



# CONSOLIDATED FINANCIAL STATEMENTS

at June 30, 2021



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### Parent Company Registered Office

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#### Garofalo Health Care S.p.A.

Piazzale Belle Arti, 6 – Rome 00196

### Parent Company Legal Details

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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

## CORPORATE BOARDS

### BOARD OF DIRECTORS (\*)

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

### CONTROL, RISKS AND SUSTAINABILITY COMMITTEE

FRANCA BRUSCO  
FEDERICO FERRO LUZZI  
NICOLETTA MINCATO

### APPOINTMENTS AND REMUNERATION COMMITTEE

FEDERICO FERRO LUZZI  
FRANCA BRUSCO  
GIANCARLA BRANDA

### BOARD OF STATUTORY AUDITORS (\*)

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

### INDEPENDENT AUDIT FIRM

EY S.P.A.

### GENERAL MANAGER(\*\*)

UMBERTO SURIANI

### EXECUTIVE OFFICER FOR (\*\*\*) FINANCIAL REPORTING

DANILO BARLETTA

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

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

(\*\*\*) Appointed by the Board of Directors on April 30, 2021

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CONSOLIDATED FINANCIAL STATEMENTS AT JUNE 30, 2021

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## Consolidated balance sheet at June 30, 2021

<i>in Euro thousands</i>					
		At June 30, 2021	of which related parties	At December 31, 2020	of which related parties
Goodwill	Note 3	91,323		54,438	
Other intangible assets	Note 4	140,194		140,128	
Property, plant and equipment	Note 5	186,565		159,169	
Investment property	Note 6	944		963	
Equity investments	Note 7	760		928	
Other non-current financial assets	Note 8	277		236	
Other non-current assets	Note 9	1,098		1,199	
Deferred tax assets	Note 10	6,155		5,140	
<b>TOTAL NON-CURRENT ASSETS</b>		<b>427,315</b>		<b>362,200</b>	
Inventories	Note 11	3,938		3,487	
Trade receivables	Note 12	68,605		61,411	
Tax receivables	Note 13	3,431		4,995	
Other receivables and current assets	Note 14	3,353		2,822	1
Other current financial assets	Note 15	280		129	
Cash and cash equivalents	Note 16	45,330		24,810	
<b>TOTAL CURRENT ASSETS</b>		<b>124,937</b>		<b>97,654</b>	
<b>TOTAL ASSETS</b>		<b>552,252</b>		<b>459,855</b>	

<i>in Euro thousands</i>					
		At June 30, 2021	of which related parties	At December 31, 2020	of which related parties
Share capital	Note 17	31,570		28,700	
Legal reserve	Note 17	471		394	
Other reserves	Note 17	211,529		162,280	
Group Result	Note 40	9,769		11,781	
<b>TOTAL GROUP SHAREHOLDERS' EQUITY</b>		<b>253,339</b>		<b>203,155</b>	
Minority interest capital and reserves	Note 17	66		63	
Minority interest result	Note 17	4		3	
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<b>253,409</b>		<b>203,221</b>	
Employee benefits	Note 18	11,344		11,054	
Provisions for risks and charges	Note 19	12,372		12,045	
Non-current financial payables	Note 20	117,168	2,124	89,522	2,099
Other non-current liabilities	Note 21	249		360	
Deferred tax liabilities	Note 10	47,848		47,787	
Derivative financial instrument liabilities - non-current	Note 22	344		326	
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>189,325</b>		<b>161,094</b>	
Trade payables	Note 23	42,295		35,857	
Current financial payables	Note 24	36,151		32,782	
Tax payables	Note 25	2,089		1,403	
Other current liabilities	Note 26	28,984	72	25,498	87
<b>TOTAL CURRENT LIABILITIES</b>		<b>109,519</b>		<b>95,540</b>	
<b>TOTAL LIABILITIES</b>		<b>298,843</b>		<b>256,634</b>	
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>		<b>552,252</b>		<b>459,855</b>	

*H1 2021 Consolidated income statement*

<i>in Euro thousands</i>		For the period ended June 30			
		2021	of which related parties	2020	of which related parties
Revenues from services	Note 27	131,305		89,046	
Other revenues	Note 28	2,168		855	
<b>TOTAL REVENUES</b>		<b>133,473</b>		<b>89,901</b>	
Raw materials and consumables	Note 29	19,189		13,020	
Service costs	Note 30	55,177	1,025	38,924	733
Personnel costs	Note 31	30,725		23,501	
Other operating costs	Note 32	6,123		4,913	
Increase in internal work capitalised		-		-	
Amortisation, depreciation and write-downs	Note 33	6,921		5,499	
Impairments and other provisions	Note 34	1,288		772	
<b>TOTAL OPERATING COSTS</b>		<b>119,423</b>		<b>86,628</b>	
<b>EBIT</b>		<b>14,050</b>		<b>3,272</b>	
Financial income	Note 35	45		1	
Financial charges	Note 36	(1,638)	(26)	(1,361)	(35)
Results of investments at equity	Note 37	113		101	
<b>TOTAL FINANCIAL INCOME AND CHARGES</b>		<b>(1,481)</b>		<b>(1,259)</b>	
<b>PROFIT BEFORE TAXES</b>		<b>12,570</b>		<b>2,014</b>	
Income taxes	Note 38	2,796		765	
<b>RESULT FOR THE PERIOD</b>	<b>Note 39</b>	<b>9,773</b>		<b>1,248</b>	
Attributable to:					
Group	Note 40	9,769		1,249	
Minority interests	Note 17	4		(1)	
<b>Basic and diluted earnings per share (in Euro)</b>	<b>Note 40</b>	<b>0.11</b>		<b>0.02</b>	



**H1 2021 Consolidated Comprehensive Income Statement**

<i>(Euro thousands)</i>	H1 2021	H1 2020
<b>RESULT FOR THE PERIOD</b>	<b>9,773</b>	<b>1,248</b>
<b>Other components of the comprehensive income that will not subsequently be reclassified in profit/(loss) for the period</b>		
Actuarial gains/(losses) on defined employee benefit plans	317	(1,098)
Tax effect	(76)	264
<b>Total other comprehensive items which may not be subsequently reclassified to profit/(loss) for the period net of income taxes</b>	<b>241</b>	<b>(834)</b>
<b>Other components of the comprehensive income that may be subsequently reclassified in profit/(loss) for the period</b>		
Fair value of derivative instruments	137	(192)
Tax effect	(33)	51
<b>Total other comprehensive items that may be subsequently reclassified to profit/(loss) for the period net of income taxes</b>	<b>104</b>	<b>(141)</b>
<b>Profit/(loss) recognised to equity</b>	<b>345</b>	<b>(975)</b>
<b>Total comprehensive income</b>	<b>10,118</b>	<b>273</b>
Attributable to:		
Group	10,114	274
Minorities	4	(1)

## Statement of changes in consolidated shareholders' equity at June 30, 2021

in Euro thousands	Share capital	Legal reserve	Other reserves	Group net result	Group shareholders' equity	Minority interest capital & reserves	Minority interest net result	Total net equity
<b>December 31, 2019</b>	<b>28,700</b>	<b>310</b>	<b>149,780</b>	<b>13,142</b>	<b>191,932</b>	<b>82</b>	<b>11</b>	<b>192,025</b>
Allocation of result	-	84	13,058	(13,142)	-	11	(11)	-
Acquisition of treasury shares	-	-	(149)	-	(149)	-	-	(149)
Minority interest acquisition	-	-	20	-	20	(30)	-	(10)
Stock Grant reserve	-	-	(73)	-	(73)	-	-	(73)
Comprehensive profit/(loss)	-	-	(975)	1,249	274	-	(1)	273
Other movements	-	-	(5)	-	(5)	-	-	(5)
<b>June 30, 2020</b>	<b>28,700</b>	<b>394</b>	<b>161,656</b>	<b>1,249</b>	<b>191,999</b>	<b>63</b>	<b>(1)</b>	<b>192,061</b>
<b>December 31, 2020</b>	<b>28,700</b>	<b>394</b>	<b>162,280</b>	<b>11,781</b>	<b>203,155</b>	<b>63</b>	<b>3</b>	<b>203,221</b>
Allocation of result	-	77	11,704	(11,781)	-	3	(3)	-
Acquisition of treasury shares	-	-	(877)	-	(877)	-	-	(877)
Share capital increase	2,870	-	38,067	-	40,937	-	-	40,937
Stock Grant reserve	-	-	(20)	-	(20)	-	-	(20)
Comprehensive profit	-	-	345	9,769	10,114	-	4	10,118
Other movements	-	-	30	-	30	-	-	30
<b>June 30, 2021</b>	<b>31,570</b>	<b>471</b>	<b>211,529</b>	<b>9,769</b>	<b>253,339</b>	<b>66</b>	<b>4</b>	<b>253,409</b>

## Consolidated cash flow statement for the period ended June 30, 2021

In Euro thousands	June 30	
	2021	2020
<b>OPERATING ACTIVITIES</b>		
<b>Profit for the period</b>	<b>9,773</b>	<b>1,248</b>
<i>Adjustments for:</i>		
- Amortisation and depreciation	6,863	5,475
- Provisions for employee benefit liabilities	349	283
- Provisions for risks and charges	1,288	772
- Doubtful debt provision	57	24
- Change in investments in associates valued under the equity method	(113)	(207)
- Change in other non-current assets and liabilities	(51)	70
- Net change in deferred tax assets and liabilities	281	210
- Payments for employee benefits	(553)	(596)
- Payments for provisions for risks and charges	(1,401)	-
<i>Changes in operating assets and liabilities:</i>		
(Increase) decrease in trade and other receivables	(3,101)	7,649
(Increase) decrease in inventories	(9)	(193)
Increase (decrease) in trade and other payables	813	(5,671)
Other current assets and liabilities	5,616	1,611
<b>NET CASH FLOW FROM OPERATING ACTIVITIES (A)</b>	<b>19,812</b>	<b>10,675</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Investments in intangible assets	(280)	(197)
Investments in tangible assets	(15,819)	(2,536)
Sale of tangible assets	64	37
Dividends from associates	120	188
Acquisition of Clinica San Francesco, net of cash acquired	(35,882)	-
<b>CASH FLOW ABSORBED BY INVESTING ACTIVITIES (B)</b>	<b>(51,796)</b>	<b>(2,508)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Issue of medium/long term loans	24,480	2,477
Repayment of medium/long-term loans	(8,721)	(5,898)
Issue/(repayment) of short-term loans	(1,333)	(632)
Change in other non-current financial payables	(1,981)	(2,266)
Share capital increase and shareholder payments	40,937	-
(Acquisition) minority interests	-	(10)
(Acquisition) treasury shares	(877)	(149)
<b>NET CASH FLOW GENERATED/(ABSORBED) BY FINANCING ACTIVITIES (C)</b>	<b>52,504</b>	<b>(6,479)</b>
<b>TOTAL CASH FLOWS (D=A+B+C)</b>	<b>20,520</b>	<b>1,689</b>
<b>CASH &amp; CASH EQUIVALENTS AT BEGINNING OF PERIOD (E)</b>	<b>24,810</b>	<b>27,763</b>
<b>CASH &amp; CASH EQUIVALENTS AT END OF PERIOD (F=D+E)</b>	<b>45,330</b>	<b>29,452</b>
<b>Additional information:</b>		
Interest paid	791	691
Income taxes paid	866	741

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EXPLANATORY NOTES TO THE CONSOLIDATED HALF-YEAR FINANCIAL STATEMENTS AT  
JUNE 30, 2021

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## **Note 1. Accounting standards and preparation basis for the Consolidated Financial Statements at June 30, 2021**

### **1.1 Company information**

The publication of the Group's consolidated half-year financial statements for the period ended June 30, 2021 was approved by the Board of Directors on September 13, 2021.

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

### **1.2 General Principles**

The condensed consolidated half-year financial statements of the GHC Group for the period ended June 30, 2021 (the "**Consolidated Half-Year Financial Statements**") were prepared as per IAS 34

The accounting standards adopted for the preparation of the condensed consolidated half-year financial statements are in line with those adopted for the preparation of the 2020 consolidated financial statements. The Group has not adopted in advance any accounting standard, interpretation or amendment issued but not yet in effect.

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

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

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

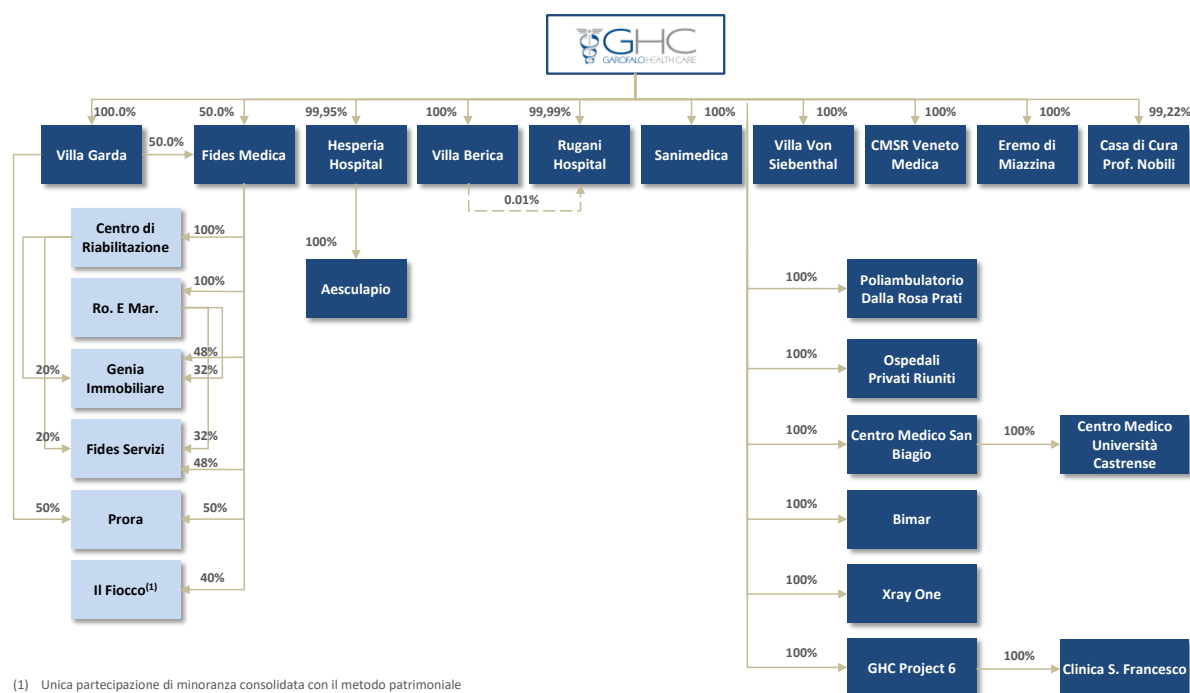
### **1.3 Financial Statements**

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

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

### 1.4 Group Structure

The composition of the Group at June 30, 2021 is provided below:



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

### 1.5 Consolidation principles and scope of consolidation

The Consolidated Interim Half-Year Financial Statements include the financial statements of GHC and of its subsidiaries at June 30, 2021.

The details of the consolidated companies are shown below.

Company	Registered office	Relationship with the Parent Company	Consolidation Method	Percentage held (direct and indirect) at June 30	Percentage held (direct and indirect) as of December 31
				2021	2020
Garofalo Health Care S.p.A.	Rome	Holding	Line-by-line	Parent company	Parent company
Hesperia Hospital Modena S.r.l.	Modena	Subsidiary	Line-by-line	99.95%	99.95%
Casa di Cura Villa Berica S.r.l.	Vicenza	Subsidiary	Line-by-line	100%	100%
Rugani Hospital S.r.l.	Monteriggioni (SI)	Subsidiary	Line-by-line	100%	100%
CMSR Veneto Medica S.r.l.	Altavilla Vicentina (VI)	Subsidiary	Line-by-line	100%	100%
Sanimedica S.r.l.	Altavilla Vicentina (VI)	Subsidiary	Line-by-line	100%	100%

L'Eremo di Miazzina S.r.l.	Cambiasca (VB)	Subsidiary	Line-by-line	100%	100%
Casa di Cura Villa Garda S.r.l.	Garda	Subsidiary	Line-by-line	100%	100%
Villa Von Siebenthal S.r.l.	Genzano di Roma (RM)	Subsidiary	Line-by-line	100%	100%
Casa di Cura Prof. Nobili S.r.l.	Castiglione dei Pepoli (BO)	Subsidiary	Line-by-line	99.21%	99.21%
F.I.D.E.S. Medica S.r.l.	Piombino	Subsidiary	Line-by-line	100%	100%
Centro di Riabilitazione S.r.l.	Genoa	Subsidiary	Line-by-line	100%	100%
Genia Immobiliare S.r.l.	Genoa	Subsidiary	Line-by-line	100%	100%
Ro. E. Mar S.r.l.	Piombino	Subsidiary	Line-by-line	100%	100%
Fides Servizi S.c.a.r.l.	Genoa	Subsidiary	Line-by-line	100%	100%
PRORA S.r.l.	Genoa	Subsidiary	Line-by-line	100%	100%
Il Fiocco S.c.a.r.l. *	Genoa	Associate	Equity Method	40%	40%
Poliambulatorio Dalla Rosa Prati S.r.l.	Parma	Subsidiary	Line-by-line	100%	100%
Ospedali Privati Riuniti S.r.l.	Bologna	Subsidiary	Line-by-line	100%	100%
Centro Medico San Biagio S.r.l.	Fossalta di Portogruaro (VE)	Subsidiary	Line-by-line	100%	100%
Centro Medico Università Castrense S.r.l.	San Giorgio di Nogaro (UD)	Subsidiary	Line-by-line	100%	100%
Bimar S.r.l.	Fossalta di Portogruaro (VE)	Subsidiary	Line-by-line	100%	100%
Aesculapio S.r.l.	San Felice sul Panaro (MO)	Subsidiary	Line-by-line	99.95%	99.95%
XRay One S.r.l.	Poggio Rusco (MN)	Subsidiary	Line-by-line	100%	100%
GHC Project 6 S.r.l.	Parma	Subsidiary	Line-by-line	100%	-
Clinica San Francesco S.p.A.	Verona	Subsidiary	Line-by-line	100%	-

On February 2, 2021, the newco GHC Project 6 S.r.l. was established specifically for the acquisition of Clinica San Francesco S.p.A., which was completed on April 9, 2021.

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

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

### ***1.6 Summary of the main accounting standards***

The accounting policies used, in addition to the consolidation criteria and methods applied to these condensed consolidated half-year financial statements at June 30, 2021, are the same as those adopted for the preparation of the consolidated financial statements at December 31, 2020, to which reference should be made for greater details.

These condensed consolidated half-year financial statements at June 30, 2021 do not include all of the information required for the annual financial statements and should therefore be read together with the consolidated financial statements at December 31, 2020.

### ***1.7 Discretionary valuations and significant accounting estimates***

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

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

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

With regard to the impairment test, reference should be made to the paragraph “Impairment of assets” below in the present consolidated financial statements at June 30, 2021.

#### *Legal proceedings*

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

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

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



### *Business Combinations*

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

### *Deferred tax assets*

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

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

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

### *Value adjustments on receivables*

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

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

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

The accounting standards, interpretations and amendments in force from January 1, 2021 govern facts and cases that do not have significant effects on the balance sheet, income statement, cash flow statement and the information contained in the consolidated interim financial statements.

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

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

- A practical expedient that allows contractual changes, or changes in cash flows that are directly required by the reform, to be treated as changes in a variable interest rate, equivalent to a movement of an interest rate in the market;
- Allow changes required by the IBOR reform to be made within the coverage designation and coverage documentation without requiring the coverage report to be discontinued;

- Provides temporary relief to entities in having to comply with separate identification requirements when an RFR is designated as a hedge of a risk component. These amendments do not have an impact on the Group's interim financial statements.

#### Amendments to IFRS 4 Insurance Contracts - deferral of IFRS 9"

The amendments to IFRS 4 extend the expiry of the temporary exemption from the application of IFRS 9 until 2023 in order to align the effective date of IFRS 9 with the new IFRS 17 and thus remedy the temporary accounting consequences that could arise in the event that the two standards come into force on different dates. These amendments do not have any impact on the Group consolidated financial statements.

#### Amendment to IFRS 16 Leasing: facilities granted to lessees due to COVID-19

Amendments to IFRS 16 "Leases: COVID-19-Related Rent Concessions beyond 30 June 2021". The IASB issued an amendment to this standard on March 31, 2021 that extends for one year the May 2020 amendment that clarified the circumstance that a lessee, as a practical expedient, may assess that specific rate reductions (as a direct result of COVID-19) may not be considered as plan changes, and are therefore accounted for accordingly.

The new amendment applies beginning April 1, 2021 for fiscal years beginning on or after January 1, 2021.

#### **Amendments issued to accounting standards but not in force**

The new international accounting standards or the amendments to these standards that have not yet been endorsed by the European Commission, whose compulsory application starts after the reporting date of these condensed consolidated half-year financial statements. The Group considers that the impact of the adoption of the following interpretations and amendments to existing international accounting standards is not significant:

- On May 14, 2020, the International Accounting Standards Board (IASB) published several minor amendments to International Accounting Standard (IAS) 16 Property, Plant and Equipment, IAS 37 Provisions, Contingent Liabilities and Contingent Assets, and International Financial Reporting Standard (IFRS) 3 Business Combinations. These amendments provide additional clarification for more consistent application of the standards or update references.

- Amendments to IAS 16 - "Property, plant and equipment", with the amendment prohibiting entities from deducting from the cost of an item of property, plant and equipment any proceeds from the sale of products in the period in which the asset is brought to the location or condition necessary to be capable of operating in the manner for which it was designed by management. An entity therefore accounts for the revenues from the sale of those products, and the costs of producing those products in the income statement.
- Amendments to IAS 37 - onerous contracts - costs associated with the performance of a contract": this amendment specifies which costs must be considered by an entity when assessing whether a contract is onerous or at a loss. The amendment calls for the application of the "directly related cost approach." Costs that relate directly to a contract to provide goods or services include both incremental costs and costs directly attributed to contractual activities. General and administrative expenses are not directly related to a contract and are excluded unless they are explicitly chargeable to the counterparty based on the contract.
- Amendments to IFRS 3 Business combinations: the IASB has updated a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations

The amendments will be effective for fiscal years beginning on or after January 1, 2022.

The IASB also published the 2018-2020 Annual IFRS Improvements Cycle on May 14, 2020 as part of its regular improvement activity. Annual improvements are intended to streamline and clarify existing standards. The objective of the annual improvements is to resolve non-urgent issues related to inconsistencies found in International Financial Reporting Standards (IFRS) or terminological clarifications, which have been discussed by

the IASB during the project cycle. The annual improvements contain amendments to IAS 41 Agriculture, IFRS 1 First-time Adoption of International Financial Reporting Standards, and IFRS 9 Financial Instruments.

- Amendments to IFRS 1 "First-time application of IFRS - Subsidiary applying IFRS for the first time": As part of the 2018-2020 Annual Improvements to IFRS process, the IASB issued an amendment to this standard that permits a subsidiary that elects to apply paragraph D16(a) of IFRS 1 to account for cumulative translation differences based on amounts accounted for by the parent, considering the parent's date of transition to IFRS. This amendment also applies to associates or joint ventures that elect to apply paragraph D16(a) of IFRS 1. The amendment will be effective for fiscal years beginning on or after January 1, 2022, with early application permitted.
- Amendments to IFRS 9 financial instruments - component of the 10% test for derecognition of financial liabilities". As part of the 2018-2020 annual IFRS improvements process, the IASB published an amendment to IFRS 9 that clarifies the fees an entity includes in determining whether the terms of a new or modified financial liability are materially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by the borrower or lender on behalf of others. An entity applies this amendment to the financial liabilities that are modified or exchanged subsequent to the date in the first year in which it is applied. The amendment will be effective for fiscal years beginning on or after January 1, 2022, with early application permitted. The Group will apply this amendment to financial liabilities that are modified or exchanged after or at the date of the first year in which the entity first applies this amendment.
- IAS 41 Agriculture As part of the 2018-2020 IFRS annual improvements process, the IASB issued an amendment to this standard that removes the requirement in paragraph 22 of IAS 41 that entities exclude cash flows for taxation when measuring the fair value of assets under IAS 41. This standard is not applicable to the Group.

The above amendments are applicable, at the latest, from the initial date of their first reporting period subsequent to January 1, 2022 or thereafter.

- "Amendments to IAS 1 Presentation of Financial Statements: Classification of liabilities as current or non-current and Classification of liabilities as current or non-current - deferment of effective date

The first change relates to the presentation of liabilities on the balance sheet. Specifically, the amendments seek to clarify that:

- the classification of liabilities as current or non-current should be based on rights in place at the end of the reporting period and align the wording in all relevant paragraphs to refer to the "right" to defer settlement for at least 12 months and make it explicit that only rights in place "at the end of the reporting period" should affect the classification of a liability;
- the classification is not affected by expectations about the exercise of the entity's right to defer settlement of a liability; and
- clarify that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

The second defers the effective date of the first amendment to fiscal years beginning no later than January 1, 2023.

- "Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement": presentation of accounting standards

The requirements of IAS 1 regarding disclosure of accounting policies are amended. In applying the amendments, an entity discloses its material accounting policies instead of its significant accounting policies. Additional changes are made to IAS 1 to explain how an entity can identify a material accounting policy. Examples of when an accounting principle is likely to be material are added. To support the changes, the IASB also developed guidance and examples to explain and demonstrate the application of the "four-step materiality process" described in IFRS Practice Statement 2. The amendments to IAS 1 are effective for annual periods beginning on or after January 1, 2023, and apply prospectively. The amendments are pending approval.

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

The amendments introduced the definition of accounting estimates and included other changes to IAS 8 to help entities distinguish changes in accounting estimates from changes in accounting policies. The amendments are effective for annual periods beginning on or after January 1, 2023, and apply prospectively. The amendments are pending approval.

- "IFRS 17 Insurance Contracts including amendments to IFRS 17"

This is the new international accounting standard for accounting for insurance contracts, which replaces IFRS 4. The standard is effective for annual periods beginning on or after January 1, 2023, and applies prospectively. The amendments are pending approval.

- Amendments to "IAS 12 Taxes: Deferred taxes related to assets and liabilities arising from a single transaction." The IASB published an amendment to this standard on May 7, 2021, which requires companies to recognise deferred tax assets and liabilities on particular transactions that, upon initial recognition, give rise to equivalent (taxable and deductible) temporary differences - e.g. transactions related to leases. The amendment will be effective for fiscal years beginning January 1, 2023, with early application permitted.

### 1.9 Seasonality

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

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

### Note 2 Acquisitions

On April 9, 2021, the GHC Group fully acquired Clinica San Francesco S.p.A, an unlisted company based in Verona operating in the private and accredited healthcare sector. The facility is internationally renowned in the field of robotic orthopaedic surgery and also provides services in plastic and reconstructive surgery. It also has a Diagnostic Centre that provides specialist outpatient services, diagnostic imaging and physical therapy.

#### Assets acquired and liabilities assumed

The fair value of the identifiable assets and liabilities of the Clinica San Francesco CGU at the acquisition date were as follows:

<i>(Euro thousands)</i>	Fair value at acquisition
<b>Assets</b>	
Intangible assets	180
Property, plant and equipment	9,337
Non-current financial assets	53
Deferred tax assets	1,360
Cash and cash equivalents	4,062
Trade receivables	4,150
Inventories	441
Current financial assets	1,337
Current assets	282
Assets held-for-sale	100
<b>Liabilities</b>	
Trade payables	5,624
Current financial payables	585
Non-current financial payables	1,945

Short-term loans and borrowings	869
Non-current bank payables	5,773
Employee benefits	819
Provisions for risks and charges	440
Other current liabilities	1,509
<b>Total net assets identifiable at fair value</b>	<b>3,738</b>
<b>Goodwill deriving from the acquisition</b>	<b>36,886</b>
<b>Consideration of the acquisition</b>	<b>40,624</b>
<b>Net cash flow of the acquisition</b>	<b>36,562</b>

The surplus deriving from the acquisition (i.e. the surplus of purchase costs on the fair value of the portion attributable to the Group) was recognised provisionally to the “Goodwill” account in the amount of Euro 36,886 thousand, as stated in the paragraph.

At the reporting date, the procedure for the valuation of the assets and liabilities acquired is still in the preliminary phase and therefore the value of goodwill is still provisional.

### **Note 3 Goodwill**

Goodwill breaks down as follows:

<i>(Euro thousands)</i>	<i>At June 30</i>	<i>At December 31</i>
	2021	2020
Goodwill – CMSR Veneto Medica CGU	11,230	11,230
Goodwill – Villa Von Siebenthal CGU	2,957	2,957
Goodwill – Rugani Hospital CGU	6,935	6,935
Goodwill – Fides Group CGU	17,645	17,645
Goodwill – Casa di Cura Prof. Nobili CGU	47	47
Goodwill - Poliambulatorio Dalla Rosa Prati CGU	10,080	10,080
Goodwill– Ospedali Privati Riuniti CGU	3,006	3,006
Goodwill – Centro Medico San Biagio CGU	1,905	1,905
Goodwill – Aesculapio CGU	3	3
Goodwill – XRay One Srl CGU	629	629
Goodwill – Clinica San Francesco CGU	36,886	-
<b>Total Goodwill</b>	<b>91,323</b>	<b>54,438</b>

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

The increase on the previous year is attributable to the addition of Clinica San Francesco S.p.A. to the consolidation scope.

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

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

The Group undertakes an impairment test annually (at December 31) and when circumstances indicate the possibility of a reduction in the recoverable value. The key assumptions utilised to determine the recoverable value of the various cash generating units (CGU's) are illustrated in the consolidated financial statements at December 31, 2020. Therefore, in view of the results achieved by the individual CGU's with respect to the planned data (and in particular the fact that there were no significant differences between the actual and budget EBITDA figures) and in view of the results of the test at December 31, 2020, management deemed it unnecessary to carry out a further verification.

The Group however carried out the impairment test for the Fides Group and XRay One CGU's in June 2021, in consideration of the changes to their business plans. The Company therefore engaged an independent third-party professional to conduct the impairment test.

### ***Evaluation system***

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

The prospective cash flows used in the impairment test at June 30, 2021 are those deriving from the Business Plans of the Gruppo Fides and XRay One CGU's, approved by the Board of Directors on June 17, 2021 and July 26, 2021 respectively, relating to the years 2021-2024.

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

The discounting rate of cash flows (WACC) used for the impairment tests at June 30, 2021 was 4.60% and was calculated by using the same method as at December 31, 2020 and in prior years. In view of the volatility of equity prices in H1 2020 due to the effects of the pandemic, as of the impairment carried out to June 30, 2020, it was deemed appropriate to use a wider base of the panel of listed companies comparable to GHC to determine the unlevered beta and the target debt/equity ratio. The pool of comparable listed companies was expanded to include other industry players identified on the basis of recent studies conducted for GHC by sector professionals.

The principal parameters at June 30, 2021 for the calculation of the discount rate (WACC) are the following:

- ***Risk free rate***: the rate used for H1 2021 is 0.79%; this value corresponds to the yield on Italian ten-year government securities recorded as a monthly average over the last twelve months (July 2020 - June 2021) (Source: Bloomberg);
- ***Beta***: for the estimation of the non-differentiable systemic risk coefficient, reference was made to the inputs elaborated by international practice (Source: Bloomberg), taking into consideration a group of listed companies operating in the same sector of the company to be valued, thus calculating an appropriate unlevered industry average beta, equal to 0.63% at June 30, 2021; in particular, beta was calculated through weekly observations of the relative performance of the securities of the companies in the sample compared to the monthly benchmark index over the two previous years;
- ***Market premium***: for the purposes of the analysis, a rate of 3.96% was used (Source: A. Damodaran - Stern University NY international research website) <http://pages.stern.nyu.edu/~adamodar>, which corresponds to the observation of the Equity Risk Premium over a 12-month period;
- ***Premium for additional risk***: as in previous years, an increase in the cost of risk capital equal to 2.0% was prudentially applied;
- With reference to the ***cost of the debt (Kd)*** for the CGUs that present outstanding loans, reference was made to the effective interest rate applied by the banking system on the same loans i.e. the twelve-month average ten-year EUR IRS (interest rate swap) (Source: Bloomberg), equal to -0.11% with a spread of 190 points; considering a fiscal impact of 24%,  $Kd$  is 1.53%;

- Financial structure*: consistently with that done for the purposes of the calculation of the beta, we applied to the cost of risk capital and the cost of debt capital, weights determined using a market D/E representative of the average financial structure of the sample of comparable listed companies previously identified on a wider basis, equal to 0.59 for June 30, 2021. The  $W_e$  (equity) and  $W_d$  (debt) weights were 62.72% and 37.28% respectively.

#### Fides Group CGU

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

#### XRay One CGU

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

#### ***Sensitivity to changes in assumptions***

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

The equilibrium WACC for each CGU with reference to H1 2021 is presented below.

	At June 30, 2021	At December 31, 2020
Fides Group CGU	7.20%	7.82%
XRay One CGU	5.86%	9.56%

The CGUs' breakeven WACC is impacted by the effects of the update to the Plans made during 2021.

#### ***Note 4 Other intangible assets***

The breakdown of the item Other intangible assets at June 30, 2021, compared with the same values at December 31, 2020, is as follows:



<i>(Euro thousands)</i>	<i>At June 30</i>	<i>At December 31</i>	<i>Change</i>
	2021	2020	2021 vs 2020
Concessions, licenses, trademarks and similar rights	127	10	117
Accreditation	138,512	138,512	-
Software	544	531	13
Other intangible assets	275	241	33
Assets under construction and payments on account	736	834	(98)
<b>Total other intangible assets</b>	<b>140,194</b>	<b>140,128</b>	<b>65</b>

The table below shows the movements in individual items of Other intangible assets during the period ended June 30, 2021.

<i>in Euro thousands</i>	<i>Concessions, licenses, trademarks &amp; similar rights</i>	<i>Software</i>	<i>Accreditation</i>	<i>Other intangible assets</i>	<i>Assets in progress and payments on account</i>	<i>Total</i>
<b>Net value at December 31, 2020</b>	10	531	138,512	241	834	140,128
Acquisition	10	129	-	67	75	280
Depreciation	(65)	(109)	-	(47)	-	(222)
Transfers/Reclassifications	7	(7)	-	-	(172)	(172)
Change in consolidation scope	165	-	-	14	-	179
<b>Net value at June 30, 2021</b>	<b>127</b>	<b>544</b>	<b>138,512</b>	<b>275</b>	<b>736</b>	<b>140,194</b>

Concessions, licenses, trademarks & others

“Concessions, licenses, trademarks and similar rights” amount to Euro 127 thousand at June 30, 2021. The increase on December 31, 2020 is primarily due to the addition of Clinica San Francesco S.p.A. to the consolidation scope.

## Software

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

In H1 2021, the Group made investments in software of Euro 129 thousand.

## Accreditation

The Accreditation account primarily refers to the amount by which the purchase costs exceed the fair value of the Group’s share and, to a residual extent, the purchase of accreditation by Rugani S.r.l. A breakdown of the account for the period ended June 30, 2021 is illustrated below:

<i>(Euro thousands)</i>	<i>At June 30</i>	<i>At December 31</i>	<i>Change</i>
	<b>2021</b>	<b>2020</b>	<b>2021 vs 2020</b>
Rugani Hospital CGU	330	330	-
Fides Medica Group CGU	8,257	8,257	-
Casa di Cura Prof. Nobili CGU	4,942	4,942	-
Poliambulatorio Dalla Rosa Prati CGU	13,396	13,396	-
Ospedali Privati Riuniti CGU	35,176	35,176	-
Centro Medico San Biagio e Bimar CGU	52,744	52,744	-
Centro Medico Università Castrense CGU	4,166	4,166	-
Aesculapio CGU	2,624	2,624	-
XRay One CGU	16,877	16,877	-
<b>Total accreditation</b>	<b>138,512</b>	<b>138,512</b>	<b>-</b>

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

The impairment test performed on June 30, 2021 was carried out jointly with the tests on the goodwill of the Gruppo Fides Group and XRay Once CGU's (as the accreditations were allocated to the CGU's represented by the respective clinics). Sensitivity analyses were also performed, simulating a WACC variation of +/-1% and a reduction in the CGU's prospective EBITDA level of +/-5%, which did not result in impairments in any CGU.

#### Other intangible assets

The account includes residual categories of assets, which, given their scarce significance, are not in a specific item. The balance at June 30, 2021 was Euro 275 thousand.

#### Assets under construction and payments on account

The account, which had a balance of Euro 736 thousand, refers mainly to the development expenses incurred by Hesperia Hospital Modena S.r.l. (Euro 345 thousand), and other expenses incurred by Poliambulatorio Dalla Rosa Prati S.r.l. (Euro 261 thousand).

#### Note 5 Property, plant and equipment

The table below shows the breakdown of Property, plant and equipment at June 30, 2021 compared with December 31, 2020.

<i>(Euro thousands)</i>	<i>At June 30</i>	<i>At December 31</i>	<i>Change</i>
	2021	2020	2021 vs 2020
Land & buildings	131,347	114,965	16,382
Leasehold improvements	5,625	2,733	2,891
Plant & machinery	5,728	3,979	1,749
Industrial and commercial equipment	17,277	12,704	4,573
Other assets	2,758	2,198	560
Rights-of-use	16,615	16,295	320
Assets under development and payments on account	7,215	6,295	920
<b>Total</b>	<b>186,565</b>	<b>159,169</b>	<b>27,396</b>

The following tables show the changes in the item in question for the year ended June 30, 2021.

<i>in Euro thousands</i>	<i>Land and buildings</i>	<i>Leasehold improvements</i>	<i>Plant and machinery</i>	<i>Industrial &amp; commercial equipment</i>	<i>Other assets</i>	<i>Rights-of-use</i>	<i>Assets in progress and advances</i>	<i>Total</i>
<b>Net value at December 31, 2020</b>	<b>114,965</b>	<b>2,733</b>	<b>3,979</b>	<b>12,704</b>	<b>2,198</b>	<b>16,295</b>	<b>6,295</b>	<b>159,169</b>
Acquisition	16,020	27	1,958	3,439	413	901	1,814	24,572
Depreciation	(2,414)	(371)	(522)	(1,670)	(413)	(1,232)	-	(6,622)
Sales	-	-	(18)	(151)	(249)	-	-	(418)
Decrease	(8)	-	16	73	240	-	-	321
Other changes	-	-	-	-	-	34	-	34
Transfers/Reclassifications	500	-	(15)	683	4	-	(999)	172
Change in consolidation scope	2,283	3,236	331	2,199	566	617	105	9,337
<b>Net value at June 30, 2021</b>	<b>131,347</b>	<b>5,625</b>	<b>5,728</b>	<b>17,277</b>	<b>2,758</b>	<b>16,615</b>	<b>7,215</b>	<b>186,565</b>

### Land and Buildings

The item mainly includes the properties owned by the nursing homes and amounted at June 30, 2021 to Euro 131,347 thousand, compared to Euro 114,965 thousand in 2020.

The account in question increased by a net amount of Euro 16,382 during H1 2021, primarily due to the combined effect of the following:

- i. investments made by the Group of Euro 16,020 thousand, mainly attributable to GHC Project 6 S.r.l. (Euro 15,195 thousand) and concerning the purchase of two buildings;
- ii. depreciation in the year of Euro 2,414 thousand;
- iii. reclassifications from assets under construction amounting to Euro 500 thousand, mainly attributable to work carried out by C.M.S.R. Veneto Medica S.r.l. to complete the structure for MRI integration;
- iv. change in the consolidation scope following the addition of Clinica San Francesco S.p.A. for Euro 2,283 thousand.

### Leasehold improvements

The account increased by Euro 2,891 thousand in H1 2021 on December 31, 2020. The net increase is mainly due to:

- i. depreciation in the year of Euro 371 thousand;

- ii. change in the consolidation scope following the addition of Clinica San Francesco S.p.A. for Euro 3,236 thousand.

### Plant & machinery

The account increased by Euro 1,749 thousand in H1 2021 on December 31, 2020. The net increase mainly concerns:

- i. investments amounting to Euro 1,958 thousand, mainly attributable to Aesculapio S.r.l. (Euro 772 thousand), mainly for the purchase of an MRI machine and Ospedali Privati Riuniti S.r.l. (Euro 759 thousand) for the replacement of operating room and outpatient equipment;
- ii. depreciation in the year of Euro 522 thousand;
- iii. change in the consolidation scope following the addition of Clinica San Francesco S.p.A. for Euro 331 thousand.

### Industrial & commercial equipment

Industrial and commercial equipment amounted to Euro 17,277 thousand at June 30, 2021, compared to Euro 12,704 thousand at December 31, 2020. The net change of Euro 4,573 thousand is attributable to the combined result of the following effects:

- i. investments amounting to Euro 3,439 thousand, mainly attributable to Casa di Cura Villa Berica S.r.l. (Euro 754 thousand), mainly for the purchase of a microscope and an ultrasound machine, Hesperia Hospital Modena S.r.l. (Euro 791 thousand), mainly related to the purchase of electromedical diagnostic and surgical department equipment and C.M.S.R. Veneto Medica S.r.l. (Euro 1,363 thousand), mainly for the purchase of a CT scanner;
- ii. depreciation in the year of Euro 1,670 thousand;
- iii. reclassifications from assets under construction amounting to Euro 683 thousand, mainly attributable to the commissioning of the MRI machine at Casa di Cura Villa Berica S.r.l. (Euro 402 thousand) and C.M.S.R. Veneto Medica S.r.l. (Euro 270 thousand);
- iv. change in the consolidation scope following the addition of Clinica San Francesco S.p.A. for Euro 2,199 thousand.

### Other assets

The account amounts to Euro 2,758 thousand at June 30, 2021, a net increase of Euro 560 thousand on December 31, 2020. The account in question mainly consists of cars, transport vehicles, electronic machines, furniture and furnishings. The change during the period was mainly due to:

- i. investments amounting to Euro 413 thousand, mainly attributable to Casa di Cura Villa Berica S.r.l. (Euro 70 thousand), Hesperia Hospital Modena S.r.l. (Euro 62 thousand) and Ospedali Privati Riuniti S.r.l. (Euro 70 thousand);
- ii. depreciation in the year of Euro 413 thousand;
- iii. change in the consolidation scope following the addition of Clinica San Francesco S.p.A. for Euro 565 thousand.

### Rights-of-use

The account, amounting to Euro 16,615 thousand at June 30, 2021, includes the present value of hire contracts for periods in excess of 12 months and of an amount greater than Euro 5 thousand following the payment of set consideration. The increase of Euro 320 thousand in the period thousand mainly concerns:

- i. investments amounting to Euro 901 thousand, mainly attributable to Casa di Cura Villa Berica S.r.l. (Euro 154 thousand), Hesperia Hospital Modena S.r.l. (Euro 135 thousand) and Poliambulatorio Dalla Rosa Prati S.r.l. (Euro 574 thousand);
- ii. depreciation in the year of Euro 1,232 thousand;
- iii. change in the consolidation scope following the addition of Clinica San Francesco S.p.A. for Euro 617 thousand.

### Assets in progress and advances

The account at June 30, 2021 amounted to Euro 7,215 thousand, compared to Euro 6,295 thousand for the preceding period. The change of Euro 920 thousand in the period thousand mainly concerns:

- i. investments amounting to Euro 1,814 thousand, mainly attributable to Casa di Cura Villa Garda S.r.l. (Euro 238 thousand), L'Eremo di Miazzina S.r.l. (Euro 263 thousand), Ospedali Privati Riuniti S.r.l. (Euro 270 thousand) and Aesculapio S.r.l. (Euro 779 thousand) for the extension and refurbishment of property;
- ii. reclassifications of Euro 999 thousand as described above;
- iii. change in the consolidation scope following the addition of Clinica San Francesco S.p.A. for Euro 105 thousand

### Note 6 Investment properties

The table below shows the breakdown of investment properties at June 30, 2021.

<i>(Euro thousands)</i>	<i>At June 30</i>	<i>At December 31</i>	<i>Change</i>
	2021	2020	2021 vs 2020
Investment property	944	963	(19)
<b>Total investment property</b>	<b>944</b>	<b>963</b>	<b>(19)</b>

The Group's investment properties primarily refer to the apartments owned by L'Eremo di Miazzina S.r.l. of Euro 759 thousand, by Hesperia Hospital Modena S.r.l. of Euro 31 thousand and by FI.D.ES. Medica S.r.l. for Euro 154 thousand. These are properties not intended for industrial use or for use in the Group's core business, held specifically for investment purposes. Accordingly, pursuant to IAS 40, such investment properties have been classified as investments and measured according to the cost model. The value recognized is represented by historical cost, less cumulative depreciation charges. The change for the period is attributable solely to the depreciation for the period amounting to Euro 19 thousand.

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

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

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

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

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

### **Note 7 Equity investments**

The value of equity investments at June 30, 2021 was Euro 760 thousand and concerns investments in associates for Euro 710 thousand and capital instruments (classified as at fair value through profit and loss) for Euro 50 thousand.

#### **Investments in associates**

The table below contains a breakdown of investments in associates at June 30, 2021 and December 31, 2020.

<i>(Euro thousands)</i>	<i>At June 30</i>	<i>At December 31</i>	<i>Change</i>
	2021	2020	2021 vs 2020
Il Fiocco S.c.a.r.l.	710	878	(168)
<b>Total investments in associates</b>	<b>710</b>	<b>878</b>	<b>(168)</b>

The equity investments in associates refer solely to Il Fiocco S.c.a.r.l., in which the Group holds a 40% shareholding by virtue of the acquisition of the Fides Group completed in 2017. The account in question decreased by Euro 168 thousand on December 31, 2020 due to the combined effect of the share of the profit for the period of Euro 112 thousand, net of the dividends recognised by Fides Medica S.r.l. of Euro 280 thousand.

The key financial highlights for H1 2021 are set out below:

<i>in Euro thousands</i>	<i>At June 30</i>
	<b>2021</b>
Current Assets	1,571
Non-current assets	356
Current liabilities	-1,417
Non-current liabilities	0
<b>Shareholders' Equity</b>	<b>510</b>
Shareholders' equity attributable to the Group - 40%	204
<b>Goodwill</b>	<b>506</b>
<b>Carrying value of the Group's investment</b>	<b>710</b>

<i>in Euro thousands</i>	<i>H1</i>
	<b>2021</b>
Revenues	2,816
Cost of sales	-2,381
Amortisation, depreciation and write-downs	-51
Financial charges	-1
Profit before taxes	383
Income taxes	-102
<b>Net profit /(loss) from continuing operations</b>	<b>281</b>
Other comprehensive items which may be subsequently reclassified to profit/(loss) for the period net of income taxes	-
Other comprehensive items which may not be subsequently reclassified to profit/(loss) for the period net of income taxes	-
<b>Other comprehensive income from continuing operations</b>	<b>281</b>
<b>Net profit / (loss) attributable to the Group</b>	<b>112</b>



At June 30, 2021, the associate did not have any contingent liabilities or commitments.

### Capital instruments

A breakdown of equity investments is presented below.

<i>in Euro thousands</i>	<i>At June 30</i>	<i>At December 31</i>	<i>Change</i>
	2021	2020	2021 vs 2020
Valpolicella Benaco Banca	5	5	-
C.O.P.A.G. S.p.A.	9	9	-
CAAF Emilia Centrale	3	3	-
Poliambulatorio Exacta S.r.l.	11	11	-
Ottica Modenese S.r.l.	11	11	-
Rete di imprese	1	1	-
Idroterapic S.r.l.	10	10	-
<b>Total share capital instruments</b>	<b>50</b>	<b>50</b>	<b>-</b>

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

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

### Note 8 Other non-current financial assets

“Other non-current financial assets” amounted to Euro 277 thousand at June 30, 2021 and primarily includes the guarantee deposits of Group companies with third parties.

The following table presents a breakdown of the other non-current financial assets at June 30, 2021 and December 31, 2020.

<i>(Euro thousands)</i>	<i>At June 30</i>	<i>At December 31</i>	<i>Change</i>
	2021	2020	2021 vs 2020
Guarantee deposits	239	199	41
Financial receivables from others	37	37	-
<b>Total other non-current financial assets</b>	<b>277</b>	<b>236</b>	<b>41</b>

#### **Note 9 Other non-current assets**

“Other non-current assets” amounted to Euro 1,098 thousand at June 30, 2021 and included Euro 839 thousand of receivables due beyond one year relating to the tax on the realignment of the accounting and tax values of the goodwill recognised following the reverse merger of Garofalo Veneta S.r.l. into CMSR Veneto Medica S.r.l. in 2014, and Euro 169 thousand and Euro 90 thousand in tax credits paid by Fides Medica S.r.l. and Rugani Hospital S.r.l. respectively for tax realignment provided for by the Finance Act of 2021.

The following table presents a breakdown of the other non-current assets at December 30, 2020 and June 30, 2021.

<i>(Euro thousands)</i>	<i>At June 30</i>	<i>At December 31</i>	<i>Change</i>
	2021	2020	2021 vs 2020
Realignment substitute tax credits	1,088	1,187	(99)
Other receivables	10	12	(2)
<b>Total other non-current assets</b>	<b>1,098</b>	<b>1,199</b>	<b>(101)</b>

#### **Note 10 Deferred tax assets and liabilities**

##### **Deferred tax assets and liabilities**

The composition of “Deferred tax assets and liabilities” at June 30, 2021, compared with the situation at December 31, 2020, is presented below.

<i>(Euro thousands)</i>	<i>At June 30</i>	<i>At December 31</i>	<i>Change</i>
	2021	2020	2021 vs 2020
Deferred tax assets:			-
within 1 year	-	-	-
over 12 months	6,155	5,140	1,015
<b>Total</b>	<b>6,155</b>	<b>5,140</b>	<b>1,015</b>
Deferred tax liabilities:			
within 1 year	-	-	-
over 12 months	(47,848)	(47,787)	(61)
<b>Total</b>	<b>(47,848)</b>	<b>(47,787)</b>	<b>(61)</b>
<b>Net balance</b>	<b>(41,693)</b>	<b>(42,647)</b>	<b>954</b>

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

The increase in the period is mainly attributable to the addition of Clinica San Francesco S.p.A. to the consolidation scope (Euro 1,177 thousand).

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

<i>(Euro thousands)</i>	<i>At June 30</i>	<i>At December 31,</i>
	2021	2021
<b>Net opening balance</b>	<b>-42,647</b>	<b>-40,797</b>
Credit / (Debit) to the income statement	-240	2,459
Other changes	1,303	-4,466
Credit / (Debit) to equity	-109	157
<b>Net closing balance</b>	<b>-41,693</b>	<b>-42,647</b>

Net deferred tax assets and liabilities amounted to a net liability of Euro 41,693 thousand at June 30, 2021.

### Note 11 Inventories

The following table breaks down inventories at June 30, 2021, compared with December 31, 2020.

<i>(Euro thousands)</i>	<i>At June 30</i>	<i>At December 31</i>	<i>Change</i>
	2021	2020	2021 vs 2020
Raw materials, ancillaries and consumables	3,938	3,487	451
<b>Inventories</b>	<b>3,938</b>	<b>3,487</b>	<b>451</b>

Inventories amounted to Euro 3,938 thousand at June 30, 2021 and to Euro 3,487 thousand at December 31, 2020. The account, which consists solely of raw materials, supplies and consumables, refers to the materials used in the clinical and hospital activities of the Group's companies.

The increase relates to the normal operations of the subsidiaries and, for Euro 413 thousand, to the change in the consolidation scope following the inclusion of Clinica San Francesco S.p.A.

### Note 12 Trade receivables

Trade receivables amounted to Euro 68,605 thousand at June 30, 2021, compared with Euro 61,411 thousand at December 31, 2020. The breakdown is reported below.

<i>(Euro thousands)</i>	<i>At June 30</i>	<i>At December 31</i>	<i>Change</i>
	2021	2020	2021 vs 2020
Receivables – private customers	7,514	4,270	3,244
Receivables – local health authorities	66,584	62,450	4,134
Other receivables	330	405	(75)
Doubtful debt provision	(5,823)	(5,715)	(108)
<b>Total trade receivables</b>	<b>68,605</b>	<b>61,411</b>	<b>7,194</b>

Trade receivables refer solely to provisions rendered within Italy and there are no receivables due beyond twelve months. It bears noting that the increase in trade receivables on December 31, 2020 is mainly attributable to the addition of Clinica San Francesco S.p.A. to the consolidation scope.

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

<i>(Euro thousands)</i>	<i>Dec 31, 20</i>	<i>Provisions</i>	<i>Utilisations</i>	<i>Decrease</i>	<i>Other movements</i>	<i>Jun 30, 21</i>
<b>Doubtful debt provision</b>	<b>5,715</b>	57	(581)	(2)	635	<b>5,823</b>

The Doubtful debt provision increased by Euro 108 thousand in H1 2021; the increase was attributable:

- i. for Euro 57 thousand to provisions made chiefly by Poliambulatorio Dalla Rosa Prati S.r.l. (Euro 22 thousand) and C.M.S.R. Veneto Medica S.r.l. (Euro 20 thousand);
- ii. for Euro 581 thousand to use by Hesperia Hospital Modena S.r.l. (Euro 252 thousand) and Ospedali Privati Riuniti S.r.l. (Euro 238 thousand);
- iii. for Euro 635 thousand to the addition of Clinica San Francesco S.p.A to the consolidation scope.

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

### **Note 13 Tax receivables**

The table below shows the breakdown of tax receivables at June 30, 2021, compared with December 31, 2020.

<i>(Euro thousands)</i>	<i>At June 30</i>	<i>At December 31</i>	<i>Change</i>
	2021	2020	2021 vs 2020
Other receivables and current assets – tax receivables for IRES and IRAP refund applications	79	85	(6)
Tax receivables – IRES prepayment	1,306	2,401	(1,095)
Tax receivables – IRAP prepayment	377	255	122
Tax receivables – other tax receivables	1,670	2,253	(583)
<b>Total tax receivables</b>	<b>3,431</b>	<b>4,995</b>	<b>(1,564)</b>

Tax receivables at June 30, 2021 amounted to Euro 3,431 thousand, compared to Euro 4,995 thousand in the preceding period, a decrease of Euro 1,564 thousand.

At June 30, 2021 the account mainly comprised tax receivables arising from IRES and IRAP refund applications for Euro 79 thousand, total IRES and IRAP prepayments (Euro 1,683 thousand) and other tax receivables (Euro 1,670 thousand).

The IRES advances of Euro 1,306 thousand mainly include the receivable of Centro Medico San Biagio S.r.l. for Euro 308 thousand and of the Parent Company GHC S.p.A. for Euro 470 thousand, concerning advances paid in the previous year by the companies within the tax consolidation scope, net of income taxes due for the period.

The decrease of Euro 1,564 thousand in the account on the year ended December 31, 2020 is mainly due to the offsetting of the payable arising from the tax consolidation (Euro 1,175 thousand).

Other tax receivables of Euro 1,670 thousand refer primarily to the recognition of the tax credits for the investments made by Villa Berica S.r.l. (Euro 368 thousand), C.M.S.R. Veneto Medica S.r.l. (Euro 659 thousand), Poliambulatorio Dalla Rosa Prati S.r.l. (Euro 140 thousand) and Xray One (Euro 100 thousand).

#### **Note 14 Other receivables and current assets**

Other receivables and current assets amounted to Euro 3,353 thousand at June 30, 2021, compared to Euro 2,822 thousand at December 31, 2020, an increase of Euro 531 thousand.

The changes in the account were as follows:

<i>(Euro thousands)</i>	<i>At June 30</i>	<i>At December 31</i>	<i>Change</i>
	2021	2020	2021 vs 2020
Other receivables and current assets - from suppliers for payments on account	310	273	37
Other receivables and current assets - from others	1,436	1,588	(153)
Other receivables and current assets - from employees	-	1	(1)
Other receivables and current assets - from social-security institutions	123	80	43
Other tax receivables	18	25	(7)
Other receivables and current assets - prepayments and accrued income (non-financial)	1,466	856	611
<b>Total other receivables and current assets</b>	<b>3,353</b>	<b>2,822</b>	<b>531</b>

The account mainly breaks down as follows:

- i. suppliers on account amounting to Euro 310 thousand, mainly relating to Hesperia Hospital Modena S.r.l. (Euro 239 thousand);

- ii. other receivables totalling Euro 1,436 thousand, mainly concerning Villa Von Siebenthal S.r.l. (Euro 607 thousand) and Hesperia Hospital Modena S.r.l. (Euro 498 thousand);
- iii. accrued income and prepaid expenses relating to non-financial assets for Euro 1,466 thousand at 30 June 2021, mainly attributable to C.M.S.R. Veneto Medica S.r.l. (Euro 114 thousand), Eremo di Miazzina S.r.l. (Euro 138 thousand), Hesperia Hospital Modena S.r.l. (Euro 207 thousand), Casa di Cura Prof. Nobili S.p.A. (Euro 153 thousand), Poliambulatorio Dalla Rosa Prati S.r.l. (Euro 156 thousand), Centro Medico San Biagio S.r.l. (Euro 101 thousand) and XRay One S.r.l. (Euro 136 thousand).

#### **Note 15 Other current financial assets**

Other current financial assets amounted to Euro 280 thousand at June 30, 2021, an increase of Euro 151 thousand on December 31, 2020. The balance mainly comprises receivables for dividends accrued by Fides Medica S.r.l. from the associate company "Il Fiocco S.r.l." for Euro 160 thousand.

#### **Note 16 Cash and cash equivalents**

The changes in the account were as follows.

<i>(Euro thousands)</i>	<i>At June 30</i>	<i>At December 31</i>	<i>Change</i>
	2021	2020	2021 vs 2020
Bank current accounts	45,051	24,670	20,382
Checks and cash	279	140	138
<b>Total cash and cash equivalents</b>	<b>45,330</b>	<b>24,810</b>	<b>20,520</b>

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

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

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

See Note 19 Non-current financial payables – "Cash flow statement" for the composition of net financial position at June 30, 2021 and December 31, 2020.

#### **Note 17 Shareholders' equity**

##### **Share capital**

At June 30, 2021, the share capital amounted to Euro 31,570 thousand, fully paid-in, and consisted of 90,200,000 ordinary shares without par value. On January 26, 2021, the share capital increase was carried out through the placement on the market of 8,200,000 newly issued ordinary shares, without par value, from the share capital increase with exclusion of pre-emption rights as per Article 2441, paragraph 4, second section, of the Civil Code,

approved by the Board of Directors on January 20, 2021 and communicated to the market on January 20 and 21, 2021.

The 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.

The table below reports the GHC Group's ownership structure at June 30, 2021, including significant equity interests.

Number of ordinary shares	% share capital	Listed / Non listed	Rights and obligations
90,200,000	100%	MTA	<p>Each share entitles the owner to one vote. In accordance with Art. 127-<i>quinquies</i> of the CFA, Article 7 of the By-laws states that each share held by the same shareholder for a continuous period of at least 24 months from the date of registration in the special list specifically established by the Company confers two votes. For further information, reference should be made to paragraph 2, letter d), of the Corporate Governance Report.</p> <p>The shareholders' rights and obligations are as established in Articles 2346 <i>et seq.</i> of the Italian Civil Code and Article 7 of the By-laws with regard to multi-voting rights.</p>

Shareholder	Direct shareholder	% of ordinary share capital	% of voting share capital
Garofalo Maria Laura <sup>(1)</sup>	Anrama S.p.A.	64.89% <sup>(2)</sup>	63.52% <sup>(2)</sup>
	Larama 98 S.p.A.		
	Garofalo Maria Laura		
Peninsula Capital II S.a.r.l. <sup>(2)</sup>	PII 4 S.à.r.l.	9.12%	8.92%

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

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

In accordance with Article 127-*quinquies*, paragraph 7, of the CFA, Article 7 of the By-laws states that shares held

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

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

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



prior to the commencement date of trading, and hence prior to the date of registration in the List, are also to be considered for the purpose of completing the period of continuous ownership required for multi-voting rights.

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

### ***Legal reserve***

At June 30, 2021, the legal reserve amounted to Euro 471 thousand, up by Euro 77 thousand on December 31, 2020 due to the allocation of part of the net profit for 2020 resolved by the Shareholders' Meeting, in accordance with Article 2430 of the Italian Civil Code.

### ***Other reserves***

The composition of the account "Other reserves" at June 30, 2021, with a comparison to December 31, 2020, is presented below.

<i>(Euro thousands)</i>	<i>At June 30</i>	<i>At December 31</i>	<i>Change</i>
	<b>2021</b>	<b>2020</b>	<b>2021 vs 2020</b>
Extraordinary reserve	12,122	10,669	1,453
Shareholder capital payments reserve	5,146	5,146	-
Conferment reserves	37,006	37,006	-
Stock-grant plan reserve	2,233	2,253	(20)
Provision as per Article 40 By-Laws	35	22	13
Cash Flow Hedge Reserve	(136)	(240)	104
Reserve - IAS 19 Post-employment benefits	(767)	(1,009)	242
AUCAP Reserve	(883)	-	(883)
First Time Adoption Reserve	2,320	2,320	-
Retained earnings	55,641	45,375	10,266
Share Premium Reserve	101,413	62,463	38,950
Reserve for treasury shares in portfolio	(2,600)	(1,723)	(877)
<b>Other reserves</b>	<b>211,529</b>	<b>162,280</b>	<b>49,249</b>

At June 30, 2021, the account Other Reserves amounted to Euro 211,529 thousand, a net increase of Euro 49,249 thousand compared to December 31, 2020, mainly deriving from the combined effect of:

- i. the increase in the extraordinary reserve of Euro 1,453 thousand as a result of the motion of the shareholders' meeting of April 30, 2021 which stipulated the allocation of a portion of the Parent Company's profit to this reserve;
- ii. a positive change in the cash flow hedge reserve of Euro 104 thousand;
- iii. a positive change in the IAS 19 actuarial effect reserve of Euro 242 thousand;
- iv. recognition of the reserve relating to the costs incurred for the capital increase for Euro 883 thousand;
- v. an increase in the consolidated retained earnings for Euro 10,266 thousand as a result of the companies' profits in the previous year;
- vi. a change in the share premium reserve following the capital increase, amounting to Euro 38,950 thousand (as outlined in the share capital paragraph);
- vii. a change in the treasury shares in portfolio reserve following the acquisition of 30,906 treasury shares amounting to Euro 877 thousand, in accordance with the BoD's motion of January 29, 2019 and the motion of the Shareholders' Meeting of May 24, 2019.

The IFRS first-time adoption reserve, amounting to a positive Euro 2,320 thousand at June 30, 2021, represents the effects on shareholders' equity of the transition to IASs/IFRSs by the Garofalo Health Care Group.

### *Minority interest capital and reserves*

The minority interest share of capital and reserves amounted to Euro 66 thousand at June 30, 2021, compared with Euro 63 thousand in the previous year.

The account at June 30, 2021 amounted to Euro 4 thousand, compared to Euro 3 thousand at December 31, 2020.

### *Note 18 Employee Benefits*

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

The main demographic assumptions use by the actuary for the half-year are as follows:

- the RG48 probability of death figures provided by the General Accounting Office, by gender;
- for the pension period, it was assumed that the first pensionable requisites for the General Compulsory Insurance were achieved.
- a primary annual rate of termination of employment due to causes other than death of 9.36%;
- an annual advance probability of 2%, with a maximum of two repetitions of requests;
- a percent advance requested of 100.00%;
- The rate curve based on the effective rate of return on bonds denominated in euro issued by major companies rated AA or higher was used for the technical discounting rate.

The main financial assumptions adopted by the actuary were as follows:

	At June 30	At December 31
	2021	2020
Annual inflation rate	0.50%	0.50%
Annual real remuneration rate by category:		
Executives	2.60%	2.60%
Managers	1.70%	1.70%
White-collar	1.40%	1.40%
Annual increase in post-employment benefit	1.56%	1.56%

The movements in the period were as follows (in Euro thousands):

<i>(Euro thousands)</i>	
<b>Balance at December 31, 2020</b>	<b>11,054</b>
Other changes	-6
Net actuarial gains/(losses) recognised in the period	-241
Transfer in/(out)	-553
Cost for service	349
Change in consolidation scope	741
<b>Balance at June 30, 2021</b>	<b>11,344</b>

In accordance with IAS 19 – *Employee Benefits*, an analysis of the sensitivity to changes in the main actuarial assumptions used in the calculation model must be performed. The following tables show, in absolute and relative terms, changes in the liability measured according to IAS 19 (DBO) in the event of a positive or negative change of 10% in revaluation and/or discounting rates. The results obtained in thousands of Euro for the first half of 2021 are summarised in the following tables.

		At June 30, 2021		
		Annual discount rate		
		-10%	100%	10%
Annual inflation rate	-10%	11,325	11,283	11,242
	100%	11,372	<b>11,344</b>	11,289
	10%	11,420	11,378	11,336

#### **Note 19 Provision for risks and charges**

“Provisions for risks and charges” at June 30, 2021 and at December 31, 2020 respectively amounted to Euro 12,372 thousand and Euro 12,045 thousand and mainly include risks provisions for healthcare cases.

A breakdown of “Provisions for risks and charges” at June 30, 2021, compared with December 31, 2020, is presented below:

<i>(Euro thousands)</i>	<i>At June 30</i>	<i>At December 31</i>	<i>Change</i>
	2021	2020	2021 vs 2020
Provisions for risks and charges – End-of-service indemnity provisions	53	115	(63)
Provisions for risks and charges – Provisions for healthcare lawsuit risks	11,866	11,727	139
Provision for risks and charges – Other provisions for risks and charges	453	202	251
<b>Total provisions for risks and charges</b>	<b>12,372</b>	<b>12,045</b>	<b>327</b>

The changes in the “Provisions for risks and charges” at June 30, 2021, compared with the changes at December 31, 2020, are presented below.

<i>in Euro thousands</i>	<i>End-of-service indemnity provisions</i>	<i>Provisions for healthcare lawsuit risks</i>	<i>Other provisions for risks and charges</i>	<i>Total</i>
<b>Net value at December 31, 2020</b>	<b>115</b>	<b>11,727</b>	<b>202</b>	<b>12,045</b>
Provisions	33	1,632	150	1,815
Utilisations	(95)	(1,076)	(231)	(1,403)
Reversals	-	(525)	-	(525)
Change in consolidation scope	-	108	332	440
<b>Net value at June 30, 2021</b>	<b>53</b>	<b>11,866</b>	<b>453</b>	<b>12,372</b>

Provisions for risks and charges include the total end-of-service indemnities for directors of Euro 53 thousand at June 30, 2021, compared with a balance of Euro 115 thousand at December 31, 2020. The change in the account includes the provisions carried out by Rugani Hospital for Euro 10 thousand made by Casa di Cura del Prof. Nobili S.p.A. for Euro 13 thousand and by Hesperia Hospital Modena S.r.l. for Euro 10 thousand. Utilisations refer to Casa di Cura Prof. Nobili S.r.l. (Euro 75 thousand) and Rugani Hospital S.r.l. (Euro 20 thousand).

Provisions for healthcare lawsuit and ASL risks amount to Euro 11,866 thousand at June 30, 2021, with a net increase over December 31, 2020 of Euro 139 thousand. The item includes liabilities deemed probable in respect of damage claims brought by patients of the facilities in the course of their healthcare services, both under accreditation from the government and privately. The accrual has been based on a thorough analysis of the damage claims brought in and out of court and also takes account of events that have occurred at the reporting date, even though not reported, which the company, with the support of its legal counsel, has decided to recognise in its accounts. The account also includes the risks on the controls carried out by the Local Health

Authority on clinical records and the risks of fee variations for services rendered to patients residing outside the Region. The change in the account was due to:

- (i) Provisions amounting to Euro 1,632 thousand, of which Euro 1,038 thousand refers to healthcare lawsuits and Euro 594 thousand refers to Local Health Authority (ASL) risks.  
In the case of the healthcare lawsuits, the accruals mainly refer to Rugani Hospital S.r.l (Euro 375 thousand) and Casa di Cura Villa Berica S.r.l (Euro 529 thousand).  
For local health authority risks, the provisions refer mainly to Hesperia Hospital Modena S.r.l. for Euro 175 thousand and Ospedali Privati Riuniti S.r.l. for Euro 389 thousand.
- (ii) Utilisations amounting to Euro 1.076 thousand, of which Euro 783 thousand referring to healthcare lawsuits and Euro 293 to Local Health Authority (ASL) risks.  
Utilisations for healthcare lawsuits were mainly attributable to Hesperia Hospital Modena S.r.l. (Euro 232 thousand), Rugani Hospital S.r.l (Euro 154 thousand) and Ospedali Privati Riuniti S.r.l. (Euro 304 thousand).  
For local health authority risks, the utilisations refer mainly to Ospedali Privati Riuniti S.r.l (Euro 218 thousand).
- (iii) Releases amounting to Euro 525 thousand concerning healthcare lawsuits for Euro 391 thousand and Local Health Authority (ASL) risks for Euro 134 thousand.  
Releases for healthcare lawsuits were mainly attributable to Hesperia Hospital Modena S.r.l. (Euro 152 thousand) and Rugani Hospital S.r.l (Euro 236 thousand).  
For local health authority risks, the releases refer mainly to Ospedali Privati Riuniti S.r.l (Euro 124 thousand).
- (iv) The change in the consolidation scope for Euro 108 thousand, attributable to the inclusion of Clinica San Francesco within the scope.

Other provisions for risks amounted to Euro 453 thousand at June 30, 2021, compared to Euro 202 thousand at December 31, 2020, marking a net increase of Euro 251 thousand and includes accruals for risks other than healthcare risks, particularly labour risks. The change in the account was due to:

- i. Provisions amounting to Euro 150 thousand, entirely attributable to C.M.S.R. Veneto Medica S.r.l. following labour disputes.
- ii. Utilisations for Euro 231 thousand, mainly attributable to Hesperia Hospital Modena S.r.l. (Euro 40 thousand) for labour disputes and to Clinica San Francesco S.p.A. (Euro 187 thousand) for the renewal of the national contract.
- iii. The change in the consolidation scope for Euro 332 thousand, attributable to the inclusion of Clinica San Francesco within the scope.

### ***Note 20 Non-current financial payables***

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

The following table presents the figures for the Garofalo Health Care Group's outstanding financial payables at June 30, 2021 and December 31, 2020.

<i>(Euro thousands)</i>	<i>At June 30</i>	<i>At December 31</i>	<i>Change</i>
	2021	2020	2021 vs 2020
Other non-current financial payables	24,432	21,456	2,976
Medium/long-term loans and borrowings	92,736	68,067	24,670
<b>Total non-current financial payables</b>	<b>117,168</b>	<b>89,522</b>	<b>27,646</b>

The composition of “Other non-current financial payables” at June 30, 2021, compared with the situation at December 31, 2020, is presented below.

<i>(Euro thousands)</i>	<i>At June 30</i>	<i>At December 31</i>	<i>Change</i>
	2021	2020	2021 vs 2020
Shareholder loan	2,124	2,098	26
Financial payables for IFRS 16 Non-Current	15,080	14,450	630
Payables to leasing companies	7,228	4,908	2,320
<b>Total other non-current financial payables</b>	<b>24,432</b>	<b>21,456</b>	<b>2,976</b>

The company’s other non-current financial payables amounted to Euro 24,432 thousand at June 30, 2021, compared with Euro 21,456 thousand at December 31, 2020.

The account mainly comprises:

- i. “shareholder loans” of Euro 2,124 thousand relating to the interest-bearing payable to Larama 98 S.p.A. at June 30, 2021; the increase of Euro 26 thousand is due to interest accrued;
- ii. “payables for IFRS 16”, amounting to Euro 15,080 thousand; the increase in the item, amounting to Euro 630 thousand, is attributable to the combined effect of new contracts (Euro 646 thousand) and the change in the consolidation scope (Euro 1,250 thousand), net of the reclassification to short-term of the instalments due by June 30, 2022 (Euro 1,266 thousand);
- iii. “payables to leasing companies”, amounting to Euro 7,228 thousand at June 30, 2021; the increase in the item is attributable to the combined effect of new leasing contracts (Euro 2,002 thousand) and the change in the consolidation scope (Euro 1,279 thousand), net of the reclassification to short-term of the instalments due by June 30, 2022 (Euro 961 thousand).

“Non-current bank payables” amounted to Euro 92,736 thousand at June 30, 2021, compared with Euro 68,067 thousand at December 31, 2020. The increase in the account of Euro 24,670 thousand is due to the combined effect of:

- i. new loans raised for Euro 24,480 thousand and mortgages assumed for Euro 6,140 thousand, mainly relating to the acquisition of Clinica San Francesco S.p.A. and the loan for the modernisation and expansion works carried out by Ro&Mar S.r.l. and L’Eremo di Miazzina S.r.l.;

- ii. change in consolidation scope for Euro 5,773 thousand;
- iii. reclassification of the portion of the debt payable in the following year for Euro 11,723 thousand.

The following tables present the loans contracted by Group companies in H1 2021 and the year ended on December 31, 2020, with a breakdown into amounts set to come due within and beyond 12 months.

Description	Annual interest rate at signing	Maturity	Balance at June 30, 2021	Balance at December 31, 2020
	%		in Euro thousands	
Unsecured loan from Veneto Banca	variable	Sep 30, 21	48	-
Unsecured loan from Intesa Sanpaolo	Euribor 3M + 2.20%	Jun. 15, 21	23	23
Unsecured loan from Banca Popolare di Sondrio loan	Euribor 6M+0.45%	Jan 31, 22	1,459	2,166
Unsecured loan from Banca Reale	Euribor 3M + 3.50%	Feb. 28, 22	58	58
Unsecured loan from Intesa Sanpaolo	Euribor 3M + 2.50%	Mar. 31, 22	125	125
Unsecured loan from Intesa Sanpaolo	Euribor 3M + 2.50%	Sep. 14, 22	150	150
Unsecured loan from Banca Carige	3.75% + half-yearly interest rate equal to half the average Euribor 6M rate for the month	Dec 31, 22	1,909	2,519
Banca Valsabbina loan	Euribor 3 months	Jul. 31, 23	99	-
Unsecured loan from Banca Reale	Euribor 3M + 3.50%	Jul. 31, 23	160	160
Unsecured loan from Banca BPM	Euribor 3M + 1.0%	Feb. 13, 24	270	287
Unsecured loan from Banca Popolare Emilia Romagna	Euribor 3 months	Mar 12, 24	163	-
Unsecured loan from Banca Passadore & C.	Euribor 6M + 2.75%	May 1, 24	180	180
Unsecured loan from Banca BPM	Euribor 3M+1.35%	Jun 30, 24	3,035	3,528
Loan from Credit Agricole	Euribor 3M+spread 0.70%	Jul. 16, 24	1,000	1,000
Unsecured loan from Credito Emiliano Spa	Euribor 12 months	Aug 17, 25	298	-
Banca Popolare di Sondrio loan	Euribor 1m + spread 0.85%	Oct. 1, 24	1,000	1,000
Unsecured loan from Banca BPM	Euribor3M + 1.40%	Nov. 8, 24	346	362
Mortgage loan from Banco BPM (formerly Banca Popolare di Novara)	Euribor 3m base 365+1.30%	Dec 31, 24	380	434
Intesa Sanpaolo loan	1.85% fixed	Dec 31, 24	10,114	11,498
Unsecured loan from Unicredit	fixed	Mar 31, 25	151	-
Unsecured loan from BPER	Euribor 3M bid spread 2.80% cap 2.80%	Apr 1, 25	196	220
Unsecured loan from Banca Popolare Emilia Romagna	fixed	Apr 7, 25	154	-



BPER loan	Euribor 6M bid spread 2.80% cap 2.80%	May 1, 25	32	36
Unicredit loan	Euribor 6M+1.80%	May 31, 25	12,299	13,625
Unsecured loan from Intesa Sanpaolo	Euribor 3M + 2.90%	Jun. 28, 25	109	109
Mortgage loan from Intesa Sanpaolo	Euribor 6m+0.85%	Jun 30, 25	1,955	2,191
Mortgage loan from Intesa Sanpaolo	Euribor 6m+0.85%	Jun 30, 25	689	771
Mortgage loan from Banca Carige	Euribor 6M + spread 1.50%	Jun 30, 25	240	269
Unsecured loan from Banca Carige	2.75% Fixed	Jun 30, 25	483	540
Banca di Verona loan	Euribor 3 months	Nov 30, 25	235	-
Unsecured loan from Banca Carige	Euribor 6M 2.75%	Dec 31, 25	7,673	8,466
Unsecured loan from Cassa di Risparmio Parma and Piacenza	Euribor 6M+1.50%	Feb 12, 26	342	360
Unsecured loan from BNP Gruppo Paribas	fixed	Sep 30, 26	2,000	-
Unicredit loan	Euribor 3M + spread 2.50%	Oct 31, 26	3,887	-
Unsecured loan from Credit Agricole	Euribor 3M/360 MM prev. av. + spread 1.15%	Dec. 23, 26	590	590
Unsecured loan from Credit Agricole	Euribor 3M/360 MM prev. av. + spread 1.15%	Dec. 23, 26	800	800
Unsecured loan from Credit Agricole	Euribor 3M/360 MM prev. av. + spread 1.15%	Dec. 23, 26	1,500	1,500
Banco BPM loan	Euribor 6M+1.80%	31-Dec-26	16,161	18,768
Unsecured loan from Credit Agricole	Euribor 3 month/360 + spread 1.15%	Jan 8, 27	800	-
Mortgage loan from Banco BPM (formerly Banca Popolare di Novara)	Euribor 3m base 365+1.50%	Jan 18, 27	3,900	-
Loan from Credit Agricole	Euribor 6M + spread 1.40%	Mar. 31, 27	6,920	6,907
Loan from Credit Agricole	Euribor 3M + spread 2.50%	Mar. 31, 27	19,780	-
Veneto Banca loan	variable	Apr 30, 27	191	-
Veneto Banca loan	fixed	May 31, 27	118	-
Unsecured loan from Banca Valsabbina	Euribor 3 months	July 31, 28	2,183	-
Mortgage loan from Banca Prealpi SanBiagio	Euribor 3M+1%	Jan 01, 29	133	141
Mortgage loan from Banca Prealpi SanBiagio	Euribor 6M + 0.95%	Jan 01, 29	868	920
Unsecured loan from BPER	Euribor 3M MMP spread 3.35% cap 3.35%	Jan 01, 29	851	826
Mortgage loan from Intesa Sanpaolo	Euribor 6M + 0.95%	Feb 01, 29	1,071	1,123
Unsecured loan from Banca Popolare di Verona	IRS 10 years	Mar 18, 30	162	-
Unsecured loan from Banca Popolare di Verona	IRS 10 years	Mar 16, 31	489	-

Unsecured loan from Banca Popolare di Verona	IRS 10 years	Jun 26, 31	250	-
Mortgage loan from Banca Carige	Euribor 6M + 2.75%	Dec 31, 31	906	938
Mortgage loan from Cassa di Risparmio Parma and Piacenza	Euribor 6M + 2.75%	Dec. 22, 33	515	524
Unicredit loan	Euribor 3M + spread 1.90%	Aug 31, 34	1,320	-
Unicredit loan	Euribor 3M + spread 2.50%	June 30, 35	933	-
Mortgage loan from Banca Carige	2.75% Fixed	Jun. 30, 40	1,811	1,847
<b>Total</b>			<b>113,514</b>	<b>81,219</b>
Of which:				
Bank payables - non-current portion of loans			92,736	68,988
Bank payables - current portion of loans			20,778	12,231

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

<i>Parameter</i>	<i>Threshold value</i>
NFP/EBITDA	≤ 12

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

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

Unicredit S.p.A. granted a loan of Euro 15 million to the company GHC Project 2 S.r.l., a vehicle company incorporated for the acquisition of Ospedali Privati Riuniti S.r.l. (later merged into the same Ospedali Privati Riuniti S.p.A.). The contract stipulates compliance with the following covenants to be calculated annually on the basis of the consolidated financial statements of Garofalo Healthcare S.p.A. from December 31, 2019:

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

The loan contract envisages: (i) the prohibition of By-Law amendments, (ii) change of control to ensure that the Garofalo family does not directly and/or indirectly cease to hold a controlling equity interest in the company of at

least 51%; (iii) negative pledges to not provide or allow the setting up of guarantees on loans of a maximum duration of 24 months, privileges, pledges or mortgages on own assets (already owned and on those which will eventually be acquired) or any pre-emption and/or preferential right on its receivables, present or future, with the exception of the guarantees provided to the loan agreement in place; (iv) *pari passu* to ensure that each payment obligation arising from this agreement is made at least at the same level with respect to the rights of all the other company creditors. It should be noted that this loan agreement was renegotiated in 2020.

Banca BPM granted two loans to GHC Project 3 S.r.l., a vehicle company (incorporated for the acquisition of Centro Medico San Biagio S.r.l. and Centro Medico Università Castrense S.r.l.): the first of Euro 18 million and the second of Euro 2 million, for a total of Euro 20 million, under two separate loan agreements. GHC Project 3 S.r.l. was merged into Centro Medico San Biagio S.r.l. in 2019. The agreement stipulates compliance with the following financial covenants to be calculated annually on the basis of the consolidated financial statements of the Target Companies (Centro Medico San Biagio S.r.l. and Centro Medico Università Castrense S.r.l.) from December 31, 2019:

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

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

The special purpose vehicle GHC Project 6 S.r.l. took over from EPIFARM S.r.l., the previous parent company of Clinica San Francesco S.p.A., in assuming three loans granted by Unicredit S.p.A., amounting to Euro 7 million, Euro 1.5 million and Euro 1 million respectively. The contracts stipulate compliance with the following covenants, to be calculated annually on the basis of the consolidated financial statements from December 31, 2021:

Parameter	Threshold value
Net financial debt /EBITDA	<=3.75x
Net financial debt/Equity	<=1.5x

The loan agreements include negative pledge clauses; the beneficiary undertakes: (i) to enter into a reverse merger by incorporation with the company Clinica San Francesco S.p.A; (ii) to ensure that the current shareholders of the company maintain their shareholding in the company's share capital for the remaining duration of the loans, except with the prior consent of the bank (iii) to ensure that all present and future shareholder claims against it for any repayment of principal and any interest on shareholder loans are subordinated and subject to the full repayment of all amounts due to the Bank, in any event refraining, in the interest of the Bank, from making

any payments and/or repayments of principal to such creditors without the prior written consent of the Bank; (iv) as regards the loans for Euro 7 million and Euro 1 million, not to incur any new financial debt, except with the prior consent of the Bank; (vi) as regards the loan for Euro 1.5 million, not to engage in any extraordinary corporate transactions, except with the prior consent of the Bank.

For the acquisition of X Ray One S.r.l. the special purpose vehicle GHC Project 5 S.r.l. (which merged with the target company in 2020) entered into a loan agreement with Credit Agricole for a total of Euro 35 million used for Euro 7 million; this loan provides for the covenants shown in the table below to be calculated on December 31 of each calendar year on the basis of the pro-forma consolidated financial statements, net of the effect resulting from the application of IFRS16, from December 31, 2020.

<i>Parameter</i>	<i>Threshold value</i>
Net financial debt /EBITDA	<3.75x

Finally, Intesa SanPaolo S.p.A. granted a loan of Euro 14.3 million to the company Garofalo Health Care S.p.A. The contract stipulates compliance with the following covenants to be calculated semi-annually on the basis of the pro-forma consolidated financial statements of Garofalo Healthcare S.p.A. from December 31, 2019:

<i>Parameter</i>	<i>Threshold value</i>
Net financial debt /EBITDA	<3x
Net financial debt/Equity	<0.75x

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

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

<i>(Euro thousands)</i>	<i>At June 30, 2021</i>	<i>Cash flows</i>	<i>Change in consolidation scope</i>	<i>Other changes</i>	<i>Fair value</i>	<i>Reclassifications</i>	<i>At December 31, 2020</i>
Other non-current financial payables	-24,432		-1,945	-2,640	-	1,608	-21,455
Derivative financial instrument liabilities - non-current	-344	-	-	-155	137	-	-326
Medium/long-term loans and borrowings	-92,736	- 24,480	-5,772	-6,140	-	11,723	-68,067
Short-term loans and borrowings	-31,624	10,058	-866	-20	-	-11,723	-29,073
Other current financial payables	-4,527	1,981	-585	-606	-	-1,608	-3,709
Current loans	280		132	19	-	-	129
Cash and cash equivalents	45,330	20,520		-	-	-	24,810
<b>Net financial debt</b>	<b>-108,053</b>	<b>8,079</b>	<b>-9,036</b>	<b>-9,542</b>	<b>137</b>	<b>-</b>	<b>-97,691</b>

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

#### **Note 21 Other non-current liabilities**

Other non-current financial liabilities, amounting to Euro 249 thousand, refer to the payable to the tax authorities for the substitute tax relating to the fiscal realignment of the depreciation of Casa di Cura Villa Garda S.r.l. (Euro 104 thousand), Rugani Hospital S.r.l. (Euro 68 thousand) and Ospedali Privati Riuniti S.r.l. (Euro 77 thousand).

#### **Note 22 Derivative financial instrument liabilities - non-current**

Derivative financial instrument liabilities - non-current amount to Euro 344 thousand at June 30, 2021.

<i>(Euro thousands)</i>	<i>At June 30</i>	<i>At December 31</i>	<i>Change</i>
	<i>2021</i>	<i>2020</i>	<i>2021 vs 2020</i>
Derivative financial instrument liabilities - non-current	344	326	18
<b>Total derivate financial instrument liabilities</b>	<b>344</b>	<b>326</b>	<b>18</b>

Liabilities for derivative financial instruments amounted to Euro 344 thousand; the increase of Euro 18 thousand on December 31, 2020 is the result of the combined effect of the recognition of four new hedging derivatives net of the negative change in fair value, deriving from the trend in market rates.

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

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

In relation to the financial instruments existing at June 30, 2021, is reported that:

- all derivative financial instruments valued at fair value fall within level 2 (identical situation in 2020);
- no transfers occurred from Level 1 to Level 2 or vice-versa in the first half of 2021 and in 2020;
- no transfers occurred from Level 3 to the other levels or vice-versa in the first half of 2021 and in 2020.

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

### **Note 23 Trade payables**

Trade payables amount to Euro 42,295 thousand at June 30, 2021 and to Euro 35,857 thousand at December 31, 2020. The main objective of these liabilities is to fund Group operations.

<i>(Euro thousands)</i>	<i>At June 30</i>	<i>At December 31</i>	<i>Change</i>
	2021	2020	2021 vs 2020
Trade payables	25,103	21,361	3,742
Payables to doctors	2,749	1,503	1,246
Other payables	282	217	65
Payables for invoices to be received	15,155	13,829	1,325
Credit notes to be received	(994)	(1,053)	58
<b>Total trade payables</b>	<b>42,295</b>	<b>35,857</b>	<b>6,438</b>

At June 30, 2021, the balance increased on the previous year by Euro 6,438 thousand. This was mainly attributable to the addition of Clinica San Francesco to the consolidation scope (Euro 5,688 thousand).

### **Note 24 Current financial payables**

The following table presents the figures for the Group's outstanding current financial payables at June 30, 2021.

<i>(Euro thousands)</i>	<i>At June 30</i>	<i>At December 31</i>	<i>Change</i>
	2021	2020	2021 vs 2020
Short-term loans and borrowings	31,624	29,073	2,551
Total other current financial payables	4,526	3,709	818
<b>Total current financial payables</b>	<b>36,151</b>	<b>32,782</b>	<b>3,369</b>

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

The composition of "Current bank payables" at June 30, 2021, compared with the situation at December 31, 2020, is presented below.

<i>(Euro thousands)</i>	<i>At June 30</i>	<i>At December 31</i>	<i>Change</i>
	2021	2020	2021 vs 2020
Current bank payables - 4 bank payables (short-term portion of loans)	20,778	16,894	3,884
Current bank payables - 4 bank payables (current accounts)	2,638	3,312	(675)
Current bank payables - 4 bank payables (advances)	8,208	8,867	(658)
<b>Total Current bank payables</b>	<b>31,624</b>	<b>29,073</b>	<b>2,551</b>

The account "short-term portion of loans" at June 30, 2021, amounting to Euro 20,778 thousand, concerns loans to be repaid within the next 12 months; the movement of Euro 3,884 thousand is due to:

- i. the reclassification of the portion of payables beyond one year amounting to Euro 11,723 thousand;
- ii. the change in consolidation scope for Euro 866 thousand;
- iii. the repayment of amounts maturing at June 30, 2021 amounting to Euro 8,722 thousand.

The "Current bank payables (current accounts)", amounting to Euro 2,638 thousand, consist of bank overdraft facilities.

The account "bank payables for advances" of Euro 8,208 thousand at June 30, 2021 mainly comprises advances on commercial invoices.

The composition of "Other current financial payables" at June 30, 2021, compared with the situation at December 31, 2020, is presented below.

<i>(Euro thousands)</i>	<i>At June 30</i>	<i>At December 31</i>	<i>Change</i>
	2021	2020	2021 vs 2020
Current financial payables - leasing companies	1,972	1,451	521
Current financial payables - accrued liabilities and deferred financial income	186	204	(18)
Financial payables for IFRS 16 Current	2,369	2,054	315
<b>Total Other financial payables</b>	<b>4,526</b>	<b>3,709</b>	<b>818</b>

The item “Payables to leasing companies” refers to the recognition of the current financial payable for the acquisition of leased assets accounted for according to the finance method and related primarily to the purchase of healthcare equipment. The account amounted to Euro 1,972 thousand in H1 2021, increasing as a result of the reclassification of the payable due within the year, net of the portions paid.

“Accrued financial liabilities and deferred financial income” mainly concerns interest charges matured on mortgages at June 30, 2021, but not settled at that date.

“Payables for IFRS 16” , amounting to Euro 2,369 thousand at June 30, 2021, refers to the short-term portion of leases previously defined as operating leases. This increase is attributable to the reclassification of the payable due within the year, net of the portions paid.

#### **Note 25 Tax payables**

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

<i>(Euro thousands)</i>	<i>At June 30</i>	<i>At December 31</i>	<i>Change</i>
	2021	2020	2021 vs 2020
Tax payables - IRES tax payables	1,473	1,328	145
Tax payables - IRAP tax payables	594	76	518
Tax payables - from tax consolidation	23	-	23
<b>Total Tax payables</b>	<b>2,089</b>	<b>1,403</b>	<b>686</b>

Tax payables increased from Euro 1,403 thousand at December 31, 2020 to Euro 2,089 thousand at June 30, 2021, an increase of Euro 686 thousand.

The IRES payable is attributable to the tax charge of the companies not included in the tax consolidation.

The increase in the IRAP payable is a result of the benefits provided by the Relaunch Decree in the previous year.



**Note 26 Other current liabilities**

At June 30, 2021 “Other current liabilities” amounted to Euro 28,982 thousand. The comparison with December 31, 2020 is presented below.

<i>(Euro thousands)</i>	<i>At June 30</i>	<i>At December 31</i>	<i>Change</i>
	2021	2020	2021 vs 2020
Social security institutions	3,570	3,788	(218)
Tax payables	185	37	149
Withholding tax payables	2,260	2,668	(408)
Employee payables	9,291	6,041	3,250
Other liabilities	13,677	12,962	715
<b>Total Other current liabilities</b>	<b>28,984</b>	<b>25,498</b>	<b>3,486</b>

Other current liabilities increased by Euro 3,486 thousand, mainly due to the following movements:

- i. decreases in social security payables for Euro 218 thousand, mainly attributable to Eremo di Miazzina S.r.l. (Euro 96 thousand), Ospedali Privati Riuniti S.r.l. (Euro 194 thousand) and Hesperia Hospital Modena S.r.l. (Euro 163 thousand), partly offset by the addition to Clinica San Francesco S.p.A. to the consolidation scope (Euro 273 thousand).
- ii. decrease in payables for withholding taxes for Euro 408 thousand, mainly attributable to Hesperia Hospital Modena S.r.l. (Euro 133 thousand), Casa di Cura Prof. Nobili S.r.l. (Euro 111 thousand), Ospedali Privati Riuniti S.r.l. (Euro 79 thousand) and Eremo di Miazzina S.r.l. (Euro 70 thousand);
- iii. increase in employee payables for Euro 3,250 thousand, mainly attributable to the increase in production, to the accrual of the thirteenth-month salary and the use of accrued vacations (which occurred in the previous year), mainly related to Hesperia Hospital Modena S.r.l. (Euro 500 thousand), Casa di Cura Prof. Nobili S.r.l. (Euro 147 thousand), Ospedali Privati Riuniti S.r.l. (Euro 255 thousand), Eremo di Miazzina S.r.l. (Euro 240 thousand), Casa di Cura Villa Berica S.r.l. (Euro 246 thousand) and to the addition of Clinica San Francesco S.p.A. to the consolidation scope (Euro 1,006 thousand);
- iv. increase in the residual item other payables for Euro 715 thousand, mainly attributable to the residual debt to Epifarm for the purchase of the shareholding in Clinica San Francesco S.p.A. (Euro 680 thousand). The account also comprises advances received from the ASL's (local health authorities) as a measure to support companies affected by the COVID emergency (Euro 8,880 thousand) and deferred income (Euro 2,023 thousand);

**Note 27 Revenues from services**

Total revenues amounted to Euro 133,473 thousand in H1 2021, up Euro 43,573 thousand over the previous half year. All revenues relate to services provided in Italy. It bears recalling that the scope at June 30, 2021 includes the full contribution of X Ray One S.r.l., acquired in H2 2020, and Clinica San Francesco S.p.A., acquired on April 9, 2021.

The increase in revenues on the same period of the previous half year is attributable both to the higher volumes of healthcare services provided, as the first half of 2020 was significantly affected by restrictive measures put in place to tackle COVID-19, which led to the suspension of outpatient and hospital activities for the period March - May 2020, and to the change in the consolidation scope described above.

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

The following table presents revenues from services for H1 2021 and H1 2020.

<i>(Euro thousands)</i>	At June 30				Change
	2021	% of total	2020	% of total	2021 vs 2020
Community and dependency care services	42,353	31.7%	30,927	34.4%	11,427
Total hospital services	88,952	66.6%	58,119	64.6%	30,832
<b>Total revenues from services</b>	<b>131,305</b>	<b>98.4%</b>	<b>89,046</b>	<b>99.0%</b>	<b>42,259</b>
Other revenues	2,168	1.6%	855	1.0%	1,314
<b>Total revenues</b>	<b>133,473</b>	<b>100.0%</b>	<b>89,901</b>	<b>100.0%</b>	<b>43,573</b>

The increase in revenues from services of Euro 42,259 thousand in H1 2021 can be attributed to the full recovery of healthcare activities, which in H1 2020 were significantly affected by the restrictions imposed following the COVID-19 pandemic.

The table below shows the breakdown of revenues from hospital services for H1 2021 and H1 2020.

<i>(Euro thousands)</i>	At June 30				Change
	2021	% of total	2020	% of total	2021 vs 2020
Acute and post-acute care services	68,470	51.3%	46,362	51.6%	22,108
Outpatient services	20,481	15.3%	11,757	13.1%	8,725
<b>Total hospital services</b>	<b>88,952</b>	<b>66.6%</b>	<b>58,119</b>	<b>64.6%</b>	<b>30,832</b>

Revenues from hospital services amounted to Euro 88,952 thousand during the period ended June 30, 2021, accounting for 66.6% of the Group's total revenues (up Euro 30,832 thousand overall), partly due to the contribution of Clinica San Francesco S.p.A.

Revenues from acute and post-acute care services of Euro 68,470 thousand accounted for 51.3% of the Group's total revenues for H1 2021 (Euro 46,362 thousand or 51.6% of the total for H1 2020).

Revenues from outpatient services amounting to Euro 20,481 thousand accounted for 15.3% of the Group's total revenues in H1 2021 (Euro 11,757 thousand and accounting for 13.1% in H1 2020) and increased by Euro 8,725 thousand on the previous half year, attributable mainly to the effects of the COVID-19 pandemic.

The table below shows the breakdown of revenues from dependency care services for H1 2021 and H1 2020.

<i>(Euro thousands)</i>	At June 30				Change
	2021	% of total	2020	% of total	
Dependency care services	9,851	7.4%	10,717	11.9%	(866)
Community outpatient care services	32,502	24.4%	20,210	22.5%	12,292
<b>Community and dependency care services</b>	<b>42,353</b>	<b>31.7%</b>	<b>30,927</b>	<b>34.4%</b>	<b>11,427</b>

Revenues from dependency care services amounted to Euro 42,353 thousand in H1 2021 compared to Euro 30,927 thousand in H1 2020, up Euro 11,427 thousand and accounting for 31.7% of Group revenues.

Dependency care services of Euro 9,851 thousand accounted for 7.4% of the Group's total revenues in H1 2021 (Euro 10,717 thousand or 11.9% of the total in H1 2020).

Outpatient care services of Euro 32,502 thousand accounted for 24.4% of the Group's total revenues in H1 2021 (Euro 20,210 thousand or 22.5% in H1 2020). The increase in this item also relates to the full contribution of X Ray One S.r.l., which was acquired in H2 2020.

#### **Note 28 Other operating revenues**

Other operating revenues amounted to Euro 2,168 thousand in H1 2021, compared with Euro 855 thousand in the same period of the previous year, an increase of Euro 1,314 thousand.

The following table presents the breakdown of other operating revenues in H1 2021 and H1 2020.

<i>(Euro thousands)</i>	<i>At June 30</i>		<i>Change</i>
	2021	2020	2021 vs 2020
Other income - third parties	1,907	815	1,092
Tax credits	206	37	169
Gain on asset disposals	55	2	53
<b>Total other operating revenues</b>	<b>2,168</b>	<b>855</b>	<b>1,314</b>

The increase in this item is mainly due to changes in "Other income", which increased Euro 1,092 thousand, mainly as a result of local government reimbursements paid to companies for the costs incurred to comply with COVID-19 provisions, which totalled Euro 860 thousand.

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

Costs for raw materials, ancillary, consumables and goods amounted to Euro 19,189 thousand for the first half of 2021 and to Euro 13,020 thousand for the first half of 2020, marking an increase of Euro 6,169 thousand.

The increase in this item is attributable both to the change in the consolidation scope described above and the higher volumes of the companies within the scope.

The table below shows the breakdown of the account for H1 2021 and H1 2020.

<i>(Euro thousands)</i>	<i>At June 30</i>		<i>Change</i>
	2021	2020	2021 vs 2020
Healthcare supplies and prostheses	14,548	9,439	5,109
Medical and pharmacological material	2,815	2,274	541
Testing and hygienic materials	857	608	249
Change in inventories of raw materials, ancillary, consumables and goods	(9)	(194)	185
Other	979	892	87
<b>Total raw materials, ancillary &amp; consumables</b>	<b>19,189</b>	<b>13,020</b>	<b>6,169</b>

The increase in this item is attributable both to the higher product volumes in H1 2021 and the change in the consolidation scope described above.

In the first half of 2021, the most significant component of the costs of raw materials, ancillary and consumables was represented by the costs of Healthcare supplies and prostheses of Euro 14,548 thousand, up by Euro 5,109 thousand on the previous period.

The second-most significant cost component was that relating to the purchase of medical and pharmacological materials, amounting to Euro 2,815 thousand, compared with Euro 2,274 thousand in H1 2020.

This item includes costs incurred by the companies for COVID containment measures totalling Euro 609 thousand.

### Note 30 Service costs

Service costs amounted to Euro 55,177 thousand in H1 2021 and Euro 38,924 thousand in H1 2020, increasing Euro 16,253 thousand.

The table below breaks down costs for H1 2021 and H1 2020.

<i>(Euro thousands)</i>	<i>At June 30</i>		<i>Change</i>
	<b>2021</b>	<b>2020</b>	<b>2021 vs 2020</b>
Medical and nursing care services	32,651	20,536	12,116
Owned asset maintenance services	2,204	1,911	293
Catering services	1,035	988	47
Technical healthcare services	2,985	2,099	886
Cleaning costs	1,258	1,180	78
Electricity	1,324	928	396
Coordinated long-term contractors	409	209	199
Director fees	2,029	1,930	99
Rental charges – equipment	611	565	46
Third-party processing (tests, etc.)	1,939	927	1,012
Legal fees	585	423	163
Linen hire	304	210	94
Technical consultants	1,407	1,002	405
Other	6,429	6,015	414
Healthcare Manager services	6	-	6
<b>Total service costs</b>	<b>55,177</b>	<b>38,924</b>	<b>16,253</b>

The increase in service costs of Euro 16,253 thousand mainly relates to the increased revenues in H1 2021 compared to the same period of the previous year and to the change in the scope attributable to X Ray One S.r.l. and Clinica San Francesco S.p.A. The item most affected by this increase is "Medical and nursing care services", which increased Euro 12,116 thousand as a result of the increase in revenues and the aforementioned change in consolidation scope.

The "other" account in H1 2021 reports an increase of Euro 414 thousand on H1 2020 and mainly comprises: (i) water, telephone, methane and gas expenses for Euro 963 thousand; (ii) rental charges for Euro 903 thousand; (iii) administration, tax, notary and payroll consultancy for Euro 789 thousand (iv) Third party, all risk and property insurance totalling Euro 560 thousand; (v) canteen services for Euro 427 thousand; (vi) waste disposal service for Euro 386 thousand; (vii) laundry washing services for Euro 317 thousand.

This item includes costs incurred for COVID containment measures totalling Euro 1,282 thousand.

### **Note 31 Personnel costs**

Personnel costs amounted to Euro 30,725 thousand in H1 2021 and Euro 23,501 thousand in H1 2020, increasing Euro 7,224 thousand.

The table below breaks down costs for H1 2021 and H1 2020.

<i>(Euro thousands)</i>	<i>At June 30</i>		<i>Change</i>
	<b>2021</b>	<b>2020</b>	<b>2021 vs 2020</b>
Wages and salaries	22,463	17,037	5,426
Social security charges	6,567	5,171	1,397
Severance	1,388	1,127	261
Other	307	166	141
<b>Total personnel costs</b>	<b>30,725</b>	<b>23,501</b>	<b>7,224</b>

The increase in personnel costs of Euro 7,224 thousand on the previous half year is attributable to both the change in the consolidation scope and the increase relating to the renewal of the National Collective Bargaining Agreements for Euro 1,762 thousand, as the adjustment to the contract was only finalised in the H2 2020. The increase in this item is also related to a greater use of accrued holiday and recourse to social security schemes in H1 2020, which did not continue into H1 2021.

This item includes costs incurred for COVID containment measures totalling Euro 626 thousand.

### **Note 32 Other operating costs**

Other operating costs amounted to Euro 6,123 thousand in H1 2021, up from Euro 4,913 thousand in H1 2020, an increase of Euro 1,210 thousand.

The table below breaks down costs for H1 2021 and H1 2020.

<i>(Euro thousands)</i>	<i>At June 30</i>		<i>Change</i>
	2021	2020	2021 vs 2020
Non-deductible VAT on a pro rata basis	4,719	3,703	1,017
Income taxes	615	504	110
Other operating charges	283	120	163
Non-deductible expenses	27	19	8
Associations	96	82	14
Other costs	383	485	(102)
<b>Total other operating costs</b>	<b>6,123</b>	<b>4,913</b>	<b>1,210</b>

The increase in Other operating costs of Euro 1,210 thousand is mainly due to the increase in the account "non-deductible VAT on a pro rata basis" for Euro 1,017 thousand, mainly due to higher costs related to the increase in revenues achieved in H1 2021 compared to the same period last year.

### **Note 33 Amortisation, depreciation and write-downs**

Amortisation, depreciation and write-downs amounted to Euro 6,921 thousand in H1 2021, increasing Euro 1,422 thousand over Euro 5,499 thousand in H1 2020.

The table below shows the breakdown of and changes in the account in question for the periods ended June 30, 2021 and June 30, 2020.

<i>(Euro thousands)</i>	<i>At June 30</i>		<i>Change</i>
	2021	2020	2021 vs 2020
Depreciation Intangible assets	223	194	29
Depreciation Tangibles and investment Properties	6,641	5,281	1,360
Write-downs	57	24	33
<b>Total amortisation, depreciation and write-downs</b>	<b>6,921</b>	<b>5,499</b>	<b>1,422</b>

The above-mentioned increase of Euro 1,422 thousand is mainly due to the increase in the item "Depreciation of property, plant and equipment and investment property" (Euro 1,360 thousand) mainly attributable to the change in the consolidation scope.

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

#### **Note 34 Impairments and other provisions**

Impairments and other provisions amounted to Euro 1,288 thousand in H1 2021, up by Euro 517 thousand compared to Euro 772 thousand in the previous half year.

The table below shows the breakdown of and changes in the account in question for the periods ended June 30, 2021 and June 30, 2020.

<i>(Euro thousands)</i>	<i>At June 30</i>		<i>Change</i>
	<b>2021</b>	<b>2020</b>	<b>2021 vs 2020</b>
Provision for risks on legal cases in progress	1,632	949	683
Release of risk provisions	(527)	(225)	(302)
Other provisions	183	48	135
<b>Total impairments and other provisions</b>	<b>1,288</b>	<b>772</b>	<b>517</b>

Accruals for new lawsuits brought in H1 2021 total Euro 1,632 thousand and are attributable to healthcare lawsuits for Euro 1,039 thousand and to Local Health Authority risks for Euro 594 thousand.

As regards the healthcare lawsuits, the amounts accrued in the financial statements are provisions recognised on the basis of external legal advice, and are designed to cover the risks deemed probable for damage claims brought from patients. More specifically, these amounts mainly relate to Villa Berica S.r.l. (Euro 530 thousand), Rugani Hospital S.r.l. (Euro 375 thousand) and Casa di Cura Prof. Nobili S.r.l. (Euro 56 thousand).

As regards Local Health Authority risks, provisions were prudentially recognized to cover any risks on controls which the Local Health Authority carries out periodically on clinical records and on the risks of fee variations for services rendered to patients residing outside the Region, aspects which are defined by the competent authorities over a long period of time exceeding the financial year. The amount set aside refers to Ospedali Privati Riuniti S.r.l. (Euro 389 thousand), to Hesperia Hospital Modena S.r.l. (Euro 175 thousand) and Casa di Cura Prof. Nobili S.p.A. (Euro 30 thousand).

The release of provisions for risks, amounting to Euro 527 thousand, is composed of the release of the doubtful debt provision (Euro 2 thousand, attributable to Ospedali Privati Riuniti S.r.l.), the release of ASL risks for Euro 134 thousand (mainly attributable to OPR for Euro 124 thousand) and the release of the provision for risks due to health cases for Euro 391 thousand, mainly attributable to Rugani Hospital S.r.l. for Euro 236 thousand and Hesperia Hospital Modena S.r.l. for Euro 152 thousand. These releases are correlated to the fact that certain healthcare disputes were settled for which it was necessary to review, on the basis of external legal advice, the estimate of the provision for risks with respect to the provisions made in the previous year: in certain cases, in fact, the facility's non-liability was ascertained and in others, the indemnity obligation of the company was established for a lower amount than that estimated, with the consequent release of the remaining balance to the income statement.



Other provisions at June 30, 2021 amount to Euro 183 thousand and include a provision of Euro 150 thousand for labour litigation by CMSR Veneto Medica S.r.l. The change in this item is therefore mainly attributable to this provision.

### Note 35 Financial income

Financial income amounted to Euro 45 thousand in H1 2021, an increase of Euro 44 thousand compared to Euro 1 thousand in H1 2020.

The table below shows the breakdown of and changes in the account in question for the periods ended June 30, 2021 and June 30, 2020.

<i>(Euro thousands)</i>	<i>At June 30</i>		<i>Change</i>
	2021	2020	2021 vs 2020
Interest income	1	1	-
Other income	44	-	44
<b>Total financial income</b>	<b>45</b>	<b>1</b>	<b>44</b>

The item increased by Euro 44 thousand, mainly due to the accounting adjustment deriving from the IFRS16 effect and the amortised cost.

### Note 36 Financial charges

Financial charges amount to Euro 1,638 thousand in H1 2021, up by Euro 278 thousand compared to Euro 1,361 thousand in the previous year.

The table below presents the breakdown and movement in the account in H1 2021 and H1 2020.

<i>(Euro thousands)</i>	<i>At June 30</i>		<i>Change</i>
	2021	2020	2021 vs 2020
Interest on mortgage loans	864	864	-
Bank interest charges	16	20	(4)
Interest expenses on advances	26	32	(5)
Other interest charges	603	346	257
Financial expenses	128	99	29
<b>Total financial charges</b>	<b>1,638</b>	<b>1,361</b>	<b>278</b>

In H1 2021 these increased Euro 278 thousand, mainly due to the change in the consolidation scope.

The increase in financial charges is mainly attributable to the item "Other interest charges", which chiefly includes interest expense related to the application of IFRS 16 and the increase on H1 2020 is mainly attributable to the change in the consolidation scope and to the recognition of the cost of three newly acquired derivatives.

### Note 37 Results of investments at equity

The table below presents the breakdown and movement in the account in H1 2021 and H1 2020.

(Euro thousands)	At June 30		Change
	2021	2020	2021 vs 2020
Share of result	113	101	12
<b>Total</b>	<b>113</b>	<b>101</b>	<b>12</b>

The account in H1 2021 amounted to Euro 113 thousand and includes the Group's share of the result of the associate Il Fiocco S.c.a.r.l., in line with the previous half year.

### Note 38 Income taxes

The table below presents the breakdown and movement in the account in H1 2021 and H1 2020.

(Euro thousands)	At June 30		Change
	2021	2020	2021 vs 2020
Current taxes	2,489	858	1,631
Deferred tax income	114	(227)	340
Deferred tax charges	127	374	(247)
Other	67	(239)	306
<b>Total income taxes</b>	<b>2,796</b>	<b>765</b>	<b>2,031</b>

In the first half of 2021, Income taxes amounted to Euro 2,796 thousand, increasing Euro 2,031 thousand on the preceding period. This increase is mainly related to higher current taxes for Euro 1,631 thousand following the increase in revenues reported by the Group companies and due to a change in the consolidation scope.

The change in the item "Other" mainly includes the effect deriving from Article 24 of the Relaunch Decree, which repealed the payment of the IRAP balance in 2020 with a consequent positive effect on taxes for previous years.

### Note 39 Net profit for the period

The H1 2021 net profit was Euro 9,773 thousand, compared to Euro 1,248 thousand in H1 2020. The improved net profit in H1 2021 is attributable to increased Group activity compared to the first six months of 2020, which was impacted by the COVID-19 pandemic.

### Note 40 Basic and diluted earnings per share

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

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

<i>(Euro thousands)</i>	<i>At June 30</i>	<i>At June 30</i>
	<b>2021</b>	<b>2020</b>
Net profit attributed to the shareholders of the Parent company	9,769	1,249
Number of ordinary shares at end of year/period*	89,644,292	81,675,388
Earnings per share – basic (Euro)	0.11	0.02
Earnings per share – diluted (Euro)**	0.11	0.02

The number of ordinary shares increased compared to the first half of the previous year due to the capital increase.

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

\* Amount net of treasury shares

\*\* Amount net of treasury shares but including the 319,736 shares of the Stock Grant plan.

### Note 41 Fair value hierarchy

The contractual characteristics and fair values of derivative financial instruments hedging against interest rate risk at June 30, 2021 and June 30, 2020 are presented below:

Company	Contr.	Type	Rate payable	Rate receivable	Beginning date	Maturity date	Notional principal (in Euro thousands)	Fair value (Euro thousands)	
								At June 30, 2021	At December 31, 2020
Centro Medico San Biagio	Banco BPM	Interest Rate Swap	0.06%	Euribor 6m	Jul 25, 19	Dec 31, 26	20,000	138	264
Eremo	Banco Popolare	Interest Rate Swap	0.60%	Euribor 3m	Apr 20, 15	Dec 31, 24	1,000	7	10
Eremo	Banco Popolare	Interest Rate Swap	0.35%	Euribor 3m	Jan 18, 21	Jan 18, 27	3,900	4	-
GHC Project 6 S.r.l.*	Unicredit	Interest Rate Swap	0.720%	Euribor 3m	Jun 30, 19	Mar 31, 24	986	28	-
GHC Project 6 S.r.l.*	Unicredit	Interest Rate Swap	0.700%	Euribor 3m	May 1, 18	May 31, 33	1,500	39	-
GHC Project 6 S.r.l.*	Unicredit	Interest Rate Swap	0.790%	Euribor 3m	Sep 8, 15	July 31, 25	7,000	85	-
Casa di Cura Villa Berica	Credit Agricole	Interest Rate Swap	0.001% quarterly	Euribor 3m	Dec. 23, 20	Dec. 23, 26	800	10	15
C.M.S.R.	Credit Agricole	Interest Rate Swap	0.03% quarterly	Euribor 3m	Dec. 23, 20	Dec. 23, 26	1,500	16	26
Roemar	Credit Agricole	Interest Rate Swap	0.03% quarterly	Euribor 3m	Apr 8, 21	Jan 8, 27	800	10	-
Aesculapio	Credit Agricole	Interest Rate Swap	0.001% quarterly	Euribor 3m	Dec. 23, 20	Dec. 23, 26	590	7	11
<b>Total</b>								<b>344</b>	<b>326</b>

\*acquired following the assumption of loans

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

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

Financial Liabilities	At June 30, 2021		At December 31, 2020	
	Book value	Fair value	Book value	Fair value
<i>(Euro thousands)</i>				
Securities investments	944	1,845	963	1,845
Loans	113,514		84,961	84,347
Derivatives	344	344	326	326
Capital instruments	709	709	877	877

The financial liabilities set out above have been assigned to level 2 of the fair value hierarchy (for both for H1 2021 and H1 2020).

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

### *Fair Value - Hierarchy*

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

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

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

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

### **Valuation processes**

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

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

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

### *Valuation techniques and hypotheses*

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

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

- The fair value of securities quoted in an active market is based on the quoted price at the balance sheet date. The fair value of securities not quoted in an active market, such as bank loans or other financial liabilities, finance lease commitments or other non-current financial liabilities, is estimated on the basis of future cash flows, discounted by applying the current rates available for debt with similar terms, such as credit risk and residual maturity. The fair value of shares is sensitive to both a possible change in expected cash flows and/or the discount rate and a possible change in growth rates. For estimation purposes, management must use the unobservable input data presented in the following tables. Management regularly assesses a series of possible alternatives to such significant input data and determines their impact on total fair value.
- The fair value of the ordinary non-listed shares was estimated through the discounted cash flow model (DCF). The valuation requires management to make assumptions with regards to the model inputs, including the projected cash flows, the discount rate, the credit risk and the volatility. The probability of differing estimates within the interval may be reasonably verified and are utilised in management's estimates of the fair value of these non-listed investments;
- The Group undertakes derivative financial instruments with a range of counterparties, principally financial institutions with allocated credit ratings. The derivatives valued using measurement techniques with market recordable data principally consist of interest rate swaps. The most utilised measurement techniques include the "swaps" models, which utilise the calculation of the present value. The models consider various inputs, including the credit quality of the counterparty and interest rate curves. All derivative contracts are fully covered by cash, thus eliminating the risk of default by the Group.

#### Note 42 Commitments and Guarantees

Commitments and guarantees at June 30, 2021 are described below.

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

Guarantor	Beneficiary	Guarantee type	Maturity	Commitment	Borrower
Clinica San Francesco S.p.A.	Banca di Verona	Mortgages	06/07/2021	1,120,000	Clinica San Francesco S.p.A.
Clinica San Francesco S.p.A.	Banca Valsabbina	Mortgages	31/07/2023	800,000	Clinica San Francesco S.p.A.
GHC S.p.A.	Banco BPM	Letter of comfort	30/06/2024	5,000,000	Casa di Cura Villa Garda S.r.l.
GHC S.p.A.	Intesa SanPaolo	Letter of indemnity	30/09/2024	99,700	L'Eremo di Miazzina S.r.l.
L'Eremo di Miazzina S.r.l.	Intesa SanPaolo	Letter of indemnity	30/09/2024	99,700	L'Eremo di Miazzina S.r.l.

GHC S.p.A.	Intesa SanPaolo	Pledge on shares	31/12/2024	14,300,000	GHC S.p.A.
GHC S.p.A.	Unicredit	Letter of indemnity	31/01/2025	15,000,000	Ospedali Privati Riuniti S.r.l.
Fides Medica S.r.l.	Carige	Letter of indemnity	30/06/2025	790,000	Fides Servizi S.c.a.r.l.
GHC S.p.A.	Intesa SanPaolo	Independent guarantee	30/06/2025	2,670,089	Villa Von Siebenthal S.r.l.
GHC S.p.A.	Intesa SanPaolo	Independent guarantee	30/06/2025	934,311	Villa Von Siebenthal S.r.l.
Villa Von Siebenthal S.r.l.	Intesa SanPaolo	Mortgages	30/06/2025	19,000,000	Villa Von Siebenthal S.r.l.
Fides Servizi S.c.a.r.l.	Carige	Mortgages	30/07/2025	790,000	Fides Servizi S.c.a.r.l.
GHC 6 S.r.l.	Unicredit	Mortgages	31/07/2025	14,000,000	GHC 6 S.r.l.
GHC S.p.A./Casa di Cura Villa Garda S.r.l.	Carige	Letter of indemnity	31/12/2025	13,000,000	Larama Liguria (incorporated into Fides Medica S.r.l.)
GHC 6 S.r.l.	Credit Agricole	Pledge on shares	31/03/2027	20,000,000	GHC 6 S.r.l.
XRay One S.r.l.	Credit Agricole	Pledge on shares	31/03/2027	7,000,000	XRay One S.r.l.
Clinica San Francesco S.p.A.	ex Veneto Banca now Intesa San Paolo	Mortgages	30/04/2027	720,000	Clinica San Francesco S.p.A.
Clinica San Francesco S.p.A.	ex Veneto Banca now Intesa San Paolo	Mortgages	31/05/2027	432,000	Clinica San Francesco S.p.A.
L'Eremo di Miazzina S.r.l.	Banco BPM	Mortgages	06/06/2027	2,795,014	L'Eremo di Miazzina S.r.l.
GHC S.p.A.	Banco BPM	Independent guarantee	30/06/2027	24,000,000	Centro Medico San Biagio S.r.l.
Centro Medico Università Castrense S.r.l.	Banca Prealpi San Biagio	Mortgages	26/07/2027	4,000,000	Centro Medico Università Castrense S.r.l.
Centro Medico Università Castrense S.r.l.	Banca Prealpi San Biagio	Mortgages	24/01/2028	2,300,000	Centro Medico Università Castrense S.r.l.
Centro Medico Università Castrense S.r.l.	Intesa SanPaolo	Mortgages	01/02/2029	4,000,000	Centro Medico Università Castrense S.r.l.
Genia Immobiliare S.r.l.	Banco BPM	Mortgages	17/12/2030	1,000,000	Genia Immobiliare S.r.l.
Genia Immobiliare S.r.l.	Carige	Mortgages	31/01/2032	4,000,000	Fides Medica S.r.l.
GHC 6 S.r.l.	Unicredit	Mortgages	31/05/2033	3,000,000	GHC 6 S.r.l.
Poliambulatorio Dalla Rosa Prati S.r.l.	Cariparma	Mortgages	22/12/2033	900,000	Poliambulatorio Dalla Rosa Prati S.r.l.

GHC 6 S.r.l.	Unicredit	Mortgages	31/03/2034	2,000,000	GHC 6 S.r.l.
L'Eremo di Miazzina S.r.l.	Intesa SanPaolo	Letter of indemnity	31/12/2038	100,000	L'Eremo di Miazzina S.r.l.
GHC S.p.A.	Carige	Mortgages	30/06/2040	3,800,000	GHC S.p.A.
Fides Medica S.r.l.	Carige	Letter of indemnity	Until revocation	1,950,000	Centro di Riabilitazione S.r.l.
GHC S.p.A.	Carige	Letter of indemnity	Until revocation	1,820,000	Fides Medica S.r.l.
GHC S.p.A.	Carige	Letter of indemnity	Until revocation	845,000	Roemar S.r.l.
GHC S.p.A.	Carige	Omnibus Guarantee	Until revocation	325,000	Roemar S.r.l.
GHC S.p.A.	Carige	Omnibus Guarantee	Until revocation	260,000	Fides Medica S.r.l.
Fides Medica S.r.l.	Carige	Letter of indemnity	Until revocation	206,582	Il Fiocco S.c.a.r.l.
Fides Medica S.r.l.	Carige	Letter of indemnity	Until revocation	200,000	Centro di Riabilitazione S.r.l.
GHC S.p.A.	Banco BPM	Omnibus Guarantee	Until revocation	155,000	Fides Medica S.r.l.
Fides Medica S.r.l.	Monte dei Paschi	Letter of indemnity	Until revocation	150,000	Prora Srl
Fides Medica S.r.l.	Intesa SanPaolo	Letter of indemnity	Until revocation	120,000	Centro di Riabilitazione S.r.l.
Fides Medica S.r.l.	Carige	Letter of indemnity	Until revocation	80,000	Il Fiocco S.c.a.r.l.
Fides Medica S.r.l.	Intesa SanPaolo	Omnibus Guarantee	Until revocation	80,000	PRORA S.r.l.
Fides Medica S.r.l.	Intesa SanPaolo	Letter of indemnity	Until revocation	60,000	Genia Immobiliare S.r.l.
Fides Medica S.r.l.	UBI	Letter of indemnity	Until revocation	50,000	Centro di Riabilitazione S.r.l.
Fides Medica S.r.l.	Intesa SanPaolo	Letter of indemnity	Until revocation	30,000	Fides Servizi S.c.a.r.l.
Fides Medica S.r.l.	Carige	Letter of indemnity	Until revocation	26,000	Il Fiocco S.c.a.r.l.

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

Guarantor	Beneficiary	Guarantee type	Maturity	Commitment	Borrower
BPER	Alba Leasing	Letter of indemnity	01/07/2021	16,580	Hesperia Hospital Modena S.r.l.
BPER	University of Bologna	Letter of indemnity	30/09/2021	45,388	Hesperia Hospital Modena S.r.l.



Intesa SanPaolo	Unione dei comuni dell'Appennino Bolognese	Letter of indemnity	31/05/2022	37,406	Casa di Cura Prof.Nobili S.r.l.
BPER	University of Ferrara	Letter of indemnity	30/09/2023	166,666	Hesperia Hospital Modena S.r.l.
Medio Credito Centrale S.p.A.	Credit Agricole	Guarantee	16/07/2024	900,000	Poliambulatorio Dalla Rosa Prati S.r.l.
Medio Credito Centrale S.p.A.	Banca Popolare di Sondrio	Guarantee	01/10/2024	1,000,000	Villa Von Siebenthal S.r.l.
Medio Credito Centrale S.p.A.	Credit Agricole	Guarantee	23/12/2026	720,000	Casa di Cura Villa Berica S.r.l.
Medio Credito Centrale S.p.A.	Credit Agricole	Guarantee	23/12/2026	1,350,000	C.M.S.R. Veneto Medica S.r.l.
Intesa SanPaolo	Amministrazione Principe Pallavicino	Letter of indemnity	31/08/2036	40,000	Prora S.r.l.
Intesa SanPaolo	Amministrazione Principe Pallavicino	Letter of indemnity	31/08/2036	20,000	Prora S.r.l.
Raffaale Garofalo S.a.p.a.	Carige	Letter of indemnity	Until revocation	9,000,000	C.M.S.R. Veneto Medica S.r.l.
Banca Prealpi San Biagio	BMFIN	Letter of indemnity	Until revocation	360,000	Centro Medico San Biagio S.r.l.

No expected losses on guarantees have come to light.

#### **Note 43 Financial risk management**

This section contains a description of the financial risks to which the Group and its subsidiaries are exposed, together with the policies and strategies employed by the Company and its subsidiaries to manage the risks concerned during the year to June 30, 2021.

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

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

- Credit risk arising from commercial transactions or financing activity;
- Liquidity risk, related to the availability of financial resources and access to the credit market;
- Market risk, and more specifically:
  - a) Operational risk relating to the conduct of the business;
  - b) Foreign exchange risk relating to transactions in currency areas other than their functional currency;
  - c) Interest rate risk relating to the Company's exposure to interest-bearing financial instruments;
  - d) Price risk, due to changes in quoted commodities prices.

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

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

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

For greater details on financial risk management, reference should be made to paragraph 9 of the H1 2021 Directors' Report.

#### **Note 44 Legal disputes and contingent liabilities**

##### **Damage compensation claims**

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

##### **Administrative disputes**

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

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

Villa Von Siebenthal S.r.l. has two ongoing proceedings:

- the without-recourse factoring agreement for the receivables claimed by Villa Von Siebenthal S.r.l. from the Italian national and regional health system. SIFIN S.r.l. sued Villa Von Siebenthal S.r.l. before the Civil Court of Rome in connection with the above agreement, seeking payment of Euro 220 thousand. By entry of appearance and reply of June 20, 2009, Villa Von Siebenthal S.r.l. entered an appearance in the proceedings, petitioning the court to reject the claims made by SIFIN S.r.l. and lodging a counter-claim for a declaratory judgement finding the agreement void and ordering a refund of the sum to the factor by way of interest and fees, while also contesting the manner in which SIFIN S.r.l. forbore the interest accrued from the Lazio Region.  
By interim judgement No. 6850/2014, filed on March 25, 2014, the judge re-opened the proceedings "in order to determine the exact amount of the parties reciprocal claims by ordering court-appointed expert testimony."

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

- a balance payable by Villa Von Siebenthal of Euro 40 thousand (if the sums due to Sifin by Villa Von Siebenthal by way of interest are calculated at the legal rate);
- a balance receivable by Villa Von Siebenthal of Euro 675 thousand (if the sums due by Sifin to Villa Von Siebenthal by way of interest are calculated at the legal rate).

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

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

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

statements since, due to specific contractual provisions incorporated into the deed of purchase of the company shares by the Garofalo Group, any effect deriving from the aforementioned litigation will be the exclusive responsibility of the party transferring the Villa Von Siebenthal S.r.l. shares.

- A social-security dispute; the company received a request from the INPS regional directorate for Lazio for documents in connection with inspection assessments of the relationship between the supplier Futura soc. coop. and Villa Von Siebenthal S.r.l., and specifically the service agreement between the two companies. Following the inspection, on April 4, 2017 Villa Von Siebenthal S.r.l. received consolidated assessment and notification report no. 2016003251/S1 in which it is claimed that Villa Von Siebenthal S.r.l., by virtue of the service agreement with Futura soc. coop., is jointly and severally liable with this latter company for payments of mandatory social-security contributions for the period from April 2013 to November 2015, amounting to Euro 100 thousand. In the opinion of the company's legal counsel, the risk may be deemed "possible" and hence no liability has been recognized in respect of this proceeding.
- In November 2013, the company Villa Von Siebenthal S.r.l. received a writ of summons concerning a claim, based on a suicide attempt in April 2012, by a patient who alleged the clinic's liability for not adopting appropriate precautionary measures and sought damages for physical and psychiatric injury. While the case was still ongoing, the patient passed away and his wife sub-entered the claim.

On May 30, 2019, a judgement of the Velletri Court became immediately enforceable, by which, accepting the claim of the plaintiff, Villa Von Siebenthal S.r.l. was required, in absentia, to pay the amount of Euro 349 thousand, in addition to litigation costs. Villa Von Siebenthal S.r.l. was judged in default since Cattolica Assicurazione, despite having been promptly been informed of the claim (2012) and of the writ of summons in 2013, failed to assume the clinic's legal defence, although was obliged to do so under the insurance contract.

However, as immediately became apparent, in view of such a deeply unjust and obviously unfounded judgement on its merits, Villa Von Siebenthal S.r.l. immediately challenged this provision, while also requesting its suspension by means of a specific appeal filed on 28/06/2019 to the counterparty and recorded to the General Registry at No. 4543/2019. Assicurazioni Cattolica was also contacted to ascertain the reasons for its contractual non-compliance, while also requested to finally assume its legal defence of the clinic and to release it from any liability related to and/or consequent to the case. The Court of Appeal, in partial acceptance of the application for an injunction, suspended the provisional execution of the sentence for the portion exceeding the amount of Euro 150 thousand. A separate guarantee judgement was also brought against Società Cattolica di Assicurazione, whose first hearing was postponed until February 4, 2021. The risk was qualified as "possible." In the session held on February 4, 2021 the hearing was postponed until September 21, 2021, obliging Cattolica to carry out the mediation attempt that it had previously refused.

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

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

On September 6, 2019, the Verbania Court judged in favour of the plaintiff, recognising compensation for damages of approx. Euro 650 thousand.

On the recommendation of its legal counsel, L'Eremo di Miazzina lodged an appeal for a partial revision of the amount owed. Specifically, the legal counsel considered that the damage paid to the husband of

the deceased does not take into account the fact that the husband himself died three years after the death of his wife and therefore the court should have reduced the sum due proportionally to the objective and effective three years of survival by settling an amount of approximately Euro 150 thousand. An appeal was filed on October 4, 2019 requesting a stay of the judgement under appeal while, at the same time, paying the recognised sums amounting to Euro 492 thousand. On June 5, 2020, the Court of Verbania upheld and ratified the agreement reached between the parties, following which Eremo di Miazzina S.r.l. paid the all-inclusive amount of Euro 144 thousand on July 6, 2020. On February 12, 2021, the counterparty filed a further appeal with the Turin Court of Appeal regarding the calculation and division among the heirs of the compensation amount. In April 2021 a further appeal was partially accepted, awarding the plaintiffs further damages for a total of Euro 86,364. L'Eremo made the payment on May 3, 2021, and the dispute is therefore to be considered concluded as of June 30, 2020.

- In October 2019, the heirs of a patient sued L'Eremo di Miazzina S.r.l., claiming the sum of Euro 80 thousand as damages for a fractured femur suffered during treatment for an accidental fall in the garden. Following the court appearance and the exchange of briefs pursuant to Article 183, paragraph 6, of the Civil Procedure Code, at the hearing of June 10, 2020 the Court, accepting our exceptions and defence, did not admit the forensic medical examination requested *ex adverso*, and set the hearing for September 16, 2020. Legal advice suggests that the risk of an unfavourable outcome for the appellant is deemed possible. In view of the Court's decision not to admit the expert appraisal and the amount of compensation requested, which in the event of a negative outcome will certainly be reduced, management did not deem it necessary to make any provisions.

With Sentence No. 396/2020 published on 16/09/2020, the Court of Verbania, giving final judgement, and rejecting all other requests that have been disregarded or absorbed, ordered the plaintiffs to pay the defendant's legal costs, amounting to Euro 8,500.00, plus a flat VAT and CPA rate of 15%, as required by law. The proceeding is hereby concluded.

- With regard to the summons proposed by a former employee for a labour lawsuit related to the design and works at the site of the Raffaele Garofalo Institute, on April 15, 2020, a conciliation act was signed in order to definitively conclude the dispute. According to the order, the company L'Eremo di Miazzina S.r.l. undertakes, and the counterparty accepts, to pay the amount of Euro 285 thousand, plus legal expenses (for Euro 32 thousand) in a full and final settlement. The amount will be paid in five instalments of Euro 57 thousand with the following due dates: 30/04/2020 (payment already made), 07/01/2021, 07/01/2022, 07/01/2023, 07/01/2024. A specific provision of Euro 300 thousand has been provided in full to cover these items, and a similar payable has been recorded under "sundry payables", which will be settled in accordance with the maturity dates illustrated above. "Prior year expenses" was recorded for the portion exceeding the value of the provision (Euro 17 thousand for legal expenses).
- With regard to the lawsuit brought by three employees for alleged de-skilling, the Court of Verbania with judgements No. 396/2020 published on September 16, 2020 RG No. 1452/2019 and No. 92/2020 published on September 14, 2020 RG No. 113/2020 respectively, rejected the appeal, ascertaining the absence of the de-skilling alleged by the two plaintiffs with respect to the professional qualification of professional nurse and, as a result, rejected the claims for damages made against the defendant, sentencing the plaintiffs to pay the legal expenses in favour of the defendant, settled in total at Euro 3,300, each, plus VAT and CPA as well as 15% for general expenses. On June 22, 2021, the third plaintiff was summoned to appear in court, and the dispute was settled with 10 days' suspension of the employee, dismissal due to illness and the award of Euro 20,000, plus legal costs to the employee. L'Eremo paid the amount granted on June 28, 2021, and the proceeding is therefore to be considered concluded.

- Following the death of a patient, on October 9, 2020 a certified email was received from the patient's heirs requesting compensation for damages, claiming inadequate healthcare and quantifying the request for compensation at Euro 300,000. The Company's legal counsel believes this request to be specious and the risk of losing the case remote. As such, no amount has been allocated to the risk provision.
- Following the death of a patient, on April 21, 2021 a certified email was received from the patient's heirs requesting compensation for damages, claiming that the Company was to blame for the patient contracting COVID-19 and quantifying the request for compensation at Euro 200,000. The Company's legal counsel believes this to be a delicate case, but one which may possibly be lost. As such, no amount has been allocated to the risk provision.
- Following the death of a patient, on May 25, 2021 a certified email was received from the patient's heirs requesting compensation for damages, claiming inadequate healthcare and/or delayed transfer to another clinic. The compensation claimed is Euro 600,000. After consultation with the Company's legal counsel, and pending specialist assessments of the case, the risk of losing the case is considered possible. As such, no amount has been allocated to the risk provision.
- On June 21, 2021, a claim was received from a patient regarding damages suffered during double cataract surgery. The claim was simultaneously made to the specialist physician, and is for Euro 60,000. After consultation with the Company's legal counsel, and pending the specialist physician's report, the risk of losing the case is considered possible. As such, no amount has been allocated to the risk provision.

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

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

- Appeal to the Court of Mantua. In this dispute the companies TUA Assicurazioni S.p.A. and UnipolSai, as the insurance companies of XRay One S.r.l. and Giacomo Barbalace, respectively, were called. The interpretative framework emerging from the examination of the Cattolica and UnipolSai policies indicates that both are operative and that, in particular, the UnipolSai policy operates at first risk. In consideration of the results of the ATP, however, the degree of risk can be considered probable. Any liability that may be ascertained for XRay One S.r.l. and/or Dr. Giacomo Barbalace such as to entail the acceptance of claims for damages by the opposing party, would be fully covered by their respective insurance policies, which do not provide for excesses.
- Appeal to the Court of Ferrara. As part of this dispute, the companies Cattolica Assicurazioni - the insurer of XRay One S.r.l. on the date on which the diagnostic activity in question was carried out (May 14, 2012)

- and UnipolSai - the insurer of XRay One S.r.l. on the date (December 2016) when the claim report was first received - were called, as well as the doctor who physically performed the service in question.

Both Cattolica and UnipolSai, as well as the doctor, deny any liability in terms of compensation. With regard to the coverage stipulated by XRay One S.r.l. and the dispute between Cattolica and UnipolSai, it is, however, possible to establish that, if at least one of the two covers were operative, this would be in the form of second-risk coverage. Indeed the analysis carried out makes it possible that in the relationship between the policies of XRay One S.r.l. and that stipulated by the doctor (Reale Mutua), it is the latter who operates at first risk, with a retroactive period of 10 years. However, the operational effect of the doctor's policy also depends on the management of the relationship (e.g. timeliness of the claim) between the latter and Reale Mutua, of which XRay One S.r.l. is not aware. For the above reasons, the risk can be considered probable, even though judgement on the arguments has not yet been filed. The damage - although not quantified during the investigation due to a lack of sufficient evidence - could reasonably be quantified in an amount not exceeding approximately Euro 300 thousand. XRay One S.r.l. would, however, not be held accountable for any claim for damages by the counterparty due to the insurance policies of the company and of the doctor, and Article 6 - specifically, Article 6.1 lett. o) and Article 6.3 and thereafter - of the sale and purchase agreement of the shares of XRay One S.r.l. by which ownership was transferred to GHC Project 5.

Clinica San Francesco S.p.A. is currently involved in five proceedings regarding claims for damages deriving from surgical operations, including three disputes where the risk of losing is probable (two at the judicial stage and one at the out-of-court stage) and two disputes where the risk of losing is probable (one at the judicial stage and one at the out-of-court stage).

#### *Disputes with local health authorities*

Rugani Hospital S.r.l., following the judgement of the Regional Administrative Court of Tuscany No. 1612/2019 of November 26, 2019 which rejected the appeal against the Tuscany Regional Council Motion No. 1220 of 2018 retroactively stipulating the spending limits for the provision of highly complex inpatient and specialized outpatient care, utilised the doubtful debt provision prudently allocated in previous years, as a reversal of the receivables claimed from the Asl 7 Siena Health Authority which have now become irrecoverable. An appeal was lodged with the Council of State against the Regional Administrative Court's sentence. The Council of State, with judgement No. 2478/2021, rejected the appeal, confirming the ruling of the Regional Administrative Court of Tuscany.

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

- Dispute between the Verbano-Cusio-Ossola local health authority and L'Eremo di Miazzina S.r.l. regarding healthcare services in 2014, 2015 and 2016. In a letter dated July 14, 2017, the Verbano-Cusio-Ossola local health authority requested that the company issue various credit notes in respect of the years indicated above, claiming a reduction due to a purported lack of continuity of care. The company rejected this claim on the basis that it had not exceeded the threshold triggering the above reduction for patients from Piedmont, and that the said reduction – particularly for the years 2014 and 2015 – could not be applied to out-of-region patients, especially in the light of the position taken by the Piedmont Region in its Regional Council Motion of November 2016. Finally, the company also argued that it had never exceeded the reduction thresholds due to a lack of continuity in care in 2016 as well. On the basis of an opinion from the company's legal counsel, the risk of loss associated with this case has been deemed "probable" and an accrual to the doubtful debt provision of Euro 1.466 thousand was



thus recognised at December 31, 2020. In view of the age and quantity of the receivables, the company L'Eremo di Miazzina S.r.l., having heard the opinion of its legal advisors and subject to the successful outcome of any settlement agreements that may be reached between the parties, intends to take legal action for receivables arising from the years 2014 and 2015. Assessments of receivables arising from subsequent years will depend on the outcome of this litigation.

- On September 5, 2018 inspectors from the Local Labour Directorate of Novara – Verbano-Cusio-Ossola issued report no. 000-2018-525-02 disputing the position of several self-employed nurses. Position statements refuting this report were prepared and filed on November 6, 2018, together with documents and motions for personal hearings and the relevant motion for dismissal. The Labour Inspectorate has yet to reply. According to the company's legal counsel, the risk of an unfavourable outcome in this case is "possible". Consequently, no provision has been recognised.

On October 28, 2019 (following transmission to the competent offices of the report No. 000-2018-525-02, referred to above) INAIL - National Institute for Insurance against Accidents at Work, Verbano Cusio Ossola office - transmitted to L'Eremo di Miazzina S.r.l. a "certificate of variation" which adjusted the premium (after recalculation of total salaries for the period January 1, 2014 - December 31, 2017) for a total of Euro 16 thousand. An appeal has been filed with the Court of Verbania and the first hearing has been set for 09/09/2020. Following the above-mentioned hearing and with a sentence dated September 10, the judge decided to reject the appeal presented and ordered the company to pay the amounts due (Euro 16 thousand). The Company deemed it necessary to file an appeal, filed on December 21, 2020, with the Turin Court of Appeals. On May 12, 2021 the Turin Court of Appeal upheld the appeal of L'Eremo di Miazzina S.r.l. without any charge.

#### ***Other Disputes***

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

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

In June 2021, further notice was received that the preliminary investigation, which was scheduled to conclude on June 19, 2021, had been extended for an additional 6 months.

#### ***Note 45 Related party transactions***

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



Pursuant to Consob Motion No. 17221 of March 12, 2010, it is reported that in the first half of 2021 and 2020 the Group did not conclude any significant transactions or transactions with a significant effect on the Group's financial position or operating result for the period with related parties.

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

The following table shows the total amount of related party transactions during the period ended June 30, 2021:

Jun 30, 21	Receivables		Payables		Costs		Revenues	
<i>(Euro thousands)</i>	Fin/Tax	Trade/Other	Fin/Tax	Trade/ Other	Fin.	Com.	Fin.	Com.
Maria Laura Garofalo	-	-	-	-	-	41	-	-
LARAMA 98 SPA	-	-	(2,124)	-	26	-	-	-
Aurelia Hospital	-	-	-	(16)	-	6	-	-
Lorena Paolucci	-	-	-	(15)	-	123	-	-
LEDCON srl	-	-	-	(41)	-	815	-	-
A.M. Rinaldi	-	-	-	-	-	40	-	-
<b>Total</b>	-	-	<b>(2,124)</b>	<b>(72)</b>	<b>26</b>	<b>1,025</b>	-	-

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

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

#### **Note 46 Significant events after June 30, 2021**

On July 28, 2021, GHC completed the acquisition of Domus Nova S.p.A., owner of the Domus Nova and San Francesco multi-specialist private acute hospitals, both located in Ravenna and National Healthcare Service accredited. The total interest acquired by GHC constitutes 99.5% of the share capital of Domus Nova. The acquisition was based on an Enterprise Value of Euro 41.9 million.

On July 30, 2021, GHC announced that as of Monday, August 2, 2021, its ordinary shares would be included in the FTSE Italia Mid Cap Index, which comprises the top 60 Italian companies by market capitalisation not included in the FTSE MIB Index. This inclusion was decided by the FTSE Italia Index Series Technical Committee

as part of the regular quarterly review of the basket and is made possible by the compliance of GHC shares with strict free float and liquidity requirements.

**Note 47 Remuneration of the Board of Directors and Board of Statutory Auditors**

The remuneration paid to members of the Board of Directors of Garofalo Health Care S.p.A. and the companies under its direct or indirect control, in all capacities and forms, during the periods ended June 30, 2021 and June 30, 2020 amounted to Euro 2,029 thousand and Euro 1,930 thousand, respectively.

The remuneration accrued to the Board of Statutory Auditors of Garofalo Health Care S.p.A and the companies under its direct or indirect control for the periods ended June 30, 2021 and June 30, 2020 amounted to Euro 213 thousand and Euro 211 thousand, respectively.

**Note 48 Number of employees**

The following table provides a concise comparison of the number of employees by category at June 30, 2021, compared to December 31, 2020.

<i>Employees by category</i>	<i>Number of employees at 30/06/2021</i>	<i>Number of employees at 31/12/2020</i>
Executives	17	14
White-collar	490	414
Doctors	36	23
Technicians	172	157
Nurses/auxiliaries	843	723
Blue-collar	91	101
<b>Total</b>	<b>1,649</b>	<b>1,432</b>

It should be clarified that the figure indicated in the table above refers to the exact number of employees at June 30, 2021.

*Note 48 Positions or transactions arising from exceptional and/or unusual transactions*

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

Mr. Alessandro Maria Rinaldi

Legal representative