



H1 2021 DIRECTORS' REPORT



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COMPANY INFORMATION

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

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

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

Share capital approved Euro 31,570,000 (*)

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

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

Tax Number: 06103021009

VAT Number: 03831150366

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

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

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

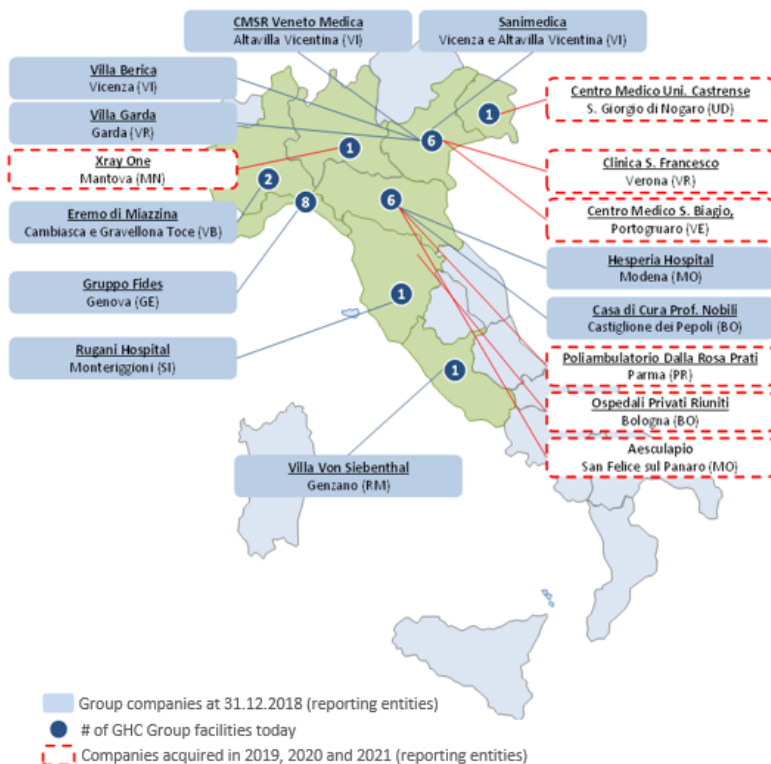
(***) Appointed by the Board of Directors on April 30, 2021

1. GROUP STRUCTURE

1.1. Overview of the Group's healthcare facilities

The GHC Group is an Italian accredited private healthcare leader operating, at June 30, 2021, through 26 healthcare clinics, in addition to four clinics owned by Il Fiocco S.c.a.r.l., held 40% by GHC through the subsidiary Fi.d.es Medica S.r.l., offering a comprehensive range of services covering all areas of healthcare thanks to diversified specialties, the use of cutting-edge technologies and highly-qualified personnel.

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



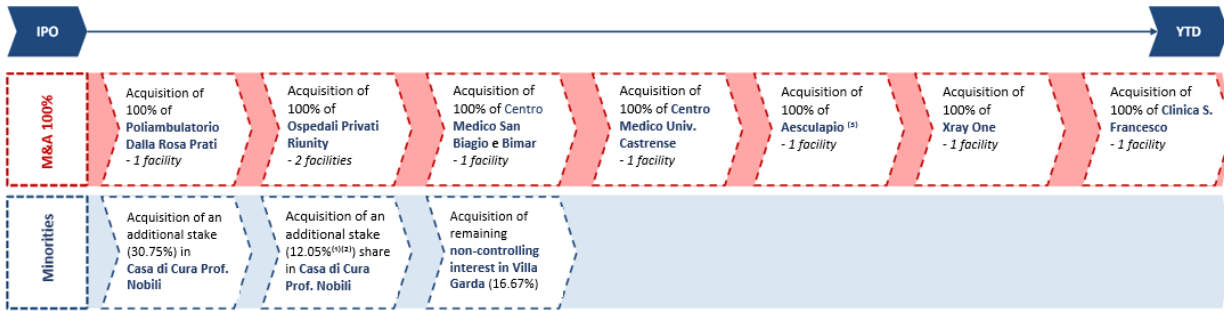
(*) Figures as at 31.12.2020 including contribution from Clinica S. Francesco acquired in April 2021

GHC Group - Highlights (*)

26 Healthcare facilities (+8 vs IPO)	8 Regions in which the Group operates (+2 vs IPO)
~1,500 Beds (+250 vs IPO)	~28.7k Admissions (+8.7k vs IPO)
~1.6M Outpatient services (+0.6M vs IPO)	~3,250 Employees and consultants (+1,500 vs IPO)
EE- ESG Ratings Standard Ethics Investment Grade	78% Female employees

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

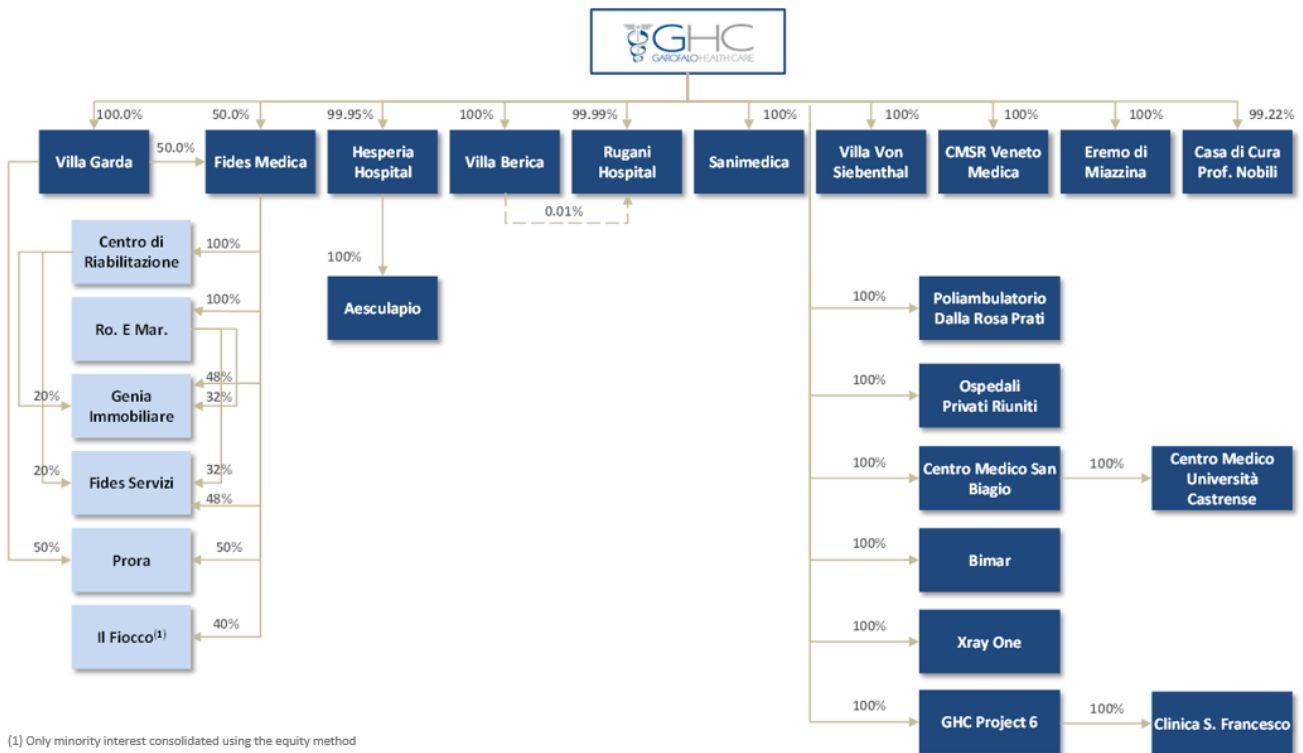
Between the IPO and June 30, 2021, the Group executed its acquisition-led growth strategy, with the acquisition of eight new clinics, as well as acquisitions of further minority holdings of existing subsidiaries (Casa di Cura Prof. Nobili and Villa Garda, now 100% owned), as set out below.



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

1.2. The Garofalo Healthcare Group

The chart below shows the GHC Group's structure at 30/06/2021 including the equity interest held by Garofalo Health Care S.p.A. (hereinafter also "GHC" or the "Company" or the "Parent Company" or the "Holding Company") in each of the subsidiaries:



(1) Only minority interest consolidated using the equity method

1.3. Group activities by sector

The Group operates by means of a single business unit in the following sectors¹:

- **"Hospital Sector"**, which may be broken down into the acute, post-acute and outpatient services segments: and

⁽¹⁾ It should be noted that the various types of assistance are classified as belonging either to the Hospital Sector or the Social Services and Dependency Care Sector depending on legislation and the specific region at hand. In particular, assistance provided to patients with disabilities deriving from severe acquired brain injuries (SVP Departments - such as persistent vegetative states) belongs to the Hospital Sector in Tuscany, and the Social Services and Dependency Care Sector in Liguria and Piedmont. In addition, long-term residential care in Lazio, Tuscany, Emilia-Romagna, Veneto and Piedmont belongs to the Hospital Sector, while in Liguria it belongs to the Social Services and Dependency Care Sector.

- “Social Services and Dependency Care Sector”, which can be divided into two segments - residential recovery and district outpatient services.

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

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

The GHC Group provides the above services on both a publicly and privately funded basis.

1.4. Brief description of the companies of the GHC Group

The 26 clinics comprising the GHC Group as at June 30, 2021, along with the Regions in which they are based and the sectors in which they operate, are described below.

Italian regions	No. Reporting Entities (17)	No. Clinics (26)	No. Legal entities (legal persons) (23)	Sector	
				Hospital	Social / Dependency Care
Veneto	• Villa Berica	1	1	✓	
	• CMSR Veneto Medica	1	1		✓
	• Sanimedica	1	1		✓
	• Villa Garda	1	1	✓	
	• Centro Medico S. Biagio ⁽¹⁾	1	2		✓
	• Clinica S. Francesco	1	1	✓	
Lombardy	• Xray One	1	1		✓
Friuli Venezia-Giulia	• Centro Medico Università Castrense	1	1		✓
Piedmont	• Eremo di Miazzina	2	1	✓	✓
Emilia Romagna	• Hesperia Hospital	1	1	✓	
	• Aesculapio	1	1		✓
	• Casa di Cura Prof. Nobili	1	1	✓	
	• Poliambulatorio Dalla Rosa Prati	1	1		✓
	• Ospedali Privati Riuniti	2	1	✓	
Tuscany	• Rugani Hospital	1	1	✓	
Liguria	• Gruppo Fides ⁽²⁾	8 ⁽³⁾	6 ⁽⁴⁾		✓
Lazio	• Villa Von Siebenthal	1	1		✓

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

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

(3) Structure of the Fides Group: Le Clarisse, S. Marta, S. Rosa, Centro Riabilitazione, Villa S. Maria, Villa Del Principe, Le Note Di Villa S. Maria, Villa Fernanda. At June 30 S. Marta temporarily interrupted its activity for a major restructuring, following which, having obtained the authorisation to operate, may begin the activities which, to all effects and purposes, shall qualify as new compared to that previously carried out (permanently transferred to Villa Fernanda)

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

➤ OVERVIEW OF GHC CLINICS IN THE VENETO REGION



Villa Berica (Vicenza – Veneto)



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



CMSR Veneto Medica (Altavilla Vicentina, Vicenza – Veneto)



The Medical Instrumentation and Rehabilitation Center is dedicated to diagnostic imaging using next-generation technology, accredited by Italy's National Health System. There is also a clinical pathology laboratory and sports medicine service, both offered on a private basis, a traditional radiology department, a nuclear medicine department and an ultrasound department. It is a member of the National Register for hypertrophic cardiomyopathy. It also supports and promotes research projects relating to aortic stenosis, bicuspid aortic valve (BAV) and the identification of normalcy criteria for the ascending aorta.



Sanimedica (Vicenza and Altavilla Vicentina, Vicenza – Veneto)

Sanimedica, which serves patients on a private basis only, and does not provide services covered by Italy's NHS, has two directly owned clinics: the Fisiomed Medical Centre and Sanimedica. Sanimedica, in addition to the Sports Medicine service, offers employers occupational medicine service designed to satisfy with the legal requirements. Since 1994 it has served a large number of companies operating in all sectors of industry and government agencies through its team consisting solely of physicians specialized in occupational medicine, in collaboration with qualified safety consultancy firms.



Villa Garda (Garda, Verona – Veneto)



An Italian NHS accredited healthcare facility specialized in cardiac rehabilitation and nutritional rehabilitation. In the mid-1980's, Villa Garda's Functional Nutritional Rehabilitation Unit was the first in Italy to implement intensive hospital rehabilitation treatment for patients suffering from nutritional and eating disorders. The cognitive behavioural therapy for eating disorders (CBT-ED) developed at the Villa Garda care facility for adolescents suffering from anorexia nervosa,

bulimia nervosa and other eating disorders, was introduced in partnership with Oxford University and has been assessed in a controlled study and three cohort studies and was recommended by the guidelines issued by the National Institute for Health and Care Excellence (NICE) in 2017. Clinical services similar to those offered at Villa Garda have been introduced in Norway, Sweden, Holland, Denmark, the USA and Australia under the supervision of the Villa Garda group.



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



ACQUIRED IN 2019

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

Bimar exclusively provides specialist private services.



Clinica S. Francesco (Verona – Veneto locality)



ACQUIRED IN 2021

Clinica San Francesco, a leading international robotic orthopaedic surgery clinic, was decreed a European Robotic Orthopaedic Centre ("C.O.R.E.") in 2013 and in this role also provides intensive training, hosting surgeons from all over Europe. Prof. Piergiuseppe Perazzini, a European pioneer of the robotic technique for hip and knee prosthesis, works at the clinic alongside many expert surgeons. He introduced this method, which involves using of one of the most advanced surgical robots in the world, to Europe in January 2011. The Clinic also has both orthopaedic and surgical accredited Day

Surgery departments and a rehabilitation department.

The Clinic is also highly regarded for its plastic and reconstructive surgery, becoming a breast surgery hub of excellence thanks to the work of Prof. Gino Rigotti, who introduced to the world the breast reconstruction technique of autografting adipose tissue. Clinica San Francesco, in addition to providing outpatient diagnostic services, both under accreditation and privately, has a Diagnostic Centre located in Verona, in a separate area from the Clinic. This Centre provides specialist outpatient, diagnostic imaging and physiotherapy services using latest generation equipment. These services are also provided both under accreditation and privately.

➤ OVERVIEW OF GHC CLINICS IN THE LOMBARDY REGION



XRay One (Poggio Rusco, Mantua - Lombardy locality)



ACQUIRED IN 2020

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

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



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



ACQUIRED IN 2019

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

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



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



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



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



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

➤ **OVERVIEW OF GHC CLINICS IN THE EMILIA-ROMAGNA REGION**



Hesperia Hospital (Modena –Emilia-Romagna)



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



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



ACQUIRED IN 2019

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



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



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



Poliambulatorio Dalla Rosa Prati (Parma – Emilia-Romagna)



ACQUIRED IN 2019

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



Ospedali Privati Riuniti (Bologna – Emilia-Romagna)



ACQUIRED IN 2019

Nigrisoli Hospital

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



Villa Regina

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

➤ OVERVIEW OF GHC CLINICS IN THE TUSCANY REGION



Rugani Hospital (Colombaio locality, Siena – Tuscany)



An NHS accredited hospital offering a range of specialties, including orthopaedics, urology, ophthalmology, general surgery, otorhinolaryngology, motor rehabilitation and diagnostic imaging, on both a residential and outpatient basis. In particular, the hospital specialises in orthopaedic surgery involving custom prosthesis implantation systems guided by CT scan and in urological surgery with the use of an HIFU system⁽²⁾ associated with magnetic resonance imaging to identify and treat prostate cancer through non-invasive precision surgery.

➤ OVERVIEW OF GHC CLINICS IN THE LIGURIA REGION



Fides Medica Group (Genoa - Liguria)



The Fides Medica Group consists of eight⁽³⁾ local dependency care facilities in the city and province of Genoa, in addition to four clinics owned by Il Fiocco. The Group is accredited by Italy's NHS and provides treatment and rehabilitation for elderly and other patients affected by a wide range of mental illnesses, including eating disorders and acquired disabilities. A description of the individual clinics is provided below:

- 1) *Rehabilitation Centre*
- 2) *Le Clarisse Residential Care Facility*
- 3) *Santa Marta Residential Care Facility*
- 4) *Santa Rosa Residential Care Facility*
- 5) *Villa Santa Maria Psychiatric Rehabilitation Care Facility*
- 6) *Villa del Principe (Eating Disorder Treatment Centre)*
- 7) *REMS Villa Caterina*
- 8) *Palazzo Fieschi Psychiatric Rehabilitation Care Facility*
- 9) *Skipper Residential Psychiatric Care Facility*

⁽²⁾ HIFU stands for High Intensity Focused Ultrasound and refers to an innovative and very precise treatment technique with which some benign and malignant cancers can be destroyed without the need for surgical incision or the insertion of needles or catheters.

⁽³⁾ At June 30, 2021, Santa Marta, following the transfer of patients to the newly-built "Villa Fernanda" Protected Residence, has temporarily stopped its activities in order to undergo a major renovation at the end of which, having obtained the authorisation to operate, it will be able to start the activity that, to all intents and purposes, will qualify as new compared to the previous one permanently transferred to Villa Fernanda

- 10) CUAP Le Note di Villa S. Maria
- 11) CUAP Il Bozzello 1 e Il Bozzello 2
- 12) Villa Fernanda Residence

1) Rehabilitation Centre

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

2) Le Clarisse Residential Care Facility

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

3) Santa Marta Residential Care Facility⁽⁴⁾

This facility provides treatments divided into two categories based on patient needs: (i) extended care unit for non self-sufficient people who are unable to carry out daily activities and who therefore require 24-hour care, and (ii) a protected residence unit for semi-independent people who have some residual autonomy, which varies depending on their individual situation.

4) Santa Rosa Residential Facility

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

5) Villa Santa Maria Psychiatric Rehabilitation Care Facility

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

6) Villa del Principe (Eating Disorder Treatment Centre)

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

7) REMS Villa Caterina

First "R EMS" (Residence for the Execution of Security Measures) opened in the Liguria Region for the treatment of mentally ill offenders considered socially dangerous. Patients at this facility require continuous rehabilitation and social rehabilitation therapy in a residential care setting. The duration of treatment is commensurate with the custodial measures decided by the courts.

8) Palazzo Fieschi Psychiatric Rehabilitation Care Facility

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

9) Skipper Residential Psychiatric Care Facility

Skipper treats people with persistent behavioural disorders, as well as those requiring continuous care in a highly protective and safe environment. The facility looks after non self-sufficient people who have already undergone some psychiatric treatment and rehabilitation and have reached their maximum level of independence but who, despite this,

(4) At June 30, 2021, Santa Marta, following the transfer of patients to the newly-built "Villa Fernanda" Protected Residence, has temporarily stopped its activities in order to undergo a major renovation at the end of which, having obtained the authorisation to operate, it will be able to start the activity that, to all intents and purposes, will qualify as new compared to the previous one permanently transferred to Villa Fernanda

cannot be left alone and need dedicated care and assistance, without time limits.

10) CAUP Le Note di Villa S. Maria

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

11) Il Bozzello 1 and Il Bozzello 2 CAUP

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

12) Villa Fernanda Residence

The "Villa Fernanda" residence for the elderly is a healthcare facility with an accommodation capacity of 70 beds, opened in 2020 following the extensive renovation of a former school, suitable for the creation of an environment serving the various needs of the elderly and supporting them by facilitating social contact, while also respecting their daily routines. The facility consists of: 16 beds dedicated to the care of partially non-self-sufficient persons, who are still able to carry out primary functions with help, requiring long-term care; 18 beds dedicated to the care of totally non-self-sufficient persons, who need assistance in all functions, including primary ones, requiring long-term care; 18 beds dedicated to the care of totally non-self-sufficient persons, who need assistance in all functions, including primary ones, requiring long-term care; 18 beds dedicated to the care of totally non-self-sufficient persons, who need assistance in all functions, including primary ones, requiring long-term care.

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



Villa Von Siebenthal (Genzano, Rome – Lazio)



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

1.5. Significant shareholders

The table below reports the Garofalo Health Care S.p.A. ownership structure at the date of publication of this report, including significant equity interests.

Garofalo Health Care S.p.A. Shareholders	No. shares	% shares with voting rights	Voting rights	% voting rights
Controlling shareholders (*)	58,169,600	64.89%	58,169,600	63.52%
Market	31,468,139	35.11%	33,413,539	36.48%
Total shares with voting rights exercisable at Shareholders' Meeting	89,637,739	100.00%	91,583,139	100.00%
Treasury shares (**)	562,261		(**)	
TOTAL:	90,200,000			

(*) Includes the direct and indirect holdings of the Chief Executive Officer Maria Laura Garofalo. Please refer to press release of March 1, 2021

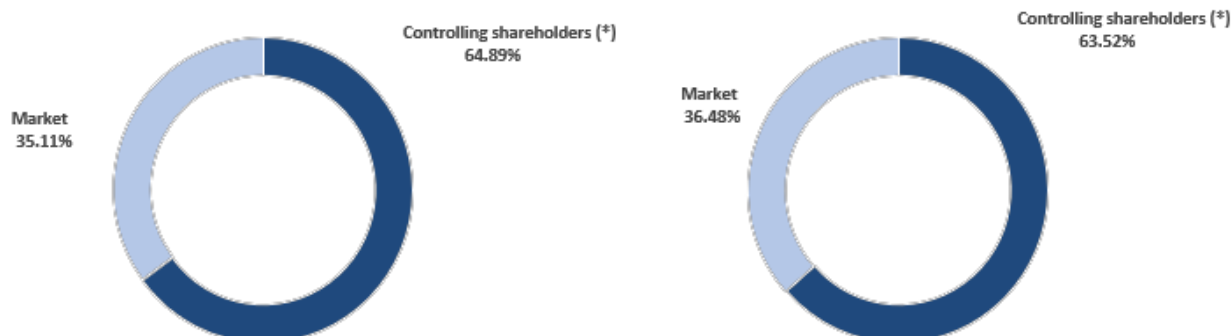
(**) Treasury shares with voting rights suspended at 30.06.2021

Garofalo Health Care S.p.A. shareholders with stakes greater than 5%	No. shares	% shares with voting rights	Voting rights	% voting rights
Larama 98 S.p.A. (***)	45,516,000	50.78%	45,516,000	49.70%
Maria Laura Garofalo	10,773,000	12.02%	10,773,000	11.76%
PII 4 S.à.r.l. (****)	8,173,653	9.12%	8,173,653	8.92%

(***) linked to Maria Laura Garofalo

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

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

1.6. GHC share performance in H1 2021

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

The GHC share price rose 4.1%⁽⁵⁾ in H1 2021. This however also reflects the dilutive effects (approx. 9%) from the Accelerated Book Building transaction executed by the company in January 26, 2021 to boost the free float, in addition to providing the company with additional funding (approx. Euro 41 million) to support its acquisition-led growth strategy.

In view of that outlined above, the share since January 26, 2021 (delivery and payment date of the new shares issued in service of the reserved share capital increase) rose 11.5%.⁽⁶⁾

It should also be noted that since the day it was listed (November 9, 2018 at Euro 3.34 per share), the GHC share price has grown by 68.9% (as at June 30, 2021), remaining at all times above its placement price.

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

Key stock exchange indicators for 2021 (Euro)	
IPO offer price on November 9, 2018	3.34
Closing price on June 30, 2021	5.64
Closing price on January 4, 2021 (initial day of trading of the year)	5.42
Closing price on January 26, 2021 (issue date of new shares for ABB)	5.06
Number of GHC ordinary shares at June 30, 2021	90,200,000
Number of GHC ordinary shares at January 4, 2021 ⁽⁷⁾	82,000,000
Treasury shares held on June 30, 2021	562,261
Ordinary shares in circulation on June 30, 2021	89,637,739
Treasury shares held on January 4, 2021	389,136
Ordinary shares in circulation on January 4, 2021	81,610,864
Market capitalisation on June 30, 2021 ⁽⁸⁾	505,556,848
Market capitalisation on January 4, 2021 ⁽⁸⁾	442,330,883

1.7. Coverage of GHC stock by financial analysts

At June 30, 2021, the GHC share was covered by 2 financial brokers (Equita SIM and Mediobanca), who actively followed the GHC Group during the period with dedicated studies and analyses, consistently offering Buy or Outperform recommendations.

⁽⁵⁾ Calculated as the difference between the price of the GHC share at June 30, 2021 (Euro 5.64) and that at January 4, 2021 - first trading day of the year (Euro 5.42)

⁽⁶⁾ Calculated as the difference between the price of the GHC share at June 30, 2021 (Euro 5.64) and that at January 26, 2021 (Euro 5.06)

⁽⁷⁾ The number of ordinary GHC shares altered in the period in view of the reserved share capital increase in January 2021

⁽⁸⁾ Calculated net of treasury shares held by the Company on the same date

2. GROUP PERFORMANCE

2.1. GHC Group financial highlights

The H1 2021 results - although partly impacted by the activities in support of the Public system, affecting the full use of the production capacity and a completely orderly and efficient operating scheduling - indicate a significant recovery both in terms of revenues and Op. EBITDA on the same period of the previous year. H1 2020 was in fact shaped, from the month of March, by the restrictions on healthcare activities by the Local and Domestic Authorities to combat the spread of the virus.

The operating performance indicators for H1 2021 compared with the same period of 2020 are presented below.

It should be noted that the H1 2021 figures, in comparison to 2020, include the full contribution from X Ray One s.r.l., a clinic acquired in July 2020 and the contribution for the April-June period of Clinica San Francesco s.p.a., acquired on April 9, 2021.

Consolidated data	2021		2020		2021 vs 2020	
	Euro '000	%	Euro '000	%	Euro '000	%
Revenues	133,473	100.0%	89,901	100.0%	43,573	48.5%
Total operating costs (excl. non-core costs)	(108,728)	-81.5%	(78,675)	-87.5%	(30,053)	38.2%
Op. EBITDA Adjusted	24,745	18.5%	11,225	12.5%	13,520	120.4%
Non-core costs (Adjustments)	(2,486)	-1.9%	(1,682)	-1.9%	(803)	47.8%
Operating EBITDA	22,259	16.7%	9,543	10.6%	12,716	133.3%
Amortisation, depreciation & write-downs	(6,921)	-5.2%	(5,499)	-6.1%	(1,422)	25.9%
Impairments and other provisions	(1,288)	-1.0%	(772)	-0.9%	(517)	66.9%
EBIT	14,050	10.5%	3,272	3.6%	10,778	329.4%
EBIT Adjusted	16,536	12.4%	4,955	5.5%	11,581	233.7%
Net financial charges	(1,481)	-1.1%	(1,259)	-1.4%	(222)	17.6%
Result before taxes	12,570	9.4%	2,014	2.2%	10,556	524.2%
Profit before taxes Adjusted	15,055	11.3%	3,696	4.1%	11,359	307.3%
Income taxes	(2,796)	-2.1%	(765)	-0.9%	(2,031)	265.3%
Net profit	9,773	7.3%	1,248	1.4%	8,525	683.0%
Group result	9,769	7.3%	1,249	1.4%	8,520	682.0%
Minority interests	4	0.0%	(1)	0.0%	5	-468.5%

2.2. 2021 Consolidated Revenues Overview

GHC consolidated revenues in H1 2021 amounted to Euro 133,473 thousand, up 48.5% on Euro 89,901 thousand in H1 2020.

The revenue growth of Euro 43,573 thousand is mainly due to recovering productivity as the COVID-19 pandemic did not have a significant impact in the half year, as it did in H1 2020 due to the suspension of outpatient and hospital activities in the period March-June. The revenue increase also stems from the change in the consolidation scope for Euro 12,713 thousand, as benefitting from the full contribution of X Ray One S.r.l. acquired in July of the previous year and the contribution for the April-June period of Clinica San Francesco S.p.A., acquired on April 9, 2021.

The revenue increase also benefited from: (i) for Euro 1,001 thousand the partial co-payments by the National Health Service to absorb the higher personnel costs from the renewal of the National Collective Bargaining Agreements from July of the previous year; (ii) for Euro 861 thousand the partial reimbursement of the additional COVID costs⁽⁹⁾ incurred by the Group companies.

Consolidated revenues in Euro thousands	H1 2021 Actual	H1 2020 Actual	H1 21 vs. H1 20 Euro '000	H1 21 vs. H1 20 %
Total	133,473	89,901	43,573	+48.5%
<i>of which repayments of "additional COVID costs"</i>	861	-	861	<i>n.m.</i>
<i>of which Regional Health System contribution relating to renewal of national collective bargaining agreements</i>	1,001	-	1,001	<i>n.m.</i>
<i>of which X Ray One + Clinica San Francesco</i>	12,713	-	12,713	<i>n.m.</i>

2.3. 2021 Consolidated Costs Overview

Consolidated operating costs in 2021, net of non-recurring and non-core business costs, totalled Euro 108,728 thousand, increasing Euro 30,053 thousand from Euro 78,675 thousand in 2020 (+38.2%).

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

The non-recurring costs ("Non-core costs") concern the charges incurred by the Group companies to combat the COVID-19 emergency which, net of reimbursements paid, totalled Euro 1,656 thousand, in addition to M&A costs for the acquisition of Clinica San Francesco of Euro 830 thousand.

During the period, the SARS-COV-2 virus prevention measures resulted in costs, net of reimbursements recognised, of Euro 1,656 thousand (substantially in line with Euro 1,601 thousand in H1 2020).

2.4. 2021 Consolidated Adjusted Operating EBITDA

In terms of margins, Consolidated Operating EBITDA Adjusted⁽¹⁰⁾ was Euro 24,745 thousand, increasing Euro 13,520 thousand(+120.4%) on Euro 11,225 thousand in H1 2020. The contribution from the acquisitions of X Ray One and Clinica San Francesco in H1 2021 was Euro 2,783 thousand.

⁽⁹⁾ One-off costs incurred by the Group to tackle the COVID-19 emergency and concerning expenses for Personnel Protective Equipment ("PPE"), swabs / tests, the preparation and management of triage areas and the dedicated distancing pathways.

⁽¹⁰⁾ This indicator adjusts Operating EBITDA for non-recurring costs not relating to the core business

Overall, in H1 2021 the Group's Operating EBITDA Adjusted margin was 18.5%, significantly up on 12.5% in the previous year.

Consolidated Op. EBITDA and Op. EBITDA Adj. <i>in Euro thousands</i>	H1 2021 Actual	H1 2020 Actual	H1 2021 vs. H1 2020	
			Euro '000	%
Op. EBITDA Reported	22,259	9,543	12,716	133.3%
+ additional COVID costs (net reimbursements)	1,656	1,601	55	-
+ M&A costs	830	81	749	-
Op. EBITDA Adjusted	24,745	11,225	13,520	120.4%
<i>of which contributed by XRay One and Clinica S. Francesco</i>	2,783	-	2,783	-
<i>Op. EBITDA Reported Margin (%)</i>	16.7%	10.6%	-	-
<i>Op. EBITDA Adjusted Margin (%)</i>	18.5%	12.5%	-	-

2.5. 2021 Consolidated EBIT and EBIT Adjusted Overview

EBIT Adjusted in 2021 was Euro 16,536 thousand, up Euro 11,581 thousand (233.7%) on Euro 4,955 thousand in 2020.

This result reflects amortisation, depreciation and write-downs for Euro 6,921 thousand, up Euro 1,422 thousand on H1 2020, mainly due to the change in scope during the period, as well as impairments and other provisions for Euro 1,288 thousand, up Euro 517 thousand on the same period of the previous year. The increase in value adjustments and other provisions on the same period of the previous year is mainly due to the combined effect of the following factors: (i) slight increase in healthcare risks for Euro 55 thousand (excess of accruals over releases); (ii) greater net accruals for Local Health Authority (ASL) risks for approx. Euro 206 thousand, (iii) the decrease in releases on doubtful debt provisions for Euro 120 thousand, and (iv) higher provisions for other risks - mainly labour-related - for Euro 135 thousand.

2.6. 2021 Consolidated net profit overview

The Net profit was Euro 9,773 thousand, an increase of Euro 8,525 thousand on Euro 1,248 thousand in 2020.

This amount includes net financial charges of Euro 1,481 thousand, increasing Euro 222 thousand on 2020, mainly due to the change in the consolidation scope and income taxes of Euro 2,796 thousand, increasing Euro 2,031 thousand on 2020, principally as a result of the improved pre-tax profit.

2.7. Pro-forma financial highlights

In order to ensure that the Company's figures for the year under review are sufficiently comparable with those of the previous year, the Pro-Forma⁽¹¹⁾ tables for H1 2021 and 2020 are presented, i.e. those reporting retrospectively to January 1, 2021 the acquisition of Clinica San Francesco (on April 9, 2021) and retrospectively reflecting to January 1, 2020 the acquisition of XRay One (on July 23, 2020).

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

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

Consolidated data	2021		2020		2021 vs 2020	
	Euro '000	%	Euro '000	%	Euro '000	%
Revenues	141,829	100.0%	92,801	100.0%	49,028	52.83%
Total operating costs (excl. non-core costs)	-115,830	-81.7%	-81,371	-87.7%	-34,459	42.3%
Op. EBITDA Adjusted	25,999	18.3%	11,430	12.3%	14,569	127.5%
Non-core costs (Adjustments)	-2,486	-1.8%	-1,682	-1.8%	-804	47.8%
Operating EBITDA	23,513	16.6%	9,748	10.5%	13,765	141.2%
Amortisation, depreciation & write-downs	-8,239	-5.8%	-5,836	-6.3%	-2,403	41.2%
Impairments and other provisions	-1,325	-0.9%	-772	-0.8%	-553	71.6%
EBIT	13,949	9.8%	3,140	3.4%	10,809	344.2%
EBIT Adjusted	16,435	11.6%	4,822	5.2%	11,613	240.8%
Net financial charges	-1,668	-1.2%	-1,387	-1.5%	-281	20.3%
Result before taxes	12,281	8.7%	1,753	1.9%	10,528	600.6%
Profit before taxes Adjusted	14,767	10.4%	3,435	3.7%	11,332	329.9%
Income taxes	-2,768	-2.0%	-678	-0.7%	-2,090	308.3%
Net profit	9,513	6.7%	1,076	1.2%	8,437	784.1%
Group result	9,509	6.7%	1,077	1.2%	8,432	782.9%
Minority interests	4	0.0%	-1	0.0%	5	-500.0%

2.8. Balance Sheet

A breakdown of the Group's condensed consolidated balance sheet at June 30, 2021 and December 31, 2020 is provided below.

Consolidated data Uses	2021	2020	Δ vs 2020
	June	December	Euro '000
Goodwill	91,323	54,438	36,885
Intangible and tangible assets	327,702	300,261	27,441
Financial assets	1,037	1,164	(127)
I Fixed capital	420,062	355,862	64,200
Trade Receivables	68,605	61,411	7,194
Inventories	3,938	3,487	450
Trade payables	(42,295)	(35,857)	(6,438)
Net Operating Working Capital	30,247	29,040	1,207
Other assets/liabilities	(23,439)	(18,245)	(5,194)
II Net Working Capital	6,808	10,795	(3,987)
Net deferred taxes	(41,693)	(42,647)	954
Provisions	(23,715)	(23,099)	(616)
III Total Uses (NET CAPITAL EMPLOYED)	361,462	300,911	60,551
IV Net financial debt	108,053	97,691	10,362
Minority interest shareholders' equity	71	66	4
Group shareholders' equity	253,339	203,155	50,184
V Shareholders' Equity	253,409	203,221	50,188
VI Total sources of financing	361,462	300,911	60,551

The Fixed capital at June 30, 2021 was Euro 420,062 thousand, increasing Euro 64,200 thousand on December 31, 2020, mainly due to the following developments: (i) increase in "Goodwill" for Euro 36,885 thousand, as the Purchase Price Allocation of the company Clinica San Francesco acquired on April 9, 2021 is still preliminary and therefore the account is still provisional; (ii) the net increase in tangible and intangible assets for Euro 27,441 thousand. This increase is due for Euro 24,680 thousand to net investments in property, plant and equipment (of which Euro 15,195 relating to real estate acquired by GHC Project 6 as part of the acquisition of Clinica San Francesco) and for Euro 9,337 thousand the change in the scope, net of amortisation and depreciation in the period of Euro 6,621 thousand. The intangible assets overall reported a net increase of Euro 66 thousand.

Net operating working capital overall reported a net increase of Euro 1,207 thousand: in greater detail, the increase in trade receivables of Euro 7,194 thousand is due to the entry into the GHC Group consolidation scope of Clinica San Francesco for Euro 5,711 thousand. Similarly, the increase in inventories of Euro 450 thousand relates to the change in the consolidation scope for Euro 413 thousand, while for trade payables the increase of Euro 6,438 thousand relates to the change in the scope for Euro 5,688 thousand. In other terms, the net increase in the account of Euro 1,207 thousand relates for Euro 770 thousand to the existing scope at 31.12.2020 and for Euro 436 thousand the entry into the GHC Group scope of Clinica san Francesco.

Other assets and liabilities increased Euro 5,194 thousand, mainly due to the following developments: (i) decrease in other assets deriving from the utilisation of the IRES receivable of the parent company for approx. Euro 1,560 thousand for the payment of the tax payables of the companies joining the Tax and National Consolidation; (ii) increase in other liabilities for Euro 3,486 thousand, mainly concerning the increase in employee payables, due both to higher personnel costs related to the increased production volumes (e.g. lesser use of vacation days matured and not taken, greater use

of extra labour and the accrual for the thirteenth month), in addition to the entry into the Group scope of Clinica san Francesco.

The net working capital therefore reports a net decrease of Euro 3,987 thousand due to the net operating working capital changes of the changes of other assets and liabilities outlined previously.

Net deferred taxes reported a decrease, mainly due to the entry into the consolidation scope of Clinica San Francesco S.p.A.

Provisions at June 30, 2021 increased Euro 616 thousand on December 31, 2020, mainly due to (i) the net increase in the Post-employment benefit provision for Euro 289 thousand, and (ii) the increase in the provisions for risks for Euro 327 thousand. In greater detail, the decrease in the risks provisions is due to the following combined effects: (i) net accruals (excess of provisions over releases) of Euro 1,288 thousand, mainly due for Euro 647 thousand to healthcare cases and for Euro 459 thousand to ASL risks (ii) change in the consolidation scope of Euro 440 thousand (iii) equity utilisations for Euro 1,402 thousand (for Euro 783 thousand concerning healthcare cases and for Euro 293 thousand ASL risks).

Net Capital Employed at June 30, 2021 was Euro 361,462 thousand, increasing Euro 60,551 thousand on Euro 300,911 thousand at December 31, 2020, mainly due to the increase in Fixed Capital of Euro 64,200 thousand, partially offset by the decrease in net working capital for Euro 3,987 thousand.

At June 30, 2021, the Net Financial Position (NFP) of the Garofalo Health Care Group was Euro 108,053 thousand, with a Gross financial debt of Euro 153,501 thousand, Current financial receivables of Euro 239 thousand and liquidity of Euro 45,371 thousand. The NFP increased Euro 10,362 thousand on December 31, 2020. This increase is mainly due to the combined effect of the share capital increase of Euro 41,820 thousand carried out in January 2021 through the accelerated book building procedure and the acquisition of the investment in Clinica San Francesco, in addition to the operational buildings.

Group Shareholders' Equity at June 30, 2021 was Euro 253,409 thousand, increasing on December 31, 2020 by Euro 50,188 thousand, mainly due to the share capital increase outlined above (net of the relative settlement costs), in addition to the net profit for the period.

Net Financial Position

Net financial debt was calculated according to the approach outlined in ESMA/2013/319 and Consob Communication No. DEM/6064293 of July 28, 2006. A breakdown of the composition of the net financial debt for the periods ending June 30, 2021 and December 31, 2020 is provided below.

Consolidated data	2021 Euro '000	2020 Euro '000	Δ vs 2020 Euro '000
A Cash	279	140	138
B Cash and cash equivalents	45,051	24,670	20,382
C Securities held-for-trading	41	41	-
D Liquidity (A) + (B) + (C)	45,371	24,851	20,520
E Current financial receivables	239	88	151
F Current bank payables	10,846	12,179	-
G Current portion of non-current debt	20,778	16,894	3,884
H Other current financial payables	4,526	3,709	818
I Current financial debt (F)+(G)+(H)	36,151	32,782	3,369
J Net current financial debt (I) - (E) - (D)	-	7,843	-
K Non-current bank payables	92,736	68,067	24,669
L Bonds issued			-
M Other non-current payables	24,432	21,456	2,976
N Derivative financial instrument liabilities - non-current	344	326	18
O Non-current financial debt (K) + (L) + (M) + (N)	117,512	89,848	27,663
P Net financial debt (J) + (O)	108,053	97,691	10,362

A commentary on the principal changes since December 31, 2020 in the items comprising the Net Financial Position is provided below.

As shown in the table above, there was an increase in Liquidity of Euro 20,520 thousand, mainly due to the cash generated in the period in question and the capital increase in January 2021 described above and partly used in the acquisition of Clinica San Francesco.

Current financial debt increased by Euro 3,369 thousand, mainly due to the increase in the short-term portion of non-current debt for Euro 3,884 thousand. This trend is mainly due to the reclassification of the portion of non-current loans as due within the next twelve months for Euro 8,614 thousand, new mortgages for Euro 1,740 thousand, the repayment of the portions falling due for Euro 8,624 thousand, the taking over of mortgages for Euro 877 thousand and the change in the consolidation scope at June 30, 2021 for Euro 1,261 thousand.

Non-current financial debt rose by Euro 27,664 thousand, mainly due to an increase in non-current bank debt of Euro 24,670 thousand. This change is related to the combined effect of the reclassification of the portion of debt due in the next year for Euro 8,614 thousand, new loans for Euro 22,740 thousand, the taking over of mortgages for Euro 5,263 thousand and the change in the consolidation scope at June 30, 2021 for Euro 5,280 thousand.

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

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

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

Operating EBITDA Adjusted

This indicator adjusts Operating EBITDA for costs not relating to the core business of the Company and pertaining to “additional COVID costs” as defined above and M&A costs for acquisitions, and is provided to allow a like-for-like comparison with 2020.

H1 2021 Operating EBITDA Adjusted was Euro 24,745 thousand, up 120.4% on Euro 11,225 thousand in the previous year, which was however impacted by the mandatory suspension of activities from March to combat the COVID pandemic. On a Pro-Forma basis, Operating EBITDA Adjusted would total Euro 25,999 thousand, compared to Euro 11,430 thousand in H1 2020 (+127.5%).

Consolidated data	H1 2021 Actual	H1 2020 Actual	H1 2021 Pro-Forma	H1 2020 Pro-Forma
	Euro '000	Euro '000	Euro '000	Euro '000
Operating EBITDA	22,259	9,543	23,513	9,748
Non-core costs (Adjustments)	2,486	1,682	2,486	1,682
Operating EBITDA Adjusted	24,745	11,225	25,999	11,430

EBIT Adjusted

This indicator adjusts EBIT for non-core costs as defined above, and is provided to allow a like-for-like comparison with 2020. Compared to the preceding period, EBIT Adjusted improved Euro 11,581 thousand (+233.7%). On a Pro-Forma basis, EBIT Adjusted would however total Euro 16,435 thousand, up Euro 11,612 thousand (+240.7%) on the 2020 figure of Euro 4,823 thousand.

Consolidated data	H1 2021 Actual	H1 2020 Actual	H1 2021 Pro-Forma	H1 2020 Pro-Forma
	Euro '000	Euro '000	Euro '000	Euro '000
EBIT	14,050	3,272	13,949	3,140
Non-core costs (Adjustments)	2,486	1,682	2,486	1,682
EBIT Adjusted	16,536	4,955	16,435	4,823

Operating EBITDA Adjusted Margin

The Operating EBITDA Adjusted Margin is calculated as Operating EBITDA Adjusted as a percentage of Revenues. In H1 2021, Group Operating EBITDA Adjusted, which adjusts Operating EBITDA for non-core costs, was 18.5% (12.5% in H1 2020). The Operating EBITDA Adjusted margin in H1 2021 Pro-Forma would however be 18.3%, compared with 12.3% for H1 2020 Pro-Forma.

Consolidated data	H1 2021 Actual	H1 2020 Actual	H1 2021 Pro-Forma	H1 2020 Pro-Forma
	Euro '000	Euro '000	Euro '000	Euro '000
Operating EBITDA Adjusted	24,745	11,225	25,999	11,430
Revenues	133,473	89,901	141,829	92,801
Operating EBITDA Adjusted Margin	18.5%	12.5%	18.3%	12.3%

EBIT and Operating EBITDA

The Group's consolidated Net Profit, EBIT and consolidated Operating EBITDA for H1 2021 and H1 2020, both actual and pro-forma, are reconciled below.

Consolidated data	H1 2021 Actual	H1 2020 Actual	H1 2021 Pro-Forma Euro '000	H1 2020 Pro-Forma
	Euro '000	Euro '000		Euro '000
Net Profit	9,773	1,248	9,513	1,076
Income taxes	2,796	765	2,768	678
Total investments at equity	(113)	(101)	(113)	(101)
Financial charges	1,638	1,361	1,826	1,489
Financial income	(45)	(1)	(45)	(1)
EBIT	14,050	3,272	13,949	3,140
Amortisation, depreciation and provisions	6,921	5,499	8,239	5,836
Impairments and other provisions	1,288	772	1,325	772
Operating EBITDA	22,259	9,543	23,513	9,748

Net Financial Debt / Net Equity

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

Consolidated data	1H2021	FY2020
	Euro '000	Euro '000
Net financial debt	107,891	97,691
Net Equity	253,529	203,222
Ratio between net financial debt and shareholders' equity	0.4	0.5

3. SECTOR PERFORMANCE

3.1. Breakdown of and changes in Italian public healthcare expenditure (highlights from the OASI Report)

The Company periodically reports on the changes in and breakdown of public healthcare expenditure in Italy, taking as a reference public data provided in specialised and highly accredited sector reports such as the OASI Report. The most up-to-date OASI Report available (published in 2020 and covering 2019 data) was covered by the Company in its Directors' Report at December 31, 2020, to which reference should be made for further details.

3.2. National Recovery and Resilience Plan ("NRRP")

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

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

Specifically, Mission no. 6 has two components:

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

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

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

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

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

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

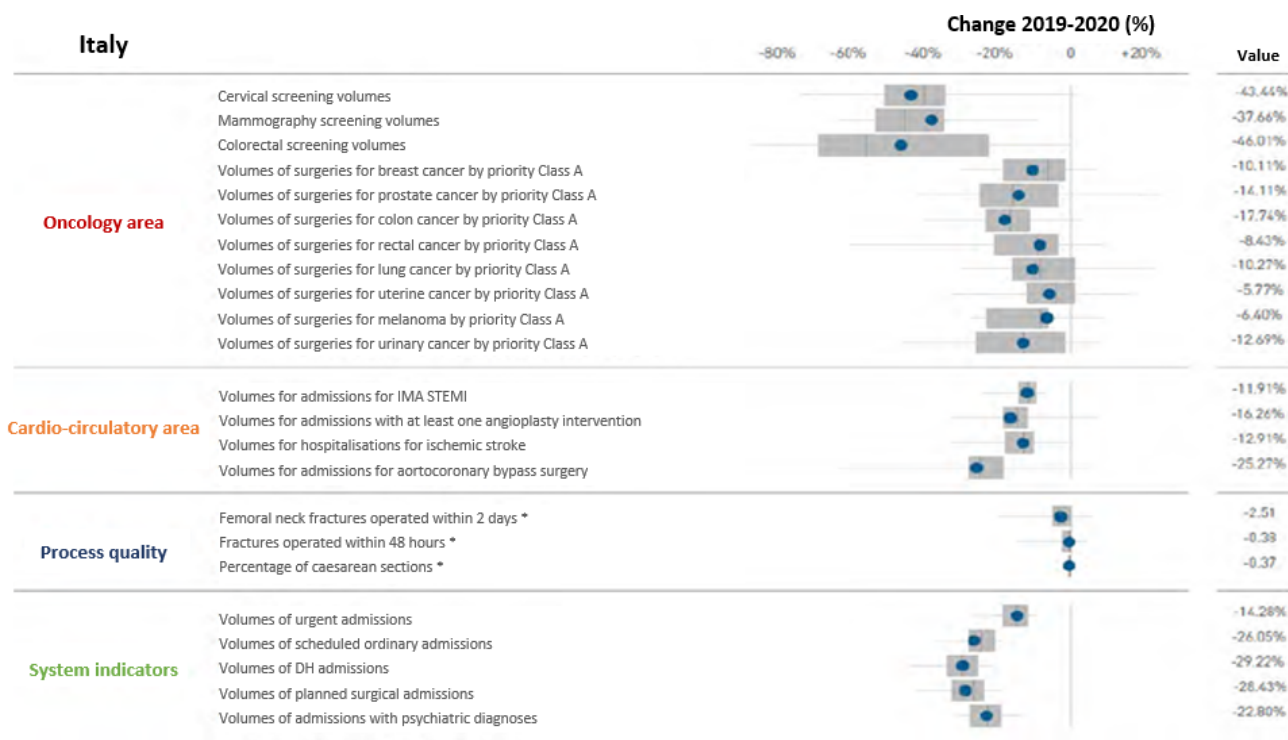
3.3. Further regulatory interventions in the sector

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

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

With particular reference to the issue of waiting lists, presented below is the study recently published by Agenas ("The resilience of regional health services and services not provided due to the COVID-19 emergency - Focus on hospital

services provided in 2020"), which shows a significant decline in services provided in Italy in 2020 compared to 2019. The figures show 1.3 million hospitalisations and 144.5 million fewer outpatient specialist services - underlining the extensive indirect impact of the pandemic - which will therefore need to be made up for in the near future.



COVID incidence x 100,000 residents (January-December 2020) 3496.8 x 100,000

4. INVESTMENTS

4.1 Recurring investments

During 2021, the Group undertook investments in property, plant and equipment and intangible assets of a recurring nature. These were designed to support the production capacity of the Group's healthcare facilities and implement technological and the functional upgrades to medical devices and equipment that are essential in maintaining high quality standards in the services offered to patients.

4.2 Investments in new development equipment

In addition to the above, in 2021 GHC continued its implementation of the investment plan approved in 2020, dedicated in particular to new very latest generation machinery and technology, partly to fully tap into all development opportunities from the growing need for healthcare and heightened by the COVID-19 emergency. We report below on some of the particularly significant investments.

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

The new machine was successfully installed and has been fully operational since the beginning of 2021.

This equipment, which may also be used for research purposes, joins the existing technology (2 magnetic resonance 1.5 Tesla, 1 joint MRI and 1 CT scanner) to help meet the increasing demand for health services, while also improving helping to attract both patients coming from other regions and paying patients.

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

This technology has allowed C.M.S.R. to become a point of reference for the two regional Multiple Sclerosis centres, and has been used to create of a high-definition diagnostic protocol and launch a national scientific trial.

C.M.S.R. - Siemens CARDIO CT

The new machine was successfully installed and has been fully operational since mid-Q2 2021.

This equipment represents the international gold standard in instrumentation used for cardiovascular examinations. It has a dual radiogenic source and a high rotation speed that allows the examination to be done without lowering the patient's heart rate and therefore without the need for medication. Moreover, it has very high fidelity image reproduction, able to provide, in a short time, a 3D reconstruction of the organ perfectly corresponding to a "live" shot.

Since installation, the equipment has been predominantly utilised to meet the intense demand for "routine" examinations. New coronary diagnostic activities, which take full advantage of the potential of the new machine, are scheduled to begin in September.

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

The new machine was successfully installed and has been fully operational since the beginning of 2021.

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

The investment has allowed Villa Berica to perform every kind of diagnostic examination for its inpatients without needing to refer them elsewhere, and to accommodate requests for any type of examination coming from the local booking centre.

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

This equipment enables every kind of RM exam to be carried out at the highest quality levels, and positions Aesculapio among the very few accredited private outpatient clinics in the province of Modena with this technology. This expansion project includes: (i) the installation of the new MRI described above on the ground floor together with a 16-slice Philips CT scanner from the Villa Berica facility in Vicenza and (ii) the construction of five medical clinics and a space for rehabilitation activities.

In H1 2021, work continued on the expansion and renovation of the warehouse area and the preparation of all related equipment. The new 1.5T MRI has been delivered and installed and is scheduled to begin operations in Q3 2021.

4.3 Investments in expansion assets

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

a) Expansion of Istituto Raffaele Garofalo

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

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

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

During 2021, the building works planned at the facility continued while waiting for the PDC of the other interventions to be released.

In February 2021, following the inspection, the Commission for the Supervision of Private Health Facilities positively assessed the Project, which was then forwarded to the competent regional authorities.

On February 8, 2021, the Department of Prevention S.O.C. Public Hygiene and Healthcare issued a favourable sanitary report.

The Company is waiting to receive the preliminary PDC (construction permit) to start the expansion works.

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

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

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

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

At the same time, once the so-called "ex-Santa Marta" building had been vacated, work began on the design of the new building. Inspections and technical checks were carried out on structural elements of the building, as well as aspects related to fire regulations.

In April 2021, the contract for the renovation works was signed, resulting in the start-up of the building site and of works, which are progressing as scheduled and which should be completed in late 2021.

c) Villa Garda expansion

This investment foresees the expansion of the facility through new construction. The expansion of the buildings was undertaken in order to benefit fully from the accreditation of 10 more beds approved by the Veneto Regional Council in 2019 with Regional Council Motion No. 614 of May 14, 2019.

The expansion works will also allow Villa Garda to offer more single rooms, which will be made available especially to the most vulnerable patients, offering them greater comfort and assistance.

The investment also covers the extension of the Aula Magna to accommodate conferences and medical congresses, construction of a number of underground rooms to be used for storage, and renovation of the external façades of the two main pavilions. In H1 2021 all the planned works were completed. Specifically, these included the construction of the new building, the extension of the Aula Magna (also used as a multi-purpose room), work on the basement rooms and the renovation of the façades. The formal request for new health authorisation to use the spaces of the new building was then submitted to the Veneto Region. The final authorisation is expected to be received in late Q3 2021.

5. COVID-19 OVERVIEW

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

In the first half of the year, in view of the continued partial difficulties related to COVID-19, it is noted that all GHC Group clinics continued to provide support to the public healthcare system, managing at the same time not to compromise its operations. Specifically:

- in Q1, Casa di Cura Prof. Nobili, Rugani Hospital and l'Eremo di Miazzina, in collaboration with the relevant healthcare service, maintained wards dedicated to COVID-19 patients emerging from the acute phase, but still testing positive for the virus. These were equipped with 30, 10, and 32 beds, respectively. These wards were gradually closed during Q2, specifically in May (for Casa di Cura Prof. Nobili) and June (for Rugani Hospital and l'Eremo di Miazzina);
- Ospedali Privati Riuniti di Bologna continued to support the public system, also providing a ward dedicated to COVID patients. In addition to this, the Rizzoli Orthopaedic Institute made available operating room sessions for orthopaedic surgery at its facility in Villa Regina. The facility gradually resumed its normal production activities from May;
- During the reporting period, Hesperia Hospital continued its support to the public system of recent months and also made operating rooms available to the AOU Policlinico di Modena for thyroid and orthopaedic surgery. It also made 14 acute medicine beds available.
- Villa Berica in January made available a 14-bed ward dedicated to COVID patients, then closed in February.

The GHC Group H1 2021 consolidated results - although partly impacted by the activities in support of the Public system (especially in Q1), which impacted on the full use of production capacity and the most efficient operating scheduling - indicate a marked recovery in productivity on the same period of the previous year.

With reference to the H1 2021 income statement, COVID-19 resulted at consolidated level in one-off costs ("additional COVID costs") for Personnel Protective Equipment ("PPE"), swabs / tests, the preparation and management of triage areas and the dedicated distancing pathways, only in part reimbursed by the local health authorities.

As regards the Balance Sheet, COVID-19 resulted at consolidated level in the recognition to GHC clinics as a result of the COVID-19 emergency by the main Regions in which the Group operates of a monthly advance of between 80% and 100%, according to each individual case, of the agreed regional and extra-regional production for 2019 or that of the budget agreement. At June 30, 2021, these advances amounted to approx. Euro 8.0 million. There were no delays in collections due to COVID-19.

6. MANAGEMENT AND CO-ORDINATION

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

7. SIGNIFICANT EVENTS AFTER THE END OF THE PERIOD

Closing of the acquisition of Domus Nova S.p.A.

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.

Entry into the FTSE Italian Mid Cap index

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.

8. OUTLOOK

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

Assuming that the pandemic would not worsen, in 2021 the Group successfully continued its acquisition-led growth strategy, completing two M&A transactions in April and July, and considers that over the coming quarters production levels and margins will gradually return to those seen in 2019 in all segments in which it operates. In line with the development path announced on IPO and formalised with the acquisitions of recent years, it is reasonable to consider that the acquisition-led growth process will continue, as the sector in which the GHC Group operates offers significant merger opportunities in a market that is still more fragmented than other European countries.

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

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

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

Law No. 24 of March 8, 2017 (the "Gelli-Bianco Law" or "Law No. 24/2017") introduced a new medical liability system, extending to both civil liability, in the twofold form of the contractual liability of the health facilities and the extra-contractual liability of healthcare professionals, and the criminal liability ascribed to such professionals for injuries sustained by patients as a result of acts or omissions in the course of practicing their professions. The GHC Group adopts a composite coverage policy for the above risks, within which only certain facilities (namely Villa Von Siebenthal, which treats the mentally ill, Casa di Cura Prof. Nobili, CMSR Altavilla Vicentina, Sanimedica and OPR) have contracted insurance policies, while others operate under the "self-insurance" scheme, provisioning appropriately for loss events

that have occurred, whose risk of an unfavourable outcome is deemed likely by an outside legal opinion on the basis of the characteristics of the specific loss events, and the resulting provisions are then revised with half-yearly frequency according to claims management performance and/or legal action taken by the injured parties.

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

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

9.3. Risks associated with environmental issues and health and safety legislation

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

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

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

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

In order to create a set of rules to prevent unlawful conduct deemed potentially relevant to the application of this legislation, GHC (i) adopted an organisation and management model as per Article 6, paragraph 1, letter a) of Legislative Decree No. 231/2001 (the "**231 Model**")⁽¹²⁾, (ii) adopted the Group Ethics Code and (iii) appointed a Supervisory Board. The Group companies with organisational autonomy have (i) adopted their own 231 Model, consistent with the 231 Model approved by the Parent Company, (ii) adopted the Group Code of Ethics and (iii) set up their Supervisory Boards.

9.5. Credit Risk

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

This risk is managed by each Group company and the respective Directors and is periodically monitored by the Parent Company through financial and operating reports. The maximum exposure to the credit risk for the Group at June 30, 2021 and December 31, 2020 is represented by the book value of the assets recorded in the consolidated accounts under trade receivables.

The Group considers this risk as moderate, in view of the fact that GHC's receivables almost entirely concern public sector counterparties (hospital authorities and/or healthcare authorities), for whom a particular risk of insolvency is not considered.

In particular, in H1 2021, in view of the recent changes relating to COVID-19, the Group closely monitored the collection of its trade receivables and does not report reduced average collection times from its public sector counterparties.

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

9.6. Liquidity risk

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

⁽¹³⁾ The 231 Model was adopted by GHC's BoD on August 8, 2018 and was subsequently updated on July 30, 2020.

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

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

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

In H1 2021, in view of the COVID-19 related health emergency, the Group closely monitored its financial situation and did not require significant liquidity or working capital support.

The NFP at June 30, 2021 benefitted further from the advances disbursed by the main regions in which the Group operates for approx. Euro 8 million. These granted GHC hospitals - due to the COVID-19 emergency - a monthly advance of between 80% and 100%, according to each individual case, of the agreed regional and extra-regional production for the previous year or that of the budget agreement.

Therefore, on the basis of the information currently available and also in view of the recent changes in the COVID-19 pandemic, the Company expects that the funds and credit lines currently available, in addition to those that will be generated from operating and financial activities, will permit the Group to satisfy its requirements deriving from investment activities, working capital management and the repayment of debt in accordance with their contractual maturities.

9.7. Interest rate risk

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

(In Euro thousands)	At June 30, 2020 ⁽¹³⁾		
	Interest on mortgage loans	Interest +1%	Interest -0.25%
Total	864	1,090	758
Change		226	-106

The objective of interest rate risk management is to stabilise the interest due on variable-rate loans, so as to ensure that the underlying and the hedging instrument are closely correlated. At the date of this report, the Group has ten derivative financial instruments (Interest Rate Swaps, "IRS") in place to manage interest rate risk on ten variable-rate loans, for a notional total of Euro 29.6 million against total underlying debt of Euro 94.6 million, for a hedging ratio of 31%. Hedging activity is assessed and decided upon on a case-by-case basis.

⁽¹³⁾ Half-yearly interest

10. OTHER INFORMATION

10.1. Secondary offices

Garofalo Health Care S.p.A. did not have any branch offices at June 30, 2021.

10.2. Remuneration schemes based on financial instruments

Stock Grant Plan 2019 - 2021

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

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

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

On May 14, 2021, and having consulted the Appointments and Remuneration Committee, the Board of Directors verified the level of achievement of the performance targets for the 2nd Cycle of the Plan and, therefore, determined the number of Company shares to be allocated to the beneficiaries based on the level of achievement of the targets, and allocated the shares to the relevant beneficiaries, in accordance with the terms set out in the Plan Regulation.

For further details on the Stock Grant Plan, reference should be made to the Remuneration Policy 2021 and Remuneration Report 2020, the relative Disclosure Document drawn up in accordance with Annex 3A, Scheme 7 of the Issuers' Regulation and the related Disclosure to the Public as per Article 84-bis, paragraph 5 of the Issuers' Regulation, made available on the GHC website www.garofalohealthcare.com, in the "Governance/Shareholders' Meetings" and "Governance/Remuneration" sections.

2021-2023 Performance Share Plan

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

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

The purposes of the Performance Share Plan are:

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

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

For further details on the Performance Share Plan, reference should be made to the Remuneration Policy 2021 and Remuneration Report 2020 and the relative Disclosure Document drawn up in accordance with Annex 3A, Scheme 7 of the Issuers' Regulation, made available on the GHC website www.garofalohealthcare.com, in the "Governance/Shareholders' Meetings" and "Governance/Remuneration" sections.

10.3. Treasury shares and shares of holding companies

At June 30, 2021, the Company held 562,261 treasury shares⁽¹⁴⁾.

At June 30, 2021, neither the Company nor the other Group companies held parent company shares, nor had made purchases or disposals during the year of these shares, even through trust companies or nominees.

10.4. Health, environment and personnel

The Company and the Group operate in accordance with the principles of protecting worker health and safety and safeguarding the environment. In H1 2021, there were no events affecting workplace health and safety nor damages to the environment. For further information on and analysis regarding the matter, reference should be made to the "Consolidated non-financial report" prepared regarding financial year 2020 and published on the company's website.

10.5. Corporate governance and shareholders

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

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

This report was approved by the Board of Directors on March 16, 2021 and is available on the Company website www.garofalohealthcare.com, in the Governance/Shareholders' Meeting section. The Company is organised according to the traditional administration and control model, which includes the Shareholders' Meeting, the Board of Directors and the Board of Statutory Auditors.

The current Company By-Laws were approved by the Shareholders' Meeting in extraordinary session on September 26, 2018 and entered into effect on November 9, 2018, the trading commencement date of the Company shares on the Mercato Telematico Azionario (MTA) managed by Borsa Italiana S.p.A., and are available on the company website (www.garofalohealthcare.com, in the "Governance/Corporate Governance" section) in the updated version of January 26, 2021 following the share capital increase with exclusion of pre-emption rights in accordance with Article 2441, paragraph 4 of the Civil Code, approved by GHC's Board of Directors on January 20, 2021. The By-Laws are the document that establishes the Company's essential characteristics and lays down the main rules for its organization and functioning, in addition to governing the composition, powers and relations of the Company's boards. The By-laws also contain a description of the rights held by the shareholders and the manner in which those rights are exercised.

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

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

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

At June 30, 2021, the Company's Board of Directors was therefore composed as follows:

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

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

11. Franca Brusco (Independent Director)

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

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

- set up a Control, Risks and Sustainability Committee assigned the functions identified by the Corporate Governance Code regarding internal control and risk management and sustainability in company policies, in addition to related party transactions (with the exception of the matter of remuneration which is within the scope of the Appointments and Remuneration Committee);
- set up an Appointments and Remuneration Committee, assigning the functions identified by the Corporate Governance Code concerning appointments and remuneration;
- appointed Mr. Danilo Barletta as the Executive Officer for Financial Reporting in accordance with Article 154-*bis*, first paragraph of the CFA;

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

The company's Board of Statutory Auditors was comprised as follows at June 30, 2021:

1. Sonia Peron (Chairperson of the Board of Statutory Auditors)
2. Francesca di Donato (Statutory Auditor)
3. Alessandro Musaio (Statutory Auditor)
4. Andrea Bonelli (Alternate Auditor)
5. Marco Salvatore (Alternate Auditor)

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

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

10.6. Related party transactions

Pursuant to Consob Resolution No. 17221 of March 12, 2010 as subsequently amended, it is reported that in H1 2021 the Group did not conclude any significant transactions or transactions with a significant effect on the Group's financial position or operating result for the year with related parties.

The information on related party transactions required by Consob Communication No. DEM/6064293 of July 28, 2006 is presented and disclosed in financial statements. For a more detailed account, refer to the notes on "Related party transactions" of the Company's consolidated condensed interim financial statements at June 30, 2021.

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

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

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

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

Mr. Alessandro Maria Rinaldi

Legal representative