CONSOLIDATED FINANCIAL STATEMENTS

at December 31, 2020

CONTENTS

Parent 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 January 26, 2021

CORPORATE BOARDS

BOARD OF DIRECTORS

ALESSANDRO MARIA RINALDI	Chairman
MARIA LAURA GAROFALO	Chief Executive Officer
GRAZIA BONANTE (*)	Independent Director
FRANCA BRUSCO (*)	Independent Director
NICOLA COLAVITO	Director
PATRIZIA CRUDETTI	Director
FEDERICO FERRO-LUZZI (*)	Independent Director
CLAUDIA GAROFALO	Director
GIUSEPPE GIANNASIO	Director
ALESSANDRA RINALDI GAROFALO	Director
UMBERTO SURIANI	Director

CONTROL, RISKS AND SUSTAINABILITY COMMITTEE

FRANCA BRUSCO	Chairperson
GRAZIA BONANTE	
FEDERICO FERRO LUZZI	

APPOINTMENTS AND REMUNERATION COMMITTEE

FEDERICO FERRO LUZZI	Chairman
FRANCA BRUSCO	
GRAZIA BONANTE	

BOARD OF STATUTORY AUDITORS

ALESSANDRO MUSAIO	Chairman
FRANCESCA DI DONATO	Statutory Auditor
ANDREA BONELLI(**)	Statutory Auditor
JACOPO DOVERI	Alternate Auditor

INDEPENDENT AUDIT FIRM

EY S.p.A.

EXECUTIVE OFFICER FOR FINANCIAL REPORTING

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.

CONSOLIDATED FINANCIAL STATEMENTS AT DECEMBER 31, 2020

Consolidated Balance Sheet at December 31, 2020

		For the year ended December 31			
in Euro thousands		2020	of which related parties	2019	of which related parties
Goodwill	Note 3	54,438		53,809	
Other intangible assets	Note 4	140,128		122,826	
Property, plant and equipment	Note 5	159,169		155,226	
Investment property	Note 6	963		1,002	
Equity investments	Note 7	928		1,009	
Other non-current financial assets	Note 8	236		112	
Other non-current assets	Note 9	1,199		1,007	
Deferred tax assets	Note 10	5,140		4,661	
TOTAL NON-CURRENT ASSETS		362,200		339,653	
Inventories	Note 11	3,487		2,939	
Trade receivables	Note 12	61,411		54,396	
Tax receivables	Note 13	4,995		3,564	
Other receivables and current assets	Note 14	2,822	1	3,327	633
Other current financial assets	Note 15	129		42	2
Cash and cash equivalents	Note 16	24,810		27,763	
TOTAL CURRENT ASSETS		97,654		92,031	
TOTAL ASSETS		459,855		431,684	

in Euro thousands		For the year ended December 31 2020	of which related parties	2019	of which related parties
Share capital	Note 17	28,700		28,700	
Legal reserve	Note 17	394		310	
Other reserves	Note 17	162,280		149,790	
Group result for the year	Note 39	11,781		13,142	
TOTAL GROUP SHAREHOLDERS' EQUITY		**203,155**		**191,932**	
Minority interest capital and reserves	Note 17	63		82	
Minority interest result	Note 39	3		12	
TOTAL SHAREHOLDERS' EQUITY		**203,221**		**192,025**	
Employee benefits	Note 18	11,054		10,503	
Provisions for risks and charges	Note 19	12,045		9,964	
Non-current financial payables	Note 20	89,522	2,099	92,346	4,336
Other non-current liabilities	Note 21	360		-	
Deferred tax liabilities	Note 10	47,787		45,458	
Derivative financial instrument liabilities - non-current	Note 22	326		36	
TOTAL NON-CURRENT LIABILITIES		**161,094**		**158,307**	
Trade payables	Note 23	35,857		33,358	
Current financial payables	Note 24	32,782		30,101	
Tax payables	Note 25	1,403		1,854	
Other current liabilities	Note 26	25,498	87	16,039	3,208
TOTAL CURRENT LIABILITIES		**95,540**		**81,352**	
TOTAL LIABILITIES		**256,634**		**239,659**	
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**459,855**		**431,684**	

2020 Consolidated 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 27	206,778		194,361	
Other revenues	Note 28:	4,068		2,177	
TOTAL REVENUES		**210,846**		**196,538**	
Raw materials and consumables	Note 29	28,528		26,012	
Service costs	Note 30	88,229	2,167	79,436	4,144
of which non-recurring charges		-		-	
Personnel costs	Note 31	52,797		46,960	
Other operating costs	Note 32	10,724		9,354	
Amortisation, depreciation & write-downs	Note 33	11,807		11,579	
Impairments and other provisions	Note 34	3,270		2,695	
TOTAL OPERATING COSTS		**195,356**		**176,036**	
EBIT		**15,489**		**20,502**	
Financial income	Note 35	64		77	
Financial charges	Note 36	(2,758)	(64)	(2,230)	(337)
Results of investments at equity	Note 37	227		311	
TOTAL FINANCIAL INCOME AND CHARGES		**(2,467)**		**(1,842)**	
PROFIT BEFORE TAXES		**13,022**		**18,660**	
Income taxes	Note 38	1,238		5,507	
NET PROFIT FOR THE YEAR	**Note 39**	**11,784**		**13,153**	
Attributable to:					
Group	Note 39	11,781		13,142	
Minority interests	Note 39	3		11	
Basic and diluted earnings per share (in Euro)	**Note 40**	**0.14**		**0.16**	

Consolidated Comprehensive Income Statement at December 31, 2020

(Euro thousands)	At December 31, 2020	At December 31, 2019
PROFIT FOR THE YEAR	11,784	13,153
Other components of the comprehensive income that will not subsequently be reclassified in profit/(loss) for the year		
Actuarial gains/(losses) on defined employee benefit plans	(342)	(558)
Tax effect	82	134
Total other components of comprehensive income that will not subsequently be reclassified in profit/(loss) for the year net of income taxes	(260)	(424)
Other components of the comprehensive income that may be subsequently reclassified in profit/(loss) for the year		
Fair value of derivative instruments	(290)	-
Tax effect	75	-
Total other comprehensive items that may be subsequently reclassified to profit/(loss) for the period net of income taxes	(215)	-
Loss recognised to equity	(475)	(424)
Total comprehensive income	11,309	12,729
Attributable to:		
Group	11,306	12,718
Minorities	3	11

Statement of changes in consolidated shareholders' equity at December 31, 2020

in Euro thousands	Share capital	Legal reserve	Other reserves	Group net profit	Group shareholders' equity	Minority interest capital & reserves	Minority interest net profit	Total Net equity
December 31, 2018	28,700	60	136,507	13,583	178,850	6,519	486	185,855
Allocation of result	-	250	13,333	(13,583)	-	486	(486)	-
Acquisition of treasury shares	-	-	(1,259)	-	(1,259)	-	-	(1,259)
Minority interest acquisition			209		209	(6,891)	-	(6,682)
Stock Grant reserve	-	-	1,361	-	1,361	-	-	1,361
Comprehensive profit/(loss)	-	-	(424)	13,142	12,718	-	11	12,729
Other movements	-	-	53	-	53	(32)	-	21
December 31, 2019	28,700	310	149,780	13,142	191,932	82	11	192,025
December 31, 2019	28,700	310	149,780	13,142	191,932	82	11	192,025
Allocation of result	-	84	13,058	(13,142)	-	11	(11)	-
Acquisition of treasury shares	-	-	(463)	-	(463)	-	-	(463)
Non-controlling interest acquisition			20		20	(30)	-	(10)
Use of Reserve as per Article 40			(40)		(40)	-	-	(40)
Stock Grant reserve	-	-	406	-	406	-	-	406
Comprehensive profit/(loss)	-	-	(475)	11,781	11,306	-	3	11,309
Other movements	-	-	(6)	-	(6)	-	-	(6)
December 31, 2020	28,700	394	162,280	11,781	203,155	63	3	203,221

Consolidated Cash Flow Statement at December 31, 2020

In Euro thousands	December 31	
	2020	2019
OPERATING ACTIVITIES		
Profit for the year	**11,784**	**13,154**
Adjustments for:		
- Amortisation and depreciation	11,588	10,329
- Provisions for employee benefit liabilities	653	503
- Provisions for risks and charges	3,270	2,695
- Doubtful debt provision	220	1,250
- Change in investments in associates valued under the equity method	(227)	(311)
- Change in other non-current assets and liabilities	44	41
- Net change in deferred tax assets and liabilities	(2,518)	(138)
- Change in fair value of derivative instruments	-	24
- Payments for employee benefits	(1,241)	(1,261)
- Payments for provisions for risks and charges	(380)	(1,260)
Changes in operating assets and liabilities:		
(Increase) decrease in trade and other receivables	(6,508)	(7,670)
(Increase) decrease in inventories	(422)	80
Increase (decrease) in trade and other payables	(99)	1,567
Other current assets and liabilities	6,802	(81)
NET CASH FLOW GENERATED BY OPERATING ACTIVITIES (A)	**22,963**	**18,922**
CASH FLOW FROM INVESTING ACTIVITIES		
Investments in intangible assets	(1,145)	(415)
Investments in tangible assets	(10,995)	(8,811)
(Investments)/disposals in financial assets	-	3,051
Sale of tangible assets	595	84
Dividends from associates	308	200
Acquisition of Ospedali Privati Riuniti, net of cash acquired	-	(52,741)
Acquisition of Poliambulatorio Dalla Rosa Prati, net of cash acquired and net of payments on account	-	(17,487)
Acquisition of Centro Medico San Biagio e Bimar, net of cash acquired	-	(41,661)
Acquisition of Centro Medico Centro Medico Università Castrense, net of cash acquired	-	(4,751)
Acquisition of Aesculapio, net of cash acquired	-	(1,656)
Acquisition of XRay One, net of cash acquired	(12,001)	-
CASH FLOW ABSORBED BY INVESTING ACTIVITIES (B)	**(23,238)**	**(124,187)**
CASH FLOW FROM FINANCING ACTIVITIES		
Issue of medium/long term loans	14,270	54,300
Repayment of medium/long-term loans	(11,625)	(5,878)
Issue/(repayment) of short-term loans	(2,498)	2,144
Change in other non-current financial payables	(2,301)	(2,699)
Use of Reserve as per Article 40	(40)	-
(Acquisition) minority interests	(21)	(5,866)
(Acquisition) treasury shares	(463)	(1,260)
NET CASH FLOW GENERATED/(ABSORBED) BY FINANCING ACTIVITIES (C)	**(2,678)**	**40,741**
TOTAL CASH FLOWS (D=A+B+C)	**(2,953)**	**(64,524)**
CASH & CASH EQUIVALENTS AT BEGINNING OF YEAR (E)	**27,763**	**92,287**
CASH & CASH EQUIVALENTS AT END OF YEAR (F=D+E)	**24,810**	**27,763**

Additional information:		
Interest paid	1,282	998
Income taxes paid	4,161	5,362

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT DECEMBER 31, 2020

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

1.1 Company information

The publication of the Group's consolidated financial statements for the period ended December 31, 2020 was approved by the Board of Directors on March 16, 2021.

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

1.2 General Principles

The consolidated financial statements of the GHC Group for the year ended December 31, 2020 (the "Consolidated Financial Statements") have been prepared in compliance with IFRS international accounting standards issued by the International Accounting Standards Boards (IASB), supplemented by the related interpretations of the International Financial Reporting Standards Interpretations Committee (IFRS IC), previously called the Standing Interpretations Committee (SIC), as well as the provisions issued in implementation of Article 9 of Legislative Decree no. 38/2005. The IFRSs applied are those in effect at the reporting date of the Consolidated Financial Statements.

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

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

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

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

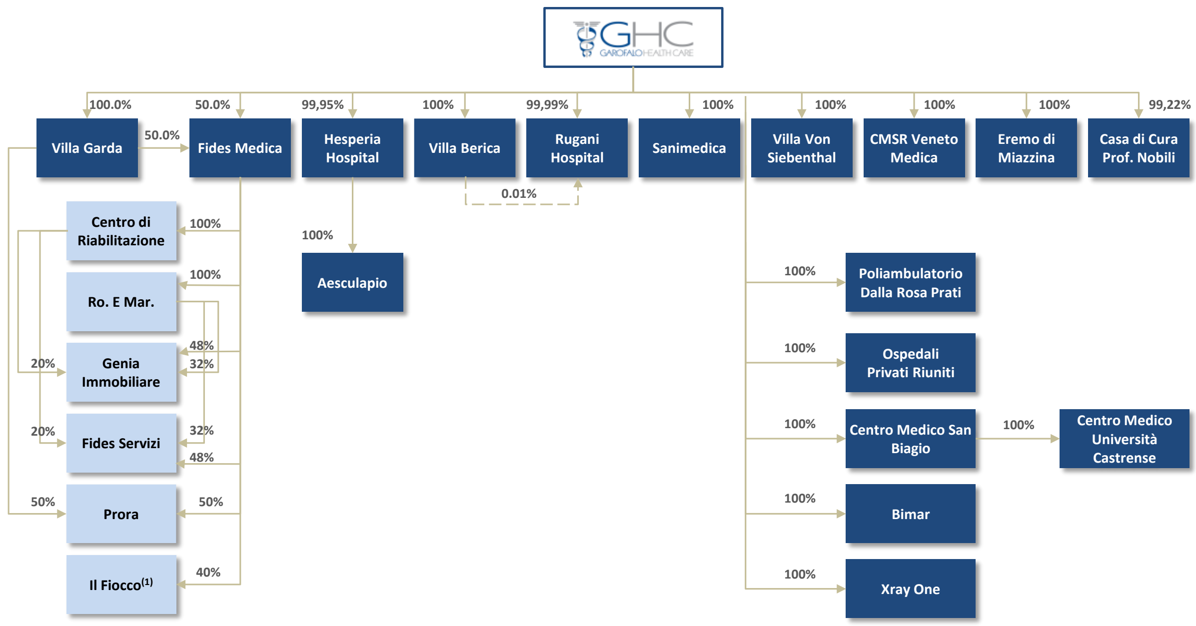
1.3 Financial Statements

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

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

1.4 Group Structure

The composition of the Group at December 31, 2020 and updated to reflect the acquisition of XRay One S.r.l. is provided below.



(1) Unica partecipazione di minoranza consolidata con il metodo patrimoniale

1.5 Consolidation principles and scope of consolidation

The Consolidated Interim Financial Statements include the Financial Statements of GHC and of its subsidiaries at December 31, 2020.

The details of the consolidated companies are shown below.

Company	Registered office	Relationship with the Parent Company	Consolidation Method	Percentage held (direct and indirect) as of December 31	Percentage held (direct and indirect) as of December 31
				2020	2019
Garofalo Health Care S.p.A.	Rome	Holding	Line-by-line	Holding	Holding
Hesperia Hospital Modena S.r.l.(*)	Modena	Subsidiary	Line-by-line	99.95%	99.95%
Casa di Cura Villa Berica S.p.A.	Vicenza	Subsidiary	Line-by-line	100%	100%

Rugani Hospital S.r.l.	Monteriggioni (SI)	Subsidiary	Line-by-line	100%	100%
CMSR Veneto Medica S.r.l.	Altavilla Vicentina (VI)	Subsidiary	Line-by-line	100%	100%
Sanimedica S.r.l.	Altavilla Vicentina (VI)	Subsidiary	Line-by-line	100%	100%
Eremo di Miazzina S.r.l.(*)	Cambiasca (VB)	Subsidiary	Line-by-line	100%	100%
Casa di Cura Villa Garda S.p.A.	Garda	Subsidiary	Line-by-line	100%	100%
Villa Von Siebenthal S.r.l.	Genzano di Roma (RM)	Subsidiary	Line-by-line	100%	100%
Casa di Cura Prof. Nobili S.p.A.	Castiglione dei Pepoli (BO)	Subsidiary	Line-by-line	99.21%	98.81%**
F.I.D.E.S. Medica S.r.l.	Piombino	Subsidiary	Line-by-line	100%	100%
Centro di Riabilitazione S.r.l.	Genoa	Subsidiary	Line-by-line	100%	100%
Genia Immobiliare S.r.l.	Genoa	Subsidiary	Line-by-line	100%	100%
Ro. E. Mar S.r.l.	Piombino	Subsidiary	Line-by-line	100%	100%
Fides Servizi S.c.a.r.l.	Genoa	Subsidiary	Line-by-line	100%	100%
PRORA S.r.l.	Genoa	Subsidiary	Line-by-line	100%	100%
Il Fiocco S.c.a.r.l.(***)	Genoa	Associate	Equity Method	40%	40%
Poliambulatorio Dalla Rosa Prati S.r.l	Parma	Subsidiary	Line-by-line	100%	100%
Ospedali Privati Riuniti S.r.l.	Bologna	Subsidiary	Line-by-line	100%	100%
Centro Medico San Biagio S.r.l.	Fossalta di Portogruaro (VE)	Subsidiary	Line-by-line	100%	100%
Centro Medico Università Castrense S.r.l.	San Giorgio di Nogaro (UD)	Subsidiary	Line-by-line	100%	100%
Bimar S.r.l.	Fossalta di Portogruaro (VE)	Subsidiary	Line-by-line	100%	100%
Aesculapio S.r.l.	San Felice sul Panaro (MO)	Subsidiary	Line-by-line	100%	100%
XRay One S.r.l.	Poggio Rusco (MN)	Subsidiary	Line-by-line	100%	-

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

***In 2019, the percentage held was inclusive of treasury shares, which were cancelled during 2020*

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

On July 23, 2020, the acquisition of Polyclinic XRay One S.r.l. was finalized, 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.

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

1.6 Summary of the main accounting standards

Business combinations and goodwill

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

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

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

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

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

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

Other intangible assets

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

Intangible assets with a finite useful life are subsequently amortized over their useful life and tested for impairment whenever there is evidence of a loss of value. The amortization period and the amortization method of an intangible asset with finite useful life are reconsidered at least at the end of each year. Changes in the expected useful life or in the manner in which the future economic benefits related to the asset will be 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 profits or losses deriving from the derecognition of an intangible asset are calculated as the difference between the net revenue from the disposal and the carrying value of the intangible asset and are recognized in the Profit/(Loss) Statement of the year at the time of derecognition.

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

Property, plant and equipment

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

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

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

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

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

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

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

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

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

Leases

IFRS 16 establishes the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise the majority of leasing contracts on the basis of a single accounting model.

Right-of-use assets

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

Lease liabilities

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

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

Short-term leases and low value asset leases

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

Investment property

Tangible assets held for income and not for instrumental use are classified in a specific class called Investments properties, in accordance with IAS 40, and are accounted for at cost. The assets included in these cases consist of land and/or buildings (or parts of buildings) held by the owner or tenant under a finance or operating lease in order to lease them or for the appreciation of the capital invested.

These types of properties are classified separately from other owned assets. Investments properties are shown net of the related accumulated depreciation and any impairment. The useful life of the Group's Investments properties is 33 years.

Impairments

The Group assesses whether there is evidence of impairment of Intangible assets and Property, plant and equipment on each reporting date and of goodwill and accreditation on an annual basis. Where such indicators arise, or every year for intangible assets with an indefinite useful life, an impairment test is carried out.

In the event that the carrying value (book value) of the assets exceeds the recoverable value, they are written down to reflect the latter. The recoverable amount is determined as the higher of the fair value of an asset or cash-generating unit net of costs of sale and its use value and is determined for each asset individually, unless an asset generates cash flows that are not largely independent from those generated by other assets or groups of assets; in this case, the Group estimates the recoverable value of the cash-generating unit to which the asset belongs.

In measuring the value in use, the Group discounts the future estimated cash flows to their present value, using a pre-tax discount rate that reflects the market assessments of the time value of money and the specific risks associated with the asset.

For the purpose of estimating the value in use, future cash flows are derived from the business plans approved by the Board of Directors, which constitute the best estimate that can be made by the Group on the economic conditions expected in the period of the plan. The projections of the plan normally cover a time span of three years; the long-term growth rate used to estimate the terminal value of the asset or unit is normally lower than the average long-term growth rate of the sector, country or market of reference.

When the carrying amount of an asset or cash-generating unit is higher than its recoverable amount, this asset has incurred an impairment loss and is consequently written down to the recoverable amount.

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

Investments in associates and other companies

An associate is a Company in which the Group exercises significant influence. Significant influence is the power to participate in the financial and operating policy decisions of an investee, however not exercising control or joint control. An investee holding 20% or more indicates significant influence unless the contrary is proven.

Investments of the Group in associated companies are measured using the equity method.

With the equity method, the investment in an associated company is initially recorded at cost. The accounting value of the investment is increased or decreased to recognize the investor's share of the profits and losses of the investee realized after the acquisition date. The goodwill relating to the associate is included in the book value of the investment and is not subject to a separate impairment test.

The profit/(loss) statement for the year reflects the Group's portion of the operating result of the associated company. Any change in the other components of the comprehensive income statement relating to these investee companies is presented as part of the Group's comprehensive income statement. Furthermore, in the event that an associated company recognizes a change directly attributable to shareholders' equity, the Group recognizes its portion, where applicable, in the statement of changes in equity. Unrealized gains and losses deriving from transactions between the Group and associated companies are derecognized in proportion to the shareholding in associates.

The aggregate share attributable to the Group of the result for the year of associated companies is shown in the profit/(loss) statement for the year after the operating result and represents the result net of taxes and of the share of the other shareholders of the associate.

The financial statements of associates are prepared on the same closing date as the Group financial statements. Where necessary, the financial statements are adjusted to conform them with the Group's accounting standards.

After applying the equity method, the Group assesses whether it is necessary to recognize an impairment loss of its investment in the associated companies. The Group at each reporting date assesses whether the investments in associates have incurred a loss in value. In this case, the Group calculates the amount of the loss as the difference between the recoverable value of the associate or the joint venture and the carrying amount of the same in its financial statements, recognizing said difference in the profit/loss statement in the item "share of the result of associates and joint ventures".

Upon loss of significant influence over an associated company or joint control over a joint venture, the Group assesses and recognizes the residual shareholding at fair value. The difference between the carrying amount of the investment at the date of the loss of significant influence or of the joint control and the fair value of the residual investment and the amount received is recognized in the income statement.

Current/non-current classification

Assets and liabilities in the financial statements of the Group are classified according to the current/non-current criterion.

An asset is current when:

- it is expected to be realised, or is held for sale or consumption, in the normal course of the operating cycle;
- it is held mainly for the purpose of negotiating it;
- it is expected to be realized within twelve months of the closing date of the year; or
- it consists of cash or cash equivalents unless it is forbidden to exchange it or use it to settle a liability for at least twelve months from the closing date of the financial year.

A liability is considered current when:

- it is expected to be settled within the normal operating cycle;
- it is held mainly for the purpose of negotiating it;
- it must be settled within twelve months of the closing date of the year; or
- the entity does not have an unconditional right to defer settlement of the liability for at least twelve months of the closing date of the year.

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

Inventories

Inventories are stated at the lower between acquisition or manufacturing cost, determined according to the FIFO method and the estimated realizable value.

The purchase cost also includes directly attributable ancillary costs and returns, trade discounts, rebates, premiums and any contributions recognized by suppliers are always deducted from the same.

Inventories are recorded net of the obsolescence provision.

Cash and cash equivalents

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

Treasury shares

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

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

Stock Grants

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

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

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

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

Provisions for risks and charges

Allocations to Provisions for risks and charges are made when the Group must fulfil a current obligation (legal or implicit) arising from a past event, when an outflow of resources in order to fulfil this obligation is probable and it is possible to make a reliable estimate of its amount.

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

Employee Benefit Provisions

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

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

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

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

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

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

The Group does not have other defined benefit pension plans.

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

Financial instruments

Classification and measurement

Financial assets are recorded under Non-Current Financial Receivables, other receivables and non-current assets, Trade Receivables, Other Current Assets and Cash and Cash Equivalents. They are classified and measured on the basis of the characteristics of their cash flows and the business model applied to their management. Initially, all the financial assets are measured at fair value increased (or decreased in the case of financial assets measured at fair value through profit and loss) by the transaction costs directly linked to the asset's acquisition. The subsequent measurement depends on the nature of cash flows generated by the financial instrument and in accordance with the business model adopted by the Company.

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

- Assets measured at amortized cost: the asset is not designated to FVTPL (fair value to profit and loss), the purpose of ownership is the collection of contractual cash flows; the contractual terms envisage cash flows for payments of principal and the relative interest at given dates;

- Assets measured at fair value through other comprehensive income (FVOCI): the asset is not designated to FVTPL, the business model envisages the possibility of both collecting contractual cash flows and of selling the asset; the contractual terms envisage cash flows for payments of principal and the relative interest at given dates;

- Assets measured at fair value through profit and loss (FVTPL): all assets not classified in the previous categories fall under this category.

- Assets measured at amortized cost: for the Group, these comprise receivables originating over the course of the normal operating activity. At the time of the initial recognition, they are recorded on the basis of their fair value including ancillary costs. For trade and other receivables, this generally corresponds to their par value. Subsequently, if these have a pre-fixed maturity, they are measured at amortized cost using the effective interest method. When financial assets do not have a fixed maturity they are valued at the acquisition cost. Receivables due beyond one year, non-interest bearing or which mature interest below market rates are discounted using market rates. In turn, these assets are derecognised once the rights to receive cash flows from the asset are terminated or the Group has transferred the right to receive cash flows from the asset or has assumed the contractual obligation to pay them entirely and without delay to a third party by substantially transferring all of the risks and rewards of ownership of the financial asset, or by not substantially transferring or retaining all of the risks and rewards of the asset, but transferring its control. Where the Group has transferred all the contractual rights to receive the cash flows from an asset and has not transferred or withheld substantially all of the risks and rewards or has not lost control, the asset is recorded in the financial statements of the Group up to the amount of its residual holding. In this case, the company also recognises an associated liability. The asset and liability are measured in order to reflect the rights and obligations maintained by the Group. Residual involvement that takes the form of a guarantee on the transferred asset is valued at the asset's initial book value or the maximum consideration that the Group could be required to pay, whichever is less. The gains and losses are recognized in the income statement when the investment is eliminated or if there is an impairment, in addition to the amortization process and conversion.

- Assets measured at fair value through profit and loss: this category includes equity securities represented by investments other than those in subsidiaries, associates and joint ventures and not held for trading purposes, as the Group has decided not to apply the option for FVOCI measurement.

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

Initially, financial liabilities are recorded at fair value increased (or decreased in the case of financial liabilities measured at fair value through profit and loss) by the transaction costs directly linked to the issue of the liability. Subsequently, they are measured at amortized cost excluding the derivative financial instruments or the liabilities held for trading which are measured at fair value through profit and loss. They are classified and measured on the basis of the characteristics of their cash flows and the business model applied to their management. Financial liabilities held by the Group fall under the category of Financial Liabilities at amortized cost. They are measured at amortized cost, using the effective interest method. The amortized cost is calculated taking into consideration all discounts or purchase premiums and includes commissions and transaction costs which are an integral part of the effective interest rate. A financial liability is 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.

Derivative instruments

Derivative instruments are recorded in the balance sheet and measured at fair value and the gains or losses are recorded respectively to the income statement if the derivatives are not definable as hedges in accordance with IFRS 9 or if they hedge a price risk (fair value hedge) or in the comprehensive income statement if they hedge a future cash flow or a future contractual commitment already assumed at the balance sheet date (cash flow hedge).

The Group only carries out transactions with derivative financial instruments for hedging purposes, with the aim of neutralising potential losses that may be incurred on a particular item or group of items attributable to a given risk, in the event that it should actually occur.

In particular, the financial risks hedged are those potentially deriving from the variation in the interest rates of loans in place and from exchange rate fluctuations on foreign currency commercial transactions. All the financial instruments not traded in an active market are measured at fair value calculated by means of valuation techniques.

When derivative instruments have the characteristics for hedge accounting, the Group applies the following accounting treatment:

- Cash flow hedges: if a derivative financial instrument is designated as a hedge to the exposure of the cash flow fluctuations of an asset or liability recorded in the financial statements or of an operation considered highly probable and which may have effects on the income statement, the effective portion of the profits or of the losses of the financial instrument is recognised under other comprehensive income in a separate reserve; the cumulative profits or losses are reclassified from shareholders' equity and recognised to the income statement in the same period in which the operation subject to hedging is recorded; the profit or loss related to a hedge or the part of the hedge becoming ineffective is recognised to the income statement when such inefficacy is recognised.

- Fair value hedges: if a derivative financial instrument is designated as a hedge to the exposure of the changes in the fair value of an asset or liability in the financial statements attributable to a specific risk which can have effects on the income statement, the profit or loss on the hedged item, attributable to the risk hedged, is recognised as part of the carrying value of this item and recognised to the income statement.

If hedge accounting cannot be applied, gains or losses deriving from the fair value of the financial derivative instrument are recognised directly in the income statement. In the same manner, if the hedged transaction is no longer probable, the unrealised profits or losses recognised in shareholders' equity are immediately recognized in the income statement. If, on the other hand, the hedging instrument is closed without the underlying operation being realised, the financial instruments recognised in shareholders' equity are only recorded in the income statement when the relative operation is realised.

Fair value measurement

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

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

- in the main market of the asset or liability;

or

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

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

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

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

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

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

- Level 1 - listed prices (not adjusted) on active markets for identical assets or liabilities which the entity can access at the measurement date;

- Level 2 - inputs other than listed prices included in Level 1, directly or indirectly observable for the asset or the liability;

- Level 3 - measurement techniques for which the input data are not observable for the asset or for the liability.

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

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

The Group Financial Committee determines the criteria and procedures for both recurring fair value measurements, such as capital instruments, and for non-recurring measurements. The Group Financial Committee includes the financial managers of each structure and the financial manager of the Group.

External appraisers are involved in the valuation of significant assets, such as real estate property, and significant liabilities. This involvement is decided annually after discussion and with the approval of the Board of Statutory Auditors. Selection criteria include knowledge of the market, reputation, independence and compliance with professional standards. Following the discussion with external appraisers, the Group Financial Committee decides which evaluation techniques and which inputs to use for each case.

At each reporting date, the Group Financial Committee analyses the changes in the values of assets and liabilities for which the revaluation or recalculation is required, based on the Group's accounting standards.

For this analysis, the main inputs applied in the most recent assessments are verified by comparing information used in the assessment to contracts and other relevant documents.

The Group Financial Committee carries out, with the support of external appraiser, a comparison between each change in the fair value of each asset and liability and the relevant external sources, in order to determine whether the change is reasonable. The results of the evaluations are presented periodically to the Board of Statutory Auditors and to the Group's auditors. This presentation includes a discussion of the main assumptions adopted in measurement.

For fair value disclosure purposes, the Group classifies assets and liabilities according to type, characteristics and the risks associated with the assets and the liabilities and the fair value hierarchy level, as previously illustrated.

Summarized below are the notes relating to the fair value of financial instruments and non-financial assets measured at fair value, and those in which fair value disclosures are presented:

- Evaluation techniques, discretionary evaluations and significant accounting estimates Note 2;
- Quantitative information on the fair value measurement hierarchy Note 40;
- Financial instruments (including those valued at amortized cost) Note 21.

Recognition of revenues from sales and services

With Regulation No. 2016/1905 issued by the European Commission on September 22, 2016, IFRS 15 "Revenue from contracts with customers" (hereinafter IFRS 15) was approved, which defines the criteria for recognition and measurement of revenues deriving from contracts with customers. The standard will replace all current requirements in the IFRS regarding revenue recognition and envisages a new five-phase model that will apply to revenues from contracts with customers. In general, IFRS 15 requires the recognition of revenues for an amount that reflects the amount to which the entity believes to be entitled in exchange for the transfer of goods or services to the customer. In particular, IFRS 15 requires the recognition of revenues to be based on the following 5 steps: (i) identification of the contract with the customer; (ii) identification of the performance obligations (i.e. the contractual promises to transfer goods and/or services to a customer); (iii) determination of the transaction price; (iv) allocation of the transaction price to the performance obligations identified based on the stand-alone sale price of each good or service; and (v) recognition of the revenue when the related performance obligation has been fulfilled. Furthermore, IFRS 15 complements the disclosures to be provided with reference to the nature, amount, timing and uncertainty of resulting revenues and related cash flows. The provisions of IFRS 15 are effective for years beginning on or after January 1, 2018; earlier application is permitted.

The Group operates in the accredited private healthcare sector and its activity takes the form of services in acute areas, outpatient services, long hospitalization and rehabilitation, and accounts for its revenues for these services as follows:

- Services in acute areas: The Group accounts for revenues for these services when the control of the asset has been transferred to the customer, coinciding with the moment in which the health intervention is performed;
- Outpatient services: The Group accounts for revenues for these services when the control of the asset

has been transferred to the customer, coinciding with the moment in which the health intervention is performed;

• Long-term care and rehabilitation: The Group accounts for revenues for these services when the control of the asset has been transferred to the customer, coinciding with the moment in which the health intervention is performed. In the case of long hospitalization, a daily allowance is provided, making the payment directly commensurate with the number of hospital days.

It is clarified that with reference to the above services provided under the agreement, revenues are recognized in the maximum limit of the regional annual cost cap assigned to the Company if present, while with reference to revenues from private and/or insured customers, they are recorded in relation to the service actually provided.

Recognition of costs

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

Financial income and charges

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

Income taxes

Current income taxes

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

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

Deferred taxes

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

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

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

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

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

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

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

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

Indirect taxes

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

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

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

Basic and diluted earnings per share

The accounting standard IAS 33 - Earnings per Share regulates the calculation and disclosure to be provided to users of the financial statements in terms of basic and diluted earnings per share. The classes of financial instruments identified by the standard that must be considered for the calculation of the aforementioned indicators are options, warrants, instruments convertible into shares (ex. convertible bonds) and similar.

Basic earnings per share are calculated on the basis of the profit for the period divided by the weighted average number of ordinary shares during the year.

Diluted earnings per share are calculated on the basis of the diluted earnings for the period attributable to the shareholders of the Parent Company, divided by the weighted average number of ordinary shares outstanding, modified by the number of potentially dilutive ordinary shares.

The Company does not present potentially dilutive financial instruments and therefore the two indicators coincide.

Segment disclosure

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

The GHC Group is one of the main operators in the private healthcare sector accredited in Italy in terms of turnover, operates through eighteen healthcare facilities located in six Italian regions, and offers a wide range of services covering all sectors of health, which includes and is divided into the hospital and social-care sectors, thanks to the diversification of the specialities provided, the use of cutting-edge technology and highly qualified personnel.

In particular, the Group operates in six regions of North and Central Italy, where it is present through a single business unit in the:

- hospital sector, through acute admissions, long-term care, post-acute rehabilitations and outpatient services (the “Hospital Sector”);
- social-care sector, through residential admissions (the “Social-Care Sector”).

The GHC Group facilities are located in the following Italian regions: Piemonte (2), Veneto (6), Friuli Venezia Giulia (1), Emilia Romagna (6), Lombardy (1) Liguria (11, of which 4 owned by Il Fiocco, an associated company of Fides Medica S.r.l. consolidated according to the equity method), Tuscany (1) and Lazio (1).

The Hospital Sector is in turn sub-divided into three sectors: (i) hospitalization of acute patients, (ii) post-acute care and (iii) outpatient services.

The Social-Care Sector, represented by all the activities and services also specialized in the treatment of complex physical, neurological and sensory pathologies, offers, in a residential scheme, assistance to the elderly and treatment of specific pathologies including (i) severe disabilities, (ii) treatment for patients with LIS (Locked-in-Syndrome) or with amyotrophic lateral sclerosis in the terminal phase (Departments N.A.C. - High Chronic Neurological Complexity Nucleus), (iii) complex disabilities, mainly motor or clinical assistance and functional (Healthcare Assistance Continuity), (iv) patients with disability from severe cerebral acquired lesion (Departments “SVP” - Persistent Vegetative Coma States) and (v) psychiatric disorders and disorders related to the use of psychoactive substances.

From the point of view of the Group’s management organization, the activity carried out was grouped into a single Strategic Business Unit (hereinafter “SBU”), which includes the entire business. This approach stems from the fact that the only activity carried out consists of operating in the accredited private health sector, through various services offered but that are managed jointly by management.

The Group’s management observes together the results achieved by the single legal entities belonging to the Group, as well as the results of the two sectors identified within the single SBU, in order to make uniform decisions regarding the allocation of resources and the verification of the performance for the entire SBU.

1.7 Discretional valuations and significant accounting estimates

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

Period of depreciation of tangible assets and amortization of intangible assets and impairment test

Depreciation and amortization of assets with definite useful life of tangible assets and intangible assets and the forecast data used for the purposes of impairment tests require a discretionary valuation by the directors, which is revised at each reporting date in order to verify that the amounts recorded are representative of the best estimate of costs that may be incurred by the Group and, if significant changes are detected, the amounts are reviewed and updated.

With regard to the impairment test, reference should be made to the paragraph “Impairment of assets” below in the present consolidated financial statements at December 31, 2020.

Legal proceedings

The Company is a party to various legal proceedings concerning claims for damages related to operations, tax, labour law or other contractual relations. These disputes are subject to many uncertainties, and the outcome of the individual positions is not predictable with certainty. Moreover, they often derive from complex legal problems subject to different degrees of uncertainty.

A provision is made in relation to a dispute or threat if the loss is probable and there will be an outflow of funds and when the amount can be reasonably estimated. If an outflow of funds becomes probable, but the amount cannot be estimated, this fact is reported in the notes.

Since these provisions are estimates, the resolution of some of these positions may require the Company to make payments in excess of the amounts provisioned or may require the Company to make payments in an amount that could not reasonably be estimated. The Company monitors the status of legal proceedings and regularly consults with legal and tax experts. Therefore, provisions for legal proceedings of the Company may change as a result of future developments on these matters.

Business Combinations

Accounting for business combinations entails allocating the difference between purchase cost and net carrying amount to the assets and liabilities of the acquired business. For the majority of assets and liabilities this difference is allocated by recognizing the assets and liabilities at fair value. If positive, the unallocated portion is recognized as goodwill. If negative, it is recognized in the income statement. The Group bases its allocations on available information and, for the more significant business combinations, on external appraisals.

Deferred tax assets

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

Value adjustments on receivables

Value adjustments on receivables represent the best possible estimate made by management, based on the information held at the date of preparation of the financial statements

The estimates and assumptions are made by the directors with the support of the company departments and, when appropriate, of independent specialists and are reviewed periodically.

1.8 New accounting standards, interpretations and amendments adopted by the Group

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

The Group is assessing the impact of the modifications, amendments and interpretations to the approved accounting standards not adopted early or in the process of being approved.

Set out below are the standards and interpretations which, at the date of preparation of the financial statements, had already been issued and not adopted in advance:

<u>Amendments to IFRS 3: Definition of a business</u>

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.

These amendments did not have any impact on the Group consolidated financial statements.

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.

These amendments did not have any impact on the Group consolidated financial statements.

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."

These amendments did not have any impact on the Group consolidated financial statements.

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 is to be mandatorily applied on or after June 1, 2020, early application is permitted.

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 1, 2020 or thereafter.

These amendments did not have any impact on the Group consolidated financial statements.

1.9 IAS/IFRS international accounting standards whose compulsory application starts after December 31, 2020

<u>IFRS Insurance Contracts</u>

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 1, 2021 or thereafter.

<u>Amendments to IAS 1: Classification of liabilities as current and non-current</u>

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.

<u>Amendments to IFRS 3:</u>

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.

<u>Amendments to IAS 16:</u>

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 standard 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.

IFRS 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.

On January 13, 2021, the EU endorsed the following document: -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 Acquisitions

On July 23, 2020, the GHC Group fully acquired Xray One S.r.l., an unlisted company based in Poggio Rusco (MN) operating in the private and accredited healthcare sector. XRay One, which operates both as part of the Region of Lombardy’s accreditation scheme as well as privately, provides radiological and diagnostic imaging services and outpatient services for general surgery, orthopaedics and traumatology, neurology, dermatology and venereology, ophthalmology, cardiology, gastroenterology, digestive surgery and endoscopy, obstetrics and gynaecology, physical medicine and rehabilitation, and urology.

Assets acquired and liabilities assumed

The fair value of the identifiable assets and liabilities of the XRay One CGU at the acquisition date were as follows:

(Euro thousands)	Fair value at acquisition
Assets	
Accreditation (intangible assets with indefinite useful life)	16,877
Intangible assets	14
Property, plant and equipment	4,300
Non-current financial assets	55
Deferred tax assets	257
Cash and cash equivalents	799
Trade receivables	1,012
Inventories	126
Current financial assets	50
Current assets	155
Liabilities	
Deferred tax liabilities	4,797
Trade payables	570
Current financial payables	459
Non-current financial payables	2,824
Short-term loans and borrowings	134
Medium/long-term loans and borrowings	973
Employee benefits	807
Other current liabilities	910
Total net assets identifiable at fair value	**12,171**
Goodwill deriving from the acquisition	**629**
Consideration of the acquisition	**12,800**
Net cash flow of the acquisition	**12,001**

The surplus deriving from the acquisition (i.e. the surplus of purchase costs on the fair value of the portion attributable to the Group) was recognised to the “Accreditation” account at the acquisition date in the amount of Euro 16,877 thousand (inclusive of gross-up) and to the “Goodwill” account in the amount of Euro 629 thousand, as stated in the paragraph.

Accreditation activities relate to the administrative process by which the Group’s facilities qualify as fit to provide healthcare and social-care services on behalf of the Regional Health Service (SSR). Institutional accreditation is issued by the Region and is conditional on continuing satisfaction of the technological, infrastructural and personal requirements defined by national and regional provisions.

This category of asset presents the conditions for being considered with indefinite useful life, and therefore this value is subject to an impairment test at least once a year and recorded at cost, net of losses deriving from impairment.

At the reporting date, the procedure for the valuation of the assets and liabilities was completed.

The fair value of the accreditation of the Xray One S.r.l. acquisition, for which the XRay One CGU was determined, was estimated through the consolidated purchase price allocation process of the acquired CGUs, by applying a technique based on the discounting of the economic results deriving from “in-agreement” services (multi-period excess earnings technique).

This fair value measurement is based on significant inputs that are not observable on the market (level 3) and is based on the following assumptions:

- Prospective results, developed with a terminal value forecast period of four years stem from the Business Plan of XRay S.r.l, updated and approved by the board of directors of the company at October 14, 2020. These future results are therefore developed taking as reference the EBIT expected only for the agreement part net of notional taxes and less the notional contribution of fixed assets and working capital. The terminal value is determined starting from the result of the last year of the plan.
- Given that it deals with unlevered results (that is, gross of financial income and charges), the base rate is 5.25%. The base rate used increased by 2 percentage points to take into account the fact that intangible assets are being valued and not the entire company. The growth rate g is 0.
- Finally, in calculating the Fair Value, the future tax charge to which a potential acquirer may be subjected following the acquisition of the intangible asset under valuation was taken into consideration. Therefore, the intangible asset was increased by a tax step-up based on the current rate of 27.9%, recording a similar amount in the liabilities under deferred taxes.

Note 3 Goodwill

Goodwill breaks down as follows:

(Euro thousands)	*At December 31*	*At December 31*
	2020	2019
Goodwill – CMSR Veneto Medica CGU	11,230	11,230
Goodwill – Villa Von Siebenthal CGU	2,957	2,957
Goodwill – Rugani Hospital CGU	6,935	6,935
Goodwill – Fides Group CGU	17,645	17,645
Goodwill – Casa di Cura Prof. Nobili CGU	47	47
Goodwill - Poliambulatorio Dalla Rosa Prati CGU	10,080	10,080
Goodwill– Ospedali Privati Riuniti CGU	3,006	3,006
Goodwill – Centro Medico San Biagio CGU	1,905	1,905
Goodwill – Aesculapio CGU	3	3
Goodwill – XRay One CGU	629	-
Total Goodwill	**54,438**	**53,809**

Goodwill consists of the difference between the fair value of the amount transferred and the net value of the amounts at the acquisition date of the identifiable assets acquired and of the liabilities assumed identifiable at fair value.

The increase in the account in question may be attributed to the acquisition of XRay One S.r.l. in the second half of 2020.

Verification of impairment of goodwill and intangible assets with indefinite useful life (impairment test)

Goodwill and accreditation acquired through business combinations were allocated for the purpose of verifying the impairment loss of the cash-generating units identified for the Group at the level of the individual entity, except for the companies Centro di Riabilitazione S.r.l., Ro.E Mar. S.rl., Genia Immobiliare S.r.l., Fides Medica S.r.l., Fides Servizi S.r.l., Prora S.rl., identified as a single CGU Gruppo Fides e Centro Medico San Biagio S.p.A. and Bimar S.rl. also identified as a single CGU Centro Medico San Biagio.

The Group engaged an independent third-party professional to conduct the impairment test, the analysis for which consists of the following phases:

i. calculation of unlevered cash flows based on the figures from the plan for the CGUs approved by each company’s board of directors;
ii. analysis of the fairness of the panel of comparables;
iii. estimation of the WACC;
iv. determination of the enterprise value of the impaired CGU;

v. analysis of the method of defining the CGU and the calculations of the carrying amount of the CGU being tested for impairment;

vi. comparison of the recordable amount, as determined independently by the expert in question, with the carrying amount.

The Group conducted the impairment test considering both the provisions of IAS 36 and Consob clarification No. 1/21 of February 16.

Given the extraordinary nature of the current pandemic scenario, the Group decided, in continuity with the approach taken when preparing the financial statements at December 31, 2019, also to engage the independent expert to perform a stress test to verify whether the impairment tests would hold up to an additional decline in the CGUs' revenues in 2021, assuming that in 2022 the CGUs would then resume presenting the results expected by the Plan.

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 are those deriving from the Business Plans of the individual CGUs relating to the years 2021-2024, approved by each company at the end of February 2021. The time horizon of the Plans is 4 years. It should be clarified that the impairment test was approved by the Board of Directors of the Parent Company on March 9, 2021.

The prospective cash flows used in the impairment test have been calculated by taking as reference the EBITDA expected net of notional taxes and less the notional contribution of fixed assets and working capital. The assumptions and method used are consistent with the company's historical results and the reference market. In the light of what is presented, in conducting the impairment test it was decided, on a prudential basis, to refer to a growth rate *g* of zero.

The discounting rate of cash flows (WACC) used for the impairment tests at December 31, 2020 was 4.725% and was calculated by using the same method as at December 31, 2019 and in prior years. In view of the volatility of equity prices in 2020 due to the aforementioned effects of the pandemic, it was deemed appropriate to use a wider base of the panel of listed companies comparable to GHC to determine the unlevered beta and the target debt/equity ratio. The pool of comparable listed companies was expanded to include other industry players identified on the basis of recent studies conducted for GHC by sector professionals.

The principal parameters at December 31, 2020 for the calculation of the discount rate (WACC) are the following:

- <u>Risk free rate</u>: the rate used for 2020 is 1.04%; this value corresponds to the yield on Italian ten-year government securities recorded as a monthly average over the last twelve months (Source: Bloomberg);

- <u>Beta</u>: 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; in particular, beta was calculated through weekly observations of the relative performance of the securities of the companies in the sample compared to the monthly benchmark index over the two previous years;

- *Market premium*: for the purposes of the analysis, a rate of 4.20% was used (Source: A. Damodaran - Stern University NY international research website) http://pages.stern.nyu.edu/~adamodar/;

- *Premium for additional risk:* prudentially, an increase in the cost of risk capital equal to 2.0% was applied at December 31, 2020 for the CGUs, in line with December 31, 2019;

- 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 on a wider basis, equal to 0.64 for December 31, 2020. The We (equity) and Wd (debt) weights were 61.11% and 38.89% respectively.

Rugani Hospital CGU

The recoverable value of the cash-generating unit Rugani Hospital S.r.l, a healthcare facility operating in Siena, was determined on the basis of the calculation of the value in use, in which the cash flow projections deriving from the related financial budgets were used for a period of four years, approved by the Board of Directors. As a result of the updated analyses, the management did not identify an impairment of this cash-generating unit.

CMSR Veneto Medica CGU

The recoverable value of the cash-generating unit CMSR Veneto Medica S.r.l. clinic operating in Vicenza, was determined on the basis of the calculation of the value in use, in which the cash flow projections deriving from the related financial budgets were used for a period of four years, approved by the Board of Directors. As a result of the updated analyses, the management did not identify an impairment of this cash-generating unit.

CGU Villa Von Siebenthal CGU

The recoverable value of the cash-generating unit Villa Von Siebenthal S.r.l., a social-care healthcare facility operating in Genzano Romano, was determined on the basis of the calculation of the value in use, in which the cash flow projections deriving from the related financial budgets were used for a period of four years, approved by the Board of Directors. As a result of the updated analyses, the management did not identify an impairment of this cash-generating unit.

Fides Group CGU

The recoverable value of the cash-generating unit of the Fides Group was determined on the basis of the calculation of the value in use, in which the cash flow projections deriving from the related financial budgets were used for a period of four years, approved by the Board of Directors. As a result of the updated analyses, the management did not identify an impairment of this cash-generating unit.

Casa di Cura Prof. Nobili CGU

The recoverable value of the cash-generating unit of the 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 four years, approved by the Board of Directors. As a result of the updated analyses, the management did not identify an impairment of this cash-generating unit.

Poliambulatorio Dalla Rosa Prati CGU

The recoverable value of the cash-generating unit Poliambulatorio dalla Rosa Prati, healthcare facility operating in Parma, was determined on the basis of the calculation of the value in use, in which the cash flow projections deriving from the related financial budgets were used for a period of four years, approved by the Board of Directors. As a result of the updated analyses, the management did not identify an impairment of this cash-generating unit.

Ospedali Privati Riuniti CGU

The recoverable value of the cash-generating unit Ospedali Privati Riuniti, healthcare facility operating in Bologna, was determined on the basis of the calculation of the value in use, in which the cash flow projections deriving from the related financial budgets were used for a period of four years, approved by the Board of Directors. As a result of the updated analyses, the management did not identify an impairment of this cash-generating unit.

Centro Medico San Biagio e Bimar CGU

The recoverable value of the cash-generating unit Centro Medico San Biagio and Bimar, healthcare facility operating in Portogruaro (Venice), was determined on the basis of the calculation of the value in use, in which the cash flow projections deriving from the related financial budgets were used for a period of four years, approved by the Board of Directors. As a result of the updated analyses, the management did not identify an impairment of this cash-generating unit.

Centro Medico Università Castrense CGU

The recoverable value of the cash-generating unit Centro Medico Università Castrense, healthcare facility operating in San Giorgio di Nogaro (Udine), was determined on the basis of the calculation of the value in use, in which the cash flow projections deriving from the related financial budgets were used for a period of four years, approved by the Board of Directors. As a result of the updated analyses, the management did not identify an impairment of this cash-generating unit.

Aesculapio CGU

The recoverable value of the cash-generating unit Aesculapio S.r.l. clinic operating in San Felice sul Panaro (Modena), was determined on the basis of the calculation of the value in use, in which the cash flow projections deriving from the related financial budgets were used for a period of four years, approved by the Board of Directors. As a result of the updated analyses, the management did not identify an impairment of this cash-generating unit.

Sensitivity to changes in assumptions

The Group prepared sensitivity analyses on the results of the test with respect to changes in the basic assumptions that affect the value in use of the CGUs, thus assuming a change in the WACC of +/-1, resulting in a reduction in the CGUs' prospective EBITDA of +/-5%. This would not entail impairment losses for any of the CGUs.

The equilibrium WACC for each CGU with reference to 2020 is presented below.

	At December 31, 2020	At December 31, 2019
Casa di Cura Rugani CGU	17.00%	15.81%
CMSR Veneto Medica CGU	17.18%	11.98%
Villa Von Siebenthal CGU	6.09%	8.94%
Fides Group CGU	7.82%	7.00%
Casa di Cura Prof. Nobili CGU	14.56%	20.64%
Poliambulatorio Dalla Rosa Prati CGU	10.04%	9.46%
Ospedali Privati Riuniti CGU	6.74%	7.68%
Centro Medico San Biagio e Bimar CGU	7.89%	8.23%
Centro Medico Università Castrense CGU	8.14%	11.90%
Aesculapio CGU	12.78%	9.02%
XRay One CGU	9.56%	N.A.

Due to the effects of the coronavirus pandemic in March 2020 with the restrictions adopted by government authorities (“lockdown”), as discussed above, and also considering Consob clarification No. 1/21 of February 16, 2021, management decided to engage an independent professional to simulate a stress test on indefinite useful life intangible assets involving a reduction in revenues in 2021 of 50.98% to 100%, while also prudentially assuming no change in cost structure and considering the recovery of the negative flows relating to the payment of taxes, given that the lack of revenues would drive the CGUs to a tax loss.

The stress test confirms, even in the presence of the healthcare emergency situation related to Covid 19, that the impairment test holds for all CGUs.

Note 4 Other intangible assets

The breakdown of Other intangible assets at December 31, 2020 and December 31, 2019 is shown below.

(Euro thousands)	*At December 31*	*At December 31*	*Change*
	2020	2019	2020 vs 2019
Concessions, licenses, trademarks & similar rights	10	28	(18)
Accreditation	138,512	121,635	16,877
Software	531	664	(133)
Other intangible assets	241	239	2
Assets under development and payments on account	834	260	574
Total other intangible assets	**140,128**	**122,826**	**17,302**

The table below shows the movements in individual items of Other intangible assets during the year ended December 31, 2020.

in Euro thousands	*Concessions, licenses, trademarks & similar rights*	*Software*	*Accreditation*	*Industrial patents and intellectual property rights*	*Other intangible assets*	*Assets in progress and payments on account*	*Total*
Net value at December 31, 2019	**28**	**664**	**121,635**	**-**	**239**	**260**	**122,826**
Acquisition	14	153	-	-	68	652	888
Depreciation	(32)	(303)	-	-	(89)	-	(425)
Transfers/Reclassifications	-	11	-	-	(40)	(78)	(107)
Change in consolidation scope	-	7	16,877	-	62	-	16,946
Net value at December 31, 2020	**10**	**531**	**138,512**	**-**	**241**	**834**	**140,128**

Concessions, licenses, trademarks & others

"Concessions, licenses, trademarks and similar rights" amount to Euro 10 thousand at December 31, 2020, differing from December 31, 2019 primarily due to the amortization for the period of Euro 32 thousand.

Software

Software refers to the applications used by the administrative offices of Group companies to keep the accounts and for management aspects relating to healthcare activity.

In 2020, the Group undertook investments in software of Euro 153 thousand, mainly attributable to Ospedali Privati Riuniti S.r.l.. Amortisation in the period amounted to Euro 303 thousand.

Accreditation

The Accreditation account primarily refers to the amount by which the purchase costs exceed the fair value of the Group's share and, to a residual extent, the purchase of accreditation by Rugani S.r.l. A breakdown of the account for the period ended December 31, 2020 is illustrated below:

(Euro thousands)	*At June 30*	*At December 31*	*Change*
	2020	2019	2020 vs 2019
Rugani Hospital CGU	330	330	-
Fides Medica Group CGU	8,257	8,257	-
Casa di Cura Prof. Nobili CGU	4,942	4,942	-
Poliambulatorio Dalla Rosa Prati CGU	13,396	13,396	-
Ospedali Privati Riuniti CGU	35,176	35,176	-
Centro Medico San Biagio e Bimar CGU	52,744	52,744	-
Centro Medico Università Castrense CGU	4,166	4,166	-
Aesculapio CGU	2,624	2,624	-
XRay One CGU	16,877	-	16,877
Total accreditation	**138,512**	**121,635**	**16,877**

The fair value of the accreditation of all the above acquisitions, with the exception of that for Rugani Hospital S.r.l., was estimated through the purchase price allocation process of the acquired CGUs, by applying a technique based on the discounting of the economic results deriving from "in-agreement" services (multi-period excess earnings technique).

The increase in the account is due to the inclusion of XRay One S.r.l in the consolidation scope.

The fair value of the accreditation of the Xray One S.r.l. acquisition, for which the XRay One CGU was determined, was estimated through the consolidated purchase price allocation process of the acquired CGUs, by applying a technique based on the discounting of the economic results deriving from "in-agreement" services (multi-period excess earnings technique).

This fair value measurement is based on significant inputs that are not observable on the market (level 3) and is based on the following assumptions:

- Prospective results, developed with a terminal value forecast period of four years stem from the Business Plan of XRay One S.r.l., updated and approved by the board of directors of the company at October 14, 2020. These future results are therefore developed taking as reference the EBIT expected only for the agreement part net of notional taxes and less the notional contribution of fixed assets and working capital. The terminal value is determined starting from the result of the last year of the plan.
- Given that it deals with unlevered results (that is, gross of financial income and charges), the base rate is 5.85%. The base rate used increased by 2 percentage points to take into account the fact that intangible assets are being valued and not the entire company. The growth rate g is 0.
- Finally, in calculating the Fair Value, the future tax charge to which a potential acquirer may be subjected following the acquisition of the intangible asset under valuation was taken into consideration. Therefore, the intangible asset was increased by a tax step-up based on the current rate of 27.9%, recording a similar amount in the liabilities under deferred taxes.

The impairment test of the “Accreditation” account was conducted jointly with the tests on the goodwill of the respective companies (as the accreditations were allocated to the CGUs represented by the respective clinics). Sensitivity analyses were also performed, simulating a WACC variation of +/-1% and a reduction in the CGU’s prospective EBITDA level of +/-5%, which did not result in impairments in any CGU.

Other intangible assets

The account includes residual categories of assets, which, given their scarce significance, are not in a specific item. The balance at December 31, 2020 was Euro 241 thousand.

Assets under construction and payments on account

The account, which had a balance of Euro 834 thousand, refers mainly to the development expenses incurred by Hesperia Hospital Modena S.r.l. (Euro 345 thousand), other expenses incurred by Poliambulatorio Dalla Rosa Prati S.r.l (Euro 261 thousand) and Aesculapio S.r.l. (Euro 172 thousand). During the period, Euro 78 thousand was reclassified to property, plant and equipment.

Note 5 Property, plant and equipment

The table below shows the breakdown of Property, plant and equipment at December 31, 2020 compared with December 31, 2019.

(Euro thousands)	*At December 31*	*At December 31*	*Change*
	2020	2019	2020 vs 2019
Land and buildings	114,965	110,590	4,376
Leasehold improvements	2,733	3,047	(314)
Plant & machinery	3,979	3,475	504
Industrial and commercial equipment	12,704	9,235	3,469
Other assets	2,198	1,435	763
Rights-of-use	16,295	16,545	(250)
Assets under development and payments on account	6,295	10,899	(4,604)
Total	**159,169**	**155,226**	**3,943**

The following tables show the changes in the item in question for the year ended December 31, 2020.

in Euro thousands	*Land and buildings*	*Leasehold improvements*	*Plant and machinery*	*Industrial & commercial equipment*	*Other assets*	*Rights-of-use*	*Assets in progress and advances*	*Total*
Net value at December 31, 2019	**110,590**	**3,047**	**3,475**	**9,235**	**1,435**	**16,545**	**10,899**	**155,226**
Acquisition	607	64	1,379	3,829	1,338	45	3,777	11,040
Depreciation	(4,367)	(460)	(1,003)	(2,337)	(655)	(2,302)	-	(11,124)
Sales	(262)	-	(171)	(187)	(404)	-	-	(1,024)
Decrease	-	-	171	141	118	-	(4)	426
Transfers/Reclassifications	8,135	82	-	33	246	(3)	(8,377)	117
Change in consolidation scope	262	-	128	1,990	120	2,008	-	4,507
Net value at December 31, 2020	**114,965**	**2,733**	**3,979**	**12,704**	**2,198**	**16,295**	**6,295**	**159,169**

Land and Buildings

The item mainly includes the properties owned by the nursing homes and amounted to Euro 114,965 thousand at December 31, 2020, compared to Euro 110,590 thousand in 2019.

The account in question increased by a net amount of Euro 4,375 during 2020, primarily due to the combined effect of the following:

i. investments made by the Group of Euro 607 thousand, primarily attributable to Poliambulatorio Dalla Rosa Prati S.r.l. (Euro 73 thousand), C.M.S.R. Veneto medica S.r.l.(Euro 71 thousand) and Villa Von Siebenthal S.r.l. (Euro 123 thousand);
ii. depreciation in the year of Euro 4.367 thousand;
iii. reclassifications from assets in progress of Euro 8,135 thousand, primarily attributable to the completion of the new facility of GHC S.p.A. (Euro 3,783 thousand) and to Ro.e.Mar. S.r.l. to renovate and convert a school building for use as a healthcare facility (Euro 4,036 thousand);
iv. the change in scope attributable to the inclusion in the consolidation scope of XRay One (Euro 262 thousand); the asset was sold in the fourth quarter.

Leasehold improvements

The account decreased by Euro 314 thousand on December 31, 2019. The net decrease is mainly due to:

i. incremental work of Euro 64 thousand,
ii. depreciation in the year of Euro 460 thousand.
iii. reclassification for better allocation of Euro 82 thousand.

Plants & equipment

The account increased by Euro 504 thousand in the period compared to December 31, 2019. The net increase mainly concerns:

i. investments amounting to Euro 1,379 thousand, mainly attributable to Hesperia Hospital Modena S.r.l. (Euro 150 thousand), Poliambulatorio dalla Rosa Prati S.r.l. (Euro 408 thousand) and Ospedali Privati Riuniti S.r.l. (Euro 752 thousand);
ii. depreciation in the year of Euro 1,003 thousand;
iii. change in the consolidation scope due to the inclusion of XRay One S.r.l. amounting to Euro 128 thousand.

Industrial & commercial equipment

The item Industrial and commercial equipment amounted to Euro 12,704 thousand at December 31, 2020, compared to Euro 9,235 thousand at December 31, 2019. The net change of Euro 3,469 thousand is attributable to the combined result of the following effects:

i. investments amounting to Euro 3,829 thousand, mainly attributable to Casa di Cura Villa Berica S.p.A. (Euro 1,199 thousand) and C.M.S.R. Veneto Medica S.r.l. (Euro 1,458 thousand);
ii. depreciation in the year of Euro 2,337 thousand;
iii. net decreases of (Euro 46 thousand);

iv. change in the consolidation scope due to the inclusion of XRay One S.r.l. amounting to Euro 1,990 thousand.

Other assets

The account amounts to Euro 2,198 thousand at December 31, 2020, a net increase of Euro 763 thousand on December 31, 2019. The account in question mainly consists of cars, transport vehicles, electronic machines, furniture and furnishings. The change during the period was mainly due to:

i. investments amounting to Euro 1,338 thousand, mainly attributable to Poliambulatorio dalla Rosa Prati S.r.l (Euro 261 thousand), GHC S.p.A. (Euro 245 thousand), Hesperia Hospital Modena S.r.l. (Euro 152 thousand) and Aesculapio S.r.l. (Euro 309 thousand);
ii. depreciation in the year of Euro 655 thousand;
iii. net decreases of Euro 286 thousand;
iv. reclassification for better allocation of Euro 246 thousand;
v. change in the consolidation scope due to the inclusion of XRay One S.r.l. amounting to Euro 120 thousand.

Rights-of-use

The account, amounting to Euro 16,294 thousand at December 31, 2020, includes the present value of contracts relating to the rental, mainly of buildings, machinery and equipment for a fixed period of time exceeding 12 months and for an amount exceeding Euro 5 thousand against payment of a set fee. The net decrease of Euro 250 thousand is attributable to the combined result of the following effects:

i. entry of new contracts for Euro 45 thousand, relating to the rental of a company car;
ii. depreciation in the year of Euro 2,302 thousand;
iii. change in the consolidation scope due to the inclusion of XRay One S.r.l. amounting to Euro 2,008 thousand.

Assets in progress and advances

The account at December 31, 2020 amounted to Euro 6,295 thousand, compared to Euro 10,899 thousand for the previous year. The balance at December 31, 2020 is mainly composed of works on the property in Gravellona dell'Eremo di Miazzina S.r.l. (Euro 3,609 thousand), works for the commissioning of the MRI of Villa Berica (Euro 402 thousand) and C.M.S.R. Veneto Medica S.r.l. (Euro 830 thousand) and the renovation and expansion of the structure of Villa Garda S.r.l. (Euro 752 thousand).

The net decrease of Euro 4,604 thousand is due to investments made during the current year mainly attributable to Ro.e.Mar. S.r.l. (Euro 1,035 thousand, for the renovation of a school building into a healthcare facility), Casa di Cura Villa Garda S.p.A. (Euro 734 thousand), Casa di Cura Villa Berica S.p.A. (Euro 402 thousand) and C.M.S.R. Veneto Medica S.r.l. (Euro 828 thousand), and to the reclassification from fixed assets in progress to buildings following the completion of works at GHC S.p.A. (Euro 3,783 thousand) and Ro.e.Mar. S.r.l. (Euro 4,290 thousand).

Note 6 Investment properties

The table below shows the breakdown of investment properties at December 31, 2020.

(Euro thousands)	*At December 31*	*At December 31*	*Change*
	2020	2019	2020 vs 2019
Investment property	963	1,002	(39)
Total investment properties	**963**	**1,002**	**(39)**

The Group's investment properties primarily refer to the apartments owned by L'Eremo di Miazzina S.p.A. of Euro 774 thousand, by Hesperia Hospital Modena S.r.l. of Euro 33 thousand and by FI.D.ES. Medica S.r.l. for Euro 156 thousand. These are properties not intended for industrial use or for use in the Group's core business, held specifically for investment purposes. Accordingly, pursuant to IAS 40, such investment properties have been classified as investments and measured according to the cost model. The value recognized is represented by historical cost, less cumulative depreciation charges. The change for the period is attributable solely to the depreciation for the period amounting to Euro 39 thousand.

The useful life of the Group's investment properties is 33 years, and depreciation is applied on a straight-line basis.

The assets have not been let. Accordingly, neither rent revenue nor direct operating costs are expected.

There are no restrictions on the Group's ability to monetize its investment properties, nor are there any contractual obligations to purchase, build or development investment properties or carry out maintenance, repairs or improvements.

See Note 39 for information on the fair value hierarchy for investment properties. It should be noted that:

- measurement is classified to Level 3 of the fair value hierarchy, meaning it is based on unobservable inputs obtained by estimating market value according to the average values in the Italian Agency of Revenue's O.M.I. database and the Borsino Immobiliare database (2020) for properties similar to those being measured;
- it should be noted that the fair value described above is greater than the current value in use, approximated by the item's net book value.

Note 7 Equity investments

The value of equity investments at December 31, 2020 was Euro 928 thousand and concerns investments in associates for Euro 878 thousand and capital instruments (classified as at fair value through profit and loss) for Euro 50 thousand.

Investments in associates

The table below contains a breakdown of investments in associates at December 31, 2020 and December 31, 2019.

(Euro thousands)	*At December 31*	*At December 31*	*Change*
	2020	2019	2020 vs 2019
Il Fiocco S.c.a.r.l.	878	958	(80)
Total investments in associates	**878**	**958**	**(80)**

The equity investments in associates refer solely to Il Fiocco S.c.a.r.l., in which the Group holds a 40% shareholding by virtue of the acquisition of the Fides Group completed in 2017. The account in question decreased by Euro 80 thousand on December 31, 2019 due to the combined effect of the share of the profit for the period of Euro 228 thousand, net of the dividends recognised by Fides Medica S.r.l. of Euro 308 thousand.

The key financial figures at December 31, 2020 are set out below:

in Euro thousands	At December 31,
	2020
Current Assets	2,317
Non-current assets	340
Current liabilities	-1,516
Non-current liabilities	-212
Shareholders' Equity	**929**
Shareholders' equity attributable to the Group - 40%	372
Goodwill	**506**
Carrying value of the Group's investment	**878**

in Euro thousands	At December 31,
	2020
Revenues	5,698
Cost of sales	-4,777
Amortisation, depreciation & write-downs	-94
Financial Charges	-12
Profit before taxes	814

Income taxes	-246
Net profit /(loss) from continuing operations	569
Other comprehensive items which may be subsequently reclassified to profit/(loss) for the year net of income taxes	-
Other comprehensive items which may not be subsequently reclassified to profit/(loss) for the year net of income taxes	-
Other comprehensive income from continuing operations	569
Net profit / (loss) attributable to the Group	228

At December 31, 2020 the associated company did not have any contingent liabilities or commitments.

Capital instruments

A breakdown of equity investments is presented below.

in Euro thousands	At December 31,	At December 31,	Change
	2020	2019	2020 vs 2019
Valpolicella Benaco Banca	5	5	-
C.O.P.A.G. S.p.A.	9	9	-
CAAF Emilia Centrale	3	3	-
Poliambulatorio Exacta S.r.l.	11	11	-
Ottica Modenese S.r.l.	11	11	-
Rete di imprese	1	1	-
Idroterapic S.r.l.	10	10	-
Total share capital instruments	**50**	**50**	**-**

The balance of the item consists of equity investments in companies over which Hesperia Hospital Modena S.r.l., Casa di Cura Villa Garda S.p.A., Ospedali Privati Riuniti S.r.l., Centro Medico San Biagio S.r.l., Aesculapio S.r.l., FI.D.ES. XRay One S.r.l do not exercise either a dominant or a significant influence, and which in any event are less than one-fifth of share capital. The purchase cost approximates the fair value, since there is no active market for the equity interests in question, and the company plans to recover the entire purchase price when it sells them.

It should be noted that the equity investment in Poliambulatorio Exacta S.r.l., whose gross book value amounted to Euro 63 thousand, was written down by Euro 52 thousand.

Note 8 Other non-current financial assets

"Other non-current financial assets" amounted to Euro 236 thousand at December 31, 2020 and primarily includes the guarantee deposits of Group companies with third parties.

The following table presents a breakdown of the other non-current financial assets at December 31, 2020 and December 31, 2019.

(Euro thousands)	*At December 31*	*At December 31*	*Change*
	2020	2019	2020 vs 2019
Guarantee deposits	199	72	127
Financial receivables from others	37	39	(2)
Total other non-current financial assets	**236**	**112**	**124**

The change is mainly due to the change in the consolidation scope due to the inclusion of XRay One S.r.l. (Euro 53 thousand).

Note 9 Other non-current assets

"Other non-current assets" amounted to Euro 1,199 thousand at December 31, 2020 and included Euro 915 thousand of receivables due beyond one year relating to the tax on the realignment of the accounting and tax values of the goodwill recognized following the reverse merger of Garofalo Veneta S.r.l. into CMSR Veneto Medica S.r.l. in 2014. The increase is attributable to receivables for substitute tax paid by Fides Medica S.r.l. (Euro 185 thousand) and Rugani Hospital S.r.l. (Euro 87 thousand) for the tax realignment, as provided for by the 2021 Finance Act.

The following table presents a breakdown of the other non-current assets at December 31, 2019 and December 31, 2020.

(Euro thousands)	*At December 31*	*At December 31*	*Change*
	2020	2019	2020 vs 2019
Realignment substitute tax credits	1,187	991	196
Other receivables	12	16	(4)
Total other non-current assets	**1,199**	**1,007**	**191**

Note 10 Deferred tax assets and liabilities

Deferred tax assets and liabilities

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	5,140	4,661	478
Total	**5,140**	**4,661**	**478**
Deferred tax liabilities:			
within 1 year	-	-	-
over 12 months	(47,787)	(45,458)	(2,329)
Total	**(47,787)**	**(45,458)**	**(2,329)**
Net balance	**(42,647)**	**(40,797)**	**(1,850)**

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,	At December 31,
	2020	2019
Net opening balance	**-40,797**	**-5,135**
Credit / (Debit) to the income statement	2,459	-162
Other changes	-4,466	-35,401
Credit / (Debit) to equity	157	-99
Net closing balance	**-42,647**	**-40,797**

Net deferred tax assets and liabilities amounted to a net liability of Euro 42,647 thousand at December 31, 2020.

The other changes refer to deferred tax liabilities calculated on the accreditation value of XRay One S.r.l.

The movements of the deferred tax assets and liabilities are detailed below.

(Euro thousands)	At December 31,	Changes to the balance sheet/ income statement	Changes to the statement of comprehensive income	At December 31,
	2019			2020
Bad debts provision	720	-27	-	693
Risks provision accrual	2,512	19	-	2,531
Other	15	220	-	235
Accelerated depreciation	343	-115	-	228
Adjustment for IAS 19	855	80	82	1,017
Adjustment for IAS 16 - Revaluations	6	7	-	13
IFRS 16	120	124	-	244
OTHER	90	14	75	179
Deferred tax assets	**4,661**	**322**	**157**	**5,140**

(Euro thousands)	At December 31,	Change to the balance	Changes to the statement of	At December 31,

		sheet/income statement	comprehensive income	
	2019			2020
Gains	-6	-	-	-6
Goodwill / Accreditation gross-up	-34,402	-4,487	-	-38,889
Interest on arrears	-58	-	-	-58
Adjustment for IAS 19 Employee Benefits	-455	7	-	-448
Adjustment for IAS 16 - Revaluations	-365	-	-	-365
IFRS 16	-5,872	-149	-	-6,021
OTHER	-4,300	2,300	-	-2,000
Deferred tax liabilities	**-45,458**	**-2,329**	-	**-47,787**

Net deferred taxes	**-40,797**	**-2,007**	**157**	**-42,647**

Note 11 Inventories

The following table breaks down inventories at December 31, 2020, compared with December 31, 2019.

(Euro thousands)	*At December 31*	*At December 31*	*Change*
	2020	2019	2020 vs 2019
Raw material, ancillaries and consumables	3,487	2,939	548
Inventories	**3,487**	**2,939**	**548**

Inventories amounted to Euro 3,487 thousand at December 31, 2020 and Euro 2,939 thousand at December 31, 2019. The account, which consists solely of raw materials, supplies and consumables, refers to the materials used in the clinical and hospital activities of the Group's companies.

The change is mainly attributable to Ospedali Privati Riuniti S.r.l. (Euro 106 thousand), Hesperia Hospital Modena S.r.l. (Euro 87 thousand) and Casa di Cura Villa Berica S.p.A. (Euro 72 thousand) due to greater procurement of medical equipment for Covid-19 prevention and the change in the scope attributable to X Ray One S.r.l. (Euro 69 thousand).

Note 12 Trade receivables

Trade receivables amounted to Euro 61,411 thousand at December 31, 2020, compared with Euro 54,396 thousand at December 31, 2019. The breakdown is reported below.

(Euro thousands)	*At December 31*	*At December 31*	*Change*
	2020	2019	2020 vs 2019
Receivables – private customers	4,270	9,538	(5,268)
Receivables – local health authorities	62,450	50,331	12,119
Other receivables	405	260	145
Bad debt provision	(5,715)	(5,733)	18
Total trade receivables	**61,411**	**54,396**	**7,015**

Trade receivables refer solely to provisions rendered within Italy and there are no receivables due beyond twelve months. It should be noted that these increases are essentially due to changes in the consolidation scope, the invoicing of reimbursements of higher Covid costs and reimbursement of the National Collective Labour Contract, which took place mainly towards the end of the year, and a slight lengthening of the time required by some local health authorities to settle amounts due for the last quarter of the previous year due to the checks carried out by them.

The following is a breakdown of movements in the doubtful debt provision with an indication of accruals and uses:

(Euro thousands)	*Dec 31, 19*	*Provisions*	*Utilisations*	*Decrease*	*2020*
Doubtful debt provision	**5,733**	**220**	**(31)**	**(207)**	**5,715**

The Doubtful debt provision at December 31, 2020 was substantially unchanged on December 31, 2019; a description of the movements shown in the above table is provided below:

i. provisions have been made by the companies Hesperia Hospital Modena S.r.l. (Euro 90 thousand), Poliambulatorio Dalla Rosa Prati S.r.l. (Euro 47 thousand) and Ospedali Privati Riuniti S.r.l. (Euro 56 thousand);
ii. utilisations were made by Poliambulatorio Dalla Rosa Prati S.r.l. (Euro 31 thousand);
iii. releases were recognised by Hesperia Hospital Modena S.r.l. (Euro 207 thousand);

In terms of the mechanisms to calculate expected losses, in view of the nature of its receivables, the Company has decided to apply a loss-rate approach, which consists of determining percent loss rates on a statistical basis as a function of the losses recorded over a twelve-month period and the residual lifetime of the receivables, and then adjusting these historical trends to take account of current conditions and future expectations. To this end, it should be clarified that, in the absence of changes to the model, the Group maintained substantially the same collection times as prior to COVID. Consequently, the Company has divided its receivables portfolio into uniform risk classes and then determined a loss rate for each uniform portfolio thus identified on the basis of the historical default experience for each portfolio. The Company then updated the historical rates thus obtained to take account of current economic conditions and reasonable expectations regarding future economic conditions.

Note 13 Tax receivables

The table below shows the breakdown of tax receivables at December 31, 2020, compared with December 31, 2019.

(Euro thousands)	*At December 31*	*At December 31*	*Change*
	2020	2019	2020 vs 2019
Other receivables and current assets – tax receivables for IRES and IRAP refund applications	85	355	(270)
Tax receivables – IRES prepayment	2,401	2,600	(199)
Tax receivables – IRAP prepayment	255	316	(61)
Tax receivables – from tax consolidation	-	3	(3)
Tax receivables – other tax receivables	2,253	290	1,964
Total tax receivables	**4,995**	**3,564**	**1,431**

Tax receivables at December 31, 2020 amounted to Euro 4,995 thousand, compared to Euro 3,564 thousand in the preceding period, an increase of Euro 1,431 thousand.

At December 31, 2020 the account mainly comprised tax receivables arising from IRES and IRAP refund applications for Euro 85 thousand, total IRES and IRAP prepayments (Euro 2,656 thousand) and other tax receivables (Euro 2,253 thousand).

The IRES advances of Euro 2,401 thousand mainly include the receivable of the parent company GHC S.p.A. for Euro 1,532 thousand, concerning advances paid in the previous year by the companies within the tax consolidation scope, net of income taxes due for the period.

Other tax receivables of Euro 2,253 thousand refer primarily to the recognition of the tax credits under the decrees enacted in response to the COVID emergency (Euro 1,884 thousand), of which approximately Euro 280 thousand relating to tax credits for sanitisation expenses and PPE and approximately Euro 1,531 thousand relating to tax credits for the investments made by Villa Berica S.r.l. (Euro 461 thousand), C.M.S.R. S.r.l. (Euro 890 thousand) and Poliambulatorio Dalla Rosa Prati S.r.l. (Euro 180 thousand). The account also includes tax credits for scientific research of Euro 57 thousand, of which Euro 40 thousand relating to Hesperia Hospital S.r.l. and Euro 17 thousand relating to Villa Berica S.r.l.

The increase in the account on the year ended December 31, 2019 of Euro 1,431 thousand is mainly due to the recognition of the tax credits provided for in the Relaunch Decree.

Note 14 Other receivables and current assets

Other receivables and current assets amounted to Euro 2,822 thousand at December 31, 2020, compared to Euro 3,327 thousand at December 31, 2019, a decrease of Euro 505 thousand.

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	273	349	(76)
Other receivables and current assets - from others	1,588	1,114	474
Other receivables and current assets - from employees	1	-	1
Other receivables and current assets - from social-security institutions	80	15	65
Other tax receivables	25	1,039	(1,014)
Other receivables and current assets - prepayments and accrued income (non-financial)	856	810	46
Total other receivables and current assets	**2,822**	**3,327**	**(505)**

The account mainly breaks down as follows:

i. suppliers on account amounting to Euro 273 thousand, mainly relating to Hesperia Hospital Modena S.r.l. (Euro 193 thousand);
ii. other receivables for a total value of Euro 1,588 thousand, mainly relating to Villa Von Siebenthal S.r.l. (Euro 745 thousand), Hesperia Hospital Modena S.r.l. (Euro 222 thousand) and GHC S.p.A. (Euro 271 thousand); the increase compared to December 31, 2019 is attributable to the recognition of the upfront fee (Euro 244 thousand) by GHC S.p.A;
iii. receivables from social security institutions of Euro 80 thousand; the increase on December 31, 2019 was mainly attributable to Eremo di Miazzina S.r.l. (Euro 40 thousand);
iv. other tax receivables of Euro 25 thousand; the decrease on December 31, 2019 was mainly due to the decrease in the VAT receivable (Euro 374 thousand) of the parent company, offset in 2020, and the repayment of receivables to Raffaele Garofalo & C. S.a.p.a. totalling Euro 631 thousand;
v. accrued income and prepaid expenses relating to non-financial assets for Euro 856 thousand at 31 December 2020, mainly attributable to C.M.S.R. Veneto Medica S.r.l. (Euro 87 thousand), Hesperia Hospital Modena S.r.l. (Euro 170 thousand), Casa di Cura Prof. Nobili S.p.A. (Euro 126 thousand), GHC S.p.A. (Euro 86 thousand) and Centro Medico San Biagio S.r.l. (Euro 72 thousand).

Note 15 Other current financial assets

Other current financial assets amounted to Euro 129 thousand at December 31, 2020, an increase of Euro 87 thousand on December 31, 2019, mainly due to the inclusion of XRay One S.r.l. in the consolidation scope (Euro 115 thousand). The balance consists primarily of financial prepayments and accrued income.

Note 16 Cash and cash equivalents

The changes in the account were as follows.

(Euro thousands)	*At December 31* 2020	*At December 31* 2019	*Change* 2020 vs 2019
Bank current accounts	24,670	27,553	(2,883)
Checks and cash	140	210	(70)
Total cash and cash equivalents	**24,810**	**27,763**	**(2,953)**

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

The Garofalo Health Care Group believes that the credit risk associated with cash and cash equivalents is limited because they primarily consist of deposits held with various national Italian banking institutions.

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

See Note 19 Non-current financial payables – "Cash flow statement" for the composition of net financial position at December 31, 2020 and December 31, 2019.

Note 17 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 share capital of the company remained unchanged.

The table below reports the GHC Group's ownership structure at December 31, 2020, including significant equity interests.

Number of ordinary shares	% share capital	Listed / Non listed	Rights and obligations
82,000,000	100%	MTA	Each share entitles the owner to one vote. In accordance with Art. 127-*quinquies* of the CFA, Article 7 of the By-laws states that each share held by the same shareholder for a continuous period of at least 24 months from the date of registration in the special list specifically established by the Company confers two votes. For further information, reference should be made to paragraph 2, letter d), of the Corporate Governance Report. The shareholders' rights and obligations are as established in Articles 2346 *et seq.* of the Italian Civil Code and Article 7 of the By-laws with regard to multi-voting rights.

Shareholder	Direct shareholder	% of ordinary share capital	% of voting share capital
Garofalo Maria Laura[1]	Anrama S.p.A.	71.1%[2]	81.94%[2]
	Larama 98 S.p.A.		
	Garofalo Maria Laura		
Peninsula Capital II S.a.r.l.[2]	PII 4 S.à.r.l.	9.97%	5.76%

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

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

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

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

Legal reserve

At December 31, 2020 the legal reserve amounted to Euro 394 thousand, up by Euro 84 thousand on December 31, 2019 due to the allocation of part of the net profit for 2019 resolved by the Shareholders' Meeting on April 29, 2020 in accordance with Article 2430 of the Italian Civil Code.

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

Other reserves

The composition of the account "Other reserves" at December 31, 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)
Cash Flow Hedge Reserve	(240)	-	(240)
Reserve - IAS 19 Post-employment benefits	(1,009)	(749)	(260)
First Time Adoption Reserve	2,320	2,320	-
Retained earnings	45,375	33,868	11,506
Share Premium Reserve	62,463	62,463	-
Reserve for treasury shares in portfolio	(1,723)	(1,260)	(463)
Other reserves	**162,280**	**149,781**	**12,499**

At December 31, 2020, the account Other Reserves amounted to Euro 162,280 thousand, a net increase of Euro 12,499 thousand compared to December 31, 2019, mainly deriving from the combined effect of:

i. the increase in the extraordinary reserve of Euro 1,573 thousand as a result of the motion of the shareholders' meeting of April 29, 2020 which stipulated the allocation of a portion of the Parent Company's profit to this reserve;
ii. increase in the reserve relating to the Stock Grant Plan of Euro 407 thousand;
iii. net decrease in the reserve pursuant to Article 40 of the By-Laws of Euro 23 thousand: this reserve, in accordance with the shareholders' motion of April 29, 2020, increased by Euro 17 thousand, since the Shareholders' Meeting dedicated this portion of profits, along with those already set aside on December 31, 2019, to scientific and/or charitable purposes other than the 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

iv. negative change in the cash flow hedge reserve of Euro 240 thousand;

v. a negative change in the IAS 19 actuarial effect reserve of Euro 260 thousand;

vi. an increase in the consolidated retained earnings for Euro 11,506 thousand as a result of the companies' profits in the previous year and the purchase of a minority interest in Casa di Cura Prof. Nobili S.p.A.;

vii. a change in the treasury shares in portfolio reserve following the acquisition of 95,430 treasury shares amounting to Euro 463 thousand, in accordance with the BoD's motion of January 29, 2019 and the motion of the Shareholders' Meeting of May 24, 2019.

The IFRS first-time adoption reserve, amounting to a positive Euro 2,320 thousand at December 31, 2020, represents the effects on shareholders' equity of the transition to IASs/IFRSs by the Garofalo Health Care Group.

Minority interest capital and reserves

The minority interest share of capital and reserves amounted to Euro 63 thousand at December 31, 2020, compared with Euro 82 thousand in the previous year.

Note 18 Employee Benefits

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

The main demographic assumptions use by the actuary for the 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, 2020	At December 31, 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-collar	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	**10,503**
Other changes	-11
Net actuarial gains/(losses) recognized in the year	342
Transfer in/(out)	-1,180
Cost for service	593
Change in consolidation scope	807
Balance at December 31, 2020	**11,054**

In accordance with IAS 19 – *Employee Benefits*, an analysis of the sensitivity to changes in the main actuarial assumptions used in the calculation model must be performed. The following tables show, in absolute and relative terms, changes in the liability measured according to IAS 19 (DBO) in the event of a positive or negative change of 10% in revaluation and/or discounting rates. The results obtained in Euro thousands for the years ended December 31, 2020 and December 31, 2019 are summarized in the following tables.

		At December 31, 2020		
		Annual discount rate		
		-10%	*100%*	*10%*
Annual inflation rate	*-10%*	10,988	10,979	10,971
	100%	11,043	**11,054**	11,026
	10%	11,098	11,090	11,082

Note 19 Provision for risks and charges

"Provisions for risks and charges" at December 31, 2020 and at December 31, 2019 respectively amounted to Euro 12,045 thousand and Euro 9,964 thousand and mainly include risks provisions for healthcare cases, which at December 31, 2020 amounted to Euro 8,299 thousand.

A breakdown of "Provisions for risks and charges" at December 31, 2020, compared with December 31, 2019, is presented below:

(Euro thousands)	*At December 31*	*At December 31*	*Change*
	2020	2019	2020 vs 2019
Provisions for risks and charges – End-of-service indemnity provisions	115	245	(130)
Provisions for risks and charges – Provisions for healthcare lawsuit risks	11,727	9,108	2,619
Provision for risks and charges – Other provisions for risks and charges	202	611	(409)
Total provisions for risks and charges	**12,045**	**9,964**	**2,080**

The changes in the "Provisions for risks and charges" in the year ended December 31, 2020, compared with the changes in the year ended December 31, 2019, are presented below.

in Euro thousands	*End-of-service indemnity provisions*	*Provisions for healthcare lawsuit risks*	*Other provisions for risks and charges*	*Total*
Net value at December 31, 2019	**245**	**9,108**	**611**	**9,964**
Provisions	65	4,157	40	4,262
Utilisations	(195)	(787)	(115)	(1,097)
Increase	-	-	-	-
Reversals	-	(751)	(34)	(785)
Transfers/Reclassifications	-	-	(300)	(300)
Net value at December 31, 2020	**115**	**11,727**	**202**	**12,045**

Provisions for risks and charges include the total end-of-service indemnities for directors of Euro 115 thousand at December 31, 2020, compared with a balance of Euro 245 thousand at December 31, 2019. The change in the account includes the provisions carried out by Rugani Hospital for Euro 20 thousand made by Casa di Cura del Prof. Nobili S.p.A. for Euro 25 thousand and by Hesperia Hospital Modena S.r.l. for Euro 20 thousand. The utilisations refer mainly to Centro Medico San Biagio S.r.l. (Euro 175 thousand);

Provisions for healthcare lawsuit risks and local health authority risks totalled Euro 11,727 thousand at December

31, 2020 and are attributable to healthcare risks for Euro 8,299 thousand and to local health authority risks for Euro 3,428 thousand. The item includes liabilities deemed probable in respect of damage claims brought by patients of the facilities in the course of their healthcare services, both under accreditation from the government and privately. The accrual has been based on a thorough analysis of the damage claims brought in and out of court and also takes account of events that have occurred at the reporting date, even though not reported, which the company, with the support of its legal counsel, has decided to recognise in its accounts. The account also includes the risks on the controls carried out by the Local Health Authority on clinical records and the risks of fee variations for services rendered to patients residing outside the Region. The increase in the account of Euro 2,619 thousand is due to:

(i) Provisions amounting to Euro 4,157 thousand, of which Euro 2,334 thousand refers to healthcare lawsuits and Euro 1,823 thousand refers to Local Health Authority (ASL) risks.
In the case of the healthcare lawsuits, the accruals refer to Hesperia Hospital Modena S.p.A. for Euro 877 thousand, Ospedali Privati Riuniti S.r.l for Euro 962 thousand, Casa di Cura Villa Berica S.p.A. for Euro 345 thousand and Rugani Hospital S.r.l. for Euro 150 thousand.
In the case of the local health authority risks, the accruals refer to Hesperia Hospital Modena S.p.A. for Euro 951 thousand, Ospedali Privati Riuniti S.r.l for Euro 781 thousand, Casa di Cura Villa Berica S.p.A. for Euro 49 thousand and Casa di Cura Nobili S.p.A. for Euro 41 thousand.

(ii) Utilisations amounting to Euro 787 thousand, of which Euro 317 thousand referring to healthcare lawsuits and Euro 470 to Local Health Authority (ASL) risks.
Utilisations for healthcare lawsuits were mainly attributable to Hesperia Hospital Modena S.r.l. (Euro 78 thousand) and Ospedali Privati Riuniti S.r.l. (Euro 190 thousand).
In the case of the local health authority risks, the utilisations refer to Hesperia Hospital Modena S.p.A. for Euro 317 thousand and Ospedali Privati Riuniti S.r.l for Euro 147 thousand.

(iii) Releases amounting to Euro 751 thousand, of which Euro 549 thousand referring to healthcare lawsuits and Euro 201 thousand to Local Health Authority (ASL) risks.
In the case of the healthcare lawsuits, the releases refer to Rugani Hospital S.r.l. for Euro 191 thousand, Hesperia Hospital Modena S.r.l. for Euro 218 thousand and Ospedali Privati Riuniti S.r.l for Euro 140 thousand.
In the case of the local health authority risks, the releases refer to Casa di Cura Prof.Nobili S.r.l. for Euro 14 thousand, Hesperia Hospital Modena S.r.l. for Euro 157 thousand and Ospedali Privati Riuniti S.r.l for Euro 30 thousand.

Other provisions for risks and charges amounted to Euro 202 thousand at December 31, 2020, compared with Euro 611 thousand at December 31, 2019, a net decrease of Euro 409 thousand. This account refers to provisions for risks other than healthcare risks, relating particularly to employment law and taxation. The change in the account was due to:

i. To provisions of Euro 40 thousand, attributable solely to Hesperia Hospital Modena S.r.l.

ii. To utilisations of Euro 115 thousand, of which Euro 20 thousand relating to Villa Von Siebenthal S.r.l, Euro 56 thousand attributable to Rugani Hospital S.r.l (for the resolution of various disputes with the Italian Tax Agency), and Euro 39 thousand relating to Hesperia Hospital Modena S.r.l.

iii. To releases of Euro 34 thousand, of which Euro 23 thousand relating to Rugani Hospital S.r.l and Euro 11 thousand relating to Hesperia Hospital Modena S.r.l.

iv. To reclassifications of Euro 300 thousand, attributable to Eremo di Miazzina S.r.l. following a settlement finalised in May 2020 with an employee, for which a provision for risks of like amount had been recognised in the prior year.

Note 20 Non-current financial payables

The account "Non-current financial payables" includes medium/long term, floating-rate bank loans, the portion of payables arising from the application of IFRS 16 due beyond one year and shareholder loans.

The table below provides the breakdown of the account for the year ended December 31, 2020 and a comparison to the previous year.

(Euro thousands)	*At December 31*	*At December 31*	*Change*
	2020	2019	2020 vs 2019
Other non-current financial payables	21,456	23,358	(1,902)
Medium/long-term loans and borrowings	68,067	68,988	(921)
Total non-current financial payables	**89,522**	**92,346**	**(2,823)**

The composition of "Other non-current financial payables" 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
Shareholder loan	2,098	4,336	(2,238)
Financial payables for IFRS 16 Non-Current	14,450	14,460	(10)
Payables to leasing companies	4,908	4,556	351
Guarantee deposits	-	6	(6)
Total other non-current financial payables	**21,456**	**23,358**	**(1,902)**

The company's other non-current financial payables amounted to Euro 21,456 thousand at December 31, 2020, compared with Euro 23,358 thousand at December 31, 2019.

The account mainly comprises:

i. "shareholder loans" of Euro 2,098 thousand relating to the interest-bearing payable to the shareholder Larama 98 S.p.A at December 31, 2020; the decrease of Euro 2,238 thousand is due to the partial repayment of that payable of Euro 2,302 thousand, mitigated by the interest accrued during the period of Euro 64 thousand;
ii. "payables for IFRS 16", amounting to Euro 14,450 thousand; the decrease in the item, amounting to Euro 10 thousand, is attributable to the combined effect of the inclusion of Xray One S.r.l. in the consolidation scope (Euro 1,813 thousand) net of the reclassification to short-term of the instalments

due by December 31, 2021 (Euro 1,823 thousand);

iii. "payables to leasing companies" of Euro 4,908 thousand at December 31, 2020; this account increased due to the inclusion in the consolidation scope of XRay One S.r.l. (Euro 1,011 thousand) net of the reclassification to short-term of the instalments due by December 31, 2021 (Euro 660 thousand).

"Non-current bank payables" amounted to Euro 68,067 thousand at December 31, 2020, compared with Euro 68,988 thousand at December 31, 2019. The decrease in the account of Euro 921 thousand in question is due to the combined effect of:

i. new loans contracted of Euro 14,270 thousand, attributable to GHC S.p.A for Euro 2,477 thousand (of which Euro 2,196 thousand relating to the non-current portion), GHC Project 5 S.r.l. (subsequently merged into XRay One S.r.l.) for Euro 6,903 thousand (of which Euro 6,745 thousand relating to the non-current portion), Poliambulatorio Dalla Rosa Prati S.r.l for Euro 1,000 thousand (of which Euro 862 thousand relating to the non-current portion), Villa Von Siebenthal S.r.l. for Euro 1,000 thousand, Villa Berica S.r.l. for Euro 800 thousand, Aesculapio S.r.l. for Euro 590 thousand and C.M.S.R. S.r.l. for Euro 1,500 thousand;

ii. change in the scope of consolidation relating to the inclusion of XRay One S.r.l. for Euro 1,097 thousand, of which Euro 1,001 thousand concerning the non-current portion;

iii. reclassification of the portion of the debt payable in the following year for Euro 16,288 thousand.

The following tables present the loans contracted by Group companies in 2020 and the year ended on December 31, 2019, with a breakdown into amounts set to come due within and beyond 12 months.

Description	Annual interest rate at signing	Maturity	Balance at December 31, 2020	Balance at December 31, 2019
	%		in Euro thousands	
Unsecured loan from Banca Cremonese Cred Coop-CRPADANO	Euribor 3M + 2.50%	May12, 20	-	44
Unsecured loan from Intesa Sanpaolo	Euribor 3M + 2.20%	Jun. 15, 21	23	46
Unsecured loan from Banca Popolare di Sondrio loan	Euribor 6M+0.45%	Jan 31, 22	2,166	3,538
Unsecured loan from Banca Reale	Euribor 3M + 3.50%	Feb. 28, 22	58	75
Unsecured loan from Intesa Sanpaolo	Euribor 3M + 2.50%	Mar. 31, 22	125	150
Unsecured loan from Intesa Sanpaolo	Euribor 3M + 2.50%	Sep. 14, 22	150	175
Unsecured loan from Banca Carige	3.75% + half-yearly interest rate equal to half the average Euribor 6M rate for the month	Dec 31, 22	2,519	3,699
Unsecured loan from Banca Reale	Euribor 3M + 3.50%	Jul. 31, 23	160	181

Unsecured loan from Banca BPM	Euribor 3M + 1.0%	Feb. 13, 24	287	320
Unsecured loan from Banca Passadore & C.	Euribor 6M + 2.75%	May 1, 24	180	200
Unsecured loan from Banca BPM	Euribor 3M+1.35%	Jun 30, 24	3,528	4,502
Loan from Credit Agricole	Euribor 3M+spread 0.70%	Jul. 16, 24	1,000	-
Banca Popolare di Sondrio loan	Euribor 1m + spread 0.85%	Oct. 1, 24	1,000	-
Unsecured loan from Banca BPM	Euribor3M + 1.40%	Nov. 8, 24	362	395
Mortgage loan from Banco BPM (formerly Banca Popolare di Novara)	Euribor 3m base 365+1.30%	Dec 31, 24	434	540
Intesa Sanpaolo loan	1.85% fixed	Dec 31, 24	11,498	14,222
Unsecured loan from BPER	Euribor 3M bid spread 2.80% cap 2.80%	1-apr.25	220	-
BPER loan	Euribor 6M bid spread 2.80% cap 2.80%	May 1, 25	36	-
Unicredit loan	Euribor 6M+1.80%	May 31, 25	13,625	14,944
Unsecured loan from Intesa Sanpaolo	Euribor 3M + 2.90%	Jun. 28, 25	109	115
Mortgage loan from Intesa Sanpaolo	Euribor 6m+0.85%	Jun 30, 25	2,191	2,657
Mortgage loan from Intesa Sanpaolo	Euribor 6m+0.85%	Jun 30, 25	771	934
Mortgage loan from Banca Carige	Euribor 6M + spread 1.50%	Jun 30, 25	269	324
Unsecured loan from Banca Carige	2.75% Fixed	Jun 30, 25	540	-
Unsecured loan from Banca Carige	Euribor 6M 2.75%	Dec 31, 25	8,466	10,020
Unsecured loan from Cassa di Risparmio Parma and Piacenza	Euribor 6M+1.50%	Feb. 12, 26	360	378
Unsecured loan from Credit Agricole	Euribor 3M/360 MM prev. av. + spread 1.15%	Dec. 23, 26	590	-
Unsecured loan from Credit Agricole	Euribor 3M/360 MM prev. av. + spread 1.15%	Dec. 23, 26	800	-

Unsecured loan from Credit Agricole	Euribor 3M/360 MM prev. av. + spread 1.15%	Dec. 23, 26	1,500	-
Banco BPM loan	Euribor 6M+1.80%	31-Dec-26	18,768	19,784
Carige loan	Euribor 6M + spread 1.40%	Mar. 31, 27	6,907	-
Mortgage loan from Banca Prealpi SanBiagio	Euribor 3M+1%	Jan 01, 29	141	155
Mortgage loan from Banca Prealpi SanBiagio	Euribor 6M + 0.95%	Jan 01, 29	920	1,025
Unsecured loan from BPER	Euribor 3M MMP spread 3.35% cap 3.35%	Jan 01, 29	826	-
Mortgage loan from Intesa Sanpaolo	Euribor 6M + 0.95%	Feb 01, 29	1,123	1,224
Mortgage loan from Banca Carige	Euribor 6M + 2.75%	Dec 31, 31	938	999
Mortgage loan from Cassa di Risparmio Parma and Piacenza	Euribor 6M + 2.75%	Dec. 22, 33	524	533
Mortgage loan from Banca Carige	2.75% Fixed	Jun. 30, 40	1,847	-
Total			**84,961**	**81,219**
Of which:				
Bank payables - non-current portion of loans			68,067	68,988
Bank payables - current portion of loans			16,894	12,231

Banca Infrastruttura Innovazione e Sviluppo S.p.A. (now Intesa San Paolo S.p.A.) granted Villa Von Siebenthal S.r.l. two loans, the first of Euro 6.7 million and the second of Euro 2.5 million, for a total of Euro 9.2 million, under two separate loan agreements. The loan contracts provide for compliance with the following covenants, to be checked annually:

Parameter	*Threshold value*
NFP/EBITDA	≤ 12

The above covenant had been observed at the date of these financial statements.

The loan agreements provide for: (i) a cross-default clause between the two contracts, such that breach of one contract entails the right to invoke the acceleration clause in respect of the other; and (ii) a cross-default clause in respect of the breach of any financial obligation by the borrower that is not remedied within the contractually agreed term.

The calculation of the above covenant must be verified annually on the basis of the annual financial statements approved by Villa Von Siebenthal S.r.l.

Unicredit S.p.A. granted a loan of Euro 15 million to the company GHC Project 2 S.r.l., a vehicle company incorporated for the acquisition of Ospedali Privati Riuniti S.r.l. (later merged into the same Ospedali Privati Riuniti S.p.A.). The contract stipulates compliance with the following covenants to be calculated annually on the basis of the consolidated financial statements of Garofalo Healthcare Spa from 31.12.2019:

Parameter	*Threshold value*
Net financial debt / EBITDA	≤3x
Net financial debt/ Own funds (Equity or near Equity)	≤1.5x

The above covenant had been observed at the date of these financial statements.

The loan contract envisages: (i) the prohibition of By-Law amendments, (ii) change of control to ensure that the Garofalo family does not directly and/or indirectly cease to hold a controlling equity interest in the company of at least 51%; (iii) negative pledges to not provide or allow the setting up of guarantees on loans of a maximum duration of 24 months, privileges, pledges or mortgages on own assets (already owned and on those which will eventually be acquired) or any pre-emption and/or preferential right on its receivables, present or future, with the exception of the guarantees provided to the loan agreement in place; (iv) pari passu to ensure that each payment obligation arising from this agreement is made at least at the same level with respect to the rights of all the other company creditors. It should be noted that this loan agreement was renegotiated in 2020.

Banca BPM granted two loans to GHC Project 3 S.r.l., a vehicle company (incorporated for the acquisition of Centro Medico San Biagio S.r.l. and Centro Medico Università Castrense S.r.l.): the first of Euro 18 million and the second of Euro 2 million, for a total of Euro 20 million, under two separate loan agreements. GHC Project 3 S.r.l. was merged into Centro Medico San Biagio S.r.l. in 2019. The agreement stipulates compliance with the following financial covenants to be calculated annually on the basis of the consolidated financial statements of the Target Companies (Centro Medico San Biagio S.r.l. and Centro Medico Università Castrense S.r.l.) as from 31.12.2019:

Parameter	*Threshold value*						
	2019	*2020*	*2021*	*2022*	*2023*	*2024*	*2025*
Net financial debt / EBITDA	4.7x	3.8x	3.0x	2.5x	2.0x	2.0x	2.0x

The above covenant had been observed at the date of these financial statements.

Negative pledges and pari passu clauses are stipulated in the loan agreement: (i) the beneficiary undertakes not to issue (and to ensure that the Target Companies do not issue) any personal guarantees and not to set up (and ensure that the Target Companies do not set up) any collateral on all or on part of the respective assets without the prior consent of the lending bank; (ii) the beneficiary undertakes not to put actions in place or to undertake initiatives that may lead to the subordination of payment obligations deriving from the agreement to any other payment obligation that the beneficiary will undertake in future in respect of third-party creditors, with the exception of statutory privileges.

Finally, Intesa SanPaolo S.p.A. granted a loan of Euro 14.3 million to the company Garofalo Health Care S.p.A. The agreement 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 (Poliambulatorio Dalla Rosa Prati 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 financial debt / EBITDA	<3x
Net financial debt/Equity	<0.75x

The above covenant had been observed at the date of these 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.

It should be noted that for the acquisition of X Ray One S.r.l. the Company has entered into a loan agreement with Credit Agricole for a total of Euro 35 million used for Euro 7 million; this loan provides for the covenants shown in the table below to be calculated on December 31 of each calendar year on the basis of the pro-forma consolidated financial statements, net of the effect resulting from the application of IFRS16, starting from 31.12.2020.

Parameter	*Threshold value*
Net Debt / EBITDA	<3.75x

The above covenant had been observed at the date of these financial statements.

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

(Euro thousands)	*At December 31, 2020*	*Cash flows*	*Change in consolidation scope*	*Other changes*	Fair value	*Reclassifications*	*At December 31, 2019*
Other non-current financial payables	-21,455	4,784	-2,824	-57	-	-	-23,358
Derivative financial instrument liabilities - non-current	-326	-	-	-	-290	-	-36
Medium/long-term loans and borrowings	-68,067	-14,390	-1,097	120	-	16,288	-68,988
Short-term loans and borrowings	-29,073	14,085	-	-	-	-16,288	-26,870
Other current financial payables	-3,709	492	-731	-239	-	-	-3,231
Current loans	129	-	114	-27	-	-	42
Cash and cash equivalents	24,810	-2,953	-	-	-	-	27,763
Net financial debt	**-97,691**	**2,018**	**-4,537**	**-203**	**-290**	**-**	**-94,678**

The “Cash flow” column refers to the cash flows presented in the Consolidated Cash Flow Statement.

Note 21 Other non-current liabilities

Other non-current financial liabilities, amounting to Euro 360 thousand, refer to the payable to the tax authorities for the substitute tax relating to the fiscal realignment of the depreciation of Casa di Cura Villa Garda S.p.A. (Euro 104 thousand), Rugani Hospital S.r.l. (Euro 102 thousand) and Ospedali Privati Riuniti (Euro 154 thousand).

Note 22 Derivative financial instrument liabilities - non-current

Derivative financial instrument liabilities - non-current amount to Euro 326 thousand at December 31, 2020.

(Euro thousands)	*At December 31*	*At December 31*	*Change*
	2020	2019	2020 vs 2019
Derivative financial instrument liabilities - non-current	326	36	290
Total derivate financial instrument liabilities	**326**	**36**	**290**

Liabilities for derivative financial instruments amounted to Euro 326 thousand, an increase of Euro 290 thousand compared to December 31, 2019.

The increase in this account is attributable to the new derivatives of Villa Berica S.r.l., Aesculapio S.r.l. and C.M.S.R. Veneto Medica Srl, as well as the greater impact of the derivative of Centro Medico San Biagio S.r.l.

The Group uses derivative financial instruments such as interest rate swaps to hedge against risks deriving from interest rate fluctuations. These derivative financial instruments are initially recorded at fair value at the date on which they are agreed; subsequently this fair value is periodically recalculated.

Interest rate derivatives are over-the-counter (OTC) instruments, meaning that they are entered into bilaterally with market counterparties and their current value is determined on the basis of valuation techniques based on inputs (such as interest rate curves) observable on the market (level 2 of the fair value hierarchy established in IFRS 7 and described in further detail in note 39).

In relation to the financial instruments existing at December 31, 2020, is reported that:

- all derivative financial instruments valued at fair value fall within level 2 (identical situation in 2019);
- no transfers occurred from Level 1 to Level 2 or vice-versa in 2020 or 2019;
- no transfers occurred from Level 3 to the other levels or vice-versa in 2020 or 2019.

The derivative financial instruments are measured on the basis of the interest rates and yield curves observable and commonly quoted intervals.

Note 23 Trade payables

Trade payables amount to Euro 35,857 thousand at December 31, 2020 and to Euro 33,358 thousand at December 31, 2019. The main objective of these liabilities is to fund Group operations.

(Euro thousands)	*At December 31*	*At December 31*	*Change*
	2020	2019	2020 vs 2019
Trade payables	21,361	19,782	1,579
Payables to doctors	1,503	1,268	235
Other payables	217	357	(140)
Payables for invoices to be received	13,829	12,543	1,286
Credit notes to be received	(1,053)	(592)	(461)
Total trade payables	**35,857**	**33,358**	**2,499**

At December 31, 2020 the balance increased on the previous year by Euro 2,499 thousand. The increase in trade payables is due to the extended payment deadlines granted by suppliers to the Group companies.

Note 24 Current financial payables

The following table presents the figures for the Group's outstanding current financial payables at December 31, 2020.

(Euro thousands)	*At December 31*	*At December 31*	*Change*
	2020	2019	2020 vs 2019
Short-term loans and borrowings	29,073	26,870	2,203
Total other current financial payables	3,709	3,231	478
Total current financial payables	**32,782**	**30,101**	**2,681**

Current bank payables consist primarily of overdrafts and short-term credit facilities, together with the short-term portion of loans to be repaid in the following year.

The composition of "Current bank payables" 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
Current bank payables - 4 bank payables (short-term portion of loans)	16,894	12,231	4,663
Current bank payables - 4 bank payables (current accounts)	3,312	3,369	(57)
Current bank payables - 4 bank payables (advances)	8,867	11,269	(2,403)
Total Current bank payables	**29,073**	**26,870**	**2,203**

The account "short-term portion of loans" at December 31, 2020, amounting to Euro 16,894 thousand, concerns loans to be repaid within the next 12 months; the variation of Euro 4,663 thousand is due to:

i. the reclassification of the portion of payables beyond one year amounting to Euro 16,288 thousand;
ii. the repayment of amounts maturing at December 31, 2020 amounting to Euro 11,625 thousand.

The "Current bank payables (current accounts)", amounting to Euro 3,312 thousand, consist of bank credit lines used as at December 31, 2020.

The account "bank payables for advances" of Euro 8,867 thousand at December 31, 2020 mainly comprises advances on commercial invoices.

The composition of "Other current financial payables" 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
Current financial payables - leasing companies	1,451	853	598
Cur. fin. payables – accr. liab. & def. income	204	172	32
Financial payables for IFRS 16 Current	2,054	2,207	(153)
Total Other financial payables	**3,709**	**3,231**	**478**

The item "Payables to leasing companies" refers to the recognition of the current financial payable for the acquisition of leased assets accounted for according to the finance method and related primarily to the purchase of healthcare equipment. The account amounts to Euro 1,451 thousand at December 31, 2020 and increased due to the suspension of the payment of some instalments following agreements with the banks and the entry of XRay One S.r.l. into the consolidation scope.

"Accrued financial liabilities and deferred financial income" mainly concerns interest charges matured on mortgages at December 31, 2020, but not settled at that date.

"Payables for IFRS 16" , amounting to Euro 2,054 thousand at December 31, 2020, refers to the short-term portion of leases previously defined as operating leases. The decrease is attributable to the payment of instalments, net of the change in the consolidation scope resulting from the entry of Xray One S.r.l..

Note 25 Tax payables

Tax payables include payables relating to IRES company income taxes, IRAP regional tax, tax consolidation and other current taxes. The breakdown is as follows.

(Euro thousands)	*At December 31*	*At December 31*	*Change*
	2020	2019	2020 vs 2019
Tax payables - IRES tax payables	1,328	1,533	(206)
Tax payables - IRAP tax payables	76	321	(246)
Total Tax payables	**1,403**	**1,854**	**(451)**

Tax payables increased from Euro 1,854 thousand at December 31, 2019 to Euro 1,403 thousand at December 31, 2020, decreasing Euro 451 thousand.

The IRES payable is mainly attributable to the tax charge of the companies not included in the tax consolidation: the change of Euro 206 thousand compared to December 31, 2019 is mainly due to the payment of the balance for the previous year, also taking into account the taxable income for 2020.

The IRAP liability decreased as a result of the provisions of the Relaunch Decree.

Note 26 Other current liabilities

At December 31, 2020 “Other current liabilities” amounted to Euro 25,496 thousand. The comparison with December 31, 2019 is presented below.

(Euro thousands)	*At December 31*	*At December 31*	*Change*
	2020	2019	2020 vs 2019
Social security institutions	3,788	2,727	1,062
Tax payables	37	206	(169)
Withholding tax payables	2,668	2,312	356
Employee payables	6,041	5,405	636
Other liabilities	12,962	5,388	7,574
Total Other current liabilities	**25,498**	**16,037**	**9,460**

Other current liabilities increased by Euro 9,460 thousand, mainly due to the following movements:

i. Increase in payables to social security institutions for Euro 1,062 thousand due to the renewal of the National Collective Labour Contract, mainly attributable to Hesperia Hospital Modena S.r.l. (Euro 382 thousand), Villa Von Siebenthal S.r.l. (Euro 117 thousand) and to the inclusion of XRay One S.r.l. in the consolidation scope (Euro 203 thousand);

ii. increase in withholding tax payables for Euro 356 thousand, mainly attributable to Poliambulatorio Dalla Rosa Prati S.r.l. (Euro 112 thousand), Ospedali Privati Riuniti S.r.l. (Euro 69 thousand) and to the inclusion of XRay One S.r.l. in the consolidation scope (Euro 78 thousand);

iii. increase in employee payables, for Euro 636 thousand mainly attributable to Hesperia Hospital Modena S.r.l. (Euro 103 thousand), Villa Von Siebenthal S.r.l. (Euro 102 thousand), Ospedali Privati Riuniti S.r.l. (Euro 131 thousand) and Casa di Cura Villa Berica S.p.A. (Euro 117 thousand);

iv. "Other payables" mainly consists of:

   a. advances received from customers amounting to Euro 8,544 thousand; the increase compared to December 31, 2019, amounting to Euro 8,436 thousand, is attributable to advances received from local health authorities as a measure to support companies affected by the COVID emergency (Euro 7,959 thousand);

   b. deferred income amounting to Euro 1,934 thousand; the increase compared to December 31, 2019, amounting to Euro 1,803 thousand, mainly relates to the change in the consolidation scope resulting from the entry of XRay One S.r.l. and the recognition of deferred income relating to tax credits on investments amounting to Euro 1,267 thousand, of which Euro 835 thousand relating to C.M.S.R. S.r.l., Euro 432 thousand relating to Casa di Cura Villa Berica S.r.l. and Euro 147 thousand relating to Poliambulatorio Dalla Rosa Prati S.r.l.

In addition, during 2020, other payables decreased due to the repayment to Raffaele Garofalo S.a.p.a (Euro 1,800 thousand) and to Larama 98 for previous dividends (Euro 1,250 thousand).

Note 27 Revenues from services

Total revenues amounted to Euro 210,846 thousand in 2020, an increase of Euro 14,308 thousand compared to the previous year. All revenues relate to services provided in Italy.

It should be noted that the figures in 2020 benefit from the full contribution of the companies acquired during 2019[1], in addition to the "pro-rata" revenues of the company XRay One S.r.l. which entered the consolidation scope as of July 31, 2020. Consequently, in view of the non-uniform consolidation scope between the two periods, in order to ensure comparability of the income statements, the Company on a voluntary basis, has prepared the pro-forma income statement for the year 2019 as illustrated in the Directors' Report in order to better illustrate the operational performance.

The increase in this account equal to Euro 14,308 thousand was mainly due to the change in the consolidation scope. It should also be noted that during the second half of 2020 there was an increase in business, due to the actions promptly implemented by management to mitigate the drop in revenues that occurred between March to June following the COVID-19 pandemic, which led to the suspension of outpatient and hospital activities.

Such revenues are recognized after the services have been rendered. In accordance with IFRS 15, the Group recognizes revenues from services and sales of goods at the fair value of the consideration received or to be received, net of adjustments relating to the overrun of revenue budgets (established in terms of maximum acceptable spending limits by the regions for services rendered by private healthcare facilities) relating to services under accreditation, of which the regions notify each healthcare facility.

The table below shows the breakdown of revenues from services for the years ended December 31, 2020 and December 31, 2019.

(Euro thousands)	At December 31				Change
	2020	*% of total*	2019	*% of total*	2020 vs 2019
Community and dependency care services	71,858	34.1%	57,605	29.3%	14,253
Total hospital services	134,920	64.0%	136,754	69.6%	(1,836)
Total revenues from services	**206,778**	**98.1%**	**194,359**	**98.9%**	**12.419**
Other revenue	4,068	1.9%	2,177	1.1%	1,891
Total revenue	**210,846**	**100.0%**	**196,538**	**100.0%**	**14,308**

[1] It should be clarified that Poliambulatorio Dalla Rosa Prati entered the consolidation scope as of February 1, 2019, the company Ospedali Privati Riuniti as of May 6, 2019, Centro Medico San Biagio e Bimar as of July 25, 2019, Centro Medico Università Castrenese as of September 17, 2019 and finally the company Aesculapio as of September 19, 2019. Consequently, since the change in the consolidation scope in the previous year does not render the income statement figures for the two periods comparable, management has voluntarily prepared the pro-forma financial statements illustrated in the Directors' Report in order to provide a consistent representation of the Company's results.

The increase in revenues from services of Euro 12,417 thousand recorded in 2020 compared to 2019 is primarily related to the change in the consolidation scope illustrated above.

The table below shows the breakdown of revenues from hospital services for the year ended December 31, 2020, compared with the year ended December 31, 2019:

(Euro thousands)	At December 31				Change
	2020	*% of total*	2019	*% of total*	2020 vs 2019
Acute and post-acute care services	**106,405**	**50.5%**	**106,009**	**53.9%**	**396**
Outpatient services	28,515	13.5%	30,746	15.6%	(2,231)
Total hospital services	**134,920**	**64.0%**	**136,756**	**69.6%**	**(1,836)**

Revenues from hospital services amounted to Euro 134,920 thousand at December 31, 2020, accounting for 64.0% of the Group's total revenues, down by Euro 1,836 thousand overall. This decrease is primarily attributable to the contraction in organic revenues due to the COVID-19 pandemic, partially mitigated by the contribution of the change in the consolidation scope.

Revenues from acute and post-acute care services of Euro 106,405 thousand accounted for 50.5% of the Group's total revenues during the year ended December 31, 2020 (Euro 106,009 thousand or 53.9% of the total for the year ended December 31, 2019).

Revenues from outpatient services amounting to Euro 28,515 thousand accounted for 13.5% of the Group's total revenues in 2020 (Euro 30,746 thousand and accounting for 15.6% in 2019) and decreased by Euro 2,231 thousand, attributable solely to the effects of the COVID-19 pandemic, which also resulted in the suspension of outpatient activities, an effect partially mitigated by the contribution of the change in the consolidation scope.

The table below shows the breakdown of revenues from community and dependency care services at December 31, 2020 and December 31, 2019.

(Euro thousands)	At December 31				Change
	2020	*% of total*	2019	*% of total*	2020 vs 2019
Dependency care services	20,492	9.7%	22,426	11.4%	(1,934)
Community outpatient care services	51,365	24.4%	35,179	17.9%	16,187
Community and dependency care services	**71,858**	**34.1%**	**57,605**	**29.3%**	**14,253**

Revenues from community and dependency care services amounted to Euro 71,858 thousand in 2020 compared to Euro 57,605 thousand in 2019, up Euro 14,253 thousand and accounting for 34.1% of Group revenues, principally due to the change in consolidation scope.

Dependency care services of Euro 20,492 thousand accounted for 9.7% of the Group's total revenues during the year ended December 31, 2020 (Euro 22,426 thousand or 11.4% of the total for the year ended December 31, 2019).

Outpatient care services of Euro 51,365 thousand accounted for 24.4% of the Group's total revenues in 2020 (Euro 35,179 thousand or 17.9% in 2019). This increase is related to the fact that the companies acquired in the previous year mainly belong to this business sector.

Note 28 Other operating revenues

Other operating income amounted to Euro 4,068 thousand in 2020 and Euro 2,177 thousand in 2019, an increase of Euro 1,891 thousand.

The following table shows a breakdown of other operating revenues in 2020 compared to 2019.

(Euro thousands)	*At December 31*		*Change*
	2020	2019	2020 vs 2019
Other income - third parties	3,143	1,708	1,435
Tax credits	605	167	438
Taxable prior year income	287	235	52
Gain on asset disposals	29	41	(11)
Prior year income	3	27	(24)
Total other operating revenues	**4,068**	**2,177**	**1,891**

The account amounting to Euro 4,068 thousand mainly consists of the reimbursement of COVID costs amounting to Euro 1,551 thousand and the tax credit resulting from tax benefits provided by the Relaunch Decree No. 34 of May 19, 2020 issued by the Government to address the effects of the economic crisis related to COVID-19, amounting to Euro 366 thousand.

It also includes income from the contract signed with the company Lifebrain, as a result of which the GHC Group grants Lifebrain the right to advertise the existence of commercial agreements between the parties.

Note 29 Costs for raw materials, ancillary, consumables and goods

Costs for raw materials, ancillary, consumables and goods amounted to Euro 28,528 thousand for the year ended December 31, 2020 and to Euro 26,012 thousand for the year ended December 31, 2019, marking an increase of Euro 2,517 thousand.

It should be pointed out that this increase is due to the reduction in the costs of the organic scope as a result of the slowdown in production in the March-June period, mitigated by the contribution of the change in the consolidation scope. The increase is also impacted by the costs that Group companies have had to incur in order to deal with the COVID emergency (e.g. for the purchase of PPE, increased consumption of hygiene materials) amounting to Euro 1,388 thousand.

The table below shows the breakdown of the account in question for the years ended December 31, 2020 and December 31, 2019.

(Euro thousands)	*At December 31*		*Change*
	2020	2019	2020 vs 2019
Healthcare supplies and prostheses	21,116	18,257	2,859
Medical and pharmacological material	4,731	4,669	63
Testing and hygienic materials	1,432	1,281	151
Change in inventories of raw materials, ancillary, consumables and goods	(423)	30	(453)
Other	1,959	1,775	183
Incr. ass.. for internal work - Mat.	(286)	-	(286)
Total raw materials, ancillary & consumables	**28,528**	**26,012**	**2,517**

During the year ended December 31, 2020 the most significant component of the costs of raw materials, ancillary and consumables was represented by the costs of healthcare supplies and prostheses of Euro 21,116 thousand, up by Euro 2,859 thousand on the previous year.

The second-most significant cost component was that relating to the purchase of medical and pharmacological materials, amounting to Euro 4,731 thousand, compared with Euro 4,669 thousand for the year ended December 31, 2019.

The increase is attributable to the purchase of protective equipment necessary for the COVID emergency (Euro 1,438 thousand).

"Increases for internal work" includes costs incurred by Hesperia Hospital S.r.l. and capitalised for the development of new methods of surgical procedures using robotic technology.

Note 30 Service costs

Service costs amounted to Euro 88,229 thousand in 2020 and Euro 79,436 thousand in 2019, an increase of Euro 8,793 thousand. This increase is primarily related to the change in consolidation scope that mitigates the decrease in costs in the organic scope due to the slowdown in production in the March-June 2020 period from the effects related to the COVID-19. It should be noted that the increase in this account is also attributable to the higher costs incurred by Group companies to deal with the COVID-19 emergency, amounting to Euro 2,290 thousand.

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*		*Change*
	2020	2019	2020 vs 2019
Medical and nursing care services	49,599	45,772	3,827
Owned asset maintenance services	4,087	3,060	1,027
Catering services	1,883	2,157	(275)
Technical healthcare services	5,141	3,308	1,834
Cleaning costs	2,414	2,057	356
Electricity	2,134	2,124	11
Coordinated long-term contractors	461	501	(40)
Director fees	3,730	3,068	662
Rental charges – equipment	1,246	1,328	(82)
Third-party processing (tests, etc.)	3,280	1,475	1,805
Legal fees	915	1,026	(111)
Linen hire	462	448	15
Technical consultants	2,088	2,566	(479)
Other	10,810	10,547	262
Incr. ass.. for internal work - Serv.	(19)	-	(19)
Total service costs	**88,229**	**79,436**	**8,793**

As regards the account "medical and nursing care services" and "technical healthcare services", it should be pointed out that these costs are closely linked to production: consequently, there was a decrease due to the contraction in business linked to the effects deriving from the COVID pandemic described above, a contraction mitigated by the contribution of the companies that entered the consolidation scope.

"Rental charges – equipment" consists of leases with a duration of less than 12 months or with a value of less than Euro 5,000, for which the exemption provided for by IFRS 16 applies.

"Other" in 2020 primarily consists of:

(i) water, telephone, methane and gas for Euro 1,636 thousand;
(ii) administrative, fiscal, notarial and payroll consultancy services for Euro 1,787 thousand;
(iii) third party liability, all risk and property insurance for a total of Euro 1,139 thousand;
(iv) waste disposal service for Euro 589 thousand;
(v) linen washing services for Euro 540 thousand;
(vi) canteen services for Euro 799 thousand.

Note 31 Personnel costs

Personnel costs amounted to Euro 52,797 thousand in 2020 and Euro 46,960 thousand at September 30, 2019, increasing Euro 5,837 thousand.

The table below shows the breakdown of such costs for the years ended December 31, 2020 and December 30, 2019.

(Euro thousands)	*At December 31*		*Change*
	2020	2019	2020 vs 2019
Wages and salaries	37,776	33,081	4,695
Social security charges	11,193	10,024	1,168
Severance	2,525	2,029	497
Other	1,342	1,826	(484)
Incr. ass.. for internal work - Pers.	(39)	-	(39)
Total personnel costs	**52,797**	**46,960**	**5,837**

The increase in the account is due to:

(i) the change in the consolidation scope;
(ii) the effects of the higher costs deriving from renewal of the national collective bargaining agreements partially mitigated by use of leave during the lockdown period;
(iii) higher costs amounting to Euro 730 thousand, charges that were necessary to cope with the effects of the pandemic linked to COVID-19;
(iv) the assignment of rights to the beneficiaries of the stock grant plan approved by the Shareholders' Meeting on September 26, 2018, amounting to Euro 407 thousand.

Note 32 Other operating costs

Other operating costs amounted to Euro 10,724 thousand in 2020, up from Euro 9,354 thousand in 2019, an increase of Euro 1,370 thousand.

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*		*Change*
	2020	2019	2020 vs 2019
Non-deductible VAT on a pro rata basis	8,148	6,761	1,387
Income taxes	1,077	951	126
Other operating charges	255	567	(312)
Prior year charges	696	282	414
Non-deductible expenses	69	121	(51)
Associations	153	132	21
Other costs	326	542	(216)
Total other operating costs	**10,724**	**9,354**	**1,370**

The above-mentioned increase of Euro 1,370 thousand is mainly due to the increase in the account "non-deductible VAT on a pro rata basis" which increased by Euro 1,387 thousand, partially capitalized for the part relating to investments. This is primarily due to the change in the consolidation scope, an impact partially mitigated by the decrease in the organic scope, which reported a decrease in operating costs deriving from the lower activity caused by the COVID-19 pandemic and described above.

Note 33 Amortisation, depreciation and write-downs

Amortisation, depreciation and write-downs amounted to Euro 11,807 thousand in 2020, increasing Euro 228 thousand over Euro 11,579 thousand in 2019.

The table below shows the breakdown of and changes in the account in question for the years ended December 31, 2020 and December 31, 2019.

(Euro thousands)	*At December 31*		*Change*
	2020	2019	2020 vs 2019
Depreciation Intangible assets	425	466	(41)
Depreciation Tangible and investment Properties	11,163	9,863	1,300
Write-downs	220	1,250	(1,030)
Total amortisation, depreciation and write-downs	**11,807**	**11,579**	**228**

The increase in the account "depreciation of property, plant and equipment and investment property", amounting to Euro 1,300 thousand, is mainly due to the full contribution of the companies acquired during the previous year.

The decrease in “write-downs," is attributable to lower write-downs of receivables in 2020 compared to 2019.

Note 34 Impairments and other provisions

Impairments and other provisions amounted to Euro 3,270 thousand in 2020, up by Euro 575 thousand compared to Euro 2,695 thousand in the previous year.

The table below shows the breakdown of and changes in the account in question for the years ended December 31, 2020 and December 31, 2019.

(Euro thousands)	*At December 31*		*Change*
	2020	2019	2020 vs 2019
Provision for risks on legal cases in progress	4,157	3,487	670
Release of risk provisions	(991)	(1,317)	326
Other provisions	105	525	(420)
Total impairments and other provisions	**3,270**	**2,695**	**575**

Accruals in 2020 total Euro 4,157 thousand and are attributable to healthcare lawsuits for Euro 2,334 thousand and to Local Health Authority risks for Euro 1,823 thousand.

As regards the healthcare lawsuits, the amounts accrued in the financial statements are provisions recognised on the basis of external legal advice, and are designed to cover the risks deemed probable for damage claims brought from patients. More specifically, these amounts relate to Hesperia Hospital Modena S.r.l. (Euro 877 thousand), Ospedali Privati Riuniti S.r.l. (Euro 962 thousand), Casa di Cura Villa Berica S.r.l. (Euro 345 thousand) and Rugani Hospital S.r.l. (Euro 150 thousand).

As regards Local Health Authority risks, provisions were prudentially recognized to cover any risks on controls which the Local Health Authority carries out periodically on clinical records and on the risks of fee variations for services rendered to patients residing outside the Region, aspects which are defined by the competent authorities over a long period of time exceeding the financial year. The amount set aside refers to Hesperia Hospital Modena S.r.l. (Euro 951 thousand), Casa di Cura Villa Berica S.p.A. (Euro 49 thousand) and Ospedali Privati Riuniti S.r.l. (Euro 781 thousand) and Casa di Cura Prof. Nobili S.p.A. (Euro 41 thousand).

The release of provisions for risks, amounting to Euro 991 thousand, is composed of the release of the provision for doubtful debts (Euro 207 thousand, attributable to Hesperia Hospital Modena S.r.l.), the release of the provision for risks due to health cases (Euro 549 thousand, attributable to Rugani Hospital S.r.l. for Euro 191 thousand, Hesperia Hospital Modena S.r.l. for Euro 219 thousand and Ospedali Privati Riuniti S.r.l. for Euro 140 thousand), the release of the provision for local health authority risks (Euro 201 thousand attributable to Casa di Cura Prof.Nobili S.p.A. for Euro 14 thousand, Hesperia Hospital Modena S.r.l. for Euro 157 thousand and Ospedali Privati Riuniti S.r.l. for Euro 30 thousand) and finally the release of other risks (Euro 34 thousand, attributable to Rugani Hospital S.r.l. for Euro 23 thousand and Hesperia Hospital Modena S.r.l. for Euro 11 thousand).

These releases are correlated to the fact that certain disputes were settled for which it was necessary to review, on the basis of external legal advice, the estimate of the provision for risks with respect to the provisions made in the previous year: in certain cases, in fact, the facility's non-liability was ascertained and in others, the indemnity obligation of the company was established for a lower amount than that estimated, with the consequent release of the remaining balance to the income statement.

“Other provisions" include Euro 65 thousand for the provision to the Severance Indemnity Fund for some Directors (of which Euro 20 thousand relating to Rugani Hospital S.r.l., Euro 25 thousand to Casa di Cura Prof. Nobili S.p.A. and Euro 20 thousand to Hesperia Hospital Modena S.r.l.) and Euro 40 thousand for a provision for a labour dispute entirely relating to Hesperia Hospital Modena S.r.l..

Note 35 Financial income

Financial income amounted to Euro 64 thousand in 2020, a decrease of Euro 13 thousand compared to Euro 77 thousand in 2019.

The table below shows the breakdown of and changes in the account in question for the years ended December 31, 2020 and December 31, 2019.

(Euro thousands)	*At December 31*		*Change*
	2020	2019	2020 vs 2019
Interest income	3	29	(26)
Other income	61	48	12
Total financial income	**64**	**77**	**(14)**

Note 36 Financial charges

Financial charges amount to Euro 2,758 thousand in 2020, up by Euro 529 thousand compared to Euro 2,230 thousand in the previous year.

The table below shows the breakdown of and changes in the account in question for the years ended December 31, 2020 and December 31, 2019.

(Euro thousands)	*At December 31*		*Change*
	2020	2019	2020 vs 2019
Interest on mortgage loans	1,661	1,151	510
Bank interest charges	52	219	(166)
Interest expenses on advances	72	80	(8)
Other interest charges	752	608	144
Financial expenses	221	172	49
Total financial charges	**2,758**	**2,230**	**528**

In 2020 these increased Euro 528 thousand mainly due to interest on loans which increased Euro 510 thousand largely due to the change in the consolidation scope and interest on loans taken out by GHC S.p.A. (Euro 210 thousand).

"Other interest charges" mainly includes interest expense related to the application of IFRS 16 and the change compared to 2019 is mainly attributable to the change in the consolidation scope.

Note 37 Results of investments at equity

The table below shows the breakdown of and changes in the account in question for the years ended December 31, 2020 and December 31, 2019.

(Euro thousands)	*At December 31*		*Change*
	2020	2019	2020 vs 2019
Share of result	228	311	(84)
Total	**228**	**311**	**(84)**

The account in 2020 amounted to Euro 228 thousand with an increase compared to the previous year due to the Group's share of the result of the associated company Il Fiocco S.c.a.r.l.

Note 38 Income taxes

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 taxes	3,411	5,297	(1,886)
Deferred tax income	(242)	(512)	269
Deferred tax charges	(2,216)	675	(2,891)
Other	286	46	240
Total income taxes	**1,238**	**5,506**	**(4,268)**

In 2020, income taxes amounted to Euro 1 ,238 thousand, a decrease of Euro 4 ,268 thousand compared to December 31, 2019, mainly due to lower current taxes of Euro 1,886 thousand, recorded as a result of the decrease in the Group's volume of business and the effect resulting from Article 24 of the Relaunch Decree which "cancelled" the payment of the IRAP balance with a consequent positive effect on taxes relating to previous years, and the release of deferred tax liabilities following the accounting/tax realignment.

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

IRES reconciliation	*At December 31*	
	2020	2019
Profit before taxes	**13,023**	**18,659**
IRES rate applicable	24.00%	24.00%
Theoretical tax charge	**3,125**	**4,478**
(Profit before taxes * IRES tax rate)		
Income taxes with a different IRES rate	-202	-714
R&D tax credit	-57	-39
Tax realignment	-1,867	-
Other changes	-314	244
Current and deferred IRES tax	**685**	**3,969**
Effective tax rate	**5.26%**	**21.30%**
Current and deferred IRAP tax	267	1,490
Prior year taxes	-239	-30
Substitute tax	525	77
Total income taxes	**1,238**	**5,506**

Note 39 Net profit for the year

Net profit amounts to Euro 11,784 thousand in 2020 compared to Euro 13,154 thousand in 2019. The decrease in profits for the year 2020 is attributable to the reduction in activity in the period March - June 2020, related to the COVID pandemic, the effects of which were mitigated by the actions implemented by management, thus favouring a marked acceleration of activities in the second half of 2020.

Note 40 Basic and diluted earnings per share

The basic earnings per share is calculated by dividing the profit attributable to the ordinary shareholders of the Parent Company by the average weighted number of ordinary shares outstanding during the period. The diluted earnings per share is calculated by dividing the profit attributable to the ordinary shareholders of the Parent Company by the average weighted number of ordinary shares outstanding.

Information is shown below for the calculation of the basic and diluted earnings per share:

(Euro thousands)	*At December 31*	*At December 31*
	2020	2019
Net profit attributed to the shareholders of the Parent company	11,781	13,142
Number of ordinary shares at end of year/period*	81,610,864	81,706,294
Earnings per share – basic (Euro)	0.14	0.16
Earnings per share – diluted (Euro)**	0.14	0.16

There were no other operations on the ordinary shares or potential ordinary shares between the balance sheet date and the date of the preparation of the financial statements.

* Amount net of treasury shares
** Amount net of treasury shares but including Stock Grant plan shares of 229,847 granted on December 18, 2019 and 93,754 granted on December 2, 2020.

Note 41 Fair value hierarchy

The contractual characteristics and fair values of derivative financial instruments hedging against interest rate risk at December 31, 2020 and December 31, 2019 are presented below:

Company	Contr.	Type	Rate payable	Rate receivable	Beginning date	Maturity date	Notional principal (in Euro thousands)	Fair value	
								At December 31, 2020	At December 31, 2019
Centro Medico San Biagio	Banco BPM	Interest Rate Swap	0.60%	Euribor 6m	25-Jul-19	31-Dec-26	20,000	264	24
Eremo	Banco Popolare	Interest Rate Swap	0.60%	Euribor 3m	Apr 20, 15	Dec 31, 24	1,000	10	12
Casa di Cura Villa Berica	Credit Agricole	Interest Rate Swap	0.001% quarterly	Euribor 3m	Dec. 23, 20	Dec. 23, 26	800	15	-
C.M.S.R.	Credit Agricole	Interest Rate Swap	0.001% quarterly	Euribor 3m	Dec. 23, 20	Dec. 23, 26	1,500	26	-
Aesculapio	Credit Agricole	Interest Rate Swap	0.001% quarterly	Euribor 3m	Dec. 23, 20	Dec. 23, 26	590	11	-
Total								**326**	**36**

Finally, in accordance with IFRS 13, it is reported that the CVA (Credit Value Adjustment) and DVA (Debit Value Adjustment) have been calculated for the outstanding derivative financial instruments, and it has been determined that the amount in question is not meaningful for the purposes of the recognition of the related effects in these financial statements.

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

Financial Liabilities	*At December 31, 2020*		*At December 31, 2019*	
(Euro thousands)	*Book value*	Fair value	*Book value*	Fair value
Securities investments	963	1,845	1,002	1,845
Loans	84,961	84,347	81,219	80,022
Derivatives	326	326	36	36
Capital instruments	877	877	958	958

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

fair value concerns the price that will be received for the sale of an asset or which will be paid for the transfer of a liability in an ordinary transaction settled between market operators, at the measurement date (“exit price”).

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

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

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

Valuation processes

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

It should be noted that there have been no changes in the levels of the fair value hierarchy used for the purpose of measuring financial instruments since the last annual financial statements and that the methodologies used in measuring this Level 2 and Level 3 fair value are consistent with the last annual financial statements.

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

Valuation techniques and hypotheses

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

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

- The fair value of securities quoted in an active market is based on the quoted price at the balance sheet date. The fair value of securities not quoted in an active market, such as bank loans or other financial liabilities, finance lease commitments or other non-current financial liabilities, is estimated on the basis of future cash flows, discounted by applying the current rates available for debt with similar terms, such as credit risk and residual maturity. The fair value of shares is sensitive to both a possible change in expected cash flows and/or the discount rate and a possible change in growth rates. For estimation purposes, management must use the unobservable input data presented in the following tables. Management regularly assesses a series of possible alternatives to such significant input data and determines their impact on total fair value.

- The fair value of the ordinary non-listed shares was estimated through the discounted cash flow model (DCF). The valuation requires management to make assumptions with regards to the model inputs, including the projected cash flows, the discount rate, the credit risk and the volatility. The probability of differing estimates within the interval may be reasonably verified and are utilised in management's estimates of the fair value of these non-listed investments;

- The Group undertakes derivative financial instruments with a range of counterparties, principally financial institutions with allocated credit ratings. The derivatives valued using measurement techniques with market recordable data principally consist of interest rate swaps. The most utilised measurement techniques include the "swaps" models, which utilise the calculation of the present value. The models consider various inputs, including the credit quality of the counterparty and interest rate curves. All derivative contracts are fully covered by cash, thus eliminating the risk of default by the Group.

Note 42 Commitments, risks and contingent liabilities

Note 42.1 Commitments and Guarantees

Commitments and guarantees at December 31, 2020 are described below.

Guarantees provided by the Group in favour of third parties

Guarantor	Beneficiary	Guarantee type	Maturity	Commitment	Borrower
GHC S.p.A.	Intesa SanPaolo	Letter of indemnity	30/09/2024	99,700	L'Eremo di Miazzina S.p.A.
GHC S.p.A.	Banco BPM	Letter of comfort	30/06/2024	5,000,000	Casa di Cura Villa Garda S.p.A.
GHC S.p.A.	Intesa SanPaolo	Pledge on shares	31/12/2024	14,300,000	GHC S.p.A.
GHC S.p.A.	Unicredit	Letter of indemnity	31/01/2025	15,000,000	Ospedali Privati Riuniti S.r.l.
Fides Medica S.r.l.	Carige	Letter of indemnity	30/06/2025	790,000	Fides Servizi S.c.a.r.l.
GHC S.p.A.	Intesa SanPaolo	Independent guarantee	30/06/2025	2,670,089	Villa Von Siebenthal S.r.l.
GHC S.p.A.	Intesa SanPaolo	Independent guarantee	30/06/2025	934,311	Villa Von Siebenthal S.r.l.
Villa Von Siebenthal S.r.l.	Intesa SanPaolo	Mortgages	30/06/2025	19,000,000	Villa Von Siebenthal S.r.l.
Fides Servizi S.r.l.	Carige	Mortgages	30/07/2025	790,000	Fides Servizi S.r.l.
GHC S.p.A./Casa di Cura Villa Garda S.p.A.	Carige	Letter of indemnity	31/12/2025	13,000,000	Larama Liguria (incorporated into Fides Medica)
GHC Project 5 S.r.l.	Credit Agricole	Pledge on shares	31/03/2027	7,000,000	GHC Project 5 S.r.l.
L'Eremo di Miazzina S.p.A.	Banco BPM	Mortgages	06/06/2027	2,795,014	L'Eremo di Miazzina S.p.A.
GHC S.p.A.	Banco BPM	Independent guarantee	30/06/2027	24,000,000	Centro Medico San Biagio S.r.l.
Centro Medico Università Castrense S.r.l.	Banca Prealpi San Biagio	Mortgages	26/07/2027	4,000,000	Centro Medico Università Castrense S.r.l.
Centro Medico Università Castrense S.r.l.	Banca Prealpi San Biagio	Mortgages	24/01/2028	2,300,000	Centro Medico Università Castrense S.r.l.
Centro Medico Università Castrense S.r.l.	Intesa SanPaolo	Mortgages	01/02/2029	4,000,000	Centro Medico Università Castrense S.r.l.
Genia Immobiliare S.r.l.	Banco BPM	Mortgages	17/12/2030	1,000,000	Genia Immobiliare S.r.l.
Genia Immobiliare S.r.l.	Carige	Mortgages	31/01/2032	4,000,000	Fides Medica S.r.l.
Poliambulatorio Dalla Rosa Prati S.r.l.	Cariparma	Mortgages	22/12/2033	900,000	Poliambulatorio Dalla Rosa Prati S.r.l.
GHC S.p.A.	Carige	Mortgages	30/06/2040	3,800,000	GHC S.p.A.

Fides Medica S.r.l.	Carige	Letter of indemnity	Until revocation	1,950,000	Centro di Riabilitazione S.r.l.
GHC S.p.A.	Carige	Letter of indemnity	Until revocation	1,820,000	Fides Medica S.r.l.
GHC S.p.A.	Carige	Letter of indemnity	Until revocation	845,000	Roemar S.r.l.
GHC S.p.A.	Carige	Omnibus Guarantee	Until revocation	325,000	Roemar S.r.l.
GHC S.p.A.	Carige	Omnibus Guarantee	Until revocation	260,000	Fides Medica S.r.l.
Fides Medica S.r.l.	Carige	Letter of indemnity	Until revocation	206,582	Il Fiocco S.c.a.r.l.
Fides Medica S.r.l.	Carige	Letter of indemnity	Until revocation	200,000	Centro di Riabilitazione S.r.l.
GHC S.p.A.	Banco BPM	Omnibus Guarantee	Until revocation	155,000	Fides Medica S.r.l.
Fides Medica S.r.l.	Monte dei Paschi	Letter of indemnity	Until revocation	150,000	Prora Srl
Fides Medica S.r.l.	Intesa SanPaolo	Letter of indemnity	Until revocation	120,000	Centro di Riabilitazione S.r.l.
Fides Medica S.r.l.	Carige	Letter of indemnity	Until revocation	80,000	Il Fiocco S.c.a.r.l.
Fides Medica S.r.l.	Intesa SanPaolo	Omnibus Guarantee	Until revocation	80,000	PRORA S.r.l.
Fides Medica S.r.l.	Intesa SanPaolo	Letter of indemnity	Until revocation	60,000	Genia Immobiliare S.r.l.
Fides Medica S.r.l.	UBI	Letter of indemnity	Until revocation	50,000	Centro di Riabilitazione S.r.l.
Fides Medica S.r.l.	Intesa SanPaolo	Letter of indemnity	Until revocation	30,000	Fides Servizi S.c.a.r.l.
Fides Medica S.r.l.	Carige	Letter of indemnity	Until revocation	26,000	Il Fiocco S.c.a.r.l.

Guarantees given to and by third parties on behalf of the Group

Guarantor	Beneficiary	Guarantee type	Maturity	Commitment	Borrower
CREDEM	University of Ferrara	Letter of indemnity	30/09/2020	83,334	Hesperia Hospital Modena S.p.A.
BPER	University of Bologna	Letter of indemnity	15/10/2020	140,800	Hesperia Hospital Modena S.p.A.
BPER	University of Ferrara	Letter of indemnity	11/03/2021	70,414	Hesperia Hospital Modena S.p.A.
BPER	Alba Leasing	Letter of indemnity	01/07/2021	16,580	Hesperia Hospital Modena S.p.A.
BPER	University of Bologna	Letter of indemnity	30/09/2021	45,388	Hesperia Hospital Modena S.p.A.

Intesa SanPaolo	Unione dei comuni dell'Appennino Bolognese	Letter of indemnity	31/05/2022	37,406	Casa di Cura Prof.Nobili S.p.A.
Medio Credito Centrale S.p.A.	Credit Agricole	Guarantee	16/07/2024	900,000	Poliambulatorio Dalla Rosa Prati S.r.l.
Medio Credito Centrale S.p.A.	Banca Popolare di Sondrio	Guarantee	01/10/2024	1,000,000	Villa Von Siebenthal S.r.l.
Intesa SanPaolo	Amministrazione Principe Pallavicino	Letter of indemnity	31/08/2036	40,000	Prora S.r.l.
Intesa SanPaolo	Amministrazione Principe Pallavicino	Letter of indemnity	31/08/2036	20,000	Prora S.r.l.
Raffaele Garofalo S.a.p.a.	Carige	Letter of indemnity	Until revocation	9,000,000	C.M.S.R. Veneto Medica S.r.l.
Banca Prealpi San Biagio	BMFIN	Letter of indemnity	Until revocation	360,000	Centro Medico San Biagio S.r.l.

No expected losses on guarantees have come to light.

Note 42.2 Financial Risk Management

This section contains a description of the financial risks to which the Group and its subsidiaries are exposed, together with the policies and strategies employed by the Company and its subsidiaries to manage the risks concerned during the year to December 31, 2020.
It should be noted that are no plans for changes in the risk management policies set out below.

GHC and its subsidiaries are exposed to financial risks in their activities, and in particular risks of the following types:

• Credit risk arising from commercial transactions or financing activity;

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

• Market risk, and more specifically:

a) Operational risk relating to the conduct of the business;

b) Foreign exchange risk relating to transactions in currency areas other than their functional currency;

c) Interest rate risk relating to the Company’s exposure to interest-bearing financial instruments;

d) Price risk, due to changes in quoted commodities prices.

The management and monitoring system for the main risks involves the Group’s director and management, the directors and boards of directors of the consolidated companies and company personnel.

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

The risk management policy applied by the Group regards the setting of guidelines at the central level on which to base the operational management of market, liquidity risk, cash flow risks and for the monitoring of results achieved.

For greater details on financial risk management, reference should be made to paragraph 12 of the 2020 Directors' Report.

42.2.1 Credit risk

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

The maximum exposure to the credit risk for the Group at December 31, 2020 and December 31, 2019 is represented by the book value of the assets recorded in the accounts under trade receivables.

The receivables claimed by the company refer almost entirely to public healthcare facilities (hospital authorities and/or health authorities) for which it is not considered necessary to recognize a particular risk of insolvency, except in connection with spending review and limit requests.

Commercial credit risk is managed by each legal entity in accordance with the Group's policy.

Information on trade receivable positions, net of the doubtful debts provision, at December 31, 2020 and December 31, 2019 is provided below by time past due:

(Euro thousands)	*At December 31*	*At December 31*
	2020	*2019*
Not yet due	43,840	40,211
Overdue 0 - 90 days	5,192	4,832
Overdue 90 - 180 days	673	985
Overdue 180 - 360 days	3,396	3,248
Overdue beyond 360 days	8,309	5,120
Total	**61,411**	**54,396**

Information on trade receivable positions, gross of the doubtful debts provision, at December 31, 2020 and December 31, 2019 is provided below by time past due:

(Euro thousands)	*At December 31*	*At December 31*
	2020	*2019*
Not yet due	43,840	40,211
Overdue 0 - 90 days	5,192	4,832
Overdue 90 - 180 days	673	985
Overdue 180 - 360 days	4,539	4,394
Overdue beyond 360 days	12,881	9,706
Total	**67,126**	**60,129**

Doubtful debt provision	-5,715	-5,733
Total trade receivables	**61,411**	**54,396**

The risk of default is observed locally by the head offices of the subsidiaries, which monitor the collection of trade receivables. The Group's Administration Department monitors the overall risk level and constantly verifies the overall credit exposure. The risk level associated with this item is low, since the Group's receivables are mainly claimed from the Reginal Health System.

At the operational level, this risk is managed as follows:

- assessment of clients' credit standing, taking account of their creditworthiness;
- monitoring of the relevant expected collection flows;
- appropriate payment reminders;
- legal recovery actions, where appropriate.

42.2.2 Liquidity risk

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

The Group believes that the risk of non-payment for the services rendered by the individual health facilities by the Regional Health System, together with the related impact on liquidity, is moderate. The Group's facilities are primarily located in regions with a balanced healthcare spending budget. This reduces, but does not eliminate, the risk that the Regional Health Systems within whose territory the facilities concerned operate may delay the payment of services rendered to patients. At December 31, 2020 the GHC Group's average collection times from the Regional Health System were approximately 108 days.

Liquidity risk is managed by the individual legal entities and is monitored centrally by the Group: the CFO Area Administration periodically monitors the Group financial position by preparing appropriate reports on projected and actual cash inflows and outflows. In this manner, the Group aims to ensure adequate coverage of its financial needs, closely monitoring loans, open credit lines and relative utilisations in order to ensure optimum management of the resources and any temporary excess liquidity.

The Group objective is to ensure a financial structure which, in line with business objectives, guarantees an adequate level of liquidity, minimising the relative opportunity cost by maintaining equilibrium in terms of duration and type of debt.

The Group can rely on constant support from the banking system, due to the composition of its client portfolio (public healthcare authorities).

Within the framework of this type of risk, in planning its financial structure the Group tends to finance its investments using medium/long term debt, while meeting its current obligations using the cash flow provided by its operations, financed using short-term lines of credit.

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

in Euro thousands	At December 31, 2020			
	Financial payables	Trade payables	Liabilities for derivative instruments	Total
Maturity:				
Within 12 months	32,782	35,857	-	**68,639**
Beyond 12 months	78,065		-	**78,065**
Over 5 years	11,457		326	**11,783**
Total	**122,304**	**35,857**	**326**	**158,487**

(Euro thousands)	At December 31, 2019			
	Financial payables	Trade payables	Liabilities for derivative instruments	Total
Maturity:				
Within 12 months	30,101	33,358	-	**63,459**
Beyond 12 months	77,208		-	**77,208**
Over 5 years	15,138		36	**15,174**
Total	**122,447**	**33,358**	**36**	**155,841**

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

The Group is simultaneously exposed to market risk (interest rate risk), liquidity risk and credit risk.

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

42.2.3 Market risk

The Group's main goal is to manage risk within pre-determined limits, in order to safeguard the achievement of the company's objectives. The Group mainly does business with public health authorities in the areas where its care facilities are located. By virtue of this structure, its financial performance depends closely on the healthcare policies in its region of operation.

Italy's central government has delegated authority over healthcare legislation to the regions, each of which drafts a Regional Health Plan on the basis of the National Healthcare Plan enacted by the government by proposal of the Ministry of Health, representing the strategic plan for initiatives in pursuit of health objectives and the functioning of services to satisfy the regional population.

The result of the peculiar nature of the Group's clients and the rapidly changing legislative framework is a particularly complex situation of strong dependency on public health authorities and the relevant regional government.

42.2.4 Currency risk

The Group's current activity is not exposed to exchange rate fluctuations at present, inasmuch as the Group conducts its business almost exclusively in euro.

42.2.5 Interest rate risk

The interest rate risk to which the Group is exposed arises not only from the short-term lines of credit extended to all companies, but also from the medium/long term loans contracted by certain companies such as Rugani Hospital S.r.l., Eremo di Miazzina S.p.A., CMSR Veneto Medica S.r.l., Villa Von Siebenthal S.r.l. he Fides Group, Centro Medico San Biagio S.p.A., Ospedali Privati Riuniti S.r.l., Poliambulatorio Dalla Rosa Prati S.r.l., Centro Medico Università Castrense S.r.l., Casa di Cura Villa Garda S.p.A. and Garofalo Health Care S.p.A.

(Euro thousands)	At December 31, 2020		
	Interest	Interest +1%*	Interest -0.25%*
	1,661	2,531	1,444

**the sensitivity of rates ((+1% and -0.25%) was calculated on the whole year, while the interest was recognised according to the respective months*

The objective of the management of interest rate risk is to limit and stabilize the interest paid, primarily on medium-term loans, so as to ensure that the underlying and the hedging instrument are closely correlated. The hedging activity is assessed and eventually decided on a case by case basis; in 2020 the Group subscribed to three derivative instruments (IRS) for the management of the interest rate risk on the loans provided by Credit Agricole. Rate management is managed by the Finance department. Hedging activity is assessed and decided upon on a case-by-case basis.

42.2.6 Price risk

The Company's current exposure to commodity price risk is immaterial.

In addition, the costs of healthcare materials are generally subject to fluctuations and other factors beyond the Group's control. The Group generally manages such fluctuations by increasing the prices of its services to private clients; increasing the rates paid for services under accreditation is beyond the Group's control. However, on the basis of an analysis of historical data, fluctuations of costs of healthcare materials have always been followed by an adjustment of the rate paid for services under accreditation. The Company has not adopted instruments to hedge against the risk of fluctuations in the costs of such components, but it exerts strong bargaining power over its suppliers, since it acts as a single purchasing center.

Note 43 Legal disputes and contingent liabilities

Damage compensation claims

In March 2010 the Group suspended insurance cover for several facilities (Hesperia Hospital Modena S.r.l., L'Eremo di Miazzina S.r.l., Rugani Hospital S.r.l., Casa di Cura Villa Berica S.p.A. and Casa di Cura Villa Garda S.p.A.). Accordingly, since that date it has received damage claims relating to the operating activity of the facilities concerned since that date. The company therefore records all disputes deemed "probable" in the financial statements, after consulting external lawyers, under the item "provision for risks due to health cases".

Administrative disputes

The company Rugani Hospital S.r.l. has the following proceedings underway:

- appeal to the Supreme Court against the judgement rendered *inter partes* by the Court of Appeal of Florence, Labour Section, filed on May 24, 2018 No. 526/2018 (R.G.N. 86/2018) in the context of judgement No. 264/2016 RG regarding the definition of the type of employment relationship of certain professional nurses. On the basis of an opinion from the company's legal counsel, the risk has been deemed "probable" and an accrual of Euro 87 thousand has been made to other provisions for risks and charges.
- Appeal before the Court of Siena, Labour Section, against the Injunction Order of the Siena Labour Inspectorate (R.G.N. 813/2018), related to the same dispute referred to in point 1. The Judge temporarily granted a stay of the order. On the basis of an opinion from the company's legal counsel, the risk has been deemed "probable" and an accrual of Euro 14 thousand has been made to other provisions for risks and charges.

Villa Von Siebenthal S.r.l. has the following ongoing proceedings:

- a proceeding involving SIFIN S.r.l. as adverse party. The dispute arises from the without-recourse factoring agreement for the receivables claimed by Villa Von Siebenthal S.r.l. from the Italian national and regional health system. SIFIN S.r.l. sued Villa Von Siebenthal S.r.l. before the Civil Court of Rome in connection with the above agreement, seeking payment of Euro 220 thousand. By entry of appearance and reply of June 20, 2009, Villa Von Siebenthal S.r.l. entered an appearance in the proceedings, petitioning the court to reject the claims made by SIFIN S.r.l. and lodging a counter-claim for a declaratory judgement finding the agreement void and ordering a refund of the sum to the factor by way of interest and fees, while also contesting the manner in which SIFIN S.r.l. forbore the interest accrued from the Lazio Region.

  By interim judgement No. 6850/2014, filed on March 25, 2014, the judge re-opened the proceedings "in order to determine the exact amount of the parties reciprocal claims by ordering court-appointed expert testimony."

  In the expert witness report filed, the court-appointed expert concluded that the difference between the sums owed by Villa Von Siebenthal S.r.l. to SIFIN S.r.l. and those owed by SIFIN S.r.l. to Villa Von Siebenthal S.r.l.. result in:

  - a balance payable by Villa Von Siebenthal of Euro 40 thousand (if the sums due to Sifin by Villa Von Siebenthal by way of interest are calculated at the legal rate);

- a balance receivable by Villa Von Siebenthal of Euro 675 thousand (if the sums due by Sifin to Villa Von Siebenthal by way of interest are calculated at the legal rate).

Following the hearing for the entry of conclusions held on July 6, 2016, by final judgement No. 2670/2017, filed on February 10, 2017, the judge ordered SIFIN S.r.l. to pay Villa Von Siebenthal S.r.l. the sum of Euro 138 thousand, in addition to the legal fees arising from the claim, expenses and additional amounts due by law.

SIFIN S.r.l. filed the following appeals against the above judgements before the Rome Court of Appeal:

- appeal against interim judgement No. 6850/2014. The case was enrolled as no. 3098/2015, General Registry. By entry of appearance and reply of September 24, 2015, Villa Von Siebenthal S.r.l entered an appearance in the proceeding, petitioning the court to reject the claims made by SIFIN and also lodging a counter-appeal. On January 25, 2019 the parties specified their respective conclusions and the case was retained for decision, with time limits pursuant to Article 190 of the Civil Procedure Code for the filing of closing statements and replies. By order of August 27, 2019, the Court of Appeal set a new hearing for the definition of conclusions due to the replacement of a member of the Board, adjourning the case for the same tasks to the hearing of February 26, 2020, subsequently adjourned to the hearing of October 28, 2020;
- appeal against definitive judgement No. 2670/2017. The case was enrolled as no. 3212/2017, General Registry. By entry of appearance and reply of July 25, 2017, Villa Von Siebenthal S.r.l entered an appearance in the proceeding, petitioning the court to reject the claims made by SIFIN S.r.l and also lodging a counter-appeal. On January 25, 2019 the parties specified their respective conclusions and the case was retained for decision, with time limits pursuant to Article 190 of the Civil Procedure Code for the filing of closing statements and replies. By order of August 27, 2019, the Court of Appeal set a new hearing for the definition of conclusions due to the replacement of a member of the Board, adjourning the case for the same tasks to the hearing of February 26, 2020, subsequently adjourned to the hearing of October 28, 2020;
- pending the appeal process, petition for a writ of interlocutory precautionary attachment pursuant to Articles 669-*quater* and 671 of the Italian Civil Procedure Code, seeking attachment of all sums on deposit in current accounts held by Villa Von Siebenthal S.r.l, the accounts receivable claimed by the latter and all other items of moveable and/or immoveable property, up to the amount of Euro 161 thousand. By Order dated February 12, 2018, the Court of Appeal of Rome rejected the appeal brought by SIFIN S.r.l. The risk, following the opinion of its lawyers, is quantified as "possible" and no liability has been recorded in the Financial Statements for these proceedings.
- On December 20, 2020 the Court of Appeal of Rome issued a sentence declaring null and void the sentence of the Court of Rome's first instance, which was not final (there had been two sentences in the first instance: the first, which was not final, postponed the quantification of payables/receivables between the parties to a second one). The substantial effect of the decision of the Court of Appeal of Rome is that each of the parties involved must begin an autonomous judgement in order to assess their respective cases: Sifin is seeking repayment of the sum of Euro 137,000.00 (having definitively renounced, according to the Court of Appeal, the original claim of Euro 157,000.00), Villa Von Siebenthal is seeking Euro 700,000.00, as compensation for damages after Sifin, despite not being entitled to it, waived all the interests due for late payment related to Asl RM6.
- In any case, it should be pointed out that regardless of the outcome of any litigation initiated by the parties involved, there will no positive or negative effect on the Villa Von Siebenthal financial statements since, due to specific contractual provisions incorporated into the deed of purchase of the company shares by the Garofolo Group, any effect deriving from the aforementioned litigation will be the exclusive responsibility of the party transferring the Villa Von Siebenthal shares.

- A social-security dispute; the company received a request from the INPS regional directorate for Lazio for documents in connection with inspection assessments of the relationship between the supplier

Futura soc. coop. and Villa Von Siebenthal S.r.l., and specifically the service agreement between the two companies. Following the inspection, on April 4, 2017 Villa Von Siebenthal S.r.l. received consolidated assessment and notification report no. 2016003251/S1 in which it is claimed that Villa Von Siebenthal S.r.l., by virtue of the service agreement with Futura soc. coop., is jointly and severally liable with this latter company for payments of mandatory social-security contributions for the period from April 2013 to November 2015, amounting to Euro 100 thousand. In the opinion of the company's legal counsel, the risk may be deemed "possible" and hence no liability has been recognized in respect of this proceeding.

- In November 2013, the company Villa Von Siebenthal S.r.l. received a writ of summons concerning a claim, based on a suicide attempt in April 2012, by a patient who alleged the clinic's liability for not adopting appropriate precautionary measures and sought damages for physical and psychiatric injury. While the case was still ongoing, the patient passed away and his wife sub-entered the claim.
  On May 30, 2019, a judgement of the Velletri Court became immediately enforceable, by which, accepting the claim of the plaintiff, Villa Von Siebenthal S.r.l. was required, in absentia, to pay the amount of Euro 349 thousand, in addition to litigation costs. Villa Von Siebenthal S.r.l. was judged in default since Cattolica Assicurazione, despite having been promptly been informed of the claim (2012) and of the writ of summons in 2013, failed to assume the clinic's legal defence, although was obliged to do so under the insurance contract.
  However, as immediately became apparent, in view of such a deeply unjust and obviously unfounded judgement on its merits, Villa Von Siebenthal S.r.l. immediately challenged this provision, while also requesting its suspension by means of a specific appeal filed on 28/06/2019 to the counterparty and recorded to the General Registry at No. 4543/2019. Assicurazioni Cattolica was also contacted to ascertain the reasons for its contractual non-compliance, while also requested to finally assume its legal defence of the clinic and to release it from any liability related to and/or consequent to the case. The Court of Appeal, in partial acceptance of the application for an injunction, suspended the provisional execution of the sentence for the portion exceeding the amount of Euro 150 thousand. A separate guarantee judgement was also brought against Società Cattolica di Assicurazione, whose first hearing was postponed until February 4, 2021. The risk was qualified as "possible." In the session held on February 4, 2021 the hearing was postponed until September 21, 2021, obliging Cattolica to carry out the mediation attempt that it had previously refused.

The company Eremo di Miazzina S.r.l. is involved in the following proceedings:

- in October 2017 the clinic was sued by the heirs of Ms. Concetta Ciamprone before the Civil Court of Verbania on claims of negligence and medical malpractice in connection with the patient's death in 2015. An expert's report concluding that the facility is liable has been filed. In October 2018, the heirs served notice of the suit before the Court of Verbania, seeking damages of approximately Euro 1 million. The Court scheduled a hearing for January 18, 2019, at which L'Eremo di Miazzina entered an appearance, arguing that the claim was inadmissible because the suit had been filed after the end of the mandatory statutory period, seeking further expert witness testimony and disputing the amount of the damages. The Court reserved the case for decision, fixing a deadline for any statements of position.
  On September 6, 2019, the Verbania Court judged in favour of the plaintiff, recognising compensation for damages of approx. Euro 650 thousand.

  On the recommendation of its legal counsel, L'Eremo di Miazzina lodged an appeal for a partial revision of the amount owed. Specifically, the legal counsel considered that the damage paid to the husband of the deceased does not take into account the fact that the husband himself died three years after the death of Ms. Ciamprone and therefore the court should have reduced the sum due proportionally to the objective and effective three years of survival by settling an amount of approximately Euro 150 thousand. An appeal was filed on October 4, 2019 requesting a stay of the judgement under appeal while, at the same time, paying the recognised sums amounting to Euro 492 thousand. On June 5, 2020, the Court of

Verbania upheld and ratified the agreement reached between the parties, following which Eremo di Miazzina S.p.A. paid the all-inclusive amount of Euro 144 thousand on July 6, 2020; therefore, as of June 30, 2020, the dispute is to be considered concluded.

- In October 2019, the Zangobbi brothers, heirs of their mother Anna Maria Bresciani, sued L'Eremo di Miazzina S.r.l. claiming the sum of Euro 80 thousand as damages for a fractured femur which she suffered during treatment for an accidental fall in the garden. Following the court appearance and the exchange of briefs pursuant to Article 183, paragraph 6, of the Civil Procedure Code, at the hearing of June 10, 2020 the Court, accepting our exceptions and defence, did not admit the forensic medical examination requested ex adverso, and set the hearing for September 16, 2020. Legal advice suggests that the risk of an unfavourable outcome for the appellant is deemed possible. In view of the Court's decision not to admit the expert appraisal and the amount of compensation requested, which in the event of a negative outcome will certainly be reduced, management did not deem it necessary to make any provisions.
  With Sentence No. 396/2020 published on 16/09/2020, the Court of Verbania, giving final judgement, and rejecting all other requests that have been disregarded or absorbed, ordered the plaintiffs to pay the defendant's legal costs, amounting to Euro 8,500.00, plus a flat VAT and CPA rate of 15%, as required by law. The proceeding is hereby concluded.
- With regard to the summons proposed by a former employee for a labour lawsuit related to the design and works at the site of the Raffaele Garofalo Institute, on April 15, 2020, a conciliation act was signed in order to definitively conclude the dispute. According to the order, the company L'Eremo di Miazzina S.p.A. undertakes, and the counterparty accepts, to pay the amount of Euro 285 thousand, plus legal expenses (for Euro 32 thousand) in a full and final settlement. The amount will be paid in five instalments of Euro 57 thousand with the following due dates: 30/04/2020 (payment already made), 07/01/2021, 07/01/2022, 07/01/2023, 07/01/2024. A specific provision of Euro 300 thousand has been provided in full to cover these items, and a similar payable has been recorded under "sundry payables", which will be settled in accordance with the maturity dates illustrated above. “Prior year expenses" was recorded for the portion exceeding the value of the provision (Euro 17 thousand for legal expenses).
- With regard to the lawsuit brought by the employees Boreka, De Laiti and Laricchia for alleged de-skilling, the Court of Verbania with sentences No. 396/2020 published on September 16, 2020 RG No. 1452/2019 and No. 92/2020 published on September 14, 2020 RG No. 113/2020 respectively, rejected the appeal, ascertaining the absence of the de-skilling alleged by the plaintiffs Borecka and De Laiti with respect to the professional qualification of professional nurse and, as a result, rejected the claims for damages made against the defendant, sentencing the plaintiffs to pay the legal expenses in favour of the defendant, settled in total at Euro 3,300, each, plus VAT and CPA as well as 15% for general expenses. For the Laricchia subpoena, following the subsequent hearings (26/01/2021), the final judgement is still awaited.

INPS vs. Casa di Cura Villa Berica S.p.A. By inspection report dated September 15, 2014, the INPS and the Vicenza Local Labour Directorate contested the working arrangements between Casa di Cura Villa Berica S.p.A. and 12 self-employed physicians and the head of the nursing service, claiming that they were to be classified as employees. A fine of Euro 58 thousand was levied and the sum payable to the INPS was assessed at Euro 5,555 thousand. Casa di Cura Villa Berica S.p.A. appealed this report before the Court of Vicenza, Labour Section, which by judgement dated March 23, 2017 ruled in the company’s favour, finding that the working arrangements at issue in the above report qualified as self-employment. The INPS appealed the judgement before the Venice Court of Appeal by appeal served on October 6, 2017, but in respect of two professionals only (one physician and an office worker in charge of nursing services), whom the INPS once again claimed should be treated as employees. On the basis of an opinion from the company’s legal counsel, the risk associated with this case has been deemed “possible” and hence no provision has been recognized. At the outcome of the hearing held on October 8, 2020, the Venice Court of Appeal pronounced its decision, on the basis of which it recognised only Villa Berica's payable to INPS in the amount of Euro 499 for undue adjustments on the Uniemens form for the month of March 2013, and offset the legal costs of both phases of the case. On January 7, 2021, the grounds were filed which confirmed the structure and reasons for the judgement in the first instance.

The company XRay One S.r.l. has two proceedings in progress:

- Appeal to the Court of Mantua Mariano Vittorio Rizzi, Luca Fabio Rizzi and Roberto Rudy Rizzi. In this dispute the companies TUA Assicurazioni S.p.A. and UnipolSai, as the insurance companies of XRay One S.r.l. and Giacomo Barbalace, respectively, were called.
  The interpretative framework emerging from the examination of the Cattolica and UnipolSai policies indicates that both are operative and that, in particular, the UnipoLSai policy operates at first risk. In consideration of the results of the ATP, however, the degree of risk can be considered probable. Any liability that may be ascertained for XRay One S.r.l. and/or Dr. Giacomo Barbalace such as to entail the acceptance of claims for damages by the opposing party, would be fully covered by their respective insurance policies, which do not provide for excesses.
- Appeal to the Court of Ferrara Vanna Coni, Sara Toselli. As part of this dispute, the companies Cattolica Assicurazioni - the insurer of XRay One S.r.l. on the date on which the diagnostic activity in question was carried out (May 14, 2012) - and UnipolSai - the insurer of XRay One S.r.l. on the date (December 2016) when the claim report was first received - were called, as well as Mr. Mario Calò, the doctor who physically performed the service in question.
  Both Cattolica and UnipolSai, as well as Dr. Calò, deny any liability in terms of compensation. With regard to the coverage stipulated by XRay One S.r.l. and the dispute between Cattolica and UnipolSai, it is, however, possible to establish that, if at least one of the two covers were operative, this would be in the form of second-risk coverage. Indeed the analysis carried out makes it possible that in the relationship between the policies of XRay One S.r.l. and that stipulated by Dr. Calò (Reale Mutua), it is the latter who operates at first risk, with a retroactive period of 10 years. However, the operational effect of Dr. Calò's policy also depends on the management of the relationship (e.g. timeliness of the claim) between the latter and Reale Mutua, of which XRay One S.r.l. is not aware. For the above reasons, the risk can be considered probable, even though judgement on the arguments has not yet been filed. The damage - although not quantified during the investigation due to a lack of sufficient evidence - could reasonably be quantified in an amount not exceeding approximately Euro 300 thousand. XRay One S.r.l. would, however, not be held accountable for any claim for damages by the counterparty due to the insurance policies of the company and of Dr. Mario Calò, and Article 6 - specifically, Article 6.1 lett. o) and Article 6.3 and thereafter - of the sale and purchase agreement of the shares of XRay One S.r.l. by which ownership was transferred to GHC Project 5.

Disputes with local health authorities

Rugani Hospital S.r.l, following the judgement of the Regional Administrative Court of Tuscany No. 1612/2019 of November 26, 2019 which rejected the appeal against the Tuscany Regional Council Motion No. 1220 of 2018 retroactively stipulating the spending limits for the provision of highly complex inpatient and specialized outpatient care, utilised the doubtful debt provision prudently allocated in previous years, as a reversal of the receivables claimed from the Asl 7 Siena Health Authority which have now become irrecoverable. An appeal was lodged with the Council of State against the Regional Administrative Court's sentence.

The following disputes are pending between L'Eremo di Miazzina S.r.l., on the one hand, and the Verbano-Cusio-Ossola local health authority and the Piedmont Region, on the other.

- Dispute between the Verbano-Cusio-Ossola local health authority and L'Eremo di Miazzina S.p.A. regarding healthcare services in 2014, 2015 and 2016. In a letter dated July 14, 2017, the Verbano-Cusio-Ossola local health authority requested that the company issue various credit notes in respect of the years indicated above, claiming a reduction due to a purported lack of continuity of care. The company rejected this claim on the basis that it had not exceeded the threshold triggering the above reduction for patients from Piedmont, and that the said reduction – particularly for the years 2014 and 2015 – could not be applied to out-of-region patients, especially in the light of the position taken by the Piedmont Region in its Regional Council Motion of November 2016. Finally, the company also argued that it had never exceeded the reduction thresholds due to a lack of continuity in care in 2016 as well.
  On the basis of an opinion from the company's legal counsel, the risk of loss associated with this case has been deemed "probable" and an accrual to the doubtful debt provision of Euro 1.466 thousand was thus recognised at December 31, 2019. In view of the age and quantity of the receivables, the company L'Eremo di Miazzina s.r.l., having heard the opinion of its legal advisors and subject to the successful outcome of any settlement agreements that may be reached between the parties, intends to take legal action for receivables arising from the years 2014 and 2015. Assessments of receivables arising from subsequent years will depend on the outcome of this litigation. On September 5, 2018 inspectors from the Local Labour Directorate of Novara – Verbano-Cusio-Ossola issued report no. 000-2018-525-02 disputing the position of several self-employed nurses. Position statements refuting this report were prepared and filed on November 6, 2018, together with documents and motions for personal hearings and the relevant motion for dismissal. The Labour Inspectorate has yet to reply. According to the company's legal counsel, the risk of an unfavourable outcome in this case is "possible". Consequently, no provision has been recognised.

On October 28, 2019 (following transmission to the competent offices of the report No. 000-2018-525-02, referred to above) INAIL - National Institute for Insurance against Accidents at Work, Verbano Cusio Ossola office - transmitted to L'Eremo di Miazzina S.p.A. a "certificate of variation" which adjusted the premium (after recalculation of total salaries for the period January 1, 2014 - December 31, 2017) for a total of Euro 16 thousand. An appeal has been filed with the Court of Verbania and the first hearing has been set for 09/09/2020. Following the above-mentioned hearing and with a sentence dated September 10, the judge decided to reject the appeal presented and ordered the company to pay the amounts due (Euro 16 thousand). The Company deemed it necessary to file an appeal, filed on December 21, 2020, with the Turin Court of Appeals.

Other Disputes

As regards Centro di Riabilitazione S.r.l., it should be noted that an investigation which began on May 18, 2020 (the date of the search and seizure order pursuant to Articles 247 and 253 of the Italian Criminal Procedure Code) is underway, in which the health management of the facility's RSA wards is under investigation for the crime of culpable epidemic (as part of an investigation involving a total of six RSA facilities operating in Liguria). The Prosecutor's Office bases this putative crime on a numerical comparison between the raw mortality rate of previous years and that of 2020. The Rehabilitation Center was searched and seized by the judicial police on behalf of the Public Prosecutor's Office on May 21, 2020, during which the mobile devices of the General Manager and the Operations Manager were also seized. The Public Prosecutor's Office has also recently appointed two hygienist physicians from San Martino as consultants to analyse medical records in order to determine whether any of the deaths that occurred between February 20, 2020 and April 20, 2020 were due to undiagnosed COVID-19symptoms. This is despite the fact that, as we recall, social-health facilities in Liguria were given access to the results of molecular testing on clinical respiratory samples from the month of April only, following the conclusion of the serum-prevalence survey conducted on the entire population housed at those facilities.

In December 2020, notice was received that the preliminary investigation, which was scheduled to conclude on December 19, 2020, had been extended for an additional 6 months.

Note 44 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 and 2019 the Group did not conclude any significant transactions or transactions with related parties that had a significant effect on the Group's financial position or operating result for the year.

Note 1.4 contains information on the Group's structure, including details regarding subsidiaries and the Parent Company.

The following table provides the total amount of significant transactions by nature or amount with related parties as of December 31, 2020, occurring at normal market conditions:

2020	Receivables		Payables		Costs		Revenues	
(Euro thousands)	Fin/Tax	Trade/Other	Fin/Tax	Trade/Other	Fin.	Com.	Fin.	Com.
Maria Laura Garofalo	-	1	-	(29)	-	1,421	-	-
Claudia Garofalo	-	-	-	(4)	-	182	-	-
LARAMA 98 SPA	-	-	(2,099)	-	64	78	-	-
Aurelia Hospital	-	-	-	(36)	-	47	-	-
LEDCON srl	-	-	-	-	-	296	-	-
A.M. Rinaldi	-	-	-	(15)	-	72	-	-
Alessandra Rinaldi Garofalo	-	-	-	(2)	-	40	-	-
Raffaele Rinaldi Garofalo	-	-	-	(1)	-	10	-	-
Patrizia Crudetti	-	-	-	-	-	21	-	-
Total	**-**	**1**	**(2,099)**	**(87)**	**64**	**2,167**	**-**	**-**

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 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 45 Significant events after December 31, 2020

As regards significant events occurring after December 31, 2020, it should be noted that the Garofalo Health Care Group, 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 46 Remuneration of the Board of Directors and the Board of Statutory Auditors

The remuneration paid to members of the Board of Directors of Garofalo Health Care S.p.A. and the companies under its direct or indirect control, in all capacities and forms, during the years ended December 31, 2020 and December 31, 2019 amounted to Euro 3,730 thousand and Euro 3,068 thousand, respectively.

The remuneration accrued to the Board of Statutory Auditors of Garofalo Health Care S.p.A and the companies under its direct or indirect control for the years ended December 31, 2020 and December 31, 2019 amounted to Euro 400 thousand and Euro 373 thousand, respectively.

Note 47 Independent auditors' fees

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

Type of service	Service provider	Company	Fees
Audit	Auditor of the Parent	Parent Company	100
Tax return certification services	Auditor of the Parent	Parent Company	3
Other services	Auditor of the Parent	Parent Company	42
Sub-total			**145**
Audit	Auditor of the Parent	Subsidiaries	286
Tax return certification services	Auditor of the Parent	Subsidiaries	-
Other services	Auditor of the Parent	Subsidiaries	48
Sub-total			**334**
TOTAL			**478**

Note 48 Number of employees

The following table provides a concise comparison of the number of employees by category in 2020 and 2019.

Employees by category	Number of employees at December 31, 2020	Number of employees at December 31, 2019
Executives	14	9
White-collar	414	364
Doctors	23	27

Technicians	157	151
Nurses/auxiliaries	723	724
Blue-collar	101	75
Total	**1,432**	**1,350**

It should be clarified that the figure indicated in the table above refers to the exact number of employees.

Note 49 State Aid

As a result of the COVID 19 pandemic, the Italian State has provided aid to companies in the form of direct subsidies, tax or payment concessions or in other forms, such as repayable advances, guarantees, loans and equity investments.

The aid received by the Group is described below:

Type	Amount
State guarantee issued by Sace Spa on new loans for investments - Article 1 of Decree Law No. 23/2020	1,800
Abatement of the 2019 IRAP balance and the 2020 first advance payment - Article 24 of Leg. Decree No. 34/2020	726
State guarantee to support moratorium on debts incurred by SMEs towards financial and credit institutions - Article 56 of Decree No. 18/2020	536
Tax credit for expenses incurred for the sanitization of work environments and DPI - Article 125 of Decree No. 34/2020	291
Grant - Article 25 of Leg. Decree No. 34/2020	55
Contribution Invitalia secure enterprise	49
Tax credit for rents - Article 28 of Leg. Decree No. 34/2020	24
Others	38
TOTAL	**3,520**

As of December 31, 2020, the Group has complied with the threshold of eligible aid provided for in the relevant regulations.

Note 50 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 and the relative fair value of the rights established by a specially-appointed independent expert.

	number of assigned rights	Fair value at assignment date
assignment of rights 18/12/2019	229,847	1,287,143
assignment of rights 02/12/2020	93,754	480,018

Note 51 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.

Mr. Alessandro Maria Rinaldi

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