



FILTER TECHNOLOGY

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Half-Yearly Financial Report

2020

January – June 2020



**Half-yearly Financial Report at
30 June 2020
GVS Group**



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INFORMATION ABOUT THE COMPANY AND INFORMATION FOR SHAREHOLDERS

REGISTERED OFFICE

GVS S.p.A.

Via Roma 50

40069 Zola Predosa

BOLOGNA, ITALY

Phone +39 (051) 617-6311

Fax + 39 (051) 617-6200

www.gvs.com

LEGAL INFORMATION

Share capital: Euro 1,750,000

Tax code 03636630372

VAT number 00644831208

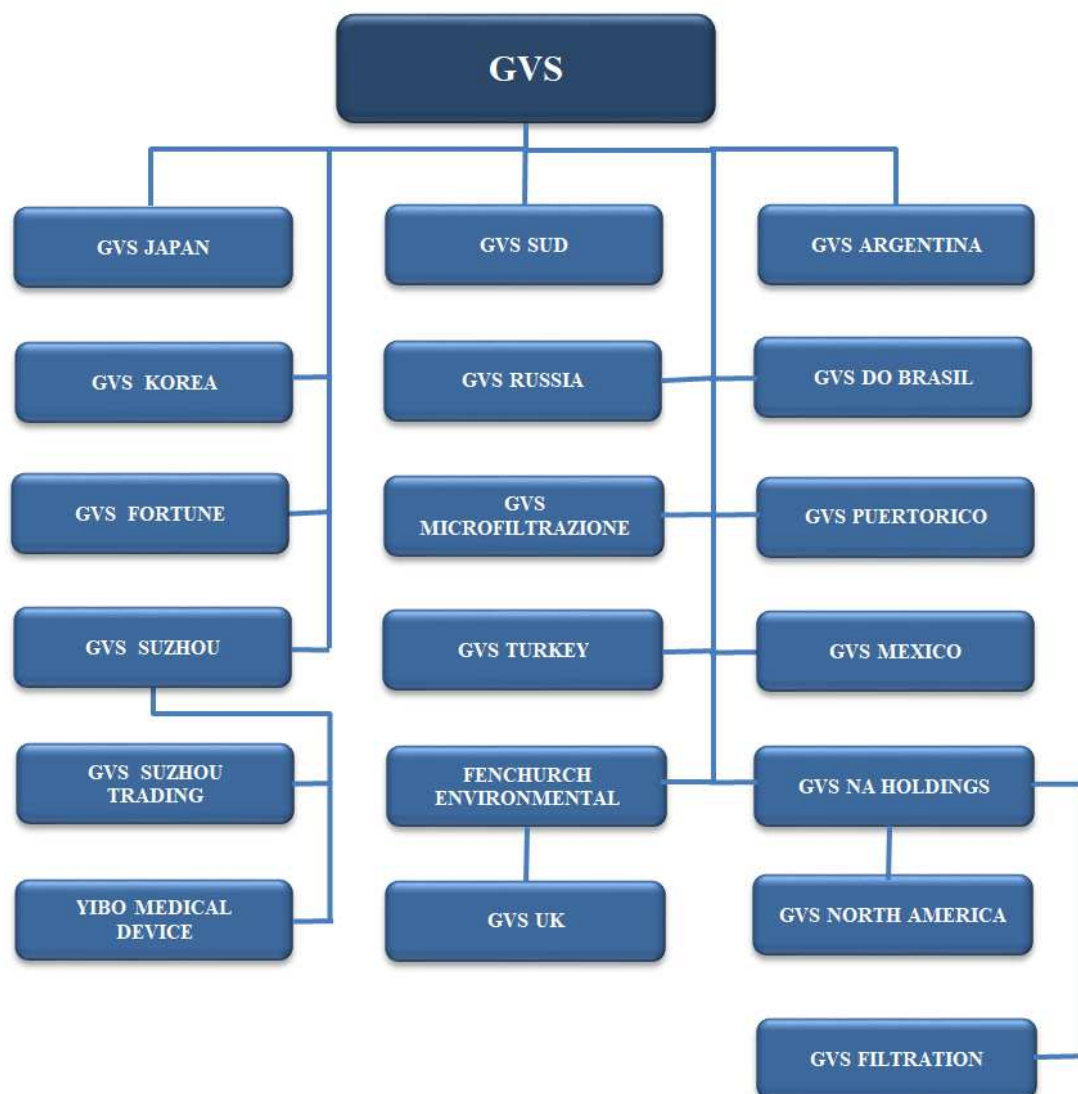
REA of Bologna 0305386

Register of Companies of Bologna 45539

INVESTOR RELATIONS

E-mail investorrelations@gvs.com

GROUP STRUCTURE*



*For information on the company name, registered office, the currency in which the Company operates, share capital of the GVS Group companies and the stake held by GVS SpA, please see the Explanatory Notes.

CORPORATE BODIES

Board of Directors

Chairman

Grazia Valentini (2)

Chief Executive Officer

Massimo Scagliarini

Executive Directors

Marco Scagliarini

Mario Saccone

Matteo Viola

Independent Directors

Nadia Buttignol (1)

Arabella Caporello (1)

Alessandro Nasi (2)

Michela Schizzi (1) (2)

Board of Statutory Auditors

Chair

Patrizia Lucia Maria Riva

Standing auditors

Francesca Sandrolini

Stefania Grazia

Substitute auditors

Daniela Baesi

Mario Difino

**Manager responsible for the preparation of the company's
accounting documents**

Emanuele Stanco

Independent auditors

PricewaterhouseCoopers SpA

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

(2) Member of the Nominations and Remuneration Committee

DIRECTORS' REPORT ON OPERATIONS

Foreword

The Interim Report on Operations of GVS SpA (hereinafter “**GVS**”, the “**Company**” or the “**Parent Company**” and together with its subsidiaries the “**GVS Group**” or the “**Group**”) is presented together with the condensed interim consolidated financial statements at 30 June 2020.

The Interim Report on Operations is intended to provide information on the situation of the GVS Group and on operations as a whole and in the various sectors in which it operates, including through subsidiaries.

The tables below have been prepared on the basis of the consolidated financial statements at 30 June 2020, 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 for the first half of the year 2020.

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 half years ending on 30 June 2019 and 2020.

<i>(in thousands of Euro)</i>	Half Year closed at 30 June	
	2020	2019
<i>Healthcare Liquid</i>	34,829	34,090
<i>Healthcare Air & Gas</i>	22,805	13,537
<i>Laboratory</i>	10,351	10,774
Healthcare & Life Sciences	67,984	58,401
<i>Powertrain & Drivetrain</i>	13,473	21,604
<i>Safety & Electronics</i>	8,780	10,535
<i>Sport & Utility</i>	8,649	13,508
Energy & Mobility	30,902	45,646
<i>Personal Safety</i>	44,241	7,652
<i>Air Safety</i>	3,205	5,044
Health & Safety	47,446	12,695
Revenue from customer contracts	146,333	116,743

In the first half of 2020, GVS achieved consolidated revenues of Euro 143 million, up 25% from Euro 116.7 million in the same period of 2019. This result is mainly due to the growth of the Health & Safety division and the Healthcare & Life Sciences division, in both cases driven by the new needs arising from the spread of the COVID-19 pandemic. The drop in revenues from customer contracts, compared to the same period of the previous year, recorded by the Energy & Mobility division (-32%) also due to the exceptional nature of the period, was therefore more than offset by the increase in sales linked to the other sectors in which the Group operates.

Financial statements for the first half closing at 30 June 2020 are shown below in comparison with those of the same period of the previous year, reclassified on the basis of current practice in financial analysis.

Analysis of reclassified financial position

	Half Year closed at 30 June							
			2020 from ordinary operations				2019 from ordinary operations	
	2020	of which non- recurring		%	2019	of which non- recurring		%
(in thousands of Euro)								
Revenues from sales and services	146,333		146,333	100.0%	116,743		116,743	100.0%
Other revenues and proceeds	698		698	0.5%	1,159		1,159	1.0%
Total revenues	147,031		147,031	100.5%	117,902		117,902	101.0%
Cost of raw materials purchases and variations in inventories	(35,273)		(35,273)	-24.1%	(34,412)		(34,412)	-29.5%
Services	(16,775)	(4,481)	(12,294)	-8.4%	(11,696)	(45)	(11,651)	-10.0%
Various operating costs	(1,280)		(1,280)	-0.9%	(1,982)	(144)	(1,838)	-1.6%
Added value	93,702	(4,481)	98,183	67.1%	69,812	(189)	70,001	60.0%
Cost of labour	(44,045)	(972)	(43,073)	-29.4%	(37,992)	(187)	(37,805)	-32.4%
EBITDA	49,658	(5,453)	55,111	37.7%	31,820	(376)	32,196	27.6%
Amortisation and depreciation	(9,040)	(1,984)	(7,056)	-4.8%	(7,966)	(1,938)	(6,028)	-5.2%
Provisions and writedowns	(122)		(122)	-0.1%	(127)		(127)	-0.1%
EBIT	40,495	(7,437)	47,932	32.8%	23,726	(2,314)	26,040	22.3%
Financial proceeds and charges	(4,579)		(4,579)	-3.1%	(1,752)		(1,752)	-1.5%
Pre-tax result	35,916	(7,437)	43,353	29.6%	21,974	(2,314)	24,288	20.8%
Income tax	(8,909)	1,690	(10,599)	-7.2%	(5,555)	239	(5,794)	-5.0%
Group's and minority shareholders' net profit or loss	27,008	(5,747)	32,755	22.4%	16,420	(2,075)	18,495	15.8%

The consolidated economic results of operations of the first half closing at 30 June 2020 were as follows: total revenues amounted to Euro 147 million (Euro 117.9 million in 2019); EBITDA from ordinary operations amounted to Euro 55.1 million (Euro 32.2 million in 2019); EBIT from ordinary operations came to Euro 47.9 million (Euro 26 million in 2019).

The trend in revenues from contracts with customers (+25% over 2019) is the result of sales trends in individual customer categories, as stated in the analysis above.

The percentage incidence of the first margin (total revenues, less purchase costs of goods plus change in inventories) on revenues from sales and services improved by 5.4 percentage points compared to last year, mainly due to a lower incidence of variable costs. Other revenues and proceeds primarily represent contributions for operating expenses, recovery and chargeback of costs, insurance refunds and capital gains on sales. The balance of the item decreased by Euro 461 thousand, compared to the same period of the previous year, mainly due to lower contributions and lower insurance reimbursements received during the period.

The “Value added” margin as a percentage of revenues from sales and services improved in 2020 (+7.1 percentage points), compared with the same period of last year, due to the cost containment policies implemented by management and mainly as a result of the above-mentioned reduction in variable costs and as a result of service costs that grew less than proportionally with respect to sales, which as a percentage of revenues from sales and services rose from 10% in the first half of 2019 to 8.4% in the same period of 2020.

The increase in absolute value of personnel costs in the six-month period ended 30 June 2020 compared to the same period of the previous year is due to the strengthening of the Group's structure, also through fixed-term and temporary employment to meet the growth in sales. The percentage impact of personnel costs on revenues from sales and services dropped over the previous year, however, from 32.4% in 2019 to 29.4% in 2020.

The increase in absolute value of the item amortisation, depreciation and write-downs for the period ended 30 June 2020 compared with the same period of the previous financial year is mainly due to the acceleration of the investment plans implemented by the Group in the first months of 2020 to meet the increase in production capacity which was necessary.

Net financial charges (net of losses on exchanges amounted to Euro 2,663 thousand in the first half of 2020 and profits on exchanges of Euro 573 thousand recorded in 2019) decreased in the period under examination, from Euro 2,325 thousand in the period ending on 30 June 2019 to Euro 1,916 thousand in the period ending on 30 June 2020, primarily as a result of a reduction of interest on loans which was largely due to the improvement between net financial indebtedness and Group EBITDA, to which interest rates on the principal existing loans are correlated, and to a reduction of the residual amount payable on these financial loans.

The result of recurrent activities reached Euro 43.4 million in 2020, Euro 19.1 million higher than the 2019 figure of Euro 24.3 million, due to the effect of the factors described above.

Non-recurrent proceeds and charges in the period ending on 30 June 2020 represent: (i) amortisation of intangible assets recorded following the purchase price allocation of the Kuss group (Euro 1,984 thousand), (ii) consultancy costs and one-off bonuses paid to personnel in relation to the IPO procedure concluded on 19 June 2020 (Euro 5,019 thousand), (iii) consultancy costs for purchase of the shareholding in Puerto Rico (Euro 259 thousand) and (iv) personnel reorganisation costs (Euro 176 thousand), net of the related tax effect.

Non-recurrent proceeds and charges in the period ending on 30 June 2019 represent: (i) amortisation of intangible assets entered following purchase price allocation of the Kuss Group (Euro 1,938 thousand), (ii) start-up costs incurred for the company established in Mexico (Euro 91 thousand), (iii) tax credits on indirect taxes of the company IOP (China) Filter Co. Ltd., written down following the winding-up of the company (Euro 144 thousand), and (iv) personnel reorganisation costs (Euro 141 thousand), net of the effect of taxation.

Analysis of reclassified equity position

	At 30 June 2020	At 31 December 2019
<i>(in thousands of Euro)</i>		
Net intangible assets	98,847	99,846
Net usage rights	9,427	10,320
Net tangible assets	62,529	46,614
Shareholdings in other companies	384	377
Other fixed assets	2,337	1,616
Fixed capital (A)	173,524	158,773
Net trade receivables	47,786	35,158
Inventories	44,047	31,491
Payables to suppliers	(33,443)	(13,188)
Net commercial working capital (B)	58,390	53,462
Other current assets	10,327	7,214
Other current liabilities	(29,706)	(17,063)
Total current assets/liabilities (C)	(19,379)	(9,849)
Net working capital (D)= (B) + (C)	39,011	43,613
Other non-current liabilities (E)	(1,928)	(819)
Employee termination indemnity and end of service indemnity (F)	(4,236)	(4,193)
Provisions for risks and charges (G)	(0)	-
Net invested capital (H) = (A+D+E+F+G)	206,371	197,373
Shareholders' equity	(197,163)	(94,240)
Consolidated shareholders' equity (I)	(197,163)	(94,240)
(Short-term financial indebtedness)/Liquidity	94,195	22,355
(Net medium/long term financial indebtedness)	(103,403)	(125,488)
Net financial indebtedness (L)	(9,208)	(103,134)
Own funds and net financial indebtedness (M) = (I+L)	(206,371)	(197,373)

Fixed capital as of 30 June 2020 showed an increase of Euro 14,751 thousand, as a result of the reduction in net intangible assets and usage rights totalling Euro 1,892 thousand, more than offset by a net increase in tangible assets and other fixed assets of Euro 16,636 thousand.

The balance of trade net working capital at 30 June 2020 showed an increase of Euro 4,928 thousand, compared to 31 December 2019, with an increase in inventories and net trade receivables for a total amount of Euro 25,184 thousand against an increase in trade payables of Euro 20,255 thousand.

The increase in other current assets at 30 June 2020, equal to Euro 3,113 thousand, was mainly due to the increase in advances to suppliers and receivables for indirect taxes.

The increase in other current liabilities at 30 June 2020 compared to 31 December 2019, equal to Euro 12,643 thousand, was mainly due to advances paid by customers for Euro 4,398 thousand, the increase in payables for current taxes for Euro 6,042 thousand and the increase in payables to the personnel for Euro 2,479 thousand only partially offset by the decrease in payables for dividends, equal to Euro 1,681 thousand, paid after the end of the previous financial year.

Shareholders' equity at 30 June 2020 increased mainly due to the result for the period and the effects of the IPO process, which led to an increase in share capital and the share premium reserve of Euro 79,559 thousand.

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

Analysis of net financial indebtedness and net financial position

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

<i>(in thousands of Euro)</i>	At 30 June 2020	At 31 December 2019
Cash	32	32
Cash on hand	137,514	58,510
Term deposits	362	-
Shares held for trading	3,151	3,399
(A) Liquidity	141,058	61,941
Financial receivables due to leasing	179	177
(B) Current financial receivables	179	177
(C) Current bank debts	(3,000)	(3,000)
(D) Current portion of non-current indebtedness	(39,788)	(33,506)
Financial payables to other companies in the GVS Group due to leasing	(959)	(585)
Financial payables for leasing	(2,629)	(2,509)
Other financial payables	(666)	(163)
(E) Other current financial payables	(4,254)	(3,257)
(F) Current financial indebtedness (C)+(D)+(E)	(47,042)	(39,763)
(G) Net current financial indebtedness (A)+(B)+(F)	94,195	22,355
Non-current bank debts	(51,691)	(67,999)
Non-current bonded loans	(44,995)	(49,574)
Financial payables to other companies in the GVS Group due to leasing	(2,661)	(1,886)
Non-current financial payables for leasing	(3,991)	(5,965)
Other financial payables	(65)	(65)
(H) Non-current financial indebtedness	(103,403)	(125,488)
(I) Net financial indebtedness (G)+(H)	(9,208)	(103,134)
Derivatives		
Financial payables for leasing (net)	10,061	10,767
(L) Total net financial position	852	(92,366)

The change in net financial indebtedness at 30 June 2020 as compared to 31 December 2019, totalling Euro 93,925 thousand, is primarily due to the combined effect of: (i) an increase in liquidity and current financial receivables totalling Euro 79,119 thousand, due to liquidity obtained from the IPO procedure and liquidity generated by operations, and (ii) a Euro 14,806 thousand reduction in current and non-current financial indebtedness, primarily due to repayment of the current portion of long-term financial payables.

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 10,061 thousand at 30 June 2020 and Euro 10,767 thousand at 31 December 2019 respectively), amounted to positive Euro 852 thousand and negative Euro 92,366 thousand as of these dates. Not that a number of financial agreements require the GVS Group to comply with certain financial parameters, which were met as of 30 June 2020.

Reclassified financial report

The reclassified financial report appears below.

<i>(in thousands of Euro)</i>	Half Year closed at 30 June	
	2020	2019
Net income	27,007	16,419
Amortisation, depreciation and writedowns	9,162	8,094
Variations in provision for Employee Termination Indemnity	483	466
Operative cash flow	36,652	24,978
(Increase)/decrease in trade receivables	(12,750)	(3,235)
(Increase)/decrease in inventory	(12,556)	(3,479)
Increase/(decrease) in payables to suppliers	20,255	(1,392)
(Increase)/decrease in other items in working capital	9,530	(1,507)
Variations in working capital	4,480	(9,613)
Net (investment) in tangible assets and usage rights	(21,133)	(6,747)
Net (investment) in intangible assets	(1,931)	(1,916)
Net variation in other fixed assets	(728)	911
Net variation in other non-current liabilities	669	(342)
Total non-current assets/liabilities	(23,123)	(8,093)
Free cash flow prior to dividends	18,010	7,272
Distribution of dividends		(5,005)
Increase for IPO	79,559	
Other variations in shareholders' equity	(3,644)	142
Cash flow from (to) variations in shareholders' equity	75,915	(4,863)
FREE CASH FLOW	93,925	2,409
Initial net financial indebtedness	(103,134)	(131,783)
Cash flow in the period	93,925	2,409
Final net financial indebtedness	(9,208)	(129,374)

During the period ending on 30 June 2020, operations generated Euro 11,674 thousand more liquidity than in the same period of the previous year, primarily as a result of increased EBITDA; in addition, cash flows generated by working capital were Euro 14,093 thousand higher.

During the first half of 2020, on the other hand, net investment (ordinary and extraordinary purchasing operations) and net variation in other non-current liabilities on the whole absorbed Euro 15,029 thousand more liquidity than in the first half of 2019. This resulted in a free cash flow prior to distribution of dividends of Euro 18,010 thousand, Euro 10,738 thousand greater than in the period ending on 30 June 2019.

The cash flow relating to changes in shareholders' equity, on the other hand, increased considerably due to the net increase in paid-in share capital (Euro 79,559 thousand), resulting in free cash flow of Euro 93,925 thousand, an increase of Euro 91,516 thousand compared with the period ended 30 June 2019.

Indicators

The Group's principal economic and financial indicators and other indicators at 30 June 2019 and 30 June 2020 are listed below.

<i>(in thousands of Euro)</i>	Half Year closed at 30 June	
	At 30 June 2020	At 30 June 2019
ROE (net profit/total net shareholders' equity)	14%	20%
ROI (EBIT from ordinary operations/net invested capital)	23%	12%
ROS (EBIT from ordinary operations/total revenues)	33%	22%
EBITDA	49,658	31,820
EBITDA from ordinary operations	55,111	32,196
Net interest payable (excluding profits/losses on exchanges, Interest on actualisation of funds and proceeds due to sale of derivatives)	(1,916)	(2,325)
Net Financial Debt	(9,208)	(129,374)
Net financial position	852	(122,748)
Total intangible fixed assets/Total fixed assets	57%	63%
Total intangible fixed assets/Total assets	24%	34%
Acid test (short-term assets/short-term liabilities)	0.9	1.5
Net interest payable/net financial indebtedness	21%	2%
Indebtedness ratio (net financial indebtedness/shareholders' equity)	0.05	1.57
Net financial position/shareholders' equity	(0.00)	1.49
EBITDA/Interest	25.92	13.69
EBITDA from ordinary operations/Interest	28.77	13.85
Net financial position/EBITDA	(0.02)	3.86
Net financial position/EBITDA from ordinary operations	(0.02)	3.81
Net financial debt / EBITDA	0.19	4.07
Net financial indebtedness/EBITDA from ordinary operations	0.17	4.02

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, in the period under examination here, 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 half year ended 30 June 2020 were mainly attributable to the expansion of production capacity to meet the increase in sales orders of products of the Healthcare & Life Sciences division and the Health & Safety division.

With particular reference to the period ended 30 June 2020, significant investments were made to expand the production capacity of the production site in 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 same period of the previous year are shown below.

<i>(in thousands of Euro)</i>	Half Year closed at 30 June	
	At 30 June 2020	At 30 June 2019
Research and development costs	9,053	8,811
Research and development costs/revenues from contracts with customers	6.2%	7.5%

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 2020.

As of 30 June 2020, the Company did not hold treasury shares in its portfolio.

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

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.

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 interim consolidated financial statements. The following is a summary of the types of transactions that have taken place:

Company	Type of transaction
Parent Company – GVS Group SpA	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 SpA. 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 SpA, 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, 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.

Significant events occurring in the first half of 2020.

On 19 June 2020, the Company completed the listing process on the MTA market of the Italian Stock Exchange. Goldman Sachs International and Mediobanca - Banca di Credito Finanziario S.p.A. acted as joint global coordinators and joint bookrunners, Mediobanca - Banca di Credito Finanziario acted as Sponsor. For the effects on consolidated shareholders' equity and the consolidated net financial position of this transaction, please see the Explanatory Notes.

The first half of 2020 was a period highly influenced by the COVID-19 pandemic (commonly known as Coronavirus). During this period, the Group implemented organisational measures and procedures to ensure the continuation of production and management activities, so as to guarantee respect for commitments made to customers, while fully respecting the health of its employees and collaborators. In fact, if on the one hand the pandemic has led to a contraction in demand for products in the Energy & Mobility division, on the other it has brought a significant increase in sales volumes of products in the Healthcare & Life Sciences division and the Health & Safety division. The Group has been strongly committed to guaranteeing the production levels of products in demand as a result of the pandemic, also through investments made from March 2020.

In the previous year, the subsidiary GVS Technology (Suzhou) Co. Ltd., had stipulated an investment memorandum with the Chinese government under which the Chinese subsidiary is required to move its production facility in Suzhou. Following the relocation process, GVS Technology (Suzhou) Co. Ltd. will benefit not only from payment for the sale of the production facility but from: (i) refund of a portion of the taxes paid in each of the years in the 2020-2022 three-year period; (ii) a contribution proportionate to investment in plant and machinery; (iii) an additional contribution for development of the new production site, and (iv) a payment as reimbursement for machinery which cannot be removed from the production site relocated. Also note that following the stipulation of the investment memorandum, GVS Technology (Suzhou) Co. Ltd. has agreed to: (i) increase its share capital up to the amount of USD 12 million, possibly through use of reserves, and (ii) to increase investment in ordinary operations. During the first half of 2020 in accordance with the above GVS Technology (Suzhou) Co. Ltd. increased its share capital through the use of reserves by approximately RMB 10 million and at the same time the Chinese government paid an advance for the future sale of the property for an amount of approximately RMB 9.8 million. Note that the methods and timing of the investment and move of the production site will be agreed on by the parties at a subsequent time with the goal of preventing interruptions in the production and sale of products.

During the first half of 2020, the GVS Group, through its subsidiary GVS Filter Technology de Mexico S. de R.L. de C.V., completed the acquisition of a business unit related to products of the Life Sciences business, previously controlled by Graphic Controls Acquisition Corp. In addition, at the end of the first half of the year, it signed a contract for purchase of a stake in Haemonetics Puerto Rico LLC, a company operating in the Healthcare business. For further information on the assets acquired, the composition of the consideration and the economic and financial effects of these transactions, please see the notes to the financial statements.

Events subsequent to the close of the period

The partial spin-off through the assignment of part of the share capital of GVS Microfiltrazione S.r.l. to the newly incorporated company GVS Patrimonio Immobiliare S.r.l. (see note “Events of significance following the close of the financial period” in the Consolidated Financial Statements for the year ended 31 December 2019), the draft of which was approved on 20 January 2020, due to administrative slowdowns, is not yet legally effective.

In July 2020, GVS paid off loans to Unicredit, Banco Popolare di Milano and Banca Nazionale del Lavoro early for a total amount of Euro 12,525 thousand against available liquidity. This amount has been classified in the current portion of financial liabilities in these condensed interim consolidated financial statements.

In August 2020, following the sales made by the Group in the first six months after the acquisition, relating to the products of the business unit acquired from Graphic Controls Acquisition Corp, GVS released and made the amount of USD 1,000 thousand available from the escrow account in favour of the seller. The remainder, equal to USD 1,000 thousand will be issued, whether or not in favour of the seller, on the basis of the revenues that will be realised in the second half of the year following the date of acquisition.

Business outlook

The GVS Group will continue to respond quickly to the demands of the market and its customers in the second half of the year. Depending on the amount of revenues from customer contracts for the six months ended 30 June 2020 and the order backlog acquired to date, GVS expects to achieve, net of the acquisition of Haemonetics Puerto Rico LLC and any further new acquisitions or cancellations of orders acquired, revenues for the year ending 31 December 2020 in the range of Euro 280 to 320 million, up by 23%-41% compared to revenues recorded in the year ended 31 December 2019. Growth rates for 2020 should be higher than the Group's historical business performance averages, due to the remarkable performance related to sales of respiratory filters and personal protective equipment to respond to the emergency generated by the COVID-19. The above forecasts are related to orders already in the portfolio and contracts of the Healthcare & Life Sciences and Health & Safety divisions being negotiated, while the forecasts of orders for customers in the Energy & Mobility sector are estimated to stay down until the end of 2020. As a result, the expected revenue growth is fully driven by the Healthcare & Life Sciences and Health & Safety divisions.

Due to the randomness connected to the occurrence of any future event, it cannot be excluded that there may be deviations, even significant ones, from final values and the values mentioned above.

The evolution of the business in the coming months will depend on *(i)* the evolution of the pandemic and possible lock-downs in various countries, *(ii)* the resumption of operations, at full capacity, of customers in the various countries and sectors in which the Group operates and *(iii)* the development support measures that the various governments will make operational to support the economy and its recovery.

Zola Predosa, 09 September 2020

For the Board of Directors

Massimo Scagliarini

Chief Executive Officer

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS AT 30 JUNE 2020

Consolidated statement of assets and liabilities*

<i>(in thousands of Euro)</i>	Notes	At 30 June 2020	At 31 December 2019
ASSETS			
Non-current assets			
Intangible assets	8.1	98,847	99,846
Assets represented by usage rights	8.2	9,427	10,320
Tangible assets	8.3	62,529	46,614
Advance tax assets	8.4	2,261	1,451
Non-current financial assets	8.5	460	542
Total non-current assets		173,524	158,773
Current assets			
Inventories	8.6	44,047	31,491
Trade receivables	8.7	47,786	35,158
Assets from contracts with customers	8.8	1,134	591
Current tax receivables	8.9	249	193
Other receivables and current assets	8.10	8,943	6,430
Current financial assets	8.5	3,691	3,576
Cash on hand	8.11	137,546	58,542
Total current assets		243,396	135,981
TOTAL ASSETS		416,921	294,754
SHAREHOLDERS' EQUITY AND LIABILITIES			
Share capital		1,750	1,650
Reserves		168,390	59,489
Net income		27,002	33,083
Group net shareholders' equity		197,142	94,222
Minority interests		19	18
Total shareholders' equity	8.12	197,161	94,240
Non-current liabilities			
Non-current financial liabilities	8.13	96,751	117,638
Non-current leasing liabilities	8.2	6,652	7,850
Deferred tax liabilities	8.4	1,928	819
Provisions for employee benefits		4,236	4,193
Total non-current liabilities		109,567	130,500
Current liabilities			
Current financial liabilities	8.13	43,454	36,669
Current leasing liabilities	8.2	3,588	3,094
Trade payables	8.15	33,443	13,188
Liabilities from contracts with customers	8.8	6,100	1,702
Current tax payables	8.9	8,102	2,060
Other current payables and liabilities	8.16	15,506	13,301
Total current liabilities		110,193	70,014
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		416,921	294,754

(*) Pursuant to the CONSOB Resolution no. 15519 of 27 July 2016, the effects of transactions with related parties on the consolidated statement of assets and liabilities are highlighted in the attached tables and are further described in Note 12.

Consolidated income statement*

<i>(in thousands of Euro)</i>	Notes	Half Year closed at 30 June	
		2020	2019
Revenue from customer contracts	9.1	146,333	116,743
Other revenues and proceeds	9.2	698	1,159
Total revenues		147,031	117,902
Purchases and consumption of raw materials, semi-products and finished products	9.3	(35,273)	(34,412)
Personnel costs	9.4	(44,045)	(37,992)
Service costs	9.5	(16,775)	(11,696)
Other operating costs	9.6	(1,280)	(1,982)
EBITDA		49,658	31,820
Net writedowns of financial assets	9.7	(122)	(127)
Amortisation, depreciation and writedowns	9.8	(9,040)	(7,966)
EBIT		40,495	23,726
Financial proceeds	9.9	75	614
Financial charges	9.9	(4,654)	(2,366)
Pre-tax result		35,916	21,974
Income tax	9.10	(8,909)	(5,555)
Net income		27,008	16,420
<i>Group's share</i>		<i>27,002</i>	<i>16,416</i>
<i>Minority share</i>		<i>5</i>	<i>3</i>
<i>Basic net profit per share</i>	9.11	<i>0.27</i>	<i>0.16</i>
<i>Diluted net profit per share</i>	9.11	<i>0.27</i>	<i>0.16</i>

(*) Pursuant to the CONSOB Resolution no. 15519 of 27 July 2016, the effects of transactions with related parties on the consolidated income statement are highlighted in the attached tables and are further described in Note 12.

Comprehensive consolidated income statement

<i>(in thousands of Euro)</i>	Notes	Half Year closed at 30 June	
		2020	2019
Net income		27,008	16,420
Other components of the comprehensive income statement which will be reclassified in the income statement in subsequent years			
Difference due to conversion of financial statements in foreign currency	8.12	(3,645)	144
		(3,645)	144
Other components of the comprehensive income statement which will not be reclassified in the income statement in subsequent years			
Actuarial profit (loss) due to employee defined benefit plans		-	-
Effect of taxation		-	-
Total other components in the comprehensive income statement		(3,645)	144
Comprehensive net profit		23,363	16,564
<i>Group's share</i>		<i>23,362</i>	<i>16,564</i>
<i>Minority share</i>		<i>1</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 2018	1,650	13,247	329	25,831	(3,267)	(10,981)	52	21,092	23,072	71,025	16	71,041
Net income	-	-	-	-	-	-	-	-	16,416	16,416	3	16,419
Total other components in the comprehensive income statement	-	-	-	-	147	-	-	-	-	147	(3)	144
<i>Comprehensive net profit</i>	-	-	-	-	147	-	-	-	16,416	16,563	-	16,563
Allocation of net profit from previous year	-	-	-	9,924	-	-	-	13,148	(23,072)	-	-	-
Dividends distributed	-	-	-	(5,005)	-	-	-	-	-	(5,005)	-	(5,005)
At 30 June 2019	1,650	13,247	329	30,750	(3,120)	(10,981)	52	34,240	16,416	82,583	16	82,599

(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	-	-	-	-	-	-	-	-	27,002	27,002	5	27,008
Total other components in the comprehensive income statement	-	-	-	-	(3,641)	-	-	-	-	(3,641)	(4)	(3,645)
<i>Comprehensive net profit</i>	-	-	-	-	(3,641)	-	-	-	27,002	23,361	1	23,363
Allocation of net profit from previous year	-	-	-	15,114	-	-	-	17,969	(33,083)	-	-	-
Cancellation of treasury shares	-	-	-	(10,981)	-	10,981	-	-	-	-	-	-
Capital increase	100	81,400	-	-	-	-	-	-	-	81,500	-	81,500
Accessory costs to the capital increase	-	(2,694)	-	-	-	-	-	-	-	(2,694)	-	(2,694)
Taxes relating to capital increase costs	-	753	-	-	-	-	-	-	-	753	-	753
At 30 June 2020	1,750	92,706	329	29,878	(6,681)	-	(51)	52,209	27,002	197,142	19	197,162

Consolidated statement of cash flows*

(in thousands of Euro)	Notes	Half Year closed at 30 June	
		2020	2019
Pre-tax result		35,916	21,974
- Adjustment for:			
Amortisation, depreciation and writedowns	9.8	9,040	7,966
Capital losses / (capital gains) from sale of assets	9.2 - 9.6	(28)	40
Financial charges / (proceeds)	9.9	4,579	1,752
Other non-monetary variations		606	594
Cash flow generated / (absorbed) by operations before variations in net working capital		50,113	32,326
Variation in inventories	8.6	(10,878)	(3,010)
Variation in trade receivables	8.7	(13,892)	(4,427)
Variation in trade payables	8.15	21,366	(1,156)
Variation in other assets and liabilities	8.10 - 8.16	3,059	(4,284)
Use of provisions for risks and charges and for employee benefits		(440)	(485)
Taxes paid	9.10	(3,618)	(4,072)
Net cash flow generated / (absorbed) by operations		45,709	14,892
Investments in tangible assets	8.3	(13,459)	(3,325)
Investments in intangible assets	8.1	(1,336)	(3,074)
Disposal of tangible assets	8.3	108	117
Investment in financial assets	8.5	(1,219)	(929)
Disinvestment in financial assets	8.5	-	1,700
Payment for purchase of business unit net of cash on hand acquired	7	(10,532)	-
Net cash flow generated / (absorbed) by investment		(26,438)	(5,511)
Opening of long-term financial payables	8.13	503	6,500
Repayment of long-term financial payables	8.13	(14,366)	(15,023)
Variation in short term financial payables			733
Repayment of leasing liabilities	8.2	(2,027)	(1,265)
Financial charges paid	9.9	(1,775)	(1,937)
Financial proceeds collected	9.9	75	41
Net fee for IPO	8.12	79,794	
Dividends paid	8.16	(1,681)	(3,082)
Net cash flow generated/(absorbed) by financial assets		60,523	(14,033)
Total variation in cash on hand		79,795	(4,652)
-			
Cash on hand at the start of the year		58,542	45,551
Total variation in cash on hand		79,795	(4,652)
Conversion differences on cash on hand		(791)	119
Cash on hand at the end of the year		137,546	41,018

(*) 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 CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS AT 30 JUNE 2020

1. General information

1.1 Foreword

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

GVS is owned by the company GVS Group S.p.A. (hereinafter the “**GVS Group**”), which directly holds 60% of the share capital. There is no other entity exercising direction and coordination of the Company.

The 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.

Operations performed during the periods under examination

Purchase of business unit by GVS Filter Technology de Mexico

On 30 October 2019, the GVS Group, through its subsidiary GVS Filter Technology de Mexico S. de R.L. de C.V., signed a contract with Graphic Controls Acquisition Corp. for the purchase of a business unit consisting of a complex of assets, including stock inventories representing filters and tangible assets representing plants and machinery, intangible assets and other assets as defined in the contract (hereinafter the “**Acquisition of the GCA Business Unit**”). As part of the above contract, GVS Filter Technology de Mexico S. de R.L. de C.V. has also taken over certain previously existing sales and supply contracts. The purchase was completed on 20 January 2020 (hereinafter the “**Closing Date**”). The contract provides for a provisional cost of USD 3,970 thousand, of which a fixed portion, subject to price adjustment, and a variable portion. For further information regarding the assets acquired and a breakdown of the consideration see note 7.

The transaction described is a business combination within the meaning of IFRS 3.

Purchase of Haemonetics Puerto Rico LLC (now GVS Puerto Rico LLC) by GVS S.p.A.

On 2 June 2020, GVS entered into an agreement with Haemonetics S.A. and Haemonetics Corporation, incorporated under Swiss and US law, respectively, operating in the haematological products sector, for the purchase of a stake held by Haemonetics S.A. in Haemonetics Puerto Rico LLC (hereinafter “**Haemonetics**”), equal to all the shares of Haemonetics (hereinafter the “**Haemonetics Purchase Agreement**”).

The acquisition was completed on 29 June 2020 (hereinafter the “**Closing Date**”), following the payment of \$15.5 million by GVS. After the closing, the company changed its name from Haemonetics Puerto Rico LLC to GVS Puerto Rico LLC (hereinafter “**GVS Puerto Rico**”).

The price paid may be subject to certain adjustments (upwards or downwards) should the final value of the working capital deviate from the value previously indicated by the seller on the Closing Date.

Under the terms of the Haemonetics Purchase Agreement, GVS and Haemonetics Corporation have entered into an additional agreement under which GVS undertakes to supply Haemonetics Corporation, through GVS Puerto Rico LLC, with certain components and finished products related to the haematology business, in order to ensure Haemonetics Corporation's supply of the products necessary for continued production (hereinafter the "**Supply Agreement**").

The Supply Agreement is governed by the laws of the State of Delaware, USA, and has a term of ten years.

For further information regarding the assets acquired and a breakdown of the consideration see note 7.

The transaction described is a business combination within the meaning of IFRS 3.

2. Summary of the accounting standards adopted

2.1 Basic method of preparation

The Half-Yearly Financial Report at 30 June 2020 has been prepared in accordance with IAS 34, concerning interim reporting. IAS 34 allows for the preparation of financial statements in "condensed" form, i.e. on the basis of a level of disclosure significantly lower than that required for annual financial statements under IFRS, where a complete set of financial statements prepared under IFRS has previously been made available to the public. These half-yearly condensed financial statements therefore do not include all the information required for the annual financial statements and must be read together with the annual financial statements prepared for the year ended 31 December 2019.

The principal criteria and accounting standards applied in preparation of the condensed interim consolidated financial statements are listed below.

2.2 Declaration of conformity with international accounting standards

The condensed interim consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards, issued by the International Accounting Standards Board. Adopted by the European Union and endorsed by the European Commission (the "**International Accounting Standards**") they were in force at 30 June 2020. The term EU-IFRS refers to all "*International Financial Reporting Standards*", all "*International Accounting Standards*" (IAS) and all interpretations of the "*International Financial Reporting Interpretations Committee*" (IFRIC), previously known as the "*Standing Interpretations Committee*" (SIC).

These Interim Consolidated Financial Statements were approved by the Company's Board of Directors on 9 September 2020 and subjected to limited auditing by independent auditor PricewaterhouseCoopers S.p.A.

2.3 General principles of preparation

The condensed interim consolidated financial statements consist of the financial statements obligatorily required under standard IAS 1, and that is, the consolidated statement of financial position, consolidated statement of profit and loss, consolidated comprehensive statement of profit and loss, consolidated statement of changes in equity and statement of cash flows, as well as explanatory notes.

The Group 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 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 interim 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 condensed 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.

With reference to the prospect of business continuity, it should be noted that, in view of the spread of COVID-19 globally during 2020, the Group's economic and financial performance in the six months ended 30 June 2020 was higher than expected. In particular, the trends recorded in the six months ended 30 June 2020 lead us to believe that the Group's performance will be in line with the forecasts made in the business plan, if not better, although with a different distribution of revenues and investments among the divisions in which the Group operates. It should also be noted that cash and cash equivalents at 30 June 2020, amounting to Euro 137.5 million, the 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 finance its operations.

With regard to the performance in the first half of 2020, please read the Directors' Report on Operations.

2.4 Consolidation criteria and methods

The condensed interim 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 30 June 2020	Direct owner	Percentage of control	
					At 30 June 2020	At 31 December 2019
GVS Sud Srl	Italy - Zola Predosa (BO)	EUR	10,000	GVS SpA	100.00%	100.00%
YUYao Yibo Medical Device Co. Ltd	China - Yuyao	CNY	5,420,000	GVS Technology (Suzhou) Co. Ltd.	100.00%	100.00%
GVS Technology (Suzhou) Co. Ltd.	China - Suzhou (RPC)	CNY	25,297,047	GVS SpA	100.00%	100.00%
Suzhou GVS Trading Co. Ltd.	China - Ningbo	CNY	250,000	GVS Technology (Suzhou) Co. Ltd.	100.00%	100.00%
GVS Fortune Holding Ltd	Hong Kong (RPC)	HKD	1	GVS SpA	100.00%	100.00%
GVS North America Inc	USA - Sanford (MA)	USD	n.a.	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 North America Holdings Inc	USA - Sanford (MA)	USD	0.10	GVS SpA	100.00%	100.00%
Fenchurch Environmental Group Ltd	United Kingdom - Morecambe	GBP	1,469	GVS SpA	100.00%	100.00%
GVS Filter Technology UK Ltd	United Kingdom - Morecambe	GBP	27,000	Fenchurch Environmental Group Ltd	100.00%	100.00%
GVS do Brasil Ltda	Brazil - Municipio de Monte Mor, Campinas	BRL	20,755,226	GVS SpA	99.95%	99.95%
GVS Argentina Sa	Argentina - Buenos Aires	ARS	1,510,212	GVS SpA	94.12%	94.12%
GVS Filter Technology de Mexico	Mexico - Nuevo Leon	MXN	50,000	GVS SpA	99.90%	99.90%
GVS Korea Ltd	Korea - Seoul	KRW	100,000,000	GVS SpA	100.00%	100.00%
GVS Microfiltrazione Srl	Romania - Ciorani	RON	1,600	GVS SpA	100.00%	100.00%
GVS Japan KK	Japan - Tokyo	JPY	1,000,000	GVS SpA	100.00%	100.00%
GVS Russia LLC	Russia - Moscow	RUB	10,000	GVS SpA	100.00%	100.00%
GVS Filtre Teknolojileri	Turkey - Istanbul	TRY	100,000	GVS SpA	100.00%	100.00%
GVS Puerto Rico LLC	Puerto Rico - Fajardo	USD	n.a.	GVS SpA	100.00%	0.00%

Note that as of the date of the condensed interim consolidated financial statements, all companies included in the consolidation area are consolidated using the full consolidation method.

In the half year ended 30 June 2020, the scope of consolidation changed from the previous year, following the purchase of Haemonetics (now GVS Puerto Rico LLC). The purchase took place on 29 June 2020 for which only balance sheet figures have been recorded in the condensed interim consolidated financial statements, without any effect on the consolidated economic result or consolidated shareholders' equity for the period. For further information regarding the assets acquired and a breakdown of the consideration see note 7.

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 30 June 2020	At 31 December 2019	Half Year closed at 30 June	
			2020	2019
Brazilian Real	6.1118	4.5157	5.4269	4.3417
Argentine Peso	78.7859	67.2749	71.0544	46.8002
Swiss Franc	1.0651	1.0854	1.0642	1.1295
Chinese Renminbi	7.9219	7.8205	7.7543	7.6678
American Dollar	1.1198	1.1234	1.1037	1.1298
Hong Kong Dollar	8.6788	8.7473	8.5557	8.8611
Japanese Yen	120.6600	121.9400	119.2359	124.2836
Korean Won	1,345.8300	1,296.2800	1,330.0166	1,295.1984
Swedish Crown	10.4948	10.4468	10.6708	10.5181
Russian Ruble	79.6300	69.9563	76.6692	73.7444
Turkish Lira	7.6761	6.6843	7.1492	6.3562
Mexican Peso	25.9470	21.2202	23.8430	21.6543
Romanian Ron	4.8397	4.7830	4.8178	4.7418
British Pound	0.9124	0.8508	0.8633	0.8736

For the criteria used for the definition of subsidiaries and for the conversion of items in foreign currency, as well as for the recording of transactions with minority shareholders, please read the consolidated financial statements closing at 31 December 2019.

2.5 Accounting standards and assessment criteria

The accounting standards adopted for the condensed interim consolidated financial statements are the same as those used to prepare the consolidated financial statements closing at 31 December 2019, to which reference should be made for further details, with the exception of the following:

- accounting standards, or amendments to existing accounting standards, effective from 1 January 2020 (see note 3 for more details), and
- income taxes, recognised on the basis of the best estimate of the weighted average tax rate expected for the entire year, in line with the provisions of IAS 34.

2.6 Seasonality

The market in which the Group operates is not characterised by marked seasonal phenomena that could lead to a certain lack of uniformity in sales and operating costs over the different months. Consequently, the economic results for the first half of the year could represent a proportional share of the entire financial year. Even from a financial point of view, the half-yearly figures should not be affected by seasonal factors.

3. Recently issued accounting standards

Accounting standards which are not yet applicable as they have not yet been approved by the European Union

As of the date of approval of these condensed interim consolidated financial statements, the competent European Union bodies have not yet concluded the approval process required for adoption of the following accounting standards and amendments:

Accounting standard/amendment	Approved by the EU	Date of efficacy
<i>IFRS 17 Insurance Contracts</i>	NO	1 January 2021 (possible extension until 1 January 2022)
<i>Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current (issued on 23 January 2020)</i>	NO	1 January 2023

Future application of these accounting standards and amendments is not expected to have an impact on the Group's consolidated financial statement.

International accounting standards and/or endorsed interpretations in force since 1 January 2020

In accordance with IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors", the IFRS in force from 1 January 2020 are indicated below.

Accounting standard/amendment	Description
<i>Amendments to IAS 1 and IAS 8: Definition of Material</i>	These changes not only clarify the concept of material but focus on a single consistent definition of material for all accounting standards and incorporate the guidelines included in IAS 1 regarding intangible information. There were no impacts on the Group's financial statements due to the application of these changes.
<i>Amendments to References to the Conceptual Framework in IFRS Standards</i>	These changes focus on the updating of a number of definitions and references contained in various accounting standards, and their interpretation. There were no impacts on the Group's financial statements due to the application of these changes.
<i>Amendments to IFRS 9, IAS 39, IFRS 7 (Interest Rate Benchmark Reform)</i>	These changes focus on accounting representation of hedges, with the aim of clarifying the potential effects of uncertainty caused by "Interest Rate Benchmark Reform". These changes also ask companies to supply additional information of use to investors regarding hedging relationships directly affected by this uncertainty. There were no impacts on the Group's financial statements due to the application of these changes.
<i>Amendment to IFRS 3 Business Combinations</i>	These changes focus on the definition of business in such a way as to further clarify if the item purchased is a business or a group of assets. This amendment applies to the accounting for the Acquisition of the GCA Business Unit and the Purchase of the share in Haemonetics by the Group.

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.

For a more detailed description of the valuation processes relevant to the Group, please read the corresponding section of the Consolidated Financial Statements for the year ended 31 December 2019.

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 counterparts 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.

The following note supplies qualitative 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 does not adopt instruments to hedge exchange rate fluctuations. For exchange rate risk management purposes, the Group monitors that, at an aggregate level, the ratio between purchases of raw materials and revenues denominated in a single currency does not exceed 30%, since exceeding this ratio, determined at an aggregate level, would indicate the Group's overexposure to the exchange rate risk associated with the individual currency.

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 is to constantly monitor interest rate trends. During the periods under review, the Group did not underwrite derivative financial instruments for hedging purposes.

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.

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.

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 2019 and 30 June 2020.

	Book value	
	At 30 June 2020	At 31 December 2019
<i>(in thousands of Euro)</i>		
FINANCIAL ASSETS:		
Financial assets measured at amortised cost:		
Non-current financial assets	456	538
Trade receivables	47,786	35,158
Other receivables and current assets	5,253	4,374
Current financial assets	541	177
Cash on hand	137,546	58,542
	191,581	98,789
Financial assets measured at fair value entered in the income statement:		
Non-current financial assets	4	4
Current financial assets	3,151	3,399
	3,154	3,403
TOTAL FINANCIAL ASSETS	194,735	102,192

	Book value	
	At 30 June 2020	At 31 December 2019
<i>(in thousands of Euro)</i>		
FINANCIAL LIABILITIES:		
Financial liabilities measured at amortised cost:		
Non-current financial liabilities	96,751	117,638
Non-current leasing liabilities	6,652	7,850
Current financial liabilities	43,454	36,669
Current leasing liabilities	3,588	3,094
Trade payables	33,443	13,188
Other current liabilities	15,055	13,061
TOTAL FINANCIAL LIABILITIES	198,943	191,500

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 2019 and 30 June 2020:

<i>(in thousands of Euro)</i>	At 30 June 2020		
	Level 1	Level 2	Level 3
Non-current financial assets	-	-	4
Current financial assets	-	3,151	-
Total assets measured at fair value	-	3,151	4

<i>(in thousands of Euro)</i>	At 31 December 2019		
	Level 1	Level 2	Level 3
Non-current financial assets	-	-	4
Current financial assets	-	3,399	-
Total assets measured at fair value	-	3,399	4

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.

7. Business combinations

Acquisition of the GCA Business Unit

On 30 October 2019, the GVS Group, through its subsidiary GVS Filter Technology de Mexico S. de R.L. de C.V., signed a contract with Graphic Controls Acquisition Corp. concerning the Acquisition of the GCA Business Unit consisting of a complex of assets, including stock inventories representing filters and tangible assets representing plants and machinery, intangible assets and other assets as defined in the contract. As part of the above contract, GVS Filter Technology de Mexico also took over certain previously existing sales and supply contracts. The purchase was completed on 20 January 2020 (Closing Date).

The contract specified a provisional cost of USD 3,970 thousand, of which:

- USD 1,970 thousand paid by GVS Filter Technology de Mexico on the Closing Date, adjusted on the basis of any differences between the value of inventory in stock as of the Closing Date and its target value as defined in the contract (the “**Price Adjustment**”), which must be settled by the parties either (i) sixty days after the Closing Date, or (ii) ten days after the date on which the parties agree on the value of inventory as of the Closing Date, whichever comes later, and
- a variable component (potential consideration) based on sales to a number of customers in the twelve months subsequent to the Closing Date, for an amount between USD 200 thousand and USD 2,000 thousand, to be settled via an escrow account opened by GVS Filter Technology de Mexico on the Closing Date.

The fair value of the potential consideration, equal to Euro 2,000 thousand, was estimated on the basis of the present value of expected future cash flows. In view of the fact that this potential consideration will be determined on the basis of revenues recorded in the twelve months following the Closing Date, no adjustment has been made to the consideration for the transaction to take into account the effects of the time value of money.

It should be noted that on 20 May 2020, the parties determined the final value of the transferred inventory and consequently the Price Adjustment, against which GVS Filter Technology de Mexico collected USD 170 thousand.

Finally, it should be noted that during August 2020, following sales made by the Group in the first six months after the acquisition, GVS released the amount of USD 1,000 thousand from its escrow account in favour of the seller. The remainder equal to USD 1,000 thousand will be issued, whether or not in favour of the seller, on the basis of revenues recorded in the second half of the year following the Closing Date.

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

<i>(in thousands of Euro)</i>		Provisional fair value as of the purchase date
Tangible assets		1,217
Inventories		1,303
Total net assets acquired (A)		2,520
Consideration (B)		3,455
Goodwill (B) - (A)		935

Goodwill has been provisionally recognised for an amount of Euro 935 thousand, as the valuation period as defined by IFRS 3 is in progress.

The contribution of the acquired business to the Group's revenues from contracts with customers in the half year ending on 30 June 2020 was Euro 709 thousand.

Acquisition of Haemonetics Puerto Rico LLC (now GVS Puerto Rico LLC)

On 2 June 2020, GVS entered into a contract with Haemonetics S.A. and Haemonetics Corporation for the purchase of the stake held by Haemonetics S.A. in Haemonetics (equal to all the shares). The transaction was completed on 29 June 2020 (Closing Date), against payment of approximately USD 15,500 thousand.

The purchase price is provisional and may be subject to certain adjustments (upwards or downwards) should the final value of the working capital deviate from the value previously indicated by the seller on the Closing Date. In fact, GVS has 90 days from the Closing Date to communicate to the seller the final value of the working capital being sold.

At the same time as the Haemonetics Purchase Agreement, GVS and Haemonetics Corporation entered into an additional agreement under which GVS undertakes to supply Haemonetics Corporation, through GVS Puerto Rico LLC, with certain components and finished products related to the haematology business, in order to ensure Haemonetics Corporation's supply of the products necessary for continued production.

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

<i>(in thousands of Euro)</i>	Provisional fair value as of the purchase date
ASSETS	
Non-current assets	
Tangible assets	7,388
Total non-current assets	7,388
Current assets	
Inventories	2,965
Other receivables and current assets	248
Cash on hand	6,480
Total current assets	9,693
Total assets	17,081
Non-current liabilities	
Deferred tax liabilities	348
Total non-current liabilities	348
Current liabilities	
Trade payables	852
Current tax payables	1,442
Other current payables and liabilities	882
Total current liabilities	3,176
Total liabilities	3,524
Total net assets acquired (A)	13,557
Consideration (B)	13,557
Goodwill (B) - (A)	-

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

The contribution of the acquired business to the Group's revenues from contracts with customers in the half year ending on 30 June 2020 was zero.

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 half year ending on 30 June 2020.

<i>(in thousands of Euro)</i>	Development costs	Goodwill	Customer relationship	Industrial patent rights and rights to use intellectual property	Concessions, licenses, trademarks, and similar rights	Other fixed financial assets	Assets under construction	Total
Historical cost as of 31 December 2019	6,530	70,017	23,979	11,376	5,140	3,793	1,124	121,959
Investments	1,121	-	-	50	43	-	122	1,336
Reclassification	205	-	-	26	29	-	(451)	(191)
Business combinations	-	935	-	-	-	-	-	935
Conversion reserves	110	(82)	79	12	409	-	(25)	503
Historical cost as of 30 June 2020	7,966	70,870	24,058	11,464	5,621	3,793	770	124,542
Provision for amortisation and depreciation as of 31 December 2019	(2,498)	-	(7,243)	(4,169)	(4,410)	(3,793)	-	(22,113)
Amortisation and depreciation	(684)	-	(1,526)	(513)	(206)	-	-	(2,929)
Reclassification	16	-	-	-	-	-	-	16
Conversion reserves	(167)	-	(2)	(68)	(431)	-	-	(668)
Provision for amortisation and depreciation as of 30 June 2020	(3,333)	-	(8,771)	(4,750)	(5,047)	(3,793)	-	(25,694)
Net book value as of 31 December 2019	4,032	70,017	16,736	7,207	730	-	1,124	99,846
Net book value as of 30 June 2020	4,633	70,870	15,287	6,714	574	-	770	98,847

Intangible assets with a defined useful lifespan

Customer relationship reflects the value of business relations measured following allocation of the consideration paid for the KUSS Takeover.

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 half year ending on 30 June 2020, amounting to Euro 1,336 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. Investment in fixed assets in progress also includes investment in software and applications supporting production processes.

At 30 June 2020, the Group had not found any indicators of impairment of intangible assets.

Intangible assets with an indefinite useful lifespan

Goodwill

At 30 June 2020 the value of goodwill, equal to Euro 70,870 thousand (Euro 70,017 thousand at 31 December 2019), mainly refers to the acquisition of the KUSS Group on 28 July 2017 (see the note “Business combinations” in the Consolidated Financial Statements for the year ended 31 December 2019), as well as other previous business combinations. This value increased during the period for Euro 935 thousand, due to the Acquisition of the GCA Business Unit carried out during the six months ended 30 June 2020 (see note 7).

In accordance with the requirements of IAS 36, the Group verified the absence of impairment indicators at 30 June 2020 with reference to goodwill recognised in intangible assets. In particular, the Group has not found any indicators of impairment in view of: (i) economic and financial performance in line with budget forecasts; (ii) medium/long-term growth rates in line with those determined in previous estimates; (iii) no interruptions or slowdowns in its operations that had a noteworthy impact on its economic or financial performance; (iv) investment forecasts unchanged, in terms of overall values, with respect to what was planned and (v) no changes in its business model.

In particular, also in view of the spread of COVID-19 globally during 2020, the Group’s trends recorded in the six months ended 30 June 2020 lead to the belief that the performance of the first year of the plan will be in line with, if not better than the original plan, although with a different distribution of revenues and investments among the divisions in which the Group operates, considered for the purposes of defining the flows used for the goodwill impairment test at 31 December 2019.

It should also be noted that interest rates have not increased to such an extent that the discount rate used may be increased in such a way as to reduce the recoverable value of goodwill significantly.

At the reporting date of these condensed consolidated interim financial statements, based on the above, the Group’s management did not find any reasons that could change the results obtained with reference to the impairment test carried out at 31 December 2019.

The main assumptions used to determine the recoverable value, as well as the outcome of the impairment test carried out at 31 December 2019, are illustrated in the Consolidated Financial Statements for the year ended 31 December 2019, to which reference should be made.

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.

<i>(in thousands of Euro)</i>	At 30 June 2020	At 31 December 2019
Net book value of assets represented by usage rights (real estate)	8,575	9,542
Net book value of assets represented by usage rights (automobiles)	749	654
Net book value of assets represented by usage rights (machinery)	104	124
Total net book value of assets represented by usage rights	9,427	10,320
Current leasing liabilities	3,588	3,094
Non-current leasing liabilities	6,652	7,850
Total leasing liabilities	10,240	10,944

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

<i>(in thousands of Euro)</i>	Half Year closed at 30 June	
	2020	2019
Amortisation of assets represented by usage rights (real estate)	1,748	958
Amortisation of assets represented by usage rights (automobiles)	152	209
Amortisation of assets represented by usage rights (machinery)	31	89
Total amortisation of assets represented by usage rights	1,931	1,256
Interest payable on leases	125	56
Total outgoing cash flows due to leasing	2,152	1,321

Assets represented by usage rights relating to real estate, as at 30 June 2020, refer mainly to leasing: (i) of two production sites in North America; (ii) of land and buildings subject to Real Estate Reorganisation (see note 1.2 of the Consolidated Financial Statements for the year ended 31 December 2019) and (iii) of a production plant located in Mexico, as well as sales and leaseback operations, mainly relating to the production site located in Avellino and two production sites located in North America, in Ohio and Wisconsin respectively (see note 1.2 of the Consolidated Financial Statements for the year ended 31 December 2019).

As of 30 June 2020, the Group had not identified any indicators of lasting impairment of assets corresponding to usage rights.

For information on the valuations made for the purposes of determining the discount rate, please read note 8.2 of the Consolidated Financial Statements for the year ended 31 December 2019.

8.3 Tangible assets

The table below shows the breakdown and movements of tangible assets in the years ending on 30 June 2020.

<i>(in thousands of Euro)</i>	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 2019	5,566	60,769	46,719	7,850	4,059	8,698	133,661
Investments	162	1,631	842	327	7	10,491	13,459
Disposal	-	(37)	-	(30)	(54)	(4)	(126)
Reclassification	(38)	3,285	5,184	75	1,218	(9,532)	191
Business combinations	-	14,775	-	221	-	3,740	18,736
Conversion reserves	(490)	(2,575)	(914)	(324)	(200)	(482)	(4,985)
Historical cost as of 30 June 2020	5,200	77,846	51,831	8,119	5,030	12,910	160,936
Provision for amortisation and depreciation as of 31 December 2019	(1,084)	(41,805)	(35,164)	(6,105)	(2,889)	-	(87,047)
Amortisation and depreciation	(166)	(2,125)	(1,492)	(252)	(145)	-	(4,180)
Disposal	-	37	-	9	-	-	46
Reclassification	6	-	(16)	(6)	(0)	-	(17)
Business combinations	-	(9,931)	-	(200)	-	-	(10,131)
Conversion reserves	185	1,741	671	244	81	-	2,922
Provision for amortisation and depreciation as of 30 June 2020	(1,059)	(52,084)	(36,001)	(6,310)	(2,954)	-	(98,406)
Net book value as of 31 December 2019	4,482	18,964	11,555	1,745	1,170	8,698	46,614
Net book value as of 30 June 2020	4,141	25,763	15,830	1,809	2,077	12,910	62,529

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

Investments in tangible assets for the half year ended 30 June 2020, amounting to Euro 13,459 thousand, were mainly attributable to the expansion of production capacity to meet the increase in sales orders of products of the Healthcare & Life Sciences division and the Health & Safety division.

The effects relating to business combinations are attributable to the acquisition of a business unit by GVS Filter Technology de Mexico and the acquisition of Haemonetics. Refer to note 7 for more information.

The net value of tangible assets disposed of in the six months ending on 30 June 2020 is insignificant.

As of 30 June 2020, no indications of possible impairment of tangible assets arose.

As of 30 June 2020, 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

Advanced tax assets, amounting to Euro 2,261 thousand at 30 June 2020 (Euro 1,451 thousand at 31 December 2019), include the tax charge corresponding to temporary differences arising between pre-tax result and taxable profit in relation to deferred deductibility items. The allocation of advance tax assets was made by assessing the existence of the conditions for the recoverability of these assets in future on the basis of expected results.

Deferred tax liabilities at 30 June 2020 totalled Euro 1,928 thousand (Euro 819 thousand at 31 December 2019) and refer to temporary differences arising between the result for the financial year and taxable profit in relation to deferred deductibility items.

8.5 Financial assets (current and non-current)

The table below reports details of current and non-current financial assets as of 31 December 2019 and 30 June 2020.

<i>(in thousands of Euro)</i>	At 30 June 2020	At 31 December 2019
Security deposits	380	373
Non-current leasing assets	76	165
Capital instruments	4	4
Non-current financial assets	460	542
Investment funds	3,151	3,399
Term deposits	362	-
Current leasing assets	179	177
Current financial assets	3,691	3,576
Total financial assets	4,151	4,118

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 refer entirely to the balance of a term deposit for a period of six months.

8.6 Inventories

The table below reports details of inventories as of 31 December 2019 and 30 June 2020.

<i>(in thousands of Euro)</i>	At 30 June 2020	At 31 December 2019
Finished products and goods	19,454	15,482
Raw materials, subsidiary materials and consumables	19,927	12,574
Products in progress and semi-products	6,128	4,623
Gross inventories	45,509	32,679
Provision for writedown of inventory	(1,462)	(1,188)
Inventories	44,047	31,491

Net allocation to the provision for writedown of inventory amounted to Euro 274 thousand for the six months ended 30 June 2020.

8.7 Trade receivables

The table below reports details of trade receivables as of 31 December 2019 and 30 June 2020.

<i>(in thousands of Euro)</i>	At 30 June 2020	At 31 December 2019
Trade receivables from customers	48,696	35,961
Trade receivables (gross)	48,696	35,961
Provision for writedown of trade receivables	(910)	(803)
Trade receivables	47,786	35,158

The book value of trade receivables is considered to approximate their fair value. The increase in receivables is closely linked to the increase in sales, which occurred in the last months of the period compared to the last months of the previous year.

The table below reports movements in the provision for writedown of trade receivables in the half year ending on 30 June 2020.

<i>(in thousands of Euro)</i>	Provision for writedown of trade receivables
At 31 December 2019	803
Net provisions	122
Use	(4)
Conversion reserves	(12)
At 30 June 2020	910

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).

8.8 Assets and liabilities deriving from contracts with customers

Assets from contracts with customers, equal to Euro 1,134 thousand at 30 June 2020 (Euro 591 thousand at 31 December 2019), primarily represented the right to obtain a consideration for goods transferred to customers in relation to the production of moulds and equipment, primarily for the Energy & Mobility division.

Liabilities from contracts with customers, worth Euro 6,100 thousand at 30 June 2020 (Euro 1,702 thousand at 31 December 2019) represent advances received from customers for contractual obligations not yet met. The balance at 30 June 2020 includes the advance received from the Chinese government, for an amount of Euro 1,237 thousand, following the agreement signed for the sale of the Chinese subsidiary's facility.

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 2019 and 30 June 2020.

<i>(in thousands of Euro)</i>	At 30 June 2020	At 31 December 2019
Gross assets from contracts with customers	2,880	2,220
Compensation with liabilities from contracts with customers	(1,746)	(1,629)
Assets from contracts with customers	1,134	591
Gross liabilities from contracts with customers	7,846	3,331
Compensation with assets from contracts with customers	(1,746)	(1,629)
Liabilities from contracts with customers	6,100	1,702

8.9 Current tax receivables and payables

Current tax receivables at 30 June 2020 amounted to Euro 249 thousand (Euro 193 thousand at 31 December 2019).

Current tax payables at 30 June 2020 amounted to Euro 8,102 thousand (Euro 2,060 thousand at 31 December 2019).

The changes in the net balances of the assets and liabilities in question for the six months ended 30 June 2020 mainly concern the allocation of current income taxes of Euro 9,158 thousand and payments of Euro 3,618 thousand respectively.

8.10 Other receivables and current assets

The table below reports details of other receivables and current assets as of 31 December 2019 and 30 June 2020.

<i>(in thousands of Euro)</i>	At 30 June 2020	At 31 December 2019
Advances and instalments	1,638	937
Tax receivables	4,531	2,839
Prepaid expenses	2,052	1,119
Receivable from employees	183	177
Other receivables	538	1,358
Other receivables and current assets	8,943	6,430

The increase in other current assets at 30 June 2020 compared to 31 December 2019 is mainly due to the increase in tax receivables, mainly due to VAT receivables, and prepaid expenses, with particular reference to the prepayment of insurance costs.

8.11 Cash on hand

The table below reports details of cash on hand as of 31 December 2019 and 30 June 2020.

<i>(in thousands of Euro)</i>	At 30 June 2020	At 31 December 2019
Bank and postal accounts	137,513	58,510
Cash and cash equivalents on hand	32	32
Cash on hand and cash equivalents	137,546	58,542

As of 30 June 2020, cash on hand was not subject to any restrictions or limitations.

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

8.12 Shareholders' equity

The table below reports details of shareholders' equity as of 31 December 2019 and 30 June 2020.

<i>(in thousands of Euro)</i>	At 30 June 2020	At 31 December 2019
Share capital	1,750	1,650
Share premium reserve	92,706	13,247
Legal reserve	329	329
Extraordinary reserve	29,878	25,745
Translation reserve	(6,681)	(3,040)
Negative reserve for treasury shares	-	(10,981)
Actuarial profits and losses reserve	(51)	(51)
Profit (loss) carried over and other reserves	52,209	34,240
Net income	27,002	33,083
Minority interests	19	18
Total shareholders' equity	197,161	94,240

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

The movements affecting shareholders' equity for the six months ended 30 June 2020 relate to the recognition of the comprehensive net profit for the period for Euro 23,363 thousand, and the net increase in share capital for Euro 79,559 thousand.

Share capital

As of 30 June 2020, 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.

In particular, on 13 March 2020, the Extraordinary Shareholders' Meeting of GVS proceeded to cancel the 1,512,005 shares owned by the shareholder GVS Group and 137,995 treasury shares, with the simultaneous reissue of 1,650,000 shares with no face value, all of which are owned by the shareholder GVS Group. The Shareholders' Meeting also resolved to split the ordinary shares in circulation according to the following ratio: 100 new ordinary shares for every 1 ordinary share, after elimination of the face value. Lastly, the Shareholders' Meeting resolved to increase the share capital for cash by a maximum nominal value of Euro 150 thousand, through the issue of at most 15,000,000 ordinary shares reserved for qualified investors for the purpose of listing the Company's shares on the stock exchange, based on the subscriptions collected during the listing process. On completion of the listing process, the subscriptions collected involved 10,000,000 ordinary shares with a face value of Euro 100,000.

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.

Reserve for treasury shares

The reserve for treasury shares, equal to Euro 10,981 thousand at 31 December 2019, was entirely set to zero following the cancellation of the 137,995 treasury shares held in portfolio, approved by the Extraordinary Shareholders' Meeting of 13 March 2020, without reduction of the share capital, and with reduction of extraordinary reserve at the same time.

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, and represents the effects of conversion from Italian accounting standards to EU-IFRS standards.

8.13 Financial liabilities (current and non-current)

The table below reports details of current and non-current financial liabilities as of 31 December 2019 and 30 June 2020.

<i>(in thousands of Euro)</i>	At 30 June 2020		At 31 December 2019	
	Current portion	Non-current portion	Current portion	Non-current portion
2014 Bond Loan	4,431	13,290	4,411	17,684
2017 Bond Loan	7,926	31,705	7,972	31,890
Total bonded loans	12,357	44,995	12,383	49,574
Pool Loan Agreement	13,436	51,691	13,351	58,176
Banco BPM loan	5,033		1,756	4,152
Unicredit mortgage (2017)	3,313		1,332	2,663
BNL loan	2,500		1,000	2,000
Banco BPM mortgage	1,679		1,342	1,008
BPER mortgage	-	-	316	-
Deutsche Bank loan	-	-	313	-
Commercial lines of credit	3,000	-	3,000	-
Accrued payables	1,470	-	1,713	-
Total financial payables to banks	30,431	51,691	24,123	67,999
Education Ministry (MIUR) loan under special terms (GVS Sud)	98	-	98	-
Loans under special terms Invitalia	503	-	-	-
Education Ministry (MIUR) loan under special terms (GVS SpA)	65	65	65	65
Total other financial payables	666	65	163	65
Total financial liabilities	43,454	96,751	36,669	117,638

It should be noted that during the half year ended 30 June 2020, no new loans were taken out, with the exception of the loans under special terms Invitalia, for a total amount of Euro 503 thousand. 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 have provided the disbursing body with the documentation supporting the various investments and are currently waiting to receive notification of how much of the amount disbursed will be converted into a non-repayable grant and how much will remain a loan under special terms. Pending such notification, and the related repayment plan for the portion received to be allocated to a loan under special terms, the entire amount has been prudentially classified as a short-term financial liability.

It should also be noted that, against available liquidity, in July 2020, GVS paid off loans to Unicredit, Banco Popolare di Milano and Banca Nazionale del Lavoro early for a total amount of Euro 12,525 thousand. This amount has been classified in the current portion of financial liabilities in these Interim Financial Statements.

For a description of the main items making up the Group's financial liabilities as at 30 June 2020, please read the relevant notes to the consolidated financial statements as at 31 December 2019.

As at 30 June 2020, the financial parameters (Covenants) of an equity, economic and financial nature set out in the various contracts, calculated on the data resulting from these Financial Statements, were complied with.

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

<i>(in thousands of Euro)</i>	At 01 January 2020	Opening	Reclassification	Repayment	Variation in accrued payables on interest	Amortised cost	(Profits) losses on exchanges	At 30 June 2020
Non-current financial liabilities	117,638	-	(20,769)	-	-	-	(118)	96,751
Current financial liabilities	36,669	503	20,769	(14,366)	(243)	122	-	43,454
Total financial liabilities	154,307	503	-	(14,366)	(243)	122	(118)	140,205

8.14 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 (ESMA/2015/1415), the net financial debt of the GVS Group at 30 June 2020 is shown below.

<i>(in thousands of Euro)</i>	At 30 June 2020	At 31 December 2019
Cash	32	32
Cash on hand	137,514	58,510
Term deposits	362	-
Shares held for trading	3,151	3,399
(A) Liquidity	141,058	61,941
Financial receivables due to leasing	179	177
(B) Current financial receivables	179	177

(C) Current bank debts	(3,000)	(3,000)
(D) Current portion of non-current indebtedness	(39,788)	(33,506)
Financial payables to other companies in the GVS Group due to leasing	(959)	(585)
Financial payables for leasing	(2,629)	(2,509)
Other financial payables	(666)	(163)
(E) Other current financial payables	(4,254)	(3,257)
(F) Current financial indebtedness (C)+(D)+(E)	(47,042)	(39,763)
(G) Net current financial indebtedness (A)+(B)+(F)	94,195	22,355
Non-current bank debts	(51,691)	(67,999)
Non-current bonded loans	(44,995)	(49,574)
Financial payables to other companies in the GVS Group due to leasing	(2,661)	(1,886)
Non-current financial payables for leasing	(3,991)	(5,965)
Other financial payables	(65)	(65)
(H) Non-current financial indebtedness	(103,403)	(125,488)
(I) Net financial indebtedness (G)+(H)	(9,208)	(103,134)
Derivatives		
Financial payables for leasing (net)	10,061	10,767
(L) Total net financial position	852	(92,366)

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 10,061 thousand and Euro 10,767 thousand on 30 June 2020 and 31 December 2019 respectively, amounted to a positive Euro 852 thousand and a negative Euro 92,366 thousand as of these dates.

8.15 Trade payables

The table below reports details of trade payables as of 31 December 2019 and 30 June 2020.

<i>(in thousands of Euro)</i>	At 30 June 2020	At 31 December 2019
Trade payables to suppliers	32,594	13,157
Trade payables to related parties	849	31
Trade payables	33,443	13,188

Trade payables primarily regard transactions for the purchase of raw materials, components and services. The increase in payables is closely linked to the increase in raw material purchases and investments made in the last months of the period compared to the last months of the previous year.

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

8.16 Other current payables and liabilities

The table below reports details of other payables and current liabilities as of 31 December 2019 and 30 June 2020.

<i>(in thousands of Euro)</i>	At 30 June 2020	At 31 December 2019
Payable to employees	9,931	7,452
Payable to social security institutions	2,759	2,347
Tax payables	2,279	1,341
Payable for dividends	-	1,681
Accrued payables	42	217
Deferred income	408	23
Payable to directors	16	18
Other	71	222
Other current payables and liabilities	15,506	13,301

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 30 June 2020 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 Revenue from customer contracts

The table below breaks down revenues from contracts with customers by division in the half years ending on 30 June 2019 and 2020.

<i>(in thousands of Euro)</i>	Half Year closed at 30 June	
	2020	2019
<i>Healthcare Liquid</i>	34,829	34,090
<i>Healthcare Air & Gas</i>	22,805	13,537
<i>Laboratory</i>	10,351	10,774
Healthcare & Life Sciences	67,984	58,401
<i>Powertrain & Drivetrain</i>	13,473	21,604
<i>Safety & Electronics</i>	8,780	10,535
<i>Sport & Utility</i>	8,649	13,508
Energy & Mobility	30,902	45,646
<i>Personal Safety</i>	44,241	7,652
<i>Air Safety</i>	3,205	5,044
Health & Safety	47,446	12,695
Revenue from customer contracts	146,333	116,743

The increase in revenues in the six months ended 30 June 2020 compared to the six months of the previous year is mainly due to the increase in turnover achieved in the Health & Safety and Healthcare & Life Sciences divisions.

The table below breaks down revenues from contracts with customers by type of sale in the half years ending on 30 June 2019 and 2020.

<i>(in thousands of Euro)</i>	Half Year closed at 30 June	
	2020	2019
Business to business (BTB)	98,664	99,219
Business to consumer (BTC)	47,669	17,524
Revenue from customer contracts	146,333	116,743

The table below breaks down revenues from contracts with customers by geographic area in the half years ending on 30 June 2019 and 2020.

<i>(in thousands of Euro)</i>	Half Year closed at 30 June	
	2020	2019
North America	46,227	49,736
Europe	64,984	34,839
Asia	25,146	23,065
Other countries	9,975	9,103
Revenue from customer contracts	146,333	116,743

Practically all the Group's contracts with customers do not involve variable payments.

The Group does not believe any of its contracts contain a significant financial component, or involve a time lapse of more than twelve months between the agreed date for transfer of the goods to the customer and the payment date. The Group has therefore not adjusted considerations due to take into account the time value of money.

In the case of contractual obligations fulfilled over time, the Group enters revenues from contracts with customers using methods based on the input used to fulfil the contractual obligation, consisting of costs incurred. In the case of contractual obligations fulfilled at a given time, revenues from contracts with customers are entered at the time of transfer of control over the assets.

9.2 Other revenues and proceeds

The table below breaks down other revenues and proceeds for the half years ending on 30 June 2019 and 2020.

<i>(in thousands of Euro)</i>	Half Year closed at 30 June	
	2020	2019
Contributions for operating expenses	14	339
Recovery and chargeback	308	320
Insurance refunds	-	109
Recovery of scrap	114	92
Capital gains on sales	28	-
Other	234	299
Other revenues and proceeds	698	1,159

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 half years ending on 30 June 2019 and 2020.

<i>(in thousands of Euro)</i>	Half Year closed at 30 June	
	2020	2019
Purchases of raw materials	42,789	37,529
Variation in inventories of products in progress, semi-products and finished products	(4,165)	(1,001)
Variation in inventories of raw materials, subsidiary materials and goods	(3,351)	(2,116)
Purchases and consumption of raw materials, semi-products and finished products	35,273	34,412

9.4 Personnel costs

The table below breaks down personnel costs in the half years ending on 30 June 2019 and 2020.

<i>(in thousands of Euro)</i>	Half Year closed at 30 June	
	2020	2019
Salaries and wages	34,008	29,317
Social security contributions	9,406	8,095
Cost of termination indemnity	456	439
Other costs	175	141
Personnel costs	44,045	37,992

The increase in personnel costs in the six months ended 30 June 2020 compared to the six months of the previous financial year is mainly due to the increase in turnover achieved in the Health & Safety and Healthcare & Life Sciences divisions.

9.5 Service costs

The table below breaks down service costs in the half years ending on 30 June 2019 and 2020.

<i>(in thousands of Euro)</i>	Half Year closed at 30 June	
	2020	2019
Utilities and cleaning services	2,753	2,879
Maintenance	1,429	1,695
Transportation	1,901	1,366
Consulting services	5,929	1,222
Travel and lodging	539	954
Subcontracting	863	587
Marketing and trade fairs	430	518
Insurance	494	523
Cafeteria	531	484
Commissions	365	281
Directors' fees	200	177
Independent auditor's fees	186	160
Other services	1,155	850
Service costs	16,775	11,696

Consultancy services, in the six months ended 30 June 2020, include, for Euro 4,291 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 half years ending on 30 June 2019 and 2020.

<i>(in thousands of Euro)</i>	Half Year closed at 30 June	
	2020	2019
Leasing costs	514	625
Indirect taxation	392	600
Membership fees and charity contributions	79	67
Losses on sales	-	40
Other minor costs	295	650
Other operating costs	1,280	1,982

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 122 thousand and Euro 127 thousand in the half years ending on 30 June 2020 and 2019, respectively, and represent writedown of trade receivables.

A breakdown of movements in the provision for writedown of receivables for the half year ending on 30 June 2020 appears in note 8.6 - "Trade receivables".

9.8 Amortisation, depreciation and writedowns

The table below breaks down amortisation, depreciation and writedowns in the half years ending on 30 June 2019 and 2020.

<i>(in thousands of Euro)</i>	Half Year closed at 30 June	
	2020	2019
Amortisation and writedowns of intangible assets	2,929	2,676
Depreciation and writedowns of tangible assets	4,180	4,034
Amortisation and writedowns of assets represented by usage rights	1,931	1,256
Amortisation, depreciation and writedowns	9,040	7,966

A breakdown of the composition of, and movements in, intangible assets and tangible assets for the half year ending on 30 June 2020 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 30 June 2019 and 2020.

<i>(in thousands of Euro)</i>	Half Year closed at 30 June	
	2020	2019
Net profits on exchanges	-	573
Other financial proceeds	75	41
Financial proceeds	75	614

The table below breaks down financial charges in the half years ending on 30 June 2019 and 2020.

<i>(in thousands of Euro)</i>	Half Year closed at 30 June	
	2020	2019
Interest on bonded loans	1,100	1,169
Interest on loans	615	987
Net losses on exchanges	2,663	-
Interest on leasing liabilities	125	56
Amortised cost	122	120
Other financial charges	29	34
Financial charges	4,654	2,366

9.10 Annual income tax

The table below breaks down annual income tax in the half years ending on 30 June 2019 and 2020.

<i>(in thousands of Euro)</i>	Half Year closed at 30 June	
	2020	2019
Current taxes	9,158	5,259
Deferred taxes	(154)	296
Taxes pertaining to previous financial years	(95)	-
Income tax	8,909	5,555

Income taxes, in accordance with the provisions of IAS 34, are recognised on the basis of management's estimate of the weighted average expected annual effective tax rate for the entire year, equal to 24.8% for the half year ended 30 June 2020 (25.3% for the half year ended 30 June 2019).

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.

	Half Year closed at 30 June	
	2020	2019
Group's share of net profit (in thousands of Euro)	27,002	16,416
Weighted average number of shares in circulation	100,029,540	100,029,540
Profit per share (in Euro)	0.27	0.16

Diluted net profit per share is equal to net profit per share, as there are no financial instruments with potential diluting effects.

10. 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 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 30 June 2020 represent: (i) amortisation of intangible assets recorded following the purchase price allocation of the Kuss group (Euro 1,984 thousand), (ii) consultancy costs and one-off bonuses paid to personnel in relation to the IPO procedure concluded on 19 June 2020 (Euro 5,019 thousand), (iii) consultancy costs for purchase of the shareholding in Puerto Rico (Euro 259 thousand) and (iv) personnel reorganisation costs (Euro 176 thousand), net of the related tax effect.

Non-recurrent proceeds and charges in the period ending on 30 June 2019 represent: (i) amortisation of intangible assets entered following purchase price allocation of the Kuss Group (Euro 1,938 thousand), (ii) start-up costs incurred for the company established in Mexico (Euro 91 thousand), (iii) tax credits on indirect taxes of the company IOP (China) Filter Co. Ltd., written down following the winding-up of the company (Euro 144 thousand), and (iv) personnel reorganisation costs (Euro 141 thousand), net of the effect of taxation.

11. 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. The price index used for the purpose is the national consumer price index (IPC) published by Argentina's National Statistics and Census Institute (INDEC). Also, in consideration of the immateriality of the subsidiary's contribution compared to the Group's balances, the effects on the income statement for the half year ended 30 June 2020 were not significant.

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 2019 and 30 June 2020.

<i>(in thousands of Euro)</i>	Parent company	Companies subject to parent company's control		Top management	Total	Total item in the financial statement	Impact on the financial statement
	GVS Group	GVS Real Estate	GVS Real Estate US				
Assets represented by usage rights							
At 30 June 2020	-	2,724	730	-	3,454	9,427	36.6%
At 31 December 2019	-	3,038	861	-	3,899	10,320	37.8%
Other receivables and current assets							
At 30 June 2020	130	-	-	-	130	8,943	1.5%
At 31 December 2019	515	-	-	-	515	6,430	8.0%
Non-current leasing liabilities							
At 30 June 2020	-	2,153	503	-	2,656	6,652	39.9%
At 31 December 2019	-	2,465	665	-	3,130	7,850	39.9%
Current leasing liabilities							
At 30 June 2020	-	624	366	-	990	3,588	27.6%
At 31 December 2019	-	622	360	-	982	3,094	31.7%
Trade payables							
At 30 June 2020	849	-	-	-	849	33,443	2.5%
At 31 December 2019	31	-	-	-	31	13,188	0.2%
Current tax payables							

At 30 June 2020	1,544	-	-	-	1,544	8,102	19.1%
At 31 December 2019	555	-	-	-	555	2,060	26.9%
Other current payables and liabilities							
At 30 June 2020	-	-	-	868	868	15,504	5.6%
At 31 December 2019	1,681	-	-	184	1,865	13,301	14.0%

The table below lists the Group's economic relations with related parties for the half year ending on 30 June 2020.

(in thousands of Euro)	Parent company	Companies subject to parent company's control		Top Management	Total	Total item in the financial statement	Impact on the financial statement
	GVS Group	GVS Real Estate	GVS Real Estate US				
Personnel costs							
Half year ended 30 June 2020	-	-	-	1,468	1,468	44,045	3.3%
Amortisation, depreciation and writedowns							
Half year ended 30 June 2020	-	312	167	-	479	9,040	5.3%
Financial charges							
Half year ended 30 June 2020	-	16	8	-	24	4,654	0.5%

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 payables at 31 December 2019 and 30 June 2020 refer exclusively to this case.

Transactions with GVS Real Estate

On 5 March 2018 GVS stipulated a leasing agreement with GVS Real Estate, expiring on 28 January 2024, for two production facilities, one of which includes the Company's registered offices in Zola Predosa (BO). On the basis of this lease contract, at 30 June 2020, the Group recorded assets represented by usage rights and relative leasing liabilities for Euro 1,414 thousand and Euro 1,437 thousand respectively (Euro 1,606 thousand and Euro 1,627 thousand at 31 December 2019), as well as depreciation and financial charges, for the half year ended 30 June 2020, for Euro 193 thousand and Euro 9 thousand respectively.

On 11 December 2019, the Group company GVS Sud S.r.l. signed an agreement with GVS Real Estate 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 leased the property sold back to the Group. The leasing agreement for the land and buildings sold involved entry, as of 30 June 2020, of assets represented by usage rights and leasing liabilities of Euro 1,310 thousand and Euro 1,340 thousand respectively (Euro 1,429 thousand and Euro 1,457 thousand, respectively at 31 December 2019), and of amortisation, depreciation and writedowns and financial charges for the half year ending on 30 June 2020 of Euro 119 thousand and Euro 7 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 30 June 2020 of assets represented by usage rights amounting to Euro 693 thousand and Euro 831 thousand respectively (Euro 829 thousand and the corresponding leasing liabilities amounting to Euro 988 thousand at 31 December 2019), as well as amortisation, depreciation and writedowns and financial charges in the half year ending on 30 June 2020 amounting to Euro 140 thousand and Euro 8 thousand respectively.

Transactions with Top Management

As of the date of this Statement the following persons 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 and (iv) Science & Development divisions.

The table below provides details of fees payable to members of Top Management in the half years ending on 30 June 2019 and 2020.

<i>(in thousands of Euro)</i>	Half Year closed at 30 June	
	2020	2019
Fees for office held	541	430
Bonuses and other incentives	795	478
Other fees	132	112
Total	1,468	1,020

Other related parties

In addition to the economic and capital transactions with related parties listed in the tables above, note that:

- other current receivables at 30 June 2020 include receivables from directors for an amount of Euro 10 thousand (zero at 31 December 2019);
- other current payables and liabilities as of 30 June 2020 include payables to directors for fees not yet paid totalling Euro 16 thousand (Euro 18 thousand at 31 December 2019);
- provisions for employee benefits as of 30 June 2020 include the value of end of service indemnity for directors totalling Euro 1,501 thousand (Euro 1,474 thousand at 31 December 2019);
- costs for services for the half year ended 30 June 2020 include directors' fees and allocations to the provisions for end of service indemnity for an amount of Euro 200 thousand (Euro 177 thousand for the half year ended 30 June 2019).

Allocation of end of service indemnity to a number of directors was resolved by the Company's shareholders' meeting on 15 January 2015, with reference to the 2015-2017 three-year period, and renewed by the shareholders' meeting on 23 May 2018 for the 2018-2020 three-year period. It should be noted that with effect from the date of commencement of trading of GVS's ordinary shares on the Mercato Telematico Azionario organised and managed by the Italian Stock Exchange, on 17 April 2020, the Board of Directors of GVS ordered the termination of the provisions for termination indemnity relating to one of the directors who ceased to be an executive director from the negotiation start date.

13. Commitments and risks

Sureties and guarantees granted to third parties

At 30 June 2020, the Group had sureties and guarantees in place for a total amount of Euro 100 thousand.

Potential liabilities

In 2018 the Parent Company 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. No notice of assessment has yet been received. As the report on findings does not constitute an executive act, the Italian tax authorities' claims cannot yet be considered final. Though the possibility of a negative outcome of the subsequent phases of the proceedings cannot be excluded entirely, the Parent Company believes it can produce technical arguments significantly reducing the tax claim contained in the formal report on findings in the event of a tax dispute or litigation reduction proceedings (i.e. an assessment procedure with adhesion and/or settlement in court). In view of this, no provisions have been allocated for this eventuality in the financial statement.

14. Directors' and auditors' fees

The fees due to directors and statutory auditors amounted to a total of Euro 219 thousand for the half year ended 30 June 2020 (Euro 194 thousand for the first half of 2019).

No loans or advances were granted to directors or shareholders during the period under examination.

15. Independent auditor's fees

The fees due to the independent auditors and related out-of-pocket expenses for the half year ended 30 June 2020 amounted to Euro 1,304 thousand, of which Euro 186 thousand for auditing services and Euro 1,118 thousand for services other than auditing.

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 half years ending on 30 June 2019 and 2020.

<i>(in thousands of Euro)</i>	Half Year closed at 30 June	
	2020	2019
Research and development costs	9,053	8,811
Capitalised development costs	(1,168)	(934)
Amortisation of capitalised development costs	684	493
Research and development costs entered as operating costs	8,569	8,370

17. Positions or transactions resulting from atypical and/or unusual transactions

Pursuant to the CONSOB communication no. 6064293 of 28 July 2006, it should be noted that during the first half of 2020 there were no atypical and/or unusual transactions with respect to the normal management of the company that could give rise to doubts regarding the correctness and completeness of the information in the financial statements, conflicts of interest, the safeguarding of the company's assets, or the protection of minority shareholders.

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

The partial spin-off through the assignment of part of the share capital of GVS Microfiltrazione S.r.l. to the newly incorporated company GVS Patrimonio Immobiliare S.r.l. (see note "Events of significance following the close of the financial period" in the Consolidated Financial Statements for the year ended 31 December 2019), the draft of which was approved on 20 January 2020, due to administrative slowdowns, is not yet legally effective.

In July 2020, GVS paid off loans to Unicredit, Banco Popolare di Milano and Banca Nazionale del Lavoro early for a total amount of Euro 12,525 thousand against available liquidity. This amount has been classified in the current portion of financial liabilities in these condensed interim consolidated financial statements.

In August 2020, following sales made by the Group in the first six months after the acquisition of GCA Business Unit products, GVS released the amount of USD 1,000 thousand from an escrow account in favour of the seller Graphic Controls Acquisition Corp. The remainder, equal to USD 1,000 thousand will be issued, whether or not in favour of the seller, on the basis of the revenues realised in the second half of the year following the Closing Date.

With the exception of the above, no significant events occurred after the date of this interim report.

19. Approval of the condensed interim consolidated financial statements and authorisation for publication

The condensed interim consolidated financial statements ending on 30 June 2020 were approved on 9 September 2020 by the Board of Directors, which authorised their publication within the legal deadline.

ATTACHED TABLES

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

<i>(in thousands of Euro)</i>	At 30 June 2020	of which with related parties	percentage	At 31 December 2019	of which with related parties	percentage
ASSETS						
Non-current assets						
Intangible assets	98,847			99,846		
Assets represented by usage rights	9,427	3,454	36.6%	10,320	3,899	37.8%
Tangible assets	62,529			46,614		
Advance tax assets	2,261			1,451		
Non-current financial assets	460			542		
Total non-current assets	173,524			158,773		
Current assets						
Inventories	44,047			31,491		
Trade receivables	47,786			35,158		
Assets from contracts with customers	1,134			591		
Current tax receivables	249			193		
Other receivables and current assets	8,943	140	1.6%	6,430	515	8.0%
Current financial assets	3,691			3,576		
Cash on hand	137,546			58,542		
Total current assets	243,396			135,981		
TOTAL ASSETS	416,921			294,754		
SHAREHOLDERS' EQUITY AND LIABILITIES						
Share capital	1,750			1,650		
Reserves	168,390			59,489		
Net income	27,002			33,083		
Group net shareholders' equity	197,142			94,222		
Minority interests	19			18		
Total shareholders' equity	197,161			94,240		
Non-current liabilities						
Non-current financial liabilities	96,751			117,638		
Non-current leasing liabilities	6,652	2,656	39.9%	7,850	3,130	39.9%
Deferred tax liabilities	1,928			819		
Provisions for employee benefits	4,236	1,501	35.4%	4,193	1,474	35.2%
Total non-current liabilities	109,567			130,500		
Current liabilities						
Current financial liabilities	43,454			36,669		
Current leasing liabilities	3,588	990	27.6%	3,094	982	31.7%
Trade payables	33,443	849	2.5%	13,188	31	0.2%
Liabilities from contracts with customers	6,100			1,702		
Current tax payables	8,102	1,544	19.1%	2,060	555	26.9%
Other current payables and liabilities	15,506	884	5.7%	13,301	1,883	14.2%
Total current liabilities	110,193			70,014		
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	416,921			294,754		

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

<i>(in thousands of Euro)</i>	Half Year closed at 30 June					
	2020	of which with related parties	percentage	2019	of which with related parties	percentage
Revenue from customer contracts	146,333			116,743		
Other revenues and proceeds	698			1,159		
Total revenues	147,031			117,902		
Purchases and consumption of raw materials, semi-products and finished products	(35,273)			(34,412)		
Personnel costs	(44,045)	(1,668)	3.8%	(37,992)	(1,197)	3.2%
Service costs	(16,775)			(11,696)		
Other operating costs	(1,280)			(1,982)		
EBITDA	49,658			31,820		
Net writedowns of financial assets	(122)			(127)		
Amortisation, depreciation and writedowns	(9,040)	(479)	5.3%	(7,966)	(193)	2.4%
EBIT	40,495			23,726		
Financial proceeds	75			614		
Financial charges	(4,654)	(24)	0.5%	(2,366)	(11)	0.5%
Pre-tax result	35,916			21,974		
Income tax	(8,909)			(5,555)		
Net income	27,008			16,420		
<i>Group's share</i>	27,002			16,416		
<i>Minority share</i>	5			3		

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

(in thousands of Euro)	Half Year closed at 30 June					
	2020	of which with related parties	percentage	2019	of which with related parties	percentage
Pre-tax result	35,916	(2,171)	-6%	21,974	(1,401)	-6%
- Adjustment for:						
Amortisation, depreciation and writedowns	9,040	479	5%	7,966	193	2%
Capital losses / (capital gains) from sale of assets	(28)			40		
Financial charges / (proceeds)	4,579	24	1%	1,752	11	1%
Other non-monetary variations	606	27	4%	594	27	5%
Cash flow generated / (absorbed) by operations before variations in net working capital	50,113			32,326		
Variation in inventories	(10,878)			(3,010)		
Variation in trade receivables	(13,892)			(4,427)	0	0%
Variation in trade payables	21,366	818	4%	(1,156)	0	0%
Variation in other assets and liabilities	3,059	1,057	35%	(4,284)	3,989	-93%
Use of provisions for risks and charges and for employee benefits	(440)			(485)		
Taxes paid	(3,618)	(1,252)	35%	(4,072)	(2,490)	61%
Net cash flow generated / (absorbed) by operations	45,709			14,892		
Investments in tangible assets	(13,459)			(3,325)		
Investments in intangible assets	(1,336)			(3,074)		
Disposal of tangible assets	108			117		
Investment in financial assets	(1,219)			(929)		
Disinvestment in financial assets	-			1,700		
Payment for purchase of business unit net of cash on hand acquired	(10,532)			-		
Net cash flow generated / (absorbed) by investment	(26,438)			(5,511)		
Opening of long-term financial payables	503			6,500		
Repayment of long-term financial payables	(14,366)			(15,023)		
Variations in current financial payables	-			733		
Opening of leasing payables	-			-		
Repayment of leasing liabilities	(2,027)	(501)	25%	(1,265)	(189)	15%
Financial charges paid	(1,775)	(24)	1%	(1,937)	(11)	1%
Financial proceeds collected	75			41		
Net fee for IPO	79,794			-		
Dividends paid	(1,681)	(1,681)	100%	(3,082)	(3,082)	100%
Net cash flow generated/(absorbed) by financial assets	60,523			(14,033)		
Total variation in cash on hand	79,795			(4,652)		
Cash on hand at the start of the year	58,542			45,551		
Total variation in cash on hand	79,795			(4,652)		
Conversion differences on cash on hand	(791)			119		
Cash on hand at the end of the year	137,546			41,018		

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

	Half Year closed at 30 June						
	2020	of which non-recurring	2020 from ordinary operations	percentage	2019	of which non-recurring	2019 from ordinary operations
<i>(in thousands of Euro)</i>							percentage
Revenue from customer contracts	146,333		146,333		116,743		116,743
Other revenues and proceeds	698		698		1,159		1,159
Total revenues	147,031	-	147,031		117,902	-	117,902
Purchases and consumption of raw materials, semi-products and finished products	(35,273)		(35,273)		(34,412)		(34,412)
Personnel costs	(44,045)	(972)	(43,073)	2.2%	(37,992)	(187)	(37,805)
Service costs	(16,775)	(4,482)	(12,293)	26.7%	(11,696)	(45)	(11,651)
Other operating costs	(1,280)		(1,280)		(1,982)	(144)	(1,838)
EBITDA	49,658	(5,454)	55,112		31,820	(376)	32,196
Net writedowns of financial assets	(122)		(122)		(127)		(127)
Amortisation, depreciation and writedowns	(9,040)	(1,984)	(7,056)	21.9%	(7,966)	(1,938)	(6,028)
EBIT	40,495	(7,438)	47,933		23,726	(2,314)	26,040
Financial proceeds	75		75		614		614
Financial charges	(4,654)		(4,654)		(2,366)		(2,366)
Pre-tax result	35,916	(7,438)	43,354		21,974	(2,314)	24,288
Income tax	(8,909)	1,690	(10,599)	-19.0%	(5,555)	239	(5,794)
Net income	27,008	(5,748)	32,756		16,420	(2,075)	18,495

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

1. The undersigned, Massimo Scagliarini, Chief Executive Officer and Emanuele Stanco, Manager responsible for the preparation of the accounting documents of GVS S.p.A., taking into account the provisions of Article 154-bis, paragraphs 3 and 4 of Legislative Decree no. 58 of 24 February 1998, certify:
 - the adequacy in relation to the characteristics of the business, and
 - the effective application of the administrative and accounting procedures for the preparation of the condensed interim consolidated financial statements during the first half of 2020.
2. The assessment of the adequacy of the administrative and accounting procedures for the preparation of the condensed interim consolidated financial statements at 30 June 2020 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 condensed interim 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 Interim Report on Operations includes a reliable analysis of references to important events that occurred in the first six months of the financial year and their impact on the condensed interim consolidated financial statements, together with a description of the main risks and uncertainties for the remaining six months of the year. The interim report on operations also includes a reliable analysis of information on transactions with related parties.

Zola Predosa, 09 September 2020

Massimo Scagliarini
Chief Executive Officer

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



REVIEW REPORT ON CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS

To the Shareholders of
GVS SpA

Foreword

We have reviewed the accompanying consolidated condensed interim financial statements of GVS SpA (hereinafter, also the “Company” and together with its subsidiaries the “GVS Group”) as of 30 June 2020 which comprise the consolidated statement of financial position, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated statement of cash flows and the related explanatory notes. The Directors of the Company are responsible for the preparation of the consolidated condensed interim financial statements in accordance with International Accounting Standard 34 applicable to interim financial reporting (IAS 34) as adopted by the European Union. Our responsibility is to express a conclusion on these consolidated condensed interim financial statements based on our review.

Scope of review

We conducted our work in accordance with the criteria for a review recommended by Consob in Resolution No. 10867 of 31 July 1997. A review of consolidated condensed interim financial statements consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than a full-scope audit conducted in accordance with International Standards on Auditing (ISA Italia) and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the consolidated condensed interim financial statements.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the consolidated condensed interim financial statements of GVS Group as of 30 June 2020 are not prepared, in all

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Sede legale e amministrativa: Milano 20149 Via Monte Rosa 91 Tel. 0277851 Fax 027785240 Cap. Soc. Euro 6.890.000,00 i.v., C.F. e P.IVA e Reg. Imp. Milano 12979880155 Iscritta al n° 119644 del Registro dei Revisori Legali - Altri Uffici: **Ancona** 60131 Via Sandro Totti 1 Tel. 0712132311 - **Bari** 70122 Via Abate Gimma 72 Tel. 0805640211 - **Bergamo** 24121 Largo Belotti 5 Tel. 035229691 - **Bologna** 40126 Via Angelo Finelli 8 Tel. 0516186211 - **Brescia** 25121 Viale Duca d'Aosta 28 Tel. 0303697501 - **Catania** 95129 Corso Italia 302 Tel. 0957532311 - **Firenze** 50121 Viale Gramsci 15 Tel. 0552482811 - **Genova** 16121 Piazza Piccapietra 9 Tel. 01029041 - **Napoli** 80121 Via dei Mille 16 Tel. 08136181 - **Padova** 35138 Via Vicenza 4 Tel. 049873481 - **Palermo** 90141 Via Marchese Ugo 60 Tel. 091349737 - **Parma** 43121 Viale Tanara 20/A Tel. 0521275911 - **Pescara** 65127 Piazza Ettore Troilo 8 Tel. 0854545711 - **Roma** 00154 Largo Fochetti 29 Tel. 06570251 - **Torino** 10122 Corso Palestro 10 Tel. 011556771 - **Trento** 38122 Viale della Costituzione 33 Tel. 0461237004 - **Treviso** 31100 Viale Felissent 90 Tel. 0422696911 - **Trieste** 34125 Via Cesare Battisti 18 Tel. 0403480781 - **Udine** 33100 Via Poscolle 43 Tel. 043225789 - **Varese** 21100 Via Albuzzi 43 Tel. 0332285039 - **Verona** 37135 Via Francia 21/C Tel. 0458263001 - **Vicenza** 36100 Piazza Pontelandolfo 9 Tel. 0444393311



material respects, in accordance with International Accounting Standard 34 applicable to interim financial reporting (IAS 34) as adopted by the European Union.

Other Matters

The interim consolidated financial statements of GVS Group for the period ended as of 30 June 2019 were neither audited nor reviewed.

Bologna, 10 September 2020

PricewaterhouseCoopers SpA

Signed by
Giuseppe Ermocida
(Partner)

This report has been translated into English from the Italian original solely for the convenience of international readers



GVS S.p.A
Via Roma 50
40069 Zola Predosa (BO) – Italy
www.gvs.com

