

GVS

FILTER TECHNOLOGY

the only way to say filtration

**Interim
Report
on
Operations**

2020

January - September 2020



Interim report on operations
at
30 September 2020
GVS Group



CONTENTS

INFORMATION ABOUT THE COMPANY AND INFORMATION FOR SHAREHOLDERS.....	3
GROUP STRUCTURE*	4
CORPORATE BODIES.....	5
DIRECTORS' REPORT ON OPERATIONS.....	6
Foreword	6
Group performance and analysis of the results for the period ending on 30 September 2020.	6
Investments.	12
Research and development.	12
Significant events occurring during the period.....	12
Events subsequent to the close of the period	13
Business outlook.....	13
FINANCIAL STATEMENTS AT 30 SEPTEMBER 2020	15
Consolidated statement of assets and liabilities*	15
Consolidated income statement*	16
Comprehensive consolidated income statement.....	17
Prospectus of changes in consolidated shareholders' equity.....	18
Consolidated statement of cash flows*.....	19
EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 30 SEPTEMBER 2020	20
1. General information	20
2. Structure and content of the consolidated financial statements	20
3. Valuation criteria	23
4. Estimates and assumptions	23
5. Business combinations	24
6. Explanatory Notes to the main consolidated income statement items.....	26
7. Non-recurring revenues and operating costs.....	30
8. Additional information	30
ATTACHED TABLES.....	31
Consolidated statement of financial position, with indication of the amounts of positions with related parties.....	31
Consolidated income statement, with indication of the amounts of positions with related parties.	32
Consolidated statement of cash flows, with indication of the amounts of positions with related parties....	33
Consolidated income statement, with indication of the amounts deriving from non-recurring transactions.	34
DECLARATION OF THE MANAGER RESPONSIBLE FOR THE PREPARATION OF THE COMPANY'S ACCOUNTING DOCUMENTS PURSUANT TO ARTICLE 154-BIS PARAGRAPH 2 OF LEGISLATIVE DECREE 58/98	35

INFORMATION ABOUT THE COMPANY AND INFORMATION FOR SHAREHOLDERS

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LEGAL INFORMATION

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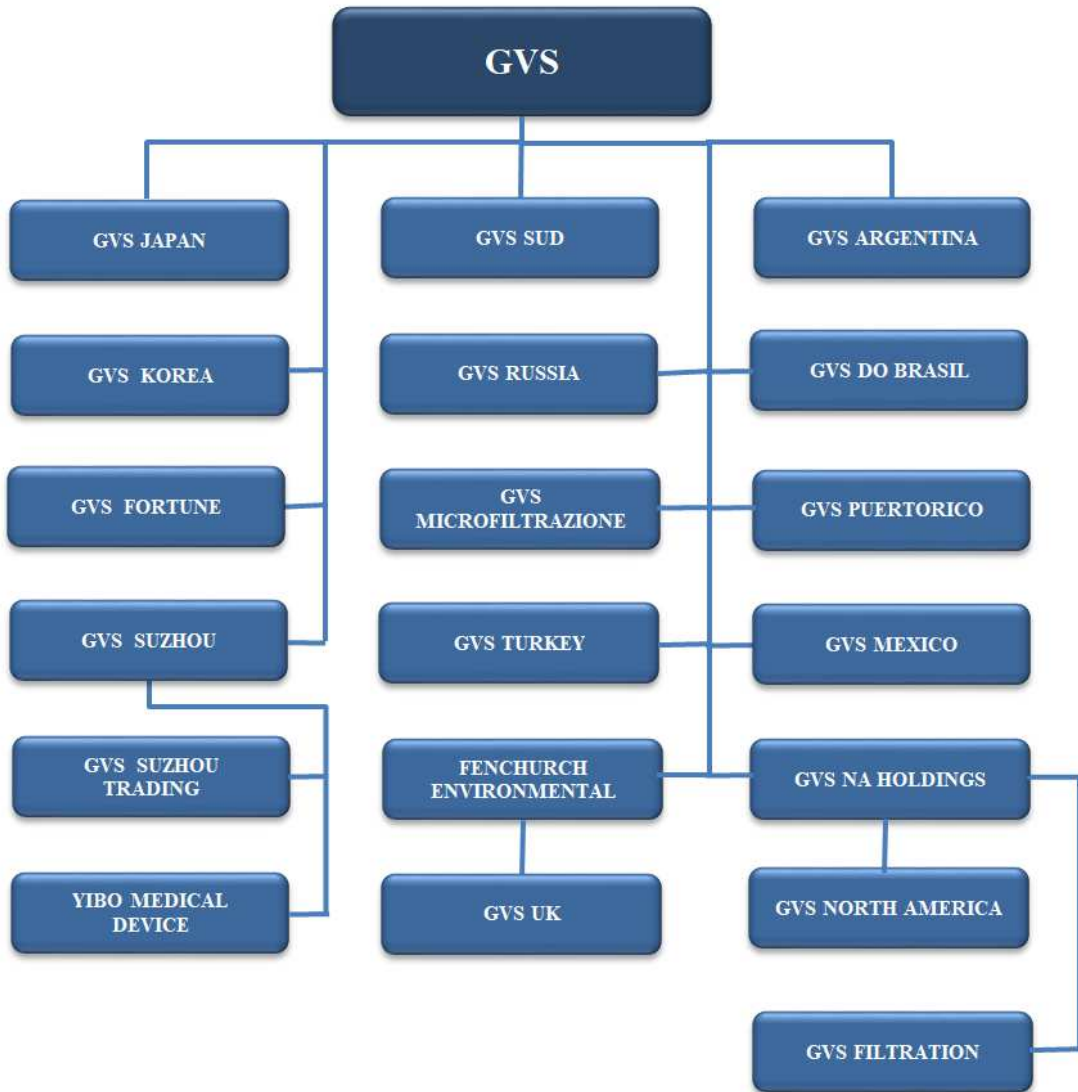
REA of Bologna 0305386

Register of Companies of Bologna 45539

INVESTOR RELATIONS

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GROUP STRUCTURE*



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

CORPORATE BODIES

Board of Directors

Chair

Grazia Valentini (2)

Chief Executive Officer

Massimo Scagliarini

Executive Directors

Marco Scagliarini

Mario Saccone

Matteo Viola

Independent Directors

Nadia Buttignol (1)

Arabella Caporello (1)

Alessandro Nasi (2)

Michela Schizzi (1) (2)

Board of Statutory Auditors

Chair

Patrizia Lucia Maria Riva

Standing auditors

Francesca Sandrolini

Stefania Grazia

Substitute auditors

Daniela Baesi

Mario Difino

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

Emanuele Stanco

Independent auditors

PricewaterhouseCoopers SpA

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

(2) Member of the Nominations and Remuneration Committee

DIRECTORS' REPORT ON OPERATIONS

Foreword

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

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

The tables below have been prepared on the basis of the consolidated financial statements at 30 September 2020, to which reference should be made. The latter were prepared in accordance with the International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”) and approved by the European Union, as well as with measures issued in implementation of Article 9 of Legislative Decree no. 38/2005.

Group performance and analysis of the results for the period ending on 30 September 2020.

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

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

<i>(in thousands of Euro)</i>	Period ending on 30 September	
	2020	2019
<i>Healthcare Liquid</i>	56,991	51,408
<i>Healthcare Air & Gas</i>	42,589	20,175
<i>Laboratory</i>	15,818	15,058
Healthcare & Lifesciences	115,398	86,640
<i>Powertrain & Drivetrain</i>	20,216	31,932
<i>Safety & Electronics</i>	14,073	16,484
<i>Sport & Utility</i>	12,962	19,455
Energy & Mobility	47,250	67,871
<i>Personal Safety</i>	90,864	10,825
<i>Air Safety</i>	4,658	7,289
Health & Safety	95,522	18,114
Revenue from customer contracts	258,170	172,625

In the first nine months of the year, GVS achieved consolidated revenues of Euro 258 million, up 49.6% from Euro 172.6 million in the same period of 2019. This result is mainly due to the growth of the Health & Safety division and the Healthcare & Life Sciences division, in both cases driven by the new needs arising from the spread of the COVID-19 pandemic. The drop in revenues from customer contracts, compared to the same period of the previous year, recorded by the Energy & Mobility division (-30%) also due to the exceptional nature of the period, was therefore more than offset by the increase in sales linked to the other sectors in which the Group operates.

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

Analysis of reclassified financial position

<i>(in thousands of Euro)</i>	Period ending on 30 September							
	2020	of which non-recurring	2020 from ordinary operations	%	2019	of which non-recurring	2019 from ordinary operations	%
Revenues from sales and services	258,170		258,170	100.0%	172,625		172,625	100.0%
Other revenues and proceeds	1,150		1,150	0.4%	2,058	254	1,804	1.0%
Total revenues	259,320		259,320	100.4%	174,683	254	174,429	101.0%
Cost of raw materials purchases and variations in inventories	(61,433)		(61,433)	-23.8%	(52,013)		(52,013)	-30.1%
Services	(25,807)	(4,544)	(21,263)	-8.2%	(17,417)	(235)	(17,182)	-10.0%
Various operating costs	(2,161)		(2,161)	-0.8%	(2,811)	(144)	(2,667)	-1.5%
Added value	169,919	(4,544)	174,463	67.6%	102,443	(125)	102,568	59.4%
Cost of labour	(71,489)	(1,080)	(70,409)	-27.3%	(55,792)	(147)	(55,645)	-32.2%
EBITDA	98,430	(5,624)	104,054	40.3%	46,651	(272)	46,923	27.2%
Amortisation and depreciation	(13,958)	(2,920)	(11,038)	-4.3%	(11,985)	(2,924)	(9,061)	-5.2%
Provisions and writedowns	(181)		(181)	-0.1%	(207)		(207)	-0.1%
EBIT	84,291	(8,544)	92,835	36.0%	34,459	(3,196)	37,655	21.8%
Financial proceeds and charges	(9,195)		(9,195)	-3.6%	1,238		1,238	0.7%
Pre-tax result	75,096	(8,544)	83,640	32.4%	35,697	(3,196)	38,893	22.5%
Income tax	(17,868)	1,840	(19,708)	-7.6%	(9,115)	355	(9,470)	-5.5%
Group's and minority shareholders' net profit or loss	57,228	(6,704)	63,932	24.8%	26,582	(2,841)	29,423	17.0%

The consolidated economic results of operations of the period closing at 30 September 2020 were as follows: total revenues from ordinary operations amounted to Euro 259.3 million (Euro 174.4 million in 2019); EBITDA from ordinary operations amounted to Euro 104.1 million (Euro 46.9 million in 2019); EBIT from ordinary operations came to Euro 92.8 million (Euro 37.7 million in 2019).

The trend in revenues from contracts with customers (+49.6% over 2019) is the result of sales trends in individual customer categories, as stated in the analysis above.

The percentage incidence of the first margin (total revenues, less purchase costs of goods plus change in inventories) on revenues from sales and services improved by 6.3 percentage points compared to last year. Such an increase is essentially due to procurement strategies implemented in the last three years. Other revenues and proceeds primarily represent contributions for operating expenses, recovery and chargeback of costs, insurance refunds and capital gains on sales. The balance of the item decreased by Euro 654 thousand, compared to the same period of the previous year, mainly due to less capital gains on sales of fixed assets and lower insurance reimbursements received during the period.

The “Added value” margin as a percentage of revenues from sales and services improved in 2020 (+8.2 percentage points), compared to the same period of last year. This thanks to the cost containment policies implemented in the last three years combined with the rapid implementation of 41 new production lines in the various GVS Group plants, which allowed for a big increase in the level of operating leverage. As mentioned above, the reduction in variable costs was significant and service costs also grew less than proportionally with respect to sales, whose percentage of revenues from sales and services dropped from 10% in the period ended at 30 September 2019, to 8.2% in the same period of 2020.

The increase in absolute value of personnel costs in the period ended 30 June 2020 compared to the same period of the previous year is due to the strengthening of the Group's structure, also through fixed-term and temporary employment contracts to meet the growth in sales. The percentage impact of personnel costs on revenues from sales and services dropped over the previous year, however, from 32.2% in 2019 to 27.3% in 2020.

The increase in absolute value of the item amortisation, depreciation and write-downs for the period ended 30 September 2020 compared with the same period of the previous financial year is mainly due

to the acceleration of the investment plans implemented by the Group in the first months of 2020 to meet the increase in production capacity which was necessary.

Net financial charges (net of net exchange losses of €6,295 thousand recorded in the period ended 30 September 2020 and net profits on exchanges of €4,864 thousand recorded in 2019) decreased in the period. In fact, they went from €3,626 thousand in 2019 to €2,899 thousand in 2020, mainly due to the reduction in interest on loans, due to an improvement in the ratio between net financial indebtedness and EBITDA of the Group, as well as to the reduction of the residual debt related to the above-mentioned financial payables.

The result of recurrent activities reached Euro 63.9 million in 2020, Euro 34.5 million higher than the 2019 figure of Euro 29.5 million, due to the effect of the factors described above.

Non-recurrent proceeds and charges in the period ending on 30 September 2020 represent: (i) amortisation of intangible assets recorded following the purchase price allocation of the Kuss group (Euro 2,920 thousand), (ii) consultancy costs and one-off bonuses paid to personnel in relation to the IPO procedure concluded on 19 June 2020 (Euro 5,081 thousand), (iii) consultancy costs for purchase of the shareholding in Puerto Rico (Euro 259 thousand) and (iv) personnel reorganisation costs (Euro 284 thousand), net of the related tax effect.

Non-recurrent proceeds and charges in the period ending on 30 September 2019 represent: (i) amortisation of intangible assets entered following purchase price allocation of the Kuss Group (Euro 2,924 thousand), (ii) capital gains resulting from disposal of the real estate assets mentioned above (Euro 254 thousand), (iii) start-up costs incurred for the company established in Mexico (Euro 235 thousand), (iv) tax credits on indirect taxes of the company IOP (China) Filter Co. Ltd., written down following winding-up of the company (Euro 144 thousand), and (v) personnel reorganisation costs (Euro 147 thousand), net of the effect of taxation.

Analysis of reclassified equity position

<i>(in thousands of Euro)</i>	At 30 September 2020	At 31 December 2019
Net intangible assets	94,486	99,846
Net usage rights	8,757	10,320
Net tangible assets	67,295	46,614
Financial fixed assets	900	377
Other fixed assets	2,869	1,616
Fixed capital (A)	174,306	158,773
Net trade receivables	66,120	35,158
Inventories	46,017	31,491
Payables to suppliers	(31,940)	(13,188)
Net commercial working capital (B)	80,197	53,461
Other current assets	11,373	7,214
Other current liabilities	(34,224)	(17,063)
Total current assets/liabilities (C)	(22,851)	(9,849)
Net working capital (D) = (B) + (C)	57,346	43,612
Other non-current liabilities (E)	(2,194)	(819)
Employee termination indemnity and end of service indemnity (F)	(4,271)	(4,193)
Net invested capital (H) = (A+D+E+F)	225,187	197,373
Shareholders' equity	(223,992)	(94,240)
Consolidated shareholders' equity (I)	(223,992)	(94,240)
(Short-term financial indebtedness)/Liquidity	86,013	22,355
(Net medium/long term financial indebtedness)	(87,209)	(125,488)
Net financial indebtedness (L)	(1,196)	(103,133)

Own funds and net financial indebtedness (M) = (I+L)	(225,187)	(197,373)
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Fixed capital as of 30 September 2020 showed an increase of Euro 15,534 thousand, as the reduction in net intangible assets and usage rights totalling Euro 6,923 thousand, has been offset by a net increase in tangible assets and other fixed assets of Euro 22,457 thousand.

The balance of trade net working capital at 30 September 2020 showed an increase of Euro 26,735 thousand, compared to 31 December 2019, with an increase in inventories and net trade receivables for a total amount of Euro 45,488 thousand against an increase in trade payables of Euro 18,753 thousand.

The increase in other current assets at 30 September 2020, equal to Euro 4,159 thousand, was mainly due to the increase in advances to suppliers and receivables for indirect taxes.

The increase in other current liabilities at 30 September 2020 compared to 31 December 2019, equal to Euro 17,162 thousand, was mainly due to advances paid by customers for Euro 2,971 thousand, the increase in payables for current taxes for Euro 12,145 thousand and the increase in payables to the personnel for Euro 2,852 thousand only partially offset by the decrease in payables for dividends, equal to Euro 1,681 thousand, paid after the end of the previous financial year.

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

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

Analysis of net financial indebtedness and net financial position

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

<i>(in thousands of Euro)</i>	At 30 September 2020	At 31 December 2019
Cash	32	32
Cash on hand	112,157	58,510
Term deposits	360	-
Shares held for trading	3,650	3,399
(A) Liquidity	116,199	61,941
Financial receivables due to leasing	172	177
(B) Current financial receivables	172	177
(C) Current bank debts		(3,000)
(D) Current portion of non-current indebtedness	(26,347)	(33,506)
Financial payables to other companies in the GVS Group due to leasing	(965)	(585)
Financial payables for leasing	(2,479)	(2,509)
Other financial payables	(568)	(163)
(E) Other current financial payables	(4,012)	(3,257)
(F) Current financial indebtedness (C)+(D)+(E)	(30,359)	(39,763)
(G) Net current financial indebtedness (A)+(B)+(F)	86,013	22,355
Non-current bank debts	(44,496)	(67,999)
Non-current bonded loans	(36,812)	(49,574)
Financial payables to other companies in the GVS Group due to leasing	(2,240)	(1,886)
Non-current financial payables for leasing	(3,596)	(5,965)
Other financial payables	(65)	(65)
(H) Non-current financial indebtedness	(87,209)	(125,488)
(I) Net financial indebtedness (G)+(H)	(1,196)	(103,134)
Derivatives		
Financial payables for leasing (net)	9,107	10,767
(L) Total net financial position	7,911	(92,366)

The change in net financial indebtedness at 30 September 2020 as compared to 31 December 2019, totalling Euro 101,938 thousand, is primarily due to the combined effect of: (i) an increase in liquidity and current financial receivables totalling Euro 54,254 thousand, due to liquidity obtained from the IPO procedure and liquidity generated by operations, and (ii) a Euro 47,685 thousand reduction in current and non-current financial indebtedness, primarily due to repayment of long-term financial payables.

The Group's net financial position (excluding net current and non-current leasing liabilities, measured in accordance with the provisions of IFRS 16 and equal to a total of Euro 9,107 thousand at 30 September 2020 and Euro 10,767 thousand at 31 December 2019 respectively), amounted to positive Euro 7,911 thousand and negative Euro 92,366 thousand as of these dates. Note that a number of financial agreements require the GVS Group to meet certain financial parameters, which had been met as of 30 June 2020.

Cash flow statement

The cash flow statement appears below.

<i>(in thousands of Euro)</i>	Period ending on 30 September	
	2020	2019
Pre-tax result	75,096	35,697
Amortisation, depreciation and writedowns	13,958	11,985
Capital losses / (capital gains) from sale of assets	(10)	(214)
Financial charges / (proceeds)	9,195	(1,238)
Other non-monetary variations	1,148	908
Cash flow generated / (absorbed) by operations before variations in net working capital	99,387	47,138
Variation in inventories	(16,590)	(1,597)
Variation in trade receivables	(27,352)	(1,084)
Variation in trade payables	25,963	(2,676)
Variation in other assets and liabilities	(2,770)	(2,063)
Use of provisions for risks and charges and for employee benefits	(644)	(635)
Taxes paid	(6,630)	(5,956)
Net cash flow generated / (absorbed) by operations	71,364	33,128
Investments in tangible assets	(22,176)	(7,689)
Investments in intangible assets	(2,285)	(2,115)
Disposal of tangible assets	196	2,847
Investment in financial assets	(3,061)	(1,965)
Disinvestment in financial assets	-	1,700
Payment for purchase of business unit net of cash on hand acquired	(10,532)	-
Net cash flow generated / (absorbed) by investment	(37,858)	(7,222)
Opening of long-term financial payables	503	6,500
Repayment of long-term financial payables	(41,955)	(22,982)
Variations in current financial payables	(3,000)	-
Repayment of leasing liabilities	(2,165)	(1,671)
Financial charges paid	(4,018)	(4,184)
Financial proceeds collected	94	78
Net fee for IPO	74,508	-
Dividends paid	(1,681)	(7,814)
Net cash flow generated/(absorbed) by financial assets	22,286	(30,073)
Total variation in cash on hand	55,792	(4,168)

Cash on hand at the start of the year	58,542	45,551
Total variation in cash on hand	55,792	(4,168)
Conversion differences on cash on hand	(2,145)	1,074
Cash on hand at the end of the year	112,189	42,457

During the period ending on 30 September 2020, operations generated Euro 52,248 thousand more liquidity than in the same period of the previous year, primarily as a result of increased EBITDA; to the contrary, cash flows generated by working capital were Euro 14,012 thousand lower.

On the other hand, in 2020, net investment activity (ordinary and extraordinary acquisition operations) absorbed an overall increase in liquidity of €30,636 thousand compared to the same period in 2019, determining a cash flow generation before cash flows generated/absorbed by financial assets amounting to €33,506 thousand, €7,600 thousand higher than the period ended 30 September 2019.

The cash flow generated by financial assets mainly increased as a result of the net increase in share capital against payment, determining an overall net cash flow from operating and investing activities, mentioned above, a net increase in cash on hand of €55,792 thousand, €59,960 thousand higher than the same period ended 30 September 2019.

Indicators

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

<i>(numerical data in thousands of Euros)</i>	Period ending on 30 September	
	2020	2019
ROE (net profit/total net shareholders' equity)	26%	30%
ROI (EBIT from ordinary operations/net invested capital)	41%	18%
ROS (EBIT from ordinary operations/total revenues)	36%	22%
EBITDA	98,430	46,651
EBITDA from ordinary operations	104,054	46,923
Net interest payable (excluding profits/losses on exchanges, Interest on actualisation of funds and proceeds due to sale of derivatives)	(2,899)	(3,626)
Net Financial Debt	(1,196)	(118,878)
Net financial position	7,911	(112,041)
Total intangible fixed assets/Total fixed assets	54%	64%
Total intangible fixed assets/Total assets	23%	35%
Acid test (short-term assets/short-term liabilities)	1.2	1.4
Net interest payable/net financial indebtedness	242%	3%
Indebtedness ratio (net financial indebtedness/shareholders' equity)	0.01	1.34
Net financial position/shareholders' equity	(0.04)	1.26
EBITDA/Interest	33.95	12.86
EBITDA from ordinary operations/Interest	35.89	12.94
Net financial position/EBITDA	(0.08)	2.40
Net financial position/EBITDA from ordinary operations	(0.08)	2.39
Net financial debt / EBITDA	0.01	2.55
Net financial indebtedness/EBITDA from ordinary operations	0.01	2.53

Investments.

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

Investments for the first nine months were mainly attributable to the expansion of production capacity to meet the increase in sales orders of products of the Healthcare & Life Sciences division and the Health & Safety division.

With particular reference to the period ended 30 September 2020, significant investments were made to expand the production capacity of the production site in Mexico.

Research and development.

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

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

<i>(in thousands of Euro)</i>	Period ending 30 September	
	2020	2019
Research and development costs	14,124	13,139
Research and development costs/revenues from contracts with customers	5.5%	7.6%

Significant events occurring during the period.

On 19 June 2020, the Company completed the listing process on the MTA market of the Italian Stock Exchange. Goldman Sachs International and Mediobanca - Banca di Credito Finanziario S.p.A. acted as joint global coordinators and joint bookrunners, Mediobanca - Banca di Credito Finanziario acted as Sponsor.

The period closing at 30 September 2020 was highly influenced by the COVID-19 pandemic (commonly known as Coronavirus). During this period, the Group implemented organisational measures and procedures to ensure the continuation of production and management activities, so as to guarantee respect for commitments made to customers, while fully respecting the health of its employees and collaborators. In fact, if on the one hand the pandemic has led to a contraction in demand for products in the Energy & Mobility division, on the other it has brought a significant increase in sales volumes of products in the Healthcare & Life Sciences division and the Health & Safety division. The Group has been strongly committed to guaranteeing the production levels of products in demand as a result of the pandemic, also through investments made from March 2020.

In the previous year, the subsidiary GVS Technology (Suzhou) Co. Ltd., had stipulated an investment memorandum with the Chinese government under which the Chinese subsidiary is required to move its production facility in Suzhou. Following the relocation process, GVS Technology (Suzhou) Co. Ltd. will benefit not only from payment for the sale of the production facility but from: (i) refund of a portion of the taxes paid in each of the years in the 2020-2022 three-year period; (ii) a contribution proportionate to investment in plant and machinery; (iii) an additional contribution for development of the new production site, and (iv) a payment as reimbursement for machinery which cannot be removed from the

production site relocated. Also note that following the stipulation of the investment memorandum, GVS Technology (Suzhou) Co. Ltd. has agreed to: (i) increase its share capital up to the amount of USD 12 million, possibly through use of reserves, and (ii) to increase investment in ordinary operations. During the first nine months of the year, in accordance with the above GVS Technology (Suzhou) Co. Ltd. increased its share capital through the use of reserves by approximately RMB 19 million and at the same time the Chinese government paid an advance for the future sale of the property for an amount of approximately RMB 9.8 million. Note that the methods and timing of the investment and move of the production site will be agreed on by the parties at a subsequent time with the goal of preventing interruptions in the production and sale of products.

During the month of January 2020, the GVS Group, through its subsidiary GVS Filter Technology de Mexico S. de R.L. de C.V., completed the acquisition of a business unit related to products of the Life Sciences business, previously controlled by Graphic Controls Acquisition Corp. In addition, at the end of the first half, it signed a contract for purchase of a stake in Haemonetics Puerto Rico LLC, a company operating in the Healthcare business.

In July 2020, GVS paid off loans to Unicredit, Banco Popolare di Milano and Banca Nazionale del Lavoro early for a total amount of Euro 12,525 thousand against available liquidity.

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

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

Events subsequent to the close of the period

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

In October 2020, GVS S.p.A. paid off a Club Deal loan to Unicredit, Mediobanca and Banca Nazionale del Lavoro early for a total amount of Euro 58,500 thousand against available liquidity. The repayment will allow the GVS Group, to optimise the Group's financial structure by reducing the average annual cost of medium/long-term debt, without any significant impact on the net financial position or the sources of support of the Company's activities.

Business outlook

The GVS Group will continue to respond quickly to the demands of the market and its customers in the last quarter as well. Depending on the amount of revenues from customer contracts and the order backlog achieved to date, the GVS group expects to achieve revenues for the year in the order of €350 million, up by more than 50% compared to the revenues recorded in the year ended 31 December 2019, due to the remarkable performance related to sales of respiratory filters and personal protective equipment resulting from the need to respond to the emergency generated by COVID-19. The above forecasts are linked to the orders already in the portfolio for the three business divisions of the GVS Group and the expected growth in revenues is entirely driven by the Healthcare & Life Sciences and Health & Safety divisions, while the Energy & Mobility division will continue to decline, although

with a less negative trend than forecast at the beginning of the year. In terms of profitability, the last quarter of the year should confirm the progressive results achieved at the end of September.

Zola Predosa, 05 November 2020

For the Board of Directors

Massimo Scagliarini

Chief Executive Officer

FINANCIAL STATEMENTS AT 30 SEPTEMBER 2020

Consolidated statement of assets and liabilities*

<i>(in thousands of Euro)</i>	At 30 September 2020	At 31 December 2019
ASSETS		
Non-current assets		
Intangible assets	94,486	99,846
Assets represented by usage rights	8,757	10,320
Tangible assets	67,295	46,614
Advance tax assets	2,840	1,451
Non-current financial assets	929	542
Total non-current assets	174,307	158,773
Current assets		
Inventories	46,017	31,491
Trade receivables	66,120	35,158
Assets from contracts with customers	1,631	591
Current tax receivables	256	193
Other receivables and current assets	9,486	6,430
Current financial assets	4,182	3,576
Cash on hand	112,189	58,542
Total current assets	239,881	135,981
TOTAL ASSETS	414,188	294,754
SHAREHOLDERS' EQUITY AND LIABILITIES		
Share capital	1,750	1,650
Reserves	165,003	59,489
Net income	57,216	33,083
Group net shareholders' equity	223,970	94,222
Minority interests	22	18
Total shareholders' equity	223,992	94,240
Non-current liabilities		
Non-current financial liabilities	81,373	117,638
Non-current leasing liabilities	5,836	7,850
Deferred tax liabilities	2,194	819
Provisions for employee benefits	4,271	4,193
Total non-current liabilities	93,674	130,500
Current liabilities		
Current financial liabilities	26,915	36,669
Current leasing liabilities	3,444	3,094
Trade payables	31,940	13,188
Liabilities from contracts with customers	4,673	1,702
Current tax payables	14,205	2,060
Other current payables and liabilities	15,345	13,301
Total current liabilities	96,522	70,014
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	414,188	294,754

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

Consolidated income statement*

<i>(in thousands of Euro)</i>	The 9-month period closed on 30th September	
	2020	2019
Revenue from customer contracts	258,170	172,625
Other revenues and proceeds	1,150	2,058
Total revenues	259,320	174,683
Purchases and consumption of raw materials, semi-products and finished products	(61,433)	(52,013)
Personnel costs	(71,489)	(55,792)
Service costs	(25,807)	(17,417)
Other operating costs	(2,161)	(2,811)
EBITDA	98,430	46,651
Net writedowns of financial assets	(181)	(207)
Amortisation, depreciation and writedowns	(13,958)	(11,985)
EBIT	84,291	34,459
Financial proceeds	94	4,942
Financial charges	(9,289)	(3,704)
Pre-tax result	75,096	35,697
Income tax	(17,868)	(9,115)
Net income	57,228	26,582
<i>Group's share</i>	<i>57,216</i>	<i>26,579</i>
<i>Minority share</i>	<i>12</i>	<i>3</i>
<i>Basic net profit per share</i>	<i>0.46</i>	<i>0.21</i>
<i>Diluted net profit per share</i>	<i>0.45</i>	<i>0.21</i>

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

Comprehensive consolidated income statement

<i>(in thousands of Euro)</i>	The 9-month period closed on 30th September	
	2020	2019
Net income	57,228	26,582
Other components of the comprehensive income statement which will be reclassified in the income statement in subsequent years		
Difference due to conversion of financial statements in foreign currency	(6,936)	1,000
	(6,936)	1,000
Other components of the comprehensive income statement which will not be reclassified in the income statement in subsequent years		
Actuarial profit (loss) due to employee defined benefit plans		-
Effect of taxation		-
	-	-
Total other components in the comprehensive income statement	(6,936)	1,000
Comprehensive net profit	50,292	27,582
<i>Group's share</i>	50,288	27,584
<i>Minority share</i>	4	(2)

Prospectus of changes in consolidated shareholders' equity

<i>(in thousands of Euro)</i>	Reserves								Net income	Group net shareholders' equity	Minority interests	Total shareholders' equity
	Share capital	Share premium reserve	Legal reserve	Extraordinary reserve	Translation reserve	Negative reserve for treasury shares	Actuarial profits and losses reserve	Profit (loss) carried over and other reserves				
At 31 December 2018	1,650	13,247	329	25,831	(3,267)	(10,981)	52	21,092	23,072	71,025	16	71,041
Net income	-	-	-	-	-	-	-	-	26,579	26,579	3	26,582
Total other components in the comprehensive income statement	-	-	-	-	1,005	-	-	-	-	1,005	(5)	1,000
<i>Comprehensive net profit</i>	-	-	-	-	1,005	-	-	-	26,579	27,584	(2)	27,582
Allocation of net profit from previous year	-	-	-	9,924	-	-	-	13,148	(23,072)	-	-	-
Dividends distributed	-	-	-	(10,010)	-	-	-	-	-	(10,010)	-	(10,010)
At 30 September 2019	1,650	13,247	329	25,745	(2,262)	(10,981)	52	34,240	26,579	88,599	14	88,613

<i>(in thousands of Euro)</i>	Reserves								Net income	Group net shareholders' equity	Minority interests	Total shareholders' equity
	Share capital	Share premium reserve	Legal reserve	Extraordinary reserve	Translation reserve	Negative reserve for treasury shares	Actuarial profits and losses reserve	Profit (loss) carried over and other reserves				
At 31 December 2019	1,650	13,247	329	25,745	(3,040)	(10,981)	(51)	34,240	33,083	94,222	18	94,240
Net income	-	-	-	-	-	-	-	-	57,216	57,216	12	57,228
Total other components in the comprehensive income statement	-	-	-	-	(6,928)	-	-	-	-	(6,928)	(8)	(6,936)
<i>Comprehensive net profit</i>	-	-	-	-	(6,928)	-	-	-	57,216	50,288	4	50,292
Allocation of net profit from previous year	-	-	-	15,114	-	-	-	17,969	(33,083)	-	-	-
Cancellation of treasury shares	-	-	-	(10,981)	-	10,981	-	-	-	-	-	-
Capital increase	100	81,400	-	-	-	-	-	-	-	81,500	-	81,500
Accessory costs to the capital increase	-	(2,692)	-	-	-	-	-	-	-	(2,692)	-	(2,692)
Taxes relating to capital increase costs	-	751	-	-	-	-	-	-	-	751	-	751
Increase in performance shares reserve	-	-	-	-	-	-	-	245	-	245	-	245
Profit sharing of GVS Mexico employees	-	-	-	-	-	-	-	(345)	-	(345)	-	(345)
At 30 September 2020	1,750	92,706	329	29,878	(9,968)	-	(51)	52,109	57,216	223,969	22	223,991

Consolidated statement of cash flows*

<i>(in thousands of Euro)</i>	The 9-month period closed on 30th September	
	2020	2019
Pre-tax result	75,096	35,697
- Adjustment for:		
Amortisation, depreciation and writedowns	13,958	11,985
Capital losses / (capital gains) from sale of assets	(10)	(214)
Financial charges / (proceeds)	9,195	(1,238)
Other non-monetary variations	1,148	908
Cash flow generated / (absorbed) by operations before variations in net working capital	99,387	47,138
Variation in inventories	(16,590)	(1,597)
Variation in trade receivables	(27,352)	(1,084)
Variation in trade payables	25,963	(2,676)
Variation in other assets and liabilities	(2,770)	(2,063)
Use of provisions for risks and charges and for employee benefits	(644)	(635)
Taxes paid	(6,630)	(5,956)
Net cash flow generated / (absorbed) by operations	71,364	33,128
Investments in tangible assets	(22,176)	(7,689)
Investments in intangible assets	(2,285)	(2,115)
Disposal of tangible assets	196	2,847
Investment in financial assets	(3,061)	(1,965)
Disinvestment in financial assets	-	1,700
Payment for purchase of business unit net of cash on hand acquired	(10,532)	-
Net cash flow generated / (absorbed) by investment	(37,858)	(7,222)
Opening of long-term financial payables	503	6,500
Repayment of long-term financial payables	(41,955)	(22,982)
Variations in current financial payables	(3,000)	-
Repayment of leasing liabilities	(2,165)	(1,671)
Financial charges paid	(4,018)	(4,184)
Financial proceeds collected	94	78
Net fee for IPO	74,508	
Dividends paid	(1,681)	(7,814)
Net cash flow generated/(absorbed) by financial assets	22,286	(30,073)
Total variation in cash on hand	55,792	(4,168)
-		
Cash on hand at the start of the year	58,542	45,551
Total variation in cash on hand	55,792	(4,168)
Conversion differences on cash on hand	(2,145)	1,074
Cash on hand at the end of the year	112,189	42,457

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

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 30 SEPTEMBER 2020

1. General information

1.1 Foreword

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

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

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

2. Structure and content of the consolidated financial statements

2.1 Basic method of preparation

The Interim Report on Operations at 30 September 2020 was prepared in accordance with the valuation and measurement criteria established by the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and adopted by the European Commission in accordance with the procedure set out in Art. 6 of Regulation (EC) No. 1606/2002 of the European Parliament and of the Council of 19 July 2002, while reference was made to Art. 154-ter of Legislative Decree No. 58 of February 24, 1998 for the purpose of this report.

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

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

For comparison purposes, the consolidated financial statements at 30 September 2020 show, for the income statement the figures for nine months of 2019, while for the balance sheet the balances for the year ended 31 December 2019.

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

The currency in which the Company operates and uses for presentations is the Euro.

The statements and tables contained in this periodic report are shown in thousands of Euros.

The Interim Report on Operations is not subject to audit.

With reference to the prospect of business continuity, it should be noted that, in view of the spread of COVID-19 globally during 2020, the Group's economic and financial performance in the period ended 30 September 2020 was higher than previously expected. In particular, the trends recorded in the first nine months of 2020 lead us to believe that the Group's performance will be in line with the forecasts made in the business plan, if not better, although with a different distribution of revenues and investments among the divisions in which the Group operates. It should also be noted that cash and cash equivalents at 30 September 2020, amounting to Euro 112.2 million, the credit lines currently available and the cash flows that will be generated by operations, are considered more than sufficient to meet the Group's obligations and finance its operations.

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

2.2 Consolidation criteria and methods

The interim report on operations includes the statement of financial position and the statement of profit and loss of the Company and its subsidiaries, prepared on the basis of their accounting situations and, where applicable, opportunely corrected to ensure that they conform to EU-IFRS.

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

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

In the period ended 30 September 2020, the scope of consolidation changed from the previous year, following the purchase of Haemonetics (now GVS Puerto Rico LLC). The acquisition took place on 29 June 2020 against which the economic effects from the date of acquisition have been recorded in the Interim Report on Operations, resulting in a decrease in the consolidated profit and loss and in the consolidated shareholders' equity for the period of €280 thousand and €670 thousand respectively.

It should also be noted that on 29 September 2020 the company GVS Filtration SDN. BHD. was created in Malaysia. As at 30 September, this company was not operational and the share capital had not yet been paid in.

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

Currency	At 30 September 2020	At 31 December 2019	Period ending on 30 September	
			2020	2019
Brazilian Real	6.6308	4.5157	5.7100	4.3646
Argentine Peso	89.1232	67.2749	76.0339	49.8762
Swiss Franc	1.0804	1.0854	1.0680	1.1179
Chinese Renminbi	7.9720	7.8205	7.8659	7.7135
American Dollar	1.1708	1.1234	1.1250	1.1236
Hong Kong Dollar	9.0742	8.7473	8.7273	8.8074
Japanese Yen	123.7600	121.9400	120.9108	122.5696
Korean Won	1,368.5100	1,296.2800	1,349.7389	1,306.3774
Swedish Crown	10.5713	10.4468	10.5602	10.5679
Russian Ruble	91.7763	69.9563	79.9599	73.0853
Turkish Lira	9.0990	6.6843	7.5991	6.3390
Mexican Peso	26.1848	21.2202	24.5232	21.6336
Romanian Ron	4.8725	4.7830	4.8269	4.7382
British Pound	0.9124	0.8508	0.8851	0.8835

Consolidation is carried out by using the line-by-line method, which consists of the inclusion of all assets and liabilities in their entirety. Subsidiaries are consolidated from the date on which control is effectively transferred to the Group, and cease to be consolidated on the date on which control is transferred outside the Group. The assets and liabilities, expenses and income of companies consolidated on a line-by-line basis are fully included in the consolidated financial statements. The book value of equity investments is eliminated against the corresponding portion of shareholders' equity of the investee companies by assigning to the individual assets and liabilities their current value at the date of acquisition of control (acquisition method as defined by IFRS 3 "Business Combinations"). Any residual difference, if positive, is recorded at the asset item "Goodwill"; if negative, on the income statement. Reciprocal payables and receivables, costs and revenues between consolidated companies and the effects of all significant transactions between them are eliminated. Minority interests in equity and results for the period are shown separately in the consolidated shareholders' equity and income statement: such an interest is determined on the basis of the percentage they hold in the fair values of assets and liabilities recognised at the original acquisition date and in the changes in equity after that date. Subsequently, profits and losses are attributed to minority shareholders according to the percentage held by them and losses are attributed to minority shareholders even if this implies that minority interests have a negative balance. Changes in the parent company's interest in a subsidiary that do not result in the loss of control are entered in the accounts as equity transactions. If the parent company loses control of a subsidiary, it eliminates the assets (including any goodwill) and liabilities of the subsidiary, eliminates the book values of any non-controlling interest in the former subsidiary, eliminates cumulative exchange differences recognised in equity, recognises the fair value of the consideration received, recognises the fair value of any retained interest in the former subsidiary, recognises any gain or loss in profit or loss, and finally reclassifies the parent company's share of the components previously recognised in comprehensive income to the income statement or loss or retained earnings, as appropriate.

3. Valuation criteria

The valuation criteria used for the preparation of the consolidated financial statements for the period ended 30 September 2020 do not differ from those used for the preparation of the consolidated financial statements for the year ended 31 December 2019, with the exception of the new accounting principles, amendments and interpretations applicable from 1st January 2020, which, however, have not had a significant impact on the Group's current financial position and results.

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

As of the date of approval of this interim report on operations, the competent European Union bodies have not yet concluded the approval process required for adoption of the following accounting standards and amendments:

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

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

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

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

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

4. Estimates and assumptions

The preparation of this Report requires the Directors to make estimates and assumptions that affect the values of costs, assets and liabilities on the financial statements. If in the future these estimates and

assumptions, which are based on management's best valuation, should differ from the actual circumstances, they will be modified appropriately in the period in which the circumstances change. It should also be noted that certain valuation processes, in particular the more complex ones such as the determination of any impairment of fixed assets, are generally carried out in full only at the time of preparation of the annual financial statements, when all the necessary information is available, except in cases where there are impairment indicators that require an immediate assessment of any loss in value.

5. Business combinations

Acquisition of the GCA Business Unit

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

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

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

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

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

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

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

(in thousands of Euro)

Provisional fair value as of the purchase date

Tangible assets	1,217
Inventories	1,303
Total net assets acquired (A)	2,520
Consideration (B)	3,455
Goodwill (B) - (A)	935

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

The contribution made by the acquired business to the Group's revenues from contracts with customers in the period ending on 30 September 2020 was Euro 1,265 thousand.

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

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

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

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

(in thousands of Euro)

Provisional fair value as of the purchase date

ASSETS	
Non-current assets	
Tangible assets	7,388
Total non-current assets	7,388
Current assets	
Inventories	2,965
Other receivables and current assets	248
Cash on hand	6,480
Total current assets	9,693
Total assets	17,081
Non-current liabilities	
Deferred tax liabilities	348
Total non-current liabilities	348
Current liabilities	
Trade payables	852
Current tax payables	1,442
Other current payables and liabilities	882
Total current liabilities	3,176

Total liabilities	3,524
Total net assets acquired (A)	13,557
Consideration (B)	13,557
Goodwill (B) - (A)	-

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

The contribution made by the acquired business to the Group's revenues from contracts with customers in the period ending on 30 September 2020 was Euro 5,617 thousand.

6. Explanatory Notes to the main consolidated income statement items

6.1 Revenue from customer contracts

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

<i>(in thousands of Euro)</i>	The 9-month period closed on 30th September	
	2020	2019
<i>Healthcare Liquid</i>	56,991	51,408
<i>Healthcare Air & Gas</i>	42,589	20,175
<i>Laboratory</i>	15,818	15,058
Healthcare & Lifesciences	115,398	86,640
<i>Powertrain & Drivetrain</i>	20,216	31,932
<i>Safety & Electronics</i>	14,073	16,484
<i>Sport & Utility</i>	12,962	19,455
Energy & Mobility	47,250	67,871
<i>Personal Safety</i>	90,864	10,825
<i>Air Safety</i>	4,658	7,289
Health & Safety	95,522	18,114
Revenue from customer contracts	258,170	172,625

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

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

<i>(in thousands of Euro)</i>	The 9-month period closed on 30th September	
	2020	2019
Business to business (BTB)	134,786	142,112
Business to consumer (BTC)	123,384	30,513
Revenue from customer contracts	258,170	172,625

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

<i>(in thousands of Euro)</i>	The 9-month period closed on 30th September	
	2020	2019
North America	90,850	73,169
Europe	114,156	49,609
Asia	37,036	35,107
Other countries	16,128	14,740
Revenue from customer contracts	258,170	172,625

6.2 Other revenues and proceeds

The table below breaks down other revenues and proceeds for the periods ending on 30 September 2019 and 2020.

<i>(in thousands of Euro)</i>	The 9-month period closed on 30th September	
	2020	2019
Contributions for operating expenses	184	360
Recovery and chargeback	329	424
Insurance refunds	-	111
Recovery of scrap	174	129
Capital gains on sales	10	254
Other	453	780
Other revenues and proceeds	1,150	2,058

6.3 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 periods ending on 30 September 2019 and 2020.

<i>(in thousands of Euro)</i>	The 9-month period closed on 30th September	
	2020	2019
Purchases of raw materials	72,514	54,420
Variation in inventories of products in progress, semi-products and finished products	(4,108)	(303)
Variation in inventories of raw materials, subsidiary materials and goods	(6,973)	(2,104)
Purchases and consumption of raw materials, semi-products and finished products	61,433	52,013

6.4 Personnel costs

The table below breaks down personnel costs in the periods ending on 30 September 2019 and 2020.

<i>(in thousands of Euro)</i>	The 9-month period closed on 30th September	
	2020	2019
Salaries and wages	55,724	43,185
Social security contributions	14,799	11,872
Cost of termination indemnity	681	661
Other costs	285	74
Personnel costs	71,489	55,792

The increase in personnel costs in the period ended 30 September 2020 compared to the period of the previous financial year is mainly due to the increase in turnover achieved in the Health & Safety and

Healthcare & Life Sciences divisions.

6.5 Service costs

The table below breaks down service costs in the periods ending on 30 September 2019 and 2020.

<i>(in thousands of Euro)</i>	The 9-month period closed on 30th September	
	2020	2019
Utilities and cleaning services	4,665	4,363
Maintenance	2,672	2,316
Transportation	4,038	2,018
Consulting services	6,570	1,780
Travel and lodging	631	1,394
Subcontracting	1,480	993
Marketing and trade fairs	577	830
Insurance	785	737
Cafeteria	870	733
Commissions	635	444
Directors' fees	601	289
Independent auditor's fees	371	256
Other services	1,912	1,264
Service costs	25,807	17,417

Consultancy services, in the period ended 30 September 2020, include, for Euro 4,285 thousand, costs relating to the listing of GVS ordinary shares on the Mercato Telematico Azionario organised and managed by the Italian Stock Exchange.

6.6 Other operating costs

The table below breaks down other operating costs in the periods ending on 30 September 2019 and 2020.

<i>(in thousands of Euro)</i>	The 9-month period closed on 30th September	
	2020	2019
Leasing costs	890	1,031
Indirect taxation	697	827
Membership fees and charity contributions	165	104
Losses on sales	-	40
Other minor costs	409	809
Other operating costs	2,161	2,811

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.

6.7 Amortisation, depreciation and writedowns

The table below breaks down amortisation, depreciation and writedowns in the periods ending on 30 September 2019 and 2020.

<i>(in thousands of Euro)</i>	The 9-month period closed on 30th September	
	2020	2019

Amortisation and writedowns of intangible assets	4,302	4,094
Depreciation and writedowns of tangible assets	6,857	6,070
Amortisation and writedowns of assets represented by usage rights	2,799	1,821
Amortisation, depreciation and writedowns	13,958	11,985

6.8 Financial proceeds and charges

The table below breaks down financial proceeds in the periods ending on 30 September 2019 and 2020.

<i>(in thousands of Euro)</i>	The 9-month period closed on 30th September	
	2020	2019
Net profits on exchanges	-	4,864
Other financial proceeds	94	78
Financial proceeds	94	4,942

The table below breaks down financial charges in the periods ending on 30 September 2019 and 2020.

<i>(in thousands of Euro)</i>	The 9-month period closed on 30th September	
	2020	2019
Interest on bonded loans	1,761	2,096
Interest on loans	770	1,328
Net losses on exchanges	6,295	-
Interest on leasing liabilities	204	102
Amortised cost	116	119
Other financial charges	143	59
Financial charges	9,289	3,704

6.9 Annual income tax

The table below breaks down annual income tax in the periods ending on 30 September 2019 and 2020.

<i>(in thousands of Euro)</i>	The 9-month period closed on 30th September	
	2020	2019
Current taxes	18,691	6,783
Deferred taxes	(728)	2,331
Taxes pertaining to previous financial years	(95)	1
Income tax	17,868	9,115

In accordance with the provisions of IAS 34, income taxes are recognised on the basis of management's estimate of the weighted average expected annual effective tax rate for the entire year, equal to 23.8% for the period ended 30 September 2020 (25.5% for the period ended 30 September 2019).

6.10 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.

	The 9-month period closed on 30th September	
	2020	2019
Group's share of net profit (in thousands of Euro)	57,216	26,579
Weighted average number of shares in circulation	125,202,104	125,202,104
Profit per share (in Euro)	0.46	0.21

Diluted earnings per share at 30 September was positive at 0.45 (positive at €0.21 at 30 September 2019) calculated by dividing the result attributable to the shareholders of GVS SpA by the weighted average number of shares in circulation, adjusted to take into account the effects of all potential ordinary shares with dilutive effect. As potential ordinary shares with dilutive effect, those linked to the performance shares plan have been considered.

7. Non-recurring revenues and operating costs

Non-recurrent proceeds and charges in the period ending on 30 September 2020 represent: (i) amortisation of intangible assets recorded following the purchase price allocation of the Kuss group (Euro 2,920 thousand), (ii) consultancy costs and one-off bonuses paid to personnel in relation to the IPO procedure concluded on 19 June 2020 (Euro 5,081 thousand), (iii) consultancy costs for purchase of the shareholding in Puerto Rico (Euro 259 thousand) and (iv) personnel reorganisation costs (Euro 284 thousand), net of the related tax effect.

Non-recurrent proceeds and charges in the period ending on 30 September 2019 represent: (i) amortisation of intangible assets entered following purchase price allocation of the Kuss Group (Euro 2,924 thousand), (ii) capital gains resulting from disposal of the real estate assets mentioned above (Euro 254 thousand), (iii) start-up costs incurred for the company established in Mexico (Euro 235 thousand), (iv) tax credits on indirect taxes of the company IOP (China) Filter Co. Ltd., written down following winding-up of the company (Euro 144 thousand), and (v) personnel reorganisation costs (Euro 147 thousand), net of the effect of taxation.

8. Additional information

Economic transactions between group companies are carried out at market prices and are eliminated in the consolidation process. Transactions carried out by Group companies with related parties, which according to IAS 24 are companies and persons able to exercise control, joint control or significant influence over the Group and its subsidiaries, are part of the ordinary course of business and are settled at market conditions. With reference to the provisions of Art. 150, 1st paragraph of Legislative Decree no. 58 of 24 February 1998, no transactions potentially in conflict of interest with Group companies were carried out by members of the Board of Directors.

ATTACHED TABLES

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

<i>(in thousands of Euro)</i>	At 30 September 2020	of which with related parties	percentage	At 31 December 2019	of which with related parties	percentage
ASSETS						
Non-current assets						
Intangible assets	94,486			99,846		
Assets represented by usage rights	8,757	3,186	36.4%	10,320	3,899	37.8%
Tangible assets	67,295			46,614		
Advance tax assets	2,840			1,451		
Non-current financial assets	929			542		
Total non-current assets	174,307			158,773		
Current assets						
Inventories	46,017			31,491		
Trade receivables	66,120			35,158		
Assets from contracts with customers	1,631			591		
Current tax receivables	256			193		
Other receivables and current assets	9,486	182	1.9%	6,430	515	8.0%
Current financial assets	4,182			3,576		
Cash on hand	112,189			58,542		
Total current assets	239,881			135,981		
TOTAL ASSETS	414,188			294,754		
SHAREHOLDERS' EQUITY AND LIABILITIES						
Share capital	1,750			1,650		
Reserves	165,003			59,489		
Net income	57,216			33,083		
Group net shareholders' equity	223,970			94,222		
Minority interests	22			18		
Total shareholders' equity	223,992			94,240		
Non-current liabilities						
Non-current financial liabilities	81,373			117,638		
Non-current leasing liabilities	5,836	2,240	38.4%	7,850	3,130	39.9%
Deferred tax liabilities	2,194			819		
Provisions for employee benefits	4,271	1,516	35.5%	4,193	1,474	35.2%
Total non-current liabilities	93,674			130,500		
Current liabilities						
Current financial liabilities	26,915			36,669		
Current leasing liabilities	3,444	965	28.0%	3,094	982	31.7%
Trade payables	31,940	(0)	0.0%	13,188	31	0.2%
Liabilities from contracts with customers	4,673			1,702		
Current tax payables	14,205	3,767	26.5%	2,060	555	26.9%
Other current payables and liabilities	15,345	936	6.1%	13,301	1,883	14.2%
Total current liabilities	96,522			70,014		
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	414,188			294,754		

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

<i>(in thousands of Euro)</i>	Period ending on 30 September					
	2020	of which with related parties	percentage	2019	of which with related parties	percentage
Revenue from customer contracts	258,170			172,625		
Other revenues and proceeds	1,150			2,058		
Total revenues	259,320			174,683		
Purchases and consumption of raw materials, semi-products and finished products	(61,433)			(52,013)		
Personnel costs	(71,489)	(2,533)	3.5%	(55,792)	(1,784)	3.2%
Service costs	(25,807)			(17,417)		
Other operating costs	(2,161)			(2,811)		
EBITDA	98,430			46,651		
Net writedowns of financial assets	(181)			(207)		
Amortisation, depreciation and writedowns	(13,958)	(685)	4.9%	(11,985)	(429)	3.6%
EBIT	84,291			34,459		
Financial proceeds	94			4,942		
Financial charges	(9,289)	(41)	0.4%	(3,704)	(24)	0.6%
Pre-tax result	75,096			35,697		
Income tax	(17,868)			(9,115)		
Net income	57,228			26,582		
<i>Group's share</i>	57,216			26,579		
<i>Minority share</i>	12			3		

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

<i>(in thousands of Euro)</i>	Period ending on 30 September					
	2020	of which with related parties	percentage	2019	of which with related parties	percentage
Pre-tax result	75,096	(3,259)	-4%	35,697	(2,237)	-6%
- <i>Adjustment for:</i>						
Amortisation, depreciation and writedowns	13,958	685	5%	11,985	429	4%
Capital losses / (capital gains) from sale of assets	(10)			(214)		
Financial charges / (proceeds)	9,195	41	0%	(1,238)	24	-2%
Other non-monetary variations	1,148	42	4%	908	27	3%
Cash flow generated / (absorbed) by operations before variations in net working capital	99,387			47,138		
Variation in inventories	(16,590)			(1,597)		
Variation in trade receivables	(27,352)			(1,084)	0	0%
Variation in trade payables	25,963	(31)	0%	(2,676)	0	0%
Variation in other assets and liabilities	(2,770)	1,067	-39%	(2,063)	9,054	-439%
Use of provisions for risks and charges and for employee benefits	(644)			(635)		
Taxes paid	(6,630)	971	-15%	(5,956)	(2,490)	42%
Net cash flow generated / (absorbed) by operations	71,364			33,128		
Investments in tangible assets	(22,176)			(7,689)		
Investments in intangible assets	(2,285)			(2,115)		
Disposal of tangible assets	196			2,847		
Investment in financial assets	(3,061)			(1,965)		
Disinvestment in financial assets	-			1,700		
Payment for purchase of business unit net of cash on hand acquired	(10,532)			-		
Net cash flow generated / (absorbed) by investment	(37,858)			(7,222)		
Opening of long-term financial payables	503			6,500		
Repayment of long-term financial payables	(41,955)			(22,982)		
Variations in current financial payables	(3,000)			-		
Opening of leasing payables	1,666			0		
Repayment of leasing liabilities	(3,831)	(879)	23%	(1,671)	(425)	25%
Financial charges paid	(4,018)	(41)	1%	(4,184)	(24)	1%
Financial proceeds collected	94			78		
Net fee for IPO	74,508			-		
Dividends paid	(1,681)	(1,681)	100%	(7,814)	(7,814)	100%
Net cash flow generated/(absorbed) by financial assets	22,286			(30,073)		
Total variation in cash on hand	55,792			(4,168)		
Cash on hand at the start of the year	58,542			45,551		
Total variation in cash on hand	55,792			(4,168)		
Conversion differences on cash on hand	(2,145)			1,074		
Cash on hand at the end of the year	112,189			42,457		

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

<i>(in thousands of Euro)</i>	The 9-month period closed on 30th September							
	2020	of which non-recurring	2020 from ordinary operations	percentage	2019	of which non-recurring	2019 from ordinary operations	percentage
Revenue from customer contracts	258,170		258,170		172,625		172,625	
Other revenues and proceeds	1,150		1,150		2,058	254	1,804	
Total revenues	259,320	-	259,320		174,683	254	174,429	
Purchases and consumption of raw materials, semi-products and finished products	(61,433)		(61,433)		(52,013)		(52,013)	
Personnel costs	(71,489)	(1,080)	(70,409)	1.5%	(55,792)	(147)	(55,645)	0.3%
Service costs	(25,807)	(4,544)	(21,263)	17.6%	(17,417)	(235)	(17,182)	1.3%
Other operating costs	(2,161)		(2,161)		(2,811)	(144)	(2,667)	
EBITDA	98,430	(5,624)	104,054		46,651	(272)	46,923	
Net writedowns of financial assets	(181)		(181)		(207)		(207)	
Amortisation, depreciation and writedowns	(13,958)	(2,920)	(11,038)	20.9%	(11,985)	(2,924)	(9,061)	24.4%
EBIT	84,291	(8,544)	92,835		34,459	(3,196)	37,655	
Financial proceeds	94		94		4,942		4,942	
Financial charges	(9,289)		(9,289)		(3,704)		(3,704)	
Pre-tax result	75,096	(8,544)	83,640		35,697	(3,196)	38,893	
Income tax	(17,868)	1,840	(19,708)	-10.3%	(9,115)	355	(9,470)	-3.9%
Net income	57,228	(6,704)	63,932		26,582	(2,841)	29,423	

DECLARATION OF THE MANAGER RESPONSIBLE FOR THE PREPARATION OF THE COMPANY'S ACCOUNTING DOCUMENTS PURSUANT TO ARTICLE 154-BIS PARAGRAPH 2 OF LEGISLATIVE DECREE 58/98

The Manager responsible for the preparation of the Company's financial reports, Mr. Emanuele Stanco, hereby declares, pursuant to paragraph 2 of Article 154 bis of the Consolidated Law on Finance, that the accounting information contained in these Consolidated Interim Financial Statements corresponds to the results of documents, accounting books and entries.

Zola Predosa, 05 November 2020

Emanuele Stanco

Manager responsible for the preparation of
the Company's accounting documents



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