E-MARKET SDIR CERTIFIED

2020 Annual Financial Report

GVS Group

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INFORMATION ABOUT THE COMPANY AND INFORMATION FOR SHAREHOLDERS

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LEGAL INFORMATION

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INVESTOR RELATIONS

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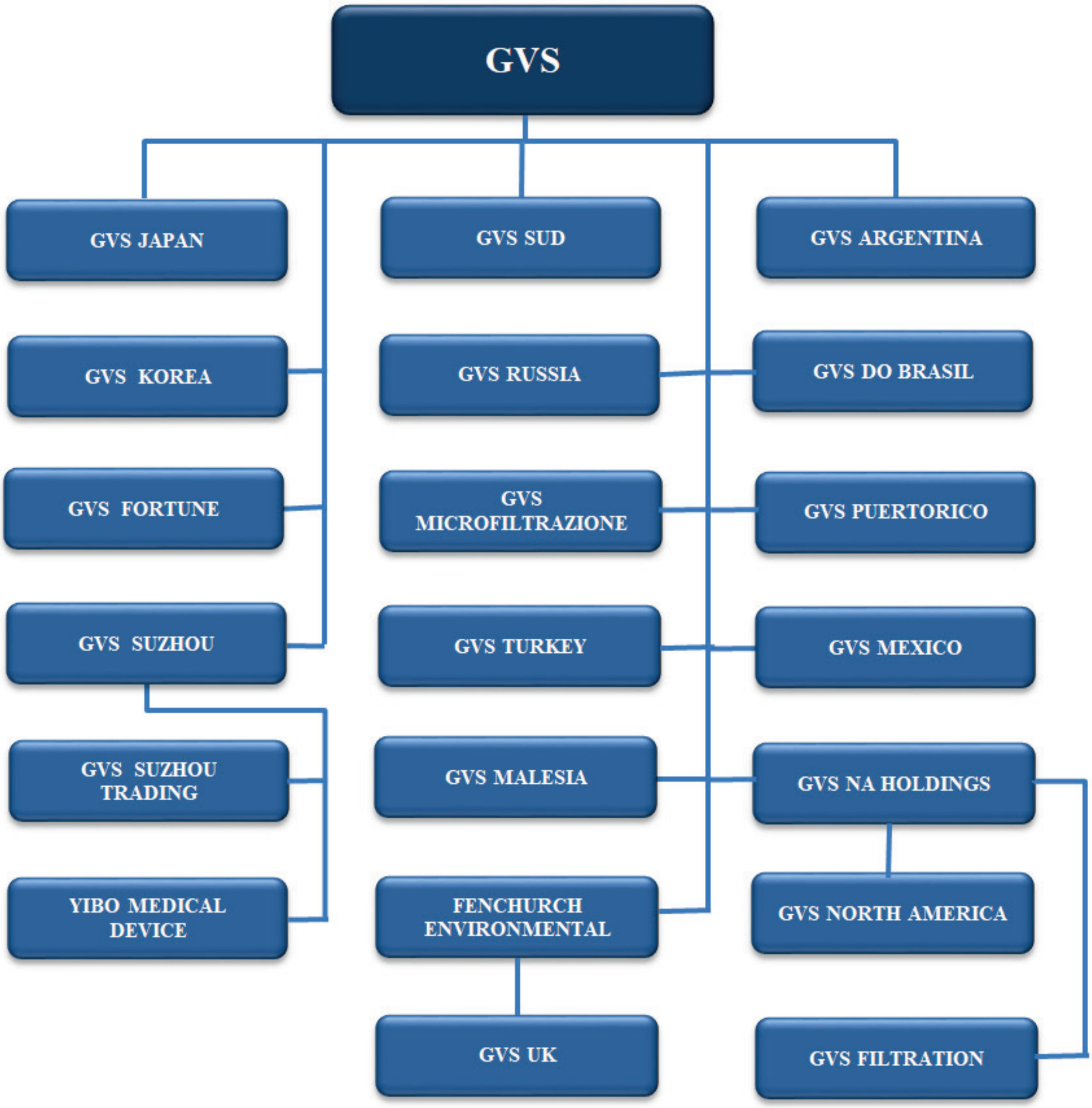
GROUP STRUCTURE*



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

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 Management Report of GVS SpA (hereinafter also referred to as the "Company" or the "Parent Company") and that of the GVS Group are presented with the annual financial statements and consolidated financial statements at 31 December 2020.

The annual and consolidated financial statements at 31 December 2020 were prepared in accordance with EU-IFRS standards. The consolidated financial statements at 31 December 2020 closes with a profit of Euro 78,083 thousand, after Euro 27,808 thousand in taxation and a total of Euro 19,365 thousand in amortisation, depreciation and writedowns.

The Management Report is intended to provide information the situation of the Company and the GVS Group and on management trends as a whole and in the various areas in which the Group operates, also through its subsidiary companies, and has been prepared in compliance with the provisions of section 2428 of Italy's Civil Code.

The tables below have been prepared on the basis of the consolidated financial statements and the annual financial statements at 31 December 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 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 years ending on 31 December 2019 and 31 December 2020.

(in thousands of Euro)	**Financial year ended 31 December**	
	2020	**2019**
Healthcare Liquid	80,254	69,553
Healthcare Air & Gas	58,665	26,306
Laboratory	20,185	19,280
Healthcare & Life Sciences	**159,104**	**115,139**
Powertrain & Drivetrain	27,181	40,430
Safety & Electronics	20,597	23,123
Sport & Utility	17,415	24,732
Energy & Mobility	**65,193**	**88,285**
Personal Safety	132,933	13,971
Air Safety	6,066	10,021
Health & Safety	**138,999**	**23,992**
Revenue from customer contracts	**363,296**	**227,416**

In the year just ended, GVS achieved consolidated revenues of Euro 363.3 million, up 59.8% from Euro 227.4 million recorded last year. 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 previous year, recorded by the Energy & Mobility division (-26.2%) 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.

The financial statements for the year closing at 31 December 2020 are shown below in comparison with those of the previous year, reclassified on the basis of current practice in financial analysis.

Analysis of reclassified financial position

	Financial year ended 31 December							
(in thousands of Euro)	2020	of which non recurring	2020 from ordinary operations	%	2019	of which non recurring	2019 from ordinary operations	%
Revenues from sales and services	363,296		363,296	100.0%	227,416		227,416	100.0%
Other revenues and proceeds	1,916		1,916	0.5%	3,169	759	2,410	1.1%
Total revenues	**365,212**		**365,212**	**100.5%**	**230,585**	**759**	**229,826**	**101.1%**
Cost of raw materials purchases and variations in inventories	(88,560)	(65)	(88,495)	-24.4%	(67,884)		(67,884)	-29.9%
Services	(36,216)	(4,553)	(31,663)	-8.7%	(23,442)	(518)	(22,924)	-10.1%
Various operating costs	(3,197)		(3,197)	-0.9%	(3,460)	(144)	(3,316)	-1.5%
Added value	**237,240**	**(4,618)**	**241,858**	**66.6%**	**135,799**	**97**	**135,702**	**59.7%**
Cost of labour	(98,877)	(1,080)	(97,797)	-26.9%	(73,583)	(147)	(73,436)	-32.3%
EBITDA	**138,363**	**(5,698)**	**144,061**	**39.7%**	**62,216**	**(50)**	**62,266**	**27.4%**
Amortisation and depreciation	(19,030)	(3,865)	(15,165)	-4.2%	(16,302)	(3,912)	(12,390)	-5.4%
Provisions and writedowns	(335)		(335)	-0.1%	(250)		(250)	-0.1%
EBIT	**118,998**	**(9,563)**	**128,561**	**35.4%**	**45,664**	**(3,962)**	**49,626**	**21.8%**
Financial proceeds and charges	(13,107)	-	(13,107)	-3.6%	(1,990)	-	(1,990)	-0.9%
Pre-tax result	**105,891**	**(9,563)**	**115,454**	**31.8%**	**43,674**	**(3,962)**	**47,636**	**20.9%**
Income tax	(27,808)	409	(28,217)	-7.8%	(10,582)	485	(11,067)	-4.9%
Group's and minority shareholders' net profit or loss	**78,083**	**(9,154)**	**87,237**	**24.0%**	**33,092**	**(3,477)**	**36,569**	**16.1%**

The consolidated economic results of operations of the period closing at 31 December 2020 were as follows: total revenues from ordinary operations amounted to Euro 365.2 million (Euro 229.8 million in 2019); EBITDA from ordinary operations amounted to Euro 144 million (Euro 62.3 million in 2019); EBIT from ordinary operations came to Euro 128.6 million (Euro 49.6 million in 2019).

The trend in revenues from contracts with customers (+59.8% 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 5.5 percentage points compared to last year. Such an increase is essentially due to procurement strategies implemented in the last three years and the varied mix of sales with respect to 2019. Other revenues and income mainly refer to operating grants, recoveries and charge back of costs. The balance from ordinary operations of the item decreased by Euro 494 thousand, compared to the same period of the previous year, mainly due to lesser charge backs of costs and lesser insurance reimbursements received during the period.

The "Added value" margin as a percentage of revenues from sales and services improved in 2020 (+6.9 percentage points), compared to the same period of last year. This thanks to the cost containment policies implemented in the last three years combined with the rapid implementation of 41 new production lines in the various GVS Group plants, which allowed for a big increase in the level of operating leverage. As mentioned above, the reduction in variable costs was significant and service costs also grew less than proportionally with respect to sales, whose percentage of revenues from sales and services dropped from 10.1% in the period ended at 31 December 2019, to 8.7% in the same period of 2020.

The increase in absolute value of personnel costs in the period ended 31 December 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 contracts 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 32.3% in 2019 to 26.9% in 2020.

The increase in absolute value of the item amortisation, depreciation and write-downs for the period ended 31 December 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 net exchange losses of €9,473 thousand recorded in the period ended 31 December 2020 and net profits on exchanges of €2,393 thousand recorded in 2019) decreased in the period. In fact, they went from €4,383 thousand in 2019 to €3,634 thousand in 2020, mainly due to the reduction in interest on loans, due to an improvement in the ratio between net financial indebtedness and EBITDA of the Group, as well as to the reduction of the residual debt related to the above-mentioned financial payables. In fact, in the second half of the year, against available liquidity, the Parent Company paid off several mortgages and loans in advance.

The pre-tax result of recurrent activities reached Euro 115.5 million in 2020, Euro 67.8 million higher than the 2019 figure of Euro 47.6 million, due to the effect of the factors described above.

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

Non-recurrent proceeds and charges in the year ending on 31 December 2019 represent: *(i)* amortisation of intangible assets entered following purchase price allocation of the Kuss Group (Euro 3,912 thousand), *(ii)* capital gains resulting from disposal of the real estate assets mentioned above (Euro 759 thousand), *(iii)* start-up costs incurred for the company established in Mexico (Euro 518 thousand), *(iv)* tax credits on indirect taxes of the company IOP (China) Filter Co. Ltd., written down following winding-up of the company (Euro 144 thousand), and *(v)* personnel reorganisation costs (Euro 147 thousand), net of the effect of taxation.

<u>Analysis of reclassified equity position</u>

(in thousands of Euro)	**At 31 December 2020**	**At 31 December 2019**
Net intangible assets	90,979	99,846
Net usage rights	8,438	10,320
Net tangible assets	68,925	46,614
Financial fixed assets	967	377
Other fixed assets	4,568	1,616
Fixed capital (A)	**173,877**	**158,773**
Net trade receivables	52,084	35,158
Inventories	46,048	31,491
Payables to suppliers	(25,585)	(13,188)
Net commercial working capital (B)	**72,548**	**53,462**
Other current assets	10,253	7,214
Other current liabilities	(36,933)	(17,063)
Total current assets/liabilities (C)	**(26,680)**	**(9,849)**
Net working capital (D)= (B) + (C)	**45,867**	**43,613**
Other non-current liabilities (E)	(3,167)	(819)
Employee termination indemnity and end of service indemnity (F)	(4,499)	(4,193)
Provisions for risks and charges (G)	(1,000)	-

Net invested capital (H) = (A+D+E+F+G)	**211,078**	**197,373**
Shareholders' equity	(242,698)	(94,240)
Consolidated shareholders' equity (I)	**(242,698)**	**(94,240)**
(Short-term financial indebtedness)/Liquidity	106,925	22,355
(Net medium/long term financial indebtedness)	(75,306)	(125,488)
Net financial indebtedness (L)	**31,619**	**(103,134)**
Own funds and net financial indebtedness (M) = (I+L)	**(211,078)**	**(197,373)**

Fixed capital as of 31 December 2020 showed an increase of Euro 15,105 thousand, as a result of the reduction in net intangible assets and usage rights totalling Euro 10,749 thousand, more than offset by a net increase in tangible assets, financial fixed assets and other fixed assets of Euro 25,853 thousand.

The balance of trade net working capital at 31 December 2020 showed an increase of Euro 19,086 thousand, compared to 31 December 2019, with an increase in inventories and net trade receivables for a total amount of Euro 31,483 thousand against an increase in trade payables of Euro 12,397 thousand.

The increase in other current assets at 31 December 2020, equal to Euro 3,039 thousand, was mainly due to the increase in advances to suppliers and receivables for indirect taxes.

The increase in other current liabilities at 31 December 2020 compared to 31 December 2019, equal to Euro 19,870 thousand, was mainly due to advances paid by customers for Euro 3,191 thousand, the increase in payables for current taxes for Euro 12,425 thousand and the increase in payables to the personnel and to the directors for a total of Euro 4,700 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 31 December 2020 increased mainly due to the overall 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.

Analysis of net financial indebtedness and net financial position

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

	(in thousands of Euro)	**At 31 December 2020**	**At 31 December 2019**
	Cash	29	32
	Cash on hand	125,039	58,510
	Term deposits	358	-
	Shares held for trading	4,517	3,399
(A)	**Liquidity**	**129,942**	**61,941**
	Financial receivables due to leasing	151	177
(B)	**Current financial receivables**	**151**	**177**
(C)	Current bank debts	-	(3,000)
(D)	Current portion of non-current indebtedness	(19,106)	(33,506)
	Financial payables to other companies in the GVS Group due to leasing	(965)	(585)
	Financial payables for leasing	(2,530)	(2,509)
	Other financial payables	(567)	(163)
(E)	Other current financial payables	(4,063)	(3,257)
(F)	**Current financial indebtedness (C)+(D)+(E)**	**(23,168)**	**(39,763)**
(G)	**Net current financial indebtedness (A)+(B)+(F)**	**106,925**	**22,355**
	Non-current bank debts	(33,649)	(67,999)
	Non-current bonded loans	(36,079)	(49,574)
	Financial payables to other companies in the GVS Group due to leasing	(2,146)	(1,886)
	Non-current financial payables for leasing	(3,325)	(5,965)
	Non-current derivative instruments	(107)	
	Other financial payables	-	(65)
(H)	**Non-current financial indebtedness**	**(75,306)**	**(125,488)**

(I)	**Net financial indebtedness (G)+(H)**	**31,619**	**(103,134)**
	Financial payables for leasing (net)	8,815	10,767
(L)	**Total net financial position**	**40,435**	**(92,366)**

The change in net financial indebtedness at 31 December 2020 as compared to 31 December 2019, totalling Euro 134,753 thousand, is primarily due to the combined effect of: *(i)* an increase in liquidity and current financial receivables totalling Euro 67,975 thousand, due to liquidity obtained from the IPO procedure and liquidity generated by operations, and *(ii)* a Euro 66,778 thousand reduction in financial indebtedness, primarily due to repayment of the current and non-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 8,815 thousand and Euro 10,767 thousand on 31 December 2020 and 31 December 2019 respectively, amounted to a positive Euro 40,435 thousand and a 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 31 December 2020.

Cash flow statement

The cash flow statement appears below.

	Financial year ended 31 December	
(in thousands of Euro)	**2020**	**2019**
Pre-tax result	105,891	43,674
- *Adjustment for:*		
Amortisation, depreciation and writedowns	19,030	16,302
Capital losses / (capital gains) from sale of assets	2	(726)
Financial charges / (proceeds)	13,107	1,990
Other non-monetary variations	3,146	491
Cash flow generated / (absorbed) by operations before variations in net working capital	**141,176**	**61,731**
Variation in inventories	(21,008)	1,707
Variation in trade receivables	(6,165)	4,919
Variation in trade payables	18,182	(5,244)
Variation in other assets and liabilities	(1,718)	1,804
Use of provisions for risks and charges and for employee benefits	(118)	(191)
Taxes paid	(16,277)	(9,827)
Net cash flow generated / (absorbed) by operations	**114,073**	**54,899**
Investments in tangible assets	(27,306)	(10,252)
Investments in intangible assets	(4,059)	(2,811)
Disposal of tangible assets	608	4,448
Investment in financial assets	(4,443)	(1,888)
Disinvestment in financial assets	191	349
Payment for purchase of businesses, net of cash on hand acquired	(10,534)	-
Net cash flow generated / (absorbed) by investment	**(45,543)**	**(10,154)**
Opening of long-term financial payables	40,503	6,500
Repayment of long-term financial payables	(103,325)	(25,079)
Opening of leasing payables	-	2,447
Repayment of leasing liabilities	(4,272)	(2,554)
Financial charges paid	(4,959)	(5,246)
Financial proceeds collected	265	192
Net fee for IPO	74,508	-
Dividends paid	(1,681)	(8,329)

Net cash flow generated/(absorbed) by financial assets	**1,039**	**(32,069)**
Total variation in cash on hand	**69,569**	**12,676**

Cash on hand at the start of the year	**58,542**	**45,551**
Total variation in cash on hand	69,569	12,676
Conversion differences on cash on hand	(3,043)	315
Cash on hand at the end of the year	**125,068**	**58,542**

During the period ending on 31 December 2020, operations generated Euro 79,445 thousand more liquidity than in the same period of the previous year, primarily as a result of increased EBITDA; to the contrary, cash flows absorbed by working capital were Euro 20,272 thousand higher.

On the other hand, in 2020, net investment activity (ordinary and extraordinary acquisition operations) absorbed an overall increase in liquidity of €35,389 thousand compared to the same period in 2019, determining a cash flow generation before cash flows generated/absorbed by financial assets amounting to €68,530 thousand, €23,785 thousand higher than the period ended 31 December 2019.

The cash flow generated by financial assets mainly increased as a result of the increase in share capital against payment net of repayments and early terminations of loans, determining an overall net cash flow from operating and investing activities, mentioned above, an increase in cash on hand of €69,569 thousand, €56,893 thousand higher than last year.

Indicators

The Group's principal economic and financial indicators and other indicators at 31 December 2019 and 31 December 2020 are listed below.

	Period ended 31 December	
(numerical data in thousands of Euros)	**2020**	**2019**
ROE (net profit/total net shareholders' equity)	32%	35%
ROI (EBIT from ordinary operations/net invested capital)	61%	25%
ROS (EBIT from ordinary operations/total revenues)	35%	22%
EBITDA	138,363	62,216
EBITDA from ordinary operations	144,061	62,266
Net interest expense (excluding gains/losses on exchanges)	(3,634)	(4,383)
Net Financial Debt	31,619	(103,134)
Net financial position	40,435	(92,366)
Total intangible fixed assets/Total fixed assets	52%	63%
Total intangible fixed assets/Total assets	22%	34%
Acid test (short-term assets/short-term liabilities)	1.0	1.4
Net interest payable/net financial indebtedness	-11%	4%
Indebtedness ratio (net financial indebtedness/shareholders' equity)	(0.13)	1.09
Net financial position/shareholders' equity	(0.17)	0.98
EBITDA/Interest	38.08	14.19
EBITDA from ordinary operations/Interest	39.64	14.21
Net financial position/EBITDA	(0.29)	1.48
Net financial position/EBITDA from ordinary operations	(0.28)	1.48
Net financial debt / EBITDA	(0.23)	1.66
Net financial indebtedness/EBITDA from ordinary operations	(0.22)	1.66

The Parent Company GVS SpA

The consolidated financial statements of the Parent Company GVS SpA for the year closing at 31 December 2020 are shown below in comparison with those of the previous year, reclassified on the basis of current practice in financial analysis.

Analysis of reclassified financial position

(in thousands of Euro)	2020	of which non recurring	2020 from ordinary operations	%	2019	of which non recurring	2019 from ordinary operations	%
	Financial year ended 31 December							
Revenues from sales and services	124,155		124,155	100.0%	74,834		74,834	100.0%
Other revenues and proceeds	3,438		3,438	2.8%	2,118		2,118	2.8%
Total revenues	**127,592**		**127,592**	**102.8%**	**76,952**		**76,952**	**102.8%**
Cost of raw materials purchases and variations in inventories	(48,964)		(48,964)	-39.4%	(32,210)		(32,210)	-43.0%
Services	(16,483)	(4,285)	(12,198)	-9.8%	(9,106)		(9,106)	-12.2%
Various operating costs	(942)		(942)	-0.8%	(597)		(597)	-0.8%
Added value	**61,204**	**(4,285)**	**65,489**	**52.7%**	**35,039**	**-**	**35,039**	**46.8%**
Cost of labour	(26,622)	(796)	(25,826)	-20.8%	(18,586)		(18,586)	-24.8%
EBITDA	**34,582**	**(5,081)**	**39,663**	**31.9%**	**16,452**	**-**	**16,452**	**22.0%**
Amortisation and depreciation	(4,416)		(4,416)	-3.6%	(3,938)		(3,938)	-5.3%
Provisions and writedowns	(77)		(77)	-0.1%	(64)		(64)	-0.1%
EBIT	**30,089**	**(5,081)**	**35,170**	**28.3%**	**12,450**	**-**	**12,450**	**16.6%**
Financial proceeds and charges	(8,764)		(8,764)	-7.1%	1,441		1,441	1.9%
Income from equity investments	14,516		14,516		5,995		5,995	
Pre-tax result	**35,841**	**(5,081)**	**40,922**	**33.0%**	**19,886**	**-**	**19,886**	**26.6%**
Income tax	(8,532)	(166)	(8,367)	-6.7%	(4,773)		(4,773)	-6.4%
Group's and minority shareholders' net profit or loss	**27,308**	**(5,247)**	**32,555**	**26.2%**	**15,113**	**-**	**15,113**	**20.2%**

Revenues from ordinary operations mainly derive from *(i)* revenues from contracts with customers for € 124,155 thousand (€ 74,834 thousand in 2019) and *(ii)* other revenues and income of € 3,438 thousand (€ 2,118 thousand in 2019).

The normalised operating result for 2020 was positive for € 39,663 thousand, after saving € 4,416 thousand (of which € 3,281 thousand related to tangible assets, € 283 thousand to intangible assets and € 852 thousand to assets represented by usage rights following application of IFRS 16).

The result of financial operations, negative for € 8,764 thousand, includes interest income of € 2,734 thousand and interest expense of € 3,060 thousand. This result also includes negative net exchange differences of € 7,707 thousand, mostly unrealized.

Income from equity investments equal to € 14,516 thousand relates to the dividends earned by the subsidiaries collected in 2020.

The net result for 2020, after a tax burden of € 8,532 thousand, amounted to € 27,308 thousand.

Analysis of reclassified equity position

The capital structure of GVS S.p.A. as at 31 December 2020, compared with that at 31 December 2019, is as follows:

Reclassified statement of assets and liabilities of the Parent Company GVS SpA (in thousands of Euro)	**31 Dec. 2020**	**31 Dec. 2019**
Net intangible assets	3,034	2,839
Net usage rights	2,012	2,364
Net tangible assets	19,979	16,801
Shareholdings in other companies	63,705	49,964
Other fixed assets	1,544	-
Non-current financial receivables from subsidiaries	77,747	96,107

Fixed capital (A)	**168,021**	**168,075**
Net trade receivables	28,117	17,497
Inventories	6,694	4,918
Payables to suppliers	(31,989)	(24,673)
Net commercial working capital (B)	**2,822**	**(2,258)**
Other current assets	7,695	4,068
Other current liabilities	(16,581)	(8,962)
Total current assets/liabilities (C)	**(8,886)**	**(4,894)**
Net working capital (D)= (B) + (C)	**(6,064)**	**(7,152)**
Other non-current liabilities (E)	-	(696)
Employee termination indemnity and end of service indemnity (F)	(2,780)	(2,715)
Provisions for risks and charges (G)	(1,000)	-
Net invested capital (H) = (A+D+E+F+G)	**158,177**	**157,512**
Shareholders' equity	(156,421)	(48,969)
Consolidated shareholders' equity (I)	**(156,421)**	**(48,969)**
(Short-term financial indebtedness)/Liquidity	78,324	17,789
(Net medium/long term financial indebtedness)	(80,080)	(126,332)
Net financial indebtedness (L)	**(1,756)**	**(108,543)**
Own funds and net financial indebtedness (M) = (I+L)	**(158,177)**	**(157,512)**

The net invested capital at 31 December 2020, amounting to € 158,177 thousand, was fully financed for € 156,421 thousand from net equity and € 1,756 thousand from the net financial debt of € 1,756 thousand. The changes in the balance sheet are analysed and described in the notes to the financial statements.

Analysis of net financial indebtedness and net financial position

The net financial position of the Parent Company as at 31 December 2020, compared with 31 December 2019, is as follows:

	Net financial indebtedness and net financial position of the Parent Company GVS SpA *(in thousands of Euro)*	**31 Dec. 2020**	**31 Dec. 2019**
	Cash	29	32
	Cash on hand	83,424	38,775
(A)	**Liquidity**	**83,453**	**38,807**
	Financial receivables from subsidiaries	15,166	16,290
(B)	**Current financial receivables**	**15,166**	**16,290**
(C)	Current bank debts		
(D)	Current portion of non-current indebtedness	(19,507)	(36,570)
	Financial payables to other companies in the GVS Group due to leasing	(388)	(382)
	Financial payables for leasing	(400)	(356)
(E)	Other current financial payables	(789)	(738)
(F)	**Current financial indebtedness (C)+(D)+(E)**	**(20,296)**	**(37,308)**
(G)	**Net current financial indebtedness (A)+(B)+(F)**	**78,324**	**17,789**
	Non-current bank debts	(33,649)	(68,064)
	Non-current bonded loans	(36,080)	(49,574)
	Non-current financial payables to subsidiaries	(8,984)	(7,040)

	Financial payables to other companies in the GVS Group due to leasing	(857)	(1,245)
	Non-current financial payables for leasing	(405)	(409)
	Non-current derivative instruments	(107)	-
(H)	**Non-current financial indebtedness**	**(80,080)**	**(126,332)**
(I)	**Net financial indebtedness (G)+(H)**	**(1,756)**	**(108,543)**
	Non-current derivative instruments	-	-
	Non-current financial receivables from subsidiaries	77,747	96,107
	Financial payables for leasing	2,050	2,392
(H)	**Total net financial position**	**78,041**	**(10,044)**

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

Investments.

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

Investments made in the year 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 31 December 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 period of the previous year are shown below.

	Period ended 31 December	
(in thousands of Euro)	**2020**	**2019**
Research and development costs	19,854	17,709
Research and development costs/revenues from contracts with customers	5.5%	7.8%

Human Resources

Human resources are a major asset for the GVS Group, which bases its strategy on product quality and customer satisfaction, placing a constant focus on staff growth, continuous improvement and deepening of professional needs, with the consequent definition of training needs and courses.
The values that characterise GVS people are enthusiasm, excellence, methodology, team spirit, initiative and the ability to understand the context in which one is called to work.

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 31 December 2020, the Company did not hold treasury shares in its portfolio.

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

The table below compares the result of the period and the Parent Company's shareholders' equity with the corresponding values of the Group's consolidated financial statements for 31 December 2020 and the previous year.

	31 December 2020		31 December 2019	
(in thousands of Euro)	Shareholders' equity	Result for the year	Shareholders' equity	Result for the year
GVS SpA financial statements	**156,421**	**27,308**	**48,969**	**15,113**
Differences between shareholders' equity of consolidated shareholdings and their value in the Parent Company's financial statements and the subsidiaries' results:	81,266	65,178	40,924	24,729
Goodwill	5,182		5,182	
Elimination of infragroup transactions	(730)	91	(819)	32
Reversal of infragroup dividends	-	(14,516)	-	(6,773)
Adjustments to align individual financial statements with Group accounting policies	558	22	(16)	(9)
Shareholders' equity and net income attributable to non-controlling interests	(30)	(20)	(18)	(10)
GVS Group Consolidated Financial Statements	**242,667**	**78,063**	**94,222**	**33,082**
Shareholders' equity and net income attributable to non-controlling interests	30	20	18	10
Total shareholders' equity and results for the year of the consolidated financial statements	**242,697**	**78,083**	**94,240**	**33,092**

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

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

Corporate governance

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

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

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

Annually, the Board of Directors, on the proposal of the Remuneration Committee, defines the remuneration policy, in accordance with regulatory provisions and recommendations of the Code of Conduct. In accordance with the law, the remuneration policy is the first section of the Report on Remuneration Policy and Remuneration paid and will be submitted to the Shareholders' Meeting called to approve the 2020 annual financial statements.

Statement on non-financial data

In compliance with the provisions of article 5, paragraph 3, letter b of Legislative Decree 254/2016, the Company has prepared the consolidated declaration of a non-financial nature as a separate report. The 2020 consolidated declaration of a non-financial nature prepared in accordance with the "GRI Reporting Standards" is available on the Group's website www gvs com.

Coronavirus epidemic and business model

The Coronavirus (or "COVID-19") epidemic had its first epicentre in Wuhan, China, and was first reported by Chinese national authorities to the World Health Organization ("WHO") on 30 December 2019. On 30 January 2020, the WHO declared the COVID-19 epidemic a global health emergency and the measures taken by many national governments followed this announcement. In the second half of February 2020, the first sporadic cases of COVID-19 in Italy began a second phase of the epidemic, with a rapid escalation of its spread throughout Europe. The WHO subsequently declared on 11 March 2020 that the Coronavirus-related health emergency took the connotation of a pandemic and reported the growing spread of the virus in Europe, the rapid rise in the United States, as well as the spread of the first outbreaks in Latin America and Africa.

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. Due to the exceptional nature of the situation created by the COVID-19 emergency and to ensure the health of all, as well as the operation of the company, at almost all locations it was possible to practice smart working. The flexibility of working hours applied during the pandemic period has revealed the importance of the staff's physical and psychological health. GVS has protected the health and safety of workers from possible contagion from COVID-19 and throughout the emergency situation has ensured the health and safety of the work environment. As per protocol, the pace of shifts has changed and movements around locations have been regulated. The aim of all these rules was to ensure the health and safety of personnel, collaborators, suppliers and customers, by preparing procedures and counter-contamination controls in line with regulatory requirements. Following the worsening global scenario, GVS, which has been operating in the Health & Safety business for several years in relation to the production of PPE (FFP3 face masks), has rapidly decided to expand its production capacity by setting up new installations at different factories. This choice was the result of the Group's willingness to play a leading role in supporting its community in the fight against Sars-COVID 19, as well as its desire to take advantage of the sizeable business opportunity. In the midst of the pandemic, which saw the stoppage of PPE exports by several countries, GVS wanted to and morally had to step up, and expanded and located in other countries the production of face masks it had been producing for some time at its factory in England, in compliance with the highest standards of quality and certification.

Fortunately, GVS had developed a dynamic and flexible business model over the years, able to meet changing market and customer demands. This has enabled the Group to respond quickly to new market needs. In fact, on the one hand the pandemic has led to a contraction in demand for products in the Energy & Mobility division, and 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. For this purpose, the Group has reconverted some factories, previously only involved in the Energy & Mobility business, starting new lines, in order to guarantee the production levels of the products required as a result of the pandemic. Capital investment was important and, while automation of the lines that had previously been completed continued to be carried out, the increased production capacity led initially to the increased use of temporary resources. In 2020, 857 temporary workers were hired, trained, qualified and placed in production by GVS in record time; in comparison 135 workers who were employed the previous year. The rapid response of the entire organisation has therefore permitted significant economic and financial results throughout 2020 and, at the same time, helped local communities, where the Group's various factories are located, to defend themselves against the spread of contagion.

Significant events occurring in 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.

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 year, in accordance with the above, GVS Technology (Suzhou) Co. Ltd. increased its share capital through the use of reserves by approximately RMB 19 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 and a grant of RMB 1.6 million.

During the month of January 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, it signed a contract for purchase of a stake in Haemonetics Puerto Rico LLC, a company operating in the Healthcare business.

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.

It should also be noted that, against available liquidity, in July 2020 GVS paid off early its loans from Unicredit, Banco Popolare di Milano and Banca Nazionale del Lavoro for a total amount of € 12,525 thousand, and in October 2020 the syndicated loan taken out with Unicredit, Mediobanca and Banca Nazionale del Lavoro for a total amount of € 58,500 thousand. Such repayments will allow the GVS Group to optimise the Group's financial structure by reducing the average annual cost of medium/long-term debt, without any significant impact on the net financial position or the sources of support of the Company's activities.

On 9 September 2020, the Board of Directors approved, subject to the opinion of the Appointments and Remuneration Committee, the assignment of rights on shares to the beneficiaries of the 2020-2022 Performance Shares Plan, for execution of the resolution of the Shareholders' Meeting of 13 March 2020 and in line with what was announced at the time of listing.

Events subsequent to the close of the financial year

Sale of assets by GVS Technology (Suzhou) Co. Ltd.

In January 2021, the company transferred ownership of its production site to the Chinese public authority and at the same time collected the second advance of approximately RMB98 million. The timing of collection of the balance of the sale and 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.

Purchase of business unit by GVS Filter Technology de Mexico.

In February 2021, following the sales made by the Group in the second half after the acquisition date, relating to the products of the business unit acquired from Graphic Controls Acquisition Corp, GVS released and made the residual amount of USD 1,000 thousand available from the escrow account in favour of the seller; the escrow account has since been closed.

Microfiltrazione S.r.l. demerger

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

Creazione GVS Filter India PvT Limited.

It should be noted that on 25 January 2021 a commercial company was established in India, whose operations will start in the course of the 2021 financial year.

Business outlook

For 2021, the GVS Group will work towards an organic consolidation of the results achieved in the previous year, thanks to a rebalancing of the product portfolio mix that will enable it to consolidate its extraordinary growth in 2020, keeping its focus high for timeliness in responding to market and client demands with an increasing sensitivity to active management of ESG issues. The year 2021 started with a positive trend and based on the amount of revenues from contracts with existing customers and the order backlog acquired to date, GVS expects to close the year, without considering the contribution of any new acquisitions, on a turnover level that will have a range of 345 - 370 million, consolidating the growth results achieved in 2020. EBITDA margin for 2021 is expected to have a more distinct trend in the first half of the year, then towards normalization towards the second half of the year, with an expected overall result in a range of 32% to 35%. GVS also confirms its commitment to constant market monitoring in order to find and take advantage of M&A opportunities in order to contribute to a new acceleration in the Group's growth trends. The above forecasts are related to orders already in the portfolio and contracts of the Healthcare & Life Sciences and Health & Safety divisions being negotiated, in a scenario of progressive normalization of the effects of the pandemic and the positive impact of the vaccination policies of different countries, while the forecasts of orders for customers in the Energy & Mobility sector is estimated to gradually recover the prepandemic levels until the end of 2021. As a result, the expected level of revenues is supported by all the divisions of the Healthcare & Life Sciences, Health & Safety and Energy & Mobility Group. 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 new 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.

Proposed approval of the financial statements and allocation of results for the year

In relation to the separate Financial Statements as of 31 December 2020, which shows a net profit of Euro 27,308,128 to the Shareholders' Meeting, the Board of Director proposes that the shareholders' meeting:

- approve the separate financial statements as of 31 December 2020;
- approve the proposal to allocate the 2020 net profit of EUR 27.308.128, as follows:
  - Euro 20,633 to legal reserve;
  - Euro 22,750,000 to be distributed to shareholders as dividend for the year 2020, equal to Euro 0.13 for each share entitled.
  - the balance, equal to Euro 4,537,495, to extraordinary reserve.

Zola Predosa, 19 March 2021

For the Board of Directors

Massimo Scagliarini

Chief Executive Officer

CONSOLIDATED FINANCIAL STATEMENTS

AT 31 DECEMBER 2020

CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2020

Consolidated statement of assets and liabilities*

(in thousands of Euro)	Notes	At 31 December	
		2020	**2019**
ASSETS			
Non-current assets			
Intangible assets	8.1	90,979	99,846
Assets represented by usage rights	8.2	8,438	10,320
Tangible assets	8.3	68,925	46,614
Advance tax assets	8.4	4,568	1,451
Non-current financial assets	8.5	968	542
Total non-current assets		**173,878**	**158,773**
Current assets			
Inventories	8.6	46,048	31,491
Trade receivables	8.7	52,084	35,158
Assets from contracts with customers	8.8	1,753	591
Current tax receivables	8.9	202	193
Other receivables and current assets	8.10	8,299	6,430
Current financial assets	8.5	5,026	3,576
Cash on hand	8.11	125,068	58,542
Total current assets		**238,480**	**135,981**
TOTAL ASSETS		**412,358**	**294,754**
SHAREHOLDERS' EQUITY AND LIABILITIES			
Share capital		1,750	1,650
Reserves		162,854	59,489
Net income		78,063	33,083
Group net shareholders' equity		**242,667**	**94,222**
Minority interests		**30**	**18**
Total shareholders' equity	8.12	**242,697**	**94,240**
Non-current liabilities			
Non-current financial liabilities	8.13	69,728	117,638
Non-current leasing liabilities	8.2	5,471	7,850
Deferred tax liabilities	8.4	3,167	819
Provisions for employee benefits	8.15	4,499	4,193
Provisions for risks and charges	8.16	1,000	-
Non-current derivative financial instruments	8.17	107	-
Total non-current liabilities		**83,972**	**130,500**
Current liabilities			
Current financial liabilities	8.13	19,673	36,669
Current leasing liabilities	8.2	3,495	3,094
Trade payables	8.18	25,585	13,188
Liabilities from contracts with customers	8.8	4,894	1,702
Current tax payables	8.9	14,485	2,060
Other current payables and liabilities	8.19	17,557	13,301
Total current liabilities		**85,689**	**70,014**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**412,358**	**294,754**

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

Consolidated income statement*

(in thousands of Euro)	**Notes**	**Financial year ended 31 December**	
		2020	**2019**
Revenue from customer contracts	9.1	363,296	227,416
Other revenues and proceeds	9.2	1,916	3,169
Total revenues		**365,212**	**230,585**
Purchases and consumption of raw materials, semi-products and finished products	9.3	(88,560)	(67,884)
Personnel costs	9.4	(98,877)	(73,583)
Service costs	9.5	(36,216)	(23,442)
Other operating costs	9.6	(3,197)	(3,460)
EBITDA		**138,363**	**62,216**
Net writedowns of financial assets	9.7	(335)	(250)
Amortisation, depreciation and writedowns	9.8	(19,030)	(16,302)
EBIT		**118,998**	**45,664**
Financial proceeds	9.9	265	2,585
Financial charges	9.9	(13,372)	(4,575)
Pre-tax result		**105,891**	**43,674**
Income tax	9.10	(27,808)	(10,582)
Net income		**78,083**	**33,092**
Group's share		*78,063*	*33,083*
Minority share		*20*	*9*
Basic net profit per share	9.11	*0.57*	*21.89*
Diluted net profit per share	9.11	*0.56*	*21.89*

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

Comprehensive consolidated income statement

(in thousands of Euro)	Notes	Financial year ended 31 December 2020	2019
Net income		**78,083**	**33,092**
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	(8,607)	220
		(8,607)	**220**
Other components of the comprehensive income statement which will not be reclassified in the income statement in subsequent years			
Actuarial profit (loss) due to employee defined benefit plans	8.15	(188)	(143)
Effect of taxation		52	40
		(136)	**(103)**
Total other components in the comprehensive income statement		**(8,743)**	**117**
Comprehensive net profit		**69,340**	**33,209**
Group's share		*69,331*	*33,207*
Minority share		*9*	*2*

Prospectus of changes in consolidated shareholders' equity

(in thousands of Euro)	Share capital	Reserves							Net income	Group net shareholders' equity	Minority interests	Total shareholders' equity
		Share premium reserve	*Legal reserve*	*Extraordinary reserve*	*Translation reserve*	*Negative reserve for treasury shares*	*Actuarial profits and losses reserve*	*Profit (loss) carried over and other reserves*				
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	-	-	-	-	-	-	-	-	33,083	33,083	9	33,092
Total other components in the comprehensive income statement	-	-	-	-	227	-	(103)	-	-	124	(7)	117
Comprehensive net profit	-	-	-	-	*227*	-	*(103)*	-	*33,083*	*33,207*	*2*	*33,209*
Allocation of net profit from previous year	-	-	-	9,924	-	-	-	13,148	(23,072)	-	-	-
Dividends distributed	-	-	-	(10,010)	-	-	-	-	-	(10,010)	-	(10,010)
At 31 December 2019	**1,650**	**13,247**	**329**	**25,745**	**(3,040)**	**(10,981)**	**(51)**	**34,240**	**33,083**	**94,222**	**18**	**94,240**
Net income	-	-	-	-	-	-	-	-	78,063	78,063	20	78,083
Total other components in the comprehensive income statement	-	-	-	-	(8,596)	-	(136)	-	-	(8,732)	(11)	(8,743)
Comprehensive net profit	-	-	-	-	*(8,596)*	-	*(136)*	-	*78,063*	*69,331*	*9*	*69,340*
Allocation of net profit from previous year	-	-	-	15,114	-	-	-	17,969	(33,083)	-	-	-
Hyperinflation in Argentina	-	-	-	-	-	-	-	49	-	49	3	52
Cancellation of treasury shares and reclassifications reserves	-	64	-	(10,374)	-	10,981	-	(671)	-	-	-	-
Capital increase	100	81,400	-	-	-	-	-	-	-	81,500	-	81,500
Accessory costs to the capital increase	-	(2,692)	-	-	-	-	-	-	-	(2,692)	-	(2,692)
Taxes relating to capital increase costs	-	751	-	-	-	-	-	-	-	751	-	751
Profit sharing of employees	-	-	-	-	-	-	-	(1,145)	-	(1,145)	-	(1,145)
Increase of reserves for long-term incentives	-	-	-	-	-	-	-	651	-	651	-	651
At 31 December 2020	**1,750**	**92,770**	**329**	**30,485**	**(11,636)**	**-**	**(187)**	**51,093**	**78,063**	**242,667**	**30**	**242,697**

Consolidated statement of cash flows*

(in thousands of Euro)	**Notes**	**Financial year ended 31 December**	
		2020	**2019**
Pre-tax result		105,891	43,674
- *Adjustment for:*			
Amortisation, depreciation and writedowns	9.8	19,030	16,302
Capital losses / (capital gains) from sale of assets	9.2 - 9.6	2	(726)
Financial charges / (proceeds)	9.9	13,107	1,990
Other non-monetary variations		3,146	491
Cash flow generated / (absorbed) by operations before variations in net working capital		***141,176***	***61,731***
Variation in inventories	8.6	(21,008)	1,707
Variation in trade receivables	8.7	(6,165)	4,919
Variation in trade payables	8.18	18,182	(5,244)
Variation in other assets and liabilities	8.10 - 8.19	(1,718)	1,804
Use of provisions for risks and charges and for employee benefits	8.15 - 8.16	(118)	(191)
Taxes paid	9.10	(16,277)	(9,827)
Net cash flow generated / (absorbed) by operations		**114,073**	**54,899**
Investments in tangible assets	8.3	(27,306)	(10,252)
Investments in intangible assets	8.1	(4,059)	(2,811)
Disposal of tangible assets	8.3	608	4,448
Investment in financial assets	8.5	(4,443)	(1,888)
Disinvestment in financial assets	8.5	191	349
Payment for purchase of businesses, net of cash on hand acquired	7	(10,534)	-
Net cash flow generated / (absorbed) by investment		**(45,543)**	**(10,154)**
Opening of long-term financial payables	8.13	40,503	6,500
Repayment of long-term financial payables	8.13	(103,325)	(25,079)
Opening of leasing payables	8.2	-	2,447
Repayment of leasing liabilities	8.2	(4,272)	(2,554)
Financial charges paid	9.9	(4,959)	(5,246)
Financial proceeds collected	9.9	265	192
Net fee for IPO	8.12	74,508	-
Dividends paid	8.12	(1,681)	(8,329)
Net cash flow generated/(absorbed) by financial assets		**1,039**	**(32,069)**
Total variation in cash on hand		**69,569**	**12,676**
Cash on hand at the start of the year		**58,542**	**45,551**
Total variation in cash on hand		69,569	12,676
Conversion differences on cash on hand		(3,043)	315
Cash on hand at the end of the year		**125,068**	**58,542**

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

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2020

1. General information

1.1 Introduction

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

GVS is owned by the company GVS Group S.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.

2. Summary of the accounting standards adopted

2.1 Declaration of conformity with international accounting standards

The consolidated financial statements at 31 December 2020 (hereinafter the "**Consolidated Financial Statements** ") have been prepared in compliance with the International Accounting Standards ("IFRS") issued by the International Accounting Standards Board and endorsed by the European Union. "IFRS" means all revised international accounting standards ("IAS"), as well as all interpretative documents issued by the International Financial Reporting Interpretations Committee (IFRIC) and the previous Standing Interpretations Committee (SIC). It should be noted that the GVS Group adopted IFRS from 1 January 2017, the date of transition from Italian accounting standards to international accounting standards.

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

These Consolidated Financial Statements were approved by the Company's Board of Directors on 19 March 2021 and subjected to auditing by independent auditor PricewaterhouseCoopers S.p.A.

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

2.2 General principles of preparation

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

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

An asset is classified as current when:

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

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

A liability is classified as current when:

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

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

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

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

The Consolidated Financial Statements have been prepared as follows:

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

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 year 2020 was higher than expected. In particular, the trends recorded in the year ended 31 December 2020 have shown that the Group's performance has improved with respect to the forecasts made in the previous budget, 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 31 December 2020, amounting to Euro 125 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.

2.3 Consolidation criteria and methods

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

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

Name	Registered offices	Currency	Share capital at 31 December 2020	Direct owner	Percentage of control At 31 December 2020	2019
GVS Sud Srl	Italy - Zola Predosa (BO)	EUR	10,000	GVS SpA	100.0%	100.0%
YUYao Yibo Medical Device Co. Ltd	China - Yuyao	CNY	5,420,000	GVS Technology (Suzhou) Co. Ltd.	100.0%	100.0%
GVS Technology (Suzhou) Co. Ltd.	China - Suzhou (RPC)	CNY	25,297,047	GVS SpA	100.0%	100.0%
Suzhou GVS Trading Co. Ltd.	China - Ningbo	CNY	250,000	GVS Technology (Suzhou) Co. Ltd.	100.0%	100.0%
GVS Fortune Holding Ltd	Hong Kong (RPC)	HKD	1	GVS SpA	100.0%	100.0%
GVS North America Inc	USA - Sanford (MA)	USD	n.a.	GVS North America Holdings Inc	100.0%	100.0%
GVS Filtration Inc	USA - Findlay (OH)	USD	10	GVS North America Holdings Inc	100.0%	100.0%
GVS North America Holdings Inc	USA - Sanford (MA)	USD	0.10	GVS SpA	100.0%	100.0%
Fenchurch Environmental Group Ltd	United Kingdom - Morecambe	GBP	1,469	GVS SpA	100.0%	100.0%
GVS Filter Technology UK Ltd	United Kingdom - Morecambe	GBP	27,000	Fenchurch Environmental Group Ltd	100.0%	100.0%
GVS do Brasil Ltda	Brazil - Municipio de Monte Mor, Campinas	BRL	20,755,226	GVS SpA	99.9%	99.9%
GVS Argentina Sa	Argentina - Buenos Aires	ARS	1,510,212	GVS SpA	94.1%	94.1%
GVS Filter Technology de Mexico	Mexico - Nuevo Leon	MXN	50,000	GVS SpA	99.9%	99.9%
GVS Korea Ltd	Korea - Seoul	KRW	100,000,000	GVS SpA	100.0%	100.0%
GVS Microfiltrazione Srl	Romania - Ciorani	RON	1,600	GVS SpA	100.0%	100.0%
GVS Japan KK	Japan - Tokyo	JPY	1,000,000	GVS SpA	100.0%	100.0%
GVS Russia LLC	Russia - Moscow	RUB	10,000	GVS SpA	100.0%	100.0%
GVS Filtre Teknolojileri	Turkey - Istanbul	TRY	100,000	GVS SpA	100.0%	100.0%
GVS Puerto Rico LLC	Puerto Rico - Fajardo	USD	n.a.	GVS SpA	100.00%	0.00%
GVS Filtration SDN. BHD.	Malaysia - Petaling Jaya	MYR	1	GVS SpA	100.00%	0.00%

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

With the exception of GVS Puerto Rico LLC, whose financial year ends on 31 March, the reporting date of the consolidated companies is 31 December, which is the date at which the financial statements of the Parent Company are closed.

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

During the year, the scope of consolidation changed from the previous year, following the purchase of Haemonetics Puerto Rico LLC (now GVS Puerto Rico LLC). The acquisition took place on 29 June 2020 against which the economic effects from the date of acquisition of control have been recorded in the Consolidated Financial Statements, resulting in a decrease in the consolidated profit and loss and in the consolidated shareholders' equity for the period of €105 thousand and €1,225 thousand respectively.

It should also be noted that on 29 September 2020 the company GVS Filtration SDN. BHD. was created in Malaysia. As at 31 December, this company was not operational and the share capital had not yet been paid in.

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

Subsidiary companies

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

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

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

Business combinations

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

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

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

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

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

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

* * *

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

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

Transactions with minority shareholders

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

Conversion of the financial statements of foreign companies

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

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

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

Currency	At 31 December		Financial year ended 31 December	
	2020	2019	2020	2019
Brazilian Real	6.3735	4.5157	5.8943	4.4134
Argentine Peso (*)	103.2494	67.2749	80.9218	53.8229
Swiss Franc	1.0802	1.0854	1.0705	1.1124
Chinese Renminbi	8.0225	7.8205	7.8747	7.7355
American Dollar	1.2271	1.1234	1.1422	1.1195
Hong Kong Dollar	9.5142	8.7473	8.8587	8.7715
Japanese Yen	126.4900	121.9400	121.8458	122.0058
Korean Won	1,336.0000	1,296.2800	1,345.5765	1,305.3200
Swedish Crown	10.0343	10.4468	10.4848	10.5891
Russian Ruble	91.4671	69.9563	82.7248	72.4553
Turkish Lira	9.1131	6.6843	8.0547	6.3578
Mexican Peso	24.4160	21.2202	24.5194	21.5565
Romanian Ron	4.8683	4.7830	4.8383	4.7453
British Pound	0.8990	0.8508	0.8897	0.8778

(*) Refer to note 2.5 for a description of the accounting standards and assessment criteria applied to economies subject to hyperinflation.

Conversion of items in foreign currency

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

2.4 Accounting standards and assessment criteria

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

Intangible assets

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

- it is identifiable;

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

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

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

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

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

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

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

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

Category of intangible asset	**Depreciation rate**
Development costs	4 to 6 years
Customer relationship	8 years
Industrial patent rights and rights to use intellectual property	5 to 14 years
Concessions, licenses, trademarks, and similar rights	5 to 14 years
Other fixed assets	1.5 years

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

(a) Goodwill

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

(b) Intangible assets with a defined useful lifespan

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

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

Usage rights and leasing assets and liabilities

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

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

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

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

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

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

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

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

a) fixed payments, after subtraction of any lease incentives receivable;
b) variable payments due on the lease which depend on an indicator or rate, initially measured on the basis of an indicator or the rate in effect on the date on which the contract goes into effect;
c) amounts the tenant will have to pay to guarantee the residual amount;

d) the price of exercising the purchase option, if the tenant has a reasonable degree of certainty of exercising the option; and
e) payment of penalties for cancellation of the lease agreement, if the term of the lease takes into account the possibility of the tenant exercising the option of cancelling the lease.

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

Following initial entry, the Group measures assets representing usage rights at cost:
a) net of amortisation and reductions in value accumulated; and
b) corrected to take into account recalculation of the lease liability, if necessary.

Following initial entry, the lease liability will be measured on the basis of:
a) increasing book value to take into account interest on the lease liability;
b) decreasing book value to take into account payments made on the lease; and
c) recalculating book value to take into account any new assessments of or changes to the lease or revision of payments due on the lease of fixed amount.

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

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

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

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

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

Tangible assets

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

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

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

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

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

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

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

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

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

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

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

Impairment of Goodwill, tangible assets and intangible assets, and assets represented by usage rights

(a) Goodwill

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

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

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

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

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

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

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

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

Financial assets

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

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

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

a) Financial assets measured at amortised cost

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

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

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

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

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

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

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

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

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

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

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

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

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

Derivative financial instruments and hedges

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

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

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

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

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

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

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

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

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

Trade receivables

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

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

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

Inventories

Inventories are goods:

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

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

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

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

Cash on hand and cash equivalents

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

Payables

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

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

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

Employee benefits

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

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

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

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

Defined-contribution plans primarily include:

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

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

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

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

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

Performance share plan

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

Provisions for potential risks and charges, assets and liabilities

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

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

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

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

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

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

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

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

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

Treasury shares

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

Hyperinflation

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

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

Profits and losses on net monetary position are allocated to the income statement.

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

In the third quarter of 2018 the cumulative inflation rate over the last three years in Argentina exceeded 100%. This and other characteristics of the country's economy led the Group to adopt IAS 29 for the Argentinian company GVS Argentina S.A. beginning on 1 January 2018.

Revenue from customer contracts

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

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

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

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

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

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

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

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

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

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

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

Acknowledgement of costs

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

Listing costs

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

Dividends

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

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

Income tax

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

Deferred taxes may be divided into:

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

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

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

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

Profit per share

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

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

Operating segments

An operating segment is a component of an entity:

- which undertakes business activities generating revenues and costs (including revenues and costs regarding transactions with other components of the same entity);

- the operating results of which are periodically reviewed at the highest decision-making level in the entity for the purposes of adoption of decisions regarding resources to be allocated to the area and assessment of the results; and

- for which separate financial information is available.

Refer to note 6 for information on operating segments.

3. Recently issued accounting standards

Accounting standards, amendments and interpretations ratified by the European Union, applicable from 1 January 2020, which were first applied to the consolidated financial statements of the Group as of 31 December 2020.

The Group has adopted the following accounting standards and amendments, where applicable:

Accounting standard/amendment	Approved by the EU	Date of efficacy
Amendments to the references to the conceptual framework in IFRSs	YES	1 January 2020
Definition of relevant (Amendments to IAS 1 and IAS 8)	YES	1 January 2020
Reform of interest rate benchmarks (Amendments to IFRS 9, IAS 39 and IFRS 7)	YES	1 January 2020
Definition of business activity (Amendments to IFRS 3)	YES	1 January 2020
Concessions on fees associated with COVID-19 (Amendment to IFRS 16)	YES	1 January 2020

The application of these accounting standards and amendments did not lead to any meaningful impact on the Group's consolidated financial statements.

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 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
IFRS 17 Insurance Contracts, including subsequent amendments issued in June 2020	NO	1 January 2023
Extension of the temporary exemption from applying IFRS 9 (Amendments to IFRS 4)	NO	1 January 2021
Interest rate benchmark reform - Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)	NO	1 January 2021
Reference to the Conceptual Framework (Amendments to IFRS 3)	NO	1 January 2022

Property, plant and equipment: proceeds before intended use (Amendments to IAS 16)	NO	1 January 2022
Onerous contracts—Cost of fulfilling a contract (Amendments to IAS 37)	NO	1 January 2022
Annual improvements to IFRS Standards (Cycle 2018-2020)	NO	1 January 2022
Classification of Liabilities as Current or Non-current (Amendments to IAS 1), including subsequent amendment issued in July 2020	NO	1 January 2023

The application of these accounting standards and amendments in future is not expected to have any meaningful impact on the Group's consolidated financial statements.

Accounting standards, amendments and interpretations approved by the EU but not yet adopted by the Group

As of the date of approval of these financial statements, the competent European Union bodies have approved adoption of the following accounting standards and amendments which the Group has not adopted in advance:

Accounting standard/amendment	Description	Date of efficacy
Amendments to IFRS 4 Insurance Contracts – deferral of IFRS 9	These amendments relate to the change of the effective date inherent to the application of IFRS 9. They are not expected to have an impact on the Group's financial statements.	1 January 2021
Amendments to IFRS 9, IAS 39, IFRS 7 (Interest Rate Benchmark Reform)	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. They are not expected to have any meaningful impact on the Group's financial statements.	1 January 2021

4. Estimates and assumptions

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

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

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

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

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

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

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

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

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

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

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

5. Management of financial risk

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

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

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

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

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

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

5.1 Market risk

Exchange rate risk

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

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

Sensitivity analysis for exchange rate risk

For the purposes of sensitivity analysis for exchange rate risk, items on the statement of assets and liabilities at 31 December 2019 and 31 December 2020 (financial assets and liabilities) in currencies other than the currency in which each Group company operates have been identified. In assessing the potential effects of fluctuating exchange rates on net profit or loss, infragroup payables and receivables in currencies other than the account currency are also taken into consideration.

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

The table below shows the results of this analysis.

(in thousands of Euro)	**Currency appreciation of 5%**		**Currency depreciation of 5%**	
	At 31 December		**At 31 December**	
Currency	**2020**	**2019**	**2020**	**2019**
USD	4,303	5,240	(3,893)	(4,741)
GBP	65	97	(59)	(88)
EUR	(255)	(259)	230	216
Other	(478)	(309)	381	280

Total	3,635	4,769	(3,341)	(4,333)

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

Interest rate risk

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

Sensitivity analysis regarding interest rate risk

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

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

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

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

The table below shows the results of this analysis:

(in thousands of Euro)	**Impact on profit net of taxes**	
	- 50 bps	***+ 50 bps***
Financial year ended 31 December 2020	162	(162)
Financial year ended 31 December 2019	347	(347)

5.2 Credit risk

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

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

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

The table below breaks down trade receivables at 31 December 2020 according to due date, net of the provision for writedown of receivables.

(in thousands of Euro)	**Not yet due**	**Overdue by 1 to 90 days**	**Overdue by 91 to 180 days**	**Overdue by more than 181 days**	**Total**

Gross trade receivables at 31 December 2020	38,011	14,474	403	156	**53,044**
Provision for writedown of receivables	-	(400)	(403)	(156)	**(960)**
Trade receivables at 31 December 2020	**38,011**	**14,074**	**-**	**-**	**52,084**

5.3 Liquidity risk

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

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

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

The table below represents an analysis of due dates, based on contractual repayment obligations, as of 31 December 2020.

(in thousands of Euro)	**At 31 December 2020**					
	within 1 year	**between 1 and 2 years**	**between 3 and 5 years**	**beyond 5 years**	**Contractual value**	**Book value**
Financial liabilities	21,633	21,874	50,471	-	**93,978**	**89,401**
Leasing liabilities	3,652	2,635	3,007	-	**9,294**	**8,966**
Trade payables	25,585	-	-	-	**25,585**	**25,585**
Other current payables and liabilities	17,557	-	-	-	**17,557**	**17,557**

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

5.4 Capital management

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

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

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

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

Categories of financial assets and liabilities

The tables below break down financial assets and liabilities by category according to IFRS 9 at 31 December 2019 and 31 December 2020.

(in thousands of Euro)	Book value At 31 December 2020	2019
FINANCIAL ASSETS:		
Financial assets measured at amortised cost:		
Non-current financial assets	964	538
Trade receivables	52,084	35,158
Other receivables and current assets	5,240	4,374
Current financial assets	509	177
Cash on hand	125,068	58,542
	183,865	**98,789**
Financial assets measured at fair value entered in the income statement:		
Non-current financial assets	4	4
Current financial assets	4,517	3,399
	4,521	**3,403**
TOTAL FINANCIAL ASSETS	**188,386**	**102,192**

(in thousands of Euro)	Book value At 31 December 2020	2019
FINANCIAL LIABILITIES:		
Financial liabilities measured at amortised cost:		
Non-current financial liabilities	69,728	117,638
Non-current leasing liabilities	5,471	7,850
Current financial liabilities	19,673	36,669
Current leasing liabilities	3,495	3,094
Trade payables	25,585	13,188
Other current liabilities	17,285	13,061
	141,237	**191,500**
Non-current derivative financial instruments	**107**	**-**
TOTAL FINANCIAL LIABILITIES	**141,344**	**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:

(in thousands of Euro)	**At 31 December 2020**		
	Level 1	**Level 2**	**Level 3**
Non-current financial assets	-	-	4
Current financial assets	-	4,517	-
Total assets measured at fair value	**-**	**4,517**	**4**

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

(in thousands of Euro)	**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**

(in thousands of Euro)	**At 31 December 2019**		
	Level 1	**Level 2**	**Level 3**
Non-current derivative financial instruments	-	-	-
Total liabilities measured at fair value	**-**	**-**	**-**

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

6. Information on operating segments

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

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

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

In accordance with the provisions of IFRS 8, paragraph 34, in the financial years ending on 31 December 2019 and 31 December 2020 there were no individual customers generating more than 10% of the Group's total revenues.

The table below lists non-current assets other than financial assets and advance tax assets by geographic area as of 31 December 2019 and 31 December 2020, allocated on the basis of the country in which the assets are located. Non-current assets which are not allocated are represented entirely by goodwill.

(in thousands of Euro)	At 31 December	
	2020	**2019**
Italy	24,948	21,771
United States	37,872	38,426
United Kingdom	8,298	9,777
Brazil	2,910	3,590
China	8,728	6,017
Romania	5,431	4,471
Mexico	9,160	2,382
Puerto Rico	4,928	-
Other	654	329
Non-current assets not allocated	65,413	70,017
Total	**168,342**	**156,780**

7. Business combinations

This section describes the Group's business combinations in the year ending on 31 December 2020, as defined by IFRS 3 – "Business combinations".

Acquisition of Graphic Controls Acquisition 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 a business unit (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 and transfer of control took place on 20 January 2020 (Closing Date).

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

- USD1,970 thousand paid by GVS Filter Technology de Mexico on the Closing Date, adjusted on the basis of any difference between the value of inventories on the Closing Date and their target value as contractually defined (the "**Price Adjustment**"), 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.

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. In addition, during August 2020 and February 2021, following sales made by the Group in the first twelve months after the acquisition, GVS released the overall amount of USD 2,000 thousand from its escrow account in favour of the seller.

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

(in thousands of Euro)	**Provisional fair value as of the purchase date**	**Adjustment of provisional values**	**Fair value as of the purchase date**
Tangible assets	1,217	-	1,217
Inventories	1,456	(153)	1,303
Total net assets acquired (A)	**2,673**	**(153)**	**2,520**
Consideration (B)	**3,608**	**(153)**	**3,455**
Goodwill (B) - (A)	**935**	**-**	**935**

Goodwill was finally recognised for € 935 thousand.

The contribution made by the acquired business to the Group's revenues from contracts with customers in the period ending on 31 December was Euro 2,510 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 Puerto Rico LLC (equal to all the shares). The completion of the transaction, as well as the transfer of control, took place on 29 June 2020 (Closing Date), against payment of the amount of USD 15,519 thousand, as the original price defined in the purchase contract. At the time of the acquisition, the Company recorded a receivable from the seller of USD 221 thousand, as an adjustment estimated at the acquisition date, to be settled later with the definition of the final value of working capital. Such purchase price was 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.

Subsequently, in December 2020, the parties determined the final value of the transferred working capital and consequently the adjustment of the purchase price, against which the Company collected USD 391 thousand, of which USD 170 thousand was further adjusted compared to that initially estimated.

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

(in thousands of Euro)	**Provisional fair value as of the purchase date**	**Adjustment of provisional values**	**Fair value as of the purchase date**
ASSETS			
Non-current assets			
Tangible assets	7,388	(325)	7,063
Total non-current assets	**7,388**	**(325)**	**7,063**
Current assets			
Inventories	2,965	-	2,965
Other receivables and current assets	248	(81)	167
Cash on hand	6,480	-	6,480
Total current assets	**9,693**	**(81)**	**9,612**

Total assets	**17,081**	**(406)**	**16,675**
Non-current liabilities			
Deferred tax liabilities	348	(327)	21
Total non-current liabilities	**348**	**(327)**	**21**
Current liabilities			
Trade payables	852	-	852
Current tax payables	1,442	71	1,513
Other current payables and liabilities	882	-	882
Total current liabilities	**3,176**	**71**	**3,247**
Total liabilities	**3,524**	**(257)**	**3,268**
Total net assets acquired (A)	**13,557**	**(150)**	**13,407**
Consideration (B)	**13,557**	**(150)**	**13,407**
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 made by the acquired business to the Group's revenues from contracts with customers in the period ending on 31 December 2020 was Euro 12,781 thousand.

8. Notes to the consolidated statement of assets and liabilities

8.1 Intangible assets

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

(in thousands of Euro)	Development costs	Goodwill	*Customer relationship*	Industrial patent rights and rights to use intellectual property	Concessions, licenses, trademarks, and similar rights	Other fixed assets	Assets in progress	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	2,166	-	-	137	211	-	1,545	**4,059**
Reclassification	458	-	-	30	23	-	(714)	**(203)**
Business combinations	-	935	-	-	-	-	-	**935**
Conversion reserves	(349)	(5,539)	(2,025)	(788)	223	-	(73)	**(8,551)**
Historical cost as of 31 December 2020	**8,806**	**65,413**	**21,954**	**10,755**	**5,597**	**3,793**	**1,882**	**118,200**
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	(1,532)	-	(2,948)	(1,015)	(333)	-	-	**(5,828)**
Conversion reserves	(11)	-	815	180	(264)	-	-	**720**
Provision for amortisation and depreciation as of 31 December 2020	**(4,041)**	**-**	**(9,376)**	**(5,004)**	**(5,007)**	**(3,793)**	**-**	**(27,221)**
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 31 December 2020	**4,765**	**65,413**	**12,578**	**5,751**	**590**	-	**1,882**	**90,979**

<u>Intangible assets with a defined useful lifespan</u>

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 year ending on 31 December 2020, amounting to Euro 4,059 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. Investments in assets in progress also include € 924 thousand for the consideration paid to the Chinese government for the purchase of the use of land on which the new Chinese factory will be built.

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

Intangible assets with an indefinite useful lifespan

Goodwill

As of 31 December 2020, the value of goodwill mainly relates to the takeover of the KUSS Group on 28 July 2017.

The effects of business combinations of the period pertain to the change in the scope of consolidation resulting from the acquisition of the GCA Business Unit, the effects of which are described in note 7.

The table below shows the detail of goodwill as at 31 December 2019 and 31 December 2020 broken down in the portion attributable to the KUSS takeover and what is attributable to other business combinations.

(in thousands of Euro)	**At 31 December**	
	2020	**2019**
KUSS Takeover	46,087	50,350
Other business combinations	19,326	19,668
Total goodwill	**65,413**	**70,017**

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

As of 31 December 2020, goodwill, equal to € 65,413 thousand, was subjected to impairment tests in accordance with IAS 36, or comparing the carrying amount of the net assets of the CGU with the corresponding recoverable value. Specifically, recoverable value is identified as value of use, determined by actualising the provisional income of the CGU ("**DCF *Method***") for 4 years subsequent to the date of the financial statements. The key assumptions used to determine the provisional income of the CGU are estimated growth of sales, of EBITDA, of cash flows from operations, of the growth rate of final value and of the average weighted cost of capital (actualisation rate), taking into account economic and financial performance and profitability and future expectations presumable under the "2021-2024 Business Plan" approved on 19 March 2021 by the GVS Board of Directors.

The final value of the CGU was determined on the basis of the criterion of the perpetuity of the CGU's cash flow from ordinary operations in the last financial year for which the forecasts taken into consideration are available, assuming a growth rate and an actualisation rate (WACC, representing the weighted average of cost of capital and cost of debt, after taxes) of 1.0% and 9.4%, respectively.

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

- internal sources: IAS 36 requires that value of use be based on the most recent forecasts of inflows prepared by top management. The "2021-2024 Business Plan" was used in the impairment test conducted on goodwill on 31 December 2020,

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

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

A sensitivity analysis was also conducted, determining break-even WACC, which, while keeping other parameters constant, would eliminate the difference between the recoverable value and the book value of the CGU. Under these circumstances, the breakeven WACC was 38.9%.

Finally, GVS has developed a sensitivity analysis of the estimated recoverable value. The Group considers that the growth rate and WACC are key parameters in the fair value estimate and has therefore carried out this sensitivity analysis, assuming a growth rate of 0%, 0.5%, 1.5% and 2.0%, and a discount rate (WACC, which represents the weighted average of the cost of equity capital and the cost of debt, after taxes) respectively of 10.4%, 9.9%, 8.9% and 8.4%.

After a 2020 with the positive trends recorded, in the context of the spread of COVID-19 globally, the Group estimated the plan flows used for the impairment test, including for 2021 and subsequent years a consolidation of the results achieved and a transition to the new normal, with a progressive replacement of the volumes generated with structural volumes by the pandemic.

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

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

(in thousands of Euro)	**At 31 December**	
	2020	**2019**
Net book value of assets represented by usage rights (real estate)	7,253	9,542
Net book value of assets represented by usage rights (automobiles)	1,095	654
Net book value of assets represented by usage rights (machinery)	90	124
Total net book value of assets represented by usage rights	**8,438**	**10,320**
Current leasing liabilities	3,495	3,094
Non-current leasing liabilities	5,471	7,850
Total leasing liabilities	**8,966**	**10,944**

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

(in thousands of Euro)	**Financial year ended 31 December**	
	2020	**2019**

Amortisation of assets represented by usage rights (real estate)	3,351	2,071
Amortisation of assets represented by usage rights (automobiles)	302	516
Amortisation of assets represented by usage rights (machinery)	62	59
Total amortisation of assets represented by usage rights	**3,715**	**2,646**
Interest payable on leases	**243**	**152**
Total outgoing cash flows due to leasing	**4,515**	**2,706**

The assets represented by usage rights relating to buildings mainly relate to the leasing of four production sites in North America, three factories in Italy, a production plant in Mexico and various buildings used for production in the United Kingdom.

The assets represented by usage rights recorded in 2020 are mainly attributable to lease contracts signed by the Chinese subsidiary for buildings used as warehouses.

As of 31 December 2020, the Group had not identified any indicators of lasting impairment of assets corresponding to usage rights.

The table below shows the non-actualised contractual value of the Group's leasing liabilities as of 31 December 2019 and 31 December 2020.

(in thousands of Euro)	**within 1 year**	**between 1 and 2 years**	**between 3 and 5 years**	**beyond 5 years**	**Contractual value**	**Book value**
At 31 December 2020	3,652	2,635	3,007	-	**9,294**	**8,966**
At 31 December 2019	3,335	2,979	4,916	250	**11,480**	**10,944**

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

8.3 Tangible assets

The table below shows the breakdown and movements of tangible assets in the year ending on 31 December 2020.

(in thousands of Euro)	**Land and buildings**	**Plants and machinery**	**Industrial and commercial equipment**	**Other assets**	**Improvements on third party assets**	**Tangible assets in progress and advances**	**Total**
Historical cost as of 31 December 2019	**5,566**	**60,769**	**46,719**	**7,850**	**4,059**	**8,698**	**133,661**
Investments	189	12,523	1,721	704	2,012	10,157	**27,306**
Disposal	-	(94)	(572)	(102)	-	-	**(768)**
Reclassification	16	2,744	8,452	56	64	(11,129)	**203**
Business combinations	-	14,450	116	105	-	3,740	**18,411**
Conversion reserves	399	(2,973)	(775)	(45)	(215)	(858)	**(4,467)**
Historical cost as of 31 December 2020	**6,170**	**87,419**	**55,661**	**8,568**	**5,920**	**10,609**	**174,346**
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	(232)	(4,968)	(3,304)	(599)	(383)		**(9,487)**
Disposal	-	92	-	65	-		**158**

Business combinations	-	(9,931)	(113)	(87)	-		**(10,131)**
Conversion reserves	(758)	1,254	479	(51)	163		**1,086**
Provision for amortisation and depreciation as of 31 December 2020	**(2,074)**	**(55,358)**	**(38,103)**	**(6,777)**	**(3,109)**	**-**	**(105,421)**
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 31 December 2020	**4,095**	**32,061**	**17,558**	**1,791**	**2,812**	**10,609**	**68,925**

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 amounting to Euro 27,306 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 Puerto Rico LLC. Refer to note 7 for more information.

The net value of tangible assets disposed of in the year is insignificant.

At 31 December 2020, the Group had not found any indicators of impairment of tangible assets.

As of 31 December 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

The table below reports details of advance tax assets as of 31 December 2019 and 31 December 2020.

(in thousands of Euro)	**At 31 December**	
	2020	**2019**
Unrealised profits and losses on exchanges	3,514	1,532
Non-deductible costs	109	652
Intangible assets	11,764	14,098
Previous tax losses	146	326
Inventories	1,476	779
Tangible assets	154	72
Provisions for employee benefits	769	135
Assets represented by usage rights	125	107
Trade receivables	139	88
Other	193	146
Gross advance tax assets	**18,389**	**17,935**
Compensation with deferred tax liabilities	(13,821)	(16,484)
Total advance tax assets	**4,568**	**1,451**

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

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

The table below reports details of deferred tax liabilities as of 31 December 2019 and 31 December 2020.

(in thousands of Euro)	**At 31 December**	
	2020	**2019**

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Unrealised profits and losses on exchanges	1,900	2,097
Tangible assets	2,458	1,053
Intangible assets	12,557	13,084
Provisions for employee benefits	37	61
Sub-leasing	10	21
Other	26	987
Gross deferred tax liabilities	**16,988**	**17,303**
Compensation with advance tax assets	(13,821)	(16,484)
Total deferred tax liabilities	**3,167**	**819**

The table below shows changes in the gross value of advance tax assets and deferred tax liabilities for the year ended 31 December 2020.

(in thousands of Euro)	**Total advance tax assets**	**Total deferred tax liabilities**
Balance as of 31 December 2019	**17,935**	**17,303**
Provisions (releases) to income statement	540	(595)
Provisions (releases) to comprehensive income statement	36	(16)
Business combinations	7	29
Conversion reserves	(129)	267
Balance as of 31 December 2020	**18,389**	**16,988**

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

8.5 Financial assets (current and non-current)

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

(in thousands of Euro)	**At 31 December**	
	2020	**2019**
Security deposits	964	373
Non-current leasing assets	-	165
Capital instruments	4	4
Non-current financial assets	**968**	**542**
Investment funds	4,517	3,399
Term deposits	358	-
Current leasing assets	151	177
Current financial assets	**5,026**	**3,576**
Total financial assets	**5,994**	**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, classified as financial assets valued at amortised cost based on IFRS 9, refer to amounts deposited by the Chinese company in a bank current account that is not freely available over the next three months, in respect of existing agreements with the Chinese government.

8.6 Inventories

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

(in thousands of Euro)	At 31 December	
	2020	**2019**
Finished products and goods	21,345	15,482
Raw materials, subsidiary materials and consumables	22,423	11,821
Products in progress and semi-products	4,802	4,623
Spare parts	1,799	2,073
Gross inventories	**50,369**	**33,999**
Provision for writedown of inventory	(3,004)	(1,188)
Provision for write-downs of spare parts	(1,317)	(1,320)
Inventories	**46,048**	**31,491**

The net provisions for inventories and spare parts for the year ended 31 December 2020 amounted to Euro 1,950 thousand (€ 40 thousand as of 31 December 2019).

8.7 Trade receivables

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

(in thousands of Euro)	At 31 December	
	2020	**2019**
Trade receivables from customers	53,044	35,961
Trade receivables from related parties	-	-
Trade receivables (gross)	53,044	35,961
Provision for writedown of trade receivables	(960)	(803)
Trade receivables	**52,084**	**35,158**

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

The table below breaks down trade receivables at 31 December 2019 and 31 December 2020, net of the provision for writedown of receivables.

(in thousands of Euro)	**Not yet due**	**Overdue by 1 to 90 days**	**Overdue by 91 to 180 days**	**Overdue by more than 181 days**	**Total**
Gross trade receivables at 31 December 2020	38,011	14,474	403	156	**53,044**
Provision for writedown of receivables	-	(400)	(403)	(156)	**(960)**
Trade receivables at 31 December 2020	**38,011**	**14,074**	**-**	**-**	**52,084**
Gross trade receivables at 31 December 2019	28,821	6,493	158	489	**35,961**
Provision for writedown of receivables	-	(156)	(158)	(489)	**(803)**
Trade receivables at 31 December 2019	**28,821**	**6,337**	**-**	**-**	**35,158**

Gross trade receivables at 31 December 2020 and 31 December 2019, include Euro 15,033 thousand and Euro 7,140 thousand, respectively, referable to overdue items, including Euro 559 thousand and Euro 647 thousand, representing items overdue by more than 90 days.

The table below reports movements in the provision for writedown of trade receivables in the years ending on 31 December 2019 and 31 December 2020.

(in thousands of Euro)	**Provision for writedown of trade receivables**
Balance as of 31 December 2018	**662**
Net provisions	250
Use	(115)
Conversion reserves	6
Balance as of 31 December 2019	**803**
Net provisions	335
Use	(127)
Conversion reserves	(52)
Balance as of 31 December 2020	**960**

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 1,753 thousand and Euro 591 thousand at 31 December 2020 and 31 December 2019 respectively, primarily represented the right to obtain a consideration for goods transferred to customers in relation to the production of moulds and equipment.

Liabilities from contracts with customers, worth Euro 4,894 thousand and Euro 1,702 thousand at 31 December 2020 and 31 December 2019 respectively, represent advances received from customers for contractual obligations not yet met. This item increased during the year by € 1,222 thousand, due to the advance received from the Chinese government for the future sale of the factory currently in use.

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 31 December 2020.

(in thousands of Euro)	**At 31 December**	
	2020	**2019**
Gross assets from contracts with customers	3,231	2,220
Compensation with liabilities from contracts with customers	(1,478)	(1,629)
Assets from contracts with customers	**1,753**	**591**
Gross liabilities from contracts with customers	6,372	3,331
Compensation with assets from contracts with customers	(1,478)	(1,629)
Liabilities from contracts with customers	**4,894**	**1,702**

8.9 Current tax receivables and payables

Current tax receivables at 31 December 2020 and 31 December 2019 total € 202 thousand and € 193 thousand respectively.

Current tax payables at 31 December 2020 and 31 December 2019 amount to € 14,485 thousand and € 2,060 thousand respectively.

Changes in the net balance of these assets and liabilities in the years ending on 31 December 2020 and 31 December 2019 primarily pertain to allocation of current income taxes amounting to Euro 27,116 thousand, Euro and Euro 8,915 thousand and payments of Euro 16,277 thousand, thousand and Euro 9,827 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 31 December 2020.

(in thousands of Euro)	At 31 December	
	2020	**2019**
Advances and instalments	2,378	937
Tax receivables	4,687	2,839
Prepaid expenses	681	1,119
Receivable from employees	62	177
Other receivables	491	1,358
Other receivables and current assets	**8,299**	**6,430**

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

Tax receivables primarily represent VAT credits with internal revenue.

8.11 Cash on hand

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

(in thousands of Euro)	At 31 December	
	2020	**2019**
Bank and postal accounts	125,034	58,510
Cash and cash equivalents on hand	34	32
Cash on hand and cash equivalents	**125,068**	**58,542**

As of 31 December 2019 and 31 December 2020, cash on hand was not subject to any restrictions or limitations.

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

8.12 Shareholders' equity

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

(in thousands of Euro)	At 31 December	
	2020	**2019**
Share capital	1,750	1,650
Share premium reserve	92,770	13,247
Legal reserve	329	329
Extraordinary reserve	30,485	25,745
Translation reserve	(11,636)	(3,040)
Negative reserve for treasury shares	-	(10,981)
Actuarial profits and losses reserve	(187)	(51)
Profit (loss) carried over and other reserves	51,093	34,240
Net income	78,063	33,083
Minority interests	30	18
Total shareholders' equity	**242,697**	**94,240**

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

Movements in shareholders’ equity in the year ending on 31 December 2019 pertained to:

- entry of the overall total annual net profit, amounting to Euro 69,340 thousand;
- revaluation of the shareholders’ equity of the subsidiary GVS Argentina S.A. of the period in question, in view of application of accounting standard IAS 29 regarding the accounting of companies operating in economies characterised by hyperinflation, which had a positive impact of Euro 52 thousand;
- the net share capital increase of € 79,559 thousand;
- the reduction of the reserves of the subsidiary GVS Filter Technology de Mexico, due to a share in the profits earned by the Mexican company by the employees of the same company, amounting to € 1,145 thousand;
- the increase in reserves following the long-term incentives plan for € 651 thousand.

Share capital

As of 31 December 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 in the years under examination, 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 31 December 2020.

(in thousands of Euro)	At 31 December			
	2020		2019	
	Current portion	Non-current portion	Current portion	Non-current portion
2014 Bond Loan	4,035	12,145	4,411	17,684
2017 Bond Loan	7,967	23,935	7,972	31,890
Total bonded loans	**12,002**	**36,080**	**12,383**	**49,574**
Pool Loan Agreement	-	-	13,351	58,176
Banco BPM loan	-	-	1,756	4,152
Unicredit mortgage (2017)	-	-	1,332	2,663
BNL loan	-	-	1,000	2,000
Banco BPM mortgage	-	-	1,342	1,008
BPER mortgage	-	-	316	-
Deutsche Bank loan	-	-	313	-
Mediobanca loan (2020)	2,213	17,712	-	-
Unicredit loan (2020)	3,954	15,936	-	-
Commercial lines of credit	-	-	3,000	-
Accrued payables	937	-	1,713	-
Total financial payables to banks	**7,103**	**33,649**	**24,123**	**67,999**
Education Ministry (MIUR) loan under special terms (GVS SUD)	-	-	98	-
Education Ministry (MIUR) loan under special terms (GVS SpA)	65	-	65	65
Invitalia Loan	502	-	-	-
Total other financial payables	**567**	**-**	**163**	**65**
Total financial liabilities	**19,673**	**69,728**	**36,669**	**117,638**

During the year, new bilateral loans were signed with Mediobanca and Unicredit and a soft loan with Invitalia, for a total nominal amount of € 40,503 thousand.

It should also be noted that, against available liquidity, in July 2020 GVS paid off early its loans from Unicredit, Banco Popolare di Milano and Banca Nazionale del Lavoro for a total amount of € 12,525 thousand, and in October 2020 the syndicated loan taken out with Unicredit, Mediobanca and Banca Nazionale del Lavoro for a total amount of € 58,500 thousand. Such repayments will allow the GVS Group to optimise the Group's financial structure by reducing the average annual cost of medium/long-term debt, without any significant impact on the net financial position or the sources of support of the Company's activities.

Below is a description of the principal items making up the Group’s financial liabilities as of 31 December 2020.

a) Bonded loans

a1) 2017 Bonded Loan

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

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

- at an annual rate of 3.0% if the ratio between net financial indebtedness and consolidated EBITDA calculated as of the date of the annual financial report or half-year financial report previous to payment of the coupon is less than 3.0;
- at an annual rate of 3.25% if the ratio between net financial indebtedness and consolidated EBITDA calculated as of the date of the annual financial report or half-year financial report previous to payment of the coupon and from 31 December 2018 to the end of the contract is between 3.0 and 3.5;
- at an annual rate of 3.5% if the ratio between net financial indebtedness and consolidated EBITDA calculated as of the date of the annual financial report or half-year financial report previous to payment of the coupon and until 31 December 2018 is between 3.5 and 3.75.

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

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

As of 31 December 2020, financial constraints have been met

The 2017 Bonded Loan was not assisted by real guarantees.

A2) 2014 Bonded Loan

On 9 January 2014, the Company issued a bonded loan falling due on 9 January 2024, guaranteed by GVS North America Inc, Maine Manufacturing LLC and GVS Filter Technology UK Ltd, reserved for corporate investors, with a face value totalling USD 35,000 thousand, initially listed on the Vienna stock exchange and then recalled from trading (hereinafter the "**2014 Bonded Loan**"). The 2014 Bonded Loan, placed with an issue price equal to 100% of its face value, involved, after changes to the same loan occurring in 2017 payment, interest calculated at an annual floating rate between 7.0% or 6.5%, depending on the ratio of consolidated net financial indebtedness to consolidated EBITDA, as defined in the contract, calculated on the date of the annual financial statements or half-yearly financial report prior to payment of the coupon, if between 3.75 and 3.0 or below 3, respectively. The interest was paid with six-monthly post-dated coupons falling due on 9 January and 9 July of each year. Under the bonded loan, following a 4-year pre-amortisation period, the face value of the debt was to be repaid by payment of annual instalments of USD 5,000 thousand starting on 9 January 2018.

The 2014 Bonded Loan provides for changes to the same loan during 2017 as a financial constraint, with respect, at consolidated level, to:

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

As of 31 December 2020, the financial constraints have been met.

The 2014 Bonded Loan was not assisted by real guarantees.

b) Loans in existence as of 31 December 2020

b1) Unicredit mortgage (2020)

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

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

As of 31 December 2020, the financial constraints have been met.

b2) Mediobanca (2020)

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

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

As of 31 December 2020, the financial constraints have been met.

c) Other financial payables in existence as of 31 December 2020

c1) Invitalia

During the Coronavirus emergency, Invitalia published the Special Measures to Protect Health and Support the Economy (CuraItalia) tender call, in which both GVS and its subsidiary GVS SUD S.r.l. participated, and their application was accepted. During the month of April 2020, both companies received a loan under special terms with no interest. Against the companies investing in production lines for personal protective equipment, the tender will cover 75% of the investment and gives the possibility of transforming the loan under special terms into a non-repayable grant, depending on the speed with which the production lines become operational. Both companies 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.

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

(in thousands of Euro)	**At 01 January 2020**	**Opening**	**Reclassificat ion**	**Repayment**	**Variation in accrued payables on interest**	**Amortised cost**	**Change in fair value**	**(Profits) losses on exchanges**	**At 31 December 2020**
Non-current financial liabilities	117,638	40,503	16,700	(103,325)	-	-	(106)	(1,682)	69,728

Current financial liabilities	36,669	-	(16,700)	-	(780)	484	-	-	19,673
Total financial liabilities	**154,307**	**40,503**	**-**	**(103,325)**	**(780)**	**484**	**(106)**	**(1,682)**	**89,401**

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 31 December 2020 is shown below.

	(in thousands of Euro)	**31 December 2020**	**31 December 2019**
	Cash	29	32
	Cash on hand	125,039	58,510
	Shares held for trading	4,874	3,399
(A)	**Liquidity**	**129,942**	**61,941**
	Financial receivables due to leasing	151	177
(B)	**Current financial receivables**	**151**	**177**
(C)	Current bank debts	-	(3,000)
(D)	Current portion of non-current indebtedness	(19,106)	(33,506)
	Financial payables to other companies in the GVS Group due to leasing	(965)	(585)
	Financial payables for leasing	(2,530)	(2,509)
	Other financial payables	(567)	(163)
(E)	Other current financial payables	(4,063)	(3,257)
(F)	**Current financial indebtedness (C)+(D)+(E)**	**(23,168)**	**(39,763)**
(G)	**Net current financial indebtedness (A)+(B)+(F)**	**106,925**	**22,355**
	Non-current bank debts	(33,649)	(67,999)
	Non-current bonded loans	(36,079)	(49,574)
	Financial payables to other companies in the GVS Group due to leasing	(2,146)	(1,886)
	Non-current financial payables for leasing	(3,325)	(5,965)
	Non-current derivative instruments	(107)	-
	Other financial payables	-	(65)
(H)	**Non-current financial indebtedness**	**(75,306)**	**(125,488)**
(I)	**Net financial indebtedness (G)+(H)**	**31,619**	**(103,134)**
	Financial payables for leasing (net)	8,815	10,767
(L)	**Total net financial position**	**40,435**	**(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 8,815 thousand and Euro 10,767 thousand on 31 December 2020 and 31 December 2019 respectively, amounted to a positive Euro 40,435 thousand and a negative Euro 92,366 thousand as of these dates.

8.15 Provisions for employee benefits

The table below shows the breakdown and movements of provisions for employee benefits in the years ending on 31 December 2019 and 31 December 2020.

(in thousands of Euro)	**Termination indemnity**	**End of office indemnity**	**Provisions for employee benefits**

Balance as of 31 December 2018	**2,581**	**1,326**	**3,907**
Current service cost	127	74	201
Financial charges	40	15	55
Actuarial losses/(profits)	84	59	143
Benefits paid	(113)	-	(113)
Balance as of 31 December 2019	**2,719**	**1,474**	**4,193**
Current service cost	133	78	211
Financial charges	21	5	26
Actuarial losses/(profits)	128	61	188
Benefits paid	(118)	-	(118)
Balance as of 31 December 2020	**2,882**	**1,617**	**4,499**

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

As of 31 December 2019 and 31 December 2020, provisions for employee benefits represented termination indemnity (known in Italy as "**TFR**") allocated for employees and end of service indemnity (known in Italy as "**TFM**") allocated for directors.

Termination indemnity (TFR)

Employee benefits for termination indemnity amount to Euro 2,882 thousand and Euro 2,719 thousand on 31 December 2020 and 31 December 2019, respectively, at the Group's Italian companies only.

The value of the payable represented by termination indemnity, which falls under the definition of defined benefit plans according to IAS 19, has been determined on the basis of actuarial logic. The principal actuarial, financial and demographic hypotheses used to determine the value of the liability as of 31 December 2019 and 31 December 2020 in accordance with the provisions of IAS 19 are listed below.

(As a percentage)	**At 31 December**	
	2020	**2019**
Financial hypotheses		
Annual actualisation rate	0.34%	0.77%
Annual inflation rate	1.00%	1.00%
Annual rate of increase in overall pay	2.00%	2.00%
Annual rate of increase in end of service indemnity	2.25%	2.25%
Demographic hypotheses		
Death	Table illustrating probability of death, as determined by the State General Accounting Office, known as RG48	Table illustrating probability of death, as determined by the State General Accounting Office, known as RG48
Invalidity	Probability adopted in the INPS form for projections as of 2010	Probability adopted in the INPS form for projections as of 2010
Retirement	Reaching the first of the valid retirement requirements for Obligatory General Insurance	Reaching the first of the valid retirement requirements for Obligatory General Insurance
Probability of advancing termination indemnity	3.00%	3.00%
Annual turnover	2.50%	2.50%

The table below sums up the sensitivity analysis for each actuarial, financial and demographic hypothesis, showing the effects (in absolute terms) that would result from changes in the actuarial hypotheses reasonably considered possible as of 31 December 2019 and 31 December 2020.

(in thousands of Euro)	**Annual actualisation rate**	**Annual inflation rate**	**Annual turnover**

	+0.50%	-0.50%	+0.25%	-0.25%	+2.00%	-2.00%
Employee benefits (termination indemnity) as of 31 December 2020	(5)	356	208	128	59	308
Employee benefits (termination indemnity) as of 31 December 2019	(162)	185	42	(35)	(76)	114

__End of office indemnity (TFM)__

Employee benefits for TFM amount to Euro 1,617 thousand and Euro 1,474 thousand on 31 December 2020 and 31 December 2019, respectively.

The value of the payable represented by end of service indemnity, which falls under the definition of defined benefit plans according to IAS 19, has been determined on the basis of actuarial logic. The principal actuarial, financial and demographic hypotheses used to determine the value of the liability as of 31 December 2019 and 31 December 2020 in accordance with the provisions of IAS 19 are listed below.

(As a percentage)	**At 31 December**	
	2020	**2019**
Financial hypotheses		
Annual actualisation rate	-0.02%	0.37%
Annual rate of increase in overall pay	0.00%	0.00%
Annual rate of increase in end of service indemnity	0.00%	0.00%
Demographic hypotheses		
Death	Table illustrating probability of death, as determined by the State General Accounting Office, known as RG48	Table illustrating probability of death, as determined by the State General Accounting Office, known as RG48
Invalidity	Probability adopted in the INPS form for projections as of 2010	Probability adopted in the INPS form for projections as of 2010
Retirement	Reaching the age of 65, if subsequent to the end of the term of office, or the end date of the term of office	Reaching the age of 65, if subsequent to the end of the term of office, or the end date of the term of office
Annual turnover	2.50%	2.50%

The table below sums up the sensitivity analysis for each actuarial, financial and demographic hypothesis, showing the effects (in absolute terms) that would result from changes in the actuarial hypotheses reasonably considered possible as of 31 December 2019 and 31 December 2020.

(in thousands of Euro)	**Annual actualisation rate**		**Annual turnover**	
	+0.50%	**-0.50%**	**+2.00%**	**-2.00%**
Employee benefits (end of service indemnity) as of 31 December 2020	94	195	265	(2)
Employee benefits (end of service indemnity) as of 31 December 2019	(52)	56	133	(158)

8.16 Provisions for risks and charges

The table below shows the breakdown and movements of provisions for risks and charges in the years ending on 31 December 2019 and 31 December 2020.

(in thousands of Euro)	**Provisions for risks and charges**
Balance as of 31 December 2018	**77**
Allocation	-
Use	(78)
Conversion reserves	1
Balance as of 31 December 2019	**-**
Allocation	1,000
Use	-
Conversion reserves	-
Balance as of 31 December 2020	**1,000**

In 2018 the Parent Company underwent a verification by the Italian tax authorities (Agenzia delle Entrate) for the 2015 fiscal year, as a result of which a formal report of verification was issued. During December 2020, the Company settled the refutations relating to the same report of verification by means of verification with acceptance procedure. Some of the refutations made by the Revenue Agency in the report of verification could be repeated in relation to transactions carried out by the Company in subsequent tax periods and consequently, supported by its consultants, the Company has prudently made a provision of € 1,000 thousand.

8.17 Non-current derivative financial instruments

Non-current financial derivatives amount to € 107 thousand at 31 December 2020.
The balance of this item is entirely the result of the negative fair value of two IRS (Interest rate Swap) derivative contracts hedging the risk of changes in interest rates of contracts entered into with Unicredit and Mediobanca during 2020 (see note 8.13). Derivative financial instruments, having individually a notional amount of € 20,000 thousand, equal to the nominal value of the hedged items, guarantee a fixed interest rate for the entire duration of the loan entered into with Mediobanca and Unicredit.

In accordance with the provisions of IFRS 9, the derivatives contracts were designated as a financial instrument covering interest rates. As a result, changes in the derivatives and the instrument hedged were entered among financial charges and proceeds in the income statement.

8.18 Trade payables

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

(in thousands of Euro)	**At 31 December**	
	2020	**2019**
Trade payables to suppliers	25,585	13,157
Trade payables to related parties	-	31
Trade payables	**25,585**	**13,188**

Trade payables primarily regard transactions for the purchase of raw materials, components and services. Trade payables to related parties are analysed in note 12, “Transactions with related parties”.

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

8.19 Other current payables and liabilities

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

(in thousands of Euro)	**At 31 December**	
	2020	**2019**
Payable to employees	10,811	7,452
Payable to social security institutions	2,594	2,347
Tax payables	2,398	1,341
Payable for dividends	-	1,681
Accrued payables	58	217
Deferred income	214	23
Payable to directors	1,360	18
Other	122	222
Other current payables and liabilities	**17,557**	**13,301**

Payables to employees primarily reflect salaries payable and deferred charges, such as holidays, leave and bonuses, and the increase is mainly due to the rise in the number of employees with respect to the previous year.

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

Tax payables as of 31 December 2019 and 31 December 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.

Payable for dividends as of 31 December 2019 refer to dividends resolved in the year 2019 and paid during 2020.

9. Notes to the consolidated income statement

9.1 Revenues from contracts with customers

The table below breaks down revenues from contracts with customers by division in the years ending on 31 December 2019 and 31 December 2020.

(in thousands of Euro)	Financial year ended 31 December	
	2020	**2019**
Healthcare Liquid	80,254	69,553
Healthcare Air & Gas	58,665	26,307
Laboratory	20,185	19,279
Healthcare & Life Sciences	**159,104**	**115,139**
Powertrain & Drivetrain	27,181	40,430
Safety & Electronics	20,597	23,123
Sport & Utility	17,415	24,732
Energy & Mobility	**65,193**	**88,285**
Personal Safety	132,933	13,971
Air Safety	6,066	10,021
Health & Safety	**138,999**	**23,992**
Revenue from customer contracts	**363,296**	**227,416**

In the year just ended, GVS achieved consolidated revenues of Euro 363.3 million, up 59.8% from Euro 227.4 million recorded in the same period last year. 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 previous year, recorded by the Energy & Mobility division (-26.2%) 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.

The table below breaks down revenues from contracts with customers by type of sale in the years ending on 31 December 2019 and 31 December 2020.

(in thousands of Euro)	Financial year ended 31 December	
	2020	**2019**
Business to business (BTB)	184,581	186,527
Business to consumer (BTC)	178,715	40,889
Total revenue from customer contracts	**363,296**	**227,416**

The table below breaks down revenues from contracts with customers by geographic area in the years ending on 31 December 2019 and 31 December 2020.

(in thousands of Euro)	Financial year ended 31 December	
	2020	**2019**
North America	138,290	96,072
Europe	156,467	63,968
Asia	50,244	50,989
Other countries	18,295	16,387
Total revenue from customer contracts	**363,296**	**227,416**

Revenues as of 31 December 2020 are mainly attributable to the sale of finished products.

Please see the report on operations for more information.

9.2 Other revenues and proceeds

The table below breaks down other revenues and proceeds in the years ending on 31 December 2019 and 31 December 2020.

(in thousands of Euro)	Financial year ended 31 December	
	2020	**2019**
Contributions for operating expenses	346	403
Recovery and chargeback	70	470
Insurance refunds	3	114
Recovery of scrap	243	171
Capital gains on sales	38	794
Other	1,216	1,217
Other revenues and proceeds	**1,916**	**3,169**

Capital gains on sales in the year ending on 31 December 2019 were primarily represented by capital gains recorded after the sale of real estate property to GVS Real Estate S.r.l and GVS Real Estate US Inc.

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

The table below breaks down purchases and consumption of raw materials, semi-products and finished products in the years ending on 31 December 2019 and 31 December 2020.

(in thousands of Euro)	Financial year ended 31 December	
	2020	**2019**
Purchases of raw materials	100,243	66,788
Variation in inventories of products in progress, semi-products and finished products	(4,606)	497
Variation in inventories of raw materials, subsidiary materials and goods	(7,077)	599
Purchases and consumption of raw materials, semi-products and finished products	**88,560**	**67,884**

This item includes allocation to the provision for writedown of inventory amounting to Euro 1,950 thousand in the year ending on 31 December 2020 and Euro 40 thousand in the year ending on 31 December 2019.

9.4 Personnel costs

The table below breaks down personnel costs in the years ending on 31 December 2019 and 31 December 2020.

(in thousands of Euro)	Financial year ended 31 December	
	2020	**2019**

Salaries and wages	77,116	56,918
Social security contributions	20,495	15,581
Cost of termination indemnity	982	916
Other costs	284	168
Personnel costs	**98,877**	**73,583**

The table below reports the average number of Group employees in the years ending on 31 December 2019 and 31 December 2020, broken down by category.

(In units)	**Financial year ended 31 December**	
	2020	**2019**
Blue-collar workers	2,656	1,935
White-collar workers	383	312
Management	46	41
Executives	28	26
Total employees	**3,113**	**2,314**

The increase in personnel costs in the period ended 31 December 2020 compared to the period 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 years ending on 31 December 2019 and 31 December 2020.

(in thousands of Euro)	**Financial year ended 31 December**	
	2020	**2019**
Utilities and cleaning services	6,646	5,699
Maintenance	3,901	3,014
Transportation	5,481	2,569
Consulting services	7,099	2,349
Travel and lodging	748	2,010
Subcontracting	2,263	1,374
Marketing and trade fairs	799	1,312
Insurance	1,198	1,124
Cafeteria	1,517	794
Commissions	1,031	603
Directors' fees	2,560	413
Other services	2,973	2,181
Service costs	**36,216**	**23,442**

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

9.6 Other operating costs

The table below breaks down other operating costs in the years ending on 31 December 2019 and 31 December 2020.

(in thousands of Euro)	**Financial year ended 31 December**

	2020	2019
Leasing costs	1,328	1,260
Indirect taxation	927	975
Membership fees and charity contributions	294	170
Losses on sales	40	68
Other minor costs	608	987
Other operating costs	**3,197**	**3,460**

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 335 thousand and Euro 250 thousand in the years ending on 31 December 2020 and 31 December 2019, respectively, and represent writedown of trade receivables.

A breakdown of movements in the provision for writedown of receivables for the years ending on 31 December 2019 and 31 December 2020 appears in note 8.7 - "Trade receivables".

9.8 Amortisation, depreciation and writedowns

The table below breaks down amortisation, depreciation and writedowns in the years ending on 31 December 2019 and 31 December 2020.

(in thousands of Euro)	**Financial year ended 31 December**	
	2020	**2019**
Amortisation and writedowns of intangible assets	5,828	5,429
Depreciation and writedowns of tangible assets	9,487	8,227
Amortisation and writedowns of assets represented by usage rights	3,715	2,646
Amortisation, depreciation and writedowns	**19,030**	**16,302**

A breakdown of the composition of, and movements in, intangible assets and tangible assets for the years ending on 31 December 2019 and 31 December 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 31 December 2019 and 31 December 2020.

(in thousands of Euro)	**Financial year ended 31 December**	
	2020	**2019**
Net profits on exchanges	-	2,393
Other financial proceeds	265	192
Financial proceeds	**265**	**2,585**

The table below breaks down financial charges in the years ending on 31 December 2019 and 31 December 2020.

(in thousands of Euro)	**Financial year ended 31 December**

	2020	2019
Interest on bonded loans	2,420	2,620
Interest on loans	588	1,510
Net losses on exchanges	9,473	-
Interest on leasing liabilities	243	152
Interest on actualisation of provisions for employee benefits	26	55
Amortised cost	563	159
Other financial charges	59	79
Financial charges	**13,372**	**4,575**

Financial income and charges include in the year ended 31 December 2019 net profits on exchanges and in the year ended 31 December 2020 net losses on exchanges mainly related to unrealised gains and losses deriving from the adjustment in Euro of the dollar-denominated bonded loan and from the intercompany loan granted in dollars by GVS to the subsidiary GVS NA Holdings Inc.

9.10 Annual income tax

The table below breaks down annual income tax in the years ending on 31 December 2019 and 31 December 2020.

(in thousands of Euro)	Financial year ended 31 December	
	2020	**2019**
Current taxes	27,116	8,915
Deferred taxes	(1,135)	1,803
Taxes relating to previous/non-recurring years	1,827	(136)
Income tax	**27,808**	**10,582**

The table below reconciles the theoretical tax rate with the effective impact of taxation on the pre-tax result in the years ending on 31 December 2019 and 31 December 2020.

(in thousands of Euro)	Financial year ended 31 December	
	2020	**2019**
Pre-tax result	**105,891**	**43,674**
Theoretical tax rate	24.0%	24.0%
Theoretical tax burden	**25,414**	**10,482**
Effect of difference between local rates and theoretical tax rate	(424)	(57)
Permanent differences effect of taxation	(1,021)	745
IRAP (Regional production tax)	1,771	556
Other	2,068	(1,144)
Income tax	**27,808**	**10,582**

9.11 Net profit per share

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

	Financial year ended 31 December	
	2020	**2019**
Group’s share of net profit (in thousands of Euro)	78,083	33,092
Weighted average number of shares in circulation	137,719,608	1,512,005
Profit per share (in Euro)	**0.57**	**21.89**

Diluted earnings per share at 31 December was positive at 0.56 (positive at €21.89 at 31 December 2019) calculated by dividing the result attributable to the shareholders of GVS SpA by the weighted average number of shares in circulation, adjusted to take into account the effects of all potential ordinary shares with dilutive effect. As potential ordinary shares with dilutive effect, those linked to the performance shares plan have been considered.

10. Hyperinflation

On the basis of the provisions of EU-IFRS regarding the entry and exit criteria for inflation accounting, the Argentinian subsidiary GVS Argentina S.A. adopted inflation accounting beginning in the year ending on 31 December 2018; it is the only Group company to operate in a situation of high inflation. Profit or loss on net monetary position, allocated to the income statement among financial proceeds and charges, amounts to a negative value of Euro 26 thousand for the year ending on 31 December 2020 and to a positive Euro 29 thousand for the year ending on 31 December 2019.

11. Non-recurring revenues and operating costs

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

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

Non-recurrent proceeds and charges in the year ending on 31 December 2019 represent: *(i)* amortisation of intangible assets entered following purchase price allocation of the Kuss Group (Euro 3,912 thousand), *(ii)* capital gains resulting from disposal of the real estate assets mentioned above (Euro 759 thousand), *(iii)* start-up costs incurred for the company established in Mexico (Euro 518 thousand), *(iv)* tax credits on indirect taxes of the company IOP (China) Filter Co. Ltd., written down following winding-up of the company (Euro 144 thousand), and *(v)* personnel reorganisation costs (Euro 147 thousand), net of the effect of taxation.

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 31 December 2020.

(in thousands of Euro)	Parent company	Companies subject to parent company's control		Top management	Total	Total item in the financial statements	Impact on the financial statement
	GVS Group	GVS Real Estate	GVS Real Estate US				
Assets represented by usage rights							
At 31 December 2020	-	2,412	541	-	**2,953**	**8,438**	**35.0%**
At 31 December 2019	-	3,038	861	-	**3,899**	**10,320**	**37.8%**
Other receivables and current assets							
At 31 December 2020	-	-	-	-	**-**	**8,299**	**0.0%**
At 31 December 2019	515	-	-	-	**515**	**6,430**	**8.0%**
Non-current leasing liabilities							
At 31 December 2020	-	1,839	307	-	**2,146**	**5,471**	**39.2%**
At 31 December 2019	-	2,465	665	-	**3,130**	**7,850**	**39.9%**
Provisions for employee benefits:							
At 31 December 2020	-	-	-	1,617	**1,617**	**4,499**	**35.9%**
At 31 December 2019	-	-	-	1,474	**1,474**	**4,193**	**35.2%**
Current leasing liabilities							
At 31 December 2020	-	627	338	-	**965**	**3,495**	**27.6%**
At 31 December 2019	-	622	360	-	**982**	**3,094**	**31.7%**
Trade payables							
At 31 December 2020	-	-	-	-	**-**	**25,585**	**0.0%**
At 31 December 2019	31	-	-	-	**31**	**13,188**	**0.2%**
Current tax payables							
At 31 December 2020	5,041	-	-	-	**5,041**	**14,485**	**34.8%**
At 31 December 2019	555	-	-	-	**555**	**2,060**	**26.9%**
Other current payables and liabilities							
At 31 December 2020	-	-	-	2,855	**2,855**	**17,557**	**16.3%**
At 31 December 2019	1,681	-	-	202	**1,883**	**13,301**	**14.2%**

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

(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				
Financial year ended 31 December 2020	-	-	-	-	**-**	**1,916**	**0.0%**
Financial year ended 31 December 2019	-	1	758	-	**759**	**3,169**	**24.0%**
Personnel costs							
Financial year ended 31 December 2020	-	-	-	3,432	**3,432**	**98,877**	**3.5%**
Financial year ended 31 December 2019	-	-	-	2,064	**2,064**	**73,583**	**2.8%**
Service costs							
Financial year ended 31 December 2020	815	-	-	2,485	**3,300**	**36,216**	**9.1%**
Financial year ended 31 December 2019	-	-	-	413	**413**	**23,442**	**1.8%**
Amortisation, depreciation and writedowns							
Financial year ended 31 December 2020	-	624	326	-	**950**	**19,030**	**5.0%**
Financial year ended 31 December 2019	-	404	93	-	**497**	**16,302**	**3.0%**
Financial charges							
Financial year ended 31 December 2020	-	31	15	-	**46**	**13,372**	**0.3%**
Financial year ended 31 December 2019	-	23	6	-	**29**	**4,575**	**0.6%**

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 31 December 2020 refer exclusively to this case.

Transactions with GVS Real Estate

On 5 March 2018, GVS stipulated a leasing agreement with GVS Real Estate S.r.l., expiring on 28 January 2024, for two production facilities, one of which includes the Company's registered offices in Zola Predosa (BO). On the basis of this lease contract, at 31 December 2020, the Group recorded assets represented by usage rights and relative leasing liabilities for Euro 1,221 thousand and Euro 1,246 thousand (Euro 1,606 thousand and Euro 1,627 thousand at 31 December 2019), as well as depreciation and financial charges for Euro 386 thousand and Euro 17 thousand at 31 December 2020 and 31 December 2019 respectively.

On 11 December 2019, the Group company GVS Sud S.r.l. signed an agreement with GVS Real Estate S.r.l. for the sale of land and buildings pertaining to a production facility in Italy (Avellino). The parties subsequently signed a lease agreement under which GVS Real Estate S.r.l. leased the property sold back to the Group. The leasing agreement for the land and buildings sold involved entry, as of 31 December 2020, of assets represented by usage rights and leasing liabilities of Euro 1,191 thousand and Euro 1,221 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 period ending on 31 December 2020 of Euro 238 thousand and Euro 14 thousand respectively.

Transactions with GVS Real Estate US

On 3 September 2019, the Group company GVS Filtration Inc signed two sales agreements with GVS Real Estate US for sale of land and buildings pertaining to two production facilities in Ohio and Wisconsin. At the same time as the sale, the parties signed two lease agreements under which GVS Real Estate US leased the properties sold back to the Group. The leasing agreements for the real estate properties sold as described above resulted in entry as of 31 December 2020 of assets represented by usage rights amounting to Euro 506 thousand and Euro 609 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 period ending on 31 December 2020 amounting to Euro 271 thousand and Euro 14 thousand respectively.

Transactions with Top Management

As of the date of the 2020 financial statements the following are considered members of the Group's Top Management:

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

The table below provides details of fees payable to members of Top Management in the years ending on 31 December 2019 and 31 December 2020, including contributions.

(in thousands of Euro)	Financial year ended 31 December	
	2020	**2019**
Fees for office held	1,101	868
Bonuses and other incentives	2,126	776
Other fees	205	420
Directors' fees	2,485	413
Total	**5,916**	**2,477**

Please note that:

- other current payables and liabilities as of 31 December 2020 include payables to directors for fees not yet paid totalling Euro 1,360 thousand (Euro 18 thousand at 31 December 2019);
- provisions for employee benefits as of 31 December 2020 include the value of end of service indemnity for directors totalling Euro 1,617 thousand (Euro 1,474 thousand at 31 December 2019);
- costs for services for the period ended 31 December 2020 include directors' fees, expenses tied to the performance share plan and allocations to the provisions for end of service indemnity for a total amount of Euro 2,485 thousand (Euro 413 thousand for the period ended 31 December 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 31 December 2020, the Group had sureties and guarantees in place for a total amount of Euro 100 thousand.

Potential liabilities

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

14. Directors' and auditors' fees

The remuneration for 2020 payable to directors (including bonuses, charges related to the performance share plan, allocations to the provision for the end of service indemnity and related contributions) and statutory auditors € 2,560 thousand (Euro 415 thousand for the year ended 31 December 2019) and € 28 thousand (€ 24 thousand for the year ended 31 December 2019).

The following table gives details of the remuneration for executive directors and non-executive directors in 2020.

(in thousands of Euro)

	2020
Chairman of the Board of Directors	161
Executive Directors	2,324
Non-executive directors	75
Total cost	**2,560**

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

15. Independent auditor's fees

The independent auditor's fees amount to Euro 1,528 thousand and Euro 220 thousand for the years ending on 31 December 2020 and 31 December 2019, respectively. In compliance with the provisions of Art. 149-duodecies of the CONSOB Issuers Regulation, the fees for 2020 for audit services and other services provided by the independent auditors and entities belonging to its network and others have been attached.

16. Research and development

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

The table below reports research and development costs entered among operating costs in the years ending on 31 December 2019 and 31 December 2020.

(in thousands of Euro)	**Financial year ended 31 December**	
	2020	**2019**
Research and development costs	19,854	17,709
Capitalised development costs	(2,274)	(1,955)
Amortisation of capitalised development costs	1,532	1,063
Research and development costs entered as operating costs	**19,112**	**16,817**

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

Sale of assets by GVS Technology (Suzhou) Co. Ltd.

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 year 2020, in accordance with the above, GVS Technology (Suzhou) Co. Ltd. increased its share capital through the use of reserves by approximately RMB 19 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 and a grant of RMB 1.6 million.

In January 2021, the company transferred ownership of its production site to the Chinese public authority and at the same time collected the second advance of approximately RMB98 million. The timing of collection of the balance of the sale and 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.

Purchase of business unit by GVS Filter Technology de Mexico

During the month of January 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 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. In February 2021, the remainder, equal to USD 1,000 thousand was issued in favour of the seller, on the basis of the revenues realised in the second half of the year following the date of acquisition.

Microfiltrazione S.r.l. demerger

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

Creazione GVS Filter India PvT Limited.

It should be noted that on 25 January 2021 a commercial company was established in India, whose operations will start in the course of the 2021 financial year.

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

The Consolidated Financial Statements ending on 31 December 2020 were approved on 19 March 2021 by the Board of Directors, which authorised their publication within the legal deadline.

SCHEDULES ANNEXED TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

(in thousands of Euro)	At 31 December 2020	of which with related parties	percentage	At 31 December 2019	of which with related parties	percentage
ASSETS						
Non-current assets						
Intangible assets	90,979			99,846		
Assets represented by usage rights	8,438	2,953	35.0%	10,320	3,899	37.8%
Tangible assets	68,925			46,614		
Advance tax assets	4,568			1,451		
Non-current financial assets	968			542		
Non-current derivative financial instruments	-			-		
Other receivables and non-current assets	-			-		
Total non-current assets	**173,878**			**158,773**		
Current assets						
Inventories	46,048			31,491		
Trade receivables	52,084			35,158		
Assets from contracts with customers	1,753			591		
Current tax receivables	202			193		
Other receivables and current assets	8,299	(0)	0.0%	6,430	515	8.0%
Current financial assets	5,026			3,576		
Cash on hand	125,068			58,542		
Total current assets	**238,480**			**135,981**		
TOTAL ASSETS	**412,358**			**294,754**		
SHAREHOLDERS' EQUITY AND LIABILITIES						
Share capital	1,750			1,650		
Reserves	162,854			59,489		
Net income	78,063			33,083		
Group net shareholders' equity	**242,667**			**94,222**		
Minority interests	30			18		
Total shareholders' equity	**242,697**			**94,240**		
Non-current liabilities						
Non-current financial liabilities	69,728			117,638		
Non-current leasing liabilities	5,471	2,146	39.2%	7,850	3,130	39.9%
Deferred tax liabilities	3,167			819		
Provisions for employee benefits	4,499	1,617	35.9%	4,193	1,474	35.2%
Provisions for risks and charges	1,000			-		
Non-current derivative financial instruments	107			-		
Other non-current payables and liabilities	-			-		
Total non-current liabilities	**83,972**			**130,500**		
Current liabilities						
Current financial liabilities	19,673			36,669		
Current leasing liabilities	3,495	965	27.6%	3,094	982	31.7%
Trade payables	25,585	(0)	0.0%	13,188	31	0.2%
Liabilities from contracts with customers	4,894			1,702		
Current tax payables	14,485	5,041	34.8%	2,060	555	26.9%
Other current payables and liabilities	17,557	2,855	16.3%	13,301	1,883	14.2%
Total current liabilities	**85,689**			**70,014**		
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**412,358**			**294,754**		

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

(in thousands of Euro)	Financial year ended 31 December					
	2020	**of which with related parties**	**percentage**	**2019**	**of which with related parties**	**percentage**
Revenue from customer contracts	363,296			227,416		
Other revenues and proceeds	1,916			3,169	759	
Total revenues	**365,212**			**230,585**		
Purchases and consumption of raw materials, semi-products and finished products	(88,560)			(67,884)		
Personnel costs	(98,877)	(3,432)	3.5%	(73,583)	(2,064)	2.8%
Service costs	(36,216)	(3,300)	9.1%	(23,442)	(413)	1.8%
Other operating costs	(3,197)			(3,460)		
EBITDA	**138,363**			**62,216**		
Net writedowns of financial assets	(335)			(250)		
Amortisation, depreciation and writedowns	(19,030)	(950)	5.0%	(16,302)	(497)	3.0%
EBIT	**118,998**			**45,664**		
Financial proceeds	265			2,585		
Financial charges	(13,372)	(46)	0.3%	(4,575)	(29)	0.6%
Pre-tax result	**105,891**			**43,674**		
Income tax	(27,808)			(10,582)		
Net income	**78,083**			**33,092**		
Group's share	*78,063*			*33,083*		
Minority share	*20*			*9*		

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

	Financial year ended 31 December					
(in thousands of Euro)	**2020**	**of which with related parties**	**percentage**	**2019**	**of which with related parties**	**percentage**
Pre-tax result	105,891	(7,727)	-7%	43,674	(2,244)	-5%
- Adjustment for:						
Amortisation, depreciation and writedowns	19,030	950	5%	16,302	497	3%
Capital losses / (capital gains) from sale of assets	2			(726)		
Financial charges / (proceeds)	13,107	46	0%	1,990	29	1%
Other non-monetary variations	3,146	143	5%	491	148	30%
Cash flow generated / (absorbed) by operations before variations in net working capital	***141,176***			***61,731***		
Variation in inventories	(21,008)			1,707		
Variation in trade receivables	(6,165)			4,919	946	19%
Variation in trade payables	18,182	(31)	0%	(5,244)	-	0%
Variation in other assets and liabilities	(1,718)	3,168	-184%	1,804	12,469	691%
Use of provisions for risks and charges and for employee benefits	(118)			(191)		
Taxes paid	(16,277)	(3,315)	20%	(9,827)	(4,112)	42%
Net cash flow generated / (absorbed) by operations	**114,073**			**54,899**		
Investments in tangible assets	(27,306)			(10,252)		
Investments in intangible assets	(4,059)			(2,811)		
Disposal of tangible assets	608			4,448		
Investment in financial assets	(4,443)			(1,888)		
Disinvestment in financial assets	191			349		
Payment for purchase of businesses, net of cash on hand acquired	(10,534)			-		
Net cash flow generated / (absorbed) by investment	**(45,543)**			**(10,154)**		
Opening of long-term financial payables	40,503			6,500		
Repayment of long-term financial payables	(103,325)			(25,079)		
Variations in current financial payables	-			-		
Opening of leasing payables	-			2,447		
Repayment of leasing liabilities	(4,272)	(1,005)	24%	(2,554)	(297)	12%
Financial charges paid	(4,959)	(46)	1%	(5,246)	(29)	1%
Financial proceeds collected	265			192		
Net fee for IPO	74,508			-		
Dividends paid	(1,681)	(1,681)	100%	(8,329)	(8,329)	100%
Net cash flow generated/(absorbed) by financial assets	**1,039**			**(32,069)**		
Total variation in cash on hand	**69,569**			**12,676**		
-						
Cash on hand at the start of the year	**58,542**			**45,551**		
Total variation in cash on hand	69,569			12,676		
Conversion differences on cash on hand	(3,043)			315		
Cash on hand at the end of the year	**125,068**			**58,542**		

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

(in thousands of Euro)	Financial year ended 31 December							
	2020	**of which non-recurring**	**2020 from ordinary operations**	**percentage**	**2019**	**of which non-recurring**	**2019 from ordinary operations**	**percentage**
Revenue from customer contracts	363,296		363,296		227,416		227,416	
Other revenues and proceeds	1,916		1,916		3,169	759	2,410	
Total revenues	**365,212**	**-**	**365,212**		**230,585**	**759**	**229,826**	
Purchases and consumption of raw materials, semi-products and finished products	(88,560)	(65)	(88,495)		(67,884)		(67,884)	
Personnel costs	(98,877)	(1,080)	(97,797)	1.1%	(73,583)	(147)	(73,436)	0.2%
Service costs	(36,216)	(4,553)	(31,663)	12.6%	(23,442)	(518)	(22,924)	2.2%
Other operating costs	(3,197)		(3,197)		(3,460)	(144)	(3,316)	
EBITDA	**138,363**	**(5,698)**	**144,061**		**62,216**	**(50)**	**62,266**	
Net writedowns of financial assets	(335)		(335)		(250)		(250)	
Amortisation, depreciation and writedowns	(19,030)	(3,865)	(15,165)	20.3%	(16,302)	(3,912)	(12,390)	24.0%
EBIT	**118,998**	**(9,563)**	**128,561**		**45,664**	**(3,962)**	**49,626**	
Financial proceeds	265		265		2,585		2,585	
Financial charges	(13,372)		(13,372)		(4,575)		(4,575)	
Pre-tax result	**105,891**	**(9,563)**	**115,454**		**43,674**	**(3,962)**	**47,636**	
Income tax	(27,808)	409	(28,217)	-1.5%	(10,582)	485	(11,067)	-4.6%
Net income	**78,083**	**(9,154)**	**87,237**		**33,092**	**(3,477)**	**36,569**	

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

The following schedule, prepared pursuant to Art. 149-duodecies of the CONSOB Issuers' Regulation, highlights the fees for 2020 for audit services and other services provided by the independent auditors and entities belonging to its network as well as others. The first table includes the fees for all services performed during the year, excluding one-off services for the listing process, which are shown in the second table attached.

(in thousands of Euro)	**Subject that has provided the service**	**Recipient/assignment**	**2020 fees**
	PwC SpA	Parent company - audit of the financial statements	35.0
	PwC SpA	Parent company - audit of the consolidated financial statements	37.5
	PwC SpA	Parent company - audit of the half-yearly report	70.0
	PwC SpA	GVS SUD S.r.l. - audit of the financial statements	4.0
	PwC SpA	Subsidiaries - audit services for consolidated financial statements	84.5
Total Audit of Accounting			**231.0**
	PwC SpA	Parent Company - certification in relation to financial covenants (NAS)	3.0
	PwC SpA	Parent company - limited audit of DNF (NAS)	25.0
	TLS Professional Association	Parent company - Preparation of transfer price documentation	8.0
	PricewaterhouseCoopers Advisory SpA	Parent Company – consultancy to the Manager in charge of tasks, Law 262 including detection/mapping activity and critical analysis.	81.0
Total other services (NAS)			**117.0**
TOTAL			**348.0**

Services performed for the purposes of the listing process

(in thousands of Euro)	**Subject that has provided the service**	**Recipient/assignment**	**2020 fees**
	PwC SpA	Parent company - Audit of the three-year financial statements prepared for listing purposes	180.0
	PwC SpA	Parent Company – Consultancy on methods and criteria on prospectus prepared by GVS SpA, comfort letter issuance and bring down letter	450.0
	PwC SpA	Parent Company – Assurance activity on budget and industrial plan (ISAE 3000 e 3400)	240.0
	PwC SpA	Parent company - Assurance activity on the management control system (ISAE 3000)	135.0
	TLS Professional Association	Parent Company – Due diligence activity on taxes and issuance of comfort letter	175.0
Total other services (NAS)			**1,180.0**
TOTAL			**1,180.0**

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

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

   - the adequacy in relation to the characteristics of the business, and
   - the effective application of the administrative and accounting procedures for the preparation of the Consolidated Financial Statements during the year 2020.

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

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

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

Zola Predosa, 19 March 2021

Massimo Scagliarini	Emanuele Stanco
Chief Executive Officer	Manager responsible for the preparation of the accounting documents

INDEPENDENT AUDITOR'S REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2020

FINANCIAL STATEMENTS

AT 31 DECEMBER 2020

FINANCIAL STATEMENTS AT 31 DECEMBER 2020

Statement of assets and liabilities*

(in Euro)	Notes	At 31 December 2020	At 31 December 2019
ASSETS			
Non-current assets			
Intangible assets	6.1	3,033,783	2,838,556
Assets represented by usage rights	6.2	2,012,438	2,363,811
Tangible assets	6.3	19,978,689	16,800,677
Equity investments	6.4	63,679,712	49,938,870
Advance tax assets	6.5	1,544,287	-
Non-current financial assets	6.6	77,771,901	96,131,685
Total non-current assets		**168,020,810**	**168,073,599**
Current assets			
Inventories	6.7	6,693,749	4,917,788
Trade receivables	6.8	28,117,341	17,497,137
Assets from contracts with customers	6.9	1,816,380	250,724
Other receivables and current assets	6.10	4,400,728	3,817,297
Current financial assets	6.6	15,166,430	16,290,444
Cash on hand	6.11	83,453,335	38,807,160
Total current assets		**139,647,963**	**81,580,550**
TOTAL ASSETS		**307,668,774**	**249,654,149**
SHAREHOLDERS' EQUITY AND LIABILITIES			
Share capital		1,750,000	1,650,000
Reserves		127,362,428	32,206,003
Net income		27,308,128	15,113,149
Total shareholders' equity	6.12	**156,420,556**	**48,969,152**
Non-current liabilities			
Non-current financial liabilities	6.13	78,711,934	124,678,203
Non-current leasing liabilities	6.2	1,261,714	1,654,413
Deferred tax liabilities	6.5	-	696,074
Provisions for employee benefits	6.15	2,780,362	2,715,189
Provisions for risks and charges	6.16	1,000,000	-
Non-current derivative financial instruments	6.17	106,519	-
Total non-current liabilities		**83,860,529**	**129,743,879**
Current liabilities			
Current financial liabilities	6.13	19,507,153	36,569,752
Current leasing liabilities	6.2	788,521	737,641
Trade payables	6.18	31,988,927	24,673,320
Liabilities from contracts with customers	6.9	1,445,144	721,261
Current tax payables	6.19	5,463,532	214,890
Other current payables and liabilities	6.20	8,194,412	8,024,254
Total current liabilities		**67,387,689**	**70,941,118**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**307,668,774**	**249,654,149**

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

Income statement*

(in Euro)	Notes	Financial year ended 31 December	
		2020	**2019**
Revenue from customer contracts	7.1	124,154,708	74,833,594
Other revenues and proceeds	7.2	3,437,747	2,118,156
Total revenues		**127,592,455**	**76,951,750**
Purchases and consumption of raw materials, semi-products and finished products	7.3	(48,963,966)	(32,210,409)
Personnel costs	7.4	(26,622,015)	(18,586,479)
Service costs	7.5	(16,482,726)	(9,105,913)
Other operating costs	7.6	(941,544)	(596,547)
EBITDA		**34,582,204**	**16,452,402**
Net writedowns of financial assets	7.7	(77,139)	(64,389)
Amortisation, depreciation and writedowns	7.8	(4,416,308)	(3,937,727)
EBIT		**30,088,757**	**12,450,286**
Financial proceeds	7.9	2,734,410	5,954,969
Financial charges	7.9	(11,498,576)	(4,513,997)
Income and expense from equity investments	7.10	14,515,861	5,995,050
Pre-tax result		**35,840,452**	**19,886,308**
Income tax	7.11	(8,532,324)	(4,773,159)
Net income		**27,308,128**	**15,113,149**
Basic net profit per share	7.12	*0.20*	*10.00*
Diluted net profit per share	7.12	*0.20*	*10.00*

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

Comprehensive income statement

(in Euro)	Notes	Financial year ended 31 December	
		2020	**2019**
Net income		**27,308,128**	**15,113,149**
Other components of the comprehensive income statement which will not be reclassified in the income statement in subsequent years (net of effect of taxation)			
Actuarial profit (loss) due to employee defined benefit plans	6.15	(91,611)	(48,141)
Effect of taxation		25,559	13,431
		(66,052)	**(34,710)**
Total other components in the comprehensive income statement		**(66,052)**	**(34,710)**
Comprehensive net profit		**27,242,076**	**15,078,439**

Prospectus of changes in shareholders’ equity

(in Euro)	**Share capital**	**Reserves**						**Net income**	**Total shareholders’ equity**
		Share premium reserve	***Legal reserve***	***Extraordinary reserve***	***Negative reserve for treasury shares***	***Actuarial profits and losses reserve***	***Profit (loss) carried over and other reserves***		
At 31 December 2018	**1,650,000**	**13,311,543**	**329,367**	**27,215,764**	**(10,981,337)**	**29,754**	**2,216,589**	**10,128,506**	**43,900,186**
Net income	-	-	-	-	-	-	-	15,113,149	15,113,149
Total other components in the comprehensive income statement	-	-	-	-	-	(34,710)	-	-	(34,710)
Comprehensive net profit	-	-	-	-	-	*(34,710)*	-	*15,113,149*	*15,078,439*
Allocation of net profit from previous year	-	-	-	9,924,184	-	-	204,322	(10,128,506)	-
Dividends distributed	-	-	-	(10,009,473)	-	-	-	-	(10,009,473)
At 31 December 2019	**1,650,000**	**13,311,543**	**329,367**	**27,130,475**	**(10,981,337)**	**(4,956)**	**2,420,911**	**15,113,149**	**48,969,152**
Net income	-	-	-	-	-	-	-	27,308,128	27,308,128
Total other components in the comprehensive income statement	-	-	-	-	-	(66,052)	-	-	(66,052)
Comprehensive net profit	-	-	-	-	-	*(66,052)*	-	*27,308,128*	*27,242,076*
Allocation of net profit from previous year	-	-	-	14,336,119	-	-	777,030	(15,113,149)	-
Cancellation of treasury shares	-	-	-	(10,981,337)	10,981,337	-	-	-	-
Capital increase	100,000	81,400,000	-	-	-	-	-	-	81,500,000
Accessory costs to the capital increase	-	(2,692,451)	-	-	-	-	-	-	(2,692,451)
Taxes relating to capital increase costs	-	751,194	-	-	-	-	-	-	751,194
Increase of reserves for long-term incentives	-	-	-	-	-	-	650,585	-	650,585
At 31 December 2020	**1,750,000**	**92,770,286**	**329,367**	**30,485,257**	**-**	**(71,008)**	**3,848,526**	**27,308,128**	**156,420,556**

Cash flow statement

(in Euro)	Notes	Financial year ended 31 December 2020	2019
Pre-tax result		35,840,452	19,886,308
- Adjustment for:			
Amortisation, depreciation and writedowns	7.8	4,416,308	3,937,727
Capital losses / (capital gains) from sale of assets	7.2 - 7.6	-	(10,000)
Financial charges / (proceeds)	7.9	8,764,166	(1,440,972)
Income and expense from equity investments	7.10	(14,515,861)	(5,995,050)
Other non-monetary variations		1,177,201	138,389
Cash flow generated / (absorbed) by operations before variations in net working capital		***35,682,266***	***16,516,402***
Variation in inventories	6.7	(2,225,961)	89,636
Variation in trade receivables	6.8	(10,567,804)	2,482,819
Variation in trade payables	6.18	11,745,466	(1,250,069)
Variation in other assets and liabilities	6.10 - 6.20	(68,043)	1,371,870
Use of provisions for risks and charges and for employee benefits	6.15 - 6.16	(118,438)	(112,945)
Taxes paid	7.11	(3,747,164)	(4,378,756)
Net cash flow generated / (absorbed) by operations		**30,700,321**	**14,718,957**
Investments in tangible assets	6.3	(6,516,777)	(3,615,587)
Investments in intangible assets	6.1	(479,244)	(538,691)
Disposal of tangible assets	6.3	58,154	10,000
Opening of financial receivables from subsidiaries and other financial assets	6.6	(5,855,000)	(2,473,023)
Repayment of financial receivables from subsidiaries	6.6	16,944,732	24,826,801
Equity investments	6.4	(13,662,319)	(2,782)
Dividends from equity investments	6.4	14,515,861	5,795,050
Net cash flow generated / (absorbed) by investment		**5,005,407**	**24,001,768**
Opening of long-term financial payables	6.13	42,282,530	9,721,742
Repayment of long-term financial payables	6.13	(103,226,879)	(24,980,979)
Repayment of leasing liabilities	6.2	(894,120)	(843,031)
Financial charges paid	7.9	(4,781,168)	(4,839,917)
Financial proceeds collected	7.9	2,734,000	4,002,889
Net fee for IPO	6.12	74,507,229	-
Dividends paid	6.12	(1,681,145)	(8,328,328)
Net cash flow generated/(absorbed) by financial assets		**8,940,447**	**(25,267,624)**
Total variation in cash on hand		**44,646,175**	**13,453,101**
Cash on hand at the start of the year		**38,807,160**	**25,354,059**
Total variation in cash on hand		44,646,175	13,453,101
Cash on hand at the end of the year		**83,453,335**	**38,807,160**

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EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2020

1. General information

1.1 Foreword

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

GVS is 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.

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

2. Summary of the accounting standards adopted

2.1 Declaration of conformity with international accounting standards

The financial statements for the year ending 31 December 2020 (hereinafter the "**Financial Statements"**) have been prepared in compliance with international accounting standards ("IFRS") issued by the International Accounting Standards Board and endorsed by the European Union. "IFRS" means all revised international accounting standards ("IAS"), as well as all interpretative documents issued by the International Financial Reporting Interpretations Committee (IFRIC) and the previous Standing Interpretations Committee (SIC). It should be noted that the Company adopted IFRS from 1 January 2017, the date of transition from Italian accounting standards to international accounting standards.

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

These Financial Statements were approved by the Company's Board of Directors on 19 March 2021 and subjected to auditing by independent auditor PricewaterhouseCoopers S.p.A.

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

2.2 General principles of preparation

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

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

An asset is classified as current when:

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

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

A liability is classified as current when:

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

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

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

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

The Financial Statements have been prepared as follows:

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

2.3 Accounting standards and assessment criteria

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

Intangible assets

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

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

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

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

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

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

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

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

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

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

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

(a) Goodwill

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

(b) Intangible assets with a defined useful lifespan

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

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

Usage rights and leasing assets and liabilities

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

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

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

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

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

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

a) the amount of the initial assessment of the lease liability;
b) payments due on the lease made on the date or prior to the date on which the agreement goes into effect, after subtraction of lease incentives received;
c) initial costs born directly by the tenant; and
d) an estimate of the costs the tenant will have to bear for dismantling and removal of the underlying asset and restoration of the site on which it is located, or for restoration of the underlying asset to the

condition required under the terms and conditions of the lease agreement, unless these costs are incurred for the production of inventory. The obligation regarding the above costs arises for the tenant as of the date on which the contract goes into effect or as a consequence of use of the underlying asset during a given time period.

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

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

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

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

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

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

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

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

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

The Company has decided not to avail itself of the exemption permitted under IFRS 16 for short-term leasing agreements (that is, leasing contracts with a term of 12 months or less from the date on which they go into effect).

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

Tangible assets

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

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

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

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

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

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

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

Category of tangible asset	**Depreciation rate**
Buildings	33 years
Light constructions	10 years
Generic plants and machinery	13 years
Specific plants and machinery	8 years
Specific moulds and equipment	8 years
Industrial and commercial equipment	2.5 years
Furniture and fittings	8 years
Office equipment and electronic equipment	5 years
Motor vehicles	4 years
Vehicles for internal transportation	5 years

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

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

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

Impairment of Goodwill, tangible assets and intangible assets, and assets represented by usage rights *(a) Goodwill*

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

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

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

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

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

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

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

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

Equity investments

Investments in subsidiaries are valued at cost, net of any impairment. An equity investment is impaired when its book value exceeds its recoverable value. The book values of investments are subject to evaluation whenever there are apparent internal or external indicators to the enterprise indicating the possibility of a reduction of the value of the investment.

In particular, the indicators analysed to assess whether an investment has suffered a loss of value are as follows:

- the book value of the investment on the separate financial statements exceeds the book value of the investee's net assets stated on the consolidated financial statements, including any related goodwill;
- the dividend distributed by the investee company exceeds the total undistributed earnings of the subsidiary from the date of purchase or incorporation;
- the operating result achieved by the investee company is significantly lower than the amount envisaged in the management plan, if this indicator can be considered meaningful for the reference company;
- significantly diminishing operating results are expected in future years;
- there are changes in the technological, market, economic or regulatory environment in which the subsidiary operates that may have significant adverse effects on the Company's results.

The impairment test consists of comparing the book value of the investment with the recoverable value of the investment. If the recoverable amount of an investment is lower than the book value, the book value is reduced to the recoverable amount. This reduction represents an impairment loss recognised on the income statement. The recoverable amount of an investment is identified as the greater of its fair value and value in use. The value in use of an investment is the present value of future cash flows that are expected to result from a cash-generating investment. The value in use reflects the effects of factors that may be entity specific, factors that may not be applicable to any entity. If the assumptions for impairment previously made are no longer valid, the book value of the investment is restored with an allocation to the income statement, limited to the original cost.

Financial assets

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

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

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

a) Financial assets measured at amortised cost

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

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

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

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

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

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

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

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

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

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

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

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

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

Derivative financial instruments and hedges

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

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

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

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

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

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

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

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

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

Trade receivables

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

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

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

Inventories

Inventories are goods:

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

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

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

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

Cash on hand and cash equivalents

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

Payables

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

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

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

Employee benefits

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

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

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

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

Defined-contribution plans primarily include:

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

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

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

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

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

Performance share plan

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

Provisions for potential risks and charges, assets and liabilities

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

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

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

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

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

- there is a current legal or implicit obligation arising out of past events;

- it is probable that resources capable of producing economic benefits may have to be used to fulfil the obligation;
- the amount of the obligation may be reliably estimated.

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

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

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

Treasury shares

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

Revenue from customer contracts

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

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

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

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

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

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

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

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

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

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

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

Acknowledgement of costs

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

Listing costs

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

Dividends

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

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

Income tax

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

Deferred taxes may be divided into:

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

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

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

Profit per share

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

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

Conversion of items in foreign currency

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

3. Recently issued accounting standards

Accounting standards, amendments and interpretations ratified by the European Union, applicable from 1 January 2020, which were first applied to the Financial Statements of GVS as of 31 December 2020.

The Company has adopted the following accounting standards and amendments, where applicable:

Accounting standard/amendment	Approved by the EU	Date of efficacy
Amendments to the references to the conceptual framework in IFRSs	YES	1 January 2020
Definition of relevant (Amendments to IAS 1 and IAS 8)	YES	1 January 2020

Reform of interest rate benchmarks (Amendments to IFRS 9, IAS 39 and IFRS 7)	YES	1 January 2020
Definition of business activity (Amendments to IFRS 3)	YES	1 January 2020
Concessions on fees associated with COVID-19 (Amendment to IFRS 16)	YES	1 January 2020

Application of these accounting standards and amendments did not lead to the recording of any meaningful impact on the Company's Financial Statements.

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 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
IFRS 17 Insurance Contracts, including subsequent amendments issued in June 2020	NO	1 January 2023
Extension of the temporary exemption from applying IFRS 9 (Amendments to IFRS 4)	NO	1 January 2021
Interest rate benchmark reform - Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)	NO	1 January 2021
Reference to the Conceptual Framework (Amendments to IFRS 3)	NO	1 January 2022
Property, plant and equipment: proceeds before intended use (Amendments to IAS 16)	NO	1 January 2022
Onerous contracts—Cost of fulfilling a contract (Amendments to IAS 37)	NO	1 January 2022
Annual improvements to IFRS Standards (Cycle 2018-2020)	NO	1 January 2022
Classification of Liabilities as Current or Non-current (Amendments to IAS 1), including subsequent amendment issued in July 2020	NO	1 January 2023

Future application of these accounting standards and amendments is not expected to have an impact on the Company's Financial Statements.

Accounting standards, amendments and interpretations approved by the EU but not yet adopted by GVS

As of the date of approval of these financial statements, the competent European Union bodies have approved adoption of the following accounting standards and amendments which the Company has not adopted in advance:

Accounting standard/amendment	Description	Date of efficacy
Amendments to IFRS 4 Insurance Contracts – deferral of IFRS 9	These amendments relate to the change of the effective date inherent to the application of IFRS 9. They are not expected to have an impact on GVS's financial statements.	1 January 2021
Amendments to IFRS 9, IAS 39, IFRS 7 (Interest Rate Benchmark Reform)	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. They are not expected to have an impact on GVS's financial statements.	1 January 2021

4. Estimates and assumptions

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

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

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

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

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

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

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

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

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

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

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

5. Management of financial risk

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

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

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

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

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

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

5.1 Market risk

Exchange rate risk

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

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

Sensitivity analysis for exchange rate risk

For the purposes of sensitivity analysis for exchange rate risk, items in the statement of assets and liabilities at 31 December 2019 and 31 December 2020 (financial assets and liabilities) in currencies other than the currency in which the Company operates have been identified. In assessing the potential effects of fluctuating exchange rates on net profit or loss, infragroup payables and receivables in currencies other than the account currency are also taken into consideration.

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

(in thousands of Euro)	**Currency appreciation of 5%**		**Currency depreciation of 5%**	
	At 31 December		**At 31 December**	
Currency	**2020**	**2019**	**2020**	**2019**
USD	4,288	5,257	(3,879)	(4,756)
JPY	(231)	(196)	209	177
GBP	106	69	(96)	(63)
Other	(181)	(113)	164	103
Total	**3,982**	**5,017**	**(3,602)**	**(4,539)**

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

Interest rate risk

The Company uses external financial resources in the form of debt. Variations in interest rates influence the cost and yield of various forms of financing and investment, and therefore have an impact on the level of net financial charges. The Company is exposed to the risk of interest rate fluctuations, in view of the fact that some of its debts have variable interest rates. The Company's policy aims to limit the risk of interest rate fluctuation by subscribing contracts hedging the risk of interest rate variation.

Sensitivity analysis regarding interest rate risk

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

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

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

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

The table below shows the results of this analysis:

(in thousands of Euro)	**Impact on profit net of taxes**	
	- 50 bps	***+ 50 bps***
Financial year ended 31 December 2020	162	(162)
Financial year ended 31 December 2019	347	(347)

5.2 Credit risk

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

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

As regards its financial counterparties, the Company recorded around 22% of its sales to a single customer during 2020 whose solvency risk is limited.

5.3 Liquidity risk

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

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

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

The table below represents an analysis of due dates, based on contractual repayment obligations, as of 31 December 2020.

(in thousands of Euro)	At 31 December 2020					
	within 1 year	**between 1 and 2 years**	**between 3 and 5 years**	**beyond 5 years**	**Contractual value**	**Book value**
Financial liabilities	21,466	21,874	59,455	-	**102,795**	**98,219**
Leasing liabilities	801	702	567	-	**2,069**	**2,050**
Trade payables	31,989	-	-	-	**31,989**	**31,989**
Other current payables and liabilities	8,194	-	-	-	**8,194**	**8,194**

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

5.4 Capital management

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

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

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

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

Categories of financial assets and liabilities

The tables below break down financial assets and liabilities by category according to IFRS 9 at 31 December 2019 and 31 December 2020.

(in thousands of Euro)	Book value	
	At 31 December	
	2020	**2019**
FINANCIAL ASSETS:		
Financial assets measured at amortised cost:		
Non-current financial assets	77,772	96,132

Trade receivables	28,117	17,497
Other receivables and current assets	3,160	3,056
Current financial assets	15,166	16,290
Cash on hand	83,453	38,807
	207,668	**171,782**
TOTAL FINANCIAL ASSETS	**207,668**	**171,782**

(in thousands of Euro)	**Book value**	
	At 31 December	
	2020	**2019**
FINANCIAL LIABILITIES:		
Financial liabilities measured at amortised cost:		
Non-current financial liabilities	78,712	124,678
Non-current leasing liabilities	1,262	1,654
Current financial liabilities	19,507	36,570
Current leasing liabilities	789	738
Trade payables	31,989	24,673
Other current liabilities	7,508	7,416
	139,767	**195,729**
Non-current derivative financial instruments	**107**	
TOTAL FINANCIAL LIABILITIES	**139,874**	**195,729**

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:

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

It should be noted that at 31 December 2019 and 31 December 2020 there were no financial assets valued at fair value and at 31 December 2019 there were no financial liabilities valued at fair value.

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

6. Notes to the statement of assets and liabilities

6.1 Intangible assets

The table below reports the composition of, and movement in, intangible assets in the years ending on 31 December 2019 and 31 December 2020.

(in thousands of Euro)	**Goodwill**	**Industrial patent rights and rights to use intellectual property**	**Concessions, licenses, trademarks, and similar rights**	**Assets in progress**	**Total**
Historical cost as of 31 December 2019	**1,915**	**2,257**	**3,180**	**269**	**7,621**
Investments	-	137	89	253	**479**
Reclassification	-	-	-		**-**
Historical cost as of 31 December 2020	**1,915**	**2,394**	**3,269**	**522**	**8,100**
Provision for amortisation and depreciation as of 31 December 2019	**-**	**(2,043)**	**(2,739)**	**-**	**(4,782)**
Amortisation and depreciation	**-**	(106)	(177)	-	**(283)**
Provision for amortisation and depreciation as of 31 December 2020	**-**	**(2,149)**	**(2,916)**	**-**	**(5,065)**
Net book value as of 31 December 2019	**1,915**	**214**	**441**	**269**	**2,839**
Net book value as of 31 December 2020	**1,915**	**245**	**353**	**522**	**3,034**

Intangible assets with a defined useful lifespan

Patent rights refer to the filing of new applications.

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

Investments in intangible assets for the year ended 31 December 2020 amounted to € 479 thousand, mainly due to new software and patents

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

Intangible assets with an indefinite useful lifespan

Goodwill

As of 31 December 2019 and 31 December 2020 the value of goodwill refers exclusively to business combinations that took place prior to 1 January 2017, the transition date to international accounting standards. This value is considered to be adequately supported in terms of expected economic results and related cash flows. The recoverable value was checked as part of the broader impairment test carried out for the Consolidated Financial Statements. The parameters used for the impairment test are shown in note 8.1 of the notes to the Consolidated Financial Statements.

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

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

(in thousands of Euro)	At 31 December	
	2020	**2019**
Net book value of assets represented by usage rights (real estate)	1,418	1,923
Net book value of assets represented by usage rights (automobiles)	577	409
Net book value of assets represented by usage rights (machinery)	18	32
Total net book value of assets represented by usage rights	**2,013**	**2,364**
Current leasing liabilities	789	738
Non-current leasing liabilities	1,262	1,654
Total leasing liabilities	**2,051**	**2,392**

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

(in thousands of Euro)	Financial year ended 31 December	
	2020	**2019**
Amortisation of assets represented by usage rights (real estate)	687	523
Amortisation of assets represented by usage rights (automobiles)	151	328
Amortisation of assets represented by usage rights (machinery)	14	14
Total amortisation of assets represented by usage rights	**852**	**865**
Interest payable on leases	**37**	**30**
Total outgoing cash flows due to leasing	**931**	**873**

Assets represented by usage rights relating to buildings at 31 December 2020, mainly relate to the leasing of warehouses and two production sites.

The assets recorded during the year ended 31 December 2020 mainly refer to the conclusion of new car rental contracts.

As of 31 December 2020, the Company had not identified any indicators of lasting impairment of assets corresponding to usage rights.

The table below shows the non-actualised contractual value of the Company's leasing liabilities as of 31 December 2019 and 31 December 2020.

(in thousands of Euro)	**within 1 year**	**between 1 and 2 years**	**between 3 and 5 years**	**beyond 5 years**	**Contractual value**	**Book value**
At 31 December 2020	801	702	567	-	**2,069**	**2,051**
At 31 December 2019	760	632	1,049	-	**2,441**	**2,392**

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

6.3 Tangible assets

The table below shows the breakdown and movements of tangible assets in the years ending on 31 December 2019 and 31 December 2020.

(in thousands of Euro)	**Plants and machinery**	**Industrial and commercial equipment**	**Other assets**	**Improvements on third party assets**	**Tangible assets in progress and advances**	**Total**
Historical cost as of 31 December 2019	**10,530**	**32,263**	**3,515**	**1,196**	**2,973**	**50,477**
Investments	388	195	240	13	5,681	**6,517**
Disposal			(35)			**(35)**
Reclassification		6,563	60		(6,623)	-
Historical cost as of 31 December 2020	**10,918**	**39,021**	**3,780**	**1,209**	**2,031**	**56,959**
Provision for amortisation and depreciation as of 31 December 2019	**(6,738)**	**(23,401)**	**(2,648)**	**(889)**	**-**	**(33,676)**
Amortisation and depreciation	(656)	(2,275)	(254)	(96)	-	**(3,281)**
Disposal			(23)		-	**(23)**
Reclassification	-	60	(60)	-	-	-
Provision for amortisation and depreciation as of 31 December 2020	**(7,394)**	**(25,616)**	**(2,985)**	**(985)**	**-**	**(36,980)**
Net book value as of 31 December 2019	**3,792**	**8,862**	**867**	**307**	**2,973**	**16,801**
Net book value as of 31 December 2020	**3,524**	**13,405**	**795**	**224**	**2,031**	**19,979**

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

Investments in tangible assets for the year ended 31 December 2020, amounted to € 6,517 thousand, mainly due to an increase in production capacity in relation to the Health & Safety and Healthcare & Life Sciences divisions, as well as to the maintenance of plant and machinery in the production lines.

The net value of tangible assets disposed of in the year ending on 31 December 2020 is insignificant.

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

As of 31 December 2020, there were no real estate assets or capital goods burdened by any kind of guarantee provided to a third party.

6.4 Equity investments

The table below shows the details of the equity investments as of 31 December 2020 and the net book value at the same date.

Company	Registered offices	Currency	Share capital at 31 December 2020	Percentage of direct control At 31 December 2020	2019	Net book value as of 31 December 2020
Fenchurch Environmental Group Ltd	United Kingdom - Morecambe	GBP	1,469	100.0%	100.0%	21,195
GVS Puerto Rico LLC	Puerto Rico - Fajardo	USD	n.a.	100.0%		13,658
GVS Sud Srl	Italy - Zola Predosa (BO)	EUR	10,000	100.0%	100.0%	12,825
GVS NA Holdings Inc	USA - Sanford (MA)	USD	0.10	100.0%	100.0%	8,227
GVS do Brasil Ltda	Brazil - Municipio de Monte Mor, Campinas	BRL	20,755,226	99.9%	99.9%	4,257
GVS Technology (Suzhou) Co. Ltd.	China - Suzhou (RPC)	CNY	25,297,047	100.0%	100.0%	1,812
GVS Japan KK	Japan - Tokyo	JPY	1,000,000	100.0%	100.0%	1,133
GVS Filtre Teknolojileri	Turkey - Istanbul	TRY	100,000	100.0%	100.0%	264
GVS Argentina Sa	Argentina - Buenos Aires	ARS	1,510,212	94.1%	94.1%	139
GVS Korea Ltd	Korea - Seoul	KRW	100,000,000	100.0%	100.0%	95
GVS Fortune Holding Ltd	Hong Kong (RPC)	HKD	1	100.0%	100.0%	43
GVS Russia LLC	Russia - Moscow	RUB	10,000	100.0%	100.0%	6
GVS North America Inc	USA - Sanford (MA)	USD	n.a.	0.0%		10
GVS Filter Technology de Mexico	Mexico - Nuevo Leon	MXN	50,000	99.9%	99.9%	12
GVS Microfiltrazione Srl	Romania - Ciorani	RON	1,600	100.0%	100.0%	1
GVS Filtration SDN. BHD.	Malaysia - Petaling Jaya	MYR	1	100.0%	100.0%	4
Total						**63,680**

The table below shows the breakdown of equity investments as of 31 December 2019 and 31 December 2020.

(in thousands of Euro)	At 31 December 2020	2019
Equity investments (gross value)	65,499	51,758
Provision for writedown of investments	(1,819)	(1,819)
Total equity investments	**63,680**	**49,939**

The provision for equity investments in the periods considered relates for € 1,600 thousand to the investment in GVS do Brasil Ltda and € 219 thousand to the investment in GVS Argentina Sa.
It should be noted that during the periods analysed, no indications of possible impairment were identified in

relation to equity investments, and consequently, in line with IAS 36, it was not considered necessary to carry out the impairment test.

The table below reports movements in the gross value of trade receivables in the half year ending on 31 December 2020.

(in thousands of Euro)	Gross value at 31 December 2019	Increases	Increases due to the performance share plan	Gross value at 31 December 2020
Fenchurch Environmental Group Ltd	21,195	-	-	21,195
GVS Puerto Rico LLC	-	13,658	-	13,658
GVS Sud Srl	12,825	-	-	12,825
GVS NA Holdings Inc	8,227	-	-	8,227
GVS do Brasil Ltda	5,857	-	-	5,857
GVS Technology (Suzhou) Co. Ltd.	1,778	-	34	1,812
GVS Japan KK	1,133	-	-	1,133
GVS Filtre Teknolojileri	264	-	-	264
GVS Argentina Sa	358	-	-	358
GVS Korea Ltd	69	-	26	95
GVS North America Inc	-	-	10	10
GVS Fortune Holding Ltd	43	-	-	43
GVS Russia LLC	6	-	-	6
GVS Filtration SDN. BHD.	-	4	-	4
GVS Filter Technology de Mexico	2	-	10	12
GVS Microfiltrazione Srl	1	-	-	1
Total	**51,758**	**13,662**	**79**	**65,499**

The increases in 2020 are attributable to: *(i)* € 13,658 thousand from the purchase of all the shares held in Haemonetics Puerto Rico LLC (now GVS Puerto Rico LLC),(*ii)* for € 4 thousand following the establishment, in Malaysia, of GVS Filtration SDN.BHD and *(iii)* for € 79 thousand at the cost of the year relating to the performance share plan attributable to the employees of the subsidiaries.

There were no decreases in the year 2020.

6.5 Advance tax assets

The table below reports details of advance tax assets as of 31 December 2019 and 31 December 2020.

(in thousands of Euro)	At 31 December	
	2020	**2019**
Unrealised profits and losses on exchanges	3,478	1,532
Intangible assets	1	2
Inventories	128	28
Tangible assets	5	5
Provisions for employee benefits	39	32
Assets represented by usage rights	13	10
Gross advance tax assets	**3,664**	**1,609**
Compensation with deferred tax liabilities	(2,120)	(1,609)
Total advance tax assets	**1,544**	**-**

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

Advance tax assets pertaining to previous tax losses are acknowledged only if it is probable that sufficient taxable income may become available in the future to permit recovery of the assets. As of 31 December 2019 and 31 December 2020, there are no advance tax assets not acknowledged in relation to tax losses.

The table below reports details of deferred tax liabilities as of 31 December 2019 and 31 December 2020.

(in thousands of Euro)	**At 31 December**	
	2020	**2019**
Unrealised profits and losses on exchanges	1,897	2,097
Intangible assets	167	128
Provisions for employee benefits	37	61
Dividends	19	19
Gross deferred tax liabilities	**2,120**	**2,305**
Compensation with advance tax assets	(2,120)	(1,609)
Total deferred tax liabilities	**-**	**696**

The table below shows changes in the gross value of advance tax assets and deferred tax liabilities for the year ended 31 December 2020.

(in thousands of Euro)	**Total advance tax assets**	**Total deferred tax liabilities**
Balance as of 31 December 2019	**1,609**	**2,305**
Provisions (releases) to income statement	2,047	(168)
Provisions (releases) to comprehensive income statement	9	(17)
Balance as of 31 December 2020	**3,664**	**2,120**

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

6.6 Financial assets (current and non-current)

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

(in thousands of Euro)	**At 31 December**	
	2020	**2019**
Security deposits	25	25
Non-current financial receivables from subsidiary companies	77,747	96,107
Non-current financial assets	**77,772**	**96,132**
Current financial receivables due from subsidiary companies	15,166	16,290
Current financial assets	**15,166**	**16,290**
Total financial assets	**92,938**	**112,422**

The table below reports details of financial receivables (current and non-current) from subsidiary companies as of 31 December 2019 and 31 December 2020.

(in thousands of Euro)	**At 31 December**	
	2020	**2019**
GVS NA Holdings Inc	80,678	100,918

GVS Microfiltrazione Srl	3,790	4,790
GVS Filter Technology UK Ltd	-	2,439
GVS Filter Technology de Mexico	7,257	2,187
GVS Russia LLC	944	1,764
GVS Filtre Teknolojileri	224	284
GVS Fortune Holding Ltd	20	15
Total financial receivables from subsidiaries	**92,913**	**112,397**

The financial receivables due from GVS NA Holdings Inc refer to a loan granted by GVS on 31 July 2017 to finance the KUSS acquisition.

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

6.7 Inventories

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

(in thousands of Euro)	**At 31 December**	
	2020	**2019**
Finished products and goods	4,043	2,939
Raw materials, subsidiary materials and consumables	2,364	1,372
Products in progress and semi-products	837	707
Gross inventories	**7,244**	**5,018**
Provision for writedown of inventory	(550)	(100)
Inventories	**6,694**	**4,918**

The net provision for inventory write-down amounts to € 450 thousand for the year ended 31 December 2020, while no amount had been allocated in the year ended 31 December 2019.

6.8 Trade receivables

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

(in thousands of Euro)	**At 31 December**	
	2020	**2019**
Trade receivables from customers	15,693	12,754
Trade receivables due from subsidiaries	12,779	5,030
Trade receivables from other related parties	-	-
Trade receivables (gross)	**28,472**	**17,784**
Provision for writedown of trade receivables	(355)	(287)
Trade receivables	**28,117**	**17,497**

Trade receivables from related parties are analysed in note 8, “Transactions with related parties”.

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

The table below breaks down trade receivables at 31 December 2019 and 31 December 2020 according to due date, net of the provision for writedown of receivables.

(in thousands of Euro)	**Not yet due**	**Overdue by 1 to 90 days**	**Overdue by 91 to 180 days**	**Overdue by more than 181 days**	**Total**
Gross trade receivables at 31 December 2020	24,708	3,257	178	329	**28,472**
Provision for writedown of receivables		-	(49)	(306)	(355)
Trade receivables at 31 December 2020	**24,708**	**3,257**	**129**	**23**	**28,117**
Gross trade receivables at 31 December 2019	15,157	2,021	45	561	**17,784**
Provision for writedown of receivables		(221)	(5)	(61)	(287)
Trade receivables at 31 December 2019	**15,157**	**1,800**	**40**	**500**	**17,497**

Gross trade receivables at 31 December 2020 and 31 December 2019, include Euro 3,764 thousand and Euro 2,627 thousand, respectively, referable to overdue items, including Euro 507 thousand and Euro 606 thousand, representing items overdue by more than 90 days. Of these, € 218 thousand and € 817 thousand, respectively at 31 December 2020 and 31 December 2019, refer to amounts due from group companies and consequently have not been written down.

Pursuant to Art. 2427, number 6, of the Italian Civil Code, there are no receivables due beyond 5 years.

The table below reports movements in the provision for writedown of trade receivables in the years ending on 31 December 2019 and 31 December 2020.

(in thousands of Euro)	**Provision for writedown of trade receivables**
Balance as of 31 December 2018	**229**
Net provisions	64
Use	(6)
Balance as of 31 December 2019	**287**
Net provisions	77
Use	(9)
Balance as of 31 December 2020	**355**

Net provisions to the provision for writedown of receivables appear in the income statement under the item net writedowns of financial assets (see note 7.7).

6.9 Assets and liabilities deriving from contracts with customers

Assets from contracts with customers, equal to Euro 1,816 thousand and Euro 251 thousand at 31 December 2020 and 31 December 2019 respectively, primarily represented the right to obtain a consideration for goods transferred to customers in relation to the production of moulds and equipment.

Liabilities from contracts with customers, worth Euro 1,445 thousand and Euro 721 thousand at 31 December 2020 and 31 December 2019 respectively, represent advances received from customers for contractual obligations not yet met.

Assets and liabilities from contracts with customers are shown net in the statement of assets and liabilities if they refer to the same contractual obligation to the same customer. The table below shows the gross amount of assets and liabilities from contracts with customers, and how they are compensated, as of 31 December 2019 and 31 December 2020.

(in thousands of Euro)	At 31 December	
	2020	2019
Gross assets from contracts with customers	3,294	1,880
Compensation with liabilities from contracts with customers	(1,478)	(1,629)
Assets from contracts with customers	**1,816**	**251**
Gross liabilities from contracts with customers	2,923	2,350
Compensation with assets from contracts with customers	(1,478)	(1,629)
Liabilities from contracts with customers	**1,445**	**721**

6.10 Other receivables and current assets

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

(in thousands of Euro)	At 31 December	
	2020	2019
Dividends receivable	1,098	1,550
Tax receivables	1,574	647
Prepaid expenses	206	560
Advances and instalments	1,035	201
Receivable from employees	41	57
Other receivables	447	802
Other receivables and current assets	**4,401**	**3,817**

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

The dividend receivables at 31 December 2019 and 31 December 2020 refer respectively to the dividends resolved by GVS do Brasil Ltda and not yet collected.

Tax receivables primarily represent VAT credits with internal revenue.

6.11 Cash on hand

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

(in thousands of Euro)	At 31 December	
	2020	2019
Bank and postal accounts	83,424	38,779
Cash and cash equivalents on hand	29	28
Cash on hand and cash equivalents	**83,453**	**38,807**

In the periods in question, cash on hand was not subject to any restrictions or limitations.

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

6.12 Shareholders' equity

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

(in thousands of Euro)	**At 31 December**	
	2020	**2019**
Share capital	1,750	1,650
Share premium reserve	92,771	13,311
Legal reserve	329	329
Extraordinary reserve	30,485	27,130
Negative reserve for treasury shares	-	(10,981)
Actuarial profits and losses reserve	(71)	(5)
Profit (loss) carried over and other reserves	3,849	2,421
Net income	27,308	15,113
Total shareholders' equity	**156,421**	**48,969**

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

Share capital

As of 31 December 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.

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 854 thousand in the years under examination, and represents the effects of conversion from Italian accounting standards to EU-IFRS standards.

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

(in thousands of Euro)	At 31 December 2020	Origin / nature	Possibility of utilisation	Portion available
Share capital	1,750	Capital		-
Share premium reserve	92,771	Capital	A; B; C	92,771
Legal reserve	329	Profits	A; B	329
Extraordinary reserve	30,485	Profits	A; B; C	30,485
Payments on capital increase	129	Capital	A; B; C	129
Exchange gains reserve	2,018	Profits	A; B; C	2,018
Revaluation reserve	2,537	Capital	A; B; C	2,537
Actuarial profits and losses reserve	(71)	Profits		-
Reserve from first adoption of EU-IFRS	(854)	Profits		-
Negative reserve - IFRS contribution	(655)	Capital		-
LTI incentive plan reserve	651	Capital	A; B; C	651
Retained earnings/(losses) - IFRS adjustments	23	Profits	A; B; C	23
Total	**129,113**			**128,943**
Non-distributable portion				1,909
Residual distributable portion				**127,034**

The above table provides the possibility of utilisation for each item as follows:

- A: for capital increase;
- B: to cover losses and
- C: for distribution to shareholders.

6.13 Financial liabilities (current and non-current)

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

(in thousands of Euro)	At 31 December			
	2020		2019	
	Current portion	Non-current portion	Current portion	Non-current portion
2014 Bond Loan	4,035	12,145	4,411	17,684
2017 Bond Loan	7,967	23,935	7,972	31,890
Total bonded loans	**12,002**	**36,080**	**12,383**	**49,574**
Pool Loan Agreement	-	-	13,351	58,176
Banco BPM loan	-	-	1,756	4,152
Unicredit mortgage (2017)	-	-	1,332	2,663
BNL loan	-	-	1,000	2,000
Banco BPM mortgage	-	-	1,342	1,008
BPER mortgage	-	-	316	-
Deutsche Bank loan	-	-	313	-
Mediobanca loan (2020)	2,213	17,712	-	-

Unicredit loan (2020)	3,954	15,936	-	-
Commercial lines of credit	-	-	3,000	-
Accrued payables	937	-	1,712	-
Total financial payables to banks	**7,103**	**33,649**	**24,122**	**67,999**
GVS Japan KK loan	-	4,351	-	3,695
GVS Korea Ltd loans	-	3,303	-	2,015
GVS Sud Srl loans	-	1,330	-	1,330
Total financial payables to subsidiaries	**-**	**8,984**	**-**	**7,040**
Education Ministry (MIUR) loan under special terms (GVS SpA)	65		65	65
Invitalia	336			
Total other financial payables	**401**	**-**	**65**	**65**
Total financial liabilities	**19,507**	**78,712**	**36,570**	**124,678**

During the year, new bilateral loans were signed with Mediobanca and Unicredit and a soft loan with Invitalia, for a total nominal amount of € 40,336 thousand.

It should also be noted that, against available liquidity, in July 2020 GVS paid off early its loans from Unicredit, Banco Popolare di Milano and Banca Nazionale del Lavoro for a total amount of € 12,525 thousand, and in October 2020 the syndicated loan taken out with Unicredit, Mediobanca and Banca Nazionale del Lavoro for a total amount of € 58,500 thousand. The repayment will allow GVS to optimise the Company's financial structure by reducing the average annual cost of medium/long-term debt, without any significant impact on the net financial position or the sources of support of Company business.

Below is a description of the principal items making up the Company’s financial liabilities as of 31 December 2020.

a) Bonded loans

a1) 2017 Bonded Loan

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

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

- at an annual rate of 3.0% if the ratio between net financial indebtedness and consolidated EBITDA calculated as of the date of the annual financial report or half-year financial report previous to payment of the coupon is less than 3.0;
- at an annual rate of 3.25% if the ratio between net financial indebtedness and consolidated EBITDA calculated as of the date of the annual financial report or half-year financial report previous to payment of the coupon and from 31 December 2018 to the end of the contract is between 3.0 and 3.5;
- at an annual rate of 3.5% if the ratio between net financial indebtedness and consolidated EBITDA calculated as of the date of the annual financial report or half-year financial report previous to payment of the coupon and until 31 December 2018 is between 3.5 and 3.75.

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

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

As of 31 December 2020, financial constraints have been met

The 2017 Bonded Loan was not assisted by real guarantees.

A2) 2014 Bonded Loan

On 9 January 2014, the Company issued a bonded loan falling due on 9 January 2024, guaranteed by GVS North America Inc, Maine Manufacturing LLC and GVS Filter Technology UK Ltd, reserved for corporate investors, with a face value totalling USD 35,000 thousand, initially listed on the Vienna stock exchange and then recalled from trading (hereinafter the "**2014 Bonded Loan**"). The 2014 Bonded Loan, placed with an issue price equal to 100% of its face value, involved, after changes to the same loan occurring in 2017 payment, interest calculated at an annual floating rate between 7.0% or 6.5%, depending on the ratio of consolidated net financial indebtedness to consolidated EBITDA, as defined in the contract, calculated on the date of the annual financial statements or half-yearly financial report prior to payment of the coupon, if between 3.75 and 3.0 or below 3, respectively. The interest was paid with six-monthly post-dated coupons falling due on 9 January and 9 July of each year. Under the bonded loan, following a 4-year pre-amortisation period, the face value of the debt was to be repaid by payment of annual instalments of USD 5,000 thousand starting on 9 January 2018.

The 2014 Bonded Loan provides for changes to the same loan during 2017 as a financial constraint, with respect, at consolidated level, to:

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

As of 31 December 2020, financial constraints have been met

The 2014 Bonded Loan was not assisted by real guarantees.

b) Loans in existence as of 31 December 2020

b1) Unicredit mortgage (2020)
On 13 November 2020 GVS stipulated a mortgage agreement with Unicredit S.p.A. for a total of Euro 20,000 thousand. The loan falls due on 30 November 2025. The agreement requires payment of 60 deferred quarterly instalments from 28 February 2021 until the due date. The interest rate is variable and corresponds to the

Euribor 3-month rate plus a spread of 0.75%. The contract requires, as a financial constraint, compliance at the consolidated level with:

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

As of 31 December 2020, the financial constraints have been met.

b2) Mediobanca (2020)

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

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

As of 31 December 2020, the financial constraints have been met.

c) Other financial payables in existence as of 31 December 2020

c1) Invitalia

During the Coronavirus emergency, Invitalia published the Special Measures to Protect Health and Support the Economy (CuraItalia) tender call, in which GVS participated, and their application was accepted. During the month of April 2020, the Company received a loan under special terms with no interest. Against the Company investing in production lines for personal protective equipment, the tender will cover 75% of the investment and gives the possibility of transforming the loan under special terms into a non-repayable grant, depending on the speed with which the production lines become operational. GVS has provided the disbursing body with the documentation supporting the various investments and to date is 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.

d) Loans from subsidiaries

d1) GVS Japan KK loan

On 26 May 2017, GVS entered into a loan agreement with GVS Japan KK of up to JPY 300,000 thousand, increased to JPY 400,000, later to JPY 500,000 and finally to JPY 600,000 thousand, through three amending acts respectively on 1 September 2018, 1 September 2019 and 15 May 2020. The loan contract, the amount of which is to be used exclusively to finance the operating activities, provides for an interest rate equal to the change in each six-month period (from January to July and from July to December) in the six-month Libor plus a spread of 1.53% and will be repaid at sight no later than 30 December 2022.

d2) GVS Korea Ltd loans

On 24 September 2019, GVS stipulated a loan agreement with GVS Korea Ltd, for a maximum amount of KRW 1,400,000 thousand. The loan contract, the amount of which is to be used exclusively to finance the operating activities, provides for an interest rate equal to the six-month Libor plus a spread of 2.0% and must be repaid on demand no later than 23 September 2023.

On 1 January 2019, the two loan contracts signed with GVS Korea Ltd on 25 May 2018 and 14 June 2017 which provided for a maximum drawdown of KRW 922,179 thousand and KRW 290,000 thousand respectively were incorporated into a single contract. The modified loan contract, the amount of which is to be used exclusively to finance the operating activity, includes an interest rate equal to the six-month Libor plus a spread of 2.0% and must be repaid on demand no later than 25 May 2022.

On 12 May 2020, GVS stipulated another loan agreement with GVS Korea Ltd, for a maximum amount of KRW 650,000 thousand. The loan contract, the amount of which is to be used exclusively to finance the operating activities, provides for an interest rate equal to the six-month Libor plus a spread of 2.0% and must be repaid on demand no later than 11 May 2024.

d3) GVS Sud S.r.l. loans

GVS entered into a non-interest-bearing loan agreement with GVS Sud S.r.l. on 16 December 2019 for an amount of Euro 1,330 thousand. The loan must be repaid on demand no later than 31 December 2022.

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

(in thousands of Euro)	**At 01 January 2020**	**Opening**	**Reclassification**	**Repayment**	**Variation in accrued payables on interest**	**Depreciation on cost**	**(Profits) losses on exchanges**	**Changes in fair value**	**At 31 December 2020**
Non-current financial liabilities	124,678	42,282	16,767	(103,227)	-	-	(1,682)	(106)	78,712
Current financial liabilities	36,570	-	(16,767)	-	(780)	484	-	-	19,507
Total financial liabilities	**161,248**	**42,282**	**-**	**(103,227)**	**(780)**	**484**	**(1,682)**	**(106)**	**98,219**

6.14 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 Company at 31 December is reported.

	Net financial debt and NFP	**At 31 December**	
	(in thousands of Euro)	**2020**	**2019**
	Cash	29	32
	Cash on hand	83,424	38,775
(A)	**Liquidity**	**83,453**	**38,807**
	Financial receivables from parent companies		
	Financial receivables from subsidiaries	15,166	16,290
(B)	**Current financial receivables**	**15,166**	**16,290**

(C)	Current bank debts		
(D)	Current portion of non-current indebtedness	(19,507)	(36,570)
	Financial payables to other companies in the GVS Group due to leasing	(388)	(382)
	Financial payables for leasing	(400)	(356)
(E)	Other current financial payables	(789)	(738)
(F)	**Current financial indebtedness (C)+(D)+(E)**	**(20,296)**	**(37,308)**
(G)	**Net current financial indebtedness (A)+(B)+(F)**	**78,324**	**17,789**
	Non-current bank debts	(33,649)	(68,064)
	Non-current bonded loans	(36,080)	(49,574)
	Non-current financial payables to subsidiaries	(8,984)	(7,040)
	Financial payables to other companies in the GVS Group due to leasing	(857)	(1,245)
	Non-current financial payables for leasing	(405)	(409)
	Non-current derivative instruments	(107)	-
(H)	**Non-current financial indebtedness**	**(80,080)**	**(126,332)**
(I)	**Net financial indebtedness (G)+(H)**	**(1,756)**	**(108,543)**
	Non-current financial receivables from subsidiaries	77,747	96,107
	Financial payables for leasing	2,050	2,392
(H)	**Total net financial position**	**78,041**	**(10,044)**

The net financial position of the Company excluding current and non-current leases, recognised in accordance with IFRS 16 and including the non-current portion of financial payables to subsidiaries, amounts to positive € 78,041 thousand and negative € 10,044 thousand as of 31 December 2020 and 31 December 2019.

6.15 Provisions for employee benefits

The table below shows the breakdown and movements of provisions for employee benefits in the years ending on 31 December 2019 and 31 December 2020.

(in thousands of Euro)	**Termination indemnity**	**End of office indemnity**	**Provisions for employee benefits**
Balance as of 31 December 2018	**1,345**	**1,326**	**2,671**
Current service cost	-	74	74
Financial charges	20	15	35
Actuarial losses/(profits)	(11)	59	48
Benefits paid	(113)	-	(113)
Balance as of 31 December 2019	**1,241**	**1,474**	**2,715**
Current service cost	-	78	78
Financial charges	9	5	14
Actuarial losses/(profits)	32	60	92
Benefits paid	(118)	-	(118)
Balance as of 31 December 2020	**1,164**	**1,617**	**2,781**

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

As of 31 December 2019 and 31 December 2020, provisions for employee benefits represented termination indemnity (known in Italy as "**TFR**") allocated for employees and end of service indemnity (known in Italy as "**TFM**") allocated for directors.

Termination indemnity (TFR)

Employee benefits for TFR amount to Euro 1,164 thousand and Euro 1,241 thousand on 31 December 2020 and 31 December 2019, respectively.

The value of the payable represented by termination indemnity, which falls under the definition of defined benefit plans according to IAS 19, has been determined on the basis of actuarial logic. The principal actuarial, financial and demographic hypotheses used to determine the value of the liability as of 31 December 2019 and 31 December 2020 in accordance with the provisions of IAS 19 are listed below.

(As a percentage)	**At 31 December**	
	2020	**2019**
Financial hypotheses		
Annual actualisation rate	0.34%	0.77%
Annual inflation rate	1.00%	1.00%
Annual rate of increase in overall pay	2.00%	2.00%
Annual rate of increase in end of service indemnity	2.25%	2.25%
Demographic hypotheses		
Death	Table illustrating probability of death, as determined by the State General Accounting Office, known as RG48	Table illustrating probability of death, as determined by the State General Accounting Office, known as RG48
Invalidity	Probability adopted in the INPS form for projections as of 2010	Probability adopted in the INPS form for projections as of 2010
Retirement	Reaching the first of the valid retirement requirements for Obligatory General Insurance	Reaching the first of the valid retirement requirements for Obligatory General Insurance
Probability of advancing termination indemnity	3.00%	3.00%
Annual turnover	2.50%	2.50%

The table below sums up the sensitivity analysis for each actuarial, financial and demographic hypothesis, showing the effects (in absolute terms) that would result from changes in the actuarial hypotheses reasonably considered possible as of 31 December 2019 and 31 December 2020.

(in thousands of Euro)	**Annual actualisation rate**		**Annual inflation rate**		**Annual turnover**	
	+0.50%	**-0.50%**	**+0.25%**	**-0.25%**	**+2.00%**	**-2.00%**
Employee benefits (termination indemnity) as of 31 December 2020	(129)	(22)	(61)	(93)	(97)	(56)
Employee benefits (termination indemnity) as of 31 December 2019	(59)	64	18	(18)	(15)	20

End of office indemnity (TFM)

Employee benefits for TFM amount to Euro 1,617 thousand and Euro 1,474 thousand on 31 December 2020 and 31 December 2019, respectively.

The value of the payable represented by end of service indemnity, which falls under the definition of defined benefit plans according to IAS 19, has been determined on the basis of actuarial logic. The principal actuarial, financial and demographic hypotheses used to determine the value of the liability as of 31 December 2019 and 31 December 2020 in accordance with the provisions of IAS 19 are listed below.

(As a percentage)	**At 31 December**	
	2020	**2019**
Financial hypotheses		
Annual actualisation rate	-0.02%	0.37%
Annual rate of increase in overall pay	0.00%	0.00%
Annual rate of increase in end of service indemnity	0.00%	0.00%
Demographic hypotheses		
Death	Table illustrating probability of death, as determined by the State General Accounting Office, known as RG48	Table illustrating probability of death, as determined by the State General Accounting Office, known as RG48
Invalidity	Probability adopted in the INPS form for projections as of 2010	Probability adopted in the INPS form for projections as of 2010
Retirement	Reaching the age of 65, if subsequent to the end of the term of office, or the end date of the term of office	Reaching the age of 65, if subsequent to the end of the term of office, or the end date of the term of office
Annual turnover	2.50%	2.50%

The table below sums up the sensitivity analysis for each actuarial, financial and demographic hypothesis, showing the effects (in absolute terms) that would result from changes in the actuarial hypotheses reasonably considered possible as of 31 December 2019 and 31 December 2020.

(in thousands of Euro)	**Annual actualisation rate**		**Annual turnover**	
	+0.50%	**-0.50%**	**+2.00%**	**-2.00%**
Employee benefits (end of service indemnity) as of 31 December 2020	94	195	265	(2)
Employee benefits (end of service indemnity) as of 31 December 2019	(52)	56	133	(158)

6.16 Provisions for risks and charges

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

(in thousands of Euro)	**Provisions for risks and charges**
Balance as of 31 December 2019	**-**
Allocation	1,000
Use	-
Balance as of 31 December 2020	**1,000**

In 2018 GVS underwent a tax assessment by the Italian tax authorities (Agenzia delle Entrate) for the 2015 fiscal year, as a result of which a formal report on findings was issued. During December 2020, the Company settled the refutations relating to the same report of verification by means of verification with acceptance procedure. Some of the refutations made by the Revenue Agency in the report of verification could be repeated in relation to transactions carried out by the Company in subsequent tax periods and consequently, supported by its consultants, the Company has prudently made a provision of € 1,000 thousand.

6.17 Non-current derivative financial instruments

Non-current financial derivatives amount to € 107 thousand at 31 December 2020.
The balance of this item is entirely the result of the negative fair value of two IRS (*Interest rate Swap*) derivative contracts hedging the risk of changes in interest rates of contracts entered into with Unicredit and Mediobanca during 2020 (see note 8.13). Derivative financial instruments, having individually a notional amount of € 20,000 thousand, equal to the nominal value of the hedged items, guarantee a fixed interest rate for the entire duration of the loan entered into with Mediobanca and Unicredit.

In accordance with the provisions of IFRS 9, the derivatives contracts were designated as a financial instrument covering interest rates. As a result, changes in the derivatives and the instrument hedged were entered among financial charges and proceeds in the income statement.

6.18 Trade payables

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

(in thousands of Euro)	**At 31 December**	
	2020	**2019**
Trade payables to suppliers	9,441	4,091
Trade payables to subsidiaries	22,548	20,580
Trade payables from other related parties	-	2
Trade payables	**31,989**	**24,673**

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

Trade payables to related parties are analysed in note 8, “Transactions with related parties”.

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

6.19 Current tax receivables and payables

Current tax receivables have a zero value as at 31 December 2019 and 31 December 2020.

Current tax payables amounted to Euro 5,464 thousand and Euro 215 thousand at 31 December 2020 and 31 December 2019 respectively.

Changes in the net balance of these assets and liabilities in the years ending on 31 December 2020 and 31 December 2019 primarily pertain to allocation of current income taxes amounting to Euro 8,789 thousand, Euro and Euro 3,536 thousand and payments of Euro 3,747 thousand, thousand and Euro 4,379 thousand, respectively.

6.20 Other current payables and liabilities

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

(in thousands of Euro)	**At 31 December**	
	2020	**2019**
Payable to employees	3,819	3,757
Payable for dividends	-	1,681

Payable to social security institutions	1,228	1,053
Deferred income	659	582
Tax payables	798	708
Payable to directors	1,360	18
Accrued payables	27	26
Other	304	199
Other current payables and liabilities	**8,194**	**8,024**

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 owned to pension and social security institutions.

Tax payables as of 31 December 2019 and 31 December 2020 primarily include tax payables for taxes not correlated to income, consisting primarily of withholding tax on employees' pay.

Payable for dividends as of 31 December 2019 refer to dividends resolved in the year 2019 and paid during 2020.

7. Notes to the income statement

7.1 Revenue from customer contracts

The table below breaks down revenues from contracts with customers by type of product in the years ending on 31 December 2019 and 31 December 2020.

(in thousands of Euro)	**Financial year ended 31 December**	
	2020	**2019**
Healthcare Liquid	47,697	57,285
Healthcare Air & Gas	794	434
Laboratory	3,051	1,729
Healthcare & Life Sciences	**51,542**	**59,448**
Powertrain & Drivetrain	1,588	4,087
Safety & Electronics	14,255	9,703
Energy & Mobility	**15,843**	**13,790**
Personal Safety	56,763	1,587
Air Safety	7	9
Health & Safety	**56,770**	**1,596**
Revenue from customer contracts	**124,155**	**74,834**

The increase in revenues in the period ended 31 December 2020 compared to the period of the previous year is mainly due to the increase in turnover achieved in the Health & Safety divisions.

The table below breaks down revenues from contracts with customers by geographic area in the years ending on 31 December 2019 and 31 December 2020.

(in thousands of Euro)	**Financial year ended 31 December**	
	2020	**2019**
North America	20,430	18,812
Europe	78,663	29,497

Asia	23,049	24,630
South America	2,013	1,895
Total revenue from customer contracts	**124,155**	**74,834**

Revenues as of 31 December 2020 are mainly attributable to the sale of finished products.

7.2 Other revenues and proceeds

The table below breaks down other revenues and proceeds in the years ending on 31 December 2019 and 31 December 2020.

(in thousands of Euro)	**Financial year ended 31 December**	
	2020	**2019**
Recovery and chargeback	2,782	1,283
Contributions for operating expenses	113	314
Insurance refunds	3	114
Recovery of scrap	47	53
Capital gains on sales	-	10
Other	493	344
Other revenues and proceeds	**3,438**	**2,118**

Contributions for operating expenses primarily represent tax credits on research projects, as well as a contribution obtained from CNR, Italy's national research centre, for a specific project.

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

The table below breaks down purchases and consumption of raw materials, semi-products and finished products in the years ending on 31 December 2019 and 31 December 2020.

(in thousands of Euro)	**Financial year ended 31 December**	
	2020	**2019**
Purchases of raw materials, finished products, components and consumables	51,293	31,863
Variation in inventories of products in progress, semi-products and finished products	(1,361)	723
Variation in inventories of raw materials, subsidiary materials and goods	(968)	(376)
Purchases and consumption of raw materials, semi-products and finished products	**48,964**	**32,210**

This item includes net provisions for inventory write-downs of € 450 thousand for the year ended 31 December 2020, while no amounts had been posted for the year ended 31 December 2019.

7.4 Personnel costs

The table below breaks down personnel costs in the years ending on 31 December 2019 and 31 December 2020.

(in thousands of Euro)	**Financial year ended 31 December**	
	2020	**2019**
Salaries and wages	20,107	13,775
Social security contributions	5,694	4,048

Cost of termination indemnity	821	763
Personnel costs	**26,622**	**18,586**

The table below reports the average number of Company employees in the years ending on 31 December 2019 and 31 December 2020, broken down by category.

(In units)	Financial year ended 31 December	
	2020	2019
Blue-collar workers	155	155
White-collar workers	100	87
Management	16	15
Executives	14	13
Total employees	**285**	**270**

7.5 Service costs

The table below breaks down service costs in the years ending on 31 December 2019 and 31 December 2020.

(in thousands of Euro)	Financial year ended 31 December	
	2020	2019
Utilities and cleaning services	1,517	1,540
Maintenance	748	714
Transportation	1,185	387
Consulting services	5,032	435
Travel and lodging	319	1,075
Subcontracting	1,826	2,389
Marketing and trade fairs	423	464
Insurance	541	486
Cafeteria	463	96
Commissions	254	226
Directors' fees	2,560	408
Other services	1,615	886
Service costs	**16,483**	**9,106**

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

7.6 Other operating costs

The table below breaks down other operating costs in the years ending on 31 December 2019 and 31 December 2020.

(in thousands of Euro)	Financial year ended 31 December	
	2020	2019
Leasing costs	379	232
Indirect taxation	61	57
Membership fees and charity contributions	143	107

Other minor costs	359	201
Other operating costs	**942**	**597**

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

7.7 Net writedowns of financial assets

Net writedowns of financial assets, entered on the basis of the requirements of IFRS 9, totalled Euro 77 thousand and Euro 64 thousand in the years ending on 31 December 2020 and 31 December 2019, respectively, and represent writedown of trade receivables.

A breakdown of movements in the provision for writedown of receivables for the years ending on 31 December 2019 and 31 December 2020 appears in note 6.9 - "Trade receivables".

7.8 Amortisation, depreciation and writedowns

The table below breaks down amortisation, depreciation and writedowns in the years ending on 31 December 2019 and 31 December 2020.

(in thousands of Euro)	**Financial year ended 31 December**	
	2020	**2019**
Amortisation and writedowns of intangible assets	283	306
Depreciation and writedowns of tangible assets	3,281	2,767
Amortisation and writedowns of assets represented by usage rights	852	865
Amortisation, depreciation and writedowns	**4,416**	**3,938**

A breakdown of the composition of, and movements in, intangible assets and tangible assets for the years ending on 31 December 2019 and 31 December 2020 is provided in notes 6.1 and 6.3. Information on assets represented by usage rights in the period examined appears in note 6.2.

7.9 Financial proceeds and charges

The table below breaks down financial proceeds in the years ending on 31 December 2019 and 31 December 2020.

(in thousands of Euro)	**Financial year ended 31 December**	
	2020	**2019**
Interest income	2,670	3,897
Net profits on exchanges	-	2,016
Other financial proceeds	64	42
Financial proceeds	**2,734**	**5,955**

Interest income is only attributable to loans granted by GVS to subsidiaries (see note 6.6).

The table below breaks down financial charges in the years ending on 31 December 2019 and 31 December 2020.

(in thousands of Euro)	**Financial year ended 31 December**	
	2020	**2019**
Interest on bonded loans	2,420	2,620
Interest on loans	588	1,493
Net losses on exchanges	7,707	-
Interest on leasing liabilities	37	30
Interest on actualisation of provisions for employee benefits	15	35
Amortised cost	563	291
Other financial charges	169	45
Financial charges	**11,499**	**4,514**

Financial income and charges include in the year ended 31 December 2019 net profits on exchanges and in the year ended 31 December 2020 net losses on exchanges mainly related to unrealised gains and losses deriving from the adjustment in Euro of the dollar-denominated bonded loan and from the intercompany loan granted in dollars by GVS to the subsidiary GVS NA Holdings Inc.

7.10 Income and expense from equity investments

The table below breaks down financial proceeds and expense from equity investments for the years ending on 31 December 2019 and 31 December 2020.

(in thousands of Euro)	**Financial year ended 31 December**	
	2020	**2019**
Dividends from equity investments	14,516	5,995
Revaluations (write-downs) from equity investments	-	-
Income and expense from equity investments	**14,516**	**5,995**

The table below breaks down equity investments for the years ending on 31 December 2019 and 31 December 2020.

(in thousands of Euro)	**Financial year ended 31 December**	
	2020	**2019**
GVS do Brasil Ltda	-	1,510
Fenchurch Environmental Group Ltd	5,604	-
GVS Technology (Suzhou) Co. Ltd	8,912	4,485
Total dividends from equity investments	**14,516**	**5,995**

7.11 Annual income tax

The table below breaks down annual income tax in the years ending on 31 December 2019 and 31 December 2020.

(in thousands of Euro)	**Financial year ended 31 December**	
	2020	**2019**
Current taxes	8,789	3,536
Deferred taxes	(2,215)	1,237
Non-recurring taxes	1,958	-

Income tax	**8,532**	**4,773**

The table below reconciles the theoretical tax rate with the effective impact of taxation on the pre-tax result in the years ending on 31 December 2019 and 31 December 2020.

(in thousands of Euro)	**Financial year ended 31 December**	
	2020	**2019**
Pre-tax result	**35,840**	**19,886**
Theoretical tax rate	24.0%	24.0%
Theoretical tax burden	**8,602**	**4,773**
Permanent differences effects of taxation	(3,519)	(810)
IRAP (Regional production tax)	1,491	556
Other	1,958	254
Income tax	**8,532**	**4,773**

7.12 Net profit per share

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

	Financial year ended 31 December	
	2020	**2019**
Net profit (in € thousand)	27,308	15,113
Weighted average number of shares in circulation	137,719,608	1,512,005
Profit per share (in Euro)	**0.20**	**10.00**

Diluted earnings per share at 31 December was positive at 0.20 (positive at €10.00 at 31 December 2019) calculated by dividing the result attributable to the shareholders of GVS SpA by the weighted average number of shares in circulation, adjusted to take into account the effects of all potential ordinary shares with dilutive effect. As potential ordinary shares with dilutive effect, those linked to the performance shares plan have been considered.

8. Non-recurring revenues and operating costs

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

Non-recurring income and charges for the period ended 31 December 2020 refer to one-off consulting costs and bonuses paid to personnel in relation to the IPO procedure concluded on 19 June 2020 (€ 5,081 thousand, net of the related tax effect. Non-recurring charges for taxes also include € 1,535 thousand relating to the costs of the tax dispute described above.

No significant non-recurring income or expense was recorded for the period ended 31 December 2019.

9. Transactions with related parties

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

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

The table below sums up the Company's payables and receivables in relation to related parties at 31 December 2019 and 31 December 2020.

(in thousands of Euro)	**Subsidiary companies**	**GVS Group**	**GVS Real Estate**	**Top management**	**Total**	**Total item in the financial statement**	**Impact on the financial statement**
Assets represented by usage rights							
At 31 December 2020	-	-	1,221	-	**1,221**	**2,012**	**60.7%**
At 31 December 2019	-	-	1,606	-	**1,606**	**2,364**	**67.9%**
Non-current financial assets							
At 31 December 2020	77,747	-	-	-	**77,747**	**77,772**	**100.0%**
At 31 December 2019	96,107	-	-	-	**96,107**	**96,132**	**100.0%**
Trade receivables							
At 31 December 2020	12,779	-	-	-	**12,779**	**28,117**	**45.4%**
At 31 December 2019	5,030	-	-	-	**5,030**	**17,497**	**28.7%**
Current tax receivables							
At 31 December 2020	-	-	-	-	**-**	**-**	**0.0%**
At 31 December 2019	-	-	-	-	**-**	**-**	**0.0%**
Current financial assets							
At 31 December 2020	15,166	-	-	-	**15,166**	**15,166**	**100.0%**
At 31 December 2019	16,290	-	-	-	**16,290**	**16,290**	**100.0%**
Other receivables and current assets							
At 31 December 2020	1,098	0	-	-	**1,098**	**4,401**	**25.0%**
At 31 December 2019	1,550	515	-	-	**2,065**	**3,817**	**54.1%**
Non-current financial liabilities							
At 31 December 2020	8,984	-	-	-	**8,984**	**78,712**	**11.4%**
At 31 December 2019	7,040	-	-	-	**7,040**	**124,678**	**5.6%**
Non-current leasing liabilities							
At 31 December 2020	-	-	857	-	**857**	**1,262**	**67.9%**
At 31 December 2019	-	-	1,245	-	**1,245**	**1,654**	**75.3%**
Provisions for employee benefits							
At 31 December 2020	-	-	-	1,617	**1,617**	**2,780**	**58.2%**
At 31 December 2019	-	-	-	1,474	**1,474**	**2,715**	**54.3%**
Current leasing liabilities							
At 31 December 2020	-	-	388	-	**388**	**789**	**49.2%**
At 31 December 2019	-	-	382	-	**382**	**738**	**51.8%**
Trade payables							
At 31 December 2020	22,548	-	-	-	**22,548**	**31,989**	**70.5%**
At 31 December 2019	20,580	2	-	-	**20,582**	**24,673**	**83.4%**
Current tax payables							
At 31 December 2020	-	4,327	-	-	**4,327**	**5,464**	**79.2%**
At 31 December 2019	-	382	-	-	**382**	**215**	**177.7%**
Other current payables and liabilities							
At 31 December 2020	657	-	-	2,855	**3,512**	**8,194**	**42.9%**
At 31 December 2019	580	1,681	-	202	**2,463**	**8,024**	**30.7%**

The table below lists the Company's economic relations with related parties for the years ending on 31 December 2019 and 31 December 2020.

(in thousands of Euro)	Subsidiary companies	GVS Group	GVS Real Estate	Top management	Total	Total item in the financial statement	Impact on the financial statement
Revenue from customer contracts							
Financial year ended 31 December 2020	47,108	-	-	-	**47,108**	**124,155**	**37.9%**
Financial year ended 31 December 2019	11,772	-	-	-	**11,772**	**74,834**	**15.7%**
Other revenues and proceeds							
Financial year ended 31 December 2020	2,773	-	-	-	**2,773**	**3,438**	**80.7%**
Financial year ended 31 December 2019	1,138	-	-	-	**1,138**	**2,118**	**53.7%**
Purchases and consumption of raw materials, semi-products and finished products							
Financial year ended 31 December 2020	11,300	-	-	-	**11,300**	**48,964**	**23.1%**
Financial year ended 31 December 2019	16,802	-	-	-	**16,802**	**32,210**	**52.2%**
Personnel costs							
Financial year ended 31 December 2020	-	-	-	3,432	**3,432**	**26,622**	**12.9%**
Financial year ended 31 December 2019	-	-	-	2,063	**2,063**	**18,586**	**11.1%**
Service costs							
Financial year ended 31 December 2020	1,728	815	-	2,485	**5,028**	**16,483**	**30.5%**
Financial year ended 31 December 2019	2,683	-	-	413	**3,096**	**9,106**	**34.0%**
Amortisation, depreciation and writedowns							
Financial year ended 31 December 2020	-	-	386	-	**386**	**4,416**	**8.7%**
Financial year ended 31 December 2019	-	-	386	-	**386**	**3,938**	**9.8%**
Financial proceeds							
Financial year ended 31 December 2020	2,670	-	-	-	**2,670**	**2,734**	**97.7%**
Financial year ended 31 December 2019	3,897	-	-	-	**3,897**	**5,955**	**65.4%**
Financial charges							
Financial year ended 31 December 2020	115	-	17	-	**132**	**11,499**	**1.1%**
Financial year ended 31 December 2019	92	-	22	-	**114**	**4,514**	**2.5%**
Income and expense from equity investments							
Financial year ended 31 December 2020	14,516	-	-	-	**14,516**	**14,516**	**100.0%**
Financial year ended 31 December 2019	5,995	-	-	-	**5,995**	**5,995**	**100.0%**

Transactions with subsidiary companies

Provision of certain quality control services by GVS Microfiltrazione S.r.l. for the benefit of GVS

GVS has transactions for the sale of goods with GVS Microfiltrazione S.r.l. on which the subsidiary provides a quality control service aimed at certifying that these products meet specific technical requirements. As of 31 December 2019 and 31 December 2020 other current payables and liabilities refer to the deferred income recorded following the suspension of income from sales transactions for which the related cost has not yet been incurred.

Service costs for the financial years ended 31 December 2019 and 31 December 2020 mainly relate to the quality control services described above.

Production of certain products by GVS Sud S.r.l. for the benefit of GVS

GVS Sud S.r.l. produces and markets goods only in favour of the parent company GVS. In particular, GVS purchases from GVS Sud S.r.l. mainly finished products related to Healthcare & Life Sciences, as well as semi-finished goods related to the Energy & Mobility division.

Loans granted by GVS to subsidiaries

Financial assets (current and non-current) and financial income are mainly attributable to the loan granted to GVS NA Holdings to finance the KUSS acquisition, as well as to minor loans granted by GVS to subsidiaries to finance their operations and to refinance their outstanding debt (see notes 6.6 and 7.9).

Transactions with the GVS Group

The Company participates in the optional national tax consolidation system under GVS Group SpA. Current tax payables at 31 December 2019 and 31 December 2020 refer exclusively to this case.

Transactions with GVS Real Estate

On 5 March 2018, GVS stipulated a leasing agreement with GVS Real Estate S.r.l., expiring on 28 January 2024, for two production facilities, one of which includes the Company's registered offices in Zola Predosa (BO). On the basis of this lease contract, at 31 December 2020, the Group accounted for assets represented by usage rights and relative leasing liabilities for Euro 1,221 thousand and Euro 1,245 thousand respectively (Euro 1,606 thousand and Euro 1,627 thousand at 31 December 2019), as well as depreciation and financial charges, for the period ended 31 December 2020, for Euro 386 thousand and Euro 17 thousand respectively.

Transactions with Top Management

As of the date of the 2020 financial statements the following are considered members of the Group's Top Management:

- the chief executive officer;
- the chief financial officer;

- *the chief operation officer;*

- the managers of the *(i)* Healthcare & Life Sciences; *(ii)* Health & Safety; *(iii)* Energy & Mobility and *(iv)* Science & Development divisions;

- the Chairman of the Board of Directors.

The table below provides details of fees payable to members of Top Management in the years ending on 31 December 2019 and 31 December 2020, including contributions.

(in thousands of Euro)	**Financial year ended 31 December**	
	2020	**2019**
Fees for office held	1,101	868
Bonuses and other incentives	2,126	776
Other fees	205	420
Directors' fees	2,485	413
Total	**5,916**	**2,477**

Please note that:

- other current payables and liabilities as of 31 December 2020 include payables to directors for fees not yet paid totalling Euro 1,360 thousand (Euro 18 thousand at 31 December 2019);

- provisions for employee benefits as of 31 December 2020 include the value of end of service indemnity for directors totalling Euro 1,617 thousand (Euro 1,474 thousand at 31 December 2019);

- costs for services for the period ended 31 December 2020 include directors' fees, expenses tied to the performance share plan and allocations to the provisions for end of service indemnity for a total amount of Euro 2,485 thousand (Euro 413 thousand for the period ended 31 December 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.

10. Commitments and risks

Sureties and guarantees granted to third parties

At 31 December 2020, the Company had sureties and guarantees in place for a total amount of Euro 100 thousand.

Potential liabilities

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

11. Directors' and auditors' fees

The remuneration for 2020 payable to directors (including bonuses, charges related to the performance share plan, allocations to the provision for the end of service indemnity and related contributions) and statutory auditors € 2,560 thousand (Euro 415 thousand for the year ended 31 December 2019) and € 28 thousand (€ 24 thousand for the year ended 31 December 2019).

The following table gives details of the remuneration for executive directors and non-executive directors in 2020.

(in thousands of Euro)	**2020**
Chairman of the Board of Directors	161
Executive Directors	2,324
Non-executive directors	75
Total cost	**2,560**

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

12. Independent auditor's fees

The independent auditor's fees amount to Euro 1,440 thousand and Euro 135 thousand for the years ending on 31 December 2020 and 31 December 2019, respectively. In compliance with the provisions of Art. 149-duodecies of the CONSOB Issuers Regulation, the fees for 2020 for audit services and other services provided by the independent auditors and entities belonging to its network and others have been attached.

13. Research and development

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

Research and development expenses amounted to € 5,538 thousand and € 3,901 thousand for the years ended 31 December 2019 and 31 December 2020.

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

There were no significant events after the end of the financial year.

15. Disclosures pursuant to Art. 1, paragraph 125 of Law 124 dated 4 August 2017

In relation to the provisions of Art. 1, paragraph 125 of Law 124/2017, concerning the obligation to disclose in the explanatory notes any sums of money received during the financial year by way of subsidies or grants from the public administrations and entities referred to in paragraph 125 of that article, the Company hereby certifies that during 2020 the following sums were received:

Disbursing subject	**Grant received (in thousands of Euro)**	**Reason**
Emilia-Romagna region	89	IRAP grant for research
European Union	24	Trinity Project

16. Approval of the Financial Statements and authorisation for publication

The Financial Statements ending on 31 December 2020 were approved on 19 March 2021 by the Board of Directors, which authorised their publication within the legal deadline.

Zola Predosa, 19 March 2021

For the Board of Directors
Chief Executive Officer
Massimo Scagliarini

SCHEDULES ATTACHED TO THE FINANCIAL STATEMENTS

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

(in thousands of Euro)	At 31 December 2020	of which with related parties	percentage	At 31 December 2019	of which with related parties	percentage
ASSETS						
Non-current assets						
Intangible assets	3,034			2,839		
Assets represented by usage rights	2,012	1,221	60.7%	2,364	1,606	67.9%
Tangible assets	19,979			16,801		
Equity investments	63,680			49,939		
Advance tax assets	1,544			-		
Non-current financial assets	77,772	77,747	100.0%	96,132	96,107	100.0%
Non-current derivative financial instruments	-			-		
Other receivables and non-current assets	-			-		
Total non-current assets	**168,021**			**168,074**		
Current assets						
Inventories	6,694			4,918		
Trade receivables	28,117	12,779	45.4%	17,497	5,030	28.7%
Assets from contracts with customers	1,816			251		
Current tax receivables	-			-		
Other receivables and current assets	4,401	1,098	25.0%	3,817	2,065	54.1%
Current financial assets	15,166	15,166	100.0%	16,290	16,290	100.0%
Cash on hand	83,453			38,807		
Total current assets	**139,648**			**81,581**		
TOTAL ASSETS	**307,669**			**249,654**		
SHAREHOLDERS' EQUITY AND LIABILITIES						
Share capital	1,750			1,650		
Reserves	127,362			32,206		
Net income	27,308			15,113		
Total shareholders' equity	**156,421**			**48,969**		
Non-current liabilities						
Non-current financial liabilities	78,712	8,984	11.4%	124,678	7,040	5.6%
Non-current leasing liabilities	1,262	857	67.9%	1,654	1,245	75.3%
Deferred tax liabilities	-			696		
Provisions for employee benefits	2,780	1,617	58.2%	2,715	1,474	54.3%
Provisions for risks and charges	1,000			-		
Non-current derivative financial instruments	107			-		
Other non-current payables and liabilities	-			-		
Total non-current liabilities	**83,861**			**129,744**		
Current liabilities						
Current financial liabilities	19,507			36,570		
Current leasing liabilities	789	388	49.2%	738	382	51.8%
Trade payables	31,989	22,548	70.5%	24,673	20,582	83.4%
Liabilities from contracts with customers	1,445			721		
Current tax payables	5,464	4,327	79.2%	215	382	177.8%
Other current payables and liabilities	8,194	3,512	42.9%	8,024	2,463	30.7%
Total current liabilities	**67,388**			**70,941**		
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**307,669**			**249,654**		

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

(in thousands of Euro)	Financial year ended 31 December					
	2020	**of which with related parties**	**percentage**	**2019**	**of which with related parties**	**percentage**
Revenue from customer contracts	124,155	47,108	37.9%	74,834	11,772	15.7%
Other revenues and proceeds	3,438	2,773	80.7%	2,118	1,138	53.7%
Total revenues	**127,592**			**76,952**		
Purchases and consumption of raw materials, semi-products and finished products	(48,964)	(11,300)	23.1%	(32,210)	(16,802)	52.2%
Personnel costs	(26,622)	(3,432)	12.9%	(18,586)	(2,063)	11.1%
Service costs	(16,483)	(5,028)	30.5%	(9,106)	(3,096)	34.0%
Other operating costs	(942)			(597)		
EBITDA	**34,582**			**16,452**		
Net writedowns of financial assets	(77)			(64)		
Amortisation, depreciation and writedowns	(4,416)	(386)	8.7%	(3,938)	(386)	9.8%
EBIT	**30,089**			**12,450**		
Financial proceeds	2,734	2,670	97.6%	5,955	3,897	65.4%
Financial charges	(11,499)	(132)	1.1%	(4,514)	(114)	2.5%
Income and expense from equity investments	14,516	14,516	100.0%	5,995	5,995	100.0%
Pre-tax result	**35,840**			**19,886**		
Income tax	(8,532)			(4,773)		
Net income	**27,308**			**15,113**		

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

(in thousands of Euro)	Financial year ended 31 December					
	2020	of which with related parties	percentage	2019	of which with related parties	percentage
Pre-tax result	35,840	(8,978)	-25%	19,886	(4,521)	-23%
- Adjustment for:				-		
Amortisation, depreciation and writedowns	4,416	386	9%	3,938	386	10%
Capital losses / (capital gains) from sale of assets	-			(10)		
Financial charges / (proceeds)	8,764	132	2%	(1,441)	114	-8%
Income and expense from equity investments	(14,516)	(14,516)	100%	(5,995)	(5,995)	100%
Other non-monetary variations	1,177	143	12%	138	148	107%
Cash flow generated / (absorbed) by operations before variations in net working capital	***35,682***			***16,516***		
Variation in inventories	(2,226)			90		
Variation in trade receivables	(10,568)	(7,749)	73%	2,483	3,626	146%
Variation in trade payables	11,745	1,966	17%	(1,250)	(435)	35%
Variation in other assets and liabilities	(68)	3,697	-5433%	1,372	11,916	869%
Use of provisions for risks and charges and for employee benefits	(118)			(113)		
Taxes paid	(3,747)	(3,353)	89%	(4,379)	(3,500)	80%
Net cash flow generated / (absorbed) by operations	**30,700**			**14,719**		
Investments in tangible assets	(6,517)			(3,616)		
Investments in intangible assets	(479)			(539)		
Disposal of tangible assets	58			10		
Opening of financial receivables from subsidiaries and other financial assets	(5,855)			(2,473)		
Repayment of financial receivables from subsidiaries	16,945	19,484	115%	24,827	20,446	82%
Equity investments	(13,662)			(3)		
Dividends from equity investments	14,516	14,516	100%	5,795	5,995	103%
Net cash flow generated / (absorbed) by investment	**5,005**			**24,002**		
Opening of long-term financial payables	42,283	1,944	5%	9,722	3,306	34%
Repayment of long-term financial payables	(103,227)			(24,981)		
Variations in current financial payables	-			-		
Repayment of leasing liabilities	(894)	(383)	43%	(843)	(378)	45%
Financial charges paid	(4,781)	(132)	3%	(4,840)	(114)	2%
Financial proceeds collected	2,734			4,003		
Net fee for IPO	74,507			-		
Dividends paid	(1,681)	(1,681)	100%	(8,328)	(8,328)	100%
Net cash flow generated/(absorbed) by financial assets	**8,940**			**(25,268)**		
Total variation in cash on hand	**44,646**			**13,453**		
-						
Cash on hand at the start of the year	**38,807**			**25,354**		
Total variation in cash on hand	44,646			13,453		
Cash on hand at the end of the year	**83,453**			**38,807**		

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

(in thousands of Euro)	Financial year ended 31 December							
	2020	**of which non-recurring**	**2020 from ordinary operations**	**percentage**	**2019**	**of which non-recurring**	**2019 from ordinary operations**	**percentage**
Revenue from customer contracts	124,155		124,155		74,834		74,834	
Other revenues and proceeds	3,438		3,438		2,118		2,118	
Total revenues	**127,592**	**-**	**127,592**		**76,952**	**-**	**76,952**	
Purchases and consumption of raw materials, semi-products and finished products	(48,964)		(48,964)		(32,210)		(32,210)	
Personnel costs	(26,622)	(796)	(25,826)	3.0%	(18,586)		(18,586)	
Service costs	(16,483)	(4,285)	(12,198)	26.0%	(9,106)		(9,106)	
Other operating costs	(942)		(942)		(597)		(597)	
EBITDA	**34,582**	**(5,081)**	**39,663**		**16,452**	**-**	**16,452**	
Net writedowns of financial assets	(77)		(77)		(64)		(64)	
Amortisation, depreciation and writedowns	(4,416)		(4,416)		(3,938)		(3,938)	
EBIT	**30,089**	**(5,081)**	**35,170**		**12,450**	**-**	**12,450**	
Financial proceeds	2,734		2,734		5,955		5,955	
Financial charges	(11,499)		(11,499)		(4,514)		(4,514)	
Income and expense from equity investments	14,516		14,516		5,995		5,995	
Pre-tax result	**35,840**	**(5,081)**	**40,921**		**19,886**	**-**	**19,886**	
Income tax	(8,532)	(166)	(8,367)	1.9%	(4,773)		(4,773)	
Net income	**27,308**	**(5,247)**	**32,555**		**15,113**	**-**	**15,113**	

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

The following schedule, prepared pursuant to Art. 149-duodecies of the CONSOB Issuers' Regulation, highlights the fees for 2020 for audit services and other services provided by the independent auditors and entities belonging to its network as well as others. The first table includes the fees for all services performed during the year, excluding one-off services for the listing process, which are shown in the second table attached.

(in thousands of Euro)	**Subject that has provided the service**	**Recipient/assignment**	**2020 fees**
	PwC SpA	Parent company - audit of the financial statements	35.0
	PwC SpA	Parent company - audit of the consolidated financial statements	37.5
	PwC SpA	Parent company - audit of the half-yearly report	70.0
Total Audit of Accounting			**142.5**
	PwC SpA	Parent Company - certification in relation to financial covenants (NAS)	3.0
	PwC SpA	Parent company - limited audit of DNF (NAS)	25.0
	TLS Professional Association	Parent company - Preparation of transfer price documentation	8.0
	PricewaterhouseCoopers Advisory SpA	Parent Company – consultancy to the Manager in charge of tasks, Law 262 including detection/mapping and critical analysis.	81.0
Total other services (NAS)			**117.0**
TOTAL			**259.5**

Services performed for the purposes of the listing process

(in thousands of Euro)	**Subject that has provided the service**	**Recipient/assignment**	**2020 fees**
	PwC SpA	Parent company - Audit of the three-year financial statements prepared for listing purposes	180.0
	PwC SpA	Parent Company – Consultancy on methods and criteria on prospectus prepared by GVS SpA, comfort letter issuance and bring down letter	450.0
	PwC SpA	Parent Company – Assurance activity on budget and industrial plan (ISAE 3000 e 3400)	240.0
	PwC SpA	Parent company - Assurance activity on the management control system (ISAE 3000)	135.0
	TLS Professional Association	Parent Company – Due diligence activity on taxes and issuance of comfort letter	175.0
Total other services (NAS)			**1,180.0**
TOTAL			**1,180.0**

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

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

    - the adequacy in relation to the characteristics of the business, and
    - the effective application of the administrative and accounting procedures for the preparation of the Financial Statements during the year 2020.

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

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

3.3 the Report on Operations includes a reliable analysis of operating performance and results as well as of the situation of the issuer, together with a description of the principal risks and uncertainties to which they are exposed.

Zola Predosa, 19 March 2021

Massimo Scagliarini	Emanuele Stanco
Chief Executive Officer	Manager responsible for the preparation of the accounting documents

REPORT OF THE BOARD OF STATUTORY AUDITORS TO THE SHAREHOLDERS' MEETING ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2020