



# H1 2023 DIRECTORS' REPORT



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## COMPANY INFORMATION

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

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

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

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

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

Tax Number: 06103021009

VAT Number: 03831150366

Website: <http://www.garofalohealthcare.com>

## CORPORATE BOARDS

### BOARD OF DIRECTORS

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

### CONTROL, RISKS AND SUSTAINABILITY COMMITTEE

FRANCA BRUSCO  
FEDERICO FERRO LUZZI  
NICOLETTA MINCATO

### APPOINTMENTS AND REMUNERATION COMMITTEE

FEDERICO FERRO LUZZI  
GIANCARLA BRANDA  
FRANCA BRUSCO

### BOARD OF STATUTORY AUDITORS

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

### INDEPENDENT AUDIT FIRM

EY S.P.A.

### EXECUTIVE OFFICER FOR FINANCIAL REPORTING

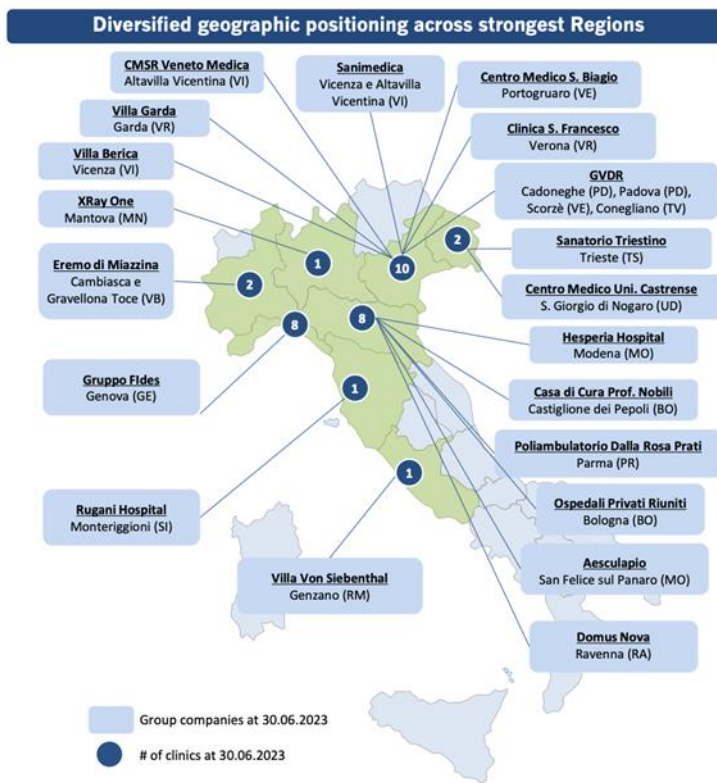
LUIGI CELENTANO

## 1. GROUP STRUCTURE

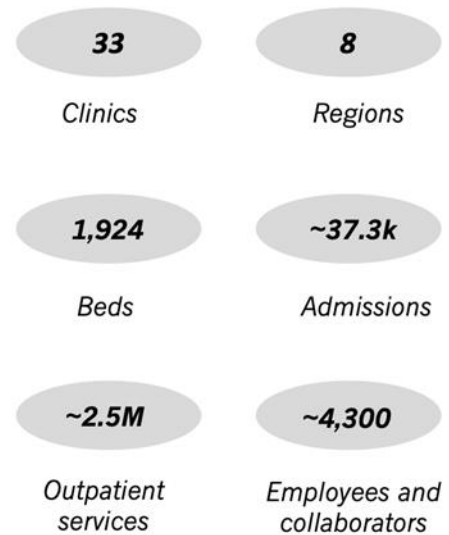
### Overview of the Group's healthcare facilities

The GHC Group is an Italian accredited private healthcare leader operating, at June 30, 2023, through 33 healthcare clinics, in addition to four clinics owned by Il Fiocco S.c.a.r.l., held 40% by GHC through the subsidiary Fi.d.es Medica S.r.l., offering a comprehensive range of services covering all areas of healthcare thanks to diversified specialties, the use of cutting-edge technologies and highly-qualified personnel.

Garofalo Health Care S.p.A. on May 4, 2023 acquired an 86.95% stake in Sanatorio Triestino S.p.A.. The latter company owns a well-established accredited care clinic in the city of Trieste, which has always constituted a point of reference in the area thanks to the quality of the services and facilities provided. Sanatorio Triestino was founded in 1897 in Trieste and is accredited with the Regional Health System (RHS). It has 80 medical-surgical beds (in the specialisms of general surgery, gynaecology, internal medicine, ophthalmology, orthopaedics and urology) and 40 long-term care beds. The company owns the building in which it carries out its healthcare activities, which has an area of about 8,000m<sup>2</sup> and was extensively renovated in 2015, in addition to an area of over 6,000m<sup>2</sup> that may be built on. The newly-acquired company has a total budget of Euro 9.1 million, of which Euro 2.8 million for outpatient activity and Euro 6.3 million for inpatient activity. Sanatorio Triestino also holds a majority interest in Terme del Friuli-Venezia Giulia S.r.l. ("Terme FVG"), a company that currently manages the "Arta" and "Monfalcone" thermal baths, and has an interest enabling significant influence in Eutonia S.r.l. Sanità & Salute ("Eutonia"), the largest physical therapy and rehabilitation company in the Province of Trieste. On May 18, 2023 and on June 22, 2023, additional holdings in Sanatorio Triestino S.p.A. of respectively 3.11% and 4.53% were acquired, for a total holding of 94.59% at June 30, 2023.



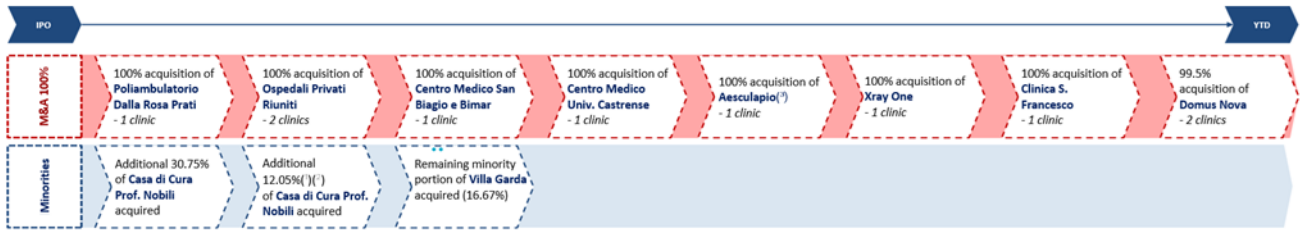
### GHC Group - Highlights<sup>(\*)</sup>



(\*) Figures at 31.12.2022 include also the contribution for 2022 of Sanatorio Triestino

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

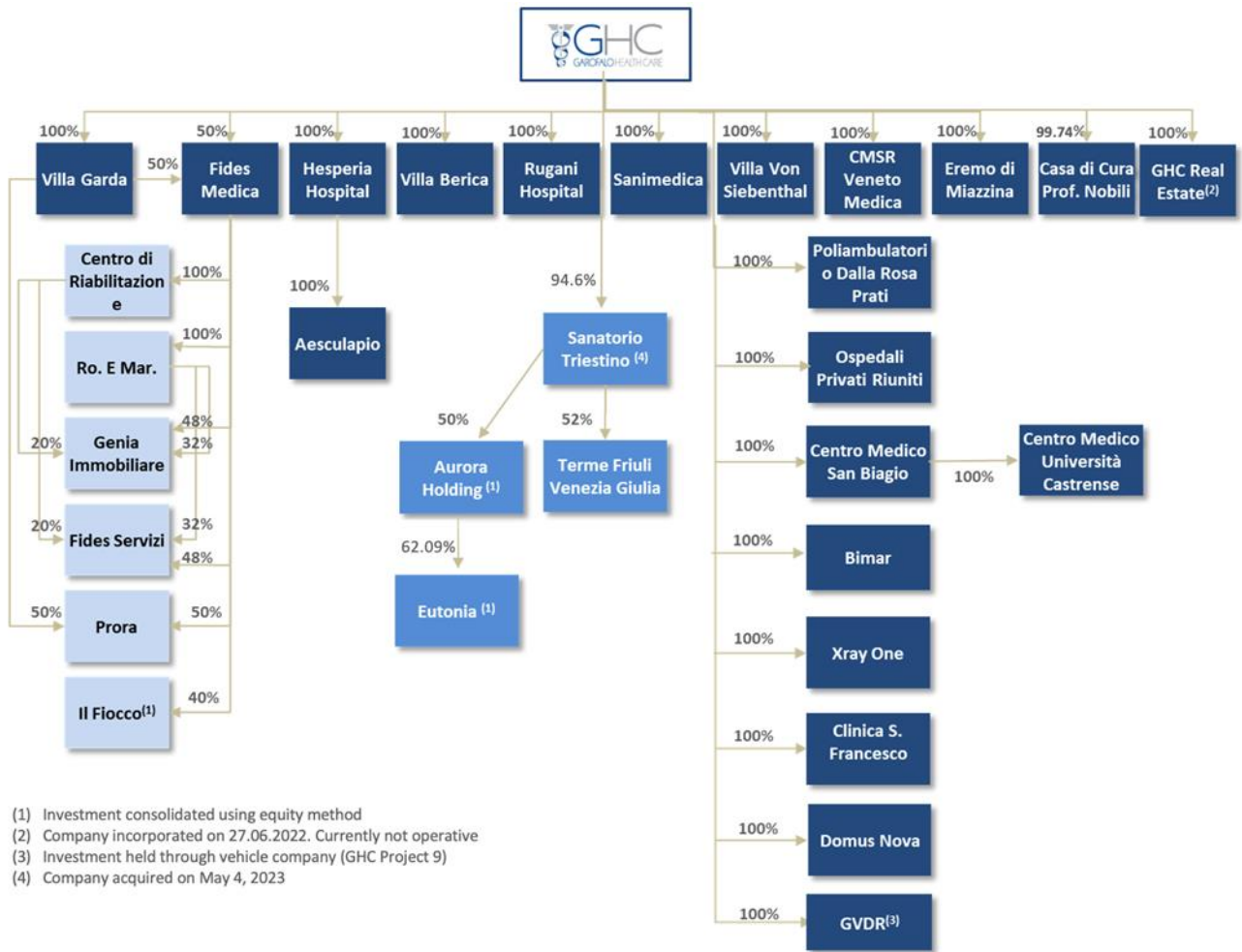
Between the IPO and June 30, 2023, the Group executed its acquisition-led growth strategy, with 10 acquisitions for 15 new clinics, in addition to acquisitions of further minority holdings of existing subsidiaries (Casa di Cura Prof. Nobili and Villa Garda, this latter now 100% owned), as set out below.



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

### The Garofalo Healthcare Group

The chart below shows the GHC Group's structure at June 30, 2023, including the equity interest held by Garofalo Health Care S.p.A. (hereinafter also "GHC" or the "Company" or the "Parent Company" or the "Holding Company") in each of the subsidiaries:



(1) Investment consolidated using equity method  
 (2) Company incorporated on 27.06.2022. Currently not operative  
 (3) Investment held through vehicle company (GHC Project 9)  
 (4) Company acquired on May 4, 2023

**Group activities by sector**

The following table breaks down the main specialties provided by the Group by sector and segment<sup>1</sup>:

Sector	ACUTE	POST-ACUTE		OUTPATIENT	DEPENDENCY CARE	Leases and other revenues from non-core activities
		Long-term care	Rehabilitation			
<b>Main services provided</b>	<ul style="list-style-type: none"> <li>• Wide range of specialisations in acute patient therapy, including:                             <ul style="list-style-type: none"> <li>- Heart surgery</li> <li>- Cardiology (clinical and interventional)</li> <li>- Orthopaedics</li> <li>- Diabetology</li> <li>- Urology</li> <li>- Otorhinolaryngology</li> <li>- General surgery</li> <li>- Vascular Surgery</li> <li>- Gynaecology</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• Long-term hospitalisations for patients suffering from:                             <ul style="list-style-type: none"> <li>- Disabling chronic conditions</li> <li>- Subacute conditions after a previous acute hospitalisation that require treatment be continued for a certain period of time in a protected environment, in order to achieve a full recovery or to stabilise their condition</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• Rehabilitation treatments, including:                             <ul style="list-style-type: none"> <li>- Cardiology</li> <li>- Neurology</li> <li>- Neuromotor</li> <li>- Nutritional</li> <li>- Respiratory</li> <li>- Physiotherapy</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• Outpatient services, consultations, and diagnostic services performed by hospital and non-hospital facilities:                             <ul style="list-style-type: none"> <li>- Doppler echocardiogram</li> <li>- Holter test</li> <li>- Doppler vascular ultrasound</li> <li>- Myocardial perfusion imaging</li> <li>- CT and Cardiac CT</li> <li>- Ultrasound</li> <li>- MRI</li> <li>- Nuclear medicine</li> <li>- Laboratory analyses</li> <li>- Outpatient dialysis</li> <li>- Ophthalmology</li> <li>- Dental services</li> <li>- PET/CT</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• Assistance and treatment of specific conditions, including:                             <ul style="list-style-type: none"> <li>- Severe disabilities</li> <li>- Patients with LIS (Locked-in Syndrome) or with amyotrophic lateral sclerosis in the terminal phase (NAC Departments - High Chronic Neurological Complexity Unit)</li> <li>- Complex disabilities, mainly motor or clinical assistance and functional (Healthcare Assistance Continuity)</li> <li>- Patients with severe acquired brain injury disabilities</li> <li>- Psychiatric disorders and disorders related to the use of psychoactive substances</li> </ul> </li> </ul>	

**Brief description of the companies of the GHC Group**

The GHC Group's 33 clinics are diversified by Region and by sector, as shown below.

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



Italian regions	No. Reporting Entities (20)	No. Clinics (33)	No. legal entities (legal persons) (26)	Sector	
				Hospital	Outpatient / Dependency care
Veneto	• Villa Berica	1	1	✓	
	• CMSR Veneto Medica	1	1		✓
	• Sanimedica	1	1		✓
	• Villa Garda	1	1	✓	
	• Centro Medico S. Biagio <sup>(1)</sup>	1	2		✓
	• Clinica S. Francesco	1	1	✓	
	• GVDR	4	1		✓
Lombardy	• Xray One	1	1		✓
Friuli Venezia-Giulia	• Centro Medico Università Castrense	1	1		✓
	• Sanatorio Triestino	1	1	✓	
Piedmont	• Eremo di Miazzina	2	1	✓	✓
Emilia Romagna	• Hesperia Hospital	1	1	✓	
	• Aesculapio	1	1		✓
	• Casa di Cura Prof. Nobili	1	1	✓	
	• Poliambulatorio Dalla Rosa Prati	1	1		✓
	• Ospedali Privati Riuniti	2	1	✓	
	• Domus Nova	2	1	✓	
Tuscany	• Rugani Hospital	1	1	✓	
Liguria	• Fides Group <sup>(2)</sup>	8 <sup>(3)</sup>	6 <sup>(4)</sup>		✓
Lazio	• Villa Von Siebenthal	1	1		✓

(1) Includes Centro Medico S. Biago S.r.l. and Bimar S.r.l.

(2) Excluding 4 facilities, which belong to "Il Fiocco scrll", a company owned by Fides Medica, whose financial information is consolidated using the equity method

(3) Fides Group Clinics: Residenza Le Clarisse, S. Marta, S. Rosa, Centro Riabilitazione, Villa S. Maria, Villa Del Principe, Le Note di Villa S. Maria, Villa Fernanda

(4) Fides Group legal entities: Fides Medica S.r.l., Centro di Riabilitazione S.r.l., RoEMar S.r.l., Genia Immobiliare S.r.l., Prora S.r.l., Fides Servizi S.r.l.

## Significant shareholders

The table below reports the Garofalo Health Care S.p.A. ownership structure at June 30, 2023, including significant equity interests.



Garafalo Health Care S.p.A. shareholders	No. share	% shares with voting rights	Voting rights	% voting rights
Controlling shareholder (*)	58,604,600	66.01%	58,604,600	64.59%
Market	30,180,890	33.99%	32,126,290	35.41%
<b>Total shares with voting rights at the Shareholders' Meeting</b>	<b>88,785,490</b>	<b>100.00%</b>	<b>90,730,890</b>	<b>100.00%</b>
Treasury shares (**)	1,414,510		(**)	
<b>TOTAL:</b>	<b>90,200,000</b>			

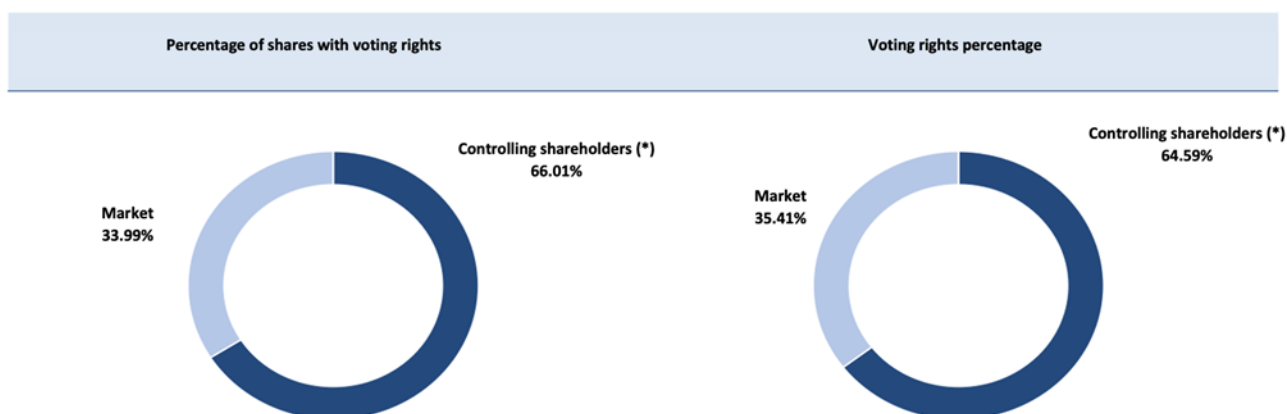
(\*) includes shares held directly and indirectly by the Chief Executive Officer Maria Laura Garofalo

(\*\*) Treasury shares with suspended voting rights at the publication date of this Report

Garafalo Health Care S.p.A. shareholders with stakes greater than 5%	No. share	% shares with voting rights	Voting rights	% voting rights
Larama 98 S.p.A. (***)	45,516,000	51.27%	45,516,000	50.17%
Maria Laura Garofalo	11,208,000	12.62%	11,208,000	12.35%
PII 4 S.à.r.l. (****)	8,173,653	9.21%	8,173,653	9.01%

(\*\*\*) linked to Maria Laura Garofalo

(\*\*\*\*) vehicle company of the fund Peninsula Investments II S.C.A.



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

### GHC share performance in H1 2023

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

In the first six months of 2023, the GHC share price rose 10.1%<sup>2</sup>. It should also be noted that since the day it was listed (November 9, 2018 at Euro 3.34 per share), it has remained at all times above its placement price.

<sup>2</sup> Calculated as the difference between the price of the GHC share at January 2, 2023 (Euro 3.6721) and that at June 30, 2023 (Euro 4.0440)

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

<b>Key stock exchange indicators for H1 2023 (Euro)</b>	
IPO offer price on November 9, 2018	3.34
Official price at June 30, 2023	4.0440
Official price as of January 2, 2023 (first trading day of the year)	3.6721
Number of GHC ordinary shares at June 30, 2023	90,200,000
Number of GHC ordinary shares at January 2, 2023	90,200,000
Treasury shares held on June 30, 2023	1,414,510
Ordinary shares in circulation on June 30, 2023	88,785,490
Treasury shares held on January 2, 2023	1,295,113
Ordinary shares in circulation on January 2, 2023	88,904,887
Market capitalisation on June 30, 2023 <sup>3</sup>	359,048,522
Market capitalisation on January 2, 2023 <sup>3</sup>	326,467,636

### Coverage of GHC stock by financial analysts

At June 30, 2023, the GHC share was covered by 2 financial brokers (Equita SIM and Mediobanca), who actively followed the GHC Group during the year with dedicated studies and analyses, consistently offering Buy or Outperform recommendations.

## 2. GROUP PERFORMANCE

### GHC Group financial highlights

The H1 2023 results indicate a significant increase both in terms of revenues and Op. EBITDA on the same period of the previous year.

The operating performance indicators for H1 2023 compared with the same period of 2022 are presented below.

In this regard, the H1 2023 figures include also the full contribution of Gruppo Veneto Diagnostica e Riabilitazione S.p.A. (hereafter GVDR S.r.l.), acquired on December 6, 2022, and of Sanatorio Triestino S.p.A.<sup>4</sup>, acquired on May 4, 2023, not present in the first half of 2022.

<sup>3</sup> Calculated net of treasury shares held by the Company on the same date

<sup>4</sup> Including majority interest in Terme del Friuli Venezia Giulia s.r.l.

Consolidated figures	June 30, 2023		June 30, 2022		2023 vs. 2022	
	Euro '000	%	Euro '000	%	Euro '000	%
<b>Revenues</b>	<b>186,663</b>	<b>100.0%</b>	<b>166,288</b>	<b>100.0%</b>	<b>20,375</b>	<b>12.3%</b>
Total operating costs (exc. Adjustments)	(148,414)	-79.5%	(135,117)	-81.3%	(13,297)	9.8%
<b>Op. EBITDA Adjusted</b>	<b>38,249</b>	<b>20.5%</b>	<b>31,170</b>	<b>18.7%</b>	<b>7,079</b>	<b>22.7%</b>
Other Costs (Adjustments) <sup>5</sup>	259	0.1%	(316)	-0.2%	575	-182.0%
<b>Operating EBITDA</b>	<b>38,508</b>	<b>20.6%</b>	<b>30,855</b>	<b>18.6%</b>	<b>7,653</b>	<b>24.8%</b>
Amortisation, depreciation & write-downs	(10,080)	-5.4%	(9,230)	-5.6%	(850)	9.2%
Impairments and other provisions	(2,417)	-1.3%	(2,230)	-1.3%	(187)	8.4%
<b>EBIT</b>	<b>26,010</b>	<b>13.9%</b>	<b>19,395</b>	<b>11.7%</b>	<b>6,615</b>	<b>34.1%</b>
Net financial charges	(4,546)	-2.4%	(2,106)	-1.3%	(2,440)	115.9%
<b>Profit before taxes</b>	<b>21,464</b>	<b>11.5%</b>	<b>17,289</b>	<b>10.4%</b>	<b>4,175</b>	<b>24.1%</b>
Income taxes	(5,509)	-3.0%	(4,037)	-2.4%	(1,472)	36.5%
<b>Net Profit</b>	<b>15,955</b>	<b>8.5%</b>	<b>13,252</b>	<b>8.0%</b>	<b>2,703</b>	<b>20.4%</b>
<b>Group net profit</b>	<b>15,939</b>	<b>8.5%</b>	<b>13,244</b>	<b>8.0%</b>	<b>2,695</b>	<b>20.4%</b>
Minority interests	16	0.0%	8	0.0%	8	100.0%

### 2023 Consolidated Revenues Overview

GHC consolidated revenues in H1 2023 amounted to Euro 186,663 thousand, up 12.3% on Euro 166,288 thousand in H1 2022.

The increase in revenues of Euro 20,375 thousand is due to the increased production of the companies at like-for-like consolidation scope and for Euro 10,958 thousand to the change in consolidation scope, as H1 2023 benefited from the full contribution of GVDR S.r.l., acquired on December 6, 2022, and for two months of Sanatorio Triestino S.p.A.<sup>4</sup>, acquired on May 4, 2023.

Consolidated revenues in Euro thousands	H1 23 Actual	H1 22 Actual	H1 23 vs. H1 22 Euro '000	H1 23 vs. H1 22 %
<b>Total</b>	<b>186,663</b>	<b>166,288</b>	<b>20,375</b>	<b>12.3%</b>
<i>of which repayments of "additional COVID costs"</i>	<i>1,225</i>	<i>1,488</i>	<i>(263)</i>	<i>-17.7%</i>

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

of which GVDR and Sanatorio Triestino	10,958	-	10,958	n/a
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The increased production of the companies at like-for-like consolidation scope was supported also by the increase in services provided to private patients, up approx. 11.7% on H1 2022, confirming the popularity of the Group clinics and highlighting the increasing demand for healthcare services on the Italian market.

### 2023 Consolidated Costs Overview

Consolidated operating costs in H1 2023, net of Adjustments, totalled Euro 148,414 thousand, increasing Euro 13,297 thousand (+9.8%) on Euro 135,117 thousand in H1 2022.

This increase derives for Euro 4,754 thousand from the increased production volumes of the companies at like-for-like consolidation scope and for Euro 8,543 thousand the change in consolidation scope.

In the first half of 2023, energy costs sharply declined on the average for the first half of 2022, with energy costs thereby accounting for 1.9% of consolidated revenues (2.4% in H1 2022). Considering the cost of energy, net of the tax credit recognised on the increase in energy and gas prices under the current legislation, the impact on revenues in the first half of 2023 would be 1.5% - basically in line with 2021's levels, which has been taken as the benchmark year before the "energy shock" of 2022.

### 2023 Consolidated Operating EBITDA and Operating EBITDA Adjusted

Consolidated Operating EBITDA Adjusted<sup>6</sup> amounted to Euro 38,249 thousand, up 22.7% on Euro 31,170 thousand in H1 2022. The increase of Euro 7,079 thousand is due for Euro 4,832 thousand to the companies at like-for-like consolidation scope and for Euro 2,247 thousand to the change in consolidation scope.

The Adjustments, positive for Euro 259 thousand (negative for Euro 316 thousand in H1 2022), comprised: i) the reimbursements recognised against the additional COVID costs incurred in 2021 and in Q1 2022 for Euro 1,307 thousand (Euro 1,567 thousand in H1 2022), of which Euro 82 thousand deriving from the change in scope; ii) the additional COVID costs incurred in H1 2023 for Euro 637 thousand (Euro 1,832 thousand in H1 2022) and iii) M&A costs for Euro 411 thousand (Euro 51 thousand in H1 2022).

The Group's Operating EBITDA Adjusted Margin was 20.5%, increasing on 18.7% in H1 2022.

Operating EBITDA was Euro 38,508 thousand, up 24.8% on Euro 30,855 thousand in the same period of the previous year.

Consolidated Op. EBITDA and Op. EBITDA Adj. in Euro thousands	H1 23 Actual	H1 22 Actual	H1 23 vs. H1 22 Euro '000	H1 23 vs. H1 22 %
<b>Op. EBITDA</b>	<b>38,508</b>	<b>30,855</b>	<b>7,653</b>	<b>24.8%</b>
+ additional COVID costs (net reimbursements)	(669)	265	(934)	-352.5%
+ M&A costs	410	51	359	703.9%
<b>Op. EBITDA Adjusted</b>	<b>38,249</b>	<b>31,170</b>	<b>7,079</b>	<b>22.7%</b>
of which GVDR and Sanatorio Triestino	2,247	-	2,247	n.a
Op. EBITDA Margin (%)	20.6%	18.6%	-	-
Op. EBITDA Adjusted Margin (%)	20.5%	18.7%	-	-

<sup>6</sup> This indicator adjusts operating EBITDA for non-recurring revenues and costs (e.g. net impact of additional COVID costs) and one-off costs (e.g. M&A costs), in order to provide an adjusted metric and comparable with the company's historic figures.

### 2023 Consolidated EBIT overview

EBIT in H1 2023 was Euro 26,010 thousand, up Euro 6,615 thousand (+34.1%) on Euro 19,395 thousand in H1 2022.

This result includes amortisation, depreciation and write-downs in the period of Euro 10,080 thousand, increasing Euro 850 thousand on H1 2022, mainly due to change in the consolidation scope, in addition to the adjustments and other provisions for Euro 2,417 thousand, increasing Euro 187 thousand on H1 2022, although accounting for a substantially similar proportion of revenues as in the past.

Consolidated EBIT in Euro thousands	H1 23 Actual	H1 22 Actual	H1 23 vs. H1 22 Euro '000	H1 23 vs. H1 22 %
<b>Op. EBITDA</b>	<b>38,508</b>	<b>30,855</b>	<b>7,653</b>	<b>24.8%</b>
- Amortisation of intangible assets	(467)	(417)	(50)	12.0%
- Depreciation of property, plant & equip.	(9,493)	(8,574)	(919)	10.7%
- Write-downs	(120)	(239)	119	-49.8%
<b>Amortisation, depreciation and write-downs</b>	<b>(10,080)</b>	<b>(9,230)</b>	<b>(850)</b>	<b>9.2%</b>
- End of mandate provisions	(13)	(24)	11	-45.8%
- Healthcare lawsuit provisions	(1,828)	(1,570)	(258)	16.4%
- Local Health Authority risk provisions	(986)	(1,029)	43	-4.2%
- Other risk provisions	(22)	(65)	43	-66.2%
+ Release of provisions	432	458	(26)	-5.7%
<b>Impairments and other provisions</b>	<b>(2,417)</b>	<b>(2,230)</b>	<b>(187)</b>	<b>8.4%</b>
<b>= EBIT</b>	<b>26,010</b>	<b>19,395</b>	<b>6,615</b>	<b>34.1%</b>
EBIT Margin (%)	13.9%	11.7%	-	-

### 2023 Consolidated Net Profit overview

The Net Profit was Euro 15,955 thousand, an increase of Euro 2,703 thousand on Euro 13,252 thousand in H1 2022.

This amount takes account of net financial charges of Euro 4,546 thousand, increasing Euro 2,440 thousand on 2022, due to the increase in interest rates, and of income taxes for Euro 5,509 thousand, increasing Euro 1,472 thousand on the first half of 2022, mainly due to the improved pre-tax profit.

### GHC Group Q2 2023 financial highlights

The operating performance indicators for Q2 2023 compared with the same period of 2022 are presented below.

Consolidated figures	2Q2023		2Q2022		Q2 2023 vs. Q2 2022	
	Euro '000	%	Euro '000	%	Euro '000	%
<b>Revenues</b>	<b>94,378</b>	<b>100.0%</b>	<b>85,882</b>	<b>100.0%</b>	<b>8,496</b>	<b>9.9%</b>
Total operating costs (exc. Adjustments)	(74,891)	-79.4%	(69,038)	-80.4%	(5,853)	8.5%
<b>Op. EBITDA Adjusted</b>	<b>19,486</b>	<b>20.6%</b>	<b>16,844</b>	<b>19.6%</b>	<b>2,642</b>	<b>15.7%</b>
Other Costs (Adjustments) <sup>5</sup>	(781)	-0.8%	587	0.7%	(1,368)	-233.1%
<b>Operating EBITDA</b>	<b>18,706</b>	<b>19.8%</b>	<b>17,431</b>	<b>20.3%</b>	<b>1,275</b>	<b>7.3%</b>
Amortisation, depreciation & write-downs	(5,076)	-5.4%	(4,646)	-5.4%	(430)	9.3%
Impairments and other provisions	(1,584)	-1.7%	(1,235)	-1.4%	(349)	28.2%
<b>EBIT</b>	<b>12,046</b>	<b>12.8%</b>	<b>11,550</b>	<b>13.4%</b>	<b>496</b>	<b>4.3%</b>
Net financial charges	(2,331)	-2.5%	(950)	-1.1%	(1,381)	145.3%
<b>Profit before taxes</b>	<b>9,715</b>	<b>10.3%</b>	<b>10,599</b>	<b>12.3%</b>	<b>(885)</b>	<b>-8.3%</b>
Income taxes	(2,449)	-2.6%	(2,400)	-2.8%	(49)	2.0%
<b>Net Profit</b>	<b>7,266</b>	<b>7.7%</b>	<b>8,199</b>	<b>9.5%</b>	<b>(933)</b>	<b>-11.4%</b>
<b>Group net profit</b>	<b>7,251</b>	<b>7.7%</b>	<b>8,194</b>	<b>9.5%</b>	<b>(943)</b>	<b>-11.5%</b>

Minority interests	15	0.0%	5	0.0%	9	176.2%
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### Q2 2023 Consolidated Revenues overview

In Q2 2023, the Group's consolidated revenues amounted to Euro 94,378 thousand, an increase of Euro 8,496 thousand (+9.9%) compared to Euro 85,882 thousand in the same period of 2022, due to the change in the consolidation scope for Euro 7,122 thousand, and for Euro 2,569 thousand to the higher production of the companies on a like-for-like basis, against lower revenues related to reimbursements of additional covid costs recognised in the second quarter of 2022 for Euro 1,196 thousand (while in 2023 these reimbursements had already received in the first quarter).

Consolidated revenues <i>in Euro thousands</i>	2Q2023	2Q2022	Q2 2023 vs. Q2 2022 Euro '000	Q2 2023 vs. Q2 2022 %
<b>Total</b>	<b>94,378</b>	<b>85,882</b>	<b>8,496</b>	<b>9.9%</b>
<i>of which repayments of "additional COVID costs"</i>	-	1,196	(1,196)	-100.0%
<i>of which GVDR and Sanatorio Triestino</i>	7,122	-	7,122	n/a

### Q3 2023 Consolidated operating costs

Consolidated operating costs for Q2 2023, net of adjustments, totalled Euro 74,891 thousand, increasing Euro 5,853 thousand (+8.5%) on Euro 69,038 thousand in Q2 2022, mainly due to the change in scope (Euro 5,691 thousand).

### Q2 2023 Consolidated Operating EBITDA and Operating EBITDA Adjusted

Consolidated Operating EBITDA Adjusted<sup>6</sup> was Euro 19,486 thousand, up 15.7% on Euro 16,844 thousand in the same period of the previous year. The increase of Euro 2,642 thousand is due for Euro 1,324 thousand to the companies at like-for-like consolidation scope and for Euro 1,318 thousand to the change in consolidation scope.

The Adjustments, negative for Euro 781 thousand (positive for Euro 587 thousand in H1 2022), comprise: i) additional COVID costs incurred in Q2 2023 for Euro 403 thousand (Euro 662 thousand in H1 2022) ii) reimbursements of Euro 6 thousand (Euro 1,275 thousand in H1 2022); and iii) M&A costs for Euro 384 thousand (Euro 26 thousand in H1 2022).

The Group's Operating EBITDA Adjusted Margin was 20.6%, increasing on 19.6% in the previous year.

Operating EBITDA was Euro 18,706 thousand, up 7.3% on Euro 17,431 thousand in the same period of the previous year.

Consolidated Op. EBITDA and Op. EBITDA Adj. <i>in Euro thousands</i>	2Q2023	2Q2022	Q2 2023 vs. Q2 2022 Euro '000	Q2 2023 vs. Q2 2022 %
<b>Op. EBITDA</b>	<b>18,706</b>	<b>17,431</b>	<b>1,275</b>	<b>7.3%</b>
<i>+ additional COVID costs (net reimbursements)</i>	398	(613)	1,011	-164.9%
<i>+ M&amp;A costs</i>	383	27	356	1320.0%
<b>Op. EBITDA Adjusted<sup>6</sup></b>	<b>19,486</b>	<b>16,844</b>	<b>2,643</b>	<b>15.7%</b>
<i>of which GVDR and Sanatorio Triestino</i>	1,318	-	1,318	n/a
<i>Op. EBITDA Margin (%)</i>	19.8%	20.3%	-	-
<i>Op. EBITDA Adjusted Margin (%)</i>	20.6%	19.6%	-	-

## Q2 2023 Consolidated EBIT overview

EBIT in H1 2023 was Euro 12,046 thousand, up Euro 496 thousand on Euro 11,550 thousand in the same period of the previous year.

This result includes amortisation, depreciation and write-downs in the period of Euro 5,076 thousand, increasing Euro 430 thousand on Q2 2022, mainly due to change in the consolidation scope, in addition to the adjustments and other provisions for Euro 1,583 thousand, increasing Euro 348 thousand on Q2 2022.

Consolidated EBIT <i>in Euro thousands</i>	2Q2023	2Q2022	Q2 2023 vs. Q2 2022 Euro '000	Q2 2023 vs. Q2 2022 %
<b>Op. EBITDA</b>	<b>18,706</b>	<b>17,431</b>	<b>1,275</b>	<b>7.3%</b>
- Amortisation of intangible assets	(233)	(216)	(17)	8.1%
- Depreciation of property, plant & equip.	(4,887)	(4,352)	(535)	12.3%
- Write-downs	44	(79)	123	-156.0%
<b>Amortisation, depreciation and write-downs</b>	<b>(5,076)</b>	<b>(4,646)</b>	<b>(430)</b>	<b>9.3%</b>
- End of mandate provisions	(7)	(11)	4	-38.6%
- Healthcare lawsuit provisions	(1,165)	(1,068)	(97)	9.1%
- Local Health Authority risk provisions	(563)	(500)	(63)	12.5%
- Other risk provisions	(11)	(65)	54	-83.7%
+ Release of provisions	162	409	(247)	-60.5%
<b>Impairments and other provisions</b>	<b>(1,584)</b>	<b>(1,235)</b>	<b>(348)</b>	<b>28.2%</b>
<b>= EBIT</b>	<b>12,046</b>	<b>11,550</b>	<b>496</b>	<b>4.3%</b>
<i>EBIT Margin (%)</i>	<i>12.8%</i>	<i>13.4%</i>	-	-

## Q2 2023 Consolidated Net Profit overview

The net profit was Euro 7,266 thousand, decreasing Euro 933 thousand on Euro 8,199 thousand in Q2 2022.

This amount takes account of net financial charges of Euro 2,331 thousand, increasing Euro 1,381 thousand on Q2 2022, due to the increase in interest rates, and of income taxes of Euro 2,449 thousand, increasing Euro 49 thousand on the same period of the previous year.

## Balance Sheet

A breakdown of the Group's condensed consolidated balance sheet at June 30, 2023 and December 31, 2022 is provided below.



Consolidated figures Uses	2023	2022	Δ vs 2022
	June	December	Euro '000
Goodwill	90,204	91,392	(1,188)
Intangible and tangible assets	439,850	418,750	21,100
Financial assets	1,885	1,344	541
<b>I Fixed capital</b>	<b>531,938</b>	<b>511,485</b>	<b>20,453</b>
Trade Receivables	85,652	76,479	9,174
Inventories	4,714	4,244	469
Trade Payables	(56,402)	(51,100)	(5,303)
<b>Net Operating Working Capital</b>	<b>33,963</b>	<b>29,623</b>	<b>4,340</b>
Other assets/liabilities	(31,748)	(27,501)	(4,247)
<b>II Net Working Capital</b>	<b>2,215</b>	<b>2,122</b>	<b>93</b>
Net deferred taxes	(60,289)	(56,740)	(3,549)
Provisions	(34,482)	(32,703)	(1,779)
<b>III Total Uses (NET CAPITAL EMPLOYED)</b>	<b>439,382</b>	<b>424,164</b>	<b>15,218</b>
<b>IV Net financial debt</b>	<b>143,688</b>	<b>145,011</b>	<b>(1,323)</b>
Minority interest shareholders' equity	759	83	676
Group shareholders' equity	294,935	279,070	15,864
<b>V Shareholders' Equity</b>	<b>295,694</b>	<b>279,153</b>	<b>16,540</b>
<b>VI Total sources of financing</b>	<b>439,382</b>	<b>424,164</b>	<b>15,218</b>

Fixed capital at June 30, 2023 was Euro 531,938 thousand, increasing Euro 20,453 thousand on December 31, 2022, due to the following factors:

- reduction in goodwill of Euro 1,188 thousand, following the completion of the Purchase Price Allocation of GVDR S.r.l., which resulted in the reclassification to Intangible Assets of Euro 13,854 thousand, net of the increase from the settlement of the price paid to acquire GVDR S.r.l. (Euro 1,124 thousand), from the deferred taxes, calculated on the value of the accreditation, recognised as an increase to goodwill (Euro 3,865 thousand) and of the recognition of provisional goodwill on Sanatorio Triestino, amounting to Euro 7,677 thousand;
- increase in tangible and intangible assets due to the above-stated effect of the reclassification of a portion of the GVDR S.r.l goodwill (Euro 13,854 thousand) and the change in the scope following the acquisition of Sanatorio Triestino (Euro 9,883 thousand), net of movements in the period (amortisation and depreciation, investments etc.).

Net operating working capital increased overall by Euro 4,340 thousand, mainly due to the increase in trade receivables and payables, as a result of the increased production, in addition to the change in scope (Euro 1,065 thousand).

Other net liabilities increased Euro 4,247 thousand, mainly due to the declaration of income taxes in the period and the increase in employee payables for provisions for vacations and the thirteenth month.

Net working capital therefore overall rose by Euro 93 thousand, due to the increase in operating working capital, nearly entirely offset by the movement in other assets and liabilities, as previously outlined.

Net deferred taxes increased Euro 3,549 thousand, mainly due to the recognition of the deferred tax liabilities calculated on the GVDR accreditation (Euro 3,865 thousand).

The provisions at June 30, 2023 increased Euro 1,779 thousand on December 31, 2022, due to: (i) the increase in risks provisions for Euro 1,858 thousand, deriving from net accruals (excess of accruals over releases) totalling Euro 2,490 thousand, mainly due to healthcare risks (Euro 1,516 thousand) and local healthcare authority risks (Euro 960 thousand), in addition to the change in consolidation scope of Euro 837 thousand, net of capital utilisations of Euro 1,469 thousand, principally concerning healthcare lawsuits (Euro 1,144 thousand) (ii) decrease in the Post-employment benefit provision of Euro 79 thousand.

Net capital employed at June 30, 2023, amounted to Euro 439,382 thousand, an increase of Euro 15,218 thousand on Euro 424,164 thousand at December 31, 2022.

Group Shareholders' Equity at June 30, 2023 totalled Euro 294,935 thousand, increasing Euro 15,864 thousand on December 31, 2022, mainly due to the profit for the period (Euro 15,939 thousand), and the actuarial effect on the post-employment benefit provision (for Euro 393 thousand), net of the acquisition of treasury shares (Euro 448 thousand).

### Net Financial Position

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

A breakdown of the net financial debt at June 30, 2023 and December 31, 2022 is provided below.

Consolidated figures	H1 23 Actual Euro '000	FY 22 Actual Euro '000	H1 23 vs. FY 22 Euro '000
A Available liquidity	32,745	31,382	1,363
B Cash equivalents	2,277	-	2,277
C Other current financial assets	601	215	386
<b>D Liquidity</b>	<b>35,623</b>	<b>31,597</b>	<b>4,026</b>
E Current financial debt	22,016	22,297	(281)
F Current portion of non-current financial debt	25,346	22,146	3,200
<b>G Current financial debt</b>	<b>47,362</b>	<b>44,443</b>	<b>2,919</b>
<b>H Net current financial debt (G - D)</b>	<b>11,739</b>	<b>12,846</b>	<b>(1,107)</b>
I Non-current financial debt	131,948	132,165	(216)
J Debt instruments	-	-	-
K Trade payables and other non-current payables	-	-	-
<b>L Non-current financial debt (I + J + K)</b>	<b>131,948</b>	<b>132,165</b>	<b>(216)</b>
<b>M Total financial debt (H + L)</b>	<b>143,688</b>	<b>145,011</b>	<b>(1,323)</b>

At June 30, 2023, the Net Financial Position (NFP) of the Garofalo Health Care Group amounts to Euro 143,688 thousand, comprising gross financial debt of Euro 179,310 thousand (Euro 47,362 thousand of current financial debt and Euro 131,948 thousand of non-financial debt) and liquidity of Euro 35,623 thousand. The NFP therefore improved Euro 1,323 thousand on December 31, 2022, thanks to the cash flows generated by operating activities of approx. Euro 22 million, which were largely absorbed by the acquisition of Sanatorio Triestino and expansion and organisational restructuring investments.

With regards to the NFP, COVID-19 resulted in the recognition at consolidated level in 2020 and 2021 of funding advances disbursed by the main regions in which the Group operates. These advances at June 30, 2023 were unchanged on December 31, 2022 and amount to approx. Euro 10.5 million.

Financial payables for leasing amounted to Euro 20,105 thousand for the non-current portion and Euro 5,776 thousand for the current portion.

### Net Financial Debt / Net Equity

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

Consolidated figures	H1 23 Actual Euro '000	FY 22 Actual Euro '000
Net financial debt	143,688	145,011
Net Equity	295,694	279,153
<b>Ratio between net financial debt and net equity</b>	<b>0.49</b>	<b>0.52</b>

## 3. INVESTMENTS

### Recurring investments

In H1 2023, the Group undertook investments in property, plant and equipment and intangible assets of a recurring nature. These were designed to support the production capacity of the Group's healthcare facilities and implement technological and the functional upgrades to medical devices and equipment that are essential in maintaining high quality standards in the services offered to patients.

### Capex in long-term development and organisational restructuring

In H1 2023, the Group continued investments in capex of a non-recurring nature within the framework of long-term development and organisational restructuring, with expansion projects designed to increase production capacity and diversify the type of services offered. A short description of these investments follows.

Clinic	Main expansion investments	Highlights
Eramo di Miazzina	 <p><i>Expansion of Istituto Raffaele Garofalo</i></p> <p><i>in progress</i></p>	<ul style="list-style-type: none"> <li>- Acquisition of a building of around 4,000m2 opposite Istituto Raffaele Garofalo, designed to improve hospital rehabilitation services, in addition to expanding and diversifying accredited specialist outpatient services which are today carried out at the IRG.</li> <li>- At the end of 2022, the main works have been completed.</li> <li>- In H123, the authorisation process for the accreditation of the clinic took place, which shall conclude in Q323.</li> </ul>
Hesperia Hospital Modena	 <p><i>Expansion and organisational restructuring of existing</i></p> <p><i>in progress</i></p>	<ul style="list-style-type: none"> <li>- Increased production capacity with the reorganisation of the operating block and the creation, <i>inter alia</i>, of a new operating room and a new day-surgery room, as well as the construction of a new area to be used for centralised acceptance for outpatient specialty care.</li> <li>- Activities are currently underway.</li> </ul>
Domus Nova	 <p><i>Upgrading Domus Nova and San Francesco</i></p> <p><i>in progress</i></p>	<ul style="list-style-type: none"> <li>- Domus Nova: new reception area with reception desk, new elevator, pre-operative area.</li> <li>- San Francesco: new reception area, outpatient area on the ground floor, endoscopy department, interventions for CPI regulatory adaptations.</li> <li>- Activities are currently underway.</li> </ul>

#### 4. SIGNIFICANT EVENTS AFTER THE END OF THE PERIOD

On July 28, 2023, Garofalo Health Care S.p.A. was awarded the assets of Aurelia 80 S.p.A. in liquidation ("Aurelia 80"), the operating holding company of the Aurelia Group, which operates in the accredited private hospital sector.

Specifically, the transaction involves the acquisition of the accredited private clinic Aurelia Hospital and the stakes held by Aurelia 80 in 3 other accredited private healthcare clinics (European Hospital, Hospice S. Antonio da Padova and Struttura Residenziale Psichiatrica Samadi), located in Rome.

The acquired clinics are highly specialised, representing a benchmark not only for the Lazio Region but also for the entire country, having a total National Health System budget of more than Euro 68 million, in addition to 628 authorised beds (of which 500 are accredited).

The Equity Value of the transaction is Euro 47 million, corresponding to an Enterprise Value of approx. Euro 71 million, calculated based on the total Net Financial Position at December 31, 2022. The acquisition also includes the real estate assets of the healthcare clinics (with the exception of Hospice S. Antonio da Padova), which cover a total area of approx. 32,000 sq. metres, in addition to a construction area of more than 2,000 sq. metres, which will be used for the construction of the "Cardiovascular Heart Centre" at Aurelia Hospital.

The acquisition shall be financed through own funds and from bank debt, as GHC has access to a new acquisitions Financing Line granted to the Group in 2021 by a syndicate of leading Italian banks.

The closing of the transaction, expected in the autumn of this year, is subject to the usual conditions for such transactions.

#### 5. OUTLOOK

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

In this context, the Group will continue to operate in 2023 by fully executing accredited activities, including the increased resources which have already been partly allocated, in addition to those that may be allocated in the second half of the year for the reduction of waiting lists - as in previous years - and especially by strengthening and developing activities for private "out-of-pocket" patients on the back of the significant growth already achieved in the first two quarters of the year and of the discussions with social security institutions and healthcare funds.

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

Finally, the Group confirms that the activities to concentrate its significant Real Estate assets in a dedicated vehicle entirely held by the Parent Company (GHC Real Estate), are proceeding on schedule and shall be completed - for a significant majority of its value - by the end of this year.

#### 6. GHC GROUP ORGANISATIONAL MODEL AND REGULATORY SYSTEM

### **GHC Group organisational model**

The organisational model adopted by the Group involves centralising at the Parent Company, which exercises management and co-ordination over the subsidiaries pursuant to Article 2497 of the Civil Code, the decision-making process regarding, *inter alia*, the pursuit of the strategic objectives, although ensuring full decision-making autonomy for the subsidiaries in implementing the Parent Company-defined strategy.

In particular, the parent company:

- identifies the strategic development guidelines to be pursued, sets and monitors goals for the various healthcare facilities;
- identifies the potential healthcare facilities to be acquired, managing M&A activities and the post-acquisition integration plan to achieve the potential synergies;
- manages certain specific activities for the Group, so as to rapidly achieve possible synergies in terms of the efficacy and efficiency of the business.

Likewise, each subsidiary:

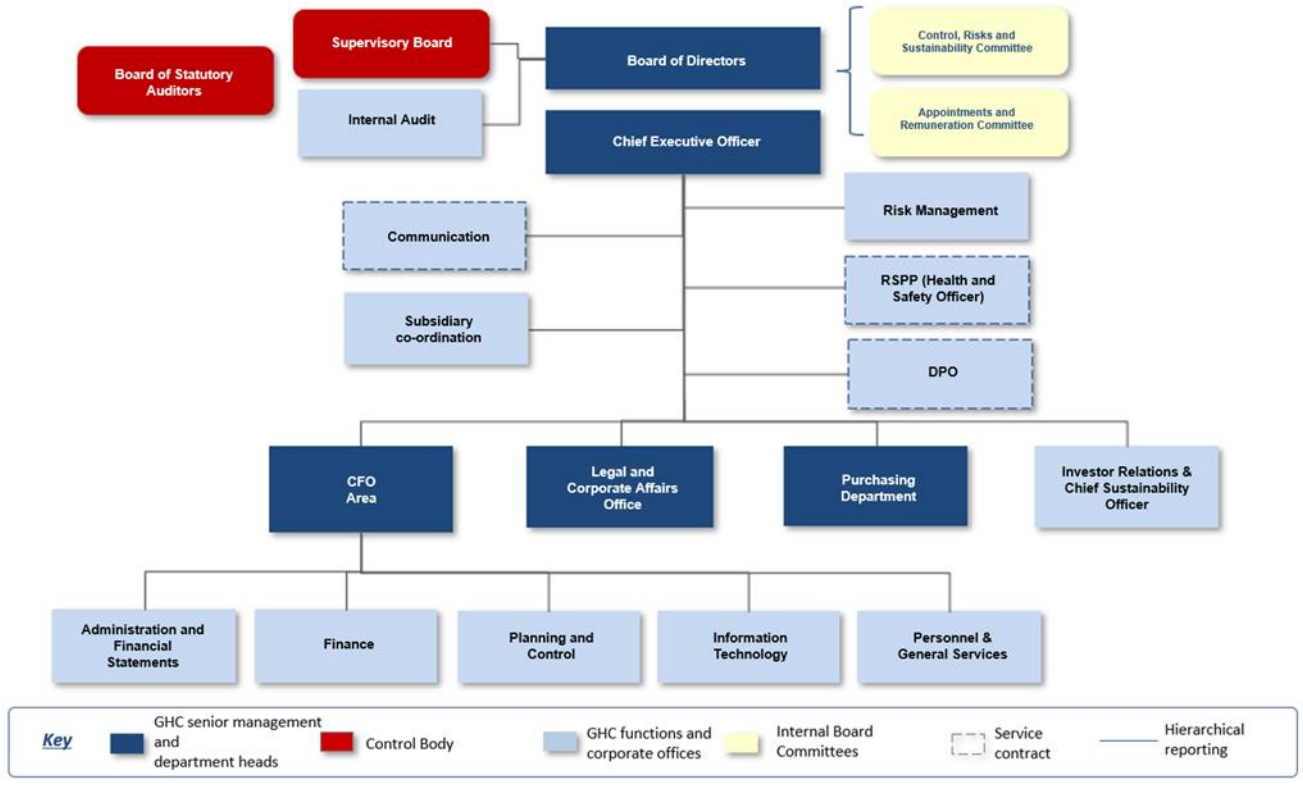
- independently manages its own healthcare and dependency care services;
- formulates and implements its own budget/business plan;
- periodically defines its financial needs.

### **Organisational model of the Parent Company**

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

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

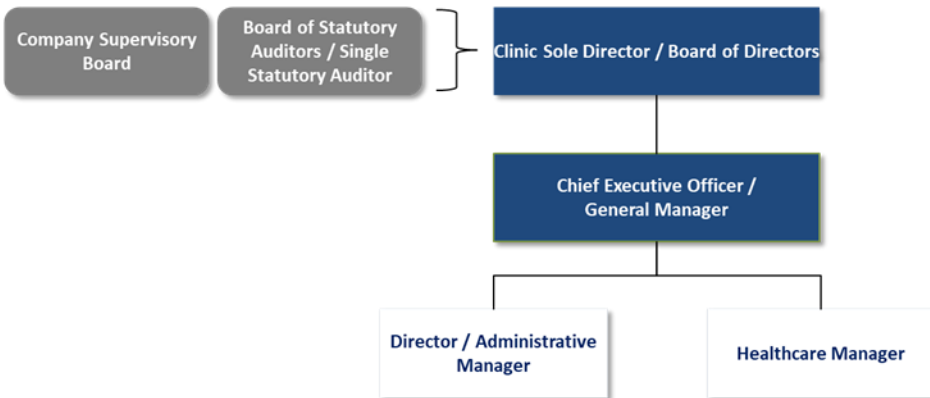
The organisational model also provides that, based on the indications provided by the Corporate Governance Code, the Internal Audit Function, which co-ordinates activities at Group level, reports directly to the Board of Directors of GHC S.p.A. in order to guarantee its autonomy and independence.



**Organisational model of the subsidiaries**

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

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



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



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

### **Group Regulation**

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

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

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

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

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

Therefore, the purpose of the Regulation is to indicate:

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

### **Group regulatory system**

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

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

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



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

**Internal Control and Risk Management System**

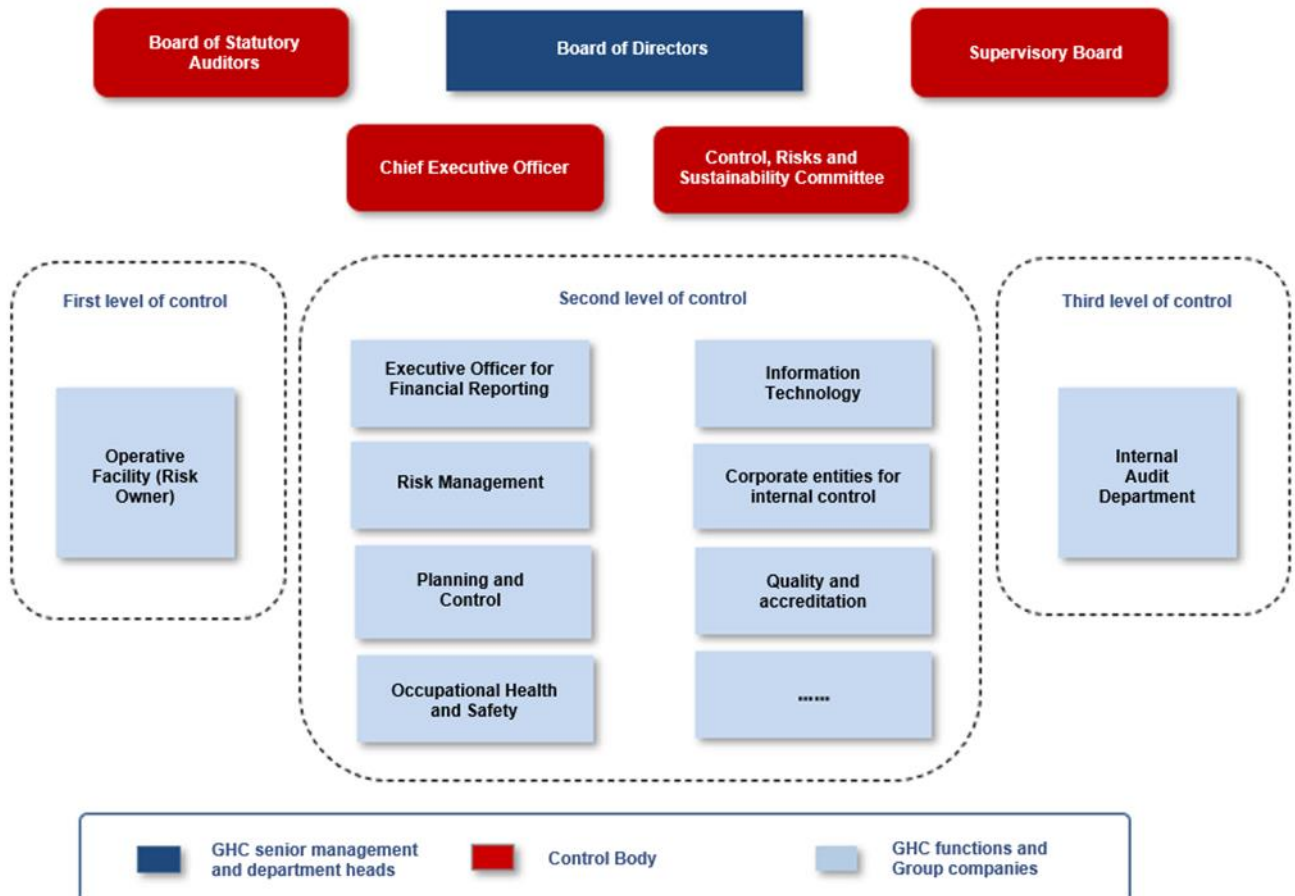
The Internal Control and Risk Management System (“ICRMS”) plays a central role in GHC’s decision-making process and is defined, in accordance with the principles set out in Article 6 of the new “Corporate Governance Code” adopted by the Corporate Governance Committee in January 2020, as the set of rules,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

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

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

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

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



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

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

Throughout 2023, the Chief Executive Officer in charge of the ICRMS, the assigned control functions, and the internal audit function reported periodically to the Board of Directors on relevant events and audits conducted in accordance with the activity plan, with specific reference to the activities conducted by subsidiaries in the area of compliance with the most important applicable regulations.

### **Group information flows**

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

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

During 2023, the guidelines were applied to both information flows governed by the ICRMS Guidelines (see preceding point) and information flows between the Holding and its subsidiaries governed by Group Regulations and corporate procedures.

### **Enterprise Risk Management**

Risk Management activities are considered fundamental by GHC to strengthen the Group's ability to create value for shareholders and stakeholders and to ensure the sustainability of the business over the medium/long term. More specifically, in line with the ERM model approved by the Board of Directors, the GHC Group's risk management is based on an integrated process of mapping, analysis, processing and monitoring of organisational risks, providing top management with the information necessary to make, in an informed manner, the best decisions for the achievement of the strategic objectives and for the growth and creation of value for the Group, in addition to its protection. The roll-out and updating of the single and integrated Enterprise Risk Management Model therefore continued in 2023, through the re-evaluation of risks and related control systems and the expansion of the scope to the Group's new integrated structures post M&A. At the same time, the new cycle was initiated of Key Risk Indicator 2023 enhancement, designed to empirically validate the ERM assessments collected by Risk Owners.

The key roles and responsibilities identified by the GHC Group in managing these issues are presented below.

AREA	ACTOR	Main roles and responsibilities
ADDRESS	Board of Directors	<ul style="list-style-type: none"> <li>Defines the guidelines of the Internal Control and Risk Management System</li> <li>Oversees the proper functioning, comprehensiveness and effectiveness of the ERM model</li> <li>Approves ERM Guidelines and the Risk Appetite Statement</li> </ul>
	Control, Risks and Sustainability Committee	<ul style="list-style-type: none"> <li>Oversees correct and effective application of the ERM methodology across the Group</li> <li>Prepares and proposes risk management assessments to support Board of Director decisions</li> </ul>
IMPLEMENTATION	Director Proxy holder	<ul style="list-style-type: none"> <li>Applies the guidelines defined by the Board of Directors</li> <li>Validates the ERM Guidelines and proposes the Risk Appetite Statement, with the support of the competent Departments</li> <li>Validates the results of the Group Risk Assessment</li> </ul>
	Group Risk Management function	<ul style="list-style-type: none"> <li>Develops the methodological approach and components of the ERM model</li> <li>Coordinates and supervises Risk Assessment activities at both the holding and healthcare facilities</li> </ul>
	Risk Coordinator clinics <sup>(*)</sup>	<ul style="list-style-type: none"> <li>Coordinates Risk Assessment activities at the reference clinic, ensuring application of ERM methodology</li> <li>Interfaces for the Group Risk Manager on all Risk Management issues</li> <li>Ensures adequate information and reporting flows to the Group Risk Manager as part of the process</li> </ul>
	Risk Owners	<ul style="list-style-type: none"> <li>Identify and assess risks at the holding and healthcare facilities</li> <li>Define and implement the risk mitigation actions defined within the Action Plans</li> </ul>
SUPERVISION	Board of Statutory Auditors	<ul style="list-style-type: none"> <li>Responsible for overseeing the adequacy of the ERM model</li> </ul>
	Internal Audit	<ul style="list-style-type: none"> <li>Monitors the effectiveness and efficiency of the model</li> <li>Contributes to the identification of risk areas</li> </ul>

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

The findings of the ERM 2023 activity were presented to the internal board committees, highlighting opportunities for improvement on a number of heterogeneous risks. The main such risks are outlined below.

### Risk management in relation to financial reporting

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

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

listed on regulated markets. This integration process, coordinated by the Parent Company, allows GHC to consolidate the Target within the first 60 days of its acquisition, ensuring execution capability and effective risk mitigation.

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

***Risks associated with the liability of the Group's healthcare facilities for injuries caused to patients by physicians in the practice of their profession at the healthcare facilities (medical mal-practice)***

The Group is exposed to the risks associated with civil liability under the law for any injuries caused to patients hospitalized or receiving care in its healthcare facilities as a result of negligence and/or wilful misconduct in the provision of healthcare by physicians and other healthcare professional malpractice, or financial risks as a result of incomplete insurance cover for potential claims. In order to mitigate these risks, the GHC Group adopts actions to reinforce patient safety through the use, on the one hand, of ad hoc procedures and practices, consistent with the main guidelines and best practices at national/international level, also introducing training and information channels to raise awareness among operators in the area of management and reporting of adverse events/near misses and serious events, on the other hand, through composite risk coverage, pursuant to Law No. 24 of March 8, 2017 (the "Gelli-Bianco Law"), through insurance (Domus Nova, Ospedali Privati Riuniti, Poliambulatorio Dalla Rosa Prati, X-Ray One, Clinica San Francesco, Casa di Cura Prof. Nobili, Villa Von Siebenthal, Sanatorio Triestino) and/or self-insurance (the remaining Facilities, setting aside an amount consistent with the volume and type of claims for which the risk of loss is estimated as probable on the basis of the opinion of external lawyers and internal analyses). On this point, moreover, the Group constantly monitors regulatory updates that could entail possible additional compliance requirements, as well as adjustments to certain coverage caps of the insurance policies. It should be noted, in any case, that during the first half of 2023, the level of adverse events remained at physiological average levels in view of the activity performed and consistent with the previous two years.

***Interest rate risk***

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

\* in Euro

<b>Sensitivity Analysis H1 2023</b>	
Average Debt H1 2023	135,565,117
Interest Expense H1 2023	2,993,720
<b>Sensitivity +1% annually</b>	
Interest expense +1%	3,678,129
<b>Change Interest expense on loans</b>	<b>684,409</b>
<b>Sensitivity -0.25%</b>	
Interest expense with -0.25%	2,822,618
<b>Change Interest expense on loans</b>	<b>- 171,102</b>

### ***Cybersecurity Risks***

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

### ***Risks relating to regulatory changes***

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

Specifically, in August 2023, the "Tariff Decree" was issued, a measure that updates the baseline tariffs for (a) outpatient specialist services and (b) prosthetic care, which respectively stopped in 1996 and 1999, and develops further those newly added. The new tariffs at national level will take effect on January 1, 2024 for outpatient specialty care and on April 1, 2024 for prosthetic care, but to be concretely implemented they will have to be transposed by individual regions, which often adopt their own tariffs, as long as they are not lower than those established at the national level. In fact, some of these rates, in the outpatient setting, appear to be lower than their predecessors, so the industry association is taking legal action to revise those that, if implemented by the regions and applied, would be significantly penalising. At the same time,, Group facilities are already implementing a business development strategy focused on the growth of business to private patients, including by signing new agreements with insurance companies, private social security institutions and supplementary health care funds.

With reference to the Implementing Decree of the Competition Law, which is expected to be fully adopted at regional level during the second half of 2023 through specific implementing rules of the criteria for the recognition of accreditation and contractualisation of budget agreements, a risk of potential non-compliance with these new requirements arises. The Group has therefore started and concluded specific analyses, adopting in advance the most appropriate adaptation actions at the Group Structures (especially in terms of mapping the obsolescence of equipment and electro-medical apparatuses, as well as adapting the clinical risk control and reporting systems), in order to allow a faster and fuller compliance with the new requirements.

Finally, it should be noted that, with reference to the Resolution of the Veneto Regional Council No. 1397/2022 of November 11, 2022, published in the Regional Official Bulletin on December 16, 2022, whereby the former approved the criteria for determining the expenditure ceilings for the years 2022 and 2023 in relation to hospital and specialist outpatient care provided to citizens not resident in Veneto by accredited private hospital providers and those that are exclusively outpatient providers, the Veneto Region, with regional resolution dated March 21, 2023, recognised the entire production carried out in 2022 to all the Group's facilities. For 2023, the Region has clarified the criteria for determining expenditure ceilings, and the Group is planning production in accordance with these criteria.

### ***Risks associated with environmental issues and health and safety legislation***

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

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

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

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

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

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

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

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

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

#### ***Credit Risk***

This risk is managed by each Group company and the respective Directors and is periodically monitored by the Parent Company through financial and operating reports. The maximum exposure to the credit risk for the Group at June 30, 2023 is represented by the book value of the assets recorded in the consolidated accounts under trade receivables.

The Group considers this risk as moderate, in view of the fact that GHC's receivables almost entirely concern public sector counterparties (hospital authorities and/or healthcare authorities), for whom a particular risk of insolvency is not considered. In particular, in H1 2023, in view of COVID-19 related health emergency, the Group closely monitored the collection of its trade receivables and does not report reduced average collection times from its public sector counterparties.

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



### **Liquidity risk**

Liquidity risk is managed by the individual Group companies and the respective Directors and is periodically monitored by the Parent Company through financial and operating reports. In this manner, the Group aims to ensure adequate coverage of its financial needs, monitoring loans, credit lines granted and relative utilisations in order to ensure optimum management of the resources and any temporary excess liquidity. In addition, the Group seeks to maintain an optimal capital structure so as to optimise its borrowing costs. In H1 2023, the Group closely monitored its financial situation and did not require significant liquidity or working capital support. Therefore, on the basis of the information currently available, the Company expects that the liquidity and credit lines currently available, in addition to those that will be generated from operating activities, will permit the Group to satisfy its requirements deriving from investment activities, working capital management and the repayment of debt in accordance with their contractual maturities.

### **Key Risk Indicator**

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

## **8. OTHER INFORMATION**

### **Corporate governance and shareholders**

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

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

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

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



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

The Board of Directors of Garofalo Health Care S.p.A., which bears responsibility for the internal control and risk management system, in its role of guidance and coordination of the GHC Group, has prepared the “Guidelines for the Internal Control and Risk Management System” in order to ensure that the organization’s principal risks are properly identified, measured, managed and monitored, in line with the Group’s strategic objectives. The document laying down the Guidelines for the Internal Control and Risk Management System was approved by the Board of Directors on April 18, 2019 and subsequently amended on October 19, 2020.

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

### ***Remuneration schemes based on financial instruments***

#### *2021-2023 Performance Share Plan*

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

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

The purposes of the Performance Share Plan are:

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

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

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

### ***Loan Contract signed by GHC S.p.A.***

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

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

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

The Acquisition Line provides GHC with the necessary funding to pursue the best M&A opportunities in a timely, flexible and efficient manner. In this regard, this line was partially used for the first time in 2022 to finance a portion of the price paid for the acquisition of GVDR S.r.l., which was completed on December 6, 2022, and on a second occasion in the first half of 2023 to fund a portion of the price paid to acquire the company Sanatorio Triestino, completed on May 4, 2023. The deadline for use of the Acquisition Line is set at the end of 2023, with a six-year duration and repayment in 2027, with an amortizing profile, a 2-year grace period and a final instalment of 30%.

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

As of the date of these consolidated interim financial statements, the Loan Contract does not stipulate the verification of compliance with the financial parameters indicated in the table below.

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

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

#### **Treasury shares and shares of holding companies**

At June 30, 2023, the Company held 1,414,510 treasury shares<sup>(5)</sup>.

At June 30, 2023, neither the Company nor the other Group companies held parent company shares, nor had made purchases or disposals during the year of these shares, even through trust companies or nominees.

#### **Health, environment and personnel**

The Company and the Group operate in accordance with the principles of protecting worker health and safety and safeguarding the environment. In H1 2023, there were no events affecting workplace health and safety nor damages to the environment. For further information on and analysis regarding the matter, reference should be made to the "Consolidated non-financial report" prepared regarding financial year 2022 and published on the company's website.

#### **Related party transactions**

<sup>(5)</sup> The treasury share purchases made by the Group are reported through Press Releases published on the Company website

Pursuant to Consob Resolution No. 17221 of March 12, 2010 as subsequently amended, it is reported that in H1 2023 the Group did not conclude any significant transactions or transactions with a significant effect on the Group's financial position or operating result for the year with related parties.

The information on related party transactions required by Consob Communication No. DEM/6064293 of July 28, 2006 is presented and disclosed in financial statements. For a more detailed account, refer to the notes on "Related party transactions" of the Company's consolidated condensed interim financial statements at June 30, 2023.

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

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

#### ***Management and coordination activity***

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

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

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

#### ***Secondary offices***

Garofalo Health Care S.p.A. did not have any branch offices at June 30, 2023.

Mr. Alessandro Maria Rinaldi

Legal representative



# CONSOLIDATED FINANCIAL STATEMENTS

at June 30, 2023



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**Parent Company Registered Office**

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**Garofalo Health Care S.p.A.**

Piazzale Belle Arti, 6 – Rome 00196

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**Parent Company Legal Details**

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

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

Tax Number: 06103021009

VAT Number: 03831150366

Website: <http://www.garofalohealthcare.com>

## CORPORATE BOARDS

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

## CONTROL, RISKS AND SUSTAINABILITY COMMITTEE

FRANCA BRUSCO  
FEDERICO FERRO LUZZI  
NICOLETTA MINCATO

## APPOINTMENTS AND REMUNERATION COMMITTEE

FEDERICO FERRO LUZZI  
FRANCA BRUSCO  
GIANCARLA BRANDA

## BOARD OF STATUTORY AUDITORS

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

## INDEPENDENT AUDIT FIRM

EY S.P.A.

## EXECUTIVE OFFICER FOR FINANCIAL REPORTING

LUIGI CELENTANO



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CONSOLIDATED FINANCIAL STATEMENTS AT JUNE 30, 2023

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*Consolidated balance sheet at June 30, 2023*

<i>in Euro thousands</i>		June 30, 2023	of which related parties	December 31, 2022	of which related parties
Goodwill	Note 2	90,204		91,392	
Other intangible assets	Note 3	210,139		196,038	
Property, plant and equipment	Note 4	228,845		221,826	
Investment property	Note 5	865		885	
Equity investments	Note 6	1,300		826	
Other non-current financial assets	Note 7	585		517	
Other non-current assets	Note 8	2,226		2,330	
Deferred tax assets	Note 9	11,001		10,615	
<b>TOTAL NON-CURRENT ASSETS</b>		<b>545,165</b>		<b>524,430</b>	
Inventories	Note 10	4,714		4,244	
Trade receivables	Note 11	85,652	1	76,479	1
Tax receivables	Note 12	5,105		5,933	
Other receivables and current assets	Note 13	6,378		3,137	
Other current financial assets	Note 14	2,878		215	
Cash and cash equivalents	Note 15	32,745		31,382	
<b>TOTAL CURRENT ASSETS</b>		<b>137,472</b>		<b>121,390</b>	
<b>TOTAL ASSETS</b>		<b>682,637</b>		<b>645,820</b>	

<i>in Euro thousands</i>					
		June 30, 2023	of which related parties	December 31, 2022	of which related parties
Share capital	Note 16	31,570		31,570	
Legal reserve	Note 16	614		532	
Other reserves	Note 16	246,811		225,542	
Group result	Note 37	15,939		21,426	
<b>TOTAL GROUP SHAREHOLDERS' EQUITY</b>		<b>294,935</b>		<b>279,070</b>	
Minority interest capital and reserves	Note 16	743		76	
Minority interest result	Note 37	16		7	
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<b>295,694</b>		<b>279,153</b>	
Employee benefits	Note 17	13,472		13,551	
Provisions for risks and charges	Note 18	21,010		19,152	
Non-current financial payables	Note 19	131,948		132,165	
Other non-current liabilities	Note 20	3,160		3,208	
Deferred tax liabilities	Note 9	71,290		67,356	
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>240,880</b>		<b>235,431</b>	
Trade payables	Note 21	56,402	376	51,100	38
Financial payables	Note 22	47,362		44,443	
Tax payables	Note 23	5,441		3,211	
Other current liabilities	Note 24	36,857		32,482	
<b>TOTAL CURRENT LIABILITIES</b>		<b>146,062</b>		<b>131,236</b>	
<b>TOTAL LIABILITIES</b>		<b>386,942</b>		<b>366,667</b>	
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>		<b>682,637</b>		<b>645,820</b>	

## H1 2023 Consolidated income statement

<i>in Euro thousands</i>		For the period ended June 30			
		2023	of which related parties	2022	of which related parties
Revenues from services	Note 25	182,514		162,828	
Other revenues	Note 26	4,149		3,460	
<b>TOTAL REVENUE</b>		<b>186,663</b>		<b>166,288</b>	
Raw materials and consumables	Note 27	25,295		24,187	
Service costs	Note 28	74,951	400	67,094	236
Personnel costs	Note 29	39,205		36,785	
Other operating costs	Note 30	8,703		7,366	
<b>TOTAL OPERATING COSTS</b>		<b>148,155</b>		<b>135,433</b>	
<b>TOTAL EBITDA</b>		<b>38,508</b>		<b>30,855</b>	
Amortisation, depreciation & write-downs	Note 31	10,080		9,230	
Impairments and other provisions	Note 32	2,417		2,230	
<b>TOTAL AMORTISATION, DEPRECIATION, WRITE-DOWNS, PROVISIONS AND OTHER ADJUSTMENTS</b>		<b>12,498</b>		<b>11,460</b>	
<b>EBIT</b>		<b>26,010</b>		<b>19,395</b>	
Financial income	Note 33	34		76	
Financial charges	Note 34	(4,663)		(2,247)	
Results of investments at equity	Note 35	83		65	
<b>FINANCIAL INCOME AND CHARGES</b>		<b>(4,546)</b>		<b>(2,106)</b>	
<b>PROFIT BEFORE TAXES</b>		<b>21,464</b>		<b>17,289</b>	
Income taxes	Note 36	5,509		4,037	
<b>NET PROFIT FOR THE PERIOD</b>	<b>Note 37</b>	<b>15,955</b>		<b>13,252</b>	
Attributable to:					
Group	Note 37	15,939		13,244	
Minority interest share	Note 37	16		8	
<b>Basic and diluted earnings per share (in Euro)</b>	<b>Note 38</b>	<b>0.18</b>		<b>0.15</b>	

*H1 2023 Comprehensive consolidated income statement*

<i>(Euro thousands)</i>	June 30, 2023	June 30, 2022
<b>NET PROFIT FOR THE PERIOD</b>	<b>15,955</b>	<b>13,252</b>
<b>Other components of the comprehensive income that will not subsequently be reclassified in profit/(loss) for the year</b>		
Actuarial gains/(losses) on defined employee benefit plans	517	(1,341)
Tax effect	(124)	322
<b>Total other components of comprehensive income that will not subsequently be reclassified to profit/(loss) for the period net of income taxes</b>	<b>393</b>	<b>(1,019)</b>
<b>Other components of the comprehensive income that may be subsequently reclassified to profit/(loss) for the year</b>		
Fair value of derivative instruments		
Tax effect		
<b>Total other comprehensive items that may be subsequently reclassified to profit/(loss) for the period net of income taxes</b>		
<b>Profit/(loss) recognised to equity</b>	<b>393</b>	<b>(1,019)</b>
<b>Total comprehensive income</b>	<b>16,348</b>	<b>12,233</b>
Attributable to:		
Group	16,332	12,225
Minorities	16	8

*Statement of changes in consolidated shareholders' equity at June 30, 2023*

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
<b>Balance at December 31, 2021</b>	<b>31,570</b>	<b>471</b>	<b>209,578</b>	<b>18,834</b>	<b>260,453</b>	<b>253</b>	<b>9</b>	<b>260,715</b>
Allocation of result	-	61	18,773	(18,834)	-	9	(9)	-
Treasury share purchases	-	-	(2,083)	-	(2,083)	-	-	(2,083)
Stock Grant reserve	-	-	28	-	28	-	-	28
Comprehensive profit/(loss)	-	-	(1,019)	13,244	12,225	-	8	12,233
Other movements	-	-	8	-	8	(1)	-	7
<b>June 30, 2022</b>	<b>31,570</b>	<b>532</b>	<b>225,285</b>	<b>13,244</b>	<b>270,631</b>	<b>261</b>	<b>8</b>	<b>270,900</b>
<b>December 31, 2022</b>	<b>31,570</b>	<b>532</b>	<b>225,542</b>	<b>21,426</b>	<b>279,070</b>	<b>76</b>	<b>7</b>	<b>279,153</b>
Allocation of result	-	82	21,344	(21,426)	-	7	(7)	-
Treasury share purchases	-	-	(448)	-	(448)	-	-	(448)
Change in consolidation scope	-	-	(15)	-	(15)	660	-	645
Comprehensive profit/(loss)	-	-	393	15,939	16,332	-	16	16,348
Other movements	-	-	(4)	-	(4)	-	-	(4)
<b>June 30, 2023</b>	<b>31,570</b>	<b>614</b>	<b>246,812</b>	<b>15,939</b>	<b>294,935</b>	<b>743</b>	<b>16</b>	<b>295,694</b>

## Consolidated cash flow statement for the period ended June 30, 2023

In Euro thousands	June	
	2023	2022
<b>OPERATING ACTIVITIES</b>		
<b>Profit for the period</b>	<b>15,955</b>	<b>13,252</b>
<i>Adjustments for:</i>		
- <i>Amortisation and depreciation</i>	9,960	8,992
- <i>Provisions for employee benefit liabilities</i>	393	373
- <i>Provisions net of releases for risks and charges</i>	2,417	2,336
- <i>Provisions net of releases for doubtful debt provision</i>	121	133
- <i>Interest from discounting</i>	864	849
- <i>Other non-cash adjustments</i>	186	-
- <i>Change in investments in associates valued under the equity method</i>	(83)	(65)
- <i>Change in other non-current assets and liabilities</i>	54	1,884
- <i>Net change in deferred tax assets and liabilities</i>	149	(713)
- <i>Payments for employee benefits</i>	(629)	(678)
- <i>Payments for provisions for risks and charges</i>	(1,469)	(1,436)
<i>Changes in operating assets and liabilities:</i>		
<i>(Increase) decrease in trade and other receivables</i>	(5,318)	1,444
<i>(Increase) decrease in inventories</i>	(159)	42
<i>Increase (decrease) in trade and other payables</i>	1,552	2,538
<i>Other current assets and liabilities</i>	3,838	(362)
<b>NET CASH FLOW FROM OPERATING ACTIVITIES (A)</b>	<b>27,831</b>	<b>28,588</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
<i>Investments in intangible assets</i>	(687)	(402)
<i>Investments in tangible assets</i>	(6,746)	(6,741)
<i>(Investments)/disposals in financial assets</i>	(1,145)	-
<i>Sale of tangible assets</i>	313	26
<i>Dividends from associates</i>	-	120
<i>Sanatorio Triestino acquisition</i>	(10,516)	-
<b>CASH FLOW ABSORBED BY INVESTING ACTIVITIES (B)</b>	<b>(18,780)</b>	<b>(6,997)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
<i>Issue of medium/long term loans</i>	7,518	65
<i>Repayment of medium/long-term loans</i>	(11,663)	(11,111)
<i>Issue/(repayment) of short-term loans</i>	(189)	(5,028)
<i>Changes in other financial payables</i>	(2,904)	(4,254)
<i>(Acquisition) treasury shares</i>	(450)	(2,083)
<b>NET CASH FLOW GENERATED/(ABSORBED) FROM FINANCING ACTIVITIES (C)</b>	<b>(7,688)</b>	<b>(22,411)</b>
<b>TOTAL CASH FLOWS (D=A+B+C)</b>	<b>1,363</b>	<b>(820)</b>
<b>CASH &amp; CASH EQUIVALENTS AT BEGINNING OF PERIOD (E)</b>	<b>31,382</b>	<b>41,239</b>
<b>CASH &amp; CASH EQUIVALENTS AT END OF PERIOD (F=D+E)</b>	<b>32,745</b>	<b>40,419</b>
<b>Additional information:</b>		
Interest paid	2,934	1,340
Income taxes paid	2,862	3,192

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NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS AT JUNE 30, 2023

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## **Note 1. Accounting standards and preparation basis for the Consolidated Financial Statements at June 30, 2023**

### **1.1 Company information**

The publication of the Group's consolidated half-year financial statements for the period ended June 30, 2023 was approved by the Board of Directors on September 12, 2023.

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

### **1.2 General Principles**

The condensed consolidated half-year financial statements of the GHC Group for the period ended June 30, 2023 (the "**Consolidated Half-Year Financial Statements**") were prepared as per IAS 34

The accounting standards adopted for the preparation of the condensed consolidated half-year financial statements are those utilised for the 2022 consolidated financial statements of the Group, with the exception of the adoption of the new standards and amendments in force from January 1, 2023. Reference should be made to the subsequent section for further details.

The consolidated interim financial statements are presented in thousands of Euro and all the amounts are rounded to the nearest thousand, unless otherwise specified.

The Consolidated Interim Financial Statements have been prepared based on the historical cost principle, except for derivative financial instruments that have been recognized at fair value.

The consolidated half-year 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.

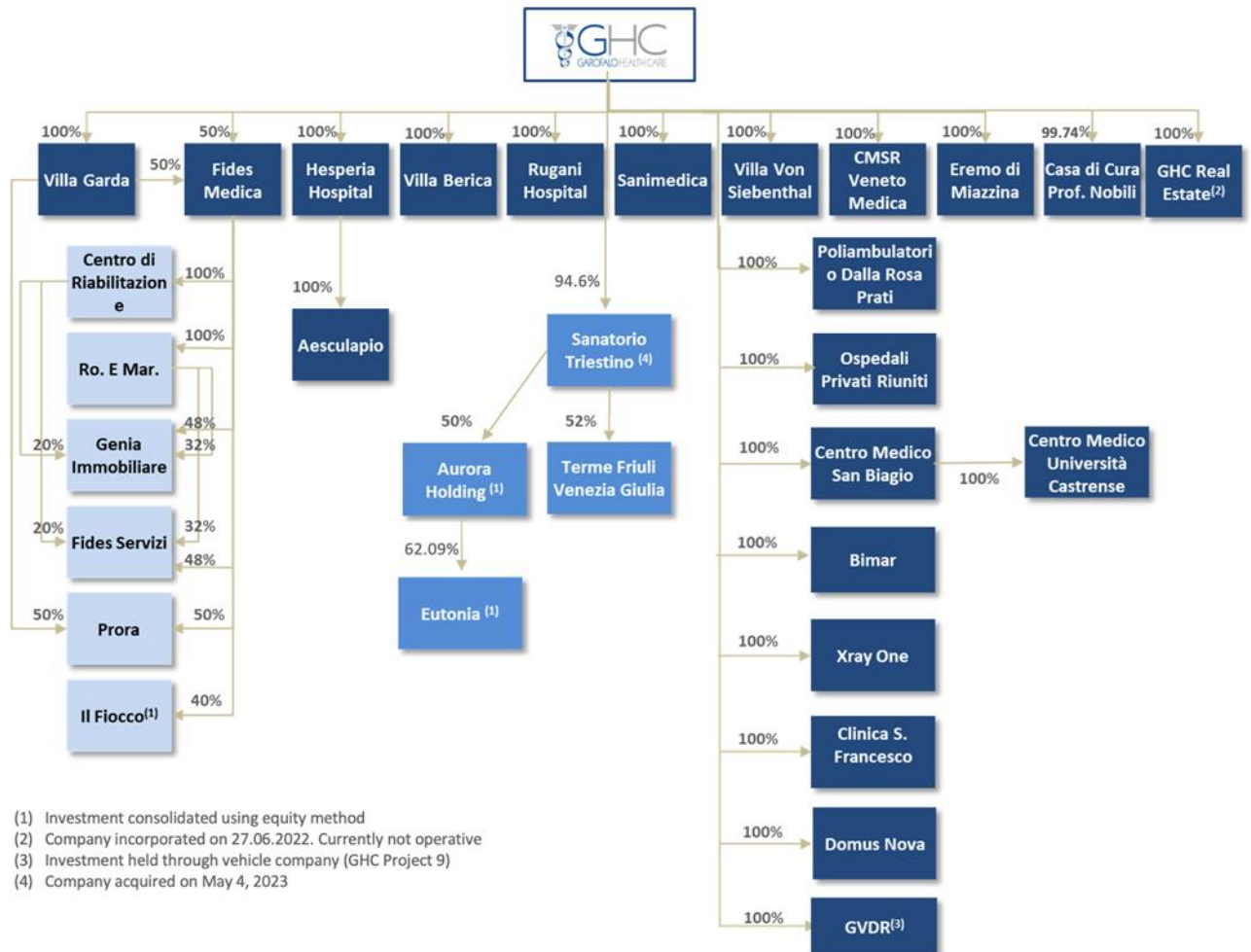
### **1.3 Financial Statements**

The Consolidated Interim Financial Statements of the Company consist of the Balance Sheet, Income Statement, Comprehensive Income Statement, Statement of Changes in Shareholders' Equity, Cash Flow Statement and 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 June 30, 2023 is provided below:



### 1.5 Consolidation principles and consolidation scope

The Consolidated Interim Half-Year Financial Statements include the financial statements of GHC and of its subsidiaries at June 30, 2023.

The details of the consolidated companies are shown below.

Company	Registered office	Relationship with the Parent Company	Method Consolidation	Percentage held (direct and indirect) at June 30	Percentage held (direct and indirect) as of December 31
				2023	2022
Garofalo Health Care S.p.A.	Rome	Parent company	Line-by-line	Holding	Parent company
Hesperia Hospital Modena S.r.l.	Modena	Subsidiary	Line-by-line	100%	99.95%
Casa di Cura Villa Berica S.r.l.	Vicenza	Subsidiary	Line-by-line	100%	100%
Rugani Hospital S.r.l.	Monteriggioni (SI)	Subsidiary	Line-by-line	100%	100%
CMSR Veneto Medica S.r.l.	Altavilla Vicentina (VI)	Subsidiary	Line-by-line	100%	100%
Sanimedica S.r.l.	Altavilla Vicentina (VI)	Subsidiary	Line-by-line	100%	100%
L'Eremo di Miazzina S.r.l.	Cambiasca (VB)	Subsidiary	Line-by-line	100%	100%
Casa di Cura Villa Garda S.r.l.	Garda	Subsidiary	Line-by-line	100%	100%
Villa Von Siebenthal S.r.l.	Genzano di Roma (RM)	Subsidiary	Line-by-line	100%	100%
Casa di Cura Prof. Nobili S.r.l.	Castiglione dei Pepoli (BO)	Subsidiary	Line-by-line	99.74%	99.21%
F.I.D.E.S. Medica S.r.l.	Piombino	Subsidiary	Line-by-line	100%	100%
Centro di Riabilitazione S.r.l.	Genoa	Subsidiary	Line-by-line	100%	100%
Genia Immobiliare S.r.l.	Genoa	Subsidiary	Line-by-line	100%	100%
Ro. E. Mar S.r.l.	Piombino	Subsidiary	Line-by-line	100%	100%
Fides Servizi S.c.a.r.l.	Genoa	Subsidiary	Line-by-line	100%	100%
PRORA S.r.l.	Genoa	Subsidiary	Line-by-line	100%	100%
Il Fiocco S.c.a.r.l. *	Genoa	Associate	Equity Method	40%	40%
Poliambulatorio Dalla Rosa Prati S.r.l.	Parma	Subsidiary	Line-by-line	100%	100%
Ospedali Privati Riuniti S.r.l.	Bologna	Subsidiary	Line-by-line	100%	100%
Centro Medico San Biagio S.r.l.	Fossalta di Portogruaro (VE)	Subsidiary	Line-by-line	100%	100%
Centro Medico Università Castrense S.r.l.	San Giorgio di Nogaro (UD)	Subsidiary	Line-by-line	100%	100%
Bimar S.r.l.	Fossalta di Portogruaro (VE)	Subsidiary	Line-by-line	100%	100%
Aesculapio S.r.l.	San Felice sul Panaro (MO)	Subsidiary	Line-by-line	100%	99.95%
XRay One S.r.l.	Poggio Rusco (MN)	Subsidiary	Line-by-line	100%	100%

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

Clinica San Francesco S.r.l.	Verona	Subsidiary	Line-by-line	100%	100%
Domus Nova S.p.A.	Ravenna	Subsidiary	Line-by-line	100%	100%
GHC Real Estate S.p.A.	Rome	Subsidiary	Line-by-line	100%	100%
GHC Project 9 S.r.l.	Rome	Subsidiary	Line-by-line	100%	100%
Gruppo Veneto Diagnostica e Riabilitazione S.r.l.	Cadoneghe (PD)	Subsidiary	Line-by-line	100%	100%
Sanatorio Triestino S.p.A.	Trieste	Subsidiary	Line-by-line	94.59%	-
Terme del Friuli Venezia Giulia S.r.l.	Trieste	Subsidiary	Line-by-line	49.19%	-
Aurora Holding S.r.l.	Trieste	Associate	Equity Method	47.3%	-
Eutonia S.r.l. Sanità e salute	Trieste	Associate	Equity Method	29.37%	-

On May 25, 2023, GHC S.p.A. increased its holding in Casa di Cura Prof. Nobili S.r.l. by 0.53% to 99.74%.

On May 4, 2023, GHC S.p.A. acquired 86.95% of Sanatorio Triestino S.p.A, which holds a majority stake in Terme del Friuli-Venezia Giulia S.r.l. and a 50% holding in Aurora Holding S.r.l., which in turn holds a majority stake in Eutonia S.r.l. Sanità & Salute. On May 18, 2023 and on June 22, 2023, additional holdings in Sanatorio Triestino S.p.A. of respectively 3.11% and 4.53% were acquired, for a total holding of 94.59% at June 30, 2023.

GHC S.p.A. has been the sole shareholder of Hesperia Hospital Modena S.r.l. since May 17, 2023, following the completion of the exclusion process of the minority shareholder Unione Finanziaria s.r.l. (bankrupt company).

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**

The accounting policies used, in addition to the consolidation criteria and methods applied to these condensed consolidated half-year financial statements at June 30, 2023, are the same as those adopted for the preparation of the consolidated financial statements at December 31, 2022, to which reference should be made for greater details.

The condensed consolidated half-year financial statements at June 30, 2023 do not however include all of the information required for the annual financial statements and should therefore be read together with the consolidated financial statements at December 31, 2022.

### **1.7 Discretionary 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*

Amortisation and depreciation 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 June 30, 2023.

*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 accurately predictable, often generating complex legal issues.

A provision is made in relation to a dispute or a request for compensation 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, related to 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 involved and, where appropriate, of independent specialists and are reviewed periodically.

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

The accounting standards, interpretations and amendments in force from January 1, 2023 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 interim financial statements.

#### IFRS 17 Insurance contracts

In May 2017, the IAS issued IFRS 17 Insurance Contracts, a new accounting standard for insurance contracts that ensures recognition and measurement, presentation, and disclosure. IFRS 17 replaces IFRS 4 Insurance Contracts, issued in 2005. IFRS 17 applies to all types of insurance contracts (for example: life, non-life, direct insurance, re-insurance) regardless of the type of entity that issues them, as well as certain guarantees and financial instruments with characteristics of discretionary participation; some exceptions apply with regards to scope. The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers, in contrast to the requirements of IFRS 4, which are largely based on maintaining previous local GAAP, IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant aspects. IFRS 17 is based on a general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach);
- A simplified approach (the approach to the allocation of premiums) mainly for short-term contracts.

These amendments did not have any impact on the Group condensed consolidated half-year financial statements.

#### Definition of Accounting Estimates – Amendments to IAS 8

The amendments to IAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies and error correction. They also clarify how entities should use valuation techniques and inputs to develop accounting estimates.

These amendments did not have any impact on the Group condensed consolidated half-year financial statements.

### Disclosure of Accounting Policies – Amendments to IAS 1 and IFRS Practice Statement 2

The amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements provide guidance and examples to help entities apply judgements to accounting policy disclosures. The amendments are intended to help entities provide more useful accounting policy disclosures by replacing the requirement for entities to provide their "significant" accounting policies with a requirement to provide disclosures about their "material" accounting policies; in addition, guidance is added on how entities apply the concept of materiality in making accounting policy disclosure decisions.

These amendments did not have any impact on the Group condensed consolidated half-year financial statements.

### Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12

The amendments to IAS 12 Income Taxes narrow the scope of the exception to initial recognition, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning liabilities.

These amendments did not have any impact on the Group condensed consolidated half-year financial statements.

### **1.9 Seasonality**

The sector in which the Group operates is expected to be fully operational in H1, given that some services are provided to a lesser extent in the second half of the year as a result of the holiday periods in August and December.

This information is provided to enable better understanding of the results, though management has concluded that this is not a "highly" seasonal industry as per IAS 34.

### **Note 2 Acquisitions**

On May 4, 2023, GHC S.p.A. acquired 86.95% of Sanatorio Triestino S.p.A, which holds a majority stake in Terme del Friuli-Venezia Giulia S.r.l. and a 50% holding in Aurora Holding S.r.l., which in turn holds a majority stake in Eutonia S.r.l. Sanità & Salute. On May 18, 2023 and on June 22, 2023, additional holdings in Sanatorio Triestino S.p.A. of respectively 3.11% and 4.53% were acquired, for a total holding of 94.59% at June 30, 2023.

#### *Assets acquired and liabilities assumed*

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

<i>(Euro thousands)</i>	Fair value at acquisition
<b>Assets</b>	
Intangible assets	36
Property, plant and equipment	9,847
Equity investments	560
Non-current financial assets	2,336
Deferred tax assets	590
Cash and cash equivalents	1,969
Trade receivables	3,977
Inventories	310



Current financial assets	128
Current assets	1,136
<b>Liabilities</b>	
Trade payables	3,750
Current financial payables	144
Non-current financial liabilities	474
Short-term bank loans	-
Non-current loans and borrowings	8,324
Employee benefits	501
Provisions for risks	836
Other current liabilities	1,334
<b>Total net assets identifiable at fair value</b>	<b>5,524</b>
<b>Minority interests measured as pro-rata (measured at fair value)</b>	<b>1,723</b>
<b>Consideration of the acquisition</b>	<b>11,478</b>
<b>Goodwill arising from acquisition calculated on the fair value of assets acquired</b>	<b>7,677</b>
<b>Net cash flow of the acquisition</b>	<b>9,509</b>

The surplus arising from the acquisition (calculated on the total shareholders' equity of the acquired company, including therefore the minority interest) was provisionally recognised, based on IFRS 3, under "Goodwill" for Euro 7,677 thousand, as reported in the same paragraph. At the reporting date, the procedure for the valuation of the assets and liabilities acquired is still in the preliminary phase and therefore the value of goodwill is still provisional.

#### **Note 2 Goodwill**

Goodwill breaks down as follows:

<i>(Euro thousands)</i>	<i>At June 30</i>	<i>At December 31</i>
	<b>2023</b>	<b>2022</b>
Goodwill – CMSR Veneto Medica CGU	11,230	11,230
Goodwill – Villa Von Siebenthal CGU	2,957	2,957
Goodwill – Rugani Hospital CGU	6,935	6,935
Goodwill – Fides Group CGU	17,645	17,645
Goodwill – Casa di Cura Prof. Nobili CGU	47	47
Goodwill - Poliambulatorio Dalla Rosa Prati CGU	10,080	10,080
Goodwill– Ospedali Privati Riuniti CGU	3,006	3,006
Goodwill – Centro Medico San Biagio CGU	2,275	2,275
Goodwill – Aesculapio CGU	3	3
Goodwill – XRay One Srl CGU	629	629
Goodwill – Clinica San Francesco CGU	6,719	6,719
Goodwill – Domus Nova S.p.A. CGU	9,109	9,109
Goodwill - CGU GVDR	11,891	20,756
Goodwill – Sanatorio CGU	7,677	-
<b>Total Goodwill</b>	<b>90,204</b>	<b>91,392</b>

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.

This account decreased by a total of Euro 1,188 thousand due to the combined effect:

- of the final quantification of the goodwill of Group Veneto Diagnostica e Riabilitazione S.r.l. following the completion of the “Purchase Price Allocation”, which resulted in the reduction of goodwill by Euro 8,865 thousand, following the reclassification to the Accreditation item of Euro 13,854 thousand, partially offset by the increase from the settlement of the price adjustment under the contractual provision (Euro 1,124 thousand) and by deferred taxation, calculated on the value of the accreditation, recognised as an increase of goodwill (Euro 3,865 thousand);
- of the recognition of provisional goodwill on the Sanatorio Triestino Group, amounting to Euro 7,677 thousand.

#### ***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.r.l., Genia Immobiliare S.r.l., Fides Medica S.r.l., Fides Servizi S.r.l., Prora S.r.l., identified as a single CGU, Fides Group and Centro Medico San Biagio S.r.l., Bimar

S.r.l. and Studio Schio S.r.l. (now merged into Centro Medico San Biagio S.r.l.), also identified as a single CGU Centro Medico San Biagio.

At June 30, 2023, the Group has not performed an impairment test on assets with indefinite useful life in the absence of a trigger event since December 31, 2022.

### Note 3 Other intangible assets

The breakdown of the item Other intangible assets at June 30, 2023, compared with the same values at December 31, 2022, is as follows:

<i>(Euro thousands)</i>	<i>At June 30</i>	<i>At December 31</i>	<i>Change</i>
	2023	2022	2023 vs 2022
Concessions, licenses, trademarks and similar rights	362	267	95
Development	669	769	(100)
Accreditation	207,202	193,349	13,853
Software	1,518	1,125	393
Other intangible assets	142	344	(202)
Assets in progress and advances	246	186	60
<b>Total other intangible assets</b>	<b>210,139</b>	<b>196,039</b>	<b>14,100</b>

The table below shows the movements in individual items of Other intangible assets during the period ended June 30, 2023.

<i>in Euro thousands</i>	<i>Concessions, licences, trademarks and similar rights</i>	<i>Development</i>	<i>Software</i>	<i>Accreditation</i>	<i>Other intangible assets</i>	<i>Assets in progress and payments on account</i>	<i>Total</i>
<b>NBV at December 31, 2022</b>	<b>267</b>	<b>769</b>	<b>1,125</b>	<b>193,349</b>	<b>344</b>	<b>186</b>	<b>196,039</b>
Acquisition	173	-	413	13,854	46	54	14,541
Amortisation	(60)	(100)	(282)	-	(25)	-	(467)
Transfers/Reclassifications	(18)	-	258	-	(223)	(26)	(9)
Change in consolidation scope	-	-	3	-	-	33	36
<b>Net value at June 30, 2023</b>	<b>362</b>	<b>669</b>	<b>1,518</b>	<b>207,202</b>	<b>142</b>	<b>246</b>	<b>210,139</b>

### Concessions, licences, trademarks and similar rights

Concessions, licences, trademarks and similar rights, amounting to Euro 362 thousand at June 30, 2023, increased on December 31, 2022 by Euro 95 thousand, relating to investments made in H1 2023 for Euro 173 thousand (mainly by Garofalo HealthCare S.p.A. for Euro 127 thousand), net of the relative amortisation.

### Development costs

Development costs, totalling Euro 669 thousand at June 30, 2023, principally concern a development project undertaken by the company Hesperia Hospital Modena S.r.l. relating to robotic prostatectomy and prostatic hyperplasia surgeries.

### 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.

During the first half of 2023, the Group made software investments of Euro 413 thousand, mainly concerning the companies C.M.S.R. Veneto Medica S.r.l. (Euro 42 thousand), Garofalo HealthCare S.p.A. (Euro 191 thousand) and Centro Medico San Biagio S.r.l. (Euro 53 thousand).

### Accreditation

The Accreditation account concerns the activities related to the administrative process by which the Group's facilities qualify as fit to provide healthcare and social-care services on behalf of the Regional Health Service (SSR). Institutional accreditation is issued by the Region and is conditional on continuing satisfaction of the technological, infrastructural and personal requirements defined by national and regional provisions. The account includes the fair value emerging on acquisition for Group companies and residually the acquisition of accreditation by Rugani Hospital S.r.l.. A breakdown of the account at June 30, 2023 is illustrated below:

<i>in Euro thousands</i>	<i>At June 30</i>	<i>At December 31</i>	<i>Change</i>
	2023	2022	2023 vs 2022
Rugani Hospital CGU	330	330	-
Fides Medica Group CGU	8,257	8,257	-
Casa di Cura Prof. Nobili CGU	4,942	4,942	-
Poliambulatorio Dalla Rosa Prati CGU	13,396	13,396	-
Ospedali Privati Riuniti CGU	35,176	35,176	-
Centro Medico San Biagio e Bimar CGU	52,744	52,744	-
Centro Medico Università Castrense CGU	4,166	4,166	-
Aesculapio CGU	2,624	2,624	-

XRay One CGU	16,877	16,877	-
Clinica San Francesco CGU	41,841	41,841	-
Domus Nova CGU	12,996	12,996	-
GVDR CGU	13,854	-	13,854
<b>Total accreditation</b>	<b>207,202</b>	<b>193,349</b>	<b>13,854</b>

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 fair value of the accreditation of the Gruppo Veneto Diagnostica e Riabilitazione S.r.l. acquisition, for which the GVDR 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:

- As the Company was acquired on December 6, 2022, the forecast data was estimated from the total 2022 figure and the first forecast year was considered to be fiscal year 'n+1'. The forecast data was prepared by the facility and shared with GHC Group management and was submitted to the Board of Directors for approval. This 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 5.186%. 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.
- 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%.

The Group has not carried out an impairment test on accreditations at June 30, 2023, as not required by IAS 36 in the interim financial statements in the absence of a trigger event since December 31 of the previous year.

### Other intangible assets

The account includes residual categories of assets, which, given their scarce significance, are not in a specific item. The balance at June 30, 2023 was Euro 142 thousand.

### Assets in progress and advances

The item, amounting to Euro 246 thousand, principally comprises projects under development for applications and software, carried out mainly by Poliambulatorio dalla Rosa Prati S.r.l. (Euro 71 thousand), XRay One (Euro 76 thousand) and Casa di Cura Villa Garda S.r.l. (Euro 37 thousand).

### Note 4 Property, plant and equipment

The table below presents a breakdown of Property, plant and equipment at June 30, 2023 compared with December 31, 2022.

<i>In Euro thousands</i>	<i>At June 30</i>	<i>At December 31</i>	<i>Change</i>
	2023	2022	2023 vs 2022
Land & buildings	159,496	155,024	4,472
Leasehold improvements	4,238	4,432	(194)
Plant & machinery	14,306	11,301	3,005
Industrial & commercial equipment	20,829	20,321	509
Other assets	4,226	4,070	156
Right-of-use	15,357	16,351	(994)
Assets in progress and advances	10,393	10,328	65
<b>Total</b>	<b>228,845</b>	<b>221,826</b>	<b>7,019</b>

The following tables show the changes in the item in question for the period ended June 30, 2023.

<i>In Euro thousands</i>	<i>Land and buildings</i>	<i>Leasehold improvements</i>	<i>Plant and machinery</i>	<i>Industrial and commercial equipment</i>	<i>Other assets</i>	<i>Rights of use</i>	<i>Assets in progress and advances</i>	<i>Total</i>
<b>NBV at December 31, 2022</b>	<b>155,024</b>	<b>4,432</b>	<b>11,301</b>	<b>20,321</b>	<b>4,070</b>	<b>16,351</b>	<b>10,328</b>	<b>221,826</b>
Acquisition	811	129	918	2,140	597	272	2,150	7,018
Depreciation	(3,437)	(344)	(1,172)	(2,560)	(544)	(1,416)	-	(9,473)
Sales	(27)	-	(129)	(790)	(254)	-	(47)	(1,247)
Decrease	-	-	123	734	152	-	(135)	874
Transfers/Reclassifications	829	-	808	169	106	-	(1,913)	(1)
Change in consolidation scope	6,297	22	2,457	815	98	149	9	9,847
<b>NBV at June 30, 2023</b>	<b>159,496</b>	<b>4,238</b>	<b>14,306</b>	<b>20,829</b>	<b>4,226</b>	<b>15,357</b>	<b>10,393</b>	<b>228,845</b>

### Land and Buildings

The account mainly includes the properties owned by the care clinics and amounted to Euro 159,496 thousand at June 30, 2023, a net increase of Euro 4,472 thousand compared to December 31, 2022 (Euro 155,024 thousand), mainly due to the following factors:

- i. investments made by the Group of Euro 811 thousand, principally concerning Hesperia Hospital Modena S.r.l. (Euro 583 thousand) and Domus Nova S.p.a. (Euro 126 thousand);
- ii. depreciation in the year of Euro 3,437 thousand;
- iii. change in consolidation scope of Euro 6,297 thousand.

### Leasehold improvements

The item decreased by Euro 194 thousand on December 31, 2022 due to depreciation in the period of Euro 344 thousand, net of investments made of Euro 129 thousand, principally concerning Fides Medica S.r.l. (Euro 55 thousand) and Ro.e.mar. S.r.l. (Euro 64 thousand), in addition to the change in consolidation scope (Euro 22 thousand).

### Plant & machinery

Plant and machinery amounted to Euro 14,306 thousand at June 30, 2023, a net increase of Euro 3,005 thousand on December 31, 2022, as a result of the following:

- i. investments amounting to Euro 918 thousand, mainly attributable to the companies Ospedali Privati Riuniti S.r.l. (Euro 622 thousand), Clinica San Francesco S.r.l. (Euro 95 thousand), and Domus Nova S.p.A. (Euro 74 thousand);
- ii. depreciation in the period of Euro 1,172 thousand;
- iii. change in consolidation scope of Euro 2,457 thousand.



### Industrial and commercial equipment

Industrial and commercial equipment amounted to Euro 20,829 thousand at June 30, 2023, compared to Euro 20,321 thousand at December 31, 2022. The net increase of Euro 509 thousand was as a result of:

- i. investments amounting to Euro 2,140 thousand, mainly attributable to Casa di Cura Villa Berica S.r.l. (Euro 215 thousand), L'Eremo di Miazzina S.r.l. (Euro 276 thousand), Rugani Hospital S.r.l. (Euro 124 thousand), Hesperia Hospital Modena S.r.l. (Euro 615 thousand), Centro Medico San Biagio S.r.l. (Euro 149 thousand), Aesculapio S.r.l. (Euro 106 thousand) and Clinica San Francesco S.r.l. (Euro 133 thousand);
- ii. depreciation in the period of Euro 2,560 thousand;
- iii. change in consolidation scope of Euro 815 thousand.

### Other assets

The item, which mainly includes cars, transport vehicles, EDP, furniture and fittings, amounts to Euro 4,226 thousand at June 30, 2023, with a net decrease of Euro 156 thousand compared to December 31, 2022. The change in the year was mainly due to:

- i. investments amounting to Euro 597 thousand, mainly attributable to XRay One S.r.l. (Euro 61 thousand), Domus Nova S.p.A. (Euro 63 thousand), Clinica San Francesco S.r.l. (Euro 52 thousand) and Hesperia Hospital Modena S.r.l. (Euro 63 thousand);
- ii. depreciation in the period of Euro 544 thousand;
- iii. change in consolidation scope of Euro 98 thousand.

### Right-of-use

The account, amounting to Euro 15,357 thousand at June 30, 2023, 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 decrease in the period of Euro 994 thousand mainly concerns depreciation in the period (Euro 1,416 thousand). The change in consolidation scope accounts for Euro 149 thousand.

### Assets in progress and advances

The item at June 30, 2023 totalled Euro 10,393 thousand, increasing Euro 65 thousand on Euro 10,328 thousand at December 31, 2022. The change is mainly due to investments in the period of Euro 2,150 thousand, mainly concerning the companies L'Eremo di Miazzina S.r.l. (Euro 1,594 thousand), for the IRG2 project in Gravellona Toce, Casa di Cura Villa Garda S.r.l. (Euro 115 thousand), Garofalo Healthcare S.p.A. (Euro 153 thousand) and Ospedali Privati Riuniti S.r.l. (Euro 117 thousand), net of reclassifications following the completion of works.

### Note 5 Investment properties

The table below shows the breakdown of investment properties at June 30, 2023.

<i>(Euro thousands)</i>	<i>At June 30</i>	<i>At December 31</i>	<i>Change</i>
	2023	2022	2023 vs 2022
Investment property	865	885	(20)
<b>Total investment properties</b>	<b>865</b>	<b>885</b>	<b>(20)</b>

The Group's investment properties primarily refer to the apartments owned by L'Eremo di Miazzina S.r.l. of Euro 702 thousand, by Hesperia Hospital Modena S.r.l. of Euro 21 thousand and by FI.D.ES. Medica S.r.l. for Euro 143 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 20 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 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 6 Equity investments***

The value of equity investments at June 30, 2023 was Euro 1,300 thousand and concerns investments in associates for Euro 1,208 thousand and capital instruments (classified as at fair value through profit and loss) for Euro 91 thousand.

#### ***Investments in associates***

The table below contains a breakdown of investments in associates at June 30, 2023 and December 31, 2022.

<i>(Euro thousands)</i>	<i>At June 30</i>	<i>At December 31</i>	<i>Change</i>
	2023	2022	2023 vs 2022
Il Fiocco S.c.a.r.l.	644	735	(91)
Aurora Holding S.r.l.	564	-	564
<b>Total investments in associates</b>	<b>1,208</b>	<b>735</b>	<b>473</b>

The equity investments in associates refer to Il Fiocco S.c.a.r.l., in which the Group holds a 40% stake through the acquisition of the Fides Group in 2017, and to the company Aurora Holding S.r.l., held 50% by the newly-acquired Sanatorio Triestino S.p.A. Aurora Holding is in turn the parent company of Eutonia S.r.l., in which a 62.09% stake is held.

The valuation of Il Fiocco S.c.a.r.l. decreased by Euro 91 thousand on December 31, 2022, following the distribution of dividends to Fides Medica s.r.l., totalling Euro 160 thousand, net of the pro-quota net profit of Euro 69 thousand.

The key financial highlights for H1 2023 of the associates are set out below:

<b>Il Fiocco Sc.a.r.l.</b>	<b>At June 30</b>
<i>in Euro thousands</i>	<b>2023</b>
Current assets	1,853
Non-current assets	290
Current liabilities	(1,789)
Non-current liabilities	(8)
<b>Shareholders' Equity</b>	<b>346</b>
Shareholders' equity attributable to the Group	138
<b>Goodwill</b>	<b>506</b>
<b>Carrying value of the Group's investment</b>	<b>644</b>

Il Fiocco Sc.a.r.l.	At June 30
<i>in Euro thousands</i>	2023
Revenues	2,894
Cost of sales	(2,609)
Amortisation, depreciation & write-downs	(36)
Financial charges	(1)
Profit before taxes	248
Income taxes	(75)
<b>Net profit from continuing operations</b>	<b>173</b>
Other comprehensive items which may be subsequently reclassified to profit/(loss) for the period net of income taxes	-
Other comprehensive items which may not be subsequently reclassified to profit/(loss) for the period net of income taxes	-
<b>Other comprehensive income from continuing operations</b>	<b>173</b>
<b>Net profit attributable to the Group</b>	<b>69</b>

Aurora Holding S.r.l.	At June 30
<i>in Euro thousands</i>	2023
Current assets	1,956
Non-current assets	2,772
Current liabilities	(663)
Non-current liabilities	(2,986)
<b>Shareholders' Equity</b>	<b>1,079</b>
Shareholders' equity attributable to the Group	540
<b>Goodwill</b>	<b>24</b>
<b>Carrying value of the Group's investment</b>	<b>564</b>

Aurora Holding S.r.l.	At June 30
<i>in Euro thousands</i>	2023
Revenues	561
Cost of sales	(441)
Amortisation, depreciation & write-downs	(5)
Financial charges	(4)
Profit before taxes	111
Income taxes	(62)
<b>Net profit from continuing operations</b>	<b>49</b>
Other comprehensive items which may be subsequently reclassified to profit/(loss) for the period net of income taxes	-
Other comprehensive items which may not be subsequently reclassified to profit/(loss) for the period net of income taxes	-
<b>Other comprehensive income from continuing operations</b>	<b>49</b>
of which Group	28
of which minority interest	21
<b>Net profit attributable to the Group</b>	<b>14</b>

At June 30, 2023, the associates did not have any contingent liabilities or commitments.

### *Capital instruments*

A breakdown of equity investments is presented below.

<i>in Euro thousands</i>	At June 30	December 31	Change
	2023	2022	2023 vs 2022
La Cassa di Ravenna S.p.A.	24	24	-
Comex S.p.A. in liquidation	7	7	-
Copag S.p.A.	6	6	-
BCC S.p.A.	1	1	-
Valpolicella Benaco Banca	5	5	-

C.O.P.A.G. S.p.A.	9	9	-
CAAF Emilia Centrale	3	3	-
Poliambulatorio Exacta S.r.l.	11	11	-
Ottica Modenese S.r.l.	11	11	-
Rete di imprese	1	1	-
Idroterapic S.r.l.	10	10	-
Other securities	1	1	-
<b>Total share capital instruments</b>	<b>91</b>	<b>91</b>	<b>-</b>

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

It should be noted that (i) in the case of the equity investment in Poliambulatorio Exacta S.r.l., the gross book value of which is Euro 63 thousand, the total impairment loss of Euro 52 thousand recognised in previous years was maintained since no signs of a recovery in value were identified.

#### **Note 7 Other non-current financial assets**

“Other non-current financial assets” amounted to Euro 585 thousand at June 30, 2023, increasing Euro 68 thousand on December 31, 2022.

The following table presents a breakdown of the other non-current financial assets at June 30, 2023 and December 31, 2022.

<i>(Euro thousands)</i>	<i>At June 30</i>	<i>At December 31</i>	<i>Change</i>
	2023	2022	2023 vs 2022
Guarantee deposits	443	479	(36)
Financial receivables from others	142	38	104
<b>Total other non-current financial assets</b>	<b>585</b>	<b>517</b>	<b>68</b>

**Note 8 Other non-current assets**

“Other non-current assets” at June 30, 2023 amount to Euro 2,226 thousand and include for Euro 1,173 thousand the receivables due beyond one year relating to the substitute tax on the realignment of the accounting and tax values of the goodwill paid by the companies CMSR Veneto Medica S.r.l (Euro 724 thousand), Fides Medica S.r.l. (Euro 175 thousand), Rugani Hospital S.r.l. (Euro 95 thousand) and Domus Nova S.p.A. (Euro 178 thousand).

“Other receivables” of Euro 1,054 thousand mainly comprised the tax credit maturing beyond one year under the “Industry 4.0” decree.

The following table breaks down other non-current assets at June 30, 2023 and December 31, 2022.

<i>(Euro thousands)</i>	<i>At June 30</i>	<i>At December 31</i>	<i>Change</i>
	2023	2022	2023 vs 2022
Realignment substitute tax credits	1,173	1,367	(195)
Other receivables	1,054	963	91
<b>Total other non-current assets</b>	<b>2,226</b>	<b>2,330</b>	<b>(104)</b>

**Note 9 Deferred tax assets and liabilities**

The composition of “Deferred tax assets and liabilities” at June 30, 2023, compared with the situation at December 31, 2022, is presented below.

<i>(Euro thousands)</i>	<i>At June 30</i>	<i>At December 31</i>	<i>Change</i>
	2023	2022	2023 vs 2022
Deferred tax assets	11,001	10,615	385
Deferred tax liabilities:	(71,290)	(67,356)	(3,934)
<b>Net balance</b>	<b>(60,289)</b>	<b>(56,740)</b>	<b>(3,549)</b>

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

The increase in deferred tax liabilities in the period is mainly due to the recognition of deferred taxes calculated on the value of the Accreditation of Gruppo Veneto Diagnostica e Riabilitazione S.r.l. (Euro 3,865 thousand).

The following table presents the movements in deferred tax assets and liabilities for the first half of 2023 and the year ended December 31, 2022.



<i>(Euro thousands)</i>	At June 30	December 31
	2023	2022
<b>Net opening balance</b>	<b>(56,740)</b>	<b>(58,272)</b>
Credit / (Debit) to the income statement	(148)	1,304
Other changes	(3,277)	56
Credit / (Debit) to equity	(124)	172
<b>Net closing balance</b>	<b>(60,289)</b>	<b>(56,740)</b>

#### **Note 10 Inventories**

The following table breaks down inventories at June 30, 2023, compared with December 31, 2022.

<i>(Euro thousands)</i>	At June 30	At December 31	Change
	2023	2022	2023 vs 2022
Raw materials, ancillaries and consumables	4,714	4,244	469
<b>Inventories</b>	<b>4,714</b>	<b>4,244</b>	<b>469</b>

At June 30, 2023, inventories amounted to Euro 4,714 thousand, increasing Euro 469 thousand on December 31, 2022 (Euro 4,244 thousand), mainly relating to the change in scope (Euro 279 thousand). The account refers to the materials used in the clinical and hospital activities of the Group's companies.

#### **Note 11 Trade receivables**

Trade receivables amounted to Euro 85,652 thousand at June 30, 2023, compared with Euro 76,479 thousand at December 31, 2022. The breakdown is reported below.

<i>(Euro thousands)</i>	<i>At June 30</i>	<i>At December 31</i>	<i>Change</i>
	2023	2022	2023 vs 2022
Receivables – private customers	9,022	7,287	1,735
Receivables – local health authorities	83,258	75,773	7,484
Other receivables	402	476	(75)
Doubtful debt provision	(7,029)	(7,058)	28
<b>Total trade receivables</b>	<b>85,652</b>	<b>76,479</b>	<b>9,174</b>

Trade receivables refer solely to provisions rendered within Italy and there are no receivables due beyond twelve months. The increase in trade receivables on December 31, 2022 derives both from the increase in production and the change in scope (Euro 4,185 thousand).

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

<i>(Euro thousands)</i>	<i>Dec 31, 22</i>	<i>Provisions</i>	<i>Utilisations</i>	<i>Decrease</i>	<i>Other movements</i>	<i>June 30, 2023</i>
<b>Doubtful debt provision</b>	<b>7,058</b>	<b>121</b>	<b>(368)</b>	<b>(73)</b>	<b>292</b>	<b>7,029</b>

The Doubtful debt provision decreased by Euro 28 thousand in H1 2023, due to the following factors:

- i. provisions for Euro 121 thousand, mainly by Hesperia Hospital Modena S.r.l. (Euro 93 thousand);
- ii. utilisations for Euro 368 thousand, mainly by Centro Medico Università Castrense S.r.l. (Euro 157 thousand), Domus Nova S.p.A. (Euro 95 thousand), Ospedali Privati Riuniti S.r.l. (Euro 55 thousand) and Sanatorio Triestino S.p.A. (Euro 52 thousand);
- iii. releases for Euro 73 thousand, exclusively by Domus Nova S.p.A;
- iv. change in consolidation scope for Euro 292 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 respectively 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. 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. It should therefore be clarified that the Group maintained substantially the same collection times.

**Note 12 Tax receivables**

The table below shows the breakdown of tax receivables at June 30, 2023, compared with December 31, 2022

<i>(Euro thousands)</i>	<i>At June 30</i>	<i>At December 31</i>	<i>Change</i>
	2023	2022	2023 vs 2022
Tax receivables for IRES and IRAP applications	152	110	42
IRES payments on account	2,143	2,068	75
IRAP payments on account	551	581	(30)
Tax consolidation receivables	425	330	95
Other tax receivables	1,833	2,845	(1,011)
<b>Total tax receivables</b>	<b>5,105</b>	<b>5,933</b>	<b>(828)</b>

Tax receivables at June 30, 2023 totalled Euro 5,105 thousand, decreasing Euro 828 thousand on December 31, 2022, mainly due to the utilisation of the tax receivables.

At June 30, 2023, the item mainly comprised tax receivables arising from IRES and IRAP taxes (Euro 2,694 thousand) and other tax receivables (Euro 1,833 thousand).

The IRES advances of Euro 2,143 thousand mainly include the receivable of Centro Medico San Biagio S.r.l. for Euro 552 thousand and of the Parent Company GHC S.p.A. for Euro 1.053 thousand.

Other tax receivables of Euro 1,833 thousand refer primarily to C.M.S.R. Veneto Medica S.r.l. (Euro 325 thousand), L'Eremo di Miazzina (Euro 163 thousand), Hesperia Hospital Modena S.r.l. (Euro 191 thousand), Poliambulatorio Dalla Rosa Prati S.r.l. (Euro 368 thousand), Ospedali Privati Riuniti S.r.l. (Euro 156 thousand) and Aesculapio S.r.l. (Euro 297 thousand), and mainly comprise tax receivables on investments.

**Note 13 Other receivables and current assets**

Other receivables and current assets amounted to Euro 6,378 thousand at June 30, 2023, compared to Euro 3,137 thousand at December 31, 2022, an increase of Euro 3,241 thousand.

The changes in the account were as follows:

<i>(Euro thousands)</i>	<i>At June 30</i>	<i>At December 31</i>	<i>Change</i>
	2023	2022	2023 vs 2022
Advances to suppliers	497	433	63
Other receivables	3,005	1,408	1,597
Receivables from social security institutions	207	149	58
Other tax receivables	46	146	(101)
Accrued income and prepaid expenses (non-financial)	2,623	1,000	1,623
<b>Total other receivables and current assets</b>	<b>6,378</b>	<b>3,137</b>	<b>3,241</b>

The account mainly breaks down as follows:

- i. suppliers on account amounting to Euro 497 thousand, mainly relating to Hesperia Hospital Modena S.r.l. (Euro 180 thousand), Centro Medico Castrense S.r.l. (Euro 169 thousand) and Gruppo Veneto Diagnostica e Riabilitazione S.r.l. (Euro 132 thousand);
- ii. other receivables totalling Euro 3,005 thousand, mainly concerning Clinica San Francesco S.r.l. (Euro 465 thousand), Hesperia Hospital Modena S.r.l. (Euro 254 thousand), Rugani Hospital S.r.l. (Euro 293 thousand), Villa Von Siebenthal S.r.l. (Euro 189 thousand), Aesculapio S.r.l. (Euro 653 thousand) and Domus Nova S.p.A. (Euro 145 thousand);
- iii. accrued income and prepayments relating to non-financial assets for Euro 2,623 thousand, mainly concerning Hesperia Hospital Modena S.r.l. (Euro 389 thousand), Casa di Cura Prof. Nobili S.r.l. (Euro 214 thousand), Garofalo HealthCare S.p.A. (Euro 215 thousand), Poliambulatorio Dalla Rosa Prati S.r.l. (Euro 154 thousand), Ospedali Privati Riuniti S.r.l. (Euro 125 thousand), Centro Medico San Biagio S.r.l. (Euro 152 thousand), Clinica San Francesco S.r.l. (Euro 178 thousand), Casa di Cura Villa Berica S.r.l. (Euro 121 thousand), and Domus Nova S.p.A. (Euro 357 thousand).

The increase on the previous year is partially due to the change in scope (Euro 1,020 thousand).

#### **Note 14 Other current financial assets**

Other current financial assets amounted at June 30, 2023 to Euro 2,878 thousand, increasing Euro 2,663 thousand on December 31, 2022, mainly due to the entry into the consolidation scope of Sanatorio Triestino S.p.A., which manages its liquidity through investments in the Generali Group's "Gestione Speciale Ri.ALTO" fund (Euro 2,277 thousand). These securities are measured at fair value.

**Note 15 Cash and cash equivalents**

The changes in the account were as follows.

<i>(Euro thousands)</i>	<i>At June 30</i>	<i>At December 31</i>	<i>Change</i>
	2023	2022	2023 vs 2022
Bank current accounts	32,144	31,132	1,013
Checks and cash	600	250	350
<b>Total cash and cash equivalents</b>	<b>32,745</b>	<b>31,382</b>	<b>1,363</b>

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

The GHC Group believes that the credit risk associated with cash and cash equivalents is limited because they primarily consist of deposits held with high standing national and international banking institutions.

The above account is also subject to the general impairment rule and the loss rate approach has therefore 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 breakdown of the net financial position at June 30, 2023 and December 31, 2022.

**Note 16 Shareholders' equity****Share capital**

At June 30, 2023, the share capital amounted to Euro 31,570 thousand, fully paid-in, and consisted of 90,200,000 ordinary shares without par value.

The table below reports the GHC Group's ownership structure at June 30, 2023, including significant equity interests.

Number of ordinary shares	% share capital	Listed / Non listed	Rights and obligations
90,200,000	100%	Euronext STAR Milan	<p>Each Share entitles the owner to one vote. In accordance with Art. 127-<i>quinquies</i> 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.</p> <p>The shareholders' rights and obligations are as established in Articles 2346 <i>et seq.</i> of the Italian Civil Code and Article 7 of the By-laws with regard to multi-voting rights.</p>

Shareholder	Direct shareholder	% of ordinary share capital	% of voting share capital
Garofalo Maria Laura <sup>(1)</sup>	Anrama S.p.A.	66.01% <sup>(2)</sup>	64.59% <sup>(2)</sup>
	Larama 98 S.p.A.		
	Garofalo Maria Laura		
Peninsula Capital II S.a.r.l. <sup>(2)</sup>	PII 4 S.à.r.l.	9.21%	9.01%

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](http://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 June 30, 2023, the legal reserve amounted to Euro 614 thousand, increasing Euro 82 thousand on December 31, 2022 due to the allocation of part of the net profit for 2022 resolved by the Shareholders’ Meeting on April 28, 2023, in accordance with Article 2430 of the Italian Civil Code.

### **Other reserves**

The composition of the account “Other reserves” at June 30, 2023, with a comparison to December 31, 2022, is presented below.

<sup>(1)</sup> Source: GHC Group

<sup>(2)</sup> Percentages concern number of total shares, including treasury shares

<sup>(2)</sup> Source: GHC Group and Consob, values at the date of publication

<i>(Euro thousands)</i>	<i>At June 30</i>	<i>At December 31</i>	<i>Change</i>
	2023	2022	2023 vs 2022
Extraordinary reserve	12,303	12,303	-
Shareholder capital payments reserve	5,146	5,146	-
Conferment reserves	37,006	37,006	-
Share-based payments reserve	1,385	1,385	-
Provision as per Article 40 By-Laws	29	12	16
Reserve - IAS 19 Post-employment benefits	(1,208)	(1,603)	393
First Time Adoption Reserve	2,320	2,320	-
Retained earnings	95,861	74,553	21,308
Share premium reserve	101,413	101,413	-
Reserve for treasury shares in portfolio	(6,559)	(6,111)	(448)
AUCAP 2021 Reserve	(883)	(883)	-
<b>Other reserves</b>	<b>246,811</b>	<b>225,542</b>	<b>21,269</b>

At June 30, 2023, the account Other Reserves amounted to Euro 246,811 thousand, a net increase of Euro 21,269 thousand compared to December 31, 2022, mainly deriving from the combined effect of:

- i. movement of Euro 393 thousand of the IAS 19 Post-employment benefit provision reserve following the changed underlying actuarial assumptions, including mainly a higher discount rate;
- ii. increase of consolidated Retained earnings of Euro 21,308 thousand following the allocation of the profit for the previous year of the consolidated companies;
- iii. movement of Euro 448 thousand in the Treasury shares in portfolio reserve following the acquisition of 119,397 shares.

The IFRS first-time adoption reserve, amounting to a positive Euro 2,320 thousand at June 30, 2023, represents the effects on shareholders' equity of the transition to IASs/IFRSs by the Garofalo Health Care Group.

#### **Minority interest net equity**

The minority interest share of capital and reserves amounted to Euro 743 thousand at June 30, 2023, compared with Euro 76 thousand in the previous year. The increase relates to the entry to the consolidation scope of Sanatorio Triestino S.p.A., held 94.59%, and of Terme del Friuli Venezia Giulia S.r.l., held 49.19%.

The account at June 30, 2023 amounted to Euro 16 thousand, compared to Euro 7 thousand in the previous year.

### Note 17 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 June 30	December 31
	2023	2022
Annual inflation rate	4.00%	4.00%
Annual real remuneration rate by category:		
Executives	2.60%	2.60%
Managers	1.70%	1.70%
White-collars	1.40%	1.40%
Annual increase in post-employment benefit	3.74%	3.74%
Annual discount rate	3.19%	2.73%

The movements in the Post-Employment Benefit Provision are reported below:



<i>(Euro thousands)</i>	
<b>December 31, 2022</b>	<b>13,551</b>
Financial charges	183
Net actuarial gains/(losses) recognised in the period	(505)
Transfer in/(out)	(629)
Change in consolidation scope	479
Cost for service	393
<b>June 30, 2023</b>	<b>13,472</b>

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 thousands of Euro for the first half of 2023 are summarised in the following tables.

		June 30, 2023		
		<i>Annual discount rate</i>		
		<i>-10%</i>	<i>100%</i>	<i>10%</i>
<i>Annual inflation rate</i>	<i>-10%</i>	13,441	13,052	12,681
	<i>100%</i>	13,866	<b>13,472</b>	13,066
	<i>10%</i>	14,314	13,883	13,471

#### **Note 18 Provision for risks and charges**

“Provisions for risks and charges” at June 30, 2023 amounted to Euro 21,010 thousand (Euro 19,152 thousand at December 31, 2022) and mainly include risks provisions for healthcare cases.

A breakdown of “Provisions for risks and charges” at June 30, 2023, compared with December 31, 2022, is presented below:

<i>(Euro thousands)</i>	<i>At June 30</i>	<i>At December 31</i>	<i>Change</i>
	2023	2022	2023 vs 2022
End-of-service indemnity provisions	63	50	13
Provisions for risks and charges – Provisions for healthcare lawsuit risks	19,540	17,691	1,849
Provisions for other risks and charges	1,407	1,412	(5)
<b>Total provisions for risks and charges</b>	<b>21,010</b>	<b>19,152</b>	<b>1,857</b>

The changes in the “Provisions for risks and charges” at June 30, 2023, compared with the changes at December 31, 2022, are presented below.

<i>in Euro thousands</i>	<i>End-of-service indemnity provisions</i>	<i>Provisions for healthcare lawsuit risks</i>	<i>Other provisions for risks and charges</i>	<i>Total</i>
<b>NBV at December 31, 2022</b>	<b>50</b>	<b>17,691</b>	<b>1,412</b>	<b>19,152</b>
Provisions	13	2,814	22	2,848
Utilisations	-	(1,291)	(178)	(1,469)
Reversals	-	(338)	(20)	(358)
Change in consolidation scope	-	665	171	836
<b>Net value at June 30, 2023</b>	<b>63</b>	<b>19,540</b>	<b>1,407</b>	<b>21,010</b>

Provisions for risks and charges include the total end-of-service indemnities for directors of Euro 63 thousand at June 30, 2023, compared with a balance of Euro 50 thousand at December 31, 2022. The provisions were made by Casa di Cura Prof.Nobili S.r.l..

Provisions for healthcare lawsuits and Local Healthcare Authority risks amount to Euro 19,540 thousand at June 30, 2023, with a net increase over December 31, 2022 of Euro 1,849 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 interim 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 change in the account was due to the following factors:

- i. Provisions amounting to Euro 2,814 thousand, of which Euro 1,828 thousand refers to healthcare cases and Euro 986 thousand refers to Local Healthcare Authority (ASL) risks.  
With regards to the healthcare cases, the provisions mainly concern Rugani Hospital S.r.l. (Euro 145

thousand), Hesperia Hospital Modena S.r.l. (Euro 325 thousand), Ospedali Privati Riuniti S.r.l. (Euro 420 thousand) and Domus Nova S.p.A. (Euro 907 thousand).

For Local Healthcare Authority risks, the provisions refer mainly to Hesperia Hospital Modena S.r.l. for Euro 313 thousand, Casa di Cura Prof. Nobili S.r.l. for Euro 40 thousand, Ospedali Privati Riuniti S.r.l. for Euro 481 thousand and Domus Nova S.p.A. for Euro 152 thousand.

- ii. Utilisations amounting to Euro 1,291 thousand, of which Euro 1,144 thousand relating to healthcare cases and Euro 147 thousand to Local Healthcare Authority risks.

Utilisations for healthcare lawsuits were mainly attributable to Ospedali Privati Riuniti S.r.l. (Euro 104 thousand), Casa di Cura Villa Berica S.r.l. (Euro 470 thousand), Casa di Cura San Francesco S.r.l. (Euro 216 thousand), Hesperia Hospital Modena S.r.l. (Euro 76 thousand), Rugani Hospital S.r.l. (Euro 61 thousand) and Domus Nova S.p.A. (Euro 217 thousand).

With regards to Local Health Authority risks, the utilisations mainly concern Casa di Cura Villa Berica S.r.l. (Euro 50 thousand), Hesperia Hospital Modena S.r.l. (Euro 40 thousand), Casa di Cura Prof. Nobili S.r.l. (Euro 49 thousand) and Ospedali Privati Riuniti S.r.l. (Euro 8 thousand).

- iii. Releases amounting to Euro 338 thousand concerning healthcare cases for Euro 312 thousand and Local Healthcare Authority risks for Euro 26 thousand.

Releases for healthcare lawsuits were mainly attributable to Rugani Hospital S.r.l. (Euro 101 thousand) and Domus Nova S.p.A. (Euro 210 thousand).

For Local Healthcare Authority risks, the releases mainly concerned Casa di Cura San Francesco S.r.l. (Euro 10 thousand) and Domus Nova S.p.A. (Euro 15 thousand).

- iv. Change in the scope of Euro 665 thousand, concerning Local Healthcare Authority risks for Euro 250 thousand and healthcare lawsuits for Euro 415 thousand, entirely concerning Sanatorio Triestino S.p.A..

“Other risks and charges provisions”, which include the accruals for risks other than healthcare related, particularly regarding labour, amount at June 30, 2023 to Euro 1.407 thousand, decreasing Euro 5 thousand on December 31, 2022, due to the following factors:

- i. Provisions of Euro 22 thousand, concerning Casa di Cura Villa Berica S.r.l. (Euro 13 thousand) and Rugani Hospital S.r.l. (Euro 9 thousand).
- ii. Utilisations of Euro 178 thousand, concerning Rugani Hospital S.r.l. (Euro 101 thousand), Casa di Cura Prof. Nobili S.r.l. (Euro 27 thousand) and Ospedali Privati Riuniti S.r.l. (Euro 51 thousand), mainly relating to labour disputes.
- iii. Releases of Euro 20 thousand, principally concerning Ospedali Privati Riuniti S.r.l. (Euro 18 thousand).
- iv. Change in consolidation scope of Euro 171 thousand, entirely concerning Sanatorio Triestino S.p.A..

### **Note 19 Non-current financial payables**

Non-current financial payables include medium-to-long-term, floating-rate bank loans.

The following table presents the financial payables at June 30, 2023 and December 31, 2022.

<i>(Euro thousands)</i>	<i>At June 30</i>	<i>At December 31</i>	<i>Change</i>
	2023	2022	2023 vs 2022
Other non-current financial payables	20,138	21,703	(1,565)
Medium/long-term loans and borrowings	111,811	110,462	1,348
<b>Total non-current financial payables</b>	<b>131,948</b>	<b>132,165</b>	<b>(216)</b>

The composition of “Other non-current financial payables” at June 30, 2023, compared with the situation at December 31, 2022, is presented below.

<i>(Euro thousands)</i>	<i>At June 30</i>	<i>At December 31</i>	<i>Change</i>
	2023	2022	2023 vs 2022
Shareholder loan	31	3	27
Financial payables for IFRS 16 Non-Current	13,115	13,828	(713)
Payables to leasing companies	6,990	7,794	(804)
Accrued financial liabilities and deferred financial income	2	77	(75)
<b>Total other non-current financial payables</b>	<b>20,138</b>	<b>21,703</b>	<b>(1,565)</b>

The decrease in Other non-current financial payables compared to December 31, 2022 is due to the following factors:

- i. Decrease of Euro 713 thousand of “financial payables for IFRS 16”, relating to the reclassification to current financial payables of the instalments maturing by June 30, 2024, amounting to Euro 1,122 thousand, net of the recognition of the change in scope, amounting to Euro 409 thousand;
- ii. Decrease of “payables to leasing companies” for Euro 804 thousand from the reclassification to short-term of instalments maturing by June 30, 2024, of Euro 1,172 thousand, net of the recognition of new leasing contracts for Euro 203 thousand and the change of scope of Euro 165 thousand.

“Non-current bank payables” of Euro 111,811 thousand at June 30, 2023 increased Euro 1,348 thousand on December 31, 2022, following the drawdown of the M&A line for Euro 7,533 thousand and the change in scope for Euro 8,324 thousand, net of the reclassification to current financial payables of the portion of the payable due by June 30, 2024, amounting to Euro 14,509 thousand.

The following tables present the loans contracted by Group companies in H1 2023 and the year ended on December 31, 2022, with a breakdown into amounts set to come due within and beyond 12 months.

Description	Annual interest rate at signing	Maturity	June 30, 2023	December 31, 2022
	%		in Euro thousands	
Unicredit Line A Loan	Euribor 6M+1.57%	Dec 31, 26	104,194	114,959
Unicredit Line B Loan for M&A's	Euribor 6M+1.9%	Dec 31, 27	16,537	16,526
Unicredit Line B Loan for M&A's	Euribor 6M+1.9%	Dec 31, 27	7,537	-
BPER Loan	Euribor 6M+2.4%	Apr 15, 27	54	58
Cassa di Risparmio del Veneto Loan	Euribor 1M+1.1%	Sep 28, 24	433	573
Mediocredito Italiano Loan	Euribor 1M+1.1%	Aug 31, 23	34	118
BCC Roma Loan	Euribor 1M+1.7%	Mar 31, 25	292	375
Intesa 313 loan	2.90%	Jul 30, 27	627	-
Intesa 251 loan	2.25%	Jun 30, 28	1,161	-
Mediocredito Italiano FVG Loan	2.00%	Jan 1, 30	436	-
Credito cooperativo del Carso Loan	2.60%	Sep 27, 32	4,006	-
Intesa 099 loan	1.10%	Sep 19, 26	1,490	-
Intesa 287 loan	Euribor 1M+1.2%	Jul 24, 26	345	-
Intesa 453 loan	Euribor 1M+2.6%	Mar 6, 24	11	-
<b>Total</b>			<b>137,157</b>	<b>132,609</b>
Of which:				
Bank payables - non-current portion of loans			111,811	110,462
Bank payables - current portion of loans			25,346	22,147

The Unicredit loan provides for the covenants shown in the table below to be calculated on December 31 of each calendar year on the basis of the pro-forma consolidated financial statements, net of the effect resulting from the application of IFRS16, starting from 2021.

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

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

<i>(Euro thousands)</i>	<i>At June 30, 2023</i>	<i>Cash flows</i>	<i>Change in consolidation scope</i>	<i>Other changes</i>	<i>Reclassifications</i>	<i>At December 31, 2022</i>
Other non-current financial payables	(20,138)	-	(600)	(151)	2,315	(21,702)
Medium/long-term loans and borrowings	(111,811)	(7,534)	(8,325)	-	14,510	(110,462)
Short-term bank loans	(41,441)	11,851	-	(352)	(14,510)	(38,430)
Other current financial debt	(5,921)	2,904	-	(496)	(2,315)	(6,014)
Current financial receivables	601	-	112	274	-	215
Other liquidity	2,277	-	2,277	-	-	-
Cash and cash equivalents	32,745	(242)	1,605	-	-	31,382
<b>Net Financial Debt</b>	<b>(143,688)</b>	<b>6,979</b>	<b>(4,931)</b>	<b>(725)</b>	<b>-</b>	<b>(145,011)</b>

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

#### **Note 20 Other non-current liabilities**

Other non-current liabilities, totalling Euro 3,160 thousand and substantially unchanged on December 31, 2022 (Euro 3,208 thousand), mainly comprise tax receivables matured on investments in “Industry 4.0” tangible assets made by the Group companies, maturing beyond one year.

#### **Note 21 Trade payables**

“Trade payables”, totalling Euro 56,402 thousand at June 30, 2023, increased Euro 5,302 thousand on December 31, 2022 (Euro 51,100 thousand), due to the change in the consolidation scope (Euro 3,449 thousand) and the increase in production in the period.

A breakdown of the trade payable items at June 30, 2023 is presented below, compared with December 31, 2022:

<i>(Euro thousands)</i>	<i>At June 30</i>	<i>At December 31</i>	<i>Change</i>
	2023	2022	2023 vs 2022
Trade payables	30,897	28,158	2,739
Payables to doctors	2,233	2,387	(154)
Other payables	488	403	86
Payables for invoices to be received	23,788	21,255	2,532
Credit notes to be received	(1,004)	(1,104)	100
<b>Total trade payables</b>	<b>56,402</b>	<b>51,100</b>	<b>5,303</b>

#### **Note 22 Current financial payables**

The following table presents the figures for the Group's outstanding current financial payables at June 30, 2023, compared with December 31, 2022.

<i>(Euro thousands)</i>	<i>At June 30</i>	<i>At December 31</i>	<i>Change</i>
	2023	2022	2023 vs 2022
Current bank payables	41,441	38,430	3,011
Other current financial payables	5,921	6,013	(92)
<b>Total current financial payables</b>	<b>47,362</b>	<b>44,443</b>	<b>2,919</b>

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

The composition of "Current bank payables" at June 30, 2023, compared with the situation at December 31, 2022, is presented below.

<i>(Euro thousands)</i>	<i>At June 30</i>	<i>At December 31</i>	<i>Change</i>
	2023	2022	2023 vs 2022
Bank payables (short-term portion of loans)	25,346	22,146	3,200
Bank payables (current accounts)	1,880	1,753	127
Bank payables (advances)	14,215	14,531	(317)
<b>Total Current bank payables</b>	<b>41,441</b>	<b>38,430</b>	<b>3,011</b>

The item “short-term portion of loans” at June 30, 2023, amounting to Euro 25,347 thousand, concerns loans to be repaid within the next 12 months. The increase of Euro 3,200 thousand is due to the following factors:

- i. Increase following the reclassification from non-current financial payables to current financial payables of the amount due within one year, totalling Euro 14,508 thousand;
- ii. Decrease due to the repayment of amounts maturing at June 30, 2023, totalling Euro 11,662 thousand;
- iii. Recognition of accrued interest, amounting to Euro 354 thousand.

“Current bank payables (current accounts)” of Euro 1,880 thousand were essentially unchanged on December 31, 2022 (Euro 1,753 thousand).

“Bank payables for advances” of Euro 14,215 thousand at June 30, 2023 decreased Euro 317 thousand on December 31, 2022 following the reduced use of the advance lines of commercial invoices.

The composition of “Other current financial payables” at June 30, 2023, compared with the situation at December 31, 2022, is presented below.

<i>(Euro thousands)</i>	<i>At June 30</i>	<i>At December 31</i>	<i>Change</i>
	2023	2022	2023 vs 2022
Financial payables to leasing companies	2,641	2,483	158
Accrued financial liabilities and deferred financial income	146	149	(4)
Financial payables for IFRS 16	3,134	3,381	(247)
<b>Total Other financial payables</b>	<b>5,921</b>	<b>6,013</b>	<b>(92)</b>

The item “Payables to leasing companies”, totaling Euro 2,641 thousand at June 30, 2023 (Euro 2,483 thousand at December 31, 2022), refers to the recognition of the current financial payable for the acquisition of leased assets accounted for according to the finance method and related primarily to the purchase of healthcare equipment. This increase is attributable to the reclassification of the payable due within the year, net of the portions paid.

“Payables for IFRS 16”, amounting to Euro 3,134 thousand at June 30, 2023 (Euro 3,381 thousand at December 31, 2022), refer to the short-term portion of leases previously defined as operating leases. The decrease is attributable to the reclassification of the payable due within the year, net of the portions paid.



**Note 23 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.

<i>(Euro thousands)</i>	<i>At June 30</i>	<i>At December 31</i>	<i>Change</i>
	2023	2022	2023 vs 2022
IRES tax payables	4,110	2,453	1,657
IRAP tax payables	1,185	700	485
Tax payables from tax consolidation	146	59	87
<b>Total Tax payables</b>	<b>5,441</b>	<b>3,211</b>	<b>2,229</b>

The IRES payable is attributable to the tax charge of the companies not included in the Group tax consolidation; the increase is due to the higher assessable amount of the companies at June 30, 2023 in view of their strong operating performances.

**Note 24 Other current liabilities**

At June 30, 2023 “Other current liabilities” totalled Euro 36,857 thousand and are compared below with December 31, 2022:

<i>(Euro thousands)</i>	<i>At June 30</i>	<i>At December 31</i>	<i>Change</i>
	2023	2022	2023 vs 2022
Social security institutions	4,362	4,913	(551)
Tax payables	178	17	161
Withholding tax payables	2,829	3,431	(602)
Employee payables	11,218	8,302	2,917
Other payables	18,271	15,820	2,451
<b>Total Other current liabilities</b>	<b>36,857</b>	<b>32,482</b>	<b>4,375</b>

The increase in the item of Euro 4,375 thousand derives mainly from the following movements:

- i. decreases of “Social security payables” of Euro 551 thousand, mainly concerning Domus Nova S.p.A. (Euro 152 thousand), Clinica San Francesco S.r.l. (Euro 218 thousand), Casa di Cura Villa Berica S.r.l. (Euro 109 thousand), Ospedali Privati Riuniti S.r.l. (Euro 103 thousand) and Hesperia Hospital Modena S.r.l. (Euro 101 thousand);
- ii. decrease in “Payables for withholding taxes” for Euro 602 thousand, mainly attributable to Casa di Cura

Prof. Nobili S.r.l. (Euro 78 thousand), Casa di Cura Villa Berica S.r.l. (Euro 74 thousand), L'Eremo di Miazzina S.r.l. (Euro 81 thousand) and Clinica San Francesco S.r.l. (Euro 118 thousand);

- iii. increase in "Employee payables" for Euro 2,917 thousand, mainly attributable to the accrual of the thirteenth-month salary and of accrued vacations, mainly related to Hesperia Hospital Modena S.r.l. (Euro 565 thousand), Casa di Cura Prof. Nobili S.r.l. (Euro 145 thousand), Casa di Cura Villa Berica S.r.l. (Euro 244 thousand), Casa di Cura Villa Garda S.r.l. (Euro 116 thousand), L'Eremo di Miazzina S.r.l. (Euro 207 thousand), Rugani Hospital S.r.l. (Euro 172 thousand), Poliambulatorio Dalla Rosa Prati S.r.l. (Euro 119 thousand), Ospedali Privati Riuniti S.r.l. (Euro 250 thousand), Domus Nova S.p.A. (Euro 348 thousand) and Clinica San Francesco S.r.l. (Euro 413 thousand);

The item comprises advances received from the ASL's (local healthcare authorities) as a measure to support companies affected by the COVID emergency (Euro 10,535 thousand).

### Note 25 Revenues from services

Total revenues amounted to Euro 186,663 thousand in H1 2023, up Euro 20,375 thousand over the previous half year. The figures at June 30, 2023 include the full contribution of Clinica Gruppo Veneto Diagnostica e Riabilitazione S.r.l., acquired on December 6, 2022, and the contribution for two months of Sanatorio Triestino S.p.A. and of Terme del Friuli Venezia Giulia S.r.l., acquired on May 4, 2023.

The increase in revenues on the same period of the previous year is therefore due both to the greater volume of healthcare provided and to the change in the consolidation scope, as outlined above. For further details, reference should be made to the Directors' Report.

In accordance with IFRS 15, the Group recognises revenues from services at the fair value of the consideration received or to be received, including 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.

It should also be noted that revenues are accounted for when services are performed and that all revenues are derived from services provided in Italy.

The following table presents revenues from services for H1 2023 and H1 2022.

(Euro thousands)	H1				Change 2023 vs 2022
	2023	% of total	2022	% of total	
Community and dependency care services	55,070	29.5%	45,401	27.3%	9,669
Hospital services	127,444	68.3%	117,427	70.6%	10,017
<b>Total revenues from services</b>	<b>182,514</b>	<b>97.8%</b>	<b>162,828</b>	<b>97.9%</b>	<b>19,686</b>
Other revenues	4,149	2.2%	3,460	2.1%	689
<b>Total revenue</b>	<b>186,663</b>	<b>100.0%</b>	<b>166,288</b>	<b>100.0%</b>	<b>20,375</b>

The table below shows the breakdown of revenues from community and dependency care services for H1 2023 and H1 2022.

<i>(Euro thousands)</i>	H1				Change
	2023	% of total	2022	% of total	2023 vs 2022
Dependency care services	11,598	6.2%	10,635	6.4%	963
Community outpatient care services	43,473	23.3%	34,766	20.9%	8,707
<b>Community and dependency care services</b>	<b>55,070</b>	<b>29.5%</b>	<b>45,401</b>	<b>27.3%</b>	<b>9,669</b>

Revenues from dependency care services amounted to Euro 55,070 thousand in H1 2023, accounting for 29.5% of Group revenues and increasing Euro 9,669 thousand on H1 2022, thanks mainly to the increased production of the companies at like-for-like scope.

The table below shows the breakdown of revenues from hospital services for H1 2023 and H1 2022.

<i>(Euro thousands)</i>	H1				Change
	2023	% of total	2022	% of total	2023 vs 2022
<b>Acute and post-acute care services</b>	<b>92,461</b>	<b>49.5%</b>	<b>85,919</b>	<b>51.7%</b>	<b>6.542</b>
Outpatient services	34.983	18.7%	31,508	18.9%	3.475
<b>Total hospital services</b>	<b>127.444</b>	<b>68.3%</b>	<b>117,427</b>	<b>70.6%</b>	<b>10.017</b>

Revenues from hospital services, totalling Euro 127,444 thousand in H1 2023, account for 68.3% of Group revenues and increased Euro 10,017 thousand on H1 2022, mainly due to the increased production of the companies at like-for-like consolidation scope (Euro 7,349 thousand), and partially due to the change in scope (Euro 2,668 thousand).

#### **Note 26 Other operating revenues**

Other operating revenues totalled Euro 4,149 thousand in H1 2023, increasing Euro 689 thousand on H1 2022 (Euro 3,460 thousand), as per the following table:

<i>(Euro thousands)</i>	<i>H1</i>		<i>Change</i>
	<b>2023</b>	<b>2022</b>	<b>2023 vs 2022</b>
Other income - third parties	2,800	2,833	(33)
Gain on asset disposals	74	28	46
Income from insurance reimbursements	21	178	(157)
Income from tax credits	1,253	421	832
<b>Total other operating revenues</b>	<b>4,149</b>	<b>3,460</b>	<b>689</b>

The increase in the account is mainly due to the increase in “Income from tax credits” of Euro 832 thousand, mainly comprising tax credits accruing in H1 2023 on electricity and gas expenses and on “Industry 4.0” capital goods expenditure.

**Note 27 Costs for raw materials, ancillary, consumables and goods**

Costs for raw materials, ancillary, consumables and goods amounted to Euro 25,295 thousand for the first half of 2023, increasing Euro 1,108 thousand on H1 2022, due both to the increases production and to the change in scope outlined above.

The table below shows the breakdown of the account for H1 2023 and H1 2022.

<i>(Euro thousands)</i>	<i>H1</i>		<i>Change</i>
	<b>2023</b>	<b>2022</b>	<b>2023 vs 2022</b>
Healthcare supplies and prostheses	20,238	19,060	1,179
Medical and pharmacological material	3,328	3,033	295
Testing and hygienic materials	389	367	22
Change in inventories of raw materials, ancillary, consumables and goods	(159)	42	(201)
Other	1,500	1,687	(186)
<b>Total raw materials, ancillary &amp; consumables</b>	<b>25,295</b>	<b>24,187</b>	<b>1,108</b>

In the first half of 2023, 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 20,238 thousand, increasing Euro 1,179 thousand on the previous period.

The second-most significant cost component was that relating to the purchase of medical and pharmacological materials, amounting to Euro 3,328 thousand, increasing Euro 295 thousand on H1 2022 (Euro 3,033 thousand).

"Other" includes expenses for stationery, foodstuffs and other consumables.

This account includes costs incurred by the companies for COVID containment measures totalling Euro 129 thousand.

#### **Note 28 Service costs**

Service costs amounted to Euro 74,951 thousand in H1 2023, increasing Euro 11,917 thousand on H1 2022 (Euro 67,094 thousand), as outlined below.

<i>(Euro thousands)</i>	<i>H1</i>		<i>Change</i>
	<b>2023</b>	<b>2022</b>	<b>2023 vs 2022</b>
Medical and nursing care services	47,038	40,422	6,617
Owned asset maintenance services	2,838	2,477	361
Catering services	1,604	1,219	385
Technical healthcare services	3,050	3,112	(62)
Cleaning costs	1,541	1,337	204
Electricity	2,283	2,757	(474)
Coordinated and Ongoing Collaborations	398	742	(344)
Director fees	2,339	2,041	298
Third-party processing (tests, etc.)	1,420	1,851	(431)
Legal fees	459	456	3
Linen hire	454	410	44
Technical consultancy fees	1,753	1,219	534
Other	9,775	9,050	724
<b>Total service costs</b>	<b>74,951</b>	<b>67,094</b>	<b>7,857</b>

The increase in service costs mainly relates to the change in the consolidation scope and the increase in production in H1 2023 on the same period of the previous year.

The “other” item of Euro 9,775 thousand in H1 2023 mainly comprises:

- (i) water, telephone, methane and gas for Euro 1,424 thousand;
- (ii) administrative, fiscal, notarial and payroll consultancy services for Euro 819 thousand;
- (iii) third party liability, all risk and property insurance for a total of Euro 864 thousand;
- (iv) canteen services for Euro 171 thousand;
- (v) waste disposal service for Euro 482 thousand;
- (vi) linen washing services for Euro 307 thousand.

This item includes costs incurred for COVID containment measures totalling Euro 504 thousand.

#### **Note 29 Personnel costs**

Personnel costs amounted to Euro 39,205 thousand in H1 2023, increasing Euro 2,420 thousand over Euro 36,785 thousand in H1 2022.

The table below breaks down costs for H1 2023 and H1 2022.

<i>(Euro thousands)</i>	<i>H1</i>		<i>Change</i>
	<b>2023</b>	<b>2022</b>	<b>2023 vs 2022</b>
Wages and salaries	28,458	26,967	1,491
Social security charges	8,456	7,766	689
Post-employment benefit provision	1,817	1,730	87
Other	475	322	153
<b>Total personnel costs</b>	<b>39,205</b>	<b>36,785</b>	<b>2,420</b>

The increase in personnel costs is mainly due to the change in consolidation scope.

#### **Note 30 Other operating costs**

Other operating costs in H1 2023 amounted to Euro 8,703 thousand, rising Euro 1,337 thousand on Euro 7,366 thousand in H1 2022.

The table below breaks down costs for H1 2023 and H1 2022.

<i>(Euro thousands)</i>	<i>H1</i>		<i>Change</i>
	<b>2023</b>	<b>2022</b>	<b>2023 vs 2022</b>
Non-deductible VAT on a pro rata basis	6,426	5,902	524
Income taxes	766	738	28
Other operating charges	302	219	83
Non-deductible expenses	11	105	(94)
Associations	144	154	(10)
Other costs	1,054	249	805
<b>Total other operating costs</b>	<b>8,703</b>	<b>7,366</b>	<b>1,337</b>

The increase in the item was mainly due to the change in the consolidation scope.

#### ***Note 31 Amortisation, depreciation and write-downs***

Amortisation, depreciation and write-downs in H1 2023 amounted to Euro 10,080 thousand in H1 2022, increasing Euro 851 thousand over Euro 9,230 thousand in H1 2021.

The table below shows the breakdown of and changes in the account in question for the periods ended June 30, 2023 and June 30, 2022.

<i>(Euro thousands)</i>	<i>H1</i>		<i>Change</i>
	<b>2023</b>	<b>2022</b>	<b>2023 vs 2022</b>
Depreciation Intangible assets	467	417	50
Depreciation Tangible and investment Properties	9,493	8,574	918
Write-downs	121	238	(117)
<b>Total amortisation, depreciation and write-downs</b>	<b>10,080</b>	<b>9,230</b>	<b>851</b>

The increase in the item was mainly due to the change in the consolidation scope.

For a breakdown of the items regarding amortisation and depreciation and the write-down of receivables, reference should be made to the tangible and intangible asset tables and finally to the table outlining the doubtful debt provision presented in the notes to the balance sheet.

### Note 32 Impairments and other provisions

Impairments and other provisions amounted to Euro 2,417 thousand in H1 2023, increasing Euro 187 thousand on Euro 2,230 thousand in the previous half year.

The table below shows the breakdown of and changes in the account in question for the periods ended June 30, 2023 and June 30, 2022.

<i>(Euro thousands)</i>	<i>H1</i>		<i>Change</i>
	<b>2023</b>	<b>2022</b>	<b>2023 vs 2022</b>
Provision for risks on legal cases in progress	2,814	2,599	215
Release of risk provisions	(431)	(458)	27
Other provisions	34	89	(55)
<b>Total impairments and other provisions</b>	<b>2,417</b>	<b>2,230</b>	<b>187</b>

Accruals for new lawsuits brought in H1 2023 total Euro 2,814 thousand and are attributable mainly to healthcare lawsuits (Euro 1,828 thousand) and to Local Healthcare Authority risks (Euro 986 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 mainly to the companies Rugani Hospital S.r.l. (Euro 145 thousand), Hesperia Hospital Modena S.r.l. (Euro 325 thousand), Ospedali Privati Riuniti S.r.l. (Euro 420 thousand) and Domus Nova S.p.A. (Euro 907 thousand).

As regards Local Healthcare Authority risks, provisions were prudentially recognized to cover any risks on controls which the Local Healthcare Authority carries out periodically on clinical records and on the risks of fee variations for services rendered to patients residing outside the Region, aspects which are defined by the competent authorities over a long period of time beyond the financial year. The provisions refer to the companies Hesperia Hospital Modena S.r.l. for Euro 313 thousand, Casa di Cura Prof. Nobili S.r.l. for Euro 40 thousand, Ospedali Privati Riuniti S.r.l. for Euro 481 thousand and Domus Nova S.p.A. per Euro 152 thousand.

The release of the provisions for risks, amounting to Euro 431 thousand, comprises the release of the doubtful debt provision (Euro 73 thousand, attributable to Domus Nova S.p.A.), the release of the Local Healthcare Authority risks provision for Euro 26 thousand, substantially due to Casa di Cura Prof. Nobili S.r.l. (Euro 10 thousand) and Domus Nova S.p.A. (Euro 15 thousand) and the release of the provision for risks due to health cases for Euro 312 thousand, mainly concerning Rugani Hospital S.r.l. (Euro 101 thousand) and Domus Nova S.p.A. (Euro 210 thousand).

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

Other provisions at June 30, 2023 amount to Euro 34 thousand and mainly concern Casa di Cura Villa Berica S.r.l. (Euro 13 thousand) and Rugani Hospital S.r.l. (Euro 9 thousand).



**Note 33 Financial income**

Financial income amounted to Euro 34 thousand in H1 2023, a decrease of Euro 42 thousand on H1 2022.

The table below shows the breakdown of and changes in the account in question for the periods ended June 30, 2023 and June 30, 2022.

<i>(Euro thousands)</i>	<i>H1</i>		<i>Change</i>
	<b>2023</b>	<b>2022</b>	<b>2023 vs 2022</b>
Interest income	22	1	21
Other income	12	75	(63)
<b>Total financial income</b>	<b>34</b>	<b>76</b>	<b>(42)</b>

**Note 34 Financial charges**

Financial charges amount to Euro 4,663 thousand in H1 2023, increasing by Euro 2,416 thousand compared to Euro 2,247 thousand in the previous year.

The table below presents the breakdown and movement in the item in H1 2023 and H1 2022.

<i>(Euro thousands)</i>	<i>H1</i>		<i>Change</i>
	<b>2023</b>	<b>2022</b>	<b>2023 vs 2022</b>
Interest charges on loans	3,373	1,532	1,841
Bank interest charges	87	25	62
Interest charges on advances	228	21	207
Other interest charges	736	496	240
Financial charges	239	174	66
<b>Total financial charges</b>	<b>4,663</b>	<b>2,247</b>	<b>2,416</b>

The increase in financial charges is mainly attributable to "interest charges on loans" and is due to the increase in interest rates compared to the comparative period.

**Note 35 Results of investments at equity**

The table below presents the breakdown and movement in the item in H1 2023 and H1 2022.

<i>(Euro thousands)</i>	<i>H1</i>		<i>Change</i>
	<b>2023</b>	<b>2022</b>	<b>2023 vs 2022</b>
Share of result	83	65	18
<b>Total</b>	<b>83</b>	<b>65</b>	<b>18</b>

The item in H1 2023 amounted to Euro 83 thousand and includes the Group's share of the result of the associates Il Fiocco S.c.a.r.l. (Euro 69 thousand) and Aurora Holding S.r.l. (Euro 13 thousand).

**Note 36 Income taxes**

The table below presents the breakdown and movement in income taxes in H1 2023 and H1 2022.

<i>(Euro thousands)</i>	<i>H1</i>		<i>Change</i>
	<b>2023</b>	<b>2022</b>	<b>2023 vs 2022</b>
Current taxes	5,285	4,251	1,034
Deferred tax income	65	(723)	788
Deferred tax charges	83	-	83
Other	75	509	(434)
<b>Total income taxes</b>	<b>5,509</b>	<b>4,037</b>	<b>1,472</b>

In the first half of 2023, income taxes amounted to Euro 5,509 thousand, increasing Euro 1,472 thousand on the preceding year, mainly attributable to higher current taxes for Euro 1,034 thousand as a result of the improved results of the Group companies.

The decrease in "Deferred tax assets" and of the "Other" account is due to the application from 2022, for the companies Hesperia Hospital Modena S.r.l. and Rugani Hospital S.r.l., of the ordinary 24% IRES rate, rather than the halved rate for hospitals, which resulted in 2022 in the provisioning of increased deferred tax assets and of a greater IRES balance for 2021.

**Note 37 Net profit for the period**

The net profit in H1 2023 was Euro 15,955 thousand, increasing Euro 2,703 thousand on H1 2022, thanks both to the better Group performance, compared to the first six months of 2022 and the change in consolidation scope.

**Note 38 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:

<i>(Euro thousands)</i>	<i>H1</i>	<i>H1</i>
	<b>2023</b>	<b>2022</b>
Net profit attributed to the shareholders of the Parent company	15,939	13,244
Number of ordinary shares at end of year/period*	88,785,490	89,133,853
Earnings per share – basic (Euro)	0.18	0.15
Earnings per share – diluted (Euro)**	0.18	0.15

The number of ordinary shares decreased compared to the first half of the previous year due to the greater number of treasury shares.

\* Amount net of treasury shares

\*\* Amount net of treasury shares but including the 327,232 performance shares plan shares

**Note 39 Fair value hierarchy**

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

<b>Financial Liabilities</b>	<i>At June 30, 2023</i>		<i>At December 31, 2022</i>	
	<i>Book value</i>	<i>Fair value</i>	<i>Book value</i>	<i>Fair value</i>
<i>(Euro thousands)</i>				
Investment property	865	1,845	885	1,845
Securities	2,277	2,277	-	-
Loans	137,157	136,763	132,609	132,697

Capital instruments	1,208	1,208	735	735
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The financial liabilities set out above have been assigned to level 2 of the fair value hierarchy (for both for H1 2023 and H1 2022).

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 40 Commitments and Guarantees

Commitments and guarantees at June 30, 2023 are described below.

##### Guarantees provided by the Group in favour of third parties

Guarantor	Beneficiary	Guarantee type	Maturity	Commitment	Borrower
Centro Medico San Biagio S.r.l.	Unicredit S.p.A., Banco BPM S.p.A., Intesa San Paolo S.p.A.	Independent guarantee	15/12/2026	16,498,057	GHC S.p.A.
Centro Medico Università Castrense S.r.l.	Unicredit S.p.A., Banco BPM S.p.A., Intesa San Paolo S.p.A.	Independent guarantee	15/12/2026	1,965,580	GHC S.p.A.
Ospedali Privati Riuniti S.r.l.	Unicredit S.p.A., Banco BPM S.p.A., Intesa San Paolo S.p.A.	Independent guarantee	15/12/2026	11,067,100	GHC S.p.A.
Clinica San Francesco S.r.l.	Unicredit S.p.A., Banco BPM S.p.A., Intesa San Paolo S.p.A.	Independent guarantee	15/12/2026	31,597,413	GHC S.p.A.
Domus Nova S.p.A.	Unicredit S.p.A., Banco BPM S.p.A., Intesa San Paolo S.p.A.	Independent guarantee	15/12/2026	6,613,320	GHC S.p.A.
L'Eremo di Miazzina S.r.l.	Unicredit S.p.A., Banco BPM S.p.A., Intesa San Paolo S.p.A.	Independent guarantee	15/12/2026	4,259,930	GHC S.p.A.
Fides Medica S.r.l.	Unicredit S.p.A., Banco BPM S.p.A., Intesa San Paolo S.p.A.	Independent guarantee	15/12/2026	8,756,848	GHC S.p.A.
Roemar S.r.l.	Unicredit S.p.A., Banco BPM S.p.A., Intesa San Paolo S.p.A.	Independent guarantee	15/12/2026	824,702	GHC S.p.A.
Fides Servizi S.c.a.r.l.	Unicredit S.p.A., Banco BPM S.p.A., Intesa San Paolo S.p.A.	Independent guarantee	15/12/2026	241,341	GHC S.p.A.
Rugani Hospital S.r.l.	Unicredit S.p.A., Banco BPM S.p.A., Intesa San Paolo S.p.A.	Independent guarantee	15/12/2026	740,051	GHC S.p.A.
Casa di Cura Villa Berica S.r.l.	Unicredit S.p.A., Banco BPM S.p.A., Intesa San Paolo S.p.A.	Independent guarantee	15/12/2026	825,105	GHC S.p.A.
Villa Von Siebenthal S.r.l.	Unicredit S.p.A., Banco BPM S.p.A., Intesa San Paolo S.p.A.	Independent guarantee	15/12/2026	3,610,736	GHC S.p.A.
C.M.S.R. Veneto Medica S.r.l.	Unicredit S.p.A., Banco BPM S.p.A., Intesa San Paolo S.p.A.	Independent guarantee	15/12/2026	3,526,835	GHC S.p.A.
Casa di Cura Villa Garda S.r.l.	Unicredit S.p.A., Banco BPM S.p.A., Intesa San Paolo S.p.A.	Independent guarantee	15/12/2026	2,626,907	GHC S.p.A.

XRay One S.r.l.	Unicredit S.p.A., Banco BPM S.p.A., Intesa San Paolo S.p.A.	Independent guarantee	15/12/2026	7,918,249	GHC S.p.A.
Poliambulatorio Dalla Rosa Prati S.r.l.	Unicredit S.p.A., Banco BPM S.p.A., Intesa San Paolo S.p.A.	Independent guarantee	15/12/2026	2,877,228	GHC S.p.A.
Aesculapio S.r.l.	Unicredit S.p.A., Banco BPM S.p.A., Intesa San Paolo S.p.A.	Independent guarantee	15/12/2026	609,615	GHC S.p.A.
GHC S.p.A.	Carige	Omnibus Guarantee	Until revocation	325,000	Roemar S.r.l.
GHC S.p.A.	Carige	Omnibus Guarantee	Until revocation	260,000	Fides Medica S.r.l.
Fides Medica S.r.l.	Carige	Letter of indemnity	Until revocation	206,582	Il Fiocco S.c.a.r.l.
Fides Medica S.r.l.	Carige	Letter of indemnity	Until revocation	200,000	Centro di Riabilitazione S.r.l.
Fides Medica S.r.l.	Monte dei Paschi	Letter of indemnity	Until revocation	150,000	Prora Srl
Fides Medica S.r.l.	Carige	Letter of indemnity	Until revocation	80,000	Il Fiocco S.c.a.r.l.
Fides Medica S.r.l.	Intesa SanPaolo	Omnibus Guarantee	Until revocation	80,000	PRORA S.r.l.
Fides Medica S.r.l.	UBI	Letter of indemnity	Until revocation	50,000	Centro di Riabilitazione S.r.l.
Fides Medica S.r.l.	Carige	Letter of indemnity	Until revocation	26,000	Il Fiocco S.c.a.r.l.
L'Eremo di Miazzina S.r.l.	Intesa SanPaolo	Letter of indemnity	31/12/2038	100,000	L'Eremo di Miazzina S.r.l.

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

Guarantor	Beneficiary	Guarantee type	Maturity	Commitment	Borrower
Intesa SanPaolo	Unione dei comuni dell'Appennino Bolognese	Letter of indemnity	31/05/2025	37,406	Casa di Cura Prof.Nobili S.r.l.
BPER	University of Ferrara	Letter of indemnity	30/09/2023	166,666	Hesperia Hospital Modena S.r.l.
Banca Popolare di Sondrio	Privata Leasing spa	Letter of indemnity	31/03/2025	300,000	XRay One S.r.l.
Cassa di Ravenna	Zeroemission H S.r.l.	Guarantee	09/01/2028	30,000	Domus Nova S.p.A.
BPER	Sardaleasing	Guarantee	31/12/2023	1,313	Domus Nova S.p.A.
Medio Credito Centrale	BNL S.p.A.	Guarantee	01/07/2028	153,900	Aesculapio
Intesa SanPaolo	Amministrazione Principe Pallavicino	Letter of indemnity	31/08/2036	40,000	Prora S.r.l.
Intesa SanPaolo	Amministrazione Principe Pallavicino	Letter of indemnity	31/08/2036	20,000	Prora S.r.l.
Intesa SanPaolo	Università UniCamillus	Guarantee	04/10/2024	200,562	Ospedali Privati Riuniti Srl
Banca Prealpi San Biagio	BMFIN	Letter of indemnity	Until revocation	360,000	Centro Medico San Biagio S.r.l.

No expected losses on guarantees have come to light.

**Note 41 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 June 30, 2023.

It should be noted that there 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 8 of the H1 2023 Directors' Report.

#### **Note 42 Legal disputes and contingent liabilities**

##### ***Healthcare damage compensation claims***

For requests for damages for activities carried out at the clinics, the Group recognises in the financial statements a "provision for risks for healthcare cases" for all disputes whose outcome is deemed "probable" based on the opinion of the external lawyers following the case. For disputes deemed "probable", at June 30, 2023, the value of the "provision for risks for health cases" totalled Euro 12,627 thousand.

It should also be noted that there are lawsuits whose risk is deemed possible by legal advisors, against which no provisions for risks have been made, as per international accounting standards.

##### ***Administrative and other disputes***

The company Rugani Hospital S.r.l., with regards to the 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, following the negative judgement, proceeded to settle the amount due (to the INPS) in terms of penalties and interest, totalling Euro 158,830.00.

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

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

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, who were then subsequently delivered the notice of investigation as a due act against the seizure made. Preliminary investigations, which were due to conclude on December 19, 2020, have been extended several times, and in the meantime, the prosecutor's office has initiated two technical consultations (the first epidemiological and the second of a forensic medical nature). Following the filing of the expert reports and upon their examination and of the material collected during the investigation, by order dated November 29, 2022, the Public Prosecutor's Office requested that the case be dismissed. We therefore confidently await confirmation of the judgement of first instance, which should occur within the next two months.

#### *Disputes with local healthcare authorities*

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

- Dispute between the Verbano-Cusio-Ossola local health authority and L'Eremo di Miazzina S.r.l. regarding healthcare services in 2014, 2015 and 2016. In a letter dated July 14, 2017, the Verbano-Cusio-Ossola local health authority requested that the company issue various credit notes in respect of the years indicated above, claiming a reduction due to a purported lack of continuity of care. The company rejected this claim on the basis that it had not exceeded the threshold triggering the above reduction for patients from Piedmont, and that the said reduction – particularly for the years 2014 and 2015 – could not be applied to out-of-region patients, especially in the light of the position taken by the Piedmont Region in its Regional Council Motion of November 2016. Finally, the company also argued that it had never exceeded the reduction thresholds due to a lack of continuity in care in 2016 as well. On the basis of an opinion from the company's legal counsel, the risk of loss associated with this case has been deemed "probable" and an accrual to the provision of Euro 1,927 thousand was thus recognised at June 30, 2023. 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, has taken 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 Labor 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. As of June 30, 2023, the case has been dismissed.

- On October 1, 2021, the company was notified by certified e-mail from the INPS of a request to regularise the contribution portion, linked to the previous INAIL dispute and concerning the correctness of the status of a number of self-employed nurses, amounting to Euro 365,000. Eremo di Miazzina immediately filed an administrative appeal, which was rejected on January 7, 2022; further defensive legal action is pending. After consultation with the legal advisors and in view of the outcome of the same lawsuit with INAIL won by the Company, it was not deemed necessary to make any provisions for risks and charges.

#### **Note 43 Related party transactions**

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

Pursuant to Consob Motion No. 17221 of March 12, 2010, it is reported that in the first half of 2023 and 2022 the Group did not conclude any significant transactions or transactions with a significant effect on the Group's financial position or operating result for the year with related parties.

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

The following table shows the total amount of related party transactions during the period ended June 30, 2023:

June 30, 2023	Trade receivables		Payables		Costs		Revenues	
<i>(Euro thousands)</i>	Fin/Tax	Trade/Other	Fin/Tax	Trade/Other	Fin.	Com.	Fin.	Com.
Casa di Cura Città di Roma	-	1	-	-	-	-	-	-
Aurelia Hospital	-	-	-	(1)	-	-	-	-
Lorena Paolucci	-	-	-	(18)	-	132	-	-
LEDCON srl	-	-	-	(357)	-	188	-	-
A.M. Rinaldi	-	-	-	-	-	40	-	-
Maria Laura Garofalo	-	-	-	-	-	40	-	-

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

#### Note 44 Significant events after June 30, 2023

On July 28, 2023, Garofalo Health Care S.p.A. was awarded the assets of Aurelia 80 S.p.A. in liquidation ("Aurelia 80"), the operating holding company of the Aurelia Group, which operates in the accredited private hospital sector.

Specifically, the transaction involves the acquisition of the accredited private clinic Aurelia Hospital and the stakes held by Aurelia 80 in 3 other accredited private healthcare clinics (European Hospital, Hospice S. Antonio da Padova and Struttura Residenziale Psichiatrica Samadi), located in Rome.

The acquired clinics are highly specialised, representing a benchmark not only for the Lazio Region but also for the entire country, having a total National Health System budget of more than Euro 68 million, in addition to 628 authorised beds (of which 500 are accredited).

The Equity Value of the transaction is Euro 47 million, corresponding to an Enterprise Value of approx. Euro 71 million, calculated based on the total Net Financial Position at December 31, 2022. The acquisition also includes the real estate assets of the healthcare clinics (with the exception of Hospice S. Antonio da Padova), which cover a total area of approx. 32,000 sq. metres, in addition to a construction area of more than 2,000 sq. metres, which will be used for the construction of the "Cardiovascular Heart Centre" at Aurelia Hospital.

The acquisition shall be financed through own funds and from bank debt, as GHC has access to a new acquisitions Financing Line granted to the Group in 2021 by a syndicate of leading Italian banks. The closing of the transaction, expected by autumn of this year, is subject to the usual conditions for such transactions.

#### Note 45 Remuneration of the Board of Directors and Board of Statutory Auditors

The remuneration accrued by members of the Board of Directors of Garofalo HealthCare S.p.A. and the companies under its direct or indirect control, in all capacities and forms, during the periods ended June 30, 2023 and June 30, 2022 amounted to Euro 2,339 thousand and Euro 2,041 thousand, respectively.

The remuneration accrued to the Board of Statutory Auditors of Garofalo HealthCare S.p.A and its direct and indirect subsidiaries for H1 2023 and H1 2022 amounted to Euro 211 thousand and Euro 180 thousand.

#### Note 48 Number of employees

The following table provides a concise comparison of the number of employees by category at June 30, 2023, compared to December 31, 2022.

<i>Employees by category</i>	<i>Number of employees at 30/06/2023</i>	<i>Number of employees at 31/12/2022</i>
Executives	16	12
White-collars	714	569
Doctors	42	45
Technical	195	200
Nurses/auxiliaries	1,029	1,004
Blue-collar	73	77
<b>Total</b>	<b>2,069</b>	<b>1,862</b>

It should be clarified that the figure indicated in the table above refers to the exact number of employees at June 30, 2023.

*Note 47 Information on share-based remuneration plans*

At June 30, 2023, no shares had been allocated.

For further details, reference should be made to paragraph 10.2 Remuneration schemes based on financial instruments in the H1 2023 Directors' Report.

*Note 48 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

Legal representative

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AUDITORS' REPORT ON THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS AT JUNE 30,  
2023

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# Garofalo Health Care S.p.A.

Review report on the interim condensed consolidated financial statements as at June 30, 2023

## Review report on the interim condensed consolidated financial statements (Translation from the original Italian text)

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

### Introduction

We have reviewed the interim condensed consolidated financial statements, comprising the consolidated balance sheet, the consolidated income statement, the comprehensive consolidated income statement, the statement of changes in consolidated shareholders' equity and consolidated cash flow statement and the related explanatory notes of Garofalo Health Care S.p.A. and its subsidiaries (the Garofalo Health Care Group") as of 30 June 2023. The Directors of Garofalo Health Care S.p.A. are responsible for the preparation of the interim condensed consolidated financial statements in conformity with the International Financial Reporting Standard applicable to interim financial reporting (IAS 34) as adopted by the European Union. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

### Scope of Review

We conducted our review in accordance with review standards recommended by Consob (the Italian Stock Exchange Regulatory Agency) in its Resolution no. 10867 of 31 July 1997. A review of interim condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (ISA Italia) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the interim condensed consolidated financial statements.

### Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim condensed consolidated financial statements of Garofalo Health Care Group as of June 30, 2023 are not prepared, in all material respects, in conformity with the International Financial Reporting Standard applicable to interim financial reporting (IAS 34) as adopted by the European Union.

Rome, September 12, 2023

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

*This report has been translated into the English language solely for the convenience of international readers*