



GAROFALO HEALTH CARE S.P.A.

DIRECTORS' REPORT

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DIRECTORS' REPORT

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COMPANY INFORMATION

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

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

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

Share capital approved Euro 28,700,000

Share Capital subscribed and paid-in Euro 28,700,000 (*)

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

Tax Number: 06103021009

VAT number 03831150366

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

() Registered in the Company's Registration Office on 12/02/2019*

CORPORATE BOARDS

BOARD OF DIRECTORS

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

CONTROL AND RISKS & RELATED PARTIES COMMITTEE

FRANCA BRUSCO	Chairperson
GRAZIA BONANTE	
FEDERICO FERRO LUZZI	

APPOINTMENTS AND REMUNERATION COMMITTEE

FEDERICO FERRO LUZZI	Chairman
FRANCA BRUSCO	
GRAZIA BONANTE	

BOARD OF STATUTORY AUDITORS

ALESSANDRO MUSAIO	Chairman
GIANCARLA BRANDA	Statutory Auditor
FRANCESCA DI DONATO	Statutory Auditor
ANDREA BONELLI	Alternate Auditor
JACOPO DOVERI	Alternate Auditor

INDEPENDENT AUDIT FIRM

EY S.p.A.

EXECUTIVE OFFICER FOR FINANCIAL REPORTING

FABIO TOMASSINI

(*) Co-opted by BoD on 18.6.2019

(***) Co-opted by BoD on 3.7.2019

DIRECTORS' REPORT

1. GROUP STRUCTURE

Group profile

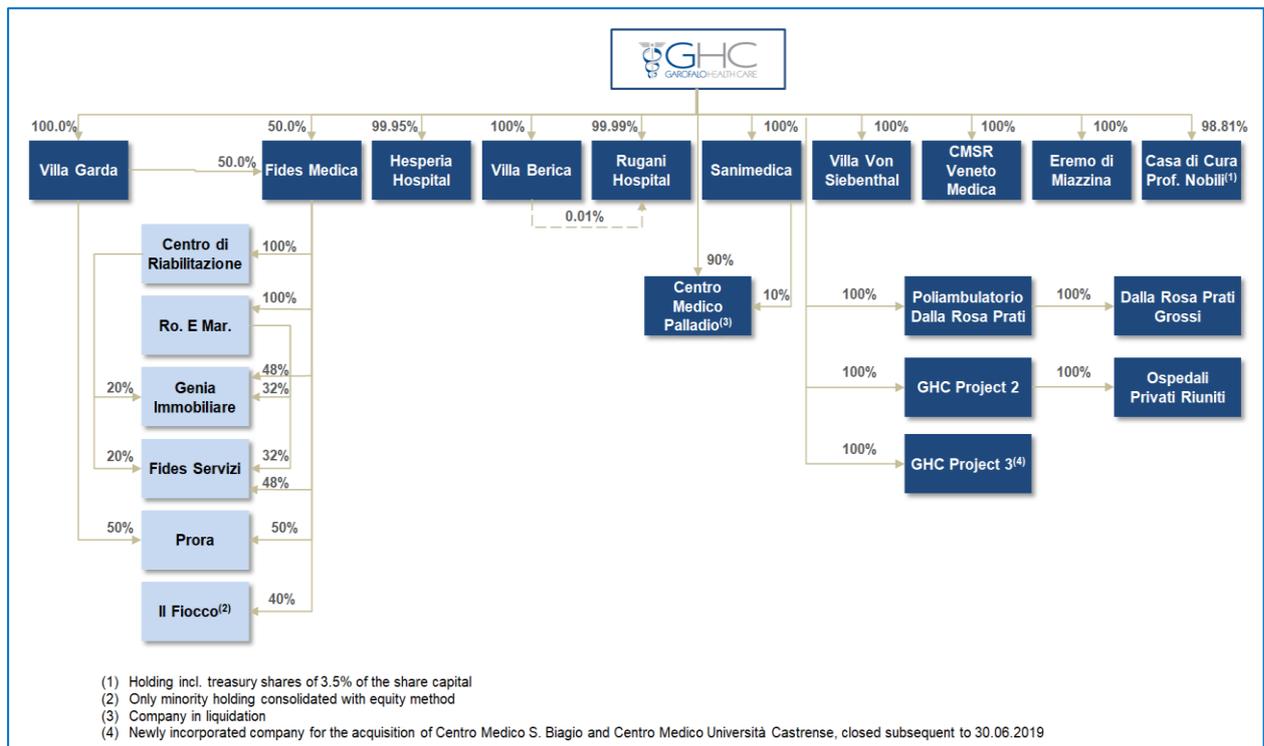
The Group operates 21⁽¹⁾ healthcare facilities that have been authorized and accredited by Italy's National Health System ("NHS"), almost all of which are based in properties owned by subsidiaries of GHC S.p.A. (only four of the facilities are leased), spread throughout the following regions of Italy: Piedmont (two), Veneto (five), Tuscany (one), Emilia-Romagna (five), Lazio (one) and Liguria (seven).

The geographical diversification of the GHC Group's facilities represents one of the Group's strengths, due to their locations, primarily in regions of northern and central Italy that are 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) well-funded internal transport infrastructure.

Another of the Group's distinctive traits and strengths is its diversification by business segment, since the Group's facilities offer both hospital and dependency care services.

Group Structure

The chart below shows the GHC Group's structure at June 30, 2019⁽²⁾, including the holding company's equity interest in each of the subsidiaries:



⁽¹⁾ Through its subsidiary Fides Medica S.r.l., the Group holds a 40% interest in Il Fiocco S.c.a.r.l., which operates four additional facilities. Eremo di Miazzina, Ospedali Privati Riuniti and Sanimedica operate with 2 clinics each, while Fides Medica operates through 7 clinics.

⁽²⁾ The Group on July 25, September 17 and September 19, 2019 respectively closed the acquisition of the companies Centro Medico S. Biagio and Bimar, Centro Medico Università Castrense and Aesculapio, as outlined in the subsequent events paragraph, bringing to 24 the number of clinics owned and expanding also into the Friuli Venezia-Giulia Region.

Significant shareholders

The table below reports the GHC Group's ownership structure at June 30, 2019, including significant equity interests.

Number of ordinary shares	% share capital	Listed / Non listed	Rights and obligations
82,000,000	100%	MTA	<p>Every share has the right to one vote. In accordance with Art. 127-<i>quinquies</i> of the CFA, Article 7 of the By-laws states that each share held by the same shareholder for a continuous period of at least 24 months from the date of registration in the special list specifically established by the Company confers two votes. For further details, reference should be made to the Corporate Governance and Ownership Structure Report published on the company website https://www.garofalohealthcare.com/, Governance/Shareholders' Meeting section.</p> <p>The shareholders' rights and obligations are as established in Articles 2346 <i>et seq.</i> of the Italian Civil Code and Article 7 of the By-laws with regard to multi-voting rights.</p>

Shareholder	Direct shareholder	% of ordinary share capital ⁽³⁾	% of voting share capital ⁽³⁾
Garofalo Maria Laura ⁽⁴⁾	Anrama S.p.A.	70.798%	80.373%
	Larama 98 S.p.A.		
	Garofalo Maria Laura		
Peninsula Capital II S.a.r.l.	Pil 4 S.à.r.l.	9.968%	6.700%

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

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

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

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

⁽³⁾ Percentages concern number of total shares, including treasury shares

⁽⁴⁾ Source: GHC Group

2. GROUP PERFORMANCE

The tables presented below provide an overview of the Group's performance on the basis of various selected financial performance, financial position and cash flow indicators for H1 2019, with a comparison to H1 2018.

In the first half of 2019, the company closed the full acquisitions of Poliambulatorio Dalla Rosa Prati of Parma, in February 2019, and of the Privati Riuniti hospitals, in May 2019, which contributed to GHC Group results respectively for 5 and 2 months. The contribution from the two new clinics acquired in the first half of 2019 falls within the new "M&A scope" of the company, considered separately from the "organic scope"⁽⁵⁾ in order to ensure like-for-like comparability with 2018.

In addition, the GHC Group in the first half acquired additional minority shares in companies already held, specifically Casa di Cura Prof. Nobili (now held 98.81%) and Villa Garda (now wholly-owned). For further details on the acquisitions in the first half of 2019, reference should be made to the Explanatory Notes.

In addition to the IFRS-compliant indicators included in the official reporting formats, this Directors' Report also presents various alternative performance measures (APM's) employed by the management to monitor and evaluate the Group's performance. In view of the acquisitions made in the first half of 2019, the following alternative performance measures were selected, against those used at December 31, 2018, to ensure comparability with the preceding period. The details of the calculation of the APM's set out below are presented in a specific section of this report, to which the reader should refer for all further information.

GHC Group H1 2019 consolidated income statement highlights

Consolidated data	H1 2019		H1 2018		Change vs. H1 2018	
	Eur '000	%	Eur '000	%	Euro '000	%
Revenues	92,859	100.0%	80,320	100.0%	12,539	15.6%
Total operating costs (exc. one-off M&A costs)	(73,594)	-79.3%	(64,255)	-80.0%	(9,338)	14.5%
Operating EBITDA Adjusted	19,265	20.7%	16,065	20.0%	3,200	19.9%
One-off M&A costs	(642)	-0.7%	0	0.0%	(642)	-
Operating EBITDA	18,624	20.1%	16,065	20.0%	2,559	15.9%
EBIT	13,052	14.1%	12,756	15.9%	296	2.3%
EBIT Adjusted	13,694	14.7%	12,756	15.9%	938	7.4%
Result before taxes	12,408	13.4%	12,328	15.3%	80	0.7%
Result before taxes Adjusted	13,049	14.1%	12,328	15.3%	722	5.9%
Income taxes	(3,506)	-3.8%	(3,343)	-4.2%	(163)	4.9%
Net result	8,902	9.6%	8,985	11.2%	(83)	-0.9%
Group net result	8,894	9.6%	8,755	10.9%	139	1.6%
Minority interests	8	0.0%	230	0.3%	(222)	-96.5%

⁽⁵⁾ From 2019, the organic scope includes also the results of the two companies acquired by GHC in 2017 (Fides Medica Group, acquired in June 2017 and comprising Fides Medica S.r.l. and its direct and indirect subsidiaries, and Casa di Cura Prof. Nobili S.p.A., acquired in December 2017) on the basis of their full contribution for the 12 months of 2018.

GHC's H1 2019 consolidated revenues amounted to Euro 92,859 thousand, up from Euro 80,320 thousand in H1 2018, a 15.6% increase driven by organic growth⁽⁶⁾ (+0.9%) and the M&A component (+14.7%, relating to the acquisitions of Poliambulatorio Dalla Rosa Prati of Parma, closed in February 2019, and of Ospedali Privati Riuniti di Bologna, closed in May 2019).

Revenues <i>Euro thousands</i>	H1 2019	H1 2018	% vs. H1 2018	of which organic vs. H1 2018	of which M&A vs. H1 2018
Total	92,859	80,320	+15.6%	+0.9%	+14.7%

Net of one-off M&A costs⁽⁷⁾, consolidated operating costs in H1 2019 increased by Euro 9,338 thousand from Euro 64,255 thousand in H1 2018 to Euro 73,594 thousand in H1 2019, while declining from 80.0% of total revenues in H1 2018 to 79.3% in H1 2019, a decrease of 0.7%.

In terms of margins, the results indicate the solid advancement of Consolidated Operating EBITDA Adjusted⁽⁸²⁾, neutralizing the one-off M&A costs, which amounts to Euro 19,265 thousand and was up 19.9% on Euro 16,065 thousand for the previous year, with significant contributions both from the organic component (+3.3%) and M&A's relating to the acquisitions in H1 2019 (+16.6%).

This amount reflects the Group's core operations and is obtained by adjusting the Operating EBITDA by the one-off costs incurred and recognised by the company during the half-year for the acquisitions of Poliambulatorio Dalla Rosa Prati of Parma, Ospedali Privati Riuniti of Bologna and the additional minority holdings in Casa di Cura Prof. Nobili. These one-off costs totalled approximately Euro 0.6 million.

Operating EBITDA Adjusted reflects, in comparison with H1 2018, lower operating costs of Euro 1.1 million deriving from the introduction of the standard IFRS 16 and higher holding costs of Euro 1.0 million.

Op. EBITDA Adj. <i>Euro thousands</i>	H1 2019	H1 2018	% vs. H1 2018	of which organic vs. H1 2018	of which M&A vs. H1 2018
Total	19,265	16,065	+19.9%	+3.3%	+16.6%

In the first half of 2019, the Operating EBITDA Adjusted Margin of the Group was 20.7%, also improving on 20.0% for the same period of the previous year: the margin on the M&A component (22.6%) already marked an improvement on the Group's margin, which presents an organic scope margin of 20.5%.

Op. EBITDA Adj. <i>Margin (%)</i>	H1 2019	H1 2018	% vs. H1 2018
Margin (%)	20.7%	20.0%	+3.7%
<i>Organic margin (%)</i>	<i>20.5%</i>	<i>20.0%</i>	<i>+2.4%</i>
<i>M&A margin (%)</i>	<i>22.6%</i>	<i>-</i>	<i>-</i>

⁽⁶⁾ From 2019, the organic scope includes also the results of the two companies acquired by GHC in 2017 (Fides Medica Group, acquired in June 2017 and comprising Fides Medica S.r.l. and its direct and indirect subsidiaries, and Casa di Cura Prof. Nobili S.p.A., acquired in December 2017) on the basis of their full contribution for the 12 months of 2018.

⁽⁷⁾ One-off costs (approx. Euro 0.6 million) incurred and recognised during the half-year for the acquisition of Poliambulatorio Dalla Rosa Prati of Parma, Ospedali Privati Riuniti of Bologna and the additional minority holdings in Casa di Cura Prof. Nobili

⁽⁸⁾ See the specific section of this report for a definition of Operating EBITDA Adjusted, net of one-off M&A costs.

Consolidated EBIT in H1 2019 was Euro 13,052 thousand, up 2.3% on Euro 12,756 thousand for H1 2018. This increase reflects the improving Operating EBITDA adjusted, although on the other hand was impacted by higher one-off M&A costs.

EBIT Adjusted for one-off M&A costs was Euro 13,694 thousand, up 7.4% on Euro 12,756 thousand for H1 2018, increasing Euro 938 thousand.

Net financial charges on the financial debt of Euro 645 thousand were reported for H1 2019, increasing on Euro 428 thousand in H1 2018, also due to the introduction from January 1, 2019 of the new standard IFRS 16, with an impact of Euro 173 thousand.

The Profit before taxes in H1 2019 was Euro 12,408 thousand. The Profit before taxes Adjusted for one-off M&A costs was however Euro 13,049 thousand, increasing Euro 722 thousand (+5.9% on Euro 12,328 thousand in H1 2018).

The Group net profit in H1 2019 was Euro 8,894 thousand, up 1.6% on Euro 8,755 thousand in H1 2018.

GHC Group H1 2019 consolidated balance sheet highlights

A breakdown of the Group's condensed consolidated balance sheet at June 30, 2019 and June 30, 2018 is provided below.

Consolidated data	H1 2019	2018	Change vs. 2018
Uses	Eur '000	Eur '000	Euro '000
Goodwill	52,181	38,815	13,366
Intangible and tangible assets	203,482	108,225	95,258
Financial assets	5,957	2,420	3,536
I Fixed capital	261,620	149,460	112,160
Trade Receivables	53,475	35,239	18,236
Inventories	2,839	2,218	620
Trade Payables	(32,478)	(20,751)	(11,727)
Net operating working capital	23,836	16,707	7,130
Other assets and liabilities	(12,507)	(7,599)	(4,908)
II Net working capital	11,330	9,108	2,221
Net deferred taxes	(24,259)	(5,135)	(19,124)
Provisions	(19,315)	(14,919)	(4,395)
III Total uses (Net Capital Employed)	229,376	138,513	90,862

Fixed capital at June 30, 2019 amounted to Euro 261,620 thousand, increasing Euro 112,160 thousand over December 31, 2018, mainly due to the increase in Goodwill and Property, Plant and Equipment following the acquisitions of Poliambulatorio dalla Rosa Prati of Parma and Ospedali Privati Riuniti of Bologna in the first half of the year.

Net Capital Employed at June 30, 2019 amounted to Euro 229,376 thousand, an increase of Euro 90,862 thousand on Euro 138,513 thousand at December 31, 2018, primarily owing to the increase in fixed capital of Euro 112,160 thousand and in Net Working Capital of Euro 2,221 thousand.

Consolidated data	H1 2019	2018	Change vs. 2018
Source of funds	Eur '000	Eur '000	Euro '000
Liquidity	(37,200)	(92,287)	55,086
Financial debt	79,569	44,946	34,624
I Net financial debt	42,369	(47,341)	89,710
Minority interest net equity	90	7,005	(6,916)
Group Shareholders' Equity	186,917	178,849	8,068
II Shareholders' Equity	187,007	185,854	1,152
III Total sources of financing	229,376	138,513	90,862

The Net Financial Position (NFP) of GHC at June 30, 2019 was positive for Euro 42,369 thousand, i.e. the financial debt exceeded available cash. This amount is based on liquidity of Euro 37,200 thousand and a debt of Euro 79,569 thousand. This indicator increased by Euro 89,710 thousand over December 31, 2018. The principal reasons for the changes to the NFP over December 31, 2018 were: i) non-recurring cash outflows relating to (a) M&A transactions (for Euro 95.2 million), (b) the treasury share buy-back programme (for Euro 0.6 million), (c) the "Gravellona Toce" and "former School" expansion projects in Genoa (for Euro 1.0 million), in addition to (d) one-off M&A costs (for Euro 0.6 million); ii) the change in the consolidation scope with the entry to the GHC Group, (a) in February 2019 of the Poliambulatorio Dalla Rosa Prati of Parma (whose NFP at June 30, 2019 was positive for Euro 8.5 million) and, (b) in May 2019, of Ospedali Privati Riuniti of Bologna (whose NFP at June 30, 2019 was negative for approx. Euro 18.2 million⁽⁹⁾ – net cash), iii) the increase in the financial debt from the application of IFRS 16 (for approx. Euro 10.0 million). Against the above changes (concerning cash outflows, change to the scope following M&A's, application of IFRS 16), the Group generated during the period cash of Euro 8.1 million.

Total Group funding sources at June 30, 2019 amounted to Euro 229,376 thousand, compared to Euro 138,513 thousand at December 31, 2018 - a net increase of Euro 90,862 thousand. This movement is due to the net effects from acquisitions in the first half of 2019. In particular, the reduction for Euro 6,916 thousand in Minority Interest Shareholders' Equity, equal to Euro 90 thousand at June 30, 2019, comparing with Euro 7,005 thousand at December 31, 2018, stems from the acquisitions of additional minority shares in Casa di Cura Prof. Nobili (now held 98.81% by GHC) and Villa Garda (now wholly-owned by GHC) during the period.

Summary of principal alternative performance indicators reported for the GHC Group and basis of preparation (*in red the APM's for which comparability is not possible*)

The GHC Group utilizes some alternative performance measures ("APM's"), which are not identified as accounting measures within IFRS, for management's view on the performance of the Group. These alternative performance measures exclusively concern historical data of the Group and determined in accordance with those established by the Alternative Performance Indicators Orientations issued by ESMA/2015/1415 and adopted by CONSOB with communication No. 92543 of December 3, 2015.

The APM's in this Report refer to the performance for the accounting period of the present 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).

⁽⁹⁾ This figure includes Euro 10 million concerning Financial Receivables from the parent company

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

Operating EBITDA Adjusted

This measure, which adjusts Operating EBITDA by excluding the one-off M&A costs of Euro 642 thousand, is presented in order to eliminate non-recurring charges from the performance in H1 2019.

Operating EBITDA Adjusted was up 19.9% to Euro 19,265 thousand from Euro 16,065 thousand for H1 2018, with contributions from both the organic component (+3.3%) and M&A's (+16.6%, relating to acquisitions in 2019).

Consolidated data	H1 2019	H1 2018
	Eur '000	Eur '000
Operating EBITDA	18,624	16,065
One-off M&A costs	642	-
Operating EBITDA Adjusted	19,265	16,065

EBIT Adjusted

This measure, which adjusts EBIT by excluding the one-off M&A costs of Euro 642 thousand, is presented in order to eliminate non-recurring charges from the performance in H1 2019.

The increase in EBIT Adjusted on H1 2018 primarily benefited from the increase in Operating EBITDA Adjusted, as commented upon above.

Consolidated data	H1 2019	H1 2018
	Eur '000	Eur '000
EBIT	13,052	12,756
One-off M&A costs	642	-
EBIT Adjusted	13,694	12,756

Operating EBITDA Margin Adjusted

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

In H1 2019, the Group's Operating EBITDA Adjusted margin, neutralizing the one-off M&A costs, was 20.7%, also improving on 20.0% in the previous year.

Consolidated data	H1 2019	H1 2018
	Eur '000	Eur '000
Operating EBITDA Adjusted	19,265	16,065
Revenues	92,859	80,320
Operating EBITDA Margin Adjusted	20.7%	20.0%

EBIT and Operating EBITDA

The Group's consolidated Net Profit, EBIT and Operating EBITDA for H1 2019 and H1 2018 are reconciled below.

Consolidated data	H1 2019	H1 2018	2017 Pro-Forma
	Eur '000	Eur '000	Eur '000
Net Profit	8,902	8,985	13,593
Income taxes	3,506	3,343	5,333
Total investments at equity	(100)	(154)	(32)
Financial charges	795	584	1,131
Financial income	(50)	(2)	(965)
EBIT	13,052	12,756	19,060
Amortisation, depreciation and provisions	4,569	3,188	6,407
Adjustments & other provisions	1,003	121	1,975
Operating EBITDA	18,624	16,065	27,442

Net Financial Debt

Net financial debt was calculated according to the approach outlined in ESMA/2013/319 and Consob Communication No. DEM/6064293 of July 28, 2006. A breakdown of the composition of the net financial debt for the periods ending June 30, 2019 and December 31, 2018 is provided below.

Consolidated data	H1 2019	2018	Change vs. 2018
	Eur '000	Eur '000	Euro '000
A Cash	222	123	99
B Cash and cash equivalents	33,928	92,164	(58,236)
C Securities held-for-trading	3,051	0	3,051
D Liquidity (A) + (B) + (C)	37,200	92,287	(55,086)
E Current financial receivables	150	135	15
F Current bank payables	11,953	10,954	998
G Current portion of non-current debt	6,408	5,070	1,338
H Other current financial payables	2,091	6,129	(4,038)
I Current debt (F)+(G)+(H)	20,451	22,153	(1,702)
J Net current financial debt (I) - (E) - (D)	(16,899)	(70,269)	53,370
K Non-current bank payables	41,876	22,700	19,176
L Bonds issued	-	-	-
M Other non-current payables	17,392	228	17,164
N Non-current financial debt (K) + (L) + (M)	59,268	22,928	36,340
O Net financial debt (J)+(N)	42,369	(47,341)	89,710

Net Financial Debt / Net Equity

The ratio of Net Financial Debt to Net Equity is calculated the ratio of Net Financial Debt to Net Equity, both as stated in the Group's Annual Consolidated Financial Statements.

Consolidated data	H1 2019	2018
	Eur '000	Eur '000
Net financial debt	42,369	(47,341)
Shareholders' Equity	187,007	185,854
Ratio between net financial debt and shareholders' equity	0.2	(0.3)

3. GROUP PRESENTATION

The GHC Group operates in the hospital and local residential and outpatient care sectors, of which brief descriptions are provided below.

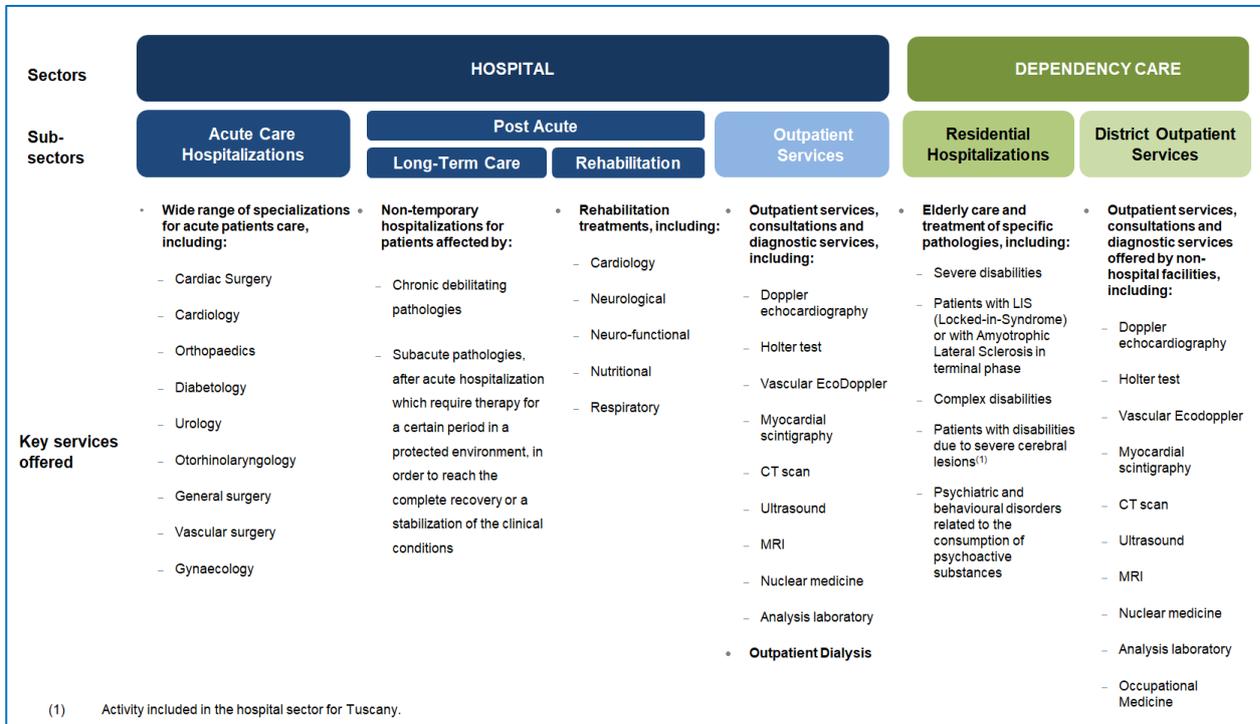
In particular, the hospital sector may be divided into three segments:

- acute care, which refers to health services provided on an inpatient basis to patients suffering from acute forms of illness. This segment encompasses a wide array of specializations for treating patients suffering from acute forms of illness, including: (i) heart surgery; (ii) cardiology (clinical and interventional); (iii) orthopedics and orthopaedic surgery; (iv) diabetology; (v) urology; (vi) otorhinolaryngology; (vii) general surgery; (viii) vascular surgery; (ix) gynaecology; and (x) plastic surgery.
- post-acute care, which refers to a various kinds of care that are provided once the acute phase of an illness has ended and are divided into two models: (i) long-term care and (ii) rehabilitation. (i) Long-term care involves treating long-term residential patients suffering from disabling chronic conditions or patients who have reached the end of the acute phase of their recovery but whose ability to function has been compromised and who thus require an extension of their hospitalization in order to achieve a full recovery or stabilization of their condition; (ii) rehabilitation offers post-trauma care aimed at restoring compromised mental and physical function to normal condition. This service extends to a large number of specialties, including cardiological rehabilitation, neurological rehabilitation, neuromotor rehabilitation, nutritional rehabilitation and respiratory rehabilitation;
- outpatient services, which refer to a broad range of non-resident care, consultation and diagnostic services, including the following specialties: (i) Doppler echocardiogram; (ii) Holter test; (iii) Doppler vascular ultrasound; (iv) myocardial scintigraphy; (v) CAT scan; (vi) ultrasound; (vii) magnetic resonance; (viii) nuclear medicine; (ix) laboratory testing; and (x) occupational medicine.

The dependency care sector may be broken down into two segments:

- recoveries in a residential scheme and treatment of specific pathologies including (i) severe disabilities, (ii) treatment for patients with LIS (Locked-in-Syndrome) or with amyotrophic lateral sclerosis in the terminal phase (Departments N.A.C. - High Chronic Neurological Complexity Nucleus), (iii) complex disabilities, mainly motor or clinical assistance and functional (Healthcare Assistance Continuity), (iv) patients with disability from severe cerebral acquired lesion (Departments "SVP" - Persistent Vegetative Coma States) and (v) psychiatric disorders and disorders related to the use of psychoactive substances;
- district outpatient services, which refer to a broad range of non-resident care, consultation and diagnostic services, including the following specialties: (i) Doppler echocardiogram; (ii) Holter test; (iii) Doppler vascular ultrasound; (iv) myocardial scintigraphy; (v) CAT scan; (vi) ultrasound; (vii) magnetic resonance; (viii) nuclear medicine; (ix) laboratory testing; and (x) occupational medicine.

The diagram set out below summarizes the main services offered by the GHC Group in the sectors and segments described above:



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

Brief description of the companies of the GHC Group

The following is a brief description of the companies of the GHC Group, organized by business sector:

Hospital Sector

Hesperia Hospital (Modena – Emilia-Romagna Region)

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, which form the backbone of its innovative development strategy.

The hospital is also known throughout Italy for its urology ward as well as its teaching facilities for training specialists in the treatment of prostatic hypertrophy.

The Hesperia Scientific Committee, which includes important members of the scientific community, was formed in 2001 with the goal of, inter alia: assessing and monitoring scientific projects, proposing the development of new clinical programs and evaluating the scientific merit of new technologies and their impact on improving procedures. In 2016 and 2017 various research projects were launched, including participation in the European research and innovation project Horizon 2020, which involves access to total funds of Euro 80 billion to be spread over the years 2014-2020.

The facility had a capacity of 125 beds, broken down into ordinary inpatient care (100 beds) and critical care (25 beds), including intensive care and semi-intensive care, as well as the Coronary Intensive Care Unit.

Villa Berica (Vicenza – Veneto Region)

This hospital, accredited by Italy's NHS, offers multiple specialties, with a focus on general surgery and internal medicine, including diagnosis and treatment involving numerous surgical, medical and rehabilitation procedures offered on both an ordinary residential and an outpatient basis. The facility is divided into two departments: (i) a medicine and rehabilitation department that treats internal conditions, and in particular metabolic, bone and joint and vascular ailments, and (ii) a surgery department, which offers specialist general surgery, bariatric surgery, gynaecology, urology, otorhinolaryngology, orthopedics and plastic surgery care.

Villa Berica's department of medicine is renowned for its diabetology ward, 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) center for hip replacement surgery since March 2018.

It is also a major regional center for the treatment of osteoporosis and metabolic bone conditions, as well as a primary educational facility for the Italian Surgical Society (S.I.C.) for advanced laparoscopic surgery and the Italian Society of Hernia and Abdominal Wall Surgery (I.S.H.A.W.S.). Villa Berica also offers a physical therapy and rehabilitation for inpatients undergoing prosthetic surgery and suffering from sequela of conditions affecting the central nervous system, in addition to treating long-term residential patients and ensuring continuity of care after release from the facility.

The facility has a capacity of 108 beds.

Rugani Hospital (Colombaio district, Province of Siena – Region of Tuscany)

An accredited hospital offering a range of specialties, including orthopedics, urology, ophthalmology, general surgery, otorhinolaryngology, motor rehabilitation and diagnostic imaging, on both a residential and outpatient basis. In particular, the hospital specializes in orthopaedic surgery involving custom prosthesis implantation systems guided by CT scan and in excimer laser surgery for the treatment of myopia, hyperopia, astigmatism and cataracts.

Diagnostic endoscopy service has been provided under accreditation from Italy's NHS since February 2018. In July 2017 the facility opened two new wings added onto the central building, increasing the number of available beds from 40 to 80 and expanding its role to that of a major hospital capable of drawing patients from throughout Italy, and above all from other regions of the country.

The facility has a capacity of 80 beds.

L'Eremo di Miazzina (Cambiasca, province of Verbano, Cusio, Ossola – Piedmont Region)

L'Eremo di Miazzina is a 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 dependency care facility (as discussed in the specific paragraph below).

L'Eremo di Miazzina, which is situated at an elevation of 650 meters above sea level in an area with particular geographic and climatic characteristics favourable to the treatment and rehabilitation services provided at the facility, has 257 hospital beds.

In 2013 a construction project was completed, adding an additional building of approximately 5,000 square meters, Istituto Raffaele Garofalo, erected on land previously purchased in the Municipality of Gravelona Toce, within the Verbano-Cusio-Ossola province of the Piedmont region.

Istituto Raffaele Garofalo is an accredited residential care facility that has a capacity of 52 beds 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 the presence of 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 computerized therapy pool with a vascular program, externally monitored via underwater video cameras.

On July 11, 2018 L'Eremo di Miazzina S.p.A. was awarded ownership, in an execution procedure, of a property adjacent

to Istituto Raffaele Garofalo previously used as a shopping center, with floor area of approximately 4,000 square meters, located in Gravellona Toce (VB), intended to house the hospital rehabilitation service currently provided at L'Eremo di Miazzina. This relocation will allow Istituto Raffaele Garofalo to expand and diversify its accredited specialist outpatient services.

Villa Garda (Garda, province of Verona – Veneto Region)

An accredited healthcare facility specialized in cardiac rehabilitation and nutritional rehabilitation. In particular, Villa Garda is one of the largest cardiac rehabilitation facilities in Italy by number of beds, making it a major center for patients recovering from heart surgery and heart attacks, treated according to a multidisciplinary approach that includes medical, psychological and educational components. In the mid-80s, 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 treatment, developed in collaboration with Oxford University's CREDO center, consists of trans-diagnostic cognitive behavioural therapy and is designed to treat adults and adolescents in all diagnostic categories 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, has been assessed in a controlled study and three cohort studies and was recommended by the recent guidelines issued by the National Institute for Health and Care Excellence (NICE) in 2017. Expertscape named two professionals from the Villa Garda facility experts in treating eating disorders in Italy.

In recent years, the results achieved through intensive hospital rehabilitation for patients suffering from nutrition and eating disorders have drawn the attention of numerous specialists, and clinical services similar to those offered at Villa Garda have been implemented in Norway, Sweden, Holland, Denmark, the USA and Australia, under the supervision of the Villa Garda group. Universities in the above countries periodically send delegations of professionals to Villa Garda to learn the protocols and scientific treatments adopted at the facility and replicate them in their home countries. For this purpose, the physician leading the Villa Garda medical team makes onsite visits to the clinical services offered by the above universities to verify that the methods taught are being properly applied, particularly in the case of cognitive behavioural therapy for eating disorders (CBT-ED), as well as to provide assistance and support to the physicians on staff at the facilities.

In June 2012 Villa Garda's Nutritional Rehabilitation Unit received EASO-COMS accreditation from the European Association for the Study of Obesity (EASO), and in March 2015 it was selected for inclusion among the accredited SIOI centres for the treatment of obesity.

The facility has a capacity of 109 beds.

Casa di Cura Prof. Nobili S.p.A. (Castiglione dei Pepoli, province of Bologna – Emilia-Romagna Region)

The Casa di Cura Prof. Nobili is a 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: (i) orthopaedics and traumatology; (ii) general surgery; (iii) general medicine and long-term care. It is also a multi-disciplinary clinic and a dialysis centre.

In 1981 the Casa di Cura Prof. Nobili became the first facility in Italy to use a laminar wall filter for forced circulation. It is also equipped with an outpatient diagnostics area offering high-performance equipment and two cutting-edge magnetic resonance imaging machines. The facility also features an operating unit offering two operating theatres equipped with the latest technologies. Its position a few kilometres from Bologna, combined with the presence of the Hesperia Hotel, reinforces the GHC Group's position in the Emilia-Romagna region.

The facility has a capacity of 86 beds.

Ospedali Privati Riuniti – Nigrisoli and Villa Regina (Bologna locality – Emilia-Romagna Region)

Nigrisoli Hospital

The hospital is located in the heart of Bologna, within a park of over 10,000 sq. m., thus guaranteeing the peace and tranquility of patients. The Private Accredited Nigrisoli Hospital offers a broad range of medical and surgical in-patient services, in addition to many key diagnostic services. The clinic has a capacity of 120 beds dedicated to patient recovery in the following specialties: general medicine, functional recovery and rehabilitation, long-term care and extensive rehabilitation, general surgery, orthopedics and urology. The rehabilitation unit for rare genetic

neuromuscular diseases at the clinic has been operational for over twenty years (the first in Italy) and is a true center of excellence in assisting those with incurable diseases and who are highly incapacitated, thanks also to use of non-invasive assisted breathing methods which considerably improve the patient's quantity/quality of life. This unit is still the only care center for such illnesses within the private accredited healthcare sector.

Villa Regina Hospital

Founded in 1955 at the behest of the famous surgeon Gaetano Placitelli, the clinic is located at the gates of Bologna's historic center, at the heart of a park of 3,000 sq. m. 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 the National Health Service. Day surgery services are available, for a total of 50 beds (of which 45 accredited). The hospital hosts the following specialties: General surgery, Orthopedics, Ophthalmology, Gynaecology, General medicine, Otolaryngology, Urology, Recovery and Functional rehabilitation, Long-term care.

Dependency care services

Fides Medica Group (Genoa - Liguria Region)

The Fides Medica Group, consisting of seven local care facilities (in addition to four owned by Il Fiocco) in the city and province of Genoa accredited by Italy's NHS, provides treatment and rehabilitation for elderly and other patients affected by a wide range of mental illnesses, including eating disorders and acquired disabilities. Its facilities offer a full range of rehabilitation services, long-term residential care and reintegration into society. In particular, they offer: (i) a program for acquired brain injuries; (ii) residential care for rehabilitation or maintenance; (iii) treatment for individuals suffering from behavioural eating disorders, personality disorders or mood disorders; and (iv) long-term hospitalization of elderly patients.

The Fides Medica Group consists of the following facilities: Rehabilitation Center – Genova Quinto; Le Clarisse Residential Care Facility – Genova San Martino; Santa Marta Residential Care Facility – Genova Quarto; Santa Rosa Residential Care Facility – Manesseno S. Olcese (GE); REMS Villa Caterina – Genova Prà; Villa Santa Maria Psychiatric Rehabilitation Care Facility – Campomorone (GE); Villa Del Principe Psychiatric Rehabilitation Care Facility – Genoa (specializing in eating disorders and the SEPA rehabilitation service for psychiatric patients, which provides post-acute care for psychiatric disorders, the only facility of its kind in the entire city of Genoa, accredited by the Regional Health System); Palazzo Fieschi Psychiatric Rehabilitation Care Facility – Savignone (GE); Skipper Residential Psychiatric Care Facility – Masone (GE); Le Note di Villa S. Maria Psychiatric Patient Residential Community – Ceranesi (GE); Il Bozzello 1 and Il Bozzello 2 Psychiatric Patient Residential Community – Masone (GE).

It should also be noted that due to its geographical position the Fides Medica Group operates in a particularly favorable environment, given that Liguria is the region of Italy with the highest percentage of residents over 65 years of age.

Overall the Fides Medica Group has 353 beds, in addition to the 101 beds offered by the facilities owned by Il Fiocco.

L'Eremo di Miazzina (Cambiasca, province of Verbano-Cusio-Ossola – Piedmont Region)

As mentioned above, L'Eremo di Miazzina provides both hospital and dependency care services. In dependency care, the facility provides recovery and extensive and long-term functional re-education services for patients suffering from chronic degenerative disabilities, such as: (i) long-term healthcare support; (ii) persistent vegetative states; and (iii) highly complex chronic neurological conditions.

It also offers a full range of healthcare services for severe disabilities, vegetative states and highly complex chronic neurological conditions, in addition to providing long-term healthcare support and residential care services.

CMSR Veneto Medica (Altavilla Vicentina, province of Vicenza – Veneto region)

CMSR Veneto Medica is a Medical Instrumentation and Rehabilitation Center dedicated to diagnostic imaging using next-generation technology, accredited by Italy's National Health System. CMSR Veneto Medica provides local cardiac patients with medical examinations and non-invasive cardiac diagnostic tests, including cardiac imaging using CT and magnetic resonance. 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.

CMSR Veneto Medica enjoys longstanding collaboration with the Department of Cardiovascular Science of the

University of Padua and offers Ongoing Medical Education programs. It is a member of the National Register for Hypertrophic Mycardiopathy. 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, province of Vicenza – Veneto region)

Sanimedica, which serves patients on a private basis only, and does not provide services covered by Italy's NHS, has two directly owned facilities: the Fisiomed Medical Center and Sanimedica.

The Fisiomed Medical Center, located in Vicenza, offers the main specialist services and rehabilitative care in the fields of both orthopedics and neurology. In orthopedic care, the center aims for integrated patient management through its internal rehabilitation department, with a particular focus on rehabilitation following meniscectomy surgery or reconstruction of the anterior cruciate ligament. The Fisiomed Medical Center also offers sports medicine service.

Sanimedica 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. In 1998 Sanimedica began to offer outpatient surgery service, primarily in the fields of plastic surgery, orthopedic surgery, vascular surgery and abdominal surgery, in addition to specialist examinations and diagnostic tests in the following specialty areas: (i) ophthalmology, (ii) allergology, (iii) neurology, (iv), gynaecology, (v) phoniatics, (vi) psychology and psychiatry and (vii) dermatology.

Sanimedica and the Fisiomed Medical Center are accredited to provide medical services to military personnel stationed at the U.S. Camp Ederle in Vicenza and their families.

Villa Von Siebenthal (Genzano, province of Roma – Lazio region)

The Villa Von Siebenthal care facility is one of the main neuropsychiatric facilities in the Lazio region and has been accredited by Italy's NHS. It treats patients referred by various local mental health centres, offering top-quality care in the following areas: intensive onsite psychiatric treatment; 24-hour rehabilitative residential care; rehabilitative residential care for adults receiving extended care; rehabilitative residential care for adolescents; intensive care; and rehabilitative residential care for adolescents receiving extended care.

In 2015 it became the first residential psychiatric facility to be accredited by the Lazio region for the extended psychiatric treatment of adolescents. On December 31, 2018 it then became the only facility in Italy to offer intensive care for adolescents. In particular, extended care differs from intensive care in terms of the length of hospitalization (up to two years for the former, compared with a few months for the latter) and involves a psychiatric rehabilitation process performed by child neuropsychiatrists, educators, psychologists and nurses.

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.

The facility has a capacity of 89 beds, of which 20 reserved for adolescents.

Poliambulatorio Dalla Rosa Prati (Parma locality – Emilia-Romagna Region)

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. The Clinic offers a wide range of specialised "Dental Clinic" services.

Business model implemented by the GHC Group

The business model adopted by the Group involves centralizing the decision-making process regarding, inter alia, the pursuit of strategic objectives with GHC, which exercises management and coordination over the subsidiaries pursuant to Art. 2497 of the Italian Civil Code. In particular, GHC:

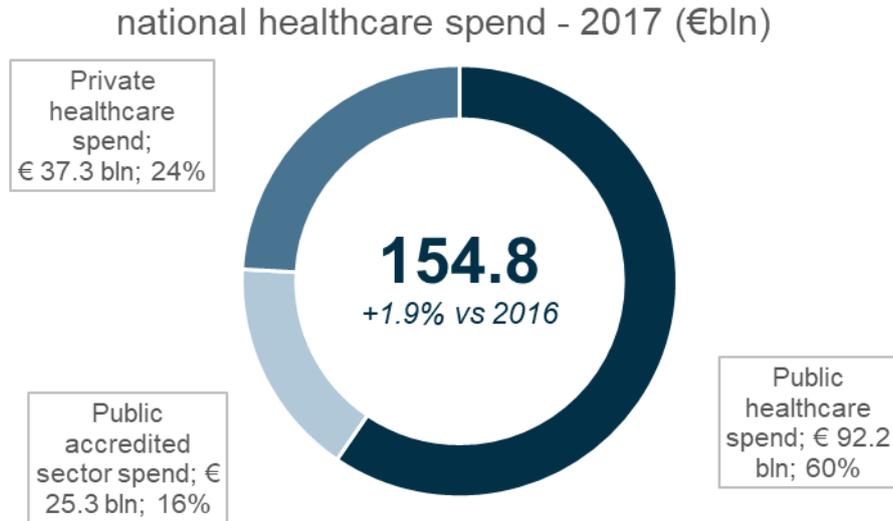
- identifies the strategic guidelines of development to be pursued;
- sets and monitors goals for the various healthcare facilities;
- identifies the potential healthcare facilities to be acquired, managing M&A activities and the post-acquisition integration plan to achieve the potential synergies;
-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

The centralization with GHC of certain responsibilities increases the efficacy of synergistic management of specific activities including, but not limited to, purchases, financial and treasury management and IT systems, while also making it possible to support the facilities with their operational activities.

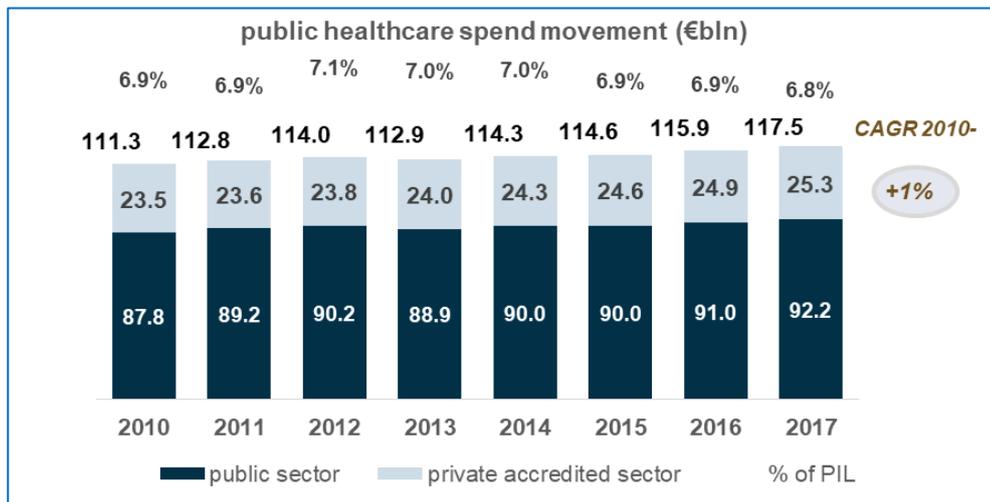
4. SECTOR PERFORMANCE

According to the 2018⁽¹⁰⁾ OASI Report¹¹, total Italian healthcare spending was estimated to amount to Euro 154.8 billion in 2017, up by 1.9% on 2016, equivalent to 9.0% of national GDP. This figure includes both public healthcare spending of Euro 117.5 billion (76% of the total), equivalent to 6.8% of GDP, and fully private healthcare spending, amounting to Euro 37.3 billion (24% of the total), equivalent to 2.2% of GDP.

Public healthcare spending in turn consists of approximately Euro 92 billion of direct public healthcare spending and approximately Euro 25 billion of accredited public healthcare spending, referring to private operators that receive public resources to fund their private institutional services.

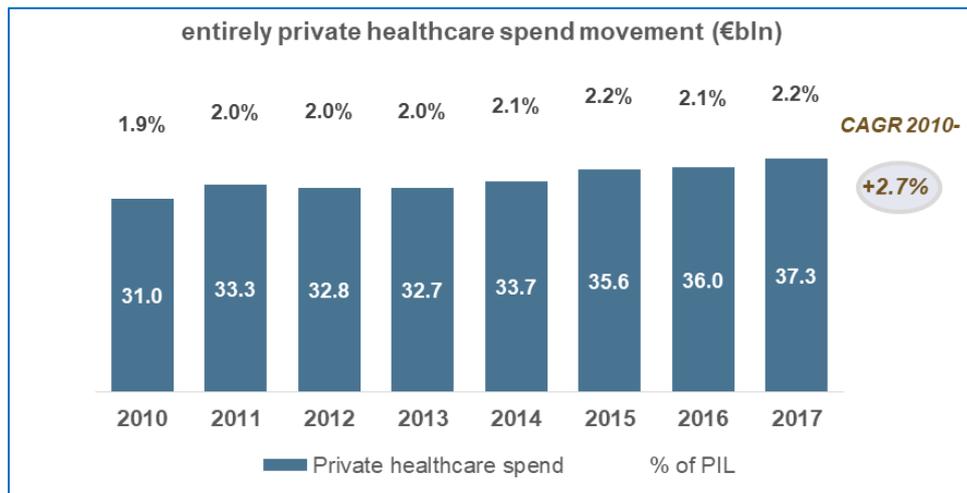


Public spending on the accredited sector was estimated at Euro 25.3 billion in 2017, up by 2.4% on 2016. It grew at a CAGR of 1.0% from 2010 to 2017.



Fully private spending was estimated at Euro 37.3 billion in 2017, up by 3.7% on 2016.

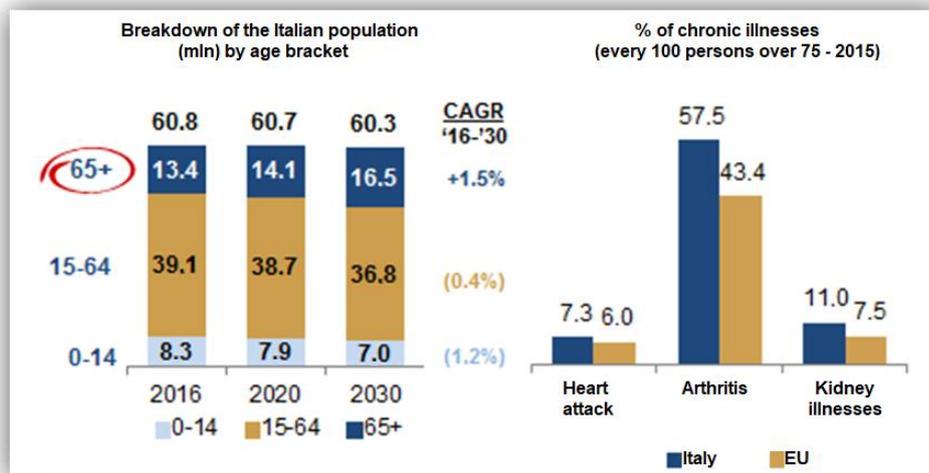
⁽¹⁰⁾ 2018 OASI Report prepared by CERGAS-SDA.



Turning to an historical analysis of the reference market, and in particular of the segments in which the Group operates, from 2010 to 2017 accredited healthcare spending was extremely stable, showing a non-cyclical CAGR of 1%, alongside the constant growth seen in fully private services, which presented a CAGR of 2.7% in the period of analysis from 2010 to 2017. The same also applies to the value as a percentage of GDP, inasmuch as fully private healthcare spending rose from 1.9% of GDP in 2010 to 2.2% in 2017.

If the public healthcare spending figures presented above are compared with those of other countries, Italian spending was lower. Italy ranks below Germany (where public spending amounts to 9.5% of GDP), France (8.7%), Belgium (8.0%) and the United Kingdom (7.8%), as well as the European average of 7.4% of GDP.

The lower level of public healthcare spending in Italy than in the other European countries must also be viewed in conjunction with the considerable ageing of its population. As may be seen from the following chart, the percentage of the Italian population over 65 years of age is constantly increasing, and is expected to come to approximately 27% of the total in 2030, compared with 22% in 2016. At the same time, the Italian population over 75 suffers from a higher incidence of chronic disease than the European average⁽¹²⁾.



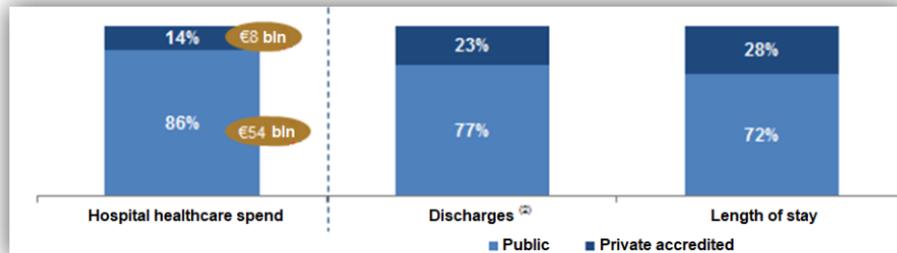
These aspects of healthcare spending below the European average, a trend towards an ageing population and a correlated increase in the incidence of chronic disease contributed to a trend towards considerable growth of the private healthcare system.

The accredited private hospital system is highly efficient where compared to the public sector. The accredited private healthcare system's greater efficiency than its public counterpart may be appreciated if a series of specific indicators

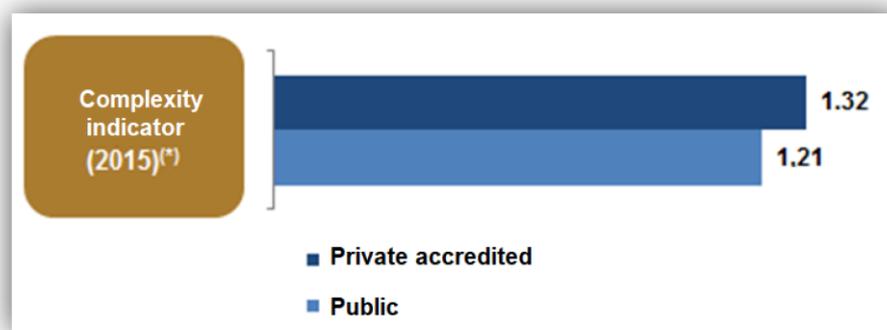
⁽¹¹⁾ Source: 2017 OASI Report. 2017 ISTAT Report, "The elderly: their health conditions in Italy and the European Union".

are considered.

As shown by the following chart, which refers only to acute patients within Italy, it is noteworthy that while accredited private hospitals receive 14% of total resources, healthy patients discharged from accredited private hospitals in 2016 accounted for 23% of the total and the number of days of hospitalization in accredited private hospitals in 2016 28% of the total. This demonstrates that accredited private hospitals are capable of using the resources available to them to hospitalize more patients than their public counterparts ⁽¹³⁾.



The high quality of the accredited private system when compared to the public system may also be seen in terms of the complexity of the pathologies treated. The main relevant indicator is known as “average weight”. In 2015 the Italian national average for this indicator for accredited private hospital facilities was 1.32, compared with 1.21 for public hospitals, confirming the high level of specialization and high quality of services offered in accredited private facilities.



(*) The complexity indicator is a concise measure of the complexity of the pathologies treated. It is calculated as the average of the weights assigned to each group of patients (based on DRGs) out of the total number of patients discharged.

The aspects of efficiency and quality, combined with a trend towards stable public spending and an ageing population, further confirm the key role played by private operators and indicate that there is room for further significant growth in this area.

Italy’s National Health System consists of a large number of facilities, generally of a smaller scale. According to the most recent figures published by the Italy’s Ministry of Health, there were 27,103 healthcare facilities in Italy at the end of 2016. Of these, 11,643 are public facilities (43%), whereas 15,460 are accredited private facilities (57%). Healthcare facilities operating in the accredited private sector are more fragmented than those operating in the public sector, which consists solely of medium and large hospitals.

⁽¹²⁾ Source: 2016 discharge form data, 2017 AIOP Report, 2017 OASI Report and Italian Ministry of Health.

The most recent available data for the acute-care segment of the accredited private hospital sector indicates that from 2010 to 2016 the number of facilities operating in the market decreased from 614 to 575 due to the complexity of the requirements imposed by Italy's NHS, which entailed an increase in costs and a decrease in revenues for smaller operators.

Ministerial Decree No. 70 of April 2, 2015, "Regulations on the definition of qualitative, structural, technological and quantitative for hospital care" introduced a minimum threshold of 60 beds for eligibility for accreditation. Accordingly, facilities with fewer than 60 beds were forced to convert or consolidate.

Over the past five years there has been an increase in the accredited private hospital sector in groups with over 500 beds, which added approximately 2,000 additional beds and 21 facilities, rising from 35% to 38% of total beds in the accredited private sector. However, there is still considerable room for industrial consolidation processes: the average size of accredited facilities is 116 beds⁽¹⁴⁾.

5. INVESTMENTS

During H1 2019, the Group undertook investments in property, plant and equipment and intangible assets of a recurring nature aimed at supporting the production capacity of its healthcare facilities and implementing technological and functional upgrades to medical devices and equipment, viewed as essential conditions to maintaining high standards of quality of the services offered to patients.

Among the recurring investments undertaken, attention should be drawn to the purchase by the subsidiary Hesperia Hospital S.p.A. of the Da Vinci robot, a next-generation medical device that is among the most advanced robotic technologies for minimally invasive surgery currently available on the market. The equipment was fully utilised in the first half of 2019.

The Group also undertook: (i) investments in non-current assets of a non-recurring nature within the framework of development and expansion projects aimed at increasing production capacity and diversifying the type of services offered; and ii) equity investments in line with the "Buy & Build" strategy of acquisition-led growth.

(i) Investments in non-recurring fixed assets:

Expansion of Istituto Raffaele Garofalo

On July 11, 2018 Eremo di Miazzina S.p.A., the company that owns the L'Eremo di Miazzina facility and Istituto Raffaele Garofalo, both located in the region of Piedmont, was awarded, in an execution procedure, title to a property adjacent to Istituto Raffaele Garofalo, located in Gravellona Toce (VB), previously used as a shopping center 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 di focus on offering dependency care services and long-term hospital care by exploiting its location in an area with peculiar climatic and therapeutic conditions.

On September 5, 2018 the Court of Verbania rendered an order transferring the title to the above property following the payment of the balance of the price by Eremo di Miazzina S.p.A. for a total of Euro 3.7 million.

In December 2018 Eremo di Miazzina S.p.A. entered into full possession of the new property and commenced the process of preparing for renovations.

The Istituto Raffaele Garofalo Gravellona Toce expansion project is set to be completed by 2020 and will become operational in early 2021.

The above expansion project involves 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.

At June 30, 2019, as per schedule, the design was ongoing and the process had begun to identify the entity to be awarded under sub-contract the restructuring and fitting out of the new clinic.

⁽¹³⁾ Source: 2018 OASI Report - Monitoring of Italian Companies and the Italian Healthcare System.

The Santa Maria ("ex-School") Project

Ro. By preliminary deed dated December 6, 2017, 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 structure will have 16 less beds overall in order to improve the overall efficiency of the facilities.

The purchase of the building to be used as a new social-care facility was finalised in December 2018, by deed of conveyance dated December 24, 2018.

The Santa Marta Project is expected to be completed and become operative by 2020.

The above project involves 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.

At June 30, 2019, as per schedule, the restructuring works on the building for social-care is in progress.

(ii) Equity investments:***Acquisition of additional interest in Casa di Cura Prof. Nobili S.p.A.***

In January 2019, Garofalo Health Care S.p.A. using own funds completed the acquisition of an additional holding of 30.75% in Casa di Cura del Prof. Nobili S.p.A., a company in which GHC already held 52.55% of the share capital. Subsequently, on January 16, 2019, an additional acquisition of 12.05% of the company was completed through the use of own financial resources.

As a result of these acquisitions, the overall investment of Garofalo Health Care S.p.A. in the clinic rose to 95.35%, corresponding to 98.81% of voting rights. The price paid to acquire these holdings, overall comprising 42.80% of the share capital of Casa di Cura Prof. Nobili S.p.A., is approx. Euro 2.6 million.

Acquisition of 100% of the Dalla Rosa Prati Group

On February 5, 2019, following the signing of a preliminary purchase contract on December 20, 2018 and announced to the market on December 21, 2018, the company GHC S.p.A. completed the acquisition of the company Poliambulatorio Dalla Rosa Prati S.r.l., a diagnostic center headquartered in Parma, operating both under the Emilia-Romagna Region accredited and private healthcare systems and under the agreement with the Parma Hospital for PET-TAC services. Poliambulatorio Dalla Rosa Prati S.r.l. holds 100% of the subsidiary Dalla Rosa Prati Grossi S.r.l.. The price paid for the acquisition of the Group, settled by GHC through own resources, was approx. Euro 19.1 million. With this transaction, the GHC Group consolidated its presence in Emilia-Romagna, one of Italy's strongest.

Acquisition of 100% of Ospedali Privati Riuniti S.p.A.

On May 6, 2019, following the signing of a preliminary purchase contract on May 3, 2019, the company completed the acquisition of Ospedali Privati Riuniti S.p.A., which operates in the Italian private accredited healthcare sector through two accredited hospitals - both located in the City of Bologna: Nigrisoli Hospital and Villa Regina Private Hospital, with a combined 170 authorised beds, of which 168 accredited. The price paid for the acquisition of Ospedali Privati Riuniti, funded by GHC through available funds together with a bank loan of Euro 15 million, was approx. Euro 66.7 million (including OPR's liquidity at the closing date). With this transaction, the GHC Group further consolidates its presence in Emilia-Romagna.

Signing of three preliminary contracts for the full acquisition of Centro Medico San Biagio S.p.A. and Bimar S.r.l. and 80% of Centro Medico Università Castrense S.r.l.

On June 26, 2019, GHC signed three preliminary contracts for the acquisition of three diagnostic centre entities: Specifically, the acquired structures are: i) the Centro Medico San Biagio (100%), located in Portogruaro (province of Venice) and operating in the diagnostics centre sector, both through the accredited system with the Veneto Region and privately, providing specialist services in the areas of diagnostic imaging and echocardiography, outpatient ophthalmologic surgery, lower limb varices, sports medicine and dentistry; ii) the Centro Medico Università Castrense (80%), located in San Giorgio di Nogaro (province of Udine) and also operating under the accredited system and privately, providing outpatient ophthalmological surgery, diagnostic imaging, sports medicine and dentistry. The remaining 20% is held by the Municipality of San Giorgio di Nogaro; iii) Bimar (100%), located in Portogruaro (Venice region), providing specialist private services.

The total price defined for the acquisition of the three clinics, to be paid by GHC through own funds and financial debt for Euro 20 million, was approx. Euro 52.4 million⁽¹⁴⁾. With this transaction, the GHC Group further consolidates its presence in the Veneto region and extends its presence to Friuli Venezia-Giulia, both among Italy's strongest.

Acquisition of additional shares in the subsidiary Villa Garda S.p.A.

In relation to the withdrawal from the subsidiary Villa Garda S.p.A. by the minority shareholder, on June 27, 2019, the liquidation of the entire holding of the withdrawing shareholder Raffaella Garofalo, equal to 16.67% of Villa Garda, was completed. The operation was completed through the reimbursement, as per Article 2437-quater, paragraph 5 of the Civil Code, of the 2,400 ordinary shares comprising this investment, at the liquidation value of Euro 4,062,568, utilising retained earnings for a similar amount. Villa Garda also, as per the relative Extraordinary Shareholders' Meeting motion, approved the cancellation of these 2,400 shares and the increase in the nominal value of the 12,000 shares held by GHC. Following this operation, GHC holds 100% of the share capital of Villa Garda.

6. OUTLOOK

For 2019, the Group shall continue to roll out its strategy focusing on the following objectives:

- Continue to deliver high quality standards, representing the benchmark for covered patients and the private-private sector (out of pocket), thanks to a "patient centred" organisational model supported by top level medical staff and investment in cutting-edge infrastructure and technologies;
- Achieve the full benefits from the synergies between the Group clinics;
- Leverage the current Group "platform" to acquire new clinics through the use of the funding raised on the Group's listing.

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

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, Ospedali Privati Riuniti, CMSR Altavilla Vicentina and Sanimedica) have contracted insurance policies, while others operate under the "self-insurance" scheme, provisioning appropriately for loss events that have occurred the risk of an unfavourable outcome of which is deemed at least likely on the basis of the characteristics of the specific loss events, and the resulting provisions are then revised with half-yearly frequency according to claims management performance and/or legal action taken by the injured parties.

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

In conducting its entrepreneurial activity, the Group engages in substantial, continuous processing of personal data, including sensitive personal data, and particularly data regarding patients and medical and paramedical personnel. Accordingly, it is required to comply with privacy legislation in the European Union (Regulation (EU) No 679/2016,

⁽¹⁴⁾ The price includes the value of 20% of the share capital of Centro Medico Università Castrense, currently owned by the Municipality of S. Giorgio di Nogaro and acquired by GHC on September 17, 2019

“GDPR”) and Italy (Legs. Decree No. 196/2003, the “Privacy Code”), as well as the orders issued by Italy’s Personal Data Protection Authority. Each Group company has implemented specific documentation and internal procedures aimed at ensuring that its personal data processing operations are compliant with GDPR and has appointed a data protection officer who constantly supervises compliance with GDPR and other European and Italian personal data protection legislation and the relevant company’s personal data protection policies, including the assignment of responsibility, awareness-raising and training of the personnel involved in processing and the related oversight activities.

Risks associated with environmental issues and health and safety legislation

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

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

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

The Group is exposed to the risk of incurring penalties in the event that its organization, management and control model pursuant to Legislative Decree No. 231/2001 on “the administrative responsibility of legal persons and of companies and associations, including those without legal personality” is found to be inadequate.

On August 8, 2018 the Parent Company adopted the organization and management model provided for in Legislative Decree No. 231/2001 in order to create a set of rules aimed at preventing unlawful conduct deemed potentially relevant to the application of this legislation, in addition to adopting a Group Ethics Code and establishing a Supervisory Board. All the other Group companies have also implemented their own Legislative Decree No. 231 models, consistent with the model approved by the Parent Company, and adopted the Group Ethics Code.

The Company’s Supervisory Board has been placed in charge of the Group Ethics Code for all GHC Group companies.

Credit Risk

Credit risk is the risk that a counterparty does not fulfil its obligations relating to a financial instrument or a commercial contract, resulting therefore in a financial loss. The maximum exposure to the credit risk for the Group at December 31, 2018 and December 31, 2017 is represented by the book value of the assets recorded in the accounts under trade receivables. The receivables claimed by the company refer almost entirely to public healthcare facilities (hospital authorities and/or health authorities) for which it is not considered necessary to recognize a particular risk of insolvency, except in connection with spending review and limit requests. Commercial credit risk is managed by each Company in accordance with the Group’s policy.

The risk of default is observed locally by the head offices of the subsidiaries, which monitor the collection of trade receivables. The CFO Area Administration monitors the overall risk level and constantly verifies the overall credit exposure. The risk level associated with this item is low, since the Group’s receivables are mainly claimed from the Regional Health System.

At the operational level, this risk is managed as follows:

- assessment of clients’ credit standing, taking account of their creditworthiness;
- monitoring of the relevant expected collection flows;
- appropriate payment reminders;
- legal recovery actions, where appropriate.

Liquidity risk

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

The Group believes that the risk of non-payment for the services rendered by the individual health facilities by the Regional Health System, together with the related impact on liquidity, is moderate. The Group's facilities are primarily located in regions with a balanced healthcare spending budget. This reduces, but does not eliminate, the risk that the Regional Health Systems within whose territory the facilities concerned operate may delay the payment of services rendered to patients.

Liquidity risk is managed by the individual companies and is monitored centrally by the Group: the CFO Area Administration periodically monitors the Group financial position by preparing appropriate reports on projected and actual cash inflows and outflows. In this manner, the Group aims to ensure adequate coverage of its financial needs, closely monitoring loans, open credit lines and relative utilisations in order to ensure optimum management of the resources and any temporary excess liquidity.

The Group objective is to ensure a financial structure which, in line with business objectives, guarantees an adequate level of liquidity, minimising the relative opportunity cost by maintaining equilibrium in terms of duration and type of debt.

Within the framework of this type of risk, in planning its financial structure the Group tends to finance its investments using medium/long term debt, while meeting its current obligations using the cash flow provided by its operations, financed using short-term lines of credit.

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

The Group is simultaneously exposed to market risk (interest rate risk), liquidity risk and credit risk.

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

Interest rate risk

The interest rate risk to which the Group is exposed arises not only from the short-term lines of credit extended to all companies, but also from the medium/long term loans contracted by certain companies such as Rugani Hospital S.r.l., Eremo di Miazzina S.p.A., CMSR Veneto Medica S.r.l., Villa Von Siebenthal S.r.l. and the Fides Group.

Loans (Euro thousands)	At December 31, 2018		
	Interest	Interest +1%	Interest -0.25%
Total	346	456	275

The objective of the management of interest rate risk is to limit and stabilize the interest paid, primarily on medium-term loans, so as to ensure that the underlying and the hedging instrument are closely correlated. Hedging activity is assessed and decided upon on a case-by-case basis. In view of the Group's limited use of medium-to-long-term debt and the modest potential impact of changes in the relevant interest rates, it does not have any outstanding interest rate hedging derivatives. Interest rates are managed by the Parent Company's treasury. Hedging activity is assessed and decided upon on a case-by-case basis.

8. OTHER INFORMATION

Garofalo Health Care S.p.A. did not have any branch offices at June 30, 2019.

Incentive plans

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

Treasury shares and shares of holding companies

On May 24, 2019, the Shareholders' Meeting of GHC, having examined the Board of Directors' Report, prepared in accordance with Article 125-ter of the CFA and Article 73 of the Consob Regulation and in compliance with Annex 3A, Schedule No. 4, of the same Regulation, unanimously approved:

- revocation of the Shareholders' Meeting motion of September 26, 2018 which authorised the purchase and disposal of treasury shares, for the part not yet executed;
- the Board of Directors, as per Article 2357 of the Civil Code, to purchase, also in a number of tranches, ordinary Garofalo Health Care S.p.A. shares without nominal value, up to a maximum number of shares which, taking account of the ordinary GHC shares which may be held in portfolio by the company and by its subsidiary, does not exceed overall 1.5% of the share capital of the company, in accordance with Article 2357, paragraph 3 of the Civil Code. The authorisation was granted in order to acquire the treasury shares to be allocated, where required, to the 2019 - 2021 Stock Grant Plan approved by the Shareholders' Meeting of September 26, 2018, in addition to any other share incentive plans, including of a long-term nature, reserved for directors and/or managers of the company or its subsidiaries, which may be approved in the future by the Shareholders' Meeting of the company. The purchases may be made through one or more tranches within 18 months from the date of the motion and according to that permitted by Article 132 of the CFA and Article 144-bis of the Consob Regulation.

At June 30, 2019, Garofalo Health Care S.p.A. held 200,896 shares.

In addition, the subsidiary Casa di Cura Prof. Nobili S.p.A. holds 7,000 treasury shares, representing 3.5% of its share capital.

At June 30, 2019, neither Garofalo Health Care S.p.A. nor the Group held shares of the holding company, nor did they purchase or dispose of such shares during the year, directly or through fiduciary companies or nominees.

The 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 2019, 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 2018 and published on the company's website.

Corporate Governance

The company has adopted the Self-Governance Code promoted by Borsa Italiana S.p.A. 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 of conduct promoted by Borsa Italiana S.p.A., i.e. the aforementioned "Self-Governance Code".

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 Company's current By-laws were approved by the Shareholders' Meeting in extraordinary session on September 26, 2018 and entered into effect on November 9, 2018, the initial date of trading. 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 May 16, 2019, the directors Cristina Finocchi Mahne, Tommaso Longhi and Flavia Mazzarella, qualifying as independent, resigned their directorships and consequently from the positions held on the board committees at the company.

Following these resignations, on June 18, 2019, the Board of Directors co-opted as per Article 2386 of the Civil Code, the Directors Franca Brusco and Federico Ferro Luzzi, verifying their independence.

At June 30, 2019, the company's Board of Directors was comprised as follows:

1. Alessandro M. Rinaldi (Chairman of the Board)
2. Maria Laura Garofalo (Chief Executive Officer)
3. Claudia Garofalo (Director)
4. Umberto Suriani (Director)
5. Patrizia Crudetti (Director)
6. Giuseppe Giannasio (Director)
7. Alessandra Rinaldi Garofalo (Director)
8. Nicola Colavito (Director)
9. Franca Brusco (Independent Director)
10. Federico Ferro Luzzi (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, 2020, with the exception of the two independent directors Franca Brusco and Federico Ferro-Luzzi, who will remain in office until the next Shareholders' Meeting as per the stated Article 2386 of the Civil Code.

On March 25, 2019 the Board of Directors appointed Maria Laura Garofalo director in charge of the internal control and risk management system in accordance with the Self-Governance Code, granting her the powers set out in the said Self-Governance Code.

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

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

The company's Board of Statutory Auditors was comprised as follows at June 30, 2019:

1. Alessandro Musai (Chairman of the Board of Statutory Auditors)
2. Giancarla Branda (Standing Auditor)
3. Francesca di Donato (Standing Auditor)
4. Andrea Bonelli (Alternate Auditor)
5. Jacopo Doveri (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.

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 applied within the Group in the course of 2018. The Internal Control and Risk Management System plays a central role in the decision-making process of Garofalo Health Care S.p.A. in its capacity as a listed company. In accordance with the principles laid down in Art. 7 of the Borsa Italiana Self-Governance Code, the System is defined as the overall rules, procedures and organizational structures which permit, through an adequate process of identification, measurement, management and monitoring of the principal company risks within the Garofalo Health Care Group, management of the enterprise in accordance with the objectives set by the Board of Directors and in pursuit of the creation and protection of value in the medium-to-long term.

Subsequent events

(i) Co-option of a new Director

On July 3, 2019, the Board of Directors co-opted the Director Grazia Bonante, verifying her independence and therefore returning the number of directors to 11, in compliance with that decided by the Shareholders’ Meeting. Director Grazia Bonante shall remain in office until the next Shareholders’ Meeting, as per Article 2386 of the Civil Code.

At the same meeting of July 3, 2019, the Board also appointed the Directors Franca Brusco, Federico Ferro-Luzzi and Grazia Bonante as members of the Control and Risks Committee (also acting as the Related Party Transactions Committee) and of the Appointments and Remuneration Committee.

At the reporting date, the company’s Board of Directors was comprised as follows:

1. Alessandro M. Rinaldi (Chairman of the Board)
2. Maria Laura Garofalo (Chief Executive Officer)
3. Claudia Garofalo (Director)
4. Umberto Suriani (Director)
5. Patrizia Crudetti (Director)
6. Giuseppe Giannasio (Director)
7. Alessandra Rinaldi Garofalo (Director)
8. Nicola Colavito (Director)
9. Franca Brusco (Independent Director)
10. Federico Ferro Luzzi (Independent Director)
11. Grazia Bonante (Independent Director)

(ii) Closing of the acquisitions of Centro Medico San Biagio S.p.A. and Bimar S.r.l.

On July 25, 2019, following the signing of the preliminary purchase contract on June 26, 2019, the company closed the acquisitions of Centro Medico San Biagio S.p.A. and of Bimar S.r.l.. The acquisition of Centro Medico San Biagio was executed through a vehicle company called GHC Project 3 S.r.l., entirely held by GHC, while the Bimar acquisition was executed directly by Garofalo GHC S.p.A..

(iii) Closing of the acquisition of Centro Medico Università Castrense S.r.l.

On September 17, 2019, following the signing of the preliminary purchase contract on June 26, 2019, the company closed the acquisition of Centro Medico Università Castrense S.r.l., acquiring on this occasion also the remaining 20% previously held by the Municipality of S. Giorgio di Nogaro. GHC therefore holds, following the closing, through GHC Project 3 S.r.l., 100% of the clinic.

(iv) Closing of the acquisition of Aesculapio S.r.l.

On September 19, 2019, following the signing of the preliminary purchase contract on July 17, 2019, the purchase by the subsidiary Hesperia Hospital of 100% of Aesculapio S.r.l. was closed, an accredited clinic based in San Felice sul Panaro. Aesculapio S.r.l., 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, pneumology, gynaecology, orthopedics, ophthalmology, gastroenterology, endocrinology, ultrasound, dietetics, dermatology, magnetic resonance, surgery, angiology, cardiology and laboratory diagnostics.

Related party transactions

Pursuant to Consob Motion No. 17221 of March 12, 2010, it is reported that in the first half of 2019 and 2018 the Group did not conclude any significant transactions or transactions with a significant effect on the Group's financial position or operating result for the year with related parties.

The information on transactions with related parties required by Consob Communication No. DEM/6064293 of July 28, 2006 is presented and disclosed in financial statements. For a more detailed account, refer to the notes on "Related party transactions" of the consolidated financial statements at June 30, 2019.

In accordance with the Regulation adopted by Consob with motion no. 17221 of March 12, 2010 and subsequent amendments, the Company adopted a related party transactions procedure by motion of the Board of Directors of November 27, 2018, available from the Company's website.

The Company's Board of Directors bears primary responsibility for the proper application of the said procedure. For the procedures adopted for transactions with related parties, also in accordance with Article 2391-bis of the Civil Code, reference should be made to the procedure adopted by Garofalo Health Care S.p.A pursuant to the Regulation approved by Consob with motion no. 17221 of March 12, 2010, subsequently amended by motions nos. 17389 of June 23, 2010, 19925 of March 22, 2017 and 19974 of April 27, 2017, published on the Company's website.

Management and coordination activity

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

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

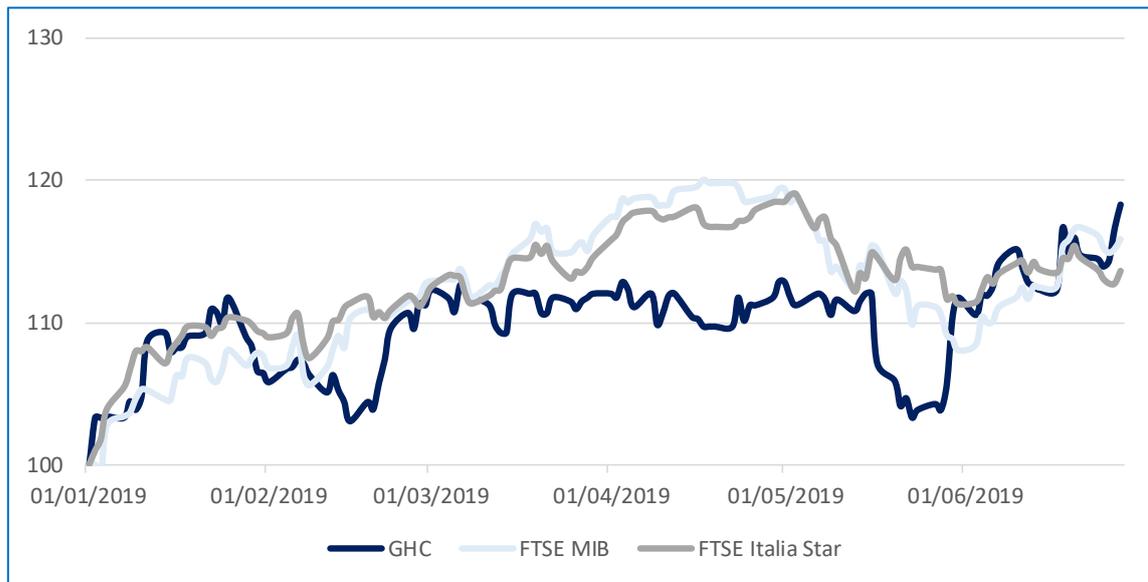
On the admission to trading of shares on the main segment (Mercato Telematico Azionario) of the Italian Stock Exchange, in addition to the press release of October 30, 2018, the company communicated the application of the simplified regime as per Article 70, paragraphs 8 and 71, paragraph 1-bis, of the Regulation adopted by Consob with Motion No. 11971 of May 14, 1999, as supplemented and amended (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.

Share performance

Garofalo Health Care S.p.A. been listed on the MTA market organized and managed by Borsa Italiana S.p.A. since November 9, 2018.

At June 30, 2019, the GHC share was worth Euro 4.33, up 29.6% on its IPO listing and 18.3% on January 1, 2019 (Euro 3.66).

The share performance over the January 1 - June 30, 2019 period also outperformed the benchmark indices, as can be seen in the graph below ⁽¹⁶⁾. In particular, the performance of GHC (+18.3%) compares with +15.9% for the FTSE MIB⁽¹⁷⁾ and +13.6% for the FTSE Italia Star⁽¹⁸⁾.



Mr. Alessandro Maria Rinaldi

Legal representative

⁽¹⁵⁾ Prepared by GHC using data provided by FactSet. The graph outlines the percentage movement of the relative indices from January 1, 2019

⁽¹⁶⁾ FTSE MIB: measures the performances of Italy's top 40 shares

⁽¹⁷⁾ FTSE Italia STAR: measures the performances of the shares of companies listed on the STAR segment of the MTA market