



2020 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 of March 16, 2021 approved the calling of the Shareholders' Meeting of Garofalo Health Care S.p.A. in ordinary session for April 30, 2021, in single call, to discuss and vote upon the following

Agenda

1. **Financial Statements of Garofalo Health Care S.p.A. at December 31, 2020. 2020 Directors' Report. Report of the Board of Statutory Auditors and of the Independent Audit Firm. Presentation of the Consolidated Financial Statements at December 31, 2020 and of the 2020 Consolidated Non-Financial Statement pursuant to Legislative Decree No. 254 of December 30, 2016. 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 58/1998 (CFA) and Article 84-quater of Consob Regulation No. 11971/1999 (Issuers' Regulation):**
 - 3.1 **binding vote on the remuneration policy for 2021 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 2020. Resolutions thereon.**
4. **Long-term incentive plan "2021-2023 Performance Share Plan". Resolutions thereon.**
5. **Authorisation to purchase and dispose of treasury shares (buy back) pursuant to and for the purposes of Articles 2357 *et seq.* of the Civil Code, 132 of the CFA, 73 and 144-*bis* of the Issuers' Regulations, 5 of EU Regulation no. 596/2014 (MAR), 3 and 4 of Delegated Regulation (EU) no. 2016/1052. Resolutions thereon.**
6. **Appointment of the Board of Directors:**
 - 6.1. **Number of Board members.**
 - 6.2. **Duration of office of the appointed Board of Directors.**
 - 6.3. **Appointment of the Board of Directors.**
 - 6.4. **Appointment of the Chairman of the Board of Directors.**
 - 6.5. **Establishment of the remuneration of the members of the Board of Directors.****Resolutions thereon.**
7. **Appointment of the Board of Statutory Auditors:**
 - 7.1 **Appointment of the Statutory Auditors and Alternate Auditors.**
 - 7.2 **Appointment of the Chairperson of the Board of Statutory Auditors.**
 - 7.3 **Establishment of the relative remuneration.****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 amended by Decree Law No. 183 of December 31, 2020, converted with amendments by Law No. 21 of February 26, 2021, the "Italian Healthcare Decree"), 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 TO THE SHAREHOLDERS

Dear Shareholders,

The year just ended will remain indelibly marked by the COVID-19 health emergency, which inevitably subjected Italy to situations of sudden, dramatic urgency. As a result, my thoughts first go out to all our employees and contractors – now more than 3,000 – who showed a strong sense of civic duty, selflessness and sacrifice, bringing their full energy to bear every day on one of the most important, complex situations in our history. So, to all of them I say, ‘thank you’: it is precisely this team spirit that has allowed GHC, since the pandemic began, to act as point of reference and provide support to citizens and communities, as part of public-private collaboration that cannot and must not remain an isolated experience, but must increasingly become the natural form of collaboration between all operators within Italy’s National Health System – recognised as one of the best in the world for the quality of care provided.

This last year, which has once again demonstrated the truth of the guiding principle that "Health Is Your Most Valuable Asset" – inherited from my father Professor Raffaele Garofalo – has also demonstrated the Group's exceptional ability to react quickly and effectively to situations of complexity, as confirmed by the dramatic improvement in performance compared to 2019 during the months of the year not impacted by the mandatory suspension of all activities (except for urgent and non-deferrable procedures).

Determination, persistence and courage are qualities that, despite the general environment of uncertainty, the Group continued to demonstrate in 2020 through specific strategic decisions such as (i) undertaking an additional M&A transaction (the acquisition of XRay One in July) on the same basis as that presented to investors in 2018, (ii) the formulation of a robust plan of investments, mostly in technology, to be carried out in 2020 and 2021 and intended to provide the Group with cutting-edge machinery and equipment in Italy capable of combining excellent performance with increased contributions in terms of production and margins, and (iii) the opening of a new facility, Villa Fernanda in Genoa, marking the completion of a development project already announced during the IPO process, bearing witness to the Group’s ability to continue to grow organically.

In addition, in 2020 GHC also increasingly committed to environmental, social and governance ("ESG") sustainability issues, leading to the Group being recognised as deserving of an investment grade EE- rating by Standard Ethics, an independent agency that issues sustainability ratings. This further reinforcement also marks a new beginning of an increasingly integrated, truly sustainable approach to the business, focused on the value of individuals, patients and all stakeholders.

I would also be remiss not to mention the important extraordinary transactions finalised in early 2021, which led the Group to increase its free-float due to investments by new Italian and overseas investors of high standing, alongside another significant M&A transaction, the acquisition of the S. Francesco Clinic in Verona, a facility of international importance as a European hub for robotic orthopaedic surgery.

Looking ahead, the GHC Group is now ideally positioned to take advantage of all the best growth opportunities, while continuing to operate in a particularly fragmented market that is inevitably tending to consolidate and is based on long-term trends that are now unavoidable, since we are all aware that we could do without many things in our lives, but never without healthcare, which leads us to an even better understanding of GHC's central role in our country, now and in the future.

For all these reasons, I feel I can say that the upcoming move to the STAR segment of the Italian Stock Exchange, as of March 25, 2021, will be a beginning and not an end, but only a new and exciting beginning.

The Chief Executive Officer
Ms. Maria Laura Garofalo

CORPORATE BOARDS

BOARD OF DIRECTORS

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

CONTROL, RISKS AND SUSTAINABILITY COMMITTEE

FRANCA BRUSCO	Chairperson
GRAZIA BONANTE	
FEDERICO FERRO LUZZI	

APPOINTMENTS AND REMUNERATION COMMITTEE

FEDERICO FERRO LUZZI	Chairman
FRANCA BRUSCO	
GRAZIA BONANTE	

BOARD OF STATUTORY AUDITORS

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

INDEPENDENT AUDIT FIRM

EY S.p.A.

EXECUTIVE OFFICER FOR FINANCIAL REPORTING

FABIO TOMASSINI

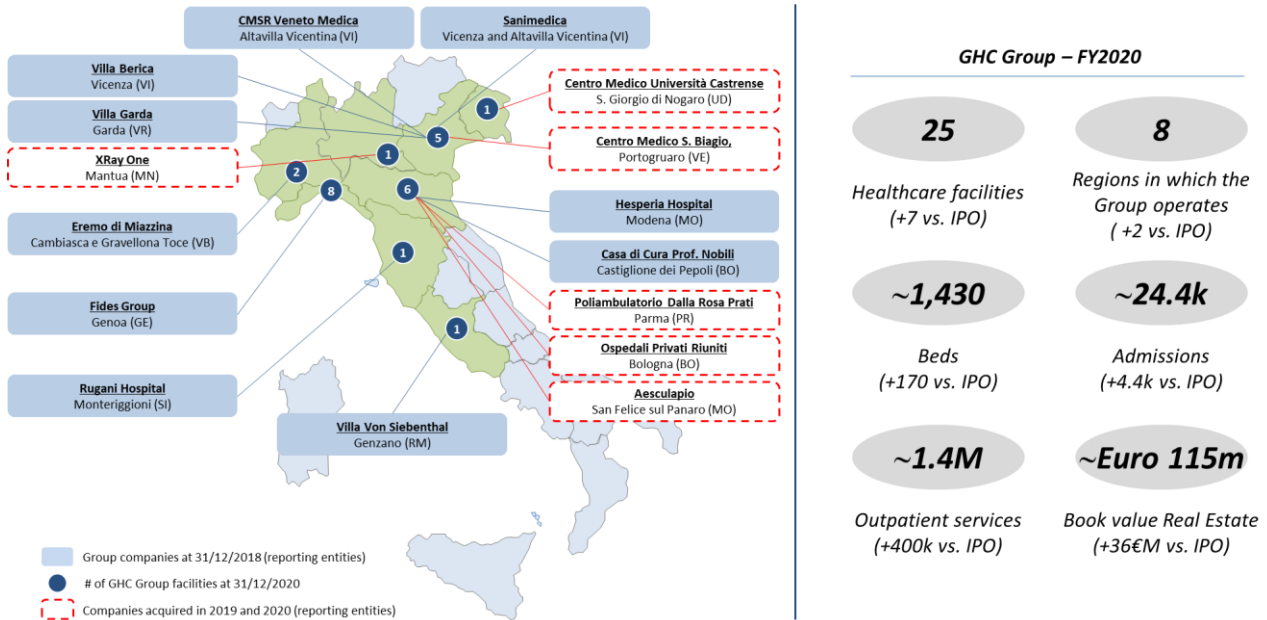
(**) Appointed as per Article 2386 of the Civil Code by the Shareholders' Meeting on 29.04.2020

(***) Following the resignation presented on 30.09.2020 by Ms. Giancarla Branda, with effect from 01.10.2020 and due to the accumulation of offices held, Mr. Andrea Bonelli took over the position of Statutory Auditor from 01.10.2020.

1. GROUP STRUCTURE

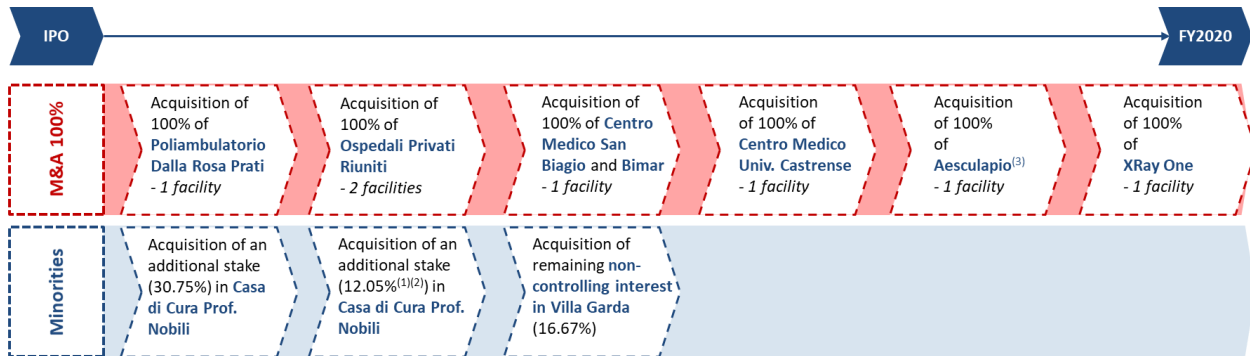
Group profile

The GHC Group is an Italian accredited private healthcare leader operating, at December 31, 2020, through 25 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.



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

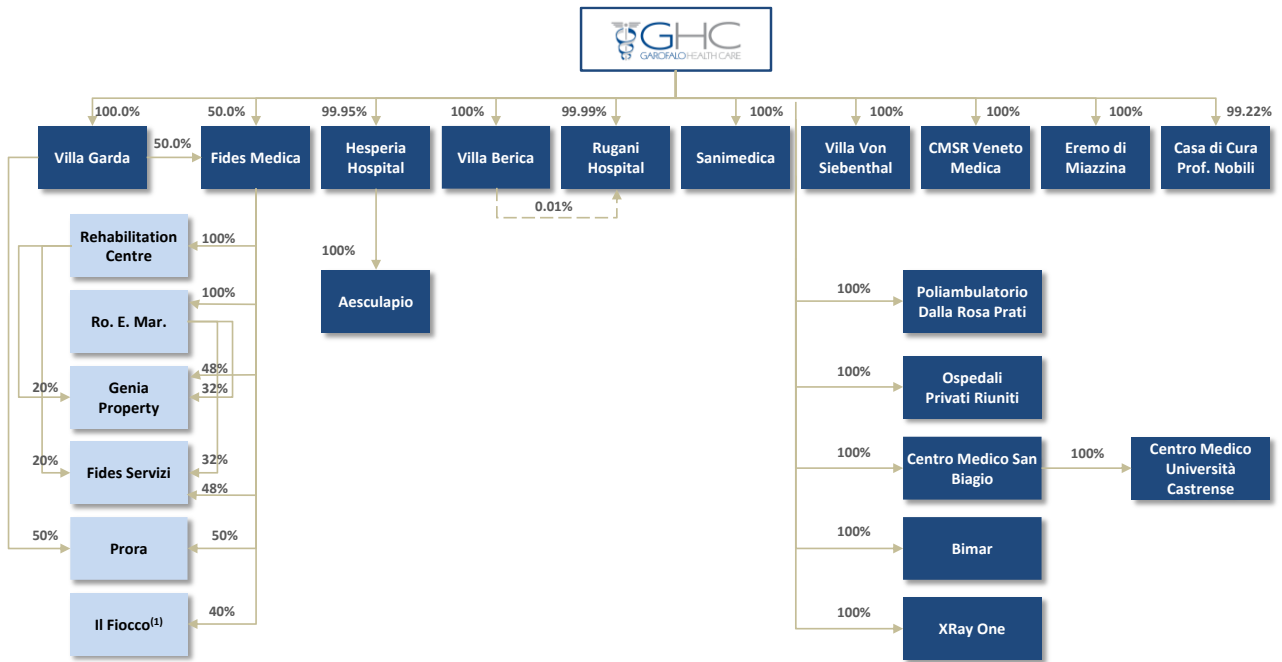
Between the IPO and December 31, 2020, the Group executed its acquisition-led growth strategy, with the acquisition of seven new clinics, as well as acquisitions of further minority holdings of existing subsidiaries (Casa di Cura Prof. Nobili and Villa Garda, now 100% owned), as set out below.



(1) For a total of 95.35% of the share capital and 98.8% of voting rights, considering the treasury shares held by Casa di Cura Prof. Nobili
 (2) On 15.01.2020, GHC further increased its holding to 99.22% of voting rights
 (3) Acquisition made by the subsidiary Hesperia Hospital

Group Structure

The chart below shows the GHC Group's structure at December 31, 2020, 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

Significant shareholders

The table below reports the GHC Group's ownership structure at December 31, 2020, including significant equity interests⁽¹⁾.

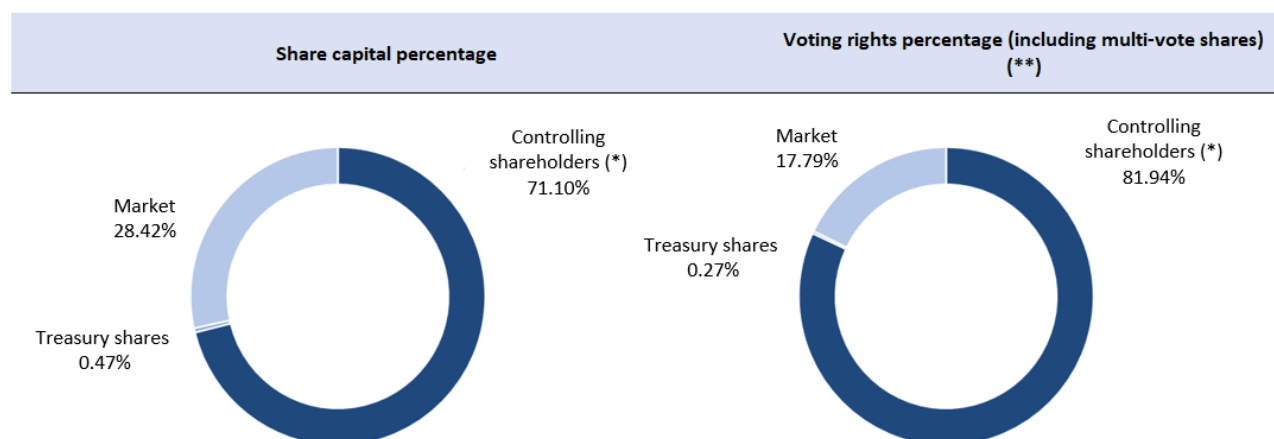
Garofalo Health Care S.p.A shareholders	No. shares	% share capital	Voting rights (incl. multi-vote rights)	% voting rights
Controlling shareholders (*)	58,304,600	71.10%	116,319,200	81.94%
Treasury shares	389,136	0.47%	389,136	0.27%
Market	23,306,264	28.42%	25,251,664	17.79%
TOTAL:	82,000,000		141,960,000	

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

Garofalo Health Care S.p.A shareholders with stakes greater than 5%	No. shares	% share capital	Voting rights (incl. multi-vote rights)	% voting rights
Larama 98 S.p.A. (**)	45,516,000	55.51%	90,992,000	64.10%
Maria Laura Garofalo	10,908,000	13.30%	21,566,000	15.19%
PII 4 S.à.r.l. (***)	8,173,653	9.97%	8,173,653	5.76%

(**) linked to Maria Laura Garofalo

(***) vehicle company for 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 of the share on the *Mercato Telematico Azionario* (Italian Stock Exchange) organised and managed by Borsa Italiana S.p.A, 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.

2. OVERVIEW FOR GHC GROUP SHAREHOLDERS

GHC share performance in 2020

Garofalo Health Care S.p.A. been listed on the MTA market organized and managed by Borsa Italiana S.p.A. since November 9, 2018. For all of 2020, GHC shares were included on the FTSE Mid-Cap index, covering the 60 most liquid and capitalised shares listed on Borsa Italiana's MTA and MIV markets that are not included in the FTSE MIB index.

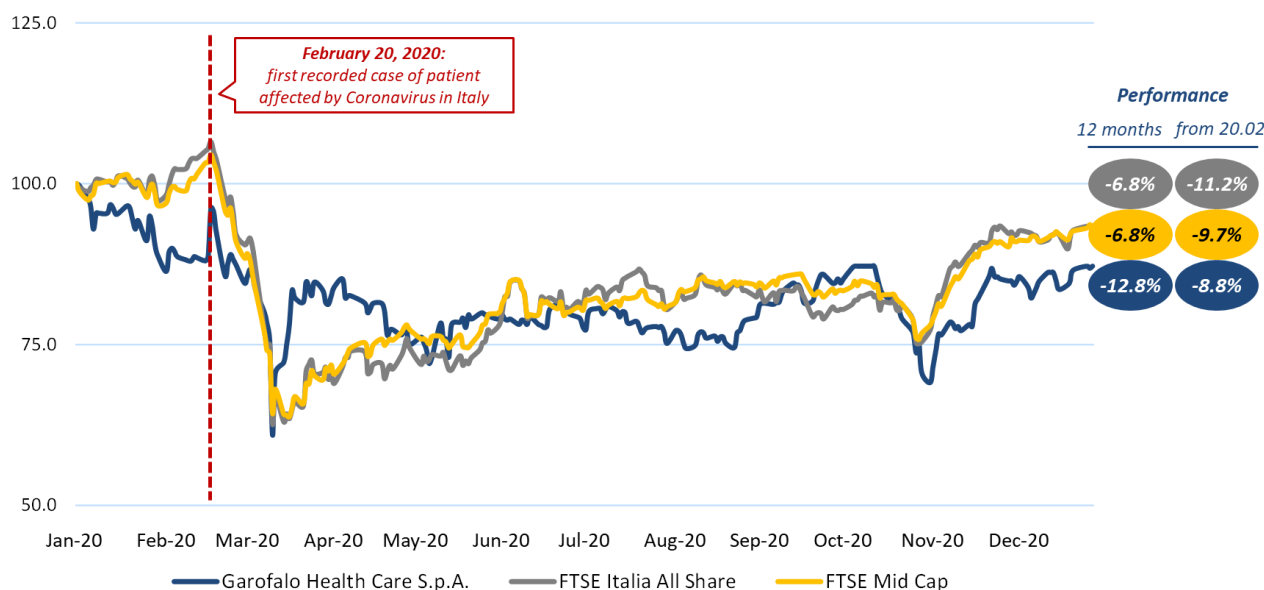
¹⁾ The Company undertook a reserved share capital increase through accelerated book building in January 2021, as described below.

The GHC share price fell 12.8% in absolute terms during 2020, reflecting the general climate of uncertainty on domestic and international financial markets following the spread of the SARS-CoV-2 virus (hereinafter also “COVID-19”) and the resulting health crisis, as well as local and domestic measures leading to the mandatory suspension of all activities from March (with the exception of urgent and non-deferrable interventions) and a gradual resumption from May onwards. 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 58.7% (as at December 30, 2020), remaining at all times above its placement price.

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

Key stock exchange indicators for 2020 (Euro)	
IPO offer price on November 9, 2018	3.34
Closing price on December 30, 2020 (last trading day of the year)	5.30
Closing price on January 2, 2020	6.08
Number of GHC ordinary shares ⁽²⁾	82,000,000
Treasury shares held on December 30, 2020	389,136
Ordinary shares in circulation on December 30, 2020	81,610,864
Treasury shares held on January 2, 2020	293,706
Ordinary shares in circulation on January 2, 2020	81,706,294
Market capitalisation on December 30, 2020 ⁽³⁾	432,537,579
Market capitalisation on January 2, 2020 ⁽²⁾	496,774,268

Performance of GHC stock for the 12 months of 2020 and from February 20, 2020⁽⁴⁾



Coverage of GHC stock by financial analysts

At December 31, 2020, the GHC share was covered by 2 financial brokers (Equita SIM and Mediobanca), who actively followed the GHC Group during the year with dedicated studies and analyses, consistently offering Buy or Outperform recommendations.

⁽²⁾At the date of this Report, the number of GHC ordinary shares following the reserved share capital increase executed in 2021 is 90,200,000.

⁽³⁾Calculated net of treasury shares held by the Company on the same date

⁽⁴⁾Company workings using Factset data. Rebased to 100 at January 2, 2020

3. GHC GROUP KEY FINANCIAL HIGHLIGHTS

The 2020 results presented below have inevitably been affected by the health crisis relating to the spread, beginning in Italy in February 2020, of the COVID-19 virus and by the resulting local and national measures which led to the mandatory suspension of all activities (with the exception of urgent and non-deferrable interventions) in March and April, before a gradual resumption of operations from May onwards.

It should also be noted that results in the period were affected by work carried out in support of the public system, some of which continued for the whole year, and which compromised the full use of clinical capacity by a number of Group clinics.

The tables presented below provide an overview of the GHC Group's performance on the basis of various selected operating, equity and financial performance indicators for 2020, with a comparison to 2019.

It should be noted that data for 2020, as compared to data for 2019, includes five months of contributions from XRay One, a clinic acquired in July 2020.

GHC Group 2020 consolidated income statement highlights

Consolidated data	FY2020 Actual		FY2019 Actual		FY2020A vs. FY2019A	
	Euro '000	%	Euro '000	%	Euro '000	%
Revenues	210,846	100.0%	196,538	100.0%	14,308	7.3%
Total operating costs (excl. non-core costs)	(176,810)	-83.9%	(158,298)	-80.5%	(18,512)	11.7%
Op. EBITDA Adjusted	34,036	16.1%	38,240	19.5%	(4,204)	-11.0%
Non-core costs (Adjustments)	(3,469)	-1.6%	(3,464)	-1.8%	(4)	-
Operating EBITDA	30,567	14.5%	34,776	17.7%	(4,208)	-12.1%
Depreciation and amortisation	(11,807)	-5.6%	(11,579)	-5.9%	(228)	2.0%
Impairments and other provisions	(3,270)	-1.6%	(2,695)	-1.4%	(575)	21.4%
EBIT	15,490	7.3%	20,502	10.4%	(5,012)	-24.4%
EBIT Adjusted	18,958	9.0%	23,966	12.2%	(5,008)	-20.9%
Net financial charges	(2,467)	-1.2%	(1,842)	-0.9%	(625)	34%
Result before taxes	13,023	6.2%	18,660	9.5%	(5,637)	-30.2%
Profit before taxes Adjusted	16,491	7.8%	22,124	11.3%	(5,633)	-25.5%
Income taxes	(1,238)	-0.6%	(5,507)	-2.8%	4,269	-77.5%
Net Profit	11,784	5.6%	13,153	6.7%	(1,369)	-10.4%
Group net result	11,781	5.6%	13,142	6.7%	(1,361)	-10.4%
Minority interests	3	0.0%	11	0.0%	(8)	-69.5%

2020 Consolidated Revenues Overview

In 2020, GHC consolidated revenues totalled Euro 210,846 thousand, up 7.3% on Euro 196,538 thousand in 2019, mainly due to the change in scope following M&As executed in 2019 (which fully contributed to the 2020 results) as well as the acquisition of XRay One in July 2020.

This increase in 2020 revenues were affected by the enforced suspension of all activities, except for urgent and non-deferrable interventions, following legislation introduced by local and national authorities from March to tackle the COVID-19 emergency and was mitigated, in the amount of Euro 1,858 thousand, the repayment of "additional COVID costs" ⁽⁵⁾ incurred in the year by the Group, as well as Euro 1.729 million relating to the estimate of the Regional Health System's contribution to be set within the renewal of the national collective bargaining agreements for non-medical employees of accredited private health facilities.

Consolidated revenues in Euro thousands	FY2020 Actual	FY2019 Actual	FY2020 vs. FY2019 Euro '000	FY2020 vs. FY2019 %
Total	210,846	196,538	14,308	+7.3%
<i>of which repayments of "additional COVID costs"</i>	1,858	-	1,858	n.m.
<i>of which Regional Health System contribution relating to renewal of national collective bargaining agreements</i>	1,729	-	1,729	n.m.

2020 Consolidated Costs Overview

Consolidated operating costs recorded in 2020, net of non-recurring, non-core business costs totalling Euro 3,469 thousand and relating to "additional COVID costs" and M&A costs incurred for the acquisition of XRay One and costs related to the stock grant plan (collectively "Adjustments"), totalled Euro 176,810 thousand, up Euro 18,512 thousand from Euro 158,298 thousand in 2019. This change reflects the reduction in the costs of the organic scope as a result of the slowdown in production in the March-June period following restrictions put in place in order to combat the pandemic, mitigated by the full contribution in 2019 of the acquisitions in 2020 and by the consolidation of XRay One beginning in July 2020.

Non-core costs in 2019 for Euro 3,464 thousand relate to M&A costs incurred for acquisitions made in the previous year (for Euro 2,104 thousand) and costs connected to the Stock Grant Plan (for Euro 1,361 thousand).

Finally, it should be noted that 2020 operating costs, in comparison with the previous year, include increased costs of Euro 2,402 thousand incurred for the renewal of the national collective bargaining agreements for non-medical employees of private accredited health facilities.

Consolidated operating costs in Euro thousands	FY2020 Actual	FY2019 Actual	FY2020 vs. FY2019 Euro '000	FY2020 vs. FY2019 %
Raw materials and consumables	28,528	26,012	2,517	9.7%
Services	88,229	79,436	8,793	11.1%
Personnel	52,797	46,960	5,837	12.4%
Other operating costs	10,724	9,354	1,370	14.6%
= Total operating costs (incl. non-core)	180,279	161,763	18,516	11.4%
- M&A costs	(462)	(2,104)	1,642	n.m.
- "additional COVID costs" (net of repayments)	(2,600)	-	(2,600)	n.m.
- Stock Grants	(407)	(1,361)	954	n.m.
- Total non-core costs (Adjustments)	(3,469)	(3,464)	(4)	-
= Total core operating costs	176,810	158,298	18,512	+11.7%
<i>of which increased costs for renewal of national collective bargaining agreements</i>	2,402	-	2,402	n.m.

⁽⁵⁾ 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. These "additional COVID costs", net of partial repayments for Euro 1,858 thousand in 2020, totalled approx. Euro 2,600 thousand in 2020.

2020 Operating EBITDA and Consolidated Operating EBITDA Adjusted

In terms of margins, Consolidated Operating EBITDA Adjusted⁽⁶⁾ was Euro 34,036 thousand, down 11.0% on Euro 38,240 thousand the previous year. This was mainly due to the enforced suspension of activities from March, which did not permit the full absorption of overheads.

EBITDA Adjusted for 2020, in comparison with the previous year, reflects the impact of Euro 674 thousand related to the renewal of national collective bargaining agreements for non-medical employees of private accredited healthcare facilities, as outlined above⁽⁷⁾. Overall, the Group's 2020 Operating EBITDA Adjusted margin was 16.1%, compared to 19.5% in the previous year.

Consolidated Op. EBITDA and Op. EBITDA Adj. in Euro thousands	FY2020 Actual	FY2019 Actual	FY2020 vs. FY2019 Euro '000	FY2020 vs. FY2019 %
Op. EBITDA Adjusted	34,036	38,240	(4,204)	-11.0%
- Non-core costs (Adjustments)	(3,469)	(3,464)	(4)	-
Op. EBITDA Reported	30,567	34,776	(4,208)	-12.1%
of which increased costs for renewal of national collective bargaining agreements (net of Regional Health System contribution)	674	-	674	n.m.
Op. EBITDA Adjusted Margin (%)	16.1%	19.5%	-	-
Op. EBITDA Reported Margin (%)	14.5%	17.7%	-	-

2020 Consolidated EBIT and EBIT Adjusted Overview

EBIT Adjusted in 2020 was Euro 18,958 thousand, down Euro 5,008 thousand (20.9%) on Euro 23,966 thousand in 2019. This result reflects amortisation, depreciation and write-downs for Euro 11,807 thousand in the year, up Euro 228 thousand on 2019, mainly due to the change in scope during the period, as well as impairments and other provisions for Euro 3,270 thousand, up Euro 575 thousand on 2019.

Consolidated EBIT and EBIT Adj. in Euro thousands	FY2020 Actual	FY2019 Actual	FY2020 vs. FY2019 Euro '000	FY2020 vs. FY2019 %
Op. EBITDA Adjusted	34,036	38,240	(4,204)	-11.0%
- Amortisation of intangible assets	(425)	(466)	41	-8.9%
- Depreciation of property, plant & equip.	(11,163)	(9,863)	(1,300)	13.2%
- Write-downs	(220)	(1,250)	1,030	-82.4%
Depreciation, amortisation and write-downs	(11,807)	(11,579)	(228)	2.0%
- End of mandate provisions	(65)	(60)	(5)	8.6%
- Healthcare lawsuit provisions	(2,334)	(1,586)	(748)	47.2%
- Local Health Authority risk provisions	(1,823)	(1,901)	78	-4.1%
- Other risks and charges provisions	(40)	(466)	426	-91.4%
+ Release of provisions	991	1,317	(326)	-24.7%
Impairments and other provisions	(3,270)	(2,695)	(575)	21.4%
= EBIT Adjusted	18,958	23,966	(5,008)	-20.9%
- Non-core costs (Adjustments)	(3,469)	(3,464)	(4)	-
= EBIT Reported	15,490	20,502	(5,012)	-24.4%
EBIT Adjusted Margin (%)	9.0%	12.2%	-	-
EBIT Reported Margin (%)	7.3%	10.4%	-	-

⁽⁶⁾ See the specific section of this report for a definition of Operating EBITDA Adjusted

⁽⁷⁾ Data for the increased costs incurred as at December 31, 2020, totalling Euro 2,402 thousand net of the estimated Regional Health System contribution at the same date for Euro 1,729 thousand

2020 Consolidated net profit overview

Net profit was Euro 11,784 thousand, a decrease of Euro 1,369 thousand on Euro 13,153 thousand in 2019.

This figure was affected by net financial charges for Euro 2,467 thousand, up Euro 625 thousand on 2019 (mainly due to M&As carried out by the Company in 2019 which were partly financed by new financial debt) and by taxes totalling Euro 1,238 thousand, a significant decrease from Euro 5,507 thousand in 2019.

Consolidated reported net profit in Euro thousands	FY2020 Actual	FY2019 Actual	FY2020 vs. FY2019 Euro '000	FY2020 vs. FY2019 %
EBIT Adjusted	18,958	23,966	(5,008)	-20.9%
+ Financial income	64	77	(13)	-16.6%
- Financial charges	(2,758)	(2,230)	(529)	23.7%
+ Equity investment profits measured using the equity method	227	311	(84)	-26.9%
Net financial charges	(2,467)	(1,842)	(625)	34.0%
= Profit before taxes Adjusted	16,491	22,124	(5,633)	-25.5%
- Non-core costs (Adjustments)	(3,469)	(3,464)	(4)	-
= Profit before taxes Reported	13,023	18,660	(5,637)	-30.2%
- Income taxes	(1,238)	(5,507)	4,269	-77.5%
= Net profit Reported	11,784	13,153	(1,369)	-10.4%
of which Group net profit	11,781	13,142	(1,361)	-10.4%
of which minority interest net profit	3	11	(8)	n.m.

GHC Group 2020 consolidated balance sheet highlights

A breakdown of the Group's condensed consolidated balance sheet at December 31, 2020 and December 31, 2019 is provided below.

Consolidated data Uses	FY2020 Euro '000	FY2019 Euro '000	Δ vs. FY2019 Euro '000
Goodwill	54,438	53,809	629
Intangible and tangible assets	300,261	279,055	21,206
Financial assets	1,164	1,120	43
Fixed capital	355,862	333,984	21,878
Trade Receivables	61,411	54,396	7,015
Inventories	3,487	2,939	548
Trade payables	(35,857)	(33,358)	(2,499)
Net operating working capital	29,040	23,977	5,064
Other assets and liabilities	(18,245)	(9,993)	(8,252)
II Net working capital	10,795	13,984	(3,189)
Net deferred taxes	(42,647)	(40,797)	(1,850)
Provisions	(23,099)	(20,468)	(2,631)
III Total uses (Net Capital Employed)	300,911	286,703	14,208

Fixed capital at December 31, 2020, amounted to Euro 355,862 thousand, an increase of Euro 21,878 thousand on December 31, 2019, mainly due to the acquisition of XRay One S.r.l. in July 2020.

With particular reference to the item "Intangible and tangible fixed assets", amounting to Euro 300,261 thousand at December 31, 2020, the Company specifies that intangible items with an indefinite useful life are measured at fair value according to a structured process that also envisages the support of an independent third party to carry out the activities required by the regulations (so-called "Impairment test") and formalised through a specific corporate procedure.

Net working capital in the amount of Euro 10,795 thousand at December 31, 2020, decreased Euro 3,189 thousand, mainly as a result of two factors: an increase in net working capital (of Euro 5,064 thousand) due, in particular, an increase in trade receivables as a result of both changes in the consolidation scope and the invoicing of reimbursements of higher COVID costs and reimbursement of the National Collective Labour Contract, which took place mainly towards the end of the year, as well as a slight lengthening of the time required by some local health authorities (ASL) to settle amounts due for the last quarter of the previous year due to the checks carried out by them. This was partially offset by an increase in payables as a result of a number of extensions granted. Conversely, other assets and liabilities decreased (by Euro 3,189 thousand) due to 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 the previous year or that of the budget agreement. These advances in 2020 totalled approx. Euro 7,960 thousand. Net capital employed at December 31, 2020, amounted to Euro 300,911 thousand, an increase of Euro 14,208 thousand on Euro 286,703 thousand at December 31, 2019. The increase was mainly due to the above-mentioned increase in fixed capital.

Consolidated data Source of funds	FY2020 Euro '000	FY2019 Euro '000	Δ vs. FY2019 Euro '000
I Liquidity	(24,851)	(27,763)	2,912
Short-term payables (current accounts and advances)	12,179	14,638	(2,459)
Medium/long term loans (short-term portion)	16,894	12,231	4,663
Medium/long term loans (long-term portion)	68,067	68,988	(921)
Lease liability (short and long-term portions)	22,863	22,076	787
Shareholders loans	2,098	4,336	(2,238)
Liabilities for derivative financial instruments	326	36	290
Other net fin. debt (accruals & deferred inc. and sec. dep.)	116	136	(20)
II Financial debt	122,542	122,440	102
III Net Financial Debt (II-I)	97,691	94,677	3,014
Minority interest shareholders' equity	66	93	(27)
Group shareholders' equity	203,155	191,932	11,223
IV Total Shareholders' Equity	203,221	192,025	11,196
III Total sources of financing	300,911	286,703	14,208

At December 31, 2020, the Net Financial Position (NFP) of GHC was Euro 97,691 thousand, and consisted of cash for Euro 24,851 thousand and financial debt for Euro 122,542 thousand. This indicator increased by Euro 3,014 thousand on December 31, 2019. The NFP 2020 reflects: (i) advances disbursed by the main regions in which the Group operates⁽⁸⁾ for approx. Euro 7,960 thousand; (ii) the effects of the acquisition of XRay One in July 2020⁽⁹⁾; and (iii) capital expenditure of approx. Euro 12 million within the scope of a major technology-development plan announced in September 2020.

Shareholders' Equity amounts to Euro 203,221 thousand at December 31, 2020, increasing on Euro 192,025 thousand at December 31, 2019, as a result of earnings for the year.

⁽⁸⁾ As a result of the COVID-19 emergency, the main regions in which the Group operates granted GHC clinics a monthly advance of between 80% and 100%, according to each individual case, of the agreed regional and extra-regional production for the previous year or that of the budget agreement

⁽⁹⁾ This was carried out on the basis of an Equity Value of approx. Euro 12.8 million, corresponding to an Enterprise Value of approx. Euro 13.6 million.

4. GHC GROUP FINANCIAL HIGHLIGHTS – PRO-FORMA FIGURES

In order to ensure that the Company's performance figures for the year under review are sufficiently comparable with those of the previous year, the tables from 2020 and 2019 have also been presented on a pro-forma basis⁽¹⁰⁾, i.e. by retro-actively extending the effects of the XRay One acquisition (on July 23, 2020) to January 1, 2020, and by retro-actively extending the effect of the acquisitions of 100% of Poliambulatorio Dalla Rosa Prati di Parma (completed on February 5, 2019), 100% of Ospedali Privati Riuniti di Bologna (completed on May 6, 2019), 100% of Centro Medico San Biagio and Bimar (completed on July 25, 2019), 100% of Centro Medico Università Castrense (completed on September 17, 2019) and 100% of Aesculapio (completed on September 19, 2019), back to January 1, 2019.

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.

GHC Group 2020 consolidated pro-forma income statement highlights

Consolidated data	FY2020 Pro-Forma		FY2019 Pro-Forma		FY2020PF vs. FY2019PF	
	Euro '000	%	Euro '000	%	Euro '000	%
Revenues	214,199	100.0%	222,481	100.0%	(8,282)	-3.7%
Total operating costs (excl. non-core costs)	(180,152)	-84.1%	(178,056)	-80.0%	(2,096)	1.2%
Op. EBITDA Adjusted	34,046	15.9%	44,425	20.0%	(10,378)	-23.4%
Non-core costs (Adjustments)	(3,469)	-1.6%	(3,464)	-1.6%	(4)	-
Operating EBITDA	30,578	14.3%	40,961	18.4%	(10,383)	-25.3%
Depreciation and amortisation	(11,980)	-5.6%	(13,002)	-5.8%	1,022	-7.9%
Impairments and other provisions	(3,270)	-1.5%	(2,766)	-1.2%	(504)	18.2%
EBIT	15,328	7.2%	25,192	11.3%	(9,865)	-39.2%
EBIT Adjusted	18,796	8.8%	28,657	12.9%	(9,860)	-34.4%
Net financial charges	(2,596)	-1.2%	(2,269)	-1.0%	(327)	14%
Result before taxes	12,732	5.9%	22,924	10.3%	(10,192)	-44.5%
Profit before taxes Adjusted	16,200	7.6%	26,388	11.9%	(10,188)	-38.6%
Income taxes	(1,255)	-0.6%	(6,661)	-3.0%	5,406	-81.2%
Net Profit	11,477	5.4%	16,263	7.3%	(4,786)	-29.4%
Group net result	11,473	5.4%	16,251	7.3%	(4,778)	-29.4%
Minority interests	3	0.0%	12	0.0%	(8)	-71.1%

⁽¹⁰⁾ 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.

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

The GHC Group utilizes some alternative performance measures (“APMs”), 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 APMs 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 costs not relating to the core business of the Company and pertaining to “additional COVID costs” as defined above and M&A costs for acquisitions and the costs for the stock grant plan.

Consolidated data	FY2020 Actual Euro '000	FY2020 Pro-Forma Euro '000	FY2019 Pro-Forma Euro '000
Operating EBITDA	30,567	30,578	40,961
+ Non-core costs (Adjustments)	3,469	3,469	3,464
= Operating EBITDA Adjusted	34,036	34,046	44,425

EBIT Adjusted

This indicator adjusts EBIT for non-recurring, non-core costs as defined above, and is provided for a like-for-like comparison with 2019.

Consolidated data	FY2020 Actual Euro '000	FY2020 Pro-Forma Euro '000	FY2019 Pro-Forma Euro '000
EBIT	15,490	15,328	25,192
+ Non-core costs (Adjustments)	3,469	3,469	3,464
= EBIT Adjusted	18,958	18,796	28,657

Operating EBITDA Adjusted Margin

The Operating EBITDA Adjusted Margin is calculated as Operating EBITDA Adjusted as a percentage of Revenues.

Consolidated data	FY2020 Actual Euro '000	FY2020 Pro-Forma Euro '000	FY2019 Pro-Forma Euro '000
Operating EBITDA Adjusted (A)	34,036	34,046	44,425
Revenues (B)	210,846	214,199	222,481
Operating EBITDA Adjusted Margin (A/B)	16.1%	15.9%	20.0%

EBIT and Operating EBITDA

The Group's consolidated net profit, EBIT and Operating EBITDA are reconciled below.

Consolidated data	FY2020 Actual Euro '000	FY2020 Pro-Forma Euro '000	FY2019 Pro-Forma Euro '000
+ Net Profit	11,784	11,477	16,263
+ Income taxes	1,238	1,255	6,661
- Total investments at equity	(227)	(183)	(311)
+ Financial charges	2,758	2,844	2,658
- Financial income	(64)	(65)	(78)
= EBIT	15,490	15,328	25,192
+ Amortisation, depreciation and provisions	11,807	11,980	13,002
+ Impairments and other provisions	3,270	3,270	2,766
= Operating EBITDA	30,567	30,578	40,961

ROI

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

Consolidated data	FY2020 Pro-Forma Euro '000	FY2019 Pro-Forma Euro '000
EBIT Adjusted (A)	18,796	28,657
Net Capital Employed (B)	300,911	286,703
ROI (A/B)	6.2%	10.0%

ROE

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

Consolidated data	FY2020 Pro-Forma Euro '000	FY2019 Pro-Forma Euro '000
Net result (A)	11,477	16,263
Shareholders' Equity (B)	203,221	192,025
ROE (A/B)	5.6%	8.5%

Capital Expenditure (Capex)

This indicator is calculated on the basis of total ordinary investments in property, plant and equipment and intangible assets (excluding the non-recurring investments in the "Gravellona Toce" and "Villa Fernanda expansion projects and other non-recurring investments in latest generation machinery, amounting collectively to Euro 4,460 thousand).

Consolidated data	FY2020 Euro '000	FY2019 Euro '000
Investments in tangible assets	6,580	3,203
* Investments in intangible assets	888	415
= Capital Expenditure (Capex)	7,468	3,618

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	FY2020 Pro-Forma Euro '000	FY2019 Pro-Forma Euro '000
Operating EBITDA Adjusted (A)	34,046	44,425
Capex (B)	7,468	3,618
Cash Conversion Cycle (A-B)/A	78.1%	91.9%

Net Financial Debt

Net financial debt was calculated according to the approach outlined in ESMA/2013/319 and Consob Communication No. DEM/6064293 of July 28, 2006. The breakdown of this indicator in 2020 and 2019 was as follows:

Consolidated data	FY2020 Euro '000	FY2019 Euro '000	Δ vs. FY2019 Euro '000
A Cash	140	210	(70)
B Cash and cash equivalents	24,670	27,553	(2,883)
C Securities held-for-trading	41	-	41
D Liquidity (A) + (B) + (C)	24,851	27,763	(2,912)
E Current financial receivables	88	42	46
F Current bank payables	12,179	14,638	(2,459)
G Current portion of non-current debt	16,894	12,231	4,663
H Other current financial payables	3,709	3,231	478
I Current debt (F)+(G)+(H)	32,782	30,101	2,681
J Net current financial debt (I) - (E) - (D)	7,843	2,296	5,547
K Non-current bank payables	68,067	68,988	(921)
L Bonds issued	-	-	-
M Other non-current payables	21,456	23,358	(1,902)
N Derivative financial instrument liabilities - non-current	326	36	290
O Non-current financial debt (K) + (L) + (M) + (N)	89,848	92,381	(2,533)
P Net financial debt (J) + (O)	97,691	94,677	3,014

Net Financial Debt / Operating EBITDA Adjusted

The ratio of Net Financial Debt to Operating EBITDA Adjusted is based on the Net Financial Debt stated in the Group's consolidated financial statements and Operating EBITDA Adjusted, as defined above.

Consolidated data	FY2020 Pro-Forma Euro '000	FY2019 Pro-Forma Euro '000
Net financial debt (A)	97,691	94,677
Operating EBITDA Adjusted (B)	34,046	44,425
Net Financial Debt / Op. EBITDA Adjusted (A/B)	2.9	2.1

Net Financial Debt / Net Equity

The ratio of net financial debt to net shareholders' equity is calculated as the ratio of net financial debt to net shareholders' equity, both as stated in the Group's Annual Consolidated Financial Statements.

Consolidated data	FY2020 Euro '000	FY2019 Euro '000
Net financial debt	97,691	94,677
Net Equity	203,221	192,025
Ratio between net financial debt and shareholders' equity	0.5	0.5

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	FY2020 Pro-Forma Euro '000	FY2019 Pro-Forma Euro '000
Trade receivables (A)	61,411	54,396
Revenues from services (B)	210,096	220,007
Days sales outstanding (A/B*365)	107	90

Days purchases outstanding

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

Consolidated data	FY2020 Pro-Forma Euro '000	FY2019 Pro-Forma Euro '000
Trade payables (A)	35,857	33,358
Raw materials and services (B)	118,989	120,802
Days purchases outstanding (A/B*365)	110	101

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	FY2020 Pro-Forma Euro '000	FY2019 Pro-Forma Euro '000
Inventories (A)	3,487	2,939
Raw materials and consumables (B)	28,785	29,391
Days inventory outstanding (A/B*365)	44	36

5. 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.

2020 Parent Company revenues were Euro 4,002 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 1,945 thousand as a result of the costs incurred by the Parent Company during the year for the execution of Holding Company core operations and non-core costs relating to M&As (Euro 462 thousand) and to the stock grant plan (Euro 407 thousand), as described in previous paragraphs. Non-core costs in 2019 related to M&A and Stock Grant Plan costs as described in previous paragraphs, which totalled Euro 3,464 thousand.

The 2020 net profit was Euro 1,546 thousand, reducing on 2019, mainly in view of the reduced dividends distributed by the subsidiaries, amounting to Euro 3,500 thousand (from approx. Euro 5,660 thousand in the previous year).

Individual data Income Statement	FY2020 Euro '000	FY2019 Euro '000	Δ vs. FY2019 Euro '000
Revenues	4,002	2,433	1,568
Operating EBITDA	(1,945)	(4,413)	2,469
Pre-tax result	964	111	853
Net Profit	1,546	1,673	(127)

The condensed balance sheet of Garofalo Health Care S.p.A. at December 31, 2020, with a comparison to one year earlier, is presented below.

Individual data Balance Sheet	FY2020 Euro '000	FY2019 Euro '000	Δ vs. FY2019 Euro '000
Net capital employed	181,690	175,602	6,089
Net Equity	146,243	144,790	1,453
Net financial debt	35,447	30,811	4,635

Net Capital Employed amounted to Euro 181,690 thousand and consisted primarily of equity investments in subsidiaries of Euro 163,567 thousand.

At December 31, 2020, shareholders' equity amounted to Euro 146,243 thousand, compared with Euro 144,790 thousand in the previous year, with a net increase of Euro 1,453 thousand.

6. RECONCILIATION BETWEEN PARENT COMPANY AND CONSOLIDATED FINANCIAL STATEMENTS

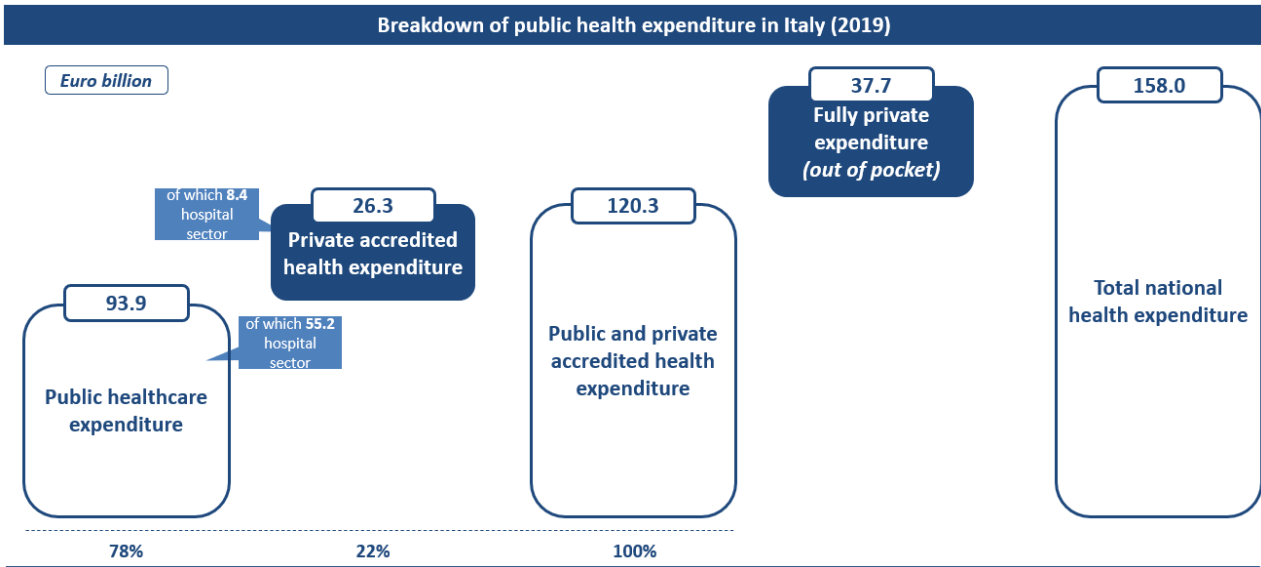
The statement of reconciliation between the net profit or loss and shareholders' equity of the Group and the Parent Company, Garofalo Health Care S.p.A., for 2019 and 2020 is set out below.

Consolidated data (Euro '000)	FY2019 Shareholders' Equity	FY2019 Net Result
Financial Statements of the Parent Company Garofalo Health Care S.p.A.	144,790	1,673
Dividends from companies included in consolidation	-	(6,299)
Net contributions of the consolidated companies	46,612	17,595
Other consolidation adjustments	-	(138)
Valuation at equity method	530	311
Consolidated financial statements, Group share	191,932	13,142
Minority interest results	11	12
Minority interest capital and reserves	82	-
Result/Consolidated shareholders' equity	192,025	13,154

Consolidated data (Euro '000)	FY2020 Shareholders' Equity	FY2020 Net profit
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	14,504
Other consolidation adjustments	-	-
Valuation at equity method	754	224
Consolidated financial statements, Group share	203,155	11,781
Minority interest results	3	3
Minority interest capital and reserves	63	-
Result/Consolidated shareholders' equity	203,221	11,784

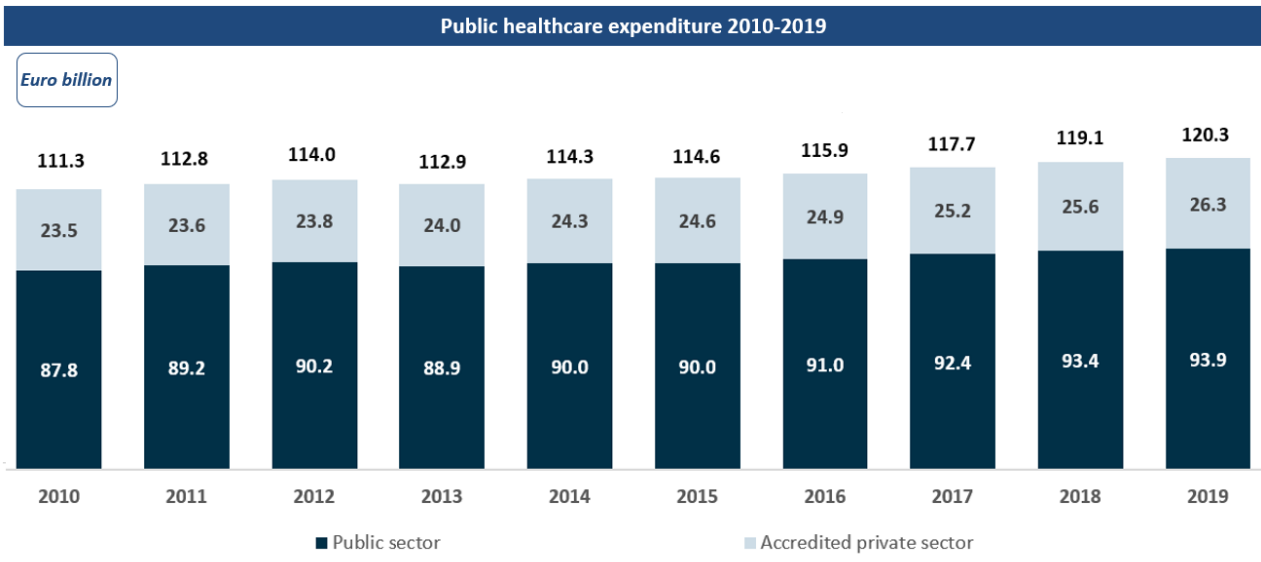
7. SECTOR PERFORMANCE- HIGHLIGHTS

According to the 2019⁽¹¹⁾ OASI Report (the most recent available), total Italian healthcare spending was estimated to amount to Euro 158.0 billion in 2019. This figure includes both public healthcare spending of Euro 120.3 billion, and fully private healthcare spending, amounting to Euro 37.7 billion. Public healthcare spending in turn consists of approximately Euro 93.9 billion of direct public healthcare spending and approximately Euro 26.3 billion of accredited private healthcare spending, referring to private operators that receive public resources to fund their private institutional services.



Key: **GHC reference market**
 Source: 2020 OASI Report

2019 healthcare spending by the National Health System (NHS) totalled Euro 120.3 billion (compared to Euro 111.3 billion in 2010), with a total compound annual growth rate (CAGR) of 0.9% for the period 2010-2019. This reflects moderate growth in public healthcare spending (Euro 93.9 billion in 2019 with a 2010-2019 CAGR of 0.8%) and slightly higher growth in the accredited private sector (Euro 26.3 billion in 2019, with a 2010-2019 CAGR of 1.3%).



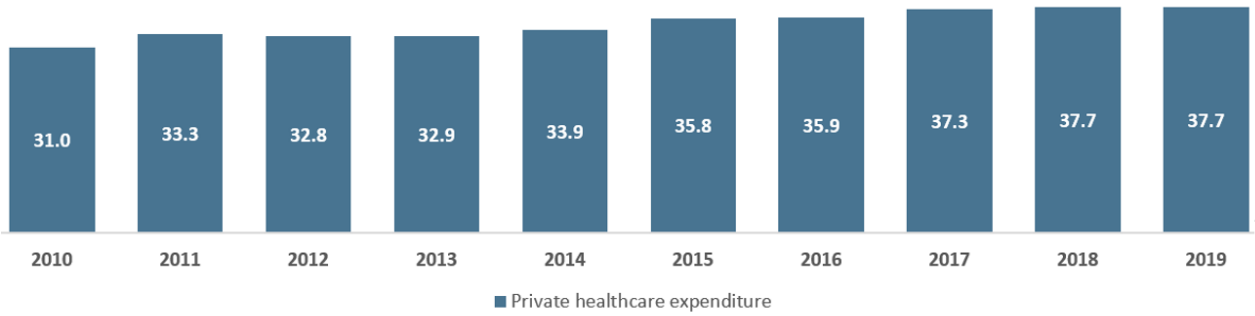
Source: 2020 OASI Report

At the same time, an ageing Italian population combined with an above-EU average incidence of chronic diseases and below-EU average public health expenditure by the National Health System has led to a gradual increase in private health expenditure (Euro 37.7 billion in 2019 with a 2010-2019 CAGR of 2.2%).

⁽¹¹⁾ 2020 OASI Report prepared by CERGAS-SDA.

Fully private ("out-of-pocket") healthcare expenditure 2010-2019

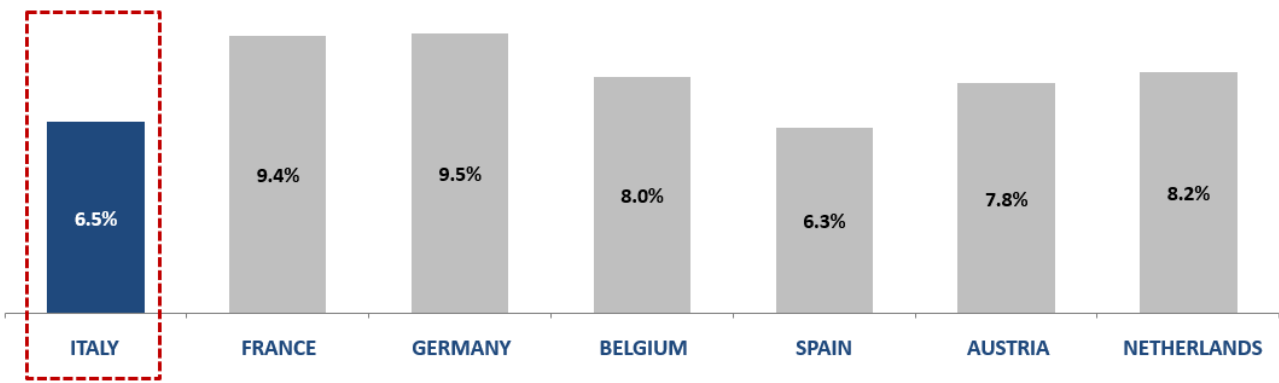
Euro billion



Source: 2020 OASI Report

In comparative terms, Italian healthcare spending is modest; as a percentage of GDP, the country's outlay is among the lowest in Europe.

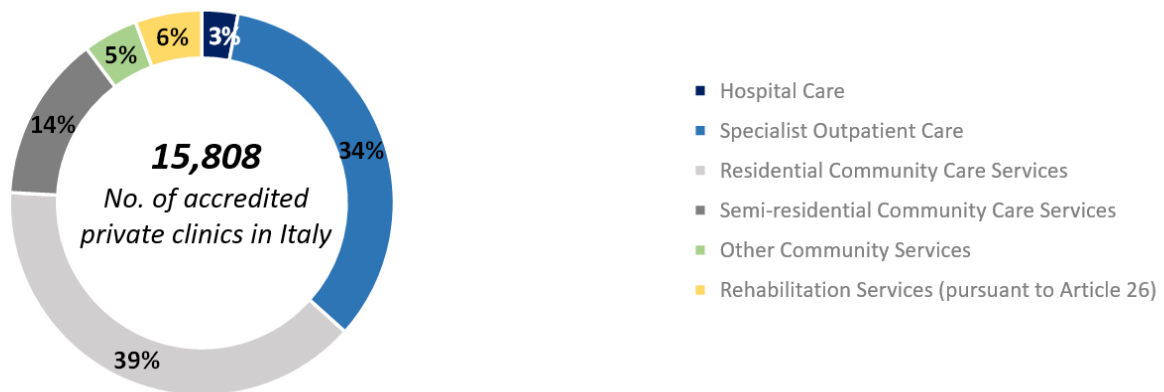
Public healthcare expenditure as a percentage of GDP (*)



(*) data for 2017, latest available. For Italy, this value would be 6.8% in 2019 (source: 2020 OASI Report)
 Source: 2019 Annual Hospital & Health Report prepared by the Associazione Italiana Ospedalità Privata (Italian Private Hospital Association)

As regards healthcare provision, more than 15 thousand accredited private healthcare facilities (as at 2018) operate in a particularly fragmented private sector.

Reference market - accredited private sector (2018)



(*) data for 2018, latest available
 Source: National Health System 2020 Annual Yearbook

8. ACCREDITED PRIVATE PROVIDER CONTRIBUTIONS TO THE NATIONAL HEALTH SYSTEM'S RESPONSE TO THE COVID-19 EMERGENCY

The contribution of accredited private providers in response to COVID-19 followed the sudden and unprecedented healthcare emergency that began, in Italy, in the second half of February 2020. On March 9, less than three weeks later, on the eve of the first broad lockdown measures, patients admitted with symptoms had risen to 4,316⁽¹²⁾. 733 people were also in intensive care units. The following week (March 16), these numbers had more than doubled, rising to 11,025 and 1,851 respectively. At that date, ICU bed occupancy by COVID-19 patients alone was 33% of pre-crisis national capacity, corresponding to 5,300 beds. On March 16 in Lombardy, the worst-affected region, 823 of the 900 pre-crisis ICU beds were occupied by COVID patients.

In this epidemiological context, from March 1 the Ministry of Health ordered 50% more intensive care beds and a doubling of beds in pulmonology and infectious diseases operating units, which were to be isolated and equipped with the necessary respiratory support. The increase, to be implemented by the individual regional governments, expressly involved both public and private accredited clinics. The "Italian Health Care" (*Cura Italia*) decree of March 17 confirmed this provision, allowing for a degree of flexibility in contracts already stipulated with accredited providers and providing the possibility of contracting non-accredited facilities, allocating a total of Euro 250 million. As a last resort, the Decree also provided for the compulsory provision of personnel, premises and healthcare equipment, to be compensated through two additional funds of Euro 160 million and 150 million. Finally, on March 16, the Ministry of Health outlined and enacted a nationwide suspension of all non-urgent healthcare activities, both outpatient and inpatient, provided by accredited public and private clinics. With varying methods and timings, a number of regions had already ordered the suspension of non-urgent activities. The first was Lombardy, which suspended non-urgent activities in all public and private accredited hospitals with emergency rooms from February 22. Following these legal and regulatory interventions, the increase in hospital capacity for COVID patients, achieved largely through the conversion of areas previously dedicated to elective activities, was higher than expected at the beginning of March. At April 21, about two weeks after the peak in critical care admissions (4,068), 8,660 ICU beds were available nationally, 65% more than pre-crisis capacity. By March 25, the three regions most affected by the epidemic at the time (Lombardy, Emilia-Romagna and the Veneto) had seen a 75% increase in intensive care beds; the increase in ordinary beds in the COVID medical area (pulmonology and infectious diseases) was 700%. The accredited private sector contributed to the extraordinary NHS effort by making its own delivery capacity available from March 6, 2020, a capacity of approximately 1,300 intensive care beds (16% of pre-crisis NHS capacity) and 40 thousand acute care beds (22% of pre-crisis NHS capacity). This declaration of availability was passed on to regional governments through agreements stipulated in the individual regions and through subsequent hospital reorganisation plans.

The contributions made by accredited private operators in the four regions hit hardest by the epidemic (Lombardy, Piedmont, Emilia-Romagna, the Veneto) are outlined below.

Accredited Private Contribution in the COVID Emergency Response - Source: OASI Report 2020

<i>Pre-COVID Situation (data referring to 2018)</i>	Lombardy	Piedmont	Emilia-Romagna	The Veneto
Total Accredited Private Beds (n.)	14,145	4,787	4,214	3,422
<i>As a proportion of Regional Health Service supply (%)</i>	37%	29%	24%	20%
Acute Accredited Private Beds (n.)	8,101	1,426	2,386	2,223
<i>As a proportion of Regional Health Service supply (%)</i>	29%	12%	17%	15%
Intensive Care Accredited Private Beds (n.)	270	0	78	44
<i>As a proportion of Regional Health Service supply (%)</i>	30%	0%	17%	9%
<i>Contribution made in COVID emergency response</i>	Lombardy	Piedmont	Emilia-Romagna	The Veneto
Accredited Private Beds for COVID-19 treatment (n.)	4,975	589	886	381
<i>As a proportion of Regional Health Service supply (%)</i>	40%	12-15%	17%	15%
Intensive Care Accredited Private Beds for COVID-19 treatment (n.)	484	31	84	65
<i>As a proportion of Regional Health Service supply (%)</i>	28%	5%	15%	8%

⁽¹²⁾ All data in this paragraph 8 are taken from the OASI 2020 Report, chapter 4

Contribution of accredited private operators to the COVID-19 emergency response - Highlights: Lombardy Region

Accredited private beds (acute and non-acute) in Lombardy totalled 14,145 in 2018, as surveyed by the Ministry of Health. This represented 37% of total Regional Health System (RHS) beds. In the acute sector, private operators supplied 8,101 beds, corresponding to 29% of the hospital supply in Lombardy.

As of early April, more than one third of the total accredited private beds in the region (4,975) had been allocated to COVID patients, accounting for 40% of the total regional hospital capacity set aside for coronavirus patients. As regards intensive care, on the eve of the crisis private accredited operators had 270 intensive care beds available, corresponding to 30% of total RHS beds (900). During the emergency, this increased to 484 beds, corresponding to 28% of the regional total (1,755).

As regards network organisation, a number of the accredited private clinics involved in the emergency response in Lombardy were dedicated almost exclusively to COVID patients. Many also continued to perform urgent or non-deferrable activities for non-infected patients. Strict separation of space, personnel, and pathways was observed at all times. The growing number of coronavirus patients, however, soon necessitated a radical redesign of the time-dependent, oncology, orthopaedic, pharmacology, and laboratory networks.

As of March 8, a limited number of dedicated centres (Hubs) were identified for each of these networks, which would host specialised teams and COVID-free patient flows. Several accredited private hospitals served as Hubs.

These same centres or other smaller private clinics functioned as 'Spokes' within the same networks. Other private clinics with a rehabilitative or long-stay focus were simultaneously assigned partially or totally to the admission of oligosymptomatic or post-acute COVID patients. In order to facilitate these collaborations, since March 4 the framework agreement between the regional government and the representatives of the accredited private sector has allowed individual public companies to employ personnel of accredited clinics, subject to a further agreement.

Contribution of accredited private operators to the COVID-19 emergency response - Highlights: Piedmont Region

Accredited private beds in Piedmont in 2018 totalled 4,787, 29% of total RHS beds. Unlike Lombardy, where almost half of the accredited beds were for acute care, over two thirds of the beds in Piedmont were dedicated to rehabilitation and long-term care; on the eve of the crisis, there were around 1,400 accredited acute-care beds, corresponding to 12% of the Piedmont RHS total.

On March 13, the Piedmont regional government reorganised its networks for intensive care, sub-intensive care, pulmonology and infectious disease beds. The plan initially aimed to provide a total of 2,251 beds for COVID patients by upgrading or converting public hospitals only. As the epidemic worsened, however, the number of beds required for COVID patients reached around 4,000; the total number of ICU beds rose from 300 pre-COVID, to the 475 provided for in the plan, to 590.

Against this backdrop, accredited private clinics provided 589 beds for COVID patients, of which 31 were in intensive care, representing 12%-15% of the total supply for COVID patients and 5% of the intensive care beds in use during the emergency. A number of medium and small clinics were dedicated entirely to COVID patients; other, larger facilities maintained both COVID and COVID-free wards; finally, some accredited private facilities made agreements with local health authorities to perform only non-deferrable activities for COVID-free patients.

Contribution of accredited private operators to the COVID-19 emergency response - Highlights: Emilia-Romagna Region

Accredited private beds in Emilia-Romagna in 2018 totalled 4,214, corresponding to 24% of total RHS beds. On the eve of the epidemic, a significant number of these (almost 2,400 accredited beds, corresponding to 17% of RHS supply) were in the acute sector.

At April 6, the Emilia-Romagna hospital network had prepared 5,196 beds for COVID patients, compared with a peak of 4,310 total inpatients. Total intensive care beds increased from 449 to 573.

In this context, the contribution of the accredited private sector was outlined in the March 17 Framework Agreement between the Italian Private Hospital Association (IPHA) and the regional government. The 44 private clinics in Emilia-Romagna provided personnel, space and equipment for acute and stabilised COVID patients, but also to support urgent surgical and internal medicine patients transferred from public healthcare companies, especially in the cardiovascular area. The agreement also envisaged the possibility of publicly employed surgeons carrying out operations at private clinics.

In quantitative terms, the private sector in Emilia-Romagna made 886 beds available for COVID patients, representing 17% of the beds in use in the region. 1,901 beds were supplied for non-COVID patients. According to the terms of the framework, private operators also provided 84 intensive care beds (corresponding to 15% of regional capacity) and twelve sub-intensive beds.

In Emilia-Romagna, only a few larger clinics continued to take on both COVID and non-COVID patients, while the majority opted either to dedicate themselves to COVID patients or to remain COVID-free hospitals focusing on surgical or internal medicine.

Contribution of accredited private operators to the COVID-19 emergency response - Highlights: The Veneto

Accredited private beds in the Veneto in 2018 totalled 3,422, 20% of total RHS beds. The number of acute care beds was 2,223, corresponding to 15% of regional capacity.

On March 15, the Regional Crisis Unit developed the COVID-19 Emergency Plan, which included provisions to improve hospital capacity. Regionally, 2,241 additional beds were provided in acute care hospital wards for intensive care (331), sub-intensive pulmonology (298) and infectious diseases (1,612). A further 110 beds in intermediate care clinics and 740 in recommissioned former hospitals were added for post-acute or oligosymptomatic patients. The total capacity of 3,091 beds proved sufficient to accommodate all inpatients, who totalled just under 2,100 in early April. The Plan provided for an additional 381 accredited private beds, of which 21 in intensive care, 38 in semi-intensive pulmonology, 322 in infectious and tropical disease wards and 74 in intermediate care clinics converted for ordinary care.

The total increase in beds in private clinics amounted to 15% of the additional regional beds for COVID-19 patients. A similar increase was seen in acute care, while intensive care beds provided to cope with the epidemic totalled 8%, also in line with the pre-COVID proportion (9%).

As regards network reorganisation, the Plan established 11 "COVID-Hospitals" dedicated to treating patients affected by the virus, two of which were chosen from among accredited private operators. The possibility of private personnel working in Local Health Service Units was also established in the Veneto, subject to agreements with individual providers.

9. GROUP ACTIVITIES

The Group operates by means of a single business unit in the following sectors⁽¹³⁾:

- **“Hospital Sector”**, which may be broken down into the acute, post-acute and outpatient services segments: and
- **“Social Services and Dependency Care Sector”**, which can be divided into two segments - residential recovery and district outpatient services.

The following table breaks down the main specialties provided by the Group by sector and segment.

HOSPITAL			DEPENDENCY CARE		
ACUTE	POST-ACUTE		OUTPATIENT SERVICES	Residential ADMISSIONS	DISTRICT OUTPATIENT SERVICES
RECOVERY	LONG-TERM HOSPITALISATION	REHABILITATION			
Wide range of specialisations in acute patient therapy, including: -Heart surgery -Cardiology (clinical and interventional) -Orthopaedics -Diabetology -Urology -Otorhinolaryngology -General surgery -Vascular Surgery -Gynaecology	Long-term hospitalisations for patients suffering from: -Disabling chronic conditions -Subacute conditions after a previous acute hospitalisation that require treatment be continued for a certain period of time in a protected environment, in order to achieve a full recovery or to stabilise their condition	Rehabilitation treatments, including: Cardiology -Neurology -Neuromotor -Nutritional -Respiratory	Outpatient services, consultations and diagnostic services, including: -Doppler echocardiogram -Holter test -Doppler vascular ultrasound -Myocardial perfusion imaging -CT -Ultrasound -Resonance -Nuclear medicine -Laboratory analyses - Outpatient dialysis	Assistance and treatment of specific conditions, including: -Severe disabilities -Patients with LIS (Locked-in Syndrome) or with amyotrophic lateral sclerosis in the terminal phase (NAC Departments - High Chronic Neurological Complexity Unit) -Complex disabilities, mainly motor or clinical assistance and functional (Healthcare Assistance Continuity) -Patients with severe acquired brain injury disabilities (PVS Departments - Persistent Vegetative States) ⁽¹⁾ -Psychiatric disorders and disorders related to the use of psychoactive substances	Outpatient services, consultations and diagnostic services provided by non-clinical facilities, including: -Doppler echocardiogram -Holter test -Doppler vascular ultrasound -Myocardial perfusion imaging -CT -Ultrasound -Resonance -Nuclear medicine -Laboratory analyses - Occupational medicine - PET-CT - Dental services

⁽¹³⁾ 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. In particular, assistance provided to patients with disabilities deriving from severe acquired brain injuries (SVP Departments - such as persistent vegetative states) belongs to the Hospital Sector in Tuscany, and the Social Services and Dependency Care Sector in Liguria and Piedmont. In addition, long-term residential care in Lazio, Tuscany, Emilia-Romagna, Veneto and Piedmont belongs to the Hospital Sector, while in Liguria it belongs to the Social Services and Dependency Care Sector.

Brief description of the companies of the GHC Group

The 25 clinical facilities comprising the GHC Group as at December 31, 2020, along with the Regions in which they are based and the sectors in which they operate, are described below.

Italian regions	Nr. Reporting Entities (16)	Nr. Clinics (25)	N. legal entities (legal persons) (22)	Sector	
				Hospital	Social / Dependency Care
The Veneto	• Villa Berica	1	1	✓	
	• CMSR Veneto Medica	1	1		✓
	• Sanimedica	1	1		✓
	• Villa Garda	1	1	✓	
	• Centro Medico S. Biagio ⁽¹⁾	1	2		✓
Lombardy	• XRay One	1	1		✓
Friuli Venezia-Giulia	• Centro Medico Università Castrense	1	1		✓
Piedmont	• Eremo di Miazzina	2	1	✓	✓
Emilia Romagna	• Hesperia Hospital	1	1	✓	
	• Aesculapio	1	1		✓
	• Casa di Cura Prof. Nobili	1	1	✓	
	• Poliambulatorio Dalla Rosa Prati	1	1		✓
	• Ospedali Privati Riuniti	2	1	✓	
Tuscany	• Rugani Hospital	1	1	✓	
Liguria	• Fides Group ⁽²⁾	8 ⁽³⁾	6 ⁽⁴⁾		✓
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 Srl, a company owned by Fides Medica, whose financial information is consolidated using the equity method.

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

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

➤ OVERVIEW OF GHC CLINICS IN THE VENETO REGION



Villa Berica (Vicenza – Veneto)



This hospital, accredited by Italy's National Health System ("NHS"), offers multiple specialties, with a focus on general surgery and internal medicine. Villa Berica is considered a centre of excellence for diabetology, with a particular focus on preventing and treating the complications of diabetes affecting the legs and feet (diabetic foot), and has been renowned for its AMIS (Anterior Minimally Invasive Surgery) centre for hip replacement surgery since March 2018. It is also a regional focus for osteoporosis and metabolic bone diseases.



CMSR Veneto Medica (Altavilla Vicentina, Vicenza – Veneto)



The Medical Instrumentation and Rehabilitation Centre is dedicated to diagnostic imaging using next-generation technology, accredited by Italy's National Health System. There is also a clinical pathology laboratory and sports medicine service, both offered on a private basis, a traditional radiology department, a nuclear medicine department and an ultrasound department. It is a member of the National Register for hypertrophic cardiomyopathy. It also supports and promotes research projects relating to aortic stenosis, bicuspid aortic valve (BAV) and the identification of normalcy criteria for the ascending aorta. This facility is fitted with cutting-edge equipment, including a Philips Model 3 Tesla "Ingenia Elition" MRI machine, in addition to the existing technology (2 magnetic resonance 1.5 Tesla, 1 joint MRI and 1 CT scan), which can be used for research purposes, and which meets the increasing demand for health services, while also improving demand from outside the region for NHS and private services.

Sanimedica (Vicenza and Altavilla Vicentina, Vicenza – Veneto)

Sanimedica, which serves patients on a private basis only, and does not provide services covered by Italy's NHS. Sanimedica offers outpatient health services for all the main specialist areas since 1993, the year of its foundation. Since 1998 it has also been equipped with an operating theatre for the outpatient surgery offering various types of procedures. Since 1996 Sanimedica has had a department of Occupational Medicine offering public and private companies in all sectors workplace health monitoring service in fulfilment of the obligations set by Law 626/94, now replaced by the new Legislative Decree 81/2008 on safety, through its team consisting solely of physicians specialised in occupational medicine, in collaboration with qualified safety consultancy firms.



Villa Garda (Garda, Verona – Veneto)



An Italian NHS accredited healthcare facility specialized in cardiac rehabilitation and nutritional rehabilitation. In the mid-1980's, Villa Garda's Functional Nutritional Rehabilitation Unit was the first in Italy to implement intensive hospital rehabilitation treatment for patients suffering from nutritional and eating disorders. The cognitive behavioural therapy for eating disorders (CBT-ED) developed at the Villa Garda care facility for adolescents suffering from anorexia nervosa, bulimia nervosa and other eating disorders, was introduced in partnership with Oxford University and has been assessed in a controlled study and three cohort studies and was recommended by the guidelines issued by the National Institute for Health and Care Excellence (NICE) in 2017. Clinical services similar to those offered at Villa Garda have been introduced in Norway, Sweden, Holland, Denmark, the USA and Australia under the supervision of the Villa Garda group.



Centro Medico S. Biagio and Bimar (Portogruaro, Venice – Veneto)

ACQUIRED IN 2019



The Centro Medico San Biagio, operating in the diagnostics centre sector, both through the accredited system with the Veneto Region and privately, provides specialist services in the areas of diagnostic imaging and echocardiography, outpatient ophthalmologic surgery, lower limb varices, sports medicine and dentistry. The clinic is a leading eye care centre, with over 5,000 cataract surgeries and 200 vitreo-retinal surgeries performed each year.

Bimar exclusively provides specialist private services.

➤ OVERVIEW OF GHC CLINICS IN THE LOMBARDY REGION



XRay One (Poggio Rusco, Mantua - Lombardy locality)

ACQUIRED IN 2020



XRay One, which operates both as part of the Region of Lombardy's accreditation scheme as well as privately, provides radiological and diagnostic imaging services and outpatient services for general surgery, orthopaedics and traumatology, neurology, dermatology and venereology, ophthalmology, cardiology, gastroenterology, digestive surgery and endoscopy, obstetrics and gynaecology, physical medicine and rehabilitation, and urology. The facility is also equipped with cutting-edge specialist technology, especially in the field of latest-generation high diagnostics.

➤ **OVERVIEW OF GHC CLINICS IN THE FRIULI VENEZIA-GIULIA REGION**



Centro Medico Università Castrense (S. Giorgio di Nogaro locality, Udine – Friuli-Venezia Giulia)

ACQUIRED IN 2019



The Centro Medico Università Castrense, operating under the accredited system and privately, provides outpatient ophthalmological surgery, diagnostic imaging, sports medicine and dentistry.

➤ **OVERVIEW OF GHC CLINICS IN THE PIEDMONT REGION**



L'Eremo di Miazzina (Cambiasca, Verbania, Cusio, Ossola localities – Piedmont)



Care facility accredited by Italy's National Health System that provides hospital services, offering post-acute hospital care for the full range of pathologies commonly experienced by the elderly and the sequelae of oncological and chronic degenerative pathologies, in addition to operating as a social services and dependency care facility. A second clinic spanning around 5,000 square meters was built in 2013. The Raffaele Garofalo Institute is an accredited residential care facility specialised in recovery and intensive functional neurological, skeletal, respiratory, cardiological and oncological rehabilitation, which is described below.



Raffaele Garofalo Institute (Gravellona Toce, Verbano, Cusio, Ossola – Piedmont)



Istituto Raffaele Garofalo is an accredited residential care facility involved in the post-trauma and post-operative specialties (post-acute care), for recovery and intensive functional re-education of a neurological, muscular, respiratory, cardiac and oncological variety. Accredited outpatient services are provided (pulmonology, testing laboratory, gym and pool physical therapy, diagnostic imaging, ophthalmology and cardiology), alongside complex outpatient eye surgery on a private basis. The facility treats patients at various stages of their clinical journeys (in the hospital, in local facilities or in their homes) according to a multi-specialty treatment approach made possible by highly specialized personnel. The facility also has a specialist services center that provides specialist diagnostic and treatment services, both under accreditation and privately, two large gyms with cutting-edge equipment and a pool.

➤ OVERVIEW OF GHC CLINICS IN THE EMILIA-ROMAGNA REGION



Hesperia Hospital (Modena –Emilia-Romagna)



This private hospital, accredited by Italy's NHS, focuses on offering various specialties within highly specialized wards, in addition to a thoracic and cardiovascular centre providing specialist care and heart surgery procedures of national and international renown, supported by a haemodynamics laboratory and a coronary care unit. The hospital is also known throughout Italy for its urology and hand surgery departments, in addition to its teaching facilities for training specialists in the treatment of prostatic hypertrophy. It is also certified at a European level as a European Training Centre of Phlebology. Hesperia Hospital is also involved in the field of prosthetic orthopaedics, carrying out unilateral and bilateral (knee and hip) tailor-made reconstruction surgery. These operations make use of 3D prosthetics design and biological regeneration using stem cell transplants for the injured areas, guaranteeing rapid recovery and a substantial improvement in quality of life.

Aesculapio (S. Felice sul Panaro, Modena – Emilia-Romagna)

ACQUIRED IN 2019



Aesculapio, the largest clinic in northern Modena province and also a regional healthcare centre, is both accredited with the Emilia-Romagna Region in the public sphere and privately services some of the main specialties: radiology, urology, senology, paediatrics, pulmonology, gynaecology, orthopaedics, ophthalmology, gastroenterology, endocrinology, ultrasound, dietetics, dermatology, magnetic resonance, surgery, angiology, cardiology and laboratory diagnostics.



Casa di cura Prof. Nobili (Castiglione dei Pepoli locality, Bologna – Emilia-Romagna)



Multi-specialist facility accredited with the National Health System, undertaking Regional hospital functions as a point of initial contact and with an ambulance-supported emergency service. The facility covers orthopaedics and traumatology, general surgery, general medicine and long-term care. It is also a multi-disciplinary clinic and a dialysis centre. Casa di Cura Prof. Nobili — a pioneer in the use of laminar wall filters for forced circulation in operating theatres — is also equipped with an outpatient diagnostics area offering high-performance equipment and two cutting-edge magnetic resonance imaging machines.



Poliambulatorio Dalla Rosa Prati (Parma – Emilia-Romagna)

ACQUIRED IN 2019



For over 50 years, it has successfully operated in the field of kinetic physiotherapy (physiotherapy method based on body movements) and rehabilitation, demonstrating excellent quality standards thanks to the use of cutting-edge technologies and highly qualified specialists. The clinic's strong reputation, together with the timeliness and continuity of services provided, has over the years allowed it to consolidate its position as an accredited partner with the National Health System, making it possible to establish a diagnostics centre which can become a point of reference not only nationally but internationally: the European Diagnostics Centre. Thanks to an agreement with Parma University Hospital, the Poliambulatorio provides a PET-CT diagnosis service using state-of-the-art equipment, welcoming patients in the municipalities of Parma and Piacenza and carrying out almost 4,000 examinations a year. The Clinic, which provides about 600 services a day, offers a wide range of specialist services, in addition to a dental clinic.



Ospedali Privati Riuniti (Bologna – Emilia-Romagna)

ACQUIRED IN 2019



Nigrisoli Hospital

The hospital is located in the heart of Bologna, within a park of over 10,000m², thus guaranteeing the peace and tranquillity of patients. The Private Accredited Nigrisoli Hospital is a historic institution offering a broad range of medical and surgical in-patient services, in addition to many key diagnostic services. The hospital collaborates with the nearby Policlinico Sant'Orsola, receiving patients from A&E on a daily basis for diagnostic tests and treatment. The clinic offers recovery services in the following specialties: general medicine, functional recovery and rehabilitation, long-term care and extensive rehabilitation, general surgery, orthopaedics and urology. The accredited clinic houses a rehabilitation centre for rare genetic neuromuscular diseases. For around 20 years it has looked after people affected by such conditions, and is the only accredited private hospital in this area. This unique position reflects the personalised patient treatment plans it offers, which make use of the most efficient means to limit the secondary harm caused by diseases with high clinical complexity. The objective of these techniques is to improve both life expectancy and quality of life.



Villa Regina

Founded in 1955 at the behest of the famous surgeon Gaetano Placitelli, the clinic is located at the gates of Bologna's historic centre, at the heart of a park of 3,000m² close to the green setting of the Margherita Gardens. The clinic provides numerous outpatient services and an equal number of inpatient services, both privately and through Italy's National Health System. Day surgery services are available. The clinic offers the following specialties: General surgery, orthopaedics, ophthalmology, gynaecology, general medicine, otorhinolaryngology, urology, recovery and functional rehabilitation, long-term care.

➤ OVERVIEW OF GHC CLINICS IN THE TUSCANY REGION



Rugani Hospital (Colombaio locality, Siena – Tuscany)



A National Health System accredited hospital offering a range of specialties, including orthopaedics, urology, ophthalmology, general surgery, otorhinolaryngology, motor rehabilitation and diagnostic imaging, on both an inpatient and outpatient basis. In particular, the hospital specialises in orthopaedic surgery involving custom prosthesis implantation systems guided by CT scan and in urological surgery with the use of an HIFU system ⁽¹⁴⁾ associated with magnetic resonance imaging to identify and treat prostate cancer through non-invasive precision surgery.

⁽¹⁴⁾ HIFU stands for High Intensity Focused Ultrasound and refers to an innovative and very precise treatment technique with which some benign and malignant cancers can be destroyed without the need for surgical incision or the insertion of needles or catheters.

➤ **OVERVIEW OF GHC CLINICS IN THE LIGURIA REGION**



Fides Medica Group (Genoa - Liguria)



The Fides Medica Group consists of 8 local dependency care facilities (including the new Villa Fernanda clinic operational since 2020) in the city and province of Genoa, in addition to four clinics owned by Il Fiocco. The Group is accredited by Italy's National Health System and provides treatment and rehabilitation for elderly and other patients affected by a wide range of mental illnesses, including eating disorders and acquired disabilities. A description of the individual clinics is provided below:

- 1) *Rehabilitation Centre*
- 2) *Le Clarisse Residential Care Facility*
- 3) *Santa Marta Residential Care Facility*
- 4) *Santa Rosa Residential Care Facility*
- 5) *Villa Santa Maria Psychiatric Rehabilitation Care Facility*
- 6) *Villa del Principe (Eating Disorder Treatment Centre)*
- 7) *REMS Villa Caterina*
- 8) *Palazzo Fieschi Psychiatric Rehabilitation Care Facility*
- 9) *Skipper Residential Psychiatric Care Facility*
- 10) *CUAP Le Note di Villa S. Maria*
- 11) *CUAP Il Bozzello 1 e Il Bozzello 2*
- 12) *Villa Fernanda Residence*

1) Rehabilitation Centre

Highly specialised post-hospital facility divided into three units, each used for a specific function: (i) supervision of serious acquired brain injuries, (ii) rehabilitation centre (for over-65s with mobility difficulties resulting in the temporary partial loss of independence) and (iii) an extended care unit (for non-self-sufficient over-65s, who have lost all or almost of their autonomy).

2) Le Clarisse Residential Care Facility

This facility is for elderly people with autonomy problems, who need help, care and assistance in all daily activities. The purposes of treatment can be divided into three different categories: (i) rehabilitation (for people with temporary mobility difficulties), (ii) maintenance (for non-self-sufficient people) and (iii) a protected residence (for semi-independent people).

3) Santa Marta Residential Care Facility

This facility provides treatments divided into two categories based on patient needs: (i) extended care unit for non-self-sufficient people who are unable to carry out daily activities and who therefore require 24-hour care, and (ii) a protected residence unit for semi-independent people who have some residual autonomy, which varies depending on their individual situation. The "ex-school" expansion project - now the "Villa Fernanda" project as described below - is underway to modernise the existing facility to accommodate exclusively private-care services, i.e. with expenses borne by the patients.

4) *Santa Rosa Residential Facility*

Long-term care facility for elderly people with autonomy problems, who need care and assistance in their daily activities.

5) *Villa Santa Maria Psychiatric Rehabilitation Care Facility*

Rehabilitation treatment facility for older people with the onset of behavioural and personality disorders. The facility takes care of people during the active clinical phase by means of treatment and rehabilitation as part of a 24-hour assistance programme. The maximum duration of treatment is 36 months.

6) *Villa del Principe (Eating Disorder Treatment Centre)*

Villa del Principe treats and rehabilitates people with eating, personality and affective disorders. The conditions treated vary greatly and require specific and personalised care. As a result, more than one type of service is offered by the centre (semi-residential or residential). The centre uses a multidisciplinary treatment approach, which is provided by a team that aims to adapt treatment to suit individual needs.

7) *REMS Villa Caterina*

Prima Rems was opened in Liguria to treat people with mental disorders, along with people who have committed crimes. Patients at this facility require continuous rehabilitation and social rehabilitation therapy in a residential care setting. The duration of treatment is commensurate with the custodial measures decided by the courts.

8) *Palazzo Fieschi Psychiatric Rehabilitation Care Facility*

Palazzo Fieschi is a rehabilitation treatment facility for behavioural and personality disorders. The facility looks after people in need of continuous care and assistance in a residential system. Treatment lasts no longer than 36 months.

9) *Skipper Residential Psychiatric Care Facility*

Skipper treats people with persistent behavioural disorders, as well as those requiring continuous care in a highly protective and safe environment. The facility looks after non-self-sufficient people who have already undergone some psychiatric treatment and rehabilitation and have reached their maximum level of independence but who, despite this, cannot be left alone and need dedicated care and assistance, without time limits.

10) *CAUP Le Note di Villa S. Maria*

The CAUP (Community Housing for Psychiatric Use) is a social rehabilitation residential facility for people with behavioural disorders. Patients at the facility have already undergone rehabilitation and have reached important milestones. They do not require continuous health care, but require a "buffer" period in which to improve their condition and increase their autonomy. The treatment model is community based, whereby residents can pass the time peacefully, with only light monitoring by staff, who remain at their disposal in case of need. The maximum length of stay is 1 year.

11) *Il Bozzello 1 and Il Bozzello 2 CAUP*

A social-rehabilitation residential facility for people with behavioural disorders. Patients are generally between the ages of 40 and 65, suffer from severe behavioural disorders and need less care, which includes a stay in an appropriate facility, before a potential longer-term stay at another facility. The facility handles this transitional period, trying to bring its patients towards their maximum degree of independence by means of a treatment programme that varies in duration.

12) *Villa Fernanda Residence*

The "Villa Fernanda" residence for the elderly is a healthcare facility with an accommodation capacity of 70 beds, opened in 2020 following the significant renovation of a former school, suitable for the creation of an environment serving the various needs of the elderly and supporting them by permitting socialisation, while also respecting their daily habits.

The facility consists of: 16 beds dedicated to the care of partially non-self-sufficient persons, who are still able to carry out primary functions with help, requiring long-term care; 18 beds dedicated to the care of totally non-self-sufficient persons, who need assistance in all functions, including primary ones, requiring long-term care; 18 beds dedicated to the care of totally non-self-sufficient persons, who need assistance in all functions, including primary ones, requiring long-term care; 18 beds dedicated to the care of totally non-self-sufficient persons, who need assistance in all functions, including primary ones, requiring long-term care.

➤ OVERVIEW OF GHC CLINICS IN THE LAZIO REGION



Villa Von Siebenthal (Genzano, Rome – Lazio)



This is one of the main neuropsychiatric facilities in Lazio and has been accredited by Italy's National Health System. It treats patients referred by various local mental health centres. In 2015 it became the first residential psychiatric facility to be accredited by the Lazio region for the extended psychiatric treatment of adolescents and is the only facility in Italy to offer intensive care for adolescents. The facility accepts adult and juvenile patients voluntarily admitted on an ordinary basis for mental illnesses, in both the acute and post-acute phases, in addition to patients suffering from substance dependency, placed in its rehabilitative treatment community.

10. INVESTMENTS

(i) Recurring investments

During 2020, 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.

(ii) Non-recurring investments in new equipment

In addition to that above, in 2020 GHC announced the approval of an ambitious investment plan, 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. We report below on some of the particularly significant investments.

C.M.S.R. - Philips Magnetic Resonance Imaging Model 3 Tesla "Ingenia Elition"

This equipment, in addition to the existing technology (2 magnetic resonance 1.5 Tesla, 1 joint MRI and 1 CT scan), which can be used for research purposes, meets the increasing demand for health services, while also improving demand from outside the region for NHS and private services.

By leveraging the advantages of digital technology in terms of quality and speed, it is the latest evolution of 3 Tesla MRI systems and is marked not only by the high quality of the images, but also by the speed of performing examinations. This makes it the equipment of choice for exploring various areas of the body, particularly in terms of neurology, to diagnose many central nervous system diseases such as some forms of dementia, and to support the study of epilepsy and multiple sclerosis. The power of the 3 Tesla magnetic field and the technological solutions used can also be exploited to improve the diagnostic accuracy in the evaluation of many diseases of the heart, for the in-depth study of lesions of the breast and urogenital system, in particular in the diagnosis, staging and monitoring of prostate cancer

Villa Berica - Philips Magnetic Resonance Imaging Model 1.5 Tesla "Ingenia Ambition S"

This equipment represents a significant improvement in quality and quantity over its previous configuration. The new MRI, in fact, unlike traditional 1.5 Tesla MRIs, is equipped with a revolutionary technology which ensures highest level MRI's, which are faster and more comfortable for the patient, while also more environmentally friendly as "helium free".

Aesculapio - Philips Magnetic Resonance Imaging Model 1.5 Tesla "Prodiv CS Stellar"

This equipment provides high-quality examinations and positions Aesculapio as the only accredited private outpatient clinic in the province of Modena with this technology. In September 2020 work began on the expansion of the facility to obtain 700 additional square meters divided into two floors in the warehouse adjacent to the premises already used for healthcare services. This expansion project includes: (i) the installation of the new MRI described above on the ground floor together with a 64-slice General Electric CT scanner from the CMSR facility in Altavilla Vicentina and (ii) the construction of five medical clinics and a space for rehabilitation activities.

XRay One - "Revolution EVO" 128-layer CT scan

This equipment, acquired during 2020, is a state-of-the-art device that can reduce patient-directed ionizing radiation by up to 82% in routine imaging. The rebuild speed of such equipment is also far superior than other equipment.

(iii) Investments in non-recurring fixed assets

During 2020 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 short description of these investments follows.

Expansion of Istituto Raffaele Garofalo

On July 11, 2018, Eremo di Miazzina S.p.A., the company that owns the L'Eremo di Miazzina facility and Istituto Raffaele Garofalo, both located in the region of Piedmont, was awarded, in an execution procedure, title to a property adjacent to Istituto Raffaele Garofalo, located in Gravellona Toce (VB), previously used as a shopping centre but to be renovated appropriately and used to expand hospital rehabilitation service, in addition to expanding and diversifying accredited specialist outpatient services, currently offered at Istituto Raffaele Garofalo. This will not only permit Istituto Raffaele Garofalo to meet the legal minimum of 60 beds required to maintain independent accreditation with the Regional Health Service, while taking advantage of its location in an area without healthcare services, but will also allow L'Eremo di Miazzina to focus on offering dependency care services and long-term hospital care by exploiting its location in an area with peculiar climatic and therapeutic conditions. On September 5, 2018 the Court of Verbania rendered an order transferring the title to the above property following the payment of the balance of the price by Eremo di Miazzina S.p.A. for a total of Euro 3.7 million. In December 2018 Eremo di Miazzina S.p.A. entered into full possession of the new property and commenced the process of preparing for renovations.

The above expansion project involved investments primarily relating to the purchase and renovation of the property, i.e. the planning and execution of the work, furniture and fittings and the fitness for use and accreditation procedure.

In the first half of 2020, as per the procurement contract, the General Contractor filed the executive plan to allow them to begin the administrative processes required to obtain a construction permit. Pending the award of this permit, the General Contractor initiated such worksite activities as may be carried out following the presentation of the Certified Start-Up Notification. This meant beginning internal demolitions and creating the external site area. These activities proceeded swiftly until the anti-COVID regulations brought them to a halt. Work began again in March 2020.

It should be noted that on September 22, 2020 the Piedmont regional government issued the necessary favourable prior opinion pursuant to Articles 8-ter and 8-quater of Legislative Decree 502/92. Once this deed was obtained, the request for authorisation for the extension pursuant to Piedmont Regional Law No. 5 of January 14, 1987 was formalised, as a precursor to the issue of the resulting authorisation measure.

The Company confirms that it has received the draft agreement sent by Autostrade per l'Italia S.p.A. ⁽¹⁵⁾, which signals that the concession of the construction permit is imminent, and which must be signed for acceptance by Eremo's legal representative.

On January 6, 2021, a meeting of the Municipal Council was held which approved the aforementioned draft convention and determined the urbanisation charges to be paid before the construction permit is awarded.

The Santa Marta Project (so-called "ex-school", today known as the "Villa Fernanda" Project)

By preliminary deed dated December 6, 2017, Ro. E. Mar S.r.l. had committed to acquire title to a building located in Genoa that had been used as a school in order to relocate to this property, following appropriate renovation, the activities carried out at the Santa Marta facility in Genoa and, once the transfer to the new facility is complete, to modernise the existing facility to offer care on a private basis only, i.e. with costs billed to patients. The new facility will house 70 beds, while the existing clinic will have 16 fewer total beds in order to improve the overall efficiency of the clinics. The purchase of the building to be used as a new social-care facility was finalised on December 24, 2018.

On October 21, 2020 the Municipality of Genoa, by order No. 498, authorised the transfer of the "Santa Marta" protected residence to the new "Villa Fernanda" clinic. The transfer was carried out and completed on November 11, 2020, in full compliance with all safety regulations.

Due to the logistical-infrastructure restrictions arising as a result of the pandemic, 66 beds are currently available for use (of a total capacity of 70).

At the same time, once the so-called "ex-Santa Marta" building had been vacated, work began on the design of the new building. Inspections and technical checks were carried out on structural elements of the building, as well as aspects related to fire regulations. The next step will see a procurement contract awarded, and subsequently work will begin that should be completed by the end of 2021.

Creation of new multi-specialist clinics at the Poliambulatorio Dalla Rosa Prati

Following growing demand for multi-specialist services, in 2019 the Poliambulatorio Dalla Rosa Prati began and completed renovations of the first floor of the building adjacent to its main clinic, in Via Emilia Ovest, Parma.

The property, owned by the Poliambulatorio since the signing of a property acquisition contract in December 2017, currently houses the Dental Department, which occupies the second floor.

The aforementioned expansion project saw the creation of eight new clinics to enhance the multi-specialist activities of the professionals already working at the structure. It also opened up the possibility of accepting proposals from other respected doctors in the area seeking to collaborate with the Poliambulatorio Dalla Rosa Prati for services provided to private patients.

The investments made focused principally on the design and construction of the new outpatient clinics, complete with reception, services, furniture and furnishings, and on healthcare authorisation procedures.

In view of the health authorisation issued by the Parma Local Health Authority in March 2020, and due to the restrictions imposed by the various Presidential Decrees that followed one another in March, April and May, the aforementioned outpatient clinics began operation in June 2020.

Villa Garda expansion

This investment foresees the expansion of the facility through new construction to be carried out during 2021. The expansion of the buildings was undertaken in order to benefit fully from the increase of 10 accredited beds approved by the Veneto Regional Council with Regional Council Motion No. 614 of May 14, 2019. Implementation of the provisions contained in the motion is pending the conclusion of the accreditation process. The expansion works will also allow Villa Garda to offer more single rooms, which will be made available especially to the most vulnerable patients, offering them greater comfort and assistance.

⁽¹⁵⁾ This deed was necessary as Autostrade per l'Italia owns the landholding that separates the two buildings. This landholding will be crossed by a raised walkway that will connect the two sites

The investment also covers the extension of the Aula Magna to accommodate conferences and medical congresses, construction of a number of underground rooms to be used for storage, and renovation of the external façades of the two main pavilions. The extension of the Aula Magna is nearing completion, while work on the basement rooms and the renovation of the façades is still on-going.

(iv) Equity investments

In 2020, equity investments were also made through the acquisition of XRay One S.r.l., a diagnostic centre based in Poggio Rusco (Mantua).

Acquisition of 100% of XRay One

On July 23, 2020, following on from that announced to the market on July 2, 2020, the company closed the acquisition of 100% of the share capital of XRay One S.r.l., a diagnostic centre for radiology and specialist medicine, accredited by the National Health System and located in Poggio Rusco, in the province of Mantua. The acquisition was based on an Enterprise Value of Euro 13.6 million and an Equity Value of Euro 12.8 million.

11. 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.

General Introduction

After an extremely positive start to the year in January and February, the GHC Group's 2020 consolidated figures reflect the impact of the COVID-19 health emergency in Italy, which, as of March, led to local and national measures enforcing the suspension of all outpatient and hospitalisation activities (with the exception of urgent and non-deferrable procedures, i.e. those requiring intervention within 24 hours or 10 days).

GHC Group activities in "Phase 1" (February, March and April 2020)

The Group, in response to the situation outlined above, drew up and executed a series of actions and interventions to ensure the provision of healthcare and dependency care services in complete safety, while also ensuring that employees can work in strict compliance with the issued provisions.

These interventions were supported by ongoing monitoring and communication of the developing situation, also through periodic meetings between the Chief Executive Officer of the Group and the Chief Executive Officers / General Managers / Healthcare Managers of the subsidiaries. Monitoring and action plans were developed to assess the impacts of COVID-19 on the various operating areas and to contain its impacts.

By means of such synergetic and co-ordinated emergency management, GHC has been able to curb the spread of COVID-19, significantly limiting the spread of the virus within its clinics (including care clinics (RSA)). This was made possible by specific actions, including:

- i) the definition of Group operating protocols, which has allowed each facility to operate according to safety standards that are both stringent and shared;
- ii) centralised management of the supply of Personal Protection Equipment (PPE), which has ensured the prompt and cost-effective provision of PPE for every facility;
- iii) constant sharing of technical-specialist expertise regarding the clinical and epidemiological aspects of the virus;
- iv) the temporary relocation of healthcare staff from one facility to another in line with the extraordinary requirements related to COVID-19 during the quarter.

In addition, it is noted that all GHC Group structures actively collaborated in the period with the public healthcare system to tackle the pandemic. Specifically:

- the Casa di Cura Prof. Nobili, Rugani Hospital and l'Eremo di Miazzina, in collaboration with the relevant healthcare service, established wards dedicated to COVID-19 patients emerging from the acute phase, but still testing positive for the virus. These were equipped with 30, 20, and 32 beds, respectively. To ensure that this was carried out in complete safety, staff at all facilities were adequately trained, and suitable PPE was provided. Structural work was also undertaken to ensure the total separation of COVID-19 wards from other essential care areas.
- l'Eremo di Miazzina also dedicated a further 15 beds to "post-COVID" patients, i.e. those testing negative for the virus but awaiting further clinical tests, and as such not yet ready to be discharged;
- l'Hesperia Hospital of Modena collaborated with Modena General Hospital and a healthcare service company to provide urgent oncological surgery for patients at the General Hospital and all the other hospitals managed by that healthcare service. To do this, the facility opened to patients a recovery ward equipped with 30 beds, operating theatres, intensive care facilities and all other auxiliary services, along with its own highly qualified staff;
- The Ospedali Privati Riuniti of Bologna provided 40 beds and four operating theatres for the Sant'Orsola-Malpighi and Maggiore Hospitals of Bologna, allowing urgent oncological surgery to continue for patients of those hospitals.
- Rooms were set up within the Poliambulatorio Dalla Rosa Prati of Parma for the use of the oncological Day Hospital at Parma Hospital, allowing patients to continue their chemotherapy treatment in a safe, protected environment;
- Finally, la Casa di Cura Villa Berica provided San Bortolo Hospital with pulmonary ventilators and intensive care nursing support.

Progressive restart of GHC Group activities in "Phase 2" (May, June, July, August and September 2020)

From May 4, with the easing of the restrictions previously imposed and the start of "Phase 2", Group activities resumed, although in a progressive and non-uniform manner, in compliance with the national and local regulations as applicable.

Specifically:

- Ospedali Privati Riuniti di Bologna was able to resume surgeries only from May 7, although to a limited extent due to the presence of medical staff from public hospitals (as part of the activities in support of the public system), while outpatient activities - particularly in terms of diagnostic imaging - could only resume from May 18;
- the Casa di Cura Prof. Nobili was only able to resume activities from May 18, with the partial restart of surgeries and exclusively to shorten the waiting list built up during the suspension period, while activities and wards were only fully reopened from June 3, following the total closure of the COVID ward;
- Rugani Hospital, in view of the specific ASL (local healthcare authority) motion, resumed activities only from May 18, while the full reopening of activities and of wards only took place from June 15, following the full closure of the COVID ward;
- the structures of the Fides⁽¹⁶⁾ Group, in view of the local rules issued, were only able to take on new patients from July.

In addition, Group activities in "Phase 2" were further impacted by the reduced production capacity in view of the public system support activities carried out by the Group. Specifically:

- The COVID-patient dedicated wards set up in "Phase 1" and indicated above remained open, until May 31 at Casa di Cura Prof. Nobili, until June 10 at Eremo di Miazzina and until June 15 at Rugani Hospital;
- The public system support activities provided by Ospedali Privati Riuniti di Bologna and Hesperia Hospital continued in May and June and are still ongoing, although to a reduced extent;
- The public system support activities provided by the Poliambulatorio Dalla Rosa Prati and outlined above continued throughout the month of May.

⁽¹⁶⁾ With the exception of the Villa S. Maria Psychiatric Rehabilitation Centre and the Le Note di Villa S. Maria managed by the "Comunità di Alloggio ad Utenza Psichiatrica"

GHC Group activities in October, November and December 2020

From October, in view of the deteriorating COVID-19 outbreak in Italy, it is noted that all GHC Group clinics closely collaborated in the period with the public healthcare system to again tackle the pandemic, managing at the same time not to limit its operations. Specifically:

- the Casa di Cura Prof. Nobili, Rugani Hospital and l'Eremo di Miazzina, in collaboration with the relevant healthcare service, re-opened wards dedicated to COVID-19 patients emerging from the acute phase, but still testing positive for the virus. These were equipped with 30, 10, and 32 beds, respectively;
- Ospedali Privati Riuniti di Bologna continued to support the public system, also providing a 20-bed ward dedicated to COVID patients. In addition to this, it should be noted that in November OPR won a public tender with the Rizzoli Orthopaedic Institute to carry out orthopaedic surgery at its facility in Villa Regina;
- During the reporting period, Hesperia Hospital continued its support to the public system of recent months and also made available to the Policlinico and AUSL di Modena 4 weekly operating room sessions for Oncological Senology procedures and 1 weekly session for orthopaedic procedures;
- Villa Berica in November made available a 10-bed ward dedicated to COVID patients, then closed in December

Main impacts of COVID-19 on the consolidated financial statements at December 31, 2020

The consolidated results of the GHC Group for 2020 reflect the impact of COVID-19 and the consequent suspension from March of all outpatient and hospitalisation activities (with the exception of urgent and non-deferrable procedures, i.e. those requiring intervention within 24 hours or 10 days).

With regards to the 2020 Income Statement, COVID-19 at consolidated level resulted in:

- (i) a reduction in Operating EBITDA Adjusted of 11.0% on 2019 (and of 23.4% on the pro-forma figure), mainly due to the above-indicated mandatory suspension of activities;
- (ii) one-off costs with a total impact of Euro 2,600 thousand ⁽¹⁷⁾ ("additional COVID costs") for personal protective equipment (PPE), swabs/tests, the preparation and management of triage areas and the dedicated distancing pathways ⁽¹⁸⁾.

With regards to the 2020 Balance Sheet, COVID-19 at consolidated level resulted in:

- (i) 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 the previous year or that of the budget agreement. These advances in 2020 totalled approx. Euro 7,960 thousand;
- (ii) there were no delays in collections due to COVID-19; a portion of the increase for the year was due to the invoicing reimbursements of higher COVID costs mainly towards the end of the year.

Impacts of COVID-19 on the Group's operating and financial outlook

Management conducted the impairment test considering both the provisions of IAS 36 and Consob clarification No. 1/21 of February 16 for effects related to the COVID-19 pandemic.

In this environment, each Group company prepared its long-term plan for the next 4 years, taking into consideration for 2021 the effects of the ongoing pandemic. These operating and financial forecasts, shared with the parent company, were approved by the Board of Directors of each of the Group companies in February 2021. It should be clarified that the impairment test was subject to approval by the Board of Directors of the Parent Company on March 9, 2021. The company considered it appropriate to appoint an independent expert to carry out the impairment tests ⁽¹⁹⁾ on the intangible assets recognised to the financial statements at December 31, 2020. Based on the conclusions of this independent expert, no permanent losses in value were detected for any CGU, so there was no need to recognise impairment for these assets.

⁽¹⁷⁾ Considering the partial repayment of these costs for Euro 1,270 thousand recognised at 31.12.2020

⁽¹⁸⁾ The "additional COVID costs" are excluded from the calculation of Operating EBITDA Adjusted, as indicated in the previous pages

⁽¹⁹⁾ The impairment test is described in detail in the Notes to the Consolidated Financial Statements at December 31, 2020, available on the company website in the *Investor Relations / Accounts and Reports* section.

In addition, in line with the Consolidated Financial Statements at December 31, 2019, the company prudently appointed the independent expert to carry out a stress test which, entirely hypothetically, considered: (i) in terms of revenues: a reduction (of between 50.98% and 100%) in planned Group revenues in 2021 to zero; and (ii) in terms of costs: entirely unchanged overhead costs against those planned by the Group. This "stress test", based on a particularly prudent hypothesis, confirmed the impairment test for all Group Cash Generating Units ("CGU"). This stress test confirms, even in the presence of the COVID-19 pandemic, that the impairment test holds for all CGUs.

12. 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. This organisational model was formalised in the Group Regulations defined below and approved by GHC's Board of Directors in 2020.

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:

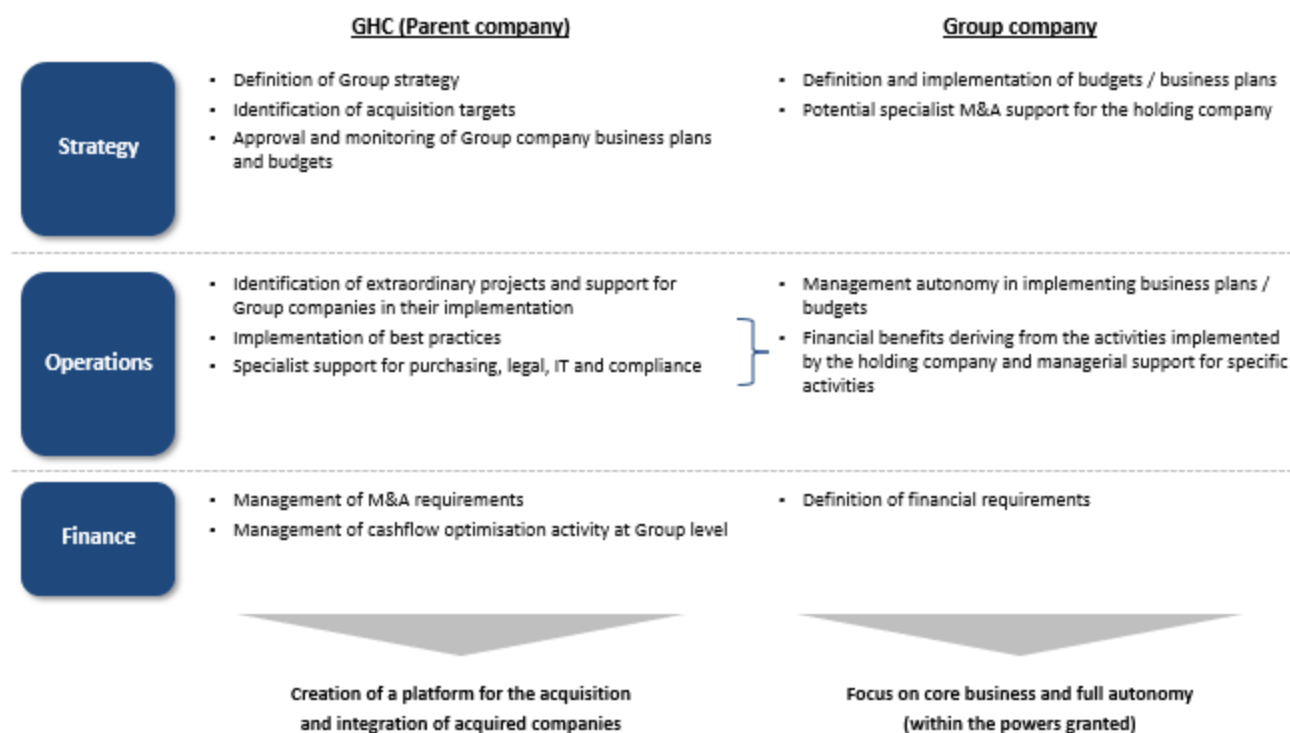
- the strategic or operational areas in which the acts of management and coordination are carried out;
- "Significant Transactions" which must be submitted for prior authorisation by the Board of Directors or the Chief Executive Officer of the Parent Company;
- the instruments through which management 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.

In particular, the Parent Company: identifies the strategic development guidelines to be pursued, assigns objectives to the individual clinics and monitors their achievement, identifies potential clinics to be acquired (manages M&A's and the post-acquisition integration plan for the achievement of potential synergies), in addition to certain specific Group activities in order to quickly tap into the possible business efficacy and efficiency synergies.

Similarly, each subsidiary independently manages the provision of healthcare and dependency care services under its responsibility, draws up the Budget / Business Plan and is responsible for its implementation, periodically defining its financial requirements.

Transactions between the Parent Company and its subsidiaries, in terms of scope of activities, are presented below.

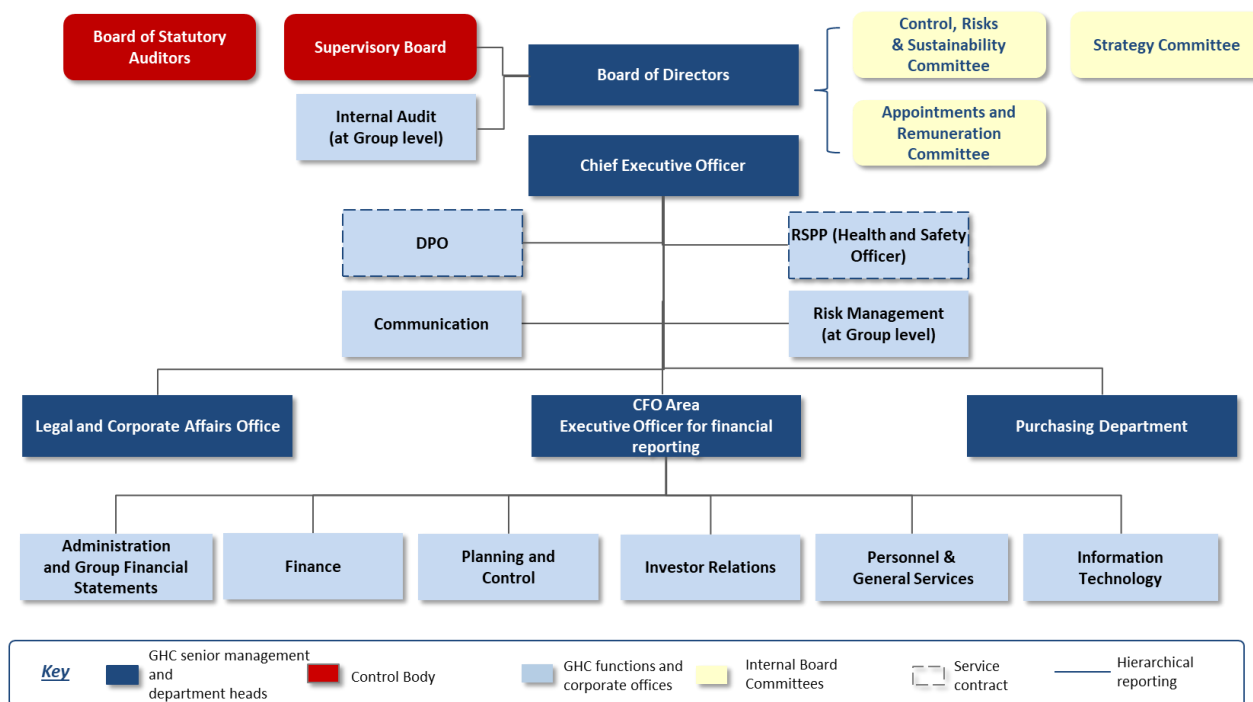


Organisational model of the Parent Company

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

- CFO Area: (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 and (iv) supports the Group's structures in terms of these issues;
- 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 CEO, and ensures the communication of information regarding GHC and each subsidiary, with the exception of regulated information;
- Purchasing Area: handles the procurement of goods and services to support the operations of the Company, contributing to Group purchasing policies in line with corporate strategies;
- 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.

The organisational model also provides that, based on the indications provided by the Self-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.



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).

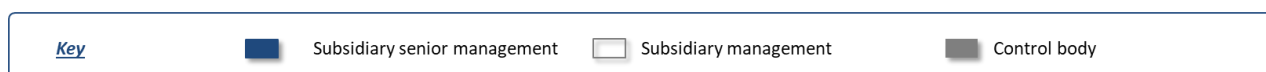
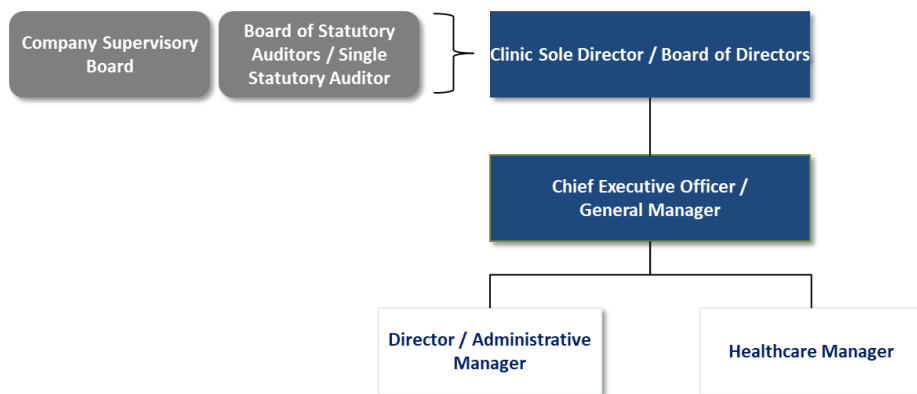
As part of the Group's overall regulatory system, in addition to adopting and applying these regulatory instruments, each subsidiary identifies and issues specific regulatory and operational instruments (such as, by way of example, procedures), in compliance with the Group's regulatory system, in order 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.

The most important update to the regulatory system is determined by the formalisation within it of corporate regulatory instruments (Procedures) which are issued by the Parent Company and are then directly implemented by the subsidiaries through formalisation in their respective governing bodies (for matters falling under the Parent Company's responsibility, including, *inter alia*, those relating to Law No. 262/2005, Internal Audit and Risk Management).

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.



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

13. 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

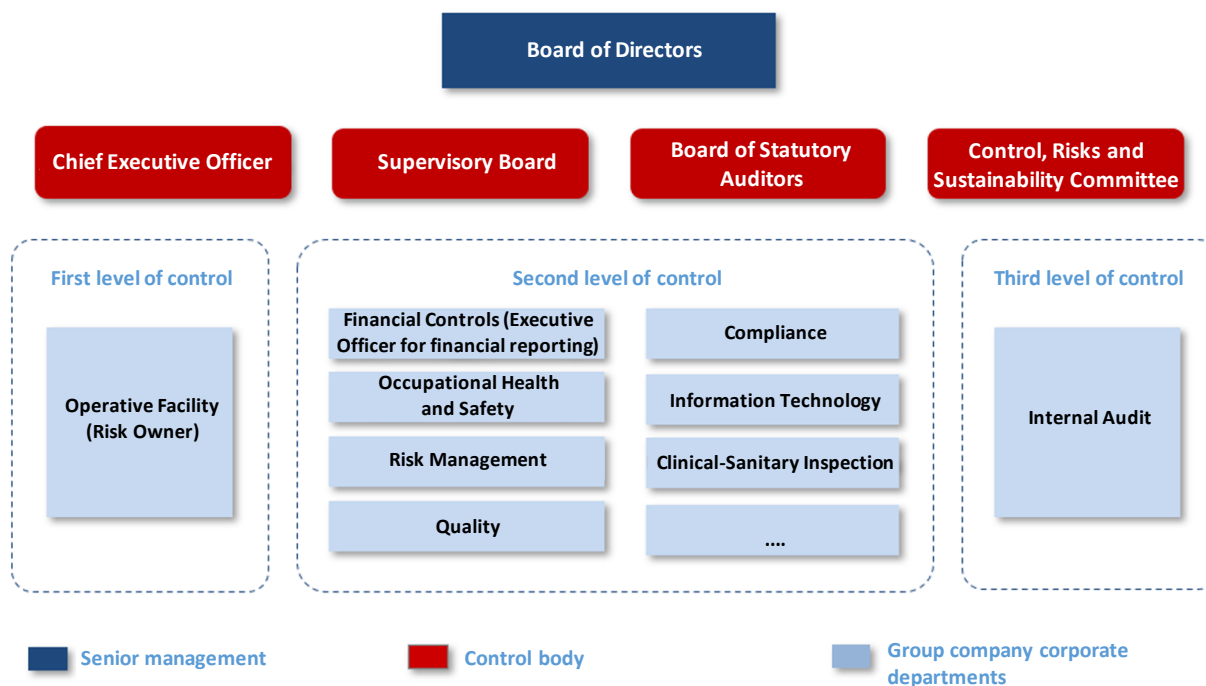
The Internal Control and Risk Management System ("ICRMS") plays a central role in GHC's decision-making process and is defined, in accordance with the principles set out in Article 6 of the new "Corporate Governance Code for Listed Companies" adopted by the Corporate Governance Committee in January 2020, 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**") 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 Department 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 (Group Ethics Code to promote and maintain an adequate level of correctness, transparency and ethics in the conduct of Group activities, Organisational and Management Model pursuant to Legs. 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 risks of the Group or of the individual subsidiaries (Risk Management, Legal, Compliance, Occupational Health and Safety and Environment, Administration and Control, Clinical Risk, etc.);
- Third level: controls carried out by the Internal Audit Function, responsible for providing independent assurance through a risk-based approach to first and second level controls, in addition to the overall architecture and functioning of the ICRMS, to identify anomalous trends and violations of procedures and regulations applicable to the organisation.

In 2020, the Guidelines were subject to a specific update in order to: (i) implement organisational changes made in the Parent Company and (ii) adapt the document to the new Corporate Governance Code for Listed Companies, in effect since January 1, 2021.

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.

The approach followed by GHC, which outlines the nature and profile of the main risks that can undermine the achievement of business planning and sustainability objectives, highlights the focus and importance that the Group places on risk management.

In line with the approved ERM model, the GHC Group's risk management is based on a structured and continuous 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.

Specifically, the main ERM objectives are to:

- obtain an integrated and dynamic view of the Group's main business risks that may impact the achievement of strategic objectives;
- strengthen the corporate culture at all levels and the awareness that appropriate risk assessment and management benefits the achievement of objectives, the creation of value for the company and long-term sustainability;
- promote the consideration of risk management in the company's processes in order to guarantee consistency among the methodologies and tools for risk management and control;
- develop a common language and provide a consistent approach to identifying events that may affect the company's business.

In particular, the ERM model centres on specific key elements that interact according to precise operating logics, in particular:

- Risk Appetite: a tool which defines, for the various applicable risk categories and in order to support the strategic objectives and the mission, in line with the Group's value system, both the Risk Appetite which the Group wishes to assume, in addition to the Risk Tolerance;
- Corporate Risk Profile: map of key Group risks (Risk Register), with an assessment of the probability and impact in terms of hindering the Company's objectives;
- Key Risk Indicators (KRI): indicators for the periodic and ongoing monitoring of the Corporate Risk Profile;
- Risk Governance: setting of the roles and responsibilities of the various Group stakeholders, in addition to information flows.

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

Roles and responsibilities of the GHC ERM framework

	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 the ERM Guidelines and the RAS, as well as the results of the Group Risk Assessment
	Control, Risks and Sustainability Committee	<ul style="list-style-type: none"> - Oversees correct and effective application of the ERM methodology across the Group - Supports Board evaluations and decisions related to the risk management system
IMPLEMENTATION	Chief Executive Officer	<ul style="list-style-type: none"> - Implements the guidelines defined by the Board of Directors - Validates the ERM Guidelines and defines the RAS, with the support of the relevant departments - Validates the results of the Group Risk Assessment
	Group Risk Manager	<ul style="list-style-type: none"> - Develops the methodological approach and components of the ERM model - Coordinates and supervises Risk Assessment activities
	Risk Coordinator for healthcare facilities ⁽¹⁾	<ul style="list-style-type: none"> - Coordinates Risk Assessment activities at the reference health facility, ensuring application of ERM methodology - Ensures adequate information and reporting flows to the Group Risk Manager
	Risk Owners	<ul style="list-style-type: none"> - Identify and assess risks - 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

(1) 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.

In particular, the methodological framework adopted by the Group for compliance with Law No. 262/2005, which is fully integrated into the process of drawing up financial reports, focuses on:

- ensuring the widest possible inclusion of the various Group Companies within the scope of Law No. 262/2005, taking account of the quantitative criteria (contribution to the main consolidated financial statement items) and the qualitative elements and features of the individual Group Companies;
- providing for coverage, through manual and/or automatic testing, of the administrative and accounting processes with an impact on the main Income Statement and Balance Sheet items;
- defining and implementing an operating approach focused on the progressive balancing of manual and automated control activities, the latter carried out through tools already adopted by the Group to ensure the operativity of closing processes and also through the implementation of innovative Robotic Process Automation (hereinafter also "RPA") technologies. This latter aspect is to be considered particularly relevant, since the implementation of the test automatisms allows the execution of massive analysis on the complete universe of the transactions related to the processes being tested. This implies that the manual testing activities represent an integration of the automatic

tests and input, where possible, the anomalies highlighted by the individual "robots", each for their relative scope, in order to analyse the anomalies found and reconcile the emerging differences.

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 2020 with the acquisition of XRay One in July.

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 main functions of the Parent Company, allows GHC to consolidate the Target within the first 60 days of its acquisition, ensuring execution capability and effective risk mitigation.

In this regard, the main integration activities concern the following areas/functions: (i) Legal and Corporate Affairs, for the introduction of the Group Regulations, Guidelines and Operating Procedures; (ii) Administration and Financial Statements, for alignment with IAS/IFRS international accounting standards and the practices set out in the Group Accounting Manual; (iii) Planning and Control, for the drafting of a Budget (current year) and a Business Plan (long-term); (iv) Finance and Treasury, for the setting of short- and medium/long-term treasury and liquidity needs, as well as the optimisation of the financial structure, (v) Information Technology, for the introduction and integration of the main Group applications.

MAIN AREAS OF INTEGRATION

Pre-acquisition	Activities implemented by CEO/GM of Target with the support of the main functions of the Parent Company	Post-acquisition
⊗	LEGAL AND CORPORATE – Implementation of Group Regulations, Guidelines and Procedures	☑
⊗	ADMINISTRATION AND BUDGET – Alignment with international financial reporting standards IAS/IFRS – Alignment with practices outlined in the Group Accounting Manual	☑
⊗	PLANNING, CONTROL AND RISKS – Drafting of the Budget for the current year – Drafting of the multi-year Business Plan – Access to the Group's Risk Management best practice	☑
⊗	FINANCE AND TREASURY – Definition of ST and MLT treasury and liquidity needs – Optimisation of Target's financial structure	☑
⊗	INFORMATION TECHNOLOGY – Integration of Group applications for the areas of Administration / Financial Statements and Finance / Treasury	☑

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”) established a 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, CMSR Altavilla Vicentina, Sanimedica and OPR) have contracted insurance policies, while others operate under the “self-insurance” scheme, upon verification of quantifiable requests for compensation 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 Regulation (EC) No. 679/2016 on personal data protection (“GDPR”) and Legs. Decree No. 196/2003 (the “Privacy Code”), as well as the orders issued by Italy’s Personal Data Protection Authority. Each Group company has introduced specific documentation and internal procedures to ensure that their personal data processing operations are compliant 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.

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

The Group is exposed to the risk of incurring penalties in the event that its organisation and management model pursuant to Legislative Decree No. 231/2001 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**”)⁽²⁰⁾, (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 Ethics Code and (iii) set up their Supervisory Boards. The GHC Supervisory Board has been placed in charge of the Group Ethics Code for all GHC Group companies.

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, 2020 and December 31, 2019 is represented by the book value of the assets recorded in the 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.

⁽²⁰⁾ The 231 Model was adopted by GHC’s BoD on August 8, 2018 and was subsequently updated on July 30, 2020.

In particular, in 2020, in view of COVID-19 related health emergency, the Group closely monitored the collection of its trade receivables and does not report reduced average collection times from its public sector counterparties.

Therefore, according to the information currently available and in view also of the COVID-19 related health emergency impact, the Company does not consider additional specific risks have arisen on the recoverability of receivables from these parties.

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 2020, 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, also as a result of the financial agreements concluded with the main Regions in which the Group operates ⁽²¹⁾.

The NFP at 31.12.2020 benefitted from the advances disbursed by the main regions in which the Group operates. 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 regional and extra-regional production for the previous year or that of the budget agreement. Advances in 2020 of Euro 7,960 thousand were recognised.

Therefore, on the basis of the information currently available and also in view of the COVID-19 related health emergency impact, 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 interest rate risk to which the Group is exposed arises not only from the short-term credit lines extended to all Group companies, but also from the medium/long term loans contracted by certain Group companies such as Rugani Hospital, Eremo di Miazzina, CMSR Veneto Medica, Villa Von Siebenthal, Gruppo Fides, Centro Medico San Biagio, Ospedali Privati Riuniti, Poliambulatorio Dalla Rosa Prati, Centro Medico Università Castrense, Casa di Cura Villa Garda, Garofalo Health Care, Villa Berica, Aesculapio, and XRay One (following the merger with GHC Project 5 S.r.l.).

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. At the reporting date, the Group has a derivative instrument (Interest Rate Swap, "IRS") to manage the interest rate risk on the Euro 20 million loan issued by Banco BPM in 2019 for the acquisition of Centro Medico S. Biagio and Centro Medico Università Castrense, in addition to a derivative instrument agreed by the company Eremo di Miazzina S.p.A. with Banco BPM. Derivative instruments to hedge interest rate risk were also recognised by Villa Berica, CMSR Veneto Medica, and Aesculapio. Hedging activity is assessed and decided upon on a case-by-case basis.

⁽²¹⁾ The contribution of these advances on 2020 is described in the preceding pages

14. OUTLOOK

The excellent results delivered by the Group facilities following the easing of the restrictions - confirmed by significantly improved Revenues and Op. EBITDA Adjusted from July against the previous year - highlight the Group's capacity to react quickly, through efficient management and the full use of the facilities' production structures, which generally are only partly expressed in view of the budget limits.

In January and February 2021 the Company reported Revenues in line with the same period of 2019, a year which was not affected by the COVID emergency, despite the still uncertain general operating environment.

The outlook for the coming months depends on which restrictions may be introduced by governments in the fight against the pandemic, which are currently uncertain in terms of extension and duration. Looking beyond specific short-term issues, however, the Company remains positive on its growth outlook both for revenues and margins in view of the unchanged sector fundamentals, the growing demand for hospital and dependency care services, in addition to its strong market positioning and capacity for execution - both within growth cycles and in more challenging environments, as is currently the case.

15. OTHER INFORMATION

Corporate governance and shareholders

The Company complies with the Self-Governance Code promoted by Borsa Italiana S.p.A., in force since December 31, 2020 and its corporate governance structure is designed in compliance with the recommendations contained in the Code and its updates.

The Corporate Governance Committee (promoted by Borsa Italiana S.p.A., ABI, Ania, Assogestioni, Assonime and Confindustria) approved and published on January 31, 2020 the new Corporate Governance Code, which, with regards to the adopting companies (including GHC), is applied from the first year subsequent to December 31, 2020 and will inform the market in the corporate governance and ownership structure report to be published in 2022.

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 Self-Governance Code, the main governance practices applied and the features of the risk management and internal control system with regards to the financial reporting process.

This report was approved by the Board of Directors on March 16, 2021 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 initial date of trading of the Company shares on the Mercato Telematico Azionario (MTA) managed by Borsa Italiana S.p.A., and 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.

At December 31, 2020, the Company's Board of Directors was therefore comprised as follows:

1. Alessandro Maria Rinaldi (Chairman of the Board of Directors)
2. Maria Laura Garofalo (Chief Executive Officer)
3. Claudia Garofalo (Executive Director)
4. Umberto Suriani (Executive Director)

5. Patrizia Crudetti (Director)
6. Giuseppe Giannasio (Executive Director)
7. Alessandra Rinaldi Garofalo (Director)
8. Nicola Colavito (Director)
9. Franca Brusco (Independent Director)
10. Federico Ferro Luzzi (Independent Director)
11. Grazia Bonante (Independent Director)

The members of the Board currently in office were appointed by the applicable regulations for joint-stock companies not listed on regulated markets and therefore not according to the “slate voting” mechanism, as (i) the Directors Alessandro M. Rinaldi, Maria Laura Garofalo, Claudia Garofalo, Umberto Suriani, Patrizia Crudetti, Giuseppe Giannasio, Alessandra Rinaldi Garofalo and Nicola Colavito were appointed before the listing of the Company and therefore the adoption of the new By-Laws (which introduced the slate voting mechanism) which entered into force on the Trading Commencement Date; and (ii) the Directors Franca Brusco, Grazia Bonante and Federico Ferro-Luzzi were appointed following the termination of these Directors from office as per Article 2386 of the Civil Code (co-opted in 2019), and therefore without applying the slate voting mechanism, since this process did not entail the complete reappointment of the Board of Directors. For further details, reference should be made to the Corporate Governance and Ownership Structure Report available on the Company website www.garofalohealthcare.com, Governance/Shareholders' Meeting section.

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, 2020.

With regards in addition to corporate governance, the Board of Directors:

- set up a Control, Risks and Sustainability Committee assigned the functions identified by the Self-Governance Code regarding internal control and risk management, 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) and, from September 26, 2019, regarding the sustainability of corporate policies;
- set up an Appointments and Remuneration Committee, assigning the functions identified by the Self-Governance Code concerning appointments and remuneration;
- appointed Fabio Tomassini as the Executive Officer for Financial Reporting in accordance with Article 154-*bis*, first paragraph of the CFA;
- appointed Ms. Maria Laura Garofalo (Chief Executive Officer of GHC) as Director in charge of the Internal Control and Risk Management System, granting her the powers set out in the Self-Governance Code;
- brought in-house from July 1, 2020 the Internal Audit activities (until June 30, 2020 outsourced to Marsh Risk Consulting Services S.r.l. in the person of Mr. Maurizio Quintavalle), by appointing Ms. Alessandra Maurelli as Internal Audit Manager.

The current Board of Statutory Auditors was appointed by the Shareholders' Meeting on July 31, 2018 for the three-year period 2018-2020 and will remain in office until the Shareholders' Meeting called to approve the financial statements for the year ended December 31, 2020.

The members of the current Board of Statutory Auditors were elected with the majorities provided for by law for companies not listed on regulated markets and not according to the voting mechanism based on slates. The above mechanism will apply when the Board is re-elected.

The Company's Board of Statutory Auditors was comprised as follows at December 31, 2020:

1. Alessandro Musaio (Chairman of the Board of Statutory Auditors)
2. Francesca di Donato (Statutory Auditor)
3. Andrea Bonelli (Statutory Auditor)
4. Jacopo Doveri (Alternate Auditor)

On September 30, 2020, the Statutory Auditor Giancarla Branda resigned with effect from October 1, 2020, due to the accumulation of offices held. These resignations were announced to the market in a timely manner through press releases. Therefore, from October 1, 2020 and until the next Shareholders' Meeting, in accordance with law and the By-Laws, Mr. Andrea Bonelli, previously appointed as an alternate auditor with Shareholders' Meeting motion of July 31, 2018, took on the position of statutory auditor, declaring to have met the legal requirements and confirming the declarations previously issued on his 2018 appointment.

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.

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. in its capacity as a listed company. In accordance with the principles laid down in Art. 7 of the Borsa Italiana Self-Governance Code, the System is defined as the overall rules, procedures and organizational structures which permit, through an adequate process of identification, measurement, management and monitoring of the principal company risks within the Garofalo Health Care Group, management of the enterprise in accordance with the objectives set by the Board of Directors and in pursuit of the creation and protection of value in the medium-to-long term.

On October 19, 2020, the Board of Directors of Garofalo Health Care S.p.A. approved an update to the above-stated Internal Control and Risk Management System Guidelines of the GHC Group in order to adopt a number of organisational amendments and the new rules introduced with the new "Corporate Governance Code for Listed Companies" adopted by the Corporate Governance Committee in January 2020 and entering into force on January 1, 2021.

Remuneration schemes based on financial instruments

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 "2019 - 2021 Stock-Grant Plan" ("the 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 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 Plan is divided.

On March 16, 2021, the Board of Directors, after consultation with the Appointments and Remuneration Committee, approved to submit to the Annual General Meeting of Shareholders the approval of a new long-term incentive plan replacing the 2019-2021 Stock Grant Plan limited to the year 2021.

For further details on the Plan, reference should be made to the 2021 remuneration policy and 2020 remuneration paid report, the relative Disclosure Document drawn up in accordance with Annex 3A, Scheme 7 of the Issuers' Regulation and the 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.

Treasury shares and shares of holding companies

At December 31, 2020, the Company held 389,136 treasury shares⁽²²⁾. At December 31, 2020, 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.

⁽²²⁾ The treasury share purchases made by the Group are reported through Press Releases published on the Company website

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 2020 there were no events affecting workplace health and safety nor damages to the environment.

Related party transactions

The information on transactions with related parties required by Consob Communication No. DEM/6064293 of July 28, 2006 is presented and disclosed in the financial statements. For a more detailed account, refer to the notes on "Related party transactions" of the consolidated financial statements at December 31, 2020.

In accordance with Consob motion 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 amended with Board of Directors' motion of December 17, 2020), available, also on the basis of 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:

Villa Berica

The clinic has been a national AMIS (Anterior Minimally Invasive Surgery) centre in the field of prosthetic surgery since March 2018. This technique uses anterior access for the maximum preservation of bone stock, minimal tissue invasion (no muscles or nerves are dissected), reduced pain and very quick post-operative recovery.

In selected cases, the technique is also applied for simultaneous hip arthroplasties in both limbs. This is as it is an innovative technique which is becoming increasingly common (the postero-lateral route is still the most common) and considering that according to the 2018 RIAP (Italian Arthroplasty Registry) report, the hip remains the most operated joint (56.3%) and an increasing number of people suffer from bilateral coxarthrosis for which a double intervention is considered a good option.

Use of this technique is decided on the basis of a clinical and psychological evaluation of the patient and in the most complex cases, custom-made titanium prosthetic products are used.

In the field of oncology, Villa Berica performs ultrasound-guided, radiofrequency and microwave percutaneous thermal ablation of liver and kidney tumours. This procedure makes it possible to treat cancer without surgery. It is suited for cases such as small, early-stage tumours, otherwise inoperable tumours, patients who cannot undergo general anaesthesia, in certain metastases of the liver, and progressive, recurrent lesions while awaiting a transplant.

Hesperia Hospital

In the field of heart surgery, this facility has seen an increase in structural transcatheter aortic valve implantation (TAVI), which is a minimally invasive procedure particularly indicated for elderly patients with comorbidities and for whom traditional surgery is not advisable. There is a partnership with Policlinico di Modena for the MitraClip in this same field.

Casa di Cura Prof. Nobili

Surgical activities at this clinic increasingly rely on innovative techniques that aim, if not to preserve, at least to restore the functioning of tissue affected by surgery due to a serious disorder. In the field of prosthetics in particular, preference is given to high-performance solutions that enable patients young and old to maintain their previous lifestyles.

Of particular note among these techniques is anterior cruciate ligament reconstruction using the Ligament Advanced Reinforcement System (LARS), a minimally invasive solution that results in a short post-operative recovery time.

Villa Von Siebenthal

The intensive research efforts of Prof. Sergio De Filippis at this clinic, in collaboration with the University of Naples "Federico II" and the University of Rome "La Sapienza", continue. Of particular note among the innovative treatments is the esketamine-based treatment for adults suffering from depression that is resistant to standard treatments.

Management and co-ordination

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 2020 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, 2020.

Significant events after the year end

Reserved capital increased through accelerated book building - January 2021

On January 21, 2020, the Company, following on from the press release published on January 20, 2021 and available on the Company website in the "Investor Relations /2021 Share Capital Increase" section, successfully completed the private placement through an accelerated book building ("ABB") procedure of 8,200,000 newly issued ordinary shares, without par value, from the share capital increase with exclusion of pre-emption rights as per Article 2441, paragraph 4, second section, of the Civil Code approved by the Board of Directors on January 20, 2021.

The newly issued shares were subscribed at a unit price of Euro 5.10, for a total value, including share premium, of Euro 41,820,000. The placement of GHC shares offered for subscription and sale was reserved for qualifying investors (as per Article 2(1)(e) of Regulation (EU) 2017/1129 of the European Parliament and of the Council of June 14, 2017, the "Prospectus Regulation") (the "Qualifying Investors") in the European Economic Area and institutional investors overseas (excluding the United States of America, Canada, Japan and any other country or jurisdiction in which the offer or sale of such shares is prohibited by law or in the absence of exemptions). The subscription and sale transactions were completed by delivery and payment of the shares on January 26, 2021.

Upon full subscription of the newly issued shares, the nominal amount of GHC's post-increase share capital is Euro 31,570,000, comprising 90,200,000 ordinary shares with no par value.

In view of the type of demand received from investors through the Accelerated Book Building procedure and the priority given to the Share Capital Increase, the only controlling shareholder and Chief Executive Officer Ms. Maria Laura Garofalo decided to sell a total of 300,000 company shares. In view of that outlined above, as part of the ABB transaction a total of 8,500,000 shares were placed, including both newly issued shares and shares sold, for a total value of Euro 43,350,000.

The table below reports the GHC Group's ownership structure at the date of publication of this report, including significant equity interests, updated to reflect the effects of the reserved capital increase operation through Accelerated Book Building ("ABB") in January 2021 and described in the following paragraphs.

Garofalo Health Care S.p.A shareholders	No. shares	% share capital	Voting rights (incl. multi-vote rights)	% voting rights
Controlling shareholders (*)	58,149,600	64.47%	116,114,200 (**)	77.35% (**)
Treasury shares	389,136	0.43%	389,136	0.26%
Market	31,661,264	35.10%	33,606,664	22.39%
TOTAL:	90,200,000		150,110,000	

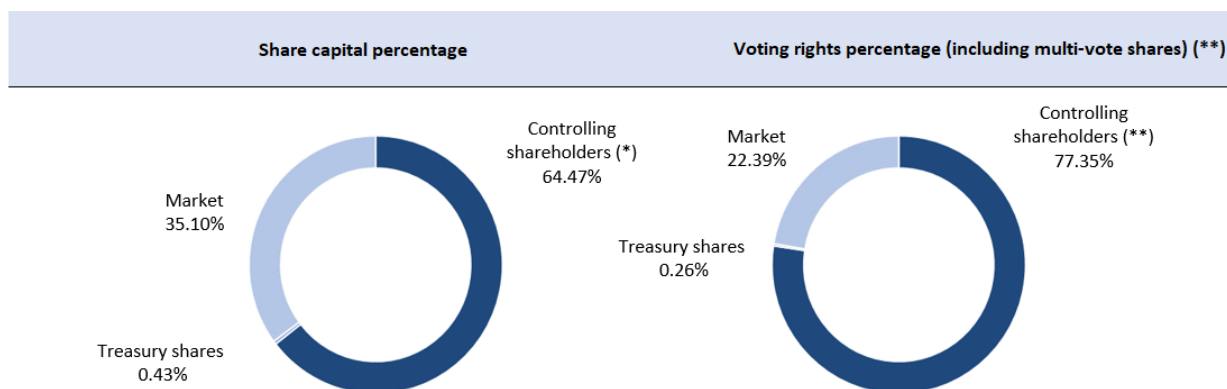
(*) includes shares held directly and indirectly by the Chief Executive Officer Maria Laura Garofalo

(**) See Press Release of January 26, 2021

Garofalo Health Care S.p.A shareholders with stakes greater than 5%	No. shares	% share capital	Voting rights (incl. multi-vote rights)	% voting rights
Larama 98 S.p.A. (***)	45,516,000	50.46%	90,992,000	60.62%
Maria Laura Garofalo	10,753,000	11.92%	21,361,000	14.23%
PII 4 S.à.r.l. (****)	8,173,653	9.06%	8,173,653	5.45%

(***) linked to Maria Laura Garofalo

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



Acquisition of Clinica S. Francesco di Verona - February 2021

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

Resignation of the Chief Financial Officer and strengthening of the organisation - February and March 2021

On February 2, 2021, the Company announced to the market that the Chief Financial Officer Mr. Fabio Tomassini would leave the position at the end of a three-year cycle at the Group, to embark on a new professional path. Fabio Tomassini will maintain his duties and responsibilities as Chief Financial Officer and as GHC's Executive Officer for Financial Reporting until the Shareholders' Meeting scheduled for April 30, 2021 for the approval of the Separate Financial Statements and the presentation of the Consolidated Financial Statements at December 31, 2020.

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

Change in total amount of voting rights following waiver by the controlling shareholder of accrued multi-votes rights - March 2021

As per the press releases published on January 21 and 26, 2021, on March 1, 2021, the Company announced that it had received from the majority shareholder Ms Maria Laura Garofalo communication of her waiver of the multi-vote rights accruing to her. As a result of this communication, GHC's free float exceeded 35% for both shares and voting rights, as shown in the tables below.

Garofalo Health Care S.p.A shareholders	No. shares	% share capital	Voting rights	% voting rights
Controlling shareholders (*)	58,154,600	64.75%	58,154,600	63.38%
Market	31,656,264	35.25%	33,601,664	36.62%
Total shares granting voting rights at the Shareholders' Meeting	89,810,864	100.00%	91,756,264	100.00%
Treasury shares (**)	389,136		(**)	
TOTAL:	90,200,000			

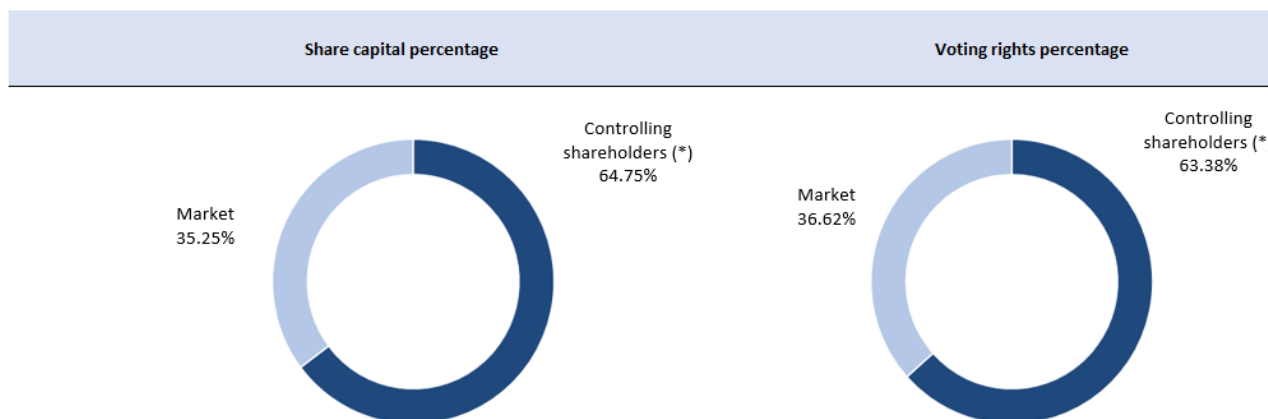
(*) includes shares held directly and indirectly by the Chief Executive Officer Maria Laura Garofalo. See Press Release of March 1, 2021

(**) Treasury shares with suspended voting rights

Garofalo Health Care S.p.A shareholders with stakes greater than 5%	No. shares	% share capital	Voting rights	% voting rights
Larama 98 S.p.A. (***)	45,516,000	50.68%	45,516,000	49.61%
Maria Laura Garofalo	10,758,000	11.98%	10,758,000	11.72%
PII 4 S.à.r.l. (****)	8,173,653	9.10%	8,173,653	8.91%

(***) linked to Maria Laura Garofalo

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



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