SEPARATE FINANCIAL STATEMENTS

at December 31, 2020

CONTENTS

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

(*) registered in the Companies Registration Office on 26/1/2021

Corporate Boards of the Company

BOARD OF DIRECTORS

Alessandro M. Rinaldi - Chairman
Maria Laura Garofalo – Chief Executive Officer
Grazia Bonante (*) - Director
Franca Brusco (*) - Director
Nicola Colavito - Director
Patrizia Crudetti - Director
Federico Ferro Luzzi (*) - Director
Claudia Garofalo - Director
Giuseppe Giannasio – Director
Alessandra Rinaldi Garofalo - Director
Umberto Suriani – Director

BOARD OF STATUTORY AUDITORS

Alessandro Musaio – Chairman
Andrea Bonelli (**) - Statutory Auditor
Francesca Di Donato - Statutory Auditor

INDEPENDENT AUDIT FIRM

EY S.p.A.

EXECUTIVE OFFICER FOR FINANCIAL REPORTING

Mr. Fabio Tomassini

(**) Appointed as per Article 2386 of the Civil Code by the Shareholders' Meeting on 29.04.2020
(**) Following the resignation presented on 30.09.2020 by Ms. Giancarla Branda, with effect from 01.10.2020 and due to the accumulation of offices held, Mr. Andrea Bonelli took over the position of Statutory Auditor from 01.10.2020.

SEPARATE FINANCIAL STATEMENTS

AT DECEMBER 31, 2020

Balance sheet at December 31, 2020 and December 31, 2019

	For the year ended December 31				
in Euro thousands		2020	of which related parties	2019	of which related parties
Other intangible assets	Note 2	73		97	
Property, plant and equipment	Note 3	5,381		5,145	
Equity investments	Note 4	163,567		124,459	
Other non-current financial assets	Note 5	8,649	8,649	44,213	44,213
Deferred tax assets	Note 6	41		25	
TOTAL NON-CURRENT ASSETS		177,712		173,938	
Trade receivables	Note 7	1,682	1,682	932	919
Tax receivables	Note 8	1,532		1,635	
Other receivables and current assets	Note 9	3,006	2,606	1,793	1,356
Other current financial assets	Note 10	4,109	4,109	3,472	3,472
Cash and cash equivalents	Note 11	983		7,344	
TOTAL CURRENT ASSETS		11,312		15,176	
TOTAL ASSETS		189,024		189,114	

	For the year ended December 31				
in Euro thousands		2020	of which related parties	2019	of which related parties
Share capital	Note 12	28,700		28,700	
Legal reserve	Note 12	394		310	
Other reserves	Note 12	115,604		114,107	
Net profit	Note 30	1,546		1,673	
TOTAL SHAREHOLDERS' EQUITY		**146,243**		**144,790**	
Employee benefits	Note 13	80		67	
Non-current financial payables	Note 14	14,135	2,098	17,104	4,336
Deferred tax liabilities	Note 6	1		17	
TOTAL NON-CURRENT LIABILITIES		**14,215**		**17,189**	
Trade payables	Note 15	570	20	641	
Current financial payables	Note 16	26,405	23,204	24,523	21,615
Tax payables	Note 17	1,186		-	
Other current liabilities	Note 18	404	18	1,971	1,514
TOTAL CURRENT LIABILITIES		**28,565**		**27,135**	
TOTAL LIABILITIES		**42,781**		**44,324**	
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**189,024**		**189,114**	

2020 Separate Income Statement

		For the year ended December 31			
in Euro thousands		2020	of which related parties	2019	of which related parties
Revenues from services	Note 19	3,800	3,800	2,400	2,400
Other revenue	Note 20	202	172	33	
TOTAL REVENUES		4,002		2,433	
Raw materials and consumables	Note 21	34		24	
Service costs	Note 22	3,333	1,517	3,588	2,286
Personnel costs	Note 23	1,974	91	2,503	
Other operating costs	Note 24	605		732	
Amortisation, depreciation, and write-downs	Note 25	244		182	
TOTAL OPERATING COSTS		6,190		7,029	
EBIT		(2,189)		(4,595)	
Financial income	Note 26	3,899	3,899	5,660	5,658
Financial charges	Note 27	(746)	(350)	(919)	(733)
Results of investments at equity	Note 28:	-		(34)	
TOTAL FINANCIAL INCOME AND CHARGES		3,153		4,706	
PROFIT BEFORE TAXES		964		111	
Income taxes	Note 29	582		1,562	
NET PROFIT FOR THE YEAR	Note 30	1,546		1,673	

2020 Comprehensive Separate Income Statement

(Euro thousands)	*At December 31*	*At December 31*
	2020	2019
IX - NET PROFIT FOR THE YEAR	1,546	1,673
Other components of the comprehensive income that will not subsequently be reclassified in profit/(loss) for the year		
Actuarial gains/(losses) of employee defined plans	5	(14)
Tax effect	(1)	3
Total other components of comprehensive income that will not subsequently be reclassified in profit/(loss) for the year net of income taxes	4	(11)
Profit/(loss) recognised to equity		
Total comprehensive income for the year	1,550	1,662

Statement of changes in separate shareholders' equity at December 31, 2020 and December 31, 2019

(Euro thousands)	Share capital	Legal reserve	Other reserves	Net profit	Net Equity
January 1, 2019	28,700	60	109,274	4,993	143,026
Allocation of result	-	250	4,743	(4,993)	0
Net profit	-	-		1,673	1,673
Stock Grant reserve	-	-	1,361	-	1,361
Treasury share purchases	-	-	(1,260)		(1,260)
Other movements			(11)		(11)
December 31, 2019	28,700	310	114,107	1,673	144,790
Allocation of result	-	84	1,590	(1,673)	0
Treasury share purchases	-	-	(463)		(463)
Stock Grant reserve	-	-	407	-	407
Use of Reserve as per Article 40			(40)		(40)
Other movements			4		4
Net profit	-	-		1,546	1,546
December 31, 2020	28,700	394	115,604	1,546	146,243

Separate Cash Flows Statement for the year ended December 31, 2020

In Euro thousands	*At December 31*	
	2020	2019
OPERATING ACTIVITIES		
Profit for the year	1,546	1,673
Adjustments for:		
- Amortisation and depreciation	244	182
- Provisions for employee benefit liabilities	23	25
- Change in other non-current assets and liabilities	(2,697)	(35,184)
- Net change in deferred tax assets and liabilities	(32)	293
- Payments for employee benefits	(8)	(5)
Changes in operating assets and liabilities:		
(Increase) decrease in trade and other receivables	(750)	238
Increase (decrease) in trade and other payables	(218)	(15)
Other current assets and liabilities	(1,715)	(2,818)
NET CASH FLOW GENERATED FROM OPERATING ACTIVITIES (A)	(3,606)	(35,611)
Investments in intangible assets	(1)	(117)
Investments in tangible assets	(411)	(3,688)
(Investments)/disposals of financial assets	(821)	(49,407)
CASH FLOW ABSORBED BY INVESTING ACTIVITIES (B)	(1,233)	(53,212)
Issue of medium/long term loans	2,477	14,300
Issue/(repayment) of short-term loans	(2,846)	(77)
Change in other non-current financial payables	(649)	18,095
Use of Reserve as per Article 40	(40)	0
Dividend approved	3,500	4,499
Dividends received	(3,500)	(4,499)
(Acquisition) treasury shares	(463)	(1,260)
NET CASH FLOW GENERATED/(ABSORBED) FROM FINANCING ACTIVITIES (C)	(1,522)	31,058
TOTAL CASH FLOWS (D=A+B+C)	(6,360)	(57,765)
CASH & CASH EQUIVALENTS AT BEGINNING OF YEAR (E)	7,344	65,109
CASH & CASH EQUIVALENTS AT END OF YEAR (F=D+E)	983	7,344
Interest paid	351	118

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

AT DECEMBER 31, 2020

Note 1. Accounting standards and preparation basis for the Separate Financial Statements at December 31, 2020

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, 2020 was approved by the Board of Directors on March 16, 2021.

1.2 General Principles

The separate financial statements of the GHC Group for the year ended December 31, 2020 (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.

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 realized are recognized through the change in the period or amortization method, as the case may be, and are considered changes in accounting estimates. The amortization of intangible assets with finite useful life is recorded in the separate income statement under the category of costs relating to intangible assets.
Intangible assets with indefinite useful life are not amortized 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 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 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
Operational buildings	33 years
Furniture and 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 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 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, associates

The 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 realized, 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 Consolidated Financial Statements date;
- 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 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 the closing date of the year.
- 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 grant

The Stock Grant Plan confers to certain categories of employees the right to receive free shares of their 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: 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 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 eliminated from the financial statements when the underlying liability is settled or cancelled. 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.
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. 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 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.

s) 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 eighteen healthcare facilities located in six 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 growth and discounting rates applied to future cash flows.

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

Amendments to IFRS 3: Definition of a business

The amendments to IFRS 3 specify that a business consists of an integrated set of activities and assets that can be conducted and managed for the purpose of providing goods or services to customers and that generates investment income (such as dividends or interest) or other income from ordinary activities. The amendments also introduce an optional test to determine whether or not the set of activities and assets falls within the definition of a business activity.

Amendments to IFRS 7, IFRS 9 and IAS 39: Reform of reference indices for the determination of interest rates (Phase 1)

Following the reform of interbank rates, the IASB introduced a series of amendments to accounting standards IFRS 7, IFRS 9 and IAS 39, aimed in particular to:

- provide adequate financial disclosure in the period leading up to the replacement of a benchmark index,
- establish exceptions to the accounting hedge provisions,
- provide, for the purposes of measuring financial instruments at fair value, a temporary presumption that the benchmark indices for determining rates will not change following the introduction of the reform.

Amendments to IAS 1 and IAS 8: Definition of material

The amendments introduce a new definition of 'material', which states that: omissions or incorrect measurements of accounts are material if, individually or overall, they may impact the economic decisions of the readers of the financial statements. The restatement depends on the relevance and nature of the omission or incorrect measurement assessed depending upon the circumstances. The size or nature of the item, or a combination of both, could be the determining factor."

Amendments to IFRS 16: Leasing contracts

The amendment to IFRS 16 provides optional and temporary COVID-19-related operational support for lessees who benefit from suspensions of lease payments, without compromising the relevance and usefulness of financial disclosures reported by companies.

This change has not been applied by the Company as this issue has not been encountered.

Changes to conceptual framework

On March 29, 2018, the International Accounting Standards Board issued amendments to references to the conceptual framework in International Financial Reporting Standards. The amendments update the existing references to the previous frameworks for various accounting standards and interpretations, replacing them with references to the revised conceptual framework.

This amendment must be applied, at the latest, from the initial date of their first reporting period subsequent to January 10, 2020 or thereafter.

1.6 Accounting standards issued but not yet in force

The accounting standards, amendments and interpretations not adopted in advance for the year ended December 31, 2020 governed facts and cases that do not have significant effects on the balance sheet, income statement, cash flow statement and the information contained in the separate financial statements.

The Company 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 of the Company, had already been issued and not adopted in advance:

IFRS 17 Insurance Contracts

On May 18, 2017, the IASB issued IFRS 17 Insurance Contracts which establishes the principles for the recognition, measurement, presentation and representation of insurance contracts included in the standard. The objective of IFRS 17 is to ensure that relevant information is provided, that faithfully represents contracts, in order to provide a basis for users of financial statements to assess their effects on the company's financial performance and cash flows.

IFRS 17 is applied from January 1, 2023.

On November 15, 2020, the EU endorsed the Extension of the temporary exemption from the application of IFRS 9 - Amendments to IFRS 4 Insurance Contracts. In particular, the amendments to IFRS 4 extend the expiry of the temporary exemption from the application of IFRS 9 until 2023 in order to align the effective date of IFRS 9 with the new IFRS 17 and thus remedy the temporary accounting consequences that could arise in the event that the two standards come into force on different dates. The amendments apply from the initial date of their first reporting period subsequent to January 10, 2021 or thereafter.

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

In January 2020, the IASB issued an amendment to IAS 1 introducing the requirement to classify a liability as "current" where the entity has the right to defer its settlement for at least 12 months after the reporting date. This amendment will apply from January 1, 2023.

Amendments to IFRS 3:

In May 2020, the IASB published Reference to the Conceptual Framework. Regarding IFRS 3, references from the old version of the Conceptual Framework have been replaced with references from the updated version published in March 2018.
These amendments will apply from January 1, 2022.

Amendments to IAS 16

In May 2020, the IASB published an amendment to IAS 16 that prohibits a company from deducting from the cost of property, plant or equipment any amounts received from the sale of products made during the period when the property, plant or equipment was still being prepared for use. The company may recognize such income as sales revenue in the income statement along with any related costs.
The amendment will apply from January 1, 2022.

Amendments to IAS 37

In May 2020, the IASB published an amendment to IAS 37 specifying which costs should be considered when determining "costs associated with the performance of a contract" in order to determine whether the contract is onerous.
The amendment will apply from January 1, 2022.

IFRSs 2018 - 2020 Cycle

On May 14, 2020, the IASB published the Annual Improvements to IFRSs Standard 2018 - 2020, which include amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IFRS 16 Leases, and IAS 14 Agriculture:

- the amendments to IFRS 1 allow a subsidiary adopting IAS/IFRS for the first time to align the cumulative impacts of first-time adoption with the translation differences applied within the parent company's reporting,
- the amendments to IFRS 9 define which fees must be included for the purposes of the 10% test for the accounting derecognition of financial liabilities,
- the amendments to IFRS 16 led to a review of the accounting treatment of concessions on lease contracts (such as temporary suspension of rents or reductions in them) in the financial statements of lessees. The amendment exempts the lessee from applying the requirements of IFRS 16 relating to contractual modifications when such modifications are to be traced to COVID-19. This exemption applies for concessions that reduce payments on leases due by June 30, 2021,

the amendments to IAS 41 provide for elimination of the requirement to exclude taxes from the cash flows used to estimate the fair value of biological assets when the Net Present Value method is applied. As of the date of this report, EFRAG is still deliberating approval.
The EU endorsed the following document on January 13, 2021: Reform of Interest Rate Benchmarks - Phase 2 - Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16. These amendments provide for a specific accounting treatment to spread the changes in value of financial instruments or leases over time due to the replacement of the benchmark index for determining interest rates, thus avoiding immediate repercussions on net income (loss)

for the year and unnecessary terminations of hedging relationships following the replacement of the benchmark index for determining interest rates. The amendments must be applied, at the latest, from the initial date of the first reporting period beginning January 1, 2021 or thereafter. Early application is permitted.

Note 2 Other intangible assets

The account "*Other intangible assets*" amounts to Euro 73 thousand, compared to Euro 97 thousand in the previous year, and the table below shows the movements in individual items of Intangible assets during the period ended December 31, 2020. For the useful life of the account, reference should be made to the accounting policies.

in Euro thousands	*Concessions, licenses, trademarks & similar rights*	*Software*	*Total*
Net value at December 31, 2019	2	95	97
Acquisition	-	1	1
Amortisation	-	(24)	(24)
Net value at December 31, 2020	1	72	73

The account "*Other intangible assets*" includes licences and applications used to perform administrative activities. The account decreased by Euro 23 thousand on the previous year, mainly due to the account "*Software*", as commented upon below.

Software

The account "*Software*" was Euro 72 thousand, compared to Euro 95 thousand in the previous year. The decrease of Euro 24 thousand was due to amortisation during the period.

Note 3 Property, plant and equipment

The account "*Property, plant and equipment*" amounted to Euro 5,381 thousand, compared to Euro 5,145 thousand in the previous year.

The table below shows the breakdown of the account at December 31, 2020, compared with December 31, 2019. For the useful life of the account, reference should be made to the accounting policies.

(Euro thousands)	*At December 31*	*At December 31*	*Change*
	2020	2019	2020 vs 2019
Land and buildings	3,793	-	3,793
Plant & machinery	15	-	15
Industrial and commercial equipment	-	1	(1)
Other assets	259	39	220
Rights-of-use	1,315	1,434	(119)
Assets under development and payments on account	-	3,671	(3,671)
Total	5,381	5,145	237

The following tables show the changes in the item in question for the period ended December 31, 2020, compared to the period ended January 31, 2019:

(Euro thousands)	*Land and buildings*	*Plant and machinery*	*Industrial & commercial equipment*	*Other assets*	*Rights-of-use*	*Assets in progress and advances*	*Total*
Net value at December 31,	**-**	**-**	**1**	**39**	**1,434**	**3,671**	**5,145**
Acquisition	38	16	-	246	45	112	456
Depreciation	(29)	(1)	(1)	(26)	(164)	-	(220)
Transfers/Reclassifications	3,783	-	-	-	-	(3,783)	-
Net value at December 31,	**3,793**	**15**	**-**	**259**	**1,315**	**-**	**5,381**

Land and Buildings

The account "*Land and buildings*" was down by Euro 3,793 thousand at December 31, 2020, primarily due to the reclassification of Euro 3,783 from the account Assets in progress and advances of the property renovated for the expansion of the holding company's headquarters.

Other assets

The account "*Other assets*" stood at Euro 259 thousand at December 31, 2020, compared to a balance of Euro 39 thousand at the end of the previous year. The account in question mainly refers to electronic machines, telephony and furniture and fittings. The increase in the account concerned of Euro 220 thousand is mainly due to the investments for the purchase of computers, furniture and fittings and telephone equipment for the holding company's headquarters.

Rights-of-use

The account "*Rights-of-use*" came to Euro 1,315 thousand at December 31, 2020, compared to a figure of Euro 1,434 thousand at the end of the previous year. The decrease in the account in question of Euro 119 thousand was due mainly to: (i) the acquisition of new vehicle lease contracts of Euro 45 thousand; and (ii) amortisation for the period of Euro 164 thousand.

The account includes the present value of vehicle hire contracts 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

The account Assets in progress and advances declined by Euro 3,671 thousand as a result of the reclassification of the property renovated to expand the registered office of the holding company, as commented upon in reference to the account Land and buildings.

Note 4 Equity investments

"*Investments*" amount to Euro 163,567 thousand at December 31, 2020, compared to the previous year's balance of Euro 124,459 thousand, and relates to investments in subsidiaries.

(Euro thousands)	*At December 31*	*At December 31*	*Change*
	2020	2019	2020 vs 2019
Investments in subsidiaries	163,567	124,459	39,108
Total equity investments (in subsidiary companies)	**163,567**	**124,459**	**39,108**

The change in the account of Euro 39,108 thousand during 2020 was due to: (i) the conversion of the financial receivable claimed by GHC S.p.A. into a capital payment to Centro Medico San Biagio S.r.l. of Euro 31,320 thousand and resulting in an increase the account concerned by like amount; (ii) the conversion of the financial receivable claimed by GHC S.p.A. into a capital payment to Ospedale Privati Riuniti S.r.l. of Euro 6,800 thousand with an increase in the carrying value of the investment of like amount; (iii) the subscription of the capital of the newco GHC Project 5 S.r.l. in the total amount of Euro 800 thousand to acquire 100% of the equity of X Ray One S.r.l., a transaction that was closed on July 23, 2020. In addition, on December 14, 2020 the reverse merger of the newco and the target company was completed; (iv) finally, in 2020 additional minority interests were acquired in Casa di Cura Prof. Nobili S.p.A. of Euro 21 thousand; (v) assignment to the management of the subsidiaries of stock grants of Euro 100 thousand, i.e. of rights to receive shares of the company at the end of the annual performance period, which resulted in an increase in the value of the investments of like amount.
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, 2020:
Investments Table (1/2)

Company	*Registered office*	*Share capital*	*Profit/ (loss) 2020*	*Net equity at December 31, 2020*	*Pro quota net equity at December 31, 2020*	*Holding*	*Book value at December 31, 2020*
L'Eremo Di Miazzina S.r.l. (*)	Cambiasca (VB)	1,560	(291)	19,732	19,732	100%	15,359
Casa di Cura Villa Berica S.p.A.	Vicenza	1,560	2,301	9,843	9,843	100%	2,170
Villa Von Siebenthal S.r.l.	Genzano di Roma (RM)	100	541	4,334	4,334	100%	3,181
Rugani Hospital S.r.l.	Monteriggioni (SI)	100	1,348	11,658	11,657	100%	145
Hesperia Hospital Modena S.r.l. (*)	Modena	120	2,050	14,343	14,336	100%	20,603
C.M.S.R. Veneto Medica S.r.l.	Altavilla Vicentina (VI)	20	551	11,028	11,028	100%	8,699
Sanimedica S.r.l.	Altavilla Vicentina (VI)	10	(1)	389	389	100%	210

Investments Table (2/2)

Casa di cura Prof. Nobili S.p.A.	Castiglione dei	104	856	8,341	8,242	99%	9,622
Casa di Cura Villa Garda S.p.A.	Garda (VR)	1,440	27	18,935	18,935	100%	7,531
Fides Medica S.r.l.	Piombino	200	86	20,099	10,050	50%	10,100
Poliambulatorio Dalla Rosa Prati S.r.l.	Parma	100	944	3,149	3,149	100%	19,136
Bimar S.r.l.	Fossalta di	9,000	2,421	35,758	35,758	100%	33,016
Ospedali Privati Riuniti S.r.l.	Bologna	156	403	32,996	32,996	100%	31,994
Centro Medico San Biagio S.r.l.	Fossalta di	100	(42)	393	393	100%	1,000
XRay One S.r.l.	Poggio Rusco	30	(21)	298	298	100%	800
Total equity investments in subsidiary companies							**163,567**

**In 2020 the company name was changed from S.p.A. to S.r.l..*

On July 23, 2020, the acquisition of Polyclinic XRay One S.r.l. was finalised, through the newco GHC Project 5 S.r.l.. On December 14, 2020, the reverse merger was completed of GHC Project 5 S.r.l. into XRay One S.r.l.
Pursuant to IAS 36, investments that at December 31, 2020 have a carrying amount that exceeds their shareholders' equity were tested for impairment. Specifically, the carrying amounts of the investments in Hesperia Hospital Modena S.r.l., Casa di Cura Prof. Nobili S.p.A., Fides Medica S.r.l., Poliambulatorio Dalla Rosa Prati S.r.l., Bimar S.r.l. and XRay One S.r.l. were tested.
The impairment test of the recoverability of the carrying amount of the investments was performed by an outside independent professional. The valuation approach adopted is described in the following section.

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, 2020 were drawn from the 2020-2023 Business Plan approved by the Board of Directors of each CGU. Those business plans were updated in the light of the changed scenario resulting from the effects of COVID-19 and were approved by each Company in July and by the Board of Directors of Garofalo Health Care S.p.A. on July 30, 2020. The time horizon of the Plans is 3 years.
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 4.725% at December 31, 2020, following the further lowering of rates in the year, and presents the following main parameters:

* *Risk free rate*: the rate used is 1.04% for 2020; 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 0.62% at December 31, 2020;

* *Market premium*: for the purposes of the analysis, a rate of 4.20% 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:* prudentially, an increase in the cost of risk capital equal to 2.0% was applied at December 31, 2020 for the CGUs to take into account the reduced size compared to the companies used as comparables and the important development process following the acquisitions undertaken in the last year;

* 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 - 0.15% with a spread of 190 points, for a total of 1.33%;

* *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 previously identified, equal to 0.64 for December 31, 2020. The we and wd weights for 2020 were 61.11% and 38.89% respectively.

Hesperia Hospital S.r.l. CGU

The recoverable value of the cash-generating unit Hesperia Hospital Modena S.p.A., 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 three years, approved by management. As a result of the updated analyses, the management did not identify an impairment of this cash-generating unit. The equilibrium WACC, i.e. the discount rate of future cash flows which equates the recoverable value with the book value, was approx. 38.44%.

Fides Medica Group CGU

The recoverable value of the cash-generating unit of the Fides Medica Group 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 three years, approved by management. As a result of the updated analyses, the management did not identify an impairment of this cash-generating unit. The equilibrium WACC, i.e. the discount rate of future cash flows which equates the recoverable value with the book value, was approx. 9.68%.

Casa di Cura Prof. Nobili S.p.A. CGU

The recoverable value of the cash-generating unit of Casa di Cura Prof. Nobili 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 three years, approved by management. As a result of the updated analyses, the management did not identify an impairment of this cash-generating unit. The equilibrium WACC, i.e. the discount rate of future cash flows which equates the recoverable value with the book value, was higher by approx. 10.19%.

Poliambulatorio Dalla Rosa Prati S.r.l. CGU

The recoverable value of the cash-generating unit of Poliambulatorio dalla Rosa Prati S.r.l. 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 three years, approved by management. As a result of the updated analyses, the management did not identify an impairment of this cash-generating unit. The equilibrium WACC, i.e. the discount rate of future cash flows which equates the recoverable value with the book value, was approx. 11.57%.

X Ray One S.r.l. CGU

The recoverable value of the cash-generating unit of Poliambulatorio dalla Rosa Prati S.r.l. 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 three years, approved by management. As a result of the updated analyses, the management did not identify an impairment of this cash-generating unit. The equilibrium WACC, i.e. the discount rate of future cash flows which equates the recoverable value with the book value, was approx. 15.03%.

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

It should be noted that Bimar S.r.l. does not represent an independent CGU, therefore, the value in use can only be determined in combination with the value in use of the investee company 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 three years, approved by management.
In this case, the Headroom as reflected in the independent expert's report is so significant that the determination of an equilibrium Wacc is not relevant.

Note 5 Other non-current financial assets

The account "*Other non-current financial assets*" came to Euro 8,649 thousand compared to Euro 44,213 thousand at the end of the previous year. The account in question consists primarily of receivables of a financial nature from subsidiaries.
The account is broken down as follows:

(Euro thousands)	*At December 31*	*At December 31*	*Change*
	2020	2019	2020 vs 2019
Financial receivables from subsidiaries	8,648	44,209	(35,562)
Financial receivables - related parties	-	2	(2)
Financial receivables from others	1	1	-
Total other non-current financial assets	**8,649**	**44,213**	**(35,564)**

The decrease in the account concerned of Euro 35,564 thousand is mainly due to: (i) the conversion of the financial receivable claimed from the subsidiary Centro Medico San Biagio S.r.l. into a capital payment of Euro 31,320 thousand, resulting in an increase of like amount in the carrying value of the investment described in the previous section; (ii) the conversion of the financial receivable claimed from the subsidiary Ospedali Privati Riuniti S.r.l. of Euro 6,800 thousand into a capital payment, resulting in a consequent increase in the carrying value of the investment described in the previous section. The residual financial receivable from Ospedali Privati Riuniti S.r.l. was thus Euro 1,841 thousand at December 31, 2020; (iii) the decrease in the financial receivable claimed from the subsidiary Cassa di Cura Rugani S.r.l. of Euro 2,500 thousand due to the partial repayment made in 2020. At December 31, 2020 the financial receivable from Cassa di Cura Rugani S.r.l. was thus Euro 1,507 thousand; and (iv) the disbursement of a loan of Euro 5,300 thousand by GHC S.p.A. to the target company GHC Project 5 S.r.l. for the acquisition of 100% of X Ray One S.r.l., which on December 14, 2020 absorbed the newco formed specially to close the M&A transaction.

Note 6 Deferred tax assets and liabilities

The account "*Deferred tax assets and liabilities*" was Euro 40 thousand, compared to a balance for the previous year of Euro 7 thousand.
Deferred tax assets and liabilities at December 31, 2020, compared with the situation at December 31, 2019, is presented below.

(Euro thousands)	*At December 31*	*At December 31*	*Change*
	2020	2019	2020 vs 2019
Deferred tax assets:			
within 1 year	-	-	-
over 12 months	41	25	17
Total	**41**	**25**	**17**
Deferred tax liabilities:			
within 1 year	-	-	-
over 12 months	(1)	(17)	16
Total	**(1)**	**(17)**	**16**
Net balance	**40**	**7**	**33**

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, 2020 and December 31, 2019:

(Euro thousands)	*At December 31, 2020*
Net opening balance	7
Credit / (Debit) to the income statement	33
Other changes	
Credit / Debit to equity	(1)
Net closing balance	**40**

Deferred tax assets and liabilities were Euro 40 thousand at December 31, 2020. The account was up by Euro 33 thousand net due to the recognition of deferred tax assets of Euro 17 thousand during the period and the reversal of deferred tax liabilities of Euro 16 thousand during the year.
The breakdown of net deferred taxes at December 31, 2020 is illustrated below:

	Balance sheet			Comprehensive Income Statement		Income Statement	
	31.12.2020	Other changes	31.12.2019	31.12.2020	31.12.2019	31.12.2020	31.12.2019
Tax losses	-		-				
Amortised cost	5		6				
Adjustments IFRS 17 Leasing/IFRS 16	4		4				4
IAS 19 adjustments - Severance	(1)		8	(1)	3		-
Other movements	33	0	(10)				5
Total	**40**	**0**	**8**	**(1)**	**3**	**0**	**9**
Deferred tax assets	**41**	**0**	**25**	**(1)**	**3**	**0**	**10**
Deferred tax liabilities	**(1)**	**0**	**(17)**	**-**	**-**	**0**	**(1)**
Total	**40**	**0**	**8**	**(1)**	**3**	**0**	**9**

Note 7 Trade receivables

The account "*Trade receivables*" stood at Euro 1,682 thousand compared to Euro 932 thousand in the previous year. The receivables refer to the fees invoiced to the subsidiaries for the administrative coordination, financial, corporate and IT activities provided by the holding company.

(Euro thousands)	*At December 31*	*At December 31*	*Change*
	2020	2019	2020 vs 2019
Receivables from subsidiaries	235	427	(191)
Other receivables	-	13	(13)
Receivables from subsidiaries for invoices to be issued	1,446	492	954
Total trade receivables	**1,682**	**932**	**750**

The account in question was down by Euro 750 thousand, due mainly to the increase in the scope of the subsidiaries and thus of the centralised services performed by the holding company, which resulted in an increase in revenues during the year ended December 31, 2020 compared to the previous year.
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 1,532 thousand compared to Euro 1,635 thousand in the previous year.
The table below shows the breakdown of tax receivables at December 31, 2020, compared with December 31, 2019.

(Euro thousands)	*At December 31*	*At December 31*	*Change*
	2020	2019	2020 vs 2019
Tax receivables	-	3	(3)
IRES receivables	1,532	1,633	(101)
Total tax receivables	**1,532**	**1,635**	**(103)**

The account in question was down by Euro 103 thousand net on the previous year, mainly owing to the partial use of the IRES receivable from CNM's 2019 tax return filing.

Note 9 Other receivables and current assets

The account "*Other receivables and current assets*" stood at Euro 3,006 thousand compared to Euro 1,793 thousand in the previous year.
The changes in the account were as follows:

(Euro thousands)	*At December 31*	*At December 31*	*Change*
	2020	2019	2020 vs 2019
Other receivables and current assets - from suppliers for payments on account	44	-	44
Other receivables and current assets - from others	271	4	267
Other receivables and current assets - from subsidiaries	2,089	253	1,836
Other receivables and current assets-other tax receivables	517	1,478	(961)
Other receivables and current assets - prepayments and accrued income	86	58	27
Total other receivables and current assets	**3,006**	**1,793**	**1,213**

The account *"Receivables from subsidiaries"* mainly refers to the IRES payable transferred by the companies within the scope of tax consolidation. The increase in the account of Euro 1,836 is largely to be ascribed to the inclusion in the scope of tax consolidation of two new companies, Ospedali Privati Riuniti S.r.l. and Poliambulatorio Dalla Rosa Prati S.r.l., which transferred taxable amounts of Euro 697 thousand and Euro 423 thousand, for a total of Euro 1,120 thousand. For this item, for better presentation, the balances relating to the previous year that were recognised under *"Other Receivables"* were reclassified.

The companies within the scope of tax consolidation were as follows at December 31, 2020: Villa Garda S.p.a., Villa Berica S.p.A., CMSR 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.

The account "*Other tax receivables*" decreased by Euro 961 thousand due to the collections by GHC S.p.A. during the year of VAT receivables relating to 2019 claimed by companies within the scope of the Group VAT and the offsetting of the annual 2019 VAT receivable of Euro 374 thousand. This account mainly consists of the VAT payable transferred by the companies within the scope of Group VAT in 2020, which resulted in a receivable from those companies. The VAT Group was formed in 2019. At December 31, 2020 all subsidiaries were within the scope, except for: Aesculapio S.r.l., Centro Medico San Biagio S.r.l., Centro Medico Università Castrense S.r.l. and Bimar S.r.l., which joined the VAT Group with effect from January 2021; and X Ray One S.r.l., which will join the VAT Group with effect from the second half of 2021. 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 VAT Group leader, 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 4,109 thousand compared to Euro 3,472 thousand at the end of the previous year.

(Euro thousands)	*At December 31*	*At December 31*	*Change*
	2020	2019	2020 vs 2019
Other current financial assets	4,109	3,472	637

Total other current financial assets	4,109	3,472	637

The account in question refers mainly to the interest-bearing loans made to: Fides Medica Srl of Euro 1,688 thousand and L'Eremo di Miazzina Srl of Euro 625 thousand, as well as the cash pooling financial receivables arising from centralised treasury management of Euro 1,463 thousand.
The change was mainly due to the collection of dividends from Casa di Cura Villa Garda S.r.l. and CMSR Veneto Medica S.r.l., recognised, as per the motion of the relevant body, in 2019 and amounting to Euro 500 thousand and Euro 600 thousand, respectively, and collected in 2020, an effect that was partially offset by the cash pooling financial receivables generated by centralised treasury management during the reporting year, amounting to Euro 1,462 thousand.

Note 11 Cash and cash equivalents

The account "*Cash and cash equivalents and*" stood at Euro 983 thousand compared to Euro 7,344 thousand in the previous year.
The changes in the account over the last two years were as follows:

(Euro thousands)	*At December 31*	*At December 31*	*Change*
	2020	2019	2020 vs 2019
Bank current accounts	983	7,341	(6,358)
Checks and cash	-	3	(3)
Total cash and cash equivalents	**983**	**7,344**	**(6,360)**

The decrease in cash and cash equivalents of Euro 6,360 thousand was mainly due to the closing of the M&A transaction during the year.
The amounts shown can be readily converted into cash and does 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 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.

Note 12 Shareholders' equity

Share capital

At December 31, 2020 share capital amounted to Euro 28,700 thousand, fully paid-in, and consisted of 82,000,000 ordinary shares without par value.
The table below reports the GHC Group's ownership structure at December 31, 2020, including significant equity interests.

<table>
<tr><th>Number of ordinary shares</th><th>% share capital</th><th>Listed / Non listed</th><th>Rights and obligations</th></tr>
<tr><td rowspan="2">82,000,000</td><td rowspan="2">100%</td><td rowspan="2">MTA</td><td>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.</td></tr>
<tr><td>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.</td></tr>
</table>

<table>
<tr><th>Shareholder</th><th>Direct shareholder</th><th>% of ordinary share capital</th><th>% of voting share capital</th></tr>
<tr><td rowspan="3">Garofalo Maria Laura ([1])</td><td>Anrama S.p.A.</td><td rowspan="3">71,1%([2])</td><td rowspan="3">81,94%([2])</td></tr>
<tr><td>Larama 98 S.p.A.</td></tr>
<tr><td>Garofalo Maria Laura</td></tr>
<tr><td>Peninsula Capital II S.a.r.l. ([2])</td><td>PII 4 S.à.r.l.</td><td>9.97%</td><td>5.76%</td></tr>
</table>

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 394 thousand, increasing Euro 84 thousand due to the Shareholders' Meeting motion of April 29, 2020 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, 2020, with a comparison to December 31, 2019, is presented below.

(Euro thousands)	*At December 31*	*At December 31*	*Change*
	2020	2019	2020 vs 2019
Extraordinary Reserve	10,669	9,096	1,573
Shareholder capital payments reserve	5,146	5,146	-
Conferment reserves	37,006	37,006	-
Stock-grant plan reserve	2,253	1,846	407
Provision as per Article 40 By-Laws	22	45	(23)
IAS 19 actuarial effect reserve	(10)	(14)	4
Share Premium Reserve	62,463	62,463	-
Retained earnings	(221)	(221)	-
Reserve for treasury shares in portfolio	(1,723)	(1,260)	(463)
Other reserves	**115,604**	**114,107**	**1,497**

At December 31, 2020 Other reserves amounted to Euro 115,604 thousand, a net increase of Euro 1,497 on December 31, 2019, due mainly to: (i) an increase in the extraordinary reserve of Euro 1,573 thousand due to the Shareholders' Meeting motion of April 29, 2020 that allocated part of the Parent Company's net profit for the year to the reserve; (ii) the increase in the Stock Grant Plan reserve of Euro 407 thousand, of which Euro 389 thousand relating to the assignment of the rights to beneficiaries of the parent company and of Euro 100 thousand to the management of the subsidiaries, which resulted in a like increase in the value of the investments; (iii) a decrease in the IAS 19 actuarial effect reserve of Euro 4 thousand; (iv) a change in the reserve for treasury shares in portfolio due to the purchase of 95,430 shares, amounting to Euro 463 thousand, according to the BoD motion of January 29, 2019 and the Shareholders' Meeting motion of May 24, 2019; (v) and the net decrease in the provision as per Article 40 of the By-laws of Euro 23 thousand: in accordance with the Shareholders' Meeting motion of April 29, 2020, this provision decreased by Euro 17 thousand, since the Shareholders' Meeting dedicated this portion of the profits, along with those already allocated in 2019, to scientific purposes and/or benefits for non-shareholders. The Shareholders' Meeting thus 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 after informing the Board of Directors. In July 2020 the Chief Executive Officer of Garofalo Health Care S.p.A. informed the Board of Directors of an important initiative of Collegio Universitario "Lamaro Pozzani", recognised as a "University College of Merit" by the Ministry of Universities and Research, which supports university students, including through the award of scholarships. The Chief Executive Officer thus decided to take advantage of the opportunity, allocating the sum of Euro 40 thousand, and thus using this reserve in a like amount.

Note 13 Employee Benefits

The account "*Employee benefits*" amounted to Euro 79 thousand, compared to a balance from the previous year of Euro 67 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*
	2020	2019
Annual inflation rate	0.50%	1.00%
Annual real remuneration rate by category:		
Executives	2.60%	2.60%
Managers	1.70%	1.70%
White-collars	1.40%	1.40%
Annual increase in post-employment benefit	1.56%	1.87%

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

(Euro thousands)	
Balance at December 31, 2019	**67**
Financial charges/(income)	-
Utilisations	-
Net actuarial gains/(losses) recognized in the year	(6)
Transfer in/(out)	(2)
Cost for service	20
Balance at December 31, 2020	**79**

The account in question was up by Euro 12 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.

		31 December 2020		
		Annual discount rate		
		-10%	*100%*	*10%*
Annual inflation rate	*-10%*	99.58%	100.00%	99.43%
	100%	100.08%	100.00%	99.93%
	10%	100.58%	100.50%	100.43%

Note 14 Non-current financial payables

The account "*Non-current financial payables"* came to Euro 14,135 thousand compared to Euro 17,104 thousand at the end of the previous year.
The following table presents the figures for the company's outstanding financial payables at December 31, 2020 and December 31, 2019:

(Euro thousands)	*At December 31*	*At December 31*	*Change*
	2020	2019	2020 vs 2019
Other non-current financial payables	3,299	5,658	(2,359)
Medium/long-term loans and borrowings	10,836	11,446	(610)
Total non-current financial payables	**14,135**	**17,104**	**(2,970)**

The account in question was down by Euro 2,970 thousand overall on December 31, 2019 due to both of the accounts the changes in which are commented upon below.
The change in the account "*Other non-current financial payables*" of Euro 2,359 thousand was mainly due to: (i)

the partial repayment of the payable to the parent company Larama 98 S.p.A. of Euro 2,301 thousand, on which interest of approximately Euro 60 thousand accrued during the current year; and (ii) the decrease in "IFRS 16 payables" of Euro 121 thousand due to the reclassification as short term of the lease payments due at December 31, 2020.

The account "*Non-current bank payables*" includes, in addition to the share of loans outstanding at December 31, 2020 due beyond one year: (i) the Euro 14,300 thousand granted by Intesa San Paolo S.p.A. in July 2019; and (ii) the Euro 1,900 thousand and Euro 600 thousand granted by Banca Credem S.p.A. in January 2020. The change in the account of Euro 610 thousand was due, on the one hand, to the contracting of two new loans, and, on the other, to the reclassification to "Current bank payables" of the portion of the payable due within one year.

The loan agreement with Intesa San Paolo S.p.A. stipulates compliance with the following financial covenants to be calculated annually on the basis of the pro-forma consolidated financial statements of Garofalo Healthcare Spa, namely by including the contribution of the Target Company (X Ray One S.r.l.) on the basis of 12 months at Group level, net of the effect deriving from the application of the IFRS 16 accounting standard, as from 31.12.2019:

Parameter	*Threshold value*
Net Debt / EBITDA	<3x
Net financial debt/Equity	<0.75x

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

The agreement stipulates the following negative obligations: (i) without the prior written consent of the bank, the financed company shall not introduce, and shall ensure that no amendment is introduced to its by-laws concerning the change of the corporate scope, or the transfer overseas of its registered office, or other changes that jeopardise the rights of the lending bank for the purposes of the loan agreement; (ii) the financed company shall not transfer, reduce or modify its activity to a material extent; (iii) the financed company undertakes not to sell, lease or loan (if not under lease for a consideration and at market conditions), transfer, surrender or in any case and for any reason dispose of its property, rights, receivables, contracts and movable and/or immovable assets or part thereof without prior written notification to the lending bank subject to the obligation of advance repayment.

Changes in liabilities deriving from financing activities are presented below in accordance with IAS 7 *Statement of Cash Flows*:

(Euro thousands)	*At December 31, 2020*	*Increase*	*Decrease*	*At December 31, 2019*
Other non-current financial payables	(3,295)	(517)	2,877	(5,658)
Medium/long-term loans and borrowings	(10,836)	(2,546)	3,156	(11,446)
current bank payables	(3,049)	(3,241)	2,967	(2,776)
Other current financial debt	(23,356)	(35,696)	34,088	(21,747)
Current loans	4,109	15,870	(15,234)	3,472
Cash and cash equivalents	983	85,970	(92,331)	7,344
Net financial debt	**(35,447)**	**59,841**	**(64,476)**	**(30,811)**

Note 15 Trade payables

The account "*Trade payables*" stood at Euro 570 thousand compared to Euro 641 thousand at the end of the previous year.
A breakdown of the account is shown in the table below:

(Euro thousands)	*At December 31*	*At December 31*	*Change*
	2020	2019	2020 vs 2019
Trade payables	297	480	(183)
Other payables	-	6	(6)
Payables for invoices to be received	283	155	128
Credit notes to be received	(9)	-	(9)
Total trade payables	**570**	**641**	**(71)**

At December 31, 2020 trade payables were down by Euro 71 thousand on the previous year, mainly due to the decline in operating costs.

Note 16 Current financial payables

The account "*Other current financial payables*" came to Euro 26,405 thousand compared to Euro 24,524 thousand at the end of the previous year.
The following table presents the figures for the company's outstanding current financial payables at December 31, 2020:

(Euro thousands)	*At December 31*	*At December 31*	*Change*
	2020	2019	2020 vs 2019
Current bank payables - 4 bank payables (short-term portion of loans)	3,049	2,776	273
Payable to subsidiaries	-	4,042	(4,042)
Current financial payables - Cash pooling financial payables	23,204	17,573	5,631
Financial payables for IFRS 16 Current	152	133	19
Total current financial payables	**26,405**	**24,524**	**1,881**

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.
As may be seen in the aforementioned table, "*Current financial payables*" were up by Euro 1,881 thousand overall on December 31, 2019; the change is commented upon below.
The increase in "*Bank payables*" compared to 2019 of Euro 273 thousand was due, on the one hand, to the reclassification from "Non-current bank payables" of the portion due within twelve months of the two loans contracted from Banca Carige in 2020 and the loan from Intesa San Paolo, for which see "*Note 14 Non-current financial payables*", and, on the other, the execution of the loan payments that came due during the year.
The decrease in "*Payables to subsidiaries*" compared to 2019 of Euro 4,042 thousand is attributable to: (i) repayment of the amount due to the subsidiary Hesperia Hospital Modena S.p.A. of Euro 3,462 thousand, inclusive of interest of Euro 119 thousand; and (ii) repayment of the payable to the subsidiary CMSR Veneto Medica S.r.l. of Euro 219 thousand.
"*Cash pooling financial payables*" increased by Euro 5,631 thousand on 2019, mainly due to the financial dynamics relating to centralised treasury management within the Group.
"*IFRS 16 payables*" increased by Euro 19 thousand on 2019 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 leases previously designated operating and the decrease due to the payment of the portions that came due during the year.

Note 17 Tax Payables

The account "*Tax payables*" amounted to Euro 1,186 thousand compared to a nil balance in the previous year.
The table below provides the breakdown of the account for the year ended December 31, 2020 and a comparison to the same period of the previous year:

(Euro thousands)	*At December 31*	*At December 31*	*Change*
	2020	2019	2020 vs 2019
Tax payables - IRES tax payables	1,186	-	1,186
Total Tax payables	**1,186**	**-**	**1,186**

The account includes the IRES payable transferred by the companies within the scope of tax consolidation in 2020, which generates 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*".

Note 18 Other current liabilities

At December 31, 2020 "*Other current liabilities*" amounted to Euro 404 thousand, compared with Euro 1,971 thousand at December 31, 2019, marking a decrease of Euro (1,567) thousand. The table below summarizes the composition of the account:

(Euro thousands)	*At December 31*	*At December 31*	*Change*
	2020	2019	2020 vs 2019
Social security institutions	144	114	30
Tax payables	34	198	(164)
Withholding payables	66	70	(4)
Employee payables	74	60	14
Other liabilities	85	1,529	(1,444)
Total Other current liabilities	**404**	**1,971**	**(1,567)**

The account in question primarily refers to payables to the Treasury for VAT, payables to social-security agencies and payables to parent companies for prior dividends.
The account "*Tax payables*" was Euro 34 thousand at December 31, 2020 and refers to the VAT payable transferred by the companies within the VAT Group for December of Euro 208 thousand, net of the prepayment made on December 28 of Euro 174 thousand. The decrease of Euro 164 thousand was due to the fact that in the previous year the VAT prepayment was not due since it was the first year of the VAT Group's existence.
The account "*Other payables*" of Euro 85 thousand at December 31, 2020 was down by Euro 1,444 thousand, mainly due to: (i) payment of the prior dividends due to the parent company of Larama 98 S.p.A. of Euro 1,174 thousand; (ii) payment of the prior dividends due to the shareholder Anrama S.p.A. of Euro 76 thousand; and (iii) payment of the tax consolidation payable to the related party Raffaele Garofalo S.a.p.a. of Euro 233 thousand as the previous parent company prior to the IPO.

Note 19 Revenues from services

The account "*Revenues from services*" amounted to Euro 3,800 thousand compared to Euro 2,400 thousand in the previous year.
The account is broken down below

(Euro thousands)	*At December 31*	*At December 31*	*Change*
	2020	2019	2020 vs 2019
Revenues from services	3,800	2,400	1,400
Total revenues from services	**3,800**	**2,400**	**1,400**

The account includes the re-charge of costs by the parent company to the subsidiaries for administrative, financial, corporate and IT coordination services.
The change in the account of Euro 1,400 thousand was due to the increase in the scope of the subsidiaries for which GHC performs administrative, financial, corporate and IT coordination services due to the companies included in the previous year and the acquisition of X Ray One in 2020.

Note 20 Other operating revenues

The account "*Other operating revenues*" was Euro 202 thousand compared to Euro 33 thousand in the previous year.

(Euro thousands)	*At December 31*	*At December 31*	*Change*
	2020	2019	2020 vs 2019
Other income	202	33	168
Total other operating revenues	**202**	**33**	**168**

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. The unforeseeable costs include the consulting costs incurred as a result of the SARS-COV2 emergency. The increase in the account of Euro 168 thousand is related to the change in the scope of the subsidiaries, as described in the previous section.

Note 21 Costs for raw materials, ancillary, consumables and goods

The account "*Costs for raw materials, ancillary, consumables and goods*" amounted to Euro 34 thousand, compared to the figure for the previous year of Euro 24 thousand.
This account includes the costs of stationery materials and other consumables.
The account is broken down below

(Euro thousands)	*At December 31*	*At December 31*	*Change*
	2020	2019	2020 vs 2019
Other	34	24	10
Total raw materials, ancillary & consumables	**34**	**24**	**10**

The increase foe Euro 10 thousand relates to the purchases made for the company's ordinary activities.

Note 22 Service costs

The account "*Service costs*" stood at Euro 3,333 thousand compared to Euro 3,588 thousand in the previous year. The table below provides the breakdown of the account for the year ended December 31, 2020 and a comparison to the same period of the previous year:

(Euro thousands)	*At December 31*	*At December 31*	*Change*
	2020	2019	2020 vs 2019
Director fees	1,072	637	434
Statutory auditors fees	75	75	(1)
Rental charges	162	164	(2)
Technical consultants	1,258	1,789	(531)
Other costs	767	922	(155)
Total service costs	**3,333**	**3,588**	**(254)**

The account in question mainly includes directors' and statutory auditors' remuneration, technical consulting fees and other costs. The account "*Other costs*" is mainly composed of: (i) legal fees of Euro 237 thousand; (ii) administrative and tax fees of Euro 76 thousand; and (iii) auditing of Euro 100 thousand; other professional services of the Audit Firm amounted to Euro 45 thousand and were included in *"Technical consultancy"*.
The decrease in the account of Euro 254 thousand is essentially due to the decrease in the costs of technical consultants, primarily to be ascribed to lower costs of M&A activity, which in 2020 declined compared to the previous year.

Note 23 Personnel costs

The account "Personnel costs" stood at Euro 1,974 thousand compared to Euro 2,503 thousand in the previous year.
The table below shows the breakdown of personnel costs for the year ended December 31, 2020, with a comparison to the year ended December 31, 2019:

(Euro thousands)	*At December 31*	*At December 31*	*Change*
	2020	2019	2020 vs 2019
Salaries and wages	954	835	119
Social security contributions	447	334	113
Severance	66	62	3
Other	508	1,272	(764)
Total personnel costs	**1,974**	**2,503**	**(529)**

The decrease in personnel costs of Euro 529 thousand was due to the combined effect of: (i) an increase in wages and salaries and social security charges of Euro 119 and Euro 113, respectively, due to the new hires during the year to expand the company's organisational structure to perform the typical functions of a holding company such as G.H.C. S.p.A; and (ii) a decrease in the account "*Other*" relating to the lower costs incurred for the stock grant plan during the year, amounting to Euro 380 thousand in 2020 compared to Euro 1,181 thousand in the previous year.

Note 24 Other operating costs

The account "*Other operating costs*" stood at Euro 605 thousand compared to Euro 732 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 such costs for the years ended December 31, 2020 and December 31, 2019:

(Euro thousands)	*At December 31*	*At December 31*	*Change*
	2020	2019	2020 vs 2019
Non-deductible VAT on a pro rata basis	536	588	(52)
Income taxes	24	19	5
Other operating charges	45	125	(80)
Total other operating costs	**605**	**732**	**(127)**

The decrease in the account of Euro 127 thousand is mainly due to the lower operating costs incurred during the year than in the previous year, resulting in the consequent decline in non-deductible VAT on a pro rata basis.

Note 25 Amortisation, depreciation and write-downs

The account "*Amortisation, depreciation and write-downs*" stood at Euro 244 thousand at December 31, 2020 compared to Euro 182 thousand at the end of the previous year.
The table below shows the breakdown of such amortisation and depreciation for the years ended December 31, 2020 and December 31, 2019:

(Euro thousands)	At December 31	At December 31	Change
	2020	2019	2020 vs 2019
Depreciation Intangible assets	24	24	-
Depreciation Tangible and investment Properties	220	158	62
Total amortisation, depreciation and write-downs	**244**	**182**	**62**

The increase in the account of Euro 62 thousand on the previous year is mainly due to the depreciation of the property hosting the holding company's headquarters that began to be used in the second half of the current year and the amortisation during the period due to the new investments described above.

It should be noted that the depreciation of tangible assets amounting to Euro 244 thousand are attributable to the depreciation of the rights-of-use regulated by IFRS 16.

Note 26 Financial income

The account "*Financial income*" amounted to Euro 3,899 thousand compared to a balance for the previous year of Euro 5,660 thousand.
The table below shows the breakdown of the account in question and the change on the previous year:

(Euro thousands)	At December 31	At December 31	Change
	2020	2019	2020 vs 2019
Bank interest	-	2	(2)
Interest income from cash pooling	10	-	10
Interest income from subsidiary companies	390	59	331
Dividends	3,500	5,599	(2,099)
Total financial income	**3,899**	**5,660**	**(1,760)**

The account refers to the financial income consisting of interest income from subsidiaries on cash pooling, relating to the financial receivables generated by centralised treasury management, as well as the intra-Group loans granted, and dividend income from investments.
The account in question decreased by Euro 1,760 thousand due to the increase of Euro 331 thousand relating mainly to the recognition of interest income on interest-bearing loans granted to subsidiaries: L'Eremo di Miazzina

S.r.l., Fides Medica S.r.l., X Ray One S.r.l. and Ospedali Privati Riuniti S.r.l., on the other hand, to the dividends approved during the year for Euro 2,100 thousand compared to the previous year in which they were approved for Euro 5,599 thousand.
The dividends account refers to the amounts approved of Euro 2,100 thousand from Casa di Cura Villa Berica S.rl. of Euro 999.5 thousand from Hesperia Hospital Modena S.r.l. and of Euro 400 thousand from CMSR Veneto Medica S.r.l. These amounts were collected in full in 2020.

Note 27 Financial charges

The account "*Financial charges*" stood at Euro 746 thousand compared to Euro 919 thousand in the previous year.
The table below shows the breakdown of and changes in the account in question compared to the year ended December 31, 2019:

(Euro thousands)	*At December 31*	*At December 31*	*Change*
	2020	2019	2020 vs 2019
Interest expense from cash pooling	283	9	273
Interest on mortgage loans	351	141	210
IFRS 16 interest expense	42	45	(3)
Other financial charges	2	-	2
Interest from group companies	68	724	(656)
Total financial charges	**746**	**919**	**(173)**

The account in question includes the financial charges consisting of cash pooling interest expense and outstanding loans from credit institutions at December 31, 2020, as well as the intra-Group loan from the parent company, Larama 98 S.p.A. and interest expense on lease payments per IFRS 16.
The account decreased by Euro 173 thousand due to the combined effect of the changes in the accounts commented upon below.
The account "Cash pooling interest expense" increased by Euro 273, mainly correlated with the increase in payables to subsidiaries generated by the financial performance of centralised treasury management.
The account "Interest on mortgage loans" includes the interest on the mortgage loan contracted from Banca Intesa in July 2019 and for the two loans contracted from Banca Carige in January 2020. The increase in the item in question is therefore to be correlated to the increase in debt contracted for the purchase of the property used as the holding company's headquarters.
The account "*Interest expense from Group companies*" amounted to Euro 68 thousand, of which Euro 64 thousand of interest expense from the parent company. The decrease of Euro 656 thousand was due mainly to the repayment in early 2020 of the intra-Group loans to Hesperia S.r.l. and CMSR Veneto Medica S.r.l., which thus did not generate interest expense.

Note 28 Impairments and other provisions

The account had a nil value at December 31, 2020, compared to Euro 34 thousand at December 31, 2019, when it included the loss relating to the liquidation of the investment in Centro Medico Palladio on November 30, 2019.

Note 29 Income taxes

The account "*Income taxes*" amounted to a positive Euro 582 thousand, compared to a positive amount of Euro 1,562 thousand in the previous year.
The table below shows the breakdown of and changes in the account in question for the periods ended December 31, 2020 and December 31, 2019.

(Euro thousands)	At December 31		*Change*
	2020	2019	2020 vs 2019
Current income taxes	(636)	(1,547)	911
Deferred tax income	(19)	(10)	(9)
Deferred tax income/(charge)	(16)	1	(17)
Other	90	(7)	96
Total income taxes	**(582)**	**(1,562)**	**981**

The account in question decreased by Euro 981 thousand, due mainly to the lower tax loss of GHC S.p.A. recorded in the year than in the previous year.

The company's nominal and effective rates for the years ended December 31, 2020 and December 31, 2019 are reconciled below.

IRES reconciliation	*At December 31*	
(Euro thousands)	2020	2019
Profit before taxes	**964**	**111**
IRES rate applicable	**24%**	**24%**
Theoretical tax charge (Profit before taxes * IRES tax rate)	231	27
Dividends received	(798)	(1,288)
IPO Costs at net equity	-	-
ACE Tax Break	(123)	(324)
Other changes	107	23
Total income taxes	**(582)**	**(1,562)**
Effective tax rate	**(60.40%)**	**(1408%)**

Note 30 Net profit for the year

2020 net profit of Euro 1,546 thousand compared to Euro 1,673 thousand in the previous year.

Note 31 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, 2020*		*At December 31, 2019*		*Change*
(Euro thousands)	*Book value*	Fair value	*Book value*	Fair value	*2020 vs 2019*
Loans	40,539	40,469	41,627	41,613	(1,074)
Total	**40,539**	**40,469**	**41,627**	**41,613**	**(1,074)**

The financial liabilities set out above have been assigned to level 2 of the fair value hierarchy (for both 2020 and 2019).
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. 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 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.

Note 32 Commitments, risks and contingent liabilities
32.1 Finance leases and final purchase commitments

The company has not undertaken finance leases.

32.2 Commitments and Guarantees

Commitments and guarantees at December 31, 2020 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, valid until December 31, 2025, of Euro 13,000 thousand, issued for the benefit of Larama Liguria (incorporated into 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.;
- Non-binding letter of patronage valid until June 30, 2024 of Euro 5,000 thousand, issued for the benefit of Casa di Cura Villa Garda S.r.l.
- Specific guarantee valid until June 30, 2027 of Euro 24,000 thousand, issued for the benefit of GHC Project 3 S.r.l (now Centro Medico San Biagio S.r.l.)
- Pledge valid until December 31, 2024 of Euro 14,300 thousand on the portion of the investment in Poliambulatorio Dalla Rosa Prati S.r.l.;
- Guarantee valid until January 31, 2025 on account of Ospedale Privati Riuniti S.r.l. of Euro 15,000 thousand.
- Omnibus guarantee of Euro 155 thousand, valid until revoked, issued for the benefit of Fides Medica S.r.l.
- Letter of indemnity valid until September 30, 2024 of Euro 100 thousand, issued for the benefit of Eremo di Miazzina S.r.l.;
- Independent guarantee valid until June 30, 2025 of Euro 2,670 thousand, issued for the benefit of Villa Von Siebenthal S.r.l.;
- Independent guarantee valid until June 30, 2025 of Euro 934 thousand, issued for the benefit of Villa Von Siebenthal S.r.l.;
- Mortgage of Euro 3,800 thousand valid until June 30, 2040 on the office property at Piazzale Belle Arti 6 and parking space in the courtyard;

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, 2020 and the year to December 31, 2019.
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 policy for managing the risks to which the company is exposed is approached as follows:
by setting guidelines that are to inspire operational management of liquidity risk;

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

32.3 Financial risk management

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 from revenues for the offsetting of costs incurred by the holding company for services provided to the subsidiaries. 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, 2020 and December 31, 2019 is provided below by time past due:

(Euro thousands)	*At December 31*	*At December 31*	*Change*
	2020	2019	2020 vs 2019
Receivables from subsidiaries for invoices to be issued	1,446	492	954
Maturing trade receivables	235	427	(191)
Total credit risk	**1,681**	**919**	**762**

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. At December 31, 2020 the GHC Group's average collection times from the Regional Health System were approximately 108 days.

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 S.p.A. 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.

The following is a breakdown of outstanding financial and trade payables in 2020, 2019 and 2018 by residual time to maturity:

(Euro thousands)	At December 31, 2020		
	Financial liabilities	Trade payables	Total
Maturity:			
Within 12 months	26,405	570	26,975
Due beyond one year	14,135	-	14,135
Total	**40,540**	**570**	**41,110**

(Euro thousands)	At December 31, 2019		
	Financial liabilities	Trade payables	Total
Maturity:			
Within 12 months	24,523	641	25,164
Due beyond one year	17,104	-	17,104
Total	**41,627**	**641**	**42,268**

in Euro thousands	At December 31, 2018		
	Financial liabilities	Trade payables	Total
Maturity:			
Within 12 months	7,468	527	7,995
Due beyond one year	389	-	389
Total	**7,857**	**527**	**8,384**

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 33 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 2020 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 in 2020 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, 2020:

2020	Receivables		Payables		Costs		Revenues	
(Euro thousands)	Fin./Tax	Trade/Other	Fin./Tax	Trade/Other	Fin.	Com.	Fin.	Com.
Maria Laura Garofalo	-	-	-	-	-	1,074	-	-
Claudia Garofalo	-	-	-	-	-	129	-	-
Larama 98 S.p.A.	-	-	(2,098)	-	63	-	-	-
Aurelia Hospital S.r.l.	-	-	-	(20)	-	47	-	-
Ledcon S.r.l.	-	-	-	-	-	296	-	-
Alessandro Maria Rinaldi	-	-	-	-	-	38	-	-
Alessandra Rinaldi	-	-	-	-	-	25	-	-
XRay One S.r.l.	5,418	58	-	-	-	-	(34)	(57)
Centro Medico San Biagio S.r.l.	-	351	(5,119)	-	61	-	(541)	(288)
Bimar S.r.l.	-	29	(252)	-	2	-	-	(22)
Centro Medico Università Castrense S.r.l.	-	79	(793)	-	7	-	-	(68)
Aesculapio S.r.l.	-	48	-	-	-	-	-	(41)
Ospedali Privati Riuniti S.r.l.	1,987	1,129	(2,428)	-	21	-	(146)	(458)
Poliambulatorio Dalla Rosa Prati S.r.l.	1,131	566	-	-	-	-	(9)	(268)
Casa di cura Prof. Nobili S.p.A.	-	49	(5,061)	-	60	-	-	(174)
Fides Servizi S.r.l.	-	-	(4)	(2)	-	-	-	-
PRORA S.r.l.	-	6	(615)	-	6	-	-	(21)
Ro. E. Mar. S.r.l.	332	17	-	(12)	-	-	(1)	(65)
Genia Immobiliare S.r.l.	-	-	(208)	-	2	-	-	-
Centro di Riabilitazione S.r.l.	-	19	(611)	(2)	6	-	-	(71)
Fides Medica S.r.l.	1,738	22	(313)	(3)	3	-	(51)	(85)
Hesperia Hospital Modena S.r.l.	-	408	(1,891)	-	37	-	(1,000)	(906)
Rugani Hospital S.r.l.	1,507	153	(1)	-	-	-	-	(274)
Villa Von Siebenthal S.r.l.	-	443	(11)	-	-	-	-	(95)
L'Eremo Di Miazzina S.r.l.	644	(200)	-	-	-	-	(19)	(305)
Sanimedica S.r.l.	-	21	(336)	-	4	-	-	(47)
C.M.S.R. Veneto Medica S.r.l.	-	214	(224)	-	12	-	-	(180)
Casa di Cura Villa Garda S.p.A.	-	117	(3,430)	-	43	-	-	(162)
Casa di Cura Villa Berica S.p.A.	-	816	(1,906)	-	23	-	(2,100)	(383)
Total	**12,757**	**4,343**	**(25,302)**	**-38**	**351**	**1,608**	**(3,899)**	**(3,972)**

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 34 Subsequent events after December 31, 2020

As regards significant events occurring after December 31, 2020, it should be noted that Garofalo Health Care S.p.A., with a view to streamlining its corporate structure, has launched the following activities: on January 21, 2021, the Company, following on from the press release published on January 20, 2021 and available on the Company website in the “Investor Relations /2021 Share Capital Increase” section, successfully completed the private placement through an accelerated book building (“ABB”) procedure of 8,200,000 newly issued ordinary shares, without par value, from the share capital increase with exclusion of pre-emption rights as per Article 2441, paragraph 4, second section, of the Civil Code approved by the Board of Directors on January 20, 2021.
The newly issued shares were subscribed at a unit price of Euro 5.10, for a total value, including share premium, of Euro 41,820,000. The placement of GHC shares offered for subscription and sale was reserved for qualifying investors (as per Article 2(1)(e) of Regulation (EU) 2017/1129 of the European Parliament and of the Council of June 14, 2017, the "Prospectus Regulation") (the “Qualifying Investors") in the European Economic Area and institutional investors overseas (excluding the United States of America, Canada, Japan and any other country or jurisdiction in which the offer or sale of such shares is prohibited by law or in the absence of exemptions). The subscription and sale transactions were completed by delivery and payment of the shares on January 26, 2021.
Upon full subscription of the newly issued shares, the nominal amount of GHC's post-increase share capital is Euro 31,570,000, comprising 90,200,000 ordinary shares with no par value.
In view of the type of demand received from investors through the Accelerated Book Building procedure and the priority given to the Share Capital Increase, the only controlling shareholder and Chief Executive Officer Ms. Maria Laura Garofalo decided to sell a total of 300,000 company shares. In view of that outlined above, as part of the ABB transaction a total of 8,500,000 shares were placed, including both newly issued shares and shares sold, for a total value of Euro 43,350,000.

It should also be noted that in pursuit of the process of acquisition-led growth, on February 24, 2021, Garofalo Health Care S.p.A. signed binding agreements for the acquisition of Clinica S. Francesco di Verona, a top international clinic and a National Health System accredited leading European robotic orthopaedic surgery centre. The Clinic, highly synergetic with other Group clinics, strengthens the major technological development undertaken by GHC. Acquisition includes a Diagnostic Center with latest generation equipment and all clinical buildings. The Clinic reported revenues of Euro 32 million in 2019 and pre-synergy adjusted EBITDA of approx. Euro 7 million, with margin of 22% - higher than Group average. The Enterprise Value of the transaction is Euro 59.5 million, with an Equity Value of Euro 46.6 million.

On February 2, 2021, the Company announced to the market that the Chief Financial Officer Mr. Fabio Tomassini would leave the position at the end of a three-year cycle at the Group, to embark on a new professional path. Fabio Tomassini will maintain his duties and responsibilities as Chief Financial Officer and as GHC’s Executive

Officer for Financial Reporting until the Shareholders' Meeting scheduled for April 30, 2021 for the approval of the Separate Financial Statements and the presentation of the Consolidated Financial Statements at December 31, 2020. On March 1, 2021, the Company therefore announced the new organisational and governance structure, ahead of further growth through M&A's and the upcoming transition to the Italian Stock Exchange's STAR segment. This new structure shall be applicable from the effective date of the resignation of Mr. Fabio Tomassini, who shall maintain his position and duties until the Shareholders' Meeting scheduled for April 30, 2021. The new organisational structure, based on professionals with an extensive knowledge of the Group and a solid entrepreneurial, managerial and professional track record, was created in line with the succession plan reviewed by the Appointments and Remuneration Committee last year and further strengthens GHC's focus on organic growth and M&A strategies, also in view of the upcoming move to the STAR segment.

Note 35 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., in all capacities and forms, during the years ended December 31, 2020 and December 31, 2019 amounted to Euro 1,072 thousand and Euro 637 thousand, respectively.
The remuneration accrued to the Board of Statutory Auditors of Garofalo Health Care S.p.A for the years ended December 31, 2020 and December 31, 2019 amounted to Euro 75 thousand and Euro 75 thousand, respectively.

in Euro thousands	At December 31, 2020
Statutory Auditors	75
Directors	1,072

in Euro thousands	At December 31, 2019
Statutory Auditors	75
Directors	637

Note 36 Independent auditors' fees

Type of service	Service provider	Company	Fees
Auditor	EY S.p.A.	GHC SPA	100
Other professional services	EY S.p.A.	GHC SPA	45

Note 37 Number of employees

The following table provides a concise comparison of the number of employees in 2020 by category with the previous year.

Employees by category	Number of employees at 31/12/2020	Number of employees at 31/12/2019	Change 2020 vs 2019
Executives	6	5	1
White collars/Managers	10	7	3
Total	16	12	4

Note 38 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 39 Information on share-based remuneration plans

On September 26, 2018 the Board of Directors approved a remuneration plan based on shares of the Company, i.e. a stock-grant plan designated "GHC Group – 2019 - 2021 Stock-Grant Plan" ("the Plan"), reserved for directors and managers of the Company 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. The Plan calls for the free assignment to the beneficiaries of the Plan of rights to receive a maximum of 2,775,000 shares free of charge in the years 2019 (1st Plan Cycle), 2020 (2nd Plan Cycle) and 2021 (3rd Plan Cycle).

Each cycle envisages:

- the assignment to beneficiaries of a certain number of rights to receive company shares free of charge at the end of the performance period, on the achievement of each of the three plan cycles;
- an annual performance period;
- the assignment of shares subject to the Board of Directors' verification of the Performance Objectives achieved in the year of reference.

The Plan is based on three cycles:

- - 1st Cycle: 01/01/2019 – 31/12/2019 (ending with the 2019 consolidated financial statements) whose performance period corresponds to the year 2019;
- - 2nd Cycle: 01/01/2020 – 31/12/2020 (ending with the 2020 consolidated financial statements) whose performance period corresponds to the year 2020;
- - 3rd Cycle: 01/01/2021 – 31/12/2021 (ending with the 2021 consolidated financial statements) whose performance period corresponds to the year 2021.

The assignment of rights takes place after the approval of the consolidated financial statements for the previous year, the one referring to the performance period.
The assignment of rights is made through a letter containing information on the number of rights assigned and details of the performance objectives and conditions for the allocation of shares.
The assignment of shares is subject to the achievement of the performance objectives and the number of shares will be established by the Board of Directors on the basis of the level of achievement of performance objectives, verified after the approval of the Shareholders' Meeting of the 2019 Annual Financial Statements for the 1st Cycle, the 2020 Annual Financial Statements for the 2nd Cycle and the 2021 Annual Financial Statements for the 3rd Cycle.
The following are the performance conditions for the first assignment cycle:
(i) for beneficiaries who are directors, self-employed workers and/or employees of the Company (including key management personnel), the increase of the Company's Operating EBITDA by more than 2% at the conclusion of the performance period;
(ii) for beneficiaries who are directors, self-employed workers and/or employees of a Group Company, the increase of the Operating EBITDA of the respective Group Company by more than 1%, 1.5% or 2% at the

conclusion of the performance period. The extent will be decided by the BoD after consultation with the remuneration and appointments committee;
(iii) for beneficiaries who are key management personnel if the difference (if positive) between the TSR and the FSTE Italia All Share index is more than 5% calculated at the end of the performance period.

The following is a summary of the number of rights assigned to senior personnel of GHC S.p.A. and the relative fair value of the rights established by a specially-appointed independent expert.

Stock Grant Plan		
	Number rights assigned	Fair Value at the assignment date
- assignment of rights 02/12/2020	74,190	379,850

Note 40 Allocation of the result

Dear shareholders, We propose the approval of the financial statements at December 31, 2020 and, in accordance with Article 2427, paragraph 1, No. 22 septies of the Civil Code, the allocation of the net profit of Euro 1,546 thousand as follows: Euro 77 thousand to the legal reserve, Euro 15 thousand to the provision as per Article 40 of the By-Laws and the remaining Euro 1,453 thousand to the extraordinary reserve.

Mr. Alessandro Maria Rinaldi
Legal Representative

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