



2021 DIRECTORS' REPORT



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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 approved Euro 31,570,000 (*)

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>

(*) enrolled in the Companies Register on January 26, 2021

CALL NOTICE

The Board of Directors meeting today approved the calling of the Shareholders' Meeting of Garofalo Health Care S.p.A. in ordinary session for April 29, 2022, in single call, to discuss and vote upon the following

Agenda

- 1. Financial Statements of Garofalo Health Care S.p.A. at December 31, 2021. 2021 Directors' Report. Report of the Board of Statutory Auditors and of the Independent Audit Firm. Presentation of the Consolidated Financial Statements at December 31, 2021 and of the 2021 Consolidated Non-Financial Statement pursuant to Legislative Decree No. 254 of December 30, 2016 and Regulation No. 852/2020 (Taxonomy Regulation). Resolutions thereon.**
- 2. Allocation of the net profit. Resolutions thereon.**
- 3. Resolutions on the Remuneration Policy and Report in accordance with Article 123-ter of Legislative Decree No. 58 of February 24, 1998 (CFA) and Article 84-quater of Consob Regulation No. 11971/1999 (Issuers' Regulation):**
 - 3.1 binding vote on the remuneration policy for 2022 set out in the first section of the Report. Resolutions thereon;**
 - 3.2 consultation on the second section of the report regarding compensation paid in or relating to 2021. Resolutions thereon.**
- 4. Authorisation to purchase and dispose of treasury shares (buyback) as per and for the purposes of Articles 2357 and subsequent of the Civil Code, 132 of Legislative Decree No. 58 of February 24, 1998 (CFA), 73 and 144-bis of Consob Regulation No. 11971/1999 (Issuers' Regulation), 5 of EU Regulation No. 596/2014 (MAR), 3 and 4 of Delegated Regulation (EU) No. 2016/1052, following revocation of the previous authorisation to purchase and dispose of treasury shares. Resolutions thereon.**

In order to minimise the risks related to the ongoing health emergency, the Company has decided to utilise the option established by Article 106 of Decree Law No. 18 of March 17, 2020 (converted with amendments by Law no. 27 of April 24, 2020 as last extended by Decree Law No. 228 of December 30, 2021, converted with amendments by Law No. 15 of February 25, 2022), providing - also as an exception to the By-Laws - that the participation of shareholders at the Shareholders' Meeting will take place exclusively through the Designated Agent appointed pursuant to Article 135-undecies of the CFA, without physical attendance by shareholders, according to the procedures that will be indicated in the call notice.

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

LETTER FROM THE CHIEF EXECUTIVE OFFICER TO STAKEHOLDERS

Dear Stakeholders,

The exercise that has just ended was once again challenging, also in light of the protracted health emergency of Covid-19 that continued to be present in our Country in 2021.

However, despite the context of particular complexity, I can say with great pride that all the facilities of the GHC Group have not "pulled back" and indeed have contributed actively and responsibly to the containment of the emergency, with determination and courage, never missing their full support to the public health system.

Once again, GHC was able to work in a team, allowing the skills and professionalism of each individual element to be added to those of others in a complementary and synergistic manner. To all of them, today almost 4,000 people among employees and collaborators, I can only address my most heartfelt gratitude and my warmest thanks.

At the same time, 2021 was also a year of growth and great satisfaction, with the implementation of important projects, including four, particularly significant for their impact on governance, on the strategy and future prospects of our Group.

In relation to the issue of governance, in March, thanks to the Accelerated Book Building transaction carried out in January, GHC shares were admitted to the STAR segment - Securities Segment with High Requirements - of Euronext-Borsa Italiana, placing our Group in the small group of companies characterized by high standards of transparency towards the market and all stakeholders. An idea already cherished at the time of the IPO in 2018, finally become reality.

With reference to the development strategy, I would like to point out that 2021, the third consecutive year of the IPO, was also characterized by an important growth for external lines through the acquisitions of the S. Francesco Clinic in Verona and the Domus Nova that includes in, if even the San Francesco di Ravenna, accredited facilities of absolute excellence and reference points of its territories. Thanks to these two operations, which significantly increase our presence in Veneto and Emilia-Romagna, two of the most virtuous regions of Italy, our Group is among the most active in the M&A field at the Italian level and beyond. As a result of these acquisitions, today GHC has 28 structures in 8 Italian regions, to be compared with the 18 structures and 6 Regions that made up our Group at the time of listing. A great satisfaction and at the same time a great responsibility, which we will continue to honor following the trail of the guiding principle transmitted to me by my father Raffaele Garofalo, who in 2021 would have been 100 years old, "Health is the most precious good that man can have".

With regard to future prospects, I would like to mention the 221 million Euro financing operation completed at the end of the year, with the support of some of the most accredited banks in our country. This operation, in addition to allowing us, through the refinancing of existing positions, the centralization of financial management in holding with obvious simplification and efficiency of the same, has provided us, since today, a provision of 81 million Euro aimed at future acquisitions.

Looking ahead, even in an ever-changing scenario, I can only be completely optimistic about the prospects of our industry and our Group in particular. In fact, the fundamental importance of health, as we have all been able to understand in recent years following the pandemic, is perhaps one of the few things that are not destined to change in the near future. Mostly in a country like Italy, characterized by increasing welfare needs, by virtue of which the ability to respond adequately to health and social needs of the citizens can only be the fundamental premise of any future economic and social development.

With regard to this, it is important to note that in recent months the regulatory provisions dedicated to health have intensified, which have provided, inter alia, the increase of approx. 2 billion Euro of the National Health Fund (for each of the next 3 years) which already in 2020 increased by approx. 6 billion Euros. In addition, an allocation of approx. 500 million Euro (of which 150 million Euro reserved for accredited private facilities) has been provided for the purpose of reducing waiting lists.

These provisions, I can note with satisfaction, have already had an impact on many of the Group's facilities, which benefited in the final part of 2021 from important incremental budgets specifically dedicated to the reduction of waiting lists, as well as the recovery of passive mobility, with even more relevant prospects for the current year.

All this confirms that health can only be, increasingly, one of the priorities of the country, in line with what is also highlighted by the National Recovery and Resilience Plan, which reserves almost 16 billion resources for the development of health care, digitisation and technological innovation. Significant growth streams, of which GHC can also draw undeniable benefits.

As proof of the solidity of our prospects, I would also like to point out that our Group, today, has not been impacted by upward or inflationary pressures in relation to the main cost items, also in view of the fact that the Group's facilities are not big "energy consumers". Following an integrated approach to "sustainability", I would like to point out that our Group has recently launched a project to analyse the energy efficiency of our facilities, which we expect will bring important benefits in the coming years.

In conclusion, I really think that, despite the dramatic international context, significant opportunities are opening up for our industry; favorable conditions that we will be able to grasp with a constructive spirit and in the constant respect of those entrepreneurial values that have inspired all our history.

We will work, therefore, without sparing, as for almost 70 years now, to offer increasing responses to our patients and their territories.

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

Chief Executive Officer

Cav. Lav. Avv. Maria Laura Garofalo

CORPORATE BOARDS

BOARD OF DIRECTORS (*)

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

CONTROL, RISKS AND SUSTAINABILITY COMMITTEE

FRANCA BRUSCO
FEDERICO FERRO LUZZI
NICOLETTA MINCATO

APPOINTMENTS AND REMUNERATION COMMITTEE

FEDERICO FERRO LUZZI
GIANCARLA BRANDA
FRANCA BRUSCO

BOARD OF STATUTORY AUDITORS (*)

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

INDEPENDENT AUDIT FIRM

EY S.P.A.

GENERAL MANAGER (**)

UMBERTO SURIANI

EXECUTIVE OFFICER FOR (***) FINANCIAL REPORTING

LUIGI CELENTANO

(*) Appointed by the Shareholders' Meeting of April 30, 2021.

(**) Appointed by the Board of Directors on March 1, 2021, with effect from May 1, 2021

(***) Appointed by the Board of Directors on October 28, 2021, with effect from November 1, 2021

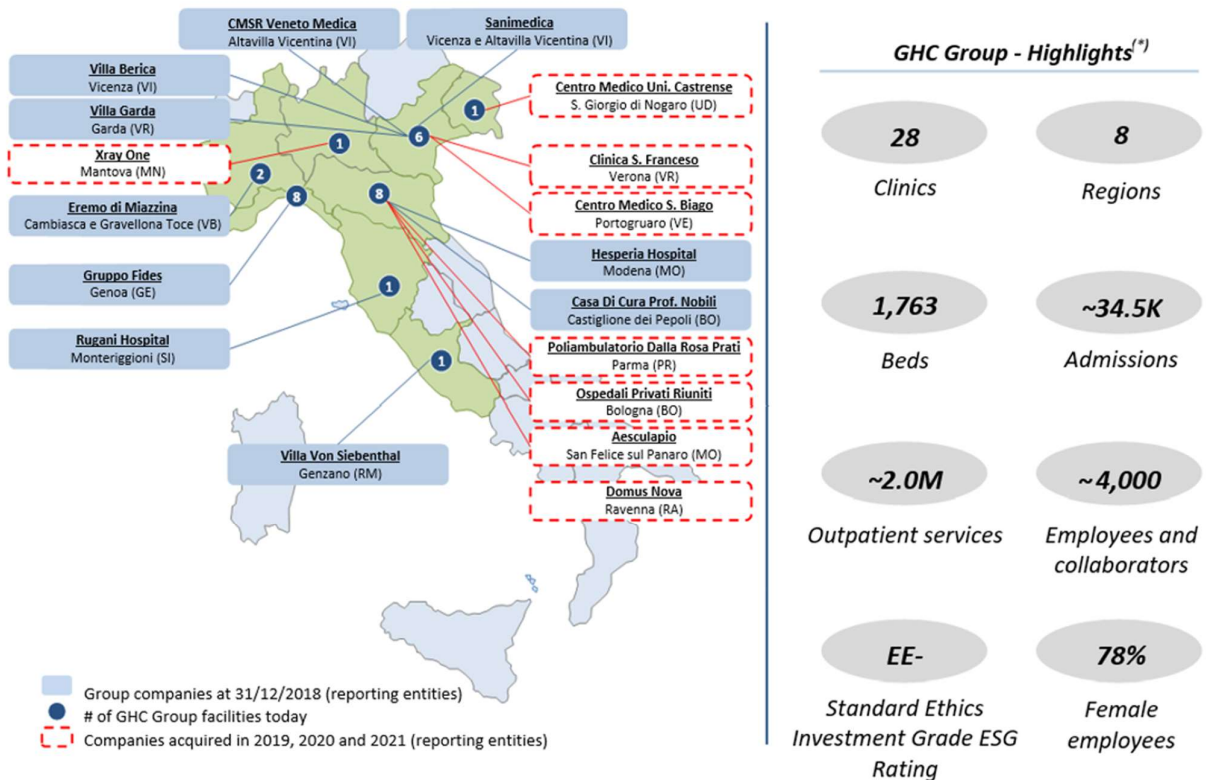
1. GROUP STRUCTURE

Overview of the Group's healthcare facilities

The GHC Group is an Italian accredited private healthcare leader operating, at December 31, 2021, through 28 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.

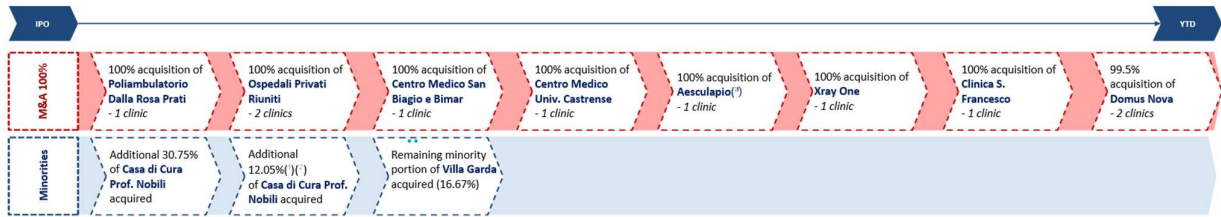
GHC S.p.A., on April 9, 2021, completed the acquisition of 100% of the share capital of Clinica S. Francesco di Verona, a top international clinic and a National Health System accredited leading European robotic orthopaedic surgery centre. The transaction stipulates also the acquisition of all real estate assets from the company Epifarm s.r.l.. The Clinic, highly synergetic with other Group clinics, strengthens the major technological development undertaken by GHC. Acquisition includes a Diagnostic Center with latest generation equipment and all clinical buildings.

GHC S.p.A., in addition, on July 28, 2021 acquired a 99.5% interest in Domus Nova S.p.A., owner of the Domus Nova and San Francesco di Ravenna multi-specialist private hospitals, both of which are accredited with the National Healthcare Service.



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

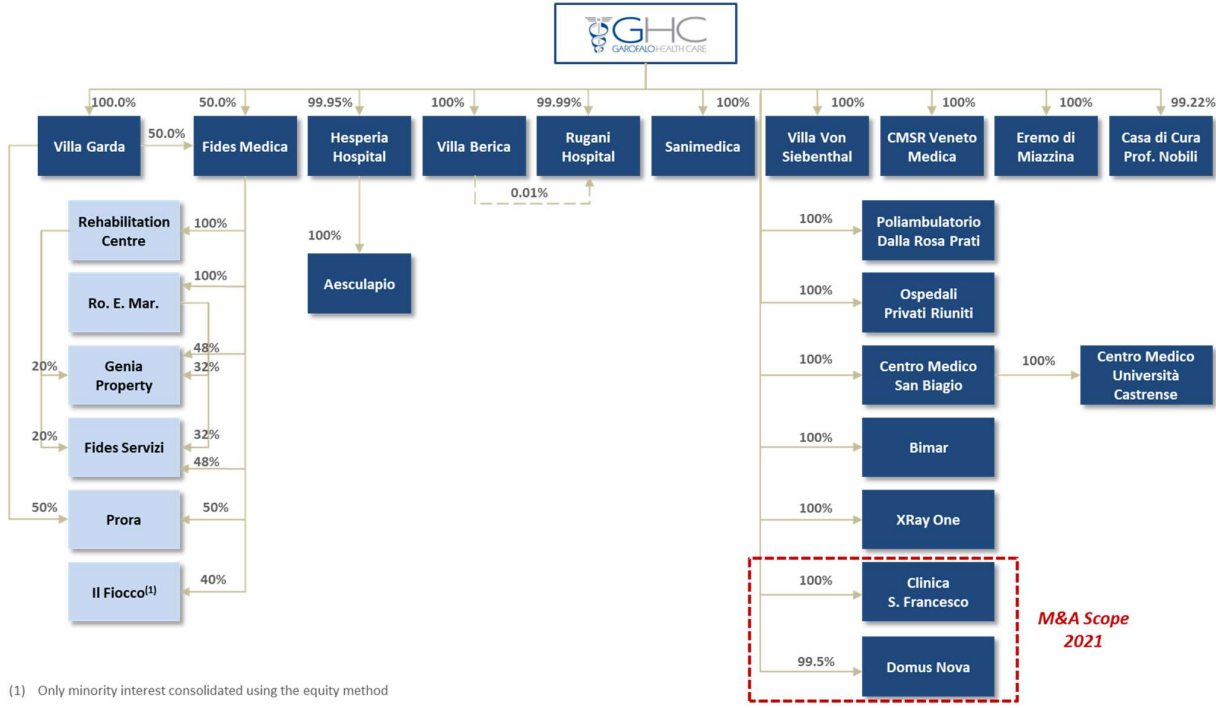
Between the IPO and December 31, 2021, the Group executed its acquisition-led growth strategy, with the acquisition of ten new clinics, as well as acquisitions of further minority holdings of existing subsidiaries (Casa di Cura Prof. Nobili and Villa Garda, now 100% owned), as set out below.



(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 December 31, 2021, including the equity interest held by Garofalo Health Care S.p.A. (hereinafter also "GHC" or the "Company" or the "Parent Company" or the "Holding Company") in each of the subsidiaries:



(1) Only minority interest consolidated using the equity method

Group activities by sector

The following table breaks down the main specialties provided by the Group by sector and segment⁽¹⁾:

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

Brief description of the companies of the GHC Group

The GHC Group's 28 clinics are diversified by Regions and by sector, as shown below.

Italian regions	No. Reporting Entities (18)	No. Clinics (28)	No. legal entities (legal persons) (24)	Sector	
				Hospital	Outpatient / Dependency care
Emilia-Romagna	• Hesperia Hospital	1	1	✓	
	• Aesculapio	1	1		✓
	• Casa di Cura Prof. Nobili	1	1	✓	
	• Poliambulatorio Dalla Rosa Prati	1	1		✓
	• Ospedali Privati Riuniti	2	1	✓	
	• Domus Nova	2	1	✓	
Veneto	• Villa Berica	1	1	✓	
	• CMSR Veneto Medica	1	1		✓
	• Sanimedica	1	1		✓
	• Villa Garda	1	1	✓	
	• Centro Medico S. Biagio ⁽¹⁾	1	2		✓
	• Clinica S. Francesco	1	1	✓	
Friuli Venezia-Giulia	• Centro Medico Università Castrense	1	1		✓
Piedmont	• Eremo di Miazzina	2	1	✓	✓
Tuscany	• Rugani Hospital	1	1	✓	
Liguria	• Fides Group ⁽²⁾	8 ⁽³⁾	6 ⁽⁴⁾		✓
Lombardy	• XRay One	1	1		✓
Lazio	• Villa Von Siebenthal	1	1		✓

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

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

(3) Fides Group Clinics: Residenza Le Clarisse, S. Marta, S. Rosa, Centro Riabilitazione, Villa S. Maria, Villa Del Principe, Le Note di Villa S. Maria, Villa Fernanda. On December 31, Santa Marta temporarily stopped its activities in order to undergo a major renovation at the end of which, having obtained the authorisation to operate, it will be able to start the activity that, to all intents and purposes, will qualify as new compared to the previous one permanently transferred to Villa Fernanda

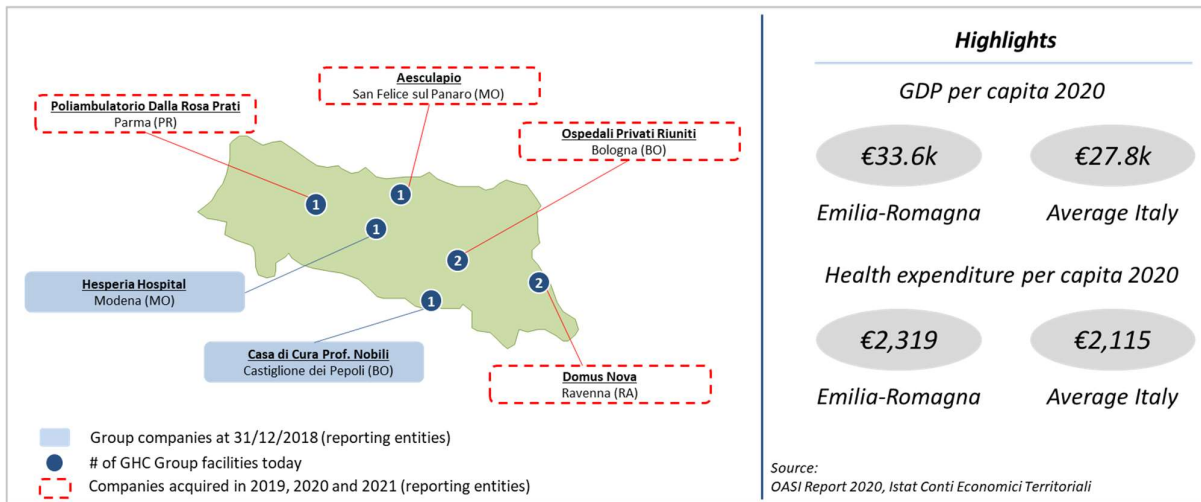
(4) Fides Group legal entities: Fides Medica S.r.l., Centro di Riabilitazione S.r.l., RoEMar S.r.l., Genia Immobiliare S.r.l., Prora S.r.l., Fides Servizi S.r.l.

⁽¹⁾ It should be noted that the various types of assistance are classified as belonging either to the Hospital Sector or the Social Services and Dependency Care Sector depending on legislation and the specific region at hand.

➤ FOCUS: EMILIA-ROMAGNA REGION

GEOGRAPHICAL POSITIONING OF GHC CLINICS

EMILIA-ROMAGNA INDICATORS



GHC CLINICS: NON-FINANCIAL HIGHLIGHTS

Clinics (FY2021)	Beds	Admissions	Outpatient services	Employees	% male	% female
Hospital services	#	('000)	('000)	#	%	%
Hesperia Hospital	125	6.1	176.4	273	27%	73%
Ospedali Privati Riuniti	170	7.4	55.0	171	22%	78%
Domus Nova	252	4.3	159.0	202	21%	79%
Casa di Cura Prof. Nobili	86	2.3	64.0	91	18%	82%
Outpatient and dependency care services						
Poliambulatorio Dalla Rosa Prati	-	-	243.8	75	11%	89%
Aesculapio	-	-	52.3	23	9%	91%
Total	633	20.1	750.6	835	21%	79%

HESPERIA HOSPITAL (Modena)

National Healthcare Service accredited facility	Main services provided
	<ul style="list-style-type: none"> Medical-surgical and thoracovascular cardiology Medicine and surgery, with specialisation in: <ul style="list-style-type: none"> Orthopaedics and traumatology Ophthalmology Urology Intensive, semi-intensive care and UTIC (Coronary Intensive Care Unit) service Multi-disciplinary outpatient activities Diagnostic Imaging Service with Nuclear Medicine (Scintigraphy), Low Radiation CT scan, MRI

OSPEDALI PRIVATI RIUNITI (Bologna)
1. NIGRISOLI HOSPITAL
National Healthcare Service accredited facility

Main services provided

- Medicine and surgery, with specialisation in:
- Recovery and functional rehabilitation
- Long-term care and extensive rehabilitation
- Orthopaedics
- Urology
- Outpatient services and instrumental diagnostics

2. VILLA REGINA
National Healthcare Service accredited facility

Main services provided

- Medicine and surgery, with specialisation in:
- Orthopaedics
- Ophthalmology
- Gynaecology
- Otorhinolaryngology
- Urology
- Recovery and functional rehabilitation
- Long-term care
- Outpatient services and inpatient activities (ordinary or day surgery)
- Emergency thoracolumbar ultrasound centre

DOMUS NOVA (Ravenna)
National Healthcare Service accredited facility

Main services provided

- Care services comprising various specialised inpatient units:
- General medicine and long-term care
- General surgery, primarily orthopaedic/prosthetic
- Specialist outpatient physiotherapy, dental and instrumental diagnostics services
- Dialysis services

POLIAMBULATORIO DALLA ROSA PRATI (Parma)
National Healthcare Service accredited facility

Main services provided

- Multi-disciplinary outpatient specialist services
- Diagnostic imaging service
- PET-TAC diagnosis service with latest-generation equipment
- Dental Clinic
- Physiokinesiotherapy and rehabilitation treatments

CASA DI CURA PROF. NOBILI (Castiglione dei Pepoli locality, Bologna)
National Healthcare Service accredited facility

Main services provided

- Units specialising in:
- Orthopaedics and traumatology
- General surgery
- General medicine and long-term care
- Multi-disciplinary outpatient services
- Dialysis services
- Diagnostic imaging service
- Outpatient services

AESCULAPIO (San Felice sul Panaro, Modena)
National Healthcare Service accredited facility

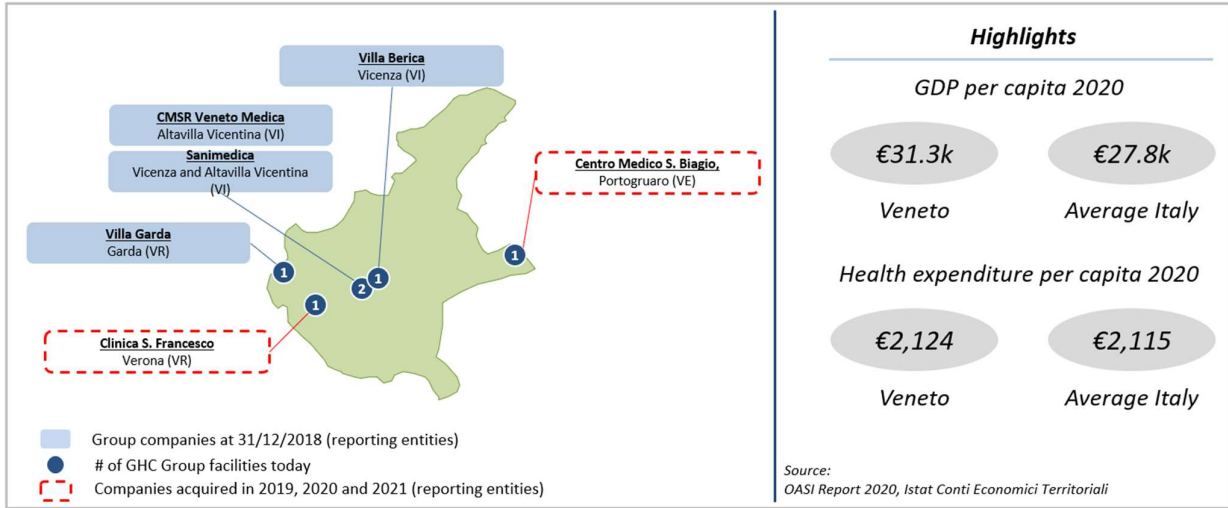
Main services provided

- Outpatient specialist services:
- Diagnostic imaging service, radiology (Rx, Orthopantomogram, Mammography, Ultrasound, MRI)
- Sample collection point
- Outpatient physical medicine and rehabilitation department

➤ **FOCUS: VENETO REGION**

GEOGRAPHICAL POSITIONING OF GHC CLINICS

VENETO REGION INDICATORS



GHC CLINICS: NON-FINANCIAL HIGHLIGHTS

Clinics (FY2021)	Beds	Admissions	Outpatient services	Employees	% male	% female
Hospital services	#	('000)	('000)	#	%	%
Casa di Cura Villa Berica	108	3.5	182.0	149	23%	77%
Casa di Cura Villa Garda	109	1.3	83.0	118	21%	79%
Clinica San Francesco	77	4.5	188.8	196	23%	77%
Outpatient and dependency care services						
CMSR Veneto Medica	-	-	191.1	52	25%	75%
Sanimedica	-	-	98.4	9	11%	89%
Centro Medico S. Biagio	-	-	162.8	30	10%	90%
Total	294	9.3	906.2	554	22%	78%

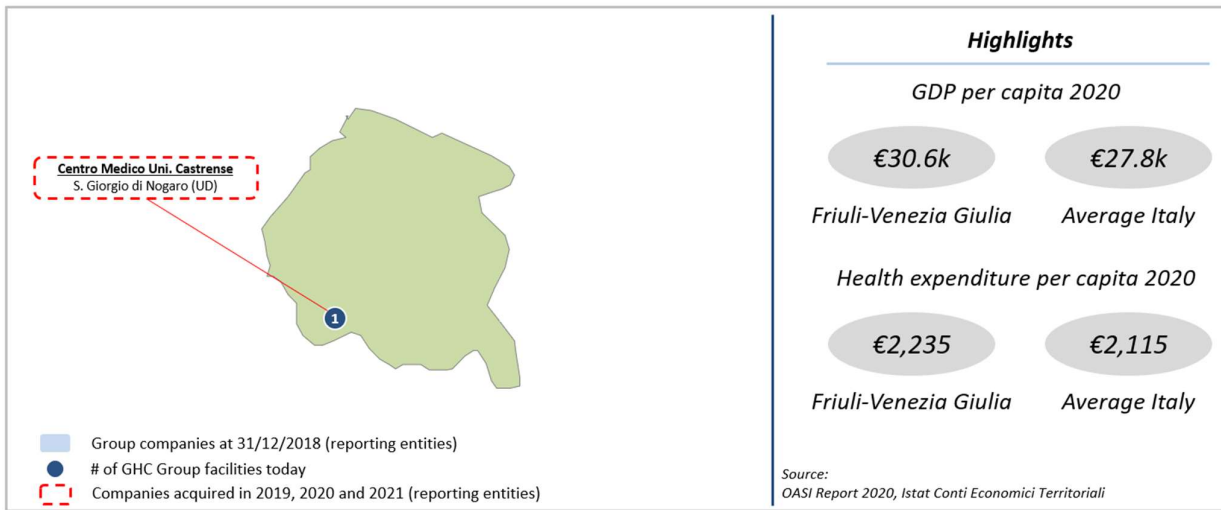
CASA DI CURA VILLA BERICA (Vicenza)	
<i>National Healthcare Service accredited facility</i>	<i>Main services provided</i>
	<ul style="list-style-type: none"> ▪ Internal medicine and general surgery, specialising in: ▪ Diabetology (in particular prevention and treatment of complications from diabetes affecting the lower limbs) ▪ Prosthetic hip surgery ▪ Osteoporosis and metabolic bone diseases
CASA DI CURA VILLA GARDA (Garda, Verona)	
<i>National Healthcare Service accredited facility</i>	<i>Main services provided</i>
	<ul style="list-style-type: none"> ▪ Inpatient diagnostic and treatment services ▪ Outpatient diagnostic and therapeutic services ▪ Cardiac and nutritional rehabilitation, specifically Cognitive Behavioural Therapy for eating disorders (CBT-ED) ▪ Radiology, echocardiography, doppler ultrasound, physiatry and psychology services
CENTRO MEDICO S. BIAGIO (Portogruaro)	
<i>National Healthcare Service accredited facility</i>	<i>Main services provided</i>
	<ul style="list-style-type: none"> ▪ Diagnostic imaging ▪ Echocardiography ▪ Ophthalmic outpatient surgery (cataract, vitro-resin, corneal transplants) ▪ Services for: ▪ Lower limb varices ▪ Sports medicine ▪ Dental services
CLINICA SAN FRANCESCO (Verona)	
<i>National Healthcare Service accredited facility</i>	<i>Main services provided</i>
	<ul style="list-style-type: none"> ▪ European Centre for Robotic Orthopaedics ("C.O.R.E.") ▪ Diagnostic and instrumental services, both in ordinary inpatient and outpatient settings ▪ Plastic and reconstructive surgery, in particular breast surgery, with highly innovative techniques ▪ Diagnostic imaging and physiotherapy ▪ Main #SICM centre of the Italian Society of Hand Surgery

CMSR VENETO MEDICA and SANIMEDICA (Vicenza and Altavilla Vicentina)	
<i>National Healthcare Service accredited facility (CMSR Veneto Medica)</i>	<i>Main services provided</i>
	<p>CMSR Veneto Medica</p> <ul style="list-style-type: none"> ▪ Diagnostic imaging ▪ Clinical pathology laboratory and sports medicine service, both under solvency agreement ▪ Departments: ▪ Traditional radiology ▪ Nuclear medicine ▪ Ultrasound Department <p>Sanimedica</p> <ul style="list-style-type: none"> ▪ Department of Occupational Medicine that offers health monitoring service in the workplace in compliance with Legislative Decree No. 81/2008 on safety ▪ Outpatient health services for all the main specialist branches ▪ Outpatient surgery service

➤ FOCUS: FRIULI VENEZIA GIULIA REGION

GEOGRAPHICAL POSITIONING OF GHC CLINICS

FRIULI-VENEZIA GIULIA INDICATORS



GHC CLINICS: NON-FINANCIAL HIGHLIGHTS

Clinics (FY2021)	Beds	Admissions	Outpatient services	Employees	% male	% female
<i>Outpatient and dependency care services</i>	#	('000)	('000)	#	%	%
Centro Medico Uni. Castrense	-	-	57.4	11	18%	82%

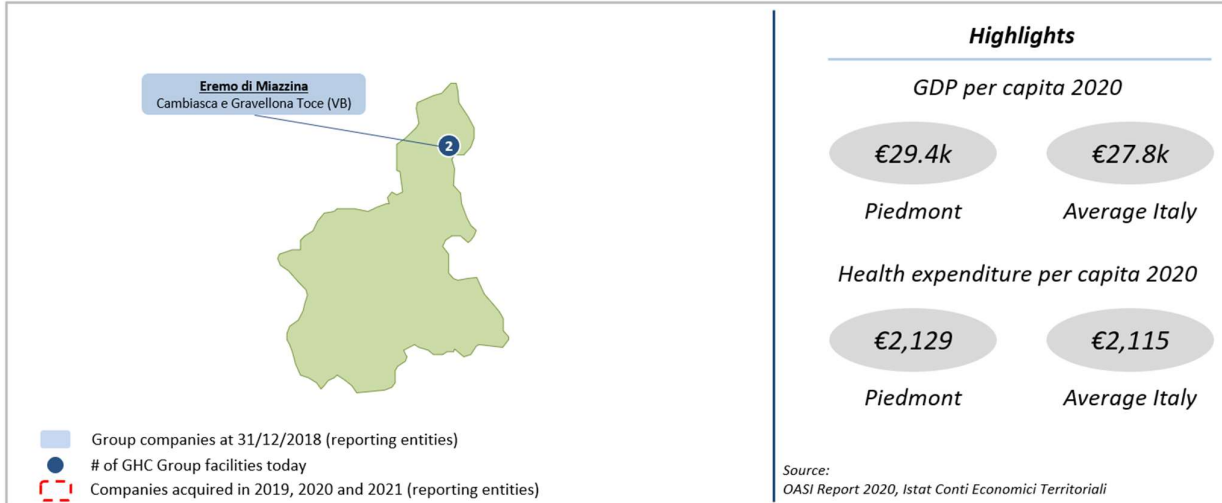
CENTRO MEDICO UNIVERSITÀ CASTRENSE (S. Giorgio di Nogaro)

<i>National Healthcare Service accredited facility</i>	<i>Main services provided</i>
	<ul style="list-style-type: none"> Outpatient eye surgery services Diagnostic imaging service Sports medicine Dental services

➤ FOCUS: PIEDMONT REGION

GEOGRAPHICAL POSITIONING OF GHC CLINICS


PIEDMONT REGION INDICATORS



GHC CLINICS: NON-FINANCIAL HIGHLIGHTS

Clinics (FY2021)	Beds	Admissions	Outpatient services	Employees	% male	% female
Hospital services	#	('000)	('000)	#	%	%
Outpatient and dependency care services						
Eremo di Miazzina	309	1.4	117.4	159	23%	77%

L'EREMO DI MIAZZINA (Cambiasca and Gravelona Toce)	
1. L'EREMO DI MIAZZINA	
National Healthcare Service accredited facility	Main services provided
	<ul style="list-style-type: none"> Post-acute hospital care for the full range of pathologies commonly experienced by the elderly and the sequelae of oncological and chronic degenerative pathologies
2. ISTITUTO RAFFAELE GAROFALO	
National Healthcare Service accredited facility	Main services provided

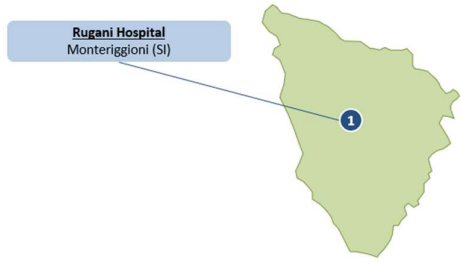


- Recovery and intensive neurological, musculoskeletal, respiratory, cardiological and oncological functional rehabilitation
- Accredited outpatient treatment and complex outpatient ophthalmic surgery in private practice

➤ **FOCUS: TUSCANY REGION**

GEOGRAPHICAL POSITIONING OF GHC CLINICS

TUSCANY REGION INDICATORS



Rugani Hospital
Monteriggioni (SI)

1

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

Highlights

GDP per capita 2020

€30.2k	€27.8k
<i>Tuscany</i>	<i>Average Italy</i>

Health expenditure per capita 2020


€2,242	€2,115
<i>Tuscany</i>	<i>Average Italy</i>

Source:
OASI Report 2020, Istat Conti Economici Territoriali

GHC CLINICS: NON-FINANCIAL HIGHLIGHTS

Clinics (FY2021)	Beds	Admissions	Outpatient services	Employees	% male	% female
<i>Hospital services</i>	#	('000)	('000)	#	%	%
Rugani Hospital	80	2.2	15.2	103	23%	77%

RUGANI HOSPITAL (Colombaio locality, Siena)

<i>National Healthcare Service accredited facility</i>	<i>Main services provided</i>
	<ul style="list-style-type: none"> ▪ Ophthalmology ▪ Orthopaedics ▪ Urology ▪ General surgery ▪ Otorhinolaryngology ▪ Motor Rehabilitation ▪ Diagnostic imaging for the provision of inpatient and outpatient activities ▪ Orthopaedic surgery

➤ FOCUS: LIGURIA REGION

GEOGRAPHICAL POSITIONING OF GHC CLINICS

LIGURIA REGION INDICATORS



GHC CLINICS: NON-FINANCIAL HIGHLIGHTS

Clinics (FY2021)	Beds	Admissions	Outpatient services	Employees	% male	% female
<i>Outpatient and dependency care services</i>	#	('000)	('000)	#	%	%
Fides Group (8 clinics)	358	0.9	-	83	19%	81%

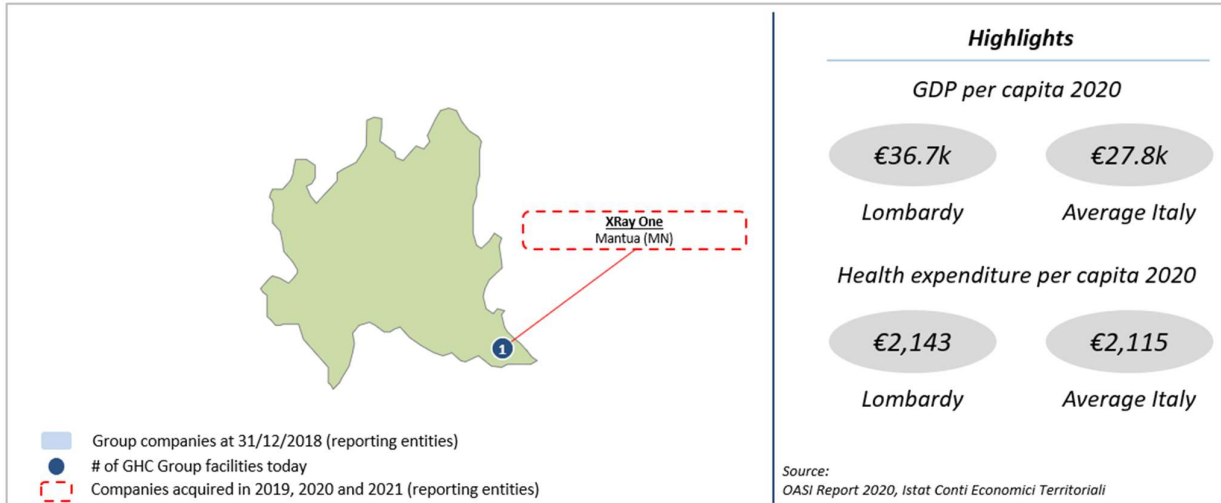
FIDES MEDICA GROUP (Genoa)

<i>National Healthcare Service accredited facilities</i>	<i>Main services provided</i>
	<ul style="list-style-type: none"> Full range of rehabilitation services, long-term residential care and reintegration into society Specifically, the following services are provided: <ul style="list-style-type: none"> Care for serious acquired brain injuries; RSA rehabilitative and maintenance; Treatment for individuals suffering from behavioural eating disorders, personality disorders; and Long-stay admissions for the elderly

➤ FOCUS: LOMBARDY REGION

GEOGRAPHICAL POSITIONING OF GHC CLINICS

LOMBARDY REGION INDICATORS



GHC CLINICS: NON-FINANCIAL HIGHLIGHTS

Clinics (FY2021)	Beds	Admissions	Outpatient services	Employees	% male	% female
<i>Outpatient and dependency care services</i>	#	('000)	('000)	#	%	%
XRay One	-	-	124.3	44	30%	70%

XRAY ONE (Poggio Rusco, Mantova)

<i>National Healthcare Service accredited facility</i>	<i>Main services provided</i>
	<ul style="list-style-type: none"> Radiological diagnostics (MRI, CT, MOC, CR digitised mammography, ultrasound, abdominal, vascular and peripheral echocolor Doppler) Specialist medical services

➤ FOCUS: LAZIO REGION⁽²⁾

GEOGRAPHICAL POSITIONING OF GHC CLINICS

LAZIO REGION INDICATORS



GHC CLINICS: NON-FINANCIAL HIGHLIGHTS

Clinics (FY2021)	Beds	Admissions	Outpatient services	Employees	% male	% female
<i>Outpatient and dependency care services</i>	#	('000)	('000)	#	%	%
Villa Von Siebenthal	89	0.5	-	55	24%	76%

VILLA VON SIEBENTHAL (Genzano)	
National Healthcare Service accredited facility	Main services provided
	<ul style="list-style-type: none"> Neuropsychiatric treatments "Extensive" and "intensive" psychiatric treatment for adolescents Admissions for mental disorders, including adult patients, in both the acute and post-acute phases Admission of patients with drug addiction

⁽²⁾ Excluding the Parent Company GHC S.p.A.

Significant shareholders

The table below reports the Garofalo Health Care S.p.A. ownership structure at December 31, 2021, including significant equity interests.

Garofalo Health Care S.p.A. shareholders	No. shares	% shares with voting rights	Voting rights	% voting rights
Controlling shareholder (*)	58,169,600	65.19%	58,169,600	63.80%
Market	31,064,856	34.81%	33,010,256	36.20%
Total shares with voting rights at the Shareholders' Meeting	89,234,456	100.00%	91,179,856	100.00%
Treasury shares (**)	965,544		(**)	
TOTAL:	90,200,000			

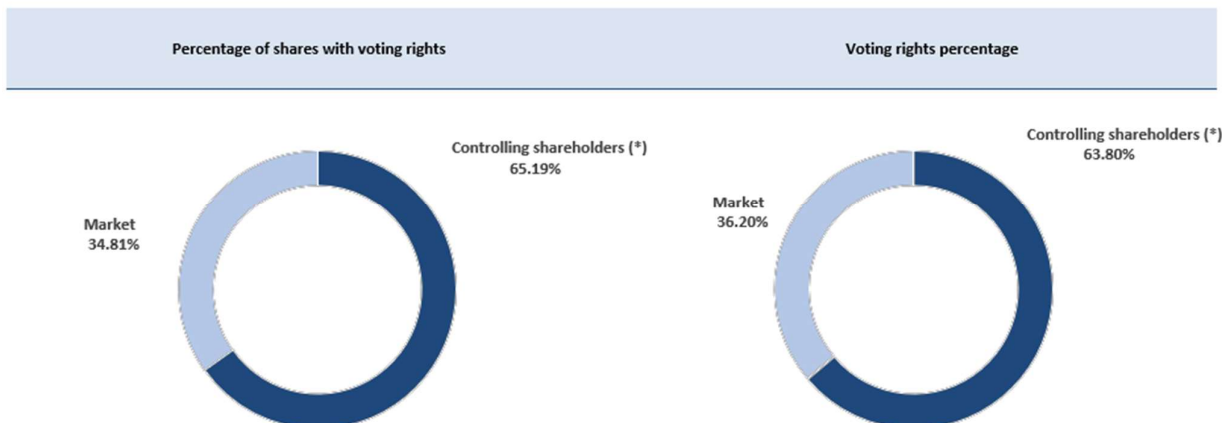
(*) includes shares held directly and indirectly by the Chief Executive Officer Maria Laura Garofalo at 31.12.2021

(**) Treasury shares with suspended voting rights at 31.12.2021

Garofalo Health Care S.p.A. shareholders with stakes greater than 5%	No. shares	% shares with voting rights	Voting rights	% voting rights
Larama 98 S.p.A. (***)	45,516,000	51.01%	45,516,000	49.92%
Maria Laura Garofalo	10,773,000	12.07%	10,773,000	11.82%
Pll 4 S.à.r.l. (****)	8,173,653	9.16%	8,173,653	8.96%

(***) linked to Maria Laura Garofalo

(****) vehicle company or 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, 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 2021

Garofalo Health Care S.p.A. been listed on the MTA 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 - Segmento Titoli con Alti Requisiti (stringent requirements) Segment.

The GHC share price rose 1.5%³ in 2021. This however also reflects the dilutive effects (approx. 9%) from the Accelerated Book Building transaction executed by the company in January 26, 2021 to boost the free float, in addition to providing the company with additional funding (approx. Euro 41 million) to support its acquisition-led growth strategy.

In view of that outlined above, the share since January 26, 2021 (delivery and payment date of the new shares issued in service of the reserved share capital increase) rose 8.7%.⁴

It should also be noted that since the day it was listed (November 9, 2018 at Euro 3.34 per share), the GHC share price has grown by 64.7% (as at December 31, 2021), remaining at all times above its placement price.

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

Key stock exchange indicators for 2021 (Euro)	
IPO offer price on November 9, 2018	3.34
Closing price on December 31, 2021	5.50
Closing price on January 4, 2021 (initial day of trading of the year)	5.42
Closing price on January 26, 2021 (issue date of new shares for ABB)	5.06
Number of GHC ordinary shares at December 31, 2021	90,200,000
Number of GHC ordinary shares at January 4, 2021 ⁽⁵⁾	82,000,000
Treasury shares held on December 31, 2021	965,544
Ordinary shares in circulation on December 31, 2021	89,234,456
Treasury shares held on January 4, 2021	389,136
Ordinary shares in circulation on January 4, 2021	81,610,864
Market capitalisation on December 31, 2021 ⁽⁶⁾	490,789,508
Market capitalisation on January 4, 2021 ⁽⁸⁾	442,330,883

Coverage of GHC stock by financial analysts

At December 31, 2021, the GHC share was covered by 3 financial brokers (Equita SIM, Mediobanca and Exane BNP Paribas), who actively followed the GHC Group during the year with dedicated studies and analyses, consistently offering Buy or Outperform recommendations.

⁽³⁾ Calculated as the difference between the price of the GHC share at December 31, 2021 (Euro 5.50) and that at January 4, 2021 - first trading day of the year (Euro 5.42)

⁽⁴⁾ Calculated as the difference between the price of the GHC share at December 31, 2021 (Euro 5.50) and that at January 26, 2021 (Euro 5.06)

⁽⁵⁾ The number of ordinary GHC shares altered in the period in view of the reserved share capital increase in January 2021

⁽⁶⁾ Calculated net of treasury shares held by the Company on the same date

2. GROUP PERFORMANCE

GHC Group financial highlights

The 2021 results - although partly impacted, in particular in the first half year, by the activities in support of the Public system, affecting the full use of the production capacity and a completely orderly and efficient operating scheduling - indicate a significant recovery both in terms of revenues and Op. EBITDA on the previous year. 2020 was in fact shaped, from the month of March, by the restrictions on healthcare activities by the Local and Domestic Authorities to combat the spread of the virus.

The operating performance indicators for 2021 compared with 2020 are presented below.

It should be noted that the 2021 figures, in comparison to 2020, include also the full contribution of X Ray One S.r.l. (five months in 2020) as it was acquired on July 23, 2020, the nine-month contribution of Clinica San Francesco S.p.A. (acquired on April 9, 2021), and finally the five-month contribution of Domus Nova S.p.A. (acquired on July 28, 2021).

Consolidated data	2021		2020		2021 vs 2020	
	Euro '000	%	Euro '000	%	Euro '000	%
Revenues	283,672	100.0%	210,846	100.0%	72,826	34.5%
Total operating costs (excl. "Adjustments")	(230,582)	-81.3%	(176,810)	-83.9%	(53,772)	30.4%
Op. EBITDA Adjusted	53,090	18.7%	34,036	16.1%	19,053	56.0%
Other Costs ("Adjustments") ⁷	(6,128)	-2.2%	(3,469)	-1.6%	(2,659)	76.7%
Operating EBITDA	46,962	16.6%	30,567	14.5%	16,394	53.6%
Depreciation and amortisation	(15,706)	-5.5%	(11,807)	-5.6%	(3,899)	33.0%
Impairments and other provisions	(3,025)	-1.1%	(3,270)	-1.6%	245	-7.5%
EBIT	28,231	10.0%	15,490	7.3%	12,742	82.3%
EBIT Adjusted	34,359	12.1%	18,958	9.0%	15,401	81.2%
Net financial charges	(4,243)	-1.5%	(2,467)	-1.2%	(1,776)	72.0%
Result before taxes	23,988	8.5%	13,023	6.2%	10,965	84.2%
Profit before taxes Adjusted	30,116	10.6%	16,491	7.8%	13,624	82.6%
Income taxes	(5,145)	-1.8%	(1,238)	-0.6%	(3,907)	315.5%
Net Profit	18,843	6.6%	11,784	5.6%	7,060	59.9%
Group net result	18,834	6.6%	11,781	5.6%	7,053	59.9%

⁽⁷⁾ Adjustments: these include non-recurring revenues and costs (e.g. net impact of additional COVID costs), one off costs (e.g. M&A costs) and "non-regular" costs (e.g. management incentive plans).

Minority interests	9	0.0%	3	0.0%	6	168.2%
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2021 Consolidated Revenues Overview

GHC consolidated revenues in 2021 amounted to Euro 283,672 thousand, up 34.5% on Euro 210,846 thousand in 2020.

The revenue growth of Euro 72,826 thousand is mainly due to recovering productivity as 2021 was only partially impacted by the COVID-19 pandemic, which severely hit 2020 due to the suspension of outpatient and hospital activities in the period March-June. The revenue increase also stems from the change in the consolidation scope for Euro 41,668 thousand, as benefiting from the full contribution of X Ray One S.r.l. acquired in July of the previous year, the contribution for the April-June period of Clinica San Francesco S.p.A., acquired on April 9, 2021, and the contribution of Domus Nova, acquired on July 28, 2021.

The revenues also benefited from: (i) for Euro 2,124 thousand the partial co-payments by the National Health Service to absorb the higher personnel costs from the renewal of the National Collective Bargaining Agreements from July of the previous year; (ii) for Euro 1,163 thousand the partial reimbursement of the additional COVID costs⁸ incurred by the Group companies.

Consolidated revenues <i>in Euro thousands</i>	FY2021 Actual	FY2020 Actual	FY2021 vs. FY2020 Euro '000	FY2021 vs. FY2020 %
Total	283,672	210,846	72,826	+34.5%
<i>of which repayments of "additional COVID costs"</i>	1,163	1,858	(695)	-37.4%
<i>of which Regional Health System contribution relating to renewal of national collective bargaining agreements</i>	2,124	1,729	395	22.8%
<i>of which X Ray One + Clinica San Francesco + Domus Nova*</i>	44,726	3,058	41,668	n/a

* in 2020 X Ray One contributed only five months

2021 Consolidated Costs Overview

Consolidated operating costs in 2021, net of non-recurring costs, one-off costs and management incentive plans ("Adjustments"), of Euro 6,128 thousand, totalled Euro 230,582 thousand, increasing Euro 53,772 thousand from Euro 176,810 thousand in 2020 (+30.4%).

The increase in operating costs in 2021 relates principally to the increased production volumes and the change in the consolidation scope, with the entry into the Group of X Ray One, Clinica San Francesco and Domus Nova. Operating costs in 2021 were also impacted by higher personnel costs due to the renewal of the IPHA National Collective Bargaining Agreements for non-medical employees from the second half of the previous year, which did not impact the H1 2020 costs.

The non-recurring costs concern the charges incurred by the Group companies to combat the COVID-19 emergency which, net of reimbursements paid, totalled Euro 3,052 thousand, one-off costs represented by M&A costs for the acquisition of Clinica San Francesco and Domus Nova of Euro 1,811 thousand, while management incentive plans totalled Euro 1,265 thousand.

⁽⁸⁾ One-off costs incurred by the Group to tackle the COVID-19 emergency and concerning expenses for Personnel Protective Equipment ("PPE"), swabs / tests, the preparation and management of triage areas and the dedicated distancing pathways.

2021 Consolidated Adjusted Operating EBITDA

In terms of margins, Consolidated Operating EBITDA Adjusted⁹ was Euro 53,090 thousand, increasing Euro 19,053 thousand(+56.0%) on Euro 34,036 thousand in the previous year.

Overall, the Group's 2021 Operating EBITDA Adjusted margin was 18.7%, compared to 16.1% in the previous year.

Consolidated Op. EBITDA and Op. EBITDA Adj. <i>in Euro thousands</i>	FY 2021 Actual	FY 2020 Actual	FY21 vs. FY20 Euro '000	FY21 vs. FY20 %
Op. EBITDA Reported	46,962	30,567	16,395	53.6%
+ additional COVID costs (net reimbursements)	3,052	2,600	452	17.4%
+ M&A costs	1,811	462	1,349	292.0%
+ management incentive plan ¹⁰	1,265	407	858	210.8%
Op. EBITDA Adjusted	53,090	34,036	19,053	56.0%
<i>of which X Ray One + Clinica San Francesco + Domus Nova*</i>	7,043	568	6,475	1140.0%
<i>Op. EBITDA Reported Margin (%)</i>	16.6%	14.5%	-	-
<i>Op. EBITDA Adjusted Margin (%)</i>	18.7%	16.1%	-	-

* in 2020 X Ray One contributed only five months

2021 Consolidated EBIT and EBIT Adjusted Overview

EBIT Adjusted in 2021 was Euro 34,359 thousand, up Euro 15,401 thousand (+81.2%) on Euro 18,958 thousand in 2020.

This result reflects amortisation, depreciation and write-downs for Euro 15,706 thousand, increasing Euro 3,899 thousand on the previous year, mainly due to the change in scope during the year, as well as impairments and other provisions for Euro 3,025 thousand, decreasing Euro 245 thousand on 2020.

Consolidated EBIT and EBIT Adj. <i>in Euro thousands</i>	FY2021 Actual	FY2020 Actual	FY2021 vs. FY2020 Euro '000	FY2021 vs. FY2020 %
Op. EBITDA Adjusted	53,090	34,036	19,054	56.0%
- Amortisation of intangible assets	(671)	(425)	(246)	57.9%
- Depreciation of property, plant & equip.	(14,849)	(11,163)	(3,686)	33.0%
- Write-downs	(187)	(220)	33	-15.0%
Depreciation, amortisation and write-downs	(15,706)	(11,807)	(3,899)	33.0%
- End of mandate provisions	(65)	(65)	-	0.0%
- Healthcare lawsuit provisions	(2,058)	(2,334)	276	-11.8%
- Local Health Authority risk provisions	(3,130)	(1,823)	(1,307)	71.7%
- Other risks and charges provisions	(231)	(40)	(191)	477.5%
+ Release of provisions	2,459	991	1,468	148.1%
Impairments and other provisions	(3,025)	(3,270)	245	-7.5%
= EBIT Adjusted	34,359	18,958	15,401	81.2%

⁽⁹⁾ This indicator adjusts operating EBITDA for non-recurring revenues and costs (e.g. net impact of additional COVID costs), one-off costs (e.g. M&A costs) and "non-regular" costs (e.g. management incentive plans), in order to provide an adjusted metric and comparable with the company's historic figures.

⁽¹⁰⁾ The Management incentive plans concern "performance based compensation", including the remuneration component from the Stock Grant Plan and the Performance Share Plan ("share based compensation").

- Other costs (Adjustments)	(6,128)	(3,469)	(2,659)	76.65%
= EBIT Reported	28,231	15,490	12,741	82.3%
EBIT Adjusted Margin (%)	12.1%	9.0%	-	-
EBIT Reported Margin (%)	10.0%	7.3%	-	-

2021 Consolidated net profit overview

The Net Profit was Euro 18,843 thousand, an increase of Euro 7,059 thousand on Euro 11,784 thousand in 2020.

This amount takes account of net financial charges of Euro 4,243 thousand and income taxes of Euro 5,145 thousand. Net financial charges increased Euro 1,776 thousand compared to 2020, following one-off costs for a refinancing transaction by the Group in December 2021 (approx. Euro 1.2 million) and interest charges on loans for the acquisition of Clinica San Francesco and Domus Nova. Income taxes increased Euro 3,907 thousand on the previous year (Euro 1,238 thousand), following both the higher pre-tax result returned by the Group companies in 2021 and the existence in FY 2020 of tax benefits on current taxes, from the cancellation of the second advance payment and of the IRAP balance under the "Liquidity Decree", and the release to profit and loss of the deferred tax liabilities recognised on the difference between the carrying amount and the tax values of Goodwill, undertaken following the payment of the substitute tax for the revaluation for tax purposes of such Goodwill.

Consolidated reported net profit <i>in Euro thousands</i>	FY2021 Actual	FY2020 Actual	FY2021 vs. FY2020 Euro '000	FY2021 vs. FY2020 %
EBIT Adjusted	34,359	18,958	15,401	81.24%
+ Financial income	56	64	(8)	-12.50%
- Financial charges	(4,512)	(2,758)	(1,754)	63.60%
+ Equity investment profits measured using the equity method	213	227	(14)	-6.17%
Net financial charges	(4,243)	(2,467)	(1,776)	71.99%
= Profit before taxes Adjusted	30,116	16,491	13,625	82.62%
- Other costs (Adjustments)	(6,128)	(3,469)	(2,659)	76.65%
= Profit before taxes Reported	23,988	13,023	10,965	84.20%
- Income taxes	(5,145)	(1,238)	(3,907)	315.59%
= Net profit Reported	18,843	11,784	7,059	59.90%
of which Group net profit	18,834	11,781	7,053	59.87%
of which minority interest net profit	9	3	6	200.00%

Pro-forma financial highlights

In order to ensure that the Company's figures for the year under review are sufficiently comparable with those of the previous year, the Pro-Forma¹¹ tables for 2021 and 2020 are presented, i.e. those reporting retrospectively to January 1, 2021 the acquisition of Clinica San Francesco (on April 9, 2021) and Domus Nova (on July 28, 2021) and retrospectively reflecting to January 1, 2020 the acquisition of XRay One (on July 23, 2020).

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

Pro-forma consolidated figures	2021		2020		2021 vs 2020	
	Euro '000	%	Euro '000	%	Euro '000	%
Revenues	309,827	100.0%	214,199	100.0%	95,628	44.6%
Total operating costs (excl. "Adjustments")	(254,990)	-82.3%	(180,152)	-84.1%	(74,838)	41.5%
Op. EBITDA Adjusted	54,837	17.7%	34,046	15.9%	20,791	61.1%
Other costs ("Adjustments")	(6,128)	-2.0%	(3,469)	-1.6%	(2,659)	76.7%
Operating EBITDA	48,709	15.7%	30,578	14.3%	18,131	59.3%
Depreciation and amortisation	(17,732)	-5.7%	(11,980)	-5.6%	(5,752)	48.0%
Impairments and other provisions	(3,906)	-1.3%	(3,270)	-1.5%	(636)	19.4%
EBIT	27,071	8.7%	15,328	7.2%	11,743	76.6%
EBIT Adjusted	33,199	10.7%	18,796	8.8%	14,403	76.6%
Net financial charges	(4,357)	-1.4%	(2,596)	-1.2%	(1,761)	67.8%
Result before taxes	22,714	7.3%	12,732	5.9%	9,982	78.4%
Profit before taxes Adjusted	28,842	9.3%	16,200	7.6%	12,642	78.0%
Income taxes	(5,216)	-1.7%	(1,255)	-0.6%	(3,961)	315.6%
Net Profit	17,498	5.6%	11,477	5.4%	6,021	52.5%
Group net profit	17,495	5.6%	11,473	5.4%	5,992	52.2%
Minority interests	3	0.0%	3	0.0%	-	0.0%

⁽¹¹⁾ These Pro-Forma statements are drawn up on a voluntary basis and according to procedures agreed with the independent audit firm as per the International Standard of Related Services ("ISRS") 4400 issued by the IAASB.

Balance Sheet

A breakdown of the Group's condensed consolidated balance sheet at December 31, 2021 and December 31, 2020 is provided below. Consolidated data Uses	2021	2020	Δ vs 2020
	December	December	Euro '000
Goodwill	70,265	54,438	15,827
Intangible and tangible assets	413,758	300,261	113,497
Financial assets	1,768	1,164	604
I Fixed capital	485,791	355,862	129,929
Trade Receivables	74,720	61,411	13,309
Inventories	4,322	3,487	835
Trade payables	(46,239)	(35,857)	(10,382)
Net Operating Working Capital	32,803	29,040	3,762
Other assets/liabilities	(27,896)	(18,245)	(9,651)
II Net Working Capital	4,907	10,795	(5,889)
Net deferred taxes	(58,272)	(42,647)	(15,625)
Provisions	(29,333)	(23,099)	(6,234)
III Total Uses (NET CAPITAL EMPLOYED)	403,093	300,911	102,183
IV Net financial debt	142,378	97,691	44,688
Minority interest shareholders' equity	262	66	196
Group shareholders' equity	260,453	203,155	57,298
V Shareholders' Equity	260,715	203,221	57,494
VI Total sources of financing	403,093	300,911	102,183

Fixed Capital at December 31, 2021 is Euro 485,791 thousand, with an increase of Euro 129,929 thousand compared to December 31, 2020, mainly due to the acquisitions made during the year of the companies Clinica San Francesco and Domus Nova and the related Purchase Price Allocations: (i) increase in "Goodwill" for Euro 15,827 thousand, of which Euro 9,109 thousand related to Domus Nova and Euro 6,718 thousand related to Clinica San Francesco; (ii) increase in the "Accreditation" item under tangible and intangible fixed assets, for Euro 54,837 thousand, of which Euro 12,996 thousand related to Domus Nova and Euro 41,841 thousand related to Clinica San Francesco; (iii) increase in "Property, Plant and Equipment", included under tangible and intangible fixed assets, for Euro 40,432 thousand. For further details on the Purchase Price Allocation, reference should be made to Note 2 of the Notes to the Consolidated Financial Statements. The remaining increase in the "Intangible and tangible assets" account of Euro 18,228 thousand derives from investments made in the year, net of amortisation and depreciation.

Net Operating Working Capital overall increased by Euro 3,762 thousand compared to December 31, 2020. Specifically, the increase in trade receivables of Euro 13,309 thousand is due to the combined effect of the reduction of receivables in the organic scope (Euro 2,967 thousand) and the increase due to the entry into the GHC Group scope of Clinica San Francesco and Domus Nova, amounting to Euro 16,276 thousand. Similarly, the increase in inventories of Euro 835 thousand is due to the change in the consolidation scope, resulting in an increase of Euro 894 thousand, only in part offset by the reduction at like-for-like consolidation scope of Euro 59 thousand. This was the case also for the increase in trade payables of Euro 10,382 thousand, deriving from the new companies Clinica San Francesco and Domus Nova for Euro 10,892 thousand, net of the decrease at like-for-like consolidation scope of Euro 510 thousand. In other terms, the overall increase in this account of Euro 3,762 thousand is due to the increase from the change in the consolidation scope of Euro 6,278 thousand, and the decrease at like-for-like consolidation scope of Euro 2,516 thousand.

Other assets and liabilities decreased Euro 9,651 thousand, mainly due to the following effects: (i) increase in other liabilities for Euro 11,241 thousand, mainly due to the entry into the Group consolidation scope of Clinica San Francesco and of Domus Nova, which generated an increase in payables of Euro 7,587 thousand, an increase in tax payables of Euro 2,403 thousand, due to the increased taxable base, and increase in employee payables for Euro 656 thousand, related to the greater production volumes; (ii) increase in other assets of Euro 1,590 thousand mainly due to the increase in tax receivables following the payment of advances on direct taxes and receivables on investments in capital goods made during the year.

The net working capital therefore reports a net decrease of Euro 5,889 thousand due to the net operating working capital changes and the changes of other assets and liabilities outlined previously.

Net deferred taxes increased by Euro 15,625 thousand, mainly due to the change in the consolidation scope; more specifically, following the Purchase Price Allocation of Clinica San Francesco S.p.A. and Domus Nova S.p.A., most of the price paid for the purchase of these companies was allocated to the items Accreditation and Real Estate, generating the related deferred tax liabilities.

Provisions at December 31, 2021 increased Euro 6,234 thousand on December 31, 2020, mainly due to (i) the net increase in the Post-employment benefit provision for Euro 933 thousand, and (ii) the increase in the provisions for risks for Euro 5,301 thousand. In greater detail, the increase in the risks provisions is due to the following combined effects: (i) net accruals (excess of provisions over releases) of Euro 3,036 thousand, mainly due to local health authority risks (Euro 2,461 thousand) and healthcare cases (Euro 331 thousand) (ii) change in the consolidation scope for Euro 5,021 thousand (iii) equity utilisations for Euro 2,756 thousand (Euro 1,812 thousand concerning healthcare cases, Euro 612 thousand local health authority risks and Euro 332 thousand Other risks).

Net Capital Employed at December 31, 2021 was Euro 403,093 thousand, increasing Euro 102,183 thousand on Euro 300,911 thousand at December 31, 2020, mainly due to the increase in Fixed Capital of Euro 129,929 thousand, partially offset by the decrease in net working capital for Euro 5,889 thousand, the increase in Net deferred taxes for Euro 15,625 thousand and the increase in Provisions for Euro 6,234 thousand.

At December 31, 2021, the Net Financial Position (NFP) of the Garofalo Health Care Group was Euro 142,378 thousand, with Gross financial debt of Euro 183,792 thousand and liquidity of Euro 41,414 thousand. The NFP thus rose by Euro 44,688 thousand compared to December 31, 2020 mainly attributable to the increase in debt for the acquisition of the companies Clinica San Francesco, with the related properties, and Domus Nova, only partly offset by the share capital increase, amounting to Euro 41,820 thousand, which took place on January 21, 2021 through the accelerated bookbuilding procedure, and by the cash flow generated from operating activities.

Group Shareholders' Equity at December 31, 2021 was Euro 260,715 thousand, increasing on December 31, 2020 by Euro 57,494 thousand, mainly due to the share capital increase outlined above (net of the relative settlement costs), in addition to the net profit for the year.

Net Financial Position

Net financial debt was calculated according to the approach outlined in ESMA/2013/319 and Consob Communication No. DEM/6064293 of July 28, 2006. A breakdown of the composition of the net financial debt for the years ending December 31, 2021 and December 31, 2020 is provided below.

Consolidated data	2021 Euro '000	2020 Euro '000	Δ vs 2020 Euro '000
A Available liquidity	41,239	24,810	16,429
B Cash equivalents	39	41	(2)
C Other current financial assets	136	88	48
D Liquidity	41,414	24,939	16,475
E Current financial debt	24,163	15,888	8,275
F Current portion of non-current financial debt	21,499	16,894	4,605
G Current financial debt	45,662	32,782	12,880
H Net current financial debt (G - D)	4,248	7,843	-3,595
I Non-current financial debt	138,130	89,522	48,608
J Debt instruments	-	326	-326
K Trade payables and other non-current payables	-	-	-
L Non-current financial debt (I + J + K)	138,130	89,848	48,282
M Total financial debt (H + L)	142,378	97,691	44,688

Current financial debt at December 31, 2021 includes liabilities for lease contracts totalling Euro 4,840 thousand, whereas at December 31, 2020 the liability amounted to 3,504 thousand.

Non-current financial debt at December 31, 2021 includes liabilities for lease contracts totalling Euro 21,557 thousand, whereas at December 31, 2020 the liability amounted to 19,357 thousand.

A commentary on the principal changes since December 31, 2021 in the items comprising the Net Financial Position is provided below.

The increase in Liquidity of Euro 16,475 thousand is mainly due to the cash generated in the year and the change in consolidation scope.

Current financial debt increased by Euro 12,880 thousand, mainly due to the increase in advances and bank credit lines, amounting to Euro 6,927 thousand, reclassification of non-current loans as due within the next twelve months for Euro 12,839 thousand, new loans for 31,564 thousand, the taking over of mortgages for Euro 877 thousand and the change in the consolidation scope for Euro 3,988 thousand net of repayments of amounts due for Euro 44,713 thousand.

Non-current financial debt shows an increase of Euro 48,282 thousand, mainly due to the raising of new loans for Euro 148,209 thousand, the taking over of mortgages for Euro 5,263 thousand and the change in the consolidation scope for Euro 9,622 thousand, net of the reclassification of the portion of debt due in the following year for Euro 12,839 thousand and the repayment of loans settled of Euro 103,347 thousand.

The amounts indicated above relate to the drawdown and repayment of loans, including the refinancing transaction carried out by the GHC Group in December 2021, as outlined in greater detail in the "Loan contract signed by GHC S.p.A." at section "12 - Other Information" of this report, to which reference should be made for further information.

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

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

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

Operating EBITDA Adjusted

This indicator adjusts Operating EBITDA for non-recurring revenues and costs (e.g. net impact of additional COVID costs), one-off costs (e.g. M&A costs) and “non-regular” costs (e.g. management incentive plans) and ensures a like-for-like comparison with 2020.

2021 Operating EBITDA Adjusted was Euro 53,090 thousand, up 56.0% on Euro 34,036 thousand in the previous year, which was however impacted by the mandatory suspension of activities from March to combat the COVID pandemic. On a Pro-Forma basis, Operating EBITDA Adjusted would total Euro 54,837 thousand, compared to Euro 34,046 thousand in 2020 (+61.1%).

Consolidated data	FY'21 Actual	FY'20 Actual	FY'21 Pro-Forma	FY'20 Pro-Forma
	Euro '000	Euro '000	Euro '000	Euro '000
Operating EBITDA	46,962	30,567	48,709	30,578
Other costs (“Adjustments”)	6,128	3,469	6,128	3,469
Operating EBITDA Adjusted	53,090	34,036	54,837	34,046

EBIT Adjusted

This indicator adjusts EBIT for situations outlined above, and is provided to allow a like-for-like comparison with 2020. Compared to the previous year, EBIT Adjusted improved Euro 15,401 thousand (+81.2%). On a Pro-Forma basis, EBIT Adjusted would however total Euro 33,199 thousand, up Euro 14,403 thousand (+76.6%) on the 2020 figure of Euro 18,796 thousand.

Consolidated data	FY'21 Actual	FY'20 Actual	FY'21 Pro-Forma	FY'20 Pro-Forma
	Euro '000	Euro '000	Euro '000	Euro '000
EBIT	28,230	15,490	27,071	15,328
Other costs (“Adjustments”)	6,128	3,469	6,128	3,469
EBIT Adjusted	34,359	18,958	33,199	18,796

Operating EBITDA Adjusted Margin

The Operating EBITDA Adjusted Margin is calculated as Operating EBITDA Adjusted as a percentage of Revenues. In 2021, the Group Operating EBITDA Adjusted Margin, which adjusts Operating EBITDA for of the cases described above, was 18.7% (16.1% in 2020). The Operating EBITDA Adjusted margin in 2021 Pro-Forma would however be 17.7%, compared with 15.9% for 2020 Pro-Forma.

Consolidated data	FY'21 Actual	FY'20 Actual	FY'21 Pro-Forma	FY'20 Pro-Forma
	Euro '000	Euro '000	Euro '000	Euro '000
Operating EBITDA Adjusted	53,090	34,036	54,837	34,046
Revenues	283,672	210,846	309,827	214,199
Operating EBITDA Adjusted Margin	18.7%	16.1%	17.7%	15.9%

EBIT and Operating EBITDA

The Group's consolidated Net Profit, EBIT and consolidated Operating EBITDA for FY 2021 and FY 2020, both actual and pro-forma, are reconciled below.

Consolidated data	FY'21 Actual	FY'20 Actual	FY'21 Pro-Forma	FY'20 Pro-Forma
	Euro '000	Euro '000	Euro '000	Euro '000
Net Profit	18,843	11,784	17,498	11,477
Income taxes	5,145	1,238	5,216	1,255
Total investments at equity	(213)	(227)	(213)	(183)
Financial charges	4,512	2,758	4,652	2,844
Financial income	(56)	(64)	(82)	(65)
EBIT	28,231	15,490	27,071	15,328
Amortisation, depreciation and provisions	15,706	11,807	17,732	11,980
Impairments and other provisions	3,025	3,270	3,906	3,270
Operating EBITDA	46,962	30,567	48,709	30,578

ROI

ROI, i.e. return on investment, is calculated as EBIT Adjusted as a percentage of net capital employed.

Consolidated data	FY2021 Pro-Forma	FY2020 Pro-Forma
	Euro '000	Euro '000
EBIT Adjusted (A)	33,199	18,796
Net Capital Employed (B)	403,093	300,911
ROI (A/B)	8.24%	6.20%

ROE

ROE is calculated as net profit for the year as a percentage of Group consolidated shareholders' equity.

Consolidated data	FY2021 Pro-Forma	FY2020 Pro-Forma
	Euro '000	Euro '000
Net result (A)	17,498	11,477
Shareholders' Equity (B)	260,715	203,221
ROE (A/B)	6.71%	5.60%

Capital Expenditure (Capex)

This indicator is calculated taking as reference the sum of ordinary investments in property, plant and equipment and intangible assets (excluding the non-recurring investments for the expansion projects, non-recurring investment in latest generation machinery and the acquisition of the headquarters of Clinica San Francesco S.r.l. during the year, totalling Euro 20,548 thousand)

Consolidated data	FY2021	FY2020
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	Euro '000	Euro '000
Investments in tangible and intangible assets	13,981	7,468
= Capital Expenditure (Capex)	13,981	7,468

Cash Conversion

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

Consolidated data	FY2021 Pro-Forma Euro '000	FY2020 Pro-Forma Euro '000
Operating EBITDA Adjusted (A)	54,837	34,046
Capex (B)	13,981	7,468
Cash Conversion Cycle (A-B)/A	74.50%	78.10%

Net Financial Debt / Net Equity

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

Consolidated data	FY2021 Euro '000	FY2020 Euro '000
Net financial debt	142,378	97,691
Net Equity	260,715	203,221
Ratio between net financial debt and shareholders' equity	0.55	0.48

Days sales outstanding

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

Consolidated data	FY2021 Pro-Forma Euro '000	FY2020 Pro-Forma Euro '000
Trade receivables (A)	74,720	61,411
Revenues from services (B)	303,450	210,096
Days sales outstanding (A/B*365)	90	107

Days purchases outstanding

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

Consolidated data	FY2021 Pro-Forma Euro '000	FY2020 Pro-Forma Euro '000
Trade payables (A)	46,239	35,857
Raw materials and services (B)	174,053	118,989
Days purchases outstanding (A/B*365)	97	110

Days inventory outstanding

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

Consolidated data	FY2021 Pro-Forma	FY2020 Pro-Forma
	Euro '000	Euro '000
Inventories (A)	4,322	3,487
Raw materials and consumables (B)	43,699	28,785
Days inventory outstanding (A/B*365)	36	44

3. PARENT COMPANY PERFORMANCE

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

2021 Parent Company revenues were Euro 4,658 thousand and related to the partial recharges of Parent Company costs to the subsidiaries for administrative co-ordination, financial, corporate and IT services.

Operating EBITDA reported a loss of Euro 3,737 thousand as a result of the costs incurred by the Parent Company during the year for the execution of Holding Company core operations and one-off costs relating to M&A's (Euro 1,418 thousand) and costs for the Performance Share Plan (Euro 294 thousand), as described in previous paragraphs. Adjustments in 2020 concerned M&A and Stock Grant Plan costs, totalling Euro 869 thousand.

The 2021 net profit was Euro 1,226 thousand, decreasing Euro 320 thousand on 2020 (Euro 1,546 thousand), principally due to higher costs incurred for M&A's.

Individual data	FY2021	FY2020	D vs. FY2020
Income Statement	Euro '000	Euro '000	Euro '000
Revenues	4,658	4,002	656
Operating EBITDA	(3,737)	(1,945)	(1,792)
Pre-tax result	(427)	964	(1,391)
Net Profit	1,226	1,546	(320)

The condensed balance sheet of Garofalo Health Care S.p.A. at December 31, 2021 compared with the previous year is presented below.

Individual data	FY2021	FY2020	D vs. FY2020
Balance Sheet	Euro '000	Euro '000	Euro '000
Net capital employed	338,292	181,690	156,602
Net Equity	185,643	146,243	39,400
Net financial debt	152,648	35,447	117,201

Net Capital Employed amounted to Euro 338,292 thousand and consisted primarily of equity investments in subsidiaries of Euro 197,505 thousand, and other non-current financial assets of Euro 129,996 thousand. The increase on 2020

principally derives from higher other non-current financial assets for Euro 121,348 thousand, comprising receivables from subsidiaries arising following the Refinancing outlined below, and the increase in equity investments for Euro 33,938 thousand due to the purchase of the company Domus Nova.

Shareholders' Equity at December 31, 2021 amounts to Euro 185,643 thousand, against Euro 146,243 thousand in the previous year, increasing Euro 39,400 thousand, as a result of the share capital increase in January 2021 through the Accelerated Book Building ("ABB") which involved the placement of 8,500,000 shares, including newly issued shares and shares for sale, for a total value of Euro 43,350,000.

The net financial debt of Euro 152,648 thousand increased Euro 117,201 thousand compared to the previous year as on November 16, 2021 GHC S.p.A. signed a new loan agreement for a total amount of Euro 221 million. The loan consists of a Refinancing Line of Euro 140 million and an Acquisition Line of Euro 81 million. The Refinancing Line has allowed GHC S.p.A. to restructure and simplify its financing thanks to the issue of a single loan of the Holding and the simultaneous provision of inter-company loans by GHC S.p.A. to the subsidiaries in order to settle all their outstanding loans. Financial receivables from subsidiaries due beyond 12 months of Euro 129,996 thousand at December 31, 2021 are recorded under "Other non-current financial assets" and are not included in the calculation of the financial debt reported above, presented as per IAS 7 "Statement of cash flow". For further details on the loan, reference should be made to the Other Information section of the Directors' Report.

4. RECONCILIATION BETWEEN PARENT COMPANY AND CONSOLIDATED FINANCIAL STATEMENTS

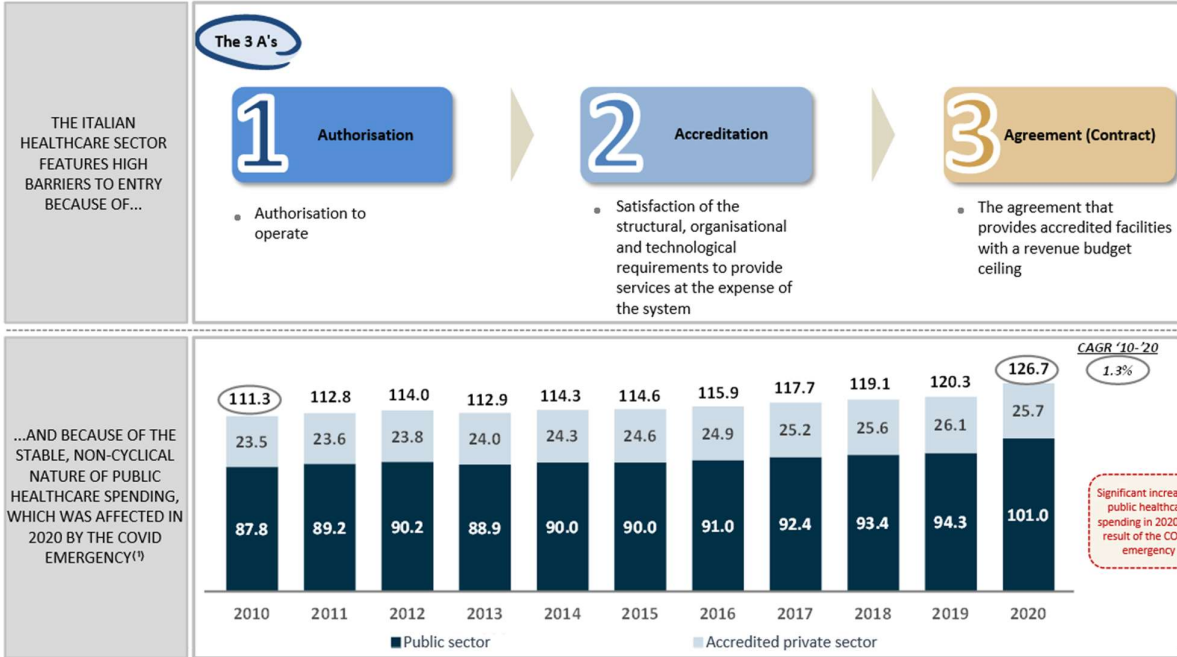
(in Euro thousand)	FY 2021	FY 2021
	Shareholder' Equity	Net Result
Financial Statements of the Parent Company Garofalo Health Care S.p.A.	185,643	1,226
Dividends from companies included in consolidation	(871)	(5,107)
Net contributions of the consolidated companies	74,716	23,721
Other consolidation adjustments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

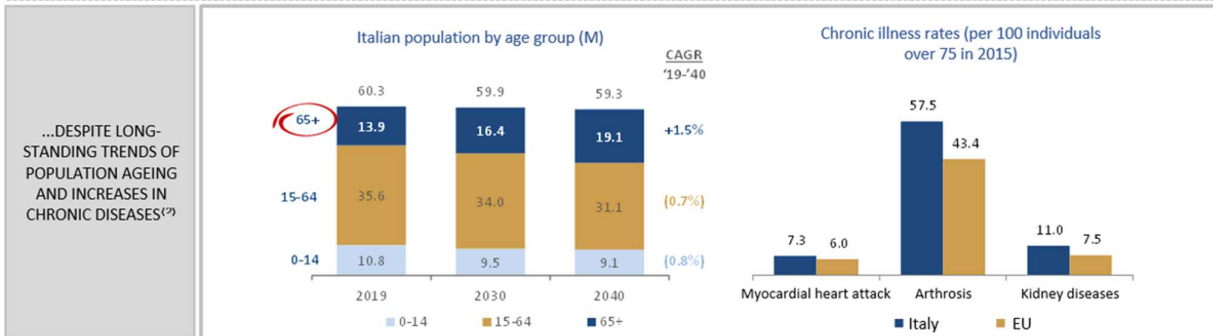
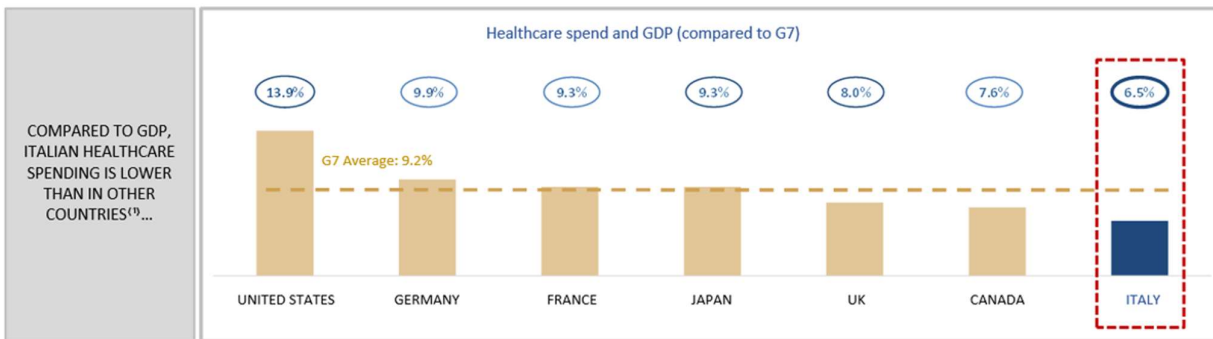
(in Euro thousand)	FY 2020	FY 2020
	Shareholder' Equity	Net Result
Financial Statements of the Parent Company Garofalo Health Care S.p.A.	146,243	1,546
Dividends from companies included in consolidation	(595)	(4,493)
Net contributions of the consolidated companies	56,753	14,708
Other consolidation adjustments	-	(207)
Valuation at equity method	754	227
Consolidated financial statements, Group share	203,155	11,781
Minority interest results	3	3
Non-controlling interests capital and reserves	63	-
Result/Consolidated shareholders' equity	203,221	11,784

5. SECTOR PERFORMANCE

General items

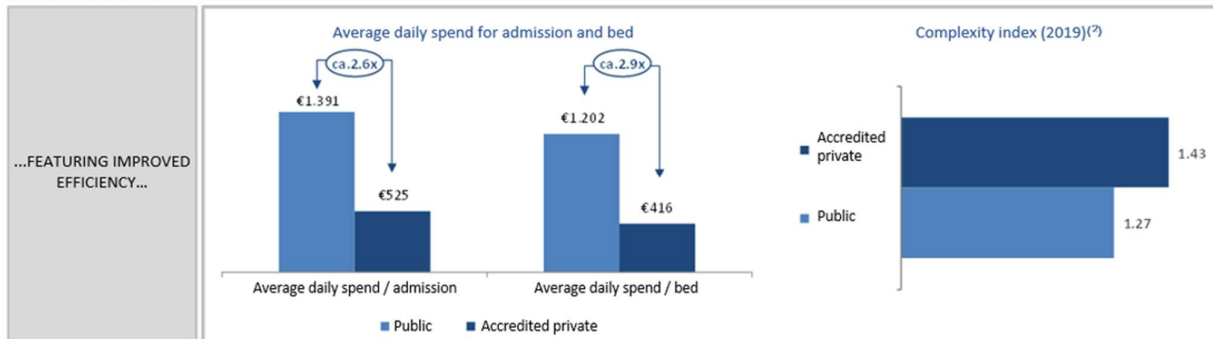
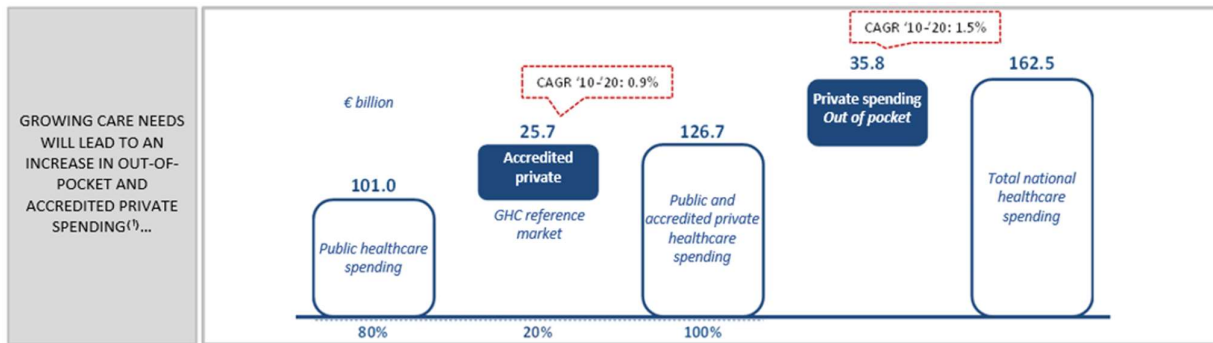
The Italian healthcare sector features high barriers to entry and generally acyclical public healthcare spend, impacted in 2020 by the COVID-19 healthcare emergency.





(1) Italian Private Hospital Association (AIOP) 2021. Data for G7 countries refer to 2019
 (2) OECD, Eurostat, "The 2021 Ageing Report". Istat Report 2017, "The elderly: health conditions in Italy and the European Union"

These aspects in the future should lead to an increase in private out-of-pocket and private accredited spend, in order to ensure an adequate response to the population's healthcare needs. In this regard, it should be noted that private healthcare clinics overall tend to be more efficient than public facilities, even though providing highly complex services.



Data referring to the hospital sector, acute patients
 (1) 2021 OASI Report on 2020 data, Italian Private Hospital Association (AIOP) 2021 on 2019 data
 (2) The complexity index is a synthetic indicator of the complexity level of the illnesses treated. It is calculated as the average of weightings attributed to each group of patients (through DRGs) on the total number of discharges

National Recovery and Resilience Plan ("NRRP")

In April 2021, the Italian Government drafted the National Recovery and Resilience Plan ("PNRR"), the document that illustrates to the European Commission the methods and areas of intervention with which Italy intends to invest the funds that will arrive under the Next Generation EU program, prepared in light of the COVID-19 pandemic.

the NRRP groups investment projects into 16 components, in turn grouped into 6 missions (Digitalisation, innovation, competitiveness, culture and tourism; Green revolution and ecological transition; Infrastructure for sustainable mobility; Education and research; Cohesion and inclusion; Health).

Specifically, Mission no. 6 has two components:

1. Proximity networks, facilities and telemedicine for territorial health care

Work in this area is designed to reinforce the services provided in the country by strengthening and creating national clinics and centres (such as Community Homes and Community Hospitals), home care, developing telemedicine and a more effective integration with all social-health services.

2. Innovation, research, and digitalisation of the National Healthcare Service

The measures included in this area will enable the upgrade and modernisation of existing technological and digital structures, and the completion and distribution of the Electronic Health File (*Fascicolo Sanitario Elettronico* - FSE), an improved capacity for delivery and monitoring of Essential Care Levels (ECL) through more effective information systems. Significant resources are also earmarked for scientific research, to encourage the transfer of technology, and to improve the skills and human capital of the National Healthcare Service, including through better staff training.

A table summarising the investments planned in relation to Mission No. 6 for a total of Euro 15.63 billion (to be used in the period 2021-2026) is presented below.

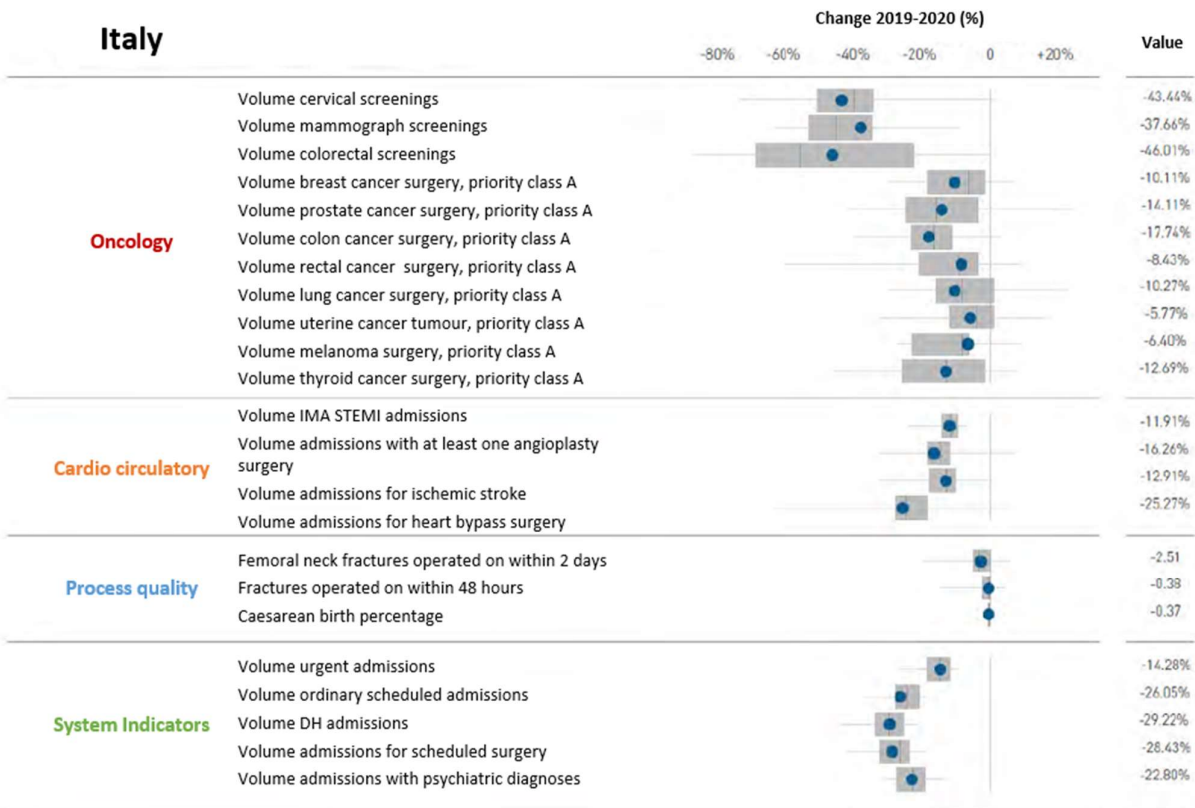
Components of Mission No. 6	Main guidelines and investment rationale
<p>Proximity networks, facilities and telemedicine for national health care (Euro 7.0 billion)</p>	<ul style="list-style-type: none"> - Strengthen the National Healthcare Service, aligning services with the needs of communities and patients, also in light of the critical issues emerging during the pandemic. - Strengthen outreach and home healthcare facilities and services - Develop telemedicine and overcome the fragmentation and lack of homogeneity of healthcare services offered in the country; - Develop advanced telemedicine solutions to support home care
<p>Innovation, research, and digitalisation of the National Healthcare Service (Euro 8.63 billion)</p>	<ul style="list-style-type: none"> - Develop a public health system that increases investments in the healthcare system in terms of human, digital, structural, instrumental and technological resources - Improve scientific research in biomedical and healthcare fields - Strengthen and innovate the technological and digital structure of the NHS at National and Regional level to ensure significant changes in the ways that healthcare is provided, improving the quality and timeliness of care, enhancing the role of the patient as an active part of the clinical and care process, and ensuring greater capacity for governance and health planning driven by data analysis, in full respect of the security and protection of data and information

Further regulatory interventions in the sector

As regards the legislation enacted in 2021 to tackle the effects of COVID-19, it should be noted that some Decrees (the Italian Healthcare Decree, the Support and Support-*bis* Decrees) envisage measures to boost healthcare spending and could create the possibility for the GHC Group to provide additional healthcare services in support of the National Healthcare Service.

Such action could include, but is not limited to, regulatory intervention aimed at reducing waiting lists as set out by Decree-Law No. 104 of 2020, with which the National Health Requirement was increased by Euro 478.2 million to allow re-absorption of outpatient services and screening and the recovery of hospital admissions not carried out due to the COVID-19 pandemic.

With particular reference to the issue of waiting lists, presented below is the study published in 2021 by Agenas ("The resilience of regional health services and services not provided due to the COVID-19 emergency - Focus on hospital services provided in 2020"), which shows a significant decline in services provided in Italy in 2020 compared to 2019. The figures show 1.3 million hospitalisations and 144.5 million fewer outpatient specialist services - underlining the extensive indirect impact of the pandemic - which will therefore need to be made up for in the near future.



COVID rates per 100,000 residents (January - December 2020) 3496 <100,000





6. INVESTMENTS

Recurring investments

During 2021, 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.

Investments in new development equipment

In addition to the above, in 2021 GHC continued its implementation of the investment plan which began in 2020, dedicated in particular to new very latest generation machinery and technology, partly to fully tap into all development opportunities from the growing need for healthcare and heightened by the COVID-19 emergency. The main investments are reported below.

Clinic	Main development investments	Highlights
CMSR Veneto Medica	 3T MRI	<ul style="list-style-type: none"> - Latest version of magnetic resonance systems - Guarantees high quality images and quick examinations - Has allowed the facility to become a point of reference for the two regional Multiple Sclerosis centres
	 Cardiac CT	<ul style="list-style-type: none"> - Standards of excellence in equipment for cardiovascular exams - Permits very high fidelity image reproduction, able to provide, in a short time, a 3D reconstruction of the organ perfectly corresponding to a "live" shot.
Villa Berica	 1.5T MRI	<ul style="list-style-type: none"> - Allows the highest quality MRI's, which are faster and more comfortable for the patient - Environmentally friendly due to "helium-free" operation
Aesculapio	 1.5T MRI	<ul style="list-style-type: none"> - This equipment enables every kind of RM exam to be carried out at the highest quality levels - Aesculapio is today among the very few accredited private outpatient clinics in the province of Modena with this technology

Investments in expansion assets

During 2021 the Group also undertook investments in non-current assets of a non-recurring nature within the framework of long-term development and expansion projects designed to increase production capacity and diversify the type of services offered. A brief description of the main expansion projects in progress is presented below.

Clinic	Main expansion investments	Highlights
Villa Fernanda and S. Marta (Fides Group)	 <p><i>Villa Fernanda</i></p> <p><i>S. Marta in progress</i></p>	<ul style="list-style-type: none"> - Acquisition of a building located in Genoa that had been used as a school in order to relocate the activities carried out at the Santa Marta facility to this property - Renovation activities at Santa Marta are in progress
Eremo di Miazzina	 <p><i>Expansion of Istituto Raffaele Garofalo</i></p> <p><i>in progress</i></p>	<ul style="list-style-type: none"> - 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
Villa Garda	 <p><i>Expansion of Villa Garda</i></p>	<ul style="list-style-type: none"> - Expansion of the facility through a new construction next to the existing building. - The investment also covers the extension of the existing Aula Magna to accommodate conferences and medical congresses
Aesculapio	 <p><i>Creation of new clinics and rehabilitation spaces</i></p>	<ul style="list-style-type: none"> - This expansion project includes: (i) the installation of the new 1.5T MRI on the ground floor together with a 16-slice Philips CT scanner from the Villa Berica facility in Vicenza and (ii) the construction of five medical clinics and a space for rehabilitation activities.

During the last quarter, the first phase of a project to expand and reorganize the existing structure was launched at Hesperia Hospital Modena. This project provides for an increase in production capacity with the reorganization of the operating block, which includes the creation of a new operating room and a new day surgery room, in addition to the unification of intensive care places, the creation of new paths more suitable to the current surgical care settings, as well as the creation of a new area to be allocated to centralized acceptance for outpatient specialists.

7. COVID-19 OVERVIEW

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

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

Region	Clinic	Main activities carried out to support the public system
Emilia-Romagna	Hesperia Hospital	<ul style="list-style-type: none"> ▪ Local health authority weekly operating room sessions made available to the Policlinico and Modena for oncological senology procedures and for orthopaedic procedures, in addition to 14 beds for general medicine
	Ospedali Privati Riuniti	<ul style="list-style-type: none"> ▪ Made a ward available for COVID patients in addition to operating room sessions to allow the Istituto Ortopedico Rizzoli to carry out orthopaedic surgery at its clinic in Villa Regina

	Casa di Cura Prof. Nobili	<ul style="list-style-type: none"> Opened wards dedicated to COVID patients emerging from the acute phase but still testing positive for the virus (30 beds).
Veneto	Villa Berica	<ul style="list-style-type: none"> Made available a 14-bed ward dedicated to Covid patients between January and February
Tuscany	Rugani Hospital	<ul style="list-style-type: none"> Opened wards dedicated to COVID patients emerging from the acute phase but still testing positive for the virus (10 beds).
Piedmont	Eremo di Miazzina	<ul style="list-style-type: none"> Opened wards dedicated to COVID patients emerging from the acute phase but still testing positive for the virus (32 beds).

The GHC Group 2021 consolidated results - although partly impacted by the activities in support of the Public system (especially in H1), which impacted on the full use of production capacity and the most efficient operating scheduling - indicate a marked recovery in productivity on the previous year.

With reference to the 2021 income statement, COVID-19 resulted at consolidated level in one-off costs (“additional COVID costs”) for Personnel Protective Equipment (“PPE”), swabs / tests, the preparation and management of triage areas and the dedicated distancing pathways, only in part reimbursed by the local health authorities.

As regards the Balance Sheet, COVID-19 resulted at consolidated level in the recognition to GHC clinics as a result of the COVID-19 emergency by the main Regions in which the Group operates of a monthly advance of between 80% and 100%, according to each individual case, of the agreed regional and extra-regional production for 2019 or that of the budget agreement. To December 31, 2021, these advances totalled approx. Euro 10.5 million (including approx. Euro 2.6 million for Domus Nova, which entered the consolidation scope in August 2021). There were no delays in collections due to COVID-19.

8. GHC GROUP ORGANISATIONAL MODEL AND REGULATORY SYSTEM

GHC Group organisational model

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

In particular, the parent company:

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

Likewise, each subsidiary:

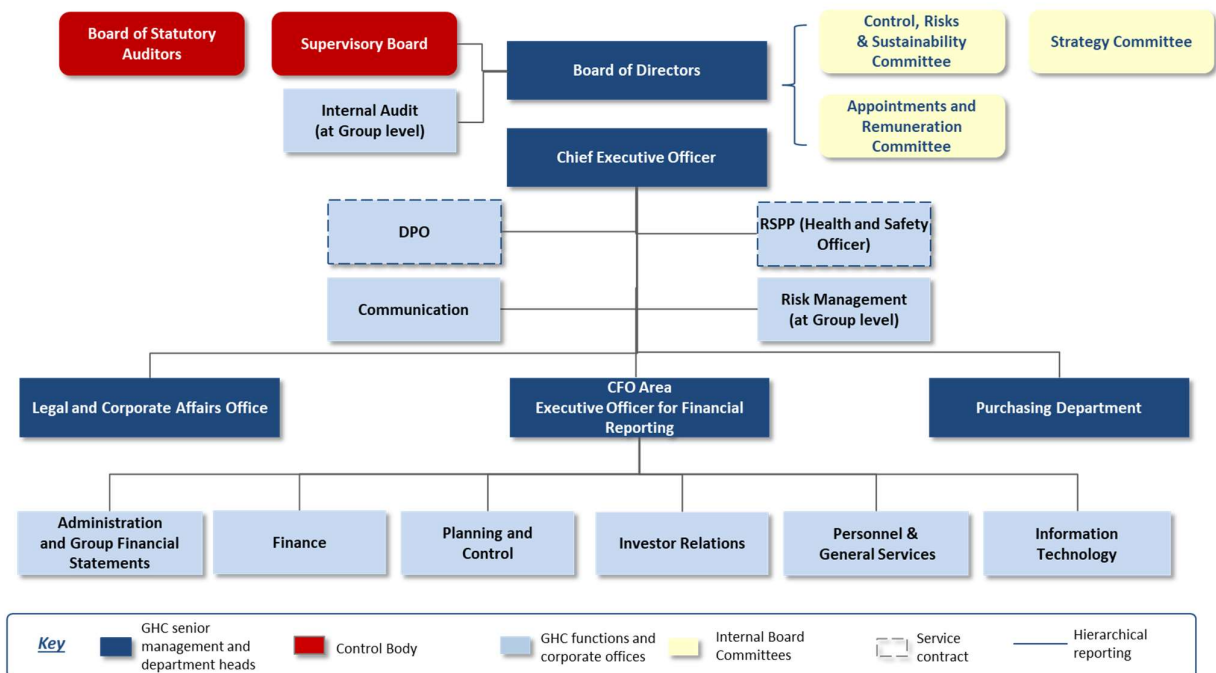
- independently manages its own healthcare and dependency care services;
- formulates and implements its own budget/business plan;
- periodically defines its financial needs.

Organisational model of the Parent Company

The organisational model of the Parent Company, updated in 2021, requires the following Departments / Functions and Teams to directly report to the Chief Executive Officer of the Company:

- **General Management:** (i) manages the administration, finance, planning and control activities of the Group so as to ensure the use of 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; (iv) promotes and guarantees Corporate Sustainability activities, in order to create a culture of sustainability within the Group; (v) oversees the procurement of goods and services to support the Company's operations and contributes to the Group's purchasing policies in line with corporate strategies; and (vi) guarantees the technical and organisational coordination of Group companies.
- **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:** supports the CEO in relations with investors, financial backers and other stakeholders, and manages official disclosures to the Italian Stock Exchange and the market.

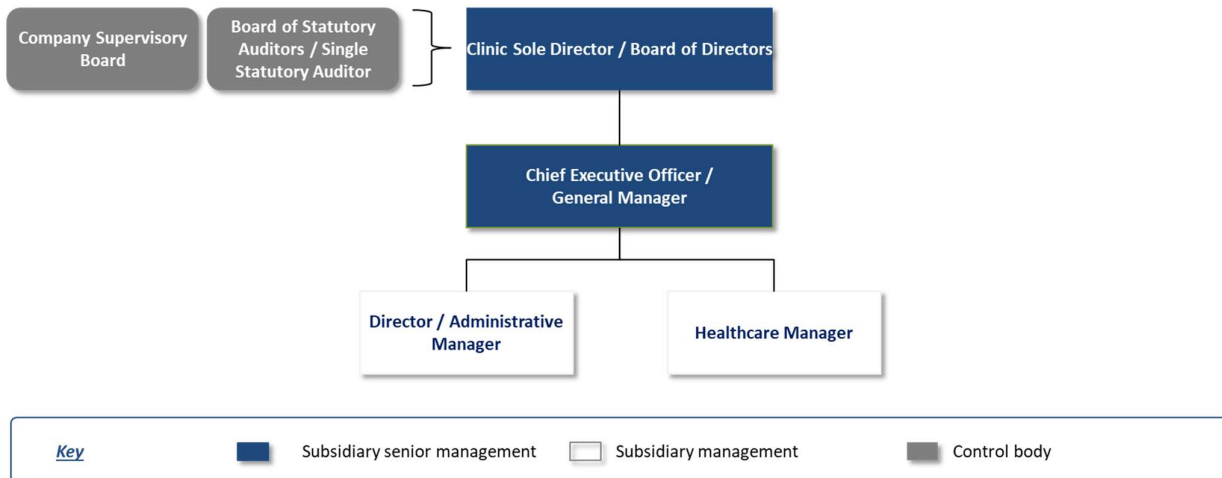
The organisational model also provides that, based on the indications provided by the Corporate Governance Code, the Internal Audit Function, which co-ordinates activities at Group level, reports directly to the Board of Directors of GHC S.p.A. in order to guarantee its autonomy and independence.



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;
- 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.

Group Regulation

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

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

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

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

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

Therefore, the purpose of the Regulation is to indicate:

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

Group regulatory system

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

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

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

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

Internal Control and Risk Management System

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

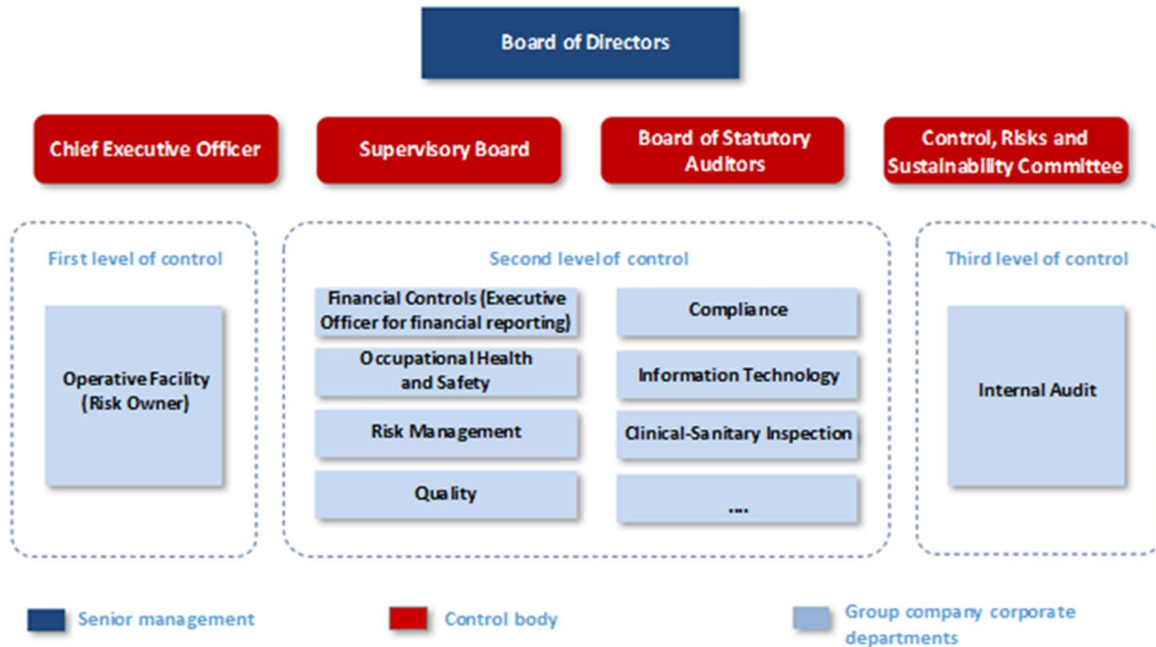
In this context, the Board of Directors of GHC, which bears responsibility for the ICRMS, within its role of management and coordination of the GHC Group, has prepared the "Guidelines for the Internal Control and Risk Management System" ("**Guidelines**"), updated to the new Corporate Governance Code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

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

- the presence of a Chief Executive Officer (the CEO of GHC) who is responsible for establishing and maintaining the ICRMS;
- the presence of organisational structures in charge of carrying out and assessing risk management activities (Control, Risks and Sustainability Committee, Risk Management Function and Internal Audit Function);
- the presence of an Internal Audit Function delegated by the Board of Directors to provide independent assurance on the efficiency and effectiveness of the ICRMS;
- the setting up of a risk management system in relation to the financial reporting process introduced in compliance with the provisions of Article 154-bis of the Consolidated Finance Act;

- the establishment of a Group regulatory system involving specific communication and awareness programmes (Code of Ethics to promote and maintain an adequate level of correctness, transparency and ethics in the conduct of Group activities, Organisation and Management Model pursuant to Legislative Decree No. 231/2001).

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



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

- First level: line controls (procedural, IT, behavioural, administrative-accounting, etc.), i.e. checks carried out by operational structures in order to identify and mitigate risks relating to the areas for which they are responsible;
- Second level: controls carried out by the corporate Functions with specialist supervisory responsibility for managing the Group's risks (Risk Management, Legal, Compliance, Occupational Health and Safety and Environment, Administration and Control);
- 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.

Group information flows

The GHC Group Information Flow Guidelines ("**Information Flows**"), also approved in 2020 by the GHC Board of Directors, 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.

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.

Directly as a result of these considerations, in 2020 the Board of Directors of GHC S.p.A. approved the adoption of the Risk Management model based on the 2017 version of the COSO framework "Enterprise Risk Management (ERM)". As part of the Internal Control and Risk Management System, the basis was established for the adoption of a single, integrated Risk Management system within the Company's organisational and governance structure for the periodic analysis, assessment, management and monitoring of risks within the organisation.

In line with the approved ERM model, the GHC Group's risk management is based on a process carried out in order to deal with the organisation's risks in an integrated manner and to provide 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 Company, in addition to its protection.

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

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

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

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

In this regard, 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.

Risk management in relation to financial reporting in the post-M&A Target integration phase

GHC on IPO set a "Buy & Build" strategy, which identifies M&A's as one of the main drivers of its development over the short and medium term, confirmed also in 2021 with the acquisition of San Francesco S.r.l. and Domus Nova S.p.A..

This strategy is based on the creation of a "platform for growth" comprising of four pillars: (i) "M&A policy", which sets the specific characteristics sought in potential Targets, (ii) compliance analysis, through which GHC performs a preliminary analysis of the Target pre-acquisition, (iii) identification of the Target's "Full Potential", i.e. its mid-term intrinsic value after synergies and efficiencies and (iv) "Plug & Play" post-acquisition integration process, i.e. standard and replicable.

In relation to this latter point, it should be noted that GHC has developed a standard and scalable 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.

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

The Group is exposed to the risks associated with civil liability under the law for injuries caused to patients hospitalized or receiving care in its healthcare facilities as a result of negligence or wilful misconduct in the provision of hospital and/or local residential and outpatient care by physicians and other healthcare professionals, or as a result of incomplete insurance cover for medical liability claims.

Law No. 24 of March 8, 2017 (the "Gelli-Bianco Law" or "Law No. 24/2017") introduced a new medical liability system, extending to both civil liability, in the twofold form of the contractual liability of the health facilities and the extra-contractual liability of healthcare professionals, and the criminal liability ascribed to such professionals for injuries sustained by patients as a result of acts or omissions in the course of practicing their professions. The GHC Group adopts a composite coverage policy for the above risks, within which only certain facilities (namely Villa Von Siebenthal, which treats the mentally ill, Casa di Cura Prof. Nobili, Domus Nova, Poliambulatorio Dalla Rosa Prati, XRay One and OPR) have contracted insurance policies, while others operate under the "self-insurance" scheme, provisioning appropriately for loss events that have occurred, whose risk of an unfavourable outcome is deemed likely by an outside legal opinion on the basis of the characteristics of the specific loss events, and the resulting provisions are then revised with half-yearly frequency according to claims management performance and/or legal action taken by the injured parties.

Risks associated with the protection of personal and sensitive data and the implementation of the new Reg. No. 679/2016

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 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 regard to the risks associated with waste disposal, and in particular the disposal of hazardous materials, Group companies take the necessary measures to ensure that they comply with laws and regulations applicable to the health sector.

The Group is currently analysing risks related to the environment and climate change and believes, taking into account the implications of these risks in the application of existing accounting standards and the type of activities carried out by Group companies, that the effect of these risks is not reasonably significant for the consolidated financial statements. The Group will continue to monitor the development of these risks in its risk assessment

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 an organisation and management model as per Article 6, paragraph 1, letter a) of Legislative Decree No. 231/2001 (the “**231 Model**”)⁽¹²⁾, (ii) adopted the Group Ethics Code and (iii) appointed a Supervisory Board. The Group companies with organisational autonomy have (i) adopted 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

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

This risk is managed by each Group company and the respective Directors and is periodically monitored by the Parent Company through financial and operating reports. The maximum exposure to the credit risk for the Group at December 31, 2021 and December 31, 2020 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 2021, in view of the recent changes relating to COVID-19, 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 and in view also of the impacts of the spread of COVID-19, the Company does not consider additional specific risks to have arisen on the recoverability of receivables from these parties.

⁽¹²⁾ The 231 Model was adopted by GHC’s BoD on August 8, 2018 and was subsequently updated on July 30, 2020.

Liquidity risk

Liquidity risk concerns the risk that the financial resources are not sufficient to meet financial and commercial obligations under the pre-established terms and maturities.

The Group considers this risk as moderate in view of the fact that Group clinics are mainly located in Regions with balanced healthcare budgets, which therefore reduces, if not entirely excludes, the risk that healthcare service payments are delayed or defaulted upon by these Regions.

Liquidity risk is managed by the individual Group companies and the respective Directors and is periodically monitored by the Parent Company through financial and operating reports. In this manner, the Group aims to ensure adequate coverage of its financial needs, monitoring loans, credit lines granted and relative utilisations in order to ensure optimum management of the resources and any temporary excess liquidity.

In addition, the Group seeks to maintain an optimal capital structure so as to gradually reduce its borrowing costs.

In 2021, in view of the COVID-19 related health emergency, the Group closely monitored its financial situation and did not require significant liquidity or working capital support.

The NFP at December 31, 2021 benefitted further from the advances disbursed by the main regions in which the Group operates for approx. Euro 10.5 million. These granted GHC hospitals - due to the COVID-19 emergency - a monthly advance of between 80% and 100%, according to each individual case, of the agreed production for the year 2019 or that of the budget agreement.

Therefore, on the basis of the information currently available and also in view of the recent changes in the pandemic, the Company expects that the funds and credit lines currently available, in addition to those that will be generated from operating and financial activities, will permit the Group to satisfy its requirements deriving from investment activities, working capital management and the repayment of debt in accordance with their contractual maturities.

Interest rate risk

The Group's interest rate risk derives from medium- and long-term debt at variable rates. In order to assess the potential economic and financial impact of any change in interest rates on the year under review, a sensitivity analysis was carried out that simulates the effect of a 1% increase and a 0.25% decrease in the annual interest rate.

(In Euro thousands)	At 31 December 2021 ⁽¹³⁾		
	Interest on mortgage loans	Interest +1%	Interest -0.25%
Total	2,234	2,652	2,074
Change		419	-159

On November 16, 2021, the Group signed a loan contract for a total of Euro 221,000,000.00, of which Euro 138,864,162.98 allocated to settle the previous medium/long-term loan and the relative derivative contracts. The new loan is at a variable rate, with a zero floor and is currently not hedged by derivatives. Management is assessing any risk hedges, constantly monitoring the interest rate curves.

Risks related to the conflict in Ukraine

In the recent framework of uncertainty generated by the conflict in Ukraine, the Group is monitoring the possible risks, direct and indirect, arising from this crisis on its operating activities. Considering that the Group has no operations in Ukraine or Russia and has no direct exposure to these markets, in terms of either sales or purchases, there are no direct risks for the Group. However, this conflict is generating unexpected geopolitical instability which could entail, especially if protracted, indirect risks linked to a further increase in energy prices and, consequently, in the supply prices of certain

⁽¹³⁾ Half-yearly interest

consumables. These indirect risks are not currently significant, but the Group will continue to monitor developments over the coming months.

Cybersecurity Risks

The Group constantly monitors possible attacks on its information systems and the relative exposure to risk, also in terms of the theft of sensitive data of a "managerial" nature of the companies and of a "personal" nature of patients. In order to combat these risks, the Company has therefore begun to deploy structured actions to consolidate its control systems, providing constant information flows both internally and externally (for example, to the Italian Data Protection Authority).

10. SIGNIFICANT EVENTS AFTER THE YEAR END

There were no subsequent events to year-end.

11. OUTLOOK

Against a backdrop still impacted by the national spread of COVID-19, the ongoing vaccination campaign and measures approved at institutional level to support a rapid recovery are gradually restoring confidence that the situation will continue to improve.

In addition, a number of Italian Regions already by the end of 2021 had increased their healthcare budgets in order to cut waiting lists, which had risen further as a result of the pandemic.

Looking ahead to 2022, the Group is confident of continued growth, also organically, with Revenues and Op. EBITDA Adjusted expected to beat 2021, also at like-for-like consolidation scope. This outlook considers the growing importance of healthcare nationally, increasingly seen as an essential primary good, which plays an ever more important role in the accredited private sector, as part of the health and dependency care provision of the individual Regions, against a backdrop of growing care needs. It considers also the benefit from certain specific Group development plans, which shall progressively benefit from the completion of the expansion projects on the "new S. Marta" (in 2022) and the Istituto Raffaele Garofalo (from 2023).

It should be noted that these growth forecasts, including on an organic basis, already include estimates for the higher energy-related costs, which it is assumed can be largely absorbed by budget increases (e.g. for the recovery of waiting lists), also in view of their insignificant weight at Group level, taking into account that the GHC clinics are not considered "energy-consuming" companies.

Finally, in line with the Buy & Build strategy undertaken since the IPO, the Group confirms also for 2022 its strategic focus on M&A driven growth, through acquisitions of excellent clinics with non-dilutive performances, also going forward.

12. OTHER INFORMATION

Corporate governance and shareholders

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

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

This report for the year 2021 was approved by the Board of Directors on March 16, 2022 and is available on the Company website www.garofalohealthcare.com, in the Governance/Shareholders' Meeting section. The Company is organised

according to the traditional administration and control model, which includes the Shareholders' Meeting, the Board of Directors and the Board of Statutory Auditors.

The current Company By-Laws were approved by the Shareholders' Meeting in extraordinary session on September 26, 2018 and entered into effect on November 9, 2018, the trading commencement date of the Company shares on the Mercato Telematico Azionario (MTA) managed by Borsa Italiana S.p.A., and are available on the company website (www.garofalohealthcare.com, in the "Governance/Corporate Governance" section) in the updated version of January 26, 2021 following the share capital increase with exclusion of pre-emption rights in accordance with Article 2441, paragraph 4 of the Civil Code, approved by GHC's Board of Directors on January 20, 2021. 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.

On April 30, 2021, the Shareholders' Meeting appointed the new Board of Directors using the slate voting mechanism. The Board comprises 11 members and has a duration of three financial years (2021, 2022 and 2023).

Following the Meeting, the Board of Directors assessed the independence of the newly appointed Directors as per Article 148, paragraph 3 of the CFA and Recommendation 9 of the Corporate Governance Code.

At December 31, 2021, the Company's Board of Directors was therefore comprised as follows:

1. Alessandro Maria Rinaldi (Chairperson of the Board of Directors)
2. Maria Laura Garofalo (Chief Executive Officer)
3. Claudia Garofalo (Director)
4. Alessandra Rinaldi Garofalo (Director)
5. Giuseppe Giannasio (Director)
6. Guido Dalla Rosa Prati (Director)
7. Javier de La Rica Aranguren (Director)
8. Federico Ferro-Luzzi (Independent Director)
9. Nicoletta Mincato (Independent Director)
10. Giancarla Branda (Independent Director)
11. Franca Brusco (Independent Director)

The Board of Directors thus composed will remain in office until the date of the Shareholders' Meeting called to approve the financial statements at and for the year ending December 31, 2023.

As regards corporate governance, on April 30, 2021, the Board of Directors:

- set up a Control, Risks and Sustainability Committee assigned the functions identified by the Corporate Governance Code regarding internal control and risk management and sustainability in company policies, in addition to related party transactions (with the exception of the matter of remuneration which is within the scope of the Appointments and Remuneration Committee);
- set up an Appointments and Remuneration Committee, assigning the functions identified by the Corporate Governance Code concerning appointments and remuneration;

On October 28, 2021, the Board of Directors:

- appointed Mr. Luigi Celentano as the Executive Officer for Financial Reporting in accordance with Article 154-bis, first paragraph of the CFA, effective as of November 1, 2022.

The current Board of Statutory Auditors was appointed using the slate voting method by the Shareholders' Meeting on April 30, 2021 for the three-year period 2021-2023, and will remain in office until the Shareholders' Meeting called to approve the financial statements for the year ended December 31, 2023.

The Company's Board of Statutory Auditors was comprised as follows at December 31, 2021:

1. Sonia Peron (Chairperson of the Board of Statutory Auditors)

2. Francesca di Donato (Statutory Auditor)
3. Alessandro Musaiò (Statutory Auditor)
4. Andrea Bonelli (Alternate Auditor)
5. Marco Salvatore (Alternate Auditor)

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

Stock Grant Plan 2019 - 2021

On September 26, 2018, and on the proposal of the Board of Directors, the Shareholders’ Meeting approved a remuneration plan based on shares of the Company, i.e. a stock-grant plan designated “2019 - 2021 Stock Grant Plan” (the “**Stock Grant Plan**”), reserved for Directors and managers of the Company and/or Group companies occupying managerial positions deemed significant within the Group and exerting a material impact on the creation of value for the Company and its shareholders.

The Stock Grant Plan calls for the free assignment to the beneficiaries of the Plan of rights to receive a maximum of 2,775,000 shares free of charge in the years 2019 (1st Plan Cycle), 2020 (2nd Plan Cycle) and 2021 (3rd Plan Cycle).

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 Stock Grant Plan is divided.

For further details on the Stock Grant Plan, reference should be made to the Remuneration Policy 2022 and Remuneration Report 2021, the relative Disclosure Document drawn up in accordance with Annex 3A, Scheme 7 of the Issuers’ Regulation and the related Disclosure to the Public as per Article 84-bis, paragraph 5 of the Issuers’ Regulation, made available on the GHC website www.garofalohealthcare.com, in the “Governance/Shareholders’ Meetings” and “Governance/Remuneration” sections.

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, reference should be made to the Remuneration Policy 2022 and Remuneration Report 2021 and the relative Disclosure Document drawn up in accordance with Annex 3A, Scheme 7 of the Issuers' Regulation, made available on the GHC website www.garofalohealthcare.com, in the "Governance/Shareholders' Meetings" and "Governance/Remuneration" sections.

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. The deadline for use of the Acquisition Line is set at the end of 2023, with a six-year duration and repayment in 2027, with an amortizing profile, a 2-year grace period and a final instalment of 30%.

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

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

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

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

Treasury shares and shares of holding companies

At December 31, 2021, the Company held 965,544 treasury shares⁽¹⁴⁾.

At December 31, 2021, 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 2021 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 2021 and published on the company's website.

Related party transactions

Pursuant to Consob Resolution No. 17221 of March 12, 2010 as subsequently amended, it is reported that in 2021 the Group did not conclude any significant transactions or transactions with a significant effect on the Group's financial position or operating result for the year with related parties.

The information on transactions with related parties required by Consob Communication No. DEM/6064293 of July 28, 2006 is presented and disclosed in financial statements. For a more detailed account, refer to the notes on "Related party transactions" of the consolidated financial statements at December 31, 2021.

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

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

Research and development

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

HIGHLIGHTS AT FACILITIES IN THE EMILIA-ROMAGNA REGION	
HESPERIA HOSPITAL	<ul style="list-style-type: none"> ▪ World's first radical prostatectomy to use a minimally invasive robotic technique under thoracic spinal anaesthesia and sedation, and without general anaesthesia. ▪ National recognition for excellence in treating heart disease (coronary heart and valvular) for clinical risk percentages well below the national average (source: Agenas 2021 data for the two-year period 2019-2020). ▪ Experimentation with "smell therapy" treatments for neurological damage (loss of taste and smell) caused by COVID-19
OSPEDALI PRIVATI RIUNITI	<ul style="list-style-type: none"> ▪ First-ever total knee arthroplasty surgery performed with state-of-the-art Mako robotic-assisted technology

⁽¹⁴⁾ The treasury share purchases made by the Group are reported through Press Releases published on the Company website

POLIAMBULATORIO DALLA ROSA PRATI	<ul style="list-style-type: none"> Use of innovative, latest generation Total-Body PET/CT scans for oncology and neurology
AESCUAPIO	<ul style="list-style-type: none"> Inauguration of a new Diagnostic Imaging Department, with latest generation diagnostic equipment and female pathology prevention scheme
HIGHLIGHTS AT FACILITIES IN THE VENETO REGION	
VILLA BERICA	<ul style="list-style-type: none"> Installation of a new, state-of-the-art 1.5T helium-free magnetic resonance imaging machine that allows scans to be carried out more quickly and with greater patient comfort. World's first double simultaneous surgery on an over-60 patient - suffering from degenerative pathologies - by a team of neurosurgeons and orthopaedists using a minimally invasive technique. New Centre for Minimally Invasive Hepatology and Oncological Therapies, specialised in the thermal ablation treatment of small tumours.
VILLA GARDA	<ul style="list-style-type: none"> Publication and international recognition, in 2021, of the study entitled "Cognitive behaviour therapy for disorders in young people".
CENTRO MEDICO S. BIAGIO	<ul style="list-style-type: none"> A leading eye care centre, with over 5,000 cataract surgeries and 200 vitreo-retinal surgeries performed each year. Hosting, in September, of the "What's New Rewind GHC Live Surgery" web conference on new eye surgery techniques, involving over 140 specialists from all over Italy and leading players in the ophthalmology sector. Activation of an agreement with the Veneto Region's Eye Bank Foundation (Europe's leading eye bank in numbers of corneas), crucial for cornea transplants
CLINICA S. FRANCESCO (M&A 2021)	<ul style="list-style-type: none"> Recognised as the 45th best hospital in Italy according to the American magazine Newsweek. First in Italy to use the MAKO robot's 4.0 update, with 3D CT modelling and new planning features. Among the first in Italy to operate using 3D augmented reality, allowing the operating field to be shared with colleagues all over Italy.
CMSR VENETO MEDICA	<ul style="list-style-type: none"> Installation of a 3T high-field MRI, with multiple, superior quality and clarity diagnostic scans, allowing exploration of various body regions and neurological diagnoses and study of central nervous system pathologies, such as dementia, epilepsy and multiple sclerosis. Installation of cardiac CT equipment capable of quickly providing a precision 3D model
HIGHLIGHTS AT FACILITIES IN THE TUSCANY REGION	
RUGANI HOSPITAL	<ul style="list-style-type: none"> Custom prosthesis implantation systems guided by CT scan and HIFU system associated with magnetic resonance imaging to identify and treat prostate cancer through non-invasive precision surgery used.
HIGHLIGHTS AT FACILITIES IN THE LIGURIA REGION	
FIDES GROUP	<ul style="list-style-type: none"> Publication in <i>Sensors</i> of a scientific article on the research project conducted by the Fides Group Rehabilitation Centre, in collaboration with the Department of Naval, Electrical, Electronics and Telecommunications Engineering (DITEN) of the University of Genoa, aimed at demonstrating the effectiveness of a Remote Monitoring Validation Engineering System (ReMoVES) for the neuromotor and cognitive rehabilitation of hospitalised patients.
HIGHLIGHTS AT FACILITIES IN THE LOMBARDY REGION	
XRAY ONE	<ul style="list-style-type: none"> Installation of a 1.5T magnetic resonance imaging equipment (NMR GE HDXT and RMN PHILIPS INGENIA), with high performance and significant noise reduction.

	<ul style="list-style-type: none"> Deployment of the 128-layer Revolution EVO CT equipment acquired in 2021, a latest generation device that can reduce direct ionising radiation to the patient by up to 82% during routine imaging.
HIGHLIGHTS AT FACILITIES IN THE LAZIO REGION	
VILLA VON SIEBENTHAL	<ul style="list-style-type: none"> The clinic contributed to the creation of the Italian Civil Aviation Authority's guidelines for substance and alcohol use by pilots flying within Italy.

Management and coordination activity

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

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

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

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

The Group in accordance with Article 5, paragraph 3, letter b of Legislative Decree 254/2016 has drawn up the consolidated disclosure non-financial information as a separate report. The 2021 consolidated non-financial statement, drawn up as per the "GRI Standards" and subject to limited audit by Deloitte S.p.A., is available on the Company's website.

Secondary offices

Garofalo Health Care S.p.A. did not have any branch offices at December 31, 2021.



Mr. Alessandro Maria Rinaldi
 Legal representative



SEPARATE FINANCIAL STATEMENTS

at December 31, 2021



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Company registered office

Garofalo Health Care S.p.A.

Piazzale Belle Arti, 6 – Rome 00196

Parent Company legal details

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

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

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

Tax Number: 06103021009

VAT Number: 03831150366

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

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

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.

GENERAL MANAGER (**)

UMBERTO SURIANI

EXECUTIVE OFFICER FOR (***) FINANCIAL REPORTING

LUIGI CELENTANO

(*) Appointed by the Shareholders' Meeting of April 30, 2021.

(**) Appointed by the Board of Directors on March 1, 2021, with effect from May 1, 2021

(***) Appointed by the Board of Directors on October 28, 2021, with effect from November 1, 2021

SEPARATE FINANCIAL STATEMENTS
At December 31, 2021

Balance sheet at December 31, 2021 and December 31, 2020

<i>in Euro thousands</i>		For the year ended December 31			
		2021	of which related parties	2020	of which related parties
Other intangible assets	Note 2	50		73	
Property, plant and equipment	Note 3	5,075		5,381	
Equity investments	Note 4	197,505		163,567	
Other non-current financial assets	Note 5	129,996	129,996	8,649	8,649
Deferred tax assets	Note 6	205		41	
TOTAL NON-CURRENT ASSETS		332,831		177,712	
Trade receivables	Note 7	1,718	1,718	1,682	1,682
Tax receivables	Note 8	1,175		1,532	
Other receivables and current assets	Note 9	5,533	5,456	3,006	2,606
Other current financial assets	Note 10	14,505	14,505	4,109	4,109
Cash and cash equivalents	Note 11	2,616		983	
TOTAL CURRENT ASSETS		25,548		11,312	
TOTAL ASSETS		358,379		189,024	

<i>in Euro thousands</i>		For the year ended December 31			
		2021	of which related parties	2020	of which related parties
Share capital	Note 12	31,570		28,700	
Legal reserve	Note 12	471		394	
Other reserves	Note 12	152,376		115,604	
Net profit	Note 28	1,226		1,546	
TOTAL SHAREHOLDERS' EQUITY		185,643		146,243	
Employee benefits	Note 13	93		80	
Non-current financial payables	Note 14	117,620	1,645	14,135	2,098
Deferred tax liabilities		53		1	
TOTAL NON-CURRENT LIABILITIES		117,767		14,215	
Trade payables	Note 15	393	2	570	20
Current financial payables	Note 16	52,150	30,465	26,405	23,204
Tax payables	Note 17	1,186		1,186	
Other current liabilities	Note 18	1,240	19	404	18
TOTAL CURRENT LIABILITIES		54,969		28,565	
TOTAL LIABILITIES		172,736		42,781	
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		358,379		189,024	

2021 Separate Income Statement

<i>in Euro thousands</i>		For the year ended December 31			
		2021	of which related parties	2020	of which related parties
Revenues from services	Note 19	4,600	4,600	3,800	3,800
Other revenues	Note 19	58	58	202	172
TOTAL REVENUES		4,658		4,002	
Raw materials and consumables	Note 20	25		34	
Service costs	Note 21	5,329	1,044	3,333	1,517
<i>of which non-recurring charges</i>		-		-	
Personnel costs	Note 22	2,178		1,974	
Other operating costs	Note 23	862		605	
Increase in internal work capitalised		-		-	
Amortisation, depreciation, and write-downs	Note 24	350		244	
TOTAL OPERATING COSTS		8,744		6,190	
EBIT		(4,087)		(2,189)	
Financial income	Note 25	4,890	4,890	3,899	3,899
Financial charges	Note 26	(1,230)	(353)	(746)	(350)
Results of investments at equity		-		-	
TOTAL FINANCIAL INCOME AND CHARGES		3,660		3,153	
PROFIT/(LOSS) BEFORE TAXES		(427)		964	
Income taxes	Note 27	1,653		582	
NET PROFIT FOR THE YEAR	Note 28	1,226		1,546	

2021 Comprehensive Separate Income Statement

<i>(Euro thousands)</i>	<i>At December 31</i>	<i>At December 31</i>
	2021	2020
IX - NET PROFIT FOR THE YEAR	1,226	1,546
Other components of the comprehensive income that will not subsequently be reclassified in profit/(loss) for the year		
Actuarial gains/(losses) on defined employee benefit plans	(7)	5
Tax effect	2	(1)
Total other components of comprehensive income that will not subsequently be reclassified in profit/(loss) for the year net of income taxes	(5)	4
Profit/(loss) recognised to equity		
Total comprehensive income for the year	1,221	1,550

Statement of changes in separate shareholders' equity at December 31, 2021 and December 31, 2020

<i>(Euro thousands)</i>	Share capital	Legal reserve	Other reserves	Net profit	Net Equity
January 1, 2020	28,700	310	114,107	1,673	144,790
Allocation of result	-	84	1,590	(1,673)	0
Treasury share purchases	-	-	(463)		(463)
Stock Grant reserve	-	-	407	-	407
Use of Reserve as per Article 40			(40)		(40)
Other movements			4		4
Net profit	-	-		1,546	1,546
December 31, 2020	28,700	394	115,604	1,546	146,243
Allocation of result	-	77	1,469	(1,546)	-
Treasury share purchases	-	-	(3,150)		(3,150)
Share capital increase	2,870		38,950		41,820
Stock Grant reserve	-	-	128	-	128
Performance Shares Reserve	-	-	294	-	294
ABB Reserve 2021	-	-	(883)	-	(883)
Use of Reserve as per Article 40			(27)		(27)
Comprehensive profit	-	-	(7)	1,226	1,221
December 31, 2021	31,570	471	152,376	1,226	185,643

Separate Cash Flows Statement for the year ended December 31, 2021

In Euro thousands	Dec 31	
	2021	2020
OPERATING ACTIVITIES		
Profit for the year	1,226	1,546
Adjustments for:		
- Amortisation and depreciation	350	244
- Provisions for employee benefit liabilities	30	23
- Change in other non-current assets and liabilities	-	(2,697)
- Net change in deferred tax assets and liabilities	(124)	(32)
- Payments for employee benefits	(10)	(8)
Changes in operating assets and liabilities:		
(Increase) decrease in trade and other receivables	(37)	(750)
Increase (decrease) in trade and other payables	(228)	(218)
Other current assets and liabilities	(1,060)	(1,715)
NET CASH FLOW GENERATED FROM OPERATING ACTIVITIES (A)	147	(3,606)
Investments in intangible assets	(1)	(1)
Investments in tangible assets	(35)	(411)
(Investments)/disposals in financial assets	(33,791)	(821)
Other investing activities	-	-
CASH FLOW ABSORBED BY INVESTING ACTIVITIES (B)	(33,827)	(1,233)
Issue/(repayments) medium/long term loans	104,087	2,477
Issue/(repayment) of short-term loans	18,450	(2,846)
Movement in other current and non-current financial receivables/payables	(124,983)	(649)
Change Net Equity	40,937	-
Use of Reserve as per Article 40	(27)	(40)
(Acquisition) treasury shares	(3,150)	(463)
NET CASH FLOW GENERATED/(ABSORBED) FROM FINANCING ACTIVITIES (C)	35,313	(1,522)
TOTAL CASH FLOWS (D=A+B+C)	1,633	(6,360)
CASH & CASH EQUIVALENTS AT BEGINNING OF YEAR (E)	983	7,344
CASH & CASH EQUIVALENTS AT END OF YEAR (F=D+E)	2,616	983
<i>Other information</i>		
Interest paid	551	351
Income taxes paid	817	

NOTES TO THE SEPARATE FINANCIAL STATEMENTS
At December 31, 2021

Note 1. Accounting standards and preparation basis for the Separate Financial Statements at December 31, 2021

1.1 Company information

The publication of the separate financial statements of Garofalo Health Care S.p.A. (hereafter also “GHC”) for the period ended December 31, 2021 was approved by the Board of Directors on March 16, 2022.

1.2 General Principles

The separate financial statements of the GHC Group for the year ended December 31, 2021 (the “Separate Financial Statements”) have been prepared in compliance with IFRS international accounting standards, supplemented by the related interpretations of the International Financial Reporting Standards Interpretations Committee (IFRS IC), previously called the Standing Interpretations Committee (SIC), as well as the provisions issued in implementation of Article 9 of Legislative Decree no. 38/2005. The IFRSs applied are those in effect at the reporting date.

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

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

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

1.3 Financial Statements

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

1.3.1 Summary of the main accounting standards

a) Other intangible assets

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

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

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

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

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

b) Property, plant and machinery

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

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

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

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

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

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

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

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

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

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

c) Leased assets

Right-of-use assets

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

Lease liabilities

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

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

Short-term leases and low value asset leases

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

d) Impairments

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

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

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

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

e) Investments in subsidiaries, associates

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

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

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

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

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

The use of estimates and the opinions of management adopted in preparing the separate financial statements are the same, where applicable, to those adopted for the preparation of the consolidated financial statements.

f) Classification current/non-current

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

An asset is current when:

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

A liability is considered current when:

- it is expected to be settled within the normal operating cycle;
- it is held principally for trading;
- it is expected to be settled within twelve months from the year-end;
- the entity does not have an unconditional right to defer settlement of the liability for at least twelve months of year-end.

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

g) Cash and cash equivalents

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

j) Treasury shares

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

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

k) Stock Grants and Performance Shares

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

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

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

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

h) Provisions for risks and charges

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

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

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

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

i) Employee Benefit Provisions

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

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

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

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

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

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

The company does not have other defined benefit pension plans.

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

I) Financial instruments

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

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

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

Initially, financial liabilities are recorded at fair value increased (or decreased in the case of financial liabilities measured at fair value through profit and loss) by the transaction costs directly linked to the issue of the liability. Subsequently, they are measured at amortized cost excluding the derivative financial instruments or the liabilities held for trading which are measured at fair value through profit and loss. They are classified and measured on the basis of the characteristics of their

cash flows and the business model applied to their management. Financial liabilities held by GHC fall under the category of Financial Liabilities at amortised cost. They are measured at amortized cost, using the effective interest method. The amortized cost is calculated taking into consideration all discounts or purchase premiums and includes commissions and transaction costs which are an integral part of the effective interest rate. A financial liability is eliminated from the financial statements when the underlying liability is settled or cancelled. For investments measured at amortized cost, the gains and losses are recognized in the income statement when the investment is eliminated, in addition to the amortization process and conversion. If an existing financial liability is replaced by another by the same lender but under substantially different conditions, or if the conditions of an existing financial liability are substantially changed, such a swap or change is treated as an elimination of the original liability and the opening of a new liability, with any differences in accounting values recorded in the income statement.

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

m) Fair value measurement

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

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

- in the main market of the asset or liability;

or

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

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

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

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

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

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

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

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

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

n) Revenue recognition

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

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

o) Recognition of costs

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

p) Financial income and charges

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

q) Income taxes

Current income taxes

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

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

Deferred taxes

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

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

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

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

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

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

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

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

Indirect taxes

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

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

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

s) Segment information

The identification of the operating sector in which the Company operates is carried out on the basis of the accounting standard IFRS 8 - Operating Segments. On December 12, 2012, the IASB issued a set of amendments that have made

changes to the aforementioned standard requiring that information be provided on the assessments made by the company management in the aggregation of the operating segments describing the segments that have been aggregated and the economic indicators that have been evaluated to determine that the aggregated segments have similar economic characteristics.

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

1.4 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.

Deferred tax assets

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

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

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

Recoverability of investments

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

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

The accounting standards, amendments and interpretations not adopted in advance for the year ended December 31, 2021 govern facts and cases that do not have significant effects on the balance sheet, income statement, cash flow statement and the information contained in the consolidated financial statements.

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

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

Interest Rate Benchmark Reform – Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16

The changes include the temporary easing of requirements with respect to the effects on the financial statements when the interest rate offered on the interbank market (IBOR) is replaced by an alternative rate that is substantially risk free (Risk Free Rate- RFR):

The changes include the following practical expedients:

- A practical expedient that allows contractual changes, or changes in cash flows that are directly required by the reform, to be treated as changes in a variable interest rate, equivalent to a movement of an interest rate in the market;
- Allow changes, required by IBOR reform, to be made to the documentation for the designation of the coverage report without the coverage report having to be discontinued;
- Provides temporary relief to entities in having to comply with separate identification requirements when an RFR is designated as a hedge of a risk component.

These amendments do not have an impact on the Group's interim financial statements. The Group intends to use such practical expedients in future periods in which they are applicable.

Amendment to IFRS 16 COVID-19 Related Rent Concessions beyond June 30, 2021

On May 28, 2020, the IASB published an amendment to IFRS 16. The amendment allows a lessee not to apply the requirements in IFRS 16 on the accounting effects of contractual changes for lease reductions granted by lessors that are a direct result of the Covid-19 outbreak. The amendment introduces a practical expedient whereby a tenant may choose not to consider whether the reduction in Leasing payments constitute contractual modifications. A lessee that chooses to use this expedient accounts for these reductions as if the reductions were not contractual modifications within the scope of IFRS 16.

The amendments were applicable until June 30, 2021, although as the impact of the COVID-19 pandemic has continued, on March 31, 2021 the IASB extended the application period of the practical expedient until June 30, 2022.

The amendments apply to the years beginning April 1, 2021 or subsequently. However, the Group did not receive rent relief related to Covid-19, but could apply the practical expedient should the case arise within the permitted application period.

1.6 IAS/IFRS international accounting standards whose compulsory application starts after December 31, 2021

IFRS 17 Insurance contracts

On May 18, 2017, the IASB issued IFRS 17 Insurance Contracts which establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts included in the standard. The objective of IFRS 17 is to

ensure that relevant information is provided, that faithfully represents contracts, in order to provide a basis for users of financial statements to assess their effects on the company's financial performance and cash flows.

IFRS 17 is applied from January 1, 2023.

Amendments to IFRS 17 Insurance contracts: initial application of IFRS 17 and IFRS 9 - Comparative information (issued December 9, 2021)

In December 2021, the International Accounting Standards Board (IASB) issued the initial application of IFRS 17 and IFRS 9 - Comparative Information (amendment to IFRS 17).

The amendment is a transition option related to comparative disclosure on financial assets presented upon first-time application of IFRS 17. It is intended to help entities avoid temporary accounting mismatches between financial assets and insurance contract liabilities, and thus improve the utility of comparative disclosure for users of financial statements.

IFRS 17 incorporating the amendment is effective for annual periods beginning on or after January 1, 2023.

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

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

This amendment will apply from January 1, 2023.

Amendments to IAS 1 Presentation of Financial Statements: classification of liabilities as current or non-current and Deferral of the effective date of the classification of liabilities as current and non-current

In January 2020, the IASB published an amendment to IAS 1 "classification of liabilities as current and non-current". This amendment clarifies how a Company should classify debt and other financial liabilities as current or non-current in specific circumstances. In June 2021, the IASB decided to defer the amendment's first effective date to no earlier than January 1, 2024, and deferred determining the transition requirements for this amendment to a later meeting. As of the date of this Annual Report, the amendments are still pending approval.

Amendments to IFRS 3

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

These amendments will apply from January 1, 2022.

Amendments to IAS 16

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

The amendment will apply from January 1, 2022.

Amendments to IAS 37

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

The amendment will apply from January 1, 2022.

IFRS 2018 - 2020 Cycle

On May 14, 2020, the IASB published "Annual Improvements" to IFRS 2018 - 2020, which include amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IFRS 16 Leases, and IAS 41 Agriculture:

- the amendments to IFRS 1 allow a subsidiary adopting IAS/IFRS for the first time to align the cumulative impacts of first-time adoption with the translation differences applied within the parent company's reporting,
- the amendments to IFRS 9 define which fees must be included for the purposes of the 10% test for the accounting derecognition of financial liabilities,
- the amendments to IAS 41 provide for elimination of the requirement to exclude taxes from the cash flows used to estimate the fair value of biological assets when the Net Present Value method is applied.

These amendments will be applicable as of January 1, 2022.

Amendments to IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors: Definition of accounting estimate.

The amendments to IAS 8 focus exclusively on accounting estimates and aim to clarify the following aspects:

- The definition of change in accounting estimates is replaced with a definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in the financial statements that are subject to measurement uncertainty."
- Entities develop accounting estimates if accounting policies require elements of the financial statements to be measured in a manner that implies measurement uncertainty.

The Board clarifies that a change in the accounting estimate that results from new information or new developments is not the correction of an error. In addition, the effects of a change in an input or measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors.

- A change in an accounting estimate may affect only the current year's profit or loss, or the profit or loss of both current and future years. The effect of the change relating to the current year is recognised as income or expense in the current year. Any effect on future periods are recognised as income or expense in those future periods.

The amendments are effective for fiscal years beginning on or after January 1, 2023, and changes in accounting policies and changes in accounting estimates that occur on or after the beginning of that period. As of the date of these financial statements, the amendments are pending approval.

Amendments to IAS 12 Income taxes: Deferred taxes related to assets and liabilities arising from a single transaction

The amendments have narrowed the scope of the recognition exemption in paragraphs 15 and 24 of IAS 12 (recognition exemption) so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.

The amendments were issued in response to a recommendation from the IFRIC. The Committee's research indicated that opinions differed on whether the recognition exemption applied to transactions, such as leases, that result in the recognition of an asset and a liability. These differing views have led entities to account for deferred taxes on these transactions in different ways, reducing the comparability between their financial statements. The Board anticipates that the amendments will reduce diversity in reporting and align the accounting for deferred taxes on these transactions with the general IAS 12 standard of recognizing deferred taxes for temporary differences.

An entity applies the amendments to transactions occurring at or after the beginning of the first comparative period presented. In addition, at the beginning of the first comparative period presented, it recognizes deferred taxes for all temporary differences related to leases and disposal obligations and recognizes the cumulative effect of the initial application of the amendments as an adjustment to the opening balance of retained earnings (or other components of equity, as applicable) at that date.

The amendments are effective for fiscal years beginning on or after January 1, 2023. Earlier application is permitted. As of the date of these financial statements, the amendment is still pending approval.

Note 2 Other intangible assets

The account "Other intangible assets" amounts to Euro 50 thousand, compared to Euro 73 thousand in the previous year, and the table below shows the movements in individual items of Intangible assets during the period ended December 31, 2021. For the useful life of the account, reference should be made to the accounting policies.

<i>in Euro thousands</i>	<i>Concessions, licenses, trademarks & similar rights</i>	<i>Software</i>	<i>Total</i>
Net value at December 31, 2020	1	72	73
Acquisition	-	1	1
Amortization	-	(24)	(24)
Net value at December 31, 2021	1	48	50

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

Software

The account “*Software*” was Euro 48 thousand, compared to Euro 72 thousand in the previous year. The decrease of Euro 23 thousand was due to amortisation during the period.

Note 3 Property, plant and equipment

The account “*Property, plant and equipment*” amounted to Euro 5,075 thousand, compared to Euro 5,381 thousand in the previous year.

The table below shows the breakdown of the account at December 31, 2021, compared with December 31, 2020. For the useful life of the account, reference should be made to the accounting policies.

<i>(Euro thousands)</i>	<i>At December 31</i>	<i>At December 31</i>	<i>Change</i>
	2021	2020	2021 vs 2020
Land & buildings	3,678	3,793	(115)
Plant & machinery	24	15	9
Other assets	238	259	(22)
Rights-of-use	1,136	1,315	(179)
Total	5,075	5,381	(306)

The following tables show the changes in the item in question for the period ended December 31, 2021, compared to the period ended January 31, 2020:

<i>(Euro thousands)</i>	<i>Land and buildings</i>	<i>Plant and machinery</i>	<i>Other assets</i>	<i>Rights-of-use</i>	<i>Total</i>
Net value at December 31, 2020	3,793	15	259	1,315	5,381
Acquisition	-	11	24	-	35
Depreciation	(115)	(2)	(46)	(163)	(325)
Sales	-	-	-	(45)	(45)
Decrease	-	-	-	29	29
Net value at December 31, 2021	3,678	24	238	1,136	5,075

Land and Buildings

"Land and buildings" at December 31, 2021 decreased by Euro 115 thousand, as a result of depreciation in the year.

Plant & machinery

Plant and machinery report a net increase of Euro 9 thousand, mainly due to the investments to upgrade the plant at the GHC S.p.A. headquarters, totalling Euro 11 thousand.

Other assets

The account "Other assets" stood at Euro 238 thousand at December 31, 2021, compared to a balance of Euro 259 thousand at the end of the previous year. The account in question mainly refers to EDP, telephony and furniture and fittings. The decrease in the account of Euro 22 thousand is due to the combined effect of the increase of Euro 24 thousand for the purchase of computers, furniture and fittings and telephone equipment for the holding companies' headquarters, and the decrease of Euro 46 thousand for depreciation in the year.

Right-of-use

The account "Rights-of-use" came to Euro 1,136 thousand at December 31, 2021, compared to a figure of Euro 1,315 thousand at the end of the previous year. The decrease of Euro 179 thousand is mainly due to: (i) Transfer to the subsidiary Casa di Cura Villa Berica S.r.l. of a vehicle hire contract for Euro 46 thousand; (ii) Depreciation of Euro 163 thousand.

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

Note 4 Equity investments

“Investments” amount to Euro 197,505 thousand at December 31, 2021, compared to the previous year’s balance of Euro 163,567 thousand, and relates to investments in subsidiaries.

<i>(Euro thousands)</i>	<i>At December 31</i>		<i>Change</i>
	2021	2020	2021 vs 2020
Investments in subsidiaries	197,505	163,567	33,938
Total equity investments (in subsidiary companies)	197,505	163,567	33,938

The increase in the account of Euro 33,938 thousand during 2021 was due to: (i) the subscription of the capital of the newco GHC Project 6 S.r.l. in the total amount of Euro 300 thousand to acquire 100% of the equity of Clinica San Francesco S.r.l., a transaction completed on April 9, 2021. In addition, on December 16, 2021 the reverse merger between the newco GHC Project 6 S.r.l. and the target company Clinica San Francesco S.r.l. was completed, with deferred effect to December 30, 2021. (ii) Acquisition by GHC S.p.A. on July 28, 2021 of 99.5% of Domus Nova S.p.A. for Euro 33,491 thousand which owns the multi-specialist Domus Nova and San Francesco di Ravenna private hospitals, both NHS accredited. (iii) Assignment to the management of the subsidiaries of stock grants of Euro 147 thousand, i.e. of rights to receive shares of the company at the end of the annual performance period, which resulted in an increase in the value of the investments of like amount.

The table below shows the breakdown of the item, as well as the share capital and the pro-quota shareholders' equity of each subsidiary as at December 31, 2021:

<i>Company Name</i>	<i>Registered office</i>	<i>Share capital</i>	<i>Profit/(loss) 2021</i>	<i>Net Equity at December 31, 2021</i>	<i>Holding</i>	<i>Pro quota net equity at December 31, 2021 in Euro thousands</i>	<i>Book value at December 31, 2021</i>
L'Eremo Di Miazzina S.r.l.	Cambiasca (VB)	1,560	(242)	19,544	100%	19,544	15,359
Casa di Cura Villa Berica S.r.l. (*)	Vicenza (VI)	1,560	3,122	12,976	100%	12,976	2,189
Villa Von Siebenthal S.r.l.	Genzano di Roma (RM)	100	320	4,654	100%	4,654	3,181
Rugani Hospital S.r.l.	Monteriggioni (SI)	100	1,343	13,001	100%	13,000	145
Hesperia Hospital Modena S.r.l.	Modena (MO)	120	2,566	16,908	100%	16,900	20,603
C.M.S.R. Veneto Medica S.r.l.	Altavilla Vicentina (VI)	20	735	11,783	100%	11,783	8,699
Sanimedica S.r.l.	Altavilla Vicentina (VI)	10	119	508	100%	508	210
Casa di cura Prof. Nobili S.r.l. (*)	Castiglione dei Pepoli (BO)	104	1,044	9,386	99%	9,274	9,642
Casa di Cura Villa Garda S.r.l. (*)	Garda (VR)	1,440	336	16,471	100%	16,471	7,531
Fides Medica S.r.l.	Piombino (LI)	200	322	20,422	50%	10,211	10,119

Poliambulatorio Dalla Rosa Prati S.r.l.	Parma (PA)	100	1,242	4,391	100%	4,391	19,158
Centro Medico San Biagio S.r.l.	Fossalta di Portogruaro (VE)	156	1,563	33,259	100%	33,259	33,036
Ospedali Privati Riuniti S.r.l.	Bologna (BO)	9,000	1,401	37,159	100%	37,159	32,036
Bimar S.r.l.	Fossalta di Portogruaro (VE)	100	104	497	100%	497	1,000
XRay One S.r.l.	Poggio Rusco (MN)	30	86	384	100%	384	806
Clinica San Francesco S.r.l. c	Verona (VE)	5,232	(1,564)	3,579	100%	3,579	300
Domus Nova S.p.a.	Ravenna (RA)	990	(1,039)	10,924	99.5%	10,487	33,491
Total equity investments in subsidiary companies							197,505

*In 2021 the company name was changed from S.p.A. to S.r.l..

Pursuant to IAS 36, investments that at December 31, 2021 have a carrying amount that exceeds their shareholders' equity, i.e. Hesperia Hospital Modena S.r.l., Casa di cura Prof. Nobili S.r.l., Poliambulatorio Dalla Rosa Prati S.r.l., Centro Medico San Biagio S.r.l. and Bimar S.r.l., XRay One S.r.l. and Domus Nova S.p.A. were tested for impairment.

The impairment test of the recoverability of the carrying amount of the investments was performed by an outside independent professional. The valuation approach adopted is described in the following section.

Evaluation system

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

The prospective cash flows used in the impairment test at December 31, 2021 are those deriving from the Business Plans of the individual CGUs relating to the years 2022-2025, approved by each company at the end of February 2022 and the beginning of March 2022. The time horizon of the Plans is 4 years. It should be clarified that the impairment test was approved by the Board of Directors of the Parent Company on March 16, 2022.

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

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

The discounting rate of cash flows (WACC) used for the impairment tests is equal to 4.6% at December 31, 2021, following the further lowering of rates in the year, and presents the following main parameters:

* *Risk free rate*: the rate used is 0.78% for 2021; this value corresponds to the yield on Italian ten-year government securities recorded as a monthly average over the last twelve months (Source: Bloomberg);

* *Beta*: for the estimation of the non-differentiable systemic risk coefficient, reference was made to the inputs elaborated by international practice (Source: Bloomberg), taking into consideration a group of listed companies operating in the same sector of the company to be valued, thus calculating an appropriate unlevered industry average beta, equal to 0.61 at December 31, 2021;

* *Market premium*: for the purposes of the analysis, a rate of 4.24% was used (Source: A. Damodaran - Stern University NY international research website) <http://pages.stern.nyu.edu/~adamodar/>. This parameter is in line both with the results of long-term analyses and with professional practice;

* *Premium for additional risk*: prudentially, an increase in the cost of risk capital equal to 2.0% was applied at December 31, 2021 for the CGUs to take into account the reduced size compared to the companies used as comparables and the important development process following the acquisitions undertaken in the last year;

* With reference to the *cost of the debt (Kd)* for the CGUs that present outstanding loans, reference was made to the effective interest rate applied by the banking system on the same loans i.e. the twelve-month average ten-year EUR IRS (interest rate swap) (Source: Bloomberg), equal to - 0.08% with a spread of 170 points, for a total of 1.35%, considering a fiscal impact of 24%.

* *Financial structure*: consistently with that done for the purposes of the calculation of the beta, we applied to the cost of risk capital and the cost of debt capital, weights determined using a market D/E representative of the average financial structure of the sample of comparable listed companies previously identified, equal to 0.66 for December 31, 2021. The we and wd weights for 2021 were 60.1% and 39.9% respectively.

CGU Hesperia Hospital S.r.l.

The recoverable value of the cash-generating unit Hesperia Hospital Modena S.r.l., healthcare facility operating in Modena, was determined on the basis of the calculation of the value in use, in which the cash flow projections deriving from the related financial budgets were used for a period of three years, approved by management. As a result of the updated analyses, the management did not identify an impairment of this cash-generating unit. The equilibrium WACC, i.e. the discount rate of future cash flows which equates the recoverable value with the book value, was approx. 22.83%.

CGU Casa di Cura Prof. Nobili S.r.l.

The recoverable value of the cash-generating unit of Casa di Cura Prof. Nobili S.r.l. was determined on the basis of the calculation of the value in use, in which the cash flow projections deriving from the related financial budgets were used for a period of three years, approved by management. As a result of the updated analyses, the management did not identify an impairment of this cash-generating unit. In addition, as the carrying amount of the investment is substantially in line with the liquidity and therefore justified by this, it was decided not to calculate an equilibrium WACC.

Poliambulatorio Dalla Rosa Prati S.r.l. CGU

The recoverable value of the cash-generating unit of Poliambulatorio dalla Rosa Prati S.r.l. was determined on the basis of the calculation of the value in use, in which the cash flow projections deriving from the related financial budgets were used for a period of three years, approved by management. As a result of the updated analyses, the management did not identify

an impairment of this cash-generating unit. The equilibrium WACC, i.e. the discount rate of future cash flows which equates the recoverable value with the book value, was approx. 10.52%.

X Ray One S.r.l. CGU

The recoverable value of the cash generating unit of X Ray One S.r.l. was determined on the basis of the calculation of the value in use, in which the cash flow projections deriving from the related financial budgets were used for a period of three years, approved by management. As a result of the updated analyses, the management did not identify an impairment of this cash-generating unit. The equilibrium WACC, i.e. the discount rate of future cash flows which equates the recoverable value with the book value, was approx. 8.63%.

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

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

Consequently, the recoverable value of the cash generating unit in question was determined on the basis of the calculation of the value in use, in which the cash flow projections deriving from the related financial budgets were used for a period of three years, approved by management.

In this case, the Headroom as reflected in the independent expert's report is so significant that the determination of an equilibrium WACC is not relevant.

Domus Nova S.p.A. CGU

The recoverable value of the cash generating unit of Domus Nova S.p.A. was determined on the basis of the calculation of the value in use, in which the cash flow projections deriving from the related financial budgets were used for a period of three years, approved by management. As a result of the updated analyses, the management did not identify an impairment of this cash-generating unit. The equilibrium WACC, i.e. the discount rate of future cash flows which equates the recoverable value with the book value, was approx. 7.0%.

Note 5 Other non-current financial assets

The account “Other non-current financial assets” came to Euro 129,996 thousand compared to Euro 8,649 thousand at the end of the previous year. The account in question consists primarily of receivables of a financial nature from subsidiaries.

The account is broken down as follows:

<i>(Euro thousands)</i>	<i>At December 31</i>		<i>Change</i>
	2021	2020	2021 vs 2020
Financial receivables from subsidiaries	129,995	8,648	121,348
Financial receivables from others	1	1	-
Total other non-current financial assets	129,996	8,649	121,348

“Financial Receivables from subsidiaries” of Euro 129,995 thousand, increased by Euro 121,348 thousand, mainly due to: (i) Euro 91,235 thousand concerning the long-term portion of the loans to the subsidiaries issued as part of the refinancing as outlined below; (ii) issue of a loan of Euro 29,000 thousand by GHC S.p.A. in H1 2021 in favour of GHC Project 6 S.r.l. (Newco) to fully acquire the company Clinica San Francesco S.r.l. (Target); in December the Newco was incorporated into the Target and therefore at December 31, 2021 GHC S.p.A. had a receivable from Clinica San Francesco Sr.l. (iii) decrease of the financial receivable from the subsidiary Casa di Cura Rugani S.r.l. of Euro 1,200 thousand, following its partial settlement in 2021, ahead of the established maturity.

With regards to the Refinancing indicated above, on November 16, 2021 GHC S.p.A. signed a new loan agreement for a total amount of Euro 221 million. The loan consists of a Refinancing Line of Euro 140 million and an Acquisition Line of Euro 81 million. The Refinancing Line has allowed GHC S.p.A. to restructure and simplify its financing thanks to the issue of a single loan and the simultaneous provision of inter-company loans by GHC S.p.A. to the subsidiaries in order to settle all their outstanding loans. This line has a duration of 5 years and repayment in 2026 (with an amortising profile and a final instalment of 28%). In December 2021 the refinancing was completed, resulting in the issue by GHC S.p.A. of loans to the subsidiaries totalling Euro 104,559 thousand, with a long-term portion of Euro 91,235 thousand, recognised to this account, and a short-term portion of Euro 13,324 thousand.

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

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

Note 6 Deferred tax assets and liabilities

Deferred tax assets and liabilities

The account “Deferred tax assets and liabilities” was Euro 152 thousand, compared to a balance for the previous year of Euro 40 thousand.

Deferred tax assets and liabilities at December 31, 2021, compared with the situation at December 31, 2020, is presented below.

<i>(Euro thousands)</i>	<i>At December 31, 2021</i>	<i>At December 31, 2020</i>	<i>Change</i>
	2021	2020	2021 vs 2020
Deferred tax assets:			
within 1 year	-	-	-
over 12 months	205	41	164
Total	205	41	164
Deferred tax liabilities:			
within 1 year	-	-	-
over 12 months	(53)	(1)	(52)
Total	(53)	(1)	(52)
Net balance	152	40	112

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

The following table presents the movements in deferred tax assets and liabilities for the year ended December 31, 2021 and December 31, 2020:

<i>(Euro thousands)</i>	<i>At December 31, 2021</i>	<i>At December 31, 2020</i>
Net opening balance	40	7
Credit / (Debit) to the income statement	112	33
Net closing balance	152	40

The account reports a net increase of Euro 112 thousand, due to the recognition of deferred tax assets in the year of Euro 163 thousand, mainly concerning the unpaid directors' remuneration and deferred tax liabilities for Euro 53 thousand concerning the dividends approved and not collected by the subsidiaries in favour of GHC S.p.A.

The breakdown of net deferred taxes at December 31, 2021 is illustrated below:

	Balance sheet		Comprehensive Income Statement		Income Statement	
	31.12.2021	31.12.2020	31.12.2021	31.12.2020	31.12.2021	31.12.2020
Tax losses	-	-				
Amortised cost		5				5
Adjustments IFRS 17 Leasing/IFRS 16	3	4			3	4
IAS 19 adjustments - Severance	2	(1)	2	(1)		
Other movements	158	33			161	(1)
Deferred tax assets	164	41	2	(1)	164	8
Deferred tax liabilities	(53)	(1)	-	-	(52)	(16)
Total	112	40	2	(1)	112	(8)

Note 7 Trade receivables

“Trade receivables” at December 31, 2021 amounts to Euro 1,718 thousand, compared to Euro 1,682 thousand at December 31, 2020. The receivables refer to the fees invoiced to the subsidiaries for the administrative coordination, financial, corporate and IT activities provided by the holding company.

<i>(Euro thousands)</i>	<i>At December 31</i>		<i>Change</i>
	2021	2020	2021 vs 2020
Receivables from subsidiaries	-	235	(235)
Invoices to be issued to the subsidiaries	1,718	1,446	272
Total trade receivables	1,718	1,682	37

The account reports a net increase of Euro 37 thousand, due on the one hand to the increase of Euro 272 thousand of the Invoices to be issued to the subsidiaries, as a result of the extension of the scope and therefore of the services carried out by the holding company, and on the other the decrease in “Receivables from Subsidiaries” of Euro 235 thousand as a result of the collection of invoices relating to 2020.

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

Note 8 Tax receivables

The account “Tax receivables” stood at Euro 1,175 thousand compared to Euro 1,532 thousand in the previous year.

The table below shows the breakdown of tax receivables at December 31, 2021, compared with December 31, 2020.

(Euro thousands)	At December 31		Change
	2021	2020	2021 vs 2020
IRES receivables	1,175	1,532	(357)
Total tax receivables	1,175	1,532	(357)

The account at December 31, 2021 comprises the first and second IRES instalments paid respectively in June and November 2021. The receivable at December 31, 2020 of Euro 1,532 thousand was used to offset the IRES payable for 2020.

Note 9 Other receivables and current assets

“Other receivables and current assets” at December 31, 2021 totalled Euro 5,533 thousand, increasing by Euro 2,527 thousand on December 31, 2020 (Euro 3,006 thousand).

The changes in the account were as follows:

(Euro thousands)	At December 31		Change
	2021	2020	2021 vs 2020
Advances to suppliers	-	44	(44)
Receivables from subsidiaries	4,899	2,360	2,539
Other tax receivables	562	517	45
Accrued income and prepaid expenses (non-financial)	72	86	(13)
Total other receivables and current assets	5,533	3,006	2,527

“Receivables from subsidiaries” increased by Euro 2,539 thousand, as a combined effect to the following factors: (i) an increase of Euro 584 thousand due to the transfer of the higher assessable amount by the subsidiaries for 2021 compared to the previous year; (ii) increase of Euro 4,300 thousand concerning receivables for dividends to be collected; (iii) decrease of Euro 2,345 thousand from the collection by GHC S.p.A. in the year of receivables relating to the years 2019 and 2020 of the clinics participating in the tax consolidation and the advances received from the subsidiaries regarding the first and second IRES advance, which GHC S.p.A. paid to the tax authorities respectively in June and November 2021.

The companies within the scope of tax consolidation were as follows at December 31, 2021: Casa di cura Villa Garda S.r.l., Casa di cura Villa Berica S.r.l., CMSR Veneto Medica S.r.l., Villa Von Siebenthal S.r.l., Ospedali Privati Riuniti S.r.l., Poliambulatorio Dalla Rosa Prati S.r.l., Sanimedica S.r.l. and L’Eremo di Miazzina S.r.l..

“Other tax receivables” increased by Euro 45 thousand, due to the participation in the Group VAT of the following companies: Aesculapio S.r.l., Centro Medico San Biagio S.e.l., Centro medico Università Castrense S.r.l., Bimar S.r.l.. This account mainly consists of the VAT payable transferred by the companies within the scope of Group VAT in 2021, which resulted in a receivable from those companies. The VAT Group was formed in 2019. At December 31 2021 all subsidiaries were within the scope, except for: X Ray One S.r.l., Clinica San Francesco S.r.l. which joined the Group VAT from January 2022 and Domus Nova S.p.A., which will join the Group VAT in January 2023. By setting up the VAT Group, the GHC Group reaps the administrative and organisational benefits of reducing all VAT formalities, which are concentrated within the VAT Group leader, GHC S.p.A., and it may also characterise transactions between VAT Group members as outside the scope of VAT.

Note 10 Other current financial assets

The account “Other current financial assets” came to Euro 14,505 thousand compared to Euro 4,109 thousand at the end of the previous year.

<i>(Euro thousands)</i>	<i>At December 31</i>	<i>At December 31</i>	<i>Change</i>
	2021	20120	2021 vs 2020
Other current financial assets	14,505	4,109	10,396
Total other current financial assets	14,505	4,109	10,396

The account mainly comprises the short-term portion loans to subsidiaries, and the financial receivables from the centralised cash pooling.

The increase of Euro 10,396 thousand is due for Euro 13,324 thousand to the recognition of the short-term portion of the loans from subsidiaries with regards to the refinancing completed in December 2021 (commented upon at Note 5, to which reference should be made), partially offset by the decrease in cash pooling financial receivables.

Note 11 Cash and cash equivalents

The account “Cash and cash equivalents and” stood at Euro 2,616 thousand compared to Euro 983 thousand in the previous year.

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

<i>(Euro thousands)</i>	<i>At December 31</i>		<i>Change</i>
	2021	2020	2021 vs 2020
Bank current accounts	2,609	983	1,625
Checks and cash	8	-	7
Total cash and cash equivalents	2,616	983	1,633

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

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

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

Note 12 Shareholders' equity

Share capital

At December 31, 2021 share capital amounted to Euro 31,570 thousand, fully paid-in, and consisted of 90,200,000 ordinary shares without par value. On January 26, 2021, the share capital increase was carried out through the placement on the market of 8,200,000 newly issued ordinary shares, without par value, from the share capital increase with exclusion of pre-emption rights as per Article 2441, paragraph 4, second section, of the Civil Code, approved by the Board of Directors on January 20, 2021 and communicated to the market on January 20 and 21, 2021.

The table below reports the GHC Group's ownership structure at December 31, 2021, including significant equity interests.

Shareholder	Direct Shareholder	% of ordinary share capital	% of voting share capital
Garofalo Maria Laura([1])	Anrama S.p.A.	70,798% ^([2])	80,373% ^([2])
	Larama 98 S.p.A.		
	Garofalo Maria Laura		
Peninsula Capital II S.a.r.l.([2])	PII 4 S.à.r.l.	10.00%	7.00%

Number of ordinary shares	% share capital	Listed / Non listed	Rights and obligations
90,200,000	100%	MTA	<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>

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

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

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

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

Legal reserve

The legal reserve amounted to Euro 471 thousand, increasing Euro 77 thousand due to the Shareholders' Meeting motion

of April 30, 2021 which stipulated the allocation of 5% of the parent company's net profit.

Other reserves

The composition of the account "Other reserves" at December 31, 2021, with a comparison to December 31, 2020, is presented below.

<i>(Euro thousands)</i>	<i>At December 31</i>	<i>At December 31</i>	<i>Change</i>
	2021	2020	2021 vs 2020
Extraordinary reserve	12,122	10,669	1,453
Shareholder capital payments reserve	5,146	5,146	-
Conferment reserves	37,006	37,006	-
Share-based payments reserve	2,674	2,253	421
Provision as per Article 40 By-Laws	10	22	(12)
IAS 19 actuarial effect reserve	(17)	(10)	(7)
Share Premium Reserve	101,413	62,463	38,950
Retained earnings/(accumulated losses)	(221)	(221)	-
Reserve for treasury shares in portfolio	(4,873)	(1,723)	(3,150)
AUCAP 2021 Reserve	(883)	-	(883)
Other reserves	152,376	115,604	36,772

At December 31, 2021 Other reserves amounted to Euro 152,376 thousand, a net increase of Euro 36,772 thousand on December 31, 2020, due mainly to: (i) an increase in the extraordinary reserve of Euro 1,453 thousand due to the Shareholders' Meeting motion of April 30, 2021 that allocated part of the Parent Company's net profit for the year to the reserve; (ii) the increase in the share-based payments reserve of Euro 421 thousand, for Euro 127 thousand concerning the Stock Grant plan and for Euro 294 thousand the Performance Share plan; for further details, reference should be made to Note 39 of this document; (iii) the decrease in the reserve as per Article 40 of the By-Laws for Euro 12 thousand: this reserve increased by Euro 15 thousand following the Shareholders' Meeting motion of April 30, 2021, which allocated this portion of profits to scientific purposes and/or benefits for non-shareholders. The Shareholders' Meeting thus granted the Chief Executive Officer the broadest powers for the use of the reserve in question to identify the specific purposes and thus implement the shareholders' decision after informing the Board of Directors. In May 2021, the Chief Executive Officer of Garofalo Health Care S.p.A. informed the Board of Directors of the allocation of Euro 2 thousand as a contribution to the Federico Emanuele De Felice Foundation, which is exclusively involved in civic, solidarity and socially beneficial purposes, as a voluntary organisation freely distributing money, goods and services. In September 2021, the Chief Executive Officer of Garofalo Health Care S.p.A. informed the Board of Directors of the allocation of the amount of Euro 25 thousand as a contribution to the Marisa Bellisario Foundation, which is primarily involved in charitable activities for women and the

presentation of an award to a young engineering graduate, selected from 60 individuals considered together with the CEO and CFO from among recent engineering graduates who have achieved excellent results, who is pursuing a career in the healthcare sector and to whom the Company intends to offer the opportunity to pursue a career also within the GHC Group; (iv) decrease in the IAS 19 actuarial effects reserve of Euro 7 thousand; (v) increase in the Share Premium Reserve of Euro 38,950 thousand following the reserved capital increase transaction through Accelerated Book Building (as described in the paragraph on share capital); (vi) increase in the reserve for treasury shares in portfolio, amounting to Euro 3,150 thousand, following the purchase of 576,408 shares in accordance with the Board of Directors' motion of January 29, 2019 and the Shareholders' Meeting motion of May 24, 2019; (vii) recognition of the reserve relating to the costs incurred for the capital increase amounting to Euro 883 thousand.

Note 13 Employee Benefits

The account “Employee benefits” amounted to Euro 93 thousand, compared to a balance from the previous year of Euro 80 thousand.

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

The main demographic assumptions use by the actuary for 2021 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:

	<i>At December 31</i>	<i>At December 31</i>
	2021	2020
Annual inflation rate	0.50%	0.50%
Annual real remuneration rate by category:		
Executives	2.60%	2.60%
Managers	1.70%	1.70%
White-collar	1.40%	1.40%
Annual increase in post-employment benefit	1.56%	1.87%

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

<i>(Euro thousands)</i>	
Balance at December 31, 2020	80
Financial charges/(income)	-
Utilisations	(24)
Net actuarial gains/(losses) recognized in the year	8
Transfer in/(out)	
Cost for service	29
December 31, 2021	93

The account reports a net increase of Euro 13 thousand, as a combined effect of accruals and liquidations in the year.

In accordance with IAS 19 – *Employee Benefits*, an analysis of the sensitivity to changes in the main actuarial assumptions used in the calculation model must be performed. The following table shows, in absolute 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 in thousands of Euro at December 31, 2021 follow:

		31 December 2021		
		<i>Annual discount rate</i>		
		-10%	100%	10%
<i>Annual inflation rate</i>	-10%	92.7	92.1	91.6
	100%	93.7	93.2	92.6
	10%	94.7	94.2	93.6

Note 14 Non-current financial payables

The account “*Non-current financial payables*” came to Euro 117,620 thousand compared to Euro 14,135 thousand at the end of the previous year.

The following table presents the figures for the company’s outstanding financial payables at December 31, 2021 and December 31, 2020:

<i>(Euro thousands)</i>	<i>At December 31</i>	<i>At December 31</i>	<i>Change</i>
	2021	2020	2021 vs 2020
Other non-current financial payables	2,697	3,299	(601)
Medium/long-term loans and borrowings	114,923	10,836	104,087
Total non-current financial payables	117,620	14,135	103,486

The account increased overall on December 31, 2020 by Euro 103,486 thousand, following the increase in “Non-current bank payables”, only in part offset by the reduction in “Other non-current financial payables”.

The decrease in “*Other non-current financial payables*” of Euro 601 thousand was mainly due to the partial repayment of the payable to the parent company Larama 98 S.p.A. of Euro 500 thousand and the decrease in “IFRS 16 payables” of Euro 148 thousand due to the reclassification as short term of the lease payments due at December 31, 2021.

“*Non-current bank payables*” include the amount due beyond one year, of Euro 114,923 thousand, of the loan agreed on November 16, 2021 and disbursed in a number of tranches during December 2021, through which the outstanding loan with Intesa San Paolo S.p.A. and the two outstanding loans with Banca Carige were settled.

More specifically, on November 16, 2021 GHC S.p.A. signed a new loan agreement for a total amount of Euro 221 million. The loan consists of a Refinancing Line of Euro 140 million and an Acquisition Line of Euro 81 million. The Refinancing Line has allowed GHC S.p.A to restructure and simplify its financing thanks to the issue of a single loan and the simultaneous provision of inter-company loans by GHC S.p.A. to the subsidiaries in order to settle all their outstanding loans. This line has a duration of 5 years and repayment in 2026 (with an amortising profile and a final instalment of 28%). In December 2021 the refinancing was completed, resulting in the issue by GHC S.p.A. of loans to the subsidiaries totalling Euro 104,559 thousand.

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

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

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

<i>Parameter</i>	<i>Threshold value</i>					
	<i>31.12.2021</i>	<i>31.12.2022</i>	<i>31.12.2023</i>	<i>31.12.2024</i>	<i>31.12.2025</i>	<i>from 31.12.2026</i>

Leverage Ratio (Net financial debt / EBITDA)	≤4x	≤4x	≤4x	≤3.5x	≤3.25x	≤3x
Net Debt / NE	≤1.5x	≤1.5x	≤1.5x	≤1.5x	≤1.25x	≤1x

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

in Euro thousands	2021	2020	Δ vs 2020
	Euro '000	Euro '000	Euro '000
A Cash	8	-	7
B Cash and cash equivalents	2,609	983	1,625
C Other current financial assets	14,505	4,109	10,396
D Liquidity	17,122	5,092	12,030
E Current financial debt	30,651	23,356	7,295
F Current portion of non-current financial debt	21,499	3,049	18,450
G Current financial debt	52,150	26,405	25,745
H Net current financial debt (G - D)	35,028	21,312	13,716
I Non-current financial debt	117,620	14,135	103,486
L Non-current financial debt (I + J + K)	117,620	14,135	103,486
M Total financial debt (H + L)	152,648	35,447	117,201

The financial debt increased by Euro 117,201 thousand, mainly due to the Refinancing outlined above, which resulted in an increase in Current and non-current financial payables following the issue of the new loan on November 16, 2021. However, the financial debt outlined above, presented as per IAS 7 "Statement of cash flows", does not include "Other non-current financial assets" of Euro 129,996 thousand at December 31, 2021, comprising the receivables arising from the loans issued by GHC to the subsidiaries to enable them to settle debts with the banks.

Note 15 Trade payables

"Trade payables" total Euro 393 thousand at December 31, 2021, decreasing by Euro 178 thousand on December 31, 2020 (Euro 570 thousand). A breakdown of the account is shown in the table below:

(Euro thousands)	At December 31		Change
	2021	2020	2021 vs 2020
Trade payables	125	297	(171)
Payables for invoices to be received	277	283	(6)
Credit notes to be received	(9)	(9)	-
Total trade payables	393	570	(178)

Trade payables at December 31, 2021 mainly comprise invoices to be received for Euro 277 thousand and payables to suppliers for invoices received for Euro 125 thousand, relating to legal, administrative and financial consultancy services connected with the typical activities of a holding company.

Note 16 Current financial payables

“Current financial payables” amount to Euro 52,150 thousand, increasing by Euro 25,745 thousand on December 31, 2020 (Euro 26,405 thousand).

The following table presents the figures for the company’s outstanding current financial payables at December 31, 2021:

(Euro thousands)	At December 31	At December 31	Change
	2021	2020	2021 vs 2020
Current bank payables (short-term portion of loans)	21,499	3,049	18,450
Current financial payables - Cash pooling financial payables	30,465	23,204	7,261
Financial payables for IFRS 16 Current	133	152	(19)
Current financial payables - accrued liabilities and deferred financial income	54	-	54
Total current financial payables	52,150	26,405	25,745

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

The increase in “Bank payables” compared to the previous year of Euro 18,450 thousand relates to the amount due within twelve months of the loan granted to GHC S.p.A. on November 16, 2021, commented upon in “Note 14 Non-current financial payables”, to which reference should be made.

“Cash pooling financial payables” increased by Euro 7,261 thousand on the previous year, mainly due to the financial dynamics relating to centralised treasury management within the Group.

“IFRS 16 payables” decreased by Euro 19 thousand on the previous year and is to be correlated to the combined effect of the increase due to the reclassification of the portion due within twelve months of the leases previously designated operating and the decrease due to the payment of the portions that came due during the year.

Note 17 Tax Payables

The account “Tax payables” amounted to Euro 1,186 thousand compared to Euro 1,186 thousand in the previous year.

The table below provides the breakdown of the account for the year ended December 31, 2021 and a comparison with the previous year.

(Euro thousands)	At December 31		Change
	2021	2020	2021 vs 2020
Tax payables - IRES tax payables	1,186	1,186	-
Total Tax payables	1,186	1,186	-

The account includes the IRES payable transferred by the companies within the scope of tax consolidation in 2021, which generates an amount payable to the Italian Treasury and an amount receivable from the companies concerned, as described above in “Note 9 Other receivables and current assets”.

Note 18 Other current liabilities

At December 31, 2021 “Other current liabilities” amounted to Euro 1,240 thousand, compared with Euro 404 thousand at December 31, 2020, marking a decrease of Euro 837 thousand. The table below summarizes the composition of the account:

<i>(Euro thousands)</i>	<i>At December 31</i>	<i>At December 31</i>	<i>Change</i>
	2021	2020	2021 vs 2020
Social security institutions	81	144	(64)
Tax payables	64	34	30
Withholding payables	85	66	19
Employee payables	264	74	190
Other payables	746	85	661
Total Other current liabilities	1,240	404	837

The account in question primarily refers to payables to the Treasury for VAT, employee payables and to social security agencies and payables to parent companies for prior dividends.

“*Tax payables*” amounted to Euro 64 thousand and refers to the VAT payable transferred by the companies within the VAT Group for December 2021 of Euro 244 thousand, net of the payment made on December 28, 2021 of Euro 180 thousand.

“*Employee payables*” at December 31, 2021 of Euro 264 thousand increased by Euro 190 thousand, mainly due to variable employee remuneration.

“*Other payables*” at December 31, 2021 of Euro 746 thousand increased by Euro 661 thousand, mainly due to the accrual for the CEO’s variable remuneration.

Note 19 Revenues from services

The account “*Revenues from services*” amounted to Euro 4,600 thousand compared to Euro 3,800 thousand in the previous year.

The account is broken down below.

<i>(Euro thousands)</i>	<i>At December 31</i>		<i>Change</i>
	2021	2020	2021 vs 2020
Revenues from services	4,600	3,800	800
Total revenues from services	4,600	3,800	800

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

The change in the account of Euro 800 thousand was due to the increase in the scope of the subsidiaries for which GHC performs administrative, financial, corporate and IT coordination services in 2021 thanks to the acquisition of Clinica San Francesco S.p.A. and Domus Nova S.p.A..

Other operating revenues

The account “Other operating revenues” was Euro 58 thousand compared to Euro 202 thousand in the previous year.

<i>(Euro thousands)</i>	<i>At December 31</i>	<i>At December 31</i>	<i>Change</i>
	2021	2020	2021 vs 2020
Other income	58	202	(144)
Total other operating revenues	58	202	(144)

The account in question refers to the costs recharged by the parent company to the subsidiaries for the additional services rendered to them that could not be foreseen in the management service contract. The decrease in the account of Euro 114 thousand is due to the fact that in 2021 GHC S.p.A. incurred reduced consultancy costs for the SARS-COV2 emergency compared to the previous year.

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

The account “Costs for raw materials, ancillary, consumables and goods” amounted to Euro 25 thousand at December 31, 2021, compared to the figure for the previous year of Euro 34 thousand.

The account is broken down below

<i>(Euro thousands)</i>	<i>At December 31</i>		<i>Change</i>
	2021	2020	2021 vs 2020
Other	25	34	(9)
Total raw materials, ancillary & consumables	25	34	(9)

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

Note 21 Service costs

“Service costs” amounted to Euro 5,329 thousand in 2021, increasing by Euro 1,995 thousand on 2020 (Euro 3,333 thousand). The table below provides the breakdown of the account for the year ended December 31, 2021 and a comparison to the previous year:

(Euro thousands)	At December 31		Change
	2021	2020	2021 vs 2020
Director fees	1,854	1,072	782
Statutory auditors fees	89	75	14
Rental charges	162	162	-
Technical consultants	2,025	1,258	767
Other costs	1,199	767	432
Total service costs	5,329	3,333	1,995

“Directors’ fees” increased by Euro 782 thousand as a result of the CEO’s variable remuneration.

“Technical consultancy” of Euro 2,025 thousand increased by Euro 767 thousand, mainly due to higher M&A costs, which in 2020 slowed due to the pandemic.

“Other costs” of Euro 1,199 thousand mainly comprise: (i) Contract workers for Euro 408 thousand (ii) Legal consultancy for Euro 229 thousand; (iii) Auditing for Euro 164 thousand; (vi) Administrative and tax consultancy for Euro 46 thousand.

Note 22 Personnel costs

Personnel costs in 2021 totalled Euro 2,178 thousand, increasing Euro 204 thousand over the previous year (Euro 1,974 thousand).

The table below shows the breakdown of personnel costs for the year ended December 31, 2021, with a comparison to the year ended December 31, 2020:

<i>(Euro thousands)</i>	<i>At December 31</i>		<i>Change</i>
	2021	2020	2021 vs 2020
Salaries and wages	1,039	954	85
Social security contributions	571	447	125
Severance	56	66	(9)
Other	512	508	4
Total personnel costs	2,178	1,974	204

The increase in personnel costs is mainly due to the increase in wages and salaries and social security charges, respectively of Euro 85 and Euro 125, following the new hires in 2021 to expand the GHC S.p.A. organisation to improve holding company functions.

The item "Other", amounting to Euro 512 thousand at 31 December 2021, mainly includes the personnel costs related to the Performance Share plan (Euro 296 thousand) and those related to variable management remuneration (Euro 227 thousand).

Note 23 Other operating costs

Other operating costs totalled Euro 862 thousand in 2021, compared to Euro 605 thousand in the previous year.

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

The table below shows the breakdown of such costs for the years ended December 31, 2021 and December 31, 2020.

<i>(Euro thousands)</i>	<i>At December 31</i>		<i>Change</i>
	2021	2020	2021 vs 2020
Non-deductible VAT on a pro rata basis	705	536	169
Income taxes	98	24	74
Other operating charges	59	45	14
Total other operating costs	862	605	257

The increase in the account of Euro 257 thousand follows the higher “non-deductible VAT on a pro-rata basis” for increased operating costs incurred in the year compared to the previous year which led to an increase in the non-deductible VAT on a pro-rata basis, and of “Income taxes” for the payment of the tobin tax for the acquisition of the investment in Domus Nova S.p.A..

Note 24 Amortisation, depreciation and write-downs

“Amortisation, depreciation and write-downs” in 2021 was Euro 350 thousand, compared to Euro 244 thousand at the end of the previous year.

The table below shows the breakdown of such amortisation and depreciation for 2021 and 2020:

<i>(Euro thousands)</i>	<i>At December 31</i>		<i>Change</i>
	2021	2020	2021 vs 2020
Depreciation Intangible assets	24	24	-
Depreciation Tangible and investment Properties	325	220	106
Total amortisation, depreciation and write-downs	350	244	106

The increase in the account of Euro 106 thousand is mainly due to the depreciation of the property hosting the holding companies headquarters that entered into use in the second half of the previous year.

It should be noted that the depreciation of tangible assets amounting to Euro 325 thousand for Euro 163 thousand concerns the depreciation of the rights-of-use regulated by IFRS 16.

Note 25 Financial income

“Financial income” of Euro 4,890 thousand in 2021 increased by Euro 991 thousand compared to the previous year (Euro 3,899 thousand).

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

(Euro thousands)	At December 31		Change
	2021	2020	2021 vs 2020
Interest income from cash pooling	13	10	4
Interest income from subsidiary companies	577	390	187
Dividends	4,300	3,500	801
Total financial income	4,890	3,899	991

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

“Interest income from subsidiaries” increased by Euro 187 thousand, mainly due to the interest income from the new interest bearing loans granted to the subsidiaries following the Refinancing of December 2021 and the interest income from the loan issued by GHC S.p.A. in H1 2021 to the target company GHC Project 6 S.r.l. to fully acquire the company Clinica San Francesco S.r.l..

“Dividends” refer to the amounts approved for Euro 2,800 thousand by Casa di Cura Villa Garda S.r.l. and for Euro 1,500 thousand by Centro Medico San Biagio S.r.l.. At December 31, 2021, these amounts are still to be collected.

Note 26 Financial charges

Financial charges amounted to Euro 1,230 thousand, compared with a balance of Euro 746 thousand in the previous year, marking a decrease of Euro 484 thousand.

The table below shows the breakdown of and changes in the account in question compared to the year ended December 31, 2020:

(Euro thousands)	At December 31		Change
	2021	2020	2021 vs 2020
Interest expense from cash pooling	306	283	23
Interest on mortgage loans	601	351	249
IFRS 16 interest charges	38	42	(4)
Other financial charges	239	2	237
Interest from group companies	47	68	(21)
Total financial charges	1,230	746	484

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

In particular, “*Interest on mortgage loans*” include the interest for the loan granted by Banca Unicredit concerning the new loan agreed on November 16, 2021.

“*Other financial charges*” increased by Euro 237 thousand concerning the charges for the early settlement of the three loans, together with the disbursement of the new loan by Banca Unicredit.

“*Interest from group companies*” of Euro 47 thousand decreased by Euro 21 thousand due to the partial repayment in 2021 of the inter-company loan from the parent company Larama 98 S.p.A.

Note 27 Income taxes

The table below shows the breakdown and changes in 2021 and 2020.

<i>(Euro thousands)</i>	At December 31		Change
	2021	2020	2021 vs 2020
Current income taxes	(1,544)	(636)	(908)
Deferred tax income	(167)	(19)	(148)
Deferred tax income/(charge)	52	(16)	68
Other	8	90	(82)
Total income taxes	(1,653)	(582)	(1,071)

Income taxes in 2021 presented a positive balance of Euro 1,653 thousand, due to the recognition of income from the tax consolidation as a result of the assessable base transferred by the subsidiaries involved in GHC S.p.A.’s tax consolidation.

The company’s nominal and effective rates for the years ended December 31, 2021 and December 31, 2020 are reconciled below.

<i>IRES reconciliation</i>	At December 31	
	2021	2020
<i>(Euro thousands)</i>		
Profit before taxes	427	964
IRES rate applicable	24%	24%
Theoretical tax charge (Profit before taxes * IRES tax rate)	102	231

Dividends	(1,032)	(798)
IPO/ABB costs to Shareholders' Equity	(212)	-
ACE	(402)	(123)
Other changes	(111)	107
Current and deferred IRES tax	(1,653)	(582)
Effective tax rate	(387.1%)	(60.4%)

Note 28 Net profit for the year

2021 net profit of Euro 1,226 thousand compared to Euro 1,546 thousand in the previous year.

Note 29 Fair value hierarchy

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

Financial Liabilities	At December 31, 2021		At December 31, 2020	
	Book value	Fair value	Book value	Fair value
<i>(Euro thousands)</i>				
Loans	136,423	139,771	40,539	40,469
Total	136,423	139,771	40,539	40,469

The financial liabilities set out above have been assigned to level 2 of the fair value hierarchy (for both 2021 and 2020).

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

Fair Value - Hierarchy

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

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

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

Valuation processes

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

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

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

- Comparing the prices with observable market prices or other independent sources;
- Verifying the model's calculations;
- Assessing and confirming the input parameters.

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

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

Valuation techniques and hypotheses

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

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

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

- The fair value of the ordinary non-listed shares was estimated through the discounted cash flow model (DCF). The valuation requires management to make assumptions with regards to the model inputs, including the projected cash flows, the discount rate, the credit risk and the volatility. The probability of differing estimates within the interval may be reasonably verified and are utilised in management’s estimates of the fair value of these non-listed investments;
- The company undertakes derivative financial instruments with a range of counterparties, principally financial institutions with allocated credit ratings. The derivatives valued using measurement techniques with market recordable data principally consist of interest rate swaps. The most utilised measurement techniques include the “swaps” models, which utilise the calculation of the present value. The models consider various inputs, including the credit quality of the counterparty and interest rate curves. All derivative contracts are fully covered by cash, thus eliminating the risk of default by the Company.

Note 30 Commitments, risks and contingent liabilities

30.1 Finance leases and final purchase commitments

The company has not undertaken finance leases.

30.2 Commitments and Guarantees

Commitments and guarantees at December 31, 2021 are described below.

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

No expected losses on guarantees have come to light.

30.3 Financial risk management

This section contains a description of the financial risks to which GHC S.p.A is exposed, together with the policies and strategies employed by the company to manage the risks concerned during the year to December 31, 2021 and the year to December 31, 2020.

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

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

- Credit risk arising from commercial transactions or financing activity;
- Liquidity risk, related to the availability of financial resources and access to the credit market

- Operational risk relating to the conduct of the business;

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

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

The risk management policy of the company involved the setting of guidelines on which liquidity risk is managed.

For greater details on financial risk management, reference should be made to paragraph 9 of the 2021 Directors’ Report.

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

30.3.1 Credit risk

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

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

Information on GHC’s trade receivable positions at December 31, 2021 and December 31, 2020 is provided below by time past due:

<i>(Euro thousands)</i>	<i>At December 31</i>	<i>At December 31</i>	<i>Change</i>
	2021	2020	2021 vs 2020
Receivables from subsidiaries for invoices to be issued	1,718	1,446	272
Maturing trade receivables	-	235	(235)
Total credit risk	1,718	1,682	37

30.3.2 Liquidity risk

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

The company has introduced effective financial planning which offsets liquidity risk, also in view of the fact, as stated GHC S.p.A.'s receivables are from Group companies whose liquidity is related to on-time payment by the Regional Health System to which the individual clinics belong. The company therefore considers that this risk deriving from any delayed payment by the Regional Health System, with any related impacts on liquidity, is moderate. The Group's facilities are primarily located in regions with a balanced healthcare spending budget. This reduces, but does not eliminate, the risk that the Regional Health Systems within whose territory the facilities concerned operate may delay the payment of services rendered to patients. At December 31, 2021, the GHC Group's average collection times from the Regional Health System were approximately 100 days, compared with an industry national average of 110 days.

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

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

The following is a breakdown of outstanding financial and trade payables in 2021 and 2020 by residual time to maturity:

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

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

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

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

Note 31 Related party transactions

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

Pursuant to Consob Motion No. 17221 of March 12, 2010, it is reported that in 2021 the Company did not conclude any significant transactions or transactions with a significant effect on the Group's financial position or operating result for the year with related parties. All transactions with related parties in 2021 were at arm's length.

Dec 31, 21	Receivables		Payables		Costs		Revenues	
<i>(Euro thousands)</i>	Fin/Tax	Trade/Other	Fin/Tax	Trade/Other	Fin.	Com.	Fin.	Com.
LARAMA 98 S.p.A.	-	-	(1,645)	-	47	-	-	-
Aurelia Hospital S.r.l.	-	-	-	(2)	-	2	-	-
LEDCON S.r.l.	-	-	-	-	-	943	-	-
A.M. Rinaldi	-	-	-	-	-	81	-	-
M.L. Garofalo	-	-	-	-	-	81	-	-
XRay One S.r.l.	13,298	178	(1,418)	-	7	-	(80)	(121)
Centro Medico S. Biagio S.r.l.	18,020	69	(7,103)	(10)	69	-	(1,522)	(301)
BIMAR S.r.l.	-	5	(456)	(1)	4	-	-	(21)
Centro medico Castrense S.r.l.	1,968	18	(852)	-	9	-	(3)	(71)
Aesculapio S.r.l.	610	24	-	-	-	-	-	(39)
Ospedali Privati Riuniti S.r.l.	12,956	150	(2,003)	-	28	-	(48)	(513)
Poliambulatorio Dalla Rosa Prati S.r.l.	2,879	221	(105)	-	2	-	(8)	(278)
Casa di cura Prof. Nobili S.r.l.	-	42	(7,451)	-	71	-	-	(167)
Fides Servizi scarl	242	-	(1)	(2)	-	-	-	(3)
PRORA S.r.l.	-	17	(772)	-	7	-	-	(24)
Ro.e.Mar. S.r.l.	1,062	46	-	-	-	-	(5)	(62)
Genia Immobiliare S.r.l.	-	3	(261)	-	3	-	-	(3)
Centro di Riabilitazione S.r.l.	-	27	(588)	-	7	-	-	(66)
Fides Medica S.r.l.	10,502	19	(195)	(6)	2	-	(57)	(85)
HESPERIA HOSPITAL MODENA S.r.l.	-	395	(3,892)	-	34	-	-	(838)
Rugani Hospital S.r.l.	1,048	192	-	-	-	-	(1)	(278)
VILLA VON SIEBENTHAL S.r.l.	3,983	4	-	-	-	-	(7)	(102)
L'EREMO DI MIAZZINA – Casa di cura privata S.r.l.	4,907	148	-	-	-	-	(22)	(278)
SANIMEDICA S.r.l. Unipersonale	-	54	(443)	-	5	-	-	(45)
C.M.S.R. VENETO MEDICA S.r.l.	3,529	108	(9)	-	1	-	(3)	(177)

Casa di Cura Villa Garda S.r.l.	5,429	103	(1,793)	-	26	-	(2,802)	(150)
CASA DI CURA VILLA BERICA S.r.l.	826	417	(3,122)	-	30	-	(1)	(400)
Casa di Cura S. Francesco S.r.l.	60,923	417	-	-	-	-	(326)	(417)
DOMUS NOVA S.p.A.	6,618	219	-	-	-	-	(5)	(219)
Total	148,800	2,874	(32,110)	(21)	353	1,107	(4,890)	(4,658)

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

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

Note 32 Subsequent events after December 31, 2021

There were no subsequent events after December 31, 2021.

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

The remuneration accruing to members of the Board of Directors of Garofalo Health Care S.p.A., in all capacities and forms, during the years ended December 31, 2021 and December 31, 2020 amounted to Euro 1,854 thousand and Euro 1.072 thousand, respectively.

The remuneration accrued to the Board of Statutory Auditors of Garofalo Health Care S.p.A for the years ended December 31, 2021 and December 31, 2020 amounted to Euro 89 thousand and Euro 75 thousand, respectively.

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

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

Note 34 Independent auditors' fees

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

Type of service	Service provider	Company	Fees
Audit	EY S.p.A.	GHC SPA	102
Other professional services	EY S.p.A.	GHC SPA	62

Note 35 Number of employees

The following table provides a concise comparison of the number of employees in 2021 by category with the previous year.

Employees by category	Number of employees at 31/12/2021	Number of employees at 31/12/2020	Change 2021 vs 2020
Executives	6	6	-
White collars/Managers	12	10	2
Total	18	16	2

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

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

Note 37 Information on share-based remuneration plans

2019-2021 Stock Grant Plan

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

Each cycle envisages:

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

The Plan is based on three cycles:

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

The assignment of rights takes place after the approval of the consolidated financial statements for the previous year, the one referring to the performance period.

The assignment of rights is made through a letter containing information on the number of rights assigned and details of the performance objectives and conditions for the allocation of shares.

The assignment of shares is subject to the achievement of the performance objectives and the number of shares will be established by the Board of Directors on the basis of the level of achievement of performance objectives, verified after the approval of the Shareholders' Meeting of the 2019 Annual Financial Statements for the 1st Cycle, the 2020 Annual Financial Statements for the 2nd Cycle and the 2021 Annual Financial Statements for the 3rd Cycle.

For the third vesting cycle (2021), the performance goal is as follows: Reported Operating EBITDA of the Company of which the relevant Beneficiary is a director, self-employed or employee, with a deviation of up to 2%.

We report in the table below the rights which may be granted for each cycle:

	number of rights assigned	Fair value at assignment date
rights allocatable 18/12/2019	229,847	1,287,143
rights allocatable 02/12/2020	93,754	480,018
rights allocatable 12/12/2021	25,942	147,351

2021-2023 Performance Share Plan

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

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

The purposes of the Performance Share Plan are:

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

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

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

	number of rights assigned	number of rights allocatable	Fair value rights granted at the assignment date
assignment of rights 12/12/2021	169,893	155,027	880,555

Note 38 Allocation of result for the year

Dear shareholders, We propose the approval of the financial statements at December 31, 2021 and, in accordance with Article 2427, paragraph 1, No. 22 septies of the Civil Code, the allocation of the net profit of Euro 1,226 thousand as follows: Euro 61 thousand to the legal reserve, Euro 12 thousand to the provision as per Article 40 of the By-Laws and the remaining Euro 1,153 thousand to the extraordinary reserve.


Mr. Alessandro Maria Rinaldi
Legal Representative



CONSOLIDATED FINANCIAL STATEMENTS

at December 31, 2021



CONSOLIDATED FINANCIAL STATEMENTS AT DECEMBER 31, 2021

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT DECEMBER 31, 2021

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ERRORE. IL SEGNALIBRO NON È DEFINITO.

Parent Company Registered Office

Garofalo Health Care S.p.A.

Piazzale Belle Arti, 6 – Rome 00196

Parent Company Legal Details

Approved share capital Euro 31,570,000*

Subscribed and paid-in share capital Euro 31.570.000*

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

Tax Number: 06103021009

VAT Number: 03831150366

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

* Registered in the Company's Registration Office on January 26, 2021

CORPORATE BOARDS

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

CONTROL, RISKS AND SUSTAINABILITY COMMITTEE

FRANCA BRUSCO
 FEDERICO FERRO LUZZI
 NICOLETTA MINCATO

APPOINTMENTS AND REMUNERATION COMMITTEE

FEDERICO FERRO LUZZI
 GIANCARLA BRANDA
 FRANCA BRUSCO

BOARD OF STATUTORY AUDITORS (*)

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

INDEPENDENT AUDIT FIRM

EY S.P.A.

GENERAL MANAGER ()**

UMBERTO SURIANI

EXECUTIVE OFFICER FOR (*)
 FINANCIAL REPORTING**

LUIGI CELENTANO

(*) Appointed by the Shareholders' Meeting of April 30, 2021.

(**) Appointed by the Board of Directors on March 1, 2021, with effect from May 1, 2021

(***) Appointed by the Board of Directors on October 28, 2021, with effect from November 1, 2021

CONSOLIDATED FINANCIAL STATEMENTS AT DECEMBER 31, 2021

Consolidated Balance Sheet at December 31, 2021

<i>in Euro thousands</i>		For the year ended December 31			
		2021	of which related parties	2020	of which related parties
Goodwill	Note 3	70,265		54,438	
Other intangible assets	Note 4	195,828		140,128	
Property, plant and equipment	Note 5	217,006		159,169	
Investment property	Note 6	924		963	
Equity investments	Note 7	1,285		928	
Other non-current financial assets	Note 8	482		236	
Other non-current assets	Note 9	1,113		1,199	
Deferred tax assets	Note 10	9,660		5,140	
TOTAL NON-CURRENT ASSETS		496,564		362,200	
Inventories	Note 11	4,322		3,487	
Trade receivables	Note 12	74,720		61,411	
Tax receivables	Note 13	6,088		4,995	
Other receivables and current assets	Note 14	3,405		2,822	1
Other current financial assets	Note 15	175		129	
Cash and cash equivalents	Note 16	41,239		24,810	
TOTAL CURRENT ASSETS		129,948		97,654	
TOTAL ASSETS		626,513		459,855	

<i>in Euro thousands</i>		For the year ended December 31			
		2021	of which related parties	2020	of which related parties
Share capital	Note 17	31,570		28,700	
Legal reserve	Note 17	471		394	
Other reserves	Note 17	209,578		162,280	
Group result for the year	Note 39	18,834		11,781	
TOTAL GROUP SHAREHOLDERS' EQUITY		260,453		203,155	
Minority interest capital and reserves	Note 17	253		63	
Minority interest result	Note 39	9		3	
TOTAL SHAREHOLDERS' EQUITY		260,715		203,221	
Employee benefits	Note 18	11,987		11,054	
Provisions for risks and charges	Note 19	17,346		12,045	
Non-current financial payables	Note 20	138,130	1,645	89,522	2,099
Other non-current liabilities	Note 21	213		360	
Deferred tax liabilities	Note 10	67,932		47,787	
Derivative financial instrument liabilities - non-current	Note 22	-		326	
TOTAL NON-CURRENT LIABILITIES		235,608		161,094	
Trade payables	Note 23	46,239	45	35,857	
Current financial payables	Note 24	45,662		32,782	
Tax payables	Note 25	3,860		1,403	
Other current liabilities	Note 26	34,429		25,498	87
TOTAL CURRENT LIABILITIES		130,190		95,540	
TOTAL LIABILITIES		365,798		256,634	
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		626,513		459,855	

2021 Consolidated Income Statement

<i>in Euro thousands</i>		For the year ended December 31			
		2021	of which related parties	2020	of which related parties
Revenues from services	Note 27	277,869		206,778	
Other revenues	Note 28	5,803		4,068	
TOTAL REVENUES		283,672		210,846	
Raw materials and consumables	Note 29	38,944		28,528	
Service costs	Note 30	118,407	1,336	88,229	2,167
Personnel costs	Note 31	65,739		52,797	
Other operating costs	Note 32	13,620		10,724	
Amortisation, depreciation, and write-downs	Note 33	15,706		11,807	
Impairments and other provisions	Note 34	3,025		3,270	
TOTAL OPERATING COSTS		255,441		195,356	
EBIT		28,231		15,489	
Financial income	Note 35	56		64	
Financial charges	Note 36	(4,512)	(47)	(2,758)	(64)
Results of investments at equity	Note 37	213		227	
TOTAL FINANCIAL INCOME AND CHARGES		(4,243)		(2,467)	
PROFIT BEFORE TAXES		23,988		13,022	
Income taxes	Note 38	5,145		1,238	
NET PROFIT FOR THE YEAR	Note 39	18,843		11,784	
Attributable to:					
Group	Note 39	18,834		11,781	
Minority interests	Note 39	9		3	
Basic and diluted earnings per share (in Euro)	Note 40	0.21		0.14	

Consolidated Comprehensive Income Statement at December 31, 2021

<i>(Euro thousands)</i>	2021	2020
PROFIT FOR THE YEAR	18,843	11,784
Other components of the comprehensive income that will not subsequently be reclassified in profit/(loss) for the year		
Actuarial gains/(losses) on defined employee benefit plans	16	(342)
Tax effect	(4)	82
Total other components of comprehensive income that will not subsequently be reclassified in profit/(loss) for the year net of income taxes	12	(260)
Other components of the comprehensive income that may be subsequently reclassified in profit/(loss) for the year		
Fair value of derivative instruments	0	(290)
Tax effect	0	75
Total other comprehensive items that may be subsequently reclassified to profit/(loss) for the period net of income taxes	0	(215)
Profit/(loss) recognised to equity	12	(475)
Total comprehensive income	18,855	11,309
Attributable to:		
Group	18,846	11,306
Minority interests	9	3

Statement of changes in consolidated shareholders' equity at December 31, 2021

in Euro thousands	Share capital	Legal reserve	Other reserves	Group net profit	Group shareholders' equity	Minority interest capital & reserves	Minority interest net profit	Total net equity
December 31, 2019	28,700	310	149,780	13,142	191,932	82	11	192,025
Allocation of result	-	84	13,058	(13,142)	-	11	(11)	-
Acquisition of treasury shares	-	-	(463)	-	(463)	-	-	(463)
Minority interest acquisition	-	-	20	-	20	(30)	-	(10)
Use of Reserve as per Article 40	-	-	(40)	-	(40)	-	-	(40)
Share-based payments reserve	-	-	406	-	406	-	-	406
Comprehensive profit/(loss)	-	-	(475)	11,781	11,306	-	3	11,309
Other movements	-	-	(6)	-	(6)	-	-	(6)
December 31, 2020	28,700	394	162,280	11,781	203,155	63	3	203,221
December 31, 2020	28,700	394	162,280	11,781	203,155	63	3	203,221
Allocation of result	-	77	11,704	(11,781)	-	3	(3)	-
Acquisition of treasury shares	-	-	(3,150)	-	(3,150)	-	-	(3,150)
Share capital increase	2,870	-	38,067	-	40,937	-	-	40,937
Use of Reserve as per Article 40	-	-	(12)	-	(12)	-	-	(12)
Change in consolidation scope	-	-	-	-	-	187	-	187
Share-based payments reserve	-	-	421	-	421	-	-	421
Settlement of derivatives	-	-	240	-	240	-	-	240
Comprehensive profit	-	-	12	18,834	18,846	-	9	18,855
Other movements	-	-	16	-	16	-	-	16
December 31, 2021	31,570	471	209,578	18,834	260,453	253	9	260,715

Consolidated Cash Flow Statement at December 31, 2021

In Euro thousands	December	
	2021	2020
OPERATING ACTIVITIES		
<i>Profit for the year</i>	18,843	11,784
<i>Adjustments for:</i>		
- <i>Amortisation and depreciation</i>	15,519	11,588
- <i>Provisions for employee benefit liabilities</i>	805	653
- <i>Provisions for risks and charges</i>	3,025	3,270
- <i>Doubtful debt provision</i>	187	220
- <i>Change in investments in associates valued under the equity method</i>	(213)	(227)
- <i>Change in other non-current assets and liabilities</i>	(308)	44
- <i>Net change in deferred tax assets and liabilities</i>	(387)	(2,518)
- <i>Payments for employee benefits</i>	(1,208)	(1,241)
- <i>Payments for provisions for risks and charges</i>	(2,745)	(380)
<i>Changes in operating assets and liabilities:</i>		
(Increase) decrease in trade and other receivables	(2,710)	(6,508)
(Increase) decrease in inventories	341	(422)
Increase (decrease) in trade and other payables	(881)	(99)
Other current assets and liabilities	6,045	6,802
NET CASH FLOW FROM OPERATING ACTIVITIES (A)	36,314	22,963
CASH FLOW FROM INVESTING ACTIVITIES		
<i>Investments in intangible assets</i>	(1,470)	(1,145)
<i>Investments in tangible assets</i>	(23,198)	(10,995)
<i>(Investments)/disposals in financial assets</i>	(388)	-
<i>Sale of tangible assets</i>	326	595
<i>Dividends from associates</i>	280	308
<i>Acquisition of XRay One, net of cash acquired</i>		(12,001)
<i>Acquisition Clinica San Francesco</i>	(36,562)	-
<i>Acquisition Domus Nova</i>	(31,119)	-
CASH FLOW ABSORBED BY INVESTING ACTIVITIES (B)	(92,130)	(23,238)
CASH FLOW FROM FINANCING ACTIVITIES		
<i>Issue of medium/long term loans</i>	179,773	14,270
<i>Repayment of medium/long-term loans</i>	(148,060)	(11,625)
<i>Issue/(repayment) of short-term loans</i>	6,927	(2,498)
<i>Change in other non-current financial payables</i>	(4,155)	(2,301)
<i>Share capital increase and shareholder payments</i>	40,937	-
<i>Use of Reserve as per Article 40</i>	(27)	(40)
<i>(Acquisition) minority interests</i>		(21)
<i>(Acquisition) treasury shares</i>	(3,150)	(463)
NET CASH FLOW GENERATED/(ABSORBED) BY FINANCING ACTIVITIES (C)	72,245	(2,678)
TOTAL CASH FLOWS (D=A+B+C)	16,429	(2,953)
CASH & CASH EQUIVALENTS AT BEGINNING OF YEAR (E)	24,810	27,763
CASH & CASH EQUIVALENTS AT END OF YEAR (F=D+E)	41,239	24,810
Additional information:		
Interest paid	2,160	1,282
Income taxes paid	3,679	4,161

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT DECEMBER 31, 2021

Note 1. Accounting standards and preparation basis for the Consolidated Financial Statements at December 31, 2021**1.1 Company information**

The publication of the Group's consolidated financial statements for the year ended December 31, 2021 was approved by the Board of Directors on March 16, 2022.

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

1.2 General Principles

The consolidated financial statements of the GHC Group for the year ended December 31, 2021 (the "Consolidated Financial Statements") have been prepared in compliance with IFRS international accounting standards issued by the International Accounting Standards Boards (IASB), supplemented by the related interpretations of the International Financial Reporting Standards Interpretations Committee (IFRS IC), previously called the Standing Interpretations Committee (SIC), as well as the provisions issued in implementation of Article 9 of Legislative Decree no. 38/2005. The IFRSs applied are those in effect at the reporting date of the Consolidated Financial Statements.

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

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

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

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

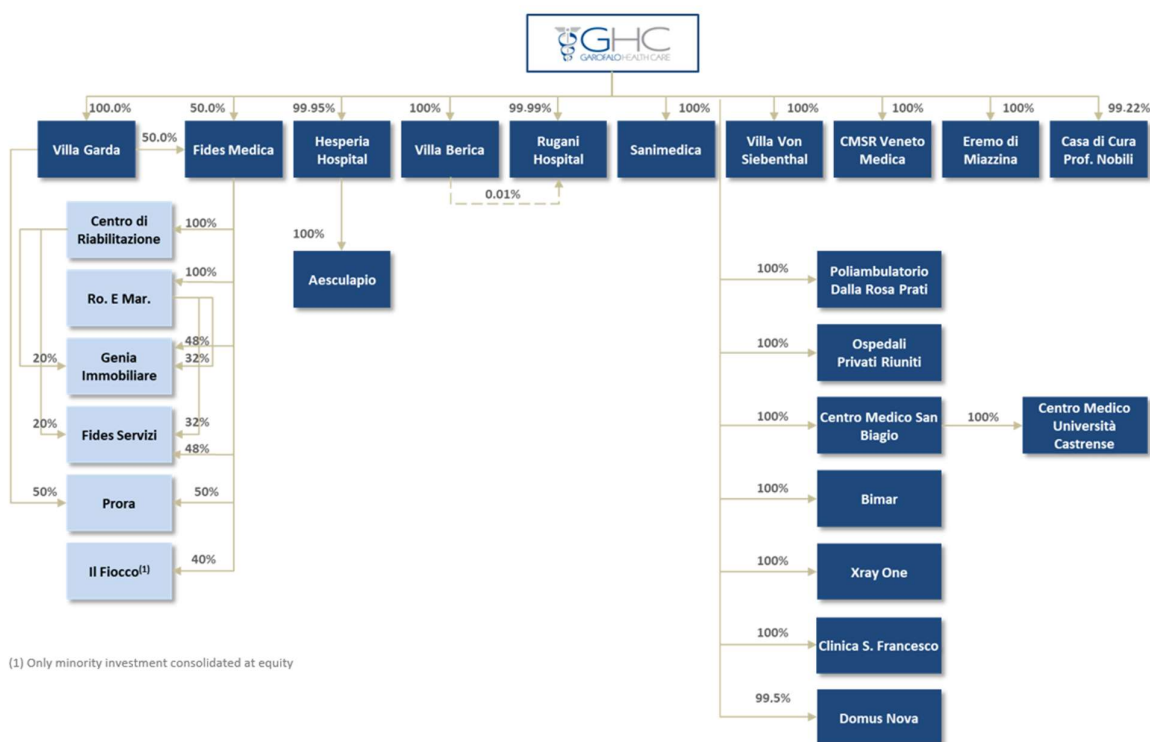
1.3 Financial Statements

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

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

1.4 Group Structure

The composition of the Group at December 31, 2021 and updated to reflect the acquisition of Clinica San Francesco S.r.l. and Domus Nova S.p.A. is provided below, compared to December 31, 2020.



(1) Only minority investment consolidated at equity

1.5 Consolidation principles and scope of consolidation

The Consolidated Financial Statements include the financial statements of GHC S.p.A. and of its subsidiaries at December 31, 2021.

The details of the consolidated companies are shown below.

Company	Registered office	Relationship with the Parent Company	Consolidation Method	Percentage held (direct and indirect) as of December 31	
				2021	2020
Garofalo Health Care S.p.A.	Rome	Holding	Line-by-line	Holding	Holding
Hesperia Hospital Modena S.r.l.	Modena	Subsidiary	Line-by-line	99.95%	99.95%
Casa di Cura Villa Berica S.r.l.	Vicenza	Subsidiary	Line-by-line	100%	100%
Rugani Hospital S.r.l.	Monteriggioni (SI)	Subsidiary	Line-by-line	100%	100%
CMSR Veneto Medica S.r.l.	Altavilla Vicentina (VI)	Subsidiary	Line-by-line	100%	100%
Sanimedica S.r.l.	Altavilla Vicentina (VI)	Subsidiary	Line-by-line	100%	100%
L'Eremo di Miazzina S.r.l.	Cambiasca (VB)	Subsidiary	Line-by-line	100%	100%
Casa di Cura Villa Garda S.r.l.	Garda	Subsidiary	Line-by-line	100%	100%

		Subsidiary	Line-by-line		
Villa Von Siebenthal S.r.l.	Genzano di Roma (RM)			100%	100%
Casa di Cura Prof. Nobili S.r.l.	Castiglione dei Pepoli (BO)	Subsidiary	Line-by-line	99.21%	99.21%
F.I.D.E.S. Medica S.r.l.	Piombino	Subsidiary	Line-by-line	100%	100%
Centro di Riabilitazione S.r.l.	Genoa	Subsidiary	Line-by-line	100%	100%
Genia Immobiliare S.r.l.	Genoa	Subsidiary	Line-by-line	100%	100%
Ro. E. Mar S.r.l.	Piombino	Subsidiary	Line-by-line	100%	100%
Fides Servizi S.c.a.r.l.	Genoa	Subsidiary	Line-by-line	100%	100%
Prora S.r.l.	Genoa	Subsidiary	Line-by-line	100%	100%
Il Fiocco S.c.a.r.l. *	Genoa	Associate	Equity Method	40%	40%
Poliambulatorio Dalla Rosa Prati S.r.l.	Parma	Subsidiary	Line-by-line	100%	100%
Ospedali Privati Riuniti S.r.l.	Bologna	Subsidiary	Line-by-line	100%	100%
Centro Medico San Biagio S.r.l.	Fossalta di Portogruaro (VE)	Subsidiary	Line-by-line	100%	100%
Centro Medico Università Castrense S.r.l.	San Giorgio di Nogaro (UD)	Subsidiary	Line-by-line	100%	100%
Bimar S.r.l.	Fossalta di Portogruaro (VE)	Subsidiary	Line-by-line	100%	100%
Aesculapio S.r.l.	San Felice sul Panaro (MO)	Subsidiary	Line-by-line	99.95%	99.95%
XRy One S.r.l.	Poggio Rusco (MN)	Subsidiary	Line-by-line	100%	100%
Clinica San Francesco S.r.l.	Verona	Subsidiary	Line-by-line	100%	-
Domus Nova S.p.A.	Ravenna	Subsidiary	Line-by-line	99.5%	-

On April 9, 2021, the acquisition of Clinica San Francesco S.r.l., through the newco GHC Project 6 S.r.l., was completed.

On July 28, 2021, GHC S.p.A. acquired a 99.5% interest in Domus Nova S.p.A..

On December 30, 2021, the reverse merger was completed of GHC Project 6 S.r.l. into Clinica San Francesco S.r.l.

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

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

1.6 Summary of the main accounting standards

Business combinations and goodwill

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

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

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

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

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

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

Other intangible assets

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

Intangible assets with a finite useful life are subsequently amortized over their useful life and tested for impairment whenever there is evidence of a loss of value. The amortization period and the amortization method of an intangible asset with finite useful life are reconsidered at least at the end of each year. Changes in the expected useful life or in the manner in which the future economic benefits related to the asset will be realized are recognized through the change in the period

or amortization method, as the case may be, and are considered changes in accounting estimates. The amortisation of intangible assets with finite useful life is recorded in the income statement under the category of costs relating to intangible assets.

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

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

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

Property, plant and equipment

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

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

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

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

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

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

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

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

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

Leases

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

Right-of-use assets

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

Lease liabilities

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

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

Short-term leases and low value asset leases

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

Investment property

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

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

Impairments

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

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

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

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

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

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

Investments in associates and other companies

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

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

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

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

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

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

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

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

Current/non-current classification

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

An asset is current when:

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

A liability is considered current when:

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

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

Inventories

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

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

Inventories are recorded net of the obsolescence provision.

Cash and cash equivalents

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

Treasury shares

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

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

Stock Grants and Performance Shares

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

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

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

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

Provisions for risks and charges

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

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

Employee Benefit Provisions

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

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

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

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

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

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

The Group does not have other defined benefit pension plans.

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

Financial instruments

Classification and measurement

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

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

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

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

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

or change is treated as an elimination of the original liability and the opening of a new liability, with any differences in accounting values recorded in the income statement.

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

Derivative instruments

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

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

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

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

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

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

Fair value measurement

The Group assesses financial instruments, such as derivatives and capital instruments, at fair value at each reporting date. Fair value is the price that would be received for the sale of an asset, or that would be paid to transfer a liability in an arm's length transaction at the measurement date. A fair value measurement assumes that the sale transaction of the asset or transfer of the liability takes place:

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

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

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

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

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

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

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

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

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

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

managers of each structure and the financial manager of the Group.

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

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

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

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

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

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

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

Recognition of revenues from sales and services

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

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

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

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

Recognition of costs

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

Financial income and charges

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

Income taxes

Current income taxes

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

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

Deferred taxes

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

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

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

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

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

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

in the income statement.

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

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

Indirect taxes

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

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

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

Basic and diluted earnings per share

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

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

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

Segment disclosure

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

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

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

- hospital sector, through acute admissions, long-term care, post-acute rehabilitations and outpatient services (the "Hospital Sector");

- social-care sector, through residential admissions (the “Social-Care Sector”).

The GHC Group facilities are located in the following Italian regions: Piemonte (2), Veneto (6), Friuli Venezia Giulia (1), Emilia Romagna (8), Lombardy (1) Liguria (12, of which 4 owned by Il Fiocco, an associated company of Fides Medica S.r.l. consolidated according to the equity method), Tuscany (1) and Lazio (1).

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

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

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

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

1.7 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

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

With regard to the impairment test, reference should be made to the paragraph “Impairment of assets” below in the present consolidated financial statements at December 31, 2021.

Legal proceedings

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

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

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

Business Combinations

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

Deferred tax assets

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

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

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

Value adjustments on receivables

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

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

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

The accounting standards, amendments and interpretations not adopted in advance for the year ended December 31, 2021 govern facts and cases that do not have significant effects on the balance sheet, income statement, cash flow statement and the information contained in the consolidated financial statements.

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

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

Interest Rate Benchmark Reform – Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16

The changes include the temporary easing of requirements with respect to the effects on the financial statements when the interest rate offered on the interbank market (IBOR) is replaced by an alternative rate that is substantially risk free (Risk Free Rate- RFR):

The changes include the following practical expedients:

- A practical expedient that allows contractual changes, or changes in cash flows that are directly required by the reform, to be treated as changes in a variable interest rate, equivalent to a movement of an interest rate in the market;
- Allow changes, required by IBOR reform, to be made to the documentation for the designation of the coverage report without the coverage report having to be discontinued;
- Provides temporary relief to entities in having to comply with separate identification requirements when an RFR is designated as a hedge of a risk component.

These amendments do not have an impact on the Group's financial statements. The Group intends to use such practical expedients in future periods in which they are applicable.

Amendment to IFRS 16 COVID-19 Related Rent Concessions beyond June 30, 2021

On May 28, 2020, the IASB published an amendment to IFRS 16. The amendment allows a lessee not to apply the requirements in IFRS 16 on the accounting effects of contractual changes for lease reductions granted by lessors that are a direct result of the Covid-19 outbreak. The amendment introduces a practical expedient whereby a tenant may choose not to consider whether the reduction in Leasing payments constitute contractual modifications. A lessee that chooses to use this expedient accounts for these reductions as if the reductions were not contractual modifications within the scope of IFRS 16.

The amendments were applicable until June 30, 2021, although as the impact of the COVID-19 pandemic has continued, on March 31, 2021 the IASB extended the application period of the practical expedient until June 30, 2022.

The amendments apply to the years beginning April 1, 2021 or subsequently. However, the Group did not receive rent relief related to Covid-19, but could apply the practical expedient should the case arise within the permitted application period.

1.9 IAS/IFRS international accounting standards whose compulsory application starts after December 31, 2021

IFRS 17 Insurance contracts

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

IFRS 17 is applied from January 1, 2023.

Amendments to IFRS 17 Insurance contracts: initial application of IFRS 17 and IFRS 9 - Comparative information (issued December 9, 2021)

In December 2021, the International Accounting Standards Board (IASB) issued the initial application of IFRS 17 and IFRS 9 - Comparative Information (amendment to IFRS 17).

The amendment is a transition option related to comparative disclosure on financial assets presented upon first-time application of IFRS 17. It is intended to help entities avoid temporary accounting mismatches between financial assets and insurance contract liabilities, and thus improve the utility of comparative disclosure for users of financial statements.

IFRS 17 incorporating the amendment is effective for annual periods beginning on or after January 1, 2023.

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

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

Amendments to IAS 1 Presentation of Financial Statements: classification of liabilities as current or non-current and Deferral of the effective date of the classification of liabilities as current and non-current

In January 2020, the IASB published an amendment to IAS 1 "classification of liabilities as current and non-current". This amendment clarifies how a Company should classify debt and other financial liabilities as current or non-current in specific circumstances. In June 2021, the IASB decided to defer the amendment's first effective date to no earlier than January 1, 2024, and deferred determining the transition requirements for this amendment to a later meeting. As of the date of this Annual Report, the amendments are still pending approval.

Amendments to IFRS 3

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

Amendments to IAS 16

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

Amendments to IAS 37

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

IFRS 2018 - 2020 Cycle

On May 14, 2020, the IASB published "Annual Improvements" to IFRS 2018 - 2020, which include amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IFRS 16 Leases, and IAS 41 Agriculture:

- the amendments to IFRS 1 allow a subsidiary adopting IAS/IFRS for the first time to align the cumulative impacts of first-time adoption with the translation differences applied within the parent company's reporting,
- the amendments to IFRS 9 define which fees must be included for the purposes of the 10% test for the accounting derecognition of financial liabilities,
- the amendments to IAS 41 provide for elimination of the requirement to exclude taxes from the cash flows used to estimate the fair value of biological assets when the Net Present Value method is applied.

These amendments will be applicable as of January 1, 2022,

Amendments to IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors: Definition of accounting estimate.

The amendments to IAS 8 focus exclusively on accounting estimates and aim to clarify the following aspects:

- The definition of change in accounting estimates is replaced with a definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in the financial statements that are subject to measurement uncertainty."
- Entities develop accounting estimates if accounting policies require elements of the financial statements to be measured in a manner that implies measurement uncertainty.
The Board clarifies that a change in the accounting estimate that results from new information or new developments is not the correction of an error. In addition, the effects of a change in an input or measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors.
- A change in an accounting estimate may affect only the current year's profit or loss, or the profit or loss of both current and future years. The effect of the change relating to the current year is recognised as income or expense in the current year. Any effect on future periods are recognised as income or expense in those future periods.

The amendments are effective for fiscal years beginning on or after January 1, 2023, and changes in accounting policies and changes in accounting estimates that occur on or after the beginning of that period. As of the date of these financial statements, the amendments are pending approval.

Amendments to IAS 12 Income taxes: Deferred taxes related to assets and liabilities arising from a single transaction

The amendments have narrowed the scope of the recognition exemption in paragraphs 15 and 24 of IAS 12 (recognition exemption) so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.

The amendments were issued in response to a recommendation from the IFRIC. The Committee's research indicated that opinions differed on whether the recognition exemption applied to transactions, such as leases, that result in the recognition of an asset and a liability. These differing views have led entities to account for deferred taxes on these transactions in different ways, reducing the comparability between their financial statements. The Board anticipates that the amendments will reduce diversity in reporting and align the accounting for deferred taxes on these transactions with the general IAS 12 standard of recognizing deferred taxes for temporary differences.

An entity applies the amendments to transactions occurring at or after the beginning of the first comparative period presented. In addition, at the beginning of the first comparative period presented, it recognizes deferred taxes for all

temporary differences related to leases and disposal obligations and recognizes the cumulative effect of the initial application of the amendments as an adjustment to the opening balance of retained earnings (or other components of equity, as applicable) at that date.

The amendments are effective for fiscal years beginning on or after January 1, 2023. Earlier application is permitted. As of the date of these financial statements, the amendment is still pending approval.

Note 2 Acquisitions

On April 9, 2021, the GHC Group fully acquired Clinica San Francesco S.r.l, a company based in Verona operating in the private and accredited healthcare sector. The facility is internationally renowned in the field of robotic orthopaedic surgery and also provides services in plastic and reconstructive surgery. It also has a Diagnostic Centre that provides specialist outpatient services, diagnostic imaging and physical therapy.

Assets acquired and liabilities assumed

The fair value of the identifiable assets and liabilities of the Clinica San Francesco CGU at the acquisition date were as follows:

<i>(Euro thousands)</i>	Fair value at acquisition
Assets	
Accreditation (intangible assets with indefinite useful life) indefinite)	41,841
Intangible assets	180
Property, plant and equipment	9,337
Non-current financial assets	53
Deferred tax assets	1,360
Cash and cash equivalents	4,062
Trade receivables	4,150
Inventories	441
Current financial assets	1,337
Current assets	282
Assets held-for-sale	100
Liabilities	
Trade payables	5,624
Current financial payables	585
Non-current financial payables	1,945
Short-term loans and borrowings	869
Medium/long-term loans and borrowings	5,773
Employee benefits	819
Provisions for risks and charges	440
Deferred tax liabilities	11,674
Other current liabilities	1,509
Total net assets identifiable at fair value	33,905
Consideration of the acquisition	40,624
Goodwill deriving from the acquisition	6,719
Net cash flow of the acquisition	36,562

- The surplus deriving from the acquisition (i.e. the surplus of purchase costs on the fair value) was recognised to the “Accreditation” account at the acquisition date (inclusive of gross-up), as stated in the paragraph.
- Accreditation activities relate to the administrative process by which the Group’s facilities qualify as fit to provide healthcare and social-care services on behalf of the Regional Health Service (SSR). Institutional accreditation is issued by the Region and is conditional on continuing satisfaction of the technological, infrastructural and personal requirements defined by national and regional provisions.
- This category of asset presents the conditions for being considered with indefinite useful life, and therefore this value is subject to an impairment test at least once a year and recorded at cost, net of losses deriving from impairment.
- At the reporting date, the procedure for the valuation of the assets and liabilities was completed.
- The fair value of the accreditation of the Clinica San Francesco S.r.l. acquisition, for which the Clinica San Francesco 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 April 9, 2021, the forecast data was estimated from the total 2020 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 4.60%. 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%, recording a similar amount in the liabilities under deferred taxes.
- On July 28, 2021, the GHC Group acquired 99.5% of Domus Nova S.p.A., a non-listed company with registered office in Ravenna, owner of the Domus Nova and San Francesco multi-specialist private acute hospitals, both located in Ravenna and National Healthcare Service accredited.

Assets acquired and liabilities assumed

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

<i>(Euro thousands)</i>	Fair value at acquisition
Assets	
Accreditation (intangible assets with indefinite useful life) indefinite)	12,996
Intangible assets	236
Property, plant and equipment	30,196
Investments	38
Non-current financial assets	138
Deferred tax assets	1,546
Cash and cash equivalents	2,371
Trade receivables	6,635
Inventories	735

Current assets	2,378
Liabilities	
Trade payables	5,637
Current financial payables	331
Non-current financial payables	678
Short-term loans and borrowings	3,122
Medium/long-term loans and borrowings	3,849
Employee benefits	614
Provisions for risks and charges	4,581
Deferred tax liabilities	8,195
Hedging derivative instruments	7
Other current liabilities	5,705
Total net assets identifiable at fair value	24,550
Minority interests measured as pro-rata (measured at fair value)	(168)
Goodwill deriving from the acquisition	9,109
Consideration of the acquisition	33,491
Net cash flow of the acquisition	31,288

- The surplus deriving from the acquisition (i.e. the surplus of purchase costs on the fair value of the Group share) was recognised to the “Accreditation” account at the acquisition date in the amount of Euro 12,996 thousand (inclusive of gross-up), to “Property, plant and equipment” for Euro 16,377 thousand and to deferred tax assets for Euro 1,027 thousand.
- Accreditation activities relate to the administrative process by which the Group’s facilities qualify as fit to provide healthcare and social-care services on behalf of the Regional Health Service (SSR). Institutional accreditation is issued by the Region and is conditional on continuing satisfaction of the technological, infrastructural and personal requirements defined by national and regional provisions.
- This category of asset presents the conditions for being considered with indefinite useful life, and therefore this value is subject to an impairment test at least once a year and recorded at cost, net of losses deriving from impairment.
- At the reporting date, the procedure for the valuation of the assets and liabilities was completed.
- The fair value of the accreditation of the Domus Nova S.p.A. acquisition, for which the Domus Nova 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 July 28, 2021, the forecast data was estimated from the total 2020 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 4.60%. 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%, recording a similar amount in the liabilities under deferred taxes.

Note 3 Goodwill

Goodwill breaks down as follows:

<i>(Euro thousands)</i>	<i>At December 31</i>	<i>At December 31</i>
	2021	2020
Goodwill – CMSR Veneto Medica CGU	11,230	11,230
Goodwill – Villa Von Siebenthal CGU	2,957	2,957
Goodwill – Rugani Hospital CGU	6,935	6,935
Goodwill – Fides Group CGU	17,645	17,645
Goodwill – Casa di Cura Prof. Nobili CGU	47	47
Goodwill – Poliambulatorio Dalla Rosa Prati CGU	10,080	10,080
Goodwill – Ospedali Privati Riuniti CGU	3,006	3,006
Goodwill – Centro Medico San Biagio CGU	1,905	1,905
Goodwill – Aesculapio CGU	3	3
Goodwill – XRay One Srl CGU	629	629
Goodwill – Clinica San Francesco CGU	6,719	-
Goodwill – Domus Nova CGU	9,109	-
Total Goodwill	70,265	54,438

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

The increase in the account on the previous year is due to the entry into the consolidation scope of Clinica San Francesco S.r.l. and Domus Nova S.p.A., in relation to which reference should be made to Note 2 “Acquisitions”.

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 Gruppo Fides e Centro Medico San Biagio S.r.l. and Bimar S.r.l. also identified as a single CGU Centro Medico San Biagio.

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

- i. calculation of unlevered cash flows based on the figures from the plan for the CGUs approved by each company's board of directors;
- ii. analysis of the fairness of the panel of comparables;
- iii. estimation of the WACC;
- iv. determination of the enterprise value of the impaired CGU;
- v. analysis of the method of defining the CGU and the calculations of the carrying amount of the CGU being tested for impairment;
- vi. comparison of the recordable amount, as determined independently by the expert in question, with the carrying amount.
- vii. preparation of a sensitivity analysis that makes it possible to analyse the change in the recoverable amount due to a change in the WACC or the unlevered cash flows considered.

The Group conducted the impairment test considering both the provisions of IAS 36 and Consob clarification No. 1/21 of February 16, 2021.

Given the extraordinary nature of the current pandemic scenario, the Group decided, in continuity with the approach taken when preparing the financial statements at December 31, 2020, also to engage the independent expert to perform a stress test to verify whether the impairment tests would hold up to an additional decline in the CGUs' revenues in 2022, assuming that in 2023 the CGUs would then resume presenting the results expected by the Plan.

Evaluation system

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

The prospective cash flows used in the impairment test at December 31, 2021 are those deriving from the Business Plans of the individual CGUs relating to the years 2022-2025, approved by each company at the end of February 2022 and the beginning of March 2022. The time horizon of the Plans is 4 years. It should be clarified that the impairment test was approved by the Board of Directors of the Parent Company on March 16, 2022.

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

The discounting rate of cash flows (WACC) used for the impairment tests at December 31, 2021 was 4.6% and was calculated by using the same method as at December 31, 2020 and in prior years.

The principal parameters at December 31, 2021 for the calculation of the discount rate (WACC) are the following:

- ***Risk free rate***: the rate used for 2021 is 0.78%; this value corresponds to the yield on Italian ten-year government securities recorded as a monthly average over the last twelve months (Source: Bloomberg);
- ***Beta***: for the estimation of the non-differentiable systemic risk coefficient, reference was made to the inputs elaborated by international practice (Source: Bloomberg), taking into consideration a group of listed companies operating in the same sector of the company to be valued, thus calculating an appropriate unlevered industry average beta, equal to 0.61% at December 31, 2021; in particular, beta was calculated through weekly observations of the relative performance of the securities of the companies in the sample compared to the monthly benchmark index over the two previous years;

- Market premium: for the purposes of the analysis, a rate of 4.24% was used (Source: A. Damodaran - Stern University NY international research website) <http://pages.stern.nyu.edu/~adamodar/>;
- Premium for additional risk: prudentially, an increase in the cost of risk capital equal to 2.0% was applied at December 31, 2021 for the CGUs, in line with December 31, 2020 and December 31, 2019;
- With reference to the cost of the debt (Kd) for the CGUs that present outstanding loans, reference was made to the effective interest rate applied by the banking system on the same loans i.e. the twelve-month average ten-year EUR IRS (interest rate swap) (Source: Bloomberg), equal to 0.08% with a spread of 170 points, for a total of 1.35%, considering the fiscal impact of 24%;
- Financial structure: consistently with that done for the purposes of the calculation of the beta, we applied to the cost of risk capital and the cost of debt capital, weights determined using a market D/E representative of the average financial structure of the sample of comparable listed companies previously identified, equal to 0.66 for December 31, 2021. The W_e (equity) and W_d (debt) weights were 60.1% and 39.9% respectively.

Rugani Hospital CGU

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

CMSR Veneto Medica CGU

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

CGU Villa Von Siebenthal CGU

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

Fides Group CGU

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

Casa di Cura Prof. Nobili CGU

The recoverable value of the cash-generating unit of the Casa di Cura Prof. Nobili was determined on the basis of the calculation of the value in use, in which the cash flow projections deriving from the related financial budgets were used for

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

Poliambulatorio Dalla Rosa Prati CGU

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

Ospedali Privati Riuniti CGU

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

Centro Medico San Biagio e Bimar CGU

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

Centro Medico Università Castrense CGU

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

Aesculapio CGU

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

Clinica San Francesco CGU

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

Domus Nova CGU

The recoverable value of the cash generating unit of Domus Nova S.p.A., owner of the acute multi-specialist private hospitals Domus Nova and San Francesco, both located in Ravenna, was determined on the basis of the calculation of the value in use, in which the cash flow projections deriving from the related financial budgets were used for a period of four years, approved by the Board of Directors. As a result of the updated analyses, the management did not identify an impairment of this cash-generating unit.

Sensitivity to changes in assumptions

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

The equilibrium WACC for each CGU with reference to December 31, 2021, compared with December 31, 2020, is presented below.

	At December 31, 2021	At December 31, 2020
Casa di Cura Rugani CGU	13.81%	17.00%
CMSR Veneto Medica CGU	12.10%	17.18%
Villa Von Siebenthal CGU	6.06%	6.09%
Fides Group CGU	7.54%	7.82%
Casa di Cura Prof. Nobili CGU	15.70%	14.56%
Poliambulatorio Dalla Rosa Prati CGU	9.14%	10.04%
Ospedali Privati Riuniti CGU	6.28%	6.74%
Centro Medico San Biagio e Bimar CGU	9.85%	7.89%
Centro Medico Università Castrense CGU	7.58%	8.14%
Aesculapio CGU	10.51%	12.78%
XRay One CGU	7.94%	9.56%
Clinica San Francesco CGU	7.01%	N/A
Domus Nova CGU	6.99%	N/A

Due to the effects of the coronavirus pandemic in March 2020 with the restrictions adopted by government authorities ("lockdown"), and also considering Consob clarification No. 1/21 of February 16, 2021, management decided to engage an independent professional to simulate a stress test on indefinite useful life intangible assets involving a reduction in revenues in 2022 of 58.57% to 100%, while also prudentially assuming no change in cost structure and considering the recovery of the negative flows relating to the payment of taxes, given that the lack of revenues would drive the CGUs to a tax loss.

This test confirms the impairment tests' robust margins.

Note 4 Other intangible assets

The breakdown of Other intangible assets at December 31, 2021 and December 31, 2020 is shown below.

<i>(Euro thousands)</i>	<i>At December 31</i>	<i>At December 31</i>	<i>Change</i>
	2021	2020	2021 vs 2020
Concessions, licenses, trademarks and similar rights	104	10	94
Accreditation	193,349	138,512	54,837
Software	963	531	432
Other intangible assets	363	241	122
Assets in progress and advances	1,048	834	214
Total other intangible assets	195,828	140,128	55,699

The table below shows the movements in individual items of Other intangible assets during the year ended December 31, 2021.

<i>in Euro thousands</i>	<i>Concessions, licenses, trademarks & similar rights</i>	<i>Software</i>	<i>Accreditation</i>	<i>Other intangible assets</i>	<i>Assets in progress and payments on account</i>	<i>Total</i>
Net value at December 31, 2020	10	531	138,512	241	834	140,128
Acquisition	21	622	-	237	591	1,470
Depreciation	(180)	(359)	-	(131)	-	(671)
Sales	-	-	-	-	(204)	(204)
Decrease	24	-	-	-	-	24
Transfers/Reclassifications	7	(7)	-	-	(252)	(252)
Change in consolidation scope	222	177	54,837	17	80	55,332
Net value at December 31, 2021	104	963	193,349	363	1,048	195,828

Concessions, licenses, trademarks & others

“Concessions, licenses, trademarks and similar rights” amount to Euro 104 thousand at December 31, 2021, and reports a net increase of Euro 94 thousand compared to December 31, 2020, mainly due to the change in the scope for Euro 222 thousand and amortisation of Euro 180 thousand.

Software

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

In 2021, the Group undertook investments in software of Euro 622 thousand, mainly attributable to Ospedali Privati Riuniti S.r.l. and Hesperia Hospital Modena S.r.l.

Amortisation in the year totalled Euro 359 thousand, while the change in scope accounted for Euro 177 thousand.

Accreditation

The Accreditation account primarily refers to the amount by which the purchase costs exceed the fair value of the Group's share and, to a residual extent, the purchase of accreditation by Rugani S.r.l. A breakdown of the account for the year ended December 31, 2021 is illustrated below:

<i>in Euro thousands</i>	<i>At December 31</i>	<i>At December 31</i>	<i>Change</i>
	2021	2020	2021 vs 2020
Rugani Hospital CGU	330	330	-
Fides Medica Group CGU	8,257	8,257	-
Casa di Cura Prof. Nobili CGU	4,942	4,942	-
Poliambulatorio Dalla Rosa Prati CGU	13,396	13,396	-
Ospedali Privati Riuniti CGU	35,176	35,176	-
Centro Medico San Biagio e Bimar CGU	52,744	52,744	-
Centro Medico Università Castrense CGU	4,166	4,166	-
Aesculapio CGU	2,624	2,624	-
XRy One CGU	16,877	16,877	-
Clinica San Francesco CGU	41,841	-	41,841
Domus Nova CGU	12,996	-	12,996
Total accreditation	193,349	138,512	54,837

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

The increase in the account is due to the inclusion of Clinica San Francesco S.r.l. and Domus Nova S.p.a. in the consolidation scope. For further details, reference should be made to Note 2 - Acquisitions.

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

Other intangible assets

The account includes residual categories of assets, which, given their scarce significance, are not in a specific item. The balance at December 31, 2021 was Euro 363 thousand.

Assets in progress and advances

The account, amounting to Euro 1,048 thousand, refers mainly to the development expenses incurred by Hesperia Hospital Modena S.r.l. (Euro 939 thousand). During the year, Euro 252 thousand was reclassified to property, plant and equipment.

Note 5 Property, plant and equipment

The table below shows the breakdown of Property, plant and equipment at December 31, 2021 compared with December 31, 2020.

<i>(Euro thousands)</i>	<i>At December 31</i>	<i>At December 31</i>	<i>Change</i>
	2021	2020	2021 vs 2020
Land & buildings	158,591	114,965	43,626
Leasehold improvements	3,474	2,733	740
Plant & machinery	10,228	3,979	6,249
Industrial & commercial equipment	19,221	12,704	6,517
Other assets	3,378	2,198	1,180
Rights-of-use	15,840	16,295	(454)
Assets in progress and advances	6,274	6,295	(21)
Total	217,006	159,169	57,837

The following tables show the changes in the item in question for the year ended December 31, 2021.

<i>in Euro thousands</i>	<i>Land and buildings</i>	<i>Leasehold improvements</i>	<i>Plant and machinery</i>	<i>Industrial & commercial equipment</i>	<i>Other assets</i>	<i>Rights-of-use</i>	<i>Assets in progress and advances</i>	<i>Total</i>
Net value at December 31st 2020	114,965	2,733	3,979	12,704	2,198	16,295	6,295	159,169
Acquisition	17,924	1,041	4,874	5,246	1,300	1,127	1,268	32,781
Depreciation	(5,487)	(474)	(1,464)	(3,876)	(961)	(2,547)	-	(14,810)
Sales	(22)	-	(68)	(303)	(335)	(423)	-	(1,151)
Decrease	8	-	43	189	299	288	-	827
Transfers/Reclassifications	1,318	172	(14)	689	10	-	(1,924)	252
Change in consolidation scope	29,886	-	2,879	4,571	866	1,101	634	39,937
Net value at December 31, 2021	158,591	3,474	10,228	19,221	3,378	15,840	6,274	217,006

Land and Buildings

The item mainly includes the properties owned by the nursing homes and amounted to Euro 158,591 thousand at December 31, 2021, compared to Euro 114,965 thousand in 2020.

The account in question increased by a net amount of Euro 43,626 during 2021, primarily due to the combined effect of the following:

- i. investments made by the Group of Euro 17,924 thousand, mainly attributable to Clinica San Francesco S.r.l. (Euro 15,195 thousand) and relating to the acquisition of two buildings, one of which is owned and the other leased;
- ii. depreciation in the year of Euro 5,487 thousand;
- iii. reclassifications from assets in progress amounting to Euro 1,318 thousand, mainly attributable to work carried out by Casa di Cura Villa Garda S.r.l. for the restructuring of the building and by C.M.S.R. Veneto Medica S.r.l. to complete the structure for MRI integration;
- iv. change in the consolidation scope with the entry of Clinica San Francesco S.p.A. (Euro 5,519 thousand) and of Domus Nova S.p.A. (Euro 24,367 thousand). The account includes also the effect of the allocation to the properties of a part of the price differential paid for Domus Nova S.p.A., amounting to Euro 16,377 thousand.

Leasehold improvements

The account increased by Euro 740 thousand compared to December 31, 2020; this was mainly due to:

- i. incremental work of Euro 1,042 thousand,
- ii. depreciation in the year of Euro 474 thousand;
- iii. reclassifications from assets in progress for Euro 172 thousand.

Plant & machinery

The account increased by Euro 6,249 thousand in the year compared to December 31, 2020. The net increase mainly concerns:

- i. investments amounting to Euro 4,874 thousand, mainly attributable to Ospedali Privati Riuniti S.r.l. (Euro 2,923 thousand) and the relative replacement of the magnetic resonance and other operating room and outpatient machinery, Hesperia Hospital Modena S.r.l. (Euro 318 thousand) and L'Eremo di Miazzina S.r.l. (Euro 244 thousand);
- ii. depreciation in the year of Euro 1,464 thousand;
- iii. change in the consolidation scope for Euro 2,879 thousand, relating to the entry of Clinica San Francesco S.r.l. (Euro 331 thousand) and of Domus Nova S.p.A. (Euro 2,548 thousand).

Industrial & commercial equipment

The item Industrial and commercial equipment amounted to Euro 19,221 thousand at December 31, 2021, compared to Euro 12,704 thousand at December 31, 2020. The net change of Euro 6,517 thousand is attributable to the combined result of the following effects:

- i. investments amounting to Euro 5,246 thousand, mainly attributable to Casa di Cura Villa Berica S.r.l. (Euro 1,290 thousand) and relating to the replacement of CT scanners, ultrasound scanners and other equipment, C.M.S.R. Veneto Medica S.r.l. (Euro 1,097 thousand) relating to the replacement of a CT scanner and an ultrasound scanner and Hesperia Hospital Modena S.r.l. (Euro 1,265 thousand), relating to the replacement of electro-medical equipment.
- ii. depreciation in the year of Euro 3,876 thousand;
- iii. reclassifications from assets in progress for Euro 689 thousand;
- iv. change in the consolidation scope for Euro 4,571 thousand, relating to the entry of Clinica San Francesco S.r.l. (Euro 2,200 thousand) and of Domus Nova S.p.A. (Euro 2,371 thousand).

Other assets

The account amounts to Euro 3,378 thousand at December 31, 2021, a net increase of Euro 1,180 thousand on December 31, 2020. The account in question mainly consists of cars, transport vehicles, EDP, furniture and furnishings. The change in the year was mainly due to:

- i. investments amounting to Euro 1,300 thousand, mainly attributable to Casa di Cura Villa Berica S.r.l. (Euro 102 thousand), Casa di Cura Villa Garda S.r.l. (Euro 152 thousand), Hesperia Hospital Modena S.r.l. (Euro 340 thousand) and Ospedali Privati Riuniti S.r.l. (Euro 203 thousand);
- ii. depreciation in the year of Euro 961 thousand;
- iii. change in the consolidation scope for Euro 866 thousand, attributable to the entry of Clinica San Francesco S.r.l. (Euro 565 thousand) and of Domus Nova S.p.A. (Euro 301 thousand).

Right-of-use

The account, amounting to Euro 15,840 thousand at December 31, 2021, includes the present value of contracts relating to the rental, mainly of buildings, machinery and equipment for a fixed period of time exceeding 12 months and for an amount exceeding Euro 5 thousand against payment of a set fee. The net decrease of Euro 454 thousand is attributable to the combined result of the following effects:

- i. recognition of new contracts for Euro 1,127 thousand, mainly attributable to Casa di Cura Villa Berica S.r.l. (Euro 154 thousand), Hesperia Hospital Modena S.r.l. (Euro 250 thousand) and Poliambulatorio Dalla Rosa Prati S.r.l. (Euro 574 thousand);
- ii. depreciation in the year of Euro 2,547 thousand;
- iii. change in the consolidation scope of Euro 1,101 thousand, attributable to the entry of Clinica San Francesco S.r.l.

Assets in progress and advances

The account at December 31, 2021 amounted to Euro 6,274 thousand, compared to Euro 6,295 thousand for the previous year. The balance at December 31, 2021 is mainly composed of the work on the property of Eremo di Miazzina S.r.l. (Euro 4,110 thousand). The net decrease of Euro 21 thousand is due to the combined effects of:

- i. investments for Euro 1,268 thousand, mainly relating to L'Eremo di Miazzina S.r.l. (Euro 502 thousand) and Ro.e.mar. S.r.l. (Euro 549 thousand);
- ii. change in the consolidation scope of Euro 634 thousand, attributable to the entry of Clinica San Francesco S.r.l. (Euro 25 thousand) and of Domus Nova S.p.A. (Euro 609 thousand);
- iii. reclassifications for Euro 1,924 thousand concerning Casa Di Cura Villa Berica S.r.l. (Euro 402 thousand), Casa di Cura Villa Garda S.r.l. (Euro 752 thousand) and CMSR S.r.l. (Euro 770 thousand) for the completion of works.

Note 6 Investment properties

The table below shows the breakdown of investment properties at December 31, 2021.

<i>(Euro thousands)</i>	<i>At December 31</i>	<i>At December 31</i>	<i>Change</i>
	2021	2020	2021 vs 2020
Investment property	924	963	(39)
Total investment properties	924	963	(39)

The Group's investment properties primarily refer to the apartments owned by L'Eremo di Miazzina S.r.l. of Euro 745 thousand, by Hesperia Hospital Modena S.r.l. of Euro 28 thousand and by FI.D.ES. Medica S.r.l. for Euro 151 thousand. These are properties not intended for industrial use or for use in the Group's core business, held specifically for investment purposes. Accordingly, pursuant to IAS 40, such investment properties have been classified as investments and measured according to the cost model. The value recognized is represented by historical cost, less cumulative depreciation charges. The change for the period is attributable solely to the depreciation for the period amounting to Euro 39 thousand.

The useful life of the Group's investment properties is 33 years, and depreciation is applied on a straight-line basis. The assets have not been let. Accordingly, neither rent revenue nor direct operating costs are expected. There are no restrictions on the Group's ability to monetize its investment properties, nor are there any contractual obligations to purchase, build or development investment properties or carry out maintenance, repairs or improvements.

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

- measurement is classified to Level 3 of the fair value hierarchy, meaning it is based on unobservable inputs obtained by estimating market value according to the average values in the Italian Agency of Revenue's O.M.I. database and the Borsino Immobiliare database (2021) for properties similar to those being measured;
- it should be noted that the fair value described above is greater than the current value in use, approximated by the item's net book value.

Note 7 Equity investments

The value of equity investments at December 31, 2021 was Euro 1,285 thousand and concerns investments in associates for Euro 809 thousand and capital instruments (classified as at fair value through profit and loss) for Euro 476 thousand.

Investments in associates

The table below contains a breakdown of investments in associates at December 31, 2021 and December 31, 2020.

<i>(Euro thousands)</i>	<i>At December 31</i>	<i>At December 31</i>	<i>Change</i>
	2021	2020	2021 vs 2020
Il Fiocco S.c.a.r.l.	809	877	(68)
Total investments in associates	809	877	(68)

The equity investments in associates refer solely to Il Fiocco S.c.a.r.l., in which the Group holds a 40% shareholding by virtue of the acquisition of the Fides Group completed in 2017. The account in question decreased by Euro 68 thousand on December 31, 2020 due to the combined effect of the share of the profit for the period of Euro 213 thousand, net of the dividends recognised by Fides Medica S.r.l. of Euro 280 thousand.

The key financial figures at December 31, 2021 are set out below:

<i>in Euro thousands</i>	<i>At December 31,</i>
	2021
Current Assets	1,609
Non-current assets	337
Current liabilities	(1,189)
Non-current liabilities	-

Shareholders' Equity	757
Shareholders' equity attributable to the Group - 40%	303
Goodwill	506
Carrying value of the Group's investment	809

<i>in Euro thousands</i>	At December 31, 2021
Revenues	5,658
Cost of sales	(4,822)
Amortisation, depreciation, and write-downs	(99)
Financial charges	(2)
Profit before taxes	735
Income taxes	(203)
Net profit /(loss) from continuing operations	532
Other comprehensive items which may be subsequently reclassified to profit/(loss) for the period net of income taxes	-
Other comprehensive items which may not be subsequently reclassified to profit/(loss) for the period net of income taxes	-
Other comprehensive income from continuing operations	532
Net profit / (loss) attributable to the Group	213

At December 31, 2021 the associated company did not have any contingent liabilities or commitments.

Capital instruments

A breakdown of equity investments is presented below.

<i>in Euro thousands</i>	At December 31, 2021	At December 31, 2020	Change 2021 vs 2020
Studio Schio S.r.l.	387		387
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	-
Total share capital instruments	476	50	425

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. and XRay One S.r.l. do not exercise either a dominant or a significant influence, and which in any event are less than one-fifth of share capital. The purchase cost approximates the fair value, since there is no active market for the equity interests in question, and the company plans to recover the entire purchase price when it sells them.

The increase is due to the change in scope with the acquisition of Domus Nova S.p.a., which had securities in portfolio for Euro 38 thousand, and the acquisition of the company Studio Schio S.r.l. by Centro Medico San Biagio S.r.l. (Euro 387 thousand); this company was not consolidated as of an immaterial amount and will be merged in the initial months of 2022 into the parent company.

The Studio Schio's financial highlights are presented below. This pro forma information is based on the balances of the financial statements prior to intercompany eliminations.

2021 Income statement highlights

Studio Schio

	€000
Revenues	87
Operating costs	(80)
Financial income and charges	-
Profit before taxes	7
Income taxes	(1)
Profit for the year from continuing operations	6
Total comprehensive income	6

Studio Schio

	€000
Inventories and cash and cash equivalents (current)	64
Property, plant and equipment and other non-current financial assets (non-current)	3
Trade payables and other payables (current)	(50)
Loans and borrowings and deferred tax liabilities (non-current)	-
Shareholders' Equity	17

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

Note 8 Other non-current financial assets

"Other non-current financial assets" amounted to Euro 482 thousand at December 31, 2021 and primarily includes the guarantee deposits of Group companies with third parties.

The following table presents a breakdown of the other non-current financial assets at December 31, 2021 and December 31, 2020.

<i>(Euro thousands)</i>	<i>At December 31</i>	<i>At December 31</i>	<i>Change</i>
	2021	2020	2021 vs 2020
Guarantee deposits	306	199	107
Financial receivables from others	176	37	139
Total other non-current financial assets	482	236	246

The change is mainly attributable to the consolidation scope with the inclusion of Clinica San Francesco S.r.l. (Euro 53 thousand) and Domus Nova S.p.A. (Euro 136 thousand).

Note 9 Other non-current assets

"Other non-current assets" amounted to Euro 1,113 thousand at December 31, 2021 and included Euro 1,105 thousand of receivables due beyond one year relating to the tax on the realignment of the accounting and tax values of the goodwill recognized to C.M.S.R Veneto Medica S.r.l. (Euro 839 thousand), to Fides Medica S.r.l. (Euro 181 thousand), and to Rugani Hospital S.r.l. (Euro 85 thousand).

The following table presents a breakdown of the other non-current assets at December 31, 2020 and December 31, 2021.

<i>(Euro thousands)</i>	<i>At December 31</i>	<i>At December 31</i>	<i>Change</i>
	2021	2020	2021 vs 2020
Realignment substitute tax credits	1,105	1,187	(82)
Other receivables	8	12	(4)
Total other non-current assets	1,113	1,199	(85)

Note 10 Deferred tax assets and liabilities

Deferred tax assets and liabilities

Deferred tax assets and liabilities at December 31, 2021, compared with the situation at December 31, 2020, is presented below.

<i>(Euro thousands)</i>	<i>At December 31</i>	<i>At December 31</i>	<i>Change</i>
	2021	2020	2021 vs 2020
Deferred tax assets:			-
within 1 year	-	-	-
over 12 months	9,660	5,140	4,520
Total	9,660	5,140	4,520
Deferred tax liabilities:			
within 1 year	-	-	-
over 12 months	(67,932)	(47,787)	(20,145)
Total	(67,932)	(47,787)	(20,145)
Net balance	(58,272)	(42,647)	(15,625)

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

The following table presents the movements in deferred tax assets and liabilities for the year ended December 31, 2021 and December 31, 2020.

<i>(Euro thousands)</i>	<i>At December 31,</i>	<i>At December 31,</i>
	2021	2020
Net opening balance	(42,647)	(40,797)
Credit / (Debit) to the income statement	428	2,459
Other changes	(15,971)	(4,466)
Credit / (Debit) to equity	(82)	157
Net closing balance	(58,272)	(42,647)

Net deferred tax assets and liabilities amounted to a net liability of Euro 58,272 thousand at December 31, 2021.

The other changes comprise net deferred tax liabilities from the change in the scope and the allocation of the purchase price differential to the accreditation and buildings account.

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

<i>(Euro thousands)</i>	At December 31,	Change to the	Changes to the	At December 31,
	2020	balance	statement of	2021
		sheet/income	comprehensive	
		statement	income	
Bad debts provision	693	547	-	1,240
Risks provision accrual	2,531	1,177	-	3,708
Tax losses	200	1,806	-	2,005
Goodwill realignment	-	498	-	498
Other	35	33	(4)	64
Accelerated depreciation	228	(40)	-	188
Adjustment for IAS 19	1,017	45	(78)	984
Adjustment for IAS 16 - Revaluations	13	7	-	20
IFRS 16	244	400	-	644
OTHER	179	131	-	310
Deferred tax assets	5,140	4,602	(82)	9,660

<i>(Euro thousands)</i>	At December 31,	Change to the	Changes to the	At December 31,
	2020	balance	statement of	2021
		sheet/income	comprehensive	
		statement	income	
Gains	(6)	-	-	(6)
Goodwill / Accreditation gross-up	(38,889)	(15,466)	-	(54,355)
Interest on arrears	(58)	(0)	-	(58)
Adjustment for IAS 19 Employee Benefits	(448)	(0)	-	(448)
Adjustment for IAS 16 - Revaluations	(365)	(4,569)	-	(4,934)
IFRS 16	(6,021)	(89)	-	(6,110)
OTHER	(2,000)	(19)	-	(2,019)
Deferred tax liabilities	(47,787)	(20,145)	-	(67,932)

Net deferred taxes	(42,647)	(15,543)	(82)	(58,272)
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The increase in “miscellaneous deferred tax assets” concerns principally the effect of the tax realignment over 50 years (Euro 498 thousand) and the tax losses of Clinica San Francesco (Euro 320 thousand) and of Domus Nova (Euro 1,524 thousand).

Note 11 Inventories

The following table breaks down inventories at December 31, 2021, compared with December 31, 2020.

<i>(Euro thousands)</i>	<i>At December 31</i>	<i>At December 31</i>	<i>Change</i>
	2021	2020	2021 vs 2020
Raw materials, ancillaries and consumables	4,322	3,487	835
Inventories	4,322	3,487	835

Inventories amounted to Euro 4,322 thousand at December 31, 2021 and Euro 3,487 thousand at December 31, 2020. The account, which consists solely of raw materials, supplies and consumables, refers to the materials used in the clinical and hospital activities of the Group’s companies.

The increase is mainly due to the change in the consolidation scope, with the entry into the Group of Clinica San Francesco S.r.l. (Euro 389 thousand) and of Domus Nova S.p.A. (Euro 505 thousand).

Note 12 Trade receivables

Trade receivables amounted to Euro 74,720 thousand at December 31, 2021, compared with Euro 61,411 thousand at December 31, 2020. The breakdown is reported below.

<i>(Euro thousands)</i>	<i>At December 31</i>	<i>At December 31</i>	<i>Change</i>
	2021	2020	2021 vs 2020
Receivables – private customers	11,899	4,270	7,629
Receivables – local health authorities	69,125	62,450	6,676
Other receivables	338	405	(68)
Bad debt provision	(6,643)	(5,715)	(928)
Total trade receivables	74,720	61,411	13,309

Trade receivables refer solely to provisions rendered within Italy and there are no receivables due beyond twelve months. The increase on the previous year was substantially due to the change in the scope, while the company at like-for-like consolidation scope reports a decrease, due mainly to the collection of outstanding receivables and improved collection times.

The movements in the doubtful debt provision, which increased by Euro 928 thousand compared to December 31, 2020, are reported below:

<i>(Euro thousands)</i>	<i>Dec 31, 20</i>	<i>Provisions</i>	<i>Utilisations</i>	<i>Decrease</i>	<i>Other movements</i>	<i>Dec 31, 21</i>
Doubtful debt provision	5,715	187	(772)	(11)	1,525	6,643

The main changes were as follows:

- i. provisions have been made by the companies Hesperia Hospital Modena S.r.l. (Euro 102 thousand), Poliambulatorio Dalla Rosa Prati S.r.l. (Euro 24 thousand) and Ospedali Privati Riuniti S.r.l. (Euro 24 thousand);
- ii. utilisations were made by the companies Hesperia Hospital Modena S.r.l. (Euro 274 thousand), Ospedali Privati Riuniti S.r.l. (Euro 238 thousand) and Centro Medico Università Castrense S.r.l. (Euro 168 thousand);
- iii. the other movements concern the entry into the consolidation scope of the companies Clinica San Francesco S.r.l. (Euro 635 thousand) and Domus Nova S.p.A. (Euro 890 thousand).

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

Note 13 Tax receivables

The table below shows the breakdown of tax receivables at December 31, 2021, compared with December 31, 2020.

<i>(Euro thousands)</i>	<i>At December 31</i>	<i>At December 31</i>	<i>Change</i>
	2021	2020	2021 vs 2020
Other receivables and current assets – tax receivables for IRES and IRAP refund applications	79	85	(6)
Tax receivables – IRES prepayment	2,361	2,401	(40)
Tax receivables – IRAP prepayment	455	255	200
Tax receivables – other tax receivables	3,192	2,253	939
Total tax receivables	6,088	4,995	1,093

Tax receivables at December 31, 2021 amounted to Euro 6,088 thousand, compared to Euro 4,995 thousand in the preceding period, an increase of Euro 1,093 thousand.

At December 31, 2021 the account mainly comprised tax receivables arising from IRES and IRAP refund applications for Euro 79 thousand, total IRES and IRAP prepayments (Euro 2,777 thousand) and other tax receivables (Euro 3,192 thousand).

The IRES advances of Euro 2,322 thousand mainly include the receivable of the parent company GHC S.p.A. for Euro 1,175 thousand, concerning advances paid in the previous year by the companies within the tax consolidation scope, net of income taxes due for the period.

Other tax receivables of Euro 3,192 thousand refer primarily to the recognition of the tax credits for the investments made by Casa di Cura Villa Berica S.r.l. (Euro 566 thousand), C.M.S.R. Veneto Medica S.r.l. (Euro 915 thousand), Poliambulatorio Dalla Rosa Prati S.r.l. (Euro 209 thousand), L'Eremo di Miazzina S.r.l. (Euro 238 thousand) and Aesculapio S.r.l. (Euro 509 thousand). The increase in the account on the year ended December 31, 2020 of Euro 939 thousand is mainly due to the recognition of the tax credits provided for in the "Relaunch Decree".

Note 14 Other receivables and current assets

Other receivables and current assets amounted to Euro 3,405 thousand at December 31, 2021, compared to Euro 2,822 thousand at December 31, 2020, an increase of Euro 582 thousand.

The changes in the account were as follows:

<i>(Euro thousands)</i>	<i>At December 31</i>	<i>At December 31</i>	<i>Change</i>
	2021	2020	2021 vs 2020
Other receivables and current assets - from suppliers for payments on account	226	273	(47)
Other receivables and current assets - from others	2,090	1,588	502
Other receivables and current assets - from employees	-	1	(1)
Other receivables and current assets - from social-security institutions	125	80	46
Other tax receivables	19	25	(6)
Other receivables and current assets - prepayments and accrued income (non-financial)	946	856	90
Total other receivables and current assets	3,405	2,822	582

The account mainly breaks down as follows:

- i. suppliers on account amounting to Euro 226 thousand, mainly relating to Hesperia Hospital Modena S.r.l. (Euro 180 thousand);
- ii. other receivables totalling Euro 2,090 thousand, mainly concerning Villa Von Siebenthal S.r.l. (Euro 593 thousand), which includes for Euro 359 thousand the receivable from SIFIN, as reported in the "Legal disputes and contingent liabilities" paragraph, Hesperia Hospital Modena S.r.l. (Euro 391 thousand) and Rugani Hospital S.r.l. (Euro 153 thousand);
- iii. accrued income and prepaid expenses relating to non-financial assets for Euro 946 thousand, mainly attributable to C.M.S.R. Veneto Medica S.r.l. (Euro 54 thousand), Hesperia Hospital Modena S.r.l. (Euro 201 thousand), Casa di Cura Prof. Nobili S.r.l. (Euro 133 thousand), GHC S.p.A. (Euro 72 thousand), Ospedali Privati Riuniti S.r.l. (Euro 91 thousand) and Centro Medico San Biagio S.r.l. (Euro 81 thousand).

Note 15 Other current financial assets

Other current financial assets amounted to Euro 175 thousand at December 31, 2021, an increase of Euro 46 thousand on December 31, 2020, mainly due to the entry of Domus Nova S.p.A. and Clinica San Francesco S.r.l. into the consolidation scope (respectively Euro 25 thousand and Euro 48 thousand). The balance consists primarily of financial prepayments and accrued income.

Note 16 Cash and cash equivalents

The changes in the account were as follows.

<i>(Euro thousands)</i>	<i>At December 31</i>	<i>At December 31</i>	<i>Change</i>
	2021	2020	2021 vs 2020
Bank current accounts	41,027	24,670	16,357
Checks and cash	212	140	62
Total cash and cash equivalents	41,239	24,810	16,429

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

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

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

See Note 20 Non-current financial payables – “Cash flow statement” for the composition of net financial position at December 31, 2021 and December 31, 2020.

Note 17 Shareholders' equity

Share capital

At December 31, 2021 share capital amounted to Euro 31,570 thousand, fully paid-in, and consisted of 90,200,000 ordinary shares without par value. On January 26, 2021, the share capital increase was carried out through the placement on the market of 8,200,000 newly issued ordinary shares, without par value, from the share capital increase with exclusion of pre-emption rights as per Article 2441, paragraph 4, second section, of the Civil Code, approved by the Board of Directors on January 20, 2021 and communicated to the market on January 20 and 21, 2021.

The table below reports the GHC Group's ownership structure at December 31, 2021, including significant equity interests.

Number of ordinary shares	% share capital	Listed / Non listed	Rights and obligations
90,200,000	100%	MTA	<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 ⁽¹⁾	Anrama S.p.A.	65.34% ⁽²⁾	63.94% ⁽²⁾
	Larama 98 S.p.A.		
	Garofalo Maria Laura		
Peninsula Capital II S.a.r.l. ⁽²⁾	P11 4 S.à.r.l.	9.17%	8.98%

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

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

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

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

Legal reserve

At December 31, 2021 the legal reserve amounted to Euro 471 thousand, up by Euro 77 thousand on December 31, 2020 due to the allocation of part of the net profit for 2020 resolved by the Shareholders’ Meeting on April 30, 2021 in accordance with Article 2430 of the Italian Civil Code.

Other reserves

The composition of the account “Other reserves” at December 31, 2021, with a comparison to December 31, 2020, is presented below.

⁽¹⁾ Source: GHC Group

⁽²⁾ Percentages concern number of total shares, including treasury shares

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

<i>In Euro thousands</i>	<i>At December 31</i>	<i>At December 31</i>	<i>Change</i>
	2021	2020	2021 vs 2020
Extraordinary reserve	12,122	10,669	1,453
Shareholder capital payments reserve	5,146	5,146	-
Conferment reserves	37,006	37,006	-
Share-based payments reserve	2,674	2,253	421
Provision as per Article 40 By-Laws	10	22	(12)
Cash Flow Hedge Reserve	-	(240)	240
Reserve - IAS 19 Post-employment benefits	(995)	(1,009)	12
First Time Adoption Reserve	2,320	2,320	-
Retained earnings	55,640	45,375	10,265
Share Premium Reserve	101,413	62,463	38,950
Reserve for treasury shares in portfolio	(4,873)	(1,723)	(3,150)
AUCAP 2021 Reserve	(883)	-	(883)
Other reserves	209,578	162,280	47,298

At December 31, 2021, the account Other Reserves amounted to Euro 209,578 thousand, a net increase of Euro 47,298 thousand compared to December 31, 2020, mainly deriving from the combined effect of:

- i. the increase in the extraordinary reserve of Euro 1,453 thousand as a result of the motion of the shareholders' meeting of April 30, 2021 which stipulated the allocation of a portion of the Parent Company's profit to this reserve;
- ii. increase in the reserve relating to the Stock Grant and Performance Share Plan of Euro 421 thousand;
- iii. negative change in the cash flow hedge reserve of Euro 240 thousand due to the settlement of the loans;
- iv. positive change in the IAS 19 actuarial effect reserve of Euro 12 thousand;
- v. increase in the consolidated retained earnings for Euro 10,265 thousand as a result of the companies' profits in the previous year;
- vi. change in the treasury shares in portfolio reserve following the acquisition of 576,408 treasury shares amounting to Euro 3,150 thousand, in accordance with the BoD's motion of January 29, 2019 and the motion of the Shareholders' Meeting of May 24, 2019.

The IFRS first-time adoption reserve, amounting to a positive Euro 2,320 thousand at December 31, 2021, represents the effects on shareholders' equity of the transition to IAS/IFRS by the Garofalo Health Care Group.

Minority interest capital and reserves

The minority interest share of capital and reserves amounted to Euro 253 thousand at December 31, 2021, compared with Euro 63 thousand in the previous year.

Note 18 Employee Benefits

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

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

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

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

	At December 31, 2021	At December 31, 2020
Annual inflation rate	0.50%	0.50%
Annual real remuneration rate by category:		
Executives	2.60%	2.60%
Managers	1.70%	1.70%
White-collar	1.40%	1.40%
Annual increase in post-employment benefit	1.56%	1.56%

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

<i>(Euro thousands)</i>	
Balance at December 31, 2020	11,054
Other changes	-
Net actuarial gains/(losses) recognized in the year	16
Transfer in/(out)	(1,201)
Cost for service	717
Change in consolidation scope	1,401
Balance at December 31, 2021	11,987

In accordance with IAS 19 – *Employee Benefits*, an analysis of the sensitivity to changes in the main actuarial assumptions used in the calculation model must be performed. The following tables show, in absolute and relative terms, changes in the liability measured according to IAS 19 (DBO) in the event of a positive or negative change of 10% in revaluation and/or discounting rates. The results obtained in Euro thousands for the years ended December 31, 2021 and December 31, 2020 are summarized in the following tables.

		At December 31, 2021		
		Annual discount rate		
		-10%	100%	10%
<i>Annual inflation rate</i>	-10%	11,948	11,926	11,905
	100%	11,998	11,987	11,956
	10%	12,050	12,028	12,006

Note 19 Provision for risks and charges

“Provisions for risks and charges” at December 31, 2021 and at December 31, 2020 respectively amounted to Euro 17,346 thousand and Euro 12,045 thousand.

<i>(Euro thousands)</i>	<i>At December 31</i>	<i>At December 31</i>	<i>Change</i>
	2021	2020	2021 vs 2020
Provisions for risks and charges – End-of-service indemnity provisions	85	115	(30)
Provisions for risks and charges – Provisions for healthcare lawsuit risks	16,620	11,727	4,893
Provision for risks and charges – Other provisions for risks and charges	640	202	439
Total provisions for risks and charges	17,346	12,045	5,301

The changes in the “Provisions for risks and charges” in the year ended December 31, 2021, compared with the changes in the year ended December 31, 2020, 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>
Net value at December 31, 2020	115	11,727	202	12,045
Provisions	65	5,188	231	5,484
Utilisations	(95)	(2,424)	(236)	(2,756)
Reversals	-	(2,397)	(52)	(2,449)
Change in consolidation scope	-	4,525	496	5,021
Net value at December 31, 2021	85	16,620	640	17,346

Provisions for risks and charges include the total end-of-service indemnities for directors of Euro 85 thousand at December 31, 2021, compared with a balance of Euro 115 thousand at December 31, 2020. The change in the account includes the provisions carried out by Rugani Hospital for Euro 20 thousand, by Casa di Cura del Prof. Nobili S.r.l. for Euro 25 thousand and by Hesperia Hospital Modena S.r.l. for Euro 20 thousand. Utilisations refer to Casa di Cura Prof. Nobili S.r.l. (Euro 75 thousand) and Rugani Hospital S.r.l. (Euro 20 thousand).

Provisions for healthcare lawsuit risks and local health authority risks totalled Euro 16,620 thousand at December 31, 2021 and are attributable to healthcare risks for Euro 11,085 thousand and to local health authority risks for Euro 5,535 thousand. The item includes liabilities deemed probable in respect of damage claims brought by patients of the facilities in the course of their healthcare services, both under accreditation from the government and privately. The accrual has been based on a thorough analysis of the damage claims brought in and out of court and takes account of events that have occurred at the reporting date, even though not reported, which the company, with the support of its legal counsel, has decided to recognise in its accounts. The account also includes the risks on the controls carried out by the Local Health Authority on clinical records and the risks of fee variations for services rendered to patients residing outside the Region. The increase in the account of Euro 4,893 thousand is due to:

- i. Provisions amounting to Euro 5,188 thousand, of which Euro 2,058 thousand refers to healthcare lawsuits and Euro 3,130 thousand refers to Local Health Authority (ASL) risks.
In the case of the healthcare lawsuits, the accruals refer mainly to Ospedali Privati Riuniti S.r.l. for Euro 483 thousand, Casa di Cura Villa Berica S.r.l. for Euro 514 thousand, Rugani Hospital S.r.l. for Euro 603 thousand, Clinica San Francesco S.r.l. for Euro 105 thousand and Domus Nova S.p.A. for Euro 187 thousand.
In the case of the local health authority risks, the accruals refer mainly to Hesperia Hospital Modena S.r.l. for Euro 803 thousand, Ospedali Privati Riuniti S.r.l. for Euro 1,092 thousand, Eremo di Miazzina S.r.l. for Euro 796 thousand, Casa di cura Nobili S.r.l. for Euro 114 thousand and Domus Nova S.p.A. for Euro 305 thousand.
- ii. Utilisations amounting to Euro 2,424 thousand, of which Euro 1,812 thousand referring to healthcare lawsuits and Euro 612 to Local Health Authority (ASL) risks.
Utilisations for healthcare lawsuits were mainly attributable to Hesperia Hospital Modena S.r.l. (Euro 256 thousand), Casa di Cura Villa Berica S.r.l. (Euro 119 thousand), Casa di Cura Prof. Nobili S.r.l. (Euro 256 thousand), Domus Nova S.p.A. (Euro 658 thousand) and Ospedali Privati Riuniti S.r.l. (Euro 483 thousand).
In the case of the local health authority risks, the utilisations refer to Hesperia Hospital Modena S.p.A. for Euro 195 thousand and Ospedali Privati Riuniti S.r.l. for Euro 286 thousand.
- iii. Releases amounting to Euro 2,397 thousand, of which Euro 1,727 thousand referring to healthcare lawsuits and Euro 670 thousand to Local Health Authority (ASL) risks.
In the case of the healthcare lawsuits, the releases refer mainly to Rugani Hospital S.r.l. for Euro 236 thousand,

Hesperia Hospital Modena S.r.l. for Euro 304 thousand, Domus Nova S.p.A. for Euro 751 thousand and Ospedali Privati Riuniti S.r.l. for Euro 385 thousand.

In the case of the local health authority risks, the releases mainly refer to Casa di Cura Prof. Nobili S.r.l. for Euro 296 thousand and Ospedali Privati Riuniti S.r.l. for Euro 297 thousand.

- iv. To the changes in the consolidation scope following the entry of Clinica San Francesco S.r.l. (Euro 108 thousand) and Domus Nova S.p.A. (Euro 4,417 thousand).

Other provisions for risks and charges amounted to Euro 640 thousand at December 31, 2021, compared with Euro 202 thousand at December 31, 2020, a net increase of Euro 439 thousand. This account refers to provisions for risks other than healthcare risks, relating particularly to employment law and taxation. The change in the account was due to:

- i. To accruals of Euro 231 thousand concerning C.M.S.R. Veneto Medica S.r.l. for Euro 150 thousand and Domus Nova S.p.A. for Euro 81 thousand.
- ii. To utilisations of Euro 236 thousand, of which Euro 187 thousand concerning Clinica San Francesco S.r.l.
- iii. To releases for Euro 52 thousand, entirely concerning Aesculapio S.r.l.
- iv. To the change in the consolidation scope following the entry of Clinica San Francesco S.r.l. (Euro 332 thousand) and Domus Nova S.p.A. (Euro 163 thousand).

Note 20 Non-current financial payables

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

The table below provides the breakdown of the account for the year ended December 31, 2021 and a comparison to the previous year.

<i>(Euro thousands)</i>	<i>At December 31</i>	<i>At December 31</i>	<i>Change</i>
	2021	2020	2021 vs 2020
Other non-current financial payables	23,207	21,456	1,751
Medium/long-term loans and borrowings	114,923	68,067	46,856
Total non-current financial payables	138,130	89,522	48,608

The composition of “Other non-current financial payables” at December 31, 2021, compared with the situation at December 31, 2020, is presented below.

<i>(Euro thousands)</i>	<i>At December 31</i>	<i>At December 31</i>	<i>Change</i>
	2021	2020	2021 vs 2020
Shareholder loan	1,649	2,098	(449)
Financial payables for IFRS 16 Non-Current	14,306	14,450	(144)
Payables to leasing companies	7,252	4,908	2,344
Total other non-current financial payables	23,207	21,456	1,751

The company’s other non-current financial payables amounted to Euro 23,207 thousand at December 31, 2021, compared with Euro 21,456 thousand at December 31, 2020.

The account mainly comprises:

- i. "shareholder loans" of Euro 1,649 thousand relating to the interest-bearing payable to the shareholder Larama 98 S.p.A; the decrease of Euro 449 thousand is due to the partial repayment of Euro 500 thousand, offset by the interest accrued during the period of Euro 47 thousand;
- ii. "payables for IFRS 16", amounting to Euro 14,306 thousand; the decrease of Euro 145 thousand is attributable to the combined effect of the recognition of new contracts for Euro 1,851 thousand and the inclusion of Clinica San Francesco S.r.l. in the consolidation scope (Euro 817 thousand) net of the reclassification to short-term of the instalments due by December 31, 2021 (Euro 2,744 thousand);
- iii. "payables to leasing companies" of Euro 7,252 thousand; this account increased due to the recognition of new contracts for Euro 1,348 thousand and the inclusion in the consolidation scope of Clinica San Francesco S.r.l. (Euro 2,151 thousand) and Domus Nova S.p.A. (Euro 1,023 thousand) net of the reclassification to short-term of the instalments due by December 31, 2021 (Euro 2,178 thousand).

On November 16, 2021 GHC S.p.A. signed a new loan agreement for a total amount of Euro 221 million. The loan consists of an Acquisition Line of Euro 81 million dedicated to potential new M&A's - supporting the Buy & Build strategy successfully pursued since IPO - and a Refinancing Line of Euro 140 million to allow GHC S.p.A. to remodel, simplify and centralise its financial structure at the Holding company. Specifically, the Acquisition Line will provide GHC with the necessary funding to pursue the best M&A opportunities in the pipeline in a timely, flexible and efficient manner. 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 Refinancing Line will make it possible to financially restructure through a single contract centralised at the Holding Company, significantly simplifying its operational management. This line has a duration of 5 years and repayment in 2026 (with an amortising profile and a final instalment of 28%). The loan agreement was signed with UniCredit as Global Coordinator, Bookrunner, Mandated Lead Arranger and Facility Agent and Intesa Sanpaolo and Banco BPM as Mandated Lead Arrangers.

At December 31, 2021, the refinancing transaction had been completed, with the settlement of all loans of the subsidiaries and the granting of a single loan to the parent company GHC S.p.A.

The loans in place at December 31, 2021 and December 31, 2020 were as follows:

Description	Annual interest rate at signing	Maturity	Balance at December 31, 2021	Balance at December 31, 2020
	%		in Euro thousands	
Unicredit Loan	Euribor 6M+1,67%	Dec. 31, 26	136,422	-
Unsecured loan from Intesa Sanpaolo	Euribor 3M + 2.20%	Jun. 15, 21	-	23
Unsecured loan from Banca Popolare di Sondrio loan	Euribor 6M+0.45%	Jan 31, 22	-	2,166
Unsecured loan from Banca Reale	Euribor 3M + 3.50%	Feb. 28, 22	-	58
Unsecured loan from Intesa Sanpaolo	Euribor 3M + 2.50%	Mar. 31, 22	-	125
Unsecured loan from Intesa Sanpaolo	Euribor 3M + 2.50%	Sep. 14, 22	-	150
Unsecured loan from Banca Carige	3.75% + half-yearly interest rate equal to half the average Euribor 6M rate for the month	Dec. 31, 22	-	2,519
Unsecured loan from Banca Reale	Euribor 3M + 3.50%	Jul. 31, 23	-	160
Unsecured loan from Banca BPM	Euribor 3M + 1.0%	Feb. 13, 24	-	287
Unsecured loan from Banca Passadore & C.	Euribor 6M + 2.75%	May 1, 24	-	180

Unsecured loan from Banca BPM	Euribor 3M+1.35%	Jun 30, 24	-	3,528
Loan from Credit Agricole	Euribor 3M+spread 0.70%	Jul. 16, 24	-	1,000
Banca Popolare di Sondrio loan	Euribor 1m + spread 0.85%	Oct. 1, 24	-	1,000
Unsecured loan from Banca BPM	Euribor3M + 1.40%	Nov. 8, 24	-	362
Mortgage loan from Banco BPM (formerly Banca Popolare di Novara)	Euribor 3m base 365+1.30%	Dec 31, 24	-	434
Intesa Sanpaolo loan	1.85% fixed	Dec 31, 24	-	11,498
Unsecured loan from BPER	Euribor 3M bid spread 2.80% cap 2.80%	Apr. 1, 25	-	220
BPER loan	Euribor 6M bid spread 2.80% cap 2.80%	May 1, 25	-	36
Unicredit loan	Euribor 6M+1.80%	May 31, 25	-	13,625
Unsecured loan from Intesa Sanpaolo	Euribor 3M + 2.90%	Jun. 28, 25	-	109
Mortgage loan from Intesa Sanpaolo	Euribor 6m+0.85%	Jun 30, 25	-	2,191
Mortgage loan from Intesa Sanpaolo	Euribor 6m+0.85%	Jun 30, 25	-	771
Mortgage loan from Banca Carige	Euribor 6M + spread 1.50%	Jun 30, 25	-	269
Unsecured loan from Banca Carige	2.75% Fixed	Jun 30, 25	-	540
Unsecured loan from Banca Carige	Euribor 6M 2.75%	Dec 31, 25	-	8,466
Unsecured loan from Cassa di Risparmio Parma and Piacenza	Euribor 6M+1.50%	Feb 12, 26	-	360
Unsecured loan from Credit Agricole	Euribor 3M/360 MM prev. av. + spread 1.15%	Dec. 23, 26	-	590
Unsecured loan from Credit Agricole	Euribor 3M/360 MM prev. av. + spread 1.15%	Dec. 23, 26	-	800
Unsecured loan from Credit Agricole	Euribor 3M/360 MM prev. av. + spread 1.15%	Dec. 23, 26	-	1,500
Banco BPM loan	Euribor 6M+1.80%	Dec. 31, 26	-	18,768
Loan from Credit Agricole	Euribor 6M + spread 1.40%	Mar. 31, 27	-	6,907
Mortgage loan from Banca Prealpi SanBiagio	Euribor 3M+1%	Jan 01, 29	-	141
Mortgage loan from Banca Prealpi SanBiagio	Euribor 6M + 0.95%	Jan 01, 29	-	920
Unsecured loan from BPER	Euribor 3M MMP spread 3.35% cap 3.35%	Jan 01, 29	-	826
Mortgage loan from Intesa Sanpaolo	Euribor 6M + 0.95%	Feb 01, 29	-	1,123
Mortgage loan from Banca Carige	Euribor 6M + 2.75%	Dec 31, 31	-	938
Mortgage loan from Cassa di Risparmio Parma and Piacenza	Euribor 6M + 2.75%	Dec. 22, 33	-	524
Mortgage loan from Banca Carige	2.75% Fixed	Jun. 30, 40	-	1,847
Total			136,422	84,961
Of which:				
Bank payables - non-current portion of loans			114,923	68,067
Bank payables - current portion of loans			21,499	16,894

The increase on the previous year is due to the refinancing, as described in greater detail below, and the loan granted for the acquisition of the investments in Clinica San Francesco S.r.l. and Domus Nova S.p.A.

The loan provides for the covenants shown in the table below to be calculated on December 31 of each calendar year on the basis of the pro-forma consolidated financial statements, net of the effect resulting from the application of IFRS16, starting from 31.12.2021.

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

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

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

(Euro thousands)	At December 31, 2021	Cash flows	Change in consolidation scope	Other changes	Reclassifications	At December 31, 2020
Other non-current financial payables	(23,206)	500	(2,627)	(3,761)	4,137	(21,455)
Derivative financial instrument liabilities - non-current	-	486	(5)	(155)	-	(326)
Medium/long-term loans and borrowings	(114,925)	(44,862)	(9,622)	(5,263)	12,889	(68,067)
Short-term loans and borrowings	(40,605)	6,225	(3,991)	(877)	(12,889)	(29,073)
Other current financial payables	(5,056)	3,655	(919)	54	(4,137)	(3,709)
Current loans	175	-	163	(117)	-	129
Cash and cash equivalents	41,239	16,429	-	-	-	24,810
Net financial debt	(142,378)	(17,567)	(17,001)	(10,119)	-	(97,691)

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

Note 21 Other non-current liabilities

Other non-current liabilities, amounting to Euro 213 thousand, refer to the payable to the tax authorities for the substitute tax relating to the fiscal realignment of the depreciation of Casa di Cura Villa Garda S.p.A. (Euro 52 thousand), Rugani Hospital (Euro 68 thousand) and Ospedali Privati Riuniti (Euro 93 thousand).

Note 22 Derivative financial instrument liabilities - non-current

Derivative financial instrument liabilities - non-current reduced to zero due to the settlement of the loans to which the interest rate swaps were associated.

Note 23 Trade payables

Trade payables amount to Euro 46,239 thousand at December 31, 2021 and to Euro 35,857 thousand at December 31, 2020.

(Euro thousands)	At December 31 2021	At December 31 2020	Change 2021 vs 2020
Trade payables	25,094	21,361	3,733
Payables to doctors	2,175	1,503	672

Other payables	463	217	246
Payables for invoices to be received	19,522	13,829	5,693
Credit notes to be received	(1,015)	(1,053)	38
Total trade payables	46,239	35,857	10,381

At December 31, 2021, an increase on the previous year of Euro 10,381 thousand was reported. This was mainly attributable to the addition of Clinica San Francesco S.r.l. (Euro 5,324 thousand) and Domus Nova S.p.A. (Euro 5,568 thousand) to the consolidation scope.

Note 24 Current financial payables

The following table presents the figures for the Group's outstanding current financial payables at December 31, 2021.

<i>In Euro thousands</i>	<i>At December 31</i>	<i>At December 31</i>	<i>Change</i>
	2021	2020	2021 vs 2020
Short-term loans and borrowings	40,605	29,073	11,532
Total other current financial payables	5,057	3,709	1,348
Total current financial payables	45,662	32,782	12,880

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

The composition of "Current bank payables" at December 31, 2021, compared with the situation at December 31, 2020, is presented below.

<i>(Euro thousands)</i>	<i>At December 31</i>	<i>At December 31</i>	<i>Change</i>
	2021	2020	2021 vs 2020
Bank payables (short-term portion of loans)	21,499	16,894	4,605
Bank payables (current accounts)	6,271	3,312	2,959
Bank payables (advances)	12,835	8,867	3,969
Total Current bank payables	40,605	29,073	11,532

The account "short-term portion of loans" at December 31, 2021 of Euro 21,499 thousand refers to the short-term portion of the Unicredit loan, due to be settled within 12 months; the transaction was described in Note 19 "Non-current financial payables", to which reference should be made.

The “Current bank payables (current accounts)”, amounting to Euro 6,271 thousand, consist of bank credit lines used as at December 31, 2021.

The account “bank payables for advances” of Euro 12,835 thousand at December 31, 2021 mainly comprises advances on commercial invoices.

The composition of “Other current financial payables” at December 31, 2021, compared with the situation at December 31, 2020, is presented below.

<i>(Euro thousands)</i>	<i>At December 31</i>	<i>At December 31</i>	<i>Change</i>
	2021	2020	2021 vs 2020
Current financial payables - leasing companies	2,339	1,451	888
Current financial payables - accrued liabilities and deferred financial income	217	204	13
Financial payables for IFRS 16 Current	2,501	2,054	447
Total Other financial payables	5,057	3,709	1,348

The item “Payables to leasing companies” refers to the recognition of the current financial payable for the acquisition of leased assets accounted for according to the finance method and related primarily to the purchase of healthcare equipment. The account amounts to Euro 2,339 thousand at December 31, 2021 and increased due to the entry into the consolidation scope of Clinica San Francesco S.r.l. (Euro 466 thousand) and Domus Nova S.p.A. (Euro 288 thousand).

“Accrued financial liabilities and deferred financial income” mainly concerns interest charges matured on mortgages at December 31, 2021, but not settled at that date.

“Payables for IFRS 16”, amounting to Euro 2,501 thousand at December 31, 2021, refers to the short-term portion of leases previously defined as operating leases. The increase is mainly due to the entry into the scope of Clinica San Francesco S.r.l. (Euro 410 thousand).

Note 25 Tax payables

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

<i>(Euro thousands)</i>	<i>At December 31</i>	<i>At December 31</i>	<i>Change</i>
	2021	2020	2021 vs 2020
Tax payables - IRES tax payables	3,041	1,328	1,713
Tax payables - IRAP tax payables	819	76	743
Total Tax payables	3,860	1,403	2,456

Tax payables increased from Euro 1,403 thousand at December 31, 2020 to Euro 3,860 thousand at December 31, 2021, an increase of Euro 2,456 thousand.

The increase in the IRES payable of Euro 1,713 thousand compared to December 31, 2020 is substantially due to the higher assessable amount.

The increase in the IRAP payable on the previous year, for Euro 743 thousand, is due to the supports for FY 2020 under the Relaunch Decree, which eliminated the second advanced payment and the IRAP balance.

Note 26 Other current liabilities

At December 31, 2021 "Other current liabilities" amounted to Euro 34,429 thousand. The comparison with December 31, 2020 is presented below.

<i>(Euro thousands)</i>	<i>At December 31</i>	<i>At December 31</i>	<i>Change</i>
	2021	2020	2021 vs 2020
Social security institutions	4,775	3,788	987
Tax payables	70	37	33
Withholding tax payables	3,316	2,668	648
Employee payables	8,026	6,041	1,985
Other liabilities	18,242	12,961	5,281
Total Other current liabilities	34,429	25,496	8,933

Other current liabilities increased by Euro 8,933 thousand, mainly due to the following movements:

- i. Increase in payables to social security institutions for Euro 987 thousand due to the entry into the consolidation scope of Clinica San Francesco S.r.l. (Euro 449 thousand) and Domus Nova S.p.A (Euro 574 thousand);
- ii. increase in withholding tax payables of Euro 648 thousand, due to the entry into the consolidation scope of Clinica San Francesco S.r.l. (Euro 343 thousand) and Domus Nova S.p.A (Euro 425 thousand);
- iii. increase in employee payables of Euro 1,985 thousand, mainly due to the entry into the consolidation scope of Clinica San Francesco S.r.l. (Euro 627 thousand) and Domus Nova S.p.A (Euro 702 thousand);
- iv. "Other payables" mainly consists of:
 - a. advances received from customers amounting to Euro 10,730 thousand, comprising almost entirely advances received from local health authorities as a measure to support companies affected by the COVID emergency (Euro 10,535 thousand);
 - b. deferred income of Euro 3,385 thousand.

The increase on December 31, 2020 of Euro 5,281 thousand is mainly due to the change in the scope, with the entry of Domus Nova S.p.A. (Euro 4,262 thousand).

Note 27 Revenues from services

Total revenues amounted to Euro 283,672 thousand in 2021, an increase of Euro 72,826 thousand compared to the previous year. All revenues relate to services provided in Italy.

It should be noted that the figures in 2021 benefit from the full contribution of the company XRay One S.r.l., entering into the consolidation scope from July 31, 2020, in addition to the “pro-quota” revenues of the companies Clinica San Francesco S.r.l. (acquired on April 9, 2021) and Domus Nova S.p.A. (acquired on July 28, 2021). Consequently, in view of the non-uniform consolidation scope between the two periods, in order to ensure comparability of the income statements, the Company on a voluntary basis, has prepared the pro-forma income statement for the year 2021 as illustrated in the Directors’ Report in order to better illustrate the operational performance.

The increase in the account is mainly due to the change in the consolidation scope, as outlined above, and the greater volume of services provided, as 2020 was heavily impacted by the COVID-19 pandemic, with the suspension of out-patient and hospital activities from March. The revenue increase benefited in addition from the partial co-payments by the National Healthcare Service to absorb the higher personnel costs from the renewal of the National Collective Bargaining Agreements from July of the previous year (Euro 2,318 thousand).

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

The table below shows the breakdown of revenues from services in 2021 and in 2020.

<i>(Euro thousands)</i>	At December 31				Change
	2021	% of total	2020	% of total	
Community and dependency care services	85,331	30.1%	71,858	34.1%	13,473
Total hospital services	192,538	67.9%	134,920	64.0%	57,618
Total revenues from services	277,869	98.0%	206,778	98.1%	71,091
Other revenues	5,803	2.0%	4,068	1.9%	1,735
Total revenues	283,672	100.0%	210,846	100.0%	72,826

The table below shows the breakdown of revenues from community and dependency care services in 2021 and in 2020.

<i>(Euro thousands)</i>	At December 31				Change
	2021	% of total	2020	% of total	
					2021 vs 2020
Dependency care services	20,919	7.4%	20,492	9.7%	427
Community outpatient care services	64,411	22.7%	51,365	24.4%	13,046
Community and dependency care services	85,331	30.1%	71,858	34.1%	13,473

Revenues from community and dependency care services amounted to Euro 85,331 thousand, increasing Euro 13,473 thousand on 2020 (Euro 71,858 thousand), and accounting for 30.1% of Group revenues, principally due to the change in consolidation scope.

Dependency care services of Euro 20,919 thousand accounted for 7.4% of the Group's total revenues in 2021 (Euro 20,492 thousand or 9.7% of the total in 2020).

Outpatient care services of Euro 64,411 thousand accounted for 22.7% of the Group's total revenues in 2021 (Euro 51,365 thousand or 24.4% in 2020).

The increase compared to the previous year is mainly due to higher production volumes.

The table below shows the breakdown of revenues from hospital services for the year ended December 31, 2021, compared with the year ended December 31, 2020:

<i>(Euro thousands)</i>	At December 31				Change
	2021	% of total	2020	% of total	
					2021 vs 2020
Acute and post-acute care services	144,315	50.9%	106,405	50.5%	37,909
Outpatient services	48,224	17.0%	28,515	13.5%	19,709
Total hospital services	192,538	67.9%	134,920	64.0%	57,618

Revenues from hospital services amounted to Euro 192,538 thousand in 2021, accounting for 67.9% of the Group's total revenues, up Euro 57,618 thousand overall.

Revenues from acute and post-acute care services of Euro 144,315 thousand accounted for 50.9% of the Group's total revenues in 2021 (Euro 106,405 thousand or 50.5% of the total in 2020).

Revenues from out-patient services of Euro 48,224 thousand accounted for 17.0% of total Group 2021 revenues (Euro 28,515 thousand and 13.5% in 2020).

The increase compared to the previous year is mainly due to the change in scope and the higher production volumes.

Note 28 Other operating revenues

Other operating revenues totalled Euro 5,803 thousand in 2021, increasing by Euro 1,735 thousand on 2020 (Euro 4,068 thousand).

The following table shows a breakdown of other operating revenues in 2021 compared to 2020.

<i>(Euro thousands)</i>	<i>At December 31</i>		<i>Change</i>
	2021	2020	2021 vs 2020
Other income - third parties	5,055	3,433	1,622
Tax credits	689	605	84
Gain on asset disposals	58	29	29
Total other operating revenues	5,803	4,068	1,735

The item, totalling Euro 5,803 thousand, mainly comprises the partial repayment of the additional COVID costs¹⁵ incurred by the Group (Euro 1,234 thousand) and the contributions from the Piedmont Region to Eremo di Miazzina S.r.l. for the management of the COVID unit for 2020, recognised to prior year income (Euro 1,876 thousand).

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

Costs for raw materials, ancillary, consumables and goods amounted to Euro 38,944 in 2021 and to Euro 28,528 thousand in 2020, marking an increase of Euro 10,416 thousand.

The increase in this item is attributable both to the change in the consolidation scope described above and the higher production volumes in 2021 compared to the previous year.

The table below shows the breakdown of the account in question for the years 2021 and 2020.

¹⁵ One-off costs incurred by the Group to tackle the COVID-19 emergency and concerning expenses for Personnel Protective Equipment ("PPE"), swabs / tests, the preparation and management of triage areas and the dedicated distancing pathways.

<i>(Euro thousands)</i>	<i>At December 31</i>		<i>Change</i>
	2021	2020	2021 vs 2020
Healthcare supplies and prostheses	30,368	21,116	9,252
Medical and pharmacological material	5,643	4,731	911
Testing and hygienic materials	1,194	1,432	(237)
Change in inventories of raw materials, ancillary, consumables and goods	341	(423)	764
Other	1,971	1,959	12
Incr. ass.. for internal work - Mat.	(572)	(286)	(286)
Total raw materials, ancillary & consumables	38,944	28,528	10,416

In 2021 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 30,368 thousand, up by Euro 9,252 thousand on the previous year.

The second-most significant cost component was that relating to the purchase of medical and pharmacological materials, amounting to Euro 5,643 thousand, compared with Euro 4,731 thousand in 2020.

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

This item includes costs incurred by the companies for COVID containment measures totalling Euro 1,350 thousand.

Note 30 Service costs

Service costs amounted to Euro 118,407 thousand in 2021, increasing Euro 30,178 thousand from Euro 88,229 thousand in 2020. This increase is mainly due to the change in the consolidation scope and the increased production volumes on the previous year.

The following table breaks down these costs for 2021 and 2020.

<i>(Euro thousands)</i>	<i>At December 31</i>		<i>Change</i>
	2021	2020	2021 vs 2020
Medical and nursing care services	69,452	49,599	19,854
Owned asset maintenance services	4,700	4,087	613
Catering services	2,178	1,883	295
Technical healthcare services	6,045	5,141	904
Cleaning costs	2,531	2,414	118
Electricity	3,580	2,134	1,446
Coordinated long-term contractors	1,157	461	696
Director fees	4,573	3,730	844
Third-party processing (tests, etc.)	3,866	3,280	587
Legal fees	1,141	915	225
Linen hire	670	462	208
Technical consultants	3,084	2,088	996
Other	15,436	12,056	3,380
Incr. ass.. for internal work - Serv.	(6)	(19)	13
Total service costs	118,407	88,229	30,178

As regards the account "medical and nursing care services" and "technical healthcare services", it should be noted these costs are closely linked to production and therefore increased due to the higher volumes.

The "other" item of Euro 15,436 thousand in 2021 mainly comprises:

- (i) water, telephone, methane and gas for Euro 2,102 thousand;
- (ii) administrative, fiscal, notarial and payroll consultancy services for Euro 1,750 thousand;
- (iii) third party liability, all risk and property insurance for a total of Euro 1,351 thousand;
- (iv) waste disposal service for Euro 737 thousand;
- (v) linen washing services for Euro 620 thousand;
- (vi) canteen services for Euro 828 thousand.

This item includes costs incurred by the companies for COVID containment measures totalling Euro 1,884 thousand.

Note 31 Personnel costs

Personnel costs totalled Euro 65,739 thousand in 2021, increasing Euro 12,942 thousand over Euro 52,797 thousand in 2020.

The table below shows the breakdown of such costs in 2021 and 2020.

<i>(Euro thousands)</i>	<i>At December 31</i>		<i>Change</i>
	2021	2020	2021 vs 2020
Wages and salaries	47,752	37,776	9,976
Social security charges	13,835	11,193	2,643
Severance	3,253	2,525	728
Other	913	1,342	(429)
Incr. ass.: for internal work - Pers.	(16)	(39)	24
Total personnel costs	65,739	52,797	12,942

The increase in the account is due to the change in the consolidation scope and the renewal of the non-medical staff National Collective Bargaining Agreement (CCNL) by the private clinics which, as applicable from the second half of the previous year only impacted six months of 2020.

This item includes costs incurred by the companies for COVID containment measures totalling Euro 740 thousand.

Note 32 Other operating costs

Other operating costs amounted to Euro 13,620 thousand in 2021, up from Euro 10,724 thousand in 2020, an increase of Euro 2,895 thousand.

The following table breaks down these costs for 2021 and 2020.

<i>(Euro thousands)</i>	<i>At December 31</i>		<i>Change</i>
	2021	2020	2021 vs 2020
Non-deductible VAT on a pro rata basis	9,759	8,148	1,611
Income taxes	1,489	1,077	412
Other operating charges	495	255	239
Non-deductible expenses	85	69	16
Associations	201	153	48
Other costs	1,591	1,022	569
Total other operating costs	13,620	10,724	2,895

The increase of Euro 2,895 thousand is mainly due to the increase in the account "non-deductible VAT on a pro rata basis" which increased by Euro 1,611 thousand, related to the change in the consolidation scope and the greater production in 2021.

Note 33 Amortisation, depreciation and write-downs

Amortisation, depreciation and write-downs amounted to Euro 15,706 thousand in 2021, increasing Euro 3,899 thousand over Euro 11,807 thousand in 2020.

The table below shows the breakdown and changes in the account in 2021 and 2020.

<i>(Euro thousands)</i>	<i>At December 31</i>		<i>Change</i>
	2021	2020	2021 vs 2020
Depreciation Intangible assets	671	425	246
Depreciation Tangible and investment Properties	14,849	11,163	3,686
Write-downs	187	220	(33)
Total amortisation, depreciation and write-downs	15,706	11,807	3,899

The increase in the account "depreciation of property, plant and equipment and investment property", amounting to Euro 3,686 thousand, is mainly due to the change in the consolidation scope.

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

Note 34 Impairments and other provisions

Impairments and other provisions amounted to Euro 3,025 thousand in 2021, decreasing by Euro 245 thousand compared to Euro 3,270 thousand in 2020.

The table below shows the breakdown and changes in the account in 2021 and 2020.

<i>(Euro thousands)</i>	<i>At December 31</i>		<i>Change</i>
	2021	2020	2021 vs 2020
Provision for risks on legal cases in progress	5,188	4,157	1,032
Release of risk provisions	(2,459)	(991)	(1,468)
Other provisions	296	105	191
Total impairments and other provisions	3,025	3,270	(245)

Accruals in 2021 total Euro 5,188 thousand and are attributable to healthcare lawsuits for Euro 2,058 thousand and to Local Health Authority risks for Euro 3,130 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 mainly relate to Ospedali Privati Riuniti S.r.l. (Euro 483 thousand), Casa di Cura Villa Berica S.r.l. (Euro 514 thousand), Rugani Hospital S.r.l. (Euro 603 thousand), Clinica San Francesco S.r.l. (Euro 105 thousand) and Domus Nova S.p.A. (Euro 187 thousand).

As regards Local Health Authority risks, provisions were prudentially recognized to cover any risks on controls which the Local Health Authority carries out periodically on clinical records and on the risks of fee variations for services rendered to patients residing outside the Region, aspects which are defined by the competent authorities over a long period of time exceeding the financial year. The amount accrued mainly concerns Hesperia Hospital Modena S.r.l. for Euro 803 thousand, Ospedali Privati Riuniti S.r.l. for Euro 1,092 thousand, Eremo di Miazzina S.r.l. for Euro 796 thousand, Casa di cura Nobili S.r.l. for Euro 114 thousand and Domus Nova S.p.A. for Euro 305 thousand.

The release of provisions for risks, amounting to Euro 2,459 thousand, includes the release of the doubtful debt provision (Euro 11 thousand), in addition to the release of the provision for risks due to healthcare cases (Euro 1,727 thousand, mainly concerning Rugani Hospital S.r.l. for Euro 236 thousand, Hesperia Hospital Modena S.r.l. for Euro 304 thousand, Domus Nova S.p.A. for Euro 751 thousand and Ospedali Privati Riuniti S.r.l. for Euro 385 thousand), the release of the provision for local health authority risks (Euro 670 thousand, mainly concerning Casa di Cura Prof. Nobili S.r.l. for Euro 296 thousand and Ospedali Privati Riuniti S.r.l. for Euro 297 thousand) and finally the release of other risks (Euro 52 thousand, entirely concerning Aesculapio S.r.l.).

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

"Other provisions" include Euro 65 thousand for the provision to the Severance Indemnity Fund for some Directors (of which Euro 20 thousand relating to Rugani Hospital S.r.l., Euro 25 thousand to Casa di Cura Prof. Nobili S.r.l. and Euro 20 thousand to Hesperia Hospital Modena S.r.l.) and Euro 150 thousand for a provision for a labour dispute entirely relating to C.M.S.R S.r.l. and Euro 81 thousand to Domus Nova S.p.A.

Note 35 Financial income

Financial income amounted to Euro 56 thousand in 2021, a decrease of Euro 8 thousand compared to Euro 64 thousand in 2020.

The table below shows the breakdown and changes in the account in 2021 and 2020.

<i>(Euro thousands)</i>	<i>At December 31</i>		<i>Change</i>
	2021	2020	2021 vs 2020
Interest income	3	3	-
Other income	53	61	(8)
Total financial income	56	64	(8)

Note 36 Financial charges

Financial charges amount to Euro 4,512 thousand in 2021, up by Euro 1,754 thousand compared to Euro 2,758 thousand in the previous year.

The table below shows the breakdown and changes in 2021 and 2020.

<i>(Euro thousands)</i>	<i>At December 31</i>		<i>Change</i>
	2021	2020	2021 vs 2020
Interest on mortgage loans	2,234	1,661	573
Bank interest charges	39	52	(14)
Interest expenses on advances	59	72	(13)
Other interest charges	1,882	752	1,130
Financial charges	298	221	76
Total financial charges	4,512	2,758	1,754

Increases were reported in 2021 for Euro 1,754 thousand concerning the “other interest charges” item, which includes the charges from the early settlement of loans, following the transaction outlined in Note 19 “Non-current financial payables”.

Note 37 Results of investments at equity

The table below shows the breakdown and changes in 2021 and 2020.

(Euro thousands)	At December 31		Change
	2021	2020	2021 vs 2020
Share of result	213	227	(14)
Total	213	227	(14)

The item in 2021, amounting to Euro 213 thousand, decreased on the previous year due to the lower Group share of the result reported by the associate Il Fiocco S.c.a.r.l.

Note 38 Income taxes

The table below shows the breakdown and changes in 2021 and 2020.

(Euro thousands)	At December 31		Change
	2021	2020	2021 vs 2020
Current taxes	5,405	3,411	1,994
Deferred tax income	(698)	(242)	(456)
Deferred tax charges	270	(2,216)	2,486
Other	168	286	(118)
Total income taxes	5,145	1,238	3,907

In 2021, Income taxes amounted to Euro 5,145 thousand, increasing Euro 3,907 thousand on 2020, essentially due to the following factors:

- i. higher current taxes for Euro 1,994 thousand as a result of increased Group business volumes;
- ii. release in 2020 of deferred tax liabilities following the accounting/tax realignment;
- iii. absence in 2021 of IRAP support measures, established under the "Relaunch Decree" for 2020.

The Group's nominal and effective rates for the years ended 2021 and 2020 are reconciled below.

IRES reconciliation	At December 31,	
	2021	2020
Profit before taxes	23,988	13,023
IRES rate applicable	24.00%	24.00%
Theoretical tax charge	5,757	3,125
(Profit before taxes * IRES tax rate)		
Income taxes with a different IRES rate	(266)	(202)
Tax realignment	(505)	(1,867)
Ace	(1,181)	(478)
Other changes	(534)	107
Current and deferred IRES tax	3,272	685

Effective tax rate	13.64%	5.26%
Current and deferred IRAP tax	1,704	267
Prior year taxes	12	(239)
Substitute tax	157	525
Total income taxes	5,145	1,238

Note 39 Net profit for the year

Net profit amounts to Euro 18,843 thousand in 2021 compared to Euro 11,785 thousand in 2020. The improved result in 2021 is due to increased production and the recovery of the margin compared to 2020, which was severely impacted by the COVID pandemic, in addition to the change in consolidation scope.

Note 40 Basic and diluted earnings per share

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

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

<i>(Euro thousands)</i>	<i>At December 31</i>	<i>At December 31</i>
	2021	2020
Net profit attributed to the shareholders of the Parent company	18,834	11,781
Number of ordinary shares at end of year/period*	89,234,456	81,610,864
Earnings per share – basic (Euro)	0.21	0.14
Earnings per share – diluted (Euro)**	0.21	0.14

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

* Amount net of treasury shares

** Amount net of treasury shares but including Stock Grant plan shares of 229,847 granted on December 18, 2019, 93,754 granted on December 2, 2020 and 25,942 granted on November 12, 2021 and of the Performance Shares Plan of 169,893 granted on November 12, 2021.

Note 41 Fair value hierarchy

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

Financial Liabilities	At December 31, 2021		At December 31, 2020	
	Book value	Fair value	Book value	Fair value
<i>(Euro thousands)</i>				
Securities investments	924	1,845	963	1,845
Loans	136,423	139,771	84,961	84,347
Derivatives	-	-	326	326
Capital instruments	809	809	877	877

The financial liabilities set out above have been assigned to level 2 of the fair value hierarchy (for both 2021 and 2020).

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

Fair Value - Hierarchy

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

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

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

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

Valuation processes

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

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

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

Valuation techniques and hypotheses

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

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

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

Note 42 Commitments, risks and contingent liabilities

Note 42.1 Commitments and Guarantees

Commitments and guarantees at December 31, 2021 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.
XRy One S.r.l.	Unicredit S.p.A., Banco BPM S.p.A., Intesa San Paolo S.p.A.	Independent guarantee	15/12/2026	7,918,249	GHC S.p.A.
Poliambulatorio Dalla Rosa Prati S.r.l.	Unicredit S.p.A., Banco BPM S.p.A., Intesa San Paolo S.p.A.	Independent guarantee	15/12/2026	2,877,228	GHC S.p.A.
Aesculapio S.r.l.	Unicredit S.p.A., Banco BPM S.p.A., Intesa San Paolo S.p.A.	Independent guarantee	15/12/2026	609,615	GHC S.p.A.
Fides Medica S.r.l.	Carige	Letter of indemnity	Until revocation	1,950,000	Centro di Riabilitazione S.r.l.
GHC S.p.A.	Carige	Letter of indemnity	Until revocation	1,820,000	Fides Medica S.r.l.
GHC S.p.A.	Carige	Letter of indemnity	Until revocation	845,000	Roemar S.r.l.
GHC S.p.A.	Carige	Omnibus Guarantee	Until revocation	325,000	Roemar S.r.l.
GHC S.p.A.	Carige	Omnibus Guarantee	Until revocation	260,000	Fides Medica S.r.l.
Fides Medica S.r.l.	Carige	Letter of indemnity	Until revocation	206,582	Il Fiocco S.c.a.r.l.
Fides Medica S.r.l.	Carige	Letter of indemnity	Until revocation	200,000	Centro di Riabilitazione S.r.l.
GHC S.p.A.	Banco BPM	Omnibus Guarantee	Until revocation	155,000	Fides Medica S.r.l.
Fides Medica S.r.l.	Monte dei Paschi	Letter of indemnity	Until revocation	150,000	Prora Srl
Fides Medica S.r.l.	Intesa SanPaolo	Letter of indemnity	Until revocation		Centro di Riabilitazione S.r.l.
Fides Medica S.r.l.	Carige	Letter of indemnity	Until revocation	80,000	Il Fiocco S.c.a.r.l.
Fides Medica S.r.l.	Intesa SanPaolo	Omnibus Guarantee	Until revocation	80,000	PRORA S.r.l.
Fides Medica S.r.l.	Intesa SanPaolo	Letter of indemnity	Until revocation		Genia Immobiliare S.r.l.
Fides Medica S.r.l.	UBI	Letter of indemnity	Until revocation	50,000	Centro di Riabilitazione S.r.l.
Fides Medica S.r.l.	Intesa SanPaolo	Letter of indemnity	Until revocation		Fides Servizi S.c.a.r.l.
Fides Medica S.r.l.	Carige	Letter of indemnity	Until revocation	26,000	Il Fiocco S.c.a.r.l.
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	31/05/2022	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.
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
Raffaele Garofalo S.a.p.a.	Carige	Letter of indemnity	Until revocation	9,000,000	C.M.S.R. Veneto Medica S.r.l.

Banca Prealpi San Biagio	BMFIN	Letter of indemnity	Until revocation	360,000	Centro Medico San Biagio S.r.l.
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No expected losses on guarantees have come to light.

Note 42.2 Financial Risk Management

This section contains a description of the financial risks to which the Group and its subsidiaries are exposed, together with the policies and strategies employed by the Company and its subsidiaries to manage the risks concerned during the year to December 31, 2021.

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 9 of the 2021 Directors' Report.

42.2.1 Credit risk

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

The maximum exposure to the credit risk for the Group at December 31, 2021 and December 31, 2020 is represented by the book value of the assets recorded in the accounts under trade receivables.

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

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

Information on trade receivable positions, net of the doubtful debts provision, at December 31, 2021 and December 31, 2020 is provided below by time past due:

<i>(Euro thousands)</i>	<i>At December 31</i>	<i>At December 31</i>
	<i>2021</i>	<i>2020</i>
Not yet due	54,444	43,840
Overdue 0 - 90 days	6,400	5,192
Overdue 90 - 180 days	884	673
Overdue 180 - 360 days	1,995	3,396
Overdue beyond 360 days	10,996	8,309
Total	74,720	61,411

Information on trade receivable positions, gross of the doubtful debts provision, at December 31, 2021 and December 31, 2020 is provided below by past due:

<i>(Euro thousands)</i>	<i>At December 31</i>	<i>At December 31</i>
	<i>2021</i>	<i>2020</i>
Not yet due	54,444	43,840
Overdue 0 - 90 days	6,400	5,192
Overdue 90 - 180 days	884	673
Overdue 180 - 360 days	4,029	4,539
Overdue beyond 360 days	19,131	12,881
Total	84,889	67,126
Doubtful debt provision	(10,169)	(5,715)
Total trade receivables	74,720	61,411

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

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

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

42.2.2 Liquidity risk

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

The Group believes that the risk of non-payment for the services rendered by the individual health facilities by the Regional Health System, together with the related impact on liquidity, is moderate. The Group's facilities are primarily located in regions with a balanced healthcare spending budget. This reduces, but does not eliminate, the risk that the Regional Health Systems within whose territory the facilities concerned operate may delay the payment of services rendered to patients. At December 31, 2021 the GHC Group's average collection times from the Regional Health System were approximately 90 days.

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

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

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

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

The following is a breakdown of outstanding financial and trade payables in 2021 and 2020 by residual time to maturity:

in Euro thousands	31 December 2021			
	Financial payables	Trade payables	Liabilities for derivative instruments	Total
Maturity:				
Within 12 months	45,662	46,239	-	91,901
Beyond 12 months	129,050	-	-	129,050
Over 5 years	9,080	-	-	9,080
Total	183,792	46,239	-	230,031

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

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

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

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

42.2.3 Market risk

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

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

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

42.2.4 Currency risk

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

42.2.5 Interest rate risk

As previously indicated in Note 19 "Non-current financial payables", GHC S.p.A. signed anew loan contract for a total amount of Euro 221 million. The loan consists of an Acquisition Line of Euro 81 million dedicated to potential new M&A's and a Refinancing Line of Euro 140 million. In the final quarter, the refinancing transaction was completed, with the settlement of all subsidiary loans and the relative derivative contracts and the granting of a single loan to the parent company GHC S.p.A..

	- 31 December 2021		
	- Interest	- Interest	- Interest
- (Euro thousands)		+1%*	-0.25%*
-	- 2,234	- 2,652	- 2,074

* half-yearly interest

The objective of the management of interest rate risk is to limit and stabilize the interest paid, primarily on medium-term loans, so as to ensure that the underlying and the hedging instrument are closely correlated. The new loan is at a variable rate, with a zero floor and is currently not hedged by derivatives. Management is assessing any risk hedges, constantly monitoring the interest rate curves.

42.2.6 Price risk

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

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

Note 43 Legal disputes and contingent liabilities

Note 43 Legal disputes and contingent liabilities

Damage compensation claims

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

The company Clinica San Francesco S.r.l. has two proceedings in progress for healthcare cases, with a "possible" probability of loss. As such, no amount has been allocated to the risk provision.

The company Domus Nova S.p.A. has six proceedings in progress for healthcare cases, with a "possible" probability of loss. As such, no amount has been allocated to the risk provision.

In November 2013, the company Villa Von Siebenthal S.r.l. received a writ of summons concerning a claim, based on a suicide attempt in April 2012, by a patient who alleged the clinic's liability for not adopting appropriate precautionary measures and sought damages for physical and psychiatric injury. While the case was still ongoing, the patient passed away and his wife sub-entered the claim. On May 30, 2019, a judgement of the Velletri Court became immediately enforceable, by which, accepting the claim of the plaintiff, Villa Von Siebenthal S.r.l. was required, in absentia, to pay the amount of Euro 349 thousand, in addition to litigation costs. Villa Von Siebenthal S.r.l. was judged in default since Cattolica Assicurazione, despite having been promptly been informed of the claim (2012) and of the writ of summons in 2013, failed to assume the clinic's legal defence, although was obliged to do so under the insurance contract. However, as immediately became apparent, in view of such a deeply unjust and obviously unfounded judgement on its merits, Villa Von Siebenthal S.r.l. immediately challenged this provision, while also requesting its suspension by means of a specific appeal filed on 28/06/2019 to the counterparty and recorded to the General Registry at No. 4543/2019. Assicurazioni Cattolica was also contacted to ascertain the reasons for its contractual non-compliance, while also requested to finally assume its legal defence of the clinic and to release it from any liability related to and/or consequent to the case. The Court of Appeal, in partial acceptance of the application for an injunction, suspended the provisional execution of the sentence for the portion exceeding the amount of Euro 150 thousand. A separate guarantee judgement was also brought against Società Cattolica di Assicurazione, whose first hearing was held on February 4, 2021. The risk was qualified as "possible." The next hearing shall be held on June 9, 2022.

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

- claims of negligence and medical malpractice before the Civil Court of Verbania in connection with the death of a patient in 2015. An expert's report concluding that the facility is liable has been filed. In October 2018, the heirs

served notice of the suit before the Court of Verbania, seeking damages of approximately Euro 1 million. The Court scheduled a hearing for January 18, 2019, at which L'Eremo di Miazzina entered an appearance, arguing that the claim was inadmissible because the suit had been filed after the end of the mandatory statutory period, seeking further expert witness testimony and disputing the amount of the damages. The Court reserved the case for decision, fixing a deadline for any statements of position.

- On September 6, 2019, the Verbania Court judged in favour of the plaintiff, recognising compensation for damages of approx. Euro 650 thousand. On the recommendation of its legal counsel, L'Eremo di Miazzina lodged an appeal for a partial revision of the amount owed. Specifically, the legal counsel considered that the damage paid to the husband of the deceased does not take into account the fact that the husband himself died three years after the death of his wife and therefore the court should have reduced the sum due proportionally to the objective and effective three years of survival by settling an amount of approximately Euro 150 thousand. An appeal was filed on October 4, 2019 requesting a stay of the judgement under appeal while, at the same time, paying the recognised sums amounting to Euro 492 thousand. On June 5, 2020, the Court of Verbania upheld and ratified the agreement reached between the parties, following which Eremo di Miazzina S.r.l. paid the all-inclusive amount of Euro 144 thousand on July 6, 2020. On February 12, 2021, the counterparty filed a further appeal with the Turin Court of Appeal regarding the calculation and division among the heirs of the compensation amount. In April 2021 a further appeal was partially accepted, awarding the plaintiffs further damages for a total of Euro 86,364. L'Eremo made the payment on May 3, 2021, and the dispute is therefore to be considered concluded as of December 31, 2021.

- Following the death of a patient, on April 21, 2021 a certified email was received from the patient's heirs requesting compensation for damages, claiming that the Company was to blame for the patient contracting COVID-19 and quantifying the request for compensation at Euro 200,000. The Company's legal counsel believes this to be a delicate case, but one which may possibly be lost. As such, no amount has been allocated to the risk provision.
- Following the death of a patient, on May 25, 2021 a certified email was received from the patient's heirs requesting compensation for damages, claiming inadequate healthcare and/or delayed transfer to another clinic. The compensation claimed is Euro 600,000. After consultation with the Company's legal counsel, and pending specialist assessments of the case, the risk of losing the case is considered possible. As such, no amount has been allocated to the risk provision.
- On June 21, 2021, a claim was received from a patient regarding damages suffered during double cataract surgery. The claim was simultaneously made to the specialist physician, and is for Euro 60,000. After consultation with the Company's legal counsel, and pending the specialist physician's report, the risk of losing the case is considered possible. As such, no amount has been allocated to the risk provision.

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

- Appeal to the Court of Mantua. In this dispute the companies TUA Assicurazioni S.p.A. and UnipolSai, as the insurance companies of XRay One S.r.l. and Giacomo Barbalace, respectively, were called. The interpretative framework emerging from the examination of the Cattolica and UnipolSai policies indicates that both are operative and that, in particular, the UnipolSai policy operates at first risk. In consideration of the results of the ATP, however, the degree of risk can be considered probable. Any liability that may be ascertained for XRay One S.r.l. and/or Dr. Giacomo Barbalace such as to entail the acceptance of claims for damages by the opposing party, would be fully covered by their respective insurance policies, which do not provide for excesses.
- Appeal to the Court of Ferrara. As part of this dispute, the companies Cattolica Assicurazioni - the insurer of XRay One S.r.l. on the date on which the diagnostic activity in question was carried out (May 14, 2012) - and UnipolSai - the insurer of XRay One S.r.l. on the date (December 2016) when the claim report was first received - were called, as well as the doctor who physically performed the service in question.

Both Cattolica and UnipolSai, as well as the doctor, deny any liability in terms of compensation. With regard to the coverage stipulated by XRay One S.r.l. and the dispute between Cattolica and UnipolSai, it is, however, possible to establish that, if at least one of the two covers were operative, this would be in the form of second-risk coverage. Indeed, the analysis carried out makes it possible that in the relationship between the policies of XRay One S.r.l. and that stipulated by the doctor (Reale Mutua), it is the latter who operates at first risk, with a retroactive period of 10 years. However, the operational effect of the doctor's policy also depends on the management of the relationship (e.g. timeliness of the claim) between the latter and Reale Mutua, of which XRay One S.r.l. is not aware. For the above reasons, the risk can be considered probable, even though judgement on the arguments has not yet been filed. The damage - although not quantified during the investigation due to a lack of sufficient evidence - could reasonably be quantified in an amount not exceeding approximately Euro 300 thousand. XRay One S.r.l. would, however, not be held accountable for any claim for damages by the counterparty due to the insurance policies of the company and of the doctor, and Article 6 - specifically, Article 6.1 lett. o) and Article 6.3 and thereafter - of the sale and purchase agreement of the shares of XRay One S.r.l. by which ownership was transferred to GHC Project 5.

Administrative and other disputes

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

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

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

- the without-recourse factoring agreement for the receivables claimed by Villa Von Siebenthal S.r.l. from the Italian national and regional health system. SIFIN S.r.l. sued Villa Von Siebenthal S.r.l. before the Civil Court of Rome in connection with the above agreement, seeking payment of Euro 220 thousand. By entry of appearance and reply of June 20, 2009, Villa Von Siebenthal S.r.l. entered an appearance in the proceedings, petitioning the court to reject the claims made by SIFIN S.r.l. and lodging a counter-claim for a declaratory judgement finding the agreement void and ordering a refund of the sum to the factor by way of interest and fees, while also contesting the manner in which SIFIN S.r.l. forbore the interest accrued from the Lazio Region. By interim judgement No. 6850/2014, filed on March 25, 2014, the judge re-opened the proceedings "in order to determine the exact amount of the parties reciprocal claims by ordering court-appointed expert testimony." In the expert witness report filed, the court-appointed expert concluded that the difference between the sums owed by Villa Von Siebenthal S.r.l. to SIFIN S.r.l. and those owed by SIFIN S.r.l. to Villa Von Siebenthal S.r.l. result in:
 - a balance payable by Villa Von Siebenthal of Euro 40 thousand (if the sums due to Sifin by Villa Von Siebenthal by way of interest are calculated at the legal rate);
 - a balance receivable by Villa Von Siebenthal of Euro 675 thousand (if the sums due by Sifin to Villa Von Siebenthal by way of interest are calculated at the legal rate).

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

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

- appeal against interim judgement No. 6850/2014. The case was enrolled as no. 3098/2015, General Registry. By entry of appearance and reply of September 24, 2015, Villa Von Siebenthal S.r.l entered an appearance in the proceeding, petitioning the court to reject the claims made by SIFIN and also lodging a counter-appeal. On January 25, 2019 the parties specified their respective conclusions and the case was retained for decision, with time limits pursuant to Article 190 of the Civil Procedure Code for the filing of closing statements and replies. By order of August 27, 2019, the Court of Appeal set a new hearing for the definition of conclusions due to the replacement of a member of the Board, adjourning the case for the same tasks to the hearing of February 26, 2020, subsequently adjourned to the hearing of October 28, 2020;
- appeal against definitive judgement No. 2670/2017. The case was enrolled as no. 3212/2017, General Registry. By entry of appearance and reply of July 25, 2017, Villa Von Siebenthal S.r.l entered an appearance in the proceeding, petitioning the court to reject the claims made by SIFIN S.r.l and also lodging a counter-appeal. On January 25, 2019 the parties specified their respective conclusions and the case was retained for decision, with time limits pursuant to Article 190 of the Civil Procedure Code for the filing of closing statements and replies. By order of August 27, 2019, the Court of Appeal set a new hearing for the definition of conclusions due to the replacement of a member of the Board, adjourning the case for the same tasks to the hearing of February 26, 2020, subsequently adjourned to the hearing of October 28, 2020;
- pending the appeal process, petition for a writ of interlocutory precautionary attachment pursuant to Articles 669-*quater* and 671 of the Italian Civil Procedure Code, seeking attachment of all sums on deposit in current accounts held by Villa Von Siebenthal S.r.l, the accounts receivable claimed by the latter and all other items of moveable and/or immovable property, up to the amount of Euro 161 thousand. By Order dated February 12, 2018, the Court of Appeal of Rome rejected the appeal brought by SIFIN S.r.l. The risk, following the opinion of its lawyers, is quantified as "possible" and no liability has been recorded in the Financial Statements for these proceedings.
- On December 20, 2020, the Court of Appeal of Rome issued a sentence declaring null and void the sentence of the Court of Rome's first instance, which was not final (there had been two sentences in the first instance: the first, which was not final, postponed the quantification of payables/receivables between the parties to a second one). The substantial effect of the decision of the Court of Appeal of Rome is that each of the parties involved must begin an autonomous judgement in order to assess their respective cases: Sifin is seeking repayment of the sum of Euro 137 thousand (having definitively renounced, according to the Court of Appeal, the original claim of Euro 157 thousand), Villa Von Siebenthal S.r.l. is seeking Euro 700 thousand, as compensation for damages after Sifin, despite not being entitled to it, waived all the interests due for late payment related to Asl RM6.
- In any case, it should be pointed out that regardless of the outcome of any litigation initiated by the parties involved, there will no positive or negative effect on the Villa Von Siebenthal S.r.l. financial statements since, due to specific contractual provisions incorporated into the deed of purchase of the company shares by the Garofalo Group, any effect deriving from the aforementioned litigation will be the exclusive responsibility of the party transferring the Villa Von Siebenthal S.r.l. shares.
- A social-security dispute; the company received a request from the INPS regional directorate for Lazio for documents in connection with inspection assessments of the relationship between the supplier Futura soc. coop. and Villa Von Siebenthal S.r.l., and specifically the service agreement between the two companies. Following the inspection, on April 4, 2017 Villa Von Siebenthal S.r.l. received consolidated assessment and notification report no. 2016003251/S1 in which it is claimed that Villa Von Siebenthal S.r.l., by virtue of the service agreement with Futura soc. coop., is jointly and severally liable with this latter company for payments of mandatory social-security contributions for the period from April 2013 to November 2015, amounting to Euro 100 thousand. In the opinion of the company's legal counsel, the risk may be deemed "possible" and hence no liability has been recognized in respect of this proceeding.

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

- With regard to the lawsuit brought by three employees for alleged de-skilling, the Court of Verbania with judgements No. 396/2020 published on September 16, 2020 RG No. 1452/2019 and No. 92/2020 published on September 14, 2020 RG No. 113/2020 respectively, rejected the appeal, ascertaining the absence of the de-skilling alleged by the two plaintiffs with respect to the professional qualification of professional nurse and, as a result, rejected the claims for damages made against the defendant, sentencing the plaintiffs to pay the legal expenses in favour of the defendant, settled in total at Euro 3,300, each, plus VAT and CPA as well as 15% for general expenses. The appellants have appealed the judgment; a hearing date is pending. On June 22, 2021, the third plaintiff was summoned to appear in court, and the dispute was settled with 10 days' suspension of the employee, dismissal due to illness and the award of Euro 20,000, plus legal costs to the employee. L'Eremo paid the amount granted on June 28, 2021, and the proceeding is therefore to be considered concluded.

The company Casa di Cura Villa Berica S.r.l. has the following preceding in progress:

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

As regards Centro di Riabilitazione S.r.l., it should be noted that an investigation which began on May 18, 2020 (the date of the search and seizure order pursuant to Articles 247 and 253 of the Italian Criminal Procedure Code) is underway, in which the health management of the facility's RSA wards is under investigation for the crime of culpable epidemic (as part of an investigation involving a total of six RSA facilities operating in Liguria). The Prosecutor's Office bases this putative crime on a numerical comparison between the raw mortality rate of previous years and that of 2020. The Rehabilitation Center was searched and seized by the judicial police on behalf of the Public Prosecutor's Office on May 21, 2020, during which the mobile devices of the General Manager and the Operations Manager were also seized. The Public Prosecutor's Office has also recently appointed two hygienist physicians from San Martino as consultants to analyse medical records in order to determine whether any of the deaths that occurred between February 20, 2020 and April 20, 2020 were due to undiagnosed COVID-19 symptoms. This is despite the fact that, as we recall, social-health facilities in Liguria were given access to the results of molecular testing on clinical respiratory samples from the month of April only, following the conclusion of the serum-prevalence survey conducted on the entire population housed at those facilities. In December 2020, notice was received that the preliminary investigation, which was scheduled to conclude on December 19, 2020, had been extended for an additional 6 months. In May 2021, further notice was received that the preliminary investigation, which was scheduled to conclude on June 19, 2021, had been extended for an additional 6 months, i.e. until January 19, 2022 (6 months, in addition to 1 month's holiday suspension). To date, no other extension requests have been served. The report by the technical experts appointed by the Public Prosecutors has not yet been filed.

Disputes with local health authorities

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

Authority which have now become irrecoverable. An appeal was lodged with the Council of State against the Regional Administrative Court's sentence. The Council of State, with judgement No. 2478/2021, rejected the appeal, confirming the ruling of the Regional Administrative Court of Tuscany.

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 2,262 thousand was thus recognised at December 31, 2021. In view of the age and quantity of the receivables, the company L'Eremo di Miazzina s.r.l., having heard the opinion of its legal advisors and subject to the successful outcome of any settlement agreements that may be reached between the parties, intends to take legal action for receivables arising from the years 2014 and 2015. Assessments of receivables arising from subsequent years will depend on the outcome of this litigation.
- On June 5, 2018 inspectors from the Local Labour Directorate of Novara – Verbano-Cusio-Ossola issued report no. 000-2018-525-02 disputing the position of several self-employed nurses. Position statements refuting this report were prepared and filed on November 6, 2018, together with documents and motions for personal hearings and the relevant motion for dismissal. The Labour Inspectorate has yet to reply. According to the company's legal counsel, the risk of an unfavourable outcome in this case is "possible". Consequently, no provision has been recognised.
- On October 28, 2019 (following transmission to the competent offices of the report No. 000-2018-525-02, referred to above) INAIL - National Institute for Insurance against Accidents at Work, Verbano Cusio Ossola office - transmitted to L'Eremo di Miazzina S.r.l. a "certificate of variation" which adjusted the premium (after recalculation of total salaries for the period January 1, 2014 - December 31, 2017) for a total of Euro 16 thousand. An appeal has been filed with the Court of Verbania and the first hearing has been set for 09/09/2020. Following the above-mentioned hearing and with a sentence dated September 10, the judge decided to reject the appeal presented and ordered the company to pay the amounts due (Euro 16 thousand). The Company deemed it necessary to file an appeal, filed on December 21, 2020, with the Turin Court of Appeals. On May 12, 2021 the Turin Court of Appeal upheld the appeal of L'Eremo di Miazzina S.r.l. without any charge.
- On October 1, 2021, the company was notified by certified e-mail from the INPS of a request to regularise the contribution portion, linked to the previous INAIL dispute, amounting to Euro 365,000. Eremo di Miazzina immediately filed an administrative appeal, which was rejected on January 7, 2022; further defensive legal action is pending. After consultation with legal advisors and in view of the outcome of the same lawsuit with INAIL, it was not deemed necessary to make any provisions for risks and charges.

Note 44 Related party transactions

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

Pursuant to Consob Motion No. 17221 of March 12, 2010, it is reported that in 2021 and 2020 the Group did not conclude any significant transactions or transactions with related parties that had a significant effect on the Group's financial position or operating result for the year.

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

The following table provides the total amount of significant transactions by nature or amount with related parties as of December 31, 2021, occurring at normal market conditions:

Dec 31, 21	Receivables		Payables		Costs		Revenues	
	Fin/Tax	Trade/Other	Fin/Tax	Trade/Other	Fin.	Com.	Fin.	Com.
<i>(Euro thousands)</i>								
LARAMA 98 SPA	-	-	(1,645)	-	47	-	-	-
Aurelia Hospital	-	-	-	(18)	-	2	-	-
Lorena Paolucci	-	-	-	(27)	-	194	-	-
Patrizia Crudetti						35		
LEDCON srl	-	-	-	-	-	943	-	-
A.M. Rinaldi	-	-	-	-	-	81	-	-
Maria Laura Garofalo						81		
Total	-	-	(1,645)	(45)	47	1,336	-	-

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

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

Note 45 Significant events after December 31, 2021

There were no significant events subsequent to year-end.

Note 46 Remuneration of the Board of Directors and the Board of Statutory Auditors

The remuneration paid to members of the Board of Directors of Garofalo Health Care S.p.A. and the companies under its direct or indirect control, in all capacities and forms, during the years ended December 31, 2021 and December 31, 2020 amounted to Euro 4,573 thousand and Euro 3,730 thousand, respectively.

The remuneration accrued to the Board of Statutory Auditors of Garofalo Health Care S.p.A and the companies under its direct or indirect control for the years ended December 31, 2021 and December 31, 2020 amounted to Euro 414 thousand and Euro 400 thousand, respectively.

Note 47 Independent auditors' fees

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

Type of service	Service provider	Company	Fees without pro rata VAT
Audit	Auditor of the Parent	Parent Company	100
Tax return certification services	Auditor of the Parent	Parent Company	3
Other services	Auditor of the Parent	Parent Company	62
Sub-total			165
Audit	Auditor of the Parent	Subsidiaries	316
Tax return certification services	Auditor of the Parent	Subsidiaries	-
Other services	Auditor of the Parent	Subsidiaries	14
Sub-total			330
TOTAL			494

Note 48 Number of employees

The following table provides a concise comparison of the number of employees by category in 2021 and 2020.

Employees by category	Number of employees at December 31, 2021	Number of employees at December 31, 2020
Executives	16	14
White-collar	592	414
Doctors	41	23
Technicians	150	157
Nurses/auxiliaries	973	723
Blue-collar	89	101
Total	1,862	1,432

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

Note 50 Information on share-based remuneration plans

2019-2021 Stock Grant Plan

On September 26, 2018 the Board of Directors approved a remuneration plan based on shares of the Company, i.e. a stock-grant plan designated “GHC Group – 2019 - 2021 Stock-Grant Plan” (“the Plan”), reserved for directors and managers of the Company or Group companies occupying managerial positions deemed significant within the Group and exerting a material impact on the creation of value for the Company and its shareholders. The Plan calls for the free assignment to the beneficiaries of the Plan of rights to receive a maximum of 2,775,000 shares free of charge in the years 2019 (1st Plan Cycle), 2020 (2nd Plan Cycle) and 2021 (3rd Plan Cycle).

Each cycle envisages:

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

The Plan is based on three cycles:

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

The assignment of rights takes place after the approval of the consolidated financial statements for the previous year, the one referring to the performance period.

The assignment of rights is made through a letter containing information on the number of rights assigned and details of the performance objectives and conditions for the allocation of shares.

The assignment of shares is subject to the achievement of the performance objectives and the number of shares will be established by the Board of Directors on the basis of the level of achievement of performance objectives, verified after the approval of the Shareholders' Meeting of the 2019 Annual Financial Statements for the 1st Cycle, the 2020 Annual Financial Statements for the 2nd Cycle and the 2021 Annual Financial Statements for the 3rd Cycle.

For the third vesting cycle (2021), the performance goal is as follows: Reported Operating EBITDA of the Company of which the relevant Beneficiary is a director, self-employed or employee, with a deviation of up to 2%.

We report in the table below the rights which may be granted for each cycle:

	number of assigned rights	Fair value at assignment date
rights allocatable 18/12/2019	229,847	1,287,143
rights allocatable 02/12/2020	93,754	480,018
rights allocatable 12/12/2021	25,942	147,351

2021-2023 Performance Share Plan

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

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

The purposes of the Performance Share Plan are:

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

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

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

	number of assigned rights	number of rights allocatable	Fair value rights allocatable at the assignment date
assignment of rights 12/12/2021	169,893	155,027	880,555

Note 51 Positions or transactions arising from exceptional and/or unusual transactions

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



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 Legal representative