2022 DIRECTORS' REPORT

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COMPANY INFORMATION

Registered office of Garofalo Health Care S.p.A.

Piazzale Delle Belle Arti, n.6 – 00196 Rome (RM)

Legal details of Garofalo Health Care S.p.A.

Share capital subscribed and paid-in Euro 31,570,000

Rome Company's Registration Office – Economic & Administrative Index No.: 947074

Tax Number: 06103021009

VAT Number: 03831150366

Website: http://www.garofalohealthcare.com

CALL NOTICE

The Board of Directors meeting today approved the calling of the Shareholders' Meeting of Garofalo Health Care S.p.A. in ordinary session for April 28, 2023, in single call, to discuss and vote upon the following

Agenda

1. Financial Statements of Garofalo Health Care S.p.A. at December 31, 2022. 2022 Directors' Report. Report of the Board of Statutory Auditors and of the Independent Audit Firm. Presentation of the Consolidated Financial Statements at December 31, 2022 and of the 2022 Consolidated Non-Financial Statement pursuant to Legislative Decree No. 254 of December 30, 2016 and Regulation (EU) 2020/852 of June 18, 2020. Resolutions thereon.

2. Allocation of the net profit. Resolutions thereon.

3. Resolutions on the Remuneration Policy and Report in accordance with Article 123-ter of Legislative Decree No. 58 of February 24, 1998 (CFA) and Article 84-quater of Consob Regulation No. 11971/1999 (Issuers' Regulation):

3.1 binding vote on the remuneration policy for 2023 set out in the first section of the Report. Resolutions thereon;

3.2 consultation on the second section of the report regarding compensation paid in or relating to 2022. Resolutions thereon.

4. Authorisation to purchase and dispose of treasury shares (buyback) as per and for the purposes of Articles 2357 and subsequent of the Civil Code, 132 of Legislative Decree No. 58 of February 24, 1998 (CFA), 144-bis of Consob Regulation No. 11971/1999 (Issuers' Regulation), 5 of EU Regulation No. 596/2014 (MAR), 3 and 4 of Delegated Regulation (EU) No. 2016/1052, following revocation of the previous authorisation to purchase and dispose of treasury shares. Resolutions thereon.

The Company has decided to utilise the option established by Article 106 of Decree Law No. 18 of March 17, 2020 (converted with amendments by Law No. 27 of April 24, 2020 as last extended by Decree Law No. 198 of December 29, 2022, converted with amendments by Law No. 14 of February 24, 2023), providing - also as an exception to the By-Laws - that the participation of shareholders at the Shareholders' Meeting will take place exclusively through the Designated Agent appointed pursuant to Article 135-undecies of the CFA, without physical attendance by shareholders, according to the procedures indicated in the call notice.

The call notice, accompanied by all of the information required by Article 125-bis of the CFA, in addition to all the documentation which shall be submitted to the Shareholders' Meeting in accordance with Articles 125-ter and 125-quater of the CFA, shall be made available to the public, in accordance with law, at the registered office of the company in Rome, Piazzale delle Belle Arti n. 6 and on the Company website www.garofalohealthcare.com, Governance / Shareholders' Meeting section and on the eMarket Storage (www.emarketstorage.com) authorised storage mechanism.

LETTER TO THE SHAREHOLDERS

Dear Stakeholders,

the financial year that has just ended has once again proved to be extremely satisfactory for the GHC Group, confirming our ability to better overcome and deal with even complex and uncertain macroeconomic contexts.

In a year characterized by the sudden outbreak of the conflict in Ukraine and by the consequent extraordinary increase in energy costs, I can proudly state that GHC has been able to record sharply growing economic, financial and equity performances, even exceeding our expectations, an element which testifies not only the strong managerial skills of the Group but also the central and inescapable role of health and healthcare for our community.

The 2022 financial year was also enhanced by the acquisition - carried out in December - of the Veneto Diagnostics and Rehabilitation Group (GVDR), one of the main diagnostic centers in the Veneto Region in terms of volumes and quality of services provided, which allowed us to expand our presence in strategic locations in the Veneto Region - one of the most virtuous in Italy.

In terms of economic performance, also including the contribution of GVDR for 12 months, in FY 2022 Group Revenues on a Pro-Forma basis increased to Euro 334.8 million (+8.1% compared to 2021 Pro-Forma -Forma and 3.8% on a like-for-like basis), with an Adjusted Operating EBITDA of Euro 61.1 million and a margin of 18.8% which is even better than 2021 Pro-Forma despite the increase in energy costs.

These economic performances were accompanied by outstanding financial performances, with investments for approx. Euro 18.5 million (of which Euro 11.7 million for maintenance and Euro 6.8 million for expansion and development), a significant cash generation of approx. Euro 35 million and a Net Financial Position of Euro 145 million, with a financial leverage equal to 2.4 times the Op. Adjusted EBITDA, down compared to 2021 despite the further M&A transaction carried out during the year. The financial solidity of the Group was also further strengthened, in the light of the availability of real estate assets of approx. Euro 155 million at book value, certainly underestimated compared to its real market value.

In addition to these elements, I deem it appropriate to testify to the continuous and constant commitment of the Group in relation to the issue of sustainability, which has always been a founding pillar of the GHC "patient centered" model.

With respect to this, I would like to remind you that in 2022 Standard Ethics, an independent agency that issues extra-financial sustainability ratings, raised GHC's ESG rating to EE ("Strong"), confirming the commitments made in this area in the previous exercises. Also in 2022, GHC was then selected among the winning companies of the first edition of the ESG Awards organized by Milano Finanza and Class Editori, an award that rewarded the companies that work best to achieve ESG objectives, as well as being confirmed as "Leader of the Sustainability", recognition attributed by IlSole24Ore and Statista to the most sustainable Italian organizations within a sample of approx. 1,500 companies.

Looking to the future, the Group's prospects contemplate an important physiological growth linked to the growing needs for assistance, exacerbated by the need to give concrete answers to the very serious issue of waiting lists. This will undoubtedly represent one of the fundamental drivers of our organic growth for 2023, to which the further development of the activities provided to private patients (so-called "out-of-pocket") and the progressive ramp-up of the S. Marta projects (launched in December 2022) and Istituto Raffaele Garofalo (which will be launched during the year).

To this must be added a financial availability of at least Euro 100 million for "ordinary" M&A, which we plan to use by selecting strategic Targets capable of adding further value to our Group, always in compliance with a target financial leverage of no more than 3.5 times the Op. Adjusted EBITDA.

Lastly, during the year we will launch the project to concentrate the real estate assets - currently held by the individual subsidiaries - within an already established vehicle (GHC Real Estate), trusting that the important value currently unexpressed will gradually be able to to emerge.

For all these reasons, we are convinced that GHC is and will remain an Italian excellence capable of creating value in a sustainable way for all stakeholders. Likewise, we are also certain that the results achieved to date, combined with those that we have set ourselves as a goal for the near future, can only be fully exploited again as soon as possible, including by the market.

Because the truth is that without health there is no future. And we, on the other hand, believe a lot in that future and will continue to invest our best energies in it.

The Chief Executive Officer
Ms. Maria Laura Garofalo

CORPORATE BOARDS

BOARD OF DIRECTORS

ALESSANDRO MARIA RINALDI	Chairperson
MARIA LAURA GAROFALO	Chief Executive Officer
ALESSANDRA RINALDI GAROFALO	Director
CLAUDIA GAROFALO	Director
GIUSEPPE GIANNASIO	Director
GUIDO DALLA ROSA PRATI	Director
JAVIER DE LA RICA ARANGUREN	Director
GIANCARLA BRANDA	Independent Director
FRANCA BRUSCO	Independent Director
NICOLETTA MINCATO	Independent Director
FEDERICO FERRO-LUZZI	Independent Director

CONTROL, RISKS AND SUSTAINABILITY COMMITTEE

FRANCA BRUSCO
FEDERICO FERRO LUZZI
NICOLETTA MINCATO

APPOINTMENTS AND REMUNERATION COMMITTEE

FEDERICO FERRO LUZZI
GIANCARLA BRANDA
FRANCA BRUSCO

BOARD OF STATUTORY AUDITORS

SONIA PERON	Chairperson
FRANCESCA DI DONATO	Statutory Auditor
ALESSANDRO MUSAIO	Statutory Auditor
ANDREA BONELLI	Alternate Auditor
MARCO SALVATORE	Alternate Auditor

INDEPENDENT AUDIT FIRM

EY S.P.A.

EXECUTIVE OFFICER FOR FINANCIAL REPORTING

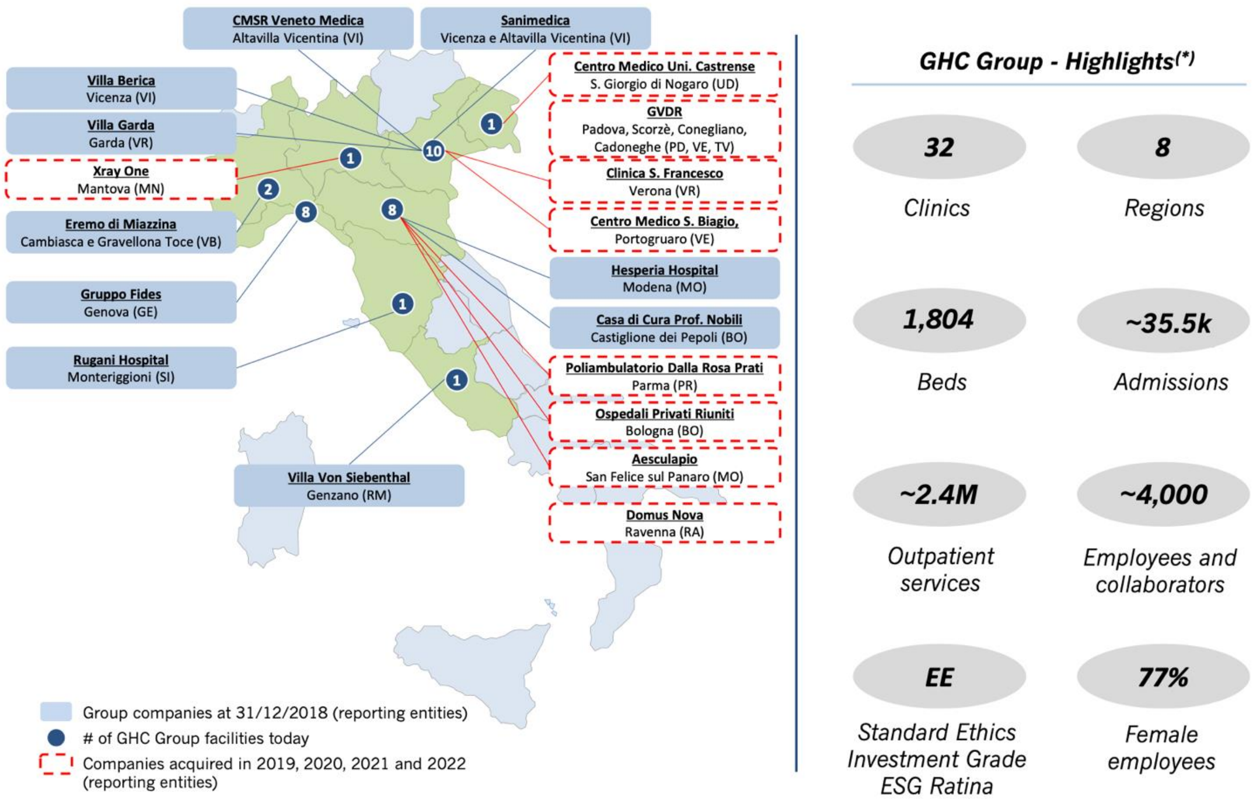
LUIGI CELENTANO

1.GROUP STRUCTURE

Overview of the Group's healthcare facilities

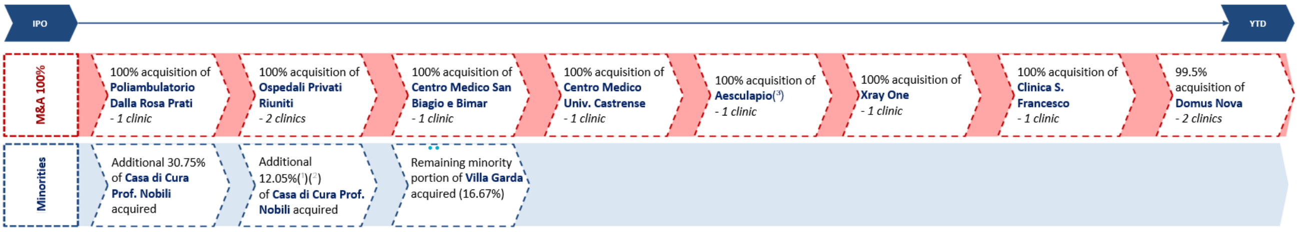
The GHC Group is an Italian accredited private healthcare leader operating, at December 31, 2022, through 32 healthcare clinics, in addition to four clinics owned by Il Fiocco S.c.a.r.l., held 40% by GHC through the subsidiary Fi.d.es Medica S.r.l., offering a comprehensive range of services covering all areas of healthcare thanks to diversified specialties, the use of cutting-edge technologies and highly qualified personnel.

On December 6, 2022, GHC S.p.A., through a special-purpose vehicle (GHC Project 9 S.r.l.), closed a deal for the acquisition of 100% of the share capital of Gruppo Veneto Diagnostica e Riabilitazione S.r.l. (GVDR), one of the leading private diagnostic centres in the Veneto region by volume and service quality, accredited with the National Health System. It has four locations: the main one in Cadoneghe in the province of Padua, one in Padua, one in Scorzè (near Venice), and one in Conegliano in the province of Treviso. The Company is equipped with the latest technology and is licensed and accredited for the following specialties: diagnostic imaging, physical medicine and rehabilitation, outpatient poly-specialty, and laboratory analysis. GVDR S.r.l. also operates in the field of occupational medicine. In 2017, the company launched a phlebolymphological rehabilitation service for patients with lymphedema and lipedema.



(*) Figures at 31.12.2022

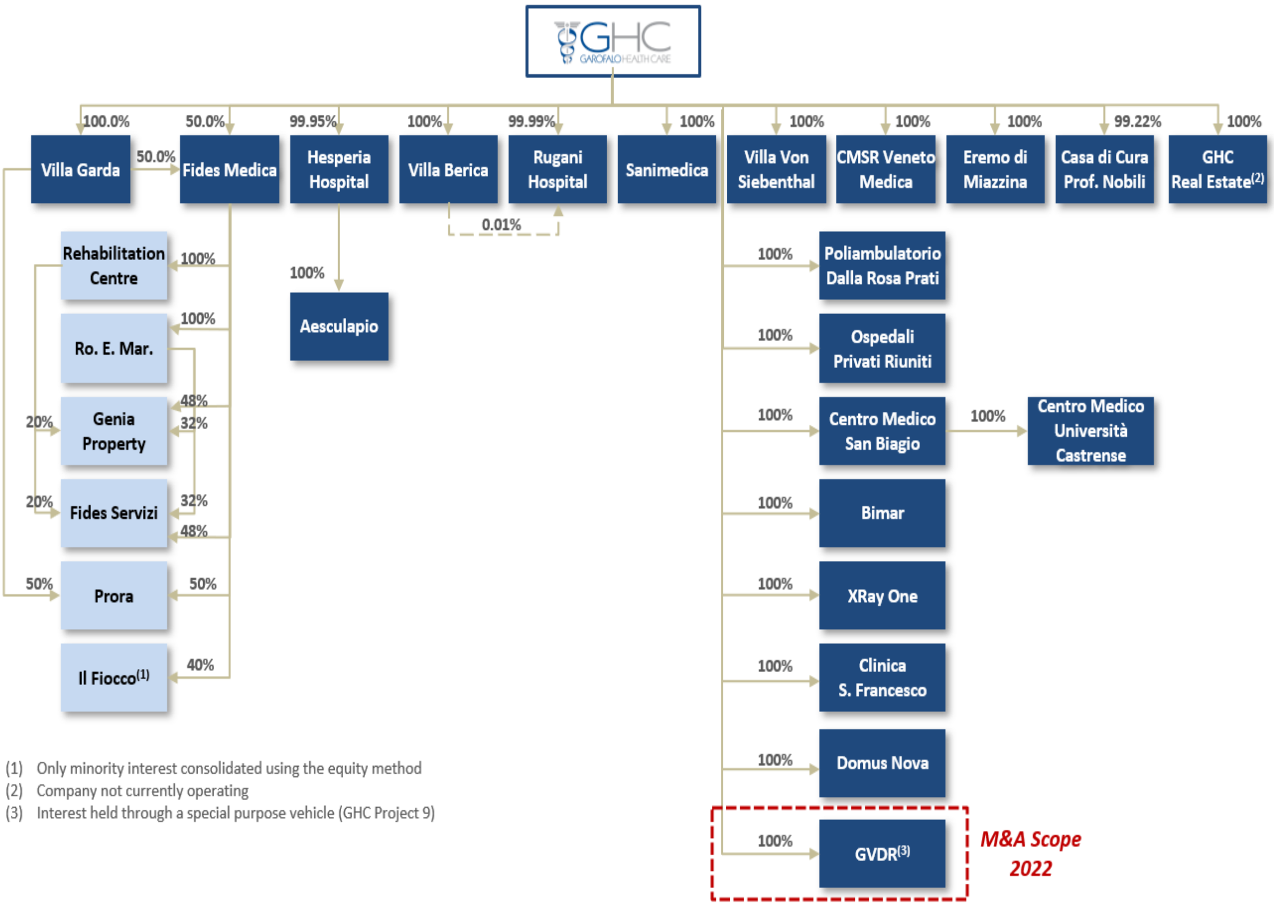
The Group currently operates in regions of northern and central Italy that have been selected as attractive in terms of: i) per capita health spending, ii) above-average per capita income for Italy; iii) sound financial health of the Regional Health Service; and iv) internal transport infrastructure.



(1) For a total of 95.35% of share capital and 98.8% of voting rights, considering treasury shares, of Casa di Cura Prof. Nobili
(2) On 15.01.2020 GHC increased its holding to 99.2% of voting rights
(3) Acquisition carried out by the subsidiary Hesperia Hospital

The Garofalo Healthcare Group

The chart below shows the GHC Group's structure at December 31, 2022, including the equity interest held by Garofalo Health Care S.p.A. (hereinafter also "**GHC**" or the "**Company**" or the "**Parent Company**" or the "**Holding Company**") in each of the subsidiaries:



(1) Only minority interest consolidated using the equity method
(2) Company not currently operating
(3) Interest held through a special purpose vehicle (GHC Project 9)

Group activities by sector

The following table details the main specialties provided by the Group, broken down geographically, by sector and by segment [1].

Sector	ACUTE	POST-ACUTE		OUTPATIENT	DEPENDENCY CARE
		Long-term care	Rehabilitation		
Main services provided	• **Wide range of specialisations in acute patient therapy, including:** – Heart surgery – Cardiology (clinical and interventional) – Orthopaedics – Diabetology – Urology – Otorhinolaryngology – General surgery – Vascular Surgery – Gynaecology	• **Long-term hospitalisations for patients suffering from:** – Disabling chronic conditions – Subacute conditions after a previous acute hospitalisation that require treatment be continued for a certain period of time in a protected environment, in order to achieve a full recovery or to stabilise their condition	• **Rehabilitation treatments, including:** – Cardiology – Neurology – Neuromotor – Nutritional – Respiratory – -Physiotherapy	• **Outpatient services, consultations, and diagnostic services performed by hospital and non-hospital facilities:** – Doppler echocardiogram – Holter test – Doppler vascular ultrasound – Myocardial perfusion imaging – CT and Cardiac CT – Ultrasound – MRI – Nuclear medicine – Laboratory analyses – Outpatient dialysis – Ophthalmology – Dental services – PET/CT	• **Assistance and treatment of specific conditions, including:** – Severe disabilities – Patients with LIS (Locked-in Syndrome) or with amyotrophic lateral sclerosis in the terminal phase (NAC Departments - High Chronic Neurological Complexity Unit) – Complex disabilities, mainly motor or clinical assistance and functional (Healthcare Assistance Continuity) – Patients with severe acquired brain injury disabilities – Psychiatric disorders and disorders related to the use of psychoactive substances

Brief description of the companies of the GHC Group

The GHC Group's 32 clinics are diversified by Regions and by sector, as shown below.

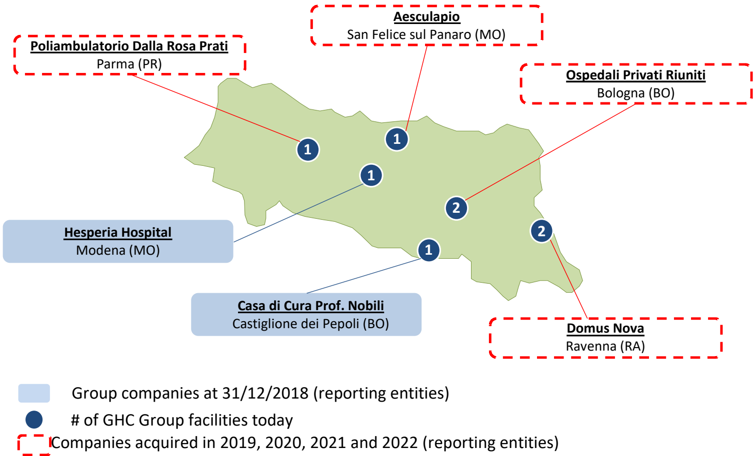
Italian regions	no. Reporting Entities (19)	no. Clinics (32)	N. legal entities (legal persons) (25)	Sector: Hospital	Sector: Outpatient / Dependency care
Emilia-Romagna	Hesperia Hospital	1	1	✓	
	Aesculapio	1	1		✓
	Casa di Cura Prof. Nobili	1	1	✓	
	Poliambulatorio Dalla Rosa Prati	1	1		✓
	Ospedali Privati Riuniti	2	1	✓	
	Domus Nova	2	1	✓	
Veneto	Villa Berica	1	1	✓	
	CMSR Veneto Medica	1	1		✓
	Sanimedica	1	1		✓
	Villa Garda	1	1	✓	
	Centro Medico S. Biagio(1)	1	2		✓
	Clinica S. Francesco	1	1	✓	
	GVDR	4	1		✓
Friuli Venezia-Giulia	Centro Medico Università Castrense	1	1		✓
Piedmont	Eremo di Miazzina	2	1	✓	✓
Tuscany	Rugani Hospital	1	1	✓	
Liguria	Fides Group(2)	8(3)	6(4)		✓
Lombardy	XRay One	1	1		✓
Lazio	Villa Von Siebenthal	1	1		✓

(1) Includes Centro Medico S. Biagio S.r.l. and Bimar S.r.l.
(2) Excluding 4 facilities, which belong to Il Fiocco Scrl, a company owned by Fides Medica, whose financial information is consolidated using the equity method
(3) Fides Group Clinics: Residenza Le Clarisse, S. Marta, S. Rosa, Centro Riabilitazione, Villa S. Maria, Villa Del Principe, Le Note di Villa S. Maria, Villa Fernanda
(4) Fides Group legal entities: Fides Medica S.r.l., Centro di Riabilitazione S.r.l., RoEMar S.r.l., Genia Immobiliare S.r.l., Prora S.r.l., Fides Servizi S.r.l.

[1] We note that the various types of assistance are classified as belonging either to the Hospital Sector or the Social Services and Dependency Care Sector depending on legislation and the specific region at hand.

➢ FOCUS: EMILIA-ROMAGNA REGION

GEOGRAPHICAL POSITIONING OF GHC CLINICS



EMILIA-ROMAGNA INDICATORS

Highlights

GDP per capita 2021

Emilia-Romagna	*Average Italy*
€36.9k	*€30.1k*

Health expenditure per capita 2021

Emilia-Romagna	*Average Italy*
€2,325	*€2,187*

Source:
OASI Report 2021, Istat Conti Economici Territoriali

GHC CLINICS: NON-FINANCIAL HIGHLIGHTS

Clinics (*FY2022)*	**Beds**	**Admissions**	**Outpatient services**	**Employees**	**% male**	**% female**
Hospital services	#	('000)	('000)	#	%	%
Hesperia Hospital	125	5.8	167.1	264	26%	74%
Ospedali Privati Riuniti	170	7.1	56.1	164	21%	79%
Domus Nova	252	5.1	298.4	198	21%	79%
Casa di Cura Prof. Nobili	86	2.3	47.0	88	18%	82%
Outpatient and dependency care services						
Poliambulatorio Dalla Rosa Prati	-	-	240.9	75	11%	89%
Aesculapio	-	-	58.8	20	10%	90%
Total	**633**	**20.3**	**868.3**	**809**	**21%**	**79%**

HESPERIA HOSPITAL (Modena)

National Healthcare Service accredited facility

Main services provided

- Medical-surgical and thoracovascular cardiology
- Medicine and surgery, with specialisation in:
- Orthopaedics and traumatology
- Ophthalmology
- Urology, using the most modern technologies, such as the Da Vinci X robot, lasers, and the new endoscopy instruments.
- Intensive, semi-intensive care and UTIC (Coronary Intensive Care Unit) service
- Multi-disciplinary outpatient activities
- Diagnostic Imaging Service with Nuclear Medicine (Scintigraphy), Low Radiation CT scan, MRI

OSPEDALI PRIVATI RIUNITI (Bologna)

1. NIGRISOLI HOSPITAL

National Healthcare Service accredited facility	*Main services provided*
	▪ Medicine and surgery, with specialisation in: ▪ Recovery and functional rehabilitation ▪ Long-term care and extensive rehabilitation ▪ Orthopaedics ▪ Urology ▪ Outpatient services and instrumental diagnostics

2. VILLA REGINA

National Healthcare Service accredited facility	*Main services provided*
	▪ **Medicine and surgery, with specialisation in:** ▪ **Orthopaedics (including Mako robot-assisted surgery)** ▪ **Ophthalmology** ▪ **Gynaecology** ▪ **Otorhinolaryngology** ▪ **Urology** ▪ **Recovery and functional rehabilitation** ▪ **Long-term care** ▪ **Outpatient services and inpatient activities (ordinary or day surgery)** ▪ **Diagnostic imaging service with CT, NMR, 3D mammography and traditional radiology** ▪ **Emergency thoracolumbar ultrasound centre**

DOMUS NOVA (Ravenna)

National Healthcare Service accredited facility	*Main services provided*
	▪ **Care services comprising various specialised inpatient units:** ▪ **General medicine and long-term care** ▪ **General surgery, primarily orthopaedic/prosthetic** ▪ **Specialist outpatient physiotherapy, dental and instrumental diagnostics services** ▪ **Dialysis services**

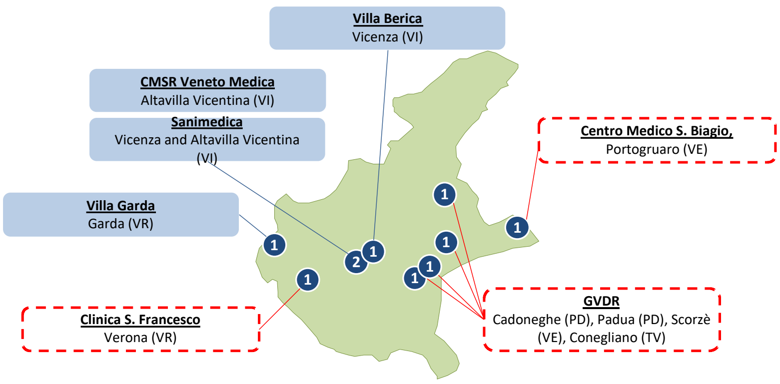
POLIAMBULATORIO DALLA ROSA PRATI (Parma)	
National Healthcare Service accredited facility	*Main services provided*
	▪ Multi-disciplinary outpatient specialist services ▪ Diagnostic imaging service ▪ PET-TAC diagnosis service with latest-generation equipment ▪ Dental Clinic ▪ Physiokinesitherapy and rehabilitation treatments

CASA DI CURA PROF. NOBILI (Castiglione dei Pepoli locality, Bologna)	
National Healthcare Service accredited facility	*Main services provided*
	▪ Units specialising in: ▪ Orthopaedics and Traumatology ▪ General surgery ▪ General medicine and long-term care ▪ Multi-disciplinary outpatient services ▪ Dialysis services ▪ Diagnostic imaging service ▪ Outpatient services

AESCULAPIO (San Felice sul Panaro, Modena)	
National Healthcare Service accredited facility	*Main services provided*
	▪ Outpatient specialist services ▪ Diagnostic imaging service, radiology (Rx, Orthopanoramic, Mammography, Ultrasound, MRI) ▪ Sample collection point ▪ Outpatient physical medicine and rehabilitation department

➢ FOCUS: VENETO REGION

GEOGRAPHICAL POSITIONING OF GHC CLINICS



Group companies at 31/12/2018 (reporting entities)

# of GHC Group facilities today

Companies acquired in 2019, 2020, 2021 and 2022 (reporting entities)

VENETO REGION INDICATORS

Highlights

GDP per capita 2021

€33.8k	*€30.1k*
Veneto	*Average Italy*

Health expenditure per capita 2021

€2,233	*€2,187*
Veneto	*Average Italy*

Source:
OASI Report 2021, Istat Conti Economici Territoriali

GHC CLINICS: NON-FINANCIAL HIGHLIGHTS

Clinics (*FY2022*)	Beds	Admissions	Outpatient services	Employees	% male	% female
Hospital services	#	('000)	('000)	#	%	%
Casa di Cura Villa Berica	108	3.5	163.2	153	24%	76%
Casa di Cura Villa Garda	109	1.7	83.5	115	21%	79%
Clinica San Francesco	77	5.1	192.0	207	27%	73%
Outpatient and dependency care services						
CMSR Veneto Medica	-	-	166.6	54	26%	74%
Sanimedica	-	-	80.3	10	10%	90%
Centro Medico S. Biagio	-	-	174.9	33	9%	91%
GVDR	-	-	415.4	88	24%	76%
Total	**294**	**10.3**	**1,276.0**	**660**	**23%**	**77%**

CASA DI CURA VILLA BERICA (Vicenza)	
National Healthcare Service accredited facility	***Main services provided***
	▪ **Internal medicine and general surgery, specialising in:** ▪ **Gynaecology** ▪ **Prosthetic hip surgery** ▪ **Diabetology (in particular prevention and treatment of complications from diabetes affecting the lower limbs)** ▪ **Osteoporosis and metabolic bone diseases** ▪ **Centre for Minimally Invasive Hepatology and Oncological Therapies for thermal ablation treatment of small tumours.**

CASA DI CURA VILLA GARDA (Garda, Verona)	
National Healthcare Service accredited facility	*Main services provided*
	▪ Inpatient diagnostic and treatment services ▪ Outpatient diagnostic and therapeutic services ▪ Cardiac and nutritional rehabilitation, specifically Cognitive Behavioural Therapy for eating disorders (CBT-ED) ▪ Radiology, echocardiography, doppler ultrasound, physiatry and psychology services

CENTRO MEDICO S. BIAGIO (Portogruaro)	
National Healthcare Service accredited facility	*Main services provided*
	▪ Specialist diagnostic radiology and imaging ▪ Digestive endoscopy ▪ Echocardiography ▪ Services for: ▪ Lower limb varices ▪ Sports medicine ▪ Dentistry ▪ Ophthalmic outpatient surgery (cataract, vitro-resin, corneal transplants). In participation with the Banca degli Occhi del Veneto Foundation

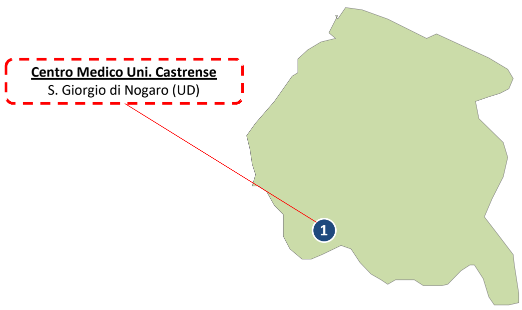
CLINICA SAN FRANCESCO (Verona)	
National Healthcare Service accredited facility	*Main services provided*
	▪ Center for European Robotic Orthopaedics ("C.O.R.E.") ▪ Diagnostic and instrumental services, both in ordinary inpatient and outpatient settings ▪ Plastic and reconstructive surgery, in particular breast surgery, with highly innovative techniques ▪ Diagnostic imaging and physiotherapy ▪ Main #SICM Center of the Italian Society of Hand Surgery

CMSR VENETO MEDICA and SANIMEDICA (Vicenza and Altavilla Vicentina)	
National Healthcare Service accredited facility (CMSR Veneto Medica)	***Main services provided***
	CMSR Veneto Medica ▪ Diagnostic imaging using advanced technologies, including dual-source CT, which performs particularly well in cardiac research, and a brand-new, full-body, 3-Tesla MRI system. ▪ Clinical pathology laboratory and sports medicine service, both under solvency agreement ▪ Departments: ▪ Traditional radiology ▪ Nuclear medicine ▪ Ultrasound Department Sanimedica ▪ Department of Occupational Medicine that offers health monitoring service in the workplace in compliance with Legs. Decree No. 152/06 81/2008 on safety ▪ Outpatient health services for all the main specialist branches ▪ Outpatient surgery service

GVDR (Cadoneghe, Scorzè, Padua, Conegliano)	
National Healthcare Service accredited facility	***Main services provided***
  	▪ Diagnostic imaging, physical and rehabilitation therapy, multi-specialist outpatient services, laboratory analysis ▪ Occupational medicine (through specific agreements to provide services to businesses) ▪ The Group in 2017 launched a phlebolymphological rehabilitation service for patients with lymphedema and lipoedema.

➢ FOCUS: FRIULI VENEZIA GIULIA REGION

GEOGRAPHICAL POSITIONING OF GHC CLINICS



Group companies at 31/12/2018 (reporting entities)
# of GHC Group facilities today
Companies acquired in 2019, 2020, 2021 and 2022 (reporting entities)

FRIULI-VENEZIA GIULIA INDICATORS

Highlights

GDP per capita 2021

Friuli-Venezia Giulia	*Average Italy*
€32.6k	*€30.1k*

Health expenditure per capita 2021

Friuli-Venezia Giulia	*Average Italy*
€2,323	*€2,187*

Source:
OASI Report 2021, Istat Conti Economici Territoriali

GHC CLINICS: NON-FINANCIAL HIGHLIGHTS

Clinics (*FY2022)*	Beds	Admissions	Outpatient services	Employees	% male	% female
Outpatient and dependency care services	#	('000)	('000)	#	%	%
Centro Medico Uni. Castrense	**-**	**-**	**61.1**	**10**	**20%**	**80%**

CENTRO MEDICO UNIVERSITÀ CASTRENSE (S. Giorgio di Nogaro)

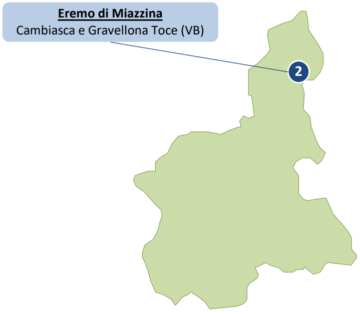
National Healthcare Service accredited facility

Main services provided

- **Outpatient eye surgery services**
- **Diagnostic imaging service**
- **Sports medicine**
- **Dentistry**

➢ FOCUS: PIEDMONT REGION

GEOGRAPHICAL POSITIONING OF GHC CLINICS



Group companies at 31/12/2018 (reporting entities)
# of GHC Group facilities today
Companies acquired in 2019, 2020, 2021 and 2022 (reporting entities)

PIEDMONT REGION INDICATORS

Highlights

GDP per capita 2021

€31.9k	*€30.1k*
Piedmont	*Average Italy*

Health expenditure per capita 2021

€2,207	*€2,187*
Piedmont	*Average Italy*

Source:
OASI Report 2021, Istat Conti Economici Territoriali

GHC CLINICS: NON-FINANCIAL HIGHLIGHTS

Clinics (*FY2022)*	Beds	Admissions	Outpatient services	Employees	% male	% female
Hospital services **Outpatient and dependency care services**	#	('000)	('000)	#	%	%
Eremo di Miazzina	**309**	**1.2**	**126.4**	**140**	**24%**	**76%**

L'EREMO DI MIAZZINA (Cambiasca and Gravellona Toce)

1. L'EREMO DI MIAZZINA

National Healthcare Service accredited facility

Main services provided

- Post-acute hospital care for the full range of pathologies commonly experienced by the elderly and the sequelae of oncological and chronic degenerative pathologies

2. ISTITUTO RAFFAELE GAROFALO

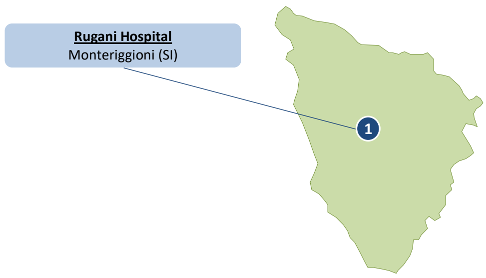
National Healthcare Service accredited facility

Main services provided

- **Recovery and intensive neurological, musculoskeletal, respiratory, cardiological and oncological functional rehabilitation**
- **Accredited outpatient treatments and complex outpatient ophthalmic surgery in private practice**

➢ FOCUS: TUSCANY REGION

GEOGRAPHICAL POSITIONING OF GHC CLINICS



Group companies at 31/12/2018 (reporting entities)
# of GHC Group facilities today
Companies acquired in 2019, 2020, 2021 and 2022 (reporting entities)

TUSCANY REGION INDICATORS

Highlights

GDP per capita 2021

Tuscany	Average Italy
€31.2k	*€30.1k*

Health expenditure per capita 2021

Tuscany	Average Italy
€2,296	*€2,187*

Source:
OASI Report 2021, Istat Conti Economici Territoriali

GHC CLINICS: NON-FINANCIAL HIGHLIGHTS

Clinics (*FY2022)*	Beds	Admissions	Outpatient services	Employees	% male	% female
Hospital services	#	('000)	('000)	#	%	%
Rugani Hospital	**80**	**2.2**	**19.8**	**92**	**25%**	**75%**

RUGANI HOSPITAL (Colombaio locality, Siena)

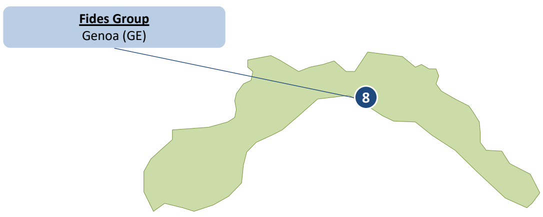
National Healthcare Service accredited facility

Main services provided

- **Ophthalmology**
- **Orthopaedics, with a focus on prosthetic surgery**
- **Urology**
- **General surgery**
- **Otorhinolaryngology**
- **Motor Rehabilitation**
- **Diagnostic imaging for the provision of inpatient and outpatient activities**
- **Orthopaedic surgery**

➢ FOCUS: LIGURIA REGION

GEOGRAPHICAL POSITIONING OF GHC CLINICS



Group companies at 31/12/2018 (reporting entities)
# of GHC Group facilities today
Companies acquired in 2019, 2020, 2021 and 2022 (reporting entities)

LIGURIA REGION INDICATORS

Highlights

GDP per capita 2021

€32.2k	*€30.1k*
Liguria	*Average Italy*

Health expenditure per capita 2021

€2,328	*€2,187*
Liguria	*Average Italy*

Source:
OASI Report 2021, Istat Conti Economici Territoriali

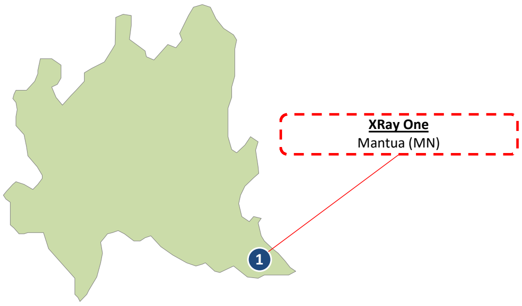
GHC CLINICS: NON-FINANCIAL HIGHLIGHTS

Clinics (*FY2022)*	Beds	Admissions	Outpatient services	Employees	% male	% female
Outpatient and dependency care services	#	('000)	('000)	#	%	%
Fides Group (8 clinics)	**399**	**0.9**	**-**	**82**	**17%**	**83%**

FIDES MEDICA GROUP (Genoa)	
National Healthcare Service accredited facilities	***Main services provided***
	▪ **Full range of rehabilitation services, long-term residential care and reintegration into society** ▪ **In particular, the following services are provided:** - **Care for serious acquired brain injuries;** - **RSA rehabilitative and maintenance;** - **Treatment for individuals suffering from behavioural eating disorders, personality disorders; and** - **Long-stay admissions for the elderly**

➢ FOCUS: LOMBARDY REGION

GEOGRAPHICAL POSITIONING OF GHC CLINICS



Group companies at 31/12/2018 (reporting entities)
# of GHC Group facilities today
Companies acquired in 2019, 2020, 2021 and 2022 (reporting entities)

LOMBARDY REGION INDICATORS

Highlights

GDP per capita 2021

Lombardy	*Average Italy*
€40.7k	*€30.1k*

Health expenditure per capita 2021

Lombardy	*Average Italy*
€2,185	*€2,187*

Source:
OASI Report 2021, Istat Conti Economici Territoriali

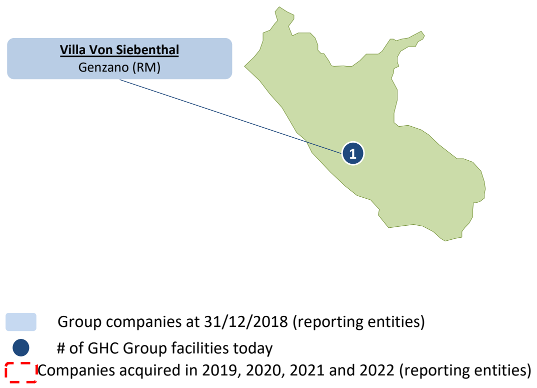
GHC CLINICS: NON-FINANCIAL HIGHLIGHTS

Clinics (*FY2022)*	Beds	Admissions	Outpatient services	Employees	% male	% female
Outpatient and dependency care services	#	('000)	('000)	#	%	%
XRay One	**-**	**-**	**73.6**	**42**	**26%**	**74%**

XRAY ONE (Poggio Rusco, Mantova)	
National Healthcare Service accredited facility	***Main services provided***
	▪ **Radiological diagnostics (MRI, CT, MOC, CR digitized mammography, ultrasound, abdominal, vascular and peripheral echocolordoppler)** ▪ **Specialist medical services**

➢ FOCUS: LAZIO REGION[2]

GEOGRAPHICAL POSITIONING OF GHC CLINICS



LAZIO REGION INDICATORS

Highlights

GDP per capita 2021

€34.5k	*€30.1k*
Lazio	*Average Italy*

Health expenditure per capita 2021

€2,130	*€2,187*
Lazio	*Average Italy*

Source:
OASI Report 2021, Istat Conti Economici Territoriali

GHC CLINICS: NON-FINANCIAL HIGHLIGHTS

Clinics (*FY2022*)	Beds	Admissions	Outpatient services	Employees	% male	% female
Outpatient and dependency care services	#	('000)	('000)	#	%	%
Villa Von Siebenthal	**89**	**0.5**	**-**	**52**	**23%**	**77%**

VILLA VON SIEBENTHAL (Genzano)	
National Healthcare Service accredited facility	***Main services provided***
	▪ Neuropsychiatric treatments ▪ "Extensive" and "intensive" psychiatric treatment for adolescents ▪ Admissions for mental disorders, including adult patients, in both the acute and post-acute phases ▪ Admission of patients with drug addiction

[2] Excluding the parent company GHC S.p.A. insofar as it is a holding company that does not engage in health care activities

Significant shareholders

The table below reports the Garofalo Health Care S.p.A. ownership structure at December 31, 2022, including significant equity interests.

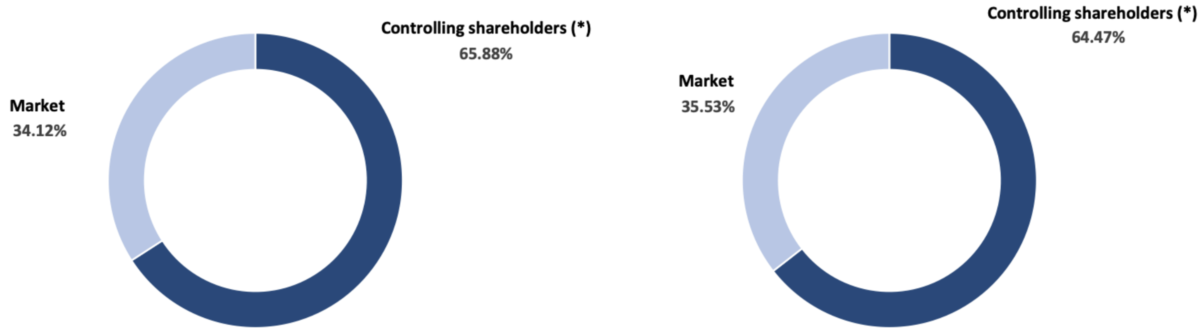
Garafalo Health Care S.p.A. shareholders	No. share	% shares with voting rights	Voting rights	% voting rights
Controlling shareholder (*)	58,569,600	65.88%	58,569,600	64.47%
Market	30,335,287	34.12%	32,280,687	35.53%
Total shares with voting rights at the Shareholders' Meeting	**88,904,887**	**100.00%**	**90,850,287**	**100.00%**
Treasury shares (**)	1,295,113		(**)	
TOTAL:	**90,200,000**			

(*) includes shares held directly and indirectly by the Chief Executive Officer Maria Laura Garofalo
(**) Treasury shares with suspended voting rights at 31.12.2022

Garafalo Health Care S.p.A. shareholders with stakes greater than 5%	No. share	% shares with voting rights	Voting rights	% voting rights
Larama 98 S.p.A. (***)	45,516,000	51.20%	45,516,000	50.10%
Maria Laura Garofalo	11,173,000	12.57%	11,173,000	12.30%
PII 4 S.à.r.l. (****)	8,173,653	9.19%	8,173,653	9.00%

(***) linked to Maria Laura Garofalo
(****) vehicle company of the fund Peninsula Investments II S.C.A.

Percentage of shares with voting rights | **Voting rights percentage**



As previously reported, in accordance with Article 127-quinquies of the CFA, Article 7 of the By-Laws states that each share held by the same shareholder for a continuous period of at least 24 months from the date of registration in the special list specifically established by the Company (the "**List**") confers two votes. In accordance with Article 127-*quinquies*, paragraph 7, of the CFA, Article 7 of the By-laws states that shares held prior to the commencement date of trading, and hence prior to the date of registration in the List, are also to be considered for the purpose of completing the period of continuous ownership required for multi-voting rights. For further information, please refer to the Multi-Voting Rights Regulation available from the Company's website, www.garofalohealthcare.com, which in accordance with Article 143-*quater* of the Regulation adopted by Consob with Motion No. 11971 of May 14, 1999, as supplemented and amended (the "**Issuers' Regulation**") also presents the identification details of the shareholders who have applied for registration in the List, with indication of their individual holdings – in any event exceeding the threshold indicated by Article 120, paragraph 2 of the CFA – date of registration and date of attainment of multi-vote rights.

GHC share performance in 2022

Garofalo Health Care S.p.A. been listed on the Euronext Milan market organised and managed by Borsa Italiana S.p.A. since November 9, 2018, while on March 25, 2021 GHC's shares were admitted to the Euronext STAR Milan - Segmento Titoli con Alti Requisiti (stringent requirements) Segment.

In the first twelve months of 2022, the GHC share declined 33.3%[3]. This movement however also reflects the deteriorating macroeconomic environment following the outbreak of the conflict between Russia and Ukraine in February 2022.

It should also be noted that since the day it was listed (November 9, 2018 at Euro 3.34 per share), it has remained at all times above its placement price.

The table below outlines GHC share performance for the period covered:

Key stock exchange indicators for 2022 ***(Euro)***	
IPO offer price on November 9, 2018	3.34
Official price at December 30, 2022	3.6324
Official price as of January 3, 2022 (first trading day of the year)	5.4279
Number of GHC ordinary shares at December 30, 2022	90,200,000
Number of GHC ordinary shares at January 3, 2022	90,200,000
Treasury shares held on December 30, 2022	1,295,113
Ordinary shares in circulation on December 30, 2022	88,904,887
Treasury shares held on January 3, 2022	973,148
Ordinary shares in circulation on January 3, 2022	89,226,852
Market capitalisation on December 30, 2022[(4)]	322,938,112
Market capitalisation on January 3, 2022[(4)]	484,314,430

Coverage of GHC stock by financial analysts

At December 31, 2022, the GHC share was covered by 3 financial brokers (Equita SIM, Mediobanca and Exane BNP Paribas), who actively followed the GHC Group during the year with dedicated studies and analyses, consistently offering Buy or Outperform recommendations.

[(3)] Calculated as the difference between the price of the GHC share at January 3, 2022 (Euro 5.4279) and that at December 30, 2022 - last trading day of the year (Euro 3.6324).
[(4)] Calculated net of treasury shares held by the Company on the same date

2. GROUP PERFORMANCE

GHC Group financial highlights

The 2022 consolidated results, although impacted by the increase in electricity and gas prices, especially in the third quarter of the year, and by COVID-19 activities in support of the Public system, which in the early months of the year affected the full use of the production capacity of the clinics, indicate a significant increase both in terms of revenues and Operating EBITDA on the same period of the previous year.

The operating performance indicators for 2022 compared with 2021 are presented below. The 2022 figures include also the full contribution of Clinica San Francesco Sr.l. (nine-month contribution in 2021, as acquired on April 9, 2021) and of Domus Nova S.p.A., (five-month contribution in 2021, as acquired on July 28, 2021) and the contribution for one month of GVDR S.r.l., acquired on December 6, 2022.

Consolidated figures	2022		2021		2022 vs 2021	
	Euro '000	%	Euro '000	%	Euro '000	%
Revenues	**322,575**	***100.0%***	**283,672**	***100.0%***	**38,903**	***13.7%***
Total operating costs (excl. "Adjustments")	(264,005)	*-81.8%*	(230,581)	*-81.3%*	(33,423)	*14.5%*
Op. EBITDA Adjusted	**58,570**	***18.2%***	**53,090**	***18.7%***	**5,480**	***10.3%***
Other Costs ("Adjustments")[5]	(1,695)	-0.5%	(4,863)	-1.7%	3,168	-65.2%
Management incentive plans[6]	(1,351)	-0.4%	(1,265)	-0.4%	(85)	6.7%
Operating EBITDA	**55,524**	***17.2%***	**46,962**	***16.6%***	**8,563**	***18.2%***
Depreciation and amortisation	(18,963)	*-5.9%*	(15,706)	*-5.5%*	(3,256)	*20.7%*
Impairments and other provisions	(4,896)	*-1.5%*	(3,025)	*-1.1%*	(1,871)	*61.9%*
EBIT	**31,665**	***9.8%***	**28,231**	***10.0%***	**3,435**	***12.2%***
EBIT Adjusted	**34,711**	***10.8%***	**34,359**	***12.1%***	**352**	***1.0%***
Net financial charges	(4,294)	*-1.3%*	(4,243)	*-1.5%*	(52)	*1.2%*
Result before taxes	**27,371**	***8.5%***	**23,988**	***8.5%***	**3,383**	***14.1%***
Profit before taxes Adjusted	**30,417**	***9.4%***	**30,116**	***10.6%***	**301**	***1.0%***
Income taxes	(5,938)	*-1.8%*	(5,145)	*-1.8%*	(792)	*15.4%*
Net Profit	**21,433**	***6.6%***	**18,843**	***6.6%***	**2,591**	***13.7%***
Group net result	**21,426**	***6.6%***	**18,834**	***6.6%***	**2,592**	***13.8%***
Minority interests	7	*0.0%*	9	*0.0%*	(2)	*-22.2%*

2022 Consolidated Revenues Overview

GHC consolidated revenues in 2022 amounted to Euro 322,575 thousand, up 13.7% on Euro 283,672 thousand in 2021.

The revenue increase of Euro 38,903 thousand is due for Euro 31,230 thousand to the change in consolidation scope, as the income statement in 2022 benefited fully from the contribution of Clinica San Francesco S.r.l. acquired on April 9, 2021, and of Domus Nova S.p.A., acquired on July 28, 2021, and for one month of GVDR S.r.l., acquired on December 6, 2022, for Euro 7,347 thousand to the companies at like-for-like consolidation scope, in addition to the reimbursement of additional COVID costs, mainly incurred in 2021 (Euro 326 thousand).

[5] Adjustments: these include non-recurring revenues and costs (e.g. net impact of additional COVID costs) and one-off costs (e.g. M&A costs)

[6] The Management incentive plans concern "performance based compensation", including Management's MBO and the remuneration component from the Performance Share Plan ("share based compensation").

The revenue increase also benefited from the partial reimbursement of the additional COVID costs incurred by the Group companies, also in previous years, totalling Euro 1,569 thousand, of which Euro 1,488 thousand received by the companies at like-for-like scope and Euro 81 thousand received by Clinica San Francesco S.r.l. and Domus Nova S.p.A.

Consolidated revenues ***in Euro thousands***	**FY 2022 Actual**	**FY 2021 Actual**	**FY22 vs. FY21** **Euro '000**	**FY22 vs. FY21** **%**
Total	**322,575**	**283,672**	**38,903**	**13.71%**
of which repayments of "additional COVID costs"	*1,488*	*1,163*	*325*	*28.0%*
*of which GVDR + Clinica San Francesco + Domus Nova**	*68,418*	*37,188*	*31,230*	*84.0%*

* *In 2021, Clinica San Francesco contributed only for nine months, while Domus Nova contributed for five months; in 2022, GVDR contributed for just one month.*

2022 Consolidated Costs Overview

Consolidated operating costs in2022, net of adjustments, totalled Euro 264,005 thousand, increasing Euro 33,423 thousand (+14.5%) on Euro 230,582 thousand in 2021.

The increase in production costs is mainly due to the increase in production volumes and in the consolidation scope, which saw the full contributions of Clinica San Francesco S.r.l. and Domus Nova S.p.A. in 2022, in addition to the contribution of GVDR S.r.l. for one month. The increase in these costs was also influenced by increasing energy prices, for an impact of about Euro 3.9 million.

Total Adjustments of Euro 1,694 thousand mainly concern charges incurred (net of reimbursements) by the Group companies to deal with the COVID-19 emergency in the amount of Euro 1,069 thousand and one-off costs of Euro 626 thousand for the acquisition of GVDR S.r.l.. Non-recurring costs decreased Euro 3,168 thousand from December 31, 2021, of which Euro 1,647 thousand due to the reduced COVID costs, the recognition of greater reimbursements for Euro 335 thousand, and lower M&A costs, amounting to Euro 1,185 thousand, given that 2021 costs were incurred to acquire Clinica San Francesco S.r.l. and Domus Nova S.p.A.

2022 Consolidated Adjusted Operating EBITDA

In terms of margins, Consolidated Operating EBITDA Adjusted[7] was Euro 58,570 thousand, increasing Euro 5,480 thousand(+10.3%) on Euro 53,090 thousand in the previous year.

Overall, the Group Operating EBITDA Adjusted Margin was 18.2%, slightly decreasing on 18.7% in the previous year.

Consolidated Op. EBITDA and Op. EBITDA Adj. ***in Euro thousands***	**FY 2022 Actual**	**FY 2021 Actual**	**FY22 vs. FY21** **Euro '000**	**FY22 vs. FY21** **%**
Op. EBITDA Reported	**55,524**	**46,962**	8,562	18.2%
+ additional COVID costs (net reimbursements)	*1,069*	*3,052*	-1,983	-65.0%
+ M&A costs	*626*	*1,811*	-1,185	-65.4%
+ management incentive plan	*1,351*	*1,265*	86	6.8%
Op. EBITDA Adjusted	**58,570**	**53,090**	5,480	10.3%
*of which GVDR + Clinica San Francesco + Domus Nova**	*11,844*	*5,273*	6,572	124.7%
Op. EBITDA Reported Margin (%)	*17.2%*	*16.6%*	-	-
Op. EBITDA Adjusted Margin (%)	*18.2%*	*18.7%*	-	-

* *In 2021, Clinica San Francesco contributed only for nine months, while Domus Nova contributed for five months; in 2022, GVDR contributed for just one month.*

[7] This indicator adjusts operating EBITDA for non-recurring revenues and costs (e.g. net impact of additional COVID costs), one-off costs (e.g. M&A costs) and "non-regular" costs (e.g. management incentive plans), in order to provide an adjusted metric and comparable with the company's historic figures.

2022 Consolidated EBIT and EBIT Adjusted Overview

EBIT reported totalled Euro 31,665 thousand, increasing Euro 3,434 thousand (+12.2%) on 2021 (Euro 28,231 thousand).

This result reflects amortisation, depreciation and write-downs for Euro 18,963 thousand, increasing Euro 3,257 thousand on the previous year, mainly due to the change in scope during the year (Euro 1,926 thousand), as well as impairments and other provisions for Euro 4,896 thousand, increasing Euro 1,871 thousand on 2021 (Euro 3,025 thousand) due to increased provisions for risks, net of releases, recognized primarily in relation to potential health-care suits and other non-recurring disputes related to contract and labour law. Impairments and other provisions are at 1.5% of revenues, which is within the historical range.

Consolidated EBIT and EBIT Adj. *in Euro thousands*	**FY 2022 Actual**	**FY 2021 Actual**	**FY22 vs. FY21 Euro '000**	**FY22 vs. FY21 %**
Op. EBITDA Adjusted	**58,570**	**53,090**	**5,480**	**10.3%**
- Amortisation of intangible assets	*(944)*	*(671)*	*(273)*	*40.7%*
- Depreciation of property, plant & equip.	*(17,420)*	*(14,849)*	*(2,571)*	*17.3%*
- Write-downs	*(599)*	*(187)*	*(412)*	*220.3%*
Amortisation, depreciation and write-downs	**(18,963)**	**(15,706)**	**(3,257)**	**20.7%**
- End of mandate provisions	*(45)*	*(65)*	*20*	*-30.8%*
- Healthcare lawsuit provisions	*(3,743)*	*(2,058)*	*(1,685)*	*81.9%*
- Local Health Authority risk provisions	*(1,764)*	*(3,130)*	*1,366*	*-43.6%*
- Other risks and charges provisions	*(1,067)*	*(231)*	*(836)*	*361.9%*
+ Release of provisions	*1,723*	*2,459*	*(736)*	*-29.9%*
Impairments and other provisions	**(4,896)**	**(3,025)**	**(1,871)**	**61.9%**
= EBIT Adjusted	**34,711**	**34,359**	**352**	**1.0%**
- Other costs (Adjustments)	*(1,695)*	*(4,863)*	*3,169*	**-65.2%**
- Management incentive plan	*(1,351)*	*(1,265)*	(86)	6.8%
= EBIT Reported	**31,665**	**28,231**	**3,434**	**12.2%**
EBIT Adjusted Margin (%)	*10.8%*	*12.1%*	-	-
EBIT Reported Margin (%)	*9.8%*	*10.0%*	-	-

2022 Consolidated net profit overview

The Net Profit was Euro 21,433 thousand, an increase of Euro 2,591 thousand on Euro 18,843 thousand in 2021.

The amount takes account of net financial charges of Euro 4,294 thousand and of income taxes of Euro 5,938 thousand. Net financial charges are essentially unchanged from the previous year (Euro 4,243 thousand) given that the increase in interest expense on loans, due both to the increase in average debt during the year after the acquisitions of Clinica San Francesco S.r.l. and Domus Nova S.p.A. in 2021 and to the gradual increase in interest rates in 2022, has been offset by a lack of the extraordinary financial charges posted in the fourth quarter of 2021 related to the early repayment of the loans of subsidiaries in conjunction with the Group's debt refinancing.

Income tax expense increased by Euro 792 thousand on 2021 due mainly to the change in consolidation scope (Euro 565 thousand).

GHC Group Q4 2022 financial highlights

The operating performance indicators for Q4 2022 compared with the same period of 2021 are presented below.

Consolidated data	4Q2022		4Q2021		4Q2022 vs. 4Q2021	
	Euro '000	%	Euro '000	%	Euro '000	%
Revenues	**86,002**	***100.0%***	**85,203**	***100.0%***	**799**	***0.9%***
Total operating costs (excl. "Adjustments")[1]	(69,756)	*-81.1%*	(68,280)	*-80.1%*	(1,476)	*2.2%*
Op. EBITDA Adjusted	**16,246**	***18.9%***	**16,924**	***19.9%***	**(678)**	***-4.0%***
Other costs ("Adjustments")[2]	(965)	*-1.1%*	(723)	*-0.8%*	(242)	*33.4%*
Incentive plans for management	(1,351)	*-1.6%*	(1,266)	*-1.5%*	(86)	*6.8%*
Operating EBITDA	**13,929**	***16.2%***	**14,935**	***17.5%***	**(1,005)**	***-6.7%***
Amortisation, depreciation, and write-downs	(5,057)	*-5.9%*	(4,581)	*-5.4%*	(476)	*10.4%*
Impairments and other provisions	(2,155)	*-2.5%*	(1,378)	*-1.6%*	(777)	*56.4%*
EBIT	**6,717**	***7.8%***	**8,975**	***10.5%***	**(2,258)**	***-25.2%***
EBIT Adjusted	**9,034**	***10.5%***	**10,964**	***12.9%***	**(1,930)**	***-17.6%***
Net financial charges	(1,001)	*-1.2%*	(1,922)	*-2.3%*	921	*-47.9%*
Profit before taxes	**5,716**	***6.6%***	**7,053**	***8.3%***	**(1,337)**	***-19.0%***
Profit before taxes Adjusted	**8,033**	***9.3%***	**9,042**	***10.6%***	**(1,009)**	***-11.2%***
Income taxes	(1,075)	*-1.3%*	(1,275)	*-1.5%*	200	*-15.7%*
Net Profit	**4,641**	***5.4%***	**5,778**	***6.8%***	**(1,137)**	***-19.7%***
Group net profit	**4,641**	***5.4%***	**5,772**	***6.8%***	**(1,131)**	***-19.6%***
Minority interests	(0)	*0.0%*	6	*0.0%*	(6)	*-100.9%*

Q4 2022 Consolidated Revenues Overview

In the fourth quarter, GHC's consolidated revenues amounted to Euro 86,002 thousand, an increase of Euro 799 thousand (+0.9%) compared to Euro 85,204 thousand in the same period of 2021, which however benefited from the incremental contributions granted by the Regions for the management of COVID units in previous years, including that granted to Eremo di Miazzina (Piedmont) in December 2021 - for activities carried out in 2020 - for approx. Euro 2.0 million. It is specified that Q4 2022 includes the contribution for one month of the company GVDR, acquired in December a 2022, of approx. Euro 903 thousand.

Consolidated revenues *in Euro thousands*	4Q2022	4Q2021	4Q22 vs. 4Q21 Euro '000	4Q22 vs. 4Q21 %
Total	**86,002**	**85,204**	**799**	**0.9%**
of which repayments of "additional COVID costs"	-	*130*	(130)	*-100.0%*
of which 2021 M&A (Clinica San Francesco + Domus Nova)	18,844	*17,547*	*1,297*	*7.4%*

Q3 2022 Consolidated operating costs

Consolidated operating costs for Q4 2022, net of Adjustments, totalled Euro 69,756 thousand, increasing Euro 1,476 thousand (+2.2%) on Euro 68,280 thousand in Q4 2021, mainly due to the higher production volumes.

The Adjustments of Euro 965 thousand comprise non-recurring costs for Euro 414 thousand, mainly regarding charges incurred (net of reimbursements) by the Group companies to deal with the COVID-19 emergency, and one-off costs of Euro 551 thousand related to M&A's.

Q4 2022 Consolidated Operating EBITDA and Operating EBITDA Adjusted

As a result of the revenue and cost movements outlined above, consolidated Operating EBITDA Adjusted[8] was Euro 16,246 thousand, decreasing Euro 678 thousand (-4.0%) from Euro 16,924 thousand in the Q4 2021. It should be noted, however, that Q4 2021 benefited from an incremental contribution, of approx. Euro 2.0 million, recognised in December 2021 to the company L'Eremo di Miazzina for the management of COVID units in 2020. Excluding this contribution, Operating EBITDA Adjusted in Q4 2022 would have increased on the same period of 2021 as a result of the greater production volumes. In the fourth quarter 2022, the Group Operating EBITDA Adjusted margin was 18.9%.

Operating EBITDA Reported, of Euro 13,929 thousand, decreased Euro 1,006 thousand (-6.7%) compared to the fourth quarter of 2021, due to both the factors discussed in the previous paragraph and the greater impact of M&A costs.

Consolidated Op. EBITDA and Op. EBITDA Adj. in Euro thousands	4Q2022	4Q2021	4Q22 vs. 4Q21 Euro '000	4Q22 vs. 4Q21 %
Op. EBITDA Reported	**13,929**	**14,935**	**(1,006)**	-6.7%
+ additional COVID costs (net reimbursements)	*415*	*661*	(246)	-37.2%
+ M&A costs	*551*	*63*	488	774.6%
+ management incentive plan	*1,351*	*1,265*	86	6.8%
Op. EBITDA Adjusted	**16,246**	**16,924**	**(678)**	**-3.9%**
of which 2021 M&A (Clinica San Francesco + Domus Nova)	*3,023*	*2,687*	*337*	*12.4%*
Op. EBITDA Reported Margin (%)	*16.2%*	*17.5%*	-	-
Op. EBITDA Adjusted Margin (%)	*18.9%*	*19.9%*	-	-

Q4 2022 Consolidated EBIT and EBIT Adjusted Overview

EBIT Reported in Q4 2022 was Euro 6,717 thousand, decreasing Euro 2,258 thousand (-25.2%) on Euro 8,976 thousand in the same period of the previous year.

This result includes amortisation, depreciation and write-downs in the period of Euro 5,057 thousand, increasing Euro 476 thousand on Q4 2021, mainly due to investments made, in addition to valuation adjustments and other provisions for Euro 2,155 thousand, increasing Euro 777 thousand on Q4 2021, due to the increased risk provisions, net of releases, recognised mainly for healthcare cases and non-recurring employment and contractual disputes.

Consolidated EBIT and EBIT Adj. in Euro thousands	4Q2022	4Q2021	4Q22 vs. 4Q21 Euro '000	4Q22 vs. 4Q21 %
Op. EBITDA Adjusted	**16,246**	**16,924**	**(678)**	**-4.0%**
- Amortisation of intangible assets	*(305)*	(237)	(68)	28.9%
- Depreciation of property, plant & equip.	*(4,536)*	(4,234)	(302)	7.1%
- Write-downs	*(215)*	(111)	(104)	93.7%
Depreciation, amortisation and impairment	**(5,057)**	**(4,581)**	**(476)**	**10.4%**
- End of mandate provisions	*(10)*	(16)	6	*-40.1%*
- Healthcare lawsuit provisions	*(1,904)*	(694)	(1,210)	*174.3%*
- Local Health Authority risk provisions	*(381)*	(2,036)	1,655	*-81.3%*
- Other risk provisions	*(1,002)*	(81)	(921)	*1137.0%*
+ Release of provisions	*1,141*	1,449	(308)	*-21.2%*
Impairments and other provisions	**(2,155)**	**(1,378)**	**(777)**	**56.4%**
EBIT Adjusted	**9,034**	**10,964**	**(1,930)**	**-17.6%**
- Other costs (Adjustments)	*(2,317)*	(1,989)	(328)	*16.5%*
Reported EBIT	**6,717**	**8,976**	**(2,258)**	**-25.2%**
EBIT Adjusted Margin (%)	*10.5%*	*12.9%*	-	-

[8] This indicator adjusts operating EBITDA for non-recurring revenues and costs (e.g. net impact of additional COVID costs) and for one-off costs (e.g. M&A costs), in order to provide an adjusted metric and comparable with the company's historic figures.

EBIT Reported Margin (%)	*7.8%*	*10.5%*	-	-

Q4 2022 Consolidated Net Profit

The net profit in Q4 2022 was Euro 4,641 thousand, decreasing Euro 1,131 thousand on Euro 5,778 thousand in Q4 2021.

This figure includes net financial charges of Euro 1,075 thousand, decreasing Euro 921 thousand compared to the fourth quarter of 2021, a quarter in which one-off financial charges (approx. Euro 1.2 million) were recorded from the early repayment of subsidiary loans following the Group-level refinancing transaction, and taxes of Euro 1,075 thousand, decreasing Euro 200 thousand compared to the previous year.

Pro-forma financial highlights

In order to ensure that the Company's figures for the year under review are sufficiently comparable with those of the previous year, the Pro-Forma[9]tables for 2022 and 2021 are presented, i.e. those reporting retrospectively to January 1, 2022 the acquisition of GVDR S.r.l. (on December 6, 2022) and to January 1, 2021 the acquisitions of Clinica San Francesco S.r.l. (on April 9, 2022) and Domus Nova S.p.A. (on July 28, 2021).

In addition to the IFRS-compliant indicators included in the official reporting formats, this Directors' Report also presents various alternative performance measures (APMs) employed by the management to monitor and evaluate the Group's performance. The details of the calculation of the APMs set out below are presented in a specific section of this report, to which the reader should refer for all further information.

Pro-forma consolidated figures	2022		2021		2022 vs 2021	
	Euro '000	%	Euro '000	%	Euro '000	%
Revenues	**334,801**	***100.0%***	**309,827**	***100.0%***	**24,974**	***8.1%***
Total operating costs (excl. Adjustments)	(273,705)	*-81.8%*	(254,990)	*-82.3%*	(18,715)	*7.3%*
Op. EBITDA Adjusted	**61,095**	***18.2%***	**54,837**	***17.7%***	**6,258**	***11.4%***
Other Costs ("Adjustments")	(1,695)	*-0.5%*	(4,863)	*-1.6%*	3,168	*-65.1%*
Personnel costs incentive plans	(1,351)	*-0.4%*	(1,265)	*-0.4%*	(86)	*6.8%*
Operating EBITDA	**58,049**	***17.3%***	**48,709**	***15.7%***	**9,340**	***19.2%***
Depreciation and amortisation	(20,244)	*-6.0%*	(17,732)	*-5.7%*	(2,512)	*14.2%*
Impairments and other provisions	(4,896)	*-1.5%*	(3,906)	*-1.3%*	(990)	*25.3%*
EBIT	**32,909**	***9.8%***	**27,071**	***8.7%***	**5,838**	***21.6%***
EBIT Adjusted	**35,955**	***10.7%***	**33,199**	***10.7%***	**2,756**	***8.3%***
Net financial charges	(4,902)	*-1.5%*	(4,357)	*-1.4%*	(545)	*12.5%*
Result before taxes	**28,007**	***8.4%***	**22,714**	***7.3%***	**5,293**	***23.3%***
Profit before taxes Adjusted	**31,053**	***9.3%***	**28,842**	***9.3%***	**2,211**	***7.7%***
Income taxes	(6,151)	*-1.8%*	(5,216)	*-1.7%*	(935)	*17.9%*
Net Profit	**21,856**	***6.5%***	**17,498**	***5.6%***	**4,358**	***24.9%***
Group net profit	**21,849**	***6.5%***	**17,495**	***5.6%***	**4,354**	***24.9%***
Minority interests	7	*0.0%*	3	*0.0%*	4	*133.3%*

As presented in the table above, all income statement indicators (Revenues, Operating EBITDA Adjusted, Operating EBITDA, EBIT, etc.) significantly improved on the pro-forma figures for 2021.

(9) These Pro-Forma statements are drawn up on a voluntary basis and according to procedures agreed with the independent audit firm as per the International Standard of Related Services ("ISRS") 4400 issued by the IAASB.

Balance Sheet

A breakdown of the Group's condensed consolidated balance sheet at December 31, 2022 and December 31, 2021 is provided below.

Consolidated data Uses	2022 December	2021 December	Δ vs 2021 Euro '000
Goodwill	91,392	70,265	21,126
Intangible and tangible assets	418,750	413,758	4,992
Financial assets	1,344	1,768	(424)
I Fixed capital	**511,485**	**485,791**	**25,694**
Trade Receivables	76,479	74,720	1,759
Inventories	4,244	4,322	(78)
Trade Payables	(51,100)	(46,239)	(4,861)
Net Operating Working Capital	***29,623***	***32,803***	***(3,180)***
Other assets/liabilities	(27,501)	(27,896)	395
II Net Working Capital	**2,122**	**4,907**	**(2,784)**
Net deferred taxes	(56,740)	(58,272)	1,532
Provisions	(32,703)	(29,333)	(3,370)
III Total Uses (NET CAPITAL EMPLOYED)	**424,164**	**403,093**	**21,071**
IV Net financial debt	**145,011**	**142,378**	**2,633**
Minority interest shareholders' equity	83	262	(179)
Group shareholders' equity	279,070	260,453	18,618
V Shareholders' Equity	**279,153**	**260,715**	**18,439**
VI Total sources of financing	**424,164**	**403,093**	**21,071**

Fixed capital at December 31, 2022, amounted to Euro 511,485 thousand, an increase of Euro 25,694 thousand on December 31, 2021, due mainly to the acquisition of GVDR S.r.l. completed on December 6, 2022, which resulted in an increase of Euro 20,756 thousand in goodwill and an increase of Euro 6,139 thousand in property, plant and equipment, and other intangible assets. At December 31, 2022, the procedure for the valuation of the assets and liabilities acquired is still in the preliminary phase; therefore, the value of the goodwill of GVDR S.r.l. is still provisional.

Net Operating Working Capital overall decreased by Euro 3,180 thousand compared to December 31, 2021, due to the increase in trade payables as a result of temporary dynamics in collections and payments.

The net working capital therefore reports a net decrease of Euro 2,784 thousand due to the net operating working capital and fixed capital changes outlined previously.

Net deferred taxes decreased Euro 1,532 thousand, mainly due to the increase in the deferred tax assets of Hesperia Hospital Modena S.r.l. and Rugani Hospital S.r.l., restated using the ordinary IRES rate as the subsidised IRES rate for hospitals available until 2021 could no longer be applied for both companies.

Provisions increased by Euro 3,370 thousand on December 31, 2021, due to: (i) the increase in the Post-employment benefit provision for a total of Euro 1,563 thousand, deriving mainly from the change in scope (equal to Euro 1,315 thousand); (ii) the increase in the risks provisions for Euro 1,807 thousand. In greater detail, the increase in the risks provisions is due to the following combined effects: (i) net accruals (excess of provisions over releases) of Euro 5,003 thousand, mainly due for Euro 2,463 thousand to healthcare risks, Euro 1,467 thousand to local health authority risks and other risks for Euro 1,028 thousand (ii) utilisations for Euro 3,196 thousand, mainly concerning healthcare and local health authority cases.

Net Capital Employed at December 31, 2022 was Euro 424,164 thousand, increasing Euro 21,071 thousand on Euro 403,093 thousand at December 31, 2021, due to the increase in Fixed Capital for Euro 25,694 thousand, partly offset by the reduction in Net working capital and of Risks provisions.

At December 31, 2022 , the Net Financial Position (NFP) of the Garofalo Health Care Group was Euro 145,011 thousand, with Gross financial debt of Euro 176,608 thousand and liquidity of Euro 31,597 thousand. The NFP therefore increased Euro 2,633 thousand over December 31, 2021, due mainly to the acquisition of GVDR S.r.l., which was paid approx. Euro 25.0 million, in part in cash and in part by using the line of credit dedicated to M&A's.

Shareholders' Equity at December 31, 2022, totalled Euro 279,153 thousand, increasing Euro 18,439 thousand on December 31, 2021, mainly due to the profit for the year (Euro 21,433 thousand), net of the acquisition of treasury shares (Euro 2,985 thousand).

Net Financial Position

The net financial debt was determined in accordance with the framework provided by Recommendation ESMA/32-382-1138 of March 4, 2021 and Consob attention call No. 5/21 of April 29, 2021.

A breakdown of the composition of the net financial debt for the years ending December 31, 2022 and December 31, 2021 is provided below.

Consolidated data	2022	2021	Δ vs 2021
	Euro '000	Euro '000	Euro '000
A Available liquidity	31,382	41,239	(9,857)
B Cash equivalents	-	39	(39)
C Other current financial assets	215	136	79
D Liquidity	**31,597**	**41,414**	**(9,817)**
E Current financial debt	22,297	24,163	(1,866)
F Current portion of non-current financial debt	22,146	21,499	647
G Current financial debt	**44,443**	**45,662**	**(1,219)**
H Net current financial debt (G - D)	**12,846**	**4,248**	**8,598**
I Non-current financial debt	132,165	138,130	(5,966)
J Debt instruments	-	-	-
K Trade payables and other non-current payables	-	-	-
L Non-current financial debt (I + J + K)	**132,165**	**138,130**	**(5,966)**
M Total financial debt (H + L)	**145,011**	**142,378**	**2,633**

As shown in the table above, liquidity decreased Euro 9,817 thousand due mainly to the partial payment in cash by the Parent Company of the price to acquire GVDR S.r.l.

The current financial debt decreased Euro 1,368 thousand, mainly due to the lesser use of bank lines and advances.

Non-current financial debt decreased Euro 5,966 thousand, mainly due to the settlement of the Unicredit loan instalments, totalling Euro 22,218 thousand, and of the entire loan to the parent Larama, amounting to Euro 1,664 thousand, against increases for use of the line of credit for the acquisition of GVDR S.r.l. (Euro 16,525 thousand) and changes in the consolidation scope in the amount of Euro 506 thousand.

Financial payables for leasing amounted to Euro 21,622 thousand for the non-current portion and Euro 5,864 thousand for the current portion.

Summary of principal alternative performance indicators reported for the GHC Group and basis of preparation

The GHC Group utilises some alternative performance measures ("APM's"), which are not identified as accounting measures within IFRS, for management's view on the performance of the Group. These alternative performance measures exclusively concern historical data of the Group and determined in accordance with those established by the Alternative Performance Indicators Orientations issued by ESMA/2015/1415 and adopted by CONSOB with communication No. 92543 of December 3, 2015. The APM's in this Report refer to the performance for the accounting period of the present Financial Report and of the comparative periods and not to the expected performance of the Group and must not be considered as replacement of the indicators required by the accounting standards (IFRS).

The alternative performance measures utilised in the current report are as follows:

Operating EBITDA Adjusted

This indicator adjusts Operating EBITDA for non-recurring revenues and costs (e.g. net impact of additional COVID costs), one-off costs (e.g. M&A costs) and "non-regular" costs (e.g. management incentive plans) and ensures a like-for-like comparison with 2021.

2022 Operating EBITDA Adjusted was Euro 58,570 thousand, up 10.3% on Euro 53,090 thousand in the previous year.

On a Pro-Forma basis, Operating EBITDA Adjusted would total Euro 61,095 thousand, compared to Euro 54,837 thousand in 2021 (+11.4%).

Consolidated data	FY'22 Actual Euro '000	FY'21 Actual Euro '000	FY'22 Pro-Forma Euro '000	FY'21 Actual Euro '000
Operating EBITDA	**55,524**	**46,962**	**58,049**	**48,709**
Other costs ("Adjustments")	1,695	4,863	1,695	4,863
Personnel costs incentive plans	1,351	1,265	1,351	1,265
Operating EBITDA Adjusted	**58,570**	**53,090**	**61,095**	**54,837**

EBIT Adjusted

This indicator adjusts EBIT for situations outlined above, and is provided to allow a like-for-like comparison with 2021.

At December 31, 2022, EBIT Adjusted was essentially unchanged on the previous year.

On a Pro-Forma basis, EBIT Adjusted would however total Euro 35,955 thousand, up Euro 2,756 thousand (+8.3%) on the 2021 figure of Euro 33,199 thousand.

Consolidated data	FY'22 Actual Euro '000	FY'21 Actual Euro '000	FY'22 Pro-Forma Euro '000	FY'21 Pro-Forma Euro '000
EBIT	**31,665**	**28,230**	**32,909**	**27,071**
Other costs ("Adjustments")	1,695	4,863	1,695	4,863
Personnel costs incentive plans	1,351	1,265	1,351	1,265
EBIT Adjusted	**34,711**	**34,359**	**35,955**	**33,199**

Operating EBITDA Adjusted Margin

The Operating EBITDA Adjusted Margin is calculated as Operating EBITDA Adjusted as a percentage of Revenues. In 2022, the Group Operating EBITDA Adjusted Margin, which adjusts Operating EBITDA for of the cases described above, was 18.2% (18.7% in 2021).

The Operating EBITDA Adjusted margin in 2022 Pro-Forma would however be 18.2%, compared with 17.7% for 2021 Pro-Forma.

Consolidated data	FY'22 Actual Euro '000	FY'21 Actual Euro '000	FY'22 Pro-Forma Euro '000	FY'21 Pro-Forma Euro '000
Operating EBITDA Adjusted	58,570	53,090	61,095	54,837
Revenues	322,575	283,672	334,801	309,827
Operating EBITDA Adjusted Margin	**18.2%**	**18.7%**	**18.2%**	**17.7%**

ROI

ROI, i.e. return on investment, is calculated as EBIT Adjusted as a percentage of net capital employed. The pro-forma figures for 2021 and 2022 are provided below.

Consolidated data	FY2022 Pro-Forma Euro '000	FY2021 Pro-Forma Euro '000
EBIT Adjusted (A)	35,955	33,199
Net Capital Employed (B)	424,164	403,093
ROI (A/B)	**8.5%**	**8.2%**

ROE

ROE is calculated as net profit for the year as a percentage of Group consolidated shareholders' equity; the 2022 and 2021 Pro-forma figures are presented below.

Consolidated data	FY2022 Pro-Forma Euro '000	FY2021 Pro-Forma Euro '000
Net result (A)	21,856	17,498
Shareholders' Equity (B)	279,153	260,715
ROE (A/B)	**7.8%**	**6.7%**

Capital Expenditure (Capex)

This indicator is calculated taking as reference the sum of ordinary investments in property, plant and equipment and intangible assets (excluding the non-recurring investments for the expansion projects, non-recurring investment in latest generation machinery, totalling Euro 6,789 thousand)

Consolidated data	FY2022 Euro '000	FY2021 Euro '000
Investments in tangible and intangible assets	11,671	13,981
Capital Expenditure (Capex)	**11,671**	**13,981**

Cash Conversion

This indicator has been calculated on the basis of Operating EBITDA Adjusted, net of ordinary capital expenditures, in relation to Operating EBITDA Adjusted.

Consolidated data	FY2022 Pro-Forma Euro '000	FY2021 Pro-Forma Euro '000
Operating EBITDA Adjusted (A)	61,095	54,837
Capex (B)	11,671	13,981
Cash Conversion Cycle (A-B)/A	**80.9%**	**74.5%**

Net Financial Debt / Net Equity

The following table illustrates the relationship between the Group's net debt (as defined in previous sections) and shareholders' equity.

Consolidated data	FY2022 Euro '000	FY2021 Euro '000
Net financial debt	145,011	142,378
Net Equity	279,153	260,715
Ratio between net financial debt and shareholders' equity	**0.52**	**0.55**

Days sales outstanding

Days sales outstanding are defined as the ratio of the Trade receivables stated in the Group's Annual Consolidated Financial Statements to Revenues from services, as also stated in the Annual Consolidated Financial Statements, multiplied by the number of days in the reporting year.

Consolidated data	FY2022 Pro-Forma Euro '000	FY2021 Pro-Forma Euro '000
Trade receivables (A)	76,479	74,720
Revenues from services (B)	326,699	303,450
Days sales outstanding (A/B*365)	**85**	**90**

Days purchases outstanding

Days purchases outstanding are defined as the ratio of the Trade payables stated in the Group's Annual Consolidated Financial Statements to the sum of Raw materials and consumables, Service costs and Other operating costs, as also stated in the Group's Annual Consolidated Financial Statements, multiplied by the number of days in the reporting year.

Consolidated data	FY2022 Pro-Forma Euro '000	FY2021 Pro-Forma Euro '000
Trade payables (A)	51,100	46,239
Raw materials and services (B)	185,491	174,053
Days purchases outstanding (A/B*365)	**101**	**97**

Days inventory outstanding

Days inventory outstanding are defined as the ratio of the Inventories stated in the Group's Annual Consolidated Financial Statements to Raw materials and consumables as also stated in the Annual Consolidated Financial Statements, multiplied by the number of days in the reporting year.

Consolidated data	FY2022 Pro-Forma Euro '000	FY2021 Pro-Forma Euro '000
Inventories (A)	4,244	4,322
Raw materials and consumables (B)	45,185	43,699
Days inventory outstanding (A/B*365)	**34**	**36**

3. PARENT COMPANY PERFORMANCE

Garofalo Healthcare S.p.A. is the Parent Company, listed on the main segment of the Italian Stock Exchange since November 2018.

The 2022 operating figures, compared to the previous year, are presented below.

Individual data	FY2022	FY2021	FY2022 vs. FY2021
Income Statement	Euro '000	Euro '000	Euro '000
Revenues	**4,641**	**4,658**	**(17)**
Total operating costs	(8,451)	(8,395)	(56)
Operating EBITDA	**(3,810)**	**(3,737)**	**(73)**
Amortisation, depreciation, and write-downs	(424)	(350)	(74)
Impairments and other provisions	-	-	-
EBIT	**(4,234)**	**(4,087)**	**(147)**
Net financial income	4,337	3,660	677
Profit/(loss) before taxes	**103**	**(427)**	**530**
Income taxes	1,534	1,653	(119)
Net Profit	**1,638**	**1,226**	**412**

2022 Garofalo HealthCare S.p.A. revenues were Euro 4,641 thousand and related to the partial recharges of Parent Company costs to the subsidiaries for administrative co-ordination, financial, corporate and IT services.

Operating EBITDA reported a loss of Euro 3,810 thousand as a result of the costs incurred by the company during the year for the implementation and performance of the parent company's core operations, which include the one-off costs for M&A's and costs related to the Holding Company's Management Incentive Plan, as described in the previous paragraphs.

Net financial income amounted to Euro 4,337 thousand, thanks to dividends received during the year from subsidiaries (Euro 6.0 million), which offset interest charges on the bank debt.

Income taxes were positive (net income) for Euro 1,534 thousand, due to the recognition of income from the tax consolidation, resulting from the taxable income transferred from subsidiaries belonging to the tax consolidation of GHC S.p.A.

The financial statements report a net profit for the year of Euro 1,638 thousand, an increase of Euro 412 thousand compared to Euro 1,226 thousand in 2021.

The condensed balance sheet of Garofalo Health Care S.p.A. at December 31, 2022 compared with the previous year is presented below.

Individual data Balance Sheet	FY2022 Euro '000	FY2021 Euro '000	D vs. FY2021 Euro '000
Net Capital Employed	341,980	338,292	3,688
Net Equity	184,917	185,643	(726)
Net financial debt	157,063	152,648	4,415

Net Capital Employed amounted to Euro 341,980 thousand and consisted primarily of equity investments in subsidiaries of Euro 198,364 thousand, and other non-current financial assets of Euro 136,741 thousand. The increase on 2021 is mainly attributable to the signing of a lease agreement for a new office, in the amount of Euro 1,703 thousand.

At December 31, 2022, shareholders' equity amounted to Euro 184,917 thousand, compared with Euro 185,643 thousand in the previous year, with a net decrease of Euro 726 thousand due mainly to the purchase of treasury shares valued at Euro 2,985 thousand, net of earnings for the year (Euro 1,638 thousand) and provisions for incentive plans for the holding company's management team (Euro 634 thousand).

Net financial debt, in the amount of Euro 157,063 thousand, increased Euro 4,415 thousand from the previous year as a result of increased net financial payables for cash pooling (Euro 11,507 thousand) and the use of the line of credit to acquire GVDR S.r.l. (Euro 16,525 thousand, partially offset by the payment of refinancing instalments (Euro 22,218 thousand) and repayment of the debt to Larama '98 (Euro 1,645 thousand).

4. RECONCILIATION BETWEEN PARENT COMPANY AND CONSOLIDATED FINANCIAL STATEMENTS

(in Euro thousands)	Shareholders' Equity 31.12.2022	Net result 2022
Financial Statements of the Parent Company Garofalo Health Care S.p.A.	**184,917**	**1,638**
Dividends from companies included in consolidation	(1,071)	(6,665)
Net contributions of the consolidated companies	94,132	26,881
Other consolidation adjustments	-	(556)
Valuation at equity method	1,092	129
Consolidated financial statements, Group share	**279,070**	**21,426**
Minority interest results	7	7
Non-controlling interests capital and reserves	76	-
Result/Consolidated shareholders' equity	**279,153**	**21,433**

(in Euro thousands)	Shareholders' Equity 31.12.2021	Net result 2021
Financial Statements of the Parent Company Garofalo Health Care S.p.A.	**185,643**	**1,226**
Dividends from companies included in consolidation	(871)	(5,107)
Net contributions of the consolidated companies	74,716	23,721
Other consolidation adjustments	-	(1,219)
Valuation at equity method	964	213
Consolidated financial statements, Group share	**260,453**	**18,834**
Minority interest results	9	9
Non-controlling interests capital and reserves	253	-
Result/Consolidated shareholders' equity	**260,715**	**18,843**

5. SECTOR PERFORMANCE

Shown below are the main factors characterizing the marketplace in which we operate.

Highlights

The National Health System in Italy

Key Entities

- **The key entities of the National Health System ("NHS") are:**
  - Government and Ministry of Health: healthcare system planning and budgeting through a national plan
  - Regional governments: main entities responsible for managing the healthcare system at the local level
    - Key counterparts to private healthcare providers such as GHC
  - Local Health Authorities ("ASLs") and Hospital Authorities ("HAs"): oversee the delivery of healthcare services in their district

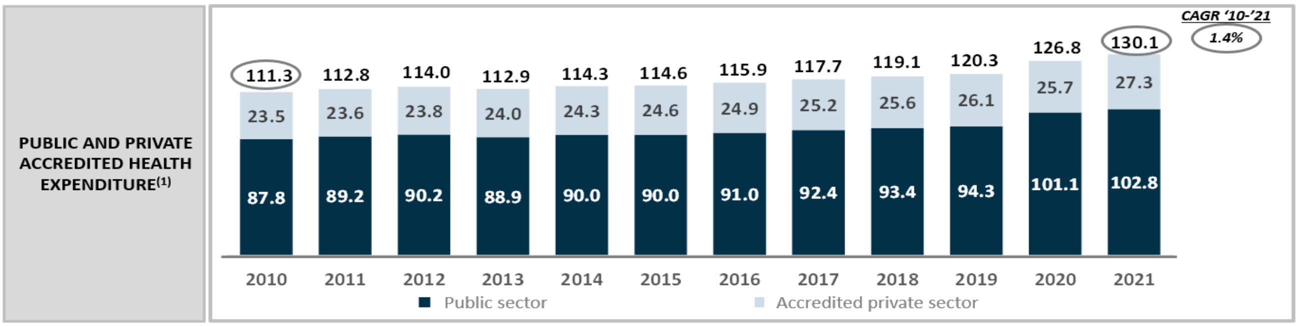
Essential Levels of Care

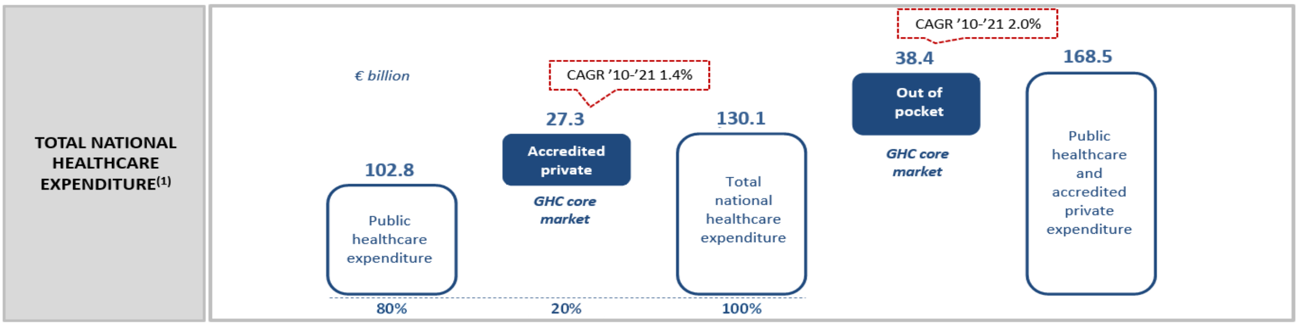
- **Essential Levels of Care ("LEAs") outline the health services that every Italian citizen is entitled to receive from the National Health System, either free of charge or on payment of a fee ("co-payment")**
  - Defined by the Ministry of Health
  - LEAs are apportioned between regional governments on a per capita basis, weighted by several criteria including age, gender, level of citizen care, mortality rate, and epidemiological spatial indicators
  - Regions independently organise the delivery of these services to citizens

Authorisation, Accreditation and Contractual Agreement

- **The National Health System operates through public, private, and accredited private providers**
- **All private entities must interact with regional governments and obtain:**
  - Authorisation: basic requirement for the development of healthcare facilities, granted by regional governments or municipalities
    - Defines the minimum structural, technological and organisational requirements
    - Granted to meet regionally defined healthcare needs
  - Accreditation: a pre-requisite granted by regional governments to licensed facilities in order to act on behalf of the National Health System
    - Subject to additional organisational requirements and compatibility of services offered with health care needs not covered
    - Periodic monitoring of the quality of the service provided
    - Renewable periodically
  - Contractual agreement: between regional governments or local health authorities and service providers, specifying:
    - Type of service to be provided, relative volumes, and fees charged

The following is a breakdown of Italian health-care spending, highlighting the markets in which the GHC Group operates, namely: (i) health-care spending by the National Health System by way of accredited private clinics; and (ii) "out-of-pocket" private-sector health-care spending. Of particular note, health-care spending in 2021 totalled Euro 168.5 billion, of which Euro 130,1 billion by Italy's National Health System.





(1) 2022 OASI Report on 2021 data

6. INVESTMENTS

6.1 Recurring investments

During 2022, the Group undertook investments in property, plant and equipment and intangible assets of a recurring nature. These were designed to support the production capacity of the Group's healthcare facilities and implement technological and the functional upgrades to medical devices and equipment that are essential in maintaining high quality standards in the services offered to patients.

6.2 Capex in long-term development and organisational restructuring

In 2022, the Group continued investments in capex of a non-recurring nature within the framework of long-term development and organisational restructuring, with expansion projects designed to increase production capacity and diversify the type of services offered. A short description of these investments follows.

Clinic	Main expansion investments		Highlights
Villa Fernanda and S. Marta (Fides Group)		***Villa Fernanda*** ***S. Marta*** ***concluded***	- Purchase of a property in Genoa, formerly used as an educational institution, to which the activity previously carried out at the Santa Marta facility was transferred in 2020. - The new Santa Marta facility, intended for care activities with a focus on private patients, after receiving the RSA authorisation to operate, registered its first admissions in Dec' 22.
Eramo di Miazzina		***Expansion of Istituto Raffaele Garofalo*** ***in progress***	- Acquisition of a building of around 4,000m2 opposite Istituto Raffaele Garofalo, designed to improve hospital rehabilitation services, in addition to expanding and diversifying accredited specialist outpatient services which are today carried out at the IRG. - At the end of 2022, the main works were completed.
Hesperia Hospital Modena		***Expansion and organisational restructuring of existing clinic*** ***in progress***	- Increased production capacity with the reoganisation of the operating block and the creation, *inter alia*, of a new operating room and a new day-surgery room, as well as the construction of a new area to be used for centralised acceptance for outpatient specialty care. - Activities are currently underway.
Domus Nova		***Upgrading Domus Nova and San Francesco*** ***in progress***	- Domus Nova: new reception area with reception desk, new elevator, pre-operative area. - San Francesco: new reception area, outpatient area on the ground floor, endoscopy department, interventions for CPI regulatory adaptations. - Activities are currently underway.

7. COVID-19 OVERVIEW

The contents of the disclosure below take due account of the indications provided by Consob in the attention call No. 1 of February 16, 2021, concerning "COVID 19 - attention call on financial reporting" as well as the recommendations provided by ESMA in the public statement "Implications of the COVID-19 outbreak on the half-yearly financial Reports" of May 20, 2020.

In 2022, in view of the continued partial difficulties related to COVID-19, it is noted that all GHC Group clinics continued to provide support to the public healthcare system, managing at the same time not to compromise its operations. The following table presents the main activities in support of the public system:

Region	Clinic	Main activities carried out to support the public system
Emilia-Romagna	Hesperia Hospital	▪ Local healthcare authority weekly operating room sessions made available in Q1 to the Policlinico and Modena for oncological senology procedures and for orthopaedic procedures. These agreements ended when the state of emergency concluded on March 31, 2022.
	Ospedali Privati Riuniti	▪ Ward made available for COVID patients (closed in August), in addition to operating room sessions (until March) to allow the Istituto Ortopedico Rizzoli to carry out orthopaedic surgery at its clinic in Villa Regina.
Tuscany	Rugani Hospital	▪ Wards opened in first three months dedicated to COVID patients emerging from the acute phase but still testing positive for the virus (10 beds), then closed in April

The GHC Group 2022 consolidated results, although still partly impacted by the activities in support of the Public system, indicate a significant increase both in terms of revenues and Operating EBITDA on the previous year.

With reference to the 2022 income statement, COVID-19 resulted at consolidated level in one-off costs ("additional COVID costs") for Personnel Protective Equipment ("PPE"), swabs / tests, the preparation and management of triage areas and the dedicated distancing pathways, only in part reimbursed by the local health authorities.

As regards the Balance Sheet, COVID-19 resulted at consolidated level in the recognition in 2020 and 2021 to GHC clinics as a result of the COVID-19 emergency by the main Regions in which the Group operates of a monthly advance of between 80% and 100%, according to each individual case, of the agreed regional and extra-regional production for 2019 or that of the budget agreement. At December 31, 2022, these advances were unchanged on December 31, 2021 at approx. Euro 10.5 million. There were no delays in collections due to COVID-19.

8. GHC GROUP ORGANISATIONAL MODEL AND REGULATORY SYSTEM

GHC Group organisational model

The organisational model adopted by the Group involves centralising at the Parent Company, which exercises management and co-ordination over the subsidiaries pursuant to Article 2497 of the Civil Code, the decision-making process regarding, *inter alia*, the pursuit of the strategic objectives, although ensuring full decision-making autonomy for the subsidiaries in implementing the Parent Company-defined strategy.
In particular, the parent company:
- identifies the strategic development guidelines to be pursued, sets and monitors goals for the various healthcare facilities;
- identifies the potential healthcare facilities to be acquired, managing M&A activities and the post-acquisition integration plan to achieve the potential synergies;
- manages certain specific activities for the Group, so as to rapidly achieve possible synergies in terms of the efficacy and efficiency of the business.

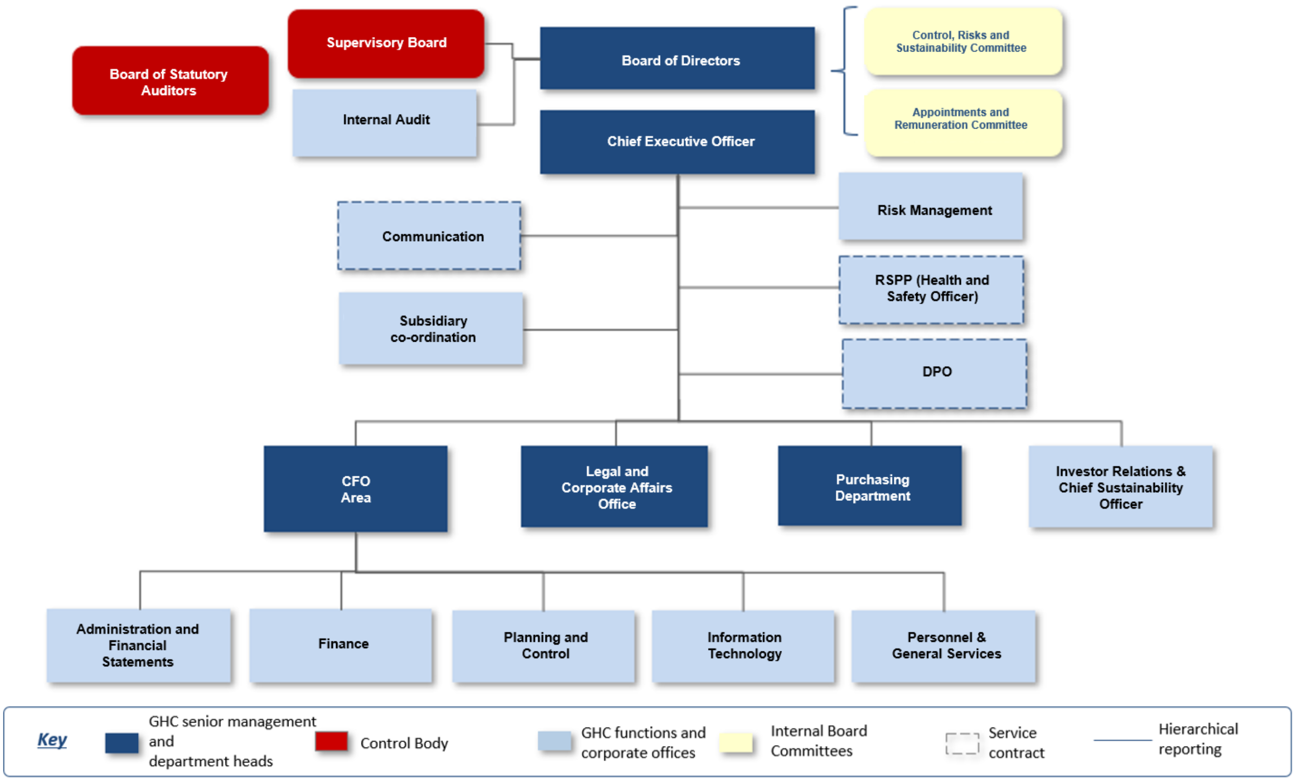
Likewise, each subsidiary:
- independently manages its own healthcare and dependency care services;
- formulates and implements its own budget/business plan;
- periodically defines its financial needs.

Organisational model of the Parent Company

The organisational model of the Parent Company, updated in 2022, requires the following Departments / Functions and Teams to directly report to the Chief Executive Officer of the Company:

- CFO Management Area: (i) manages the administration, finance, planning and control activities so as to ensure the use of Group economic and financial resources in line with the business plan; (ii) ensures the design, implementation and operation of the services, networks and IT applications that support and/or automate the company's production processes and uses the capacity for technological innovation as a lever of competitive advantage; (iii) ensures the management and development of human resources, all related processes and the management of the company's general services;
- Purchasing Department: handles the procurement of goods and services to support the operations of the Company, contributing to Group purchasing policies in line with corporate strategies;
- Legal and Corporate Affairs: handles the management of legal and corporate affairs, so as to guarantee the protection of the Company's interests in all appropriate forums and ensure the management of corporate obligations, as provided for also by the implementing regulations of the Authorities in charge of market control;
- Communication: ensures the coordination of the Company's external relations and institutional communication in the media, ensuring the consistency of information in view of the policies agreed with the Chief Executive Officer, and ensures the communication of information regarding GHC and each subsidiary, with the exception of regulated information;
- Risk Management: ensures the coordination at Group level of activities relating to the introduction and management of the Enterprise Risk Management process, developing and promoting the development of a risk culture and a common language on risk within the organisation in line with the Guidelines on the Internal Control and Risk Management System issued by the parent company;
- Investor Relations & Chief Sustainability Officer: (i) supports the Chief Executive Officer in managing relations with investors, lenders and other counterparties, ensuring official communication with Borsa Italiana and the market; (ii) promotes and ensures Corporate Sustainability activities in order to foster a Group sustainability culture.

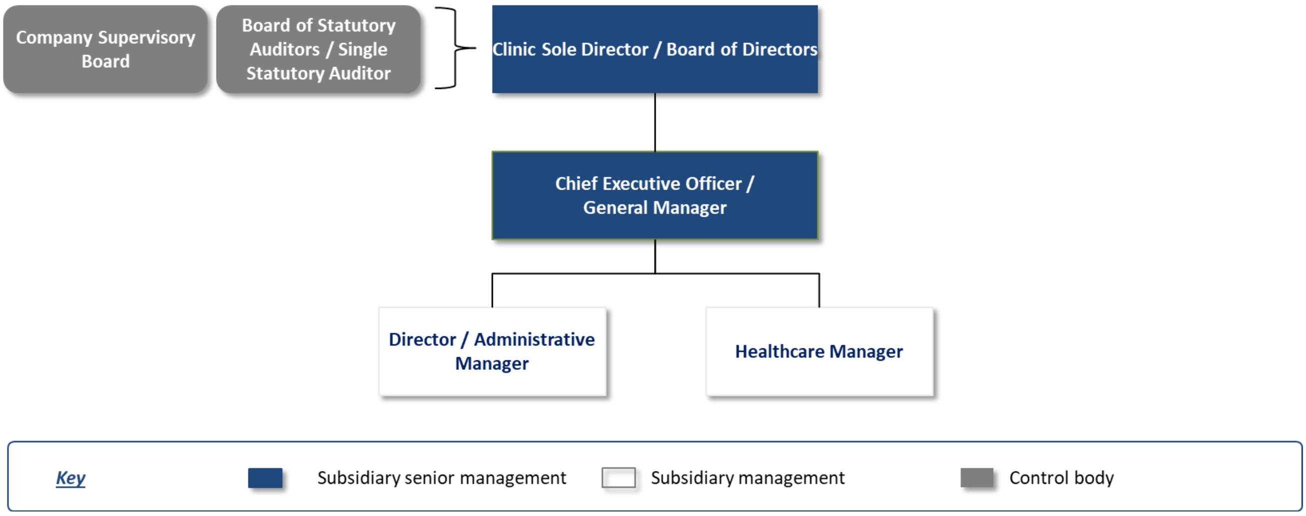
The organisational model also provides that, based on the indications provided by the Corporate Governance Code, the Internal Audit Function, which co-ordinates activities at Group level, reports directly to the Board of Directors of GHC S.p.A. in order to guarantee its autonomy and independence.



Organisational model of the subsidiaries

The organisational model of the subsidiaries establishes that each structure has a:

- **Chief Executive Officer / General Manager**: reports directly to the administrative body of the individual Group company or to the Sole Director;
- **Administrative Manager** who has the task of overseeing in particular administrative-accounting and financial matters and, more generally, supports the structure for "staff" matters;
- **Healthcare Manager**, responsible, *inter alia*, for the technical-functional organisation and good functioning of the sanitary-health services and the respect of the rules of protection of the operators against the risks deriving from the specific activity.



We also note that all subsidiaries are subject to mandatory or voluntary audits and have formal controls for aspects relating to risk management, the application of Law No. 262/2005 and the processing and reporting of non-financial data.

In 2018, the Board of Directors set up the Committee of Chief Executive Officers and General Managers of the subsidiaries, with coordination functions between the subsidiaries and the relevant corporate and healthcare structures and at which the Chief Executive Officer and top management of the Company may attend on invitation. This Committee, chaired on a rotating basis by one of its members, oversees the implementation of process best practices at Group level and monitors the development of the marketplace.

Group Regulation

The Group Regulation ("**Regulation**"), approved by GHC's Board of Directors in 2020, identifies the areas and defines the procedures for the exercise of management and coordination by the Parent Company with respect to its subsidiaries, in accordance with the strategic objectives, development policies and management guidelines set by the Parent Company.

In fact, in the light of the above-mentioned organisational model, the management and coordination of the Parent Company is carried out in the following manners:

- definition of policy and coordination acts for the pursuit of Group interests, as well as the development of all the constituent companies;
- prior authorisation for subsidiaries to carry out "Significant Transactions" (as defined in the Regulation);
- definition of the Group's regulatory system, information flows and other connection processes to ensure effective coordination between Group companies;
- definition of a single address of the ICRMS.

In view of the management and coordination carried out by the Parent Company, each subsidiary is required to:

- adopt and implement the policies, directives and instructions issued by the Parent Company;
- request prior authorisation from the Parent Company to carry out "Significant Transactions";
- implement and comply with the Group's regulatory system, as well as to promote the flow of information and other connection processes with the Parent Company and the other subsidiaries;
- promote the internal controls for which it is responsible in the context of the general policy of the ICRMS set by the Parent Company, ensuring that all the functions and bodies responsible for control (both of the Parent Company and of the subsidiaries) are not hindered in the exercise of their functions and that they establish strong collaborative relations with each other, without prejudice, in any event, to the responsibility of the relevant subsidiary.

Therefore, the purpose of the Regulation is to indicate:
- the strategic or operational areas in which the acts of management and coordination are carried out;
- "Significant Transactions" which must be submitted for prior authorisation by the Board of Directors or the Chief Executive Officer of the Parent Company;
- the instruments through which management and coordination is applied, namely the Group's regulatory system, information flows (as defined below), and other connecting processes, such as inter-company committees;
- the corporate processes subject to management and coordination by the Parent Company, broken down by main issues, and the responsibilities of both the Parent Company and the subsidiaries for each area.

Group regulatory system

With reference to the organisational model set out above, the Parent Company defines the Group's regulatory system by identifying specific regulatory and operational instruments (such as, by way of example, procedures, policies, guidelines, directives and recommendations) concerning the concrete methods with which management and coordination is carried out. In this regard, it should be noted that the Parent Company already in 2018 issued a specific company procedure ("Management of the corporate regulatory system" or "Procedure 0"), which seeks to define the rules for the management of the corporate regulatory system, i.e. the set of rules to be followed for the management of the Company's processes.

These instruments, defined as "top-down", are issued by the Parent Company and must be implemented by the Boards of the Subsidiaries or their delegated bodies (on the basis of any indications received from the Parent Company).

As part of the Group's overall regulatory system, in addition to adopting and applying these regulatory instruments, each subsidiary identifies and issues specific regulatory and operational instruments (such as, by way of example, procedures), in compliance with the Group's regulatory system, in order to comply with any requests or indications from the Parent Company, for which the latter may provide a reference model, or internal needs, deriving, for example, from the management of its own Quality System or other certifications or reference regulations.

9. RISK MANAGEMENT AND MAIN RISKS AND UNCERTAINTIES TO WHICH GAROFALO HEALTH CARE S.P.A. AND THE GROUP ARE EXPOSED

Internal Control and Risk Management System

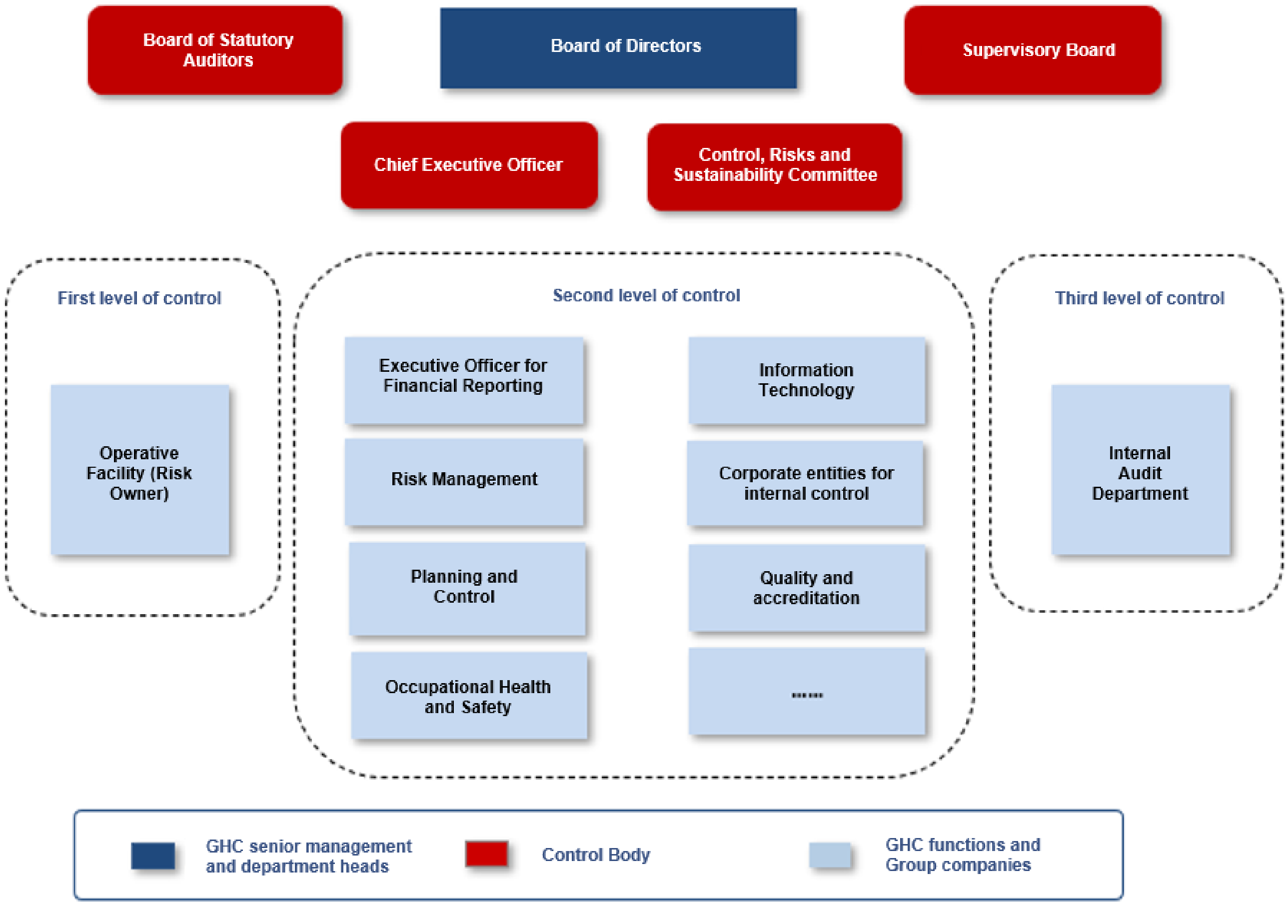
The Internal Control and Risk Management System ("**ICRMS**") plays a central role in GHC's decision-making process and is defined, in accordance with the principles set out in Article 6 of the new "Corporate Governance Code" adopted by the Corporate Governance Committee in January 2020, as the set of rules, procedures and organisational structures which ensure the effective and efficient identification, measurement, management and monitoring of the main business risks within the Group, in order to contribute to its sustainable success.

In this context, the Board of Directors of GHC, which bears responsibility for the ICRMS, within its role of management and coordination of the GHC Group, has prepared the "Guidelines for the Internal Control and Risk Management System" ("**Guidelines**"), updated to the new Corporate Governance Code, in force from January 1, 2021, in order to ensure that the organisation's principal risks are properly identified, measured, managed and monitored, in line with the Group's strategic objectives.

The main elements of the ICRMS defined for the GHC Group are:

- the presence of a Chief Executive Officer (the CEO of GHC) who is responsible for establishing and maintaining the ICRMS;
- the presence of organisational structures in charge of carrying out and assessing risk management activities (Control, Risks and Sustainability Committee, Risk Management Function and Internal Audit Function);
- the presence of an Internal Audit Function delegated by the Board of Directors to provide independent assurance on the efficiency and effectiveness of the ICRMS;
- the setting up of a risk management system in relation to the financial reporting process introduced in compliance with the provisions of Article 154-*bis* of the Consolidated Finance Act;
- the establishment of a Group regulatory system involving specific communication and awareness programmes (Code of Ethics to promote and maintain an adequate level of correctness, transparency and ethics in the conduct of Group activities, Organisation and Management Model pursuant to Legislative Decree No. 231/2001).

The main parties involved in the GHC Group's Internal Control and Risk Management System are presented below.



It is important to underline that, in order to ensure the effectiveness of the ICRMS, verification and control activities are provided for on three levels for parties who have been assigned specific roles and responsibilities:

- First level: line controls (procedural, IT, behavioural, administrative-accounting, etc.), i.e. checks carried out by operational structures in order to identify and mitigate risks relating to the areas for which they are responsible;
- Second level: controls carried out by the corporate Functions with specialist supervisory responsibility for managing the Group's risks (Risk Management, Quality and Accreditation, Legal, Compliance, Occupational Health and Safety and Environment, Administration and Control, etc.);
- Third level: controls carried out by the Internal Audit Function, responsible for providing independent assurance through a risk-based approach to first and second level controls, in addition to the overall architecture and functioning of the ICRMS, to identify anomalous trends and violations of procedures and regulations applicable to the organisation.

Throughout 2022, the Chief Executive Officer in charge of the ICRMS, the assigned control functions, and the internal audit function reported periodically to the Board of Directors on relevant events and audits conducted in accordance with the activity plan, with specific reference to the activities conducted by subsidiaries in the area of compliance with the most important applicable regulations.

Group information flows

The GHC Group Information Flow Guidelines ("**Information Flows**"), also approved in 2020 by the GHC Board of Directors and updated in January 2023 to reflect organisational changes, were developed with the dual purpose of:

- representing information flows related to the application of the ICRMS Guidelines;
- identifying and representing the main information flows within the Group in application of the Regulation.

With reference to both cases, the Information Flows identify: (i) the responsibilities of the parties involved in these flows; (ii) the main and secondary recipients, (iii) the frequency and timing necessary to allow the Parent Company to fully exercise its management and coordination and monitor the adequacy and effectiveness of the Group's ICRMS.

During 2022, the guidelines were applied to both information flows governed by the ICRMS Guidelines (see preceding point) and information flows between the Holding and its subsidiaries governed by Group Regulations and corporate procedures.

Enterprise Risk Management

Risk Management activities are considered fundamental by GHC to strengthen the Group's ability to create value for shareholders and stakeholders and to ensure the sustainability of the business over the medium/long term. The single integrated Enterprise Risk Management Model was put into effect in 2022 by revising assessment criteria, expanding the breadth of processes and Group healthcare facilities involved, and adopting Key Risk Indicators designed to empirically validate ERM assessments gathered by Risk Owners. In line with the approved ERM model, the GHC Group's risk management is based on an integrated process of mapping, analysis, processing and monitoring of organisational risks, providing top management with the information necessary to make, in an informed manner, the best decisions for the achievement of the strategic objectives and for the growth and creation of value for the Group, in addition to its protection. The key roles and responsibilities identified by the GHC Group in managing these issues are presented below.

AREA	ACTOR	Main roles and responsibilities
ADDRESS	Board of Directors	▪ Defines the guidelines of the Internal Control and Risk Management System ▪ Oversees the proper functioning, comprehensiveness and effectiveness of the ERM model ▪ Approves ERM Guidelines and the Risk Appetite Statement
	Control, Risks and Sustainability Committee	▪ Oversees correct and effective application of the ERM methodology across the Group ▪ Prepares and proposes risk management assessments to support Board of Director decisions
IMPLEMENTATION	Director Proxy holder	▪ Applies the guidelines defined by the Board of Directors ▪ Validates the ERM Guidelines and proposes the Risk Appetite Statement, with the support of the competent Departments ▪ Validates the results of the Group Risk Assessment
	Group Net Result	▪ Develops the methodological approach and components of the ERM model ▪ Coordinates and supervises Risk Assessment activities at both the holding and healthcare facilities
	Risk Coordinator clinics(*)	▪ Coordinates Risk Assessment activities at the reference clinic, ensuring application of ERM methodology ▪ Interfaces for the Group Risk Manager on all Risk Management issues ▪ Ensures adequate information and reporting flows to the Group Risk Manager as part of the process
	Risk Owners	▪ Identify and assess risks at the holding and healthcare facilities ▪ Define and implement the risk mitigation actions defined within the Action Plans
SUPERVISION	Board of Statutory Auditors	▪ Responsible for overseeing the adequacy of the ERM model
	Internal Audit	▪ **Monitors the effectiveness and efficiency of the model** ▪ **Contributes to the identification of risk areas**

(*) The figure of the Risk Coordinator is identifiable, depending on the health facilities, in the figures of CEO, GM or Quality/Clinical Risk Manager and is supported by Administrative Directors and/or Healthcare Managers.

The ERM 2022 findings were submitted to the Board of Directors and relevant Board committees, noting improvement potential within Information Technology and clinical risk management.

Risk management in relation to financial reporting

The process to prepare the Group's financial disclosure, in view of GHC's status as a listed company, is covered by a particularly structured process set out in a specific Company Procedure ("Closure of Accounts"), which governs activities relating to the preparation of the statutory financial statements and the consolidated annual, half-year and quarterly financial statements, drawn up in accordance with IAS/IFRS. In particular, within the scope of the above-mentioned Procedure, it should be underlined that the Company has identified a "Focal Point" for each subsidiary (financial reporting manager) who, based on the guidelines set by the Parent Company, is responsible for carrying out the operational activities related to the compliance with Law No. 262/2005 and is responsible, together with the Chief Executive Officer/General Manager, for the sub-certification of the financial information related to the individual Company

It should also be noted that, within the buy-and-build strategy that points to M&A as one of the main drivers of short-term and medium-term growth since going public, GHC has developed a standard process that allows for the quick harmonisation of the target within the Group, especially with regard to aspects relating to financial reporting. This process is based on the transfer to the Target of the set of Group specific Regulations, Procedures and applications, which ensure its full consolidation within the scope in compliance with the strict deadlines provided for by the regulations for companies listed on regulated markets. This integration process, coordinated by the Parent Company, allows GHC to consolidate the Target within the first 60 days of its acquisition, ensuring execution capability and effective risk mitigation.

Finally, also for the purpose of ensuring strict compliance with the certification requirements set out in Law 262/2005, the GHC Group decided to adopt an approach consistent with the methodologies currently in use in the area of analysis and monitoring of the ICFR ("Internal Control over Financial Reporting") and in line with the structure and nature of the Group.

Risks associated with the liability of the Group's healthcare facilities for injuries caused to patients by physicians in the practice of their profession at the healthcare facilities

The Group is exposed to the risks associated with civil liability under the law for any injuries caused to patients hospitalized or receiving care in its healthcare facilities as a result of negligence and/or wilful misconduct in the provision of hospital and/or local residential and outpatient care by physicians and other healthcare professional malpractice, or financial risks as a result of incomplete insurance cover for potential claims. In order to mitigate these risks, the GHC Group adopts actions to reinforce patient safety through the use, on the one hand, of ad hoc procedures and practices, consistent with the main guidelines and best practices at national/international level, also introducing training and information channels to raise awareness among operators in the area of management and reporting of adverse events/near misses and serious events, on the other hand, through composite risk coverage, pursuant to Law No. 24 of March 8, 2017 (the "Gelli-Bianco Law"), through insurance (Domus Nova, Ospedali Privati Riuniti, Poliambulatorio Dalla Rosa Prati, X-Ray One, Clinica San Francesco, Casa di Cura Prof. Nobili, Villa Von Siebenthal) and/or self-insurance (the remaining Facilities, setting aside an amount consistent with the volume and type of claims for which the risk of loss is estimated as probable on the basis of the opinion of external lawyers and internal analyses). On this point, moreover, the Group constantly monitors regulatory updates (e.g. any decrees implementing the "Gelli-Bianco Law") that could entail possible additional compliance requirements, as well as adjustments to certain ceilings of insurance policies.

Interest rate risk

The Group's interest rate risk derives from medium- and long-term debt at variable rates. The Group in fact currently has a loan agreement in place whose variable component is the 6M Euribor rate. In order to estimate the potential operating-financial impact associated with a change in the rate, a sensitivity analysis was carried out on the year under review, simulating the effect of a 1% increase and a 0.25% decrease in this parameter, taking into account contractual conditions that provide for a zero floor.

Sensitivity Analysis	2022
Average Annual Debt*	133,310
6M weighted average Euribor rate	-0.199%
Average effective rate with floor	0.108%
Sensitivity +1% annually	
6M weighted average Euribor rate	0.80%
Average effective rate with floor	0.80%
Change in effective rate	0.69%
Change Interest on mortgages*	**923**
Interest on mortgages*	3,133
Interest on mortgages with sensitivity +1%*	**4,056**
Sensitivity -0.25%	
6M weighted average Euribor rate	-0.45%
Effective rate with floor	0.00%
Change in effective rate	-0.11%
Change Interest on mortgages*	**(144)**
Interest on mortgages*	3,133
Interest on mortgages with sensitivity -0,25%*	**2,989**

* Euro thousands

Risks related to the conflict in Ukraine

In the recent framework of uncertainty generated by the conflict in Ukraine, the Group constantly monitors the possible risks, direct and indirect, arising from this crisis on its operating activities, mainly related to procurement and the relative costs. Considering that the Group has no direct operations in Russia, in terms of either sales or purchases, there are no direct risks for the Group. An analysis was carried out, in 2022, on the possible relationships, held in any capacity, with legal entities and/or individuals with registered office/residence in Russia. No findings are indicated in this regard. These risks are not currently significant, but the Group will continue to monitor developments over the coming months.

Cybersecurity Risks

The Group constantly monitors possible attacks on its information systems and the relative exposure to risk, also in terms of the theft of sensitive data of a "managerial" nature of the companies and of a "personal" nature of patients. In order to combat these risks, the Company has therefore begun to deploy structured actions to consolidate its control systems, through the adoption of mitigation actions set out in the Vulnerability assessment carried out by leading outside experts. A process is also underway to standardise and strength security equipment and software (Firewall UTM and Antivirus EPDR and antivirus Karspersky), including through the preparation of monitoring dashboards, through which the Group is able to assess the state of exposure to threats both on the perimeter network (Internet) and on the local network (PCs and Servers), and increase awareness of possible cyber threats. Finally, we are continuing work to migrate accounting systems to the ecosystem of GHC's data centre.

Risks relating to regulatory changes

The Group constantly monitors any updates in regulations, both health-related and non-health-related, that may result in a change in operating, economic and compliance conditions. Regulations are therefore analysed, including using expert third parties, assessing their possible effects also through sharing information with the Management of the Company.

In this regard, by Resolution of the Regional Council No. 1397/2022 of November 11, 2022, as published in the Official Regional Bulletin on December 16, 2022, the Region of Veneto, where the GHC Group has various participating facilities (such as Casa di Cura Villa Berica S.r.l., Casa di Cura Villa Garda S.r.l., Clinica San Francesco S.r.l., Centro Medico San Biagio S.r.l. e C.M.S.R. Veneto Medica S.r.l.), approved the criteria for determining the spending ceilings for 2022 and 2023 in relation to hospital and specialist outpatient care provided to non-residents of the Veneto region by accredited private hospitals and outpatient clinics.

In particular, this resolution calls for:

- using total revenues for 2019, net of co-payment for the outpatient portion, as reported in the health-care business's annual financial statements for 2019 as the parameter for assigning the spending ceiling in question;
- appointing the general managers of the LHSUs of the region to assign the spending ceiling, in a single amount, to each accredited private clinic for the provision of both in-patient services and specialist outpatient services and the spending ceiling to each outpatient clinic for the provision of specialist outpatient services;
- the services provided in excess of the spending ceiling to be recognized, by subsequent measure, within the limits actually granted and assigned to the Region of Veneto when approving the matrices of interregional mobility for the year concerned;
- the provisions of the aforementioned resolution to be effective from January 1, 2022, to December 31, 2023.

Based on the above, the scope of application of this resolution is not clearly apparent or identifiable; therefore, GHC S.p.A. has requested clarification with the help of the main industry associations by sending an official enquiry to the Region of Veneto. In the absence of such clarification, the five companies concerned have appealed the resolution, alleging it to be unlawful and contrary to established case law insofar as it has retroactive effect, with the goal of having it nullified, subject to the granting of the most appropriate preventative measures, including the suspension of efficacy retroactively as of January 1, 2022. Based on the opinion of legal counsel, the risk of losing this dispute is remote, as is, consequently, the risk of not having the receivable from the LHSU recognized for work done in 2022 in excess of the spending ceilings established by Resolution of the Regional Council 1397/2022.

Although we are confident of a positive outcome of the appeal filed for the nullification of Resolution of the Regional Council 1397/2022, a limit on revenues in 2023 for the provision of services to patients who are not residents of the Veneto region, precisely as a result of the spending thresholds set by the resolution as described in the general information provided in this report, cannot be excluded.

Risks associated with environmental issues and health and safety legislation

The Group's production activities are subject to environmental protection and occupational health and safety legislation. Workplace safety, health and hygiene are ensured through constant updates and performance of the mandatory legal inspections, in addition to the adoption of specific policies, management systems and procedures. The Group also relies on specific workplace health and safety consultants.

With regards to environmental risks, the main focus is the disposal of hazardous healthcare waste, particularly concerning the infection risk, in terms of which the Group companies take the necessary measures to ensure that they comply with laws and regulations applicable to the health sector.

At present, in light of the periodic risk assessment surveys that the Group is conducting, there are no "direct" risks related to climate change, continuing in any case with the analysis activities for the identification of possible critical issues and/or opportunities (e.g. in relation to the transition to renewable energy).

Risks associated with the protection of personal and sensitive data and the implementation of the GDPR

In conducting its activities, the Group engages in substantial and ongoing processing of personal and healthcare data and particularly data regarding patients and medical and paramedical personnel. Accordingly, the Group must comply with both Regulation (EC) No. 679/2016 on personal data protection ("GDPR") and Legislative Decree No. 196/2003 (the "Privacy Code"), in addition to the orders issued by Italy's Personal Data Protection Authority. Each Group company has introduced structures and internal procedures to implement their personal data processing operations in compliance with law and has appointed a Data Protection Officer ("DPO") who supervises compliance with GDPR and other European and Italian personal data protection rules.

Risks associated with the administrative liability of companies for criminal offences pursuant to Legs. Decree No. 231/2001

The Group companies are exposed to the risk of incurring penalties deriving from the potential offences pursuant to Legislative Decree No. 231/01 in the event that the Group's organisation and management model on "the administrative responsibility of legal persons and of companies and associations, including those without legal personality" is found to be inadequate.

In order to create a set of rules to prevent unlawful conduct deemed potentially relevant to the application of this legislation, GHC (i) adopted and constantly updates an organisation and management model as per Article 6, paragraph 1, letter a) of Legislative Decree No. 231/2001 (the "231 Model")[()], (ii) adopted the Group Ethics Code and (iii) appointed a Supervisory Board.

The Group companies with organisational autonomy have (i) adopted and updated their own 231 Model, consistent with the 231 Model approved by the Parent Company, (ii) adopted the Group Code of Ethics and (iii) set up their Supervisory Boards.

Credit Risk

This risk is managed by each Group company and the respective Directors and is periodically monitored by the Parent Company through financial and operating reports. The maximum exposure to the credit risk for the Group at December 31, 2022 is represented by the book value of the assets recorded in the consolidated accounts under trade receivables.

The Group considers this risk as moderate, in view of the fact that GHC's receivables almost entirely concern public sector counterparties (hospital authorities and/or healthcare authorities), for whom a particular risk of insolvency is not considered. In particular, in 2022, in view of COVID-19 related health emergency, the Group closely monitored the collection of its trade receivables and does not report reduced average collection times from its public sector counterparties.

Therefore, according to the information currently available, the Company does not consider additional specific risks to have arisen on the recoverability of receivables from these parties.

Liquidity risk

Liquidity risk is managed by the individual Group companies and the respective Directors and is periodically monitored by the Parent Company through financial and operating reports. In this manner, the Group aims to ensure adequate coverage of its financial needs, monitoring loans, credit lines granted and relative utilisations in order to ensure optimum management of the resources and any temporary excess liquidity. In addition, the Group seeks to maintain an optimal capital structure so as to gradually reduce its borrowing costs. In 2022, the Group closely monitored its financial situation and did not require significant liquidity or working capital support. Therefore, on the basis of the information currently available and also in view of the recent changes in the pandemic, the Company expects that the funds and credit lines currently available, in addition to those that will be generated from operating and financial activities, will permit the Group to satisfy its requirements deriving from investment activities, working capital management and the repayment of debt in accordance with their contractual maturities.

Key Risk Indicator

The measurement of our key risk indicators did not point to any specific critical issues, in confirmation of the output of our enterprise risk management process, specifically concerning the ongoing coverage of risks related to the broader scope of Human Capital (i.e. recruiting, retention, training and rules of conduct), the essential consistency over the years in the numbers regarding patient and employee safety, the linear trend in the Group's reputation and in vendor relations, and stability and the subsequent reduction in cyber-attacks after an initial peak reached in the middle of the year, all of which were identified and blocked.

10. SIGNIFICANT EVENTS AFTER THE YEAR END

There were no subsequent events to period-end.

11. OUTLOOK

The issue of healthcare nationally features secular demographic trends (such as an aging population and a higher incidence of chronic diseases than the European average), factors that are sharply increasing care needs, a situation which has been severely compounded by accumulated delays in the provision of services due to the pandemic.

In this context, the Group will continue to operate in 2023 by fully executing accredited activities, including the increased resources that may be allocated during the year for the reduction of waiting lists - as in previous years - and especially by strengthening and further developing activities for private "out-of-pocket" patients on the back of the growth already achieved in 2022.

It is also specified that the Group's expected results, when comparing with 2022, could benefit from the reduction in energy prices based on the sharply declining trend over the first two months of the year, although external uncertainties remain in this area.

Finally, in line with the Buy & Build strategy undertaken, the Group confirms also for 2023 its strategic focus on M&A driven growth, through acquisitions of excellent clinics with non-dilutive performances, also going forward.

Finally, the Group communicates the start of activities to concentrate its significant real estate assets, now held by the subsidiaries, in an already established dedicated vehicle (GHC Real Estate), wholly-owned by the parent company.

12. OTHER INFORMATION

Corporate governance and shareholders

The Company has adopted the corporate governance code approved in January 2020 by the Corporate Governance Committee (promoted by Borsa Italiana S.p.A., ABI, Ania, Assogestioni, Assonime and Confindustria) (the "**Corporate Governance Code**") and the corporate governance structure implemented by Garofalo Health Care S.p.A. has been designed in accordance with the recommendations set out in the Corporate Governance Code.

In accordance with Article 123-*bis* of the CFA, the Company is required to prepare a corporate governance and ownership structure report containing a general outline of the corporate governance system adopted by the Group and information on the ownership structure, including the adoption of the Corporate Governance Code, the main governance practices applied and the features of the risk management and internal control system with regards to the financial disclosure process.

This report was approved by the Board of Directors on March 16, 2023 and is available on the Company website www.garofalohealthcare.com, in the Governance/Shareholders' Meeting section. The Company is organised according to the traditional administration and control model, which includes the Shareholders' Meeting, the Board of Directors and the Board of Statutory Auditors.

The current Company By-Laws were approved by the Shareholders' Meeting in extraordinary session on September 26, 2018 and entered into effect on November 9, 2018, the trading commencement date of the Company shares on the Mercato Telematico Azionario (MTA) managed by Borsa Italiana S.p.A., and are available on the company website (www.garofalohealthcare.com, in the "Governance/Corporate Governance" section), in the updated version of January 26, 2021 following the share capital increase with exclusion of pre-emption rights in accordance with Article 2441, paragraph 4 of the Civil Code, approved by GHC's Board of Directors on January 20, 2021 and latterly on May 20, 2022 as the Board of Directors did not exercise the power granted by the Extraordinary Shareholders' Meeting of September 26, 2018 regarding the free increase of the share capital to service the Stock Grant plan. The By-Laws are the document that establishes the Company's essential characteristics and lays down the main rules for its organization and functioning, in addition to governing the composition, powers and relations of the Company's boards. The By-Laws also contain a description of the rights held by the shareholders and the manner in which those rights are exercised.

The main governing body is the Board of Directors, which bears primary responsibility for setting and pursuing the strategic objectives of the Company and the Group of which it is a part.

The Board of Directors of Garofalo Health Care S.p.A., which bears responsibility for the internal control and risk management system, in its role of guidance and coordination of the GHC Group, has prepared the "Guidelines for the Internal Control and Risk Management System" in order to ensure that the organization's principal risks are properly identified, measured, managed and monitored, in line with the Group's strategic objectives. The document laying down the Guidelines for the Internal Control and Risk Management System was approved by the Board of Directors on April 18, 2019 and subsequently amended on October 12, 2022.

In particular, the document sets out the relevant rules and principles, duties and responsibilities and methods of coordination of the main participants in the GHC Group's Internal Control and Risk Management System. The Internal Control and Risk Management System plays a central role in the decision-making process of Garofalo Health Care S.p.A. as a listed company, and is defined, in accordance with the principles set out in Article 6 of Borsa Italiana's Corporate Governance Code, as the set of rules, procedures and organisational structures which ensure the effective and efficient identification, measurement, management and monitoring of the main business risks, in order to contribute to the sustainable success of the Company.

Remuneration schemes based on financial instruments

Stock Grant Plan 2019 - 2021

On May 27, 2022, Garofalo Healthcare S.p.A. allocated the GHC S.p.A. shares to the beneficiaries of the "2019 - 2021 Stock-Grant Plan" (the "**Stock Grant Plan**"), reserved for directors and managers of the Company and/or Group companies occupying managerial positions deemed significant within the Group and exerting a material impact on the creation of value for the Company and its shareholders. With the allocation of the shares, the three-year Stock Grant Plan came to an end.

2021-2023 Performance Share Plan

On April 30, 2021, and on the proposal of the Board of Directors, the Shareholders' Meeting approved a new long-term incentive plan, the "2021-2023 Performance Share Plan" (the "**Performance Share Plan**"), reserved for the Chief Executive Officer and the General Manager of the Company, in addition to key personnel of the Company and/or of the Group, as identified at the sole discretion of the Board of Directors, in consideration of the Remuneration Policy and having heard - for members of the BoD - the opinion of the Appointments and Remuneration Committee.

The Performance Share Plan is divided into three three-year cycles: 2021-2023, 2022-2024 and 2023-2025.

The purposes of the Performance Share Plan are:

a) to promote the creation of sustainable value for the Company, shareholders and stakeholders, also in accordance with the indications of the Corporate Governance Code;
b) guide management towards decisions that pursue the creation of value for the Group over the medium to long term;
c) reinforce the policy of loyalty and engagement of staff members considered important to the Group;

d) attract, motivate and retain personnel with the appropriate individual and professional skills to pursue and achieve the core business development objectives of the Company and the Group.

The free assignment and subsequent delivery of the shares are conditional on the achievement of predetermined performance objectives for each of the three cycles into which the Performance Share Plan is divided.

For further details on the Performance Share Plan, please refer (i) to the Remuneration Report prepared pursuant to Article 123-ter of the Consolidated Finance Act and Article 84-quater of the Consob Issuers' Regulation, approved by the Board of Directors on March 16, 2023, (ii) to the "Disclosure Document regarding the incentive plan known as the "2021-2023 Performance Share Plan" prepared in accordance with Article 84-bis and Annex 3A, Schedule 7 Consob Issuers' Regulation, and (iii) the public disclosure pursuant to Article 84-bis, paragraph 5, of the Consob Issuers' Regulation, available on the Company's website www.garofalohealthcare.com,in the "Governance/Remuneration" section.

Loan Contract signed by GHC S.p.A.

On November 16, 2021, GHC S.p.A. signed a new loan, for a total amount of Euro 221 million, with UniCredit as Global Coordinator, Bookrunner, Mandated Lead Arranger and Facility Agent and Intesa Sanpaolo and Banco BPM as Mandated Lead Arrangers.

The loan comprises a Refinancing Line of Euro 140 million, which has allowed GHC to centralise in the Holding company the financial structure, and an Acquisition Line of Euro 81 million dedicated to potential new M&A's - supporting the Buy & Build strategy successfully pursued since IPO.

In particular, the Refinancing Line has allowed GHC S.p.A. to restructure and simplify the Group's funding by December 31, 2021, thanks to the granting of a single loan to the Holding company and the simultaneous settlement of all the loans of the subsidiaries. This line has a duration of 5 years and repayment in 2026 (with an amortising profile and a final instalment of 28%).

The Acquisition Line provides GHC with the necessary funding to pursue the best M&A opportunities in a timely, flexible and efficient manner. In this regard, this line was partially used for the first time in 2022 to finance a portion of the price paid for the acquisition of GVDR S.r.l., which was completed on December 6, 2022. The deadline for use of the Acquisition Line is set at the end of 2023, with a six-year duration and repayment in 2027, with an amortizing profile, a 2-year grace period and a final instalment of 30%.

The loan stipulates the two covenants shown in the table below to be calculated on December 31 of each calendar year, on the basis of the pro-forma consolidated financial statements, net of the effect resulting from the application of IFRS 16, starting from 31.12.2021.

Parameter	***Threshold value***					
	31.12.2021	***31.12.2022***	***31.12.2023***	***31.12.2024***	***31.12.2025***	***from 31.12.2026***
Leverage Ratio (Net financial debt /EBITDA)	≤4x	≤4x	≤4x	≤3.5x	≤3.25x	≤3x
Net Debt / NE	≤1.5x	≤1.5x	≤1.5x	≤1.5x	≤1.25x	≤1x

These financial parameters had been observed at the date of these Consolidated Financial Statements.

The loan agreement provides for conditions, commitments and contractual terms in line with bank lending market standards for loans of similar amount and duration, in addition to a limitation on GHC S.p.A.'s ability to distribute dividends, which may not exceed 60% of the profits reported in the latest approved financial statements.

Treasury shares and shares of holding companies

At December 31, 2022, the Company held 1,295,113 treasury shares[10].

At December 31, 2022, neither the Company nor the other Group companies held parent company shares, nor had made purchases or disposals during the year of these shares, even through trust companies or nominees.

Health, environment and personnel

The Company and the Group operate in accordance with the principles of protecting worker health and safety and safeguarding the environment. In 2022 there were no events affecting workplace health and safety nor damages to the environment. For further information on and analysis regarding the matter, reference should be made to the "Consolidated non-financial report" prepared regarding financial year 2022 and published on the company's website.

Related party transactions

Pursuant to Consob Resolution No. 17221 of March 12, 2010 as subsequently amended, it is reported that in 2022 the Group did not conclude any significant transactions or transactions with a significant effect on the Group's financial position or operating result for the year with related parties.

The information on transactions with related parties required by Consob Communication No. DEM/6064293 of July 28, 2006 is presented and disclosed in financial statements. For a more detailed account, refer to the notes on "Related party transactions" of the consolidated financial statements at December 31, 2022.

In accordance with Consob Resolution No. 17221 of March 12, 2010 and subsequent amendments, the Company adopted a related party transactions procedure by motion of the Board of Directors of November 27, 2018, as subsequently amended on June 22, 2021 (with entry into force on July 1, 2021), available, also pursuant to Article 2391-*bis* of the Civil Code, on the Company website www.garofalohealthcare.com in the Governance/Corporate Governance section.

The Company's Board of Directors bears primary responsibility for the proper application of the said procedure.

Research and development

The GHC Group clinics are particularly known for the quality of services provided, based on continual research and development and as highlighted by the following examples:

HIGHLIGHTS AT FACILITIES IN THE EMILIA-ROMAGNA REGION	
HESPERIA HOSPITAL	▪ Among the 10 most recommended in the world for reconstructive surgery and for endovascular treatment of deep vein disease. It is the national centre in Italy for the phlebology training in accordance with the European Union of Medical Specialists and is an international training centre for deep vein surgery. ▪ The facility is ranked among the top public and private clinics in the 2022 edition of National Outcomes Programme of the Italian National Agency for Regional Health Services (AGENAS). According to the National Outcomes Programme, which measures the efficacy, clinical and organizational appropriateness, fairness in access, and safety of care provided by more than 1,300 public and private hospitals, Hesperia Hospital is one of the few facilities in Italy to meet the standard of 200 coronary artery bypass surgeries per year and is 5th ranked hospital in Italy for lowest mortality rates for heart bypass within 30 days of surgery.

[10] The treasury share purchases made by the Group are reported through Press Releases published on the Company website

	▪ This facility is home to the Centre for Scoliosis and Spine Disorder, a key unit of SICV & GIS comprising a team of experts taking a multidisciplinary approach to spinal disorders, including degenerative disorders and deformities, in both children and adults. The facility is one of the most important of its kind in Italy, handling some 200 surgeries each year between degenerative spine disorders, including those that can be treated with minimally invasive surgery or microsurgery, and spinal deformities. Thanks to this multidisciplinary approach to spine disorders, the centre is able to apply advanced surgical techniques to high standards of care, while preventing complications and shortening patient hospital stays and recovery times.
POLIAMBULATORIO DALLA ROSA PRATI	▪ The new site is Cremona was opened in June and is to be home to a small operating theatre for outpatient surgery under local anaesthetic, a diagnostics unit for computerized bone densitometry, a new electromyography unit, and a sample-collection unit. ▪ An AI-equipped, high-field 1.5T MRI was acquired in December 2022. This MRI unit provides higher quality imaging and reduces scan times by 50%. The equipment takes advantage of a deep-learning algorithm known as "AIR Decon DL", which eliminates artifacts and noise to achieve images of excellent diagnostic quality, while drastically reducing the time it takes to carry out the exam.
AESCULAPIO	▪ The partnership with Hesperia Hospital in Modena in multidisciplinary diagnostic cardiology has been strengthened with the goal of giving patients a treatment path that is as complete and rapid as possible.
HIGHLIGHTS AT FACILITIES IN THE VENETO REGION	
VILLA BERICA	▪ A pilot project has been launched for clinical risk management in collaboration with Sham (a Relyens Group company), a European mutual medical liability insurance company, with the goal of supporting health-care providers and ensuring patient safety, while promoting the reduction of risk. Caresyntax is an advanced technology that combines hardware components (PCs, 60-inch medical video consoles with 4K technology, cameras) and software (three modules dedicated to risk management, training and coaching of the surgical team and sophisticated software to optimise the use of operating rooms) to support and improve surgical procedures.
VILLA GARDA	▪ Introduced a new physiotherapy protocol from the Department of Cardiovascular Rehabilitation, based on a precision medicine paradigm that delivers progressively personalised and "tailored" rehabilitation pathways and exercises. Not only has this strategy boosted the patient's likelihood of functional recovery, but it has also increased the satisfaction of cardiology, cardiac surgery, and internist experts who follow the treatment pathway.
CLINICA S. FRANCESCO	▪ The American publication Newsweek ranks this healthcare facility as the 40th best hospital in Italy (improving by 5 places from 2021) ▪ To make paths more accessible for patients and carers with visual impairments and/or dyslexia, the "inclusive indoor signage" refurbishment project has been launched ▪ Created the "I Don't Fall" patient safety initiative, which consists of a number of protocols and in-facility distribution of information booklets for older/vulnerable patients to prevent the risk of falling and to promote better pain management
HIGHLIGHTS AT FACILITIES IN THE TUSCANY REGION	
RUGANI HOSPITAL	▪ With anterior surgical access, one of the most sophisticated centres in Italy for hip replacement procedures, which allows for improved bone preservation and immediate patient recovery ▪ In February, the Tegea Group validated the healthcare facility as a qualified national centre for the treatment of benign prostatic hypertrophy with green light laser, validating the Urology Department's expertise ▪ Developed a computer-assisted navigation method for shoulder prosthetic surgeries, particularly suited for the most complex cases, which permits the performance of a

	"virtual prosthetic implant" on a preoperative CT scan. The operation is simulated until the surgeon is pleased with the outcome; only then is it transferred to the operating theatre with the assistance of a computerised instrumentation that directs the surgeon's hand. Hence, a shoulder prosthesis may be fitted with millimetre accuracy, resulting in superior clinical outcomes and fewer problems.
HIGHLIGHTS AT FACILITIES IN THE LIGURIA REGION	
FIDES GROUP	▪ Trade Union Representative Bodies opened in September in Villa Fernanda and Santa Marta ▪ The Villa Fernanda project was initiated in 2018 with the acquisition of a property previously used as a school. The building was renovated in 2020 with the goal of producing an excellent, friendly, and pleasant healthcare facility that is also equipped with cutting-edge security measures. The Villa Fernanda healthcare facility has 70 beds recognised by the Regional Health Service and provides care for frail elderly individuals who are completely dependent or have residual autonomy via a maintenance operating unit and a protected residential operating unit. The institution offers its clients daily medical treatment, nursing and socio-health care, physiotherapy, psychiatric care, and recreational activities. ▪ The objective of the Santa Marta initiative, on the other hand, was to build a totally private Health Care Home for the aged. This was made feasible by the commencement of a major restoration of the healthcare facility in 2020, which necessitated the relocation of patients to Villa Fernanda in line with special procedures and safety regulations designed to allow a swift and secure transfer while preserving the continuity of service. Today Santa Marta is a 41-bed maintenance healthcare facility that houses dependent elderly people. The entirely rebuilt premises offers the pinnacle of hotel luxury and modernism in an intimate, family-friendly setting. The rooms are furnished with every amenity and have unique safety features to ensure the guest's well-being. In light of this, a cutting-edge video surveillance system was also installed.
HIGHLIGHTS AT FACILITIES IN THE LOMBARDY REGION	
XRAY ONE	▪ Strengthened collaboration with the Aesculapio facilities, both of which are equipped with cutting-edge technology, hence promoting professional collaboration for the purpose of ensuring radiology diagnostic and outpatient speciality services. ▪ Installed a work station (connected via network to Hesperia Hospital in Modena) to transmit the results of specialised cardiology examinations (MRI, CT scan, Echocardio) directly to Hesperia heart surgeons for immediate, accurate, and comprehensive diagnosis, thereby reducing space-time distances to the patient's benefit. ▪ In May, the institution hosted its inaugural symposium at Poggio Ruscoon "Precision Medicine. New Challenges in Cardiology in Clinical Practice", at which renowned cardiologists from all around Italy highlighted the crucial role of precision medicine in the treatment of heart disease. The formation of the Heart Team was essential and original. It is an interdisciplinary team comprising a clinical cardiologist, an imaging expert cardiologist, a heart surgeon, a geriatrician or internist physician, and other dedicated figures (nurses, technicians) in order to select patients, particularly high-risk patients, who may benefit from non-surgical alternatives to conventional procedures. ▪ Home radiology service activated
HIGHLIGHTS AT FACILITIES IN THE LAZIO REGION	
VILLA VON SIEBENTHAL	▪ **Through Healthcare Manager Dr. Sergio De Filippis and a scientific board of professional clinicians, the institution backed the development of the short film "Do You See Me?" on the subject of adolescent depression. It premiered in July at Giffoni Next Generation, a Giffoni Innovation Hub review.**

Management and coordination activity

Garofalo Health Care S.p.A is not subject to direction and co-ordination by another entity. Garofalo Health Care S.p.A is responsible for direction and co-ordination of all its subsidiaries.

Opt-out from the obligation to publish disclosure documents on undertaking significant corporate transactions

On the admission to trading of shares on the main segment (Mercato Telematico Azionario) of the Italian Stock Exchange, in addition to the press release published on October 30, 2018, the company communicated the application of the simplified regime as per Article 70, paragraphs 8 and 71, paragraph 1-*bis*, of the Issuers' Regulation, applying therefore the exception from publication of the required disclosure documents as per Article 70, paragraphs 6 and 71, paragraph 1 of the Issuers' Regulation concerning significant merger, spin-off, share capital increase through conferment of assets in kind, acquisition, and sales operations.

Consolidated non-financial statement (Legislative Decree No. 254/2016)

The Group in accordance with Article 5, paragraph 3, letter b of Legislative Decree 254/2016 has drawn up the consolidated disclosure non-financial information as a separate report. The 2022 consolidated non-financial statement, drawn up as per the "GRI Standards" and subject to limited audit by Deloitte S.p.A., is available on the Company's website.

Secondary offices

Garofalo Health Care S.p.A. did not have any secondary offices at December 31, 2022.

Mr. Alessandro Maria Rinaldi

Legal representative

SEPARATE FINANCIAL STATEMENTS

at December 31, 2022

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Company registered office

Garofalo Health Care S.p.A.

Piazzale Belle Arti, 6 – Rome 00196

Parent Company legal details

Approved share capital: Euro 31,570,000 (*)

Subscribed and paid-in share capital Euro 31,570,000 (*)

Rome Company's Registration Office – Economic & Administrative Index No.: 947074

Tax Number: 06103021009

VAT Number: 03831150366

Website: http://www.garofalohealthcare.com

CORPORATE BOARDS

BOARD OF DIRECTORS

ALESSANDRO MARIA RINALDI	Chairperson
MARIA LAURA GAROFALO	Chief Executive Officer
ALESSANDRA RINALDI GAROFALO	Director
CLAUDIA GAROFALO	Director
GIUSEPPE GIANNASIO	Director
GUIDO DALLA ROSA PRATI	Director
JAVIER DE LA RICA ARANGUREN	Director
GIANCARLA BRANDA	Independent Director
FRANCA BRUSCO	Independent Director
NICOLETTA MINCATO	Independent Director
FEDERICO FERRO-LUZZI	Independent Director

CONTROL, RISKS AND SUSTAINABILITY COMMITTEE

FRANCA BRUSCO
FEDERICO FERRO LUZZI
NICOLETTA MINCATO

APPOINTMENTS AND REMUNERATION COMMITTEE

FEDERICO FERRO LUZZI
GIANCARLA BRANDA
FRANCA BRUSCO

BOARD OF STATUTORY AUDITORS

SONIA PERON	Chairperson
FRANCESCA DI DONATO	Statutory Auditor
ALESSANDRO MUSAIO	Statutory Auditor
ANDREA BONELLI	Alternate Auditor
MARCO SALVATORE	Alternate Auditor

INDEPENDENT AUDIT FIRM

EY S.P.A.

EXECUTIVE OFFICER FOR FINANCIAL REPORTING

LUIGI CELENTANO

SEPARATE FINANCIAL STATEMENTS

AT DECEMBER 31, 2022

Balance sheet at December 31, 2022 and December 31, 2021

	For the year ended December 31				
in Euro thousands		2022	of which related parties	2021	of which related parties
Other intangible assets	Note 2	166		50	
Property, plant and equipment	Note 3	6,568		5,075	
Equity investments	Note 4	198,364		197,505	
Other non-current financial assets	Note 5	136,741	136,730	129,996	129,996
Deferred tax assets	Note 6	198		205	
TOTAL NON-CURRENT ASSETS		342,036		332,831	
Trade receivables	Note 7	1,727	1,727	1,718	1,718
Tax receivables	Note 8	1,182		1,175	
Other receivables and current assets	Note 9	3,515	3,312	5,533	5,456
Other current financial assets	Note 10	18,249	18,244	14,505	14,505
Cash and cash equivalents	Note 11	4,122		2,616	
TOTAL CURRENT ASSETS		28,795		25,548	
TOTAL ASSETS		370,832		358,379	

		For the year ended December 31			
in Euro thousands		2022	of which related parties	2021	of which related parties
Share capital	Note 12	31,570		31,570	
Legal reserve	Note 12	532		471	
Other reserves	Note 12	151,177		152,376	
Net profit	Note 28	1,638		1,226	
TOTAL SHAREHOLDERS' EQUITY		184,917		185,643	
Employee benefits	Note 13	137		93	
Non-current financial payables	Note 14	112,055		117,620	1,645
Deferred tax liabilities	Note 6	1		53	
TOTAL NON-CURRENT LIABILITIES		112,194		117,767	
Trade payables	Note 15	706	22	393	2
Current financial payables	Note 16	67,379	45,584	52,150	30,465
Taxes payable	Note 17	1,597		1,186	
Other current liabilities	Note 18	4,039	2,731	1,240	19
TOTAL CURRENT LIABILITIES		73,721		54,969	
TOTAL LIABILITIES		185,915		172,736	
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		370,832		358,379	

2022 Separate Income Statement

		For the year ended December 31			
in Euro thousands		2022	of which related parties	2021	of which related parties
Revenues from services	Note 19	4,600	4,600	4,600	4,600
Other revenue	Note 19	41	41	58	58
TOTAL REVENUES		4,641		4,658	
Raw materials and consumables	Note 20	23		25	
Service costs	Note 21	4,928	587	5,329	1,044
Personnel costs	Note 22	2,687		2,178	
Other operating costs	Note 23	813		862	
Increase in internal work capitalised		-		-	
TOTAL OPERATING COSTS		8,451		8,395	
TOTAL EBITDA		(3,810)		(3,737)	
Depreciation and amortisation	Note 24	424		350	
Impairments and other provisions		-		-	
TOTAL AMORTISATION, DEPRECIATION, WRITE-DOWNS, PROVISIONS AND		424		350	
EBIT		(4,234)		(4,087)	
Financial income	Note 25	8,453	8,453	4,890	4,890
Financial charges	Note 26	(4,115)	(547)	(1,230)	(353)
Results of investments at equity		-		-	
TOTAL FINANCIAL INCOME AND CHARGES		4,337		3,660	
PROFIT/(LOSS) BEFORE TAXES		103		(427)	
Income taxes	Note 27	1,534		1,653	
PROFIT FOR THE YEAR	Note 28	1,638		1,226	

2022 Comprehensive Separate Income Statement

(Euro thousands)	*At December 31*	*At December 31*
	2022	2021
NET PROFIT/(LOSS) FOR THE YEAR	1,638	1,226
Other components of the comprehensive income that will not subsequently be reclassified in profit/(loss) for the year	-	-
Actuarial gains/(losses) on defined employee benefit plans	(11)	(7)
Tax effect	3	2
Total other components of comprehensive income that will not subsequently be reclassified in profit/(loss) for the year net of income taxes	(8)	(5)
Profit/(loss) recognised to equity	-	-
Total comprehensive income for the year	1,630	1,221

Statement of changes in separate shareholders' equity at December 31, 2022 and December 31, 2021

(Euro thousands)	Share capital	Legal reserve	Other reserves	Net profit	Shareholders' Equity
January 1, 2021	**28,700**	**394**	**115,604**	**1,546**	**146,241**
Allocation of result	-	77	1,469	(1,546)	**-**
Treasury share purchases	-	-	(3,150)		**(3,150)**
Share capital increase	2,870		38,950		**41,820**
Stock Grant reserve	-	-	128	-	**128**
Performance Shares Reserve	-	-	294	-	**294**
ABB Reserve 2021	-	-	(883)	-	**(883)**
Use of Reserve as per Article 40	-	-	(27)	-	**(27)**
Comprehensive profit/(loss)	-	-	(7)	1,226	**1,221**
December 31, 2021	**31,570**	**471**	**152,376**	**1,226**	**185,643**
Allocation of result	-	61	1,164	(1,226)	-
Treasury share purchases	-	-	(2,979)	-	**(2,979)**
Stock Grant reserve	-	-	28	-	**28**
Performance Shares Reserve	-	-	606	-	**606**
Use of Reserve as per Article 40	-	-	(10)	-	**(10)**
Comprehensive profit/(loss)	-	-	(8)	1,638	**1,630**
December 31, 2022	**31,570**	**532**	**151,177**	**1,638**	**184,917**

Separate Cash Flows Statement for the year ended December 31, 2022

In Euro thousands	Dec 31	
	2022	2021
OPERATING ACTIVITIES		
Profit/(loss) for the year	**1,638**	**1,226**
Adjustments for:		
- Amortisation and depreciation	424	350
- Provisions for employee benefit liabilities	35	30
- Change in other non-current assets and liabilities	-	-
- Net change in deferred tax assets and liabilities	(45)	(124)
- Payments for employee benefits	0	(10)
- Other non-cash adjustments	545	420
Changes in operating assets and liabilities:		
(Increase) decrease in trade and other receivables	(9)	(37)
Increase (decrease) in trade and other payables	313	(228)
Other current assets and liabilities	4,831	(1,060)
NET CASH FLOW FROM OPERATING ACTIVITIES (A)	**7,731**	**147**
Investments in intangible assets	(145)	(1)
Investments in tangible assets	(185)	(35)
(Investments)/disposals in financial assets	(769)	(33,791)
Other investing activities	-	-
CASH FLOW ABSORBED BY INVESTING ACTIVITIES (B)	**(1,099)**	**(33,827)**
Issue/(repayments) medium/long term loans	(5,015)	104,087
Issue/(repayment) of short-term loans	78	18,450
Movement in other current and non-current financial receivables/payables	2,800	(124,983)
Change Net Equity	0	40,937
Use of Reserve as per Article 40	(10)	(27)
(Acquisition) treasury shares	(2,979)	(3,150)
NET CASH FLOW GENERATED/(ABSORBED) FROM FINANCING ACTIVITIES (C)	**(5,126)**	**35,313**
TOTAL CASH FLOWS (D=A+B+C)	**1,506**	**1,633**
CASH & CASH EQUIVALENTS AT BEGINNING OF YEAR (E)	**2,616**	**983**
CASH & CASH EQUIVALENTS AT END OF YEAR (F=D+E)	**4,122**	**2,616**
Other information		
Interest paid	2,299	551
Income taxes paid	1,182	817

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

AT DECEMBER 31, 2022

1.1 Company information

The publication of the separate financial statements of Garofalo Health Care S.p.A. (hereafter also “GHC”) for the period ended December 31, 2022 was approved by the Board of Directors on March 16, 2023.

1.2 General Principles

The separate financial statements of the GHC Group for the year ended December 31, 2022 (the “Separate Financial Statements”) have been prepared in compliance with IFRS international accounting standards, supplemented by the related interpretations of the International Financial Reporting Standards Interpretations Committee (IFRS IC), previously called the Standing Interpretations Committee (SIC), as well as the provisions issued in implementation of Article 9 of Legislative Decree no. 38/2005. The IFRSs applied are those in effect at the reporting date.

The transition date to IAS/IFRS defined in the end of 2018 financial statements was January 1, 2015. In order to establish the value of assets and liabilities on the transition of the separate financial statements, the company, as per IFRS 1, decided to use the same transition date as the consolidated financial statements.

The Separate Financial Statements are presented in thousands of Euro and all the amounts are rounded to the nearest thousand, unless otherwise specified.

The financial statements have been prepared on an historical cost basis, except for financial receivables (financial assets) and financial liabilities, which are recognised at fair value. The Separate Financial Statements, in the absence of uncertainties or doubts about the ability of the Company to continue business in a foreseeable future, have been prepared on the basis of business continuity. Based on the aforementioned principle, the Company was considered able to continue its business and therefore the assets and liabilities were accounted for on the assumption that the company will be able to carry out its activities and meet its liabilities during the normal course of business activity.

1.3 Financial Statements

The Separate Financial Statements of the Company consist of the Balance Sheet, Income Statement, Statement of Comprehensive Income, Statement of Changes in Shareholders’ Equity, Cash Flow Statement and Notes. The financial statements have been prepared on an historical cost basis, except for financial receivables (financial assets) and financial liabilities, which are recognised at fair value. The Balance Sheet has been classified on the basis of the operating cycle, with the distinction between current/non-current items. Based on this distinction, assets and liabilities are considered current if they are to be realized or settled in the normal operating cycle. The revenue and cost items recorded during the year are presented in two tables: an income statement, which reflects the analysis of the aggregate costs by nature, and a comprehensive income statement. Lastly, the cash flow statement was prepared using the indirect method for determining the cash flows deriving from operating activities. With this method, the profit of the year is adjusted for the effects of the transactions of a non-cash nature, any deferrals or accruals of past or future operating cash receipts or payments, and items of income or expense associated with investing or financing cash flows.

1.3.1 Summary of the main accounting standards

a) Other intangible assets

Intangible assets acquired separately are initially recognized at cost, while those acquired through business combinations are recognized at fair value on the acquisition date. Intangible assets internally generated, with the exception of development costs, are not capitalized and are recorded in the income statement of the financial year in which they were incurred.

Intangible assets with a finite useful life are subsequently amortized over their useful life and tested for impairment whenever there is evidence of a loss of value. The amortization period and the amortization method of an intangible asset with finite useful life are reconsidered at least at the end of each year. Changes in the expected useful life or in the manner in which the future economic benefits related to the asset will be realised are recognised through the change in the period or amortisation method, as the case may be, and are considered changes in accounting estimates. The amortisation of intangible assets with finite useful life is recorded in the income statement under the category of costs relating to intangible assets.

Intangible assets with indefinite useful life are not amortised but are subject to an annual impairment test at an individual level or at cash generating unit level. The valuation of the indefinite useful life is reviewed annually to determine whether this allocation continues to be sustainable, otherwise, the change from indefinite useful life to finite useful life is applied on a prospective basis.

The gains and losses deriving from the elimination of an intangible asset are measured as the difference between the net sales consideration and the book value of the intangible asset and are recorded in the income statement in the year in which they are eliminated.

Description	Years
Concessions, licenses, trademarks and similar rights	5 years/by contract term
Software	5 years
Other intangible assets	5 years

b) Property, plant and machinery

Property, plant and equipment purchased separately are recorded at historical cost, including ancillary costs directly attributable and necessary for entry into operation of the asset for the use for which it was purchased; said cost includes expenses for the replacement of part of machinery and plants at the time they are incurred, if they comply with the recognition criteria.

Property, plant and equipment acquired through business combinations are initially recognised at fair value determined at the acquisition date.

Maintenance and repair expenses, which do not increase the value and/or extend the residual useful life of the asset are expensed in the year in which they are incurred; where they increase the value and/or extend the residual life of the assets, they are capitalised.

Property, plant and equipment are stated net of the relevant accumulated depreciation and impairment, if any, determined according to the methods described below. Depreciation is calculated on a straight- line basis over the estimated useful life of the asset. This period is reviewed annually and any changes are made on a prospective basis.

The estimated useful life, expressed in years, of the main classes of tangible assets is as follows:

Description	Years
Industrial and commercial equipment	8 years
Plant & machinery	10 years
Operational buildings	33 years
Furniture & fittings	10 years
EDP	5 years

If components of property, plant and equipment have different useful lives, these components are accounted for separately. Land, whether free of construction or related to buildings, is recognized separately and is not depreciated as elements of unlimited useful life.

The book value of plant, property and equipment is subject to verification of any loss in value when events or changes occur indicating that the carrying value can no longer be recovered.

If there are indications of impairment, property, plant and equipment are tested for impairment; any write-downs may be written back if the reasons for the write-down no longer apply.

At the time of sale, or when there are no expected future economic benefits from the use of an asset, it is eliminated from the financial statements and any loss or profit (calculated as the difference between sale's price and book value) is charged to the income statement in the year of its elimination.

c) Leased assets

Right-of-use assets

The Company recognises right-of-use assets at the initial leasing date (i.e. the date on which the underlying asset is available for use). The right-of-use assets are measured at cost, net of accumulated depreciation and impairments, adjusted for any remeasurement of the lease liabilities. The cost of the right-of-use assets includes the amount of the lease liabilities recognised, the initial direct costs incurred and the payment of leases at the commencement date or before, net of any incentives received. Unless the Company does not have the reasonable certainty of obtaining ownership of the leased asset on conclusion of the leasing contract, the right-of-use assets are amortised on a straight-line basis for a period covering the lesser between the estimated useful life and the lease duration.

Lease liabilities

At the lease commencement date, the Company recognises the lease liabilities measuring them at the present value of the payments due for leasing not yet settled at that date. The payments due include the fixed payments (including the fixed payments in substance), net of any lease incentives to be received, the variable lease payments which depend on an index or a rate and the amounts expected to be paid as guarantee on the residual value. The lease payments include also the exercise price of a purchase option where it is reasonably certain that this option will be exercised by the Company and the lease termination penalty payments, where the lease duration takes account of the exercise by the Company of the termination option on the lease.

The variable lease payments not depending on an index or a rate are recognised as costs in the period in which the event or the condition generating the payment occurs.

Short-term leases and low value asset leases

The Company applies the exception for the recognition of short-term leases for machinery and equipment (i.e. leasing with a duration of 12 months or less from the commencement date and not containing a purchase option). The Company has also applied the exception for leases concerning assets of a low value with regards to the leasing contracts on office equipment whose value is considered low (i.e., less than Euro 5,000). The short-term lease charges and those for low value assets are recognised as costs on a straight-line basis over the lease duration.

d) Impairments

At each year-end, the company assesses the existence of impairment indicators regarding property, plant and equipment, intangible assets and investments. Where there are indicators of impairment, or every year for assets with indefinite lives, the recoverable amount of the asset is estimated (impairment test). In the case in which the book value of the intangible or tangible assets or of investments exceeds the recoverable value, they are written down to reflect the latter. The recoverable amount is determined as the higher of the fair value of an asset or cash-generating unit net of costs of sale and its use value and is determined for each asset individually, unless an asset generates cash flows that are not largely independent from those generated by other assets or groups of assets; in this case, the Company estimates the recoverable value of the cash-generating unit to which the asset belongs.

When determining value in use, the estimated future cash flows are discounted by the Company at a pre-tax rate that reflects the market assessment of the time value of money and the risks specific to the asset.

For the purposes of estimating value in use, future revenue streams are obtained from the business plans approved by the Board of Directors, which constitute the best estimate of the Company on the forecast economic conditions over the period of the plan. The projections of the plan normally cover a time span of four years; the long-term growth rate used to estimate the terminal value of the asset or unit is normally lower than the average long-term growth rate of the sector or market of reference. If the carrying amount of the investments is higher than its recoverable value, this asset has incurred a loss in value and is consequently written down to the recoverable value.

The losses in value of equity investments are recorded in the income statement. At the reporting date, the Company also assesses any indicators of a reduction in the loss of value previously recorded and, where these indicators exist, performs a new estimate of the recoverable value. A previously recognised impairment loss can be reversed only if there have been changes in the estimates used to determine the recoverable amount since the last impairment loss was recognized. In this case, the carrying amount of the asset is recorded at the recoverable value, while the restated value must not exceed the carrying amount which would have been determined, after amortisation or depreciation, if no loss in value had been recognised in previous years. Each reversal is recognized as income in the income statement; after a reversal is recognized, the depreciation or amortization charge for the asset is adjusted in future periods to allocate the asset’s revised book value, less its residual value, if any, on a systematic basis over its remaining useful life. Impairment of goodwill cannot in any case be subject to reversals.

e) Investments in subsidiaries and associates

Subsidiaries are all those companies over which GHC S.p.A. exercises control. Control is obtained where the company is exposed to or has the right to the variable returns from the relationship with the investee and has the capacity, through the exercise of its power, to influence returns. Such power is defined as the capacity to manage the core operations of the investee on the basis of the substantial existing rights.

Associates are those companies over which GHC S.p.A. exercises significant influence. Significant influence is the power to participate in the financial and operating policy decisions of an investee, however not exercising control or joint control.

Shareholdings in subsidiaries and associates are valued at cost. The cost is adjusted for any impairment; the latter shall be subsequently reinstated if the conditions which have determined them cease to exist; recoveries cannot exceed the original cost.

Where the loss pertaining to GHC S.p.A. exceeds the book value of the investment, and where the holding is obliged to comply with legal or implicit obligations of the company or in any case to cover the losses, any excess over the book value is written down and any excess is recorded in a specific risks and charges provision. In the case of a non-economic sale of a shareholding to a jointly controlled company, any difference between the consideration received and the carrying amount of the investment is recognized under equity.

Dividends from investments are recorded to the income statement when the right of the shareholders to receive the payment arises. The dividends payable to third parties are recorded as changes in shareholders' equity at the date in which the Shareholders and Board of Directors meetings approve them respectively.

The use of estimates and the opinions of management adopted in preparing the separate financial statements are the same, where applicable, to those adopted for the preparation of the consolidated financial statements, to which reference should be made, except for the valuation of investments (as reported below).

f) Classification current/non-current

Assets and liabilities in the Company's financial statements are classified as current or non-current.

An asset is current when:

- it is expected to be realised, or is held for sale or consumption, in the normal course of the operating cycle;
- it is held principally for trading;
- it is expected to be realised within twelve months from the reporting date;
- it comprises cash or cash equivalents, upon which no prohibition exists on their exchange or utilisation to settle a liability for at least 12 months from year-end.

A liability is considered current when:

- it is expected to be settled within the normal operating cycle;
- it is held principally for trading;
- it is expected to be settled within twelve months from the year-end;
- the entity does not have an unconditional right to defer settlement of the liability for at least twelve months of year-end.
- Deferred tax assets and liabilities are classified as non-current assets and liabilities.

g) Cash and cash equivalents

Cash and cash equivalents include cash on hand and demand and short-term deposits. Short-term deposits must have an original maturity of three months or less and not subject to significant risks related to the change in value.

j) Treasury shares

Treasury shares acquired are recorded at cost and as a reduction of shareholders' equity. The purchase, sale or cancellation of treasury shares does not give rise to any profit or loss in the income statement.

The difference between the purchase price and the payment received, in the case of reissue, is recorded in the share premium reserve.

k) Stock Grants and Performance Shares

The Stock Grant and Performance Shares Plan confers to certain categories of employees the right to receive free shares of their company or of a Group company as remuneration for the achievement of a specific objective or on the occurrence of certain conditions set out in the plan.

IFRS 2 requires the company to recognise the cost of goods and services purchased or received in a share-based payment transaction at the time in which the goods are received or the service is rendered. For equity-settled share-based payment transactions, the entity shall measure the goods or services received, and the corresponding increase in equity, directly, at the fair value of the goods or services received, unless that fair value cannot be estimated reliably. Where the entity cannot estimate reliably the fair value of the goods or services received, it shall measure their value, and the corresponding increase in equity, indirectly, by reference to the fair value of the equity instruments granted.

To apply the requirements to transactions with employees and others providing similar services,† the entity shall measure the fair value of the services received by reference to the fair value of the equity instruments granted, because typically it is not possible to estimate reliably the fair value of the services received. The fair value of those equity instruments shall be measured at the grant date.

Typically, shares, share options or other equity instruments are granted to employees as part of their remuneration package, in addition to a cash salary and other employment benefits. Usually, it is not possible to measure directly the services received for particular components of the employee's remuneration package. It might also not be possible to measure independently the fair value of the total package, without measuring directly the fair value of the equity instruments granted. Furthermore, shares or share options are sometimes granted as part of a bonus arrangement, rather than as a part of basic remuneration, e.g. as an incentive to the employees to remain in the entity's employ or to reward them for their efforts in improving the entity's performance. By granting shares or share options, in addition to other remuneration, the entity is paying additional remuneration to obtain additional benefits. Estimating the fair value of those additional benefits is likely to be difficult. Because of the difficulty of measuring directly the fair value of the services received, the entity shall measure the fair value of the employee services received by reference to the fair value of the equity instruments granted.

h) Provisions for risks and charges

The provisions for risks and charges are recorded only when there is a present obligation as a consequence of past events, of a legal or contractual nature or deriving from declarations or conduct of the enterprise which induce third parties to view the company as responsible or to have assumed the responsibility to fulfil a given commitment (constructive obligations).

Provisions for risks and charges are recorded when the Company has a legal or implicit obligation (that derives from a past event) and a payment of resources is probable to satisfy the obligation and the amount of this payment can be reliably estimated.

No provision is made however against risks presenting only a possible emergence of a liability. In this case, a comment is made in the relevant commitments and risks section and no provision is made.

If the discounting effect of the value of money is significant, allocations are discounted using a pre-tax discount rate that reflects, where appropriate, the specific risks associated with the liabilities. When provisions are discounted, increases resulting from the passage of time are recognized as borrowing costs.

i) Employee Benefit Provisions

Post-employment benefits are defined on the basis of programs, even if not formalized, which according to their characteristics are divided into “defined benefit” programs and “defined contribution” programs.

Italian legislation (Article 2120 of the Civil Code) provides that, on the date on which each employee terminates the employment contract with the company, indemnity referred to as TFR is received. The calculation of this indemnity is based on some items that make up the employee’s annual salary for each year of work (appropriately re-evaluated) and on the length of the employment relationship. According to Italian civil law, this indemnity is reflected in the financial statements according to a calculation method based on the indemnity accrued by each employee at the reporting date, in the event that all employees terminate the employment contract on that date.

The International Financial Reporting Interpretations Committee (IFRIC) of the International Accounting Standards Board (IASB) addressed the subject of the Italian TFR and concluded that, in application of IAS 19, it must be calculated according to a method called Projection Unitary Credit Method (PUCM), according to which the amount of liabilities for the benefits acquired must reflect the date of expected resignation and must be discounted.

The actuarial assumptions and the related effects take into consideration the regulatory changes introduced by the Italian legislator, which provided for the option for the employee to allocate the TFR accrued from July 1st, 2007 to INPS or supplementary pension funds.

The Company’s net obligation deriving from defined benefit plans is calculated by estimating the amount of the future benefit that employees have accrued in exchange for the activity performed in the current year and in previous years; this benefit is discounted to calculate the current value. The actuarial gains and losses referring to the defined benefit plans accumulated up to the previous year and which reflect the effects deriving from changes in the actuarial assumptions used, are recognized in full in the comprehensive income statement.

The actuarial valuation of the liability was entrusted to an independent actuary.

The company does not have other defined benefit pension plans.

The obligation of the Company deriving from defined contribution plans is limited to the payment of contributions to the State or to a legally separate asset or entity (fund), and is determined on the basis of the contributions due.

l) Financial instruments

The following are the categories envisaged by IFRS 9, which replace the previous categories of IAS 39:

- Assets measured at amortised cost: the asset is not designated to FVTPL (fair value to profit and loss), the purpose of ownership is the collection of contractual cash flows; the contractual terms envisage cash flows for payments of principal and the relative interest at given dates;
- Assets measured at fair value through other comprehensive income (FVOCI): the asset is not designated to FVTPL, the business model envisages the possibility of both collecting contractual cash flows and of selling the asset; the contractual terms envisage cash flows for payments of principal and the relative interest at given dates;
- Assets measured at fair value through profit and loss (FVTPL): all assets not classified in the previous categories fall under this category.
- The company includes in the category Assets measured at amortised cost receivables originating over the course of the normal operating activity. At the time of the initial recognition, they are recorded on the basis of their fair value including ancillary costs. For trade and other receivables, this generally corresponds to their par value. Subsequently, if these have a pre-fixed maturity, they are measured at amortized cost using the effective interest method. When financial assets do not have a fixed maturity they are valued at the acquisition cost. Receivables due beyond one year, non-interest bearing or which mature interest below market rates are discounted using market rates. In turn, these assets are derecognised once the rights to receive cash flows from the asset are terminated or the Company has transferred the right to receive cash flows from the asset or has assumed the contractual obligation to pay them entirely and without delay to a third party by substantially transferring all of the risks and rewards of ownership of the financial asset, or by not substantially transferring or retaining all of the risks and rewards of the asset, but transferring its control. Where the Company has transferred all the rights to receive the financial flows of an asset and has not substantially transferred or withheld all of the risks and rewards or has not lost control, the asset is recorded in the financial statements of the Company up to the amount of its residual holding in the asset. In this case, the company also recognises an associated liability. The asset and liability are measured in order to reflect the rights and obligations maintained by the Company. Residual involvement that takes the form of a guarantee on the transferred asset is valued at the asset's initial book value or the maximum consideration that the company could be required to pay, whichever is less. The gains and losses are recognized in the income statement when the investment is eliminated or if there is an impairment, in addition to the amortization process and conversion.
- The company includes in the category Assets measured at fair value through profit and loss equity securities represented by investments other than those in subsidiaries, associates and joint ventures and not held for trading purposes, as the Company has decided not to apply the option for FVOCI measurement.

Financial liabilities are recorded in the balance sheet accounts: Non-current payables to lenders, Other payables and liabilities, Current payables to lenders; Trade payables; Other current liabilities.

Initially, financial liabilities are recorded at fair value increased (or decreased in the case of financial liabilities measured at fair value through profit and loss) by the transaction costs directly linked to the issue of the liability. Subsequently, they are measured at amortized cost excluding the derivative financial instruments or the liabilities held for trading which are measured at fair value through profit and loss. They are classified and measured on the basis of the characteristics of their cash flows and the business model applied to their management. Financial liabilities held by GHC fall under the category of Financial Liabilities at amortised cost. They are measured at amortized cost, using the effective interest method. The amortized cost is calculated taking into consideration all discounts or purchase premiums and includes commissions and transaction costs which are an integral part of the effective interest rate. A financial liability is derecognised from the financial statements when the underlying liability is settled, cancelled or fulfilled. For investments measured at amortized cost, the gains and losses are recognized in the income statement when the investment is eliminated, in addition to the amortization process and conversion. If an existing financial liability is replaced by another by the same lender but under substantially different conditions, or if the conditions of an existing financial liability are substantially changed, such a swap or change is treated as an elimination of the original liability and the opening of a new liability, with any differences in accounting values recorded in the income statement.

The value of financial assets is adjusted to reflect the impairment losses measured according to the Expected Credit Loss Model, which requires estimating the expected loss over a greater or lesser period depending on the credit risk: i) for financial assets not having had a significant increase in credit risk since the initial recognition or having a low credit risk at the reporting date, the expected loss in the next 12 months is estimated; ii) for financial assets having had a significant increase in credit risk since the initial recognition, for which there is no evidence as yet of an objective impairment loss, the expected loss is calculated on the useful life of the asset; iii) for financial assets for which an objective impairment loss has occurred, the expected loss is calculated on the useful life of the asset and, with respect to the preceding point, the interest flows are calculated on the reduced value of the expected write-down. For trade receivables that do not contain a significant financial component, the expected losses are calculated utilising a simplified method with respect to the general approach outlined above. The simplified approach requires the estimation of the expected loss on the useful life of the credit and without the need to measure the Expected Credit Loss at 12 months and the existence of significant increases in credit risk.

m) Fair value measurement

The Company assesses financial instruments, such as derivatives and capital instruments, at fair value at each reporting date.

The fair value is the price that would be received for the sale of an asset, or that would be paid to transfer a liability in an arm’s length transaction at the measurement date. A fair value measurement assumes that the sale transaction of the asset or transfer of the liability takes place:

- in the main market of the asset or liability;

or

- in the absence of a principal market, in the most advantageous market for the asset or liability.

The principal market or the most advantageous market must be accessible for the Company.

The fair value of an asset or liability is measured adopting the assumptions which market operators would utilise in the determination of the price of the asset or liability, assuming they act to best satisfy their economic interests.

The fair value measurement of a non-financial asset considers the capacity of a market operator to generate economic benefits utilising the asset to its maximum and best use or by selling to another market operator that would utilise the asset to its maximum or best use.

The Company utilises measurement techniques which are appropriate to the circumstances and for which there is sufficient available data to measure the fair value, maximising the utilisation of relevant observable inputs and minimising the use of non-observable inputs.

All the assets and liabilities for which the fair value is measured or stated in the financial statements are categorised based on the fair value hierarchy, as described below:

- Level 1 - listed prices (not adjusted) on active markets for identical assets or liabilities which the entity can access at the measurement date;
- Level 2 - inputs other than listed prices included in Level 1, directly or indirectly observable for the asset or the liability;
- Level 3 - measurement techniques for which the input data are not observable for the asset or for the liability.

The fair value measurement is classified entirely in the same fair value hierarchical level in which the lowest hierarchical input level utilised for the measurement is classified.

For the assets and liabilities recognised in the financial statements at fair value on a recurring basis, the company assesses whether there have been transfers between the hierarchy levels, reviewing the classification (based on the lowest input level, which is significant for the fair value measurement in its entirety) at each reporting date.

n) Revenue recognition

IFRS 15 defines the criteria for the recognition of revenues and is applicable to all contracts with customers, with the exception of contracts falling within the scope of other standards.

The recognition of revenues generated from contracts with customers and requiring revenues to be recognised for an amount which reflects the consideration which the company expects to receive in exchange for the goods or services provided to the customer. All facts and circumstances should be taken into consideration in applying the 5 steps of the model. In addition, the standard sets out the accounting treatment of incremental costs incurred to obtain a contract and costs directly associated with the execution of a contract. The revenues which fall within the scope of IFRS 15 relate to the offsetting of costs of the holding company with the subsidiaries for administrative coordination, financial, corporate and IT services. Although these services are separate, they are closely related and therefore the company has identified only one obligation to be satisfied.

o) Recognition of costs

Costs are recognised on the acquisition of the goods or service.

p) Financial income and charges

Financial income and expenses are recorded on an accruals basis on the interest matured on the net value of the relative financial assets and liabilities and utilising the effective interest rate.

q) Income taxes

Current income taxes

Current taxes reflect an estimate of the tax burden, determined by applying the legislation in effect in the countries in which the company Garofalo Health Care operates. Current tax liabilities are calculated using the rates in effect or substantially approved on the closing date of the financial year.

The payable for current taxes is classified in the balance sheet, net of any tax advances paid.

Deferred taxes

Deferred taxes are calculated on deductible (deferred tax assets) and taxable (deferred tax liabilities) temporary differences resulting at the reporting date between the tax values taken as reference for assets and liabilities and the values in the financial statements.

Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary difference and the carry-forward of unused tax losses and unused tax credits can be utilised.

The value to be recognized in the financial statements of deferred tax assets is reviewed on each reporting date and reduced to the extent that it is no longer likely that sufficient tax profits will be available in the future in order to allow all or part of this receivable to be used.

Unrecognized deferred tax assets are reviewed annually at the reporting date and are recognized to the extent that it has become likely that future taxable income will be sufficient for their recovery.

Deferred tax assets and liabilities are measured using the tax rates that are expected to be applied in the years in which the assets are realized or the liabilities are settled, considering the rates currently in effect and those already issued, or substantially issued, at the reporting date.

Deferred tax assets and liabilities are recognized directly in the Income Statement, with the exception of those relating to items recognized directly in equity; in this case, the related deferred taxes are recorded consistently without recognition in the income statement.

Deferred tax assets and liabilities are offset if there is a legal right to compensate current tax assets with current tax liabilities and the deferred taxes refer to the same legal entity and the same tax authority.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

Indirect taxes

Costs, revenues, assets and liabilities are recognized net of indirect taxes, such as value added tax, with the following exceptions:

- the tax applied to the purchase of goods or services is non-deductible; in this case, it is recognized as part of the purchase cost of the asset or part of the cost recognized in the income statement;
- trade receivables and payables include the indirect tax applicable.

The net amount of indirect taxes to be recovered or paid to the tax authorities is included in the financial statements as receivables or payables.

r) Segment information

The identification of the operating sector in which the Company operates is carried out on the basis of the accounting standard IFRS 8 - Operating Segments. On December 12, 2012, the IASB issued a set of amendments that have made changes to the aforementioned standard requiring that information be provided on the assessments made by the company management in the aggregation of the operating segments describing the segments that have been aggregated and the economic indicators that have been evaluated to determine that the aggregated segments have similar economic characteristics.

The company GHC is a holding company operating in the private accredited healthcare sector in Italy and a leader in terms of turnover, with thirty-two healthcare facilities located in eight Italian regions. From the point of view of GHC S.p.A.'s management organization, the activity carried out was grouped into a single Strategic Business Unit (hereinafter "SBU"), which includes the entire business.

1.4 Discretional valuations and significant accounting estimates

The preparation of the Financial Statements requires Directors to apply accounting standards and methodologies which, under certain circumstances, are based on assessments that require a high degree of subjectivity, on estimates based on historical experience and assumptions that are considered from time to time with reference to their reasonableness depending on the circumstances. The application of these estimates and assumptions affects the determination of the amounts shown in the financial statements, such as those shown in the balance sheet, in the income statement and in the cash flow statement, as well as the information provided. Estimates and assumptions are periodically reviewed and the effect of a change in an accounting estimate is immediately recognized through the income statement. The main processes of estimation and discretionary evaluation are related to the recognition and valuation of the financial statement items indicated below.

Deferred tax assets

Deferred tax assets are recognized with respect to deductible temporary differences between the values of assets and liabilities expressed in the financial statements compared to the corresponding tax value and tax losses that can be carried forward, to the extent that the existence of adequate future taxable profit is likely, with respect to which these losses may be used. A discretionary assessment is required of the directors to determine the amount of deferred tax assets that can be accounted for, which depends on the estimate of probable timing and the amount of future taxable profits.

Liabilities for employee benefits (employee severance indemnity - "TFR") and provisions to the supplementary indemnity provision

The evaluation of the severance indemnity is carried out using actuarial valuations. The actuarial valuation requires the development of assumptions about discount rates, future salary increases, turnover and mortality rates. Due to the long-term nature of these plans, these estimates are subject to uncertainty.

Recoverability of investments

The company assesses annually the existence of indicators of impairment regarding each investment, in line with its strategy to manage the legal entities within the company and, where evident, subject these assets to an impairment test. The processes and methods to value and establish the recoverable value of each investment are based on assumptions requiring the opinion of the directors, in particular with regards to the identification of the impairment indicators, the outlook on future earnings for the duration of the business plans of the companies, the establishment of the adjusted cash flows according to the estimate of the terminal value and the establishment of the discounting rates applied to future cash flows.

1.5 New accounting standards, interpretations and amendments adopted by the Company

Property, Plant and Equipment: Proceeds before intended Use - Amendment to IAS 16

The amendments prohibit entities from deducting from the cost of an item of property, plant and equipment any proceeds from the sale of products in the period in which the asset is brought to the location or condition necessary to be capable of operating in the manner for which it was designed by management. An entity therefore accounts for the revenues from the sale of those products, and the costs of producing those products in the income statement. In accordance with the transition rules, the Company applies the amendment retrospectively only for those items of property, plant and equipment that came into operation after or at the beginning of the comparative year to that in which this amendment is first applied (date of first application).

These amendments had no impact on the Company's financial statements as no sales were made related to these items of property, plant and equipment before they came into operation or after the beginning of the previous comparative period.

IFRS 1 First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter

This amendment allows a subsidiary that chooses to apply paragraph D16(a) of IFRS 1 to account for cumulative translation differences based on the amounts recognised by the parent company, considering the date of transition to IFRS by the parent company, if no adjustments had been made to the consolidation procedures and for the effects of the business combination in which the parent company acquired the subsidiary. This amendment also applies to associates or joint ventures that elect to apply paragraph D16(a) of IFRS 1.
This amendment had no impact on the Company's financial statements as the Company is not a first-time adopter.

Amendments to IFRS 9: Financial instruments

This amendment clarifies the fees an entity includes in determining whether the terms of a new or modified financial liability are materially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by the borrower or lender on behalf of others. No such amendment has been proposed with regard to IAS 39 Financial Instruments: Recognition and Measurement. In accordance with the transition rules, the Company will apply this amendment to financial liabilities that are modified or exchanged after or at the date of the first year in which the entity first applies this amendment (first application date). This amendment had no impact on the Company's financial statements as there were no changes in the Company's financial liabilities during the period.

Amendments to IAS 41: Agriculture - Taxation in fair value measurement

The amendment removes the requirements in paragraph 22 of IAS 41 for the exclusion of cash flows for taxes when measuring the fair value of an asset within the scope of IAS 41. This amendment had no impact on the Company's financial statements as the Company does not hold assets within the scope of IAS 41 at the reporting date.

1.6 IAS/IFRS international accounting standards whose compulsory application starts after December 31, 2022

IFRS 17 Insurance contracts

In May 2017, the IASB issued IFRS 17 Insurance Contracts, a complete new standard relating to insurance contracts which covers recognition and measurement, presentation and disclosure. When it enters into effect, IFRS 17 will replace IFRS 4 - Insurance Contracts which was issued in 2005. IFRS 17 applies to all types of insurance contracts (for example: life, non-life, direct insurance, re-insurance) regardless of the type of entity that issues them, as well as certain guarantees and financial instruments with characteristics of discretionary participation. For this purpose, limited exceptions will apply. The general objective of IFRS 17 is to present an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the provisions of IFRS 4, which are largely based on the maintenance of previous accounting standards, IFRS 17 provides a complete model for insurance contracts that covers all relevant accounting aspects. The heart of IFRS 17 is the general model, supplemented by:

• A specific adaptation for contracts with direct participation characteristics (the variable fee approach)

• A simplified approach (the approach to the allocation of premiums) mainly for short-term contracts.

IFRS 17 will be in effect for years starting on January 1, 2023 or later, and will require the presentation of the comparative balances. Early application is permitted, in which case the entity must also have adopted IFRS 9 and IFRS 15 on the date of first application of IFRS 17 or previously. This standard is not applicable to the Company.

(Amendments to IAS 1: Classification of liabilities as current and non-current

In January 2020, the IASB published amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

• What is meant by the right to defer maturity
• That the right of subordination must exist at financial year-end
• The classification is not impacted by the probability of whether the entity will exercise its subordination right
• Only where a derivative embedded in a convertible liability is itself an equity instrument the maturity of the liability shall have no impact on its classification

The amendments will be effective for fiscal years beginning on or after January 1, 2023, and should be applied retrospectively. The Company is currently assessing the impact of the amendments on the current situation and whether the renegotiation of existing loan agreements will be necessary.

Amendments to IAS 8 - Definition of accounting estimate

In February 2021, the IASB issued amendments to IAS 8, in which it introduces a definition of "accounting estimates." The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and error correction. They also clarify how entities use measurement techniques and inputs to develop accounting estimates. The amendments are effective for fiscal years beginning on or after January 1, 2023, and apply to changes in accounting policies and changes in accounting estimates that occur on or after the beginning of that period. Early application is permitted provided that this fact is disclosed.
The changes are not expected to have a significant impact on the Company.

Amendments to IAS 1 and IFRS Practice Statement 2 - Information on accounting standards

In February 2021, the IASB issued amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements, in which it provides guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments are intended to help entities provide more useful accounting policy disclosures by replacing the requirement for entities to provide their "significant" accounting policies with a requirement to provide disclosures about their "material" accounting policies; in addition, guidance is added on how entities apply the concept of materiality in making accounting policy disclosure decisions.
The amendments to IAS 1 are applicable from fiscal years beginning on or after January 1, 2023, early application is permitted. As the amendments to PS 2 provide non-mandatory guidance on the application of the definition of material to accounting
policy disclosures, an effective date for these amendments is not required.
The Company is currently evaluating the impact of the amendments to determine the impact they will have on the Group's accounting policy disclosures.

Amendments to IAS 12 - Deferred taxes on assets and liabilities arising from a single transaction

In May 2021, the IASB issued amendments to IAS 12, narrowing the scope of the initial recognition exception included in IAS 12, which is no longer to be applied to those transactions that give rise to temporary differences that are taxable and deductible in equal measure. The amendment should be applied to transactions made subsequently or at the beginning of the comparative period presented. Additionally, at the beginning of the comparative period presented, deferred tax assets (if there is sufficient taxable income) and deferred tax liabilities should be recognised for all deductible and taxable temporary differences associated with leases and restoration provisions.
The Group is currently assessing any impact from these amendments.

Note 2 Other intangible assets

The account “Other intangible assets” amounts to Euro 166 thousand, compared to Euro 50 thousand in the previous year, and the table below shows the movements in individual items of Other intangible assets during the period ended December 31, 2022. For the useful life of the account, reference should be made to the accounting policies.

In Euro thousands	*At December 31*	*At December 31*	*Change*
	2022	2021	2021 vs 2021
Software	115	48	67
Concessions, licenses, trademarks and similar rights	51	1	50
Total	**166**	**50**	**116**

The following tables show the changes in the item in question for the period ended December 31, 2022, compared to the period ended December 31, 2021:

In Euro thousands	*Concessions, licences, trademarks and similar rights*	*Software*	*Total*
Net value at December 31, 2021	**1**	**48**	**50**
Acquisition	54	91	145
Amortization	(4)	(24)	(28)
Net value at December 31, 2022	**51**	**115**	**166**

Software

The account “*Software*” was Euro 115 thousand, compared to Euro 48 thousand in the previous year. The net increase of Euro 67 thousand concerns investments in management software and IT security.

Concessions, licences, trademarks and similar rights

“*Concessions, licenses, trademarks and similar rights*” amounted to Euro 51 thousand, compared to Euro 1 thousand in the previous year. The net increase of Euro 50 thousand is due to the acquisition of new application licenses with the increased number of GHC Group companies.

Note 3 Property, plant and equipment

The account *"Property, plant and equipment"* amounted to Euro 6,568 thousand, compared to Euro 5,075 thousand in the previous year.

The table below shows the breakdown of the account at December 31, 2022, compared with December 31, 2021. For the useful life of the account, reference should be made to the accounting policies.

In Euro thousands	*At December 31*	*At December 31*	*Change*
	2022	2021	2022 vs 2021
Land and buildings	5,223	3,678	1,545
Plant & machinery	21	24	(3)
Other assets	290	238	53
Right-of-use	994	1,136	(142)
Assets in progress and advances	39	-	39
Total	**6,568**	**5,075**	**1,492**

The following tables show the changes in the item in question for the period ended December 31, 2022, compared to the period ended December 31, 2021:

In Euro thousands	*Land and buildings*	*Plant and machinery*	*Other assets*	*Rights of use*	*Assets in progress and advances*	*Total*
Net value at December 31, 2021	**3,678**	**24**	**238**	**1,136**	**-**	**5,075**
Acquisition	1,742	-	106	-	39	1,888
Depreciation	(197)	(3)	(54)	(142)	-	(395)
Net value at December 31, 2022	**5,223**	**21**	**290**	**994**	**39**	**6,568**

Land and Buildings

"Land and buildings" at December 31, 2022 increased Euro 1,742 thousand, mainly due to a leasing contract signed for Euro 1,703 thousand on the apartment to expand the holding company's offices, only partly offset by depreciation in the year of Euro 197 thousand.

Plant & machinery

Plant and machinery decreased by Euro 3 thousand, as a result of depreciation in the year.

Other assets

The account "*Other assets*", mainly EDP, telephones and furniture and fittings, stood at Euro 290 thousand at December 31, 2022, compared to a balance of Euro 238 thousand at the end of the previous year. The increase in the account, amounting to Euro 52 thousand, is due to the investments for the purchase of computers, furniture and fittings and telephone equipment for the holding company's headquarters, net of depreciation in the year.

Right-of-use

The account "*Rights-of-use*" came to Euro 994 thousand at December 31, 2022, compared to a figure of Euro 1,136 thousand at the end of the previous year. The decrease in the account of Euro 142 thousand is due to depreciation in the year.

The account includes the present value of vehicle hire contracts and the lease on the holding premises for periods in excess of 12 months and of an amount greater than Euro 5 thousand following the payment of set consideration.

Assets in progress and advances

"*Assets in progress and advances*" at December 31, 2022 amount to Euro 39 thousand and concern the advance for the restructuring works on the leased building, recognised to "*Land and Buildings*", which shall be used to expand the holding company's offices.

Note 4 Equity investments

"*Investments*" amount to Euro 198,364 thousand at December 31, 2022, compared to the previous year's balance of Euro 197,505 thousand, and relates to investments in subsidiaries.

(Euro thousands)	*At December 31*		*Change*
	2022	2021	2022 vs 2021
Investments in subsidiaries	198,364	197,505	859
Total Equity Investments	**198,364**	**197,505**	**859**

The increase of Euro 859 thousand in 2022 is due to: (i) Subscription to the share capital of the newco GHC Real Estate S.p.A., which is currently non-operative, for a total amount of Euro 300 thousand (ii) Subscription to the share capital of the newco GHC Project 9 S.r.l. for Euro 300 thousand, through which on December 6, 2022 the full acquisition of GVDR S.r.l. was completed (iii) Acquisition of the remaining stake in Domus Nova S.p.A., equal to 0.5% of the share capital, for Euro 169 thousand, as a result of which GHC SPA at December 31, 2022 held 100% of Domus Nova S.p.A.'s share capital (iv) Granting to management of the subsidiaries of Euro 89 thousand under the Performance Share Plan, i.e. rights to receive GHC S.p.A. shares on conclusion of the three-year performance period, which resulted in a similar increase in the value of the investments.

The table below shows the breakdown of the item, as well as the share capital and the pro-quota shareholders' equity of each subsidiary as at December 31, 2022:

Investments Table (1/2)

Company Name	*Registered office*	*Share capital*	*Profit/(loss) 2022*	*Net Equity at December 31, 2022*	*Holding*	*Pro quota net equity at December 31, 2022 in Euro thousands*	*Book value at December 31, 2022*
L'Eremo Di Miazzina S.r.l.	Cambiasca (VB)	1,560	638	20,182	100%	20,182	15,359
Casa di Cura Villa Berica S.r.l.	Vicenza (VZ)	1,560	3,494	14,970	100%	14,970	2,195
Villa Von Siebenthal S.r.l.	Genzano di Roma (RM)	100	307	4,961	100%	4,961	3,181
Rugani Hospital S.r.l.	Monteriggioni (SI)	100	661	13,162	100%	13,177	164
Hesperia Hospital Modena S.r.l.	Modena (MO)	120	1,221	16,629	100%	16,621	20,607
C.M.S.R. Veneto Medica S.r.l.	Altavilla Vicentina (VI)	20	1,088	12,371	100%	12,371	8,699
Sanimedica S.r.l.	Altavilla Vicentina (VI)	10	91	599	100%	599	210
Casa di cura Prof. Nobili S.r.l.	Castiglione dei Pepoli (BO)	104	799	10,195	99%	10,063	9,649
Casa di Cura Villa Garda S.r.l.	Garda (VR)	1,440	922	17,393	100%	17,393	7,531

Investments Table (2/2)

Fides Medica S.r.l.	Piombino (LI)	200	458	20,879	50%	10,440	10,123
Poliambulatorio Dalla Rosa Prati S.r.l.	Parma (PR)	100	1,530	4,921	100%	4,921	19,165
Centro Medico San Biagio S.r.l.	Fossalta di Portogruaro (VE)	156	2,280	35,540	100%	35,540	32,050
Ospedali Privati Riuniti S.r.l.	Bologna (BO)	9,000	1,106	37,264	100%	37,264	33,044
Bimar S.r.l.	Fossalta di Portogruaro (VE)	100	128	626	100%	626	1,000
XRay One S.r.l.	Poggio Rusco (MN)	30	(515)	(131)	100%	-131	808
Clinica San Francesco S.r.l.	Verona (VE)	5,232	84	3,663	100%	3,663	318
Domus Nova S.p.A.	Ravenna (RA)	990	821	11,746	100%	11,746	33,660
Garofalo Health Care Real Estate S.p.A.	ROMA (RM)	300	(16)	284	100%	284	300
GHC Project 9 S.r.l.	Parma (PR)	300	(138)	162	100%	162	300
Total equity investments in subsidiary companies							**198,364**

Pursuant to IAS 36, investments that at December 31, 2022 have a carrying amount that exceeds their shareholders' equity, i.e. Hesperia Hospital Modena S.r.l., Poliambulatorio Dalla Rosa Prati S.r.l., Centro Medico San Biagio S.r.l. and Bimar S.r.l., XRay One S.r.l. and Domus Nova S.p.A. were tested for impairment.

The impairment test of the recoverability of the carrying amount of the investments was performed by an outside independent professional, whose valuation impact is described below.

Evaluation system

The estimate of the value in use is made by discounting the operating cash flows, i.e. the cash flows available before the repayment of financial payables and the remuneration of the shareholders (Unlevered Discounted Cash Flow or UDCF). Operating cash flows are discounted at a rate equal to the weighted average cost of debt and equity (Weighted Average Cost of Capital or WACC), in order to obtain the value of the company's operating capital (Enterprise Value).

The prospective cash flows used in the impairment test at December 31, 2022 are those deriving from the Business Plans of the individual companies relating to the years 2023-2026, approved by each company at the end of February 2023 and the beginning of March 2022. The time horizon of the Plans is 4 years. It should be clarified that the impairment test was approved by the Board of Directors of the Parent Company on March 10, 2023.

The prospective cash flows used in the impairment test have been calculated by taking as reference the Operating EBITDA expected net of notional taxes and less the notional contribution of fixed assets and working capital. The assumptions and method used are consistent with the company's historical results and the reference market.

The growth rate **g** used to calculate the terminal value is 0.

The discounting rate of cash flows (WACC) used for the impairment tests is equal to 5.2% at December 31, 2022 and presents the following main parameters:

* *Risk free rate*: the rate used is 3.11% for 2022; this value corresponds to the yield on Italian ten-year government securities recorded as a monthly average over the last twelve months (Source: Bloomberg);

* *Beta*: for the estimation of the non-differentiable systemic risk coefficient, reference was made to the inputs elaborated by international practice (Source: Bloomberg), taking into consideration a group of listed companies operating in the same sector of the company to be valued, thus calculating an appropriate unlevered industry average beta, equal to 0.39 at December 31, 2022;

* *Market premium*: for the purposes of the analysis, a rate of 5.94% was used (Source: A. Damodaran - Stern University NY international research website) http://pages.stern.nyu.edu/~adamodar/); This parameter is in line both with the results of long-term analyses and with professional practice;

* *Premium for additional risk:* prudently and in line with that undertaken in previous years, an increase in the cost of risk capital equal to 2.0% for all companies was applied, to take into consideration the reduced size and the differing geographic locations of the companies in comparison to the comparable companies used;

* With reference to the *cost of the debt (Kd)* for the companies that present outstanding loans, reference was made to the effective interest rate applied by the banking system on the same loans i.e. the twelve-month average ten-year EUR IRS (interest rate swap) (Source: Il Sole 24 Ore), equal to - 1.94% with a spread of 156 points; considering a fiscal impact of 24%, *Kd* is 2.66%;

* *Financial structure:* consistently with that done for the purposes of the calculation of the beta, we applied to the cost of risk capital and the cost of debt capital, weights determined using a market D/E representative of the average financial structure of the sample of comparable listed companies, equal to 3.23 for December 31, 2022. The We (equity) and Wd (debt) weights were 23.6% and 76.4% respectively.

Hesperia Hospital Modena S.r.l.

The recoverable value of Hesperia Hospital Modena S.r.l., healthcare facility operating in Modena, was determined on the basis of the calculation of the value in use, in which the cash flow projections deriving from the related financial budgets were used for a period of four years, approved by the Board of Directors on March 1, 2023. As a result of the updated analyses, management did not identify an impairment of this company. The equilibrium WACC, i.e. the discount rate of future cash flows which equates the recoverable value with the book value, was approx. 24.80%.

Poliambulatorio dalla Rosa Prati S.r.l.

The recoverable value of Poliambulatorio dalla Rosa Prati S.r.l., healthcare facility operating in Modena, was determined on the basis of the calculation of the value in use, in which the cash flow projections deriving from the related financial budgets were used for a period of four years, approved by the Board of Directors on February 22, 2023. As a result of the updated analyses, management did not identify an impairment of this company. The equilibrium WACC, i.e. the discount rate of future cash flows which equates the recoverable value with the book value, was approx. 15.22%.

X Ray One S.r.l

The recoverable value of X Ray One S.r.l., healthcare facility operating in Modena, was determined on the basis of the calculation of the value in use, in which the cash flow projections deriving from the related financial budgets were used for a period of four years, approved by the Board of Directors on February 28, 2023. As a result of the updated analyses, management did not identify an impairment of this company. The equilibrium WACC, i.e. the discount rate of future cash flows which equates the recoverable value with the book value, was approx. 7.76%.

Centro Medico San Biagio S.r.l. e Bimar S.r.l. (known as Centro Medico San Biagio S.r.l. CGU)

It should be noted that Bimar S.r.l. does not have independent cash flows, and therefore, the value in use can only be determined in combination with the value in use of Centro Medico San Biagio S.r.l., which therefore constitutes a single CGU. It should also be borne in mind that for the purposes of impairment testing of equity investments, the equity value of Centro Medico Università Castrense S.r.l., a wholly-owned subsidiary of Centro Medico San Biagio S.r.l., must also be taken into account.

Consequently, the recoverable value of the cash generating unit in question was determined on the basis of the calculation of the value in use, in which the cash flow projections deriving from the related financial budgets were used for a period of four years, approved by the Board of Directors of Centro Medico San Biagio on February 27, 2023. As a result of the updated analyses, management did not identify an impairment of this company. In addition, in this case the Headroom between the recoverable value as per the independent expert opinion and the carrying amount of the investment is so significant that the determination of an equilibrium WACC is not relevant.

Domus Nova S.p.A.

The recoverable value of Domus Nova S.p.A. was determined on the basis of the calculation of the value in use, in which the cash flow projections deriving from the related financial budgets were used for a period of four years, approved by the Board of Directors on March 1, 2023. As a result of the updated analyses, management did not identify an impairment of this company. The equilibrium WACC, i.e. the discount rate of future cash flows which equates the recoverable value with the book value, was approx. 8.45%.

Note 5 Other non-current financial assets

The account "*Other non-current financial assets*" came to Euro 136,741 thousand compared to Euro 129,996 thousand at the end of the previous year.

The account is broken down as follows:

(Euro thousands)	*At December 31*		*Change*
	2022	2021	2022 vs 2021
Financial receivables from subsidiaries	136,730	129,995	6,735
Financial receivables from others	11	1	10
Total other non-current financial assets	**136,741**	**129,996**	**6,745**

"Financial receivables from subsidiaries" principally includes the financial receivables from subsidiaries arising following the refinancing concluded in December 2021. The increase in the account of Euro 6,735 thousand is mainly due to: (i) issue of a loan of Euro 24,878 thousand by GHC S.p.A. in favour of the subsidiary GHC Project 9 S.r.l., the newco incorporated for the full acquisition of GVDR S.r.l. on December 6, 2022; (ii) decrease due to the reclassification to "current financial assets" of the amount due by December 31, 2023, of Euro 13,324 thousand, of the loans to the subsidiaries issued as part of the refinancing transaction outlined above; (iii) decrease of the financial receivable from the subsidiary Casa di Cura San Francesco S.r.l., of Euro 5,000 thousand, due to the partial repayment made in 2022; (iv) decrease of the financial receivable from the subsidiary Rugani Hospital S.r.l., of Euro 307 thousand, due to the full repayment made in 2022.

"Other Financial Receivables" of Euro 11 thousand increased 10 thousand due to the recognition of the guarantee deposit paid to Alba Leasing for the leasing contract for the new apartment to expand the parent company's offices.

Note 6 Deferred tax assets and liabilities

Deferred tax assets and liabilities

The account "*Deferred tax assets and liabilities*" was Euro 197 thousand, compared to a balance for the previous year of Euro 152 thousand.

Deferred tax assets and liabilities at December 31, 2022 compared with December 31, 2021 is presented below.

(Euro thousands)	*At December 31*	*At December 31*	*Change*
	2022	2021	2022 vs 2021
Deferred tax assets:			
within 1 year	198	205	(7)
Total	**198**	**205**	**(7)**
Deferred tax liabilities:			
within 1 year	(1)	(53)	52
Total	**(1)**	**(53)**	**52**
Net balance	**197**	**152**	**45**

Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary difference and the carry-forward of unused tax losses and unused tax credits can be utilised.

The following table presents the movements in deferred tax assets and liabilities for the year ended December 31, 2022 and December 31, 2021:

(Euro thousands)	*At December 31, 2022*	*At December 31, 2021*
Net opening balance	152	40
Credit / (Debit) to the income statement	45	112
Net closing balance	**197**	**152**

The account reports a net increase of Euro 45 thousand, due to the decrease in deferred tax assets for Euro 7 thousand, mainly concerning the unpaid remuneration of the directors, and the decrease of deferred tax liabilities for Euro 52 thousand, following their release for the dividends approved by the subsidiaries in 2021 and collected in 2022 by GHC S.p.A.

The breakdown of net deferred taxes at December 31, 2022 is illustrated below:

	Balance sheet		Comprehensive Income Statement		Income Statement	
	31.12.2022	31.12.2021	31.12.2022	31.12.2021	31.12.2022	31.12.2021
Adjustments IFRS 17 Leasing/IFRS 16		3				3
IAS 19 adjustments - Severance	1	2	1	2	1	
Other movements	(8)	158			29	161
Deferred tax assets	**(7)**	**164**	**1**	**2**	**30**	**164**
Deferred tax liabilities	**52**	**(53)**	**-**	**-**	**52**	**(52)**
Total	**45**	**112**	**1**	**2**	**82**	**112**

Note 7 Trade receivables

"*Trade receivables*" at December 31, 2022 amounts to Euro 1,727 thousand, compared to Euro 1,718 thousand at December 31, 2021. The receivables refer to the fees invoiced and not yet invoiced to the subsidiaries for the administrative coordination, financial, corporate and IT activities provided by the holding company.

(Euro thousands)	*At December 31*		*Change*
	2022	2021	2022 vs 2021
Receivables from subsidiaries	1,071	0	1,071
Invoices to be issued to Subsidiaries	656	1,718	(1,062)
Total trade receivables	**1,727**	**1,718**	**9**

The account did not change significantly compared to the previous year as the revenues from the subsidiaries is the same as 2021.

The Company has performed the Expected Credit Loss analysis and has not made any write-downs as it considers that the probability of default is close to zero.

Note 8 Tax receivables

The account "*Tax receivables*" stood at Euro 1,182 thousand compared to Euro 1,175 thousand in the previous year.

The table below shows the breakdown of tax receivables at December 31, 2022, compared with December 31, 2021.

(Euro thousands)	*At December 31*		*Change*
	2022	2021	2022 vs 2021
IRES receivables	1,182	1,175	7
Total tax receivables	**1,182**	**1,175**	**7**

The account, comprising the first and second IRES advances paid, respectively in June and November 2022, reports a net increase of Euro 7 thousand on the previous year.

Note 9 Other receivables and current assets

"*Other receivables and current assets*" amounted to Euro 3,515 thousand at December 31, 2022, compared to Euro 5,533 thousand at December 31, 2021, a decrease of Euro 2,019 thousand.

The changes in the account were as follows:

(Euro thousands)	*At December 31*		*Change*
	2022	2021	2022 vs 2021
Advances to suppliers	2	-	2
Receivables from subsidiaries	3,123	4,899	(1,776)
Other tax receivables	302	562	(260)
Accrued income and prepaid expenses (non-financial)	88	72	15
Total other receivables and current assets	**3,515**	**5,533**	**(2,019)**

"Receivables from subsidiaries" decreased Euro 1,776 thousand, as a combined effect of the following factors: (i) increase of Euro 2,524 thousand of the receivables under the tax consolidation, due mainly to the transfer of the increased taxable amount by the subsidiaries within the tax consolidation with GHC as the parent company and which, at December 31, 2022, includes the companies Cura Villa Garda S.r.l., Casadi Cura Villa Berica S.r.l., C.M.S.R. Veneto Medica S.r.l., Villa Von Siebenthal S.r.l., Ospedali Privati Riuniti S.r.l., Poliambulatorio Dalla Rosa Prati S.r.l., Sanimedica S.r.l. and L'Eremo di Miazzina S.r.l..; (ìì) decrease of Euro 4,300 thousand due to the collection of the receivables for dividends approved in the previous year and collected in 2022.

"*Other tax receivables*", which mainly include the receivable from the companies participating in the Group VAT consolidation, in view of the VAT payable transferred by these companies to parent company in 2022, which decreased Euro 260 thousand. At December 31, 2022, all subsidiaries took part in the Group VAT consolidation, with the exception of Domus Nova S.p.A. and GHC Real Estate S.p.A., who will join from January 2023, and GVDR S.r.l. who will join from January 2024. By setting up the VAT Group, the GHC Group reaps the administrative and organisational benefits of reducing all VAT formalities, which are concentrated within the Parent Company GHC S.p.A., and it may also characterise transactions between VAT Group members as outside the scope of VAT.

Note 10 Other current financial assets

The account "*Other current financial assets*" came to Euro 18,249 thousand compared to Euro 14,505 thousand at the end of the previous year.

(Euro thousands)	*At December 31*	*At December 31*	*Change*
	2022	2021	2022 vs 2021
Other current financial assets	18,249	14,505	3,744
Total other current financial assets	**18,249**	**14,505**	**3,744**

The account mainly comprises the short-term portion of loans and related interest to subsidiaries, amounting to Euro 13,324 thousand, and the financial receivables from the centralised cash pooling, amounting to Euro 4,216 thousand.

The increase of Euro 3,744 thousand is mainly due to the increase in cash pooling financial receivables.

Note 11 Cash and cash equivalents

The account "*Cash and cash equivalents and*" stood at Euro 4,122 thousand compared to Euro 2,616 thousand in the previous year.

The changes in the account over the last two years were as follows:

(Euro thousands)	*At December 31*		*Change*
	2022	2021	2022 vs 2021
Bank current accounts	4,116	2,609	1,507
Checks and cash	6	8	(1)
Total cash and cash equivalents	**4,122**	**2,616**	**1,506**

The amounts shown can be readily converted into cash and do not have a significant risk of change in value.

The company GHC S.p.A. believes that the credit risk associated with cash and cash equivalents is limited because they primarily consist of deposits held with various national Italian banking institutions.

The above account is subject to the general impairment rule and the loss rate approach has been used. However, in view of the fact that they are demand accounts, the expected losses over the 12 months and the expected losses of the useful life coincide.

Note 12 Shareholders' equity

Share capital

At December 31, 2022 share capital amounted to Euro 31,570 thousand, fully paid-in, and consisted of 90,200,000 ordinary shares without par value.

The table below reports the GHC Group's ownership structure at December 31, 2022, including significant equity interests.

Shareholder	Direct shareholder	% of ordinary share capital	% of voting share capital
Garofalo Maria Laura([1])	Anrama S.p.A.	65,88%([2])	64,47%([2])
	Larama 98 S.p.A.		
	Garofalo Maria Laura		
Peninsula Capital II S.a.r.l.([2])	PII 4 S.à.r.l.	9.19%	9.00%

Number of ordinary shares	% share capital	Listed / Non listed	Rights and obligations
90,200,000	100%	Euronext STAR Milan	Each Share entitles the owner to one vote. In accordance with Art. 127-*quinquies* of the CFA, Article 7 of the By-laws states that each share held by the same shareholder for a continuous period of at least 24 months from the date of registration in the special list specifically established by the Company confers two votes. For further information, reference should be made to paragraph 2, letter d), of the Corporate Governance Report. The shareholders' rights and obligations are as established in Articles 2346 *et seq.* of the Italian Civil Code and Article 7 of the By-laws with regard to multi-voting rights.

As previously reported, in accordance with Art. 127-quinquies of the CFA, Article 7 of the By-laws states that each share held by the same shareholder for a continuous period of at least 24 months from the date of registration in the special list specifically established by the Company (the "List") confers two votes.

After receiving valid applications for registration, the Company adds new entries to and updates the List with quarterly frequency, i.e. on March 31, June 30, September 30 and December 31 of each year, or with a different frequency in accordance with industry legislation, but always by the record date.

In accordance with Article 127-quinquies, paragraph 7, of the CFA, Article 7 of the By-laws states that shares held prior to the commencement date of trading, and hence prior to the date of registration in the List, are also to be considered for the purpose of completing the period of continuous ownership required for multi-voting rights.

According to the By-laws, multi-voting rights are also considered when evaluating quorum requirements to meet and pass resolutions based on percentages of share capital. In addition, multi-voting rights are without any effect on rights other than voting rights devolving on the basis of the possession of a particular portion of capital, such as the right to convene the Shareholders' Meeting, the right to add items to the Agenda and the right to submit slates for the election of Directors. For further information, please refer to the Multi-Voting Rights Regulation available from the Company's website, www.garofalohealthcare.com which in accordance with Article 143-quater of the Consob Issuers' Regulation also presents the identification details of the shareholders who have applied for registration in the List, with indication of their individual holdings – in any event exceeding the threshold indicated by Article 120, paragraph 2 of the CFA – date of registration and date of attainment of multi-vote rights.

[(1)] Source: GHC Group
[(2)] Percentages concern number of total shares, including treasury shares. Source: GHC Group and Consob, values at the date of publication

Legal reserve

The legal reserve amounted to Euro 532 thousand, increasing Euro 61 thousand due to the Shareholders' Meeting motion of April 29, 2022 which stipulated the allocation of 5% of the parent company's net profit.

Other reserves

The composition of the account "Other reserves" at December 31, 2022, with a comparison to December 31, 2021, is presented below.

(Euro thousands)	*At December 31*	*At December 31*	*Change*
	2022	2021	2022 vs 2021
Extraordinary reserve	12,303	12,122	181
Shareholder capital payments reserve	5,146	5,146	-
Conferment reserves	37,006	37,006	-
Share-based payments reserve	1,385	2,674	(1,289)
Provision as per Article 40 By-Laws	12	10	2
IAS 19 actuarial effect reserve	(26)	(17)	(9)
Share premium reserve	101,413	101,413	-
Retained earnings	932	(221)	1,152
Reserve for treasury shares in portfolio	(6,111)	(4,873)	(1,238)
AUCAP 2021 Reserve	(883)	(883)	-
Other reserves	**151,177**	**152,376**	**(1,201)**

At December 31, 2022, Other Reserves amounted to Euro 151,177 thousand, with a net decrease of Euro 1,201 thousand on December 31, 2021, mainly due to the following factors: (i)increase in the Extraordinary Reserve for Euro 181 thousand, due to the reclassification of a portion of the Share-based payments reserves following the allocation of the shares to the beneficiaries under the "2019-2021 Stock Grant Plan"; in fact, the value of the shares at the allocation date of May 27, 2022, of Euro 1,742 thousand, is lower than the value of the reserve recognised to the financial statements, of Euro 1,923 thousand, and this positive difference was recognised to the Extraordinary Reserve; (ii) net decrease of the share-based payment reserve for Euro 1,289 thousand, due principally to the decrease of Euro 1,923 thousand to the allocation of shares under the Stock Grant Plan and the increase of Euro 606 thousand concerning the Performance Share Plan, as per IFRS 2 (for further details, reference should be made to Note 37 of this document); (iii) net increase of the reserve as per Article 40 of the By-Laws for Euro 2 thousand, which during the year reported an increase of Euro 12 thousand and a decrease of Euro 10 thousand. More specifically, with Shareholders' Meeting motion of April 29, 2022, the Shareholders' Meeting allocated a portion of the net profit of Euro 12 thousand for scientific and/or charitable purposes to parties other than the shareholders. The Shareholders' Meeting also granted the Chief Executive Officer the broadest powers for the use of the reserve in question to identify the specific purposes and thus implement the shareholders' decision. In the subsequent months, the Chief Executive Officer of Garofalo Health Care S.p.A. allocated an amount of Euro 10 thousand as a contribution to the Marisa Bellisario Foundation, which is particularly involved in charitable activities supporting women; (iv) decrease of Euro 9 thousand of the IAS 19 Actuarial effects reserve; (v) increase of retained earnings for Euro 1,152 thousand as a result of the Shareholders' Meeting motion of April 28, 2022 which allocated a portion of the parent company's Net profit to retained earnings; (vi) net increase of the Treasury Shares in portfolio reserve of Euro 1,238 thousand, due principally to the purchase during the year of 680,154 shares, for a total of Euro 2,979 thousand, partially offset by the decrease of Euro 1,742 thousand following the allocation of the shares to the beneficiaries under the "2019-2021 Stock Grant Plan".

Note 13 Employee Benefits

The account "*Employee benefits*" amounted to Euro 137 thousand, compared to a balance from the previous year of Euro 93 thousand.

This account includes post-employment benefits measured according to an actuarial assessment based on the projected unit credit method performed by independent actuaries in accordance with IAS 19 – Employee Benefits.

The main demographic assumptions use by the actuary for the half-year are as follows:

- the RG48 probability of death figures provided by the General Accounting Office, by gender;
- for the pension period, it was assumed that the first pensionable requisites for the General Compulsory Insurance were achieved.
- a primary annual rate of termination of employment due to causes other than death of 9.36%;
- an annual advance probability of 2%, with a maximum of two repetitions of requests;
- a percent advance requested of 100.00%;
- the rate curve based on the effective rate of return on bonds denominated in euro issued by major companies rated AA or higher was used for the technical discounting rate.

The main financial assumptions adopted by the actuary were as follows:

	At December 31	*At December 31*
	2022	2021
Annual inflation rate	4.00%	0.50%
Annual real remuneration rate by category:		
Executives	2.60%	2.60%
Managers	1.70%	1.70%
White-collar	1.40%	1.40%
Annual increase in post-employment benefit	3.72%	1.56%

Movements during the year were as follows (in Euro thousands):

(Euro thousands)	
December 31, 2021	**93**
Financial charges/(income)	-
Utilisations	-
Net actuarial gains/(losses) recognized in the year	8
Transfer in/(out)	-
Cost for service	35
Balance at December 31, 2022	**137**

The account in question was up by Euro 44 thousand due to the recognition of the allocation for the period.

In accordance with IAS 19 – *Employee Benefits*, an analysis of the sensitivity to changes in the main actuarial assumptions used in the calculation model must be performed. The following table shows, in absolute and relative terms, changes in the liability measured according to IAS 19 (DBO) in the event of a positive or negative change of 10% in revaluation and/or discounting rates.

		At December 31, 2022		
		Annual discount rate		
		-10%	***100%***	***10%***
Annual inflation rate	***-10%***	137	128	119
	100%	146	137	128
	10%	157	147	137

Note 14 Non-current financial payables

The account "*Non-current financial payables*" came to Euro 112,055 thousand compared to Euro 117,620 thousand at the end of the previous year.

The following table presents the figures for the company's outstanding financial payables at December 31, 2022 and December 31, 2021:

(Euro thousands)	*At December 31*	*At December 31*	*Change*
	2022	2021	2022 vs 2021
Other non-current financial payables	2,147	2,697	(550)
Medium/long-term loans and borrowings	109,908	114,923	(5,015)
Total non-current financial payables	**112,055**	**117,620**	**(5,565)**

The account decreased Euro 5,565 thousand on December 31, 2021 due to the reduction both of Other non-current financial payables and of Bank payables.

More specifically, the decrease in *"Other non-current financial payables"* of Euro 550 thousand is due to the following factors: (i) the full repayment of the payable to the parent company Larama 98 S.p.A. for Euro 1,645 thousand, on which interest of approx. Euro 47 thousand accrued during the current year; (ii) decrease of "IFRS 16 payables" of Euro 129 thousand, due to the reclassification to short-term of the lease payments due at December 31, 2023; (iii) increase in payables to leasing companies for Euro 1,224 thousand following the recognition of the non-current portion of the new leasing contract agreed on the apartment to expand the holding company's offices.

"Non-current bank payables" of Euro 5,015 thousand is mainly due to: (i) reclassification of the portion due within one year, amounting to Euro 21,541 thousand, of the Refinancing Line of the loan agreed on November 16, 2021; (ii) drawdown of the Acquisition Line for Euro 16,525 thousand, net of the substitute tax, on December 6, 2022 and utilised to fund the subsidiary GHC Project 9 S.r.l., the newco specifically incorporated to complete the full acquisition of GVDR S.r.l..

In relation to Bank payables on November 16, 2021 GHC S.p.A. signed a new loan agreement for a total amount of Euro 221 million. The loan consists of a Refinancing Line of Euro 140 million and an Acquisition Line of Euro 81 million. The Refinancing Line has allowed GHC S.p.A to restructure and simplify its financing thanks to the issue of a single loan and the simultaneous provision of inter-company loans by GHC S.p.A. to the subsidiaries in order to settle all their outstanding loans. This line has a duration of 5 years and repayment in 2026 (with an amortising profile and a final instalment of 28%).

Specifically, the Acquisition Line will provide GHC with the necessary funding to pursue the best M&A opportunities in the pipeline in a timely, flexible and efficient manner as part of the Buy & Build strategy which has been successfully pursued since IPO. The deadline for use of the Acquisition Line is set at the end of 2023, with a six-year duration and repayment in 2027 (with an amortizing profile, a 2-year grace period and a final instalment of 30%).

The loan agreement was signed with UniCredit as Global Coordinator, Bookrunner, Mandated Lead Arranger and Facility Agent and Intesa San Paolo and Banco BPM as Mandated Lead Arrangers.

The loan agreement stipulates compliance with the following financial covenants to be calculated annually from 31.12.2021 on the basis of the pro-forma consolidated financial statements of Garofalo Healthcare S.p.A., namely by including the contribution of the Target Company on the basis of 12 months at Group level, net of the effect deriving from the application of the IFRS 16 accounting standard:

Parameter	*Threshold value*					
	31.12.2021	*31.12.2022*	*31.12.2023*	*31.12.2024*	*31.12.2025*	*from 31.12.2026*
Leverage Ratio (Net financial debt /EBITDA)	≤4x	≤4x	≤4x	≤3.5x	≤3.25x	≤3x
Net Debt / NE	≤1.5x	≤1.5x	≤1.5x	≤1.5x	≤1.25x	≤1x

The covenants had been fulfilled at the date of these financial statements.

in Euro thousands	2022	2021	Δ vs 2021
	Euro '000	Euro '000	Euro '000
A Cash	6	8	(2)
B Cash and cash equivalents	4,116	2,609	1,507
C Other current financial assets	18,249	14,505	3,744
D Liquidity	**22,371**	**17,122**	**5,250**
E Current financial debt	45,802	30,651	15,151
F Current portion of non-current financial debt	21,577	21,499	78
G Current financial debt	**67,379**	**52,150**	**15,229**
H Net current financial debt (G - D)	**45,007**	**35,028**	**9,979**
I Non-current financial debt	112,055	117,620	(5,565)
L Non-current financial debt (I + J + K)	**112,055**	**117,620**	**(5,565)**
M Total financial debt (H + L)	**157,063**	**152,648**	**4,414**

The total financial debt increased Euro 4,414 thousand, mainly due to the increase in the current financial debt of Euro 15,229 thousand (for further details, reference should be made to Note 16 of this document), partially offset by the increase in liquidity, of Euro 5,250 thousand, and the decrease of the non-current financial debt of Euro 5,565 thousand(for further details, reference should be made to Note 10, Note 11 and Note 14 of this document).

However, the financial debt outlined above, presented as per IAS 7 "Statement of cash flows", does not include "Other non-current financial assets" of Euro 136,741 thousand at December 31, 2022, mainly comprising the receivables arising from the loans issued by GHC to the subsidiaries to enable them to settle debts with the banks.

Note 15 Trade payables

"Trade payables" amounted to Euro 706 thousand at December 31, 2022 (Euro 393 thousand at December 31, 2021). A breakdown of the account is shown in the table below:

(Euro thousands)	*At December 31*		*Change*
	2022	2021	2022 vs 2021
Trade payables	408	125	282
Payables for invoices to be received	299	277	22
Credit notes to be received	-	(9)	9
Total trade payables	**706**	**393**	**313**

Trade payables at December 31, 2022 mainly comprise payables to suppliers for invoices received for Euro 408 thousand, and invoices to be received for Euro 299 thousand relating to legal, administrative and financial consultancy services connected with the typical activities of a holding company.

Note 16 Current financial payables

The account "*Other current financial payables*" came to Euro 67,379 thousand compared to Euro 52,150 thousand at the end of the previous year.

The following table presents the figures for current financial payables at December 31, 2022 compared to the previous year:

(Euro thousands)	*At December 31*	*At December 31*	*Change*
	2022	2021	2022 vs 2021
Current bank payables (short-term portion of loans)	21,577	21,499	78

Cash pooling financial payables	45,584	30,465	15,119
Current financial payables to leasing companies	88	-	88
Financial payables for IFRS 16 Current	129	133	(4)
Accrued financial liabilities and deferred financial income	1	54	(53)
Total current financial payables	**67,379**	**52,150**	**15,229**

The account in question primarily includes the short-term portion of outstanding loans from credit institutions, financial payables to subsidiaries for intra-Group loans granted and centralised treasury management, in addition to the current portion of financial payables to leasing companies.

"*Bank payables*" increased by Euro 78 thousand on the previous year and is to be correlated to the combined effect of the increase due to the reclassification of the portion due within twelve months of the loan undertaken by GHC S.p.A on November 16, 2021 and the decrease due to the payment of the portions that came due during the year.

"*Cash pooling financial payables*" increased by Euro 15,119 thousand on the previous year, mainly due to the financial dynamics relating to centralised treasury management within the Group.

The increase in *"Payables to leasing companies"* on the previous year of Euro 88 thousand relates to the portion due within twelve months of the leasing contract agreed in the year on the apartment to be used to expand the holding company's offices.

"*IFRS 16 payables*" decreased by Euro 4 thousand on the previous year and is to be correlated to the combined effect of the increase due to the reclassification of the portion due within twelve months and the decrease due to the payment of the portions that came due during the year.

The decrease in *"Accrued financial liabilities and deferred financial income"* on the previous year of Euro 53 thousand relates to the provision at December 31, 2021 of the commissions for the non-utilisation of the Acquisition Line of the loan, paid in March 2022 as within the grace period; in 2022, these commissions, as per the contract, were paid on December 30 and therefore not recognised to accrued liabilities.

Note 17 Tax Payables

The account "*Tax payables*" amounted to Euro 1,597 thousand compared to Euro 1,186 thousand in the previous year.

The table below provides the breakdown of the account for the year ended December 31, 2022 and a comparison with the previous year.

(Euro thousands)	*At December 31*		*Change*
	2022	2021	2022 vs 2021
Tax payables - IRES tax payables	1,597	1,186	411
Total Tax payables	**1,597**	**1,186**	**411**

The account includes the IRES payable transferred by the companies within the scope of tax consolidation in 2022, which generates in the accounts of GHC an amount payable to the Italian Treasury and an amount receivable from the companies concerned, as described above in "*Note 9 Other receivables and current assets*".

The increase in the account of Euro 411 thousand is due to the higher taxable base transferred by the subsidiaries in 2022.

Note 18 Other current liabilities

"*Other current liabilities*" at December 31, 2022 totalled Euro 4,039 thousand, increasing by Euro 2,799 thousand (Euro 1,240 thousand at December 31, 2021). The table below summarizes the composition of the account:

(Euro thousands)	*At December 31*	*At December 31*	*Change*
	2022	2021	2022 vs 2021
Social security institutions	176	81	96
Tax payables	-	64	(64)
Withholding payables	117	85	32
Employee payables	396	264	133
Other liabilities	3,349	746	2,603
Total Other current liabilities	**4,039**	**1,240**	**2,799**

"Social security payables" at December 31, 2022 of Euro 176 thousand increased Euro 96 thousand on the previous year, due to the new hires in 2022 to expand GHC S.p.A.'s organisation.

The decrease of "*Tax payables*" of Euro 64 thousand is due to the fact that in December the VAT payable transferred by the clinics taking part in the Group VAT consolidation, amounting to Euro 156 thousand, was lower than the advance calculated with the historic method and paid on December 28, amounting to Euro 215 thousand: therefore, the positive differential was classified to Other tax receivables.

"*Employee payables*" at December 31, 2022, amounting to Euro 396 thousand, increased Euro 133 thousand, in view of the hires in 2022 to expand GHC S.p.A.'s organisation.

"*Other payables*" at December 31, 2022 of Euro 3,349 thousand increased Euro 2,603 thousand, mainly due to the payables to the subsidiaries taking part in GHC S.p.A.'s tax consolidation, against IRES advances paid in 2022.

Note 19 Revenues from services

The account "*Revenues from services*" amounted to Euro 4,600 thousand, unchanged on the previous year.

The account is broken down below.

(Euro thousands)	*At December 31*		*Change*
	2022	2021	2022 vs 2021
Revenues from services	4,600	4,600	-
Total revenues from services	**4,600**	**4,600**	**-**

The account includes the re-charge of costs by the parent company to the subsidiaries for administrative, financial, corporate and IT coordination services.

Other operating revenues

The account "*Other operating revenues*" was Euro 41 thousand compared to Euro 58 thousand in the previous year.

(Euro thousands)	*At December 31*	*At December 31*	*Change*
	2022	2021	2022 vs 2021
Other income	41	58	(17)
Total other operating revenues	**41**	**58**	**(17)**

The account in question refers to the costs recharged by the parent company to the subsidiaries for the additional services rendered to them that could not be foreseen in the management service contract.

Note 20 Costs for raw materials, ancillary, consumables and goods

The account "*Costs for raw materials, ancillary, consumables and goods*" amounted to Euro 23 thousand in 2022, compared to the figure for the previous year of Euro 25 thousand.

The account is broken down below

(Euro thousands)	*At December 31*		*Change*
	2022	2021	2022 vs 2021
Other	23	25	(2)
Total raw materials, ancillary & consumables	**23**	**25**	**(2)**

This account includes the costs of stationery materials and other consumables.

Note 21 Service costs

"*Service costs*" amounted to Euro 4,928 thousand in 2022, decreasing by Euro 401 thousand on 2021 (Euro 5,329 thousand). The table below provides the breakdown of the account for the year ended December 31, 2022 and a comparison to the previous year:

(Euro thousands)	*At December 31*		*Change*
	2022	2021	2022 vs 2021
Director fees	1,736	1,854	(118)
Statutory auditors fees	98	89	9
Rental charges	162	162	-
Technical consultants	1,593	2,025	(432)
Other costs	1,339	1,199	140
Total service costs	**4,928**	**5,329**	**(401)**

"*Directors' fees*" mainly include the fixed and variable remuneration of the CEO, which decreased Euro 118 thousand.

"Consultancy costs" of Euro 1,593 thousand decreased Euro 432 thousand, mainly due to the lower costs for M&A's as in 2022 the acquisition of GVDR S.r.l. was completed, compared to two acquisitions in 2021 (Clinica San Franceso S.r.l. and Domus Nova S.p.A.).

"*Other costs*" of Euro 1,339 thousand mainly comprise: (i) Contract workers for Euro 334 thousand (ii) Legal consultancy for Euro 212 thousand; (iii) Auditing for Euro 129 thousand; (vi) Administrative and tax consultancy for Euro 127 thousand.

Note 22 Personnel costs

"*Personnel costs*" amounted to Euro 2,687 thousand in 2022, increasing by Euro 509 thousand on 2021 (Euro 2,178 thousand).

The table below shows the breakdown of personnel costs for the year ended December 31, 2022, with a comparison to the year ended December 31, 2021:

(Euro thousands)	*At December 31*		*Change*
	2022	2021	2022 vs 2021
Salaries and wages	1,157	1,039	118
Social security contributions	613	571	42
Severance	90	56	34
Other personnel costs	827	512	316
Total personnel costs	**2,687**	**2,178**	**509**

The increase in "Wages and salaries" for Euro 118 thousand is due to the increase in the new hires in 2022 to expand the GHC S.p.A. organisation to improve holding company functions.

"Other personnel costs", amounting to Euro 827 thousand in 2022 and increased Euro 316 thousand on the previous year, mainly includes the personnel costs related to the first and second cycles of the Performance Share plan (Euro 545 thousand) and those related to variable management remuneration (Euro 235 thousand).

Note 23 Other operating costs

Other operating costs totalled Euro 813 thousand in 2022, compared to Euro 862 thousand in the previous year.

The account primarily includes the costs of non-deductible VAT on a pro rata basis and other operating charges.

The table below shows the breakdown of these costs in 2022 and 2021.

(Euro thousands)	*At December 31*		*Change*
	2022	2021	2022 vs 2021
Non-deductible VAT on a pro rata basis	676	705	(29)
Income taxes	61	98	(36)
Other operating charges	76	60	16
Total other operating costs	**813**	**862**	**(49)**

The account primarily includes the costs of non-deductible VAT on a pro rata basis and other operating charges.

The decrease in the account of Euro 49 thousand is due to the change in "*non-deductible VAT on a pro-rata basis*" for lower operating costs incurred in the year compared to the previous year, which led to a decrease in the non-deductible VAT on a pro-rata basis, and of "*Income taxes*" for the payment of the tobin tax for the acquisition of the investment in Domus Nova S.p.A. in 2021.

Note 24 Amortisation, depreciation and write-downs

"*Amortisation, depreciation and write-downs*" in 2022 was Euro 424 thousand, compared to Euro 350 thousand at the end of the previous year.

The table below shows the breakdown of such amortisation and depreciation for 2022 and 2021:

(Euro thousands)	*At December 31*		*Change*
	2022	2021	2022 vs 2021
Depreciation Intangible assets	28	24	4
Depreciation Tangible and investment Properties	395	325	70
Total amortisation, depreciation and write-downs	**424**	**350**	**74**

The increase in the account of Euro 74 thousand is mainly due to depreciation on the new building leased in 2022.

It should be noted that the depreciation of tangible assets amounting to Euro 395 thousand for Euro 142 thousand concerns the depreciation of the rights-of-use assets and for Euro 83 thousand the depreciation of leased buildings regulated by IFRS 16.

Note 25 Financial income

"*Financial income*" of Euro 8,453 thousand in 2022 increased by Euro 3,563 thousand compared to the previous year.

The table below shows the breakdown of the account in question and the change on the previous year:

(Euro thousands)	*At December 31*		*Change*
	2022	2021	2022 vs 2021
Interest income from cash pooling	31	13	18
Interest income from subsidiary companies	2,423	577	1,845
Dividends	5,999	4,300	1,699
Total financial income	**8,453**	**4,890**	**3,563**

The account refers to the financial income consisting of interest income from subsidiaries, calculated on the financial receivables generated by centralised treasury management cash pooling and on the inter-company loans issued, and the income for dividends approved by the subsidiaries.

"Interest income from subsidiaries" increased by Euro 1,845 thousand, mainly due to the interest income from the interest bearing loans for the full year granted to the subsidiaries following the Refinancing of December 2021 and therefore present in the income statement in the previous year only for one month.

"Dividends" concern the amounts approved in the year by Casa di Cura Villa Berica S.r.l. for Euro 1,500 thousand, by Hesperia Hospital Modena S.r.l. for Euro 1,499 thousand, by Poliambulatorio Dalla Rosa Prati S.r.l. for Euro 1,000 thousand, by Ospedali Privati Riuniti S.r.l. for Euro 1,000 thousand, by Rugani Hospital S.r.l. for Euro 500 thousand and by C.M.S.R. Veneto Medica S.r.l. for Euro 500 thousand. These amounts have all been collected at December 31, 2022.

Note 26 Financial charges

Financial charges amounted to Euro 4,115 thousand compared with Euro 1,230 thousand in the previous year, marking an increase of Euro 2,885 thousand.

The table below shows the breakdown of and changes in the account in question compared to the year ended December 31/12/2021.

(Euro thousands)	*At December 31*		*Change*
	2022	2021	2022 vs 2021
Interest expense from cash pooling	528	306	222
Interest on mortgage loans	3,130	601	2,529
Financial charges on Leasing	14	-	14
IFRS 16 interest charges	34	38	(4)
Other financial charges	391	239	152
Interest expense to subsidiaries	19	47	(28)
Total financial charges	**4,115**	**1,230**	**2,885**

The account includes the financial charges concerning the interest calculated on the financial payables from the cash pooling, on the loans granted by credit institutions, on the inter-company loan with the parent company Larama 98 S.p.A., in addition to leasing charges as per IFRS 16.

"Cash pooling interest expense" increased Euro 222 thousand with regards to the interest expense calculated on the financial payables generated by the cash pooling, whose average amount was higher in the year compared to 2021 (for further details, reference should be made to Note 16).

"Interests on mortgage loans" , which includes the interests for the loan from Banca Unicredit agreed on November 16, 2021, which increased Euro 2,529 thousand following on the one hand the recognition for all of 2022 of the interest expense on the "Refinancing line", calculated only for the month of December 2021 in the previous year, and the initial drawdown on the Acquisition Line in December 2022, and on the other the interest rate increases in 2022. The two variable interest rate loan contracts entered into with a fixed spread + euribor 6 months.

"Other financial charges" increased Euro 152 thousand, mainly due to the commissions for the non-utilisation of the Euro 81.0 million Acquisition Line of the loan agreed on November 16, 2021, whose initial drawdown of Euro 16,535 thousand was made in December 2022.

"*Interest from group companies*" of Euro 19 thousand decreased by Euro 28 thousand due to the total repayment in 2022 of the inter-company loan from the parent company Larama 98 S.p.A.

Note 27 Income taxes

The table below shows the breakdown and changes in 2022 and 2021.

(Euro thousands)	Dec. 31		*Change*
	2022	2021	2022 vs 2021
Current taxes	(1,490)	(1,544)	55
Deferred tax income	(151)	(167)	16
Deferred tax charges	(52)	52	(103)
Other	159	8	152
Total income taxes	**(1,534)**	**(1,653)**	**119**

Income taxes in 2022 presented a positive balance of Euro 1,534 thousand, due mainly to the recognition of income from the tax consolidation as a result of the assessable base transferred by the subsidiaries involved in GHC S.p.A.'s tax consolidation.

The company's nominal and effective rates for the years ended December 31, 2022 and December 31, 2021 are reconciled below.

IRES reconciliation	*At December 31*	
(Euro thousands)	*2022*	*2021*
Profit/(loss) before taxes	**103**	**(427)**
IRES rate applicable	**24%**	**24%**
Theoretical tax charge (Profit before taxes * IRES tax rate)	(24)	102
Dividends	(1,316)	(1,032)
IPO/ABB costs to Shareholders' Equity	-	(212)
ACE	(242)	(402)
Other changes	49	(111)
Current and deferred IRES tax	**(1,534)**	**(1,653)**
Effective tax rate	**(1,489.3%)**	**(387.1%)**

Note 28 Net profit for the year

2022 net profit of Euro 1,638 thousand compared to Euro 1,226 thousand in the previous year.

Note 29 Fair value hierarchy

The following tables presents the carrying amount of outstanding financial instruments (current and non-current financing) stated in the balance sheet, with a comparison to their fair values:

Financial Liabilities	*At December 31, 2022*		*At December 31, 2021*	
(Euro thousands)	*Book value*	Fair value	*Book value*	Fair value
Loans	136,423	139,771	136,423	139,771
Total	**136,423**	**139,771**	**136,423**	**139,771**

The financial liabilities set out above have been assigned to level 2 of the fair value hierarchy (for both 2022 and 2021).

Management has verified that the fair values of the other items approximate their carrying amounts due to the short-term maturities of these instruments.

Fair Value - Hierarchy

All financial instruments at fair value, or for which disclosure is provided, are classified into the three fair value categories described below, based on the lowest level of input significant to determining overall fair value:

- Level 1: Listed prices (not adjusted) in an active market for identical assets and liabilities.
- Level 2: valuation techniques (for which the lowest level of input significant to determining fair value is directly or indirectly observable);
- Level 3: valuation techniques (for which the lowest level of input significant to determining fair value is not observable).

At the end of each period, the Company determines whether financial instruments measured at fair value on a recurring basis have been transferred between levels of the hierarchy and reviews their classification (on the basis of the lowest level of input significant to determining overall fair value).

Valuation processes

For recurring and non-recurring measurement at fair value of instruments classified to level 3 of the fair value hierarchy, the Company uses valuation processes to establish valuation procedures and principles and analyse changes in the measurement of fair value from one period to the next.

The method for calculating fair value used by the Company and checking the models used includes a series of checks and other procedures aimed at ensuring that there are adequate safeguards to guarantee their quality and adequacy. Once prepared, fair value estimates are also revised and assessed by the Chief Financial Officer (CFO).

The CFO validates fair value estimates according to the following approaches:

- Comparing the prices with observable market prices or other independent sources;
- Verifying the model’s calculations;

- Assessing and confirming the input parameters.

The CFO also assesses the calibration of the model at least on an annual basis or when there are significant events on the relevant markets. The CFO is responsible for verifying that the final fair value levels have been set in accordance with IFRSs and proposes adjustments when necessary.

The valuation techniques and specific considerations for level 3 input data are explained in further detail below.

Valuation techniques and hypotheses

The fair value of a financial asset or liability is the price that would be received to sell an asset or that would be paid to transfer a liability in a normal transaction on the principal (or most advantageous) market at the measurement date, under current market conditions (for example, exit price), regardless of whether the price is directly observable or estimated using another valuation technique.

The following methods and assumptions were used to estimate the fair value:

- The fair value of securities quoted in an active market is based on the quoted price at the balance sheet date. The fair value of securities not quoted in an active market, such as bank loans or other financial liabilities, finance lease commitments or other non-current financial liabilities, is estimated on the basis of future cash flows, discounted by applying the current rates available for debt with similar terms, such as credit risk and residual maturity. The fair value of shares is sensitive to both a possible change in expected cash flows and/or the discount rate and a possible change in growth rates.
- The fair value of the ordinary non-listed shares was estimated through the discounted cash flow model (DCF). The valuation requires management to make assumptions with regards to the model inputs, including the projected cash flows, the discount rate, the credit risk and the volatility. The probability of differing estimates within the interval may be reasonably verified and are utilised in management's estimates of the fair value of these non-listed investments;
- The company undertakes derivative financial instruments with a range of counterparties, principally financial institutions with allocated credit ratings. The derivatives valued using measurement techniques with market recordable data principally consist of interest rate swaps. The most utilised measurement techniques include the "swaps" models, which utilise the calculation of the present value. The models consider various inputs, including the credit quality of the counterparty and interest rate curves. All derivative contracts are fully covered by cash, thus eliminating the risk of default by the Company.

30.1 Finance leases and final purchase commitments

The company on May 25, 2022 agreed a finance lease contract with Alba Leasing S.p.A. for the use of the building adjacent to the holding company's offices for a monthly fee and a duration of 144 months. On the conclusion of this period, GHC is required to return the building to the Grantor, or it may exercise the option to extend the lease or acquire the property.

30.2 Commitments and Guarantees

Commitments and guarantees at December 31, 2022 are described below.

- Letter of indemnity Euro 260 thousand, valid until revoked, issued for the benefit of Fides Medica S.r.l.;
- Letter of indemnity of Euro 1,820 thousand, valid until revoked, issued for the benefit of Fides Medica S.r.l.;
- Letter of indemnity Euro 845 thousand, valid until revoked, issued for the benefit of Ro.e.Mar. S.r.l.;
- Omnibus guarantee with limitation of risk, amount of Euro 325 thousand, issued for the benefit of Ro.e.Mar. S.r.l.;

No expected losses on guarantees have come to light.

This section contains a description of the financial risks to which GHC S.p.A is exposed, together with the policies and strategies employed by the company to manage the risks concerned during the year to December 31, 2022.

It should be noted that are no plans for changes in the risk management policies set out below.

GHC through its operating activities is exposed to financial risks, in particular:

• Credit risk arising from commercial transactions or financing activity;

• Liquidity risk, related to the availability of financial resources and access to the credit market

• Operational risk relating to the conduct of the business;

The management and monitoring system for the main risks involves the director and management of the company and company personnel.

The primary goal of risk management is to protect the company's stakeholders (shareholders, employees, customers and suppliers) and financial integrity, as well as to safeguard the environment.

The risk management policy applied by the Company regards the setting of guidelines on which to base the operational management.

The principal risks to which the company is exposed are as follows:

30.3.1 Credit risk

Credit risk is the risk that a counterparty does not fulfil its obligations relating to a financial instrument or a commercial contract, resulting therefore in a financial loss.

The credit risk of GHC S.p.A. is moderate as the credit positions recognised to GHC S.p.A.'s financial statements are with Group companies and derive both from revenues for the offsetting of costs incurred by the holding company for services provided to the subsidiaries and from loans provided to them. More particularly, the Group companies, operating in "strong" Regions, whose health spend is balanced from a financial viewpoint and is not exposed to payment delay risks, with consequent benefits for the company. The implementation of cash pooling within the Group also makes it possible to optimise the management of cash flows and thus of liquidity.

Information on GHC's trade receivable positions at December 31, 2022 and December 31, 2021 is provided below:

(Euro thousands)	*At December 31*		*Change*
	2022	2021	2022 vs 2021
Receivables from subsidiaries	1,071	0	1,071
Invoices to be issued to Subsidiaries	656	1,718	-1,062
Total trade receivables	**1,727**	**1,718**	**9**

30.3.2 Liquidity risk

Liquidity risk is associated with the ability to meet commitments arising from financial liabilities. Prudent management of the liquidity risk from normal operations implies the holding of an adequate level of liquidity and an adequate funding from credit lines.

The company has introduced effective financial planning which offsets liquidity risk, also in view of the fact, as stated GHC S.p.A.'s receivables are from Group companies whose liquidity is related to on-time payment by the Regional Health System to which the individual clinics belong. The company therefore considers that this risk deriving from any delayed payment by the Regional Health System, with any related impacts on liquidity, is moderate. The Group's facilities are primarily located in regions with a balanced healthcare spending budget. This reduces, but does not eliminate, the risk that the Regional Health Systems within whose territory the facilities concerned operate may delay the payment of services rendered to patients.

In addition, in December 2019 a centralised liquidity system was adopted by implementing cash pooling. This system optimises cash flow management within the Group by daily sweeping of the current account balances of Group companies (secondary accounts) held with Intesa San Paolo SpA and automatically transferring the related debits/credits with the same value date to the treasury account held by GHC (the primary account) to create a consolidated daily financial position for the Group.

GHC S.p.A. in addition, to offset any unexpected liabilities, may utilise the shareholders' equity reserves of the subsidiaries, which may be distributed in view of the financial equilibrium of the subsidiaries.

Trade payables at December 31, 2022 and 2021 are detailed below:

(Euro thousands)	At December 31, 2022		
	Financial payables	Trade payables	Total
Maturity:			
Within 12 months	67,379	706	68,084
Due beyond one year	112,055	-	112,055
Total	**179,434**	**706**	**180,140**

(Euro thousands)	At December 31, 2021		
	Financial payables	Trade payables	Total
Maturity:			
Within 12 months	52,150	393	52,543
Due beyond one year	117,620	-	117,620
Total	**169,770**	**393**	**170,163**

The management of financial risks is undertaken according to the guidelines drawn up by the directors. The aim is to ensure that the structure of liabilities is always balanced with the composition of assets, in order to ensure a high margin of solvency.

The Company also seeks to maintain an optimal capital structure so as to reduce its borrowing costs. The Company monitors its capital situation on the basis of the ratio of net financial position (NFP) to net capital employed (NCE). Net debt is calculated as total borrowings, including current- and non-current loans and the net exposure to banks. Net capital employed is calculated as the sum of investments and net working capital (excluding net equity and debt included in NFP).

Note 31 Related party transactions

Transactions and balances with related parties are illustrated in the tables below. The companies listed are considered related parties as they are directly or indirectly related to the majority shareholders of the Garofalo Health Care Group.

Pursuant to Consob Motion No. 17221 of March 12, 2010, it is reported that in 2022 the Company did not conclude any significant transactions or transactions with a significant effect on the Group’s financial position or operating result for the year with related parties. All transactions with related parties were at arm’s length.

The following table provides the total amount of significant transactions by nature or amount with related parties as of December 31, 2022:

Dec 31, 22	Receivables		Payables		Costs		Revenues	
(Euro thousands)	Fin/Tax	Trade/Other	Fin/Tax	Trade/Other	Fin.	Com.	Fin.	Com.
Maria Laura Garofalo	-	-	-	-	-	81	-	-
LARAMA 98 SPA	-	-	-	-	19	-	-	-
Aurelia Hospital	-	-	-	(1)	-	1	-	(1)
Casa di Cura Città di Roma	-	1	-	-	-	-	-	(1)
LEDCON srl	-	-	-	(22)	-	424	-	-
A.M. Rinaldi	-	-	-	-	-	81	-	-
XRay One S.r.l.	12,580	29	(1,436)	(2)	19	-	(207)	(114)
Centro Medico S.Biagio S.r.l.	13,869	73	(8,820)	(7)	117	-	(271)	(293)
BIMAR S.r.l.	-	5	(563)	(2)	7	-	-	(21)
Centro medico Castrense	1,652	19	(1,459)	-	16	-	(32)	(63)
Aesculapio S.r.l.	566	34	-	-	-	-	(11)	(66)
Ospedali Privati Riuniti S.r.l.	11,210	808	(3,101)	(701)	37	-	(1,215)	(478)
Poliambulatorio Dalla Rosa	2,419	652	(617)	(536)	4	-	(1,047)	(262)
Casa di cura Prof. Nobili S.r.l.	-	44	(8,296)	-	116	-	-	(152)
Fides Servizi scrl	203	1	(11)	(3)	-	-	(4)	(1)
PRORA S.r.l.	-	5	(1,053)	(1)	13	-	-	(19)
Ro.e.Mar. S.r.l.	1,012	14	-	-	-	-	(16)	(54)
Genia Immobiliare S.r.l.	-	1	(265)	-	4	-	-	(1)
Centro di Riabilitazione S.r.l.	-	14	(1,180)	(2)	12	-	-	(54)
Fides Medica S.r.l.	9,676	17	(1,485)	(10)	11	-	(197)	(67)
HESPERIA HOSPITAL	-	220	(5,310)	-	62	-	(1,499)	(758)
Rugani Hospital S.r.l.	622	86	(604)	-	3	-	(512)	(236)
VILLA VON SIEBENTHAL S.r.l.	3,626	184	-	(216)	-	-	(67)	(81)
L'EREMO DI MIAZZINA - Casa	7,961	111	-	(35)	-	-	(111)	(248)
SANIMEDICA S.r.l.	-	38	(502)	(33)	8	-	-	(41)
C.M.S.R. VENETO MEDICA	2,965	212	(1,721)	(130)	10	-	(558)	(158)
Casa di Cura Villa Garda S.r.l.	2,253	322	-	(82)	9	-	(44)	(131)
CASA DI CURA VILLA BERICA	694	1,328	(5,951)	(971)	63	-	(1,514)	(400)
Casa di cura S. Francesco S.r.l.	53,180	165	(2,378)	-	12	-	(938)	(504)
DOMUS NOVA SPA	5,559	656	(831)	-	4	-	(109)	(437)
GHC PJ9 S.R.L.	24,926						(100)	
Total	**154,973**	**5,039**	**(45,583)**	**(2,754)**	**546**	**587**	**(8,452)**	**(4,641)**

On the subject of related parties, it should be noted that on July 30, 2020, Legislative Decree No. 84 of July 14, 2020 was published in the Official Gazette, which introduces, among other things, a significant increase in the maximum legal amounts of the administrative pecuniary sanctions applicable in the event of violation of the regulations relating to related party transactions of listed companies. As a result of the amendments introduced to Article 192-*quinquies* of Legislative Decree No. 58 of February 24, 1998 (CFA) by the above-mentioned Legislative Decree No. 84/2020, the administrative fines with the new maximum amounts apply to violations of the regulations on related party transactions occurring after August 14, 2020.

It should be noted that as of November 2018 GHC S.p.A. has adopted an internal procedure for the precise identification of the Company's related parties. This is designed to identify the principles to which the Company adheres in order to ensure the transparency and substantial and procedural correctness of related party transactions carried out, directly or through subsidiaries.

Note 32 Subsequent events after December 31, 2022

There were no subsequent events after December 31, 2022.

Note 33 Remuneration of the Board of Directors and Board of Statutory Auditors

The remuneration accruing to members of the Board of Directors of Garofalo Health Care S.p.A., in all capacities and forms, during the years ended December 31, 2022 and December 31, 2021 amounted to Euro 1,736 thousand and Euro 1,854 thousand, respectively.

The remuneration accrued to the Board of Statutory Auditors of Garofalo Health Care S.p.A for the years ended December 31, 2022 and December 31, 2021 amounted to Euro 98 thousand and Euro 89 thousand, respectively.

in Euro thousands	At December 31, 2022
Statutory Auditors	98
Directors	1,736

in Euro thousands	At December 31, 2021
Statutory Auditors	89
Directors	1,854

Note 34 Independent auditors' fees

The table below breaks down independent auditors' fees by type of service rendered:

Type of service	Service provider	Company	Fees
Audit	EY S.p.A.	GHC SPA	103
Other professional services	EY S.p.A.	GHC SPA	25
Total			128

Note 35 Number of employees

The following table provides a concise comparison of the number of employees in 2022 by category with the previous year.

Employees by category	Number of employees at 31/12/2022	Number of employees at 31/12/2021	Change 2022 vs 2021
Executives	6	6	-
White collars/Managers	14	12	2
Total	20	18	2

Note 36 Positions or transactions arising from exceptional and/or unusual transactions

In accordance with Consob Communication No. DEM/6064293 of July 28, 2006, the company did not undertake any atypical or unusual transactions as set out in the Communication.

Note 37 Information on share-based remuneration plans

2019-2021 Stock Grant Plan

On May 27, 2022, Garofalo HealthCare S.p.A. allocated the GHC S.p.A. shares to the beneficiaries of the "2019 - 2021 Stock-Grant Plan" (the "Stock Grant Plan"), reserved for directors and managers of the Company and/or Group companies occupying managerial positions deemed significant within the Group and exerting a material impact on the creation of value for the Company and its shareholders. With the allocation of the shares, the three-year Stock Grant Plan came to an end.

2021-2023 Performance Share Plan

On April 30, 2021, and on the proposal of the Board of Directors, the Shareholders' Meeting approved a new long-term incentive plan, the "2021-2023 Performance Share Plan" (the "Performance Share Plan"), reserved for the Chief Executive Officer and the General Manager of the Company, in addition to key personnel of the Company and/or of the Group, as identified at the sole discretion of the Board of Directors, in consideration of the Remuneration Policy and having heard - for members of the BoD - the opinion of the Appointments and Remuneration Committee.

The Performance Share Plan is divided into three three-year cycles: 2021-2023, 2022-2024 and 2023-2025.

The purposes of the Performance Share Plan are:

- to promote the creation of sustainable value for the Company, shareholders and stakeholders, also in accordance with the indications of the Corporate Governance Code;
- guide management towards decisions that pursue the creation of value for the Group over the medium to long term;
- reinforce the policy of loyalty and engagement of staff members considered important to the Group;
- attract, motivate and retain personnel with the appropriate individual and professional skills to pursue and achieve the core business development objectives of the Company and the Group.

The free assignment and subsequent delivery of the shares are conditional on the achievement of predetermined performance objectives for each of the three cycles into which the Performance Share Plan is divided.

The following is a summary of the number of rights assigned, of the rights attributable and the relative fair value established by a specially-appointed independent expert.

	number of assigned rights	number of rights granted	Fair value rights granted at the assignment date
recalculation rights 12/12/2021*	157,159	143,408	814,555
assignment of rights 28/07/2022	277,352	254,470	605,982

** following the departure of a beneficiary*

Note 38 Allocation of result for the year

Dear shareholders, We propose the approval of the financial statements at December 31, 2022 and, in accordance with Article 2427, paragraph 1, No. 22 septies of the Civil Code, the allocation of the net profit of Euro 1,638 thousand as follows: Euro 82 thousand to the legal reserve, Euro 16 thousand to the provision as per Article 40 of the By-Laws and the remaining Euro 1,540 thousand to the retained earnings reserve.

Mr. Alessandro Maria Rinaldi
Legal Representative

Garofalo Health Care S.p.A.

Financial statements as at December 31, 2022

Independent auditor’s report pursuant to article 14 of Legislative Decree n. 39, dated 27 January 2010, and article 10 of EU Regulation n. 537/2014

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Independent auditor's report pursuant to article 14 of Legislative Decree n. 39, dated 27 January 2010 and article 10 of EU Regulation n. 537/2014
(Translation from the original Italian text)

To the Shareholders of
Garofalo Health Care S.p.A.

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Garofalo Health Care S.p.A. (the Company), which comprise the statement of financial position as at December 31, 2022, and the income statement, the comprehensive income statement, statement of changes in shareholders' equity and cash flows statement 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 the Company as at December 31, 2022, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with the regulations issued for implementing art. 9 of Legislative Decree n. 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 our report. We are independent of the Company in accordance with the regulations and standards on ethics and independence applicable to audits of financial statements under Italian Laws. 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.

We identified the following key audit matters:

Recoverability of Equity investments	Audit Response
The Equity investments balance as of December 31, 2022, amounted to € 198,364 thousand. Management assesses at least annually the presence of indicators of impairment of each equity investment, such as the presence of a book value of the equity investment exceeding the value of the relevant Shareholders' Equity, consistent with its strategy of managing legal entities within the group, and subjects these assets to impairment tests if they arise. The recoverability of equity investments was confirmed by the relevant impairment tests. The processes and methodologies for assessing and determining the recoverable amount of the aforementioned CGUs, are based on complex assumptions which by their nature imply the use of management’s judgment, in particular concerning the forecasted future profitability over the period covered by the single entities Business Plan 2023-2026, approved by their respective Boards of Directors, the determination of normalized cash flows underlying the estimate of the terminal value and the determination of discount rates applied to the forecasted future cash flows. Considering the judgment required and the complexity of the assumptions used in the estimate of the recoverable amount of goodwill and the indefinite useful life assets related to accreditation, we have deemed such area to be a key audit matter. The financial statement information relating to the Equity investments carried out is disclosed in note 4 “Equity investments”, which in particular discusses the process of determining the recoverable value of each entity, the valuation assumptions used and the sensitivity analysis of the recoverable amount to changes in the main valuation assumptions.	Our audit procedure included, among others, the following: • assessment of the impairment test process and key controls related to Equity investments balances, taking into consideration the impairment test procedure as approved by the Board of Directors; • assessment of the consistency of the forecasted future cash flows of each entity with the company business plan; • assessment of the reasonableness of future cash flow forecasts, also compared to the historical accuracy of previous years’; • the verification of valuation assumptions used in the calculation of impairment tests prepared by management, including the determination of discount rates; In performing our procedures, we leveraged the use of EY valuation specialists who performed an independent calculation and sensitivity analysis on key assumptions, to determine any changes that could materially impact the valuation of the recoverable amount. Lastly, we reviewed the disclosures included in the notes to the consolidated financial statements in particular concerning possible changes in the main assumptions that could lead to impairment of Equity investments.

Responsibilities of Directors and Those Charged with Governance for the Financial Statements

The Directors are responsible for the preparation of the financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and with the regulations issued for implementing art. 9 of Legislative Decree n. 38/2005 and, within the terms provided by the 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, when preparing the financial statements, for the appropriateness of the going concern assumption, and for appropriate disclosure thereof. The Directors prepare the financial statements on a going concern basis unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The statutory audit committee ("Collegio Sindacale") is responsible, within the terms provided by the law, for overseeing 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with International Standards on Auditing (ISA Italia), we have exercised professional judgment and maintained professional skepticism throughout the audit. In addition:

- we have identified and assessed the risks of material misstatement of the financial statements, whether due to fraud or error, designed and performed audit procedures responsive to those risks, and 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 have 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 have evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors;
- we have concluded on the appropriateness of 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 consider this matter in forming 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 have 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 have 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 identify during our audit.

We have provided those charged with governance with a statement that we have complied with the ethical and independence requirements applicable in Italy, and we have communicated them all matters that may reasonably be thought to bear on our independence, and where applicable, the actions taken to eliminate relevant risks or the safeguard measures applied.

From the matters communicated with those charged with governance, we have 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 have described these matters in our auditor's report.

Additional information pursuant to article 10 of EU Regulation n. 537/14

The shareholders of Garofalo Health Care S.p.A., in the general meeting held on August 8, 2018, engaged us to perform the audits of the financial statements for each of the years ending December 31, 2018 to December 31, 2026.

We declare that we have not provided prohibited non-audit services, referred to article 5, par. 1, of EU Regulation n. 537/2014, and that we have remained independent of the Company in conducting the audit.

We confirm that the opinion on the financial statements included in this report is consistent with the content of the additional report to the audit committee (Collegio Sindacale) in their capacity as audit committee, prepared pursuant to article 11 of the EU Regulation n. 537/2014.

Report on compliance with other legal and regulatory requirements

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

The Directors of Garofalo Health Care S.p.A. are responsible for applying the provisions of the European Commission Delegated Regulations (EU) 2019/815 for the regulatory technical standards on the specification of a single electronic reporting format (ESEF – European Single Electronic Format) (the "Delegated Regulation") to the financial statements, to be included in the annual financial report.

We have performed the procedures under the auditing standard SA Italia n. 700B, in order to express an opinion on the compliance of the financial statements as at December 31, 2022 with the provisions of the Delegated Regulation.

In our opinion, the financial statements as at December 31, 2022 have been prepared in the XHTML format in compliance with the provisions of the Delegated Regulation.

Opinion pursuant to article 14, paragraph 2, subparagraph e), of Legislative Decree n. 39 dated 27 January 2010 and of article 123-bis, paragraph 4, of Legislative Decree n. 58, dated 24 February 1998

The Directors of Garofalo Health Care S.p.A. are responsible for the preparation of the Report on Operations and of the Report on Corporate Governance and Ownership Structure of Garofalo Health care S.p.A. as at December 31, 2022, including their consistency with the related financial statements and their compliance with the applicable laws and regulations.

We have performed the procedures required under audit standard SA Italia n. 720B, in order to express an opinion on the consistency of the Report on Operations and of specific information included in the Report on Corporate Governance and Ownership Structure as provided for by article 123-bis, paragraph 4, of Legislative Decree n. 58, dated 24 February 1998, with the financial statements of Garofalo Health Care S.p.A. as at December 31, 2022 and on their compliance with the applicable laws and regulations, and in order to assess whether they contain material misstatements.

In our opinion, the Report on Operations and the above mentioned specific information included in the Report on Corporate Governance and Ownership Structure are consistent with the financial statements of Garofalo Health Care S.p.A. as at December 31, 2022 and comply with the applicable laws and regulations.

With reference to the statement required by art. 14, paragraph 2, subparagraph e), of Legislative Decree n. 39, dated 27 January 2010, based on our knowledge and understanding of the entity and its environment obtained through our audit, we have no matters to report.

Statement pursuant to article 4 of Consob Regulation implementing Legislative Decree n. 254, dated 30 December 2016

The Directors of Garofalo Health Care S.p.A. are responsible for the preparation of the non-financial information pursuant to Legislative Decree n. 254, dated 30 December 2016. We have verified that non-financial information have been approved by Directors.

Pursuant to article 3, paragraph 10, of Legislative Decree n. 254, dated 30 December 2016, such non-financial information are subject to a separate compliance report signed by another auditor.

Rome, March 30 2023

EY S.p.A.
Signed by: Andrea Eronidi, Auditor

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.

CONSOLIDATED FINANCIAL STATEMENTS

at December 31, 2022

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AUDITORS’ REPORT ON THE SEPARATE FINANCIAL STATEMENTS AT DECEMBER 31, 2022 PAG. 97

Parent Company Registered Office

Garofalo Health Care S.p.A.

Piazzale Belle Arti, 6 – Rome 00196

Parent Company Legal Details

Subscribed and paid-in share capital Euro 31,570,000

Rome Company's Registration Office – Economic & Administrative Index No.: 947074

Tax Number: 06103021009

VAT Number: 03831150366

Website: http://www.garofalohealthcare.com

CORPORATE BOARDS

ALESSANDRO MARIA RINALDI	Chairperson
MARIA LAURA GAROFALO	Chief Executive Officer
ALESSANDRA RINALDI GAROFALO	Director
CLAUDIA GAROFALO	Director
GIUSEPPE GIANNASIO	Director
GUIDO DALLA ROSA PRATI	Director
JAVIER DE LA RICA ARANGUREN	Director
GIANCARLA BRANDA	Independent Director
FRANCA BRUSCO	Independent Director
NICOLETTA MINCATO	Independent Director
FEDERICO FERRO-LUZZI	Independent Director

CONTROL, RISKS AND SUSTAINABILITY COMMITTEE

FRANCA BRUSCO
FEDERICO FERRO LUZZI
NICOLETTA MINCATO

APPOINTMENTS AND REMUNERATION COMMITTEE

FEDERICO FERRO LUZZI
GIANCARLA BRANDA
FRANCA BRUSCO

BOARD OF STATUTORY AUDITORS

SONIA PERON	Chairperson
FRANCESCA DI DONATO	Statutory Auditor
ALESSANDRO MUSAIO	Statutory Auditor
ANDREA BONELLI	Alternate Auditor
MARCO SALVATORE	Alternate Auditor

INDEPENDENT AUDIT FIRM

EY S.P.A.

EXECUTIVE OFFICER FOR FINANCIAL REPORTING

LUIGI CELENTANO

CONSOLIDATED FINANCIAL STATEMENTS AT DECEMBER 31, 2022

Consolidated Balance Sheet at December 31, 2022

		For the year ended December 31			
in Euro thousands		2022	of which related parties	2021	of which related parties
Goodwill	Note 3	91,392		70,265	
Other intangible assets	Note 4	196,038		195,828	
Property, plant and equipment	Note 5	221,826		217,006	
Investment property	Note 6	885		924	
Equity investments	Note 7	826		1,285	
Other non-current financial assets	Note 8	517		482	
Other non-current assets	Note 9	2,330		1,113	
Deferred tax assets	Note 10	10,615		9,660	
TOTAL NON-CURRENT ASSETS		**524,430**		**496,564**	
Inventories	Note 11	4,244		4,322	
Trade receivables	Note 12	76,479	1	74,720	
Tax receivables	Note 13	5,933		6,088	
Other receivables and current assets	Note 14	3,137		3,405	
Other current financial assets	Note 15	215		175	
Cash and cash equivalents	Note 16	31,382		41,239	
TOTAL CURRENT ASSETS		**121,390**		**129,948**	
TOTAL ASSETS		**645,820**		**626,513**	

in Euro thousands		For the year ended December 31 2022	of which related parties	2021	of which related parties
Share capital	Note 17	31,570		31,570	
Legal reserve	Note 17	532		471	
Other reserves	Note 17	225,542		209,578	
Group result for the year	Note 38	21,426		18,834	
TOTAL GROUP SHAREHOLDERS' EQUITY		279,070		260,453	
Minority interest capital and reserves	Note 17	76		253	
Minority interest result	Note 38	7		9	
TOTAL SHAREHOLDERS' EQUITY		279,153		260,715	
Employee benefits	Note 18	13,551		11,987	
Provisions for risks and charges	Note 19	19,152		17,346	
Non-current financial payables	Note 20	132,165		138,130	1,645
Other non-current liabilities	Note 21	3,208		213	
Deferred tax liabilities	Note 10	67,356		67,932	
TOTAL NON-CURRENT LIABILITIES		235,431		235,608	
Trade payables	Note 22	51,100	38	46,239	45
Current financial payables	Note 23	44,443		45,662	
Tax payables	Note 24	3,211		3,860	
Other current liabilities	Note 25	32,482		34,429	
TOTAL CURRENT LIABILITIES		131,236		130,190	
TOTAL LIABILITIES		366,667		365,798	
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		645,820		626,513	

2022 Consolidated Income Statement

		For the year ended December 31			
in Euro thousands		2022	of which related parties	2021	of which related parties
Revenues from services	Note 26	314,764		277,869	
Other revenue	Note 27	7,810	2	5,803	
TOTAL REVENUES		**322,575**		**283,672**	
Raw materials and consumables	Note 28	44,898		38,944	
Service costs	Note 29	134,032	781	118,407	1,336
Personnel costs	Note 30	73,287		65,739	
Other operating costs	Note 31	14,833		13,620	
TOTAL OPERATING COSTS		**267,050**		**236,710**	
TOTAL EBITDA		**55,524**		**46,962**	
Amortisation, depreciation & write-downs	Note 32	18,963		15,706	
Impairments and other provisions	Note 33	4,896		3,025	
TOTAL AMORTISATION, DEPREC., WR. DWN., PROVS. & OTH. ADJUSTMENTS		**23,859**		**18,731**	
EBIT		**31,665**		**28,231**	
Financial income	Note 34	127		56	
Financial charges	Note 35	(4,551)	(19)	(4,512)	(47)
Results of investments at equity	Note 36	129		213	
TOTAL FINANCIAL INCOME AND CHARGES		**(4,294)**		**(4,243)**	
PROFIT/(LOSS) BEFORE TAXES		**27,371**		**23,988**	
Income taxes	Note 37	5,938		5,145	
NET PROFIT FOR THE YEAR	Note 38	**21,433**		**18,843**	
Attributable to:					
Group	Note 38	21,426		18,834	
Minority interests	Note 38	7		9	
Basic and diluted earnings per share (in Euro)	Note 39	0.24		0.21	

Consolidated Comprehensive Income Statement at December 31, 2022

(Euro thousands)	At December 31, 2022	At December 31, 2021
PROFIT FOR THE YEAR	21,433	18,843
Other components of the comprehensive income that will not subsequently be reclassified in profit/(loss) for the year		
Actuarial gains/(losses) on defined employee benefit plans	(718)	16
Tax effect	172	(4)
Total other components of comprehensive income that will not subsequently be reclassified to profit/(loss) for the period net of income taxes	(546)	12
Total other comprehensive items that may be subsequently reclassified to profit/(loss) for the period net of income taxes	-	-
Profit/(loss) recognised to equity	(546)	12
Total comprehensive income	20,887	18,855
Attributable to:		
Group	20,880	18,846
Minority interests	7	9

Statement of changes in consolidated shareholders' equity at December 31, 2022

in Euro thousands	Share capital	Legal reserve	Other reserves	Group net profit	Group shareholders' equity	Minority interest capital & reserves	Minority interest net profit	Total net equity
December 31, 2020	**28,700**	**394**	**162,280**	**11,781**	**203,155**	**63**	**3**	**203,221**
Allocation of result	-	77	11,704	(11,781)	**-**	3	(3)	**-**
Acquisition of treasury shares	-	-	(3,150)	-	**(3,150)**	-	-	**(3,150)**
Share capital increase	2,870	-	38,067	-	**40,937**	-	-	**40,937**
Use of Reserve as per Article 40	-	-	(12)	-	**(12)**	-	-	**(12)**
Change in consolidation scope	-	-	-	-	**-**	187	-	**187**
Share-based payments reserve	-	-	421	-	**421**	-	-	**421**
Settlement of derivatives			240		**240**			**240**
Comprehensive profit/(loss)	-	-	12	18,834	**18,846**	-	9	**18,855**
Other movements	-	-	16	-	**16**	-	-	**16**
December 31, 2021	**31,570**	**471**	**209,578**	**18,834**	**260,453**	**253**	**9**	**260,715**
December 31, 2021	**31,570**	**471**	**209,578**	**18,834**	**260,453**	**253**	**9**	**260,715**
Allocation of result	-	61	18,773	(18,834)	**-**	9	(9)	**-**
Acquisition of treasury shares	-	-	(2,979)	-	**(2,979)**	-	-	**(2,979)**
Change in consolidation scope	-	-	53	-	**53**	(186)		**(133)**
Share-based payments reserve	-	-	634	-	**634**	-	-	**634**
Comprehensive profit/(loss)	-	-	(546)	21,426	**20,880**	-	7	**20,887**
Other movements	-	-	29	-	**29**	-	-	**29**
December 31, 2022	**31,570**	**532**	**225,542**	**21,426**	**279,070**	**76**	**7**	**279,153**

Consolidated Cash Flow Statement at December 31, 2022

In Euro thousands	December	
	2022	2021
OPERATING ACTIVITIES		
Profit for the year	21,433	18,843
Adjustments for:		
- Amortisation and depreciation	18,364	15,519
- Provisions for employee benefit liabilities	783	805
- Provisions net of releases for risks and charges	4,896	3,025
- Provisions net of releases for doubtful debt provision	599	187
- Interest from discounting	1,512	770
- Other non-cash adjustments	606	420
- Change in investments in associates valued under the equity method	(129)	(213)
- Change in other non-current assets and liabilities	1,874	(308)
- Net change in deferred tax assets and liabilities	(1,137)	(387)
- Payments for employee benefits	(1,232)	(1,208)
- Payments for provisions for risks and charges	(2,293)	(2,745)
Changes in operating assets and liabilities:		
(Increase) decrease in trade and other receivables	(1,914)	(2,710)
(Increase) decrease in inventories	191	341
Increase (decrease) in trade and other payables	3,878	(881)
Other current assets and liabilities	(3,561)	4,854
NET CASH FLOW FROM OPERATING ACTIVITIES (A)	43,870	36,313
CASH FLOW FROM INVESTING ACTIVITIES		
Investments in intangible assets	(1,134)	(1,470)
Investments in tangible assets	(13,835)	(23,198)
(Investments)/disposals in financial assets	(169)	(388)
Sale of tangible assets	316	326
Dividends from associates	203	280
Acquisition GVDR	(20,877)	
Acquisition Domus Nova		(31,119)
Acquisition Clinica San Francesco		(36,562)
CASH FLOW ABSORBED BY INVESTING ACTIVITIES (B)	(35,496)	(92,130)
CASH FLOW FROM FINANCING ACTIVITIES		
Issue of medium/long term loans	16,590	179,773
Repayment of medium/long-term loans	(22,263)	(148,060)
Issue/(repayment) of short-term loans	(2,824)	6,927
Changes in other financial payables	(6,745)	(4,155)
Share capital increase and shareholder payments		40,937
Use of Reserve as per Article 40	(10)	(27)
(Acquisition) treasury shares	(2,979)	(3,150)
NET CASH FLOW GENERATED/(ABSORBED) FROM FINANCING ACTIVITIES (C)	(18,231)	72,245
TOTAL CASH FLOWS (D=A+B+C)	(9,857)	16,428
CASH & CASH EQUIVALENTS AT BEGINNING OF YEAR (E)	41,239	24,810
CASH & CASH EQUIVALENTS AT END OF YEAR (F=D+E)	31,382	41,239
Additional information:		
Interest paid	2,307	2,160
Income taxes paid	6,918	3,679

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT DECEMBER 31, 2022

Note 1. Accounting standards and preparation basis for the Consolidated Financial Statements at December 31, 2022

1.1 Company information

The publication of the Group's consolidated financial statements for the year ended December 31, 2022 was approved by the Board of Directors on March 16, 2023.

GHC S.p.A. is a listed limited liability company domiciled in Italy with its registered office at Piazzale delle Belle Arti 6, Rome.

1.2 General Principles

The consolidated financial statements of the GHC Group for the year ended December 31, 2022 (the "Consolidated Financial Statements") have been prepared in compliance with IFRS international accounting standards issued by the International Accounting Standards Boards (IASB), supplemented by the related interpretations of the International Financial Reporting Standards Interpretations Committee (IFRS IC), previously called the Standing Interpretations Committee (SIC), as well as the provisions issued in implementation of Article 9 of Legislative Decree no. 38/2005. The IFRSs applied are those in effect at the reporting date of the Consolidated Financial Statements.

The adoption of the IFRS took place starting from 2015, the first consolidated financial statements prepared by the Company.

The Consolidated Financial Statements are presented in thousands of Euro and all the amounts are rounded to the nearest thousand, unless otherwise specified.

The Consolidated Financial Statements have been prepared on an historical cost basis, except for financial receivables (financial assets) and financial liabilities, which are recognised at fair value.

The Consolidated Financial Statements, in the absence of uncertainties or doubts about the ability to continue business in a foreseeable future, have been prepared on the basis of business continuity. Based on the aforementioned principle, the Company was considered able to continue its business and therefore the assets and liabilities were accounted for on the assumption that the company will be able to carry out its activities and meet its liabilities during the normal course of business activity.

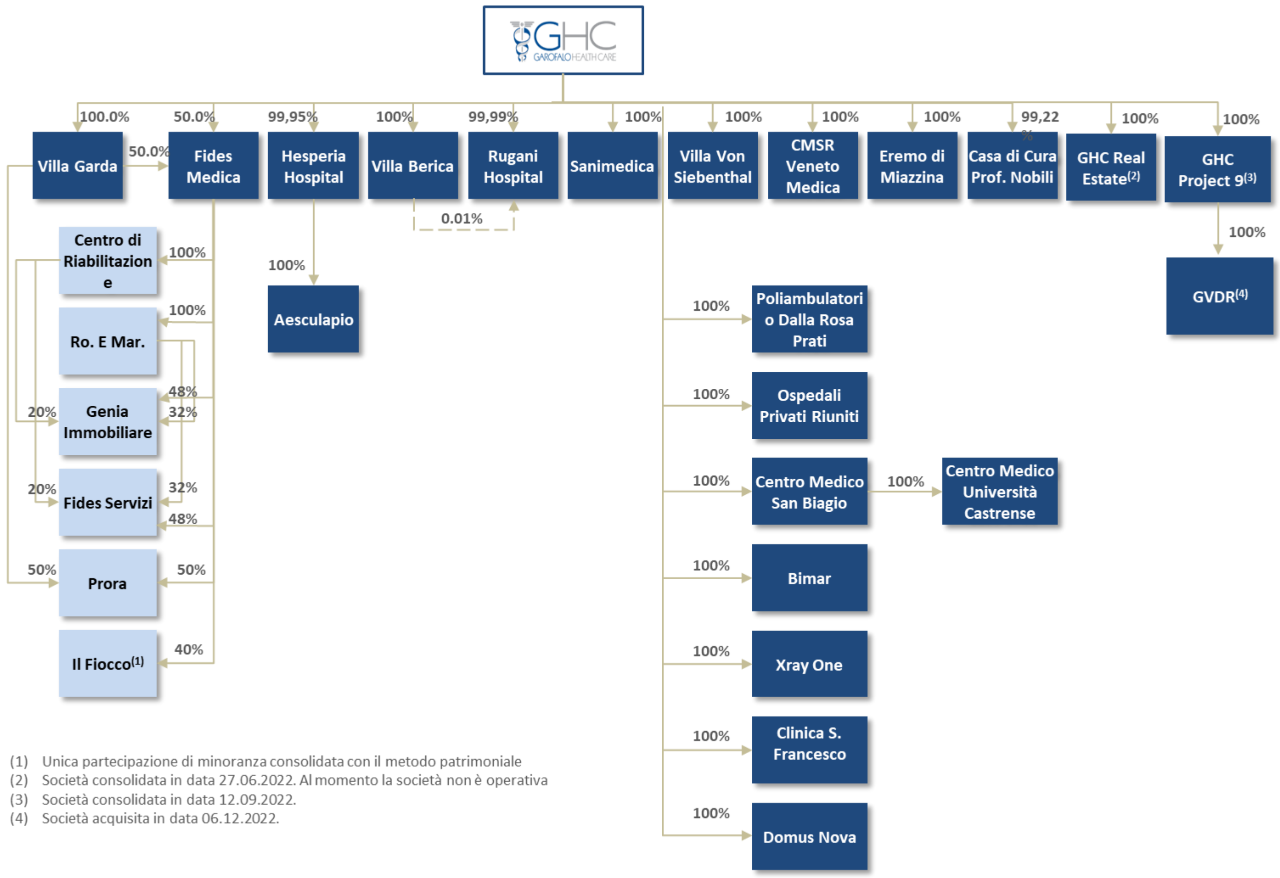
1.3 Financial Statements

The Consolidated Financial Statements of the GHC Group consist of the Balance Sheet, Income Statement, Statement of Comprehensive Income, Statement of Changes in Shareholders' Equity, Cash Flow Statement and the Notes.

The Balance Sheet has been classified on the basis of the operating cycle, with the distinction between current/non-current items. Based on this distinction, assets and liabilities are considered current if they are to be realized or settled in the normal operating cycle. The revenue and cost items recorded during the year are presented in two tables: an income statement, which reflects the analysis of the aggregate costs by nature, and a comprehensive income statement. Lastly, the cash flow statement was prepared using the indirect method for determining the cash flows deriving from operating activities. With this method, the profit of the year is adjusted for the effects of the transactions of a non-cash nature, any deferrals or accruals of past or future operating cash receipts or payments, and items of income or expense associated with investing or financing cash flows.

1.4 Group Structure

The composition of the Group at December 31, 2022 is provided below.



(1) Unica partecipazione di minoranza consolidata con il metodo patrimoniale
(2) Società consolidata in data 27.06.2022. Al momento la società non è operativa
(3) Società consolidata in data 12.09.2022.
(4) Società acquisita in data 06.12.2022.

1.5 Consolidation principles and scope of consolidation

The Consolidated Financial Statements include the financial statements of GHC S.p.A. and of its subsidiaries at December 31, 2022.

The details of the consolidated companies are shown below.

Company	Registered office	Relationship with the Parent Company	Method Consolidation	Percentage held (direct and indirect) as of December 31	Percentage held (direct and indirect) as of December 31
				2022	2021
Garofalo Health Care S.p.A.	Rome	Holding	Line-by-line	Holding	Holding
Hesperia Hospital Modena S.r.l.	Modena	Subsidiary	Line-by-line	99.95%	99.95%
Casa di Cura Villa Berica S.r.l.	Vicenza	Subsidiary	Line-by-line	100%	100%
Rugani Hospital S.r.l.	Monteriggioni (SI)	Subsidiary	Line-by-line	100%	100%
CMSR Veneto Medica S.r.l.	Altavilla Vicentina (VI)	Subsidiary	Line-by-line	100%	100%
Sanimedica S.r.l.	Altavilla Vicentina (VI)	Subsidiary	Line-by-line	100%	100%
L'Eremo di Miazzina S.r.l.	Cambiasca (VB)	Subsidiary	Line-by-line	100%	100%
Casa di Cura Villa Garda S.r.l.	Garda	Subsidiary	Line-by-line	100%	100%
Villa Von Siebenthal S.r.l.	Genzano di Roma (RM)	Subsidiary	Line-by-line	100%	100%
Casa di Cura Prof. Nobili S.r.l.	Castiglione dei Pepoli (BO)	Subsidiary	Line-by-line	99.21%	99.21%
F.I.D.E.S. Medica S.r.l.	Piombino	Subsidiary	Line-by-line	100%	100%
Centro di Riabilitazione S.r.l.	Genoa	Subsidiary	Line-by-line	100%	100%
Genia Immobiliare S.r.l.	Genoa	Subsidiary	Line-by-line	100%	100%
Ro. E. Mar S.r.l.	Piombino	Subsidiary	Line-by-line	100%	100%
Fides Servizi S.c.a.r.l.	Genoa	Subsidiary	Line-by-line	100%	100%
PRORA S.r.l.	Genoa	Subsidiary	Line-by-line	100%	100%
Il Fiocco S.c.a.r.l. *	Genoa	Associate	Equity Method	40%	40%
Poliambulatorio Dalla Rosa Prati S.r.l.	Parma	Subsidiary	Line-by-line	100%	100%
Ospedali Privati Riuniti S.r.l.	Bologna	Subsidiary	Line-by-line	100%	100%
Centro Medico San Biagio S.r.l.	Fossalta di Portogruaro (VE)	Subsidiary	Line-by-line	100%	100%
Centro Medico Università Castrense S.r.l.	San Giorgio di Nogaro (UD)	Subsidiary	Line-by-line	100%	100%
Bimar S.r.l.	Fossalta di Portogruaro (VE)	Subsidiary	Line-by-line	100%	100%
Aesculapio S.r.l.	San Felice sul Panaro (MO)	Subsidiary	Line-by-line	99.95%	99.95%
XRay One S.r.l.	Poggio Rusco (MN)	Subsidiary	Line-by-line	100%	100%

* *The equity investment is held by the subsidiary Fides Medica S.r.l*

Clinica San Francesco S.r.l.	Verona	Subsidiary	**Line-by-line**	100%	100%
Domus Nova S.p.A.	Ravenna	Subsidiary	**Line-by-line**	100%	99.5%
GHC Real Estate S.p.A.	Rome	Subsidiary	**Line-by-line**	100%	-
GHC Project 9 S.r.l.	Rome	Subsidiary	**Line-by-line**	100%	-
Gruppo Veneto Diagnostica e Riabilitazione S.r.l.	Cadoneghe (PD)	Subsidiary	**Line-by-line**	100%	-

On June 26, 2022, the company GHC Real Estate S.p.A. was incorporated and is currently non-operative.

On July 21, 2022, GHC S.p.A. acquired 0.11% of the shares of Domus Nova S.p.A., increasing its holding from 99.5% to 99.61%, while on December 14, 2022 the company acquired 0.39% of the shares, therefore increasing its holding to 100% of the company.

On December 6, 2022, the acquisition of Gruppo Veneto Diagnostica e Riabilitazione S.r.l., through the newco GHC Project 9 S.r.l., was completed.

The ultimate parent of the Issuer is Raffaele Garofalo & C. S.A.p.A. with its registered office in Rome.

1.6 Summary of the main accounting standards

Business combinations and goodwill

Business combinations are recognised using the acquisition method. The purchase cost is calculated as the total of the fair value consideration transferred at the acquisition date, and the value of any minority equity holding. For each business combination, the Group decides whether to measure the minority interest at fair value or in proportion to the amount held in the identifiable net assets of the investee. The acquisition costs are expensed in the year and classified under administration expenses.

When the group acquires a business, the financial assets acquired or liabilities assumed under the agreement are classified or designated in accordance with the contractual terms, the economic conditions and the other conditions at the acquisition date. This includes the verification to establish whether an embedded derivative must be separated from the host contract.

Any contingent payment to be recognised is recorded by the acquirer at fair value at the acquisition date. The contingent amount classified as equity is not remeasured and its subsequent payment is accounted under shareholders' equity. The change in the fair value of the contingent amount classified as an asset or liability, as a financial instrument covered by IFRS 9 Financial instruments: recognition and measurement, must be recognized in the income statement in accordance with IFRS 9. The contingent amount that does not fall within the scope of IFRS 9 is measured at fair value at the reporting date and changes in fair value are recognized in the income statement.

Goodwill is initially recognised at cost represented by the excess of the total amount paid and the amount recognised for non-controlling interests in respect of the net identifiable assets acquired and the liabilities assumed by the Group. If the fair value of the net assets acquired exceeds the total consideration paid, the Group again verifies if it has correctly identified all the assets acquired and all the liabilities assumed and reviews the procedure utilised to determine the amount to be recorded at the acquisition date. If from the new valuation the fair value of the net assets acquired is still above the consideration, the difference (gain) is recorded in the income statement.

After its initial recognition, goodwill is measured at cost net of accumulated impairment. For the purpose of impairment testing, goodwill acquired in a business combination is allocated, from the acquisition date, to each of the Group's cash-generating units expected to benefit from the synergies of the combination, regardless of whether other assets or liabilities of the acquiree are assigned to those units.

If the goodwill is allocated to a cash generating unit and the entity sells part of the activities of this unit, the goodwill associated with the activity sold is included in the book value of the activity when determining the gain or loss deriving from the sale. The goodwill associated to assets sold is calculated based on the relative values of the asset sold and the part maintained by the cash generating unit.

Other intangible assets

Intangible assets acquired separately are initially recognized at cost, while those acquired through business combinations are recognized at fair value on the acquisition date. Intangible assets internally generated, with the exception of development costs, are not capitalized and are recorded in the income statement of the financial year in which they were incurred.

Intangible assets with a finite useful life are subsequently amortized over their useful life and tested for impairment whenever there is evidence of a loss of value. The amortization period and the amortization method of an intangible asset with finite useful life are reconsidered at least at the end of each year. Changes in the expected useful life or in the manner in which the future economic benefits related to the asset will be realised are recognised through the change in the period or amortisation method, as the case may be, and are considered changes in accounting estimates. The amortisation of intangible assets with finite useful life is recorded in the income statement under the category of costs relating to intangible assets.

Intangible assets with indefinite useful life are not amortised but are subject to an annual impairment test at an individual level or at cash-generating unit level. The valuation of the indefinite useful life is reviewed annually to determine whether this allocation continues to be sustainable, otherwise, the change from indefinite useful life to finite useful life is applied on a prospective basis.

The profits or losses deriving from the derecognition of an intangible asset are calculated as the difference between the net revenue from the disposal and the carrying value of the intangible asset and are recognized in the Profit/(Loss) Statement of the year at the time of derecognition.

Description	Years
Goodwill	indefinite useful life
Accreditation	indefinite useful life
Concessions, licenses, trademarks and similar rights	5 years
Software	5 years

Other intangible assets	5 years

Property, plant and equipment

Property, plant and equipment purchased separately are recorded at historical cost, including ancillary costs directly attributable and necessary for entry into operation of the asset for the use for which it was purchased; said cost includes expenses for the replacement of part of machinery and plants at the time they are incurred, if they comply with the recognition criteria.

Property, plant and equipment acquired through business combinations are recognized at fair value determined at the acquisition date.

Maintenance and repair expenses, which do not increase the value and/or extend the residual useful life of the asset are expensed in the year in which they are incurred; where they increase the value and/or extend the residual life of the assets, they are capitalised.

Property, plant and equipment are stated net of the relevant accumulated depreciation and impairment, if any, determined according to the methods described below. Depreciation is calculated on a straight- line basis over the estimated useful life of the asset. This period is reviewed annually and any changes are made on a prospective basis.

The estimated useful life, expressed in years, of the main classes of tangible assets is as follows:

Description	Years
Buildings	33/50/ based on contract duration
Plant & machinery	10 years
Industrial and commercial equipment	8 years
Furniture & fittings	10 years
EDP	5 years
Motor and transport vehicles	4 years

If components of property, plant and equipment have different useful lives, these components are accounted for separately. Land, whether free of construction or related to buildings, is recognized separately and is not depreciated as elements of unlimited useful life.

The book value of plant, property and equipment is subject to verification of any loss in value when events or changes occur indicating that the carrying value can no longer be recovered.

At the time of sale, or when there are no expected future economic benefits from the use of an asset, it is eliminated from the financial statements and any loss or profit (calculated as the difference between sale’s price and book value) is charged to the income statement in the year of its elimination.

Leases

IFRS 16 establishes the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise the majority of leasing contracts on the basis of a single accounting model.

Right-of-use assets

The Group recognises the right-of-use assets at the initial leasing date (i.e. the date on which the underlying asset is available for use). The right-of-use assets are measured at cost, net of accumulated depreciation and impairments, adjusted for any remeasurement of the lease liabilities. The cost of the right-of-use assets includes the amount of the lease liabilities recognised, the initial direct costs incurred and the payment of leases at the commencement date or before, net of any incentives received. Unless the Group does not have the reasonable certainty of obtaining ownership of the leased asset on conclusion of the leasing contract, the right-of-use assets are amortised on a straight-line basis for a period covering the lesser between the estimated useful life and the lease duration.

Lease liabilities

At the lease commencement date, the Group recognises the lease liabilities measuring them at the present value of the payments due for leasing not yet settled at that date. The payments due include the fixed payments (including the fixed payments in substance), net of any lease incentives to be received, the variable lease payments which depend on an index or a rate and the amounts expected to be paid as guarantee on the residual value. The lease payments include also the exercise price of a purchase option where it is reasonably certain that this option shall be exercised by the Group and the lease termination penalty payments, where the lease duration takes account of the exercise by the Group of the termination option on the lease.

The variable lease payments not depending on an index or a rate are recognised as costs in the period in which the event or the condition generating the payment occurs.

Short-term leases and low value asset leases

The Group applies the exception for the recognition of short-term leases for machinery and equipment (i.e. leasing with a duration of 12 months or less from the commencement date and not containing a purchase option). The Group has also applied the exception for leases concerning assets of a modest value with regards to the leasing contracts on office equipment whose value is considered low (i.e. below Euro 5 thousand). The short-term lease charges and those for low value assets are recognised as costs on a straight-line basis over the lease duration.

Investment property

Tangible assets held for income and not for instrumental use are classified in a specific class called Investments properties, in accordance with IAS 40, and are accounted for at cost. The assets included in these cases consist of land and/or buildings (or parts of buildings) held by the owner or tenant under a finance or operating lease in order to lease them or for the appreciation of the capital invested.

These types of properties are classified separately from other owned assets. Investments properties are shown net of the related accumulated depreciation and any impairment. The useful life of the Group's Investments properties is 33 years.

Impairments

The Group assesses whether there is evidence of impairment of Intangible assets and Property, plant and equipment on each reporting date and of goodwill and accreditation on an annual basis. Where such indicators arise, or every year for intangible assets with an indefinite useful life, an impairment test is carried out.

In the event that the carrying value (book value) of the assets exceeds the recoverable value, they are written down to reflect the latter. The recoverable amount is determined as the higher of the fair value of an asset or cash-generating unit net of costs of sale and its use value and is determined for each asset individually, unless an asset generates cash flows that are not largely independent from those generated by other assets or groups of assets; in this case, the Group estimates the recoverable value of the cash-generating unit to which the asset belongs.

In measuring the value in use, the Group discounts the future estimated cash flows to their present value, using a pre-tax discount rate that reflects the market assessments of the time value of money and the specific risks associated with the asset.

For the purpose of estimating the value in use, future cash flows are derived from the business plans approved by the Board of Directors, which constitute the best estimate that can be made by the Group on the economic conditions expected in the period of the plan. The projections of the plan normally cover a time span of three years; the long-term growth rate used to estimate the terminal value of the asset or unit is normally lower than the average long-term growth rate of the sector, country or market of reference.

When the carrying amount of an asset or cash-generating unit is higher than its recoverable amount, this asset has incurred an impairment loss and is consequently written down to the recoverable amount.

Impairment losses incurred by operating assets are recorded in the income statement in the category of costs relating to those assets. At each reporting date, the Group also assesses the existence of indicators of a decrease in previously recognized impairment losses and, if such indicators exist, makes a new estimate of the recoverable amount. A previously recognised impairment loss can be reversed only if there have been changes in the estimates used to determine the recoverable amount since the last impairment loss was recognized. In this case, the carrying amount of the asset is recorded at the recoverable value, while the restated value must not exceed the carrying amount which would have been determined, after amortisation or depreciation, if no loss in value had been recognised in previous years. Each reversal is recognized as income in the income statement; after a reversal is recognized, the depreciation or amortization charge for the asset is adjusted in future periods to allocate the asset's revised book value, less its residual value, if any, on a systematic basis over its remaining useful life. Impairment of goodwill cannot in any case be subject to reversals.

Investments in associates and other companies

An associate is a Company in which the Group exercises significant influence. Significant influence is the power to participate in the financial and operating policy decisions of an investee, however not exercising control or joint control. An investee holding 20% or more indicates significant influence unless the contrary is proven.

Investments of the Group in associated companies are measured using the equity method.

With the equity method, the investment in an associate is initially recorded at cost. The accounting value of the investment is increased or decreased to recognize the investor's share of the profits and losses of the investee realized after the acquisition date. The goodwill relating to the associate is included in the book value of the investment and is not subject to a separate impairment test.

The profit/(loss) statement for the year reflects the Group's portion of the operating result of the associated company. Any change in the other components of the comprehensive income statement relating to these investee companies is presented as part of the Group's comprehensive income statement. Furthermore, in the event that an associated company recognizes a change directly attributable to shareholders' equity, the Group recognizes its portion, where applicable, in the statement of changes in equity. Unrealized gains and losses deriving from transactions between the Group and associated companies are derecognized in proportion to the shareholding in associates.

The aggregate share attributable to the Group of the result for the year of associated companies is shown in the profit/(loss) statement for the year after the operating result and represents the result net of taxes and of the share of the other shareholders of the associate.

The financial statements of associates are prepared on the same closing date as the Group financial statements. Where necessary, the financial statements are adjusted to conform them with the Group's accounting standards.

After applying the equity method, the Group assesses whether it is necessary to recognize an impairment loss of its investment in the associated companies. The Group at each reporting date assesses whether the investments in associates have incurred a loss in value. In this case, the Group calculates the amount of the loss as the difference between the recoverable value of the associate or the joint venture and the carrying amount of the same in its financial statements, recognizing said difference in the profit/loss statement in the item "share of the result of associates and joint ventures".

Upon loss of significant influence over an associated company or joint control over a joint venture, the Group assesses and recognises the residual shareholding at fair value. The difference between the carrying amount of the investment at the date of the loss of significant influence or of the joint control and the fair value of the residual investment and the amount received is recognised in the income statement.

Current/non-current classification

Assets and liabilities in the financial statements of the Group are classified according to the current/non-current criterion.

An asset is current when:

- it is expected to be realised, or is held for sale or consumption, in the normal course of the operating cycle;
- it is held mainly for the purpose of negotiating it;

- it is expected to be realized within twelve months of the closing date of the year; or
- it consists of cash or cash equivalents unless it is forbidden to exchange it or use it to settle a liability for at least twelve months from the closing date of the financial year.

A liability is considered current when:

- it is expected to be settled within the normal operating cycle;
- it is held mainly for the purpose of negotiating it;
- it must be settled within twelve months of the closing date of the year; or
- the entity does not have an unconditional right to defer settlement of the liability for at least twelve months of the closing date of the year.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

Inventories

Inventories are stated at the lower between acquisition or manufacturing cost, determined according to the FIFO method and the estimated realizable value.

The purchase cost also includes directly attributable ancillary costs and returns, trade discounts, rebates, premiums and any contributions recognized by suppliers are always deducted from the same.

Inventories are recorded net of the obsolescence provision.

Cash and cash equivalents

Cash and cash equivalents include cash on hand and demand and short-term deposits. Short-term deposits must have an original maturity of three months or less and not subject to significant risks related to the change in value.

Treasury shares

Treasury shares acquired are recorded at cost and as a reduction of shareholders' equity. The purchase, sale or cancellation of treasury shares does not give rise to any profit or loss in the income statement.

The difference between the purchase price and the payment received, in the case of reissue, is recorded in the share premium reserve.

Stock Grants and Performance Shares

The Stock Grant and Performance Shares Plan confers to certain categories of employees the right to receive free shares of their company or of a Group company as remuneration for the achievement of a specific objective or on the occurrence of certain conditions set out in the plan.

IFRS 2 requires the company to recognise the cost of goods and services purchased or received in a share-based payment transaction at the time in which the goods are received or the service is rendered. For equity-settled share-based payment transactions, the entity shall measure the goods or services received, and the corresponding increase in equity, directly, at the fair value of the goods or services received, unless that fair value cannot be estimated reliably. Where the entity cannot estimate reliably the fair value of the goods or services received, it shall measure their value, and the corresponding increase in equity, indirectly, by reference to the fair value of the equity instruments granted.

To apply the requirements to transactions with employees and others providing similar services,† the entity shall measure the fair value of the services received by reference to the fair value of the equity instruments granted, because typically it is not possible to estimate reliably the fair value of the services received. The fair value of those equity instruments shall be measured at the grant date.

Typically, shares, share options or other equity instruments are granted to employees as part of their remuneration package, in addition to a cash salary and other employment benefits. Usually, it is not possible to measure directly the services received for particular components of the employee's remuneration package. It might also not be possible to measure independently the fair value of the total package, without measuring directly the fair value of the equity instruments granted. Furthermore, shares or share options are sometimes granted as part of a bonus arrangement, rather than as a part of basic remuneration, e.g. as an incentive to the employees to remain in the entity's employ or to reward them for their efforts in improving the entity's performance. By granting shares or share options, in addition to other remuneration, the entity is paying additional remuneration to obtain additional benefits. Estimating the fair value of those additional benefits is likely to be difficult. Because of the difficulty of measuring directly the fair value of the services received, the entity shall measure the fair value of the employee services received by reference to the fair value of the equity instruments granted.

Provisions for risks and charges

Allocations to Provisions for risks and charges are made when the Group must fulfil a current obligation (legal or implicit) arising from a past event, when an outflow of resources in order to fulfil this obligation is probable and it is possible to make a reliable estimate of its amount.

If the discounting effect of the value of money is significant, allocations are discounted using a pre-tax discount rate that reflects, where appropriate, the specific risks associated with the liabilities. When provisions are discounted, increases resulting from the passage of time are recognized as borrowing costs.

Employee Benefit Provisions

Post-employment benefits are defined on the basis of programs, even if not formalized, which according to their characteristics are divided into "defined benefit" programs and "defined contribution" programs.

Italian legislation (Article 2120 of the Civil Code) provides that, on the date on which each employee terminates the employment contract with the company, indemnity referred to as TFR is received. The calculation of this indemnity is based on some items that make up the employee's annual salary for each year of work (appropriately re-evaluated) and on the length of the employment relationship. According to Italian civil law, this indemnity is reflected in the financial statements according to a calculation method based on the indemnity accrued by each employee at the reporting date, in the event that all employees terminate the employment contract on that date.

The International Financial Reporting Interpretations Committee (IFRIC) of the International Accounting Standards Board (IASB) addressed the subject of the Italian TFR and concluded that, in application of IAS 19, it must be calculated according to a method called Projection Unitary Credit Method (PUCM), according to which the amount of liabilities for the benefits acquired must reflect the date of expected resignation and must be discounted.

The actuarial assumptions and the related effects take into consideration the regulatory changes introduced by the Italian legislator, which provided for the option for the employee to allocate the TFR accrued from July 1st, 2007 to INPS or supplementary pension funds.

The Group's net obligation deriving from defined benefit plans is calculated by estimating the amount of the future benefit that employees have accrued in exchange for the activity performed in the current year and in previous years; this benefit is discounted to calculate the current value. The actuarial gains and losses referring to the defined benefit plans accumulated up to the previous year and which reflect the effects deriving from changes in the actuarial assumptions used, are recognized in full in the comprehensive income statement.

The actuarial valuation of the liability was entrusted to an independent actuary.

The Group does not have other defined benefit pension plans.

The obligation of the Group deriving from defined contribution plans is limited to the payment of contributions to the State or to a legally separate asset or entity (fund), and is determined on the basis of the contributions due.

Financial instruments

Classification and measurement

Financial assets are recorded under Non-Current Financial Receivables, other receivables and non-current assets, Trade Receivables, Other Current Assets and Cash and Cash Equivalents. They are classified and measured on the basis of the characteristics of their cash flows and the business model applied to their management. Initially, all the financial assets are measured at fair value increased (or decreased in the case of financial assets measured at fair value through profit and loss) by the transaction costs directly linked to the asset's acquisition. The subsequent measurement depends on the nature of cash flows generated by the financial instrument and in accordance with the business model adopted by the Company.

The following are the categories envisaged by IFRS 9, which replace the previous categories of IAS 39:

- Assets measured at amortized cost: the asset is not designated to FVTPL (fair value to profit and loss), the purpose of ownership is the collection of contractual cash flows; the contractual terms envisage cash flows for payments of principal and the relative interest at given dates;

- Assets measured at fair value through other comprehensive income (FVOCI): the asset is not designated to FVTPL, the business model envisages the possibility of both collecting contractual cash flows and of selling the asset; the contractual terms envisage cash flows for payments of principal and the relative interest at given dates;

- Assets measured at fair value through profit and loss (FVTPL): all assets not classified in the previous categories fall under this category.

• Assets measured at amortized cost: for the Group, these comprise receivables originating over the course of the normal operating activity. At the time of the initial recognition, they are recorded on the basis of their fair value including ancillary costs. For trade and other receivables, this generally corresponds to their par value. Subsequently, if these have a pre-fixed maturity, they are measured at amortized cost using the effective interest method. When financial assets do not have a fixed maturity they are valued at the acquisition cost. Receivables due beyond one year, non-interest bearing or which mature interest below market rates are discounted using market rates. In turn, these assets are derecognised once the rights to receive cash flows from the asset are terminated or the Group has transferred the right to receive cash flows from the asset or has assumed the contractual obligation to pay them entirely and without delay to a third party by substantially transferring all of the risks and rewards of ownership of the financial asset, or by not substantially transferring or retaining all of the risks and rewards of the asset, but transferring its control. Where the Group has transferred all the contractual rights to receive the cash flows from an asset and has not transferred or withheld substantially all of the risks and rewards or has not lost control, the asset is recorded in the financial statements of the Group up to the amount of its residual holding. In this case, the company also recognises an associated liability. The asset and liability are measured in order to reflect the rights and obligations maintained by the Group. Residual involvement that takes the form of a guarantee on the transferred asset is valued at the asset's initial book value or the maximum consideration that the Group could be required to pay, whichever is less. The gains and losses are recognized in the income statement when the investment is eliminated or if there is an impairment, in addition to the amortization process and conversion.

• Assets measured at fair value through profit and loss: this category includes equity securities represented by investments other than those in subsidiaries, associates and joint ventures and not held for trading purposes, as the Group has decided not to apply the option for FVOCI measurement.

Financial liabilities are recorded in the balance sheet accounts: Non-current payables to lenders, Other payables and liabilities, Current payables to lenders; Trade payables; Other current liabilities.

Initially, financial liabilities are recorded at fair value increased (or decreased in the case of financial liabilities measured at fair value through profit and loss) by the transaction costs directly linked to the issue of the liability. Subsequently, they are measured at amortized cost excluding the derivative financial instruments or the liabilities held for trading which are measured at fair value through profit and loss. They are classified and measured on the basis of the characteristics of their cash flows and the business model applied to their management. Financial liabilities held by the Group fall under the category of Financial Liabilities at amortized cost. They are measured at amortized cost, using the effective interest method. The amortized cost is calculated taking into consideration all discounts or purchase premiums and includes commissions and transaction costs which are an integral part of the effective interest rate. A financial liability is derecognised from the financial statements when the underlying liability is settled, cancelled or fulfilled. For investments measured at amortized cost, the gains and losses are recognized in the income statement when the investment is eliminated, in addition to the amortization process and conversion. If an existing financial liability is replaced by another by the same lender but under substantially different conditions, or if the conditions of an existing financial liability are substantially changed, such a swap or change is treated as an elimination of the original liability and the opening of a new liability, with any differences in accounting values recorded in the income statement.

The value of financial assets is adjusted to reflect the impairment losses measured according to the Expected Credit Loss Model, which requires estimating the expected loss over a greater or lesser period depending on the credit risk: i) for financial assets not having had a significant increase in credit risk since the initial recognition or having a low credit risk at the reporting date, the expected loss in the next 12 months is estimated; ii) for financial assets having had a significant increase in credit risk since the initial recognition, for which there is no evidence as yet of an objective impairment loss, the expected loss is calculated on the useful life of the asset; iii) for financial assets for which an objective impairment loss has occurred, the expected loss is calculated on the useful life of the asset and, with respect to the preceding point, the interest flows are calculated on the reduced value of the expected write-down. For trade receivables that do not contain a significant financial component, the expected losses are calculated utilising a simplified method with respect to the general approach outlined above. The simplified approach requires the estimation of the expected loss on the useful life of the credit and without the need to measure the Expected Credit Loss at 12 months and the existence of significant increases in credit risk.

Derivative instruments

Derivative instruments are recorded in the balance sheet and measured at fair value and the gains or losses are recorded respectively to the income statement if the derivatives are not definable as hedges in accordance with IFRS 9 or if they hedge a price risk (fair value hedge) or in the comprehensive income statement if they hedge a future cash flow or a future contractual commitment already assumed at the balance sheet date (cash flow hedge).

The Group only carries out transactions with derivative financial instruments for hedging purposes, with the aim of neutralising potential losses that may be incurred on a particular item or group of items attributable to a given risk, in the event that it should actually occur.

In particular, the financial risks hedged are those potentially deriving from the variation in the interest rates of loans in place and from exchange rate fluctuations on foreign currency commercial transactions. All the financial instruments not traded in an active market are measured at fair value calculated by means of valuation techniques.

When derivative instruments have the characteristics for hedge accounting, the Group applies the following accounting treatment:

- Cash flow hedges: if a derivative financial instrument is designated as a hedge to the exposure of the cash flow fluctuations of an asset or liability recorded in the financial statements or of an operation considered highly probable and which may have effects on the income statement, the effective portion of the profits or of the losses of the financial instrument is recognised under other comprehensive income in a separate reserve; the cumulative profits or losses are reclassified from shareholders' equity and recognised to the income statement in the same period in which the operation subject to hedging is recorded; the profit or loss related to a hedge or the part of the hedge becoming ineffective is recognised to the income statement when such inefficacy is recognised.

- Fair value hedges: if a derivative financial instrument is designated as a hedge to the exposure of the changes in the fair value of an asset or liability in the financial statements attributable to a specific risk which can have effects on the income statement, the profit or loss on the hedged item, attributable to the risk hedged, is recognised as part of the carrying value of this item and recognised to the income statement.

If hedge accounting cannot be applied, gains or losses deriving from the fair value of the financial derivative instrument are recognised directly in the income statement. In the same manner, if the hedged transaction is no longer probable, the unrealised profits or losses recognised in shareholders' equity are immediately recognized in the income statement. If, on the other hand, the hedging instrument is closed without the underlying operation being realised, the financial instruments recognised in shareholders' equity are only recorded in the income statement when the relative operation is realised.

Fair value measurement

The Group assesses financial instruments, such as derivatives and capital instruments, at fair value at each reporting date.

The fair value is the price that would be received for the sale of an asset, or that would be paid to transfer a liability in an arm's length transaction at the measurement date. A fair value measurement assumes that the sale transaction of the asset or transfer of the liability takes place:

• in the main market of the asset or liability;

or

• in the absence of a principal market, in the most advantageous market for the asset or liability.

The principal market or the most advantageous market must be accessible for the Group.

The fair value of an asset or liability is measured adopting the assumptions which market operators would utilise in the determination of the price of the asset or liability, assuming they act to best satisfy their economic interests.

The fair value measurement of a non-financial asset considers the capacity of a market operator to generate economic benefits utilising the asset to its maximum and best use or selling to another market operator that would utilise the asset to its maximum or best use.

The Group utilises measurement techniques which are appropriate to the circumstances and for which there is sufficient available data to measure the fair value, maximising the utilisation of relevant observable inputs and minimising the use of non-observable inputs.

All the assets and liabilities for which the fair value is measured or stated in the financial statements are categorised based on the fair value hierarchy, as described below:

• Level 1 - listed prices (not adjusted) on active markets for identical assets or liabilities which the entity can access at the measurement date;

• Level 2 - inputs other than listed prices included in Level 1, directly or indirectly observable for the asset or the liability;

• Level 3 - measurement techniques for which the input data are not observable for the asset or for the liability.

The fair value measurement is classified entirely in the same fair value hierarchical level in which the lowest hierarchical input level utilised for the measurement is classified.

For the assets and liabilities recognised in the financial statements at fair value on a recurring basis, the Group assesses whether there have been transfers between the hierarchy levels, reviewing the classification (based on the lowest input level, which is significant for the fair value measurement in its entirety) at each reporting date.

The Group Financial Committee determines the criteria and procedures for both recurring fair value measurements, such as capital instruments, and for non-recurring measurements. The Group Financial Committee includes the financial managers of each structure and the financial manager of the Group.

External appraisers are involved in the valuation of significant assets, such as real estate property, and significant liabilities. This involvement is decided annually after discussion and with the approval of the Board of Statutory Auditors. Selection criteria include knowledge of the market, reputation, independence and compliance with professional standards. Following the discussion with external appraisers, the Group Financial Committee decides which evaluation techniques and which inputs to use for each case.

At each reporting date, the Group Financial Committee analyses the changes in the values of assets and liabilities for which the revaluation or recalculation is required, based on the Group's accounting standards.

For this analysis, the main inputs applied in the most recent assessments are verified by comparing information used in the assessment to contracts and other relevant documents.

The Group Financial Committee carries out, with the support of external appraiser, a comparison between each change in the fair value of each asset and liability and the relevant external sources, in order to determine whether the change is reasonable. The results of the evaluations are presented periodically to the Board of Statutory Auditors and to the Group's auditors. This presentation includes a discussion of the main assumptions adopted in measurement.

For fair value disclosure purposes, the Group classifies assets and liabilities according to type, characteristics and the risks associated with the assets and the liabilities and the fair value hierarchy level, as previously illustrated.

Summarized below are the notes relating to the fair value of financial instruments and non-financial assets measured at fair value, and those in which fair value disclosures are presented:

- Evaluation techniques, discretionary evaluations and significant accounting estimates Note 2;
- Quantitative information on the fair value measurement hierarchy Note 40;
- Financial instruments (including those valued at amortized cost) Note 21.

Recognition of revenues from sales and services

With Regulation No. 2016/1905 issued by the European Commission on September 22, 2016, IFRS 15 "Revenue from contracts with customers" (hereinafter IFRS 15) was approved, which defines the criteria for recognition and measurement of revenues deriving from contracts with customers. The standard will replace all current requirements in the IFRS regarding revenue recognition and envisages a new five-phase model that will apply to revenues from contracts with customers. In general, IFRS 15 requires the recognition of revenues for an amount that reflects the amount to which the entity believes to be entitled in exchange for the transfer of goods or services to the customer. In particular, IFRS 15 requires the recognition of revenues to be based on the following 5 steps: (i) identification of the contract with the customer; (ii) identification of the performance obligations (i.e. the contractual promises to transfer goods and/or services to a customer); (iii) determination of the transaction price; (iv) allocation of the transaction price to the performance obligations identified based on the stand-alone sale price of each good or service; and (v) recognition of the revenue when the related performance obligation has been fulfilled. Furthermore, IFRS 15 complements the disclosures to be provided with reference to the nature, amount, timing and uncertainty of resulting revenues and related cash flows. The provisions of IFRS 15 are effective for years beginning on or after January 1, 2018; earlier application is permitted.

The Group operates in the accredited private healthcare sector and its activity takes the form of services in acute areas, outpatient services, long hospitalization and rehabilitation, and accounts for its revenues for these services as follows:

- Services in acute areas: The Group accounts for revenues for these services when the control of the asset has been transferred to the customer, coinciding with the moment in which the health intervention is performed;

- Outpatient services: The Group accounts for revenues for these services when the control of the asset has been transferred to the customer, coinciding with the moment in which the health intervention is performed;

- Long-term care and rehabilitation: The Group accounts for revenues for these services when the control of the asset has been transferred to the customer, coinciding with the moment in which the health intervention is performed. In the case of long hospitalization, a daily allowance is provided, making the payment directly commensurate with the number of hospital days.

It is clarified that with reference to the above services provided under the agreement, revenues are recognized in the maximum limit of the regional annual cost cap assigned to the Company if present, while with reference to revenues from private and/or insured customers, they are recorded in relation to the service actually provided.

Recognition of costs

Costs are recognised on the acquisition of the goods or service.

Financial income and charges

Financial income and expenses are recorded on an accruals basis on the interest matured on the net value of the relative financial assets and liabilities and utilising the effective interest rate.

Income taxes

Current income taxes

Current taxes reflect an estimate of the tax burden, determined by applying the legislation in effect in the countries in which the Garofalo Health Care Group operates. Current tax liabilities are calculated using the rates in effect or substantially approved on the closing date of the financial year.

The payable for current taxes is classified in the balance sheet, net of any tax advances paid.

Deferred taxes

Deferred taxes are calculated on deductible (deferred tax assets) and taxable (deferred tax liabilities) temporary differences resulting at the reporting date between the tax values taken as reference for assets and liabilities and the values in the financial statements.

Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary difference and the carry-forward of unused tax losses and unused tax credits can be utilised.

The value to be recognized in the financial statements of deferred tax assets is reviewed on each reporting date and reduced to the extent that it is no longer likely that sufficient tax profits will be available in the future in order to allow all or part of this receivable to be used.

Unrecognized deferred tax assets are reviewed annually at the reporting date and are recognized to the extent that it has become likely that future taxable income will be sufficient for their recovery.

Deferred tax assets and liabilities are measured using the tax rates that are expected to be applied in the years in which the assets are realized or the liabilities are settled, considering the rates currently in effect and those already issued, or substantially issued, at the reporting date.

Deferred tax assets and liabilities are recognized directly in the Income Statement, with the exception of those relating to items recognized directly in equity; in this case, the related deferred taxes are recorded consistently without recognition in the income statement.

Deferred tax assets and liabilities are offset if there is a legal right to compensate current tax assets with current tax liabilities and the deferred taxes refer to the same legal entity and the same tax authority.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

Indirect taxes

Costs, revenues, assets and liabilities are recognized net of indirect taxes, such as value added tax, with the following exceptions:

- the tax applied to the purchase of goods or services is non-deductible; in this case, it is recognized as part of the purchase cost of the asset or part of the cost recognized in the income statement;
- trade receivables and payables include the indirect tax applicable.

The net amount of indirect taxes to be recovered or paid to the tax authorities is included in the financial statements as receivables or payables.

Basic and diluted earnings per share

The accounting standard IAS 33 - Earnings per Share regulates the calculation and disclosure to be provided to users of the financial statements in terms of basic and diluted earnings per share. The classes of financial instruments identified by the standard that must be considered for the calculation of the aforementioned indicators are options, warrants, instruments convertible into shares (ex. convertible bonds) and similar.

Basic earnings per share are calculated on the basis of the profit for the period divided by the weighted average number of ordinary shares during the year.

Diluted earnings per share are calculated on the basis of the diluted earnings for the period attributable to the shareholders of the Parent Company, divided by the weighted average number of ordinary shares outstanding, modified by the number of potentially dilutive ordinary shares.

Segment disclosure

The identification of the operating sector in which the Company operates is carried out on the basis of the accounting standard IFRS 8 - Operating Segments. On December 12, 2012, the IASB issued a set of amendments that have made changes to the aforementioned standard requiring that information be provided on the assessments made by the company management in the aggregation of the operating segments describing the segments that have been aggregated and the economic indicators that have been evaluated to determine that the aggregated segments have similar economic characteristics.

The GHC Group is one of the main operators in the private healthcare sector accredited in Italy in terms of turnover, operates through twenty-eight healthcare facilities located in six Italian regions, and offers a wide range of services covering all sectors of health, which includes and is divided into the hospital and social-care sectors, thanks to the diversification of the specialties provided, the use of cutting-edge technology and highly qualified personnel.

In particular, the Group operates in six regions of North and Central Italy, where it is present through a single business unit in the:

- hospital sector, through acute admissions, long-term care, post-acute rehabilitations and outpatient services (the “Hospital Sector”);

- social-care sector, through residential admissions (the “Social-Care Sector”).

The GHC Group facilities are located in the following Italian regions: Piemonte (2), Veneto (10), Friuli Venezia Giulia (1), Emilia Romagna (8), Lombardy (1) Liguria (12, of which 4 owned by Il Fiocco, an associated company of Fides Medica S.r.l. consolidated according to the equity method), Tuscany (1) and Lazio (1).

The Hospital Sector is in turn sub-divided into three sectors: (i) hospitalisation of acute patients, (ii) post-acute care and (iii) outpatient services.

The Social-Care Sector, represented by all the activities and services also specialized in the treatment of complex physical, neurological and sensory pathologies, offers, in a residential scheme, assistance to the elderly and treatment of specific pathologies including (i) severe disabilities, (ii) treatment for patients with LIS (Locked-in-Syndrome) or with amyotrophic lateral sclerosis in the terminal phase (Departments N.A.C. - High Chronic Neurological Complexity Nucleus), (iii) complex disabilities, mainly motor or clinical assistance and functional (Healthcare Assistance Continuity), (iv) patients with disability from severe cerebral acquired lesion (Departments “SVP” - Persistent Vegetative Coma States) and (v) psychiatric disorders and disorders related to the use of psychoactive substances.

From the point of view of the Group’s management organization, the activity carried out was grouped into a single Strategic Business Unit (hereinafter “SBU”), which includes the entire business. This approach stems from the fact that the only activity carried out consists of operating in the accredited private health sector, through various services offered but that are managed jointly by management.

The Group’s management observes together the results achieved by the single legal entities belonging to the Group, as well as the results of the two sectors identified within the single SBU, in order to make uniform decisions regarding the allocation of resources and the verification of the performance for the entire SBU.

1.7 Discretional valuations and significant accounting estimates

The preparation of the Financial Statements requires Directors to apply accounting standards and methodologies which, under certain circumstances, are based on assessments that require a high degree of subjectivity, on estimates based on historical experience and assumptions that are considered from time to time with reference to their reasonableness depending on the circumstances. The application of these estimates and assumptions affects the determination of the amounts shown in the financial statements, such as those shown in the balance sheet, in the income statement and in the cash flow statement, as well as the information provided. Estimates and assumptions are periodically reviewed and the effect of a change in an accounting estimate is immediately recognized through the income statement. The main processes of estimation and discretionary evaluation are related to the recognition and valuation of the financial statement items indicated below.

Period of depreciation of tangible assets and amortization of intangible assets and impairment test

Depreciation and amortisation of assets with definite useful life of tangible assets and intangible assets and the forecast data used for the purposes of impairment tests require a discretionary valuation by the directors. At each reporting date, this valuation is revised in order to verify that the amounts recorded are representative of the best estimate of costs that may be incurred by the Group and, if significant changes are detected, the amounts recognised to the financial statements are reviewed and updated.

With regard to the impairment test, reference should be made to the paragraph “Impairment of assets” below in the present consolidated financial statements at December 31, 2022.

Legal proceedings

The Company is a party to various legal proceedings concerning claims for damages related to operations, tax, labour law or other contractual relations. These disputes are subject to many uncertainties, and the outcome of the individual positions is not predictable with certainty. Moreover, they often derive from complex legal problems subject to different degrees of uncertainty.

A provision is made in relation to a dispute or threat if the loss is probable and there will be an outflow of funds and when the amount can be reasonably estimated. If an outflow of funds becomes probable, but the amount cannot be estimated, this fact is reported in the notes.

Since these provisions are estimates, the resolution of some of these positions may require the Company to make payments in excess of the amounts provisioned or may require the Company to make payments in an amount that could not reasonably be estimated. The Company monitors the status of legal proceedings and regularly consults with legal and tax experts. Therefore, provisions for legal proceedings of the Company may change as a result of future developments on these matters.

Business combinations

Accounting for business combinations entails allocating the difference between purchase cost and net carrying amount to the assets and liabilities of the acquired business. For the majority of assets and liabilities this difference is allocated by recognizing the assets and liabilities at fair value. If positive, the unallocated portion is recognized as goodwill. If negative, it is recognized in the income statement. The Group bases its allocations on available information and, for the more significant business combinations, on external appraisals.

Deferred tax assets

Deferred tax assets are recognized with respect to deductible temporary differences between the values of assets and liabilities expressed in the financial statements compared to the corresponding tax value and tax losses that can be carried forward, to the extent that the existence of adequate future taxable profit is likely, with respect to which these losses may be used. A discretionary assessment is required of the directors to determine the amount of deferred tax assets that can be accounted for, as depends on the estimate of probable timing and the amount of future taxable profits.

Liabilities for employee benefits (employee severance indemnity - "TFR") and provisions to the supplementary indemnity provision

The evaluation of the severance indemnity is carried out using actuarial valuations. The actuarial valuation requires the development of assumptions about discount rates, future salary increases, turnover and mortality rates. Due to the long-term nature of these plans, these estimates are subject to uncertainty.

Value adjustments on receivables

Value adjustments on receivables represent the best possible estimate made by management, based on the information held at the date of preparation of the financial statements

The estimates and assumptions are made by the directors with the support of the company departments and, when appropriate, of independent specialists and are reviewed periodically.

1.8 New accounting standards, interpretations and amendments adopted by the Group

The accounting standards, amendments and interpretations not adopted in advance for the year ended December 31, 2022 govern facts and cases that do not have significant effects on the balance sheet, income statement, cash flow statement and the information contained in the consolidated financial statements.

The Group is assessing the impact of the modifications, amendments and interpretations to the approved accounting standards not adopted early or in the process of being approved.

Set out below are the standards and interpretations which, at the date of preparation of the financial statements, had already been issued and not adopted in advance:

<u>Property, Plant and Equipment: Proceeds before intended Use - Amendment to IAS 16</u>

The amendments prohibit entities from deducting from the cost of an item of property, plant and equipment any proceeds from the sale of products in the period in which the asset is brought to the location or condition necessary to be capable of operating in the manner for which it was designed by management. An entity therefore accounts for the revenues from the sale of those products, and the costs of producing those products in the income statement. In accordance with the transition rules, the Group applies the amendment retrospectively only for those items of property, plant and equipment that came into operation after or at the beginning of the comparative year to that in which this amendment is first applied (date of first application). These amendments had no impact on the Group's consolidated financial statements as no sales were made related to these items of property, plant and equipment before they came into operation, before or after the beginning of the previous comparative period.

IFRS 1 First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter

This amendment allows a subsidiary that chooses to apply paragraph D16(a) of IFRS 1 to account for cumulative translation differences based on the amounts recognised by the parent company, considering the date of transition to IFRS by the parent company, if no adjustments had been made to the consolidation procedures and for the effects of the business combination in which the parent company acquired the subsidiary. This amendment also applies to associates or joint ventures that elect to apply paragraph D16(a) of IFRS 1. This amendment had no impact on the Group's consolidated financial statements as the Group is not a first-time adopter.

IFRS 9 Financial Instruments – Fees in the ’10 per cent’ test for derecognition of financial liabilities

This amendment clarifies the fees an entity includes in determining whether the terms of a new or modified financial liability are materially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by the borrower or lender on behalf of others. No such amendment has been proposed with regard to IAS 39 Financial Instruments: Recognition and Measurement.

In accordance with the transition rules, the Group will apply this amendment to financial liabilities that are modified or exchanged after or at the date of the first year in which the entity first applies this amendment (first application date). This amendment had no impact on the Group's consolidated financial statements as there were no changes in the Group's financial liabilities during the period.

IAS 41 Agriculture – Taxation in fair value measurements

The amendment removes the requirements in paragraph 22 of IAS 41 for the exclusion of cash flows for taxes when measuring the fair value of an asset within the scope of IAS 41. This amendment had no impact on the Group's consolidated financial statements as the Group does not hold assets within the scope of IAS 41 at the reporting date.

1.9 IAS/IFRS international accounting standards whose compulsory application starts after December 31, 2022

IFRS 17 Insurance contracts

In May 2017, the IASB issued IFRS 17 Insurance Contracts, a complete new standard relating to insurance contracts which covers recognition and measurement, presentation and disclosure.

When it enters into effect, IFRS 17 will replace IFRS 4 - Insurance Contracts which was issued in 2005. IFRS 17 applies to all types of insurance contracts (for example: life, non-life, direct insurance, re-insurance) regardless of the type of entity that issues them, as well as certain guarantees and financial instruments with characteristics of discretionary participation. For this purpose, limited exceptions will apply. The general objective of IFRS 17 is to present an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the provisions of IFRS 4, which are largely based on the maintenance of previous accounting standards, IFRS 17 provides a complete model for insurance contracts that covers all relevant accounting aspects. The heart of IFRS 17 is the general model, supplemented by:

• A specific adaptation for contracts with direct participation characteristics (the variable fee approach);

• A simplified approach (the approach to the allocation of premiums) mainly for short-term contracts.

IFRS 17 will enter into force for periods beginning January 1, 2023 and thereafter, and will require the presentation of comparative balances. Early application is permitted, in which case the entity must also have adopted IFRS 9 and IFRS 15 on the date of first application of IFRS 17 or previously. This standard is not applicable to the Group.

(Amendments to IAS 1: Classification of liabilities as current and non-current

In January 2020, the IASB published amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

• What is meant by the right to defer maturity
• That the right of subordination must exist at financial year-end
• The classification is not impacted by the probability of whether the entity will exercise its subordination right
• Only where a derivative embedded in a convertible liability is itself an equity instrument the maturity of the liability shall have no impact on its classification

The amendments will be effective for fiscal years beginning on or after January 1, 2023, and should be applied retrospectively. The Group is currently assessing the impact of the amendments on the current situation and whether the renegotiation of existing loan agreements will be necessary.

Amendments to IAS 8 - Definition of accounting estimate

In February 2021, the IASB issued amendments to IAS 8, in which it introduces a definition of "accounting estimates." The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and error correction. They also clarify how entities use measurement techniques and inputs to develop accounting estimates.
The amendments are effective for fiscal years beginning on or after January 1, 2023, and apply to changes in accounting policies and changes in accounting estimates that occur on or after the beginning of that period. Early application is permitted provided that this fact is disclosed. The changes are not expected to have a significant impact on the Group.

Amendments to IAS 1 and IFRS Practice Statement 2 - Information on accounting standards

In February 2021, the IASB issued amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements, in which it provides guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments are intended to help entities provide more useful accounting policy disclosures by replacing the requirement for entities to provide their "significant" accounting policies with a requirement to provide disclosures about their "material" accounting policies; in addition, guidance is added on how entities apply the concept of materiality in making accounting policy disclosure decisions.
The amendments to IAS 1 are applicable from fiscal years beginning on or after January 1, 2023, early application is permitted. As the amendments to PS 2 provide non-mandatory guidance on the application of the definition of material to accounting policy disclosures, an effective date for these amendments is not required.
The Group is currently evaluating the impact of the amendments to determine the impact they will have on the Group's accounting policy disclosures.

Amendments to IAS 12 - Deferred taxes on assets and liabilities arising from a single transaction

In May 2021, the IASB issued amendments to IAS 12, narrowing the scope of the initial recognition exception included in IAS 12, which is no longer to be applied to those transactions that give rise to temporary differences that are taxable and deductible in equal measure.
The amendment should be applied to transactions made subsequently or at the beginning of the comparative period presented. Additionally, at the beginning of the comparative period presented, deferred tax assets (if there is sufficient taxable income) and deferred tax liabilities should be recognised for all deductible and taxable temporary differences associated with leases and restoration provisions.
The Group is currently assessing any impact from these amendments.

Note 2 Acquisitions

On December 6, 2022, the GHC Group acquired 100% of the share capital of Gruppo Veneto Diagnostica e Riabilitazione S.r.l. (GVDR), one of the leading private diagnostic centres in the Veneto region by volume and service quality, accredited with the National Health System. The company GVDR has four locations: the main one in Cadoneghe in the province of Padua, one in Padua, one in Scorzè (near Venice), and one in Conegliano in the province of Treviso.

Assets acquired and liabilities assumed

The fair value of the identifiable assets and liabilities of the GVDR CGU at the acquisition date were as follows:

(Euro thousands)	Fair value at acquisition
Assets	
Intangible assets	20
Property, plant and equipment	5,276
Non-current financial assets	128
Deferred tax assets	228
Assets for derivative instruments - non-current	2
Cash and cash equivalents	4,099
Trade receivables	1,240
Inventories	113
Current financial assets	9
Current assets	716
Liabilities	
Trade payables	983
Current financial payables	410
Non-current financial payables	2,467
Short-term loans and borrowings	5
Medium/long-term loans and borrowings	1,110
Employee benefits	1,292
Deferred tax liabilities	6
Other current liabilities	1,339
Total net assets identifiable at fair value	**4,219**
Consideration of the acquisition	**24,975**
Goodwill deriving from the acquisition	**20,756**
Net cash flow of the acquisition	**20,877**

The surplus deriving from the acquisition (i.e. the surplus of purchase costs on the fair value of the portion attributable to the Group) was recognised provisionally to the "Goodwill" account in the amount of Euro 20,756 thousand, as stated in the paragraph. At the reporting date, the procedure for the valuation of the assets and liabilities acquired is still in the preliminary phase and therefore the value of goodwill is still provisional.

Note 3 Goodwill

Goodwill breaks down as follows:

(Euro thousands)	*At December 31*	*At December 31*
	2022	2021
Goodwill – CMSR Veneto Medica CGU	11,230	11,230
Goodwill – Villa Von Siebenthal CGU	2,957	2,957
Goodwill – Rugani Hospital CGU	6,935	6,935
Goodwill – Fides Group CGU	17,645	17,645
Goodwill – Casa di Cura Prof. Nobili CGU	47	47
Goodwill - Poliambulatorio Dalla Rosa Prati CGU	10,080	10,080
Goodwill– Ospedali Privati Riuniti CGU	3,006	3,006
Goodwill – Centro Medico San Biagio CGU	2,275	1,905
Goodwill – Aesculapio CGU	3	3
Goodwill – XRay One Srl CGU	629	629
Goodwill – Clinica San Francesco CGU	6,719	6,719
Goodwill – Domus Nova S.p.A. CGU	9,109	9,109
Goodwill - CGU GVDR	20,756	-
Total Goodwill	**91,391**	**70,265**

Goodwill consists of the difference between the fair value of the amount transferred and the net value of the amounts at the acquisition date of the identifiable assets acquired and of the liabilities assumed identifiable at fair value.

The increase is attributable to the consolidation of Group Veneto Diagnostica e Riabilitazione S.r.l., amounting to Euro 20,756 thousand, and Centro Medico San Biagio S.r.l.; the latter CGU increased due to the merger of Studio Schio S.r.l., which was acquired in the previous year.

Verification of impairment of goodwill and intangible assets with indefinite useful life (impairment test)

Goodwill and accreditation acquired through business combinations were allocated for the purpose of verifying the impairment loss of the cash generating units identified for the Group at the level of the individual entity, except for the companies Centro di Riabilitazione S.r.l., Ro.E Mar. S.rl., Genia Immobiliare S.r.l., Fides Medica S.r.l., Fides Servizi S.r.l., Prora S.rl., identified as a single CGU, Fides Group and Centro Medico San Biagio S.r.l., Bimar S.r.l. and Studio Schio S.r.l. (now merged into Centro Medico San Biagio S.r.l.), also identified as a single CGU Centro Medico San Biagio.

The Group engaged an independent third-party professional to conduct the impairment test, the analysis for which consists of the following phases:

i. calculation of unlevered cash flows based on the figures from the plan for the CGUs approved by each company's board of directors;
ii. analysis of the fairness of the panel of comparables;
iii. estimation of the WACC;
iv. determination of the enterprise value of the impaired CGU;
v. analysis of the method of defining the CGU and the calculations of the carrying amount of the CGU being tested for impairment;
vi. comparison of the recoverable amount, as determined independently by the expert in question, with the carrying amount;
vii. preparation of a sensitivity analysis that makes it possible to analyse the change in the recoverable amount due to a change in the WACC or the unlevered cash flows considered.

The Group conducted the impairment test considering both the provisions of IAS 36 and Consob clarification No. 1/21 of February 16, 2021.

Evaluation system

The estimate of the value in use is made by discounting the operating cash flows, i.e. the cash flows available before the repayment of financial payables and the remuneration of the shareholders (Unlevered Discounted Cash Flow or UDCF). Operating cash flows are discounted at a rate equal to the weighted average cost of debt and equity (Weighted Average Cost of Capital or WACC), in order to obtain the value of the company's operating capital (Enterprise Value).

The prospective cash flows used in the impairment test at December 31, 2022 are those deriving from the Business Plans of the individual companies relating to the years 2023-2026, approved by each company at the end of February and the beginning of March 2023. The time horizon of the Plans is 4 years. It should be clarified that the impairment test was approved by the Board of Directors of the Parent Company on March 10, 2023.

The prospective cash flows used in the impairment test have been calculated by taking as reference the EBITDA expected net of notional taxes and less the notional contribution of fixed assets and working capital. The assumptions and method used are consistent with the company's historical results and the reference market. In the light of what is presented, in conducting the impairment test it was decided, on a prudential basis, to refer to a growth rate *g* of zero.

The discounting rate of cash flows (WACC) used for the impairment tests at December 31, 2022 was 5.186% and was calculated by using the same method as at December 31, 2021 and in prior years.

The principal parameters at December 31, 2022 for the calculation of the discount rate (WACC) are the following:

- *Risk free rate*: the rate used at December 31, 2022 is 3.11%; this value corresponds to the yield on Italian ten-year government securities recorded as a monthly average over the last twelve months (Source: Bloomberg);

- *Beta*: for the estimation of the non-differentiable systemic risk coefficient, reference was made to the inputs elaborated by international practice (Source: Bloomberg), taking into consideration a group of listed companies operating in the same sector of the company to be valued, thus calculating an appropriate unlevered industry average beta, equal to 0.39% at December 31, 2022. In particular, Beta was calculated through weekly observations of the relative performance of the securities of the companies in the sample compared to the monthly benchmark index over the two previous years;

- *Market premium*: for the purposes of the analysis, a rate of 5.94% was used (Source: A. Damodaran - Stern University NY international research website) http://pages.stern.nyu.edu/~adamodar/);

- *Premium for additional risk:* prudentially, an increase in the cost of risk capital equal to 2.0% was applied at December 31, 2022 for the CGUs, in line with December 31, 2021 and December 31, 2020;

- With reference to the *cost of the debt (Kd)* for the CGUs that present outstanding loans, reference was made to the effective interest rate applied by the banking system on the same loans i.e. the twelve-month average ten-year EUR IRS (interest rate swap) (Source: Bloomberg), equal to - 1.94% with a spread of 156 points; considering a fiscal impact of 24%, *Kd* is 2.66%;

- *Financial structure:* consistently with that done for the purposes of the calculation of the beta, we applied to the cost of risk capital and the cost of debt capital, weights determined using a market D/E representative of the average financial structure of the sample of comparable listed companies, equal to 3.23 for December 31, 2022. The We (equity) and Wd (debt) weights were 23.6% and 76.4% respectively.

Rugani Hospital CGU

The recoverable value of the cash-generating unit Rugani Hospital S.r.l., healthcare facility operating in Siena, was determined on the basis of the calculation of the value in use, in which the cash flow projections deriving from the related financial budgets were used for a period of four years, approved by the Board of Directors on February 21, 2023. As a result of the updated analyses, the management did not identify an impairment of this cash-generating unit.

CMSR Veneto Medica CGU

The recoverable value of the cash-generating unit CMSR Veneto Medica S.r.l. clinic operating in Vicenza, was determined on the basis of the calculation of the value in use, in which the cash flow projections deriving from the related financial budgets were used for a period of four years, approved by the Board of Directors on February 28, 2023. As a result of the updated analyses, the management did not identify an impairment of this cash-generating unit.

Villa Von Siebenthal CGU

The recoverable value of the cash-generating unit Villa Von Siebenthal S.r.l., social-care healthcare facility operating in Genzano Romano, was determined on the basis of the calculation of the value in use, in which the cash flow projections deriving from the related financial budgets were used for a period of four years, approved by the Board of Directors on March 1, 2023. As a result of the updated analyses, the management did not identify an impairment of this cash-generating unit.

Fides Group CGU

The recoverable value of the cash-generating unit of the Fides Group, with healthcare facilities operating in Liguria, was determined on the basis of the calculation of the value in use, in which the cash flow projections deriving from the related financial budgets were used for a period of four years, approved by the Board of Directors of Fides Medica S.r.l. on February 22, 2023. As a result of the updated analyses, the management did not identify an impairment of this cash-generating unit.

Casa di Cura Prof. Nobili CGU

The recoverable value of the cash-generating unit Casa di Cura Prof.Nobili, healthcare facility operating in the province of Bologna, was determined on the basis of the calculation of the value in use, in which the cash flow projections deriving from the related financial budgets were used for a period of four years, approved by the Board of Directors on February 21, 2023. As a result of the updated analyses, the management did not identify an impairment of this cash-generating unit.

Poliambulatorio Dalla Rosa Prati CGU

The recoverable value of the cash-generating unit Poliambulatorio dalla Rosa Prati, healthcare facility operating in Parma, was determined on the basis of the calculation of the value in use, in which the cash flow projections deriving from the related financial budgets were used for a period of four years, approved by the Board of Directors on February 22, 2023. As a result of the updated analyses, the management did not identify an impairment of this cash-generating unit.

Ospedali Privati Riuniti CGU

The recoverable value of the cash-generating unit Ospedali Privati Riuniti, healthcare facility operating in Bologna, was determined on the basis of the calculation of the value in use, in which the cash flow projections deriving from the related financial budgets were used for a period of four years, approved by the Board of Directors on March 1, 2023. As a result of the updated analyses, the management did not identify an impairment of this cash-generating unit.

Centro Medico San Biagio e Bimar CGU

The recoverable value of the cash-generating unit Centro Medico San Biagio and Bimar, healthcare facility operating in Portogruaro (Venice), was determined on the basis of the calculation of the value in use, in which the cash flow projections deriving from the related financial budgets were used for a period of four years, approved by the Board of Directors on February 27, 2023. As a result of the updated analyses, the management did not identify an impairment of this cash-generating unit.

Centro Medico Università Castrense CGU

The recoverable value of the cash-generating unit Centro Medico Università Castrense, healthcare facility operating in San Giorgio di Nogaro (Udine), was determined on the basis of the calculation of the value in use, in which the cash flow projections deriving from the related financial budgets were used for a period of four years, approved by the Board of Directors on February 27, 2023. As a result of the updated analyses, the management did not identify an impairment of this cash-generating unit.

Aesculapio CGU

The recoverable value of the cash-generating unit Aesculapio S.r.l. clinic operating in San Felice sul Panaro (Modena), was determined on the basis of the calculation of the value in use, in which the cash flow projections deriving from the related financial budgets were used for a period of four years, approved by the Board of Directors on February 28, 2023. As a result of the updated analyses, the management did not identify an impairment of this cash-generating unit.

Clinica San Francesco CGU

The recoverable value of the cash-generating unit Clinica San Francesco S.r.l., healthcare facility operating in Verona, was determined on the basis of the calculation of the value in use, in which the cash flow projections deriving from the related financial budgets were used for a period of four years, approved by the Board of Directors on February 27, 2023. As a result of the updated analyses, the management did not identify an impairment of this cash-generating unit.

Domus Nova CGU

The recoverable value of the cash-generating unit of Domus Nova S.p.A., owner of the acute multi-specialist private hospitals Domus Nova and San Francesco, both located in Ravenna, was determined on the basis of the calculation of the value in use, in which the cash flow projections deriving from the related financial budgets were used for a period of four years, approved by the Board of Directors on March 1, 2023. As a result of the updated analyses, the management did not identify an impairment of this cash-generating unit.

XRay One CGU

The recoverable value of the cash-generating unit XRay One S.r.l., healthcare facility operating in Poggio Rusco (Mantua), was determined on the basis of the calculation of the value in use, in which the cash flow projections deriving from the related financial budgets were used for a period of four years, approved by the Board of Directors on February 28, 2023. As a result of the updated analyses, the management did not identify an impairment of this cash-generating unit.

With regards to the *Gruppo Veneto Diagnostica e Radiologia CGU*, the company applied the option under IFRS 3 to complete the Purchase Price Allocation process within twelve months from acquisition, completed on December 6, 2022. Therefore the impairment test shall be carried out once the Purchase Price Allocation has been completed. The price paid represents the estimated fair value less costs of sale.

Sensitivity to changes in assumptions

The Group prepared sensitivity analyses on the results of the test with respect to changes in the basic assumptions that affect the value in use of the CGUs, thus assuming a change in the WACC of +/-1, resulting in a reduction in the CGUs' prospective EBITDA of +/-5%. This would not entail impairment losses for any of the CGUs.

The equilibrium WACC for each CGU with reference to December 31, 2022, compared with December 31, 2021, is presented below.

	At December 31 2022	At December 31 2021
Casa di Cura Rugani CGU	12.06%	13.81%
CMSR Veneto Medica CGU	11.56%	12.10%
Villa Von Siebenthal CGU	6.51%	6.06%
Fides Group CGU	7.38%	7.54%
Casa di Cura Prof. Nobili CGU	19.57%	15.70%
Poliambulatorio Dalla Rosa Prati CGU	10.02%	9.14%
Ospedali Privati Riuniti CGU	7.92%	6.28%
Centro Medico San Biagio e Bimar CGU	8.60%	9.85%
Centro Medico Università Castrense CGU	8.35%	7.58%
Aesculapio CGU	8.13%	10.51%
XRay One CGU	7.10%	7.94%
Clinica San Francesco CGU	7.56%	7.01%
Domus Nova CGU	8.13%	6.99%

In addition, although the effects of the pandemic years 2020-2022 have receded, management of GHC S.p.A entrusted the independent professional with the simulation of a stress test on indefinite useful life intangible assets, theorising a reduction in 2023 revenues from approx. 48% to 100% for each CGU, while also prudentially assuming no change in cost structure and considering only the recovery of the negative flows relating to the payment of taxes, given that the lack of revenues would drive the CGUs to a tax loss.

This stress test confirms the impairment tests' robust margins.

Note 4 Other intangible assets

The breakdown of Other intangible assets at December 31, 2022 and December 31, 2021 is shown below.

(Euro thousands)	*At December 31*	*At December 31*	*Change*
	2022	2021	2022 vs 2021
Concessions, licenses, trademarks and similar rights	267	69	197
Development	769	35	734
Accreditation	193,349	193,349	-
Software	1,125	963	162
Other intangible assets	344	363	(20)
Assets in progress and advances	186	1,048	(862)
Total other intangible assets	**196,039**	**195,828**	**211**

The table below shows the movements in individual items of Other intangible assets during the year ended December 31, 2022.

in Euro thousands	*Concessions, licences, trademarks and similar rights*	*Development*	*Software*	*Accreditation*	*Other intangible assets*	*Assets in progress and payments on account*	*Total*
Net value at December 31st 2021	**69**	**35**	**963**	**193,349**	**363**	**1,048**	**195,828**
Acquisition	263	-	684	-	101	77	1,125
Depreciation	(108)	(205)	(483)	-	(149)	-	(944)
Decrease	-	-	(1)	-	-	-	(1)
Transfers/Reclassifications	39	939	(39)	-	9	(939)	9
Change in consolidation scope	3	-	-	-	19	-	22
Net value at December 31, 2022	**267**	**769**	**1,125**	**193,349**	**344**	**186**	**196,039**

Concessions, licences, trademarks and similar rights

Concessions, licences, trademarks and similar rights, amounting to Euro 267 thousand at December 31, 2022, increased on December 31, 2021 by Euro 197 thousand, relating to investments made in 2022 for Euro 263 thousand (mainly by C.M.S.R. Veneto Medica S.r.l. for Euro 167 thousand and Garofalo HealthCare S.p.A. for Euro 54 thousand), net of the relative amortisation.

Development costs

Development costs, totalling Euro 769 thousand at December 31, 2022, concern the entry into service of a project undertaken by the company Hesperia Hospital Modena S.r.l. relating to robotic prostatectomy and prostatic hyperplasia surgeries, resulting in a reclassification from assets in progress for Euro 939 thousand.

Software

Software refers to the applications used by the administrative offices of Group companies to keep the accounts and for management aspects relating to healthcare activity.

In 2022, the Group undertook investments in software of Euro 684 thousand, mainly attributable to the companies Casa di Cura Villa Berica S.r.l. (Euro 145 thousand) and C.M.S.R. Veneto Medica S.r.l. (Euro 128 thousand), for the RIS/PACS project, and to Ospedali Privati Riuniti S.r.l. (Euro 64 thousand) and Hesperia Hospital Modena S.r.l. (Euro 111 thousand) for upgrading IT infrastructure and operating software.

Accreditation

The Accreditation account concerns the activities related to the administrative process by which the Group's facilities qualify as fit to provide healthcare and social-care services on behalf of the Regional Health Service (SSR). Institutional accreditation is issued by the Region and is conditional on continuing satisfaction of the technological, infrastructural and personal requirements defined by national and regional provisions. The account includes the fair value emerging on acquisition for Group companies and residually the acquisition of accreditation by Rugani Hospital S.r.l.. A breakdown of the account for the year ended December 31, 2022 is illustrated below:

in Euro thousands	*At December 31*	*At December 31*	*Change*
	2022	2021	2021 vs 2020
Rugani Hospital CGU	330	330	-
Fides Medica Group CGU	8,257	8,257	-
Casa di Cura Prof. Nobili CGU	4,942	4,942	-
Poliambulatorio Dalla Rosa Prati CGU	13,396	13,396	-
Ospedali Privati Riuniti CGU	35,176	35,176	-
Centro Medico San Biagio e Bimar CGU	52,744	52,744	-
Centro Medico Università Castrense CGU	4,166	4,166	-
Aesculapio CGU	2,624	2,624	-
XRay One CGU	16,877	16,877	-
Clinica San Francesco CGU	41,841	41,841	-
Domus Nova CGU	12,996	12,996	-
Total accreditation	**193,349**	**193,349**	**-**

The fair value of the accreditation of all the above acquisitions, with the exception of that for Rugani Hospital S.r.l., was estimated through the purchase price allocation process of the acquired CGUs, by applying a technique based on the discounting of the economic results deriving from “in-agreement” services (multi-period excess earnings technique).

The impairment test of the “Accreditation” account was conducted jointly with the tests on the goodwill of the respective companies (as the accreditations were allocated to the CGUs represented by the respective clinics). Sensitivity analyses were also performed, simulating a WACC variation of +/-1% and a reduction in the CGU’s prospective EBITDA level of +/-5%, which did not result in impairments in any CGU. Reference should made to the “Goodwill” paragraph for the relative disclosure.

Other intangible assets

The account includes residual categories of assets, which, given their scarce significance, are not in a specific item. The balance at December 31, 2022 was Euro 344 thousand.

Assets in progress and advances

The account, totalling Euro 186 thousand, decreased Euro 862 thousand as a combined effect of the entry into operation of a development project by Hesperia Hospital Modena S.r.l., whose value was reclassified to Development costs for Euro 939 thousand, and due to the increase in the year of Euro 77 thousand, relating for Euro 41 thousand to XRay One S.r.l..

Note 5 Property, plant and equipment

The table below shows the breakdown of Property, plant and equipment at December 31, 2022 compared with December 31, 2021.

(Euro thousands)	*At December 31*	*At December 31*	*Change*
	2022	2021	2022 vs 2021
Land and buildings	155,024	158,591	(3,567)
Leasehold improvements	4,432	3,474	958
Plant & machinery	11,301	10,228	1,073
Industrial and commercial equipment	20,321	19,221	1,099
Other assets	4,070	3,378	692
Right-of-use	16,351	15,840	511
Assets in progress and advances	10,328	6,274	4,054
Total	**221,826**	**217,006**	**4,820**

The following tables show the changes in the item in question for the year ended December 31, 2022.

in Euro thousands	*Land and buildings*	*Leasehold improvements*	*Plant and machinery*	*Industrial and commercial equipment*	*Other assets*	*Rights-of-use*	*Assets in progress and advances*	*Total*
Net value at December 31, 2021	**158,591**	**3,474**	**10,228**	**19,221**	**3,378**	**15,840**	**6,274**	**217,006**
Acquisition	2,520	629	2,846	3,892	1,570	1,256	5,570	18,282
Depreciation	(6,540)	(582)	(1,992)	(4,642)	(1,036)	(2,491)	-	(17,283)
Sales	-	-	(568)	(1,326)	(221)	(365)	-	(2,481)
Write-downs	-	-	-	-	-	-	(98)	(98)
Increase	(3)	-	-	-	-	-	-	(3)
Decrease	-	-	564	1,270	168	(676)	(193)	1,134
Transfers/Reclassifications	456	549	87	122	1	-	(1,225)	(9)
Change in consolidation scope	-	362	135	1,784	211	2,787	-	5,279
Net value at December 31, 2022	**155,024**	**4,432**	**11,301**	**20,321**	**4,070**	**16,351**	**10,328**	**221,826**

Land and Buildings

The item mainly includes the properties owned by the nursing homes and amounted to Euro 155,024 thousand at December 31, 2022, compared to Euro 158,591 thousand in 2021.

The account in question decreased by a net amount of Euro 3,567 thousand during 2022, primarily due to the combined effect of the following:

i. Investments made by the Group of Euro 2,520 thousand, mainly concerning the signing of a lease contract on a building by GHC S.p.A. (Euro 1,730 thousand);
ii. depreciation in the period of Euro 6,540 thousand.

Leasehold improvements

The account increased by Euro 958 thousand compared to December 31, 2021; this was mainly due to:

i. incremental work of Euro 1,179 thousand, mainly concerning Ro.e.Mar S.r.l. (Euro 1,145 thousand),
ii. depreciation in the year of Euro 582 thousand;
iii. change in the consolidation scope for Euro 362 thousand.

Plant & machinery

The account increased by Euro 1.073 thousand on December 31, 2021, mainly due to the following factors:

i. investments amounting to Euro 2,846 thousand, mainly attributable to Ospedali Privati Riuniti S.r.l (Euro 1,386 thousand) and Poliambulatorio Dalla Rosa Prati S.r.l. (Euro 926 thousand);
ii. depreciation in the year of Euro 1,992 thousand;
iii. change in the consolidation scope of Euro 135 thousand, attributable to the entry of GVDR S.r.l..

Industrial and commercial equipment

Industrial and commercial equipment amounted to Euro 20,321 thousand at December 31, 2022, compared to Euro 19,221 thousand at December 31, 2021. The net change of Euro 1,099 thousand is attributable to the combined result of the following effects:

i. investments amounting to Euro 3,892 thousand, mainly attributable to Rugani Hospital S.r.l. (Euro 313 thousand), Hesperia Hospital Modena S.r.l. (Euro 990 thousand), Casa di Cura Prof.Nobili S.r.l. (Euro 519 thousand) and Centro Medico San Biagio S.r.l. (Euro 731 thousand);
ii. depreciation in the year of Euro 4,642 thousand;
iii. change in the consolidation scope of Euro 1,784 thousand, attributable to the entry of GVDR S.r.l..

Other assets

The account amounts to Euro 4,070 thousand at December 31, 2022, a net increase of Euro 692 thousand on December 31, 2021. The account in question mainly consists of cars, transport vehicles, EDP, furniture and furnishings. The change in the year was mainly due to:

i. investments amounting to Euro 1,570 thousand, mainly attributable to Casa di Cura Villa Berica S.r.l (Euro 209 thousand), C.M.S.R. S.r.l (Euro 219 thousand), Hesperia Hospital Modena S.r.l. (Euro 196 thousand), Ro.e.Mar. S.r.l. (Euro 252 thousand) and Garofalo HealthCare S.p.A. (Euro 106 thousand);
ii. depreciation in the year of Euro 1,036 thousand;
iii. change in the consolidation scope of Euro 211 thousand, attributable to the entry of GVDR S.r.l..

Right-of-use

The account, amounting to Euro 16,351 thousand at December 31, 2022, includes the present value of contracts relating to the rental, mainly of buildings, machinery and equipment for a fixed period of time exceeding 12 months and for an amount exceeding Euro 5 thousand against payment of a set fee. The net increase of Euro 511 thousand concerns:

i. the recognition of new contracts for Euro 1,256 thousand, mainly relating to GVDR S.r.l. (Euro 941 thousand) and Casa di cura Prof. Nobili S.r.l. (Euro 117 thousand);
ii. depreciation in the year of Euro 2,491 thousand;
iii. change in the consolidation scope of Euro 2,787 thousand, attributable to the entry of GVDR S.r.l..

Assets in progress and advances

The account at December 31, 2022 amounted to Euro 10,328 thousand, compared to Euro 6,274 thousand for the previous year. The net increase of Euro 4,054 thousand is due to:

i. investments amounting to Euro 5,570 thousand, mainly attributable to L'Eremo di Miazzina S.r.l. (Euro 3,690 thousand), to the IRG2 project in Gravellona Toce and Ospedali Privati Riuniti S.r.l. (Euro 696 thousand) for the completion of works for the purpose of obtaining the CPI;
ii. reclassifications to Land and Buildings, Plant and Machinery and Industrial and commercial equipment for Euro 1,225 thousand for the completion of the investments made principally by Casa Di Cura Prof.Nobili S.r.l. (Euro 294 thousand) and by Domus Nova S.p.A. (Euro 144 thousand).

Note 6 Investment properties

The table below shows the breakdown of investment properties at December 31, 2022.

(Euro thousands)	*At December 31*	*At December 31*	*Change*
	2022	2021	2022 vs 2021
Investment property	885	924	(39)
Total investment properties	**885**	**924**	**(39)**

The Group’s investment properties primarily refer to the apartments owned by L’Eremo di Miazzina S.r.l. of Euro 716 thousand, by Hesperia Hospital Modena S.r.l. of Euro 24 thousand and by FI.D.ES. Medica S.r.l. for Euro 145 thousand. These are properties not intended for industrial use or for use in the Group’s core business, held specifically for investment purposes. Accordingly, pursuant to IAS 40, such investment properties have been classified as investments and measured according to the cost model. The value recognized is represented by historical cost, less cumulative depreciation charges. The decrease on 2021 of Euro 39 thousand is exclusively due to depreciation in the year.

The useful life of the Group’s investment properties is 33 years, and depreciation is applied on a straight-line basis.

The assets have not been let. Accordingly, neither rent revenue nor direct operating costs are expected.

There are no restrictions on the Group’s ability to monetize its investment properties, nor are there any contractual obligations to purchase, build or development investment properties or carry out maintenance, repairs or improvements.

See Note 41 for information on the fair value hierarchy for investment properties. It should be noted that:

- measurement is classified to Level 3 of the fair value hierarchy, meaning it is based on unobservable inputs obtained by estimating market value according to the average values in the Italian Agency of Revenue’s O.M.I. database and the Borsino Immobiliare database (2022) for properties similar to those being measured;
- it should be noted that the fair value described above is greater than the current value in use, approximated by the item’s net book value.

Note 7 Equity investments

The value of equity investments at December 31, 2022 was Euro 826 thousand and concerns investments in associates for Euro 735 thousand and capital instruments (classified as at fair value through profit and loss) for Euro 91 thousand.

Investments in associates

The table below contains a breakdown of investments in associates at December 31, 2022 and December 31; 2021.

(Euro thousands)	*At December 31*	*At December 31*	*Change*
	2022	2021	2022 vs 2021
Il Fiocco S.c.a.r.l.	735	809	(74)
Total investments in associates	**735**	**809**	**(74)**

The equity investments in associates refer solely to Il Fiocco S.c.a.r.l., in which the Group holds a 40% shareholding through the subsidiary Fides Medica S.r.l., acquired in 2017. The item decreased by Euro 74 thousand on December 31, 2021, due to the combined effect of the share of the profit for the year of Euro 129 thousand, net of the dividends received by Fides Medica S.r.l. of Euro 203 thousand.

The key financial figures at December 31, 2022 are set out below.

in Euro thousands	At December 31
	2022
Current assets	1,626
Non-current assets	331
Current liabilities	(1,365)
Non-current liabilities	(19)
Shareholders' Equity	**573**
Shareholders' equity attributable to the Group - 40%	229
Goodwill	**506**
Carrying value of the Group's investment	**735**

in Euro thousands	At December 31
	2022
Revenues	5,571
Cost of sales	(5,018)
Amortisation, depreciation & write-downs	(90)
Financial charges	(2)
Profit before taxes	461
Income taxes	(138)
Net profit /(loss) from continuing operations	323
Other comprehensive items which may be subsequently reclassified to profit/(loss) for the period net of income taxes	-
Other comprehensive items which may not be subsequently reclassified to profit/(loss) for the period net of income taxes	-
Other comprehensive income from continuing operations	323
Net profit / (loss) attributable to the Group	129

At December 31, 2022 the associated company did not have any contingent liabilities or commitments.

Capital instruments

A breakdown of equity investments is presented below.

in Euro thousands	At December 31	At December 31	Change
	2022	2021	2022 vs 2021
Studio Schio S.r.l.	-	387	387
La Cassa di Ravenna S.p.A.	24	24	24
Comex S.p.A. in liquidation	7	7	7
Copag S.p.A.	6	6	6
BCC S.p.A.	1	1	1
Valpolicella Benaco Banca	5	5	-
C.O.P.A.G. S.p.A.	9	9	-
CAAF Emilia Centrale	3	3	-
Poliambulatorio Exacta S.r.l.	11	11	-
Ottica Modenese S.r.l.	11	11	-
Rete di imprese	1	1	-
Idroterapic S.r.l.	10	10	-
Other securities	1	-	1
Total share capital instruments	**91**	**476**	**1**

The balance of the item consists of equity investments in companies over which Hesperia Hospital Modena S.r.l., Casa di Cura Villa Garda S.r.l., Ospedali Privati Riuniti S.r.l., Centro Medico San Biagio S.r.l., Bimar S.r.l., Aesculapio S.r.l., XRay One S.r.l. and Domus Nova S.p.A. do not exercise either a dominant or a significant influence, and which in any event are less than one-fifth of share capital. The purchase cost approximates the fair value, since there is no active market for the equity interests in question, and the company plans to recover the entire purchase price upon their sale.

The decrease is due to the merger in 2022 of Studio Schio S.r.l. into Centro Medico San Biagio S.r.l., a company that had acquired it in the previous year, but was not consolidated at the end of 2021 as of an immaterial amount.

It should be noted that (i) in the case of the equity investment in Poliambulatorio Exacta S.r.l., the gross book value of which is Euro 63 thousand, the total impairment loss of Euro 52 thousand recognised in previous years was maintained since no signs of a recovery in value were identified.

Note 8 Other non-current financial assets

"Other non-current financial assets" amounted to Euro 517 thousand at December 31, 2022 and primarily includes the guarantee deposits of Group companies with third parties.

The following table presents a breakdown of the other non-current financial assets at December 31, 2022 and December 31, 2021.

(Euro thousands)	*At December 31*	*At December 31*	*Change*
	2022	2021	2022 vs 2021
Guarantee deposits	479	306	173
Financial receivables from others	38	176	(138)
Total other non-current financial assets	**517**	**482**	**35**

Note 9 Other non-current assets

"Other non-current assets" amounted to Euro 2,330 thousand at December 31, 2022 and included Euro 1,367 thousand of receivables due beyond one year relating to the tax on the realignment of the accounting and tax values of the goodwill recognized to C.M.S.R Veneto Medica S.r.l. (Euro 762 thousand), to Fides Medica S.r.l. (Euro 177 thousand), to Rugani Hospital S.r.l. (Euro 71 thousand) and to Domus Nova S.p.A (Euro 357 thousand).

Other receivables of Euro 963 thousand increased Euro 955 thousand on the previous year following the reclassification of the tax receivables under the "Industry 4.0" decree due beyond one year, previously classified to other current assets (Euro 843 thousands).

The following table presents a breakdown of the other non-current assets at December 31, 2022 and December 31, 2021.

(Euro thousands)	*At December 31*	*At December 31*	*Change*
	2022	2021	2022 vs 2021
Realignment substitute tax credits	1,367	1,105	262
Other receivables	963	8	955
Total other non-current assets	**2,330**	**1,113**	**1,217**

Note 10 Deferred tax assets and liabilities

Deferred tax assets and liabilities

Deferred tax assets and liabilities at December 31, 2022 compared with December 31, 2021 is presented below.

(Euro thousands)	*At December 31*	*At December 31*	*Change*
	2022	2021	2022 vs 2021
Deferred tax assets	10,615	9,660	955
Deferred tax liabilities	(67,356)	(67,932)	576
Net balance	**(56,740)**	**(58,272)**	**1,531**

Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary difference and the carry-forward of unused tax losses and unused tax credits can be utilised.

The increase in the period mainly concerns the recalculation of deferred tax assets by the companies Rugani Hospital S.r.l. and Hesperia Hospital Modena S.r.l., utilising the ordinary IRES rate of 24%, rather than the halved IRES rate which they benefitted from until 2021 as hospitals.

The following table presents the movements in deferred tax assets and liabilities for the year ended December 31, 2022 and December 31, 2021.

(Euro thousands)	At December 31	At December 31
	2022	2021
Net opening balance	**(58,272)**	**(42,647)**
Credit / (Debit) to the income statement	1,304	428
Other changes	56	(15,971)
Credit / (Debit) to equity	172	(82)
Net closing balance	**(56,740)**	**(58,272)**

Net deferred tax assets and liabilities amounted to a net liability of Euro 56,740 thousand at December 31, 2022.

The other changes comprise net deferred tax liabilities from the change in the scope and the allocation of the purchase price differential to the accreditation and buildings account.

The movements of the deferred tax assets and liabilities are detailed below.

(Euro thousands)	**At December 31**	**Change to the balance sheet/income statement**	**Changes to the statement of comprehensive income**	**At December 31**
	2021			**2022**
Bad debts provision	1,240	30	-	1,270
Risks provision accrual	3,708	1,214	-	4,922
Tax losses	2,005	(148)		1,857
Goodwill realignment	498	458		956
Other	64	149		213
Accelerated depreciation	188	(110)	-	78
Adjustment for IAS 19	984	(605)	172	551
Adjustment for IAS 16 - Revaluations	20	(20)	-	-
IFRS 16	644	(266)	-	377
OTHER	310	81	-	391
Deferred tax assets	**9,660**	**784**	**172**	**10,615**

(Euro thousands)	**At December 31**	**Change to the balance sheet/income statement**	**Changes to the statement of comprehensive income**	**At December 31**
	2021			**2022**
Gains	(6)	6	-	-
Goodwill / Accreditation gross-up	(54,355)	(1,673)	-	(56,027)
Interest on arrears	(58)	6	-	(52)
Adjustment for IAS 19 Employee Benefits	(448)	448	-	-
Adjustment for IAS 16 - Revaluations	(4,934)	345	-	(4,589)
IFRS 16	(6,110)	250	-	(5,860)
Amortisation & depreciation IAS 40	0	(67)	-	(67)
OTHER	(2,019)	1,259	-	(760)
Deferred tax liabilities	**(67,932)**	**576**	**-**	**(67,356)**

Net deferred taxes	**(58,272)**	**1,360**	**172**	**(56,740)**

Note 11 Inventories

The following table breaks down inventories at December 31, 2022, compared with December 31, 2021.

(Euro thousands)	*At December 31*	*At December 31*	*Change*
	2022	2021	2022 vs 2021
Raw materials, ancillaries and consumables	4,244	4,322	(78)
Inventories	**4,244**	**4,322**	**(78)**

Inventories amounted to Euro 4,244 thousand at December 31, 2022, largely unchanged on December 31, 2021 (Euro 4,322 thousand). The account, which consists solely of raw materials, supplies and consumables, refers to the materials used in the clinical and hospital activities of the Group's companies.

Note 12 Trade receivables

Trade receivables amounted to Euro 76,479 thousand at December 31, 2022, compared with Euro 74,720 thousand at December 31, 2021. The breakdown is reported below.

(Euro thousands)	*At December 31*	*At December 31*	*Change*
	2022	2021	2022 vs 2021
Receivables – private customers	7,287	11,899	(4,612)
Receivables – local health authorities	75,773	69,125	6,648
Other receivables	476	338	139
Bad debt provision	(7,058)	(6,643)	(415)
Total trade receivables	**76,479**	**74,720**	**1,759**

Trade receivables refer solely to provisions rendered within Italy and there are no receivables due beyond twelve months. The increase on the previous year was substantially due to the change in the scope deriving from the acquisition of GVDR S.r.l. (Euro 1,107 thousand).

The movements in the doubtful debt provision, which increased by Euro 415 thousand compared to December 31, 2021, are reported below:

(Euro thousands)	*Dec 31, 21*	*Provisions*	*Utilisations*	*Decrease*	*Transfers/Reclassifications*	*Dec 31, 22*
Doubtful debt provision	6,643	599	(328)	(106)	250	7,058

The main changes were as follows:

i. provisions mainly attributable to Hesperia Hospital Modena S.r.l. (Euro 259 thousand) and L'Eremo di Miazzina S.r.l. (Euro 191 thousand);
ii. utilisations mainly by the company Clinica San Francesco S.r.l. (Euro 185 thousand) and C.M.S.R. S.r.l. (Euro 91 thousand);
iii. releases for Euro 106 thousand, exclusively concerning Clinica San Francesco S.r.l..

In terms of the mechanisms to calculate expected losses, in view of the nature of its receivables, the Company has decided to apply a loss-rate approach, which consists of determining percent loss rates on a statistical basis as a function of the losses recorded over a twelve-month period and the residual lifetime of the receivables, and then adjusting these historical trends to take account of current conditions and future expectations. To this end, it should be clarified that, in the absence of changes to the model, the Group maintained substantially the same collection times as prior to COVID. Consequently, the Company has divided its receivables portfolio into uniform risk classes and then determined a loss rate for each uniform portfolio thus identified on the basis of the historical default experience for each portfolio. The Company then updated the historical rates thus obtained to take account of current economic conditions and reasonable expectations regarding future economic conditions.

Note 13 Tax receivables

The table below shows the breakdown of tax receivables at December 31, 2022, compared with December 31, 2021.

(Euro thousands)	*At December 31*	*At December 31*	*Change*
	2022	2021	2022 vs 2021
Other receivables and current assets – tax receivables for IRES and IRAP refund applications	110	79	31
Tax receivables – IRES prepayment	2,398	2,361	37
Tax receivables – IRAP prepayment	581	455	126
Tax receivables – other tax receivables	2,845	3,192	(347)
Total tax receivables	**5,933**	**6,088**	**(155)**

Tax receivables at December 31, 2022 amounted to Euro 5,933 thousand, compared to Euro 6,088 thousand in the preceding year, a decrease of Euro 155 thousand.

At December 31, 2022 the account mainly comprised tax receivables arising from IRES and IRAP refund applications for Euro 110 thousand, total IRES and IRAP prepayments (Euro 2,979 thousand) and other tax receivables (Euro 2,845 thousand).

The IRES advances of Euro 2,398 thousand mainly include the receivable of the parent company GHC S.p.A. for Euro 1,182 thousand, concerning advances paid in the previous year by the companies within the tax consolidation scope, net of income taxes due for the period.

Other tax receivables of Euro 2,845 thousand refer primarily to the recognition of the tax credits for the investments made by Casa di Cura Villa Berica S.r.l. (Euro 275 thousand), C.M.S.R. Veneto Medica S.r.l. (Euro 529 thousand), Hesperia Hospital Modena S.r.l (Euro 261 thousand), Casa di Cura Prof.Nobili (Euro 189 thousand), Poliambulatorio Dalla Rosa Prati S.r.l. (Euro 139 thousand), Ospedali Privati Riuniti S.r.l. (Euro 272 thousand), L'Eremo di Miazzina S.r.l. (Euro 145 thousand) and Aesculapio S.r.l. (Euro 450 thousand).

Note 14 Other receivables and current assets

Other receivables and current assets amounted to Euro 3,137 thousand at December 31, 2022, decreasing Euro 268 thousand on Euro 3,405 thousand at December 31, 2021.

The changes in the account were as follows:

(Euro thousands)	*At December 31*	*At December 31*	*Change*
	2022	2021	2022 vs 2021
Other receivables and current assets - from suppliers for payments on account	433	226	208
Other receivables and current assets - from others	1,408	1,539	(131)
Other receivables and current assets - from social-security institutions	149	125	24
Other tax receivables	146	570	(423)
Other receivables and current assets - prepayments and accrued income (non-financial)	1,000	946	54
Total other receivables and current assets	**3,137**	**3,405**	**(268)**

The account mainly breaks down as follows:

i. suppliers on account amounting to Euro 433 thousand, mainly relating to Hesperia Hospital Modena S.r.l. (Euro 246 thousand);
ii. other receivables totalling Euro 1,408 thousand, mainly concerning Villa Von Siebenthal S.r.l. (Euro 189 thousand), Hesperia Hospital Modena S.r.l. (Euro 344 thousand), Ospedali Privati Riuniti S.r.l. (Euro 189 thousand), Clinica San Francesco S.r.l. (Euro 143 thousand), Domus Nova S.p.A. (Euro 165 thousand) and Rugani Hospital S.r.l. (Euro 288 thousand);
iii. accrued income and prepaid expenses relating to non-financial assets for Euro 1.000 thousand, mainly attributable to C.M.S.R. Veneto Medica S.r.l. (Euro 59 thousand), Hesperia Hospital Modena S.r.l. (Euro 91 thousand), Casa di Cura Prof. Nobili S.r.l. (Euro 112 thousand), GHC S.p.A. (Euro 88 thousand), Ospedali Privati Riuniti S.r.l. (Euro 136 thousand) and Centro Medico San Biagio S.r.l. (Euro 123 thousand).

Note 15 Other current financial assets

Other current financial assets amounted to Euro 215 thousand at December 31, 2022, an increase of Euro 40 thousand on December 31, 2021. The balance consists primarily of financial prepayments and accrued income.

Note 16 Cash and cash equivalents

The changes in the account were as follows.

(Euro thousands)	*At December 31*	*At December 31*	*Change*
	2022	2021	2022 vs 2021
Bank current accounts	31,132	41,027	(9,895)
Checks and cash	250	212	38
Total cash and cash equivalents	**31,382**	**41,239**	**(9,857)**

The amounts shown can be readily converted into cash and do not have a significant risk of change in value.

The Garofalo Health Care Group believes that the credit risk associated with cash and cash equivalents is limited because they primarily consist of deposits held with various national Italian banking institutions.

The above account is also subject to the general impairment rule and the loss rate approach has been used. However, in view of the fact that they are demand accounts, the expected losses over the 12 months and the expected losses of the useful life coincide.

See Note 20 Non-current financial payables – "Cash flow statement" for the composition of net financial position at December 31, 2022 and December 31, 2021.

Note 17 Shareholders' equity

Share capital

At December 31, 2022 share capital amounted to Euro 31,570 thousand, fully paid-in, and consisted of 90,200,000 ordinary shares without par value.

The table below reports the GHC Group's ownership structure at December 31, 2022, including significant equity interests.

Number of ordinary shares	% share capital	Listed / Non listed	Rights and obligations
90,200,000	100%	Euronext STAR Milan	Each Share entitles the owner to one vote. In accordance with Art. 127-*quinquies* of the CFA, Article 7 of the By-laws states that each share held by the same shareholder for a continuous period of at least 24 months from the date of registration in the special list specifically established by the Company confers two votes. For further information, reference should be made to paragraph 2, letter d), of the Corporate Governance Report.

Number of ordinary shares	% share capital	Listed / Non listed	Rights and obligations
			The shareholders' rights and obligations are as established in Articles 2346 *et seq.* of the Italian Civil Code and Article 7 of the By-laws with regard to multi-voting rights.

Shareholder	Direct shareholder	% of ordinary share capital	% of voting share capital
Garofalo Maria Laura[(1)]	Anrama S.p.A.	65.88%[(2)]	64.47%[(2)]
	Larama 98 S.p.A.		
	Garofalo Maria Laura		
Peninsula Capital II S.a.r.l.[(2)]	PII 4 S.à.r.l.	9.19%	9.00%

As previously reported, in accordance with Art. 127-quinquies of the CFA, Article 7 of the By-laws states that each share held by the same shareholder for a continuous period of at least 24 months from the date of registration in the special list specifically established by the Company (the "List") confers two votes.

After receiving valid applications for registration, the Company adds new entries to and updates the List with quarterly frequency, i.e. on March 31, June 30, September 30 and December 31 of each year, or with a different frequency in accordance with industry legislation, but always by the record date.

In accordance with Article 127-*quinquies*, paragraph 7, of the CFA, Article 7 of the By-laws states that shares held prior to the commencement date of trading, and hence prior to the date of registration in the List, are also to be considered for the purpose of completing the period of continuous ownership required for multi-voting rights.

According to the By-laws, multi-voting rights are also considered when evaluating quorum requirements to meet and pass resolutions based on percentages of share capital. In addition, multi-voting rights are without any effect on rights other than voting rights devolving on the basis of the possession of a particular portion of capital, such as the right to convene the Shareholders' Meeting, the right to add items to the Agenda and the right to submit slates for the election of Directors. For further information, please refer to the Multi-Voting Rights Regulation available from the Company's website, www.garofalohealthcare.com which in accordance with Article 143-quater of the Consob Issuers' Regulation also presents the identification details of the shareholders who have applied for registration in the List, with indication of their individual holdings – in any event exceeding the threshold indicated by Article 120, paragraph 2 of the CFA – date of registration and date of attainment of multi-vote rights.

Legal reserve

At December 31, 2022 the legal reserve amounted to Euro 532 thousand, up by Euro 61 thousand on December 31, 2021 due to the allocation of part of the net profit for 2021 resolved by the Shareholders' Meeting on April 29, 2022 in accordance with Article 2430 of the Italian Civil Code.

[(1)] Source: GHC Group
[(2)] Percentages concern number of total shares, including treasury shares
[(2)] Source: GHC Group and Consob, values at the date of publication

Other reserves

The composition of the account "Other reserves" at December 31, 2022, with a comparison to December 31, 2021, is presented below.

(Euro thousands)	*At December 31*	*At December 31*	*Change*
	2022	2021	2022 vs 2021
Extraordinary reserve	12,303	12,122	181
Shareholder capital payments reserve	5,146	5,146	-
Conferment reserves	37,006	37,006	-
Share-based payments reserve	1,385	2,674	(1,289)
Provision as per Article 40 By-Laws	12	10	2
Reserve - IAS 19 Post-employment benefits	(1,603)	(995)	(607)
First Time Adoption Reserve	2,320	2,320	-
Retained earnings	74,553	55,640	18,914
Share premium reserve	101,413	101,413	-
Reserve for treasury shares in portfolio	(6,111)	(4,873)	(1,238)
AUCAP 2021 Reserve	(883)	(883)	-
Other reserves	**225,542**	**209,578**	**15,963**

At December 31, 2022, the account Other Reserves amounted to Euro 225,542 thousand, a net increase of Euro 15,963 thousand compared to December 31, 2021, mainly deriving from the combined effect of:

i. the increase in the extraordinary reserve of Euro 181 thousand as a result of the motion of the shareholders' meeting of April 29, 2022 which stipulated the allocation of a portion of the Parent Company's profit to this reserve;
ii. decrease of Euro 1,289 thousand of the Share-based payments reserve following the allocation on May 27, 2022 of the GHC S.p.A shares to the beneficiaries of the "2019-2021 Stock Grant Plan" for Euro 1,895 thousand, net of the accrual for the Performance Share Plan for Euro 606 thousand;
iii. a change in the IAS 19 actuarial effect reserve of Euro 607 thousand;
iv. increase of consolidated retained earnings of Euro 18,914 thousand following the allocation of the profit for the previous year of the consolidated companies;

v. movement of Euro 1,238 thousand in the treasury shares in portfolio reserve following the acquisition of 680,154 shares for Euro 2,979 thousand, partially offset by the allocation of 350,585 shares, totalling Euro 1,747 thousand, to the beneficiaries of the 2019-2021 Stock Grant Plan.

Minority interest shareholders' equity

The minority interest capital and reserves amounted to Euro 76 thousand at December 31, 2022, compared with Euro 253 thousand in the previous year. The decrease, amounting to Euro 177 thousand, is mainly due to GHC S.p.A.'s purchase of the remaining portion of Domus Nova S.p.A.'s shareholders' equity (Euro 186 thousand).

Note 18 Employee Benefits

This account includes post-employment benefits measured according to an actuarial assessment based on the projected unit credit method performed by independent actuaries in accordance with IAS 19 – Employee Benefits.

The main demographic assumptions use by the actuary for the year are as follows:

- the RG48 probability of death figures provided by the General Accounting Office, by gender;
- for the pension period, it was assumed that the first pensionable requisites for the General Compulsory Insurance were achieved.
- a primary annual rate of termination of employment due to causes other than death of 9.36%;
- an annual advance probability of 2%, with a maximum of two repetitions of requests;
- a percent advance requested of 100.00%;
- The rate curve based on the effective rate of return on bonds denominated in euro issued by major companies rated AA or higher was used for the technical discounting rate.

The main financial assumptions adopted by the actuary were as follows:

	At December 31	At December 31
	2022	2021
Annual inflation rate	4.00%	0.50%
Annual real remuneration rate by category:		
Executives	2.60%	2.60%
Managers	1.70%	1.70%
White-collar	1.40%	1.40%

Annual increase in post-employment benefit	3.74%	1.56%

Movements during the year were as follows (in Euro thousands):

(Euro thousands)	
Balance at December 31, 2021	**11,987**
Net actuarial gains/(losses) recognized in the year	718
Transfer in/(out)	(1,255)
Cost for service	783
Change in consolidation scope	1,318
Balance at December 31, 2022	**13,551**

In accordance with IAS 19 – *Employee Benefits*, an analysis of the sensitivity to changes in the main actuarial assumptions used in the calculation model must be performed. The following tables show, in absolute and relative terms, changes in the liability measured according to IAS 19 (DBO) in the event of a positive or negative change of 10% in revaluation and/or discounting rates. The results obtained for the years ended December 31, 2022 and December 31, 2021 are summarized in the following tables.

in Euro thousands		At December 31, 2022		
		Annual discount rate		
		-10%	***100%***	***10%***
Annual inflation rate	***-10%***	13,496	13,043	12,614
	100%	13,995	**13,551**	13,059
	10%	14,528	14,018	13,534

Note 19 Provision for risks and charges

“Provisions for risks and charges” at December 31, 2022 and at December 31, 2021 respectively amounted to Euro 19,152 thousand and Euro 17,346 thousand, an increase of Euro 1,807 thousand.

(Euro thousands)	*At December 31*	*At December 31*	*Change*
	2022	2021	2022 vs 2021
Provisions for risks and charges – End-of-service indemnity provisions	50	85	(35)
Provisions for risks and charges – Provisions for healthcare lawsuit risks	17,691	16,620	1,070
Provision for risks and charges – Other provisions for risks and charges	1,412	640	772
Total provisions for risks and charges	**19,152**	**17,346**	**1,807**

The changes in the "Provisions for risks and charges" in the year ended December 31, 2022, compared with the changes in the year ended December 31, 2021, are presented below.

in Euro thousands	*End-of-service indemnity provisions*	*Provisions for healthcare lawsuit risks*	*Other provisions for risks and charges*	*Total*
Net value at December 31, 2021	**85**	**16,620**	**640**	**17,346**
Provisions	45	5,507	1,067	6,619
Utilisations	(80)	(2,610)	(255)	(2,945)
Reversals	-	(1,577)	(40)	(1,617)
Transfers/Reclassifications	-	(250)	-	(250)
Net value at December 31, 2022	**50**	**17,691**	**1,412**	**19,152**

Provisions for risks and charges include the total end-of-service indemnities for directors of Euro 50 thousand at December 31, 2022, a decrease of Euro 35 thousand compared with Euro 85 thousand at December 31, 2021. The movement in the account derives from the provisions made of Euro 45 thousand, net of utilisations of Euro 80 thousand. The provisions were recorded by Rugani Hospital for Euro 18 thousand, by Casa di Cura del Prof. Nobili S.r.l. for Euro 25 thousand and by Hesperia Hospital Modena S.r.l. for Euro 2 thousand. Utilisations refer to Hesperia Hospital Modena S.r.l. (Euro 42 thousand) and Rugani Hospital S.r.l. (Euro 38 thousand).

Provisions for healthcare lawsuit risks and local health authority risks totalled Euro 17,691 thousand at December 31, 2022 and are attributable to healthcare risks for Euro 11,836 thousand and to local health authority risks for Euro 5,855 thousand. The item includes liabilities deemed probable in respect of damage claims brought by patients of the facilities in the course of their healthcare services, both under accreditation from the government and privately. The accrual has been based on a thorough analysis of the damage claims brought in and out of court and takes account of events that have occurred at the reporting date for which the company, with the support of its legal counsel, has decided to recognise a provision in its accounts. The account also includes the risks on the controls carried out by the Local Health Authority on clinical records and the risks of fee variations for services rendered to patients residing outside the Region. The increase in the account of Euro 1,070 thousand is due to:

i. Provisions amounting to Euro 5,507 thousand, of which Euro 3,743 thousand refers to healthcare cases and Euro 1,764 thousand refers to Local Healthcare Authority (ASL) risks.
In the case of the healthcare lawsuits, the accruals refer mainly to Ospedali Privati Riuniti S.r.l. for Euro 645 thousand, Casa di Cura Villa Berica S.r.l. for Euro 793 thousand, Rugani Hospital S.r.l. for Euro 937 thousand, Hesperia Hospital Modena S.r.l for Euro 371 thousand, Clinica San Francesco S.r.l. for Euro 198 thousand and Domus Nova S.p.A. for Euro 749 thousand.
For local healthcare authority risks, the provisions refer mainly to Hesperia Hospital Modena S.r.l. for Euro 527 thousand, Ospedali Privati Riuniti S.r.l. for Euro 735 thousand and Domus Nova S.p.A. for Euro 412 thousand.
ii. Utilisations amounting to Euro 2,610 thousand, of which Euro 1,713 thousand to healthcare cases and Euro 897 thousand to local healthcare authority (ASL) risks.
Utilisations for healthcare lawsuits were mainly attributable to Hesperia Hospital Modena S.r.l. (Euro 91 thousand), Casa di Cura Villa Berica S.r.l. (Euro 322 thousand), Rugani Hospital S.r.l. (Euro 254 thousand), Domus Nova S.p.A. (Euro 571 thousand) and Ospedali Privati Riuniti S.r.l. (Euro 409 thousand).
In the case of the local health authority risks, the utilisations refer to L’Eremo di Miazzina S.r.l. for Euro 546 thousand and Ospedali Privati Riuniti S.r.l for Euro 193 thousand.
iii. Releases amounting to Euro 1,577 thousand, of which Euro 1,280 thousand referring to healthcare lawsuits and Euro 297 thousand to Local Health Authority (ASL) risks.
In the case of the healthcare lawsuits, the releases refer mainly to Rugani Hospital S.r.l. for Euro 94 thousand, Hesperia Hospital Modena S.r.l. for Euro 184 thousand, Domus Nova S.p.A. for Euro 261 thousand and Ospedali Privati Riuniti S.r.l. for Euro 665 thousand.
In the case of the local health authority risks, the releases mainly refer to Ospedali Privati Riuniti S.r.l. for Euro 222 thousand.

Other provisions for risks and charges amounted to Euro 1,412 thousand at December 31, 2022, compared with Euro 640 thousand at December 31, 2021, a net increase of Euro 772 thousand.

i. Provisions amount to Euro 1,067 thousand mainly concerning Hesperia Hospital Modena S.r.l. (Euro 176 thousand), Domus Nova S.p.A. (Euro 150 thousand), Ospedali Privati Riuniti S.r.l. (Euro 436 thousand) and Casa di Cura Villa Berica S.r.l. (Euro 177 thousand). These provisions were made against labour law risks and of disputes with suppliers and institutional bodies.
ii. Utilisations of Euro 255 thousand, of which Euro 109 thousand concerning Clinica San Francesco S.r.l. and Euro 147 thousand concerning C.M.S.R. Veneto Medica S.r.l..
iii. Releases for Euro 40 thousand, entirely concerning Clinica San Francesco S.r.l. (Euro 36 thousand).

Note 20 Non-current financial payables

The account “Non-current financial payables” includes medium/long term, floating-rate bank loans, the portion of payables arising from the application of IFRS 16 due beyond one year and shareholder loans.

The table below provides the breakdown of the account for the year ended December 31, 2022 and a comparison to the previous year.

(Euro thousands)	*At December 31*	*At December 31*	*Change*
	2022	2021	2022 vs 2021
Other non-current financial payables	21,703	23,207	(1,503)
Medium/long-term loans and borrowings	110,462	114,923	(4,462)
Total non-current financial payables	**132,165**	**138,130**	**(5,966)**

The composition of "Other non-current financial payables" at December 31, 2022, compared with December 31, 2021 is presented below.

(Euro thousands)	*At December 31*	*At December 31*	*Change*
	2022	2021	2022 vs 2021
Shareholder loan	3	1,649	(1,646)
Financial payables for IFRS 16 Non-Current	13,828	14,306	(478)
Payables to leasing companies	7,794	7,252	542
Non-current liabilities and accrued income	77	-	77
Total other non-current financial payables	**21,703**	**23,206**	**(1,503)**

The decrease in Other non-current financial payables of Euro 1,503 thousand is due to the following factors:

i. Full repayment of the interest-bearing financial payable to Larama 98 S.p.A, resulting in the reduction to almost zero of the item "Payables to shareholders for loans" at December 31, 2022;
ii. Decrease of Euro 478 thousand of "financial payables for IFRS 16", relating to the reclassification to current financial payables of the instalments maturing by December 31, 2023, amounting to Euro 3,027 thousand, and the reversal of contracts closed early, net of the recognition of the new contracts, amounting to Euro 198 thousand, and the entry into the consolidation scope of GVDR S.r.l. (Euro 3,224 thousand).
iii. The increase in "payables to leasing companies", of Euro 542 thousand, due to the recognition of new contracts for Euro 2,561 thousand and the inclusion in the consolidation scope of GVDR S.r.l. (Euro 36 thousand), net of the reclassification to short-term of the instalments due by December 31, 2023 (Euro 2,042 thousand) and the advance repayment of a leasing contract (Euro 12 thousand).

"Non-current bank payables" of Euro 110,462 thousand at December 31, 2022 decreased Euro 4,462 thousand on December 31, 2021, following the reclassification to current financial payables of the portion of the payable due by December 31, 2023, amounting to Euro 21,559 thousand, net of the drawdown of the Unicredit M&A loan for the acquisition of GVDR S.r.l. (Euro 16,525 thousand) and the entry into the consolidation scope of GVDR S.r.l. (Euro 506 thousand).

The loans in place at December 31, 2022 and December 31, 2021 were as follows:

Description	Annual interest rate at signing	Maturity	Balance at December 31, 2022	Balance at December 31, 2021
	%		in Euro thousands	
Unicredit Line A Loan	Euribor 6M+1,67%	Dec 31, 26	114,959	136,422
Unicredit Line B Loan	Euribor 6M+2%	Dec 31, 27	16,526	-
BPER Loan	Euribor 6M+2.4%	Apr 15, 27	58	-
Cassa di Risparmio Loan	Euribor 1M+1.1%	Jan 28, 25	573	-
Mediocredito Italiano Loan	Euribor 1M+1.1%	Aug 31, 23	118	-
BCC Roma Loan	Euribor 1M+1.7%	Mar 31, 25	375	-
Total			**132,608**	**136,422**
Of which:				
Bank payables - non-current portion of loans			110,462	114,923
Bank payables - current portion of loans			22,146	21,499

The Unicredit loan provides for the covenants shown in the table below to be calculated on December 31 of each calendar year on the basis of the pro-forma consolidated financial statements, net of the effect resulting from the application of IFRS16, starting from 31.12.2021.

Parameter	*Threshold value*					
	31.12.2021	*31.12.2022*	*31.12.2023*	*31.12.2024*	*31.12.2025*	*from 31.12.2026*
Leverage Ratio (Net financial debt /EBITDA)	≤4x	≤4x	≤4x	≤3.5x	≤3.25x	≤3x
Net Debt / NE	≤1.5x	≤1.5x	≤1.5x	≤1.5x	≤1.25x	≤1x

The covenants had been fulfilled at the date of these consolidated financial statements.

Changes in liabilities deriving from financing activities are presented below in accordance with IAS 7 Statement of Cash Flows:

(Euro thousands)	*At December 31, 2022*	*Cash flows*	*Change in consolidation scope*	*Other changes*	*Reclassifications*	*At December 31, 2021*
Other non-current financial payables	(21,703)	1,664	(3,260)	(1,969)	5,069	(23,206)

Medium/long-term loans and borrowings	(110,462)	(16,590)	(506)	-	21,559	(114,925)
Short-term loans and borrowings	(38,430)	25,042	(559)	(749)	(21,559)	(40,605)
Other current financial payables	(6,013)	5,100	(476)	(513)	(5,069)	(5,056)
Current financial receivables	215	-	2	38	-	175
Cash and cash equivalents	31,382	(13,944)	4,087	-	-	41,239
Net Financial Debt	**(145,011)**	**1,272**	**(712)**	**(3,193)**	**-**	**(142,378)**

The "Cash flow" column refers to the cash flows presented in the Consolidated Cash Flow Statement.

Note 21 Other non-current liabilities

Other non-current liabilities, totalling Euro 3,208 thousand, increased Euro 2,995 thousand on December 31, 2022, following mainly the reclassification of the non-current portion of the deferred income relating to the tax receivables matured on investments in "Industry 4.0" tangible assets made by the Group companies.

Note 22 Trade payables

Trade payables amount to Euro 51,100 thousand at December 31, 2022 as follows:

(Euro thousands)	*At December 31*	*At December 31*	*Change*
	2022	2021	2022 vs 2021
Trade payables	28,158	25,094	3,064
Payables to doctors	2,387	2,175	213
Other payables	403	463	(61)
Payables for invoices to be received	21,255	19,522	1,733
Credit notes to be received	(1,104)	(1,015)	(88)
Total trade payables	**51,100**	**46,239**	**4,861**

At December 31, 2022 an increase on the previous year of Euro 4,861 thousand was reported. This was mainly attributable to the increase in volumes in the year and residually the entry into the consolidation scope of GVDR S.r.l. (Euro 970 thousand).

Note 23 Current financial payables

The table below shows current financial payables at December 31, 2022.

(Euro thousands)	*At December 31*	*At December 31*	*Change*
	2022	2021	2022 vs 2021
Short-term loans and borrowings	38,430	40,605	(2,175)
Other current financial payables	6,013	5,057	957
Total current financial payables	**44,443**	**45,662**	**(1,219)**

“Current bank payables” consist primarily of bank overdrafts and short-term credit facilities, together with the portion of medium/long-term loans to be repaid in the following year.

The composition of “Current bank payables” at December 31, 2022, compared with the situation at December 31, 2021, is presented below.

(Euro thousands)	*At December 31*	*At December 31*	*Change*
	2022	2021	2022 vs 2021
Current bank payables (short-term portion of loans)	22,146	21,499	647
Current bank payables on current accounts	1,753	6,271	(4,519)
Current bank payables for advances	14,531	12,835	1,696
Total Current bank payables	**38,430**	**40,605**	**(2,175)**

The account “short-term portion of loans” at December 31, 2022 of Euro 22,146 thousand mainly refers to the short-term portion of the Unicredit loan, due to be settled within 12 months; the transaction was described in Note 19 “Non-current financial payables”, to which reference should be made.

The “Current bank payables (current accounts)", amounting to Euro 1,753 thousand, consist of bank credit lines used as at December 31, 2022.

The account “bank payables for advances” of Euro 14,531 thousand mainly comprises advances on commercial invoices.

The composition of “Other current financial payables” at December 31, 2022, compared with the situation at December 31, 2021, is presented below.

(Euro thousands)	At December 31	At December 31	Change
	2022	2021	2022 vs 2021
Current financial payables - leasing companies	2,483	2,339	144
Current financial payables - accrued liabilities and deferred financial income	149	217	(67)
Financial payables for IFRS 16 Current	3,381	2,501	879
Total Other financial payables	**6,013**	**5,057**	**957**

The item “Payables to leasing companies”, totalling Euro 2,483 thousand at December 31, 2022, refers to the recognition of the current financial payable for the acquisition of leased assets accounted for according to the finance method and related primarily to the purchase of healthcare equipment.

“Accrued financial liabilities and deferred financial income” mainly concerns interest charges matured on mortgages at December 31, 2022.

“Payables for IFRS 16" , amounting to Euro 3,381 thousand at December 31, 2022, refer to the short-term portion of leases previously defined as operating leases. The increase is mainly due to the entry into the scope of GVDR S.r.l. (Euro 469 thousand).

Note 24 Tax Payables

Tax payables, amounting to Euro 3,211 thousand at December 31, 2022, include payables relating to IRES company income taxes, IRAP regional tax, tax consolidation and other current taxes. The breakdown is as follows.

(Euro thousands)	At December 31	At December 31	Change
	2022	2021	2022 vs 2021
Tax payables - IRES tax payables	2,453	3,020	(568)
Tax payables - IRAP tax payables	700	819	(119)
Tax payables - from tax consolidation	59	20	39
Total Tax payables	**3,211**	**3,860**	**(648)**

Note 25 Other current liabilities

At December 31, 2022 “Other current liabilities” totalled Euro 32,482 thousand and are compared below with the previous year:

(Euro thousands)	*At December 31*	*At December 31*	*Change*
	2022	2021	2022 vs 2021
Social security institutions	4,913	4,775	137
Tax payables	17	70	(53)
Withholding tax payables	3,431	3,316	115
Employee payables	8,302	8,026	275
Other liabilities	15,820	18,242	(2,423)
Total Other current liabilities	**32,482**	**34,429**	**(1,947)**

The account Other current liabilities decreased by Euro 1,947 thousand, mainly following the reclassification to non-current payables of the portion of tax receivables maturing beyond one year.
"Other payables" comprises advances received from the ASL's (local healthcare authorities) as a measure to support companies affected by the COVID emergency (Euro 10,535 thousand).

Note 26 Revenues from services

Total revenues amounted to Euro 322,575 thousand in 2022, an increase of Euro 38,903 thousand compared to the previous year. The scope at December 31, 2022 includes the full contribution of Clinica San Francesco S.r.l., acquired on April 9, 2021, and of Domus Nova S.p.A., acquired on July 28, 2021 and the contribution for one month of GVDR S.r.l., acquired on December 6, 2022.

The increase in revenues on the same period of the previous year is therefore due to the change in the consolidation scope, as outlined above, in addition to the increased volume of healthcare services provided. For further details, reference should be made to the Directors' Report.

In accordance with IFRS 15, the Group recognises revenues from services at the fair value of the consideration received or to be received, net of adjustments relating to the overrun of revenue budgets (established in terms of maximum acceptable spending limits by the regions for services rendered by private healthcare facilities) relating to services under accreditation, of which the regions notify each healthcare facility.

The table below shows the breakdown of revenues from services in 2022 and in 2021.

(Euro thousands)	Dec. 31				Change
	2022	*% of total*	2021	*% of total*	2022 vs 2021
Community and dependency care services	90,109	27.9%	85,331	30.1%	4,778
Hospital services	224,656	69.6%	192,538	67.9%	32,118
Total revenues from services	**314,764**	**97.6%**	**277,869**	**98.0%**	**36,896**

Other revenue	7,810	2.4%	5,803	2.0%	2,007
Total revenues	**322,575**	**100.0%**	**283,672**	**100.0%**	**38,903**

The table below shows the breakdown of revenues from community and dependency care services in 2022 and in 2021.

(Euro thousands)	Dec. 31				Change
	2022	*% of total*	2021	*% of total*	2022 vs 2021
Dependency care services	22,349	6.9%	20,919	7.4%	1,430
Community outpatient care services	67,760	21.0%	64,411	22.7%	3,349
Community and dependency care services	**90,109**	**27.9%**	**85,331**	**30.1%**	**4,778**

Revenues from community and dependency care services amounted to Euro 90,109 thousand, increasing Euro 4,778 thousand on 2021 (Euro 85,331 thousand), and accounting for 27.9% of Group revenues, principally due to the greater production of the companies in the like-for-like consolidation scope.

Dependency care services of Euro 22,349 thousand accounted for 6.9% of the Group's total revenues in 2022 (Euro 20,919 thousand or 7.4% of the total in 2021).

Outpatient care services of Euro 67,760 thousand accounted for 21.0% of the Group's total services revenues in 2022 (Euro 64,411 thousand or 22.7% in 2021).

The table below shows the breakdown of revenues from hospital services for the year ended December 31, 2022, compared with the year ended December 31, 2021.

(Euro thousands)	Dec. 31				Change
	2022	*% of total*	2021	*% of total*	2022 vs 2021
Acute and post-acute care services	163,843	50.8%	144,315	50.9%	19,529
Outpatient services	60,812	18.9%	48,224	17.0%	12,589
Total hospital services	**224,656**	**69.6%**	**192,538**	**67.9%**	**32,117**

Revenues from hospital services amounted to Euro 224,656 thousand in 2022, accounting for 69.6% of the Group's total revenues, up Euro 32,117 thousand on the previous year, mainly due to the change in the consolidation scope and the full contribution of Clinica San Francesco S.r.l. and of Domus Nova S.p.A (approx. Euro 30 million), and for the residual the increased production at like-for-like scope.

Revenues from acute and post-acute care services of Euro 163,843 thousand (up Euro 19,529 thousand) accounted for 50.8% of the Group's total revenues in 2022 (Euro 144,315 thousand or 50.9% of the total in 2021).

Revenues from out-patient services of Euro 60,812 thousand (up Euro 12,589 thousand) accounted for 18.9% of the Group's total revenues in 2022 (Euro 48,224 thousand or 17.0% of the total in 2021).

Note 27 Other operating revenues

Other operating revenues totalled Euro 7,810 thousand in 2022, increasing by Euro 2,008 thousand on 2021 (Euro 5,803 thousand).

The following table shows a breakdown of other operating revenues in 2022 compared to 2021.

(Euro thousands)	*At December 31*		*Change*
	2022	2021	2022 vs 2021
Other income	5,275	5,056	219
Income from tax credit	2,211	689	1,522
Gain on asset disposals	137	58	79
Income from insurance reimbursements	188	-	188
Total other operating revenues	**7,810**	**5,803**	**2,008**

The increase in the account is mainly due to the increase in "Income from tax credits" of Euro 2,211 thousand, mainly comprising tax credits accruing in 2022 on electricity and gas expenses amounting to Euro 1,298 thousand, and on "Industry 4.0" capital goods expenditure of Euro 321 thousand.

Note 28 Costs for raw materials, ancillary, consumables and goods

Costs for raw materials, ancillary, consumables and goods amounted to Euro 44,898 thousand in 2022, an increase of Euro 5,954 thousand on 2021 (Euro 38,944 thousand).

The increase in this account is attributable both to the change in the consolidation scope described above and the higher production volumes in 2022 compared to the previous year.

The table below shows the breakdown of the account in question for the years 2022 and 2021.

(Euro thousands)	*At December 31*		*Change*
	2022	2021	2022 vs 2021
Healthcare supplies and prostheses	35,414	30,368	5,046
Medical and pharmacological material	5,757	5,643	114
Testing and hygienic materials	719	1,194	(475)
Change in inventories of raw materials, ancillary, consumables and goods	191	341	(150)
Other	2,817	1,399	1,418
Total raw materials, ancillary & consumables	**44,898**	**38,944**	**5,954**

In 2022 the most significant component of the costs of raw materials, ancillary and consumables was represented by the costs of healthcare supplies and prostheses of Euro 35,414 thousand, up by Euro 5,046 thousand on the previous year.

The second-most significant cost component was that relating to the purchase of medical and pharmacological materials, amounting to Euro 5,757 thousand, an increase of Euro 114 thousand on 2021.

"Other" includes expenses for stationery, foodstuffs and other consumables.

This account includes costs incurred by the companies for COVID containment measures totalling Euro 650 thousand.

Note 29 Service costs

Service costs amounted to Euro 134,032 thousand in 2022, increasing Euro 15,625 thousand from Euro 118,407 thousand in 2021, as illustrated in the table below.

(Euro thousands)	*At December 31*		*Change*
	2022	2021	2022 vs 2021
Medical and nursing care services	78,500	69,452	9,047
Owned asset maintenance services	5,159	4,700	459
Catering services	2,470	2,178	292
Technical healthcare services	6,592	6,045	547
Cleaning costs	2,743	2,531	212
Electricity	6,752	3,580	3,172
Coordinated and Ongoing Collaboration	1,144	1,157	(13)
Director fees	4,594	4,573	21
Third-party processing (tests, etc.)	2,980	3,866	(886)
Legal fees	1,016	1,141	(125)
Linen hire	829	670	159
Technical consultants	2,851	3,084	(233)
Other	18,404	15,430	2,973
Total service costs	**134,032**	**118,407**	**15,625**

The increase in service costs mainly relates to the change in the consolidation scope and the increase in production in 2022 on the previous year.

The rise in "Electricity" of Euro 3,172 thousand on 2021 derives for Euro 2,537 thousand from the increase in electricity prices and for Euro 635 thousand to the change in the consolidation scope.

The “other” item of Euro 18,404 thousand in 2022 mainly comprises:

(i) water, telephone, methane and gas for Euro 3,083 thousand;
(ii) administrative, fiscal, notarial and payroll consultancy services for Euro 1,680 thousand;
(iii) third party liability, all risk and property insurance for Euro 1,544 thousand;
(iv) waste disposal service for Euro 862 thousand;
(v) linen washing services for Euro 598 thousand;
(vi) canteen services for Euro 833 thousand.

This item includes costs incurred by the companies for COVID containment measures totalling Euro 1,581 thousand.

Note 30 Personnel costs

Personnel costs totalled Euro 73,287 thousand in 2022, increasing Euro 7,549 thousand over Euro 65,739 thousand in 2021.

The table below shows the breakdown of these costs in 2022 and 2021.

(Euro thousands)	*At December 31*		*Change*
	2022	2021	2022 vs 2021
Wages and salaries	52,858	47,752	5,105
Social security charges	15,286	13,835	1,450
Severance	3,685	3,253	432
Other	1,459	897	562
Total personnel costs	**73,287**	**65,739**	**7,549**

The increase in personnel costs is mainly due to the change in the consolidation scope, in view of the full contribution of Clinica San Francesco S.r.l. and Domus Nova S.p.A and the contribution of one month of GVDR S.r.l..

This item includes costs incurred by the companies for COVID containment measures totalling Euro 407 thousand.

Note 31 Other operating costs

Other operating costs amounted to Euro 14,833 thousand in 2022, up from Euro 13,620 thousand in 2021, an increase of Euro 1,214 thousand.

The following table breaks down these costs for 2022 and 2021.

(Euro thousands)	*At December 31*		*Change*
	2022	2021	2022 vs 2021
Non-deductible VAT on a pro rata basis	11,929	9,759	2,170
Income taxes	1,504	1,489	15
Other operating charges	499	495	5
Non-deductible expenses	20	85	(65)
Associations	270	201	69
Other costs	610	1,591	(980)
Total other operating costs	**14,833**	**13,620**	**1,214**

The increase in the item derives from higher non-deductible VAT, mainly due to the change in the consolidation scope and the full contribution of Clinica San Francesco S.r.l. and of Domus Nova S.p.A..

Note 32 Amortisation, depreciation and write-downs

Amortisation, depreciation and write-downs amounted to Euro 18,963 thousand in 2022, increasing Euro 3,256 thousand over Euro 15,706 thousand in 2021.

The table below shows the breakdown and changes in the account in 2022 and 2021.

(Euro thousands)	*At December 31*		*Change*
	2022	2021	2022 vs 2021
Depreciation Intangible assets	944	671	274
Depreciation Tangible and investment Properties	17,420	14,849	2,571
Write-downs	599	187	412
Total amortisation, depreciation and write-downs	**18,963**	**15,706**	**3,256**

The increase in the account was mainly due to the change in the consolidation scope and the full contribution of Clinica San Francesco S.r.l. and Domus Nova S.p.A..

For a breakdown of the accounts regarding amortisation and depreciation and the write-down of receivables, reference should be made to the tangible and intangible asset tables and the table outlining the doubtful debt provision presented in the notes to the balance sheet.

Note 33 Impairments and other provisions

Impairments and other provisions amounted to Euro 4,896 thousand in 2022, increasing by Euro 1,871 thousand compared to Euro 3,025 thousand in 2021.

The table below shows the breakdown and changes in the account in 2022 and 2021.

(Euro thousands)	*At December 31*		*Change*
	2022	2021	2022 vs 2021
Provision for risks on legal cases in progress	5,507	5,188	319
Release of risk provisions	(1,723)	(2,459)	737
Other provisions	1,112	296	816
Total impairments and other provisions	**4,896**	**3,025**	**1,871**

Risk provisions total Euro 5,507 thousand and are attributable to healthcare lawsuits for Euro 3,743 thousand and to Local Health Authority risks for Euro 1,764 thousand.

As regards the healthcare lawsuits, the amounts accrued in the financial statements are provisions recognised on the basis of external legal advice, and are designed to cover the risks deemed probable for damage claims brought from patients. These amounts refer mainly to Ospedali Privati Riuniti S.r.l. for Euro 645 thousand, Casa di Cura Villa Berica S.r.l. for Euro 793 thousand, Rugani Hospital S.r.l. for Euro 937 thousand, Hesperia Hospital Modena S.r.l for Euro 371 thousand, Clinica San Francesco S.r.l. for Euro 198 thousand and Domus Nova S.p.A. for Euro 749 thousand.

As regards Local Healthcare Authority risks, provisions were prudentially recognized to cover any risks on controls which the Local Healthcare Authority carries out periodically on clinical records and on the risks of fee variations for services rendered to patients residing outside the Region, aspects which are defined by the competent authorities over a long period of time beyond the financial year. The provisions refer mainly to Hesperia Hospital Modena S.r.l. for Euro 527 thousand, Ospedali Privati Riuniti S.r.l. for Euro 735 thousand and Domus Nova S.p.A. for Euro 412 thousand.

The release of provisions for risks, amounting to Euro 1,723 thousand, includes the release of the doubtful debt provision (Euro 106 thousand), in addition to the release of the provision for healthcare cases (Euro 1,280 thousand, mainly concerning Rugani Hospital S.r.l. for Euro 94 thousand, Hesperia Hospital Modena S.r.l. for Euro 184 thousand, Domus Nova S.p.A. for Euro 261 thousand and Ospedali Privati Riuniti S.r.l. for Euro 664 thousand), the release of the provision for local health authority risks (Euro 297 thousand, mainly concerning Ospedali Privati Riuniti S.r.l. for Euro 222 thousand) and finally the release of other risks (Euro 40 thousand, mainly concerning Clinica San Francesco S.r.l.).
These releases are correlated to certain disputes where it was necessary to review, on the basis of external legal advice, the estimate of the provision for risks with respect to the provisions made in previous years: in certain cases, in fact, the facility's non-liability was ascertained and in others, the indemnity obligation of the company was established for a lower amount than that estimated, with the consequent release of the remaining balance to the income statement.

”Other provisions” of Euro 1,112 thousand increased Euro 816 thousand on December 31, 2021, mainly due to the provisions made by the companies operating in Emilia Romagna on the basis of the risk of a new contribution, requested by the ASL’s in the region and promptly challenged, for the movement of blood component (Euro 355 thousand), by Ospedali Privati Riuniti S.r.l. for labour law risks (Euro 326 thousand) and Rugani Hospital S.r.l., Domus Nova S.p.A., Casa di Cura Villa Berica S.r.l. and Ospedali Privati Riuniti S.r.l. for the risk of payment of additional contributions to ENPAM (overall amounting to Euro 262 thousand)

Note 34 Financial income

Financial income amounted to Euro 127 thousand in 2022, an increase of Euro 71 thousand compared to Euro 56 thousand in 2021.

The table below shows the breakdown and changes in the account in 2022 and 2021.

(Euro thousands)	*At December 31*		*Change*
	2022	2021	2022 vs 2021
Interest income	19	3	16
Other income	108	53	55
Total financial income	**127**	**56**	**71**

The item consists almost exclusively of dividends received from Hesperia Hospital Modena S.r.l. (Euro 76 thousand) and from Domus Nova S.p.A. (Euro 24 thousand) distributed by companies in which they hold minority interests.

Note 35 Financial charges

Financial charges amount to Euro 4,551 thousand in 2022, up by Euro 39 thousand compared to Euro 4,512 thousand in the previous year.

The table below shows the breakdown and changes in 2022 and 2021.

(Euro thousands)	*At December 31*		*Change*
	2022	2021	2022 vs 2021
Interest on mortgage loans	3,133	2,234	899
Bank interest charges	58	39	19
Interest expenses on advances	77	59	18
Other interest charges	936	1,882	(946)
Financial charges	347	298	49
Total financial charges	**4,551**	**4,512**	**39**

"Interest on mortgage loans" increased Euro 899 thousand on the previous year following the increased average debt in 2022, after the acquisitions of Clinica San Francesco and Domus Nova in 2021, in addition to the gradual increase in interest rates in 2022.

"Other interest expense" decreased Euro 946 thousand on the previous year, as in 2021, following the Group refinancing transaction in the fourth quarter, charges and interest for the early settlement of the loans of the subsidiaries were recognised.

Note 36 Results of investments at equity

The table below shows the breakdown and changes in 2022 and 2021.

(Euro thousands)	*At December 31*		*Change*
	2022	2021	2022 vs 2021
Share of result	129	213	(84)
Total	**129**	**213**	**(84)**

The item in 2022, amounting to Euro 129 thousand, decreased by Euro 84 thousand on the previous year due to the lower Group share of the result reported by the associate Il Fiocco S.c.a.r.l..

Note 37 Income taxes

The table below shows the breakdown and changes in 2022 and 2021.

(Euro thousands)	*At December 31*		*Change*
	2022	2021	2022 vs 2021
Current taxes	6,437	5,405	1,032
Deferred tax income	(1,376)	(698)	(678)
Deferred tax charges	72	270	(198)
Other	806	168	637
Total income taxes	**5,938**	**5,145**	**793**

In 2022, income taxes amounted to Euro 5,938 thousand, increasing Euro 793 thousand on 2021, essentially due to the change in the consolidation scope.

The Group's nominal and effective rates for the years ended 2022 and 2021 are reconciled below.

IRES reconciliation	At December 31		CHANGE
	2022	2021	2022 vs 2021
Profit before taxes	**27,371**	**23,988**	**3,383**
IRES rate applicable	24.00%	24.00%	
Theoretical tax charge	**6,569**	**5,757**	**812**
(Profit before taxes * IRES tax rate)			
Income taxes with a different IRES rate	(585)	(266)	(319)
Tax realignment	(408)	(505)	97
ACE	(862)	(1,181)	319
Other changes	(1,073)	(534)	(539)
Current and deferred IRES tax	**3,641**	**3,272**	**369**
Effective tax rate	**13.30%**	**13.64%**	
Current and deferred IRAP tax	1,651	1704	-53
Prior year taxes	374	12	362
Substitute tax	273	157	116
Total income taxes	**5,938**	**5,145**	**793**

Note 38 Net profit for the year

Net profit amounts to Euro 21,433 thousand in 2022 compared to Euro 18,843 thousand in 2021. The improved result in 2022 is mainly due to the change in the consolidation scope.

Note 39 Basic and diluted earnings per share

The basic earnings per share is calculated by dividing the profit attributable to the ordinary shareholders of the Parent Company by the average weighted number of ordinary shares outstanding during the period.

The diluted earnings per share is calculated by dividing the profit attributable to the ordinary shareholders of the Parent Company by the average weighted number of ordinary shares outstanding.

Information is shown below for the calculation of the basic and diluted earnings per share:

(Euro thousands)	*At December 31*	*At December 31*
	2022	2021
Net profit attributed to the shareholders of the Parent company	21,426	18,834
Number of ordinary shares at end of year/period*	88,904,887	89,234,456
Earnings per share – basic (Euro)	0.24	0.21
Earnings per share – diluted (Euro)**	0.24	0.21

There were no other operations on the ordinary shares or potential ordinary shares between the balance sheet date and the date of the preparation of the financial statements.

* Amount net of treasury shares
** Amount net of treasury shares but including the Performance Shares Plan shares granted in 2021 and 2022 totalling 327,232.

Note 40 Fair value hierarchy

The following table presents the carrying amount of outstanding financial instruments (current and non-current financing) stated in the balance sheet, with a comparison to their fair values.

Financial Liabilities	*At December 31, 2022*		*At December 31, 2021*	
(Euro thousands)	*Book value*	Fair value	*Book value*	Fair value
Investment property	885	1,845	924	1,845
Loans	132,609	132,697	136,423	139,771
Capital instruments	735	735	809	809

The financial liabilities set out above have been assigned to level 2 of the fair value hierarchy (for both 2022 and 2021).

Management has verified that the fair values of the other items approximate their carrying amounts due to the short-term maturities of these instruments.

Fair Value - Hierarchy

fair value concerns the price that will be received for the sale of an asset or which will be paid for the transfer of a liability in an ordinary transaction settled between market operators, at the measurement date ("exit price").

All financial instruments at fair value, or for which disclosure is provided, are classified into the three fair value categories described below, based on the lowest level of input significant to determining overall fair value:

- Level 1: Listed prices (not adjusted) in an active market for identical assets and liabilities.
- Level 2: valuation techniques for which the lowest level of input significant to determining fair value is directly or indirectly observable;
- Level 3: valuation techniques for which the lowest level of input significant to determining fair value is not observable.

At the end of each period, the Group determines whether financial instruments measured at fair value on a recurring basis have been transferred between levels of the hierarchy and reviews their classification (on the basis of the lowest level of input significant to determining overall fair value).

Valuation processes

For recurring and non-recurring measurement at fair value of instruments classified to level 3 of the fair value hierarchy, the Group uses valuation processes to establish valuation procedures and principles and analyse changes in the measurement of fair value from one period to the next.

It should be noted that there have been no changes in the levels of the fair value hierarchy used for the purpose of measuring financial instruments since the last annual financial statements and that the methodologies used in measuring this Level 2 and Level 3 fair value are consistent with the last annual financial statements.

The valuation techniques and specific considerations for level 3 input data are explained in further detail below.

Valuation techniques and hypotheses

The fair value of a financial asset or liability is the price that would be received to sell an asset or that would be paid to transfer a liability in a normal transaction on the principal (or most advantageous) market at the measurement date, under current market conditions (exit price), regardless of whether the price is directly observable or estimated using another valuation technique.

The following methods and assumptions were used to estimate the fair value:

- The fair value of securities quoted in an active market is based on the quoted price at the balance sheet date. The fair value of securities not quoted in an active market, such as bank loans or other financial liabilities, finance lease commitments or other non-current financial liabilities, is estimated on the basis of future cash flows, discounted by applying the current rates available for debt with similar terms, such as credit risk and residual maturity. The fair value of shares is sensitive to both a possible change in expected cash flows and/or the discount rate and a possible change in growth rates. For estimation purposes, management must use the unobservable input data presented in the following tables. Management regularly assesses a series of possible alternatives to such significant input data and determines their impact on total fair value.

- The fair value of the ordinary non-listed shares was estimated through the discounted cash flow model (DCF). The valuation requires management to make assumptions with regards to the model inputs, including the projected cash flows, the discount rate, the credit risk and the volatility. The probability of differing estimates within the interval may be reasonably verified and are utilised in management's estimates of the fair value of these non-listed investments;

- The Group undertakes derivative financial instruments with a range of counterparties, principally financial institutions with allocated credit ratings. The derivatives valued using measurement techniques with market recordable data principally consist of interest rate swaps. The most utilised measurement techniques include the "swaps" models, which utilise the calculation of the present value. The models consider various inputs, including the credit quality of the counterparty and interest rate curves. All derivative contracts are fully covered by cash, thus eliminating the risk of default by the Group.

Note 41 Commitments, risks and contingent liabilities

Note 41.1 Commitments and Guarantees

Commitments and guarantees at December 31, 2022 are described below.

Guarantor	Beneficiary	Guarantee type	Maturity	Commitment	Borrower
Centro Medico San Biagio S.r.l.	Unicredit S.p.A., Banco BPM S.p.A., Intesa San Paolo S.p.A.	Independent guarantee	15/12/2026	16,498,057	GHC S.p.A.
Centro Medico Università Castrense S.r.l.	Unicredit S.p.A., Banco BPM S.p.A., Intesa San Paolo S.p.A.	Independent guarantee	15/12/2026	1,965,580	GHC S.p.A.
Ospedali Privati Riuniti S.r.l.	Unicredit S.p.A., Banco BPM S.p.A., Intesa San Paolo S.p.A.	Independent guarantee	15/12/2026	11,067,100	GHC S.p.A.
Clinica San Francesco S.r.l.	Unicredit S.p.A., Banco BPM S.p.A., Intesa San Paolo S.p.A.	Independent guarantee	15/12/2026	31,597,413	GHC S.p.A.
Domus Nova S.p.A.	Unicredit S.p.A., Banco BPM S.p.A., Intesa San Paolo S.p.A.	Independent guarantee	15/12/2026	6,613,320	GHC S.p.A.
L'Eremo di Miazzina S.r.l.	Unicredit S.p.A., Banco BPM S.p.A., Intesa San Paolo S.p.A.	Independent guarantee	15/12/2026	4,259,930	GHC S.p.A.
Fides Medica S.r.l.	Unicredit S.p.A., Banco BPM S.p.A., Intesa San Paolo S.p.A.	Independent guarantee	15/12/2026	8,756,848	GHC S.p.A.
Roemar S.r.l.	Unicredit S.p.A., Banco BPM S.p.A., Intesa San Paolo S.p.A.	Independent guarantee	15/12/2026	824,702	GHC S.p.A.
Fides Servizi S.c.a.r.l.	Unicredit S.p.A., Banco BPM S.p.A., Intesa San Paolo S.p.A.	Independent guarantee	15/12/2026	241,341	GHC S.p.A.
Rugani Hospital S.r.l.	Unicredit S.p.A., Banco BPM S.p.A., Intesa San Paolo S.p.A.	Independent guarantee	15/12/2026	740,051	GHC S.p.A.
Casa di Cura Villa Berica S.r.l.	Unicredit S.p.A., Banco BPM S.p.A., Intesa San Paolo S.p.A.	Independent guarantee	15/12/2026	825,105	GHC S.p.A.
Villa Von Siebenthal S.r.l.	Unicredit S.p.A., Banco BPM S.p.A., Intesa San Paolo S.p.A.	Independent guarantee	15/12/2026	3,610,736	GHC S.p.A.
C.M.S.R. Veneto Medica S.r.l.	Unicredit S.p.A., Banco BPM S.p.A., Intesa San Paolo S.p.A.	Independent guarantee	15/12/2026	3,526,835	GHC S.p.A.
Casa di Cura Villa Garda S.r.l.	Unicredit S.p.A., Banco BPM S.p.A., Intesa San Paolo S.p.A.	Independent guarantee	15/12/2026	2,626,907	GHC S.p.A.
XRay One S.r.l.	Unicredit S.p.A., Banco BPM S.p.A., Intesa San Paolo S.p.A.	Independent guarantee	15/12/2026	7,918,249	GHC S.p.A.
Poliambulatorio Dalla Rosa Prati S.r.l.	Unicredit S.p.A., Banco BPM S.p.A., Intesa San Paolo S.p.A.	Independent guarantee	15/12/2026	2,877,228	GHC S.p.A.

Aesculapio S.r.l.	Unicredit S.p.A., Banco BPM S.p.A., Intesa San Paolo S.p.A.	Independent guarantee	15/12/2026	609,615	GHC S.p.A.
Fides Medica S.r.l.	Carige	Letter of indemnity	Until revocation	1,950,000	Centro di Riabilitazione S.r.l.
GHC S.p.A.	Carige	Letter of indemnity	Until revocation	1,820,000	Fides Medica S.r.l.
GHC S.p.A.	Carige	Letter of indemnity	Until revocation	845,000	Roemar S.r.l.
GHC S.p.A.	Carige	Omnibus Guarantee	Until revocation	325,000	Roemar S.r.l.
GHC S.p.A.	Carige	Omnibus Guarantee	Until revocation	260,000	Fides Medica S.r.l.
Fides Medica S.r.l.	Carige	Letter of indemnity	Until revocation	206,582	Il Fiocco S.c.a.r.l.
Fides Medica S.r.l.	Carige	Letter of indemnity	Until revocation	200,000	Centro di Riabilitazione S.r.l.
Fides Medica S.r.l.	Monte dei Paschi	Letter of indemnity	Until revocation	150,000	Prora Srl
Fides Medica S.r.l.	Carige	Letter of indemnity	Until revocation	80,000	Il Fiocco S.c.a.r.l.
Fides Medica S.r.l.	Intesa SanPaolo	Omnibus Guarantee	Until revocation	80,000	PRORA S.r.l.
Fides Medica S.r.l.	UBI	Letter of indemnity	Until revocation	50,000	Centro di Riabilitazione S.r.l.
Fides Medica S.r.l.	Carige	Letter of indemnity	Until revocation	26,000	Il Fiocco S.c.a.r.l.
L'Eremo di Miazzina S.r.l.	Intesa SanPaolo	Letter of indemnity	31/12/2038	100,000	L'Eremo di Miazzina S.r.l.

Guarantees given to and by third parties on behalf of the Group

Guarantor	Beneficiary	Guarantee type	Maturity	Commitment	Borrower
Intesa SanPaolo	Unione dei comuni dell'Appennino Bolognese	Letter of indemnity	31/05/2025	37,406	Casa di Cura Prof.Nobili S.r.l.
BPER	University of Ferrara	Letter of indemnity	30/09/2023	166,666	Hesperia Hospital Modena S.r.l.
Banca Popolare di Sondrio	Privata Leasing spa	Letter of indemnity	31/03/2025	300,000	XRay One S.r.l.
Cassa di Ravenna	Zeroemission H S.r.l.	Guarantee	09/01/2028	30,000	Domus Nova S.p.A.
BPER	Sardaleasing	Guarantee	31/12/2023	2,931	Domus Nova S.p.A.
Medio Credito Centrale	BNL S.p.A.	Guarantee	01/07/2028	153,900	Aesculapio
Intesa SanPaolo	Amministrazione Principe Pallavicino	Letter of indemnity	31/08/2036	40,000	Prora S.r.l.
Intesa SanPaolo	Amministrazione Principe Pallavicino	Letter of indemnity	31/08/2036	20,000	Prora S.r.l.
Intesa SanPaolo	Università UniCamillus	Guarantee	04/10/2024	200,562	Ospedali Privati Riuniti Srl
Banca Prealpi San Biagio	BMFIN	Letter of indemnity	Until revocation	360,000	Centro Medico San Biagio S.r.l.

No expected losses on guarantees have come to light.

Note 41.2 Financial risk management

This section contains a description of the financial risks to which the Group and its subsidiaries are exposed, together with the policies and strategies employed by the Company and its subsidiaries to manage the risks concerned during the year to December 31, 2022.
It should be noted that are no plans for changes in the risk management policies set out below.

GHC and its subsidiaries are exposed to financial risks in their activities, and in particular risks of the following types:

• Credit risk arising from commercial transactions or financing activity;

• Liquidity risk, related to the availability of financial resources and access to the credit market;

• Market risk, and more specifically:

a) Operational risk relating to the conduct of the business;

b) Foreign exchange risk relating to transactions in currency areas other than their functional currency;

c) Interest rate risk relating to the Company's exposure to interest-bearing financial instruments;

d) Price risk, due to changes in quoted commodities prices.

The management and monitoring system for the main risks involves the Group's director and management, the directors and boards of directors of the consolidated companies and company personnel.

The primary goal of risk management is to protect the company's stakeholders (shareholders, employees, customers and suppliers) and financial integrity, as well as to safeguard the environment.

The risk management policy applied by the Group regards the setting of guidelines at the central level on which to base the operational management of market, liquidity risk, cash flow risks and for the monitoring of results achieved.

For greater details on financial risk management, reference should be made to paragraph 9 of the 2022 Directors' Report.

41.2.1 Credit risk

Credit risk is the risk that a counterparty does not fulfil its obligations relating to a financial instrument or a commercial contract, resulting therefore in a financial loss.

The maximum exposure to the credit risk for the Group at December 31, 2022 and December 31, 2021 is represented by the book value of the assets recorded in the accounts under trade receivables.

The receivables claimed by the company refer almost entirely to public healthcare facilities (hospital authorities and/or health authorities) for which it is not considered necessary to recognize a particular risk of insolvency, except in connection with spending review and limit requests.

Commercial credit risk is managed by each legal entity in accordance with the Group's policy.

Information on trade receivable positions, net of the doubtful debts provision, at December 31, 2022 and December 31, 2021 is provided below by time past due:

(Euro thousands)	*At December 31*	*At December 31*
	2022	*2021*
Not yet due	57,008	54,444
Overdue 0 - 90 days	6,164	6,400
Overdue 90 - 180 days	3,177	884
Overdue 180 - 360 days	543	1,995
Overdue beyond 360 days	9,587	10,996
Total	**76,479**	**74,720**

Information on trade receivable positions, gross of the doubtful debts provision, at December 31, 2022 and December 31, 2021 is provided below by past due:

(Euro thousands)	At December 31	At December 31
	2022	2021
Not yet due	57,008	54,444
Overdue 0 - 90 days	6,164	6,400
Overdue 90 - 180 days	3177	884
Overdue 180 - 360 days	941	4,029
Overdue beyond 360 days	16,626	19,131
Total	**83,916**	**84,889**
Doubtful debt provision	(7,437)	(10,169)
Total trade receivables	**76,479**	**74,720**

The risk of default is observed locally by the head offices of the subsidiaries, which monitor the collection of trade receivables. The Group's Administration Department monitors the overall risk level and constantly verifies the overall credit exposure. The risk level associated with this item is low, since the Group's receivables are mainly claimed from the Reginal Health System.

At the operational level, this risk is managed as follows:

- assessment of clients' credit standing, taking account of their creditworthiness;
- monitoring of the relevant expected collection flows;
- appropriate payment reminders;
- legal recovery actions, where appropriate.

41.2.2 Liquidity risk

Liquidity risk is associated with the ability to meet commitments arising from financial liabilities. Prudent management of the liquidity risk from normal operations implies the holding of an adequate level of liquidity and an adequate funding from credit lines.

The Group believes that the risk of non-payment for the services rendered by the individual health facilities by the Regional Health System, together with the related impact on liquidity, is moderate. The Group's facilities are primarily located in regions with a balanced healthcare spending budget. This reduces, but does not eliminate, the risk that the Regional Health Systems within whose territory the facilities concerned operate may delay the payment of services rendered to patients. At December 31, 2022 the GHC Group's average collection times from the Regional Health System were approximately 90 days.

Liquidity risk is managed by the individual legal entities and is monitored centrally by the Group: the CFO Area Administration periodically monitors the Group financial position by preparing appropriate reports on projected and actual cash inflows and outflows. In this manner, the Group aims to ensure adequate coverage of its financial needs, closely monitoring loans, open credit lines and relative utilisations in order to ensure optimum management of the resources and any temporary excess liquidity.

The Group objective is to ensure a financial structure which, in line with business objectives, guarantees an adequate level of liquidity, minimising the relative opportunity cost by maintaining equilibrium in terms of duration and type of debt.

The Group can rely on constant support from the banking system, due to the composition of its client portfolio (public healthcare authorities).

Within the framework of this type of risk, in planning its financial structure the Group tends to finance its investments using medium/long term debt, while meeting its current obligations using the cash flow provided by its operations, financed using short-term lines of credit.

The following is a breakdown of outstanding financial and trade payables in 2022 and 2021 by residual time to maturity:

(Euro thousands)	At December 31, 2022			
	Financial payables	Trade payables	Liabilities for derivative instruments	Total
Maturity:				
Within 12 months	44,443	51,100	-	**95,543**
Beyond 12 months	123,779	-	-	**123,779**
Over 5 years	8,386	-	-	**8,386**
Total	**176,607**	**51,100**	**-**	**227,707**

(Euro thousands)	At December 31, 2021			
	Financial payables	Financial payables	Financial payables	Financial payables
Maturity:				
Within 12 months	45,662	46,239	-	**91,901**
Beyond 12 months	129,050	-	-	**129,050**
Over 5 years	9,080	-	-	**9,080**
Total	**183,792**	**46,239**	**-**	**230,031**

The management of financial risks is undertaken according to the guidelines drawn up by the directors of the subsidiaries. The aim is to ensure that the structure of liabilities is always balanced with the composition of assets, in order to ensure a high margin of solvency.

The Group is simultaneously exposed to market risk (interest rate risk), liquidity risk and credit risk.

The Group also seeks to maintain an optimal capital structure so as to reduce its borrowing costs. The Group monitors its capital situation on the basis of the ratio of net financial position (NFP) to net capital employed (NCE). Net debt is calculated as total borrowings, including current- and non-current loans and the net exposure to banks. Net capital employed is calculated as the sum of investments and net working capital (excluding net equity and debt included in NFP).

41.2.3 Market risk

The Group's main goal is to manage risk within pre-determined limits, in order to safeguard the achievement of the company's objectives. The Group mainly does business with public health authorities in the areas where its care facilities are located. By virtue of this structure, its financial performance depends closely on the healthcare policies in its region of operation.

Italy's central government has delegated authority over healthcare legislation to the regions, each of which drafts a Regional Health Plan on the basis of the National Healthcare Plan enacted by the government by proposal of the Ministry of Health, representing the strategic plan for initiatives in pursuit of health objectives and the functioning of services to satisfy the regional population.

The result of the peculiar nature of the Group's clients and the rapidly changing legislative framework is a particularly complex situation of strong dependency on public health authorities and the relevant regional government.

41.2.4 Currency risk

The Group's current activity is not exposed to exchange rate fluctuations at present, inasmuch as the Group conducts its business almost exclusively in euro.

41.2.5 Interest rate risk

Interest rate risk

The Group's interest rate risk derives from medium- and long-term debt at variable rates. The Group in fact currently has a loan agreement in place whose variable component is the 6M Euribor rate. In order to estimate the potential operating-financial impact associated with a change in the rate, a sensitivity analysis was carried out on the year under review, simulating the effect of a 1% increase and a 0.25% decrease in this parameter, taking into account contractual conditions that provide for a zero floor.

Sensitivity Analysis:	**2022**
Average Annual Debt*	133,310
6M weighted average Euribor rate	-0.199%
Average effective rate with floor	0.108%
Sensitivity +1% annually	

6M weighted average Euribor rate	0.80%
Average effective rate with floor	0.80%
Change in effective rate	0.69%
Change Interest on mortgages*	**923**
Interest on mortgages*	3,133
Interest on mortgages with sensitivity +1%*	**4,056**
Sensitivity -0.25%	
6M weighted average Euribor rate	-0.45%
Effective rate with floor	0.00%
Change in effective rate	-0.11%
Change Interest on mortgages*	**(144)**
Interest on mortgages*	3,133
Interest on mortgages with sensitivity -0,25%*	**2,989**

* Euro thousands

41.2.6 Price risk

The Company's current exposure to commodity price risk is immaterial.

In addition, the costs of healthcare materials are generally subject to fluctuations and other factors beyond the Group's control. The Company has not adopted instruments to hedge against the risk of fluctuations in the costs of such components, but it exerts strong bargaining power over its suppliers, since it acts as a single purchasing centre. In addition, the Group, where possible, generally manages such fluctuations by increasing the prices of its services to private clients, while increasing the rates paid for services under accreditation is beyond the Group's control. However, on the basis of an analysis of historical data, fluctuations of costs of healthcare materials have always been followed by an adjustment of the rate paid for services under accreditation.

Note 42 Legal disputes and contingent liabilities

Healthcare damage compensation claims

For requests for damages for activities carried out at the clinics, the Group recognises in the financial statements a "provision for risks for healthcare cases" for all disputes whose outcome is deemed "probable" based on the opinion of the external lawyers following the case. For disputes deemed "probable", at December 31, 2022, the value of the "provision for risks for health cases" totalled Euro 11,835 thousand.

It should also be noted that there are lawsuits whose risk is deemed possible by legal advisors, against which no provisions for risks have been made, as per international accounting standards.

Administrative and other disputes

The company Rugani Hospital S.r.l. has the following proceedings underway:

- appeal to the Supreme Court against the judgement rendered *inter partes* by the Court of Appeal of Florence, Labour Section, filed on May 24, 2018 No. 526/2018 (R.G.N. 86/2018) in the context of judgement No. 264/2016 RG regarding the definition of the type of employment relationship of certain professional nurses. On the basis of an opinion from the company's legal counsel, the risk has been deemed "probable" and an accrual of Euro 87 thousand has been made to other provisions for risks and charges.
- Appeal before the Court of Siena, Labour Section, against the Injunction Order of the Siena Labour Inspectorate (R.G.N. 813/2018), related to the same dispute referred to in point 1. The Judge temporarily granted a stay of the order. On the basis of an opinion from the company's legal counsel, the risk has been deemed "probable" and an accrual of Euro 14 thousand has been made to other provisions for risks and charges.

Villa Von Siebenthal S.r.l. has the following ongoing proceedings:

- A social-security dispute; the company received a request from the INPS regional directorate for Lazio for documents in connection with inspection assessments of the relationship between the supplier Futura soc. coop. and Villa Von Siebenthal S.r.l., and specifically the service agreement between the two companies. Following the inspection, on April 4, 2017 Villa Von Siebenthal S.r.l. received consolidated assessment and notification report no. 2016003251/S1 in which it is claimed that Villa Von Siebenthal S.r.l., by virtue of the service agreement with Futura soc. coop., is jointly and severally liable with this latter company for payments of mandatory social-security contributions for the period from April 2013 to November 2015, amounting to Euro 100 thousand. In the opinion of the company's legal counsel, the risk may be deemed "possible" and hence no liability has been recognized in respect of this proceeding.

The case against SIFIN S.r.l., for which reference should be made to the 2021 Financial Report, concluded in April 2022 with a settlement.

As regards Centro di Riabilitazione S.r.l., it should be noted that an investigation which began on May 18, 2020 (the date of the search and seizure order pursuant to Articles 247 and 253 of the Italian Criminal Procedure Code) is underway, in which the health management of the facility's RSA wards is under investigation for the crime of culpable epidemic (as part of an investigation involving a total of six RSA facilities operating in Liguria). The Prosecutor's Office bases this putative crime on a numerical comparison between the raw mortality rate of previous years and that of 2020. The Rehabilitation Centre was searched and seized by the judicial police on behalf of the Public Prosecutor's Office on May 21, 2020, during which the mobile devices of the General Manager and the Operations Manager were also seized, who were then subsequently delivered the notice of investigation as a due act against the seizure made. Preliminary investigations, which were due to conclude on December 19, 2020, have been extended several times, and in the meantime, the prosecutor's office has initiated two technical consultations (the first epidemiological and the second of a forensic medical nature). Following the filing of the expert reports and upon their examination and of the material collected during the investigation, by order dated November 29, 2022, the Public Prosecutor's Office requested that the case be dismissed. We therefore confidently await confirmation of the judge of first instance.

Disputes with local health authorities

The following disputes are pending between L'Eremo di Miazzina S.r.l., on the one hand, and the Verbano-Cusio-Ossola local health authority and the Piedmont Region, on the other.

- Dispute between the Verbano-Cusio-Ossola local health authority and L'Eremo di Miazzina S.r.l. regarding healthcare services in 2014, 2015 and 2016. In a letter dated July 14, 2017, the Verbano-Cusio-Ossola local health authority requested that the company issue various credit notes in respect of the years indicated above, claiming a reduction due to a purported lack of continuity of care. The company rejected this claim on the basis that it had not exceeded the threshold triggering the above reduction for patients from Piedmont, and that the said reduction – particularly for the years 2014 and 2015 – could not be applied to out-of-region patients, especially in the light of the position taken by the Piedmont Region in its Regional Council Motion of November 2016. Finally, the company also argued that it had never exceeded the reduction thresholds due to a lack of continuity in care in 2016 as well. On the basis of an opinion from the company's legal counsel, the risk of loss associated with this case has been deemed "probable" and an accrual to the provision of Euro 1,927 thousand was thus recognised at December 31, 2022. In view of the age and quantity of the receivables, the company L'Eremo di Miazzina s.r.l., having heard the opinion of its legal advisors and subject to the successful outcome of any settlement agreements that may be reached between the parties, intends to take legal action for receivables arising from the years 2014 and 2015. Assessments of receivables arising from subsequent years will depend on the outcome of this litigation.

- On September 5, 2018 inspectors from the Local Labour Directorate of Novara – Verbano-Cusio-Ossola issued report no. 000-2018-525-02 disputing the position of several self-employed nurses. Position statements refuting this report were prepared and filed on November 6, 2018, together with documents and motions for personal hearings and the relevant motion for dismissal. The Labour Inspectorate has yet to reply. According to the company's legal counsel, the risk of an unfavourable outcome in this case is "possible". Consequently, no provision has been recognised.
- On October 28, 2019 (following transmission to the competent offices of the report No. 000-2018-525-02, referred to above) INAIL - National Institute for Insurance against Accidents at Work, Verbano Cusio Ossola office - transmitted to L'Eremo di Miazzina S.r.l. a "certificate of variation" which adjusted the premium (after recalculation of total salaries for the period January 1, 2014 - December 31, 2017) for a total of Euro 16 thousand. An appeal has been filed with the Court of Verbania and the first hearing has been set for 09/09/2020. Following the above-mentioned hearing and with a sentence dated September 10, the judge decided to reject the appeal presented and ordered the company to pay the amounts due (Euro 16 thousand). The Company deemed it necessary to file an appeal, filed on December 21, 2020, with the Turin Court of Appeals. On May 12, 2021 the Turin Court of Appeal upheld the appeal of L'Eremo di Miazzina S.r.l. without any charge.

  On October 1, 2021, the company was notified by certified e-mail from the INPS of a request to regularise the contribution portion, linked to the previous INAIL dispute, amounting to Euro 365,000. Eremo di Miazzina immediately filed an administrative appeal, which was rejected on January 7, 2022; further defensive legal action is pending. After consultation with legal advisors and in view of the outcome of the same lawsuit with INAIL described above, it was not deemed necessary to make any provisions for risks and charges.

Note 43 Related party transactions

Transactions and balances with related parties are illustrated in the tables below. The companies listed are considered related parties as they are directly or indirectly related to the majority shareholders of the Garofalo Health Care Group.

Pursuant to Consob Motion No. 17221 of March 12, 2010, it is reported that in 2022 and 2021 the Group did not conclude any significant transactions or transactions with related parties that had a significant effect on the Group's financial position or operating result for the year.

Note 1.4 contains information on the Group's structure, including details regarding subsidiaries and the Parent Company.

The following table provides the total amount of significant transactions by nature or amount with related parties as of December 31, 2022, occurring at normal market conditions:

December 31, 2022	Receivables		Payables		Costs		Revenues	
(Euro thousands)	Fin/Tax	Trade/Other	Fin/Tax	Trade/Other	Fin.	Com.	Fin.	Com.
Maria Laura Garofalo	-	-	-	-	-	81	-	-
LARAMA 98 SPA	-	-	-	-	19	-	-	-
Aurelia Hospital	-	-	-	(1)	-	1	-	(1)
Casa di Cura Città di Roma	-	1	-	-	-	-	-	(1)
Lorena Paolucci	-	-	-	(15)	-	194	-	-
LEDCON srl	-	-	-	(22)	-	424	-	-
A.M. Rinaldi	-	-	-	-	-	81	-	-
Total	-	**1**	**-**	**(38)**	**19**	**781**	**-**	**(2)**

It should be noted that as of November 2018 GHC has adopted an internal procedure for the precise identification of the Company's related parties. This is designed to identify the principles to which the Company adheres in order to ensure the transparency and substantial and procedural correctness of related party transactions carried out, directly or through subsidiaries.

Note 44 Subsequent events after December 31, 2022

There were no significant events subsequent to year-end.

Note 45 Remuneration of the Board of Directors and Board of Statutory Auditors

The remuneration paid to members of the Board of Directors of Garofalo Health Care S.p.A. and the companies under its direct or indirect control, in all capacities and forms, during the years ended December 31, 2022 and December 31, 2021 amounted to Euro 4,594 thousand and Euro 4,573 thousand, respectively.

The remuneration accrued to the Board of Statutory Auditors of Garofalo Health Care S.p.A and the companies under its direct or indirect control for the years ended December 31, 2022 and December 31, 2021 amounted to Euro 376 thousand and Euro 414 thousand, respectively.

Note 46 Independent auditors' fees

The table below breaks down independent auditors' fees by type of service rendered: these fees do not include Consob contributions and expenses:

Type of service	Service provider	Company	Fees without pro rata VAT
Audit	Auditor of the Parent	Parent Company	100
Tax return certification services	Auditor of the Parent	Parent Company	3
Other services	Auditor of the Parent	Parent Company	25
Sub-total			128
Audit	Auditor of the Parent	Subsidiaries	337
Tax return certification services	Auditor of the Parent	Subsidiaries	
Other services	Auditor of the Parent	Subsidiaries	5
Sub-total			341
TOTAL			469

Note 47 Number of employees

The following table provides a concise comparison of the number of employees by category in 2022 and 2021.

Employees by category	Number of employees at December 31, 2022	Number of employees at December 31, 2021
Executives	12	16
White-collar	569	592
Doctors	45	41
Technicians	200	150
Nurses/auxiliaries	1,004	973
Blue-collar	77	89
Total	**1,907**	**1,862**

It should be clarified that the figure indicated in the table above refers to the exact number of employees.

Note 48 Information on share-based remuneration plans

2019-2021 Stock Grant Plan

On May 27, 2022, Garofalo Health Care S.p.A. allocated the GHC S.p.A. shares to the beneficiaries of the "2019 - 2021 Stock-Grant Plan" (the "**Stock Grant Plan**"), reserved for directors and managers of the Company and/or Group companies occupying managerial positions deemed significant within the Group and exerting a material impact on the creation of value for the Company and its shareholders. With the allocation of the shares, the three-year Stock Grant Plan came to an end.

2021-2023 Performance Share Plan

On April 30, 2021, and on the proposal of the Board of Directors, the Shareholders' Meeting approved a new long-term incentive plan, the "2021-2023 Performance Share Plan" (the "Performance Share Plan"), reserved for the Chief Executive Officer and the General Manager of the Company, in addition to key personnel of the Company and/or of the Group, as identified at the sole discretion of the Board of Directors, in consideration of the Remuneration Policy and having heard - for members of the BoD - the opinion of the Appointments and Remuneration Committee.

The Performance Share Plan is divided into three three-year cycles: 2021-2023, 2022-2024 and 2023-2025.

The purposes of the Performance Share Plan are:

- to promote the creation of sustainable value for the Company, shareholders and stakeholders, also in accordance with the indications of the Corporate Governance Code;
- guide management towards decisions that pursue the creation of value for the Group over the medium to long term;
- reinforce the policy of loyalty and engagement of staff members considered important to the Group;
- attract, motivate and retain personnel with the appropriate individual and professional skills to pursue and achieve the core business development objectives of the Company and the Group.

The free assignment and subsequent delivery of the shares are conditional on the achievement of predetermined performance objectives for each of the three cycles into which the Performance Share Plan is divided.

The following is a summary of the number of rights assigned, of the rights attributable and the relative fair value established by a specially-appointed independent expert.

	number of assigned rights	number of rights granted	Fair value rights granted at the assignment date
recalculation rights 12/12/2021*	157,159	143,408	814,555
assignment of rights 28/07/2022	277,352	254,470	605,982

** following the departure of a beneficiary*

Note 49 Positions or transactions arising from atypical and/or unusual operations

In accordance with Consob Communication No. DEM/6064293 of July 28, 2006, the company did not undertake any atypical or unusual transactions as set out in the Communication.

Mr. Alessandro Maria Rinaldi

Legal representative

Garofalo Health Care S.p.A.

Consolidated financial statements as at December 31, 2022

Independent auditor’s report pursuant to article 14 of Legislative Decree n. 39, dated 27 January 2010, and article 10 of EU Regulation n. 537/2014

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Independent auditor's report pursuant to article 14 of Legislative Decree n. 39, dated 27 January 2010 and article 10 of EU Regulation n. 537/2014
(Translation from the original Italian text)

To the Shareholders of
Garofalo Health Care S.p.A.

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Garofalo Health Care Group (the Group), which comprise the consolidated statement of financial position as at December 31, 2022, and the consolidated income statement, the consolidated comprehensive income statement, consolidated statement of changes in shareholders' equity and consolidated cash flows statement 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 Group as at December 31, 2022, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with the regulations issued for implementing art. 9 of Legislative Decree n. 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 our report. We are independent of the Garofalo Health Care S.p.A. in accordance with the regulations and standards on ethics and independence applicable to audits of financial statements under Italian Laws. 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.

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Consob al progressivo n. 2 delibera n.10831 del 16/7/1997

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We identified the following key audit matters:

Recoverability of goodwill and of “accreditation” balance	Audit Response
The goodwill balance as of December 31, 2022, amounted to € 91,392 thousand and was allocated to the following Cash Generating Units (CGUs) of the Garofalo Health Care Group: i) Rugani Hospital S.r.l., ii) C.M.S.R. Veneto Medica S.r.l., iii) Villa Von Siebenthal S.r.l., iv) Gruppo Fides Medica, v) Casa di Cura Prof. Nobili S.r.l. vi) Poliambulatorio Dalla Rosa Prati S.r.l. vii) Ospedali Privati Riuniti S.r.l. viii) Centro Medico San Biagio S.r.l. e Bimar S.r.l., ix) Aesculapio S.r.l., x) X Ray One S.r.l., xi) Clinica San Francesco S.r.l., xii) Domus Nova S.p.A. and xiii) Gruppo Veneto Diagnostica e Riabilitazione S.r.l.. The process required for authorized structures to acquire the qualification for being suitable in providing health and social-health services is called “accreditation”. Such asset category has been deemed to have an indefinite useful life, and its balance as of December 31, 2022 amounts to € 193,349 thousand, allocated to the following CGUs: i) Rugani Hospital S.r.l., ii) Gruppo Fides Medica, iii) Casa di Cura Prof. Nobili S.r.l. iv) Poliambulatorio Dalla Rosa Prati S.r.l., v) Ospedali Privati Riuniti S.r.l., vi) Centro Medico San Biagio S.r.l., vii) Centro Medico Università Castrense S.r.l., ed viii) Aesculapio S.r.l., ix) X Ray One S.r.l., x) Clinica San Francesco S.r.l., xi) Domus Nova S.p.A. The recoverability of the balance of goodwill and accreditation was assessed through the respective impairment tests. The processes and methodologies for assessing and determining the recoverable amount of the aforementioned CGUs, are based on complex assumptions which by their nature imply the use of management’s judgment, in particular concerning the forecasted future profitability over the period covered by the single entities Business Plan 2023-2026, approved by their respective Boards of Directors, the	Our audit procedure included, among others, the following: • assessment of the impairment test process and key controls related to goodwill and accreditation balances, taking into consideration the impairment test procedure as approved by the Board of Directors; • assessment of the appropriateness of the determination of the CGUs and the allocation of assets and liabilities to the carrying value of each CGU; • assessment of the consistency of the forecasted future cash flows of each CGU with the group business plan; • assessment of the reasonableness of future cash flow forecasts, also compared to the historical accuracy of previous years’; • assessment of the key assumptions used by management in the impairment model with the support of our valuation’s experts, including the determination of discount rates; • assessment of the assumption underlying the determination of the amortization period of the item accreditation, with an indefinite useful life; • the analysis of the "stress test" conducted by the independent expert, as well as the assessment of his competence, ability, and objectivity. In performing our procedures, we leveraged the use of EY valuation specialists who performed an independent calculation and sensitivity analysis on key assumptions, to determine any changes that could materially impact the valuation of the recoverable amount. Lastly, we reviewed the disclosures included in the notes to the consolidated financial

determination of normalized cash flows underlying the estimate of the terminal value and the determination of discount rates applied to the forecasted future cash flows.

Considering the judgment required and the complexity of the assumptions used in the estimate of the recoverable amount of goodwill and the indefinite useful life assets related to accreditation, we have deemed such area to be a key audit matter.

The financial statement information relating to the impairment test carried out is disclosed in note 3 “Goodwill”, which in particular discusses the process of determining the recoverable value of each CGU, the valuation assumptions used, and the sensitivity analysis of the recoverable value from changes in key assumptions and the results of the "stress test" performed by the independent expert.

statements in particular concerning possible changes in the main assumptions that could lead to impairment of goodwill and accreditation.

Responsibilities of Directors and Those Charged with Governance for the Consolidated Financial Statements

The Directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and with the regulations issued for implementing art. 9 of Legislative Decree n. 38/2005, and, within the terms provided by the 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 Group’s ability to continue as a going concern and, when preparing the consolidated financial statements, for the appropriateness of the going concern assumption, and for appropriate disclosure thereof. The Directors prepare the consolidated financial statements on a going concern basis unless they either intend to liquidate the Parent Company Garofalo Health Care S.p.A. or to cease operations, or have no realistic alternative but to do so.

The statutory audit committee (“Collegio Sindacale”) is responsible, within the terms provided by the law, for overseeing the Group’s financial reporting process.

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

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

As part of an audit in accordance with International Standards on Auditing (ISA Italia), we have exercised professional judgment and maintained professional skepticism throughout the audit. In addition:

- we have identified and assessed the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, designed and performed audit procedures responsive to those risks, and 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 have 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 have evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors;
- we have concluded on the appropriateness of 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 financial statements or, if such disclosures are inadequate, to consider this matter in forming 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 have 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 have 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.

We have 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 identify during our audit.

We have provided those charged with governance with a statement that we have complied with the ethical and independence requirements applicable in Italy, and we have communicated them all matters that may reasonably be thought to bear on our independence, and where applicable, the actions taken to eliminate relevant risks or the safeguard measures applied.

From the matters communicated with those charged with governance, we have 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 have described these matters in our auditor's report.

Additional information pursuant to article 10 of EU Regulation n. 537/14

The shareholders of Garofalo Health Care S.p.A., in the general meeting held on August 8, 2018, engaged us to perform the audits of the consolidated financial statements for each of the years ending December 31, 2018 to December 31, 2026.

We declare that we have not provided prohibited non-audit services, referred to article 5, par. 1, of EU Regulation n. 537/2014, and that we have remained independent of the Group in conducting the audit.

We confirm that the opinion on the consolidated financial statements included in this report is consistent with the content of the additional report to the audit committee (Collegio Sindacale) in their capacity as audit committee, prepared pursuant to article 11 of the EU Regulation n. 537/2014.

Report on compliance with other legal and regulatory requirements

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

The Directors of Garofalo Health Care S.p.A. are responsible for applying the provisions of the European Commission Delegated Regulations (EU) 2019/815 for the regulatory technical standards on the specification of a single electronic reporting format (ESEF – European Single Electronic Format) (the "Delegated Regulation") to the consolidated financial statements, to be included in the annual financial report.

We have performed the procedures under the auditing standard SA Italia n. 700B, in order to express an opinion on the compliance of the consolidated financial statements as at December 31, 2022 with the provisions of the Delegated Regulation.

In our opinion, the consolidated financial statements as at December 31, 2022 have been prepared in the XHTML format and have been marked-up, in all material aspects, in compliance with the provisions of the Delegated Regulation.

Due to certain technical limitations, some information included in the explanatory 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 pursuant to article 14, paragraph 2, subparagraph e), of Legislative Decree n. 39 dated 27 January 2010 and of article 123-bis, paragraph 4, of Legislative Decree n. 58, dated 24 February 1998

The Directors of Garofalo Health Care S.p.A. are responsible for the preparation of the Report on Operations and of the Report on Corporate Governance and Ownership Structure of Group Garofalo Health Care as at December 31, 2022, including their consistency with the related consolidated financial statements and their compliance with the applicable laws and regulations.

We have performed the procedures required under audit standard SA Italia n. 720B, in order to express an opinion on the consistency of the Report on Operations and of specific information included in the Report on Corporate Governance and Ownership Structure as provided for by article 123-bis, paragraph 4, of Legislative Decree n. 58, dated 24 February 1998, with the consolidated financial statements of Garofalo Health Care Group as at December 31, 2022 and on their compliance with the applicable laws and regulations, and in order to assess whether they contain material misstatements.

In our opinion, the Report on Operations and the above mentioned specific information included in the Report on Corporate Governance and Ownership Structure are consistent with the consolidated financial statements of Garofalo Health Care Group as at December 31, 2022 and comply with the applicable laws and regulations.

With reference to the statement required by art. 14, paragraph 2, subparagraph e), of Legislative Decree n. 39, dated 27 January 2010, based on our knowledge and understanding of the entity and its environment obtained through our audit, we have no matters to report.

Statement pursuant to article 4 of Consob Regulation implementing Legislative Decree n. 254, dated 30 December 2016

The Directors of Garofalo Health Care S.p.A. are responsible for the preparation of the non-financial information pursuant to Legislative Decree n. 254, dated 30 December 2016. We have verified that non-financial information have been approved by Directors.

Pursuant to article 3, paragraph 10, of Legislative Decree n. 254, dated 30 December 2016, such non-financial information are subject to a separate compliance report signed by another auditor.

Rome, March 30 2023

EY S.p.A.
Signed by: Andrea Eronidi, Auditor

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.