks and charges, assets and liabilities

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

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

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

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

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

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

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

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

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

Treasury shares

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

Revenue from customer contracts

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

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

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

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

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

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

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

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

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

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

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

Acknowledgement of costs

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

Listing costs

In accordance with IAS 32, listing costs pertaining to a public subscription offer are entered in the accounts as a direct reduction of shareholders' equity, while costs pertaining to a public offer of sale are entered directly in the income statement. If the listing operation is successful, the ratio between the number of new shares and the number of post-listing shares will determine the percentage of charges to be entered as directly reducing shareholders' equity. If the listing operation does not take place, these costs must be entered in the income statement.

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 2021 contabili, emendamenti ed interpretazioni IFRS applicati dal 1° gennaio 2021

The following IFRS accounting standards, amendments and interpretations were applied for the first time by the Company from 1 January 2021:

- On 31 March 2021, the IASB published an amendment entitled "Covid-19-Related Rent Concessions beyond 30 June 2021 (Amendments to IFRS 16)" with which it extends the period of application of the amendment issued in 2020 by one year, which provided for the lessees the right to account for the reductions in rents connected to COVID-19 without having to assess, through the analysis of the contracts, whether the definition of lease modification of IFRS 16 was respected. Therefore, the lessees who applied this option in the 2020 financial year recognized the effects of the reductions in rent directly on the income statement at the effective date of the reduction. The 2021 amendment is only available to entities that have already adopted the 2020 amendment.
- On 27 August 2020, in light of the interbank interest rate reform such as IBOR, the IASB published the document "Interest Rate Benchmark Reform-Phase 2" which contains amendments to the following standards:
 - IFRS 9 Financial Instruments;
 - IAS 39 Financial Instruments: Recognition and Measurement;
 - IFRS 7 Financial Instruments: Disclosures;
 - IFRS 4 Insurance Contracts;
 - IFRS 16 Leases.

All amendments entered into force on 1 January 2021. The adoption of these amendments had no impact on the Company's separate 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 2021

On 14 May 2020, the IASB published the following amendments entitled:

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

All amendments will enter into force on 1 January 2022. The directors do not expect that the adoption of these amendments will have any meaningful effect on the Company's 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.

- On 23 January 2020, the IASB published an amendment entitled '*Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current*'. The document aims to clarify how to classify debts and other short-term or long-term liabilities. The amendments enter into force on 1 January 2023; however, earlier application is permitted. The directors do not expect that the adoption of these amendments will have any meaningful effect on the Company's separate financial statements;.
- On 12 February 2021, the IASB published two amendments entitled 'Disclosure of Accounting Policies-Amendments to IAS 1 and IFRS Practice Statement 2' and 'Definition of Accounting Estimates-Amendments to IAS 8'. The amendments are intended to improve the disclosure of accounting policies so as to provide more useful information to investors and other primary users of financial statements and to help companies distinguish changes in accounting estimates from changes in accounting policies. The amendments will apply from 1 January 2023, but earlier application is permitted.

The directors are currently evaluating the possible effects of the introduction of these amendments on the Company's separate financial statements.

- On 7 May 2021, the IASB published an amendment entitled "Amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction". The document clarifies how deferred taxes should be accounted for on certain transactions that may generate assets and liabilities of equal amounts, such as leases and decommissioning obligations. The amendments will apply from 1 January 2023, but earlier application is permitted. The directors do not expect that the adoption of this amendment will have any meaningful effect on the Company's separate financial statements

4. Estimates and assumptions

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

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

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

- 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.
- 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.
- Provision for writedown of receivables*: determination of this provision reflects

management's estimate of customers' historic and expected solvency.

- l) Provisions for risks and charges: the existence or non-existence of a current (legal or implicit) obligation is not always easy to determine. Directors assess such phenomena on a case-by-case basis, jointly with estimation of the amount of economic resources required to fulfil the obligation. If the directors believe that the appearance of a liability is merely possible, the risk is indicated in the explanatory note regarding risks and commitments, without setting aside any funds.
- m) Useful lifespan of tangible and intangible assets: useful lifespan is determined when the asset is entered in the financial statements and reviewed at least once a year, at the close of the year. Estimates of the duration of useful lifespan are based on historical experience, market conditions and expectations regarding future events which could have an impact on the asset's useful lifespan, including technological change. It is therefore possible that actual useful lifespan may differ from estimated useful lifespan.
- n) Deferred tax assets: deferred tax assets are entered on the basis of the probability of the existence of future tax revenues in relation to which temporary differences or eventual tax losses may be used within a reasonable time period.
- o) Inventories: final product inventories presenting features of obsolescence or slow turnover are periodically subjected to an assessment test and written down if their recoverable value is less than their book value. Writedowns are based on the directors' assumptions and estimates based on their experience and on the results historically achieved.
- p) Leasing liabilities: the amount of leasing liabilities and therefore the corresponding assets due to usage rights depend on determination of the lease term. This determination is subject to management's assessment, with specific reference to the decision whether or not to include time periods covered by renewal options or cancellation of the lease agreement under leasing contracts. These assessments will be reviewed in the presence of a significant event or a significant change in circumstances with an impact on management's reasonable certainty of exercising an option that was not previously taken into consideration in determining the lease term, or not to exercise an option that was previously taken into consideration in determining the lease term.

5. Management of financial risk

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

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

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

The capacity of characteristic management to generate liquidity and the capacity for indebtedness allow the Company to adequately satisfy the requirements of its operations

and financing of operative working capital and investment capital, and to fulfil its financial obligations.

The Company's financial policy and management of financial risk are guided and monitored at the central level. In particular, the central finance function assesses and approves provisional financial requirements, monitors trends and applies appropriate corrective actions where necessary. The following note supplies qualitative and quantitative information on the impact of these risks on the Company.

5.1 Market risk

EXCHANGE RATE RISK

Exposure to exchange rate risk is a result of the Company's commercial activities conducted in currencies other than the Euro. Revenues and costs in foreign currency may be influenced by exchange rate fluctuation with an impact on sales margins (economic risk), just as trade payables and receivables in foreign currency may be affected by the exchange rate used, with an impact on economic results (transaction risk).

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

SENSITIVITY ANALYSIS FOR EXCHANGE RATE RISK

For the purposes of sensitivity analysis for exchange rate risk, items in the statement of assets and liabilities at 31 December 2020 and 31 December 2021 (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.

Balances in dollars primarily represent the bonded loan issued in 2014 and a loan granted by GVS to the subsidiary GVS North America Holdings Inc.

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

(in thousands of Euro)	Currency appreciation of 5%		Currency depreciation of 5%	
	At 31 December		At 31 December	
	2021	2020	2021	2020
Currency				
USD	12.550	4.288	(11.355)	(3.879)
JPY	(155)	(231)	140	209
GBP	(305)	106	276	(96)
Other	16	(181)	(14)	164
Total	12.107	3.982	(10.954)	(3.602)

therefore have an impact on the level of net financial charges. The Company is exposed to the risk of interest rate fluctuations, in view of the fact that some of its debts have variable interest rates. The Company's policy aims to limit the risk of interest rate fluctuation by subscribing contracts hedging the risk of interest rate variation.

SENSITIVITY ANALYSIS REGARDING INTEREST RATE RISK

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

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

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

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

The table below shows the results of this analysis:

(in thousands of Euro)	Impact on profit net of taxes	
	- 50 bps	+ 50 bps
Financial year ended 31 December 2021	190	(190)
Financial year ended 31 December 2020	162	(162)

5.2 Credit risk

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

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

As regards its financial counterparties, the Company recorded around 18% of its sales to a single customer during 2021 whose solvency risk is limited as it belongs to the GVS Group.

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 2021.

(in thousands of Euro)	At 31 December 2021					
	within 1 year	between 1 and 2 years	between 3 and 5 years	beyond 5 years	Contractual value	Book value
Debt for the purchase of equity investments and earn out	270	-	-	-	270	264
Financial liabilities	43.320	48.085	134.550	14.824	240.779	236.383
Leasing liabilities	916	762	225	-	1.904	1.894
Trade payables	28.128	-	-	-	28.128	28.128
Other current payables and liabilities	8.520	-	-	-	8.520	8.520

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 2020 and 31 December 2021.

(in thousands of Euro)	Book value	
	At 31 December	
	2021	2020
FINANCIAL ASSETS:		
Financial assets measured at amortised cost:		
Non-current financial assets	214.402	77.772
Trade receivables	23.176	28.117
Other receivables and current assets	7.511	3.160
Current financial assets	17.478	15.166
Cash on hand	82.847	83.453
	345.414	207.668
Derivative financial instruments	123	-
TOTAL FINANCIAL ASSETS	345.537	207.668

(in thousands of Euro)	Book value	
	At 31 December	
	2021	2020
FINANCIAL LIABILITIES:		
Financial liabilities measured at amortised cost:		
Non-current financial liabilities	194.902	78.712
Non-current leasing liabilities	992	1.262
Debt for the purchase of equity investments and earn out	264	-
Current financial liabilities	41.481	19.507
Current leasing liabilities	902	789
Trade payables	28.128	31.989
Other current liabilities	7.547	7.508
	274.216	139.767
Non-current derivative financial instruments	-	107
TOTAL FINANCIAL LIABILITIES	274.216	139.174

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

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

Information on fair value

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

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

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

At 31 December 2020			
(in thousands of Euro)	Level 1	Level 2	Level 3
Non-current derivative financial instruments	-	123	-
Assets measured at fair value	-	123	-

It should be noted that at 31 December 2021 there were no financial liabilities valued at fair

At 31 December 2020			
(in thousands of Euro)	Level 1	Level 2	Level 3
Non-current derivative financial instruments	-	107	-
Total liabilities measured at fair value	-	107	-

value and at 31 December 2020 there were no financial assets valued at fair value.

In the periods considered, there have been no transfers among different levels in the fair value hierarchy

6. Notes to the statement of assets and liabilities

6.1 Intangible assets

The table below reports the composition of, and movement in, intangible assets in the years ending on 31 December 2020 and 31 December 2021.

(in thousands of Euro)	Goodwill	Industrial patent rights and rights to use intellectual property	Concessions, licenses, trademarks, and similar rights	Fixed assets in progress	Total
Historical cost as of 31 December 2020	1.915	2.394	3.269	522	8.100
Investments	-	53	28	60	141
Reclassification	-	-	123	(93)	30
Historical cost as of 31 December 2021	1.915	2.447	3.420	489	8.271
Provision for amortisation and depreciation as of 31 December 2020	-	(2.149)	(2.916)	-	(5.065)
Amortisation and depreciation	-	(97)	(142)	-	(239)
Provision for amortisation and depreciation as of 31 December 2021	-	(2.246)	(3.058)	-	(5.304)
Net book value as of 31 December 2020	1.915	245	353	522	3.035
Net book value as of 31 December 2021	1.915	201	362	489	2.967

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 2021 amounted to € 141 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 2020 and 31 December 2021 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.

(in thousands of Euro)	At 31 December	
	2021	2020
Net book value of assets represented by usage rights (real estate)	1.215	1.418
Net book value of assets represented by usage rights (automobiles)	642	577
Net book value of assets represented by usage rights (machinery)	13	18
Total net book value of assets represented by usage rights	1.870	2.013
Current leasing liabilities	902	789
Non-current leasing liabilities	992	1.262
Total leasing liabilities	1.894	2.051

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

(in thousands of Euro)	Financial year ended 31 December	
	2021	2020
Amortisation of assets represented by usage rights (real estate)	529	687
Amortisation of assets represented by usage rights (automobiles)	356	151
Amortisation of assets represented by usage rights (machinery)	14	14
Total amortisation of assets represented by usage rights	899	852
Interest payable on leases	24	37
Total outgoing cash flows due to leasing	960	931

Assets represented by usage rights relating to buildings at 31 December 2021, mainly relate to the leasing of warehouses and two production sites.

The assets recorded during the year ended 31 December 2021 mainly refer to the conclusion of new car rental contracts.

As of 31 December 2021, 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 2020 and 31 December 2021.

	within 1 year	between 1 and 2 years	between 3 and 5 years	beyond 5 years	Contractual value	Book value
At 31 December 2021	916	762	225	-	1,904	1,894
At 31 December 2020	801	702	567	-	2,069	2,051

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 2020 and 31 December 2021.

(in thousands of Euro)	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 2020	10.918	39.021	3.780	1.209	2.031	56.959
Investments	540	193	369	15	7.749	8.866
Disposal	(102)	(709)	(1)			(812)
Reclassification		4.043		241	(4.314)	(30)
Historical cost as of 31 December 2021	11.356	42.548	4.148	1.465	5.466	64.983
Provision for amortisation and depreciation as of 31 December 2020	(7.394)	(25.616)	(2.985)	(985)	-	(36.980)
Amortisation and depreciation	(684)	(2.649)	(306)	(143)	-	(3.782)
Disposal	79	23	1		-	103
Provision for amortisation and depreciation as of 31 December 2021	(7.999)	(28.242)	(3.290)	(1.128)	-	(40.659)
Net book value as of 31 December 2020	3.524	13.405	795	224	2.031	19.979
Net book value as of 31 December 2021	3.357	14.306	858	337	5.466	24.324

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

Investments in intangible assets equal to € 8,866 thousand are mainly attributable to the expansion of production capacity of the Healthcare & Life Sciences division, as well as for the Health & Safety and Energy & Mobility divisions for the expansion of the product range.

No indications of possible impairment of tangible assets arose in the years under examination.

As of 31 December 2021, 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 2021 and the net book value at the same date.

Company	Registered offices	Cur- rency	Share capital at 31 Decem-ber 2021	Percentage of direct control		Net book value as of 31 Decem-ber 2021
				At 31 December		
				2021	2020	
Fenchurch Environmental Group Ltd	United Kingdom - More- cambe	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 Sud Srl	Italy - Zola Predosa (BO)	EUR	10.000	100,0%	100,0%	12.825
GVS NA Holdings Inc	USA - Sanford (MA)	USD	0,10	100,0%	100,0%	8.227
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 (RPC)	CNY	25.297.047	100,0%	100,0%	3.676
RPB Safety Ltd	New Zealand - Chri- stchurch	NZD	1.000	100,0%	n.a.	2.328
GVS Japan KK	Japan - Tokyo	JPY	1.000.000	100,0%	100,0%	1.133
GVS Filtre Teknolojileri	Turkey - Istanbul	TRY	100.000	100,0%	100,0%	264
GVS Argentina Sa	Argentina - Buenos Aires	ARS	1.510.212	94,1%	94,1%	139
GVS Korea Ltd	Korea - Seoul	KRW	100.000.000	100,0%	100,0%	217
GVS Fortune Holding Ltd	Hong Kong (RPC)	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%	57
GVS Filter Technology de Mexico	Mexico - Nuevo Leon	MXN	50.000	99,9%	99,9%	57
GVS Filtration Co., Ltd.	Thailand - Bangkok	THB	3.000.000	100,0%	n.a.	80
GVS Filter India Private Limited	India - Mumbai	INR	100.000	100,0%	n.a.	1
GVS Vietnam LLC	Vietnam- Ho Chi Minh City	VND	n.a	100,0%	n.a.	6
GVS Microfiltrazione Srl	Romania - Ciorani	RON	1.600	100,0%	100,0%	1
GVS Filtration SDN. BHD.	Malaysia - Petaling Jaya	MYR	1	100,0%	100,0%	4
Total						68.131

The table below shows the breakdown of equity investments as of 31 December 2020 and 31 December 2021.

(in thousands of Euro)	At 31 December	
	2021	2020
Equity investments (gross value)	69.993	65.499
Provision for writedown of investments	(1.862)	(1.819)
Total equity investments	68.131	63.680

The provision for equity investments in the period considered relates for € 1,600 thousand to the investment in GVS do Brasil Ltda for € 219 thousand to the investment in GVS Argentina SA and € 43 thousand to the investment in GVS Fortune Holding Ltd. It should be noted that during the periods 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 2021.

(in thousands of Euro)	Gross value at 31 December 2020	Increases	Increases due to the	Gross value at 31 December 2021
Fenchurch Environmental Group Ltd	21.195	-	-	21.195
GVS Puerto Rico LLC	13.658	-	-	13.658
GVS Sud Srl	12.825	-	-	12.825
GVS NA Holdings Inc	8.227	-	-	8.227
GVS do Brasil Ltda	5.857	-	-	5.857
GVS Technology (Suzhou) Co. Ltd.	1.812	1.706	158	3.676
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	95	-	123	218
GVS North America Inc	10	-	48	58
GVS Fortune Holding Ltd	43	-	-	43
GVS Russia LLC	6	-	-	6
GVS Filtration SDN. BHD.	4	-	-	4
GVS Filtration Co., Ltd.	-	80	-	80
GVS Filter Technology de Mexico	12	-	44	56
GVS Filter India Private Limited	-	1	-	1
GVS Vietnam LLC	-	6	-	6
GVS Microfiltrazione Srl	1	-	-	1
Segre AB	-	-	-	-
Total	65.499	4.121	373	69.993

The increases in 2021 are primarily attributable to: (i) € 2,328 thousand from the purchase of all the shares held in RPB Safety Ltd, (ii) for € 1,706 thousand to the capital increase in the subsidiary in China and (iii) for € 373 thousand to the cost of the year relating to the performance share plan attributable to the employees of the subsidiaries.

There were no decreases in the year 2021.

6.5 Advance tax assets

The table below reports details of advance tax assets as of 31 December 2020 and 31 December 2021.

(in thousands of Euro)	At 31 December	
	2021	2020
Unrealised profits and losses on exchanges	1.644	3.478
Intangible assets	3	1
Inventories	141	128
Tangible assets	4	5
Provisions for employee benefits	20	39
Assets represented by usage rights	7	13
Other minor costs	15	-
Gross advance tax assets	1.834	3.664
Compensation with deferred tax liabilities	(1.834)	(2.120)
Total advance tax assets	-	1.544

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

Advance tax assets pertaining to previous tax losses are acknowledged only if it is probable that sufficient taxable income may become available in the future to permit recovery of the assets. As of 31 December 2020 and 31 December 2021, there are no advance tax assets not acknowledged in relation to tax losses.

The table below reports details of deferred tax liabilities as of 31 December 2020 and 31 December 2021.

(in thousands of Euro)	At 31 December	
	2021	2020
Unrealised profits and losses on exchanges	4.811	1.897
Intangible assets	206	167
Derivative financial instruments	30	-
Provisions for employee benefits	27	37
Dividends	-	19
Gross deferred tax liabilities	5.074	2.120
Compensation with advance tax assets	(1.834)	(2.120)
Total deferred tax liabilities	3.240	-

The table below shows changes in the gross value of advance tax assets and deferred tax liabilities for the year ended 31 December 2021.

(in thousands of Euro)	Total advance tax assets	Total deferred tax liabilities
Balance as of 31 December 2020	3.664	2.120
Provisions (releases) to income statement	(1.834)	2.924
Provisions (releases) to comprehensive income statement	3	30
Balance as of 31 December 2021	1.834	5.074

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

6.6 Financial assets (current and non-current)

The table below reports details of current and non-current financial assets as of 31 December 2020 and 31 December 2021.

(in thousands of Euro)	At 31 December	
	2021	2020
Security deposits	24	25
Non-current financial receivables from subsidiary companies	214.378	77.747
Non-current financial assets	214.402	77.772
Current financial receivables due from subsidiary companies	17.478	15.166
Current financial assets	17.478	15.166
Total financial assets	231.880	92.938

The table below reports details of financial receivables (current and non-current) from subsidiary companies as of 31 December 2020 and 31 December 2021.

(in thousands of Euro)	At 31 December	
	2021	2020
GVS NA Holdings Inc	216.670	80.678
GVS Microfiltrazione Srl	-	3.790
GVS Filtration Co., Ltd.	2	-
GVS Filter Technology de Mexico	13.381	7.257
GVS Russia LLC	944	944
GVS Filter India Private Limited	210	-
GVS Filtration SDN. BHD.	486	-
GVS Filtre Teknolojileri	164	224
GVS Fortune Holding Ltd	30	20
Provision for writedown of Fortune	(30)	-
Total financial receivables from subsidiaries	231.857	92.913

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.

Security deposits, entered among non-current financial assets, classified as financial assets and measured at amortised cost on the basis of IFRS 9, represent sums paid under existing leasing agreements.

6.7 Non-current derivative financial instruments

Non-current active financial derivatives amount to € 123 thousand at 31 December 2021.

The balance of this item is entirely the result of the positive fair value of two IRS (*Interest rate Swap*) derivative contracts hedging the risk of changes in interest rates of contracts entered into with Unicredit and Mediobanca during 2020 (see note 6.14). Derivative financial instruments, having individually an original notional amount of € 20,000 thousand, equal to the nominal value of the hedged items, guarantee a fixed interest rate for the entire duration of the loan entered into with Mediobanca and Unicredit.

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 Inventories

The table below reports details of inventories as of 31 December 2020 and 31 December 2021.

(in thousands of Euro)	At 31 December	
	2021	2020
Finished products and goods	4.094	4.043
Raw materials, subsidiary materials and consumables	3.352	2.364
Products in progress and semi-products	888	837
Gross inventories	8.334	7.244
Provision for writedown of inventory	(600)	(550)
Inventories	7.734	6.694

The net provision for inventory write-down amounts to € 50 thousand for the year ended 31 December 2021, while the amount of €450 thousand had been allocated in the year ended 31 December 2020.

6.9 Trade receivables

The table below reports details of trade receivables as of 31 December 2020 and 31 December 2021.

(in thousands of Euro)	At 31 December	
	2021	2020
Trade receivables from customers	11.972	15.693
Trade receivables due from subsidiaries	11.607	12.779
Trade receivables from other related parties	12	-
Trade receivables (gross)	23.591	28.472
Provision for writedown of trade receivables	(415)	(355)
Trade receivables	23.176	28.117

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 2020 and 31 December 2021 according to due date, net of the provision for writedown of receivables.

(in thousands of Euro)	Not yet due	Overdue by 1 to 90 days	Overdue by 91 to 180 days	Overdue by more than 181 days	Total
Gross trade receivables at 31 December 2021	18.844	2.861	947	939	23.591
Provision for writedown of receivables		-	(353)	(62)	(415)
Trade receivables at 31 December 2021	18.844	2.861	594	877	23.176
Gross trade receivables at 31 December 2020	24.708	3.257	178	329	28.472
Provision for writedown of receivables		-	(49)	(306)	(355)
Trade receivables at 31 December 2020	24.708	3.257	129	23	28.117

Gross trade receivables at 31 December 2021 and 31 December 2020, include Euro 4,747 thousand and Euro 3,764 thousand, respectively, referable to overdue items, including Euro 1,886 thousand and Euro 507 thousand, representing items overdue by more than 90 days. Of these, € 1,062 thousand and € 218 thousand, respectively at 31 December 2021 and 31 December 2020, 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 2020 and 31 December 2021.

(in thousands of Euro)	Provision for writedown of trade receivables
Balance as of 31 December 2019	287
Net provisions	77
Use	(9)
Balance as of 31 December 2020	355
Net provisions	60
Use	-
Balance as of 31 December 2021	415

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).

6.10 Assets and liabilities deriving from contracts with customers

Assets from contracts with customers, equal to Euro 2,641 thousand and Euro 1,816 thousand at 31 December 2021 and 31 December 2020 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 2,599 thousand and Euro 1,445 thousand at 31 December 2021 and 31 December 2020 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 2020 and 31 December 2021.

(in thousands of Euro)	At 31 December	
	2021	2020
Gross assets from contracts with customers	4.073	3.294
Compensation with liabilities from contracts with customers	(1.432)	(1.478)
Assets from contracts with customers	2.641	1.816
Gross liabilities from contracts with customers	4.031	2.923
Compensation with assets from contracts with customers	(1.432)	(1.478)
Liabilities from contracts with customers	2.599	1.445

6.11 Other receivables and current assets

The table below reports details of other receivables and current assets as of 31 December 2020 and 31 December 2021.

(in thousands of Euro)	At 31 December	
	2021	2020
Dividends receivable	5.267	1.098
Tax receivables	1.439	1.574
Prepaid expenses	282	206
Advances and instalments	925	1.035
Receivable from employees	53	41
Other receivables	752	447
Other receivables and current assets	8.718	4.401

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

The dividend receivables at 31 December 2020 and 31 December 2021 refer respectively to the dividends resolved by GVS do Brasil Ltda and not yet collected at the date of the balance sheet.

Tax receivables primarily represent VAT credits with internal revenue.

6.12 Cash on hand

The table below reports details of cash on hand as of 31 December 2020 and 31 December 2021.

(in thousands of Euro)	At 31 December	
	2021	2020
Bank and postal accounts	82.819	83.424
Cash and cash equivalents on hand	28	29
Cash on hand and cash equivalents	82.847	83.453

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.

6.13 Shareholders' equity

The table below reports details of shareholders' equity as of 31 December 2020 and 31 December 2021.

(in thousands of Euro)	At 31 December	
	2021	2020
Share capital	1.750	1.750
Share premium reserve	92.771	92.771
Legal reserve	350	329
Extraordinary reserve	35.023	30.485
Negative reserve for treasury shares	(3.448)	-
Reserve from derivative financial instruments	94	-
Actuarial profits and losses reserve	(78)	(71)
Profit (loss) carried over and other reserves	6.532	3.849
Net income	37.703	27.308
Total shareholders' equity	170.696	156.421

The statement of changes in shareholders' equity appears in the section on this topic.

Share capital

As of 31 December 2021, the Company's fully subscribed and paid-in share capital amounted to Euro 1,750 thousand, and are divided into 175,000,000 ordinary shares without any face value.

Negative reserve for treasury shares

The reserve for treasury shares refers to the purchase of 306,802 shares representing a total of 0.18% of the Company's share capital.

Actuarial profits and losses reserve

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

Reserve from first adoption of EU-IFRS

The reserve for first adoption of EU-IFRS, included among other reserves, has a negative balance of Euro 854 thousand in the years under examination, and represents the effects

of conversion from Italian accounting standards to EU-IFRS standards.

The table below shows equity items, specifying their origin, possibility of utilisation and distribution, as well as their utilisations in previous years.

(in thousands of Euro)	At 31 December 2021	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	35.023	Profits	A;B;C	35.023
Payments on capital increase	129	Capital	A;B;C	129
Exchange gains reserve	-	Profits	A;B;C	-
Revaluation reserve	2.537	Capital	A;B;C	2.537
Actuarial profits and losses reserve	(78)	Profits		-
Reserve from derivative financial instruments	94	Profits		-
Negative reserve for treasury shares	(3.448)	Capital		-
Reserve from first adoption of EU-IFRS	(854)	Profits		-
Negative reserve - IFRS contribution	(655)	Capital		-
LTI incentive plan reserve	3.335	Capital	A;B;C	3.335
Profits / (losses carried forward)	2.018	Profits	A;B;C	2.018
Retained earnings/(losses) - IFRS adjustments	23	Profits		
Total	132.995			136.163
Non-distributable portion				5.385
Residual distributable portion				130.778

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.

6.14 Financial liabilities (current and non-current)

The table below reports details of current and non-current financial liabilities as of 31 December 2020 and 31 December 2021.

(in thousands of Euro)	At 31 December			
	2021		2020	
	Current portion	Non-current portion	Current portion	Non-current portion
2014 Bond Loan				
2017 Bond Loan	7.969	15.969	7.967	23.935
Total bonded loans	12.344	24.758	12.002	36.080
Club Deal Loan Agreement	19.482	129.998	-	-
Mediobanca loan (2020)	4.434	13.314	2.213	17.712
Unicredit loan (2020)	3.981	12.008	3.954	15.936
Accrued payables and other minor items	904	-	937	-
Total financial payables to banks	28.801	155.319	7.103	33.649
GVS Japan KK loan	-	5.756	-	4.351
GVS Korea Ltd loans	-	4.763	-	3.303
GVS Filter Technology UK Ltd loans	-	2.975	-	-
GVS Sud Srl loans	-	1.330	-	1.330
Total financial payables to subsidiaries	-	14.824	-	8.984
Education Ministry (MIUR) loan under special terms (GVS SpA)	-	-	65	-
Invitalia	336	-	336	-
Total other financial payables	336	-	401	-
Total financial liabilities	41.481	194.902	19.507	78.712

During the year, a new syndicated loan was taken out for the amount of Euro 150,000 thousand and loans were obtained from some subsidiaries.

Below is a description of the principal items making up the Group's financial liabilities as of 31 December 2021.

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, 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 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 and from 31 December 2018 to the end of the contract is between 3.0 and 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 and until 31 December 2018 is between 3.5 and 3.75.

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 requires, as financial constraints, compliance at the consolidated level, with the following requirements:

- a minimum ratio of EBITDA to net financial charges of at least 4.50 as of the date of each annual and half-yearly financial statement for as long as the contract remains in effect (each "Determination Date");
- a maximum ratio of net financial indebtedness to EBITDA as described below:
 - v. no more than 3.75 on each Determination Date up to 31 December 2018, and
 - vi. no more than 3.50 on each Determination Date starting on 30 June 2019;
- a maximum ratio of net financial indebtedness to shareholders' equity as described below:
 - vii. no more than 3.00 on each Determination Date up to 31 December 2018, and
 - viii. no more than 2.50 on each Determination Date starting on 30 June 2019.

As of 31 December 2021, 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 Bonded Loan, placed with an issue price equal to 100% of its face value, involved, after changes to the same loan occurring in 2017 payment, interest calculated at an annual floating rate between 7.0% or 6.5%, depending on the ratio of consolidated net financial indebtedness to consolidated EBITDA, as defined in the contract, calculated on the date of the annual financial statements or half-yearly financial report prior to payment of the coupon, if between 3.75 and 3.0 or below 3, respectively. 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 provides for changes to the same loan during 2017 as a financial constraint, with respect, at consolidated level, to:

- a minimum ratio of EBITDA to net financial charges of at least 4.50 as of the date of each annual and half-yearly financial statement for as long as the contract remains in effect (each "Determination Date");
- a maximum ratio of net financial indebtedness to EBITDA as described below:
 - vii. no more than 3.75 on each Determination Date up to 31 December 2018, and
 - viii. no more than 3.50 on each Determination Date starting on 30 June 2019;
- a maximum ratio of net financial indebtedness to shareholders' equity as described below:
 - vii. no more than 3.00 on each Determination Date up to 31 December 2018, and
 - viii. no more than 2.50 on each Determination Date starting on 30 June 2019.

As of 31 December 2021, the financial constraints have been met.

The 2014 Bonded Loan was not assisted by real guarantees.

B) LOANS IN EXISTENCE AS OF 31 DECEMBER 2021

b1) 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 "Pool Loan Agreement"), concerning the making available to GVS of a line of credit for an amount equal to Euro 150,000 thousand, aimed at financing the RPB Acquisition and the related costs, without the granting of any guarantee.

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.

Furthermore, the contract provided for the repayment in 2022 of the positive difference between the residual debt of Euro 150,000 thousand and the total price of the RPB Acquisition, including the debt for earn out and related charges. Although in this report this amount has been highlighted among short-term financial liabilities, in March 2022 GVS obtained a waiver from the lending banks to repay this amount; therefore no payment of the principal is foreseen for the year 2022.

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, between a minimum of 80 basis points if the ratio is less than 1.25 and a maximum of 120 basis points if the ratio is greater than 2.25.

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

- a ratio of consolidated EBITDA to net financial charges, higher than or equal to 4.5 as of the date of the annual and half-yearly financial statements for as long as the contract remains in effect;
- a ratio of consolidated net financial indebtedness to consolidated EBITDA, as defined in the contract, of less than or equal to 3.5 as of the date of the annual and half-yearly financial statements for as long as the contract remains in effect.

As of 31 December 2021, the financial constraints have been met.

b2) 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 requires, as a financial constraint, compliance at the consolidated level with:

- a minimum ratio of consolidated EBITDA to net financial charges of at least 4.5 as of the date of the annual financial statements for as long as the contract remains in effect;
- a maximum ratio of consolidated net financial indebtedness to consolidated EBITDA, of no more than 3.5 as of the date of the annual financial statements for as long as the contract remains in effect.

As of 31 December 2021, the financial constraints have been met.

b3) Mediobanca (2020)

On 12 November 2020 GVS stipulated a loan agreement with Mediobanca for a total of Euro 20,000 thousand. The loan falls due on 12 November 2025. The agreement requires payment of 9 deferred six-monthly instalments from 12 November 2021 until the due date. The interest rate is variable and corresponds to the Euribor 6-month rate plus a spread of 0.80%, if the ratio of consolidated net financial debt to consolidated EBITDA is below 2, or the alternative plus a spread of 1.05%, with a ratio greater than or equal to 2. The contract requires, as a financial constraint, compliance at the consolidated level with:

- a ratio of consolidated EBITDA to net financial charges, higher than 4.5 as of the date of the annual and half-yearly financial statements for as long as the contract remains in effect;
- a ratio of consolidated net financial indebtedness to consolidated EBITDA, as defined in the contract, of less than 3.5 as of the date of the annual and half-yearly financial statements for as long as the contract remains in effect.

As of 31 December 2021, the financial constraints have been met.

C) OTHER FINANCIAL PAYABLES IN EXISTENCE AS OF 31 DECEMBER 2021

c1) Invitalia

During the Coronavirus emergency, Invitalia published the Special Measures to Protect Health and Support the Economy (CuraItalia) tender call, in which GVS participated, and their application was accepted. During the month of April 2020, the Company received a loan under special terms with no interest. Against the Company investing in production lines for personal protective equipment, the tender will cover 75% of the investment and gives the possibility of transforming the loan under special terms into a non-repayable

grant, depending on the speed with which the production lines become operational. GVS has provided the lender with the documentation to support the various investments and in March 2022 received communication from Invitalia that the total amount of Euro 192 thousand was actually disbursed in the form of a subsidized loan while the difference equal to Euro 144 thousand was disbursed as a non-repayable grant, partly into the management account and partly into the plant account. At 31 December 2021, lacking such notification, and the related repayment plan for the portion received in the form of a loan under special terms, the entire amount has been prudentially classified as a short-term financial liability.

D) LOANS FROM SUBSIDIARIES

d1) GVS Japan KK loan

At 31 December 2021, GVS obtained a loan from GVS Japan KK for a total of Euro 5,756 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%.

d2) GVS Korea Ltd loans

At 31 December 2021, GVS obtained various loans from GVS Kora Ltd for a total of Euro 4,763 thousand. The loan contracts, the amount of which is to be used exclusively to finance the operating activities, provide for an interest rate equal to the six-month Libor plus a spread of 2.0%.

d3) GVS Filter Technology UK Loan

At 31 December 2021, GVS obtained a loan from GVS Filter Technology UK Ltd for a total of Euro 2,975 thousand. The loan contracts, the amount of which is to be used exclusively to finance operating activities, provide for an interest rate equal to the one-year GBP Libor plus a spread of 0.3%.

d4) GVS Sud S.r.l. loans

GVS entered into a non-interest-bearing loan agreement with GVS Sud S.r.l. on 16 December 2019 for an amount of Euro 1,330 thousand. The loan must be repaid on demand no later than 31 December 2023.

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

(in thousands of Euro)	At 01 January 2021	Opening	Reclassification	Repayment	Variation in accrued payables on interest	Amortised cost	(Profits) losses on exchanges	Changes in fair value	At 31 December 2021
Non-current financial liabilities	78.712	155.997	(40.977)	-	-	-	1.064	106	194.902
Current financial liabilities	19.507	26	40.977	(18.543)	(60)	(426)	-	-	41.481
Total financial liabilities	98.219	156.023	-	(18.543)	(60)	(426)	1.064	106	236.383

6.15 Net financial indebtedness and net financial position

In accordance with the requirements of the CONSOB communication of 28 July 2006 and in compliance with ESMA guidelines 04 March 2021 (ESMA32-382-1138), the net financial debt of the Company at 31 December is reported.

Net financial debt and NFP (in thousands of Euro)		At 31 December 2021	At 31 December 2020
(A)	Cash on hand	82.847	83.453
(B)	Cash equivalents	-	-
	Financial receivables from subsidiaries	17.478	15.166
(C)	Other current financial assets	17.478	15.166
(D)	Liquidity (A)+(B)+(C)	100.325	98.619
	Financial payables to other companies in the GVS Group due to leasing	509	388
	Financial payables for leasing	393	400
	Debt for the purchase of equity investments and earn out	264	-
	Other financial payables	336	401
(E)	Current financial indebtedness	1.502	1.190
(F)	Current portion of non-current indebtedness	41.145	19.106
(G)	Current financial indebtedness (E)+(F)	42.648	20.296
(H)	Net current financial indebtedness (G)-(D)	57.678	78.324
	Non-current bank debts	155.319	33.649
	Non-current bonded loans	24.758	36.080
	Non-current financial payables to subsidiaries	14.824	8.984
	Financial payables to other companies in the GVS Group due to leasing	730	857
	Non-current financial payables for leasing	262	405
(I)	Non-current financial indebtedness	195.894	79.974
	Non-current derivative instruments	-	107
(J)	Debt instruments	-	107
(K)	Trade payables and other non-current payables	-	-
(L)	Non-current financial indebtedness (I)+(J)+(K)	195.894	80.081
(M)	Total net financial indebtedness (H)-(L)	(138.216)	(1.757)
	Non-current derivative instruments	123	-
	Non-current financial receivables from subsidiaries	214.378	77.747
	Financial payables for leasing	1.894	2.050
	Total net financial position	78.180	78.040

The net financial position of the Company excluding current and non-current leases, recognised in accordance with IFRS 16 and including the non-current portion of financial receivables to subsidiaries, amounts to negative € 78,180 thousand and negative € 78,040 thousand as of 31 December 2021 and 31 December 2020.

6.16 Provisions for employee benefits

The table below shows the breakdown and movements of provisions for employee benefits in the years ending on 31 December 2020 and 31 December 2021.

(in thousands of Euro)	Termination indemnity	End of office indemnity	Provisions for employee benefits
Balance as of 31 December 2019	1.241	1.474	2.715
Current service cost	-	78	78
Financial charges	9	5	14
Actuarial losses/(profits)	32	60	92
Benefits paid	(118)	-	(118)
Balance as of 31 December 2020	1.164	1.617	2.781
Current service cost	-	81	81
Financial charges	3	-	3
Actuarial losses/(profits)	9	1	10
Benefits paid	(265)	-	(265)
Balance as of 31 December 2021	911	1.699	2.609

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 2020 and 31 December 2021, 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 911 thousand and Euro 1,164 thousand on 31 December 2021 and 31 December 2020, 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 2020 and 31 December 2021 in accordance with the provisions of IAS 19 are listed below.

(As a percentage)	At 31 December	
	2021	2020
Financial hypotheses		
Annual actualisation rate	0,98%	0,34%
Annual inflation rate	1,20%	1,00%
Annual rate of increase in overall pay	2,20%	2,00%
Annual rate of increase in end of service indemnity	2,40%	2,25%
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 2020 and 31 December 2021.

(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 2021	(39)	41	11	-12	(9)	11
Employee benefits (termination indemnity) as of 31 December 2020	(129)	(22)	(61)	(93)	(97)	(56)

End of office indemnity (TFM)

Employee benefits for TFM amount to Euro 1,699 thousand and Euro 1,617 thousand on 31 December 2021 and 31 December 2020, respectively.

The value of the payable represented by end of service indemnity, which falls under the definition of defined benefit plans according to IAS 19, has been determined on the basis of actuarial logic. The principal actuarial, financial and demographic hypotheses used to determine the value of the liability as of 31 December 2020 and 31 December 2021 in accordance with the provisions of IAS 19 are listed below.

At 31 December		
(As a percentage)	2021	2020
Financial hypotheses		
Annual actualisation rate	0,29%	-0,02%
Annual rate of increase in overall pay	0,00%	0,00%
Annual rate of increase in end of service indemnity	0,00%	0,00%
Demographic hypotheses		
Death	Table illustrating probability of death, as determined by the State General Accounting Office, known as RG48	Table illustrating probability of death, as determined by the State General Accounting Office, known as RG48
Invalidity	Probability adopted in the INPS form for projections as of 2010	Probability adopted in the INPS form for projections as of 2010
Retirement	Reaching the age of 65, if subsequent to the end of the term of office, or the end date of the term of office	Reaching the age of 65, if subsequent to the end of the term of office, or the end date of the term of office
Annual turnover	2,50%	2,50%

The table below sums up the sensitivity analysis for each actuarial, financial and demographic hypothesis, showing the effects (in absolute terms) that would result from changes in the actuarial hypotheses reasonably considered possible as of 31 December 2020 and 31 December 2021.

(in thousands of Euro)	Annual actualisation rate		Annual turnover	
	+0,50%	-0,50%	+2,00%	-2,00%
Employee benefits (end of service indemnity) as of 31 December 2021	(47)	51	130	(152)
Employee benefits (end of service indemnity) as of 31 December 2020	94	195	265	(2)

6.17 Provisions for risks and charges

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

(in thousands of Euro)	Provisions for risks and charges
Balance as of 31 December 2020	1.000
Allocation	2.000
Use	-
Balance as of 31 December 2021	3.000

In 2018 GVS underwent a tax assessment by the Italian tax authorities (Agenzia delle Entrate) for the 2015 fiscal year, as a result of which a formal report on findings was issued. During December 2020, the Company settled the refutations relating to the same report of verification by means of verification with acceptance procedure. Some of the refutations made by the Revenue Agency in the report of verification could be repeated in relation to transactions carried out by the Company in subsequent tax periods and consequently, supported by its consultants, the Company has prudently made provisions of € 2,000 thousand, in addition to the sum allocated during the previous financial year.

6.18 Trade payables

The table below reports details of trade payables as of 31 December 2020 and 31 December 2021.

(in thousands of Euro)	At 31 December	
	2021	2020
Trade payables to suppliers	6.397	9.441
Trade payables to subsidiaries	21.731	22.548
Trade payables from other related parties	-	-
Trade payables	28.128	31.989

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.

6.19 Current tax receivables and payables

Current tax receivables have a zero value as at 31 December 2020.

Current tax receivables amounted to € 2,922 thousand at 31 December 2021 and current tax payables amounted to € 5,464 thousand at 31 December 2020.

Changes in the net balance of these assets and liabilities in the years ending on 31 December 2021 and 31 December 2020 primarily pertain to allocation of current income taxes amounting to Euro 1,246 thousand, Euro and Euro 8,789 thousand and payments of Euro 9,359 thousand, thousand and Euro 3,747 thousand, respectively.

6.20 Other current payables and liabilities

The table below reports details of other current payables and liabilities as of 31 December 2020 and 31 December 2021.

(in thousands of Euro)	At 31 December	
	2021	2020
Payable to employees	4.138	3.819
Payable to social security institutions	1.305	1.228
Deferred income	950	659
Tax payables	865	798
Payable to directors	1.171	1.360
Accrued payables	23	27
Other	68	304
Other current payables and liabilities	8.520	8.194

Payables to employees primarily reflect salaries payable and deferred charges such as holidays, leave 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 2020 and 31 December 2021 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 customer contracts

The table below breaks down revenues from contracts with customers by type of product in the years ending on 31 December 2020 and 31 December 2021.

(in thousands of Euro)	Financial year ended 31 December	
	2021	2020
<i>Healthcare Liquid</i>	53.873	47.697
<i>Healthcare Air & Gas</i>	719	794
<i>Laboratory</i>	3.702	3.051
<i>Healthcare & Life Sciences</i>	58.294	51.542
<i>Powertrain & Drivetrain</i>	1.803	1.588
<i>Safety & Electronics</i>	15.468	14.255
<i>Energy & Mobility</i>	17.271	15.843
<i>Personal Safety</i>	14.282	56.763
<i>Air Safety</i>	108	7
<i>Health & Safety</i>	14.390	56.770
Revenue from customer contracts	89.955	124.155

The decrease in revenues in the period ended 31 December 2021 compared to the same period of the previous year is mainly attributable to the performance of the *Health & Safety* division, whose extraordinary growth in the previous year had been driven by the needs deriving from the spread of the COVID-19 pandemic. The contraction in revenues from contracts with customers, recorded by the division *Energy & Mobility* in 2020 it was also due to the exceptionality of the period, and during 2021 the return to the trend before the pandemic began. The revenues of the *Healthcare & Life Sciences* division, grew during the year under review due to the resumption of a sustained growth trend of the business *Healthcare Liquid*, which recorded the resumption of activities that had suffered most from the contractions linked to the effects of the pandemic.

The table below breaks down revenues from contracts with customers by geographic area in the years ending on 31 December 2020 and 31 December 2021.

(in thousands of Euro)	Financial year ended 31 December	
	2021	2020
North America	20.599	20.430
Europe	42.955	78.663
Asia	22.518	23.049
Other	3.883	2.013
Total revenue from customer contracts	89.955	124.155

Revenues as of 31 December 2021 are mainly attributable to the sale of finished products.

7.2 Other revenues and proceeds

The table below breaks down other revenues and proceeds in the years ending on 31 December 2020 and 31 December 2021.

(in thousands of Euro)	Financial year ended 31 December	
	2021	2020
Recovery and chargeback	2.192	2.782
Contributions for operating expenses	54	113
Insurance refunds	36	3
Recovery of scrap	59	47
Capital gains on sales	6	-
Other	258	493
Other revenues and proceeds	2.605	3.438

Contributions for operating expenses mainly refer to a grant obtained from the European Commission for a specific project.

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 2020 and 31 December 2021.

(in thousands of Euro)	Financial year ended 31 December	
	2020	2019
Purchases of raw materials, finished products, components and consumables	43.710	51.293
Variation in inventories of products in progress, semi-products and finished products	36	(1.361)
Variation in inventories of raw materials, subsidiary materials and goods	(1.457)	(968)
Purchases and consumption of raw materials, semi-products and finished products	42.289	48.964

This item includes allocation to the provision for writedown of inventory amounting to Euro 50 thousand in the year ending on 31 December 2021 and Euro 450 thousand in the year ending on 31 December 2020.

7.4 Personnel costs

The table below breaks down personnel costs in the years ending on 31 December 2020 and 31 December 2021.

(in thousands of Euro)	Financial year ended 31 December	
	2021	2020
Salaries and wages	19.340	20.107
Social security contributions	5.392	5.694
Cost of termination indemnity	883	821
Personnel costs	25.615	26.622

The table below reports the average number of Company employees in the years ending on 31 December 2020 and 31 December 2021, broken down by category.

(In units)	Financial year ended 31 December	
	2021	2020
Blue-collar workers	184	155
White-collar workers	124	100
Management	17	16
Executives	17	14
Total employees	342	285

7.5 Service costs

The table below breaks down service costs in the years ending on 31 December 2020 and 31 December 2021.

(in thousands of Euro)	Financial year ended 31 December	
	2021	2020
Utilities and cleaning services	1.622	1.517
Maintenance	925	748
Transportation	723	1.185
Consulting services	1.192	5.032
Travel and lodging	439	319
Subcontracting	3.230	1.826
Marketing and trade fairs	325	423
Insurance	678	541
Cafeteria	271	463
Commissions	168	254
Directors' fees	3.430	2.560
Other services	2.568	1.615
Service costs	15.571	16.483

Consulting services, in the period ended 31 December 2020, included, for Euro 4,285 thousand, costs relating to the listing of GVS ordinary shares on the Mercato Telematico Azionario organised and managed by the Italian Stock Exchange.

7.6 Other operating costs

The table below breaks down other operating costs in the years ending on 31 December 2020 and 31 December 2021.

(in thousands of Euro)	Financial year ended 31 December	
	2021	2020
Leasing costs	373	379
Indirect taxation	46	61
Membership fees and charity contributions	318	143
Other minor costs	338	359
Other operating costs	1.075	942

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.

7.7 Net writedowns of financial assets

Net writedowns of financial assets, entered on the basis of the requirements of IFRS 9, totalled Euro 60 thousand and Euro 77 thousand in the years ending on 31 December 2021 and 31 December 2020, 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 2020 and 31 December 2021 appears in note 6.9 - "Trade receivables".

7.8 Amortisation, depreciation and writedowns

The table below breaks down amortisation, depreciation and writedowns in the years ending on 31 December 2020 and 31 December 2021.

(in thousands of Euro)	Financial year ended 31 December	
	2021	2020
Amortisation and writedowns of intangible assets	239	283
Depreciation and writedowns of tangible assets	3.782	3.281
Amortisation and writedowns of assets represented by usage rights	899	852
Amortisation, depreciation and writedowns	4.921	4.416

A breakdown of the composition of, and movements in, intangible assets and tangible assets for the years ending on 31 December 2020 and 31 December 2021 is provided in notes 6.1 and 6.3. Information on assets represented by usage rights in the period examined appears in note 6.2.

7.9 Financial proceeds and charges

The table below breaks down financial proceeds in the years ending on 31 December 2020 and 31 December 2021.

(in thousands of Euro)	Financial year ended 31 December	
	2021	2020
Interest income	3.782	2.670
Net profits on exchanges	11.580	-
Other financial proceeds	4	64
Financial proceeds	15.366	2.734

Interest income is only attributable to loans granted by GVS to subsidiaries (see note 6.6).

The table below breaks down financial charges in the years ending on 31 December 2020 and 31 December 2021.

(in thousands of Euro)	Financial year ended 31 December	
	2021	2020
Interest on bonded loans	1.704	2.420
Interest on loans	291	588
Net losses on exchanges	-	7.707
Interest on leasing liabilities	24	37
Interest on actualisation of provisions for employee benefits	3	15
Amortised cost	144	563
Interest for discounting for earn out	11	-
Other financial charges	249	169
Financial charges	2.426	11.499

IFinancial income and charges include in the year ended 31 December 2021 net profits on exchanges and in the year ended 31 December 2020 net losses on exchanges mainly related to unrealised gains and losses deriving from the adjustment in Euro of the dollar-denominated bonded loan and from the intercompany loan granted in dollars by GVS to the subsidiary GVS NA Holdings Inc.

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 2020 and 31 December 2021.

(in thousands of Euro)	Financial year ended 31 December	
	2021	2020
Dividends from equity investments	29.508	14.516
Revaluations (write-downs) from equity investments	(44)	-
Income and expense from equity investments	29.464	14.516

The table below breaks down equity investments for the years ending on 31 December 2020 and 31 December 2021.

(in thousands of Euro)	Financial year ended 31 December	
	2021	2020
GVS do Brasil Ltda	4.753	-
Fenchurch Environmental Group Ltd	17.857	5.604
GVS Microfiltrazione Srl	6.898	-
GVS Technology (Suzhou) Co. Ltd	-	8.912
Total dividends from equity investments	29.508	14.516

7.11 Annual income tax

The table below breaks down annual income tax in the years ending on 31 December 2020 and 31 December 2021.

(in thousands of Euro)	Financial year ended 31 December	
	2021	2020
Current taxes	1.246	8.789
Deferred taxes	4.758	(2.215)
Non-recurring taxes	1.727	1.958
Income tax	7.731	8.532

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 2020 and 31 December 2021.

(in thousands of Euro)	Financial year ended 31 December	
	2021	2020
Pre-tax result	45.434	35.840
Theoretical tax rate	24,0%	24,0%
Theoretical tax burden	10.904	8.602
Permanent differences effects of taxation	(6.127)	(3.519)
IRAP (Regional production tax)	572	1.491
Other	2.382	1.958
Income tax	7.731	8.532

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	
	2021	2020
Net profit (in € thousand)	37.703	27.308
Weighted average number of shares in circulation	174.693.198	137.719.608
Profit per share (in Euro)	0,22	0,20

Diluted earnings per share at 31 December 2021 was positive at 0.22 (positive at € 0.20 at 31 December 2020) calculated by dividing the result attributable to the shareholders of GVS SpA by the weighted average number of shares in circulation, adjusted to take into account the effects of all potential ordinary shares with dilutive effect. As potential ordinary shares with dilutive effect, those linked to the performance shares plan have been considered.

8. Non-recurring revenues and operating costs

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

Non-recurring income and expenses for the period ended 31 December 2021 refer to (iii) CONSOB supervisory costs paid lump sum in relation to the IPO procedure (Euro 991 thousand) and consultancy costs for the purchase of the RPB group and for other extraordinary transactions in place (Euro 16 thousand); and finally to (v) the interest recorded

following the discounting of the debt for earn out to be paid for the aforementioned acquisition (Euro 11 thousand), net of the related tax effect. Non-recurring charges for taxes also include € 2,000 thousand relating to the costs of the tax dispute with the Company. Non-recurring income and charges for the period ended 31 December 2020 referred to one-off consulting costs and bonuses paid to personnel in relation to the IPO procedure concluded on 19 June 2020 (€ 5,081 thousand, net of the related tax effect). Non-recurring charges for taxes also included € 1,535 thousand relating to the costs of the tax dispute.

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 2020 and 31 December 2021

(in thousands of Euro)	Subsidiary companies	GVS Group	GVS Real Estate	Top management	Total	Total item in the financial statement	Impact on the financial statement
Assets represented by usage rights							
At 31 December 2021	-	-	927	-	927	1.870	49,6%
At 31 December 2020	-	-	1.221	-	1.221	2.012	60,7%
Tangible fixed assets							
At 31 December 2021	-	-	-	18	18	24.324	0,1%
At 31 December 2020	-	-	-	-	-	19.979	0,0%
Non-current financial assets							
At 31 December 2021	214.378	-	-	-	214.378	214.402	100,0%
At 31 December 2020	77.747	-	-	-	77.747	77.772	100,0%
Trade receivables							
At 31 December 2021	11.607	12	-	-	11.619	23.176	50,1%
At 31 December 2020	12.779	-	-	-	12.779	28.117	45,4%
Current tax receivables							
At 31 December 2021	-	2.820	-	-	2.820	2.922	96,5%
At 31 December 2020	-	-	-	-	-	-	0,0%
Current financial assets							
At 31 December 2021	17.478	-	-	-	17.478	17.478	100,0%
At 31 December 2020	15.166	-	-	-	15.166	15.166	100,0%
Other receivables and current assets							
At 31 December 2021	5.740	-	12	-	5.752	8.718	66,0%
At 31 December 2020	1.098	0	-	-	1.098	4.401	25,0%
Non-current financial liabilities							
At 31 December 2021	14.824	-	-	-	14.824	194.902	7,6%
At 31 December 2020	8.984	-	-	-	8.984	78.712	11,4%
Non-current leasing liabilities							
At 31 December 2021	-	-	730	-	730	992	73,6%
At 31 December 2020	-	-	857	-	857	1.262	67,9%
Provisions for employee benefits							
At 31 December 2021	-	-	-	1.699	1.699	2.610	65,1%
At 31 December 2020	-	-	-	1.617	1.617	2.780	58,2%
Current leasing liabilities							
At 31 December 2021	-	-	509	-	509	902	56,4%
At 31 December 2020	-	-	388	-	388	789	49,2%
Trade payables							
At 31 December 2021	21.731	-	-	-	21.731	28.128	77,3%
At 31 December 2020	22.548	-	-	-	22.548	31.989	70,5%
Current tax payables							
At 31 December 2021	-	-	-	-	-	-	0,0%
At 31 December 2020	-	4.327	-	-	4.327	5.464	79,2%
Other current payables and liabilities							
At 31 December 2021	963	-	-	2.359	3.322	8.520	39,0%
At 31 December 2020	657	-	-	2.855	3.512	8.194	42,9%

The table below lists the Company's economic relations with related parties for the years ending on 31 December 2020 and 31 December 2021.

(in thousands of Euro)	Subsidiary companies	GVS Group	GVS Real Estate	Top management	Total	Total item in the financial statement	Impact on the financial statement
Revenue from customer contracts							
Financial year ended 31 December 2021	29.323	-	-	-	29.323	89.955	32,6%
Financial year ended 31 December 2020	47.108	-	-	-	47.108	124.155	37,9%
Other revenues and proceeds							
Financial year ended 31 December 2021	2.152	10	10	-	2.172	2.605	83,4%
Financial year ended 31 December 2020	2.773	-	-	-	2.773	3.438	80,7%
Purchases and consumption of raw materials, semi-products and finished products							
Financial year ended 31 December 2021	18.095	-	-	-	18.095	42.289	42,8%
Financial year ended 31 December 2020	11.300	-	-	-	11.300	48.964	23,1%
Personnel costs							
Financial year ended 31 December 2021	-	-	-	3.418	3.418	25.615	13,3%
Financial year ended 31 December 2020	-	-	-	3.432	3.432	26.622	12,9%
Service costs							
Financial year ended 31 December 2021	3.233	-	-	3.430	6.663	15.571	42,8%
Financial year ended 31 December 2020	1.728	815	-	2.485	5.028	16.483	30,5%
Amortisation, depreciation and writedowns							
Financial year ended 31 December 2021	-	-	390	-	390	4.921	7,9%
Financial year ended 31 December 2020	-	-	386	-	386	4.416	8,7%
Financial proceeds							
Financial year ended 31 December 2021	3.782	-	-	-	3.782	15.366	24,6%
Financial year ended 31 December 2020	2.670	-	-	-	2.670	2.734	97,7%
Financial charges							
Financial year ended 31 December 2021	154	-	12	-	166	2.426	6,8%
Financial year ended 31 December 2020	115	-	17	-	132	11.499	1,1%
Income and expense from equity investments							
Financial year ended 31 December 2021	29.508	-	-	-	29.508	29.464	100,1%
Financial year ended 31 December 2020	14.516	-	-	-	14.516	14.516	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 transactions for the sale of goods with GVS Microfiltrazione S.r.l. on which the subsidiary provides a quality control service aimed at certifying that these products meet specific technical requirements. As of 31 December 2020 and 31 December 2021 other current payables and liabilities refer to the deferred income recorded following the suspension of income from sales transactions for which the related cost has not yet been incurred.

Service costs for the financial years ended 31 December 2020 and 31 December 2021 mainly relate to the quality control services described above.

Production of certain products by GVS Sud S.r.l. for the benefit of GVS

GVS Sud S.r.l. produces and markets goods only in favour of the parent company GVS. In particular, GVS purchases from GVS Sud S.r.l. mainly finished products related to *Healthcare & Life Sciences*, as well as semi-finished goods related to the *Energy & Mobility* division.

Loans granted by GVS to subsidiaries

Financial assets (current and non-current) and financial income are mainly attributable to the loan granted to GVS NA Holdings to finance the KUSS and RPB acquisitions, as well as to minor loans granted by GVS to subsidiaries to finance their operations and to refinance their outstanding debt (see notes 6.6 and 7.9).

TRANSACTIONS WITH THE GVS GROUP

The Company participates in the optional national tax consolidation system under GVS Group S.r.l. Current tax payables at 31 December 2020 and current tax receivables at 31 December 2021 refer exclusively to this case.

TRANSACTIONS WITH GVS REAL ESTATE

GVS stipulated leasing agreements with GVS Real Estate S.r.l., for production sites and warehouses, one of which includes the Company's registered offices in Zola Predosa (BO). On the basis of this lease contract, at 31 December 2021, the Group accounted for assets represented by usage rights and relative leasing liabilities for Euro 927 thousand and Euro 1,240 thousand respectively (Euro 1,221 thousand and Euro 1,245 thousand at 31 December 2020), as well as depreciation and financial charges, for the period ended 31 December 2021, for Euro 385 thousand and Euro 12 thousand respectively.

TRANSACTIONS WITH TOP MANAGEMENT

As of the date of the 2021 financial statements the following are considered members of the Group's Top Management:

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

The table below provides details of fees payable to members of Top Management in the years ending on 31 December 2020 and 31 December 2021, including contributions.

(in thousands of Euro)	Financial year ended 31 December	
	2021	2020
Fees for office held	1.218	1.101
Bonuses and other incentives	2.032	2.126
Other fees	169	205
Directors' fees	3.430	2.485
Total	6.848	5.916

Please note that:

- other current payables and liabilities as of 31 December 2021 include payables to directors for fees not yet paid totalling Euro 1,175 thousand (Euro 1,360 thousand at 31 December 2020);
- provisions for employee benefits as of 31 December 2021 include the value of end of service indemnity for directors totalling Euro 1,699 thousand (Euro 1,617 thousand at 31 December 2020);
- costs for services for the period ended 31 December 2021 include directors' fees, expenses tied to the performance share plan and allocations to the provisions for end of service indemnity for a total amount of Euro 3,430 thousand (Euro 2,485 thousand for the period ended 31 December 2020).

10. Commitments and risks

Sureties and guarantees granted to third parties

At 31 December 2021, the Company had sureties and guarantees in place for a total amount of Euro 100 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 2021 financial year due to directors (including bonuses, charges related to the performance shares plan, provisions for severance indemnity and related contributions) and statutory auditors amounted to Euro 3,430 thousand and Euro 95 thousand, respectively.

The following table gives details of the remuneration for executive directors and non-executive directors in 2021.

(in thousands of Euro)	2021
Chairman of the Board of Directors	260
Executive Directors	3.020
Non-executive directors	150
Total cost	3.430

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 241 thousand and Euro 1,440 thousand for the years ending on 31 December 2021 and 31 December 2020, respectively. In compliance with the provisions of Art. 149-duodecies of the CONSOB Issuers Regulation, the fees for 2021 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 € 4,395 thousand and € 5,538 thousand for the years ended 31 December 2020 and 31 December 2021.

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

Waiver of payment of the principal amount foreseen for the financial year 2022 of the loan agreement signed for the RPB acquisition

In March 2022, GVS obtained from the lending banks of the loan for the RPB Acquisition, a waiver to pay the principal amount initially scheduled for financial year 2022. Although in this report this amount has been highlighted among short-term financial liabilities, the amount of Euro 19,560 thousand will be repaid starting from financial year 2023.

15. Disclosures pursuant to Art. 1, paragraph 125 of Law 124 dated 4 August 2017

In relation to the provisions of Art. 1, paragraph 125 of Law 124/2017, concerning the obligation to disclose in the explanatory notes any sums of money received during the financial year by way of subsidies or grants from the public administrations and entities referred to in paragraph 125 of that article, the Company hereby certifies that during 2021 the following sums were received:

Disbursing subject	Contribution received (in thousands of Euro)	Reason
European Commission	41	FET Open AMECRYS project
Fondimpresa	13	Contributions to training

As regards the contributions received from Invitalia, reference should be made to what is reported in note 6.14.

16. Approval of the Financial Statements and authorisation for publication

The Financial Statements ending on 31 December 2021 were approved on 22 March 2022 by the Board of Directors, which authorised their publication within the legal deadline.

Zola Predosa, 22 March

For the Board of Directors
Chief Executive Officer
Massimo Scagliarini



SCHEDULES ATTACHED TO THE FINANCIAL STATEMENTS

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

(in thousands of Euro)	At 31 December 2021	of which with related parties	percentage	At 31 December 2020	of which with related parties	percentage
ASSETS						
Non-current assets						
Intangible assets	2.967			3.034		
Assets represented by usage rights	1.870	927	49,6%	2.012	1.221	60,7%
Tangible assets	24.324	18	0,1%	19.979		
Equity investments	68.131			63.680		
Advance tax assets	-			1.544		
Non-current financial assets	214.402	214.378	100,0%	77.772	77.747	100,0%
Non-current derivative financial instruments	123			-		
Total non-current assets	311.817			168.021		
Current assets						
Inventories	7.734			6.694		
Trade receivables	23.176	11.619	50,1%	28.117	12.779	45,4%
Assets from contracts with customers	2.641			1.816		
Current tax receivables	2.922	2.820	96,5%	-		
Other receivables and current assets	8.718	5.752	66,0%	4.401	1.098	25,0%
Current financial assets	17.478	17.478	100,0%	15.166	15.166	100,0%
Cash on hand	82.847			83.453		
Total current assets	145.516			139.648		
TOTAL ASSETS	457.333			307.669		

(in thousands of Euro)	At 31 December 2021	of which with related parties	percentage	At 31 December 2020	of which with related parties	percentage
SHAREHOLDERS' EQUITY AND LIABILITIES						
Share capital	1.750			1.750		
Reserves	131.243			127.362		
Net income	37.703			27.308		
Total shareholders' equity	170.696			156.421		
Non-current liabilities						
Non-current financial liabilities	194.902	14.824	7,6%	78.712	8.984	11,4%
Non-current leasing liabilities	992	730	73,6%	1.262	857	67,9%
Deferred tax liabilities	3.239			-		
Provisions for employee benefits	2.610	1.699	65,1%	2.780	1.617	58,2%
Provisions for risks and charges	3.000			1.000		
Non-current derivative financial instruments	-			107		
Total non-current liabilities	204.743			83.861		
Current liabilities						
Debt for the purchase of equity investments and earn out	264			-		
Current financial liabilities	41.481			19.507		
Current leasing liabilities	902	509	56,4%	789	388	49,2%
Trade payables	28.128	21.731	77,3%	31.989	22.548	70,5%
Liabilities from contracts with customers	2.599			1.445		
Current tax payables	-	-		5.464	4.327	79,2%
Other current payables and liabilities	8.520	3.322	39,0%	8.194	3.512	42,9%
Total current liabilities	81.894			67.388		
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	457.333			307.669		

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

(in thousands of Euro)	Financial year ended 31 December					
	2021	of which with related parties	percentage	2020	of which with related parties	percentage
Revenue from customer contracts	89.955	29.323	32,6%	124.155	47.108	37,9%
Other revenues and proceeds	2.605	2.172	83,4%	3.438	2.773	80,7%
Total revenues	92.560			127.592		
Purchases and consumption of raw materials, semi-products and finished products	(42.289)	(18.095)	42,8%	(48.964)	(11.300)	23,1%
Personnel costs	(25.615)	(3.418)	13,3%	(26.622)	(3.432)	12,9%
Service costs	(15.571)	(6.663)	42,8%	(16.483)	(5.028)	30,5%
Other operating costs	(1.075)			(942)		
EBITDA	8.010			34.582		
Net writedowns of financial assets	(60)			(77)		
Amortisation, depreciation and writedowns	(4.921)	(390)	7,9%	(4.416)	(386)	8,7%
EBIT	3.030			30.089		
Financial proceeds	15.366	3.782	24,6%	2.734	2.670	97,6%
Financial charges	(2.426)	(166)	6,8%	(11.499)	(132)	1,1%
Income and expense from equity investments	29.464	29.508	100,1%	14.516	14.516	100,0%
Pre-tax result	45.434			35.840		
Income tax	(7.731)			(8.532)		
Net income	37.703			27.308		

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

(in thousands of Euro)	Financial year ended 31 December					
	2021	of which with related parties	percentage	2020	of which with related parties	percentage
Pre-tax result	45.434	36.054	79%	35.840	46.789	131%
- Adjustment for:				-		
Amortisation, depreciation and writedowns	4.921	390	8%	4.416	386	9%
Capital losses / (capital gains) from sale of assets	(6)			-		
Financial charges / (proceeds)	(12.940)	166	-1%	8.764	132	2%
Income and expense from equity investments	(29.464)	(29.508)	100%	(14.516)	(14.516)	100%
Other non-monetary variations	2.502	82	3%	1.177	143	12%
Cash flow generated / (absorbed) by operations before variations in net working capital	10.446			35.682		
Variation in inventories	(1.090)			(2.226)		
Variation in trade receivables	4.882	1.160	24%	(10.568)	(7.749)	73%
Variation in trade payables	(3.861)	(817)	21%	11.745	1.966	17%
Variation in other assets and liabilities	505	(18.494)	-3659%	(68)	3.697	-5433%
Use of provisions for risks and charges and for employee benefits	(265)			(118)		
Taxes paid	(9.359)	(7.821)	84%	(3.747)	(3.353)	89%
Net cash flow generated / (absorbed) by operations	1.259			30.700		
Investments in tangible assets	(8.866)	(18)		(6.517)		
Investments in intangible assets	(141)			(479)		
Disposal of tangible assets	712			58		
Opening of financial receivables from subsidiaries and other financial assets	(135.812)			(5.855)		
Repayment of financial receivables from subsidiaries	9.393	(138.943)	-1479%	16.945	19.484	115%
Equity investments	(3.856)			(13.662)		
Dividends from equity investments	26.264	29.508	112%	14.516	14.516	100%
Net cash flow generated / (absorbed) by investment	(112.305)			5.005		
Opening of long-term financial payables	156.023	5.840	4%	42.283	1.944	5%
Repayment of long-term financial payables	(18.543)			(103.227)		
Variations in current financial payables	-			-		
Repayment of leasing liabilities	(936)	(102)	11%	(894)	(383)	43%
Financial charges paid	(2.285)	(166)	7%	(4.781)	(132)	3%
Financial proceeds collected	2.352			2.734		
Net fee for IPO	-			74.507		
Dividends paid	(22.722)	13.650	-60%	(1.681)	(1.681)	100%
Net cash flow generated/(absorbed) by financial assets	113.889			8.940		
Total variation in cash on hand	2.842			44.646		
Cash on hand at the start of the year	83.453			38.807		
Total variation in cash on hand	(606)			44.646		
Cash on hand at the end of the year	82.847			83.453		

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

(in thousands of Euro)	Financial year ended 31 December							
	2021	of which non-recurring	2021 from ordinary operations	percentage	2020	of which non-recurring	2020 from ordinary operations	percentage
Revenue from customer contracts	89.955		89.955		124.155		124.155	
Other revenues and proceeds	2.605		2.605		3.438		3.438	
Total revenues	92.560	-	92.560		127.592	-	127.592	
Purchases and consumption of raw materials, semi-products and finished products	(42.289)		(42.289)		(48.964)		(48.964)	
Personnel costs	(25.615)		(25.615)	0,0%	(26.622)	(796)	(25.826)	3,0%
Service costs	(15.571)	(1.007)	(14.564)	6,5%	(16.483)	(4.285)	(12.198)	26,0%
Other operating costs	(1.075)		(1.075)		(942)		(942)	
EBITDA	8.010	(1.007)	9.017		34.582	(5.081)	39.663	
Net writedowns of financial assets	(60)		(60)		(77)		(77)	
Amortisation, depreciation and writedowns	(4.921)		(4.921)		(4.416)		(4.416)	
EBIT	3.030	(1.007)	4.037		30.089	(5.081)	35.170	
Financial proceeds	15.366		15.366		2.734		2.734	
Financial charges	(2.426)	(11)	(2.415)	0,5%	(11.499)		(11.499)	0,0%
Income and expense from equity investments	29.464		29.464		14.516		14.516	
Pre-tax result	45.434	(1.018)	46.452		35.840	(5.081)	40.921	
Income tax	(7.731)	(1.720)	(6.011)	22,3%	(8.532)	(166)	(8.367)	1,9%
Net income	37.703	(2.738)	40.441		27.308	(5.247)	32.555	

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 2021 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	2021 fees
	PwC SpA	Parent company - audit of the financial statements	50
	PwC SpA	Parent company - audit of the consolidated financial statements	81
	PwC SpA	Parent company - audit of the half-yearly report	71
Total Audit of Accounting			202
	PricewaterhouseCoopers Advisory SpA	Parent Company - Methodological support to the manager in charge of survey / mapping tasks pursuant to Law 262/2005	14
	PwC SpA	Parent company - Limited assurance NFS	25
Total other services (NAS)			39
TOTAL			241

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 2021.
2. The assessment of the adequacy of the administrative and accounting procedures for the preparation of the Financial Statements at 31 December 2021 was carried out on the basis of the standards and methodologies defined by GVS mainly in accordance with the Internal Control - Integrated Framework model issued by the Committee of Sponsoring Organisations of the Treadway Commission, which represents a reference framework for the internal control system generally accepted at the international level.
3. In addition, they also certify that:
- 3.1 the Annual Financial Statements:

• have been prepared in compliance with applicable international accounting standards recognised by the European Community pursuant to Regulation (EC) No. 1606/2002 of the European Parliament and of the Council of 19 July 2002 and with the measures issued in implementation of Article 9 of Legislative Decree no. 38/2005;

• correspond to the results in accounting books and records;

• are suitable to provide a true and fair view of the statement of financial position, and the statement of profit and loss of the issuer.

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

Zola Predosa, 22 March 2022

Massimo Scagliarini
Chief Executive Officer



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



REPORT OF THE BOARD OF STATUTORY AUDITORS TO THE SHAREHOLDERS' MEETING ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

Report of the Board of Statutory Auditors to the Shareholders' Meeting of GVS S.p.A. pursuant to art. 153 of Legislative Decree no. 58/1998 and art. 2429 of the Civil Code

Dear Shareholders,

This Report has been prepared by the Board of Statutory Auditors of GVS S.p.A. (hereinafter also referred to as the "Company" or "GVS") appointed by the Shareholders' Meeting of 13 March 2020 by resolution which is subject to the condition precedent of the commencement of trading. As a consequence of the listing on the MTA, the Board of Statutory Auditors will be in office, in its current composition, from 19 June 2020 until the approval of the financial statements as at 31 December 2022.

This Report reports on the supervisory and other activities carried out by the Board of Statutory Auditors during the financial year ended 31 December 2021, prepared pursuant to Article 153 of Legislative Decree no. 58/1998 ("TUF") and Article 2429 of the Italian Civil Code, the Rules of Conduct of the Board of Statutory Auditors of Listed Companies issued by the National Council of Chartered Accountants most recently updated in April 2018 (hereinafter the "Rules of Conduct"), including Rule Q.7.1, the Consob provisions on corporate controls and the guidance contained in the Corporate Governance Code.

In this Report, and also in compliance with the indications given by Consob Communication DEM/1025564 of 6 April 2001, as subsequently amended and supplemented, the Board of Statutory Auditors gives an account of the activities it has carried out, separately for each supervisory object provided for in the regulations governing the activity of the Board itself.

Given that GVS has adopted the traditional *governance* model, and that the legal audit of the accounts has been entrusted to the auditing firm PricewaterhouseCoopers S.p.A. (hereinafter also referred to as "PwC") for the financial years ending on 31 December 2028, the Board of Statutory Auditors is identified with the "Internal Control and Audit Committee" (CCIRC), which is responsible for further specific control and monitoring functions regarding financial reporting and the legal audit provided for by art. 19 of Legislative Decree of 27 January 2010 no. 39, as amended by Legislative Decree. 17 July 2016 no. 135, which are also acknowledged in this Report. With this Report, the Board of Statutory Auditors also reports on the supervisory activity carried out with reference to the obligations relating to the Non-Financial Declaration pursuant to Legislative Decree no. 254/2016.

In fulfilling these obligations, the Board of Statutory Auditors, as the top body in the overall system of corporate controls, also provides an integrated picture of the results of these controls.

1. INFORMATION ON THE MOST SIGNIFICANT ECONOMIC, FINANCIAL AND ASSET OPERATIONS CARRIED OUT BY THE COMPANY

On the basis of the information received and as a result of the specific analyses carried out by the Board of Statutory Auditors, with regard to the most significant economic, financial and equity transactions carried out in 2021, the following is noted:

- ✓ in 2021, GVS achieved consolidated revenues of 338.1 million euro, down 6.9% from 363.3 million euro in 2020. This decrease is mainly attributable to the Health & Safety division, whose extraordinary growth in the previous year was driven by the needs arising from the spread of the Covid-19 pandemic.

- ✓ in January 2021, the subsidiary GVS Technology (Suzhou) Co. Ltd. transferred ownership of its Suzhou production site to the Chinese Public Authority;
- ✓ in January 2021, the project for partial spin-off of the shareholders' equity of GVS Microfiltrazione S.r.l. took legal effect in favour of the newly incorporated company GVS Patrimonio Immobiliare S.r.l.. In December 2021, GVS Microfiltrazione S.r.l. then proceeded to sell the same equity investment to GVS Real Estate S.r.l.;
- ✓ on 31 August 2021, the GVS Group acquired 100% of the share capital of the RPB Group, which specialises in the design and manufacture of respiratory protection, including air-purifying respirators and powered air purifiers. In order to finance the operation, GVS has signed a 5-year loan agreement for 150 million euro with a pool of lending banks;
- ✓ in October 2021, the Company launched the share buyback programme authorised by the Shareholders' Meeting of 27 April 2021. As of December 31, 2021, there are 306,802 treasury shares in portfolio for a total share of 0.18% of the Company's share capital;
- ✓ in December 2021, the Group company GVS Do Brasil Ltda signed a deed of sale with the company GVS Real Estate Do Brasil Ltda, a subsidiary of GVS Real Estate Srl, for the sale of certain land and buildings related to the production site located in Brazil (Monte Mor).

During 2021, the Board of Statutory Auditors acquired information on the most significant economic, financial and equity transactions carried out by the Company and its subsidiaries, by attending the meetings of the Board of Directors and holding specific meetings with the top management as well as with the Independent Auditors (PwC). To the best of this Board of Statutory Auditors' knowledge, these transactions were not manifestly imprudent or risky, nor did they give rise to a potential conflict of interest, conflict with the resolutions passed by the General Meeting of Shareholders or compromise the integrity of the company's assets. The Directors' Report on Operations provides full and comprehensive information on the said transactions, which are adequately described therein, as well as on the reasons why the Board of Directors of the Company decided to carry out the said transactions, which were resolved in compliance with the law and the Articles of Association. The Board of Statutory Auditors, having also acknowledged the contents of the Management Report, has no observations to make.

2. INFORMATION ON THE EXISTENCE OF ANY ATYPICAL AND/OR UNUSUAL TRANSACTIONS, INCLUDING THOSE BETWEEN GROUP COMPANIES OR WITH RELATED PARTIES; AND
3. ASSESSMENT OF THE ADEQUACY OF THE DISCLOSURES MADE BY THE DIRECTORS CONCERNING ATYPICAL AND/OR UNUSUAL TRANSACTIONS, INCLUDING THOSE BETWEEN GROUP COMPANIES OR WITH RELATED PARTIES

During 2021, no atypical and/or unusual transactions were brought to the attention of the Board of Statutory Auditors. The Report on Operations and the Notes to the accompanying financial statements and consolidated financial statements describe non-recurring transactions and their effect on the results of operations and financial position for financial year 2021. In the Explanatory Notes, the Directors highlight the main intragroup transactions and transactions with related parties, identified on the basis of the international accounting standards and the provisions issued on the subject by Consob. Reference should be made to these Notes with

regard to the identification of the type of transactions and related economic, equity and financial effects.

Still on the subject of transactions with related parties, the Board of Statutory Auditors points out that the Company has adopted - pursuant to Article 2391-bis of the Civil Code and in compliance with the Consob regulations contained in Resolution no. 17221 of 12 March 2010 (and subsequent amendments and additions) - a specific "Procedure for transactions with related parties" that classifies transactions into different categories, applying a specific validation and approval process to each of them. This procedure was updated in order to adapt the provisions contained therein to the amendments approved by Consob with resolution no. 21624 of 10 December 2020 to the Related Parties Regulation and approved, within the terms of the law, in its new version by the Board of Directors on 23 June 2021, subject to the opinion of the Control, Risk and Sustainability Committee and the Board of Statutory Auditors.

From the information acquired, also as a result of the in-depth investigations carried out, and from the analysis of the documentation obtained, there is no evidence to suggest that the transactions with related parties of GVS, indicated in the Annual Financial Report as at 31 December 2021, have not been implemented and managed in the interest of the Company.

Taking into account the size and structure of the Company and of the GVS Group, the Board of Statutory Auditors, without prejudice to the foregoing, assesses that the Board of Directors, in the Annual Report as at 31 December 2021, has provided an adequate illustration of the transactions carried out with subsidiaries and other related parties, explaining their economic, financial and equity effects.

4. OBSERVATIONS AND PROPOSALS ON THE REMARKS AND REQUESTS FOR INFORMATION CONTAINED IN THE AUDITORS' REPORT AND IN THE ADDITIONAL REPORT

On 14 February 2020, the Shareholders' Meeting of GVS S.p.A. renewed the appointment of the Independent Auditors PricewaterhouseCoopers S.p.A. for the legal audit of the Company's financial statements and consolidated financial statements for the years from 31 December 2020 to 31 December 2028.

On 5 April 2022, the Independent Auditors issued the reports pursuant to art. 14 of Legislative Decree no. 39 of 27 January 2010 and art. 10 of Regulation (EU) no. 537/2014 in which they certify that the Statutory Financial Statements and the Consolidated Financial Statements as at 31 December 2021 comply with the IAS/IFRS adopted by the EU, as well as the measures issued in implementation of art. 9 of Legislative Decree no. 38 of 2005, and are clearly prepared and give a true and fair view of the financial position, results of operations and cash flows of the Company and the Group.

It should be noted for information purposes only that in its reports, the Auditing Firm considered it appropriate to identify the following *key audit matters*:

- for the consolidated financial statements: "Revenue Recognition" and "Recoverability of Intangible Assets".
- for the operating budget: "Revenue Recognition".

The Independent Auditors also assess that the Management Report and some specific information of the Report on Corporate Governance and Ownership Structures indicated in art. 123-bis, paragraph 4 of Legislative Decree no. 58/1998 are consistent with the Company's Financial Statements and the Group's consolidated financial statements and comply with the law.

The Independent Auditors have also assessed that the financial statements and the consolidated financial statements have been prepared in XHTML format and that the consolidated financial statements have been marked, in all material respects, in accordance with the provisions of Delegated Regulation (EU) No. 2019/815.

Finally, the company appointed for the legal audit, PwC, issued the Additional Report for the Internal Control and Audit Committee pursuant to Article 11 of Regulation (EU) 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 of Statutory Auditors acknowledged the contents of the Additional Report issued by the Independent Auditors without any remarks or requests for information. This report will be forwarded to the Board of Directors, along with any comments made by the Board of Statutory Auditors.

The Board of Statutory Auditors has supervised compliance with the provisions set out in Legislative Decree of 30 December 2016, no. 254 regarding disclosure of non-financial information. In this regard, having verified the approval by the Board of Directors of the Declaration of a non-financial nature, the independent auditors PwC issued, again on 5 April 2022, a report pursuant to art. 3, c. 10, of Legislative Decree of 30 December 2016, no. 254, and Article 5 of Consob Implementing Regulation of 18 January 2018 no. 20267.

5. INDICATION AS TO WHETHER COMPLAINTS UNDER ART. 2408 OF THE CIVIL CODE AND INITIATIVES TAKEN

During 2021 and up to the date of preparation of this Report, the Board of Statutory Auditors has not received any complaint pursuant to Article 2408 of the Civil Code and, therefore, no action has been taken by the Board of Statutory Auditors in this regard.

6. INFORMATION ON WHETHER COMPLAINTS HAVE BEEN SUBMITTED AND ANY ACTION TAKEN

During 2021 and up to the date of preparation of this Report, the Board of Statutory Auditors has not received any complaints from Shareholders and/or third parties, nor is the Board of Statutory Auditors aware of any complaints and/or remarks that have been submitted to the Company by Shareholders and/or third parties. Therefore, no action was taken by the Board of Statutory Auditors in this regard.

7. INDICATIONS OF ANY ADDITIONAL ASSIGNMENTS TO THE AUDITING FIRM AND RELATED COSTS

During the 2021 financial year and up to the date of this Report to Shareholders, the Board of Statutory Auditors, in its role as the "Internal Control and Audit Committee", carried out a constant monitoring process of 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 Statutory Audit Firm, pursuant to Articles 10, 10-bis, 10-ter, 10-quater and 17 of the aforementioned decree and Article 6 of Regulation (EU) 537/2014 of 16 April 2014, in particular with regard to the provision of non-audit services (so-called "non-audit services") to the audited entity.

In compliance with the specific regulations, we acknowledge the fees paid by the Company to PricewaterhouseCoopers S.p.A. for the legal audit activity and recorded in the financial

statements as at 31 December 2021, which amount to a total of Euro 220 thousand and are broken down as follows:

- Euro 50 thousand for the legal audit of the financial statements, pursuant to art. 14 of Legislative Decree no. 39/2010;
- Euro 99 thousand for the legal audit of the Consolidated Financial Statements;
- Euro 71 thousand for the revision of the half-yearly report (including Euro 1 thousand of ISTAT revaluation).

In addition to the above, we point out that the audit fees paid by the subsidiaries to PricewaterhouseCoopers S.p.A. and recorded in the financial statements as at 31 December 2021 amount to Euro 71 thousand.

It should also be noted that PricewaterhouseCoopers S.p.A., in a letter dated 16 November 2021, formulated a request for the integration of its fees, in relation to the increase in time related to additional audit activities compared to what was included in the initial proposal for the years 2020-2028 as a result of the acquisition, on 31 August 2021, of RPB Safety LLC and its subsidiaries Goodman Brands LLC and RPB Safety LTD (jointly, the "RPB Group"). In connection with the aforementioned acquisition transaction, the Independent Auditors revised their estimate of the time related to the performance of the audit process for the 2021 fiscal year ("*a tantum*" or "*one-off*"), as well as the audit fees for the remaining fiscal years of the 2022-2028 engagement ("*recurring*" or "*running*"). The request submitted by PricewaterhouseCoopers S.p.A. for the integration of the fees relates to activities referring to the year 2021 for a total of Euro 44 thousand euro, for *one-off* auditing activities, and to recurring auditing activities, for Euro 25 thousand, for the remaining years of the assignment from 2022 to 2025. These requests for additional fees are the subject of the reasoned proposal included in the Agenda at the General Meeting of Shareholders on 28 April 2022.

With reference to the issue of *non-audit services*, it should be noted that, at the instigation of the Board of Statutory Auditors in its role as Internal Control and Audit Committee, the Company has adopted a specific procedure aimed at regulating the assignment to the Audit Firm and to entities belonging to its *network* of engagements regarding services other than the legal audit ("Operating instruction for the assignment of a non-audit service engagement to the Audit Firm or to an entity belonging to its network").

The fees for the above-mentioned appointments, granted to PricewaterhouseCoopers S.p.A., not previously examined by the Board of Statutory Auditors in its current composition, since they were conferred before June 19, 2020 and recorded in the financial statements as at 31 December 2021, amount to a total of Euro 25 thousand and refer to the *Limited Assurance* of the Non Financial Statement (DNF).

Details of this remuneration are also given in the appendices to the Company's separate and consolidated financial statements, as required by article 149-duodecies of Consob's Issuers' Regulations.

With regard to the conferral of non-audit assignments, the Board of Statutory Auditors, has consistently carried out its own independent assessments of the potential risks to the independence of the statutory auditor, ascertaining that the non-audit service was not among those prohibited, as defined by Art. 5(1) of Regulation (EU) 537/2014, the reasons for the assignment of the engagement to the Audit Firm PwC or entities in its network by the Company's management and that the fees charged appeared to be determined in such a way as to ensure the quality and reliability of the work and that the same were such as not to give rise to possible risks to the independence of the Audit Firm.

The Board of Statutory Auditors - having obtained the annual confirmation of independence of the Independent Auditors, issued on 5 April 2022, pursuant to art. 6 paragraph 2(A) of Regulation (EU) No. 537/2014 and pursuant to paragraph 17 of ISA Italia 260 in which it informs about the non-existence of situations that could compromise 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 Audit Firm or causes of incompatibility pursuant to Articles 10, 10-bis and 17 of the Consolidated Law on Statutory Audit and the related implementing provisions.

8. INDICATIONS OF ANY FURTHER ASSIGNMENTS TO SUBJECTS LINKED TO THE COMPANY IN CHARGE OF THE AUDIT BY ONGOING RELATIONS AND THE RELATED COSTS

As already mentioned in the previous section of this Report, in compliance with the provisions of art. 19, paragraph 1, letter e), of Legislative Decree. 39/2010 and by art. 5, paragraph 4, of Regulation (EU) No. 537/2014, the Board of Statutory Auditors also examined in advance, in the course of the 2021 financial year, the proposals, submitted to its attention, for the conferral of *non-audit services* to parties linked to the network of the Audit Firm.

During 2021, the Company paid PricewaterhouseCoopers Business Services S.r.l. Euro 14 thousand. (formerly PricewaterhouseCoopers Advisory S.p.A.) for methodological support activities to the Manager in charge in relation to survey/mapping activities pursuant to Law no. 262/2005 on the basis of an assignment granted in 2020, subject to prior approval of the Board of Statutory Auditors in its role as CCIRC.

Details of this remuneration are also given in the appendices to the Company's separate and consolidated financial statements, as required by article 149-duodecies of Consob's Issuers' Regulations.

It should be noted that at the end of November 2021, the Company, with the prior approval of the Board of Statutory Auditors in its role as CCIRC, conferred to PricewaterhouseCoopers Business Services S.r.l., services for Due Diligence activities with fees pertaining to the financial year following the one under review.

9. INDICATIONS OF THE EXISTENCE OF OPINIONS ISSUED BY THE BOARD OF STATUTORY AUDITORS IN ACCORDANCE WITH THE LAW DURING THE YEAR 2021

During the financial year 2021, the Board of Statutory Auditors issued the following opinions:

- favourable opinion on the 2021 *Internal Audit* Plan, approved by the Board of Directors on 19 March 2021;
- favourable opinion on the new Related Party Regulations, approved by the Board of Directors on 23 June 2021.

10. INDEPENDENCE OF THE MEMBERS OF THE BOARD OF STATUTORY AUDITORS AND ACTIVITIES CARRIED OUT, INDICATING THE FREQUENCY AND NUMBER OF MEETINGS

The Board of Statutory Auditors verified the absence of causes of ineligibility, lapse of office and incompatibility (at the time of effectiveness of its appointment, i.e. from 19 June 2020, at the meeting on 12 March 2021 and lastly at the meeting on 17 March 2022) for its members,

pursuant to art. 148 of the TUF and the Code of Conduct, as well as the existence of the independence requirements for them pursuant to the Corporate Governance Code to which the Company has adhered.

The members of the Board of Statutory Auditors complied with the limit on the accumulation of offices provided for in Article 148-*bis* of the TUF and Articles 144-*duodecies* et seq. of the Issuers' Regulations, as well as the independence requirements provided for in Article 148, paragraph 3, of the TUF.

The Board of Statutory Auditors informed the Board of Directors of the results of its audits by means of a self-assessment report drawn up in accordance with the document prepared by the National Council of Chartered Accountants entitled "Self-assessment by the Board of Statutory Auditors - Rules of conduct for the Board of Statutory Auditors of listed companies", with particular reference to standard Q.1.1.

With reference to the activities for which it is responsible, during the year under review the Board of Statutory Auditors declares that it has:

- held 20 meetings in financial year 2021, of which 4 were held jointly on specific items with CCRS, attended 13 meetings of the Audit, Risk and Sustainability Committee and 4 meetings of the Nominating and Compensation Committee, and attended 8 meetings of the Board of Directors;
- held 10 meetings in financial year 2022, as of the date of this report, including 1 in joint session on specific points with the ESRB, attended 3 meetings of the Audit, Risk and Sustainability Committee, and 4 meetings of the Nomination and Remuneration Committee, and attended 2 meetings of the Board of Directors;
- met with the Supervisory Board;
- obtained adequate information from the Directors at least quarterly, pursuant to art. 150, paragraph 1 of the TUF, on the activities carried out and on the most significant economic and financial transactions made by the Company and its subsidiaries;
- promptly exchanged with the managers of the Independent Auditors the data and information relevant for the performance of their respective duties, pursuant to art. 150 of the TUF.

11. OBSERVATIONS ON COMPLIANCE WITH THE PRINCIPLES OF GOOD GOVERNANCE AND COMPLIANCE WITH THE LAW AND BYLAWS

The Board of Statutory Auditors acquired knowledge of and monitored, to the extent of its competence, compliance with the principles of proper *governance* through hearings, direct observation and meetings with the Company's *management*. In particular, it oversaw the correct implementation of the provisions of the Corporate Governance Code, as referred to in greater detail in point 17 below.

With regard to the decision-making processes of the Board of Directors, the Board of Statutory Auditors monitored, including through its participation in Board meetings, the compliance with the law and the Company's Articles of Association of the management decisions taken by the Directors and verified that the related resolutions were supported by adequate information processes.

On the basis of the information made available to it, the Board of Statutory Auditors can 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 or in conflict with

the resolutions passed by the Shareholders' Meeting or such as to compromise the integrity of the company's assets.

The Board of Statutory Auditors also acknowledged the preparation of the Remuneration Report pursuant to art. 123-ter of the TUF and art. 84-quater of the Issuers' Regulation, as well as supervised the compliance with the provisions set out by Legislative Decree 254/2016.

In the course of the supervisory activity carried out by the Board of Statutory Auditors in accordance with the procedures described above, on the basis of the information and data acquired, no facts emerged that might suggest non-compliance with the law and the articles of association or that might justify reporting to the Supervisory Authorities or mention in this Report.

12. OBSERVATIONS ON THE ORGANISATIONAL STRUCTURE

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

The Board of Directors in office consists of nine members, four of whom meet the independence requirements set out in the combined provisions of Articles 147-ter, paragraph 4, and 148, paragraph 3, of the TUF, as well as in the Corporate Governance Code. All the independent directors were appointed on 13 March 2020, with effect subject to the start of trading on 19 June 2020, as part of the process of listing GVS S.p.A. on the MTA. The Board of Directors has not set up an executive committee and, in addition to the Chairman and the Independent Directors, consists of a Managing Director and three executive directors.

The Company has not appointed a *Lead Independent Director*.

The Company has established within the Board of Directors the Nominating and Compensation Committee and the Risk Control and Sustainability Committee, both of which are composed of three non-executive directors. All members of the Audit Risk and Sustainability Committee are independent directors. The Nominating and Compensation Committee, whose members include the Company's Chairman, is composed of a majority of independent directors.

During 2021, the entire GVS group adopted organizational measures and procedures to ensure the continuation of production and management activities, in the context of the health crisis related to the Covid-19 pandemic, so as to ensure compliance with the commitments made to its customers, while fully respecting the health of its employees and collaborators.

On 17 December 2021, the Board of Directors adopted a policy for the management of dialogue with general shareholders and other stakeholders, in accordance with the recommendations of the Corporate Governance Code, taking into account the *engagement* policies adopted by the Company's institutional investors. This policy stipulates that, in managing the dialogue, the Company shall operate in accordance with the principle of transparency of the information provided, the principle of equal treatment of shareholders, and the provisions of the law and regulations in force.

It should be noted that, on the proposal of the Appointments and Remuneration Committee, on 22 March 2022 the Board of Directors adopted a guideline regarding the maximum number of directorships and audit appointments that Directors may hold in other companies of significant size, and which may be considered compatible with the effective performance of the role of director of the Company, taking into account the commitment deriving from the role held.

As part of its supervisory activities, the Board of Statutory Auditors has provided the Company with numerous suggestions, also in light of the expansion of the company's business, which make it necessary, in particular, to strengthen the organisational structure and implement a more articulated Internal Audit function.

13. OBSERVATIONS ON THE ADEQUACY OF THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

The Report on Corporate Governance and Ownership Structure for the year 2021 describes the main features of the internal control and risk management system, which represents the set of rules, procedures and organisational structures aimed at enabling the identification, measurement, management and monitoring of the main corporate risks.

Also during the year under review, the Company continued the process, started at the time of the listing, of strengthening the internal audit and risk management system (SCIGR), in order to align it with the national *best practices*.

The Board oversaw and conducted in-depth reviews of the adequacy of the SCIGR, verifying its actual operation through:

- a) obtaining information from the heads of the respective company departments, also aimed at verifying the existence, adequacy and concrete implementation of the procedures;
- b) joint meetings on specific issues with the Control, Risk and Sustainability Committee, without prejudice to the different tasks and roles of the two bodies, and the participation of at least one member of the Board of Statutory Auditors in all the meetings of the aforesaid Committee, also exchanging information on the initiatives which it was deemed appropriate to promote or request in view of the issues dealt with;
- c) periodic meeting with the Head of the Internal Audit Department;
- d) the constant exchange of information with the Independent Auditors;
- e) the periodic exchange of information with the Supervisory Board;
- f) the periodic meeting with the Managing Director in his capacity as Director in charge of the SCIGR, with whom the Board of Statutory Auditors shared its observations regarding the improvement of the control architecture implemented by the Company.

The Board of Statutory Auditors acknowledges that the set of information flows mentioned above is substantially adequate, although the implementation and formalisation of the internal processes undertaken by the Company following the listing are still evolving.

On 22 March 2022, the Board of Directors, having acknowledged the Annual Internal Audit Report on 2021, positively assessed the Company's organisational, administrative and accounting structure and the internal control and risk management system, after receiving the opinion of the Control, Risk and Sustainability Committee.

The Board of Statutory Auditors and the Control, Risk and Sustainability Committee expressed, during the examination and positive evaluation of the Internal Audit Plan 2022 approved by the Board of Directors at the meeting held on 22 March 2022, a recommendation regarding the continuation of the process of strengthening the staff of the *Internal Audit* function, currently assisted by external support, to market *benchmarks*.

In the course of 2021, the Organisational, Management and Control Model pursuant to Legislative Decree 231/2001 (Organisational Model), was, *first and foremost*, updated on 19

March 2021 to incorporate specific Special Parts relating to the offences of *market abuse*, bribery among private individuals and tax offences. Subsequently, under the supervision of the Supervisory Body, a significant project was launched aimed at rationalising and updating the *risk assessment* process by identifying and analysing all the Company's processes and activities that are sensitive to the risks arising from Legislative Decree 231/2001. The Organisational Model, consequently updated with respect to the description of the general and specific protocols, as well as reorganised and rationalised as a whole, was approved by the Board of Directors on 23 June 2021.

Furthermore, in December 2021, the Company adopted the *Global Compliance Program* which defines the guidelines, principles, specific *policies* and safeguards for the extension of the protocols provided for by the Organisational Model and the Code of Ethics also to the foreign subsidiaries of the GVS Group, in order to prevent the commission of unlawful acts in the conduct of company activities.

During the year under review, the Company also completed the process of adapting and formalising its Occupational Health and Safety Management System by obtaining certification in accordance with the UNI ISO 45001 standard on 23 December 2021: 2018.

In the light of the above and on the basis of the results of the control activities carried out, the analyses conducted and the information acquired, without prejudice to the areas of attention highlighted above and taking into account the evolution of the SCIGR following the improvement actions underway, no elements emerged that could lead the Board of Statutory Auditors to deem the Company's internal control and risk management system to be inadequate as a whole. The Board of Statutory Auditors will continue to monitor the consolidation of the organisational model, with particular regard to aspects relating to the internal control and risk management system.

14. OBSERVATIONS ON THE ADMINISTRATIVE AND ACCOUNTING SYSTEM AND ON THE RELIABILITY OF THE LATTER IN CORRECTLY REPRESENTING MANAGEMENT EVENTS

The Board of Statutory Auditors monitored the adequacy of the administrative and accounting system, as well as its reliability in correctly representing operating events by obtaining information from the Manager in charge, examining company documentation and exchanging information with the Risk and Sustainability Control Committee and the head of the Internal Audit Department.

During the periodic meetings held with the Board of Statutory Auditors, the Independent Auditors did not report any issues concerning the administrative-accounting system, which was assessed on the basis of its ability to correctly represent corporate events and the timely updating of the company accounts.

The Board of Statutory Auditors has supervised - also by meeting periodically with the Manager in charge of drawing up the accounting and corporate documents - the process and the organisation foreseen for the drawing up of the financial statements, the consolidated financial statements and the periodic financial reports, as well as the other financial communications, verifying the existence of adequate procedures, albeit in a phase of progressive evolution, to supervise the process of gathering, drawing up and disseminating financial information.

In the course of the above-mentioned periodic meetings, the manager responsible for preparing the company's financial reports did not report any significant shortcomings in the operating and

control processes which might affect the judgement of the overall adequacy and effective application of the administrative and accounting procedures, with a view to correctly representing the income statement, balance sheet and financial situation of operations in accordance with international accounting standards.

The Board of Statutory Auditors then took note of the "Report of the Manager responsible for preparing the company's financial reports to the Board of Directors for the purposes of certification of the Consolidated Financial Statements as at 31 December 2021 of GVS S.p.A. pursuant to art. 154-bis of Legislative Decree 24 February 1998, no. 58" on the state of the internal control system for financial reporting with regard to the indications pursuant to Law no. 262/05 of the Consolidated Financial Statements as at 31 December 2021, submitted to the Board of Directors on 22 March 2022.

The Board of Statutory Auditors has also acknowledged the certifications issued, pursuant to art. 81-ter of Consob Regulation no. 11971 of 14 May 1999 and subsequent amendments and additions, by the Managing Director and the Manager in charge of preparing the Company's financial reports and the Group's consolidated financial statements, respectively, concerning a) the adequacy and effective application of the administrative and accounting procedures for preparing the separate 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 themselves with the entries in the books and accounting records and their suitability to provide a fair representation of the equity, economic and financial position of the Company and of all the businesses included in the consolidation d) the fact that the Management Report includes a reliable analysis of the operating results, as well as of the equity, economic and financial position 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.

The Board of Statutory Auditors, in light of its investigations and discussions with the Independent Auditors, is of the opinion that the process of drawing up the Financial Statements has been correct overall and that the accounting standards have been applied correctly.

With regard to the *impairment test* on goodwill, the Board of Statutory Auditors examined and discussed in specific meetings with the Manager in charge of preparation of the financial statements and with the Independent Auditors, the results of the valuation analyses carried out on the basis of a consolidated economic and equity projection prepared by *management* and the identification of a single *Cash Generating Unit* (CGU) comprising the Group, to which the entire goodwill recorded in the financial statements was allocated and which at 31.12.2021 does not show any impairment. During the year under review, preparatory discussions were held regarding the possible evolution of this methodological approach, consistent with the current model for monitoring operations and profitability by management, which considers the Group's entire business as a single operating segment, with a greater level of detail regarding the scope of the CGU than is currently the case.

The Board also verified that the Company, in special sections of the Report on Operations, provided information on the effects of the war conflict in Ukraine on the financial exposure of the GVS Group to the affected areas.

As anticipated in the previous paragraph, on 22 March 2022 the Board of Directors positively evaluated the organisational, administrative and accounting structure in relation to the current size and type of activity carried out by GVS and its Subsidiaries and the powers and means attributed to the Manager responsible for preparing the company's financial reports for the

exercise of the tasks assigned, as well as compliance with the administrative and accounting procedures in place.

Although the Board of Statutory Auditors does not have the task of legally auditing the accounts pursuant to Legislative Decree 39/2010, as this is entrusted to the Independent Auditors, on the basis of the information received from the latter, from the Manager in charge of preparing the company's financial reports and of the results found, we express a substantial opinion on the adequacy of the process of preparing financial reports and we assess that there are no significant critical aspects or issues worthy of mention in this Report.

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

The Board of Statutory Auditors, having acknowledged Legislative Decree 254/2016, relating to the disclosure of non-financial information and the Implementation Regulations issued by Consob with resolution dated 18 January 2018, supervised, in the exercise of its function, on compliance with the provisions contained therein concerning the preparation of the consolidated non-financial statement (DNF) approved by the Board of Directors on 22 March 2022. The Group's consolidated DNF, as provided for in art. 5, paragraph 3, letter b) of Legislative Decree 254/2016, constitutes a separate report from the Management Report and is made available on the institutional website. This Declaration contains information on environmental, social, 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 resulting from its activities, developing the material issues identified in the non-financial sphere through the materiality analysis applied to the issues provided for by Legislative Decree 254/2016 and the adopted reporting framework (GRI Standard).

The process activities for the preparation of the consolidated non-financial statement have been described in a separate document ("*Non-Financial and Sustainability Reporting procedure*"). The DNF for fiscal year 2021 contains information pursuant to Article 8 of EU Regulation 2020/852 (Taxonomy Regulation), which requires disclosing how and to what extent business activities are associated with economic activities considered environmentally sustainable according to the two environmental objectives of *climate mitigation* and *climate adaptation*.

The Board of Statutory Auditors has also:

- met with the Manager in charge in order to acquire information on the materiality analysis, not changed with respect to 2020, carried out by the Company in order to define the non-financial information areas of relevance for the GVS Group, the involvement of subsidiaries, the procedures and operational tools adopted for the collection of data/information and their subsequent analysis, control and consolidation. The Company has just implemented this process, which aims, for the 2021 financial year as well, to achieve a result of *compliance* with the reference regulations and at the same time activating a process of integration and improvement of the information itself;
- met with the Independent Auditors, PricewaterhouseCoopers S.p.A., who were appointed to certify compliance (*limited review*), during which the activities carried out to examine the Group's consolidated DNF were presented, with specific attention to the procedures adopted, the scope of the checks with details of the Group companies and the issues subject to sampling for *testing* purposes;
- having acknowledged the Report issued by the Independent Auditors on 5 April 2022, which states that no evidence has come to its attention to suggest that the Group's DNF

for the year ended 31 December 2021 has not been prepared, in all material respects, in accordance with the requirements of articles 3 and 4 of Legislative Decree 254/2016 and the Global Reporting Initiative (GRI) Standards;

- recommended that the Board continue to integrate ESG priorities into the strategy pursued by *Management*.

On the basis of the information acquired and taking into account the refinement process set out, the Board of Statutory Auditors expresses an assessment of the substantial adequacy of the procedures, processes and structures governing the production, reporting, measurement and representation of the above-mentioned information and attests that no elements of non-compliance and/or violation of the relevant regulatory provisions have come to its attention.

15. OBSERVATIONS ON THE ADEQUACY OF THE INSTRUCTIONS GIVEN TO THE SUBSIDIARIES PURSUANT TO ART. 114 LEGISLATIVE DECREE NO. 58/1998 - MANAGEMENT AND COORDINATION ACTIVITIES

The Board of Statutory Auditors has acquired knowledge of and supervised, to the extent of its competence, the adequacy of the instructions given by the Company to its subsidiaries pursuant to Article 114, paragraph 2, of Legislative Decree no. 58/1998, by acquiring information from the heads of the relevant corporate departments and through meetings with the Independent Auditors, for the purpose of a mutual exchange of relevant data and information. In relation to the close functional and operational links, a continuous, constant and adequate flow of information is guaranteed. On the basis of the information brought to the attention of the Board of Statutory Auditors, no elements have emerged that could lead to the conclusion that the Company is not in a position to comply with its obligations regarding relevant facts and the consolidation of data as required by law, in the time and manner required.

16. OBSERVATIONS REGARDING MEETINGS HELD WITH AUDITORS

The Board of Statutory Auditors has held periodic meetings with the representatives of the Independent Auditors PricewaterhouseCoopers S.p.A., thus enabling a profitable exchange of information as required by art. 150, paragraph 3 of Legislative Decree no. 58/1998.

The Board of Statutory Auditors has ascertained, based on information obtained from the Independent Auditors, that the rules and laws governing the preparation and layout of the Financial Statements, the Consolidated Financial Statements and the Report on Operations have been complied with. With the Auditing Company PwC, we examined, in particular, the summary of the results of the GVS Group as at 31 December 2021 and the representation in the financial statements of the significant elements from an economic, equity and financial point of view, the approach, procedures and audit plan adopted on the main areas of the financial statements, the risk factors identified, the specialists involved in the audit activities, the most relevant accounting issues related to the significant events that occurred during the year, the methods for carrying out the *impairment test* as well as the conclusions reached upon completion of the audit procedures.

During these periodic meetings, no acts or facts worthy of censure or reporting pursuant to art. 155, paragraph 2, of Legislative Decree no. 58/1998 were revealed. During these meetings, no anomalies, critical issues or omissions emerged that were brought to the attention of the Board of Statutory Auditors by the Independent Auditors.

The Board examined the contents of the Additional Report pursuant to art. 11 of Regulation (EU) no. 537/2014, which will be forwarded to the Board of Directors with any comments

made by the Board. Examination of this Report has not revealed any issues that require highlighting in this Report.

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, undertaking to carry out the activities necessary to implement its principles. The Board of Statutory Auditors monitored the methods for the concrete implementation of the Corporate Governance Code, adopted by the Board of Directors, and did not find any critical points.

In addition, it should be noted that the recommendations made in the 3 December 2021 letter from the Chairman of the Corporate Governance Committee were brought to the attention of the Board of Directors on 22 March 2022, and the Company reported on them as part of its Governance Report.

18. CONCLUDING ASSESSMENTS OF THE WORK CARRIED OUT

During the activities described above, and on the basis of the information periodically exchanged also with the Independent Auditors PricewaterhouseCoopers S.p.A., no omissions and/or censurable 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 SUBMITTED TO THE SHAREHOLDERS' MEETING PURSUANT TO ART. 153, PARAGRAPH 2, OF LEGISLATIVE DECREE no. 58/1998

Taking all of the above into account, the Board of Statutory Auditors assesses that there are no reasons to prevent the approval of the financial statements as at 31 December 2021, as prepared by the Board of Directors, and has no objections to make with regard to the proposals for the allocation of the profit for the year.

Milan/Bologna, 5 April 2022

for The Board of Auditors
The President Professor Patrizia Riva

INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2021



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 2021, 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 2021, and of the result of its operations and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No. 38/2005.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

PricewaterhouseCoopers SpA

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Key Audit Matters

Auditing procedures performed in response to key audit matters

Revenue recognition

Note 2.3 “Accounting standards and assessment criteria” and Note 7.1 “Revenues from contracts with customers” to the financial statements

Revenues from contracts with customers in the financial statements of GVS SpA as of 31 December 2021 are equal to Euro 89,955 thousand, mainly attributable to the sale of finished products. Those revenues are recognised, in accordance with IFRS 15 – *Revenue from contracts with customers*, when control of the products is transferred to the customer.

The correct recognition of revenues was a key matter in our audit in consideration of the materiality of the item and the large number of transactions making up the total amount.

Our audit approach consisted, preliminarily, in understanding and evaluating the methods and procedures defined by the Company for the recognition and measurement of sales revenues. Moreover, we identified and validated the operating effectiveness of controls over the revenue recognition process.

Taking into account the understanding, evaluation and validation of internal controls mentioned above, we then planned and performed substantive tests on the item in question.

In detail, on a representative sample of transactions we verified the existence and accuracy of revenues reported in the financial statements by examining the information in the supporting documents.

We also performed external confirmation procedures on a sample of customers with the aim of obtaining evidence supporting the transactions recorded.

Finally, we selected a sample of sales transactions in December 2021 and January 2022 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. 38/05 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, related safeguards.

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) No. 2019/815

The Directors of GVS SpA are responsible for the application of the provisions of Commission Delegated Regulation (EU) No. 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, 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 have been prepared in XHTML format 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 2021, 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. 58/98, with the financial statements of GVS SpA as of 31 December 2021 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 2021 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. 39/10, 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, 5 April 2022

PricewaterhouseCoopers SpA

Signed by

Giuseppe Ermocida
(Partner)

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

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