Annual Financial Report

2023

GVS

Relazione Finanziaria annuale

2023

05.

Consolidated Financial Statements at 31 December 2023

INFORMATION ABOUT THE COMPANY AND INFORMATION FOR SHAREHOLDERS

REGISTERED OFFICE

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LEGAL INFORMATION

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INVESTOR RELATIONS

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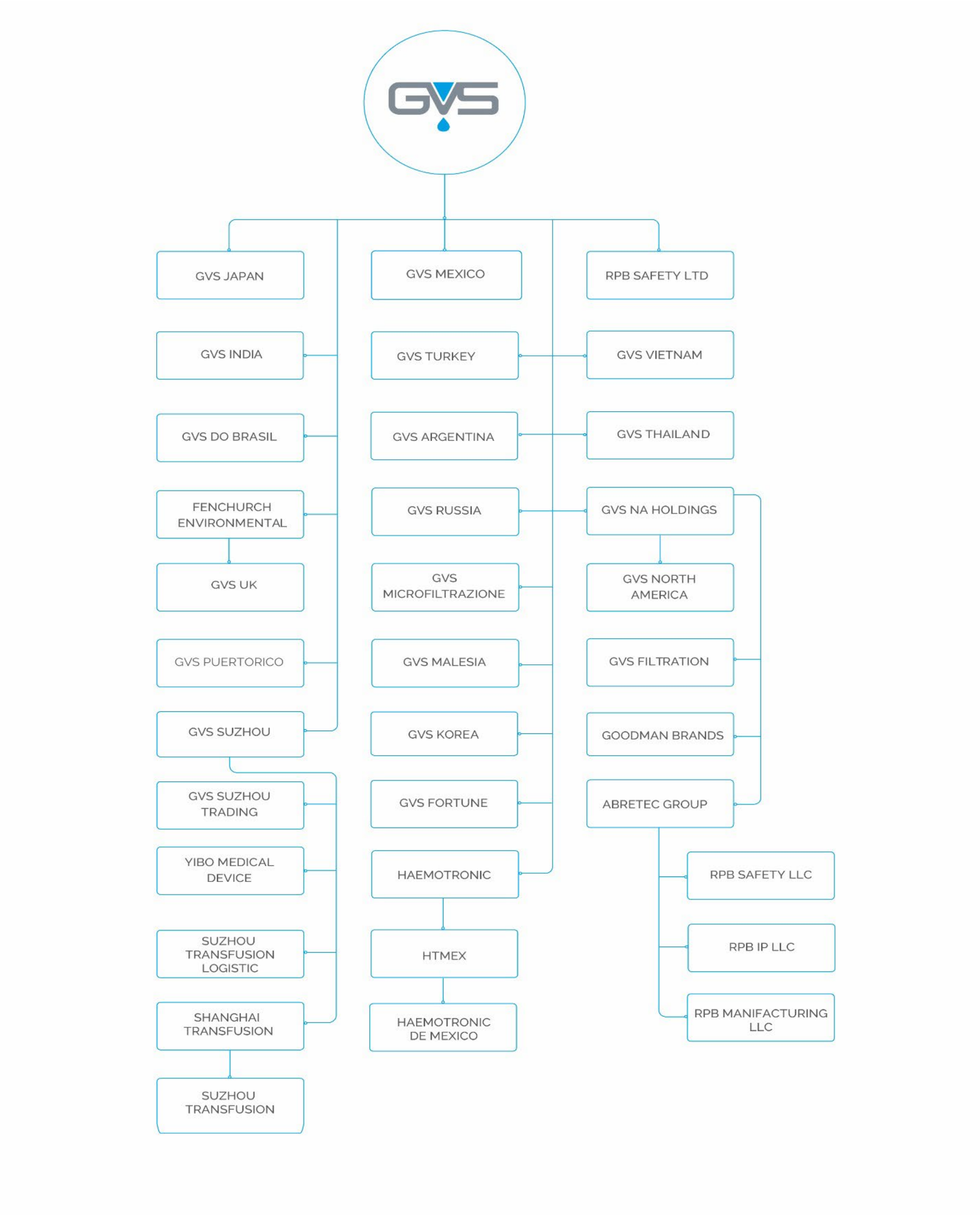
GROUP STRUCTURE*



*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 (independent)	Alessandro Nasi
Chief Executive Officer	Massimo Scagliarini
Non-Executive Directors	Marco Pacini
	Grazia Valentini
	Marco Scagliarini
Independent Directors	Simona Scarpaleggia (1) (2)
	Anna Tanganelli (1)
	Pietro Cordova (1) (2)
	Michela Schizzi (2)

Board of Auditors

Chairman	Maria Federica Izzo
Standing auditors	Francesca Sandrolini
	Giuseppe Farchione
Alternate auditors	Alessia Fulgeri
	Mario Difino

Manager responsible for the preparation of the Company's corporate accountants	Emanuele Stanco
Independent Auditors	PricewaterhouseCoopers SpA

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

DIRECTORS' REPORT ON OPERATIONS

Foreword

The Management Report of GVS SpA (hereinafter also referred to as the "Company" or the "Parent Company") and that of the GVS Group are presented with the annual financial statements and consolidated financial statements at 31 December 2023.

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

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

The tables below have been prepared on the basis of the consolidated financial statements and the annual financial statements at 31 December 2023, to which reference should be made. The latter were prepared in accordance with the International Financial Reporting Standards ("IFRS") issued by the *International Accounting Standards Board* ("IASB") and approved by the European Union, as well as with measures issued in implementation of Article 9 of Legislative Decree no. 38/2005.

Group performance and analysis of the results of the year 2023.

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

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

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

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

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

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

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

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

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

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

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

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

- the Energy & Mobility division, which represents 15.7% of the total, recorded a decrease in turnover level of 13.6% compared to the same period of 2022, reaching Euro 66.8 million;

- the Health & Safety division represents 16.6% of the total and settled at Euro 70.7 million with an increase of 8.9% compared to the same period of the previous year.

The financial statements for the year closing at 31 December 2023 are shown below in comparison with those of the previous year, reclassified on the basis of current practice in financial analysis.

Analysis of reclassified financial position

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

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

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

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

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

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

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

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

Analysis of reclassified equity position

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

Fixed capital at 31 December 2023 shows a decrease of Euro 24,782 thousand, mainly as a result of depreciation and negative exchange differences in the period, net of investments relating to tangible and intangible fixed assets. Specifically, net intangible fixed assets decreased by Euro 23,145 thousand, of which Euro 19,516 thousand for amortization and write-downs and Euro 11,003 thousand for the negative exchange translation reserve for the period, net of net increases for the period equal to Euro 7,401 thousand. Tangible fixed assets recorded an increase of Euro 2,481 thousand, of which Euro 21,314 thousand relating to investments capitalized in the period net of depreciation and write-downs equal to Euro 17,863 thousand. The net decrease in usage rights equal to Euro 2,784 thousand is mainly linked to depreciation for a total of Euro 6,747 thousand. Lastly, other fixed assets decreased by Euro 1,335 thousand following the change in non-current financial instruments of Euro 1,819 thousand and prepaid tax receivables of Euro 635 thousand net of the increase in long-term receivables of Euro 3,037 thousand recorded at 31 December 2023.

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

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

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

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

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

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

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

Analysis of net financial indebtedness and net financial position

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

	(in thousands of Euro)	**As of 31 December 2023**	**As of 31 December 2022**
(A)	Cash and cash equivalents	191,473	135,169
(B)	Cash equivalents	-	-
	Financial assets held for trading	2,317	4,592
	Financial lease receivables	168	187
(C)	Other current financial assets	**2,485**	**4,779**
(D)	**Liquidity (A)+(B)+(C)**	**193,958**	**139,948**
	Current bank debts	-	-
	Financial payables to parent companies	1,531	-
	Financial lease liabilities to other companies in the GVS Group	1,475	2,907
	Financial lease liabilities	5,909	5,405
	Other current payables	-	
	Other financial liabilities	20,789	256
(E)	Current financial indebtedness	29,704	8,568

(F)	Current portion of non-current indebtedness	103,751	437,982
(G)	**Current financial indebtedness (E)+(F)**	**133,455**	**446,550**
(H)	**Net current financial indebtedness (G)-(D)**	**60,503**	**(306,602)**
	Non-current bank borrowings	275,715	10,094
	Non-current bond	-	-
	Other financial liabilities	25,299	41,878
	Other financial liabilities to GVS Group	75,000	-
	Financial lease liabilities to other companies in the GVS Group	1,430	1,547
	Non-current financial lease liabilities	11,734	15,352
(I)	Non-current financial indebtedness	389,178	68,871
	Passive derivative financial instruments	-	-
(J)	Debt instruments	-	-
(K)	Trade payables and other non-current payables	-	-
(L)	**Non-current financial indebtedness (I)+(J)+(K)**	**389,178**	**68,871**
(M)	**Total net financial indebtedness (H)-(L)**	**(328,675)**	**(375,473)**

The reduction in net financial debt at 31 December 2023 compared to 31 December 2022, equal to a total of Euro 46,798 thousand, is mainly due to the cash generated by operations net of the liquidity used for net investments in tangible and intangible fixed assets for the period (Euro 28,175 thousand), for net financial charges (Euro 19,815 thousand) and for the payment of taxes (Euro 10,508 thousand). In terms of current operations, the cash generated by operations, equal to Euro 96,598 thousand and the liquidity generated by changes in working capital for Euro 20,186 thousand, was much higher than the amount used for the payment of financial charges, taxes, use of provisions for risks and charges and investments, resulting in a reduction of overall net financial debt. Net current financial debt, equal to a negative Euro 306,602 thousand as of 31 December 2022, amounted to a positive Euro 60,503 thousand as of 31 December 2023. Non-current financial debt, equal to a negative Euro 68,871 thousand as of 31 December 2022, amounted to a negative Euro 389,178 thousand as of 31 December 2023. These changes, between current and non-current payables, are mainly attributable to the portion of medium-term loans classified as short-term loans as of 31 December 2022, following the provisions of IAS 1. At 31 December 2022, even if essentially these payables were not due within the twelve-month period following 31 December 2022, as the Company had not received any formal request for payment from the credit institutions, the reclassification had been accounted for in the consolidated financial statements as required by international accounting standards. At 31 December 2023, financial payables had been reclassified in the financial statements in accordance with the related amortization plans. We also note that in the period under review, the Company obtained a loan of Euro 75 million from the parent company GVS Group Srl, the liquidity of which was invested in time deposit bank accounts and current accounts tied to market rates.

The Group's net financial position (including non-current active derivatives and non-current active loans, and excluding net current and non-current leasing liabilities recorded in accordance with the provisions of IFRS 16) is equal to negative Euro 303,046 thousand at 31 December 2023 and negative Euro 343,325 thousand at 31 December 2022.

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

The following table shows the adjusted net financial indebtedness*:*

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

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

<u>Cash flow statement</u>

The cash flow statement appears below.

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

Total variation in cash on hand	**59,830**	**(1,527)**

Cash on hand at the start of the period	**135,169**	**136,893**
Total variation in cash on hand	59,830	(1,527)
Conversion differences on cash on hand	(3,526)	(197)
Cash on hand at the end of the period	**191,473**	**135,169**

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

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

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

Indicators

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

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

The Parent Company GVS SpA

The consolidated financial statements of the Parent Company GVS SpA for the year closing at 31 December 2023 are shown below in comparison with those of the previous year, reclassified on the basis of current practice in financial analysis.

Analysis of reclassified financial position

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

Revenues from ordinary operations mainly derive from *(i)* revenues from contracts with customers for Euro 74,265 thousand (Euro 78,017 thousand in 2022) and *(ii)* other operating income of Euro 5,114 thousand (Euro 5,725 thousand in 2022).
The normalised operating result for 2023 was positive for Euro 3,274 thousand, after saving Euro 5,912 thousand (of which Euro 4,407 thousand related to tangible assets, Euro 234 thousand to intangible assets and Euro 1,271 thousand to assets represented by usage rights following application of IFRS 16).
The result of financial operations from ordinary operations, negative for Euro 12,179 thousand, includes financial proceeds of Euro 17,939 thousand and financial costs of Euro 30,118 thousand. This result also includes negative net exchange differences of Euro 9,109 thousand, mostly unrealized.
Income from equity investments equal to Euro 4,175 thousand mainly relates to the dividends earned by the subsidiaries collected in 2023.
Net profit for the year 2023 was a loss of Euro 9,703 thousand, after recording income taxes for a positive amount of Euro 4,014 thousand.

Analysis of reclassified equity position

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

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

The net invested capital at 31 December 2023, amounting to Euro 603,839 thousand, was fully financed for Euro 194,919 thousand from net equity and Euro 408,920 thousand from the net financial debt. The changes in the balance sheet are analysed and described in the notes to the financial statements.

Analysis of net financial indebtedness and net financial position

The net financial position of the Parent Company as of 31 December 2023, compared with 31 December 2022, is as follows:

	Net financial indebtedness and net financial position of the Parent Company GVS SpA (in thousands of Euro)	**31 Dec. 2023**	**31 Dec. 2022**
	Cash	17	35
	Cash and cash equivalents	118,217	35,326
	Financial assets held for trading	-	-
(A)	**Liquidity**	**118,234**	**35,361**
	Financial receivables from subsidiaries	28,753	26,174
	Other financial receivables	-	-

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

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

Investments.

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

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

Furthermore, it should be noted that, with reference to the period ended 31 December 2023, the main investments concerned the production plants in Italy, the plants in the United States of America and the GVS sites in the United Kingdom, China, Romania and Mexico.

Research and development.

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

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

	Period ended 31 December	
(in thousands of Euro)	**2023**	**2022**
Research and development costs	24,978	23,183
Research and development costs/revenues from contracts with customers	5.9%	6.0%

Human Resources

People are the most important asset for GVS. Our mission is to improve and protect people's lives by achieving three main objectives: to promote a culture of safety and well-being; to bring innovation to the sectors in which we operate through research and; to guarantee the reliability of the technologies of tomorrow in order to create a sustainable future. This mission guides our decisions and the way we manage and train our resources.
We work constantly to ensure a safe and peaceful work environment, based on respect for people, solidarity, the absence of discrimination and careful observance of all local laws and cultures of each of the countries where we operate.
To support the continuous growth of the company and ensure careful management of people even in a greater dimension and complexity, we believe that investment in HR processes is fundamental. Designing and implementing increasingly effective systems for attracting, selecting and keeping talented workers is the fundamental strategy for the sustainability of the Group. The goal is to strengthen all company areas, based on the sound skills of the most experienced men and women, combined with the enthusiasm of those who start their professional development path and those who bring new skills and new perspectives from the outside.
We strongly believe in the effectiveness of sharing objectives and remuneration to always keep the motivation and satisfaction level of our people high, strongly guiding the achievement of strategic results. Corporate objectives are spread to all organizational levels.
Employee training, combined with the attitude of making the things we seek in all management personnel happen, as well as the drive for continuous improvement, are the basis of the innovations, reliability and quality of the products and services that the Group offers.
The company organisation is lean. Processes are rigorous but flexible to ensure rapid decisions with the aim of always providing high levels of service to our customers.
The values that characterize the people of GVS are honesty, transparency, respect and simplicity combined with an open and dynamic leadership style that favours the creation of an environment in which everyone is driven to do their best and focused on guaranteeing constant growth together with continuous improvement, maintaining a healthy lifestyle and a peaceful work environment.

Additional information

The Company does not own, and never has owned, stocks or shares in its parent company, even through an intermediary, and therefore did not buy or sell any such stocks or shares in 2023.

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

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

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

The table below compares the result of the period and the Parent Company's shareholders' equity with the corresponding values of the Group's consolidated financial statements for 31 December 2023 and the previous year.

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

Principal risks and uncertainties

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

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

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

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

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

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

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

Intergroup and related party transactions

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

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

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

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

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

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

Corporate governance

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

The above report can be viewed on the website www.gvs.com - 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 2023 annual financial statements.

Statement on non-financial data

In compliance with the provisions of article 5, paragraph 3, letter b of Legislative Decree 254/2016, the Company has prepared the consolidated declaration of a non-financial nature as a separate report. The 2023 consolidated declaration of a non-financial nature prepared in accordance with the "GRI Reporting Standards" is available on the Group's website www.gvs.com.

Significant events occurring in 2023

On 8 March 2023, GVS SpA signed an agreement with the majority shareholder GVS Group Srl, concerning a subordinated and unsecured shareholder loan of Euro 75 million maturing on 31 December 2027, disbursed the day following the signing of the contract.
This solution made it possible, after the end of the financial year as at 31 December 2022, to comply with the level of financial covenants leverage ratio (equal to 3.5x), calculated on a pro-forma basis with the resulting cash flow deriving from the shareholder loan as at 31 December 2022 and without considering the amount of the shareholder loan as a financial debt for the purpose of calculating the leverage ratio, as resulting from the agreements reached with the financial counterparties on 23 December 2022.

On 8 March 2023, the Company reached an agreement with (i) the pool of lender banks of the credit lines (EUR 230 million, expiring in 2027 and EUR 150 million, expiring in 2026) and the credit institutions regarding the outstanding bilateral loans, as well as (ii) the bondholders referred to in the bond loans (EUR 40 million, maturing in 2024, and USD 35 million, maturing in 2024), for the modification of the interest coverage ratio of the financial covenant. The agreement provides for a lowering of the interest coverage ratio parameter for the checks as of 30 June 2023 and 31 December 2023 compared to the levels set at the time of signing the loans and the subscription agreements of the bond loans (from 4.5x to 3.5x). The redefinition of this parameter was negotiated on a prudential basis to take into account a scenario in 2023 of an increase in financial costs for the Company as a result of the rate increase policy implemented by the European Central Bank to combat inflation.

Events subsequent to the close of the financial year

No significant events occurred after the end of the period.

Climate change and potential impacts for the Group

As far as climate change is concerned, attention is being paid by Company management, which assesses both the risks defining the strategies aimed at reducing its impacts on the Group's operations, and the consequences of its own activities on climate change.
The recent work of the 28th United Nations Conference of the Parties (COP 28), chaired by the United Arab Emirates, confirmed the centrality and urgency of the climate agenda. The wars in Ukraine and the Middle East, and in particular the related energy crisis and increased consumption of coal to deal with the crisis, have placed emphasis on the need to accelerate the transition to renewable sources as a means of strengthening energy security.
The management of the GVS Group, in line with these principles, considers environmental protection a priority objective and undertakes to promote actions aimed at improving environmental performance and limiting the impacts generated.
For further information on the quantitative data for energy consumption, emissions and waste management, please refer to the 2023 Non-Financial Consolidated Statement.
Based on the information currently available, management has carried out assessments on the possible risks and uncertainties associated with climate change. Below is a summary of the analysis conducted using the scheme of the *Task Force on Climate Relayed Financial Disclosure*.

Climate-related risks	Potential Impacts
Regulatory and legal risks	No significant economic impacts are expected from cost increases or reductions in the demand for products and services
Risks of technology	We are not expecting any significant economic impacts related to the replacement of products and services with others with low emissions and no significant development and implementation costs for new processes are expected
Market risk	No significant economic impacts are expected from the reduction in demand for goods and services due to changes in consumer habits or an increase in raw materials.
Reputational risks	No significant economic impacts are expected due to the expectations of stakeholders on issues relating to climate change and reputational damage arising from a possible loss of credibility to the Group in the event of failure to develop an appropriate climate strategy.

Group Management constantly evaluates solutions that can mitigate the negative impacts linked to the increase in costs and, on the other hand, guarantee a reduction of the negative effects that company business has on the climate.
In view of the above, the Directors do not foresee significant risks related to changes in the climate and do not foresee significant effects on the economic and financial results of the Group. At the date of this report, there are no significant risks of adjusting the book values of assets and liabilities or uncertainties that influence the assumptions used to prepare the estimates deriving from climate change.

Business outlook

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

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

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

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

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

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

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

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

Zola Predosa, 26 March 2024

For the Board of Directors

Massimo Scagliarini

Chief Executive Officer

CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2023

CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2023

Consolidated statement of assets and liabilities*

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

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

Consolidated income statement*

(in thousands of Euro)	Notes	Financial year ended 31 December	
		2023	**2022**
Revenue from contracts with customers	8.1	424,737	387,591
Other operating income	8.2	7,620	4,442
Total revenues		**432,357**	**392,033**
Purchases and consumption of raw materials, semi-products and finished products	8.3	(144,236)	(141,198)
Personnel costs	8.4	(131,754)	(123,529)
Service costs	8.5	(56,740)	(54,573)
Other operating costs	8.6	(6,872)	(5,301)
EBITDA		**92,755**	**67,432**
Net impairment losses on financial assets	8.7	(594)	(506)
Amortisation, depreciation and writedowns	8.8	(44,125)	(37,972)
EBIT		**48,036**	**28,955**
Financial income	8.9	3,339	15,145
Financial costs	8.9	(33,056)	(9,475)
Pre-tax result		**18,319**	**34,625**
Income tax	8.10	(4,677)	(10,505)
Net income		**13,642**	**24,120**
Group's share		*13,647*	*24,098*
Minority share		*(5)*	*22*
Basic net profit per share (in Euro)	8.11	0.08	*0.14*
Diluted net profit per share (in Euro)	8.11	0.08	*0.14*

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

Comprehensive consolidated income statement

(in thousands of Euro)	**Notes**	**Financial year ended 31 December**	
		2023	**2022**
Net income		**13,642**	**24,120**
Other components of the comprehensive income statement which will be reclassified in the income statement in subsequent years			
Profits (losses) on cash flow hedges	7.6	(1,819)	**6,525**
Effect of taxation		436	(1,566)
Difference due to conversion of financial statements in foreign currency	7.13	(6,828)	2,052
		(8,210)	**7,011**
Other components of the comprehensive income statement which will not be reclassified in the income statement in subsequent years			
Actuarial profit (loss) due to employee defined benefit plans	7.17	(277)	772
Effect of taxation		77	(215)
		(200)	**557**
Total other components in the comprehensive income statement		**(8,410)**	**7,568**
Comprehensive net profit		**5,232**	**31,688**
Group's share		*5,282*	*31,683*
Minority share		*(50)*	*5*

Prospectus of changes in consolidated shareholders' equity

(in thousands of Euro)	Share capital	Reserves							Net income	Group net shareholders' equity	Shareholders' equity attributable to non-controlling interests	Total shareholders' equity
		Share premium reserve	*Legal reserve*	*Extraordinary reserve*	*Translation reserve*	*Negative reserve for treasury shares*	*Actuarial profits and losses reserve*	*Profit (loss) carried over and other reserves*				
As of 31 December 2021	**1,750**	**92,770**	**350**	**35,022**	**(3,246)**	**(3,448)**	**(113)**	**104,632**	**67,590**	**295,307**	**40**	**295,347**
Net income	-	-	-	-	-	-	-	-	24,098	24,098	22	24,120
Total other components in the comprehensive income statement	-	-	-	-	2,069	-	557	4,959	-	7,585	(17)	7,568
Comprehensive net profit	-	-	-	-	*2,069*	-	*557*	*4,959*	*24,098*	*31,683*	*5*	*31,688*
Allocation of net profit from previous year	-	-	-	25,606	-	-	-	41,984	(67,590)	-	-	-
Increase in reserves for long-term incentives	-	-	-	-	-	-	-	1,875	-	1,875	-	1,875
Hyperinflation reserve	-	-	-	-	-	-	-	169	-	169	-	169
Purchase of treasury shares	-	-	-	-	-	(1,405)	-	-	-	(1,405)	-	(1,405)
As of 31 December 2022	**1,750**	**92,770**	**350**	**60,628**	**(1,177)**	**(4,853)**	**444**	**153,619**	**24,098**	**327,629**	**46**	**327,674**

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

Consolidated statement of cash flows*

(in thousands of Euro)	Notes	Financial year ended 31 December	
		2023	**2022**
Pre-tax result		18,319	34,625
- Adjustment for:			
Amortisation, depreciation and writedowns	8.8	44,125	37,972
Capital losses / (capital gains) from sale of assets	8.2 - 8.6	74	21
Financial costs / (income)	8.9	29,717	(5,671)
Other non-monetary variations		4,363	6,750
Cash flow generated / (absorbed) by operations before variations in net working capital		***96,598***	***73,697***
Variation in inventories	7.7	14,637	3,144
Variation in trade receivables	7.8	19,150	(11,921)
Variation in trade payables	7.19	(17,394)	13,834
Variation in other assets and liabilities	7.11 - 7.20	3,793	9,133
Use of provisions for risks and charges and for employee benefits	7.17 - 7.18	(4,707)	(1,919)
Taxes paid	8.10	(10,508)	(9,846)
Net cash flow generated / (absorbed) by operations		**101,569**	**76,121**
Investments in tangible assets	7.3	(21,314)	(17,841)
Investments in intangible assets	7.1	(6,862)	(5,024)
Disposal of tangible assets	7.3	357	129
Investment in financial assets	7.5	(96,601)	(4,116)
Disinvestment in financial assets	7.5	98,691	6,451
Payment for purchase of business unit net of cash on hand acquired		(1,098)	(236,027)
Net cash flow generated / (absorbed) by investment		**(26,826)**	**(256,429)**
Opening of long-term financial liabilities	7.15	75,000	232,531
Repayment of long-term financial liabilities	7.15	(68,875)	(43,861)
Variations in current financial payables	7.15	2,174	-
Repayment of lease liabilities	7.2	(8,576)	(5,390)
Financial costs paid	8.9	(17,913)	(4,903)
Financial income collected	8.9	3,339	1,808
Treasury shares	7.13	(62)	(1,405)
Net cash flow generated/(absorbed) by financial assets		**(14,913)**	**178,780**
Total variation in cash on hand		**59,830**	**(1,527)**
Cash on hand at the start of the period		**135,169**	**136,893**
Total variation in cash on hand		59,830	(1,527)
Conversion differences on cash on hand		(3,526)	(197)
Cash on hand at the end of the period		**191,473**	**135,169**

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

Sommario

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2023

1. General information

1.1 Foreword

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

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

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

2. Summary of the accounting standards adopted

2.1 Declaration of conformity with international accounting standards

The consolidated financial statements at 31 December 2023 (hereinafter the "**Consolidated Financial Statements**") have been prepared in compliance with the International Accounting Standards ("IFRS") issued by the International Accounting Standards Board and endorsed by the European Union. "IFRS" means all revised international accounting standards ("IAS"), as well as all interpretative documents issued by the International Financial Reporting Interpretations Committee (IFRIC) and the previous Standing Interpretations Committee (SIC).

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

These Consolidated Financial Statements were approved by the Company's Board of Directors on 26 March 2024 and subjected to auditing by independent auditor PricewaterhouseCoopers S.p.A.

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

2.2 General principles of preparation

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

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

An asset is classified as current when:

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

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

A liability is classified as current when:

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

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

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

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

The Consolidated Financial Statements have been prepared as follows:

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

It should also be noted that with reference to business continuity, the economic and financial performance of the Group recorded during the year was very positive and cash equivalents at 31 December 2023, amounting to Euro 191.5 million, credit lines currently available and the cash flows that will be generated by operations are considered adequate to meet the Group's obligations and to finance its operations.

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

With regard to the performance in the year 2023, please read the Directors' Report on Operations.

2.3 Consolidation criteria and methods

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

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

Company name	Registered offices	Currency	Share capital at 31 December 2023	Direct owner	Percentage of control	
					As of 31 December 2023	As of 31 December 2022
YUYao Yibo Medical Device Co. Ltd	China - Yuyao	CNY	5,420,000	GVS Technology (Suzhou) Co. Ltd.	100.00%	100.00%
GVS Technology (Suzhou) Co. Ltd.	China - Suzhou (PRC)	CNY	182,658,405	GVS SpA	100.00%	100.00%
Suzhou GVS Trading Co. Ltd.	China - Ningbo	CNY	250,000	GVS Technology (Suzhou) Co. Ltd.	100.00%	100.00%
GVS Fortune Holding Ltd	Hong Kong (PRC)	HKD	1	GVS SpA	100.00%	100.00%
GVS North America Inc	USA - Sanford (MA)	USD	Na	GVS North America Holdings Inc	100.00%	100.00%
GVS Filtration Inc	USA - Findlay (OH)	USD	10	GVS North America Holdings Inc	100.00%	100.00%
GVS NA Holdings Inc	USA - Sanford (MA)	USD	0.10	GVS SpA	100.00%	100.00%
Fenchurch Environmental Group Ltd	United Kingdom - Morecambe	GBP	1,469	GVS SpA	100.00%	100.00%
GVS Filter Technology UK Ltd	United Kingdom - Morecambe	GBP	27,000	Fenchurch Environmental Group Ltd	100.00%	100.00%
GVS do Brasil Ltda	Brazil - Municipio de Monte Mor, Campinas	BRL	20,755,226	GVS SpA	99.95%	99.95%
GVS Argentina Sa	Argentina - Buenos Aires	ARS	1,510,212	GVS SpA	94.12%	94.12%
GVS Filter Technology de Mexico	Mexico - Nuevo Leon	MXN	50,000	GVS SpA	99.90%	99.90%
GVS Korea Ltd	Korea - Seoul	KRW	100,000,000	GVS SpA	100.00%	100.00%
GVS Microfiltrazione Srl	Romania - Ciorani	RON	1,600	GVS SpA	100.00%	100.00%
GVS Japan KK	Japan - Tokyo	JPY	1,000,000	GVS SpA	100.00%	100.00%
GVS Russia LLC	Russia - Moscow	RUB	10,000	GVS SpA	100.00%	100.00%
GVS Filtre Teknolojileri	Turkey - Istanbul	TRY	100,000	GVS SpA	100.00%	100.00%
GVS Puerto Rico LLC	Puerto Rico - Fajardo	USD	Na	GVS SpA	100.00%	100.00%
GVS Filtration SDN. BHD.	Malaysia - Petaling Jaya	MYR	3,000,000	GVS SpA	100.00%	100.00%
GVS Filter India Private Limited	India - Mumbai	INR	100,000	GVS SpA	100.00%	100.00%
Abretec Group LLC	USA - Detroit (MI)	USD	14,455,437	GVS North America Holdings Inc	100.00%	100.00%
Goodnan Brands LLC	USA - Detroit (MI)	USD	0	GVS North America Holdings Inc	100.00%	100.00%
RPB Safety LLC	USA - Detroit (MI)	USD	0	Abretec Group LLC	100.00%	100.00%

RPB Manufacturing LLC	USA - Detroit (MI)	USD	0	Abretec Group LLC	100.00%	100.00%
RPB IP LLC	USA - Detroit (MI)	USD	0	Abretec Group LLC	100.00%	100.00%
RPB Safety Ltd	New Zealand - Christchurch	NZD	1,000	GVS SpA	100.00%	100.00%
GVS Filtration Co., Ltd.	Thailand - Bangkok	THB	12,000,000	GVS SpA	100.00%	100.00%
Shanghai Transfusion Technology Co. Ltd	China - Shanghai (PRC)	CNY	86,757,543	GVS Technology (Suzhou) Co. Ltd.	100.00%	100.00%
Suzhou Laishi Transfusion Equipment Co. Ltd.	China - Suzhou (PRC)	CNY	2,271,895	Shanghai Transfusion Technology Co. Ltd	100.00%	100.00%
GVS Logistics Management (Shanghai) Co. Ltd	China - Shanghai (PRC)	CNY	25,000,000	GVS Technology (Suzhou) Co. Ltd.	100.00%	NA
GVS Vietnam Company Limited	Vietnam - Ho Chi Minh City	VND	449,800,000	GVS SpA	100.00%	100.00%
Haemotronic SpA	Italy - Mirandola (MO)	EUR	5,040,000	GVS SpA	100.00%	100.00%
Htmex Inc	USA - McAllen, Texas	USD	2,500,000	Haemotronic SpA	100.00%	100.00%
Haemotronic de Mexico S DE RL DE CV	Mexico - Raynosa	MXN	29,603	Htmex Inc	100.00%	100.00%

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

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

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

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

Subsidiary companies

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

- assets and liabilities, charges and income from controlled entities are taken line by line, attributing to any minority shareholders their share in the company's shareholders' equity and annual net profit; these shares are reported separately in shareholders' equity and in the comprehensive income statement;
- profits and losses, including the effect of taxation, deriving from transactions among companies which are consolidated in full and not yet realised in relation to third parties are eliminated, with the exception of losses, which are not eliminated if the transaction offers evidence of a reduction of the value of the asset transferred. Reciprocal payables and receivables, costs and revenues are also eliminated, as are financial charges and income;

- in the presence of interests acquired subsequently to obtaining control (acquisition of minority interests), if there is any difference between purchase cost and the corresponding portion of net assets acquired, it is recorded in the Group's shareholders' equity; similarly, the effects of sale of minority shares without loss of control are recorded under shareholders' equity. Sale of shares resulting in a loss of control, on the other hand, will result in recording in the comprehensive income statement:
  (i) of any capital gains/losses, calculated as the difference between the payment received and the corresponding portion of consolidated shareholders' equity sold;
  (ii) of the effect of remeasurement of the residual share maintained, if any, to align it with fair value;
  (iii) of any values that may be entered under other components of overall profit in relation to the subsidiary in which the company no longer owns the controlling share, which will be reversed to the comprehensive income statement, or, if this is not done, to the item "Profit carried over" under shareholders' equity.

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

Business combinations

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

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

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

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

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

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

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

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

Transactions with minority shareholders

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

Conversion of the financial statements of foreign companies

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

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

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

Currency	At 31 December		Financial year ended 31 December	
	2023	2022	2023 (average)	2022 (average)
Brazilian Real	5.3618	5.6386	5.401	5.4399
Argentine Peso (*)	892.9239	188.5033	313.8989	136.7767
Chinese Renminbi	7.8509	7.3582	7.6600	7.0788
American Dollar	1.105	1.0666	1.081	1.0530
Hong Kong Dollar	8.6314	8.3163	8.464	8.2451
Japanese Yen	156.3300	140.6600	151.9902	138.0274
Korean Won	1433.6600	1,344.0900	1412.8800	1,358.0733
Russian Ruble	98.6700	78.9716	92.5447	74.9892
Turkish Lira (*)	32.6531	19.9649	25.7596	17.4088
Mexican Peso	18.7231	20.8560	19.1830	21.1869
Romanian Ron	4.9756	4.9495	4,946	4.9313
Indian Rupee	91.9045	88.1710	89.3001	82.6864
Malaysian Ringitt	5.0775	4.6984	4.9319	4.6279
New Zealand dollar	1.7504	1.6798	1.762	1.6582
Thai Baht	37.9730	36.8350	37.6311	36.8562
Vietnamese Dong	26,808	25,183	25,770	24,630
British Pound	0.86905	0.8869	0.8697	0.8528

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

Conversion of items in foreign currency

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

2.4 Accounting standards and assessment criteria

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

Intangible assets

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

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

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

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

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

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

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

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

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

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

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

(a) Goodwill

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

(b) Intangible assets with a defined useful lifespan

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

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

Usage rights and leasing assets and liabilities

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

In a contract which is, or contains, a leasing agreement, every lease component is separate from non-lease components, unless the Group applies the practical expedient identified in point 15 of IFRS 16. This practical expedient permits the tenant to choose, for every class of underlying asset, not to separate the non-lease components from the lease components and to enter all lease components and their associated non-lease components as a single lease component.
The term of the lease is determined as the period during which the leasing agreement cannot be cancelled, to which the following time periods must be added:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Tangible assets

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

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

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

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

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

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

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

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

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

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

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

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

(a) Goodwill

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

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

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

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

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

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

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

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

Financial assets

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

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

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

a) Financial assets measured at amortised cost

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

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

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

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

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

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

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

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

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

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

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

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

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

Derivative financial instruments and hedges

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

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

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

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

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

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

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

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

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

Trade receivables

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

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

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

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

Inventories

Inventories are goods:

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

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

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

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

Cash on hand and cash equivalents

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

Payables

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

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

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

Employee benefits

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

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

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

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

Defined-contribution plans primarily include:

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

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

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

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

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

Performance share plan

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

Provisions for potential risks and charges, assets and liabilities

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

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

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

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

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

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

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

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

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

Treasury shares

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

Hyperinflation

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

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

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

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

In the third quarter of 2018 the cumulative inflation rate over the last three years in Argentina exceeded 100%. This and other characteristics of the country's economy led the Group to adopt IAS 29 for the Argentinian company GVS Argentina S.A. beginning on 1 January 2018. We also note that as of 1 January 2022, the Group also adopted accounting standard IAS 29 for its Turkish subsidiary GVS Filtre Teknolojileri, given the inflation rate that characterised the country's economy during the current year.

Revenue from contracts with customers

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

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

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

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

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

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

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

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

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

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

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

Acknowledgement of costs

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

Dividends

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

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

Income tax

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

Deferred taxes may be divided into:

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

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

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

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

Profit per share

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

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

Operating segments

An operating segment is a component of an entity:

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

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

- for which separate financial information is available.

Refer to note 6 for information on operating segments.

3. Recently issued accounting standards

a) IFRS accounting standards, amendments and interpretations effective from 1 January 2023

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

- On 18 May 2017, the IASB published the standard IFRS 17 - Insurance Contracts which is intended to replace the standard IFRS 4 - Insurance Contracts. The objective of the new standard is to ensure that an entity provides relevant information that faithfully presents the rights and obligations deriving from insurance contracts issued. The IASB has developed the standard to eliminate inconsistencies and weaknesses in accounting policies, by providing a single principle-based framework to account for all types of insurance contracts, including reinsurance contracts that an insurer holds. The new standard also envisages presentation and disclosure requirements to improve comparability between entities belonging to this sector. The new standard measures an insurance contract on the basis of a General Model or a simplified version of the latter, called Premium Allocation Approach ("PAA"). The main characteristics of the General Model are:
  - estimates and assumptions of future cash flows are always current;
  - the measurement reflects the time value of money;
  - the estimates provide for extensive use of observable market information;
  - there is a current and explicit risk measurement;
  - the expected profit is deferred and aggregated into insurance contract groups at the time of initial recognition; and,
  - the expected profit is recognised during the contractual coverage period taking into account adjustments arising from changes in assumptions relating to the cash flows of each group of contracts.

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

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

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

a) recognise the deferred tax asset, if it is probable that taxable income will be earned in respect of which the deductible temporary difference may be used, and the deferred tax liability for all deductible and taxable temporary differences associated with: (i) right-of-use assets and lease liabilities; and (ii) dismantling, restoration and similar liabilities and the corresponding amounts recognised as part of the cost of the relevant asset; and

b) recognise the cumulative effect of the first application of the amendments as an adjustment to the opening balance of retained earnings (or, as the case may be, other components of equity) at that date.

The adoption did not have any impact on the GVS Group's consolidated financial statements.

- On 12 February 2021, the IASB published two amendments entitled "Disclosure of Accounting Policies-Amendments to IAS 1 and IFRS Practice Statement 2" and "Definition of Accounting Estimates-Amendments to IAS 8".
  The amendments to IAS 1 and IFRS Practice Statement 2 aim to clarify disclosure of accounting standards by replacing the obligation to indicate "material accounting standards" with the obligation to indicate "material information on accounting standards". The amendments also provide guidance on the circumstances in which it is likely that the information will be considered material and therefore require disclosure.
  The document amends IAS 1 as follows:
  • an entity is now required to provide its material information on accounting standards rather than its material accounting standards, several paragraphs have been added to explain how an entity can identify both material information on accounting standards and provide examples of when information on accounting standards is likely to be material;
  • the amendments clarify that the information in the accounting policies may be material by their nature, even if the amounts involved are insignificant;
  • the amendments clarify that information on accounting policies is material if users of an entity's financial statements need it to understand other material information in the financial statements; and
  • the amendments clarify that if an entity provides non-material information on accounting standards, such information shall not obscure material information on accounting standards.
  The above amendments have no impact on the measurement or presentation of financial statement items, but only on the disclosure of the accounting standards of the entities.

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

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

b) IFRS and IFRIC accounting standards, amendments and interpretations endorsed by the European Union, not yet mandatorily applicable and not adopted early by the Group at 31 December 2023

• amendments to IAS 1 Presentation of Financial Statements:

– Classification of Liabilities as Current or Non-Current;
– Classification of Liabilities as Current or Non-Current - deferral of effective date;
– Non-current Liabilities with Covenants.

• *changes to IFRS 16:* Liability in a Sale and Leaseback (changes to IFRS 16 Leases);

Amendments to IAS 1

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

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

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

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

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

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

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

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

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

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

• IFRS 14 Regulatory Deferral Accounts - Approval process suspended pending the new accounting standard on rate-regulated activities;
• sale or contribution of assets between an investor and its associate or joint venture (Amendments to IFRS 10 and IAS 28) – Approval process suspended pending the conclusion of the IASB project on the equity method;
• amendments to IAS 7 - Statement of cash flows and IFRS 7 - Financial instruments: Additional information: Supplier Finance Arrangements (issued on 25 May 2023);
• amendments to IAS 21 - The Effects of Changes in Foreign Exchange Rates: Lack of Exchangeability (issued 15 August 2023).
It is expected that the amendments to IAS 21 may be approved before the effective date of 1 January 2025, while for the amendments to IAS 7 and IFRS 7 it is unlikely that the endorsement process will be completed before the effective date of 1 January 2024.

4. Estimates and assumptions

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

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

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

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

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

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

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

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

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

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

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

5. Management of financial risk

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

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

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

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

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

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

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

5.1 Market risk

Exchange rate risk

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

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

Sensitivity analysis for exchange rate risk

For the purposes of sensitivity analysis for exchange rate risk, items on the statement of assets and liabilities at 31 December 2023 and 31 December 2022 (financial assets and liabilities) in currencies other than the currency in which each Group company operates have been identified. In assessing the potential effects of fluctuating exchange rates on net profit or loss, infragroup payables and receivables in currencies other than the account currency are also taken into consideration.

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

The table below shows the results of this analysis.

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

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

Interest rate risk

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

Sensitivity analysis regarding interest rate risk

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

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

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

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

The table below shows the results of this analysis:

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

5.2 Credit risk

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

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

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

The table below breaks down trade receivables at 31 December 2023 according to due date, net of the provision for writedown of receivables.

(in thousands of Euro)	**Not yet due**	**Overdue by 1 to 90 days**	**Overdue by 91 to 180 days**	**Overdue by more than 181 days**	**Total**
Gross trade receivables as of 31 December 2023	44,702	11,050	1,527	919	**58,200**
Provision for writedown of receivables	-	(1,639)	(1,527)	(919)	**(4,086)**
Trade receivables as of 31 December 2023	**44,702**	**9,411**	**-**	**-**	**54,114**

5.3 Liquidity risk

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

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

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

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

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

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

5.4 Capital management

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

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

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

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

Categories of financial assets and liabilities

The tables below break down financial assets and liabilities by category according to IFRS 9 at 31 December 2023 and 31 December 2022.

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

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

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

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

Information on fair value

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

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

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

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

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

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

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

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

6. Information on operating segments

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

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

Details of revenues from contracts with customers by product line, distribution channel and geographic area appear in note 8.1.

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

The table below lists non-current assets, other than financial assets and deferred tax assets and active derivatives, by geographic area as of 31 December 2023 and 31 December 2022, allocated on the basis of the country in which the assets are located. Non-current assets which are not allocated are represented entirely by goodwill.

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

7. Notes to the consolidated statement of assets and liabilities

7.1 Intangible assets

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

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

Intangible assets with a defined useful lifespan

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

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

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

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

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

Investment in intangible assets in the year ending on 31 December 2023, amounting to Euro 6,862 thousand, was primarily attributable to the cost of development and fixed assets in progress and reflects amounts paid for development of new products and the corresponding production processes.

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

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

Intangible assets with an indefinite useful lifespan

Goodwill

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

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

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

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

As of 31 December 2023, goodwill, equal to Euro 242,759 thousand, was subjected to impairment tests in accordance with IAS 36, or comparing the carrying amount of the net assets of the CGU with the corresponding recoverable value. Specifically, the recoverable value configuration is that of value in use, determined prudently through a purely mathematical exercise, by discounting the forecast data, not subject to approval by the Board of Directors, of the CGUs ("**DCF Method**") relating to the period of 4 years following the balance sheet date, prepared assuming an inertial growth equal to sector inflation, compared to the data of the 2024 budget, approved by the Board of Directors on 13 December 2023. It should also be noted that the market value taken from the market capitalization at the balance sheet date is higher than the book value of the net assets of the CGU.

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

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

- internal sources: IAS 36 requires that value of use be based on the most recent forecasts of inflows prepared by top management. For the purpose of impairment tests of goodwill as of 31 December 2023 a prudential exercise was used (worst case), starting from the 2024 budget approved by the Board of Directors on 13 December 2023, to which, for the turnover data for the years 2025 to 2027, an inertial growth rate equal to a prudent estimate of sector inflation was mathematically applied and for the EBITDA margin, for the same years, the 2024 budget value was confirmed.

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

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

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

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

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

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

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

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

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

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

As of 31 December 2023, the Group had not identified any indicators of lasting impairment of assets corresponding to usage rights.

The table below shows the non-actualised contractual value of the Group's leasing liabilities as of 31 December 2023 and 31 December 2022.

(in thousands of Euro)	**within 1 year**	**between 1 and 2 years**	**between 3 and 5 years**	**beyond 5 years**	**Contractual value**	**Book value**
As of 31 December 2023	7,730	4,625	8,641	26	**21,022**	**20,548**
As of 31 December 2022	8,062	8,227	5,435	6,207	**27,931**	**25,211**

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

7.3 Tangible assets

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

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

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

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

Furthermore, it should be noted that, with reference to the period ended 31 December 2023, the main investments concerned the production plants in Italy, the plants in the United States of America and the GVS sites in the United Kingdom, China, Romania and Mexico.

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

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

7.4 Deferred tax assets and deferred tax liabilities

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

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

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

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

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

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

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

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

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

7.5 Financial assets (current and non-current)

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

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

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

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

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

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

7.6 Non-current derivative financial instruments

Non-current active financial derivatives amount to Euro 4,829 thousand at 31 December 2023 (Euro 6,648 thousand at 31 December 2022).
The balance of this item is entirely the result of the positive fair value of five IRS (Interest rate Swap) derivative contracts hedging the risk of changes in interest rates of contracts entered into with Unicredit and Mediobanca during 2020 and the syndicated loan taken out with Unicredit, Mediobanca and Credit Agricole in 2021 (see also note 7.13). The derivative financial instruments, having individually an original notional amount equal to the nominal value of the hedged items, guarantee a fixed interest rate for the entire duration of the loans covered.

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

7.7 Inventories

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

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

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

7.8 Trade receivables

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

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

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

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

(in thousands of Euro)	**Not yet due**	**Overdue by 1 to 90 days**	**Overdue by 91 to 180 days**	**Overdue by more than 181 days**	**Total**
Gross trade receivables as of 31 December 2023	44,702	11,050	1,527	919	58,200
Provision for writedown of receivables	-	(1,639)	(1,527)	(919)	(4,086)
Trade receivables as of 31 December 2023	**44,702**	**9,411**	**-**	**-**	**54,114**
Gross trade receivables as of 31 December 2022	58,434	15,216	2,381	2,131	78,162
Provision for writedown of receivables	-	(706)	(2,381)	(2,131)	(5,218)
Trade receivables as of 31 December 2022	**58,434**	**14,510**	**-**	**-**	**72,944**

Gross trade receivables at 31 December 2023 and 31 December 2022, include Euro 13,496 thousand and Euro 19,728 thousand, respectively, referable to overdue items, including Euro 2,446 thousand and Euro 4,512 thousand, representing items overdue by more than 90 days.

The table below reports movements in the provision for writedown of trade receivables in the years ending on 31 December 2023 and 31 December 2022.

(in thousands of Euro)	**Provision for writedown of trade receivables**
Balance as of 31 December 2021	**1,451**
Net provisions	506
Business combinations	3,315
Conversion reserves	(54)
Balance as of 31 December 2022	**5,218**
Net provisions	594
Use	(1,577)
Conversion reserves	(149)
Balance as of 31 December 2023	**4,086**

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

7.9 Assets and liabilities deriving from contracts with customers

Assets from contracts with customers, equal to Euro 964 thousand and Euro 1,205 thousand at 31 December 2023 and 31 December 2022 respectively, primarily represented the right to obtain a consideration for goods transferred to customers in relation to the production of moulds and equipment.

Liabilities from contracts with customers, worth Euro 6,029 thousand and Euro 7,224 thousand at 31 December 2023 and 31 December 2022 respectively, mainly represent advances received from customers for contractual obligations not yet met.

Assets and liabilities from contracts with customers are shown net in the statement of assets and liabilities if they refer to the same contractual obligation to the same customer. The table below shows the gross amount of assets and liabilities from contracts with customers, and how they are compensated, as of 31 December 2023 and 31 December 2022.

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

7.10 Current tax receivables and payables

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

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

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

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

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

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

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

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

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

7.12 Cash and cash equivalents

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

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

As of 31 December 2023 and 31 December 2022, cash on hand was not subject to any restrictions or limitations.

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

7.13 Shareholders' equity

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

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

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

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

- entry of the overall total annual net profit, amounting to Euro 5,232 thousand;
- revaluation of the shareholders' equity of the subsidiaries based in Argentina and Turkey of the period in question, in view of application of accounting standard IAS 29 regarding the accounting of companies operating in economies characterised by hyperinflation, which had a positive impact of Euro 614 thousand;
- the purchase of treasury shares for Euro 62 thousand;
- the increase in reserves following the new long-term incentives plan for Euro 1,019 thousand.

Share capital

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

Translation reserve

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

Negative reserve for treasury shares

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

Actuarial profits and losses reserve

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

Cash flow hedge reserve

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

Reserve from first adoption of EU-IFRS

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

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

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

7.15 Financial liabilities (current and non-current)

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

(in thousands of Euro)	As of 31 December 2023		As of 31 December 2022	
	Current portion	Non-current portion	Current portion	Non-current portion
2014 Bond Loan	4,525	-	9,336	-
2017 Bond Loan	7,993	-	15,967	-
Total bonded loans	**12,518**	**-**	**25,303**	**-**
Mediobanca loan (2020)	4,437	4,437	13,310	-
Unicredit loan (2020)	4,002	4,012	12,005	-
Club Deal loan (2021)	29,944	89,832	149,632	-
Club Deal loan (2022)	45,818	171,818	228,798	-
Valsabbina loan (Haemotronic)	375	938	375	1,125
Credem loan (Haemotronic)	601	301	2,459	903
BPM loan (Haemotronic)	1,258	-	1,252	1,258
BPER loan (Haemotronic)	530	2,638	526	3,168
Intesa loans (Haemotronic)	1,102	1,304	1,099	2,407
Banco Popolare loan (Haemotronic)	577	435	573	1,012
BPV loan (Haemotronic)	-	-	78	221

Commercial lines of credit	7	-	8	-
Accrued payables	2,583	-	2,563	-
Total financial payables to banks	**91,233**	**275,714**	**412,679**	**10,094**
GVS Group Srl loan	1,531	75,000	-	-
Subsidized loan Horizon call for tenders	228	395	211	624
Loans under special terms Invitalia	45	227	45	271
Financial payables to factors	2,174	-	-	-
Total other financial liabilities	**3,978**	**75,622**	**256**	**895**
Total financial liabilities	**107,729**	**351,337**	**438,238**	**10,989**

As mentioned before, it is highlighted that during the year, GVS SpA signed an agreement with the majority shareholder GVS Group Srl, concerning a subordinated and unsecured shareholder loan of Euro 75 million expiring on 31 December 2027, disbursed the day following the signing of the contract (the "Loan"). The terms and conditions of this Loan, defined between the Company and GVS Group following the outcome of the procedure for carrying out transactions with related parties in compliance with current provisions, are highlighted below:

- Amount: Euro 75 million, to be repaid, save early repayment, on 31 December 2027.

- Purpose: the purpose of the loan was to enable compliance with the leverage ratio, envisaged pursuant to existing loans, at the recognition of 31 December 2022 (limit level equal to 3.5x). Furthermore, should operational needs require it, the sums deriving from the loan could still be used by GVS for operational needs.

- Use: the Company has undertaken not to use the sums deriving from the loan to the extent that it has additional resources available, being able in any case to carry out treasury management activities.

- Interest: the loan provides for a remuneration equal to 80% of the gross yield of the Italian treasury bill with a 12-month maturity, to be calculated exclusively on the amount not used by the Company for operational needs. Therefore, to the extent that GVS uses all or a portion of the loan for operational needs, no interest will accrue on these uses. The initial interest rate (i.e., from the disbursement date to 31 December 2023) was conventionally determined at 2.5% on an annual basis. The accrual and payment of interest remain subject to further conditions inherent mainly to the subordinated nature of the loan and compliance with the financial covenants envisaged by the existing debt.

- In case of early repayment: there is an obligation for GVS to repay the loan in full (plus any interest), subject to a positive evaluation by the Company of its short-medium term financial solidity in the event that: the Company were to repay in full the debt deriving from the loans and bond loans existing prior to the respective repayment dates or after 30 June 2024, if the ratio between consolidated net debt (calculated assuming repayment in full of the loan) and consolidated EBITDA does not exceed, on the verification date, the coefficient of 3.0x. The sums deriving from the loan may be used by GVS Group Srl for the subscription of any capital increases of the Company.

- Subordination: except in the cases of early repayment and any payment of interest described above, the loan is subordinated to the syndicated loans and existing bond loans.

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

a) Bonded loans

a1) 2017 Bonded Loan

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

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

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

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

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

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

The 2017 Bonded Loan was not assisted by real guarantees.

a2) 2014 Bonded Loan

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

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

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

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

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

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

The 2014 Bonded Loan is not backed by collateral.

<u>b) Loans in existence as of 31 December 2023</u>

b1) Pool Financing Agreement (2022)

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

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

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

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

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

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

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

The 2022 Pool Loan is not backed by collateral.

B2) Pool Financing Agreement (2021)

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

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

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

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

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

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

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

The 2021 Pool Loan is not backed by collateral.

B3) Unicredit mortgage (2020)

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

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

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

The 2020 Unicredit Loan was not backed by collateral.

B4) Mediobanca (2020)

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

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

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

The 2020 Mediobanca Loan is not backed by collateral.

c) Other financial liabilities in existence as of 31 December 2023

c1) Loans taken out by Haemotronic SpA

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

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

c2) Invitalia

During the Coronavirus emergency, Invitalia published the Special Measures to Protect Health and Support the Economy (CuraItalia) tender call, in which both GVS and its subsidiary GVS SUD S.r.l. (now part of GVS SpA) participated, and their application was accepted. During the month of April 2020, both companies received a loan under special terms with no interest. Against the Company investing in production lines for personal protective equipment, the tender covered 75% of the investment and gave the possibility of transforming the loan under special terms into a non-repayable grant, depending on the speed with which the production lines became operational. Both companies provided the lender with documentation to support the various investments and in March 2022 they both received communication from Invitalia that the total amount of Euro 316 thousand was actually disbursed in the form of a subsidized loan, while the difference of Euro 228 thousand was disbursed as a non-repayable grant, partly into the management account and partly into the plant account. The residual debt at 31 December 2023 amounts to Euro 272 thousand.

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

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

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

7.16 Net financial indebtedness and net financial position

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

	(in thousands of Euro)	As of 31 December 2023	As of 31 December 2022
(A)	Cash and cash equivalents	191,473	135,169
(B)	Cash equivalents	-	-
	Financial assets held for trading	2,317	4,592
	Financial lease receivables	168	187
(C)	Other current financial assets	**2,484**	**4,779**
(D)	**Liquidity (A)+(B)+(C)**	**193,958**	**139,948**
	Current bank debts	-	-
	Financial payables to parent companies	1,531	-
	Financial lease liabilities to other companies in the GVS Group	1,475	2,907
	Financial lease liabilities	5,909	5,405
	Other current payables	-	-
	Other financial liabilities	20,789	256
(E)	Current financial indebtedness	29,704	8,568
(F)	Current portion of non-current indebtedness	103,751	437,982
(G)	**Current financial indebtedness (E)+(F)**	**133,455**	**446,550**
(H)	**Net current financial indebtedness (G)-(D)**	**60,503**	**(306,602)**
	Non-current bank borrowings	275,715	10,094
	Other financial liabilities	25,299	41,878
	Other financial liabilities to GVS Group	75,000	-
	Financial lease liabilities to other companies in the GVS Group	1,430	1,547
	Non-current financial lease liabilities	11,734	15,352
(I)	Non-current financial indebtedness	389,178	68,871
	Passive derivative financial instruments	-	-
(J)	Debt instruments	-	-
(K)	Trade payables and other non-current payables	-	-
(L)	**Non-current financial indebtedness (I)+(J)+(K)**	**389,178**	**68,871**
(M)	**Total net financial indebtedness (H)-(L)**	**(328,675)**	**(375,473)**

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

The Group's net financial position (including non-current active derivatives and non-current active loans, and excluding net current and non-current leasing liabilities recorded in accordance with the provisions of IFRS 16) are equal to negative Euro 303,046 thousand at 31 December 2023 and Euro 343,325 thousand at 31 December 2022.

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

The following table shows the adjusted net financial indebtedness:

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

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

7.17 Provisions for employee benefits

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

(in thousands of Euro)	Termination indemnity	End of office indemnity	Provisions for employee benefits
Balance as of 31 December 2021	**2,667**	**1,699**	**4,366**
Current service cost	174	80	254
Financial costs	15	6	21
Business combinations	1,169	-	1,169
Actuarial losses/(profits)	(486)	(286)	(772)
Benefits paid	(408)	-	(408)
Balance as of 31 December 2022	**3,131**	**1,499**	**4,630**
Current service cost	-	114	114
Financial costs	57		57
Actuarial losses/(profits)	94	184	277
Benefits paid	(244)	(1,714)	(1,958)
Balance as of 31 December 2023	**3,038**	**83**	**3,120**

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

As of 31 December 2023 and 31 December 2022, provisions for employee benefits represented termination indemnity (known in Italy as "**TFR**") allocated for employees and end of service indemnity (known in Italy as "**TFM**") allocated for directors.

Termination indemnity (TFR)

Employee benefits for termination indemnity amount to Euro 3,038 thousand and Euro 3,131 thousand on 31 December 2023 and 31 December 2022, respectively, at the Group's Italian companies only.

The value of the payable represented by termination indemnity, which falls under the definition of defined benefit plans according to IAS 19, has been determined on the basis of actuarial logic. The principal actuarial, financial and demographic hypotheses used to determine the value of the liability as of 31 December 2023 and 31 December 2022 in accordance with the provisions of IAS 19 are listed below.

(As a percentage)	**At 31 December**	
	2023	**2022**
Financial hypotheses		
Annual actualisation rate	3.17%/3.09%	3.77%/3.63%
Annual inflation rate	2%	5.9% for 2023, 2.3% for 2024, 2% from 2025
Annual rate of increase in overall pay	3%	Inflation + 1%
Annual rate of increase in the termination indemnity	3%	5.9% for 2023, 3.33% for 2024, 3% from 2025
Demographic hypotheses		
Death	Table illustrating probability of death, as determined by the State General Accounting Office, known as RG48	Table illustrating probability of death, as determined by the State General Accounting Office, known as RG48
Invalidity	Probability adopted in the INPS form for projections as of 2010	Probability adopted in the INPS form for projections as of 2010
Retirement	Reaching the first of the valid retirement requirements for Obligatory General Insurance	Reaching the first of the valid retirement requirements for Obligatory General Insurance
Probability of advancing termination indemnity	3.00%	3.00%
Annual turnover	2.50%	2.50%

The table below sums up the sensitivity analysis for each actuarial, financial and demographic hypothesis, showing the effects (in absolute terms) that would result from changes in the actuarial hypotheses reasonably considered possible as of 31 December 2023 and 31 December 2022.

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

End of office indemnity (TFM)

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

7.18 Provisions for risks and charges

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

(in thousands of Euro)	**Provisions for risks and charges**
Balance as of 31 December 2021	**4,654**
Allocation	4,497
Business combinations	2,136
Use	(2,009)
Conversion reserves	(57)
Balance as of 31 December 2022	**9,221**
Allocation	4,694
Release	(450)
Use	(4,888)
Conversion reserves	(48)
Balance as of 31 December 2023	**8,529**

In 2018 the Parent Company underwent a verification by the Italian tax authorities (Agenzia delle Entrate) for the 2015 fiscal year, as a result of which a formal notice of assessment ("FNA") was issued. In 2020, the Parent Company resolved the complaints contained in this FNA through a tax settlement inspection procedure. During 2022, the Parent Company received verification notices from the tax authorities for the 2016 tax period relating to the transfer price and consequently as a prudential measure, supported by its consultants, made a further provision of Euro 1,000 thousand, in addition to the amount set aside in previous years. In the first half of 2023, the Company resolved disputes relating to the transfer price for the tax period 2016 through a tax assessment procedure. On 3 October 2023, GVS SpA was made aware of a FNA in which the tax authorities contested the determination of the tax base, for IRES (corporate income tax) and IRAP (regional tax on productive activities) purposes, for the 2017, 2018 and 2019 tax periods, believing that the tax base should be adjusted upwards in application of transfer pricing legislation. Following the issue of the FNA, GVS SpA. engaged in dialogue with the tax authorities, which led to a definition of the charges as follows:

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

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

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

Finally, in 2023, the Group has set aside in the income statement items:
- "other personnel costs" in the amount of Euro 1,233 thousand following non-recurring expenses relating to the personnel reorganisation process and;
- "other operating costs" in the amount of Euro 755 thousand for the plan to relocate and rationalise the Group's plants and Euro 1,343 thousand for a specific dispute relating to Haemotronic SpA, arising before the acquisition.
Uses in the period refer almost exclusively to payments made to the personnel and rationalisation costs paid following the implementation of the aforementioned reorganization plans, which began during the previous year.

7.19 Trade payables

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

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

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

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

7.20 Other current payables and liabilities

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

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

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

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

Tax payables as of 31 December 2023 and 31 December 2022 primarily include tax payables for taxes not correlated to income, consisting primarily of VAT and other indirect taxes payable and withholding tax on employees' pay.

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

8. Notes to the consolidated income statement

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

8.1 Revenue from contracts with customers

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

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

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

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

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

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

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

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

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

Please see the report on operations for more information.

8.2 Other operating income

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

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

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

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

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

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

The table below breaks down purchases and consumption of raw materials, semi-products and finished products in the years ending on 31 December 2023 and 31 December 2022.

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

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

8.4 Personnel costs

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

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

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

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

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

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

8.5 Service costs

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

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

It should be clarified that the increase in service costs is mostly due to costs relating to the newly acquired companies in the business combinations carried out during 2022 (STT and Haemotronic groups).

8.6 Other operating costs

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

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

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

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

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

8.7 Net impairment losses on financial assets

Net writedowns of financial assets, entered on the basis of the requirements of IFRS 9, totalled Euro 594 thousand and Euro 506 thousand in the years ending on 31 December 2023 and 31 December 2022, respectively, and represent writedown of trade receivables.

A breakdown of movements in the provision for writedown of receivables for the years ending on 31 December 2023 and 31 December 2022 appears in note 7.8 - "Trade receivables".

8.8 Amortisation, depreciation and writedowns

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

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

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

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

8.9 Financial income and costs

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

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

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

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

Financial costs and income in the periods ending 31 December 2023 and 31 December 2022, respectively, include the net losses and the net unrealized exchange gains deriving mainly from the adjustment in Euro of intra-group loans granted in dollars by GVS to the subsidiaries GVS NA Holdings Inc., GVS Technology (Suzhou) Co. Ltd., and GVS Filter Technology de Mexico, net of the exchange effect of the relevant bond loan denominated in dollars.

8.10 Annual income tax

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

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

The table below reconciles the theoretical tax rate with the effective impact of taxation on the pre-tax result in the years ending on 31 December 2023 and 31 December 2022.

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

8.11 Net profit per share

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

	Financial year ended 31 December	
	2023	**2022**
Group's share of net profit (in thousands of Euro)	13,647	24,120
Weighted average number of shares in circulation	174,718,093	174,562,162
Profit per share (in Euro)	**0.08**	**0.14**

Diluted earnings per share at 31 December 2023 was positive at 0.08 (positive at Euro 0.14 at 31 December 2022) calculated by dividing the result attributable to the shareholders of GVS SpA by the weighted average number of shares in circulation, adjusted to take into account the effects of all potential ordinary shares with dilutive effect. As potential ordinary shares with dilutive effect, those linked to the performance shares plan have been considered.

9. Hyperinflation

On the basis of the provisions of EU-IFRS regarding the entry and exit criteria for inflation accounting, the Argentinian subsidiary GVS Argentina S.A. adopted inflation accounting beginning in the year ending on 31 December 2018 and starting from 2022 the subsidiary based in Turkey is operating in a situation of high inflation. Profit or loss on the net monetary position, allocated to the income statement, amounts to a negative value of Euro 104 thousand and Euro 169 thousand for the period ended 31 December 2023 and 31 December 2022, respectively.

10. Non-recurring revenues and operating costs

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

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

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

11. Transactions with related parties

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

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

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

The table below sums up the Group's payables and receivables in relation to related parties at 31 December 2023 and 31 December 2022.

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

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

(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 S.r.l. and subsidiaries				
Other operating income						
Financial year ended 31 December 2023	20	41	31	**92**	**7,620**	**1.2%**
Financial year ended 31 December 2022	20	42	41	**103**	**4,442**	**2.3%**
Personnel costs						
Financial year ended 31 December 2023	-	-	5,271	**5,271**	**131,754**	**4.0%**
Financial year ended 31 December 2022	-	-	3,373	**3,373**	**123,529**	**2.7%**
Service costs						
Financial year ended 31 December 2023	-	-	2,617	**2,617**	**56,740**	**4.6%**
Financial year ended 31 December 2022	-	-	3,205	**3,205**	**54,573**	**5.9%**
Amortisation, depreciation and writedowns						
Financial year ended 31 December 2023	-	2,134	3	**2,137**	**44,125**	**4.8%**
Financial year ended 31 December 2022	-	2,008	5	**2,013**	**37,972**	**5.3%**
Financial costs						
Financial year ended 31 December 2023	1,531	118	-	**1,649**	**33,056**	**5.0%**
Financial year ended 31 December 2022	-	162	-	**162**	**9,475**	**1.7%**

Transactions with the GVS Group

The Company and the subsidiary Haemotronic SpA (the latter from 2023) participate in the optional national tax consolidation system under GVS Group. Current tax receivables and payables at 31 December 2023 and 31 December 2022 refer exclusively to this case.

Transactions with GVS Real Estate

On 5 March 2018, GVS stipulated a leasing agreement with GVS Real Estate S.r.l., for two production facilities, one of which includes the Company's registered offices in Zola Predosa (BO). On 11 December 2019, the company GVS Sud S.r.l., merged by incorporation into GVS, signed an agreement with GVS Real Estate S.r.l. for the sale of land and buildings pertaining to a production facility in Avellino and thereafter entered into the lease agreement. In addition, in December 2021 GVS had taken over the lease agreements concerning the buildings used as warehouses located in Zola Predosa (BO) previously signed with a third-party lessor and following their sale to GVS Real Estate Srl, transferred to the latter, as the new lessor. On the basis of these lease contracts, at 31 December 2023, the Group recorded assets represented by usage rights and relative leasing liabilities for Euro 1,160 thousand and Euro 1,110 thousand, as well as depreciation and financial costs for Euro 767 thousand and Euro 14 thousand respectively.

Transactions with GVS Real Estate US

On 31 December 2023, the Group company GVS Filtration Inc has in effect two rental agreements with GVS Real Estate US for land and buildings pertaining to two production facilities in Ohio and Wisconsin. The leasing agreements for the real estate properties sold as described above resulted in entry as of 31 December 2023 of assets represented by usage rights amounting to Euro 594 thousand and Euro 545 thousand respectively (Euro 574 thousand and the corresponding leasing liabilities amounting to Euro 802 thousand at 31 December 2022), as well as amortisation, depreciation and writedowns and financial costs in the period ending on 31 December 2023, for Euro 405 thousand and Euro 10 thousand respectively (Euro 358 thousand and Euro 3 thousand at 31 December 2022).

Transactions with GVS Real Estate Mexico

In July 2021, the company of the GVS Filter Technology de Mexico Group signed a lease agreement with GVS Real Estate Mexico, relating to the production site in the city of Apocada. The leasing agreement involved recording, as of 31 December 2023, of assets represented by usage rights and leasing liabilities of Euro 376 thousand and Euro 300 thousand respectively (Euro 906 thousand and Euro 1,417 thousand at 31 December 2022), and of amortisation, depreciation and writedowns and financial costs for the period ending on 31 December 2023 of Euro 644 thousand and Euro 44 thousand respectively (Euro 564 thousand and Euro 90 thousand at 31 December 2022).

Transactions with GVS Patrimonio Immobiliare

The company of the GVS Microfiltrazione Group has in force a lease agreement with the company GVS Patrimonio Immobiliare of the property attributable to the production site located in Ciorani. The leasing agreement involved recording, as of 31 December 2023, of assets represented by usage rights and leasing liabilities of Euro 755 thousand and Euro 733 thousand respectively (Euro 257 thousand and Euro 285 thousand at 31 December 2022), and of amortisation, depreciation and writedowns and financial costs for the period ending on 31 December 2023 of Euro 236 thousand and Euro 16 thousand respectively (Euro 239 thousand and Euro 11 thousand at 31 December 2022).

Transactions with GVS Real Estate do Brasil

In December 2021, the company of the GVS Do Brasil group signed an agreement with GVS Real Estate Do Brasil for the sale of land and buildings pertaining to a production site in Monte Mor. At the same time as the sale, the parties signed one lease agreement under which GVS Real Estate Do Brasil leased the property sold back to the Group. The leasing agreement involved recording, as of 31 December 2023, of assets represented by usage rights and leasing liabilities of Euro 120 thousand and Euro 217 thousand respectively (Euro 102 thousand and Euro 266 thousand at 31 December 2022), and of amortisation, depreciation and writedowns and financial costs for the period ending on 31 December 2023 of Euro 82 thousand and Euro 34 thousand respectively (Euro 53 thousand and Euro 41 thousand at 31 December 2022).

Transactions with Top Management

As of the date of the 2023 financial statements the following are considered members of the Group's Top Management:

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

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

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

Please note that:

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

12. Commitments and risks

Sureties and guarantees granted to third parties

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

Potential liabilities

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

13. Directors' and auditors' fees

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

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

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

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

14. Independent auditor's fees

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

15. Research and development

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

The table below reports research and development costs entered among operating costs in the years ending on 31 December 2023 and 31 December 2022.

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

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

No significant events occurred after the end of the period.

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

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

SCHEDULES ANNEXED TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

(in thousands of Euro)	As of 31 December 2023	of which with related parties	percentage	As of 31 December 2022	of which with related parties	percentage
ASSETS						
Non-current assets						
Intangible assets	471,701			494,846		
Right of use assets	20,207	3,005	14.9%	22,991	3,261	14.2%
Tangible assets	122,884	10	0.0%	120,404	14	0.0%
Deferred tax assets	2,852			3,487		
Non-current financial assets	3,531			3,754		
Non-current derivative financial instruments	4,829			6,648		
Other receivables and non-current assets	3,037			1,695		
Total non-current assets	**629,041**			**653,825**		
Current assets						
Inventories	84,808			106,922		
Trade receivables	54,114	92	0.2%	72,944	82	0.1%
Assets from contracts with customers	964			1,205		
Current tax receivables	7,486	4,382	58.5%	5,691	2,973	52.2%
Other receivables and current assets	12,753			12,514		
Current financial assets	2,484			4,779		
Cash and cash equivalents	191,473			135,169		
Total current assets	**354,082**			**339,224**		
Total Assets held for sale	**-**			**-**		
TOTAL ASSETS	**983,123**			**993,049**		
SHAREHOLDERS' EQUITY AND LIABILITIES						
Share capital	1,750			1,750		
Reserves	319,054			301,780		
Net income	13,647			24,098		
Group net shareholders' equity	**334,451**			**327,628**		
Shareholders' equity attributable to non-controlling interests	27			46		
Total shareholders' equity	**334,478**			**327,674**		
Non-current liabilities						
Liabilities for the purchase of equity investments and earn out	24,677			40,983		
Non-current financial liabilities	351,337	75,000	21.3%	10,989		
Non-current leasing liabilities	13,164	1,430	10.9%	16,899	1,547	9.2%
Deferred tax liabilities	35,447			46,086		
Provisions for employee benefits	3,120	83	2.6%	4,630	1,499	32.4%
Provisions for risks and charges	8,529			9,221		
Total non-current liabilities	**436,274**			**128,808**		
Current liabilities						
Liabilities for the purchase of equity investments and earn out	18,342			-		
Current financial liabilities	107,729	1,531	1.4%	438,238		
Current leasing liabilities	7,384	1,475	20.0%	8,312	2,907	35.0%
Trade payables	38,452			57,944		
Liabilities from contracts with customers	6,029			7,224		
Current tax payables	8,130	3,660	45.0%	2,662		
Other current payables and liabilities	26,305	3,396	12.9%	22,187	2,227	10.0%
Total current liabilities	**212,370**			**536,567**		
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**983,123**			**993,049**		

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

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

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

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

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

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

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

The following schedule, prepared pursuant to Art. 149-duodecies of the CONSOB Issuers' Regulation, highlights the fees for 2023 for audit services and other services provided by the independent auditors and entities belonging to its network as well as others.

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

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

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

   - the adequacy in relation to the characteristics of the business, and
   - the effective application of the administrative and accounting procedures for the preparation of the Consolidated Financial Statements during the year 2023.

2. The assessment of the adequacy of the administrative and accounting procedures for the preparation of the Consolidated Financial Statements at 31 December 2023 was carried out on the basis of the standards and methodologies defined by GVS mainly in accordance with the Internal Control - Integrated Framework model issued by the Committee of Sponsoring Organisations of the Treadway Commission, which represents a reference framework for the internal control system generally accepted at the international level.

3. In addition, they also certify that:

3.1 the Consolidated Financial Statements:

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

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

Zola Predosa, 26 March 2024

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

pwc

Independent auditor's report

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

To the shareholders of
GVS SpA

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of the GVS Group, which comprise the consolidated statement of financial position as of 31 December 2023, the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the GVS Group as of 31 December 2023, and of the result of its operations and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No. 38/2005.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matters	*Auditing procedures performed in response to key audit matters*
Revenue recognition *Note 2.4 "Accounting standards and assessment criteria" and Note 9.1 "Revenues from contracts with customers" to the consolidated financial statements* Revenues from contracts with customers in the consolidated financial statements of the GVS Group as of 31 December 2023 are equal to Euro 424,737 thousand, mainly attributable to the sale of finished products. Those revenues are recognised, in accordance with IFRS 15 – *Revenue from contracts with customers*, when control of the products is transferred to the customer. The correct recognition of revenues was a key matter in our audit in consideration of the materiality of the item and the large number of transactions making up the total amount.	Our audit approach consisted, preliminarily, in understanding and evaluating the methods and procedures defined by the GVS Group for the recognition and measurement of sales revenues. Moreover, we identified and validated the actual operation and effectiveness of controls over the revenue recognition process. Taking into account the understanding, evaluation and validation of internal controls mentioned above, we then planned and performed substantive tests on the item in question. In detail, on a representative sample of transactions we verified the existence and accuracy of revenues reported in the consolidated financial statements by examining the information in the supporting documents. We also performed external confirmation procedures on a sample of customers with the aim of obtaining evidence supporting the receivables recognised. Finally, we selected a sample of sales transactions in December 2023 and January 2024 and we verified, against supporting documents, their correct cut-off in accordance with the accrual basis of accounting.

pwc

Key Audit Matters	*Auditing procedures performed in response to key audit matters*
Recoverability of intangible assets *Note 2.4 "Accounting standards and assessment criteria" and Note 8.1 "Intangible assets" to the consolidated financial statements*	
The value of intangible assets in the consolidated financial statements of GVS SpA is equal to Euro 471,701 thousand, accounting for 47.9% of total assets, and includes goodwill for a total of Euro 242,759 thousand and intangible assets with finite lives for a total of Euro 228,942 thousand. In accordance with IAS 36 – *Impairment of assets*, management tests the value of goodwill for impairment at least annually, by comparing the carrying amount of the cash generating unit (CGU) to which goodwill amounts are allocated with its recoverable amount, i.e. the higher of value in use and fair value less costs of disposal. As of 31 December 2023 the recoverable amount of the CGU was determined on the basis of value in use, by discounting to present value the estimated future cashflows for the period 2024-2027 prepared assuming inertial growth, at a rate equal to the expected inflation rate, of the figures in the 2024 budget approved by the Company's board of directors on 13 December 2023, plus the terminal value. Other intangible assets with finite lives are tested only if indicators of impairment are present. We considered the recoverability of intangible assets a key audit matter in consideration of the materiality of the amounts and of the elements of uncertainty and estimation intrinsic to the directors' assessment of their recoverability. The key elements of uncertainty are related to the correct definition and identification of the CGUs and to the estimation of the future cashflows and the definition of the discount rates to be applied to those cashflows.	Our audit approach consisted, preliminarily, in understanding and evaluating the methods and procedures defined by the Company to determine the recoverable amounts of goodwill and to identify indicators of impairment of intangible assets with finite lives. We analysed the reasonableness of management's considerations about the identification of a single CGU to which the goodwill amounts are allocated, verifying their consistency with the organisation structure of the GVS Group. With regard to goodwill, also with the support of business valuation experts from the PwC network, we analysed the methods adopted by management to determine the recoverable amount of the CGU, we verified the reasonableness of the key assumptions reflected in the valuation model, including the discount rates and the long-term growth rates, we verified the mathematical accuracy of the models used, and we compared value in use with the carrying amount of the CGU. We analysed the forecasts used to assess the recoverability of goodwill, verifying their consistency with the 2024 budget approved by the Company's board of directors on 13 December 2023, making a critical assessment of the reasonableness of the assumptions underlying the estimated cashflows for the period 2024-2027, also in light of the historical performance of the GVS Group. With regard to intangible assets with finite lives we verified the reasonableness of management's considerations about the absence of impairment indicators.

Key Audit Matters	*Auditing procedures performed in response to key audit matters*
	Finally, our procedures included analysing the notes to the consolidated financial statements and the overall adequacy and completeness of related disclosures.

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

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

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

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

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

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

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

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

- We obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;
- We evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;
- We concluded on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern;
- We evaluated the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- We obtained sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion on the consolidated financial statements.

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

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

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

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

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

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

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

Report on Compliance with other Laws and Regulations

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

The directors of GVS SpA re responsible for the application of the provisions of Commission Delegated Regulation (EU) 2019/815 concerning regulatory technical standards on the specification of a single electronic reporting format (ESEF - European Single Electronic Format) (hereinafter, the “Commission Delegated Regulation”) to the consolidated financial statements as of 31 December 2023, to be included in the annual report.

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

In our opinion, the consolidated financial statements as of 31 December 2023 have been prepared in XHTML format and have been marked up, in all significant respects, in compliance with the provisions of the Commission Delegated Regulation.

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

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

The directors of GVS SpA are responsible for preparing a report on operations and a report on the corporate governance and ownership structure of the GVS Group as of 31 December 2023, including their consistency with the relevant consolidated financial statements and their compliance with the law.

We have performed the procedures required under auditing standard (SA Italia) No. 720B in order to express an opinion on the consistency of the report on operations and of the specific information included in the report on corporate governance and ownership structure referred to in article 123-bis, paragraph 4, of Legislative Decree No. 58/1998, with the consolidated financial statements of the GVS Group as of 31 December 2023 and on their compliance with the law, as well as to issue a statement on material misstatements, if any.

In our opinion, the report on operations and the specific information included in the report on corporate governance and ownership structure mentioned above are consistent with the consolidated financial statements of the GVS Group as of 31 December 2023 and are prepared in compliance with the law.

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

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

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

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

Bologna, 15 April 2024

PricewaterhouseCoopers SpA

Signed by

Giuseppe Ermocida
(Partner)

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

INDEPENDENT AUDITOR'S REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2023

FINANCIAL STATEMENTS AT 31 DECEMBER 2023

FINANCIAL STATEMENTS AT 31 DECEMBER 2023

Statement of assets and liabilities*

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

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

Income statement*

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

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

Comprehensive income statement

(in Euro)	Notes	Financial year ended 31 December 2023	2022
Net income		**(9,703,061)**	**20,427,718**
Other components of the comprehensive income statement which will be reclassified in the income statement in subsequent years			
Profits (losses) on cash flow hedges	6.7	(1,819,358)	6,524,592
Effect of taxation		436,646	(1,565,902)
		(1,382,712)	**4,958,690**
Other components of the comprehensive income statement which will not be reclassified in the income statement in subsequent years (net of effect of taxation)			
Actuarial profit (loss) due to employee defined benefit plans	6.18	(229,403)	759,574
Effect of taxation		64,003	(211,921)
		(165,400)	**547,653**
Total other components in the comprehensive income statement		**(1,548,112)**	**5,506,343**
Comprehensive net profit		**(11,251,173)**	**25,934,061**

Prospectus of changes in shareholders' equity

(in Euro)	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*		
As of 31 December 2021	**1,750,000**	**92,770,286**	**350,000**	**35,022,752**	**(3,448,176)**	**(78,048)**	**6,626,358**	**37,702,783**	**170,695,955**
Net income	-	-	-	-	-	-	-	20,427,718	20,427,718
Total other components in the comprehensive income statement	-	-	-	-	-	547,653	4,958,690	-	5,506,343
Comprehensive net profit	-	-	-	-	-	*547,653*	*4,958,690*	*20,427,718*	*25,934,061*
Allocation of net profit from previous year	-	-	-	25,606,340	-	-	12,096,443	(37,702,783)	-
Purchase of treasury shares	-	-	-	-	(1,405,280)	-	-	-	(1,405,280)
GVS Sud Srl merger surplus	-	-	-	-	-	-	7,919,398	-	7,919,398
Increase in reserves for long-term incentives	-	-	-	-	-	-	2,068,132	-	2,068,132
As of 31 December 2022	**1,750,000**	**92,770,286**	**350,000**	**60,629,092**	**(4,853,456)**	**469,605**	**33,669,021**	**20,427,718**	**205,212,266**
Net income	-	-	-	-	-	-	-	(9,703,061)	(9,703,061)
Total other components in the comprehensive income statement	-	-	-	-	-	(165,400)	(1,382,712)	-	(1,548,112)
Comprehensive net profit	-	-	-	-	-	*(165,400)*	*(1,382,712)*	*(9,703,061)*	*(11,251,173)*
Allocation of net profit from previous year	-	-	-	4,273,931	-	-	16,153,787	(20,427,718)	-
Purchase of treasury shares	-	-	-	-	(76,760)	-	15,070	-	(61,690)
Assignment of treasury shares for long-term incentives	-	-	-	-	2,406,290	-	(2,406,290)	-	-
Increase in reserves for long-term incentives	-	-	-	-	-	-	1,019,253	-	1,019,253
As of 31 December 2023	**1,750,000**	**92,770,286**	**350,000**	**64,903,023**	**(2,523,927)**	**304,205**	**47,068,129**	**(9,703,061)**	**194,918,656**

Cash flow statement

(in Euro)	**Notes**	**Financial year ended 31 December**	
		2023	**2022**
Pre-tax result		(13,716,718)	27,487,246
- *Adjustment for:*			
Amortisation, depreciation and writedowns	7.8	6,201,352	5,607,122
Capital losses / (capital gains) from sale of assets	7.2 - 7.6	22,000	(2,000)
Financial costs / (income)	7.9	15,001,405	(23,386,053)
Income and expense from equity investments	7.10	(4,175,679)	(5,141,680)
Other non-monetary variations		(60,021)	4,324,835
Cash flow generated / (absorbed) by operations before variations in net working capital		***3,272,339***	***8,889,470***
Variation in inventories	6.9	1,276,811	(338,925)
Variation in trade receivables	6.10	8,905,002	13,185,096
Variation in trade payables	6.20	(2,937,827)	(17,580,520)
Variation in other assets and liabilities	6.12 - 6.22	2,504,080	770,024
Use of provisions for risks and charges and for employee benefits	6.18 - 6.19	(2,327,312)	(1,531,516)
Taxes paid	7.11	(1,120,831)	(1,813,155)
Net cash flow generated / (absorbed) by operations		**9,572,262**	**1,580,474**
Investments in tangible assets	6.3	(5,261,359)	(6,292,814)
Investments in intangible assets	6.1	(331,443)	(189,833)
Disposal of tangible assets	6.3	929,000	56,000
Granting of financial receivables from subsidiaries and other financial assets	6.6	(99,559,101)	(54,424,502)
Repayment of financial receivables from subsidiaries and other financial assets	6.6	137,437,458	5,023,884
Equity investments	6.4	(1,509,747)	(248,315,982)
Dividends from equity investments	6.4	8,793,319	8,464,551
Net cash flow generated / (absorbed) by investment		**40,498,127**	**(295,678,696)**
Opening of long-term financial liabilities	6.16	102,990,516	262,789,850
Repayment of long-term financial liabilities	6.16	(63,329,000)	(22,639,000)
Variations in current financial payables	6.16	688,334	-
Repayment of lease liabilities	6.2	(1,267,204)	(1,248,317)
Financial costs paid	7.9	(19,791,119)	(4,660,613)
Financial income collected	7.9	13,573,246	13,602,000
Treasury shares	6.14	(61,690)	(1,405,280)
Net cash flow generated/(absorbed) by financial assets		**32,803,082**	**246,438,641**
Total variation in cash on hand		**82,873,472**	**(47,659,581)**
Cash on hand at the start of the year		**35,361,081**	**82,847,421**
Total variation in cash on hand		82,873,472	(47,659,581)
Total variation in cash on hand GVS Sud Srl merger		-	173,242
Cash on hand at the end of the year		**118,234,553**	**35,361,082**

Summary

EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2023

1. General information

1.1 Foreword

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

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

GVS is a leading supplier of advanced filtering solutions for highly critical applications and offers advanced filtering solutions for a multitude of applications, primarily in the field of *Healthcare & Life Sciences*.

2. Summary of the accounting standards adopted

2.1 Declaration of conformity with international accounting standards

The financial statements for the year ending 31 December 2023 (hereinafter the "Financial Statements") have been prepared in compliance with international accounting standards ("IFRS") issued by the International Accounting Standards Board and endorsed by the European Union. "IFRS" means all revised international accounting standards ("IAS"), as well as all interpretative documents issued by the International Financial Reporting Interpretations Committee (IFRIC) and the previous Standing Interpretations Committee (SIC).

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

These Financial Statements were approved by the Company's Board of Directors on 26 March 2024 and subjected to auditing by independent auditor PricewaterhouseCoopers S.p.A.

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

2.2 General principles of preparation

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

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

An asset is classified as current when:

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

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

A liability is classified as current when:

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

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

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

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

The Financial Statements have been prepared as follows:

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

It should also be noted that with reference to business continuity, cash equivalents at 31 December 2023, the credit lines currently available and the cash flows that will be generated by operations are considered adequate to meet the Company's obligations and to finance its operations.

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

2.3 Accounting standards and assessment criteria

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

Intangible assets

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

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

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

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

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

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

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

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

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

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

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

(a) Goodwill

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

(b) Intangible assets with a defined useful lifespan

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

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

Usage rights and leasing assets and liabilities

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

In a contract which is, or contains, a leasing agreement, every lease component is separate from non-lease components, unless the Company applies the practical expedient identified in point 15 of IFRS 16. This practical expedient permits the tenant to choose, for every class of underlying asset, not to separate the non-lease components from the lease components and to enter all lease components and their associated non-lease components as a single lease component.
The term of the lease is determined as the period during which the leasing agreement cannot be cancelled, to which the following time periods must be added:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Tangible assets

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

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

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

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

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

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

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

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

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

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

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

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

(a) Goodwill

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

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

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

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

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

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

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

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

Equity investments

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

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

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

Financial assets

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

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

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

a) Financial assets measured at amortised cost

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

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

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

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

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

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

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

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

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

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

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

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

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

Derivative financial instruments and hedges

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

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

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

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

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

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

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

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

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

Trade receivables

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

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

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

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

Inventories

Inventories are goods:

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

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

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

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

Cash on hand and cash equivalents

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

Payables

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

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

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

Employee benefits

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

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

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

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

Defined-contribution plans primarily include:

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

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

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

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

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

Performance share plan

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

Provisions for potential risks and charges, assets and liabilities

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

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

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

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

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

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

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

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

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

Treasury shares

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

Revenue from contracts with customers

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

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

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

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

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

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

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

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

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

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

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

Acknowledgement of costs

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

Dividends

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

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

Income tax

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

Deferred taxes may be divided into:

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

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

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

<u>*Profit per share*</u>

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.

<u>*Conversion of items in foreign currency*</u>

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

3. Recently issued accounting standards

a) IFRS accounting standards, amendments and interpretations effective from 1 January 2023

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

- On 18 May 2017, the IASB published the standard IFRS 17 - Insurance Contracts which is intended to replace the standard IFRS 4 - Insurance Contracts. The objective of the new standard is to ensure that an entity provides relevant information that faithfully presents the rights and obligations deriving from insurance contracts issued. The IASB has developed the standard to eliminate inconsistencies and weaknesses in accounting policies, by providing a single principle-based framework to account for all types of insurance contracts, including reinsurance contracts that an insurer holds. The new standard also envisages presentation and disclosure requirements to improve comparability between entities belonging to this sector. The new standard measures an insurance contract on the basis of a General Model or a simplified version of the latter, called Premium Allocation Approach ("PAA"). The main characteristics of the General Model are:
  - estimates and assumptions of future cash flows are always current;
  - the measurement reflects the time value of money;
  - the estimates provide for extensive use of observable market information;
  - there is a current and explicit risk measurement;
  - the expected profit is deferred and aggregated into insurance contract groups at the time of initial recognition; and,
  - the expected profit is recognised during the contractual coverage period taking into account adjustments arising from changes in assumptions relating to the cash flows of each group of contracts.

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

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

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

  a) recognise the deferred tax asset, if it is probable that taxable income will be earned in respect of which the deductible temporary difference may be used, and the deferred tax liability for all deductible and taxable temporary differences associated with: (i) right-of-use assets and lease liabilities; and (ii) dismantling, restoration and similar liabilities and the corresponding amounts recognised as part of the cost of the relevant asset; and

  b) recognise the cumulative effect of the first application of the amendments as an adjustment to the opening balance of retained earnings (or, as the case may be, other components of equity) at that date.

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

- On 12 February 2021, the IASB published two amendments entitled "Disclosure of Accounting Policies- Amendments to IAS 1 and IFRS Practice Statement 2" and "Definition of Accounting Estimates- Amendments to IAS 8".
  The amendments to IAS 1 and IFRS Practice Statement 2 aim to clarify disclosure of accounting standards by replacing the obligation to indicate "material accounting standards" with the obligation to indicate "material information on accounting standards". The amendments also provide guidance on the circumstances in which it is likely that the information will be considered material and therefore require disclosure.
  The document amends IAS 1 as follows:
  • an entity is now required to provide its material information on accounting standards rather than its material accounting standards, several paragraphs have been added to explain how an entity can identify both material information on accounting standards and provide examples of when information on accounting standards is likely to be material;
  • the amendments clarify that the information in the accounting policies may be material by their nature, even if the amounts involved are insignificant;

• the amendments clarify that information on accounting policies is material if users of an entity's financial statements need it to understand other material information in the financial statements; and
• the amendments clarify that if an entity provides non-material information on accounting standards, such information shall not obscure material information on accounting standards.
The above amendments have no impact on the measurement or presentation of financial statement items, but only on the disclosure of the accounting standards of the entities.

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

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

b) IFRS and IFRIC accounting standards, amendments and interpretations endorsed by the European Union, not yet mandatorily applicable and not adopted early by the Group at 31 December 2023;

• amendments to IAS 1 Presentation of Financial Statements:

– Classification of Liabilities as Current or Non-Current;
– Classification of Liabilities as Current or Non-Current - deferral of effective date;
– Non-current Liabilities with Covenants.

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

Amendments to IAS 1

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

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

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

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

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

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

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

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

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

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

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

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

4. Estimates and assumptions

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

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

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

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

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

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

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

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

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

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

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

5. Management of financial risk

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

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

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

The capacity of characteristic management to generate liquidity and the capacity for indebtedness allow the Company to adequately satisfy the requirements of its operations and financing of operative working capital and investment capital, and to fulfil its financial obligations.
The Company's financial policy and management of financial risk are guided and monitored at the central level. In particular, the central finance function assesses and approves provisional financial requirements, monitors trends and applies appropriate corrective actions where necessary. The following note supplies qualitative and quantitative information on the impact of these risks on the Company.

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

5.1 Market risk

Exchange rate risk

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

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

Sensitivity analysis for exchange rate risk

For the purposes of sensitivity analysis for exchange rate risk, items in the statement of assets and liabilities at 31 December 2023 and 31 December 2022 (financial assets and liabilities) in currencies other than the currency in which the Company operates have been identified. In assessing the potential effects of fluctuating exchange rates on net profit or loss, infragroup payables and receivables in currencies other than the account currency are also taken into consideration. For the purposes of this analysis, two scenarios were taken into consideration which discount a 5% appreciation and depreciation, respectively, in the nominal exchange rate between the currency in which the item is entered in the financial statements and the account currency. The table below shows the results of this analysis.

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

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

Interest rate risk

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

Sensitivity analysis regarding interest rate risk

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

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

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

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

The table below shows the results of this analysis:

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

5.2 Credit risk

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

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

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

5.3 Liquidity risk

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

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

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

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

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

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

5.4 Capital management

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

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

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

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

Categories of financial assets and liabilities

The tables below break down financial assets and liabilities by category according to IFRS 9 at 31 December 2023 and 31 December 2022.

(in thousands of Euro)	Book value At 31 December	
	2023	2022
FINANCIAL ASSETS:		
Financial assets measured at amortised cost:		
Non-current financial assets	167,513	271,215
Trade receivables	20,514	29,419
Other receivables and current assets	3,521	5,182
Current financial assets	28,753	26,174
Cash and cash equivalents	118,235	35,361
	338,536	**367,351**
Derivative financial instruments	**4,829**	**6,648**
TOTAL FINANCIAL ASSETS	**343,365**	**373,999**

(in thousands of Euro)	Book value At 31 December 2023	2022
FINANCIAL LIABILITIES:		
Financial liabilities measured at amortised cost:		
Non-current financial liabilities	366,498	43,931
Non-current leasing liabilities	1,124	1,179
Current financial liabilities	152,203	431,912
Current leasing liabilities	755	1,126
Trade payables	9,156	12,094
Other current liabilities	11,861	12,024
	541,597	**502,266**
Financial liabilities measured at fair value entered in the income statement:		
Liabilities for the purchase of equity investments and non-current earn out	16,984	33,063
Liabilities for the purchase of equity investments and current earn out	18,342	-
	35,326	**33,063**
Non-current derivative financial instruments	**-**	**-**
TOTAL FINANCIAL LIABILITIES	**576,923**	**535,329**

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

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

Information on fair value

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

- **Level 1**: **fair value determined with reference to listed prices (not adjusted) on active markets for identical financial instruments.** In Level 1 the emphasis is therefore placed on determination of the following elements: (a) the principal market for the asset or liability, or, in the absence of a principal market, the most advantageous market for the asset or liability; (b) the possibility of the entity conducting a 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)	As of 31 December 2023		
	Level 1	**Level 2**	**Level 3**
Non-current derivative financial instruments	-	4,829	-
Assets measured at fair value	**-**	**4,829**	**-**

(in thousands of Euro)	As of 31 December 2023		
	Level 1	**Level 2**	**Level 3**
Liabilities for the purchase of equity investments and non-current earn out	-	-	35,326
Total liabilities measured at fair value	**-**	**-**	**35,326**

(in thousands of Euro)	As of 31 December 2022		
	Level 1	**Level 2**	**Level 3**
Non-current derivative financial instruments	-	6,648	-
Assets measured at fair value	**-**	**6,648**	**-**

(in thousands of Euro)	As of 31 December 2022		
	Level 1	**Level 2**	**Level 3**
Liabilities for the purchase of equity investments and non-current earn out	-	-	33,063
Total liabilities measured at fair value	**-**	**-**	**33,063**

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

6. Notes to the statement of assets and liabilities

6.1 Intangible assets

The table below reports the composition of, and movement in, intangible assets in the years ending on 31 December 2023 and 31 December 2022.

(in thousands of Euro)	**Goodwill**	**Industrial patent rights and rights to use intellectual property**	**Concessions, licenses, trademarks, and similar rights**	**Fixed assets in progress**	**Total**
Historical cost as of 31 December 2022	**1,915**	**2,564**	**3,719**	**245**	**8,443**
Investments	-	69	148	114	**331**
Reclassification	-	-	157	(149)	**8**
Historical cost as of 31 December 2023	**1,915**	**2,633**	**4,024**	**210**	**8,782**
Provision for amortisation and depreciation as of 31 December 2022	**-**	**(2,342)**	**(3,407)**	**-**	**(5,749)**
Amortisation and depreciation	-	(101)	(133)		(234)
Provision for amortisation and depreciation as of 31 December 2023	**-**	**(2,443)**	**(3,540)**	**-**	**(5,983)**
Net book value as of 31 December 2022	**1,915**	**222**	**312**	**245**	**2,694**
Net book value as of 31 December 2023	**1,915**	**190**	**484**	**210**	**2,799**

Intangible assets with a defined useful lifespan

Patent rights refer to the filing of new applications.

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

Investments in intangible assets for the year ended 31 December 2023 amounted to Euro 331 thousand, mainly due to new software and patents

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

Intangible assets with an indefinite useful lifespan

Goodwill

As of 31 December 2023 and 31 December 2022 the value of goodwill refers exclusively to business combinations that took place prior to 1 January 2017, the transition date to international accounting standards. This value is considered to be adequately supported in terms of expected economic results and related cash flows. The recoverable value was checked as part of the broader impairment test carried out for the Consolidated Financial Statements. The parameters used for the impairment test are shown in note 8.1 of the notes to the Consolidated Financial Statements.

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

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

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

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

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

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

As of 31 December 2023, the Company had not identified any indicators of lasting impairment of assets corresponding to usage rights.

The table below shows the non-actualised contractual value of the Company's leasing liabilities as of 31 December 2023 and 31 December 2022.

(in thousands of Euro)	**within 1 year**	**between 1 and 2 years**	**between 3 and 5 years**	**beyond 5 years**	**Contractual value**	**Book value**
As of 31 December 2023	695	655	556	26	**1,932**	**1,879**
As of 31 December 2022	1,142	720	339	110	**2,311**	**2,305**

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

6.3 Tangible assets

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

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

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

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

As of 31 December 2023, there were no real estate assets or capital goods burdened by any kind of guarantee provided to a third party.

6.4 Equity investments

The table below shows the details of the equity investments as of 31 December 2023 and the net book value at the same date.

Company	Registered offices	Currency	Share capital at 31 December 2023	Percentage of direct control At 31 December 2023	2022	Net book value as of 31 December 2023
Haemotronic SpA	Mirandola (MO)	EUR	5,040,000	100.0%	100.0%	255,439
Fenchurch Environmental Group Ltd	United Kingdom - Morecambe	GBP	1,469	100.0%	100.0%	21,195
GVS Puerto Rico LLC	Puerto Rico - Fajardo	USD	N/A	100.0%	100.0%	13,658
GVS NA Holdings Inc	USA - Sanford (MA)	USD	0.10	100.0%	100.0%	75,598
GVS do Brasil Ltda	Brazil - Municipio de Monte Mor, Campinas	BRL	20,755,226	99.9%	99.9%	4,257
GVS Technology (Suzhou) Co. Ltd.	China - Suzhou (PRC)	CNY	182,658,405	100.0%	100.0%	15,551
RPB Safety Ltd	New Zealand - Christchurch	NZD	1,000	100.0%	100.0%	-
GVS Japan KK	Japan - Tokyo	JPY	1,000,000	100.0%	100.0%	1,133
GVS Filtre Teknolojileri	Turkey - Istanbul	TRY	100,000	100.0%	100.0%	264
GVS Argentina Sa	Argentina - Buenos Aires	ARS	1,510,212	94.1%	94.1%	139
GVS Korea Ltd	Korea - Seoul	KRW	100,000,000	100.0%	100.0%	340
GVS Fortune Holding Ltd	Hong Kong (PRC)	HKD	1	100.0%	100.0%	-
GVS Russia LLC	Russia - Moscow	RUB	10,000	100.0%	100.0%	6
GVS North America Inc	USA - Sanford (MA)	USD	n.a.	0.0%	0.0%	106
GVS Filter Technology de Mexico	Mexico - Nuevo Leon	MXN	50,000	99.9%	99.9%	2,358
GVS Filtration Co., Ltd.	Thailand - Bangkok	THB	12,000,000	100.0%	100.0%	323
GVS Filter India Private Limited	India - Mumbai	INR	100,000	100.0%	100.0%	401
GVS Vietnam LLC	Vietnam- Ho Chi Minh City	VND	449,800,000	100.0%	100.0%	37
GVS Microfiltrazione Srl	Romania - Ciorani	RON	1,600	100.0%	100.0%	1
GVS Filtration SDN. BHD.	Malaysia - Petaling Jaya	MYR	3,000,000	100.0%	100.0%	640
Total						**391,446**

The table below shows the breakdown of equity investments as of 31 December 2023 and 31 December 2022.

(in thousands of Euro)	At 31 December 2023	2022
Equity investments (gross value)	395,636	335,421
Provision for writedown of investments	(4,190)	(1,862)
Total equity investments	**391,446**	**333,559**

The provision for equity investments in the period considered relates for Euro 1,600 thousand to the investment in GVS do Brasil Ltda for Euro 219 thousand to the investment in GVS Argentina SA and Euro 43 thousand to the investment in GVS Fortune Holding Ltd. This provision was increased by Euro 2,328 thousand in 2023 due to the writedown of the investment in RPB Safety Ltd, which was placed in liquidation during the year. With the exception of the above, it should be noted that during the period analysed, no indications of possible impairment were identified in relation to equity investments, and consequently, in line with IAS 36, it was not considered necessary to carry out the impairment test.

The table below reports movements in the gross value of trade receivables in the half year ending on 31 December 2023.

(in thousands of Euro)	Gross value at 31 December 2022	Increases	Decreases	Gross value at 31 December 2023
Haemotronic SpA	254,900	539	-	255,439
Fenchurch Environmental Group Ltd	21,195	-	-	21,195
GVS Puerto Rico LLC	13,658	-	-	13,658
GVS NA Holdings Inc	16,334	59,264	-	75,598
GVS do Brasil Ltda	5,857	-	-	5,857
GVS Technology (Suzhou) Co. Ltd.	15,551	-	-	15,551
RPB Safety Ltd	2,328	-	-	2,328
GVS Japan KK	1,133	-	-	1,133
GVS Filtre Teknolojileri	264	-	-	264
GVS Argentina Sa	358	-	-	358
GVS Korea Ltd	340	-	-	340
GVS North America Inc	106	-	-	106
GVS Fortune Holding Ltd	43	-	-	43
GVS Russia LLC	6	-	-	6
GVS Filtration SDN. BHD.	228	412	-	640
GVS Filtration Co., Ltd.	323	-	-	323
GVS Filter Technology de Mexico	2,358	-	-	2,358
GVS Filter India Private Limited	401	-	-	401
GVS Vietnam LLC	37	-	-	37
GVS Microfiltrazione Srl	1	-	-	1
Total	**335,421**	**60,215**	**-**	**395,636**

The increases in 2023 are mainly due to: *(i)* the adjustment of the purchase price of the shares in Haemotronic SpA of Euro 539 thousand and *(ii)* the increase in shareholders' equity in some subsidiaries of Euro 59,676 thousand, through the payment of new cash, as in the case of the Malaysian subsidiary, or through the waiver of an existing intercompany loan, as in the case of GVS NA Holding Inc.

6.5 Deferred tax assets and deferred tax liabilities

The table below reports details of deferred tax assets as of 31 December 2023 and 31 December 2022.

(in thousands of Euro)	At 31 December	
	2023	**2022**
Tax losses	1,765	-
Inventories	152	152
Tangible assets	4	4
Provisions for employee benefits	14	15
Right of use assets	26	21
Provision for risks	37	144
Gross deferred tax assets	**1,998**	**337**
Compensation with deferred tax liabilities	-	-
Total deferred tax assets	**1,998**	**337**

Deferred tax assets are entered as it is considered probable that sufficient taxable income will be generated to permit their use.

Deferred tax assets pertaining to previous tax losses are acknowledged only if it is probable that sufficient taxable income may become available in the future to permit recovery of the assets. As of 31 December 2023, deferred tax assets related to tax losses amounted to Euro 1,765 thousand.

The table below reports details of deferred tax liabilities as of 31 December 2023 and 31 December 2022.

(in thousands of Euro)	At 31 December	
	2023	**2022**
Unrealised profits and losses on exchanges	4,122	7,041
Intangible assets	284	245
Derivative financial instruments	1,159	1,596
Gross deferred tax liabilities	**5,565**	**8,882**
Compensation with deferred tax assets	-	-
Total deferred tax liabilities	**5,565**	**8,882**

The table below shows changes in the gross value of deferred tax assets and deferred tax liabilities for the year ended 31 December 2023.

(in thousands of Euro)	**Total deferred tax assets**	**Total deferred tax liabilities**
Balance as of 31 December 2022	**337**	**8,882**
Provisions (releases) to income statement	1,598	(2,880)
Provisions (releases) to comprehensive income statement	64	(437)
Balance as of 31 December 2023	**1,998**	**5,565**

Deferred tax assets and deferred tax liabilities are a result of temporary differences between the value attributed to an asset or liability in the financial statement and the value attributed to the same asset or liability for tax purposes.

6.6 Financial assets (current and non-current)

The table below reports details of current and non-current financial assets as of 31 December 2023 and 31 December 2022.

(in thousands of Euro)	At 31 December	
	2023	**2022**
Security deposits	1,836	2,008
Capital instruments	25	35
Non-current financial receivables from subsidiary companies	165,677	269,207
Non-current financial assets	**167,538**	**271,250**
Current financial receivables due from subsidiary companies	28,753	26,174
Current financial assets	**28,753**	**26,174**
Total financial assets	**196,291**	**297,424**

The table below reports details of financial receivables (current and non-current) from subsidiary companies as of 31 December 2023 and 31 December 2022.

(in thousands of Euro)	At 31 December	
	2023	**2022**
GVS NA Holdings Inc	136,216	224,920

GVS Technology (Suzhou) Co. Ltd.	36,074	51,408
GVS Filtration Co., Ltd.	303	303
GVS Filter Technology de Mexico	19,656	16,646
GVS Russia LLC	971	944
GVS Filter India Private Limited	432	410
GVS Filtration SDN. BHD.	752	750
GVS Vietnam LLC	28	-
GVS Fortune Holding Ltd	40	40
Provision for writedown of Fortune	(40)	(40)
Total financial receivables from subsidiaries	**194,430**	**295,381**

As of 31 December 2022, the financial receivables due from GVS NA Holdings Inc refer to loans granted by GVS on 31 July 2017 and 31 August 2021 to finance the KUSS and RPB acquisitions. In 2023, the Company waived the loan granted in 2017, and the reduction in the loan led to an increase in the value of the equity investment in GVS NA Holdings Inc. The financial receivable from GVS Technology (Suzhou) Co. Ltd refers to the loan granted during 2022 to finance the acquisition of STT, partially repaid during the current year.
Security deposits, entered among non-current financial assets, classified as financial assets and measured at amortised cost on the basis of IFRS 9, represent a down-payment on an investment and for sums paid under existing leasing agreements.

6.7 Non-current derivative financial instruments

Non-current active financial derivatives amount to Euro 4,829 thousand at 31 December 2023 (Euro 6,648 thousand at 31 December 2022).
The balance of this item is entirely the result of the positive fair value of five IRS (Interest rate Swap) derivative contracts hedging the risk of changes in interest rates of contracts entered into with Unicredit and Mediobanca during 2020 and the syndicated loan taken out with Unicredit, Mediobanca and Credit Agricole in 2021 (see note 6.14). The derivative financial instruments, having individually an original notional amount equal to the nominal value of the hedged items, guarantee a fixed interest rate for the entire duration of the loans covered.

In accordance with the provisions of IFRS 9, the derivatives contracts were designated as a financial instrument hedging interest rates. Consequently, the changes in the fair value of the derivatives were accounted for in a specific equity reserve, with an impact on the comprehensive income statement.

6.8 Other receivables and non-current assets

The amount recorded as of 31 December 2023, equal to Euro 3,037 thousand, refers to an asset recorded against the seller of Haemotronic SpA for compensation in connection with a specific dispute. This receivable was increased by Euro 1,343 thousand in 2023.

6.9 Inventories

The table below reports details of inventories as of 31 December 2023 and 31 December 2022.

(in thousands of Euro)	At 31 December	
	2023	**2022**
Finished products and goods	4,251	4,539
Raw materials, subsidiary materials and consumables	3,546	4,484
Products in progress and semi-products	1,232	1,283
Gross inventories	**9,029**	**10,306**
Provision for writedown of inventory	(846)	(650)
Inventories	**8,183**	**9,656**

The net provision for inventory write-down amounts to Euro 196 thousand for the year ended 31 December 2023 (Euro 50 thousand in the year ended 31 December 2022).

6.10 Trade receivables

The table below reports details of trade receivables as of 31 December 2023 and 31 December 2022.

(in thousands of Euro)	At 31 December	
	2023	**2022**
Trade receivables from customers	6,727	11,102
Trade receivables due from subsidiaries	14,190	18,699
Trade receivables from other related parties	61	82
Trade receivables (gross)	**20,978**	**29,883**
Provision for writedown of trade receivables	(464)	(464)
Trade receivables	**20,514**	**29,419**

The book value of trade receivables is considered to approximate their fair value. During 2023, the Company availed itself of the instrument of transferring a portion of its trade receivables through factoring without recourse transactions. As at 31 December 2023, the amount of the assignments of trade receivables through factoring without recourse, for which the derecognition of the related receivables, amounted to Euro 6,721 thousand.

Trade receivables from related parties are analysed in note 9, "Transactions with related parties".

The book value of trade receivables is considered to approximate their fair value.

The table below breaks down trade receivables at 31 December 2023 and 31 December 2022 according to due date, net of the provision for writedown of receivables.

(in thousands of Euro)	**Not yet due**	**Overdue by 1 to 90 days**	**Overdue by 91 to 180 days**	**Overdue by more than 181 days**	**Total**
Gross trade receivables as of 31 December 2023	13,867	3,241	419	3,451	20,978
Provision for writedown of receivables	-	-	(232)	(232)	(464)
Trade receivables as of 31 December 2023	**13,867**	**3,241**	**187**	**3,219**	**20,514**
Gross trade receivables as of 31 December 2022	23,249	3,031	2,250	1,353	29,883
Provision for writedown of receivables	-	-	(268)	(196)	(464)
Trade receivables as of 31 December 2022	**23,249**	**3,031**	**1,982**	**1,157**	**29,419**

Gross trade receivables at 31 December 2023 and 31 December 2022, include Euro 7,111 thousand and Euro 6,634 thousand, respectively, referable to overdue items, including Euro 3,870 thousand and Euro 3,603 thousand, representing items overdue by more than 90 days. Of these, Euro 3,402 thousand and Euro 2,558 thousand, respectively at 31 December 2023 and 31 December 2022, refer to amounts due from group companies and consequently have not been written down.

Pursuant to Art. 2427, number 6, of the Italian Civil Code, there are no receivables due beyond 5 years.

The table below reports movements in the provision for writedown of trade receivables in the years ending on 31 December 2023 and 31 December 2022.

(in thousands of Euro)	**Provision for writedown of trade receivables**
Balance as of 31 December 2021	**415**
Net provisions	49
Use	-
Balance as of 31 December 2022	**464**
Net provisions	-
Use	-
Balance as of 31 December 2023	**464**

Net provisions to the provision for writedown of receivables appear in the income statement under the item net writedowns of financial assets (see note 7.7).

6.11 Assets and liabilities deriving from contracts with customers

Assets from contracts with customers, equal to Euro 341 thousand and Euro 534 thousand at 31 December 2023 and 31 December 2022 respectively, primarily represented the right to obtain a consideration for goods transferred to customers in relation to the production of moulds and equipment.

Liabilities from contracts with customers, worth Euro 1,807 thousand and Euro 614 thousand at 31 December 2023 and 31 December 2022 respectively, represent advances received from customers for contractual obligations not yet met.

Assets and liabilities from contracts with customers are shown net in the statement of assets and liabilities if they refer to the same contractual obligation to the same customer. The table below shows the gross amount of assets and liabilities from contracts with customers, and how they are compensated, as of 31 December 2023 and 31 December 2022.

(in thousands of Euro)	**At 31 December**	
	2023	**2022**
Gross assets from contracts with customers	1,192	1,952
Compensation with liabilities from contracts with customers	(851)	(1,418)
Assets from contracts with customers	**341**	**534**
Gross liabilities from contracts with customers	2,658	2,032
Compensation with assets from contracts with customers	(851)	(1,418)
Liabilities from contracts with customers	**1,807**	**614**

6.12 Other receivables and current assets

The table below reports details of other receivables and current assets as of 31 December 2023 and 31 December 2022.

(in thousands of Euro)	At 31 December	
	2023	**2022**
Dividends receivable	577	2,305
Tax receivables	1,637	2,154
Prepaid expenses	282	260
Receivables for contributions	566	-
Advances and instalments	172	896
Receivable from employees	20	20
Receivables from group companies for “EBIT adjustment”	426	2,667
Other receivables	1,287	703
Other receivables and current assets	**4,967**	**9,005**

Advances and instalments primarily represent sums paid for supplies yet to be received.

The dividend receivables at 31 December 2023 refer mainly to the dividends resolved by GVS do Brasil Ltda and not yet collected at the date of the balance sheet.

The receivables from subsidiaries for EBIT adjustment are attributable to the transfer price policy applied by the Group during 2023 and 2022.

Tax receivables primarily represent VAT credits with internal revenue.

6.13 Cash and cash equivalents

The table below reports details of cash on hand as of 31 December 2023 and 31 December 2022.

(in thousands of Euro)	At 31 December	
	2023	**2022**
Bank and postal accounts	118,218	35,340
Cash and cash equivalents on hand	17	21
Cash on hand and cash equivalents	**118,235**	**35,361**

In the periods in question, cash on hand was not subject to any restrictions or limitations.

The financial report shows variations in cash on hand during the years under examination.

6.14 Shareholders' equity

The table below reports details of shareholders' equity as of 31 December 2023 and 31 December 2022.

(in thousands of Euro)	At 31 December	
	2023	2022
Share capital	1,750	1,750
Share premium reserve	92,771	92,771
Legal reserve	350	350
Extraordinary reserve	64,903	60,629
Negative reserve for treasury shares	(2,524)	(4,853)
Reserve from derivative financial instruments	3,670	5,052
Actuarial profits and losses reserve	304	470
Profit (loss) carried over and other reserves	43,396	28,615
Net income	(9,703)	20,428
Total shareholders' equity	**194,918**	**205,212**

The statement of variations in shareholders' equity appears in the relevant financial statement.

Share capital

As of 31 December 2023, the Company's fully subscribed and paid-up share capital was Euro 1,750 thousand, divided into 175,000,000 ordinary shares with no par value.

Negative reserve for treasury shares

The treasury shares reserve refers to the purchase of 241,142 treasury shares representing a total stake of 0.14% in the Company's share capital.

Actuarial profits and losses reserve

The actuarial profits and losses reserve includes profits and losses deriving from changes to the actuarial hypotheses in relation to defined benefit plans.

Reserve from first adoption of EU-IFRS

The reserve for first adoption of EU-IFRS, included among other reserves, has a negative balance of Euro 854 thousand in the years under examination, and represents the effects of conversion from Italian accounting standards to EU-IFRS standards.

The table below shows equity items, specifying their origin, possibility of utilisation and distribution, as well as their utilisations in previous years.

(in thousands of Euro)	As of 31 December 2023	Origin / nature	Possibility of utilisation	Portion available
Share capital	1,750	Capital		-
Share premium reserve	92,771	Capital	A; B; C	92,771
Legal reserve	350	Profits	B	350
Extraordinary reserve	64,903	Profits	A; B; C	64,903
Payments on capital increase	129	Capital	A; B; C	129
Exchange gains reserve	28,250	Profits	A; B; C	28,250

Revaluation reserve	2,537	Capital	A; B; C	2,537
Actuarial profits and losses reserve	304	Profits		-
Reserve from derivative financial instruments	3,670	Profits		-
Merger surplus	7,919	Capital	A; B; C	7,919
Negative reserve for treasury shares	(2,524)	Capital		-
Reserve from first adoption of EU-IFRS	(854)	Profits		-
Negative reserve - IFRS contribution	(655)	Capital		-
LTI incentive plan reserve	1,019	Capital	A; B; C	1,019
Profits / (losses carried forward)	5,029	Profits	A; B; C	5,029
Retained earnings/(losses) - IFRS adjustments	23	Profits		-
Total	**204,620**			**202,906**
Non-distributable portion				32,633
Residual distributable portion				**170,273**

The above table provides the possibility of utilisation for each item as follows:

- A: for capital increase;
- B: to cover losses and
- C: for distribution to shareholders.

6.15 Debt for the purchase of equity investments and (current and non-current) earn out

The amount recorded as at 31 December 2023 refers to the earn out relating to the Haemotronic business combination, defined and agreed between the parties recorded at the acquisition date, including interest.

This debt was discounted upon initial recognition.

6.16 Financial liabilities (current and non-current)

The table below reports details of current and non-current financial liabilities as of 31 December 2023 and 31 December 2022.

(in thousands of Euro)	**At 31 December**			
	2023		**2022**	
	Current portion	**Non-current portion**	**Current portion**	**Non-current portion**
2014 Bond Loan	4,525	-	9,336	-
2017 Bond Loan	7,993	-	15,967	-
Total bonded loans	**12,518**	**-**	**25,303**	**-**
Club Deal Loan Agreement (2021)	29,944	89,832	149,632	-
Club Deal Loan Agreement (2022)	45,818	171,818	228,798	-
Mediobanca loan (2020)	4,437	4,437	13,310	-
Unicredit loan (2020)	4,002	4,012	12,005	-
Accrued payables and other minor items	2,500	-	2,546	-
Total financial payables to banks	**86,701**	**270,099**	**406,292**	**-**

GVS Japan KK loan	37	4,800	-	5,336
GVS Korea Ltd loans	132	4,270	-	4,555
GVS Filter Technology UK Ltd loans	339	12,015	-	8,954
Haemotronic SpA loans	-	-	-	25,000
Liabilities for centralised treasury management	50,211	-	-	-
Total financial payables to subsidiaries	**50,719**	**21,085**	**-**	**43,845**
GVS Group Srl loan	1,531	75,000	-	-
Subsidized loan Horizon call for tenders	-	87	-	87
Invitalia	45	227	317	-
Financial payables to factors	688	-	-	-
Total other financial liabilities	**2,264**	**75,314**	**317**	**87**
Total financial liabilities	**152,203**	**366,497**	**431,912**	**43,932**

As mentioned before, it is highlighted that during the year, GVS SpA signed an agreement with the majority shareholder GVS Group Srl, concerning a subordinated and unsecured shareholder loan of Euro 75 million expiring on 31 December 2027, disbursed the day following the signing of the contract (the "Loan"). The terms and conditions of this loan, defined between the Company and GVS Group following the outcome of the procedure for carrying out transactions with related parties in compliance with current provisions, are highlighted below:

- Amount: Euro 75 million, to be repaid, save early repayment, on 31 December 2027.

- Purpose: the purpose of the loan was to enable compliance with the leverage ratio, envisaged pursuant to existing loans, at the recognition of 31 December 2022 (limit level equal to 3.5x). Furthermore, should operational needs require it, the sums deriving from the loan could still be used by GVS for operational needs.

- Use: the Company has undertaken not to use the sums deriving from the loan to the extent that it has additional resources available, being able in any case to carry out treasury management activities.

- Interest: the loan provides for a remuneration equal to 80% of the gross yield of the Italian treasury bill with a 12-month maturity, to be calculated exclusively on the amount not used by the Company for operational needs. Therefore, to the extent that GVS uses all or a portion of the loan for operational needs, no interest will accrue on these uses. The initial interest rate (i.e., from the disbursement date to 31 December 2023) was conventionally determined at 2.5% on an annual basis. The accrual and payment of interest remain subject to further conditions inherent mainly to the subordinated nature of the loan and compliance with the financial covenants envisaged by the existing debt.

- In case of early repayment: there is an obligation for GVS to repay the loan in full (plus any interest), subject to a positive evaluation by the Company of its short-medium term financial solidity in the event that: the Company were to repay in full the debt deriving from the loans and bond loans existing prior to the respective repayment dates or after 30 June 2024, if the ratio between consolidated net debt (calculated assuming repayment in full of the loan) and consolidated EBITDA does not exceed, on the verification date, the coefficient of 3.0x. The sums deriving from the loan may be used by GVS Group Srl for the subscription of any capital increases of the Company.

- Subordination: except in the cases of early repayment and any payment of interest described above, the loan is subordinated to the syndicated loans and existing bond loans.

Below is a description of the additional principal items making up the Group's financial liabilities as of 31 December 2023.

a) Bonded loans

a1) 2017 Bonded Loan

On 25 July 2017, GVS issued an unlisted bonded loan guaranteed by GVS North America Inc, GVS NA Holdings, Inc and GVS Filter Technology UK Ltd (jointly referred to as the "Guarantors"), reserved for corporate investors, with a face value totalling Euro 40,000 thousand (hereinafter the "2017 Bonded Loan").

The 2017 Bonded Loan, placed with an issue price of 100% of its face value, which, after changes to the contracts during 2022 and 2023, involved payment of interest through six-monthly post-dated coupons falling due on 25 January and 25 July of each year, calculated as described below:

- at an annual rate of 3.0% if the ratio between net financial indebtedness and consolidated EBITDA calculated as of the date of the annual financial report or half-year financial report previous to payment of the coupon is less than or equal to 3.0;
- at an annual rate of 3.25% if the ratio between net financial indebtedness and consolidated EBITDA calculated as of the date of the annual financial report or half-year financial report previous to payment of the coupon ranges from 3.0 to 3.5;
- at an annual rate of 3.5% if the ratio between net financial indebtedness and consolidated EBITDA calculated as of the date of the annual financial report or half-year financial report previous to payment of the coupon ranges from 3.5 to 3.75;
- at an annual rate of 3.75% if the ratio between net financial indebtedness and consolidated EBITDA calculated as of the date of the annual financial report or half-year financial report previous to payment of the coupon ranges from 3.75 to 4.00;
- at an annual rate of 4.25% if the ratio between net financial indebtedness and consolidated EBITDA calculated as of the date of the annual financial report or half-year financial report previous to payment of the coupon is more than 4.00.

The 2017 Bonded Loan provided for repayment of the face value of the debt through payment of annual instalments in the amount of Euro 8,000 thousand beginning on 25 July 2020.
The 2017 Bonded Loan contract, as changed during 2022 and 2023, sets out as financial constraints, compliance at the consolidated level, with the following requirements:

- a minimum ratio of EBITDA to net financial costs of at least 4.50 as of the date of each annual and half-yearly financial statement for as long as the contract remains in effect (each "Determination Date"), with the exception of the audits as at 30 June 2023 and 31 December 2023 for which the minimum ratio has been defined as at least 3.5.
- a maximum ratio of net financial indebtedness to EBITDA as described below:
  - v. no more than 3.5 as at 31 December 2022;
  - vi. no more than 4.25 as at 30 June 2023;
  - vii. no more than 4 as at 31 December 2023;
  - viii. no more than 3.5 on each subsequent Determination Date starting on 30 June 2024.
- a maximum ratio of net financial indebtedness to shareholders' equity as described below:
  - iii. no more than 3.00 on each Determination Date up to 31 December 2018, and
  - iv. no more than 2.50 on each Determination Date starting on 30 June 2019.

As of 31 December 2023, the financial constraints have been met.

The 2017 Bonded Loan was not assisted by real guarantees.

a2) 2014 Bonded Loan

On 9 January 2014, the Company issued a bonded loan falling due on 9 January 2024, guaranteed by GVS North America Inc, Maine Manufacturing LLC and GVS Filter Technology UK Ltd, reserved for corporate investors, with a face value totalling USD 35,000 thousand, initially listed on the Vienna stock exchange and then recalled from trading (hereinafter the "2014 Bonded Loan"). The 2014 Bond Loan, placed with an issue price equal to 100% of the nominal value, provides for, following the changes to the same loan that took place in 2017, 2022 and 2023, interest calculated as described below:

- at an annual rate of 6.5% if the ratio between net financial indebtedness and consolidated EBITDA calculated as of the date of the annual financial report or half-year financial report previous to payment of the coupon is less than 3.0;
- at an annual rate of 6.75% if the ratio between net financial indebtedness and consolidated EBITDA calculated as of the date of the annual financial report or half-year financial report previous to payment of the coupon ranges from 3.0 to 3.5;
- at an annual rate of 7% if the ratio between net financial indebtedness and consolidated EBITDA calculated as of the date of the annual financial report or half-year financial report previous to payment of the coupon ranges from 3.5 to 3.75;
- at an annual rate of 7.25% if the ratio between net financial indebtedness and consolidated EBITDA calculated as of the date of the annual financial report or half-year financial report previous to payment of the coupon ranges from 3.75 to 4.00;
- at an annual rate of 7.75% if the ratio between net financial indebtedness and consolidated EBITDA calculated as of the date of the annual financial report or half-year financial report previous to payment of the coupon is more than 4.00.

The interest was paid with six-monthly post-dated coupons falling due on 9 January and 9 July of each year. Under the bonded loan, following a 4-year pre-amortisation period, the face value of the debt was to be repaid by payment of annual instalments of USD 5,000 thousand starting on 9 January 2018.

The 2014 Bonded Loan also sets out after changes made to the same loan during 2017, 2020 and 2023, as a financial constraint, compliance at consolidated level with:

- a minimum ratio of EBITDA to net financial costs of at least 4.50 as of the date of each annual and half-yearly financial statement for as long as the contract remains in effect (each "Determination Date"), with the exception of the audits as at 30 June 2023 and 31 December 2023 for which the minimum ratio has been defined as at least 3.5;
- a maximum ratio of net financial indebtedness to EBITDA as described below:
    - v. no more than 3.5 as at 31 December 2022;
    - vi. no more than 4.25 as at 30 June 2023;
    - vii. no more than 4 as at 31 December 2023;
    - viii. no more than 3.5 on each subsequent Determination Date starting on 30 June 2024;
- a maximum ratio of net financial indebtedness to shareholders' equity as described below:
    - iii. no more than 3.00 on each Determination Date up to 31 December 2018, and
    - iv. no more than 2.50 on each Determination Date starting on 30 June 2019.

As of 31 December 2023, the financial constraints have been met.

The 2014 Bonded Loan is not backed by collateral.

b) Loans in existence as of 31 December 2022

b1) Pool Financing Agreement (2022)

In order to finance the acquisition of Haemotronic, in 2022, GVS signed a new 5-year loan agreement for a total nominal amount of Euro 230 million with a pool of lending banks, including Mediobanca - Banca di Credito Finanziario SpA and Unicredit SpA, which acted, inter alia, in the capacity of arrangers, global coordinators and original lenders.

The contract provides for the repayment of the line of credit starting from the 18th month from the date of use of the line and the amortization plan is defined as follows:

- 5% of the residual debt, at the expiry of the 18th month;
- 10% of the residual debt at the expiry of the 24th month and every six months for the following two six-month periods;
- 15% of the residual debt at the expiry of the 42nd month and every six months for the following six-month period;
- 17.5% of the residual debt at the expiry of the 54th month and in the last half year period.

The line of credit requires payment of interest at an annual rate equal to the Euribor six-month rate plus a spread which varies on the basis of the ratio of net financial indebtedness to consolidated EBITDA, as defined in the agreement even after changes made in 2022 and 2023, from a minimum of 100 basis points if the ratio is less than 1.25, to a maximum of 245 basis points, if the ratio is greater than or equal to 4.

The financing agreement requires, as financial constraints, compliance at the consolidated level with:
- a ratio between consolidated EBITDA and net financial costs, greater than or equal to 4.5 at the date of each annual and half-yearly financial report during the term of this agreement, with the exception of the audits as at 30 June 2023 and 31 December 2023 for which the minimum ratio was defined as at least equal to 3.5;
- a maximum ratio of net financial indebtedness to EBITDA as described below:
  - v. no more than 3.5 as at 31 December 2022 and
  - vi. no more than 4.25 as at 30 June 2023;
  - vii. no more than 4 as at 31 December 2023;
  - viii. no more than 3.5 on each subsequent Determination Date starting on 30 June 2024;

As of 31 December 2023, the financial constraints have been met.

The 2022 Pool Loan is not backed by collateral.

B2) Pool Financing Agreement (2021)

On 30 July 2021, GVS on the one hand, Mediobanca - Banca di Credito Finanziario SpA, in the capacity of arranger, facility agent and global coordinator, and Credit Agricole Italia SpA and Unicredit SpA, in their capacity as arrangers on the other, signed a loan agreement (hereinafter the “2021 Pool Loan Agreement”), concerning making available to GVS a line of credit for an amount equal to Euro 150,000 thousand, aimed at financing the RPB Acquisition and the related costs, without providing any collateral.

The contract provides for the repayment of the line of credit starting from the 18th month from the date of use of the line and the amortization plan is defined as follows:

- 10% of the residual debt at the expiry of the 18th month and every six months for the following three six-month periods;
- 12.5% of the residual debt, at the expiry of the 42nd month;

- 15% of the residual debt at the expiry of the 48th month and every six months for the following six-month period;
- 17.5% of the residual debt in the last six-month period.

The line of credit requires payment of interest at an annual rate equal to the Euribor six-month rate plus a spread which varies on the basis of the ratio of net financial indebtedness to consolidated EBITDA, as defined in the agreement even after changes made in 2022 and 2023, from a minimum of 100 basis points if the ratio is less than 1.25, to a maximum of 245 basis points, if the ratio is greater than or equal to 4.

The financing agreement requires, as financial constraints, compliance at the consolidated level with:

- a ratio between consolidated EBITDA and net financial costs, greater than or equal to 4.5 at the date of each annual and half-yearly financial report during the term of this agreement, with the exception of the audits as at 30 June 2023 and 31 December 2023 for which the minimum ratio was defined as at least equal to 3.5;
- a maximum ratio of net financial indebtedness to EBITDA as described below:
  - v. no more than 3.5 as at 31 December 2022 and
  - vi. no more than 4.25 as at 30 June 2023;
  - vii. no more than 4 as at 31 December 2023;
  - viii. no more than 3.5 on each subsequent Determination Date starting on 30 June 2024;

As of 31 December 2023, the financial constraints have been met.

The 2021 Pool Loan is not backed by collateral.

B3) Unicredit mortgage (2020)

On 13 November 2020 GVS stipulated a mortgage agreement with Unicredit S.p.A. for a total of Euro 20,000 thousand. The loan falls due on 30 November 2025. The agreement requires payment of 60 deferred quarterly instalments from 28 February 2021 until the due date. The interest rate is variable and corresponds to the Euribor 3-month rate plus a spread of 0.75%. The contract sets out, as a financial constraint, compliance at the consolidated level with:

- a minimum ratio between consolidated EBITDA and net financial costs, equal to at least 4.5 at the date of each annual financial report during the term of this contract, with the exception of the audits as at 31 December 2023 for which the minimum ratio has been defined as at least equal at 3.5;
- a maximum ratio of net financial indebtedness to EBITDA as described below:
  - iv. no more than 3.5 as at 31 December 2022 and
  - v. no more than 4 as at 31 December 2023;
  - vi. no more than 3.5 on each Determination Date starting on 31 December 2024;

As of 31 December 2023, the financial constraints have been met.

The 2020 Unicredit Loan was not backed by collateral.

B4) Mediobanca (2020)

On 12 November 2020 GVS stipulated a loan agreement with Mediobanca for a total of Euro 20,000 thousand. The loan falls due on 12 November 2025. The agreement requires payment of 9 deferred quarterly instalments from 12 November 2021 until the due date. The interest rate applicable to the loan agreement, also following the changes that took place in 2022 and 2023, is variable and corresponds to the 6-month Euribor increased by a spread of a minimum of 85 bps, if this ratio is less than 2, up to a maximum of 175 bps, if this ratio is greater than or equal to 4.

The contract requires, as a financial constraint, compliance at the consolidated level with:

- a minimum ratio between consolidated EBITDA and net financial costs, equal to at least 4.5 at the date of each annual financial report during the term of this contract, with the exception of the audits as at 30 June 2023 and 31 December 2023 for which the minimum ratio has been defined as at least equal at 3.5;

- a maximum ratio of net financial indebtedness to EBITDA as described below:
  - v. no more than 3.5 as at 31 December 2022 and
  - vi. no more than 4.25 as at 30 June 2023;
  - vii. no more than 4 as at 31 December 2023;
  - viii. no more than 3.5 on each subsequent Determination Date starting on 30 June 2024;

As of 31 December 2023, the financial constraints have been met.

d) Loans from subsidiaries

d1) GVS Japan KK loan

At 31 December 2023, GVS obtained a loan from GVS Japan KK for a total of Euro 4,800 thousand. The loan contract, the amount of which is to be used exclusively to finance operating activities, provides for an interest rate equal to the change in each six-month period (from January to July and from July to December) in the six-month Libor plus a spread of 1.53%.

d2) GVS Korea Ltd loans

At 31 December 2023, GVS obtained various loans from GVS Kora Ltd for a total of Euro 4,270 thousand to finance operating activities. The interest rates applied vary from contract to contract.

d3) GVS Filter Technology UK Loan

At 31 December 2023, GVS obtained a loan from GVS Filter Technology UK Ltd for a total of Euro 12,015 thousand. The loan contract, the amount of which is to be used exclusively to finance operating activities, provides for an interest rate equal to the three-month GBP Libor plus a spread of 0.3%.

d4) Haemotronic SpA loans

During 2022, GVS signed a loan agreement for an amount of Euro 25,000 thousand. This loan was fully extinguished in 2023.

d5) Financial liabilities for centralised treasury management.

In addition, during the year the Company signed a cash pooling zero balance contact with the subsidiary Haemotronic SpA. This is an instrument for optimal cash flow management that enables centralised management of the Group's financial requirements through the transfer to a "treasurer" (or "pooler"), i.e. GVS SpA, of the current account surplus or deficit of the Italian subsidiary. Following the transfer of the balances on the pool account, Haemotronic takes in consideration a payable in the event of a transfer of a debit balance or a receivable in the event of a transfer of a credit balance. Subsequently, GVS SpA accounts for individual debit and credit transactions.

The table below reports, for the period under examination, variations in financial liabilities resulting from cash flows generated and/or absorbed by financing, and deriving from non-monetary elements, as required by IAS 7.

(in thousands of Euro)	As of 1 January 2023	Opening	Reclassification	Repayment	Variation in accrued payables on interest	Amortised cost	(Profits) losses on exchanges	As of 31 December 2023
Non-current financial liabilities	43,931	102,991	220,682		-	-	(1,106)	366.49
Current financial liabilities	431,912	688	(220,682)	(63,329)	3,048	566	-	151,203
Total financial liabilities	**475,843**	**103,679**	**-**	**(63,329)**	**3,048**	**566**	**(1,106)**	**518,701**

6.17 Net financial indebtedness and net financial position

In accordance with the requirements of the CONSOB communication of 28 July 2006 and in compliance with ESMA guidelines 04 March 2021(ESMA32-382-1138), the net financial debt of the Company at 31 December is reported.

	Net financial indebtedness and net financial position of GVS SpA (in thousands of Euro)	**31 Dec. 2023**	**31 Dec. 2022**
	Cash	17	35
	Cash and cash equivalents	118,217	35,326
	Financial assets held for trading	-	-
(A)	**Liquidity**	**118,234**	**35,361**
	Financial receivables from subsidiaries	28,753	26,174
	Other financial receivables	-	-
(B)	**Current financial receivables**	**28,753**	**26,174**
(C)	Current bank debts		
(D)	Current portion of non-current indebtedness	(99,954)	(431,912)
	Financial payables to parent companies	(1,531)	-
	Financial payables to subsidiaries	(50,719)	-
	Financial payables to other companies in the GVS Group due to leasing	(389)	(838)
	Financial lease liabilities	(366)	(288)
	Other financial liabilities	(18,341)	-
(E)	Other current financial liabilities	(71,346)	(1,126)
(F)	**Current financial indebtedness (C)+(D)+(E)**	**(171,300)**	**(433,039)**
(G)	**Net current financial indebtedness (A)+(B)+(F)**	**(24,313)**	**(371,504)**
	Non-current bank borrowings	(270,413)	(86)
	Non-current bond	-	-
	Non-current financial payables to parent companies	(75,000)	-
	Non-current financial payables to subsidiaries	(21,085)	(43,845)
	Financial payables to other companies in the GVS Group due to leasing	(721)	(872)
	Non-current financial lease liabilities	(404)	(307)
	Non-current derivative instruments	-	-
	Other financial liabilities	(16,984)	(33,063)
(H)	**Non-current financial indebtedness**	**(384,607)**	**(78,173)**

(I)	**Net financial indebtedness (G)+(H)**	**(408,920)**	**(449,677)**
	Non-current derivative instruments	4,829	6,648
	Non-current financial receivables from subsidiaries	165,677	269,207
	Financial lease liabilities	1,880	2,305
	Total net financial position	**(236,535)**	**(171,516)**

The net financial position of the Company excluding current and non-current leases, recognised in accordance with IFRS 16 and including the non-current portion of financial receivables to subsidiaries and non-current derivatives, amounts to negative Euro 236,535 thousand and Euro 171,516 thousand as of 31 December 2023 and 31 December 2022.

6.18 Provisions for employee benefits

The table below shows the breakdown and movements of provisions for employee benefits in the years ending on 31 December 2023 and 31 December 2022.

(in thousands of Euro)	**Termination indemnity**	**End of office indemnity**	**Provisions for employee benefits**
Balance as of 31 December 2021	**911**	**1,699**	**2,609**
Current service cost	140	80	220
GVS Sud Srl merger	1,756	-	1,756
Financial costs	7	6	13
Actuarial losses/(profits)	(473)	(286)	(759)
Benefits paid	(217)	-	(217)
Balance as of 31 December 2022	**2,123**	**1,499**	**3,622**
Current service cost	-	114	114
Financial costs	23	-	23
Actuarial losses/(profits)	45	184	**229**
Benefits paid	(128)	(1,715)	(1,843)
Balance as of 31 December 2023	**2,063**	**82**	**2,145**

Provisions for employees represent an estimate of the Company’s obligation, determined on the basis of actuarial techniques, representing the amount to be paid to employees upon termination of their employment.

As of 31 December 2023 and 31 December 2022, provisions for employee benefits represented termination indemnity (known in Italy as “**TFR**”) allocated for employees and end of service indemnity (known in Italy as “**TFM**”) allocated for directors.

Termination indemnity (TFR)

Employee benefits for TFR amount to Euro 2,063 thousand and Euro 2,123 thousand on 31 December 2023 and 31 December 2022, respectively.

The value of the payable represented by termination indemnity, which falls under the definition of defined benefit plans according to IAS 19, has been determined on the basis of actuarial logic. The principal actuarial, financial and demographic hypotheses used to determine the value of the liability as of 31 December 2023 and 31 December 2022 in accordance with the provisions of IAS 19 are listed below.

(As a percentage)	**At 31 December**	
	2023	**2022**
Financial hypotheses		
Annual actualisation rate	3.17%/3.09%	3.77%/3.63%
Annual inflation rate	2%	5.9% for 2023, 2.3% for 2024, 2% from 2025
Annual rate of increase in overall pay	3%	Inflation + 1%
Annual rate of increase in the termination indemnity	3%	5.9% for 2023, 3.33% for 2024, 3% from 2025
Demographic hypotheses		
Death	Table illustrating probability of death, as determined by the State General Accounting Office, known as RG48	Table illustrating probability of death, as determined by the State General Accounting Office, known as RG48
Invalidity	Probability adopted in the INPS form for projections as of 2010	Probability adopted in the INPS form for projections as of 2010
Retirement	Reaching the first of the valid retirement requirements for Obligatory General Insurance	Reaching the first of the valid retirement requirements for Obligatory General Insurance
Probability of advancing termination indemnity	3.00%	3.00%
Annual turnover	2.50%	2.50%

The table below sums up the sensitivity analysis for each actuarial, financial and demographic hypothesis, showing the effects (in absolute terms) that would result from changes in the actuarial hypotheses reasonably considered possible as of 31 December 2023 and 31 December 2022.

(in thousands of Euro)	**Annual actualisation rate**		**Annual inflation rate**		**Annual turnover**	
	+0.50%	**-0.50%**	**+0.25%**	**-0.25%**	**+2.00%**	**-2.00%**
Employee benefits (termination indemnity) as of 31 December 2023	(102)	110	32	(31)	21	(24)
Employee benefits (termination indemnity) as of 31 December 2022	(138)	(56)	**104**	10	(8)	(6)

End of office indemnity (TFM)

Employee benefits for TFM amount to Euro 82 thousand and Euro 1,499 thousand on 31 December 2023 and 31 December 2022, respectively. The decrease compared with the previous year is due to the complete liquidation of the TFM fund by the previous administrators, following the appointment of the new Board of Directors in May 2023.

6.19 Provisions for risks and charges

The table below shows the breakdown and movements of provisions for risks and charges in the years ending on 31 December 2023 and 31 December 2022.

(in thousands of Euro)	**Provisions for risks and charges**
Balance as of 31 December 2021	**3,000**
Allocation	3,158
Use	(1,315)
Balance as of 31 December 2022	**4,843**
Allocation	1,103
Release	(450)
Use	(2,598)
Balance as of 31 December 2023	**2,898**

In 2018, GVS SpA underwent a verification by the Italian tax authorities (Agenzia delle Entrate) for the 2015 fiscal year, as a result of which a formal notice of assessment ("FNA") was issued. In 2020, the Company resolved the complaints contained in this FNA through a tax settlement inspection procedure. During 2022, GVS received assessment notices from the tax authorities for the 2016 tax period relating to the transfer price and consequently as a prudential measure, supported by its consultants, made a further provision of Euro 1,000 thousand, in addition to the amount set aside in previous years. In the first half of 2023, the Company resolved disputes relating to the transfer price for the tax period 2016 through a tax assessment procedure. On 3 October 2023, GVS SpA was made aware of a FNA in which the tax authorities contested the determination of the tax base, for IRES (corporate income tax) and IRAP (regional tax on productive activities) purposes, for the 2017, 2018 and 2019 tax periods, believing that the tax base should be adjusted upwards in application of transfer pricing legislation. Following the issue of the FNA, GVS SpA. engaged in dialogue with the tax authorities, which led to a definition of the charges as follows:

- tax period 2017: completion, on 4 December 2023, of a tax settlement resulting in a higher IRES of Euro 287 thousand and a higher IRAP of Euro 31 thousand, plus interest;
- tax period 2018: completion, on 31 January 2024, of a tax settlement resulting in a higher IRES of Euro 312 thousand and a higher IRAP of Euro 50 thousand, plus interest;
- tax period 2019: making of a voluntary correction by presentation:
    - a supplementary declaration for IRES purposes, with a difference of Euro 480 thousand in the group tax consolidation;
    - a supplementary declaration for IRAP purposes, resulting in a higher tax of Euro 78 thousand.

Consequently, in the financial statements as of 31 December 2023, the dedicated tax risk provision was increased by Euro 700 thousand and used in the amount of Euro 2,114 thousand.

In addition, in 2023, the Company allocated Euro 403 thousand to the income statement under "other personnel costs" in relation to non-recurring expenses relating to the staff reorganisation process. Uses during the period refer to payments made to employees.

6.20 Trade payables

The table below reports details of trade payables as of 31 December 2023 and 31 December 2022.

(in thousands of Euro)	At 31 December	
	2023	**2022**
Trade payables to suppliers	7,247	9,655
Trade payables to subsidiaries	1,909	2,439
Trade payables from other related parties	-	-
Trade payables	**9,156**	**12,094**

Trade payables primarily regard transactions for the purchase of raw materials, components and services.

Trade payables to related parties are analysed in note 9, "Transactions with related parties".

The book value of trade payables is considered to approximate their fair value.

6.21 Current tax receivables and payables

Current tax receivables amounted to Euro 4,869 thousand and Euro 2,973 thousand at 31 December 2023 and 31 December 2022 respectively.

Current tax payables at 31 December 2023 amounted to Euro 1,600 thousand and mainly relate to the instalment of the IRES and IRAP payable, in accordance with the agreements signed following the settlement of the dispute over the transfer price.

Changes in the net balance of these assets and liabilities in the years ending on 31 December 2023 and 31 December 2022 primarily pertain to allocation of current income taxes amounting to Euro 90 thousand and Euro 2,068 thousand and payments of Euro 1,121 thousand and Euro 1,813 thousand, respectively.

6.22 Other current payables and liabilities

The table below reports details of other current payables and liabilities as of 31 December 2023 and 31 December 2022.

(in thousands of Euro)	At 31 December	
	2023	**2022**
Payable to employees	6,697	4,960
Payable to social security institutions	1,324	1,249
Deferred income	256	2
Tax payables	1,135	1,201
Payable to directors	988	858
Accrued payables	38	78
Payables to group companies for "EBIT adjustment"	1,515	3,326
Other	202	430
Other current payables and liabilities	**12,155**	**12,104**

Payables to employees primarily reflect salaries payable and deferred charges such as holidays, leave and bonuses.

Payables to subsidiaries for EBIT adjustment are related to the transfer price policy applied by the group during 2023 and 2022.

Payables to social security institutions primarily represent payment of contributions owned to pension and social security institutions.

Tax payables as of 31 December 2023 and 31 December 2022 primarily include tax payables for taxes not correlated to income, consisting primarily of withholding tax on employees' pay.

7. Notes to the income statement

7.1 Revenue from contracts with customers

The table below breaks down revenues from contracts with customers by type of product in the years ending on 31 December 2023 and 31 December 2022.

(in thousands of Euro)	**Financial year ended 31 December**	
	2023	**2022**
Healthcare Liquid	54,052	56,579
Healthcare Air & Gas	318	642
Laboratory	3,822	4,904
Healthcare & Life Sciences	**58,191**	**62,125**
Powertrain & Drivetrain	1,962	1,566
Safety & Electronics	11,801	12,102
Energy & Mobility	**13,764**	**13,668**
Personal Safety	2,127	2,118
Air Safety	183	196
Health & Safety	**2,310**	**2,314**
Revenue from contracts with customers	**74,265**	**78,107**

The decrease in revenues in the period ended 31 December 2023 compared to the same period of the previous year is mainly attributable to the performance of the Healthcare & Life Sciences division, due to a reduction in both the Healthcare Liquid and Laboratory businesses. *Energy & Mobility* and *Health & Safety* divisions show revenues that are essentially in line with the previous year.

The table below breaks down revenues from contracts with customers by geographic area in the years ending on 31 December 2023 and 31 December 2022.

(in thousands of Euro)	**Financial year ended 31 December**	
	2023	**2022**
North America		22,474
Europe	26,473	31,447
Asia	24,592	20,090
Other	3,314	4,096
Total revenue from contracts with customers	**74,265**	**78,107**

Revenues as of 31 December 2023 are mainly attributable to the sale of finished products.

7.2 Other operating income

The table below breaks down other operating income in the years ending on 31 December 2023 and 31 December 2022.

(in thousands of Euro)	**Financial year ended 31 December**	
	2023	**2022**
Recovery and chargeback	3,893	2,388
Contributions for operating expenses	735	277
Release of provision for risks	450	-
Insurance refunds	-	9
Recovery of scrap	98	108
Capital gains on sales	4	2
Operating revenues from group companies for “EBIT adjustment”	424	2,667
Other	853	274
Other operating income	**6,457**	**5,725**

Operating revenue from subsidiaries for EBIT adjustment relate to the transfer price policy applied by the Group during 2023 and 2022.
Recoveries and chargebacks for the period ended 31 December 2023 include non-recurring income from the seller of Haemotronic SpA (Euro 1,343 thousand) for compensation relating to a specific dispute. The release of the provision for risks of Euro 450 thousand related to a provision was posted on the balance sheet in 2023, following the downsizing of the dispute and request for compensation for damages received in the previous year by a specific customer, for which a provision of Euro 600 thousand had been set aside.

7.3 Purchases and consumption of raw materials, semi-products and finished products

The table below breaks down purchases and consumption of raw materials, semi-products and finished products in the years ending on 31 December 2023 and 31 December 2022.

(in thousands of Euro)	**Financial year ended 31 December**	
	2023	**2022**
Purchases of raw materials, finished products, components and consumables	28,584	32,630
Variation in inventories of products in progress, semi-finished goods and finished products	22	(1,329)
Variation in inventories of raw materials, subsidiary materials and goods	1,071	(22)
Purchases and consumption of raw materials, semi-products and finished products	**29,677**	**31,279**

The item does not include any allocation to the provision for writedown of inventory for the year ended 31 December 2023 (Euro 50 thousand for the year ended 31 December 2022).

7.4 Personnel costs

The table below breaks down personnel costs in the years ending on 31 December 2023 and 31 December 2022.

(in thousands of Euro)	Financial year ended 31 December	
	2023	**2022**
Salaries and wages	21,696	19,874
Social security contributions	6,154	5,714
Cost of termination indemnity	1,142	1,035
Other personnel costs	403	1,558
Personnel costs	**29,395**	**28,181**

Furthermore, the item other personnel costs includes non-recurring charges relating to costs set aside for the personnel reorganization started in 2022 for a total amount of Euro 403 thousand (Euro 1,558 thousand at 31 December 2022).

The table below reports the average number of Company employees in the years ending on 31 December 2023 and 31 December 2022, broken down by category.

(In units)	Financial year ended 31 December	
	2023	**2022**
Blue-collar workers	235	250
White-collar workers	113	113
Management	20	20
Executives	23	20
Total employees	**391**	**403**

7.5 Service costs

The table below breaks down service costs in the years ending on 31 December 2023 and 31 December 2022.

(in thousands of Euro)	Financial year ended 31 December	
	2023	**2022**
Utilities and cleaning services	2,424	2,071
Maintenance	490	597
Transportation	383	363
Consulting services	2,309	1,930
Travel and lodging	1,048	1,028
Subcontracting	2,676	2,476
Marketing and trade fairs	349	218
Insurance	949	694
Employee services	400	277
Commissions	209	149
Directors' fees	2,761	3,205
Other services	1,333	1,558
Service costs	**15,331**	**14,566**

Service costs, in the period ended 31 December 2023 and 31 December 2022, include, for Euro 268 thousand and Euro 553 thousand, costs relating to services received on an exceptional and non-recurring basis.

7.6 Other operating costs

The table below breaks down other operating costs in the years ending on 31 December 2023 and 31 December 2022.

(in thousands of Euro)	**Financial year ended 31 December**	
	2023	**2022**
Leasing costs	304	493
Indirect taxation	127	42
Losses on sales	26	-
Membership fees and charity contributions	181	189
Allocation to provision for risks	-	600
Operating costs from group companies for "EBIT adjustment"	1,515	3,326
Other minor costs	855	541
Other operating costs	**3,008**	**5,191**

Leasing costs include: *(i)* leasing fees for properties of modest value, for which the Company avails itself of the exemption permitted under IFRS 16 and, *(ii)* costs connected with use of property under leasing agreements not subject to IFRS 16.

Operating costs from subsidiaries or EBIT adjustment are related to the transfer price policy applied by the Group during 2023 and 2022.

The item other operating costs, for the year ended 31 December 2022, also includes charges set aside for a dispute arising from a request received from a specific customer, for Euro 600 thousand.

7.7 Net impairment losses on financial assets

Net writedowns of financial assets, entered on the basis of the requirements of IFRS 9, totalled Euro 49 thousand for the year ended 31 December 2022, and represent writedown of trade receivables. As of 31 December 2023, the provision for the writedown of trade receivables was not increased.

A breakdown of movements in the provision for writedown of receivables for the years ending on 31 December 2023 and 31 December 2022 appears in note 6.10 - "Trade receivables".

7.8 Amortisation, depreciation and writedowns

The table below breaks down amortisation, depreciation and writedowns in the years ending on 31 December 2023 and 31 December 2022.

(in thousands of Euro)	**Financial year ended 31 December**	
	2023	**2022**
Amortisation and writedowns of intangible assets	234	219
Depreciation and writedowns of tangible assets	4,696	4,115
Amortisation and writedowns of right of use assets	1,271	1,273
Amortisation, depreciation and writedowns	**6,201**	**5,608**

A breakdown of the composition of, and movements in, intangible assets and tangible assets for the years ending on 31 December 2023 and 31 December 2022 is provided in notes 6.1 and 6.3. Information on assets represented by usage rights in the period examined appears in note 6.2.

7.9 Financial income and costs

The table below breaks down financial income in the years ending on 31 December 2023 and 31 December 2022.

(in thousands of Euro)	**Financial year ended 31 December**	
	2023	**2022**
Interest income	17,938	14,086
Net profits on exchanges	-	18,045
Other financial income	-	16
Financial income	**17,938**	**32,147**

Interest income mainly relates to loans granted by GVS to subsidiaries (see Note 6.6) and interest income on current accounts and time deposits.

The table below breaks down financial costs in the years ending on 31 December 2023 and 31 December 2022.

(in thousands of Euro)	**Financial year ended 31 December**	
	2023	**2022**
Interest on bonded loans	724	1,268
Interest on loans	15,140	4,439
Net losses on exchanges	9,109	-
Interest on leasing liabilities	20	14
Interest on actualisation of provisions for employee benefits	23	13
Amortised cost	566	420
Interest for discounting for earn out	2,822	1,544
Interest payable to parent companies	1,531	-
Interest expense relating to cash pooling	1,058	-
Other financial costs	1,947	1,062
Financial costs	**32,940**	**8,761**

Financial costs and income in the periods ending 31 December 2023 and 31 December 2022, respectively, include the net losses and the net unrealized exchange gains deriving mainly from the adjustment in Euro of intra-group loans granted in dollars by GVS to the subsidiaries GVS NA Holdings Inc., GVS Technology (Suzhou) Co. Ltd., and GVS Filter Technology de Mexico, net of the exchange effect of the relevant bond loan denominated in dollars.

7.10 Income and expense from equity investments

The table below breaks down financial proceeds and expense from equity investments for the years ending on 31 December 2023 and 31 December 2022.

(in thousands of Euro)	**Financial year ended 31 December**	
	2023	**2022**
Dividends from equity investments	6,503	5,152
Revaluations (write-downs) from equity investments	(2,327)	(10)
Income and expense from equity investments	**4,176**	**5,142**

The table below breaks down equity investments for the years ending on 31 December 2023 and 31 December 2022.

(in thousands of Euro)	**Financial year ended 31 December**	
	2023	**2022**
GVS do Brasil Ltda	2,489	1,952
GVS Filter India Private Limited	14	-
GVS Microfiltrazione Srl	4,000	3,200
Total dividends from equity investments	**6,503**	**5,152**

7.11 Annual income tax

The table below breaks down annual income tax in the years ending on 31 December 2023 and 31 December 2022.

(in thousands of Euro)	**Financial year ended 31 December**	
	2023	**2022**
Current taxes	90	2,068
Deferred taxes	(4,478)	3,644
Non-recurring taxes	375	1,348
Income tax	**(4,013)**	**7,060**

The table below reconciles the theoretical tax rate with the effective impact of taxation on the pre-tax result in the years ending on 31 December 2023 and 31 December 2022.

(in thousands of Euro)	**Financial year ended 31 December**	
	2023	**2022**
Pre-tax result	**(13,717)**	**27,487**
Theoretical tax rate	24.0%	24.0%
Theoretical tax burden	**(3,292)**	**6,597**
Permanent differences effects of taxation	(1,096)	(1,198)
IRAP (Regional production tax)	-	555
Other	375	1,106
Income tax	**(4,013)**	**7,060**

7.12 Net profit per share

The table below reports net profit per share calculated as the ratio between net profit and the weighted average number of ordinary shares in circulation in the period, excluding treasury shares.

	Financial year ended 31 December	
	2023	**2022**
Net profit (in Euro thousand)	(9,073)	20,428
Weighted average number of shares in circulation	174,718,093	174,562,162
Profit per share (in Euro)	**(0.06)**	**0.12**

Diluted earnings per share at 31 December 2022 was negative at 0.06 (positive at Euro 0.12 at 31 December 2022) calculated by dividing the result attributable to the shareholders of GVS SpA by the weighted average number of shares in circulation, adjusted to take into account the effects of all potential ordinary shares with dilutive effect. As potential ordinary shares with dilutive effect, those linked to the performance shares plan have been considered.

8. Non-recurring revenues and operating costs

In compliance with the provisions of CONSOB Resolution 15519 of 27 July 2006 and CONSOB Communication No. DEM/6064293 of 28 July 2006, the income statement has been attached, with a separate indication of the amount of costs and revenues arising from non-recurring transactions.

Non-recurring income and expenses for the period ended 31 December 2023 refer to: *(i)* the recharge to the seller of Haemotronic SpA for an indemnity relating to a specific dispute (Euro 1,343 thousand); *(ii)* costs relating to Group personnel following the ongoing reorganisation process (Euro 403 thousand in total); *(iii)* consultancy costs relating to services received on an exceptional basis (Euro 268 thousand); *(iv)* writedowns of tangible fixed assets resulting from the plan to relocate and rationalise the Group's production sites (Euro 289 thousand); and finally *(x)* interest recognised following the discounting of payables for earn outs for the takeover of the Haemotronic group (Euro 2,822 thousand), net of the related effect of taxation. Non-recurring charges for taxes also include Euro 700 thousand relating to the costs pertaining to the tax dispute concluded with GVS for direct taxes.

Non-recurring income and expenses for the period ended 31 December 2022 refer to: *(i)* costs set aside for the reorganization process relating to the Company's personnel (totalling Euro 1,558 thousand); *(ii)* consulting costs relating to company acquisitions and/or services received/used exceptionally (Euro 553 thousand); *(ii)* the interest recorded following the discounting of payables for earn out for the acquisitions of the RPB and Haemotronic groups (Euro 1,544 thousand), net of the related effect of taxation. Non-recurring charges for taxes also include Euro 1,000 thousand relating to the costs of the tax dispute with the Company.

9. Transactions with related parties

Transactions carried out with related parties identified on the basis of the criteria set forth in IAS 24 are primarily of a commercial and financial nature, and are conducted under regular market conditions.

The tables below provide details of economic and capital relations with related parties. The companies indicated have been identified as related parties because they are directly or indirectly linked to the Company's reference shareholders.

The table below sums up the Company's payables and receivables in relation to related parties at 31 December 2023 and 31 December 2022.

(in thousands of Euro)	Company subsidiaries	GVS Group	GVS Real Estate	Top management	Total	Total item in the financial statement	Impact on the financial statement
Right of use assets							
As of 31 December 2023	-	-	1,160	-	**1,160**	**1,797**	**64.6%**
As of 31 December 2022	-	-	1,238	-	**1,238**	**2,227**	**55.6%**
Tangible fixed assets							
As of 31 December 2023	-	-	-	12	**12**	**26,847**	**0.0%**
As of 31 December 2022	-	-	-	14	**14**	**27,241**	**0.1%**
Non-current financial assets							
As of 31 December 2023	165,677	-	-	-	**165,677**	**167,538**	**98,9**
As of 31 December 2022	269,207	-	-	-	**269,207**	**271,250**	**99.2%**
Trade receivables							
As of 31 December 2023	14,190	20	10	31	**14,251**	**20,514**	**69.5%**
As of 31 December 2022	18,699	20	21	41	**18,781**	**29,419**	**63.8%**
Current tax receivables							
As of 31 December 2023	-	4,382	-	-	**4,382**	**4,869**	**90.0%**
As of 31 December 2022	-	2,973	-	-	**2,973**	**2,973**	**100.0%**
Current financial assets							
As of 31 December 2023	28,753	-	-	-	**28,753**	**28,753**	**100.0%**
As of 31 December 2022	26,174	-	-	-	**26,174**	**26,174**	**100.0%**
Other receivables and current assets							
As of 31 December 2023	1,003	-	-	-	**1,003**	**4,967**	**20.2%**
As of 31 December 2022	4,972	-	-	-	**4,972**	**9,005**	**55.2%**
Non-current financial liabilities							
As of 31 December 2023	21,085	75,000	-	-	**96,085**	**366,498**	**26.2%**
As of 31 December 2022	43,845	-	-	-	**43,845**	**43,931**	**99.8%**
Non-current leasing liabilities							
As of 31 December 2023	-	-	721	-	**721**	**1,124**	**64.1%**
As of 31 December 2022	-	-	872	-	**872**	**1,179**	**74.0%**
Provisions for employee benefits							
As of 31 December 2023	-	-	-	83	**83**	**2,146**	**64.1%**
As of 31 December 2022	-	-	-	1,499	**1,499**	**3,623**	**41.4%**
Current financial liabilities							
As of 31 December 2023	50,719	1,531	-	-	**52,251**	**152,203**	**34.3%**
Current leasing liabilities							
As of 31 December 2023	-	-	389	-	**389**	**755**	**51.5%**
As of 31 December 2022	-	-	838	-	**838**	**1,126**	**74.4%**
Trade payables							
As of 31 December 2023	1,909	-	-	-	**1,909**	**9,156**	**20.8%**
As of 31 December 2022	2,439	-	-	-	**2,439**	**12,094**	**20.2%**
Other current payables and liabilities							
As of 31 December 2023	1,515	-	-	3,396	**4,911**	**12,155**	**40.4%**
As of 31 December 2022	3,326	-	-	2,227	**5,553**	**12,104**	**45.9%**

The table below lists the Company's economic relations with related parties for the years ending on 31 December 2023 and 31 December 2022.

(in thousands of Euro)	Company subsidiaries	GVS Group	GVS Real Estate	Top management	Total	Total item in the financial statement	Impact on the financial statement
Revenue from contracts with customers							
Financial year ended 31 December 2023	18,946	-	-	-	**18,946**	**74,265**	**25.5%**
Financial year ended 31 December 2022	24,199	-	-	-	**24,199**	**78,107**	**31.0%**
Other operating income							
Financial year ended 31 December 2023	3,286	20	10	31	**3,347**	**6,457**	**51.8%**
Financial year ended 31 December 2022	4,711	20	10	41	**4,782**	**5,725**	**83.5%**
Purchases and consumption of raw materials, semi-finished products and finished products							
Financial year ended 31 December 2023	7,942	-	-	-	**7,942**	**29,677**	**26.8%**
Financial year ended 31 December 2022	7,360	-	-	-	**7,360**	**31,279**	**23.5**
Personnel costs							
Financial year ended 31 December 2023	-	-	-	5,271	**5,271**	**29,395**	**17.9**
Financial year ended 31 December 2022	-	-	-	3,373	**3,373**	**28,181**	**12.0%**
Service costs							
Financial year ended 31 December 2023	3,014	-	-	3,205	**6,219**	**15,331**	**40.6%**
Financial year ended 31 December 2022	2,293	-	-	3,205	**5,498**	**14,566**	**37.7%**
Other operating costs							
Financial year ended 31 December 2023	1,515	-	-	-	**1,515**	**3,008**	**50.4%**
Financial year ended 31 December 2022	3,326	-	-	-	**3,326**	**5,191**	**64.1%**
Amortisation, depreciation and writedowns							
Financial year ended 31 December 2023	-	-	767	-	**767**	**6,291**	**12.4%**
Financial year ended 31 December 2022	-	-	795	-	**795**	**5,607**	**14.2%**
Financial income							
Financial year ended 31 December 2023	15,516	-	-	-	**15,516**	**17,938**	**86.5%**
Financial year ended 31 December 2022	13,886	-	-	-	**13,886**	**32,147**	**43.2%**
Financial costs							
Financial year ended 31 December 2023	2,793	1,531	14	-	**4,338**	**32,940**	**13.2%**
Financial year ended 31 December 2022	677	-	16	-	**693**	**8,761**	**7.9%**
Income and expense from equity investments							
Financial year ended 31 December 2023	6,503	-	-	-	**6,503**	**4,176**	**155.7%**
Financial year ended 31 December 2022	5,142	-	-	-	**5,142**	**5,142**	**100.0%**

Transactions with subsidiary companies

Provision of certain quality control services by GVS Microfiltrazione S.r.l. for the benefit of GVS

GVS has a relationship with GVS Microfiltrazione S.r.l. based on which the subsidiary provides a quality control service aimed at certifying that these products meet specific technical requirements.

Service costs to the subsidiaries for the financial years ended 31 December 2023 and 31 December 2022 mainly relate to the quality control services described above.

Loans granted by GVS to subsidiaries

Financial assets (current and non-current) and financial income are mainly attributable to the loans granted to GVS NA Holdings intended to finance the KUSS and RPB acquisitions, to the loan granted in 2022 to the Chinese subsidiary GVS Technology (Suzhou) Co. Ltd for the STT acquisition, as well as to minor loans granted by GVS to the subsidiaries to be used to finance related operations and to refinance their existing debt (see the related notes 6.6 and 7.9).

Cash pooling contract

During the year the Company signed a cash pooling zero balance contact with the subsidiary Haemotronic SpA. This is an instrument for optimal cash flow management that enables centralised management of the Group's financial requirements through the transfer to a "treasurer" (or "pooler"), i.e. GVS SpA, of the current account surplus or deficit of the Italian subsidiary. Following the transfer of the balances on the pool account, Haemotronic takes in consideration a payable in the event of a transfer of a debit balance or a receivable in the event of a transfer of a credit balance. Subsequently, GVS SpA accounts for individual debit and credit transactions.

Transactions with the GVS Group

The Company participates in the optional national tax consolidation system under GVS Group S.r.l. Current tax receivables at 31 December 2023 and 31 December 2022 refer exclusively to this case.

Transactions with GVS Real Estate

GVS stipulated leasing agreements with GVS Real Estate S.r.l., for production sites and warehouses, one of which includes the Company's registered offices in Zola Predosa (BO) and Monocalzati (AV). On the basis of these lease contracts, at 31 December 2023, the Company recorded assets represented by usage rights and relative leasing liabilities for Euro 1,160 thousand and Euro 1,110 thousand, as well as depreciation and financial costs for Euro 767 thousand and Euro 14 thousand respectively.

Transactions with Top Management

As of the date of the 2023 financial statements the following are considered members of the Group's Top Management:

- the chief executive officer;
- the chief financial officer;

- the chief operation officer;
- the managers of the *(i) Healthcare & Life Sciences*; *(ii) Health & Safety*; *(iii) Energy & Mobility*; *(iv) Research & Development divisions,* the director of human resources and the *general counsel*;

The table below provides details of fees payable to members of Top Management and members of the Company's Board of Directors in the years ending on 31 December 2023 and 31 December 2022, including contributions.

(in thousands of Euro)	**Financial year ended 31 December**	
	2023	**2022**
Fees for office held	1,929	1,367
Bonuses and other incentives	2,855	1,805
Other fees	486	202
Directors' fees	2,617	3,205
Total	**7,888**	**6,579**

Please note that:

- other current payables and liabilities as of 31 December 2023 include payables to directors for fees not yet paid totalling Euro 988 thousand (Euro 858 thousand at 31 December 2022);
- provisions for employee benefits as of 31 December 2023 include the value of end of service indemnity for directors totalling Euro 83 thousand (Euro 1,499 thousand at 31 December 2022);
- costs for services for the period ended 31 December 2023 include directors' fees, expenses tied to the performance share plan and allocations to the provisions for end of service indemnity for a total amount of Euro 2,617 thousand (Euro 3,205 thousand for the period ended 31 December 2022).

10. Commitments and risks

Sureties and guarantees granted to third parties

At 31 December 2023, the Company had sureties and guarantees in place for a total amount of Euro 1,182 thousand.

Potential liabilities

Given that the Company operates internationally, it is exposed to legal risks primarily due to professional, corporate and tax liability. Disbursements relating to ongoing or future proceedings cannot be forecast with certainty and it is possible that court outcomes may result in costs not covered or not fully covered, by insurance claims having an effect on the Company's financial situation and results. On the other hand, where it is likely to be due to an outlay of resources to meet obligations and this amount can be reliably estimated, the Company made specific allocations to the provision for risks and charges.

11. Directors' and auditors' fees

Emoluments for the 2023 financial year due to directors (including bonuses, charges related to the performance shares plan, provisions for severance indemnity and related contributions) and statutory auditors amounted to Euro 2,617 thousand and Euro 97 thousand, respectively.

The following table gives details of the remuneration for executive directors and non-executive directors in 2023.

(in thousands of Euro)	**2023**
Chairman of the Board of Directors	190
Executive Directors	2,276
Non-Executive Directors	151
Total cost	**2,617**

No loans or advances were granted to directors or shareholders during the year.

12. Independent auditor's fees

The independent auditor's fees amount to Euro 399 thousand and Euro 482 thousand for the years ending on 31 December 2023 and 31 December 2022, respectively. In compliance with the provisions of Art. 149-duodecies of the CONSOB Issuers Regulation, the fees for 2023 for audit services and other services provided by the independent auditors and entities belonging to its network and others have been attached.

13. Research and development

The Company's R&D work aims to introduce new products and implement new production processes. These activities are divided into a number of different phases, from conception and start of the process of designing and new product process to large-scale industrial production.

Research and development expenses amounted to Euro 3,838 thousand and Euro 3,376 thousand for the years ended 31 December 2023 and 31 December 2022.

14. Events of significance following the close of the financial period

No significant events occurred after the end of the period.

15. Information pursuant to Art. 1, paragraph 125, of Law no. 124 of 4 August 2017

In relation to the provisions of Art. 1, paragraph 125 of Law 124/2017, concerning the obligation to disclose in the explanatory notes any sums of money received during the financial year by way of subsidies or grants from the public administrations and entities referred to in paragraph 125 of that article, the Company hereby certifies that during 2023 the following sums were received:

Disbursing subject	Grant received (in thousands of Euro)	Reason
European Commission	73	EIT manufacturing
European Commission	94	Horizon Europe
Ministry of Environment and Energy Security	95	Maine project financed through PNRR funds
Ministry of Enterprise and Made in Italy	470	Greenflow Contribution

16. Approval of the Financial Statements and authorisation for publication

The Financial Statements ending on 31 December 2023 were approved on 26 March 2024 by the Board of Directors, which authorised their publication within the legal deadline.

Zola Predosa, 26 March 2024

For the Board of Directors

Chief Executive Officer

Massimo Scagliarini

SCHEDULES ATTACHED TO THE FINANCIAL STATEMENTS

Statement of financial position, with indication of the amount of positions with related parties.

(in thousands of Euro)	**As of 31 December 2023**	**of which with related parties**	**percentage**	**As of 31 December 2022**	**of which with related parties**	**percentage**
ASSETS						
Non-current assets						
Intangible assets	2,799			2,694		
Right of use assets	1,797	1,160	64.5%	2,227	1,238	55.6%
Tangible assets	26,847	12	0.0%	27,241	14	0.1%
Equity investments	391,446			333,560		
Deferred tax assets	1,998			337		
Non-current financial assets	167,538	165,677	98.9%	271,250	269,207	99.2%
Non-current derivative financial instruments	4,829			6,648		
Other receivables and non-current assets	3,037			1,695		
Total non-current assets	**600,291**			**645,652**		
Current assets						
Inventories	8,183			9,656		
Trade receivables	20,514	14,251	69.5%	29,419	18,781	63.8%
Assets from contracts with customers	341			534		
Current tax receivables	4,869	4,382	90.0%	2,973	2,973	100.0%
Other receivables and current assets	4,967	1,003	20.2%	9,005	4,972	55.2%
Current financial assets	28,753	28,753	100.0%	26,174	26,174	100.0%
Cash and cash equivalents	118,235			35,361		
Total current assets	**185,861**			**113,122**		
TOTAL ASSETS	**786,152**			**758,774**		
SHAREHOLDERS' EQUITY AND LIABILITIES						
Share capital	1,750			1,750		
Reserves	202,872			183,035		
Net income	(9,703)			20,428		
Total shareholders' equity	**194,918**			**205,212**		
Non-current liabilities						
Liabilities for the purchase of equity investments and earn out	16,984			33,063		
Non-current financial liabilities	366,498	96,085	26.2%	43,931	43,845	99.8%
Non-current leasing liabilities	1,124	721	64.1%	1,179	872	74.0%
Deferred tax liabilities	5,565			8,881		
Provisions for employee benefits	2,146	83	3.9%	3,623	1,499	41.4%
Provisions for risks and charges	2,898			4,843		
Total non-current liabilities	**395,216**			**95,520**		
Current liabilities						
Liabilities for the purchase of equity investments and earn out	18,342			-		
Current financial liabilities	152,203	52,251	34.3%	431,912		
Current leasing liabilities	755	389	51.5%	1,126	838	74.4%
Trade payables	9,156	1,909	20.8%	12,094	2,439	20.2%
Liabilities from contracts with customers	1,807			614		
Current tax payables	1,600			191		
Other current payables and liabilities	12,155	4,911	40.4%	12,104	5,553	45.9%
Total current liabilities	**196,018**			**458,041**		
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**786,152**			**758,774**		

Income statement, with indication of the amounts of positions with related parties.

	Financial year ended 31 December					
(in thousands of Euro)	2023	of which with related parties	percentage	2022	of which with related parties	percentage
Revenue from contracts with customers	74,265	18,946	25.5%	78,107	24,199	31.0%
Other operating income	6,457	3,347	51.8%	5,725	4,782	83.5%
Total revenues	**80,722**			**83,833**		
Purchases and consumption of raw materials, semi-products and finished products	(29,677)	(7,942)	26.8%	(31,279)	(7,360)	23.5%
Personnel costs	(29,395)	(5,271)	17.9	(28,181)	(3,373)	12.0%
Service costs	(15,331)	(5,652)	36.9%	(14,566)	(5,498)	37.7%
Other operating costs	(3,008)			(5,191)		
EBITDA	**3,310**			**4,616**		
Net impairment losses on financial assets	-			(49)		
Amortisation, depreciation and writedowns	(6,201)	(767)	12.4%	(5,607)	(795)	14.2%
EBIT	**(2,891)**			**(1,040)**		
Financial income	17,938	15,516	86.5%	32,147	13,886	43.2%
Financial costs	(32,940)	(4,338)	13.2%	(8,761)	(693)	7.9%
Income and expense from equity investments	4,176	6,503	155.7%	5,142	5,142	100.0%
Pre-tax result	**(13,717)**			**27,487**		
Income tax	4,013			(7,060)		
Net income	**(9,703)**			**20,428**		

Statement of cash flows, with indication of the amount of positions with related parties.

(in thousands of Euro)	Financial year ended 31 December					
	2023	of which with related parties	percentage	2022	of which with related parties	percentage
Pre-tax result	(13,717)	20,342	-148%	27,487	30,290	110%
- Adjustment for:				-		
Amortisation, depreciation and writedowns	6,201	767	12%	5,607	795	14%
Capital losses / (capital gains) from sale of assets	22			(2)		
Financial costs / (income)	15,001	4,338	29%	(23,386)	693	-3%
Income and expense from equity investments	(4,176)	(6,503)	156%	(5,142)	(5,142)	100%
Other non-monetary variations	(60)		0%	4,325	(200)	-5%
Cash flow generated / (absorbed) by operations before variations in net working capital	***3,272***			***8,889***		
Variation in inventories	1,277			(339)		
Variation in trade receivables	8,905	4,530	51%	13,185	(7,162)	-54%
Variation in trade payables	(2,938)	(530)	18%	(17,581)	(19,292)	110%
Variation in other assets and liabilities	2,504	3,327	133%	770	3,011	391%
Use of provisions for risks and charges and for employee benefits	(2,327)	(1,416)	61%	(1,532)		
Taxes paid	(1,121)	(511)	46%	(1,813)	(1,667)	92%
Net cash flow generated / (absorbed) by operations	**9,572**			**1,580**		
Investments in tangible assets	(5,261)	2	0%	(6,293)	4	0%
Investments in intangible assets	(331)			(190)		
Disposal of tangible assets	929			56		
Opening of financial receivables from subsidiaries and other financial assets	(99,559)			(54,425)		
Repayment of financial receivables from subsidiaries and other financial assets	137,437	41,026	30%	5,024	(63,525)	-1264%
Equity investments	(1,510)			(248,316)		
Dividends from equity investments	8,793	6,503	74%	8,465	5,142	61%
Net cash flow generated / (absorbed) by investment	**40,498**			**(295,679)**		
Opening of long-term financial liabilities	102,991	102,991	100%	262,790	29,021	11%
Repayment of long-term financial liabilities	(63,329)			(22,639)		
Variations in current financial payables	688			-		
Repayment of lease liabilities	(1,267)	(1,289)	102%	(1,248)	(635)	51%
Financial costs paid	(19,791)	(2,838)	14%	(4,661)	(693)	15%
Financial income collected	13,573			13,602		
Treasury shares	(62)			(1,405)		
Net cash flow generated/(absorbed) by financial assets	**32,803**			**246,439**		
Total variation in cash on hand	**82,873**			**(47,660)**		
Cash on hand at the start of the year	**35,361**			**82,847**		
Total variation in cash on hand	82,873			(47,660)		
Total variation in cash on hand GVS Sud Srl merger	-			173		
Cash on hand at the end of the year	**118,235**			**35,361**		

Income statement, with indication of the amount deriving from non-recurring transactions.

(in thousands of Euro)	Financial year ended 31 December							
	2023	of which non-recurring	2023 from ordinary operations	percentage	2022	of which non-recurring	2022 from ordinary operations	percentage
Revenue from contracts with customers	74,265		74,265		78,107		78,107	
Other operating income	6,457	1,343	5,114	20.8%	5,725		5,725	
Total revenues	**80,722**	**1,343**	**79,379**		**83,833**	**-**	**83,833**	
Purchases and consumption of raw materials, semi-products and finished products	(29,677)		(29,677)		(31,279)		(31,279)	
Personnel costs	(29,395)	(403)	(28,992)	1.4%	(28,181)	(1,558)	(26,623)	5.5%
Service costs	(15,331)	(268)	(15,063)	1.7%	(14,566)	(553)	(14,013)	**3,8**
Other operating costs	(3,008)		(3,008)		(5,191)		(5,191)	
EBITDA	**3,310**	**672**	**2,638**		**4,616**	**(2,111)**	**6,727**	
Net impairment losses on financial assets	-		-		(49)		(49)	
Amortisation, depreciation and writedowns	(6,201)	(289)	(5,912)	4.7%	(5,607)		(5,607)	
EBIT	**(2,891)**	**383**	**(3,274)**		**(1,040)**	**(2,111)**	**1,071**	
Financial income	17,938		17,938		32,147		32,147	
Financial costs	(32,940)	(2,822)	(30,118)	8.6%	(8,761)	(1,544)	(7,217)	17.6%
Income and expense from equity investments	4,176		4,176		5,142		5,142	
Pre-tax result	**(13,717)**	**(2,439)**	**(11,278)**		**27,487**	**(3,655)**	**31,142**	
Income tax	4,013	(20)	4,033	-0.5%	(7,060)	20	(7,080)	-0.3%
Net income	**(9,703)**	**(2,459)**	**(7,245)**		**20,428**	**(3,635)**	**24,063**	

Information pursuant to Art. 149-Duodecies of the CONSOB Issuers' Regulation

The following schedule, prepared pursuant to Art. 149-duodecies of the CONSOB Issuers' Regulation, highlights the fees for 2023 for audit services and other services provided by the independent auditors and entities belonging to its network as well as others.

(in thousands of Euro)	**Subject that has provided the service**	**Recipient/assignment**	**2023 fees**
	PwC SpA	Parent company - audit of the financial statements	59
	PwC SpA	Parent company - audit of the consolidated financial statements	200
	PwC SpA	Parent company - audit of the half-yearly report	81
Total Audit of Accounting			**340**
	PwC SpA	Parent Company – Agreed upon procedures to certify accounting data	3
	PwC SpA	Parent Company – ISA 805 relating to the certification of Research and Development credit	31
	PwC SpA	Parent company - *Limited assurance* NFS	25
Total other services (NAS)			**59**
TOTAL			**399**

CERTIFICATION OF THE FINANCIAL STATEMENTS PURSUANT TO ARTICLE 154 BIS OF LEGISLATIVE DECREE 58/98

1. The undersigned, Massimo Scagliarini, Chief Executive Officer and Emanuele Stanco, Manager responsible for the preparation of the accounting documents of GVS S.p.A., taking into account the provisions of Article 154-bis, paragraphs 3 and 4 of Legislative Decree no. 58 of 24 February 1998, certify:

    - the adequacy in relation to the characteristics of the business, and
    - the effective application of the administrative and accounting procedures for the preparation of the Financial Statements during the year 2023.

2. The assessment of the adequacy of the administrative and accounting procedures for the preparation of the Financial Statements at 31 December 2023 was carried out on the basis of the standards and methodologies defined by GVS mainly in accordance with the Internal Control - Integrated Framework model issued by the Committee of Sponsoring Organisations of the Treadway Commission, which represents a reference framework for the internal control system generally accepted at the international level.

3. In addition, they also certify that:

3.1 the Annual Financial Statements:

- are prepared in compliance with the international accounting standards recognised by the European Community pursuant to Regulation (EC) No 1606/2002 of the European Parliament and of the Council of 19 July 2002 as well as the provisions issued in implementation of Article 9 of Legislative Decree no. 38/2005;
- correspond to the results in accounting books and records;
- are suitable to provide a true and fair view of the statement of financial position, and the statement of profit and loss of the issuer.

3.3 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, 26 March 2024

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 AS OF 31 DECEMBER 2023

Relazione del Collegio Sindacale all'Assemblea degli Azionisti di GVS S.p.A.
ai sensi dell'art. 153 del D.Lgs. n. 58/1998 e dell'art. 2429 co. 2 del Codice Civile

Egregi Azionisti,

la presente Relazione è stata redatta dal Collegio Sindacale di GVS S.p.A. (di seguito anche la Società o GVS) nominato dall'Assemblea degli Azionisti del 3 maggio 2023 nelle persone della Prof.ssa Maria Federica Izzo (Presidente), Dott.ssa Francesca Sandrolini (Sindaco effettivo) e Dott. Giuseppe Farchione (Sindaco effettivo), in carica per tre esercizi fino all'approvazione del bilancio al 31 dicembre 2025.

La presente Relazione riferisce sui risultati dell'esercizio 2023, sulle attività di vigilanza e sulle altre attività svolte dal Collegio Sindacale nel corso dell'esercizio chiuso al 31 dicembre 2023, redatta ai sensi dell'art. 153 del D.Lgs. n. 58/1998 (TUF) e dell'art. 2429 del Codice Civile, delle Norme di Comportamento del Collegio Sindacale di Società Quotate emanate dal Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili, nella versione aggiornata nel dicembre 2023 (di seguito le "Norme di Comportamento") nonché delle disposizioni Consob in materia di controlli societari.
Con la presente Relazione, anche in osservanza alle indicazioni fornite dalla Consob con Comunicazione DEM/1025564 del 6 aprile 2001, come successivamente modificata e integrata, il Collegio Sindacale dà conto delle attività svolte, distintamente per ciascun oggetto di vigilanza previsto dalle normative che regolano l'attività del Collegio medesimo.

Avendo GVS adottato il modello di *governance* tradizionale, e premesso che la revisione legale dei conti è stata affidata alla Società di Revisione PricewaterhouseCoopers S.p.A. (di seguito anche PwC) per gli esercizi con chiusura fino al 31 dicembre 2028, il Collegio Sindacale si identifica con il "Comitato per il Controllo Interno e la Revisione Contabile" (CCIRC) cui competono ulteriori specifiche funzioni di controllo e monitoraggio sull'informativa finanziaria e sulla revisione legale previste dall'art. 19 del D.Lgs. 27 gennaio 2010 n. 39, così come modificato dal D.Lgs. 17 luglio 2016 n. 135, delle quali si dà altresì atto nella presente Relazione. Con la presente Relazione, il Collegio Sindacale riferisce anche sull'attività di vigilanza svolta con riferimento agli obblighi relativi alla Dichiarazione di carattere non finanziario di cui al D.Lgs. n. 254/2016.
Nell'assolvimento di tali obblighi il Collegio, quale organo apicale del complessivo sistema dei controlli societari, fornisce altresì un quadro integrato delle risultanze dei controlli stessi.

In data 10 maggio 2023 il Collegio, nella sua attuale composizione, ha esaminato e recepito – ritenendolo completo e integralmente condivisibile – il Regolamento del Collegio Sindacale predisposto dall'organo nella precedente composizione.

1. INDICAZIONI SULLE OPERAZIONI DI MAGGIORE RILIEVO ECONOMICO, FINANZIARIO E PATRIMONIALE EFFETTUATE DALLA SOCIETÀ

Sulla base delle informazioni ricevute e in esito alle apposite analisi condotte dal Collegio, con particolare riguardo alle operazioni di maggior rilievo economico, finanziario e patrimoniale compiute nel corso del 2023, si richiama quanto segue:

- ✓ nel corso dell'esercizio 2023 GVS ha realizzato ricavi consolidati pari a Euro 424,7 milioni, in crescita del 9,6% rispetto a Euro 387,6, milioni registrati nell'esercizio 2022. L'*EBIT-normalizzato* presenta un margine sui ricavi del 15,9% ed è pari a Euro 67,4 milioni rispetto a Euro 54,8 milioni del 2022;
- ✓ nonostante lo sfavorevole contesto internazionale, GVS ha continuato a crescere, attraverso la piena integrazione delle società acquisite nel corso del 2022, l'implementazione delle azioni finalizzate al recupero della marginalità operativa e la costante riduzione dell'indebitamento finanziario;
- ✓ il patrimonio netto consolidato al 31 dicembre 2023 si è incrementato per Euro 6.803 migliaia prevalentemente per effetto del risultato complessivo del periodo pari a Euro 5.232 migliaia e per la variazione della riserva relativa al piano di *long term incentives* (Euro 1.019 migliaia);
- ✓ l'indebitamento finanziario netto del Gruppo al 31 dicembre 2023 si riduce, rispetto al 31 dicembre 2022, per Euro 46.798 migliaia;
- ✓ la posizione finanziaria netta del Gruppo (includendo i derivati attivi non correnti e i finanziamenti attivi non correnti, ed escludendo le passività per leasing correnti e non correnti nette rilevate in accordo con le disposizioni dell'IFRS 16) risulta pari a negativi Euro 303.046 migliaia al 31 dicembre 2023, a fronte di negativi Euro 343.325 migliaia al 31 dicembre 2022;
- ✓ in data 8 marzo 2023, la Capogruppo GVS S.p.A. ha sottoscritto un contratto con il socio di maggioranza GVS Group S.r.l., avente ad oggetto un finanziamento soci subordinato e non garantito di Euro 75 milioni con scadenza il 31 dicembre 2027, erogato il giorno successivo la firma del contratto. Tale soluzione ha consentito, successivamente alla chiusura dell'esercizio al 31 dicembre 2022, il rispetto del livello di *covenant* finanziario *leverage ratio* (pari a 3,5x), calcolato pro-formando la cassa derivante dal finanziamento soci al 31 dicembre 2022 e senza considerare l'ammontare del finanziamento soci come debito finanziario al fine del calcolo del *leverage ratio*, come risultante dagli accordi raggiunti con le controparti finanziarie in data 23 dicembre 2022;
- ✓ in data 8 marzo 2023 la Capogruppo GVS S.p.A. ha raggiunto un accordo con (i) il pool di banche finanziatrici delle linee di credito (Euro 230 milioni, scadenza 2027 ed Euro 150 milioni, scadenza 2026) e gli istituti di credito in merito ai finanziamenti bilaterali in essere, nonché (ii) i portatori delle obbligazioni di cui ai prestiti obbligazionari (Euro 40 milioni, scadenza 2024, e USD 35 milioni, scadenza 2024), per la modifica del *covenant* finanziario *interest coverage ratio*. L'accordo prevede un abbassamento del parametro dell'*interest coverage ratio* per le verifiche al 30 giugno 2023 e al 31 dicembre 2023 rispetto ai livelli fissati in sede di sottoscrizione dei finanziamenti e degli accordi di sottoscrizione dei prestiti obbligazionari (da 4,5x a 3,5x). La ridefinizione di tale paramento è stata negoziata in via prudenziale per tener conto di uno scenario nell'esercizio 2023 di incremento degli oneri finanziari in capo alla Società ad esito della politica di aumento dei tassi messa in campo dalla Banca Centrale Europea per contrastare i fenomeni inflazionistici;
- ✓ in data 18 settembre 2023 GVS S.p.A., in attuazione della delibera assembleare di autorizzazione all'acquisto e alla disposizione di azioni proprie del 3 maggio 2023, ha conferito l'incarico a Kepler Cheuvreux SA, per lo svolgimento dell'attività di sostegno della liquidità sul mercato regolamentato Euronext Milan, organizzato e gestito da Borsa Italiana S.p.A., in condizioni di indipendenza. L'attività di sostegno della liquidità sulle azioni ordinarie emesse da GVS S.p.A. ha durata 12 mesi, a decorrere dal 20 settembre 2023, fino ad un massimo di Euro 1,5 milioni, ai sensi della prassi di mercato ammessa n. 1 di cui alla Delibera Consob 7 aprile 2020, n. 21318. Alla data

del 31 dicembre 2023 le azioni proprie in portafoglio sono n. 241.142 azioni per una quota totale pari all'0,14% del capitale sociale della Società.

Nel corso del 2023, il Collegio Sindacale ha acquisito informazioni in ordine alle operazioni di maggior rilievo economico, finanziario e patrimoniale svolte dalla Società e dalle società controllate, partecipando alle riunioni del Consiglio di Amministrazione, nonché svolgendo specifici incontri con l'alta direzione. Tali operazioni, per quanto a conoscenza di questo Collegio Sindacale, non sono risultate manifestamente imprudenti o azzardate, né in potenziale conflitto di interessi, né in contrasto con le delibere assunte dall'Assemblea degli Azionisti o tali da compromettere l'integrità del patrimonio aziendale. La Relazione sulla Gestione degli Amministratori fornisce informativa in ordine alle citate operazioni deliberate in conformità alla Legge e allo Statuto Sociale. Il Collegio Sindacale, preso anche atto di quanto riferito nella Relazione sulla Gestione, non ha osservazioni da proporre.

2. INDICAZIONI SULLA EVENTUALE ESISTENZA DI OPERAZIONI ATIPICHE E/O INUSUALI COMPRESE QUELLE INFRAGRUPPO O CON PARTI CORRELATE E
3. VALUTAZIONE DELL'ADEGUATEZZA DELLE INFORMATIVE RESE DAGLI AMMINISTRATORI IN ORDINE AD OPERAZIONI ATIPICHE E/O INUSUALI, COMPRESE QUELLE INFRAGRUPPO O CON PARTI CORRELATE

Nel corso dell'esercizio 2023, non sono state portate all'attenzione del Collegio Sindacale operazioni atipiche e/o inusuali. La Relazione sulla Gestione e le Note Esplicative al bilancio d'esercizio e al bilancio consolidato descrivono le operazioni non ricorrenti e i relativi effetti sui risultati economici e sulla situazione patrimoniale dell'esercizio 2023. Nelle Note Esplicative, gli Amministratori evidenziano le principali operazioni infragruppo e con parti correlate, individuate sulla base dei principi contabili internazionali e delle disposizioni emanate in materia da Consob. Si rinvia a tali Note per quanto attiene all'individuazione della tipologia delle operazioni e dei relativi effetti economici, patrimoniali e finanziari.
Il Collegio Sindacale ricorda che la Società ha adottato, ai sensi dell'art. 2391-bis Codice Civile e in conformità alle prescrizioni regolamentari Consob contenute nella Delibera n. 17221 del 12 marzo 2010 (e successive modifiche e integrazioni), una apposita "Procedura per operazioni con parti correlate" che classifica le operazioni in diverse categorie, applicando a ciascuna di esse un percorso specifico di validazione e approvazione. Tale procedura risulta aggiornata, nella sua ultima versione, dal Consiglio di Amministrazione in data 3 luglio 2023, previo parere positivo del Comitato Controllo, Rischi e Sostenibilità. Le modifiche apportate riguardano l'articolo 3 della procedura e le altre disposizioni che vi fanno riferimento, e sono state realizzate al fine di adeguare le stesse alle disposizioni previste dal regolamento OPC per le operazioni di maggiore rilevanza, derogate dalla Società per i tre anni successivi alla quotazione ai sensi dell'articolo 10, comma 1, del Regolamento OPC.
Dalle informazioni acquisite, anche all'esito degli approfondimenti effettuati e dall'analisi della documentazione ottenuta, non si rilevano elementi tali da far considerare che le operazioni con parti correlate di GVS, indicate nella Relazione Finanziaria annuale al 31 dicembre 2023, non siano state poste in essere e gestite nell'interesse della Società.
Tenuto conto della dimensione e della struttura della Società e del Gruppo GVS, il Collegio Sindacale, fermo tutto quanto sopra rappresentato, valuta che il Consiglio di Amministrazione, nella Relazione Finanziaria annuale al 31 dicembre 2023, abbia fornito un'adeguata illustrazione sulle operazioni poste in essere con società controllate e con altre parti correlate, esplicitandone gli effetti economici, finanziari e patrimoniali.

4. OSSERVAZIONI E PROPOSTE SUI RILIEVI E RICHIAMI DI INFORMATIVA CONTENUTE NELLA RELAZIONE DELLA SOCIETÀ DI REVISIONE E NELLA RELAZIONE AGGIUNTIVA

L'Assemblea degli Azionisti di GVS S.p.A., come già segnalato, ha rinnovato, in data 14 febbraio 2020, l'incarico di revisione legale del bilancio d'esercizio e del bilancio consolidato della Società, per gli esercizi dal 31 dicembre 2020 al 31 dicembre 2028, alla Società di Revisione PricewaterhouseCoopers S.p.A..
La Società di Revisione ha rilasciato, in data 15 aprile 2024, le relazioni ai sensi dell'art. 14 del D.Lgs. n. 39 del 27 gennaio 2010 e dell'art. 10 del Regolamento (UE) n. 537/2014 nelle quali si attesta che il Bilancio d'Esercizio e il Bilancio Consolidato al 31 dicembre 2023 sono conformi agli International Financial Reporting Standards adottati dall'Unione Europea, nonché ai provvedimenti emanati in attuazione dell'art. 9 del D.Lgs. n. 38 del 2005, e sono redatti con chiarezza e rappresentano in modo veritiero e corretto la situazione patrimoniale e finanziaria, il risultato economico e i flussi di cassa della Società e del Gruppo. Le relazioni sono state emesse senza rilievi e senza richiami di informativa.

Si richiama a titolo meramente informativo che nelle proprie relazioni, la Società di Revisione ha valutato opportuno individuare i seguenti aspetti chiave (*key audit matters)*:
- per il bilancio consolidato: "Riconoscimento dei ricavi" e "Recuperabilità delle attività immateriali";
- per il bilancio d'esercizio: "Riconoscimento dei ricavi".

La Società di Revisione valuta altresì che la Relazione sulla Gestione e alcune specifiche informazioni della Relazione sul Governo Societario e gli Assetti Proprietari indicate nell'art. 123-bis, c. 4, del D.Lgs. n. 58/1998 sono coerenti con il Bilancio d'Esercizio della Società e con il Bilancio Consolidato del Gruppo e conformi alle norme di legge.

La Società di Revisione ha altresì valutato che il bilancio di esercizio e il bilancio consolidato sono stati predisposti nel formato XHTML (*Extensible Hypertext Markup Language*) e che il Bilancio Consolidato è stato marcato, in tutti gli aspetti significativi, in conformità alle disposizioni del Regolamento Delegato (UE) n. 2019/815. Alcune informazioni contenute nelle Note Illustrative ai prospetti contabili consolidati quando estratte dal formato XHTML in un'istanza XBRL, a causa di taluni limiti tecnici, potrebbero non essere riprodotte in maniera identica rispetto alle corrispondenti informazioni visualizzabili nel bilancio consolidato in formato XHTML.

La società incaricata della revisione legale PwC ha rilasciato, infine, la Relazione Aggiuntiva per il Comitato per il Controllo Interno e la Revisione Contabile ai sensi dell'art. 11 del Regolamento (UE) n. 537/2014, i cui contenuti, per quanto concerne il bilancio cui la presente Relazione si riferisce, sono coerenti con quelli della summenzionata relazione di revisione. Il Collegio ha preso atto dei contenuti della Relazione aggiuntiva emessa dalla Società di Revisione senza osservazioni di rilievo. Tale relazione verrà trasmessa, con le eventuali osservazioni del Collegio Sindacale, al Consiglio di Amministrazione.

Per quanto riguarda la Dichiarazione di carattere non finanziario, la Società di Revisione PwC ha rilasciato, sempre in data 15 aprile 2024, apposita relazione ai sensi dell'art. 3, c. 10, del D.Lgs. 30 dicembre 2016, n. 254, e dell'art. 5 del Regolamento di attuazione Consob, del 18 gennaio 2018, n. 20267.

5. INDICAZIONE SULLE EVENTUALI DENUNCE EX ART. 2408 DEL CODICE CIVILE ED INIZIATIVE INTRAPRESE

Il Collegio Sindacale, nel corso dell'esercizio 2023 e sino alla data di redazione della presente Relazione, non ha ricevuto alcuna denuncia ex art. 2408 del Codice Civile e, pertanto, nessuna iniziativa è stata presa dal Collegio Sindacale in merito.

6. INDICAZIONI SULL'EVENTUALE PRESENTAZIONE DI ESPOSTI ED EVENTUALI INIZIATIVE INTRAPRESE

Al Collegio Sindacale non sono pervenuti nel corso dell'anno 2023 e sino alla data di redazione della presente Relazione, esposti presentati da Azionisti e/o terzi, né il Collegio Sindacale è a conoscenza di esposti e/o rilievi che siano stati presentati alla Società da Azionisti e/o terzi. Pertanto, nessuna iniziativa è stata in tal senso intrapresa dal Collegio Sindacale.

7. INDICAZIONI DI EVENTUALI ULTERIORI INCARICHI SUPPLEMENTARI ALLA SOCIETÀ DI REVISIONE E DEI RELATIVI COSTI

Nel corso dell'esercizio 2023 e sino alla data della presente Relazione agli Azionisti, il Collegio Sindacale, nel ruolo di "Comitato per il Controllo Interno e la Revisione Contabile", ha svolto un costante processo di monitoraggio dell'attività posta in essere dalla Società di Revisione e ha verificato e monitorato, ai sensi dell'art.19 del D.lgs. 39/2010, l'indipendenza della Società di Revisione legale, a norma degli articoli 10, 10-bis, 10-ter, 10-quater e 17 del citato decreto e dell'articolo 6 del Regolamento (UE) 537/2014, in particolare per quanto concerne la prestazione di servizi diversi dalla revisione (cosiddetti "servizi *non audit*") all'ente sottoposto a revisione.
In conformità alle specifiche normative, si dà atto dei compensi, riconosciuti dalla Società a PricewaterhouseCoopers S.p.A. per l'attività di revisione legale e rilevati nel bilancio al 31 dicembre 2023, che ammontano complessivamente ad Euro 340,3 migliaia così dettagliati:
- Euro 58,7 migliaia per la revisione legale del Bilancio d'Esercizio, ai sensi dell'art. 14 del D. Lgs. n. 39/2010;
- Euro 200,4 migliaia per la revisione legale del Bilancio Consolidato;
- Euro 81,2 migliaia per la revisione della relazione semestrale.

Si segnala che i suddetti corrispettivi di revisione legale comprendono, oltre alla rivalutazione ISTAT, l'integrazione richiesta alla Società, con lettera datata 16 novembre 2021, da PricewaterhouseCoopers S.p.A. per gli esercizi di durata residua dell'incarico 2021-2028, in relazione all'aggravio dei tempi connessi ad attività di revisione aggiuntive rispetto a quanto incluso nell'iniziale proposta per gli esercizi 2020-2028.

Oltre a quanto sopra, si rileva che i compensi di revisione contabile, comprensivi di rivalutazione ISTAT, riconosciuti alla PricewaterhouseCoopers S.p.A. per attività di *audit* su società controllate ai fini della revisione del Bilancio Consolidato rilevate nel bilancio al 31 dicembre 2023 ammontano ad Euro 40 migliaia.

Si segnala, inoltre, che PricewaterhouseCoopers S.p.A., con lettere datate 21 dicembre 2022, inviate al Collegio in data 24 luglio 2023 e lettera datata 4 settembre 2023, inviata al Collegio in data 16 gennaio 2024, ha formulato una richiesta di integrazione dei propri onorari, in relazione:

- all’aggravio dei tempi connessi ad attività di revisione aggiuntive rispetto a quanto incluso nell’iniziale proposta per gli esercizi 2020-2028 e sua successiva integrazione in conseguenza all’acquisizione in data 1° marzo 2022 da parte di GVS S.p.A. di Shanghai Blood Transfusion Technology Co. Ltd. e Suzhou Laishi Transfusion Equipment Co. Ltd e all’acquisizione in data 15 giugno 2022 di Haemotronic S.p.A. e sue società controllate (integrazione *una tantum* per l’esercizio 2022 e ricorrente per gli esercizi 2023-2028);
- alla necessità di eseguire procedure di revisione previste dal principio di revisione SA Italia 700B sulle relazioni finanziarie redatte nel formato XHTML (*Extensible Hypertext Markup Language*) ai sensi del Regolamento ESEF (*European Single Electronic Format*) per ogni esercizio chiuso a partire dal 31 dicembre 2022 (integrazione ricorrente);
- alla necessità di eseguire attività di verifica aggiuntive relative ai parametri finanziari su alcuni finanziamenti al 30 giugno 2022 e 31 dicembre 2022, all’identificazione delle unità generatrici dei flussi di cassa ai fini dell’impairment test sugli avviamenti (integrazione una tantum), nonché all’applicazione del principio di revisione ISA 315 *Revised* (integrazione ricorrente).

Le richieste presentate da parte di PricewaterhouseCoopers S.p.A. di integrazione dei corrispettivi sono relative ad attività riferibili:
- per complessivi Euro 78 migliaia, ad attività di revisione *una tantum* relative all’esercizio 2022;
- per Euro 14,2 migliaia, ad attività di revisione ricorrente per gli esercizi 2022-2028;
- per Euro 39 migliaia, ad attività di revisione ricorrente per gli esercizi 2023-2028.

Tali richieste di integrazione di onorari sono oggetto della proposta motivata iscritta all’Ordine del giorno all'Assemblea dei Soci del 07 maggio 2024, a cui si rinvia per ogni ulteriore dettaglio.

Con riferimento alla tematica dei *non-audit services*, si dà atto che, su impulso del Collegio, nel suo ruolo di Comitato per il Controllo Interno e la Revisione Contabile, la Società ha adottato una specifica procedura, applicata a livello di Gruppo, volta a disciplinare il conferimento alla Società di Revisione ed a entità appartenenti al relativo *network* di incarichi aventi ad oggetto servizi diversi dalla revisione legale (“Istruzione operativa conferimento di un incarico per servizi *non audit* alla Società di Revisione Contabile o ad un’entità della rete a cui la stessa appartiene”).

I corrispettivi dei predetti incarichi, conferiti alla PricewaterhouseCoopers S.p.A., rilevati nel bilancio al 31 dicembre 2023, ammontano complessivamente ad Euro 59 migliaia e risultano così dettagliati:
- Euro 3 migliaia - *Agreed upon procedures* per attestazione dati contabili, incarico preventivamente esaminato dal Collegio Sindacale nella precedente composizione;
- Euro 31 migliaia - ISA 805 relativo alla certificazione del credito di Ricerca e Sviluppo;
- Euro 25 migliaia - *Limited Assurance* della Dichiarazione Non Finanziaria (DNF), oggetto di conferimento in sede di rinnovo dell’incarico di revisione legale del bilancio d’esercizio e del bilancio consolidato della Società, per gli esercizi dal 31 dicembre 2020 al 31 dicembre 2028.

Il dettaglio di tali compensi viene altresì ripreso in allegato al Bilancio separato e Bilancio Consolidato della Società come richiesto dall’articolo 149-*duodecies* del Regolamento Emittenti di Consob.

Relativamente al conferimento di incarichi diversi dalla revisione, il Collegio Sindacale, ha svolto proprie autonome valutazioni sui rischi potenziali di indipendenza del revisore legale accertando che il servizio *non audit* non rientrasse tra quelli vietati, così come definiti dall'art. 5, paragrafo 1, del Regolamento (UE) 537/2014, le ragioni dell'attribuzione dell'incarico alla Società di Revisione PwC o a entità della sua rete da parte del *management* della Società e che i corrispettivi richiesti apparissero determinati in modo da garantire la qualità e l'affidabilità dei lavori e che gli stessi fossero tali da non determinare l'insorgere di possibili rischi per l'indipendenza della Società di Revisione.
In proposito, si segnala che a decorrere dal 2023 (essendosi consolidato il triennio normativamente previsto dal conferimento dell'incarico a PwC da parte della Società) è entrato in vigore il monitoraggio volto a verificare il rispetto del limite quantitativo dei corrispettivi per incarichi non di revisione previsto dall'art. 4 del richiamato Regolamento europeo (cosiddetto *Fee Cap*). Il Collegio Sindacale attesta che il limite nel corso dell'esercizio 2023 è stato rispettato.

Il Collegio Sindacale – ottenuta la conferma annuale dell'indipendenza della Società di Revisione, rilasciata in data 15 aprile 2024, ai sensi dell'art. 6 par. 2 lett. A) del Regolamento (UE) n. 537/2014 e ai sensi del par. 17 dell'ISA Italia 260 nella quale la medesima informa circa l'insussistenza di situazioni idonee a compromettere l'indipendenza ai sensi degli articoli 10 e 17 del D.Lgs. n. 39/2010 e degli articoli 4 e 5 del Regolamento (UE) n. 537/2014 - valuta che non sussistano aspetti critici sotto il profilo dell'indipendenza della Società di Revisione ovvero cause di incompatibilità ai sensi degli artt. 10, 10-bis e 17 del Testo unico della revisione legale e delle relative disposizioni attuative. Il Collegio Sindacale ha altresì preso atto della Relazione di Trasparenza predisposta dalla Società di Revisione, pubblicata sul sito della stessa ai sensi dell'art. 13 del predetto Regolamento europeo.

8. INDICAZIONI DI EVENTUALI ULTERIORI INCARICHI A SOGGETTI LEGATI ALLA SOCIETÀ INCARICATA DELLA REVISIONE DA RAPPORTI CONTINUATIVI E DEI RELATIVI COSTI

Come già esposto nel precedente capitolo della presente Relazione, in ottemperanza a quanto previsto dall'art. 19, comma 1, lett. e), del D.Lgs. 39/2010 e dall'art. 5, par. 4, del Regolamento (UE) n. 537/2014, il Collegio Sindacale esamina anche le proposte, sottoposte alla sua attenzione, di conferimento di *non-audit services* a soggetti appartenenti alla rete della Società di Revisione.
Nel corso dell'anno 2023, la Società non ha affidato incarichi a soggetti della rete della Società di Revisione PwC.

9. INDICAZIONI DELL'ESISTENZA DI PARERI RILASCIATI AI SENSI DI LEGGE NEL CORSO DELL'ESERCIZIO 2023 DAL COLLEGIO SINDACALE

Nel corso dell'esercizio 2023 il Collegio Sindacale ha rilasciato i seguenti pareri:

- parere sul Piano di *Internal Audit* 2023, approvato dal Consiglio di Amministrazione in data 21 marzo 2023;
- parere favorevole sulla remunerazione dell'Amministratore Delegato ai sensi dell'art. 2389, c. 3, c.c., approvata dal Consiglio di Amministrazione in data 15 maggio 2023;
- parere favorevole sul Piano di *Performance Shares 2023-2025*, approvato dal Consiglio di Amministrazione in data 3 luglio 2023.

10. INDIPENDENZA DEI COMPONENTI DEL COLLEGIO SINDACALE E ATTIVITÀ SVOLTE CON INDICAZIONE DELLA FREQUENZA E DEL NUMERO DELLE RIUNIONI

Il Collegio Sindacale ha accertato, in sede di primo insediamento, nonché di autovalutazione periodica, il possesso, da parte di tutti i componenti del Collegio Sindacale, dei requisiti di onorabilità, professionalità ex art. 148 comma 4 del TUF, e di non superamento del limite degli incarichi ricoperti ai sensi dell'art. 148-bis del TUF e dell'art. 144 *duodecies* e ss. del Regolamento Emittenti, nonché dei requisiti di indipendenza previsti dall'articolo 148, comma 3, del TUF e di quelli richiesti dal Codice di Corporate Governance adottato da GVS S.p.A.. Il Collegio Sindacale ha, altresì, verificato la adeguata disponibilità di tempo da parte dei propri componenti da dedicare allo svolgimento dell'incarico (35 giorni per il presidente, 30 per i membri effettivi) anche in relazione alle cariche già assunte, ai propri impegni professionali o di lavoro. Le competenze dell'Organo nel loro complesso, valutate anche sulla base degli Orientamenti all'Assemblea per il rinnovo dell'Organo elaborati dal Collegio Sindacale uscente, appaiono significative, assicurano una piena e funzionale copertura di tutti gli ambiti correlati alla funzione e si traducono altresì in un proficuo lavoro che consente, tra l'altro, l'arricchimento professionale di ciascun componente del Collegio.

Il Collegio Sindacale in carica ha effettuato la propria Autovalutazione relativa all'esercizio 2023, anche in forza dei contenuti di cui all'art. 3 del proprio Regolamento. Il giudizio espresso dai Sindaci è risultato positivo, anche in relazione alla dimensione e al funzionamento dell'organo.

Il Collegio ha inviato al Consiglio di Amministrazione gli esiti delle proprie verifiche con apposita Sintesi di Autovalutazione redatta in conformità a quanto previsto dal documento predisposto dal Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili titolato "L'autovalutazione del Collegio Sindacale – Norme di comportamento del collegio sindacale di società quotate. Norma Q.1.1", richiamato dalla norma Q.1.7. Autovalutazione del Collegio Sindacale.

Con riferimento all'attività di sua competenza, nel corso dell'esercizio in esame, il Collegio Sindacale dichiara di avere:

- svolto nell'esercizio 2023 n. 35 riunioni (di cui 24 nell'odierna composizione e 11 nella precedente), di cui 8 in seduta congiunta (totale o parziale) con il Comitato Controllo, Rischi e Sostenibilità (di seguito anche CCRS) e 5 in seduta congiunta (totale o parziale) con il Comitato Nomine e Remunerazioni (di seguito anche CNR). L'Organo di controllo ha poi partecipato alle sedute dei comitati endoconsiliari non tenute in congiunta e assistito a n. 10 riunioni del Consiglio di Amministrazione;
- svolto nell'esercizio 2024, alla data della presente relazione, n. 16 riunioni, partecipato alle n. 3 riunioni del Comitato Controllo, Rischi e Sostenibilità (tutte in seduta congiunta con il Collegio Sindacale), e alle n. 4 riunioni del Comitato Nomine e Remunerazione (di cui 3 in seduta congiunta con il Collegio Sindacale), e assistito alle n. 2 riunioni del Consiglio di Amministrazione.

Con riguardo allo svolgimento delle riunioni, l'interazione con il Consiglio e il *management* è stata costante.
L'attuale Collegio ha preso atto delle raccomandazioni espresse dal precedente Organo di Controllo nel corso dei primi mesi del 2023 tenendole in debita considerazione rispetto alla programmazione delle proprie attività sia del 2023 che del 2024. Pertanto, anche alla luce di

tali raccomandazioni, ritenute ampiamente condivisibili, in relazione alle possibilità di sviluppo dell'attività dell'Organo di Controllo e alle aree di miglioramento, i componenti il Collegio evidenziano (a) l'opportunità di aumentare il numero delle riunioni in presenza anche in occasione delle riunioni del Consiglio di Amministrazione e dei Comitati endoconsiliari; (b) l'opportunità di assegnazione all'Organo di Controllo di un budget destinato ad eventuali supporti consulenziali; (c) l' individuazione delle modalità più opportune per porre in essere un efficace scambio informativo con le società controllate estere prive di organo di controllo; nonché (d) l'opportunità di un piano di *induction* annuale a favore di amministratori e sindaci con sessioni prestabilite.

Il Collegio Sindacale ha altresì verificato la corretta applicazione dei criteri e delle procedure adottati dal Consiglio di Amministrazione per valutare l'indipendenza dei propri membri con particolare riguardo ai requisiti previsti per gli amministratori indipendenti

11. OSSERVAZIONI SUL RISPETTO DEI PRINCIPI DI CORRETTA GOVERNANCE E SUL RISPETTO DELLE NORME DI LEGGE E DI STATUTO

Il Collegio ha acquisito conoscenza e vigilato, per quanto di propria competenza, sul rispetto dei principi di corretta *governance* tramite audizioni e incontri con il *management* della Società. In particolare, ha vigilato sulla corretta implementazione delle previsioni del Codice di *Corporate Governance*, come più ampiamente riferito nel successivo punto 17.
Il Collegio ha incontrato periodicamente l'Amministratore Delegato, ai sensi dell'art. 150, c. 1, del TUF, ottenendo adeguate informazioni sull'attività svolta e sulle operazioni di maggior rilievo economico, finanziario e patrimoniale effettuate dalla Società e dalle sue controllate.
Per quanto attiene ai processi deliberativi del Consiglio di Amministrazione, il Collegio ha vigilato, anche mediante la partecipazione alle adunanze consiliari, sulla conformità alla legge e allo statuto sociale delle scelte di gestione assunte dagli Amministratori e ha verificato che le relative delibere fossero supportate da processi di informazione adeguati.

Il Collegio Sindacale, sulla base delle informazioni rese ad esso disponibili, può ragionevolmente valutare che le operazioni poste in essere dal Consiglio di Amministrazione siano conformi alla legge e allo statuto sociale e non siano manifestamente imprudenti, azzardate o in contrasto con le delibere assunte dall'Assemblea o tali da compromettere l'integrità del patrimonio sociale.
Il Collegio Sindacale ha preso anche atto dell'avvenuta predisposizione della Relazione sulla Remunerazione *ex* art. 123-*ter* del TUF ed *ex* art. 84-*quater* del Regolamento Emittenti, nonché vigilato sull'osservanza delle disposizioni stabilite dal D. Lgs. 254/2016.

Nel corso dell'attività di vigilanza, svolta dal Collegio Sindacale secondo le modalità sopra descritte, sulla base delle informazioni e dei dati acquisiti, non sono emersi fatti da cui desumere il mancato rispetto della legge e dell'atto costitutivo o tali da giustificare segnalazioni alle Autorità di Vigilanza o la menzione nella presente Relazione.

12. OSSERVAZIONI SULLA STRUTTURA ORGANIZZATIVA

Il Collegio ha acquisito conoscenza e vigilato, per quanto di propria competenza, sull'adeguatezza della struttura organizzativa, mediante raccolta di informazioni dagli amministratori e dal *management* della Società.
Il Consiglio di Amministrazione in carica è formato da nove componenti, di cui cinque in possesso dei requisiti di indipendenza previsti dal combinato disposto degli artt. 147-*ter*, c. 4,

e 148, c. 3, del TUF, nonché dal Codice di *Corporate Governance*. Tutti gli amministratori sono stati nominati in data 3 maggio 2023. Il Consiglio di Amministrazione non ha costituito al proprio interno alcun comitato esecutivo, e risulta composto, oltre che dal Presidente e dagli Amministratori Indipendenti, da un Amministratore Delegato.
La Società non ha provveduto a nominare un *Lead Indipendent Director*, non ricorrendo le condizioni di cui alla Raccomandazione 13 del Codice di *Corporate Governance*.
La Società ha istituito all'interno del Consiglio di Amministrazione il Comitato Nomine e Remunerazione ed il Comitato Controllo Rischi e Sostenibilità, entrambi composti da tre amministratori non esecutivi ed indipendenti.
Nell'ambito della propria attività di vigilanza, il Collegio Sindacale ha fornito numerosi suggerimenti alla Società, anche alla luce dell'espansione del Gruppo, che rende, in particolare, necessario l'irrobustimento dell'assetto organizzativo, il completamento del percorso di formalizzazione delle procedure e degli strumenti operativi interni e l'implementazione di una più articolata funzione di *Internal Audit*, come meglio specificato nel prosieguo della presente Relazione.
In data 26 marzo 2024 il Consiglio di Amministrazione, alla cui competenza è riservata la predisposizione degli assetti organizzativi della Società, tenuto conto anche del parere positivo del CCRS, ha valutato adeguato l'assetto organizzativo.

13. OSSERVAZIONI SULL'ATTIVITÀ DI VIGILANZA SULL'ADEGUATEZZA DEL SISTEMA DI CONTROLLO INTERNO E GESTIONE DEI RISCHI

Nella Relazione sul Governo Societario e gli Assetti Proprietari relativa all'esercizio 2023, sono descritte le principali caratteristiche del Sistema di Controllo Interno e di Gestione dei Rischi (SCIGR), che rappresenta l'insieme delle regole, delle procedure e delle strutture organizzative volte a consentire l'identificazione, la misurazione, la gestione e il monitoraggio dei principali rischi aziendali. Le linee guida del Sistema di Controllo Interno e Gestione dei Rischi della Società sono definite dal Consiglio di Amministrazione, con il supporto del Comitato Controllo Rischi e Sostenibilità. Il Consiglio di Amministrazione provvede altresì a valutare, almeno con cadenza annuale, l'adeguatezza e il corretto funzionamento del Sistema di Controllo Interno e Gestione dei Rischi, con il supporto della funzione di *Internal Audit* e del Comitato Controllo e Rischi e Sostenibilità. La funzione *Internal Audit* della Società opera sulla base di un piano annuale che definisce quale attività e processi sottoporre a verifica in ottica di *risk based approach*.
Anche nel corso dell'esercizio in esame, la Società ha proseguito il percorso, iniziato in concomitanza alla quotazione, di rafforzamento del Sistema di Controllo Interno e Gestione dei rischi al fine di un progressivo allineamento alle *best practice* nazionali.

Il Collegio ha vigilato e condotto approfondimenti sull'adeguatezza del SCIGR, verificandone il concreto funzionamento mediante:

a) l'ottenimento di informazioni dai responsabili delle rispettive funzioni aziendali, volte anche a verificare l'esistenza, l'adeguatezza e la concreta attuazione delle procedure;
b) la partecipazione ai lavori del Comitato Controllo, Rischi e Sostenibilità, e, nell'occasione in cui gli argomenti trattati lo hanno richiesto, la trattazione congiunta degli stessi con il predetto Comitato, scambiando informazioni anche in ordine alle iniziative che si è valutato opportuno promuovere o richiedere a fronte dei temi affrontati;
c) l'incontro periodico con il Responsabile della Funzione di *Internal Audit* per l'analisi degli esiti delle specifiche attività di verifica effettuate, con particolare attenzione a

quelli relativi alle società controllate estere prive di organo di controllo, dai quali non sono emerse criticità da segnalare nella presente Relazione;
d) lo scambio periodico di informazioni con la Società di Revisione;
e) lo scambio periodico di informazioni con l'Organismo di Vigilanza, dal quale non sono emerse criticità o segnalazioni rilevanti;
f) l'incontro periodico con l'Amministratore Delegato in qualità di Amministratore Incaricato del SCIGR, con il quale il Collegio ha condiviso le proprie osservazioni in merito al miglioramento dell'architettura dei controlli posta in essere dalla Società;
g) incontri periodici con gli organi di controllo delle società controllanti e delle società controllate per scambi di informazioni ai sensi dei commi 1 e 2 dell'art. 151 del D.Lgs. 58/1998, dai quali non sono emerse criticità da segnalare nella presente Relazione.

Il Collegio Sindacale dà atto che il complesso dei sopramenzionati flussi informativi risulta sostanzialmente adeguato, ancorché l'implementazione e formalizzazione dei processi interni intraprese dalla Società a far data dalla intervenuta quotazione siano ancora in evoluzione.

Nell'ambito delle proprie funzioni, in particolare, il Collegio Sindacale ha vigilato sull'adeguatezza del Sistema di Controllo Interno e di Gestione dei Rischi attraverso: i) l'esame della positiva valutazione annuale espressa in data 26 marzo 2024, previo parere favorevole del Comitato Controllo, Rischi e Sostenibilità in data 22 marzo 2024, dal Consiglio di Amministrazione sull'adeguatezza del SCIGR rispetto alle caratteristiche dell'impresa e al profilo di rischio assunto, nonché la sua efficacia; ii) le informazioni rese disponibili dai responsabili delle diverse funzioni aziendali; iii) l'esame dei documenti aziendali; iv) l'analisi dei *Report* redatti alla conclusione delle attività di verifica dalla funzione di *Internal Audit*, con le relative risultanze e le azioni raccomandate; v) l'esame delle Relazioni sul Sistema di Controllo Interno e di Gestione dei Rischi della funzione di *Internal Audit* contenenti gli aggiornamenti periodici sull'evoluzione delle attività svolte, l'esito delle attività di monitoraggio dei processi di mitigazione introdotti, nonché l'esame dell'aggiornamento annuale del *risk assessment* propedeutico alla preparazione del piano di *audit* annuale*;* vi) gli incontri periodici con il Dirigente Preposto alla redazione dei documenti contabili societari e l'esame delle Relazioni periodiche contenenti le risultanze delle attività di test e verifica sul sistema dei controlli sul processo di formazione dell'informativa finanziaria; vii) l'analisi dei risultati del lavoro svolto dalla Società di Revisione, avuto particolare riguardo al contenuto della *Management letter* relativa alla revisione legale sull'esercizio 2022 e della Relazione Aggiuntiva ai sensi dell'art. 11 del Regolamento Europeo n. 537/2014 con riferimento al Bilancio al 31 dicembre 2023, rilasciata il 15 aprile 2024; viii) l'esame della Relazioni periodiche e della Relazione annuale sull'attività svolta predisposte dal Comitato Controllo, Rischi e Sostenibilità; e, infine, ix) l'informativa ottenuta, nell'ambito di un continuo scambio informativo posto in essere con il *General Counsel* anche in relazione ai principali contenziosi della Società e del Gruppo.

Relativamente alla Struttura della funzione *Internal Audit,* il Collegio Sindacale dà atto: i) dell'entrata in organico, a decorrere dal 4 settembre 2023, di un *Internal Audit Specialist*; ii) delle dimissioni, a far data dal 19 febbraio 2024, del Responsabile della funzione, nominato in data 9 novembre 2022; iii) della nomina, in data 26 marzo 2024, da parte del Consiglio di Amministrazione del nuovo Responsabile (che entrerà in servizio da maggio 2024) previo parere positivo del Comitato Controllo, Rischi e Sostenibilità, nella seduta del 22 marzo 2024, nonché sentito il Collegio Sindacale.
Il completamento delle attività previste dal Piano di *Internal Audit* 2023, approvato dal Consiglio di Amministrazione in data 21 marzo 2023, è stato garantito mediante anche il

supporto nelle attività operative fornito da società specializzata esterna, che ha consentito di coprire il perimetro di attività programmato. Da tale attività, come descritto nella Relazione annuale *Internal Audit* relativa all'esercizio 2023, non sono emersi profili di criticità significativi tali da pregiudicare l'operatività e l'idoneità del SCIGR, ma aspetti di miglioramento, attentamente monitorati.
Il Collegio ha riservato particolare attenzione ai *remediation plan*, spesso connessi a implementazioni di tipo informatico, riportati nell'*Action Plan* generale, sollecitando la più celere attuazione delle azioni di rimedio e il contenimento delle eventuali ripianificazioni.
Il Piano di *Internal Audit* 2024 è stato approvato dal Consiglio di Amministrazione nella seduta tenutasi in data 21 febbraio 2024, previo positivo parere del Comitato Controllo, Rischi e Sostenibilità, sentito il Collegio Sindacale. Il Collegio Sindacale, pur prendendo positivamente atto dell'aumento delle giornate di supporto da parte della società esterna per garantire la piena esecuzione delle attività previste, ha rinnovato la raccomandazione circa il necessario proseguimento del percorso di rafforzamento dell'organico della funzione ai *benchmark* di mercato, al fine di meglio dimensionare l'attuale struttura organizzativa interna della funzione alla accresciuta dimensione e complessità del Gruppo GVS conseguente alle acquisizioni realizzate.

Con riguardo alla struttura *Finance*, il Collegio Sindacale ha incontrato periodicamente il *Group Chief Financial Officer*, e ha monitorato, anche in ottica evolutiva, il dimensionamento della struttura in considerazione della crescente rilevanza e pervasività delle tematiche presidiate. Nel corso dell'esercizio in esame, la struttura è cresciuta per effetto anche dell'inserimento del Responsabile *Treasury*, che programma e monitora le attività finanziarie e la liquidità della Società, garantendo nel contempo il rispetto dei requisiti normativi con riferimento a tutto il Gruppo GVS e del Responsabile ESG, che coordina i processi, le iniziative e le attività tese allo sviluppo sostenibile della Società e del Gruppo GVS. Il Collegio Sindacale dà, inoltre, atto della nomina del nuovo Investor Relator and M&A Director, a far data dal 1° febbraio 2023.
Relativamente all'organico delle strutture centrali, con particolare riferimento alle funzioni di amministrazione, finanza e controllo di gestione, il Collegio condivide la raccomandazione espressa anche dal Comitato Controllo Rischi e Sostenibilità affinché venga prestata costante attenzione in ottica di rafforzamento e corretto dimensionamento, nonché all'area di *risk management* da implementare in maniera strutturata.

Il Collegio Sindacale ha vigilato, inoltre, sul rispetto delle politiche di remunerazione, partecipando a tutte le adunanze del Comitato Nomine e Remunerazioni.

Il Collegio Sindacale ha, altresì, interagito periodicamente con l'Organismo di Vigilanza (OdV), rinnovato, nella medesima composizione, in data 9 novembre 2023. Nelle riunioni tenutesi, il Collegio ha esaminato con cadenza semestrale le relazioni periodiche sull'attività svolta dall'OdV dalle quali non sono emersi fatti censurabili e/o indicatori di anomalie in relazione ai disposti normativi del Decreto 231/01. Da ultimo, il Collegio ha, altresì, esaminato l'aggiornamento, approvato dal Consiglio di Amministrazione della Società in data 26 marzo 2024, delle Parti Speciali del Modello di organizzazione, gestione e controllo ai sensi del D.Lgs. 231/2001 (Modello Organizzativo) rispetto ad alcune fattispecie di reati di contrabbando richiamati tra i reati Presupposto.

Il Collegio dà atto che la Società ha adottato, in data 3 luglio 2023, una nuova procedura di gestione delle segnalazioni riservate (*Whistleblowing Policy*), predisposta ai sensi del D.Lgs. n. 24 del 10 marzo 2023, si è dotata di una piattaforma dedicata alle segnalazioni, così come previsto dalla normativa e dalle *best practices* e ha provveduto a pubblicare la versione aggiornata del Modello Organizzativo rispetto alle modifiche dell'art. 6 del D.lgs. 231/01, nonché del Codice Etico. Inoltre, il Collegio dà atto che nel corso dell'esercizio in esame la Società ha adottato nuove *Policy*. Il Collegio Sindacale ha raccomandato di continuare il percorso di formalizzazione e standardizzazione delle procedure e degli strumenti operativi interni.

Alla luce di tutto quanto sopra e sulla base di quanto risulta dalle attività di controllo e analisi poste in essere e considerato, *inter alia*, il contenuto della Relazione annuale sul Sistema di Controllo Interno e di Gestione dei Rischi della funzione di *Internal Audit*, della Relazione annuale del Dirigente Preposto alla redazione dei documenti contabili, della Relazione annuale delle attività del CCRS, degli scambi informativi con la Società di Revisione e l'OdV, ferme le raccomandazioni sopra evidenziate, non sono emersi elementi, situazioni o criticità rilevanti che possano indurre il Collegio Sindacale a ritenere il Sistema di Controllo Interno e di Gestione dei Rischi non adeguato nel suo complesso. Il Collegio Sindacale continuerà a monitorare il consolidamento del modello di riferimento adottato dalla Società con particolare riguardo agli aspetti attinenti il SCIGR.

14. OSSERVAZIONI SUL SISTEMA AMMINISTRATIVO CONTABILE E SULLA AFFIDABILITÀ DI QUEST'ULTIMO A RAPPRESENTARE CORRETTAMENTE I FATTI DI GESTIONE

Il Collegio ha vigilato sull'adeguatezza del sistema amministrativo e contabile, nonché sull'affidabilità dello stesso a rappresentare correttamente i fatti di gestione mediante l'ottenimento di informazioni dal Dirigente Preposto, l'esame della documentazione aziendale, lo scambio di informazioni con il Comitato Controllo Rischi e Sostenibilità e con il responsabile della Funzione di *Internal Audit*.

La Società di Revisione non ha segnalato alcun rilievo nei periodici incontri intercorsi con il Collegio Sindacale per quanto attiene il sistema amministrativo-contabile, valutato in base alla sua capacità di rappresentare correttamente i fatti aziendali ed il tempestivo aggiornamento della contabilità sociale. Nella *Management letter* relativa alla revisione legale sull'esercizio 2022, PwC ha evidenziato come non si siano rilevate carenze significative, ma punti di miglioramento sul sistema di controllo interno, oggetto nel corso del 2023 di azioni migliorative da parte del *management.*

Il Collegio Sindacale ha vigilato, anche incontrando periodicamente il Dirigente Preposto alla redazione dei documenti contabili e societari, sul processo e sull'organizzazione previsti per la formazione del Bilancio di esercizio, del Bilancio Consolidato e delle Relazioni finanziarie periodiche, oltre che delle altre comunicazioni di carattere finanziario, verificando l'esistenza di adeguate procedure, seppur in fase di progressiva evoluzione, a presidio del processo di raccolta, formazione e diffusione delle informative finanziarie.
Nel corso dei citati periodici incontri, il Dirigente Preposto non ha segnalato significative carenze nei processi operativi e di controllo che possano inficiare il giudizio di complessiva adeguatezza ed effettiva applicazione delle procedure amministrativo-contabili, al fine della corretta rappresentazione economica, patrimoniale e finanziaria dei fatti di gestione in conformità ai principi contabili internazionali, e la corrispondenza del bilancio alle risultanze dei libri e delle scritture contabili (in ottemperanza alle disposizioni della Legge 262/2005).

Tale rappresentazione è confermata da quanto riportato nella "Relazione del Dirigente Preposto alla redazione dei documenti contabili e societari al Consiglio di Amministrazione ai fini dell'attestazione del Bilancio Consolidato al 31 dicembre 2023 di GVS S.p.A. ai sensi dell'art. 154-bis del D. Lgs. 24 febbraio 1998, n. 58", sottoposta al Consiglio di Amministrazione del 26 marzo 2024, nella quale relazione, sulla base delle attività svolte e tenuto altresì conto delle risultanze connesse alle attività di *test* e verifica sul sistema dei controlli sul processo di formazione dell'informativa finanziaria, il Dirigente Preposto, in accordo con l'Amministratore Delegato, ha ritenuto di poter sottoscrivere l'attestazione del Bilancio Consolidato al 31 dicembre 2023.

Il Collegio Sindacale ha, quindi, preso atto delle attestazioni rilasciate, ai sensi dell'art. 81-*ter* del Regolamento Consob n. 11971 del 14 maggio 1999, successive modifiche e integrazioni, e dell'art. 154-*bis* del TUF, dall'Amministratore Delegato e dal Dirigente Preposto, rispettivamente per il Bilancio di esercizio della Società e per il Bilancio Consolidato del Gruppo circa: a) l'adeguatezza e l'effettiva applicazione delle procedure amministrative e contabili per la formazione del Bilancio d'Esercizio e del Bilancio Consolidato; b) la conformità del contenuto dei documenti contabili ai principi contabili internazionali IFRS/IAS omologati dalla Comunità Europea; c) la corrispondenza dei documenti stessi alle risultanze dei libri e delle scritture contabili e la loro idoneità a rappresentare correttamente la situazione patrimoniale, economica e finanziaria della Società e dell'insieme delle imprese incluse nel consolidamento; d) il fatto che la Relazione sulla Gestione comprende un'analisi attendibile dell'andamento del risultato della gestione, nonché della situazione patrimoniale, economica e finanziaria dell'emittente e delle imprese incluse nel consolidamento, unitamente alla descrizione dei principali rischi e incertezze cui sono esposti.

In particolare, il Collegio Sindacale, alla luce anche degli approfondimenti effettuati e dei confronti avuti con la Società di Revisione, valuta: i) che il processo di formazione del bilancio sia nel suo complesso conforme alle leggi e regolamenti vigenti, nonché coerente con le deliberazioni adottate dal Consiglio di Amministrazione; ii) che i principi contabili siano stati applicati in maniera corretta; iii) che la Relazione sulla Gestione fornisca la necessaria informativa sull'attività e sulle operazioni di rilievo di cui il Collegio Sindacale è stato messo al corrente nel corso dell'esercizio, sui principali rischi ed incertezze del Gruppo, nonché sulle operazioni infragruppo e con parti correlate.

Per quanto riguarda il *test* di *impairment* degli avviamenti, che al 31 dicembre 2023 ammontano a 242.759 migliaia, il Collegio ha esaminato con il Dirigente Preposto e con la Società di Revisione i risultati delle analisi valutative svolte sulla base del *Budget* 2024 approvato dal Consiglio di Amministrazione in data 13 dicembre 2023, nonché di dati previsionali relativi al periodo 2025-2027, elaborati dal *management* e non sottoposti all'approvazione del Consiglio di Amministrazione , applicando al *Budge*t 2024, per i dati di fatturato, crescite inerziali in linea con l'inflazione di settore e confermando per l'*Ebitda margin* il valore di *Budget* 2024. Ai fini della verifica, da cui non è mersa alcuna perdita di valore, è stata identificata, come per i *test* relativi agli esercizi precedenti, un'unica *Cash Generating Unit* (CGU) costituita dall'insieme delle attività operative del Gruppo GVS nel suo complesso, alla quale è stato allocato l'intero avviamento iscritto in bilancio al 31 dicembre 2023. La Società, ritenendo che i dati previsionali relativi al periodo 2025-2027, stimati con le modalità sopra descritte, rappresentino già uno *worst* scenario e considerato l'approccio prudente utilizzato per la determinazione del *value in use*, ha ritenuto di non predisporre alcuna *sensitivity analysis*.
I risultati del *test* di *impairment* sono stati approvati nella seduta del Consiglio di Amministrazione del 26 marzo 2024.
Al riguardo si evidenzia, come già anticipato in altra Sezione della presente Relazione, che la Società di Revisione, nella propria Relazione, alla quale il Collegio Sindacale fa rinvio, ha

inserito tra le *Key Audit Matters* del Bilancio Consolidato al 31 dicembre 2023 la recuperabilità delle attività immateriali di cui l'*impairment test* è la verifica principale.

La Società, in apposite sezioni della Relazione sulla Gestione e delle Note Illustrative, ha fornito informativa in merito all'esposizione diretta, che permane marginale, del Gruppo GVS nei confronti delle aree interessate agli effetti dei conflitti bellici in Ucraina e in Medio Oriente.

In data 22 marzo 2024 il Comitato Controllo Rischi e Sostenibilità ha valutato il corretto utilizzo dei principi contabili e la loro omogeneità ai fini della redazione del bilancio consolidato.
Come anticipato nei paragrafi precedenti, in data 26 marzo 2024 il Consiglio di Amministrazione ha valutato positivamente, nell'ambito del giudizio di adeguatezza ed efficacia del Sistema di Controllo Interno e di Gestione dei Rischi rispetto alle caratteristiche dell'impresa e al profilo di rischio assunto, l'assetto organizzativo, amministrativo e contabile rispetto alle attuali dimensioni e alla tipologia di attività svolta da GVS e dalle controllate.

Non rientrando nei compiti del Collegio Sindacale il controllo legale dei conti ex D.Lgs. 39/2010, essendo questo demandato alla Società di Revisione, sulla base delle informazioni avute da quest'ultima, dal Dirigente Preposto e delle risultanze riscontrate, il Collegio non ha osservazioni di competenza da formulare sull'adeguatezza del sistema amministrativo-contabile e sulla sua affidabilità a rappresentare correttamente i fatti di gestione.

14.1 OSSERVAZIONI SUL PROCESSO DI PREDISPOSIZIONE DELLA DICHIARAZIONE NON FINANZIARIA

Il Collegio Sindacale ha vigilato, nell'esercizio della propria funzione, sull'osservanza delle disposizioni del D. Lgs. 254/2016, relativo alla comunicazione di informazioni di carattere non finanziario e del Regolamento di attuazione emesso dalla Consob con delibera del 18 gennaio 2018 in ordine alla redazione della Dichiarazione consolidata di carattere non finanziario (DNF) approvata dal Consiglio di Amministrazione in data 26 marzo 2024. La DNF consolidata del Gruppo, come previsto dall'art. 5, c. 3, lettera b) del citato Decreto, costituisce una relazione distinta rispetto alla Relazione sulla Gestione ed è resa disponibile sul sito internet istituzionale. Tale Dichiarazione contiene informazioni di carattere ambientale, sociale, relative al personale, al rispetto dei diritti umani, alla lotta contro la corruzione attiva e passiva, nella misura necessaria alla comprensione dell'andamento dell'impresa, della situazione in cui opera e dell'impatto derivante dalla sua attività, sviluppando i temi materiali identificati in ambito non finanziario attraverso l'analisi di materialità applicata alle tematiche previste dal D.Lgs. 254/2016 e dal *framework* di rendicontazione adottato (GRI *Standards*).
Le attività di processo per la redazione della Dichiarazione consolidata di carattere non finanziario sono state descritte all'interno di un apposito documento ("*Non-Financial and Sustainability Reporting procedure*").

Il Collegio, nell'ambito delle funzioni ad esso attribuite, ha vigilato sul processo di redazione della DNF mediante richiesta di periodici aggiornamenti in merito allo svolgimento delle attività propedeutiche alla predisposizione del documento e l'esame della documentazione resa disponibile dalla Società. Il Collegio rileva che la DNF include le informazioni utili per l'allineamento alla Tassonomia UE richieste dall'art. 8 del Regolamento europeo 2020/852.

Il Collegio dà atto che nel corso del 2023 la Società ha rafforzato la struttura di *governance* di sostenibilità mediante la costituzione del Comitato Interfunzionale di Sostenibilità, comitato manageriale composto dall'Amministratore Delegato e dai componenti della prima linea aziendale maggiormente coinvolti nella gestione delle tematiche afferenti la sostenibilità, con il compito di dare esecuzione all'indirizzo strategico sui temi di sostenibilità, che, nel corso del 2024, confluiranno nella definizione del primo Piano pluriennale di sostenibilità a livello di Gruppo.

Il Collegio Sindacale ha quindi:
- incontrato il *Corporate ESG Sustainability Manager*, al fine di acquisire, *inter alia*, informazioni in merito: i) all'analisi di materialità, svolta dalla Società per definire gli ambiti informativi non finanziari rilevanti per il Gruppo GVS, raccomandando di rendere sempre più efficace l'interlocuzione con gli *stakeholders* mediante la differenziazione delle modalità di *engagement*; ii) alle attività di *Gap Analysis* rispetto alle novità introdotte dai Regolamenti delegati che integrano il Regolamento (UE) 2020/852; iii) alle attività di *Gap Analysis* in corso per l'adeguamento alla *Corporate Sustainability Reporting Directive* (CSRD) e agli *Standards* europei di rendicontazione ("*European Sustainability Reporting Standards* – ESRS");
- preso favorevolmente atto della previsione, per incentivare il perseguimento della *ESG Strategy*, nel Piano di incentivazione variabile di breve periodo 2024 e nel Piano di incentivazione variabile di medio-lungo periodo, di obiettivi attinenti alle tematiche ESG, collegati rispettivamente alla riduzione del tasso di infortuni sul luogo di lavoro rispetto ai risultati 2023 ed alla qualità e sicurezza dei prodotti immessi sul mercato, misurata in termini di rapporto tra la quantità dei prodotti riconosciuti come non conformi in relazione alle quantità prodotte nel 2025 (valore di fine periodo a condizione che il valore sia migliorativo rispetto al dato 2024);
- incontrato la Società di Revisione PricewaterhouseCoopers S.p.A., alla quale è stato conferito l'incarico di attestazione di conformità (*limited assurance engagement*), nell'ambito del quale incontro è stato presentato il *team* di revisione, la strategia, i principali rischi ed il piano di revisione con specifica attenzione alle procedure adottate, al perimetro delle verifiche con il dettaglio delle società del Gruppo oggetto di campionamento per l'attività di *testing*;
- rinnovato la raccomandazione al *management* e all'Organo amministrativo di accelerare il percorso evolutivo volto all'integrazione di obiettivi ESG nella strategia aziendale, mediante la definizione nel 2024 del Piano pluriennale di sostenibilità, nonché di completare il *framework* di gestione dei rischi con una declinazione più dettagliata dei rischi che possono compromettere il raggiungimento degli obiettivi ESG che verranno inclusi nel piano di Sostenibilità.

Nel mese di dicembre 2023 Consob, al fine della ordinaria vigilanza sulla DNF, ha inviato una comunicazione al Collegio Sindacale con richiesta di informazioni, ai sensi dell'art. 9, co. 3, del D.Lgs. n. 254/2016 e dell'art. 115 D.Lgs n. 58/98, con riferimento, *inter alia*, alla DNF relativa all'esercizio 2022 e alle iniziative adottate dalla Società per adeguarsi alle novità legislative in materia di *sustainability reporting,* a cui il Collegio ha dato riscontro nei primi mesi dell'anno 2024 nei termini previsti e/o concordati.

Sulla base delle informazioni acquisite, preso atto della Attestazione rilasciata dalla Società di Revisione in data 15 aprile 2024, la quale riporta che non sono pervenuti elementi che facciano valutare che la DNF del Gruppo relativa all'esercizio chiuso al 31 dicembre 2023 non sia stata redatta, in tutti gli aspetti significativi, in conformità a quanto richiesto dagli artt. 3 e 4 del D.Lgs. 254/2016 e alla selezione dei GRI (*Global Reporting Initiative*) *Standards*, il Collegio

Sindacale non ha osservazioni di competenza da formulare circa elementi di non conformità e/o di violazione delle relative disposizioni normative.

15. OSSERVAZIONI SULL'ADEGUATEZZA DELLE DISPOSIZIONI IMPARTITE ALLE SOCIETA' CONTROLLATE AI SENSI DELL'ART. 114 D.LGS. N. 58/1998 – ATTIVITÀ DI DIREZIONE E COORDINAMENTO

Il Collegio ha acquisito conoscenza e vigilato, per quanto di sua competenza, sull'adeguatezza delle disposizioni impartite dalla Società alle società controllate ai sensi dell'art. 114, c. 2, del D.Lgs. n. 58/1998, tramite l'acquisizione di informazioni dai responsabili delle competenti funzioni aziendali, dall'Amministratore Delegato ed incontri con la Società di Revisione, ai fini del reciproco scambio di dati ed informazioni rilevanti. In relazione agli stretti legami funzionali ed operativi, vengono garantiti un continuo, costante ed adeguato flusso di informazioni. In base agli elementi portati a conoscenza del Collegio non sono emersi elementi che possano far valutare che la Società non sia in grado di adempiere nei tempi e con le modalità richieste agli obblighi in ordine ai fatti rilevanti nonché al consolidamento dei dati previsti dalla Legge.

16. OSSERVAZIONI IN ORDINE ALLE RIUNIONI TENUTASI CON I REVISORI

Il Collegio Sindacale ha tenuto periodiche riunioni con gli esponenti della Società di Revisione PricewaterhouseCoopers S.p.A., attivando in tali occasioni un proficuo scambio di informazioni così come richiesto ai sensi dell'art. 150, c. 3, D.Lgs. n. 58/1998.
Il Collegio Sindacale ha accertato, tramite le informazioni assunte dalla Società di Revisione, l'osservanza delle norme e delle leggi inerenti la formazione e l'impostazione del Bilancio d'Esercizio e del Bilancio Consolidato e della Relazione sulla Gestione. Con la Società di Revisione PwC sono stati esaminati, in particolare, la sintesi dei risultati del Gruppo GVS al 31 dicembre 2023, la pianificazione delle procedure di revisione e il piano di revisione, l'approccio di revisione sulle principali voci dello stato patrimoniale, i fattori di rischio identificati, gli specialisti coinvolti nelle attività di verifica, le attività di audit in corso.
Nel corso di tali periodici incontri non si sono evidenziati atti o fatti valutati censurabili e meritevoli di segnalazione ai sensi dell'art. 155, c. 2, del D.Lgs. n. 58/1998. In tali incontri non sono emerse anomalie, criticità ed omissioni rilevate dalla Società di Revisione e portate da questa a conoscenza del Collegio Sindacale.

Il Collegio ha esaminato, anche con la Società di Revisione, i contenuti della Relazione Aggiuntiva ex art. 11 del Regolamento (UE) n. 537/2014 che verrà trasmessa al Consiglio di Amministrazione con le eventuali osservazioni del Collegio stesso. Dall'esame della Relazione in parola non sono emersi aspetti che debbano essere evidenziati nella presente Relazione.

17. ADESIONE DELLA SOCIETÀ AL CODICE DI CORPORATE GOVERNANCE DEL COMITATO PER LA GOVERNANCE E VALUTAZIONE DELL'INDIPENDENZA DEI COMPONENTI DELLA STRUTTURA ORGANIZZATIVA DESCRITTA AL PAR. 12

La Società ha aderito al Codice di *Corporate Governance* impegnandosi ad effettuare le attività necessarie all'attuazione dei relativi principi. Il Collegio Sindacale ha vigilato sulle modalità di concreta attuazione del Codice di *Corporate Governance*, adottato dal Consiglio di Amministrazione, senza riscontrare criticità.

Inoltre, si evidenzia che la Società ha rendicontato nell'ambito della Relazione sulla *Corporate Governance* in relazione alle raccomandazioni formulate dal Comitato per la *Corporate Governance* nelle lettere emesse nel corso del 2023.

18. VALUTAZIONI CONCLUSIVE IN ORDINE ALL'ATTIVITÀ SVOLTA

Nel corso delle attività descritte, nonché sulla base delle informazioni periodicamente scambiate anche con la Società di Revisione PricewaterhouseCoopers S.p.A., non sono stati rilevati omissioni e/o fatti censurabili e/o irregolarità, o comunque fatti significativi tali da richiedere la segnalazione alle Autorità di Vigilanza ovvero menzione nella presente Relazione.

19. INDICAZIONE DI EVENTUALI PROPOSTE DA RAPPRESENTARE ALL'ASSEMBLEA AI SENSI DELL'ART. 153, C. 2, DEL D.LGS. n. 58/1998

Tenuto conto di tutto quanto precede, il Collegio Sindacale valuta che non sussistano motivi ostativi all'approvazione del bilancio al 31 dicembre 2023 così come predisposto dal Consiglio di Amministrazione e non ha osservazioni da formulare con riguardo alle proposte di delibera formulate dal Consiglio di Amministrazione.

Roma/Milano/Bologna, 16 aprile 2024

p. Il Collegio Sindacale
Il Presidente Prof.ssa Maria Federica Izzo

INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2023

Independent auditor's report

in accordance with article 14 of Legislative Decree No. 39 of 27 January 2010 and article 10 of Regulation (EU) No. 537/2014

To the shareholders of
GVS SpA

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of GVS SpA (hereinafter also the "Company"), which comprise the statement of financial position as of 31 December 2023, the income statement, statement of comprehensive income, statement of changes in shareholders' equity, statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of GVS SpA as of 31 December 2023, and of the result of its operations and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No. 38/2005.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of this report. We are independent of the Company pursuant to the regulations and standards on ethics and independence applicable to audits of financial statements under Italian law. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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Key Audit Matters	*Auditing procedures performed in response to key audit matters*
Revenue recognition Note 2.3 "*Accounting standards and assessment criteria*" and Note 7.1 "*Revenues from contracts with customers*" to the financial statements	
Revenues from contracts with customers in the financial statements of GVS SpA as of 31 December 2023 are equal to Euro 74,265 thousand, mainly attributable to the sale of finished products. Those revenues are recognised, in accordance with IFRS 15 – *Revenue from contracts with customers*, when control of the products is transferred to the customer. The correct recognition of revenues was a key matter in our audit in consideration of the materiality of the item and the large number of transactions making up the total amount.	Our audit approach consisted, preliminarily, in understanding and evaluating the methods and procedures defined by the Company for the recognition and measurement of sales revenues. Moreover, we identified and validated the actual operation and effectiveness of controls over the revenue recognition process. Taking into account the understanding, evaluation and validation of internal controls mentioned above, we then planned and performed substantive tests on the item in question. In detail, on a representative sample of transactions we verified the existence and accuracy of revenues reported in the financial statements by examining the information in the supporting documents. We also performed external confirmation procedures on a sample of customers with the aim of obtaining evidence supporting the receivables recognised. Finally, we selected a sample of sales transactions in December 2023 and January 2024 and we verified, against supporting documents, their correct cut-off in accordance with the accrual basis of accounting.

Responsibilities of the Directors and the Board of Statutory Auditors for the Financial Statements

The directors are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No. 38/2005 and, in the terms prescribed by law, for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The directors are responsible for assessing the Company's ability to continue as a going concern and, in preparing the financial statements, for the appropriate application of the going concern basis of accounting, and for disclosing matters related to going concern. In preparing the financial statements, the directors use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The board of statutory auditors is responsible for overseeing, in the terms prescribed by law, the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of our audit conducted in accordance with International Standards on Auditing (ISA Italia), we exercised our professional judgement and maintained professional scepticism throughout the audit. Furthermore:

- We identified and assessed the risks of material misstatement of the financial statements, whether due to fraud or error; we designed and performed audit procedures responsive to those risks; we obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- We obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;
- We evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;
- We concluded on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern;

- We evaluated the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicated with those charged with governance, identified at an appropriate level as required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identified during our audit.

We also provided those charged with governance with a statement that we complied with the regulations and standards on ethics and independence applicable under Italian law and communicated with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate the related risks, or safeguards applied.

From the matters communicated with those charged with governance, we determined those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We described these matters in our auditor's report.

Additional Disclosures required by Article 10 of Regulation (EU) No 537/2014

On 14 February 2020 the shareholders of GVS SpA in general meeting engaged us to perform the statutory audit of the Company's and consolidated financial statements for the years ending 31 December 2020 to 31 December 2028.

We declare that we did not provide any prohibited non-audit services referred to in article 5, paragraph 1, of Regulation (EU) No. 537/2014 and that we remained independent of the Company in conducting the statutory audit.

We confirm that the opinion on the financial statements expressed in this report is consistent with the additional report to those charged with governance, in their capacity as audit committee, prepared pursuant to article 11 of the aforementioned Regulation.

Report on Compliance with other Laws and Regulations

Opinion on compliance with the provisions of Commission Delegated Regulation (EU) 2019/815

The directors of GVS SpA re responsible for the application of the provisions of Commission Delegated Regulation (EU) 2019/815 concerning regulatory technical standards on the specification of a single electronic reporting format (ESEF - European Single Electronic Format) (hereinafter, the "Commission Delegated Regulation") to the financial statements as of 31 December 2023, to be included in the annual report.

We have performed the procedures specified in auditing standard (SA Italia) No. 700B in order to express an opinion on the compliance of the financial statements with the provisions of the Commission Delegated Regulation.

In our opinion, the financial statements as of 31 December 2023 have been prepared in XHTML format and have been marked up, in all significant respects, in compliance with the provisions of the Commission Delegated Regulation.

Opinion in accordance with Article 14, paragraph 2, letter e), of Legislative Decree No. 39/2010 and Article 123-bis, paragraph 4, of Legislative Decree No. 58/1998

The directors of GVS SpA are responsible for preparing a report on operations and a report on the corporate governance and ownership structure of GVS SpA as of 31 December 2023, including their consistency with the relevant financial statements and their compliance with the law.

We have performed the procedures required under auditing standard (SA Italia) No. 720B in order to express an opinion on the consistency of the report on operations and of the specific information included in the report on corporate governance and ownership structure referred to in article 123-bis, paragraph 4, of Legislative Decree No. 58/1998, with the financial statements of GVS SpA as of 31 December 2023 and on their compliance with the law, as well as to issue a statement on material misstatements, if any.

In our opinion, the report on operations and the specific information included in the report on corporate governance and ownership structure mentioned above are consistent with the financial statements of GVS SpA as of 31 December 2023 and are prepared in compliance with the law.

With reference to the statement referred to in article 14, paragraph 2, letter e), of Legislative Decree No. 39/2010, issued on the basis of our knowledge and understanding of the Company and its environment obtained in the course of the audit, we have nothing to report.

Bologna, 15 April 2024

PricewaterhouseCoopers SpA

Signed by

Giuseppe Ermocida
(Partner)

This independent auditor's report has been translated into the English language solely for the convenience of international readers. Accordingly, only the original text in Italian language is authoritative.