



GRUPPO GAROFALO HEALTH CARE SPA
Condensed consolidated half-year
financial statements at June 30, 2019

**Condensed consolidated half-year financial statements at
June 30, 2019**

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**Notes to the condensed consolidated half-year financial
statements at June 30, 2019**

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Parent Company Registered Office

Garofalo Health Care S.p.A.

Piazzale Belle Arti, 6 – Rome 00196

Parent Company Legal Details

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

VAT No. 03831150366 Tax No. 06103021009

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

Corporate Boards of the Parent Company

BOARD OF DIRECTORS

Alessandro M. Rinaldi - Chairman

Maria Laura Garofalo – Chief Executive Officer

Claudia Garofalo – Director

Alessandra Rinaldi Garofalo – Director

Umberto Suriani – Director

Patrizia Crudetti – Director

Nicola Colavito - Director

Giuseppe Giannasio – Director

Franca Brusco – Director (*)

Federico Ferro Luzzi – Director (*)

Grazia Bonante – Director (**)

BOARD OF STATUTORY AUDITORS

Alessandro Musaio – Chairman

Giancarla Branda – Statutory Auditor

Francesca di Donato – Statutory Auditor

EXECUTIVE OFFICER

Fabio Tommasini

INDEPENDENT AUDIT FIRM

EY S.p.A.

(*) Co-opted by the BoD on 18.6.2019

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

CONDENSED CONSOLIDATED HALF-YEAR FINANCIAL STATEMENTS
AT JUNE 30, 2019

Consolidated balance sheet at June 30, 2019

<i>Euro thousands</i>		<u>At June 30</u>	<u>At December 31</u>
		2019	2018
Goodwill	Note 3	52,181	38,815
Other intangible assets	Note 4	63,191	14,053
Property, plant and equipment	Note 5	139,285	93,145
Investment property	Note 6	1,007	1,027
Equity investments	Note 7	831	878
Other non-current financial assets	Note 8	5,126	1,542
Other non-current assets	Note 9	1,000	1,002
Deferred tax assets	Note 10	4,276	3,250
TOTAL NON-CURRENT ASSETS		266,896	153,712
Inventories	Note 11	2,839	2,218
Trade receivables	Note 12	53,475	35,239
Tax receivables	Note 13	2,474	3,084
Other receivables and current assets	Note 14	3,740	2,507
Other current financial assets	Note 15	150	135
Cash and cash equivalents	Note 16	34,150	92,287
Assets held-for-sale	Note 17	3,051	-
TOTAL CURRENT ASSETS		99,878	135,471
TOTAL ASSETS		366,773	289,183

<i>Euro thousands</i>		<u>At June 30</u>	<u>At December 31</u>
		<u>2019</u>	<u>2018</u>
Share capital	Note 18	28,700	28,700
Legal reserve	Note 18	310	60
Other reserves	Note 18	149,013	136,507
Group result for the period	Note 39	8,894	13,583
TOTAL GROUP SHAREHOLDERS' EQUITY		186,917	178,849
Minority interest capital and reserves	Note 18	82	6,519
Minority interest result	Note 39	8	486
TOTAL SHAREHOLDERS' EQUITY		187,007	185,854
Employee benefits	Note 19	10,345	8,769
Provisions for risks and charges	Note 20	8,970	6,150
Non-current financial payables	Note 21	59,268	22,928
Other non-current liabilities		-	-
Deferred tax liabilities	Note 10	28,535	8,385
Derivative financial instrument liabilities - non-current	Note 22	13	11
TOTAL NON-CURRENT LIABILITIES		107,131	46,244
Trade payables	Note 23	32,478	20,751
Current financial payables	Note 24	20,438	22,142
Tax payables	Note 25	2,452	394
Other current liabilities	Note 26	17,267	13,798
TOTAL CURRENT LIABILITIES		72,635	57,085
TOTAL LIABILITIES		179,766	103,328
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		366,773	289,183

H1 2019 Consolidated income statement

<i>Euro thousands</i>		H1	
		2019	2018
Revenues from services	Note 27	92,286	79,535
Other revenues	Note 28	573	786
TOTAL REVENUES		92,859	80,321
Raw materials and consumables	Note 29	12,802	11,600
Service costs	Note 30	35,637	29,338
Personnel costs	Note 31	21,651	19,815
Other operating costs	Note 32	4,144	3,503
Amortisation, depreciation, and write-downs	Note 33	4,569	3,188
Impairments and other provisions	Note 34	1,003	121
TOTAL OPERATING COSTS		79,806	67,565
EBIT		13,053	12,756
Financial income	Note 35	50	1
Financial charges	Note 36	(795)	(583)
Results of investments at equity	Note 37	100	154
TOTAL FINANCIAL INCOME AND CHARGES		(645)	(428)
PROFIT BEFORE TAXES		12,408	12,328
Income taxes	Note 38	3,506	3,343
NET PROFIT	Note 39	8,902	8,985
Attributable to:			
Group		8,894	8,755
Minority interests		8	230
Basic and diluted earnings per share		0.11	0.15

H1 2019 Comprehensive consolidated income statement

	H1	
	2019	2018
	<i>Euro thousands</i>	
Profit for the period	8,902	8,985
<i>Other components of the comprehensive income that will not subsequently be reclassified in profit/(loss) for the period</i>		
<i>Actuarial gains/(losses) of employee defined plans</i>	(622)	(112)
<i>Tax effect</i>	149	27
Total other components of comprehensive income that will not subsequently be reclassified in loss for the period net of tax	(473)	(85)
Loss recognised to equity	(473)	(85)
Total comprehensive income	8,429	8,900
<i>Attributable to:</i>		
Group	8,433	8,692
Minorities	(4)	208

Statement of changes in consolidated shareholders' equity at June 30, 2019

Euro thousands	Share capital	Legal reserve	Other reserves	Group net profit	Group Shareholders' Equity	Minority interest capital & reserves	Minority interest net profit	Consolidated shareholders' equity
December 31, 2017	300	40	82,685	12,241	95,266	6,544	68	101,878
Allocation of result	-	20	12,221	(12,241)	-	68	(68)	-
Comprehensive profit/(loss)	-	-	(63)	8,755	8,692	(22)	230	8,900
Other movements	-	-	4	-	4	-	-	4
June 30, 2018	300	60	94,847	8,755	103,962	6,590	230	110,782
December 31, 2018	28,700	60	136,506	13,583	178,849	6,519	486	185,854
Allocation of result	-	250	13,333	(13,583)	-	486	(486)	-
Acquisition of treasury shares	-	-	(558)	-	(558)	-	-	(558)
Minority interest acquisition	-	-	209	-	209	(6,891)	-	(6,682)
Comprehensive profit	-	-	(461)	8,894	8,433	(12)	8	8,429
Other movements	-	-	(16)	-	(16)	(20)	-	(36)
Balance at June 30, 2019	28,700	310	149,013	8,894	186,917	82	8	187,007

Consolidated cash flow statement for the period ended June 30, 2019

	For the period ended June 30	
	2019	2018
	<i>Euro thousands</i>	
OPERATING ACTIVITIES		
Profit for the period	8,902	8,985
<i>Adjustments for:</i>		
- Amortisation and depreciation	4,323	3,004
- Provisions for employee benefit liabilities	808	1,019
- Provisions for risks and charges	1,003	121
- Doubtful debt provision	246	185
- Change in investments in associates valued under the equity method	(100)	(154)
- Change in other non-current assets and liabilities	46	84
- Net change in deferred tax assets and liabilities	288	482
- Change in fair value of derivative instruments	2	-
- Payments for employee benefits	(1,089)	(1,125)
- Payments for provisions for risks and charges	(328)	(917)
<i>Changes in operating assets and liabilities:</i>		
(Increase) decrease in trade and other receivables	(9,911)	(3,933)
(Increase) decrease in inventories	(50)	190
Increase (decrease) in trade and other payables	4,001	3,257
<i>Other current assets and liabilities</i>	1,885	1,062
NET CASH FLOW GENERATED BY OPERATING ACTIVITIES (A)	10,026	12,259
CASH FLOW FROM INVESTING ACTIVITIES		
<i>Investments in intangible assets</i>	(69)	(58)
<i>Investments in tangible assets</i>	(1,514)	(1,055)
<i>(Investments)/Disposal of financial assets</i>	(5,000)	-7
<i>Dividends</i>	100	-
<i>Acquisition of the Dalla Rosa Prati Group and Ospedali Privati Riuniti, net of cash acquired</i>	(70,228)	-
CASH FLOW ABSORBED BY INVESTING ACTIVITIES (B)	(76,711)	(1,120)
CASH FLOW FROM FINANCING ACTIVITIES		

<i>Issue of medium-long-term loans</i>	20,000	-
<i>Repayment of medium-long-term loans</i>	(2,640)	(2,968)
<i>Issue/(repayment) of short-term loans</i>	(2,388)	(1,467)
<i>Purchase minority interest</i>	(5,866)	-
<i>Acquisition of treasury shares</i>	(558)	-
NET CASH FLOW GENERATED/(ABSORBED) FROM FINANCING ACTIVITIES (C)	8,548	(4,435)
TOTAL CASH FLOWS (D=A+B+C)	(58,137)	6,703
CASH & CASH EQUIVALENTS AT BEGINNING OF PERIOD (E)	92,287	22,635
CASH & CASH EQUIVALENTS AT END OF PERIOD (F=D+E)	34,150	29,338
<i>Additional information:</i>		
Interest paid	496	354
Income taxes paid	86	39

NOTES TO THE CONSOLIDATED HALF-YEAR FINANCIAL STATEMENTS
AT JUNE 30, 2019

Note 1. Accounting standards and policies adopted for the preparation of the condensed consolidated half-year financial statements at June 30, 2019

1.1 Company information

The publication of the Group's condensed consolidated half-year financial statements for the period ended June 30, 2019 was approved by the Board of Directors on September 26, 2019.

1.2 General Principles

The condensed consolidated half-year financial statements of the GHC Group for the period ended June 30, 2019 (the "**Consolidated Half-Year Financial Statements**") were prepared as per IAS 34

The accounting standards adopted for the preparation of the condensed consolidated half-year financial statements are those utilised for the 2018 consolidated financial statements of the Group, with the exception of the adoption of the new standards and amendments in force from January 1, 2019. The Group has not adopted in advance any accounting standard, interpretation or amendment issued but not yet in effect.

The Group applies IFRS 16 Leases for the first time. As required by IAS 34, the nature and effects of these changes are presented below.

Various other amendments and interpretations are applied for the first time in 2019, but did not impact the condensed consolidated half-year financial statements of the Group.

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

They have been prepared based on the historical cost principle, except for derivative financial instruments that have been recognized at fair value. The consolidated financial statements are presented in Euro and all the amounts are rounded to the nearest thousandth, unless otherwise specified.

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

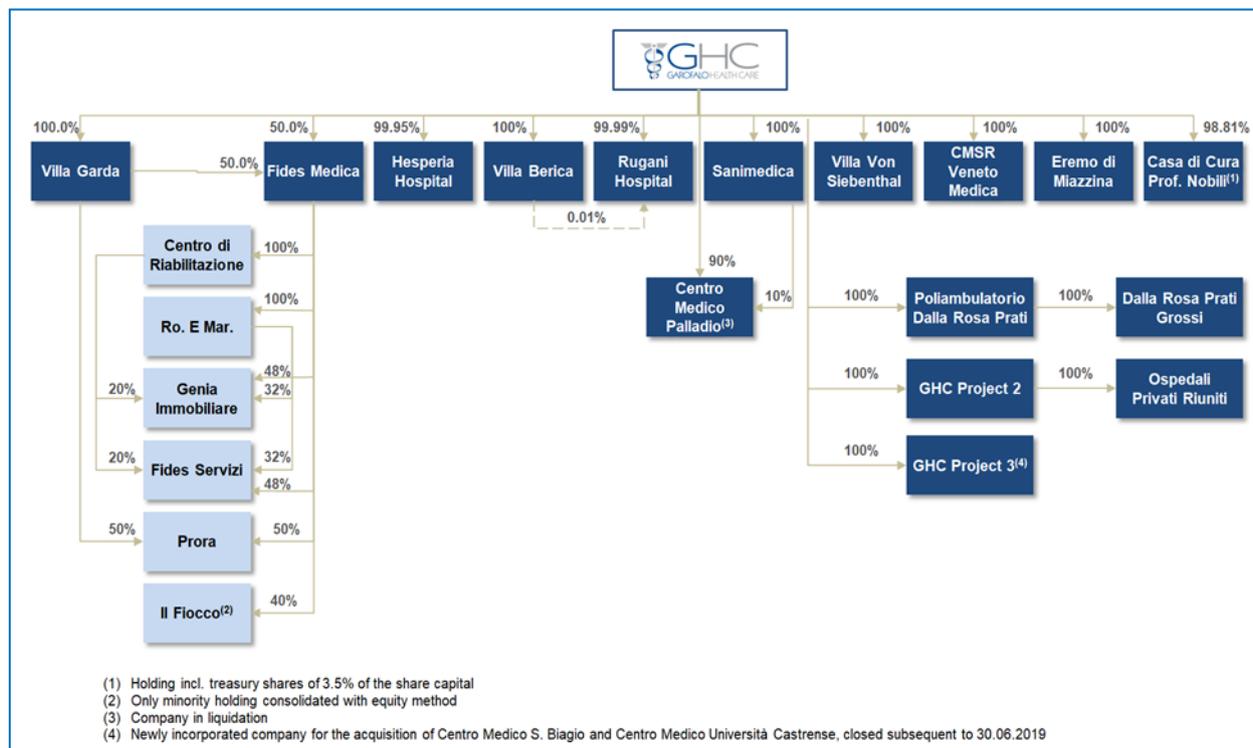
1.3 Financial Statements

The condensed consolidated half-year financial statements of the company consist of the balance sheet, income statement, comprehensive income statement, statement of changes in shareholders' equity, cash flow statement and notes.

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

1.4 Group Structure

The composition of the Group at June 30, 2019 is provided below.



1.5 Consolidation principles and scope of consolidation

The condensed consolidated half-year financial statements include the financial statements of GHC and of its subsidiaries at June 30, 2019.

The details of the consolidated companies are shown below.

			Shareholding at June 30	Shareholding at December 31
Company	Registered office	Structure	2019	2018
Garofalo Health Care S.p.A.	Rome	Holding	Parent company	Parent company
Hesperia Hospital Modena S.p.A.	Modena	Accredited health structure	99.95%	99.95%
Casa di Cura Villa Berica S.p.A.	Vicenza	Accredited health structure	100%	100%
Rugani Hospital S.r.l.	Siena	Accredited health structure	100%	100%
CMSR Veneto Medica S.r.l.	Vicenza	Accredited health	100%	100%

		structure		
Sanimedica S.r.l.	Vicenza	Accredited health structure	100%	100%
Centro Medico Palladio S.r.l. in liquidation	Vicenza	Accredited health structure	100%	100%
L'Eremo di Miazzina S.p.A.	Verbania	Accredited health structure	100%	100%
Casa di Cura Villa Garda S.p.A.	Garda	Accredited health structure	100%	83.3%
Villa Von Siebenthal S.r.l.	Genzano Romano	Accredited health structure	100%	100%
Casa di Cura Prof. Nobili S.p.A.	Castiglione di Pepoli (Bo)	Accredited health structure	98.81%*	54.46%*
F.I.D.E.S. Medica S.r.l.	Piombino	Accredited health structure	100%	100%
Centro di Riabilitazione S.r.l.	Genoa	Accredited health structure	100%	100%
Genia Immobiliare S.r.l.	Genoa	Real Estate companies of the Fides Group	100%	100%
Ro. E. Mar S.r.l.	Piombino	Accredited health structure	100%	100%
Fides Servizi S.c.a.r.l.	Genoa	Companies providing services to Fides Medica Group	100%	100%
Prora S.r.l.	Genoa	Accredited health structure	100%	100%
GHC Project 2 S.r.l.	Rome	Newco	100%	-
GHC Project 3 S.r.l.	Rome	Newco	100%	-
Poliambulatorio Dalla Rosa Prati S.r.l.	Parma	Accredited health structure	100%	-
Dalla Rosa Prati Grossi S.r.l.	Parma	Real estate company	100%	-
Ospedali Privati Riuniti	Bologna	Accredited health	100%	-

S.p.A.		structure		
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**Percentage holdings include treasury shares*

The change in the consolidation scope relates to the acquisition of the minority holdings in Villa Garda and Casa di Cura Prof. Nobili, in addition to the acquisition of the Dalla Rosa Prati Group, comprising the parent company Poliambulatorio Dalla Rosa Prati S.r.l and its subsidiary, acquired on February 5, 2019, and finally the acquisition of the company Ospedali Privati Riuniti S.p.A., which closed on May 6, 2019, through the newco GHC Project 2 S.r.l.

The newco GHC Project 3 S.r.l. was incorporated specifically for the acquisition of Centro Medico San Biagio S.p.a. and Centro Medico Castrense, both closed subsequent to June 30, 2019.

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

The Group holds a 40% shareholding in Il Fiocco S.c.a.r.l., following the acquisition of the Fides Group.

1.6 Summary of the main accounting standards

The accounting policies used, in addition to the consolidation criteria and methods applied to these condensed consolidated half-year financial statements at June 30, 2019, are the same as those adopted for the preparation of the consolidated financial statements at December 31, 2018, to which reference should be made for greater details, with the exception of the new standards applied for the first time outlined below.

These condensed consolidated half-year financial statements at June 30, 2019 therefore do not include all of the information required for the annual financial statements and should be read together with the consolidated financial statements at December 31, 2018.

1.7 Discretionary valuations and significant accounting estimates

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

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

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

With regard to the impairment test, reference should be made to the paragraph "Impairment of assets" below in this report.

Legal proceedings

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

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

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

Business combinations

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

Deferred tax assets

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

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

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

Value adjustments on receivables

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

The estimates and assumptions are made by the directors and managers of the subsidiaries and, where appropriate, by independent specialists and are reviewed periodically.

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

IFRS 16 Leases

IFRS 16 - Leases was published in January 2016 and replaces IAS 17 Leasing, IFRIC 4 Determining whether an arrangement contains a lease, SIC 15 Operating leases - Incentives and SIC 27 Evaluating the substance of transactions in the legal form of a lease, and are applied to financial statements beginning January 1, 2019 or subsequently.

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

The Group adopted IFRS 16 utilising the modified retrospective method, with initial application date of January 1, 2019. According to this method, the standard is applied retrospectively with cumulative initial application effect recorded at the initial application date. The Group chose to utilise the practical transition expedient which permits application of the standard's requirements only to contracts which at the initial application date were previously identified as a lease by applying IAS 17 and IFRIC 4. The Group also utilised the exceptions under the standard on leasing contracts which, at the date of initial application, have a duration of equal to or less than 12 months and which do not contain a purchase option ("short-term leasing") and on leases whose underlying asset is of a low value ("low value asset").

The effect from application of IFRS 16 from January 1, 2019 (increases/(decreases)) is the following:

	Euro millions
Assets	
Right-of-use assets	10.1
Total Assets	10.1
Liabilities	
Financial liabilities	10.1
Total liabilities	10.1
Total shareholders' equity changes	-

The Group has lease contracts for a series of assets comprising plant, machinery, vehicles and other equipment. For the adoption of IFRS 16, the Group classified its leases as either finance or operating leases at the beginning of the lease.

The Group has not changed the initial carrying amount of the lease assets and liabilities recognised at the date of initial application with regards to those contracts previously classified as finance leases. The IFRS 16 requirements were applied to these leases from January 1, 2019.

The Group recognised right-of-use assets and lease liabilities to all contracts previously classified as operating leases, with the exception of short-term leases and low value leases. Lease liabilities are measured on the basis of payments for the residual lease, discounted using the incremental borrowing rate at the date of initial adoption and the carrying amount of the right-of-use asset is equal to the carrying amount of the lease liability at the date of initial application, adjusted to take account of any accruals and deferrals.

The Group recognised liabilities utilising for each contract the incremental borrowing rate, as the internal return rate of each contract may not be readily calculated. The incremental borrowing rate is the rate which the lessee would pay for a loan of similar duration and guarantees to acquire an asset of a similar value to that underlying the right-of-use in a similar economic context.

The Group estimated this rate utilising observable data (specifically EURIRS at January 1, 2019, the initial application date of the standard), to which a spread calculated on the basis of specific market analysis conducted by management to obtain an incremental borrowing rate is applied.

On initial application of IFRS 16, the lessee may choose to apply the standard utilising a fully retrospective approach through application of IAS 8, or a modified retrospective approach, i.e. recognising the cumulative effect at the initial application date. The Group decided to adopt the modified retrospective method. Therefore, the comparative data was not restated and the cumulative effect from initial application of the standard was recognised as an adjustment to opening shareholders' equity at the date of entry into force.

The Group in addition applied the practical expedients available, as:

- it utilised a single discount rate to a portfolio of leases with reasonably similar characteristics;
- it excluded the initial direct costs in the measurement of the asset consisting of the right-of-use at the initial application date;
- this is based on experience acquired, for example, in determining the duration of leases containing renewal or termination options.
- it relied on the analysis carried out before the initial application date to establish whether the contracts are onerous contract. There are no onerous contracts.

From the analyses carried out, relating to the impacts deriving from the application of IFRS 16, an increase in the asset of approx. Euro 10.1 million and a corresponding negative effect on the net financial debt of approx. Euro 10 million is reported. Finally, the introduction of IFRS 16 had the following effects on the period Income Statement: - lower operating costs of Euro 1.1 million; - amortisation and depreciation of Euro 850 thousand; - financial charges of Euro 173 thousand.

The new Group accounting policies on adoption of IFRS 16 are presented below:

Right-of-use assets

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

Lease liabilities

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

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

Short-term leases and low value asset leases

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

IFRIC 23 - Uncertainties over income tax treatments

The interpretation sets out the accounting approach to income taxes where the tax treatment implies uncertainties impacting application of IAS 12 and does not apply to income or other taxes not falling within the scope of IAS 12, nor specifically includes requirements concerning interest or penalties relating to uncertain income tax treatments.

The interpretation specifically considers the following points:

Where an entity considers separately uncertain tax treatments

The assumptions of the entity on review of the tax treatments by the tax authorities

How an entity determines the taxable profit (or the tax loss), the tax base, unused tax losses, unused tax credits and tax rates

How an entity treats changes in facts and circumstances.

An entity should define whether it considers each uncertain tax treatment separately or together with other (one or more) uncertain tax treatments. The approach which allows the expected best solution for the uncertainty should be followed.

The Group applies a significant degree of judgment in identifying the uncertainties on the tax treatment of income taxes. As the Group operates in a complex multi-national environment, it has assessed whether the interpretation may have impacted its consolidated half-year financial statements.

At the time of adopting the interpretation, the Group did not report any impact from these amendments on its consolidated financial statements.

Amendments to IFRS 9: Prepayments Features with Negative Compensation

As per IFRS 9, a debt instrument may be measured at amortised cost or at fair value in the comprehensive income statement, on the condition that the cash flows are “exclusively payments of principal and interest on the amount” (the SPPI criterion) and the instrument is classified to the appropriate business model. The amendments to IFRS 9 clarify that a financial asset complies with the SPPI criterion independently of the event or of the circumstance which causes the advance resolution of the contract and independently of who pays or receives a reasonable indemnity for the advance resolution of the contract. These amendments did not have any impact on the Group consolidated financial statements.

Amendments to IAS 19: Plan Amendment, Curtailment or Settlement.

The amendments to IAS 19 establish the accounting rules where, during the reference period, there is a plan amendment, curtailment or settlement. The amendments state that when a plan amendment, curtailment or settlement takes place during the year an entity is required to establish the service cost for the rest of the period subsequent to the plan amendment, curtailment or settlement, utilising the benchmark actuarial assumptions to remeasure the net liability (asset) for defined benefits in a manner which reflects the benefits offered by the plan and the plan assets after this event. An entity is required, in addition, to establish the net interest for the remaining period after the plan amendment, curtailment or settlement: the net liability (asset) for defined benefits which reflects the benefits offered by the plan and the assets of the plan after this event; and the discount rate utilised to re-parameter the net liability (asset) for defined benefits.

These amendments did not have any impact on the consolidated financial statements as the Group in the period did not record any plan amendment, curtailment or settlement.

Amendments to IAS 28: Long-term interests in associates and joint venture

The amendments specify that an entity applies IFRS 9 for long-term interests in associates or joint ventures where the equity method is not applied but which, in substance, form part of the net investment in the associate or joint venture (long-term interests).

This clarification is significant as it implies that the expected losses model on receivables of IFRS 9 is applied to these long-term investments.

The amendments also clarify that, in application of IFRS 9, an entity shall not take into account any losses of associates or joint ventures or any loss in value of the investment, recorded as adjustments of the net investment in the associate or joint venture which derives from the application of IAS 28 Investments in Associates and Joint Ventures.

These amendments did not have any impact on the consolidated financial statements as the Group does not have investments in associates and joint ventures.

Annual improvements 2015-2017 Cycle

IFRS 3 Business Combinations

The amendments clarify that, where an entity obtains control of a business unit which is a joint operation, it applies the requirements for a business combination which is undertaken in a number of steps, including the remeasurement at fair value of the investment previously held in the assets and liabilities of the joint operation. In doing this, the acquirer revalues the interest previously held in the joint operation.

The entity applies these amendments to business combinations for which the acquisition date coincides or is subsequent to the initial period from January 1, 2019, with early application permitted.

This change did not have any impact on the Group consolidated financial statements as no business combination in which joint control has been obtained is indicated.

IFRS 11 Joint Arrangements

An entity participating in a joint venture, without having joint control, may obtain joint control of the joint operation in the case in which its assets constitute a business as defined by IFRS 3.

The amendments clarify that investments previously held in this joint operation are not remeasured. It applies these amendments to the operations in which it holds joint control from periods beginning January 1, 2019 or subsequently, with early application permitted.

This change did not have any impact on the Group consolidated financial statements as no business combination in which joint control has been obtained is indicated.

IAS 12 Income Taxes

The amendments clarify that the effect of income taxes on dividends are connected to past transactions or events generating distributable profits rather than shareholder distributions. Therefore, an entity recognises the effects of income taxes on income deriving from dividends in the income statement, in other comprehensive income items or in shareholders' equity, in accordance with the method by which the entity previously recognised these past transactions or events.

The entity applies these amendments for the periods beginning January 1, 2019 or subsequently, with advance application permitted. Where the entity applies for the first time these amendments, it applies the effect of the taxes and dividends recognised from the beginning of the initial year. As current Group practices are in line with these amendments, the Group did not report any impact from these amendments on its consolidated financial statements.

IAS 23 Borrowing Costs

The amendments clarify that an entity considers as non-specific loans any loan undertaken which from the beginning was drawn down to develop an asset, in the case in which all actions necessary to prepare this asset for use or sale have been completed.

An entity applies these amendments to the financial charges incurred from the beginning of the period in which the entity applies these amendments for the first time. An entity applies these amendments for the periods beginning January 1, 2019 or subsequently, with advance application permitted. As current Group practices are in line with these amendments, the Group did not report any impact from these amendments on its consolidated financial statements.

The accounting standards, amendments and interpretations not adopted in advance for the period ended June 30, 2019 governed facts and cases that do not have significant effects on the balance sheet, income statement, cash flow statement and the information contained in the consolidated half-year financial statements.

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

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

IFRS 17 Insurance Contracts,

The new standard on insurance contracts improves transparency on profit sources and on the quality of profits realised and ensures a high level of results comparability, introducing a single standard for the recognition of revenues which reflects the services provided. IFRS 17 applies to financial statements for periods beginning January 1st 2021 or subsequently. The Endorsement Process by EFRAG is currently in progress.

Conceptual Framework for Financial Reporting

The main changes on the 2010 version concern a new chapter regarding measurement, improved definitions and guidance, in particular with regards to defining liabilities, and the clarification of important concepts such as stewardship, prudence and upon measurement uncertainties. Endorsement by the EU is expected in 2019.

Amendments to IFRS 3 Business Combination

The “Amendment to IFRS 3 Business Combinations” document introduced a much more restrictive definition of business than that contained in the present version of IFRS 3, in addition to a process to be followed to verify whether a transaction qualifies as a “business combination” or simply as the acquisition of an asset. The amendment should be applied to acquisitions occurring from January 1st 2020. Endorsement by the EU is expected in 2019.

“Amendments to IAS 1 and IAS 8: Definition of Material”

The objective of the document is to refine and align the definition of “Material” present in some IFRS, so that such is also consistent with the new Conceptual Framework for Financial Reporting approved in March 2018. The amendments are applied to financial statements concerning periods beginning on January 1 2020. Earlier application is permitted. Endorsement by the EU is expected in 2019.

1.9 Seasonality

While the second half of the year includes the summer months in which some services are not provided, management considers that the Group performance is overall not significantly impacted by seasonal factors.

Note 2 Acquisitions

Acquisition of the Dalla Rosa Prati Group

On February 5, 2019, the GHC Group fully acquired the Dalla Rosa Prati Group, an unlisted Group based in Parma operating in the private and accredited healthcare sector. The parent company Poliambulatorio Dalla Rosa Prati S.r.l. is specialised in out-patient care and mainly provides diagnostic imaging (Tac, Pet, Magnetic resonance etc.), orthodontic medicine and general surgery. Poliambulatorio Dalla Rosa Prati S.r.l. in turn wholly-owns the company Dalla Rosa Prati Grossi S.r.l.. The acquisition particularly fits with the “Buy and Build” strategy as concerning a strong region such as Emilia Romagna.

Assets acquired and liabilities assumed

The fair value of the identifiable assets and liabilities of the Dalla Rosa Prati Group CGU at the acquisition date were as follows:

<i>Euro thousands</i>	Fair value at acquisition
Assets	
Accreditation (intangible assets with indefinite useful life)	13,396
Intangible assets	405
Property, plant and equipment (Note 5)	12,170
Non-current financial assets	120
Deferred tax assets	70
Cash and cash equivalents	128
Trade receivables	1,298
Inventories	168
Current financial assets	146
Current assets	353
Liabilities	
Deferred tax liabilities	4,308
Trade payables	3,192
Current financial payables	951
Non-current financial payables	4,930
Current bank payables	1,651
Non-current bank payables	2,500
Employee benefits	516
Other current liabilities	1,047
Total net assets identifiable at fair value	9,159
Goodwill deriving from the acquisition	9,956
Consideration of the acquisition	19,115
Net cash flow of the acquisition	18,987

The surplus deriving from the acquisition represents the surplus of purchase costs on the fair value of the portion attributable to the Group, identifiable for Euro 13,396 thousand in the net assets attributable to the “accreditation” account at the acquisition date.

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

Accreditation activities relate to the administrative process by which the Group’s facilities qualify as fit to provide healthcare and social-care services on behalf of the Regional Health Service (SSR). Institutional accreditation is issued by the Region and is conditional on continuing satisfaction of the technological, infrastructural and personal requirements defined by national and regional provisions.

This category of asset presents the conditions for being considered with indefinite useful life, and therefore

this value is subject to an impairment test at least once a year and recorded at cost, net of losses deriving from impairment.

Acquisition of Ospedali Privati Riuniti S.p.A.

On May 6, 2019, the Group fully acquired the shares of Ospedali Privati Riuniti S.p.A., an unlisted company based in Bologna and owner of the Villa Regina and Nigrisoli hospitals with a total capacity of 170 beds, operating in the acute services sector and with a particular focus on orthopaedics, neurology and general surgery and well-considered by patients from outside the region.

The Group acquired Ospedali Privati Riuniti S.p.A. continuing its policy of both territorial and sectoral expansion and diversification; in fact, this acquisition allowed for the expansion of the healthcare services offer in the Emilia Romagna region, where the Group is already present with Hesperia Hospital Modena S.p.A., Casa di cura Prof. Nobili and Poliambulatorio Dalla Rosa Prati S.r.l.

Assets acquired and liabilities assumed

The fair value of the identifiable assets and liabilities of Ospedali Privati Riuniti S.p.A. at the acquisition date was as follows:

<i>Euro thousands</i>	Fair value at acquisition
Assets	
Accreditation (intangible assets with indefinite useful life)	35,427
Intangible assets	10
Property, plant and equipment (Note 5)	26,858
Non-current assets (including investments)	60
Deferred tax assets	958
Cash and cash equivalents	14,007
Trade receivables	7,274
Inventories	403
Current assets	444
Available-for-sale financial assets	3,050
Liabilities	
Deferred tax liabilities	15,704
Trade payables	3,400
Current financial payables	11
Non-current financial payables	1,028
Risk provisions	2,145
Employee benefits	719
Other current liabilities	2,146
Total net assets identifiable at fair value	63,338
Goodwill deriving from the acquisition	3,410
Consideration of the acquisition	66,748

Net cash flow of the acquisition	52,741
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The surplus deriving from the acquisition represents the surplus of purchase costs on the fair value of the portion attributable to the Group, identifiable for Euro 35,427 thousand in the net assets attributable to the accreditation of Ospedali Privati Riuniti at the acquisition date.

At the reporting date, the procedure for the valuation of the assets and liabilities acquired is still in the preliminary phase and therefore the value of goodwill is still provisional. Accreditation activities relate to the administrative process by which the Group's facilities qualify as fit to provide healthcare and social-care services on behalf of the Regional Health Service (SSR). Institutional accreditation is issued by the Region and is conditional on continuing satisfaction of the technological, infrastructural and personal requirements defined by national and regional provisions.

Note 3 Goodwill

Goodwill amounts at June 30, 2019 to Euro 52,181 thousand, increasing Euro 13,366 thousand compared to December 31, 2018 due to the changes in the consolidation scope. The account is broken down as follows:

<i>Euro thousands</i>	<i>At June 30</i>	<i>At December 31</i>	<i>Change</i>
	2019	2018	2019 vs 2018
Goodwill – CGU Rugani Hospital S.r.l.	6,936	6,936	-
Goodwill – CGU CMSR Veneto Medica S.r.l.	11,230	11,230	-
Goodwill – CGU Villa Von Siebenthal S.r.l.	2,957	2,957	-
Goodwill – CGU Gruppo Fides Medica	17,646	17,646	-
Goodwill – CGU Casa di Cura Prof. Nobili S.p.A.	46	46	-
Goodwill - Poliambulatorio Dalla Rosa Prati CGU	9,956	-	9,956
Goodwill - Ospedali Privati Riuniti S.p.A.	3,410	-	3,410
Total Goodwill	52,181	38,815	13,366

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

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

Goodwill and accreditation acquired through business combinations were allocated for the purpose of verifying the impairment loss of the cash generating units identified for the Group at the level of the individual entity, except the Fides Medica Group and the recently-acquired Dalla Rosa Prati Group, identified as a single CGU.

The Group undertakes an impairment test annually (at December 31) and when circumstances indicate the possibility of a reduction in the recoverable value of goodwill. The impairment test on the value of the goodwill and of the intangible assets with indefinite useful life is based on the calculation of the value in use. The key assumptions utilised to determine the recoverable value of the various cash generating units (CGU's) are illustrated in the consolidated financial statements at December 31, 2018.

In reviewing the impairment test indicators, the Group assessed both internal and external factors, while not recognising the existence of these indicators. With particular regard to the subsidiaries Villa Von Siebenthal and the Fides Group, which at December 31, 2018 indicated moderate sensitivity with regards to headroom to changes to the WACC and EBITDA, the Group on the basis of the available information, both with regards to H1

actual EBITDA against that planned and with regards to the WACC, did not identify indicators of impairment and therefore did not consider it necessary to carry out an impairment test.

Note 4 Other intangible assets

The breakdown of the item Other intangible assets at June 30, 2019, compared with the same values at December 31, 2018, is as follows:

<i>Euro thousands</i>	<i>At June 30</i>	<i>At December 31</i>	<i>Change</i>
	2019	2018	2019 vs 2018
Concessions, licenses, trademarks & similar rights	45	16	29
Accreditation	62,350	13,528	48,822
Software	440	491	(51)
Other intangible assets	134	14	120
Assets in progress and advances	222	3	219
Total other intangible assets	63,191	14,053	49,138

The table below shows the movements in individual items of Intangible assets during the period ended June 30, 2019.

<i>Euro thousands</i>	<i>Concessions, licenses, trademarks & similar</i>	<i>Software</i>	<i>Accreditation</i>	<i>Other intangible assets</i>	<i>Assets in progress and advances</i>	<i>Total</i>
Net value at December 31, 2018	16	491	13,528	14	3	14,053
Acquisition	2	55	0	11	1	69
Amortisation & Depreciation	(17)	(137)	0	(21)	0	(175)
Transfers/Reclassifications	0	0	0	0	0	0
Change in consolidation scope	44	31	48,823	130	217	49,245
Net value at June 30, 2019	45	440	62,351	134	221	63,191

Concessions, licenses, trademarks & others

Concessions, licenses, trademarks and similar rights amount to Euro 45 thousand at June 30, 2019, a net increase on Euro 29 thousand at December 31, 2018, due to (i) for Euro 17 thousand amortisation in the period; (ii) for Euro 44 thousand the change in the consolidation scope, mainly relating to the new company Poliambulatorio Dalla Rosa Prati S.r.l. acquired in February 2019.

Software

The item Software refers to the applications used by the administrations and for the healthcare activities of the Group companies.

In H1 2019, the Group made investments in software of Euro 55 thousand, mainly attributable to Hesperia Hospital S.p.A., Rugani Hospital S.r.l. and Fides Servizi S.c.a.r.l.. Amortisation in the period amounted to Euro 137 thousand.

The change in the consolidation scope for Euro 31 thousand is due for Euro 23 thousand to Poliambulatorio Dalla Rosa Prati S.r.l. and for Euro 8 thousand to Ospedali Privati Riuniti S.p.A.

Accreditation

The account amounts to Euro 62,351 thousand, an increase of Euro 48,823 thousand compared to December 31, 2018. The change mainly concerns the excess over fair value deriving from the acquisition of the companies Poliambulatorio Dalla Rosa Prati S.r.l. and Ospedali Privati Riuniti S.p.A.. The surplus of purchase costs on the fair value of the portion attributable to the Group is identifiable as Euro 13,396 thousand for the net assets attributable to the accreditation of Poliambulatorio Dalla Rosa Prati S.r.l. at the acquisition date, and for Euro 35,427 thousand the accreditation of Ospedali Privati Riuniti S.p.A..

At the reporting date, the procedure for the valuation of the assets and liabilities acquired, relating to the Dalla Rosa Prati Group and Ospedali Privati Riuniti S.p.A. is still in the preliminary phase and therefore the value of goodwill is still provisional.

Accreditation activities relate to the administrative process by which the Group's facilities qualify as fit to provide healthcare and social-care services on behalf of the Regional Health Service (SSR). Institutional accreditation is issued by the Region and is conditional on continuing satisfaction of the technological, infrastructural and personal requirements defined by national and regional provisions.

Other intangible assets

The account includes residual categories of assets, which, given their scarce significance, are not in a specific item. The balance at June 30, 2019 was Euro 134 thousand and the net change in the period of Euro 120 thousand concerns the decrease from amortisation in the period of Euro 21 thousand and the change to the consolidation scope of the companies Poliambulatorio Dalla Rosa Prati S.r.l. and Dalla Rosa Prati Grossi S.r.l., respectively for Euro 98 thousand and Euro 32 thousand - for a total of Euro 130 thousand.

Assets in progress and advances

The account reports a balance of Euro 221 thousand, increasing by Euro 217 thousand over December 31, 2018, with this amount entirely relating to the change in the consolidation scope and the inclusion of the company Poliambulatorio Dalla Rosa Prati S.r.l.. These costs concern outsourced research and design concerning a probable expansion of operations into radiotherapy services.

Note 5 Property, plant and equipment

The table below shows the breakdown of Property, plant and equipment at June 30, 2019 compared with December 31, 2018.

<i>Euro thousands</i>	<i>At June 30</i>	<i>At December 31</i>	<i>Change</i>
	2019	2018	2019 vs 2018
Land & Buildings	107,301	75,850	31,452
Leasehold improvements	3,223	1,353	1,870
Plant and Machinery	3,418	2,062	1,356
Industrial and commercial equipment	7,846	7,602	244
Other assets	1,449	836	613

Rights-of-use	10,109	-	10,109
Assets in progress and advances	5,940	5,443	497
Total	139,285	93,145	46,139

The following table outlines the movement in the account for the period ending June 30, 2019.

<i>Euro thousands</i>	<i>Land and Buildings</i>	<i>Leasehold improvements</i>	<i>Plant and machinery</i>	<i>Commercial and industrial equipment</i>	<i>Other assets</i>	<i>Rights-of-use</i>	<i>Assets in progress and advances</i>	<i>Total</i>
Net value at December 31, 2018	75,849	1,353	2,062	7,602	836	-	5,443	93,152
Acquisition	106	121	64	685	233	10,958	306	12,472
Amortisation & Depreciation	(1,695)	(185)	(317)	(831)	(251)	(850)	-	(4,128)
Sales	-	-	-	(208)	(60)	-	-	(268)
Decrease	-	-	-	153	58	-	-	212
Change in consolidation scope	33,041	1,934	1,609	438	633	-	191	37,846
Net value at June 30, 2019	107,301	3,223	3,418	7,845	1,449	10,109	5,940	139,285

Land & Buildings

The account mainly includes the properties owned by the care clinics and amounted to Euro 107,301 thousand at June 30, 2019, compared to Euro 75,850 thousand in 2018, with a net increase of Euro 31,452 thousand, relating to:

(i) extraordinary maintenance works carried out by the Group companies for Euro 106 thousand, of which Euro 61 thousand at like-for-like scope and the remaining Euro 45 thousand concerning the new companies acquired, and more specifically Euro 39 thousand for Poliambulatorio Dalla rosa Prati and Euro 6 thousand for Ospedali Privati Riuniti S.p.A.. These works were carried out to maintain the high-quality standards of the clinics;

(ii) an increase due to the change in the consolidation scope of Euro 33,041 thousand, mainly concerning Poliambulatorio Dalla Rosa Prati S.r.l. (Euro 3,374 thousand), Dalla Rosa Prati Grossi S.r.l. (Euro 4,282) and Ospedali Privati Riuniti S.p.A. (Euro 25,385 thousand), entering the consolidation scope in the first half of 2019;

(iv) depreciation in the period of Euro 1,695 thousand;

Leasehold improvements

The account at June 30, 2019 amounted to Euro 3,223 thousand, compared to Euro 1,353 thousand at December 31, 2018, increasing by Euro 1,870 thousand. The net increase mainly concerns:

(i) improvement works of Euro 121 thousand, concerning mainly Casa di Cura Prof. Nobili (Euro 42 thousand) and F.I.D.E.S. Medica S.r.l. (Euro 73 thousand);

(ii) an increase of Euro 1,934 thousand following the change in the consolidation scope, mainly concerning Poliambulatorio Dalla Rosa Prati S.r.l.;

(iii) depreciation in the period of Euro 185 thousand.

Plant and equipment

The account at June 30, 2019 amounted to Euro 3,418 thousand, compared to Euro 2,062 thousand at December 31, 2018, increasing by Euro 1,356 thousand. The net increase mainly concerns:

(i) the change in the consolidation scope for Euro 1,609 thousand, of which Poliambulatorio Dalla Rosa Prati S.r.l. equal to Euro 564 thousand and Ospedali Privati Riuniti S.p.A. equal to Euro 1,045 thousand;

(ii) an increase of Euro 64 thousand mainly concerning the Group companies at like-for-like consolidation scope;

(iii) amortisation in the period of Euro 317 thousand;

Industrial & commercial equipment

Industrial and commercial equipment amounted to Euro 7,846 thousand at June 30, 2019, compared to Euro 7,608 thousand at December 31, 2018. The net increase of Euro 238 thousand mainly concerns:

(i) acquisitions during the period of Euro 685 thousand, mainly concerning Hesperia Hospital Modena S.p.A. (Euro 318 thousand), L'Eremo di Miazzina S.p.A. (Euro 144 thousand) and Casa di Cura Prof. Nobili (Euro 53 thousand) and with Euro 79 thousand concerning Poliambulatorio Dalla Rosa Prati S.r.l., subsequent to joining the GHC S.p.A. Group;

(ii) disposals totalling Euro 208 thousand, concerning the historic cost and mainly regarding Rugani Hospital S.r.l. for Euro 121 thousand and Casa di Cura Villa Berica for Euro 87 thousand and decreases and accumulated depreciation of Euro 153 thousand, respectively concerning Rugani Hospital S.r.l. for Euro 68 thousand and Casa di Cura Villa Berica for Euro 85 thousand;

(iii) an increase of Euro 438 thousand concerning Poliambulatorio Dalla Rosa Prati S.r.l. regarding the change in the consolidation scope;

Other Assets

Other assets mainly consists of cars, transport vehicles, electronic machines, furniture and furnishings. The account at June 30, 2019 amounts to Euro 1,449 thousand, compared to Euro 836 thousand at December 31, 2018. The net change in the account of Euro 613 thousand concerns mainly:

(i) the acquisition of new assets for approx. Euro 233 thousand; These increases concern for Euro 93 thousand casa di Cura Prof. Nobili, for Euro 35 thousand casa di Cura Villa Berica and finally for Euro 27 thousand Centro Riabilitazione s.r.l.;

(ii) decreases for disposals regarding Casa di Cura Prof. Nobili for Euro 60 thousand for the historic cost and Euro 58 thousand with regards to accumulated depreciation;

(iii) increase of Euro 633 thousand due to the change in consolidation scope relating to Poliambulatorio Dalla Rosa Prati S.r.l. (Euro 436 thousand) and Ospedali Privati Riuniti S.p.A. (Euro 239 thousand);

(iv) amortisation in the period of Euro 251 thousand.

Rights-of-use

The account includes the effects from application of the new standard IFRS 16 from January 1, 2019 according to the method described previously in the accounting policies section for the condensed consolidated half-year financial statements at June 30, 2019.

The impact of the new standard, separating the impact at like-for-like consolidation scope and the effects from the new acquisitions in the first half of 2019 are presented below, in terms of the historic cost and depreciation recognised to the financial statements at June 30, 2019:

Description	Like-for-like scope	Change in consolidation scope	Total at June 30, 2019
Right-of-use assets	9,785	1,174	10,959
Depreciation	537	313	850
Financial charges	159	14	173

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

Assets in progress and advances

The account at June 30, 2019 amounted to Euro 5,940 thousand, compared to Euro 5,443 thousand for the preceding period. The net increase of Euro 497 thousand mainly concerns:

- (i) investments for Euro 657 thousand concerning the company Ro. E. Mar S.r.l. (Euro 503 thousand) and Rugani Hospital S.r.l. (Euro 136 thousand).
- (ii) Increases due to the change in the consolidation scope for Euro 191 thousand, relating mainly to Ospedali Privati Riuniti S.p.A.
- (iii) decreases for Euro 351 thousand, mainly concerning the company L'Eremo di Miazzina S.p.A. (Euro 328 thousand).

Note 6 Investment properties

Investments properties at June 30, 2019 amount to Euro 1,007 thousand, reducing Euro 20 thousand compared to December 31, 2018 due to depreciation in the period.

The following table presents the movements in the account.

<i>Euro thousands</i>	<i>At June 30</i>	<i>At December 31</i>	<i>Change</i>
	2019	2018	2019 vs 2018
Investment property	1,007	1,027	(20)
Total investment properties	1,007	1,027	(20)

The Group's investment properties primarily refer to the apartments owned by L'Eremo di Miazzina S.p.A. of Euro 803 thousand, by Hesperia Hospital Modena S.p.A. of Euro 40 thousand and by FI.D.ES. Medica S.r.l. for Euro 164 thousand. These are properties not intended for industrial use or for use in the Group's core business, held specifically for investment purposes. Accordingly, pursuant to IAS 40, such investment properties have been classified as investments and measured according to the cost model. The value recognized is represented by historical cost, less cumulative depreciation charges.

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

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

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

See Note 41 for information on the fair value hierarchy for investment properties. It should be noted that:

- measurement is classified to Level 3 of the fair value hierarchy, meaning it is based on unobservable inputs obtained by estimating market value according to the average values in the Italian Agency of Revenue's O.M.I. database and the Borsino Immobiliare database (2019) for properties similar to those being measured;
- it should be noted that the fair value described above is greater than the current value in use, approximated by the item's net book value.

Note 7 Equity investments

The value of equity investments at June 30, 2019 was Euro 831 thousand and concerns investments in associates for Euro 747 thousand and capital instruments for Euro 84 thousand.

Investments in associates

The equity investments in associates refer solely to Il Fiocco S.c.a.r.l., in which the Group holds a 40% shareholding by virtue of the acquisition of the Fides Group completed in 2017.

The table below contains a breakdown of investments in associates at June 30, 2019 and December 31, 2018.

<i>Euro thousands</i>	<i>At June 30</i>	<i>At December 31</i>	<i>Change</i>
	2019	2018	2019 vs 2018
Il Fiocco S.c.a.r.l.	747	847	(100)
Total investments in associates	747	847	(100)

The reduction in the account compared to the previous year of Euro 100 thousand concerns the pro-quota results for the period of Euro 100 thousand, adjusted for dividends recognised by the subsidiary Fides Medica, which holds the investment, amounting to Euro 200 thousand.

The key financial highlights of the associate for H1 2019 are set out below:

<i>Euro thousands</i>	<i>At June 30</i>
	2019
Current Assets	1,965
Non-current assets	421
Current liabilities	(1,516)

Non-current liabilities	(267)
Shareholders' Equity	603
Shareholders' equity attributable to the Group - 40%	241
Goodwill	506
Carrying value of the Group's investment	747

<i>Euro thousands</i>	H1
	2019
Revenues	2,860
Cost of Sales	(2,337)
Amortisation, depreciation, and write-downs	(124)
Financial charges	(6)
Profit before taxes	393
Income taxes	(143)
Net profit from continuing operations	250
Other comprehensive items which may be subsequently reclassified to profit/(loss) for the period net of income taxes	-
Other comprehensive items which may not be subsequently reclassified to profit/(loss) for the period net of income taxes	-
Other comprehensive income from continuing operations	250
Net profit attributable to the Group	100

At June 30, 2019, the associate did not have any contingent liabilities or commitments.

Capital instruments

A breakdown of equity investments at June 30, 2019 is presented below.

<i>Euro thousands</i>	At June 30	At December 31	Change
	2019	2018	2019 vs 2018
Banca Valpolicella Benaco Coop.	5	5	-
C.O.P.A.G. S.p.A.	1	1	-
CAAF Emilia Centrale	3	3	-
Poliambulatorio Exacta S.r.l.	11	11	-
Ottica Modenese	11	11	-
Idroterapic S.r.l.	45	-	45
Minor . copag. S.p.A	8	-	8
Total share capital instruments	84	31	53

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

The increase in the account substantially concerns the change to the Group scope with the consolidation of the company Ospedali Privati Riuniti S.p.A., which holds an investment in Idroterapic S.r.l of Euro 45 thousand, which provides rehabilitation tank therapy services considered beneficial for patients affected by particular orthopaedic, neurological and vascular illnesses.

It should be noted that (i) in the case of the equity investment in Poliambulatorio Exacta S.r.l., held by Hesperia Hospital S.p.A., the gross book value of which is Euro 63 thousand, the total impairment loss of Euro 52 thousand recognised in previous years was maintained.

Note 8 Other non-current financial assets

“Other non-current financial assets” at June 30, 2019 amount to Euro 5,126 thousand, increasing Euro 3,584 compared to December 31, 2018.

The following table provides a breakdown of the account:

<i>Euro thousands</i>	At June 30	At December 31	Change
	2019	2018	2019 vs 2018
Advances on equity investments	5,000	1,500	3,500
Guarantee Deposits	122	42	80
Other financial receivables	4	-	4

Total other non-current financial assets	5,126	1,542	3,584
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The movement in the account “advances on equity investments” of Euro 3,500 thousand stems from the following net effects: (i) reduction of the provision of Euro 1,500 thousand paid on December 21, 2018 following the signing of the preliminary contract for the acquisition of 100% of Poliambulatorio Dalla Rosa Prati. This amount therefore excludes the acquisition price following the closing of the transaction in February 2019; (ii) payment of an advance of Euro 4,900 thousand by the subsidiary GHC Project 3 S.r.l. for the signing of a preliminary contract for the purchase of San Biagio S.r.l. and Università Castrense S.r.l. in June 2019; (iii) payment of an advance of Euro 100 thousand by the holding company GHC S.p.A. for the signing of a preliminary contract for the purchase of the company BIMAR S.r.l. in June 2019.

The account includes guarantee deposits of the Group companies to third parties for Euro 122 thousand, with an increase of Euro 80 thousand concerning for Euro 50 thousand the company Hesperia Hospital S.p.A.

Note 9 Other non-current assets

“Other non-current assets” amounted to Euro 1,000 thousand and included Euro 991 thousand of receivables due beyond one year relating to the tax on the realignment of the accounting and tax values of the goodwill recognized following the reverse merger of Garofalo Veneta S.r.l. into CMSR Veneto Medica S.r.l. in 2014.

The following table presents a breakdown of the other non-current assets at June 30, 2019 and December 31, 2018.

<i>Euro thousands</i>	<i>At June 30</i>	<i>At December 31</i>	<i>Change</i>
	2019	2018	2019 vs 2018
Realignment substitute tax credits	991	991	-
Other receivables	9	11	(2)
Total other non-current assets	1,000	1,002	(2)

Note 10 Deferred tax assets and liabilities

Deferred tax assets and liabilities

The composition of “Deferred tax assets and liabilities” at June 30, 2019, compared with the situation at December 31, 2018, is presented below.

<i>Euro thousands</i>	<i>At June 30</i>	<i>At December 31</i>	<i>Change</i>
	2019	2018	2019 vs 2018
Deferred tax assets:			
within 1 year	-	-	-
over 12 months	4,276	3,250	1,026
Total	4,276	3,250	1,026
Deferred tax liabilities:			
within 1 year	-	-	-
over 12 months	(28,535)	(8,385)	(20,150)
Total	(28,535)	(8,385)	(20,150)
Net balance	(24,259)	(5,135)	(19,124)

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

The following table presents the movements in deferred tax assets and liabilities for the first half of 2019 and the year ended December 31, 2018.

<i>Euro thousands</i>	<i>2019</i>	<i>2018</i>
Net opening balance	(5,135)	(4,316)
Credit / (Debit) to the income statement	(347)	(614)
Other changes	(18,926)	(64)
Credit / (Debit) to equity	149	(141)
Net closing balance	(24,259)	(5,135)

Net deferred tax assets and liabilities amounted to a net liability of Euro 24,259 thousand at June 30, 2019.

Note 11 Inventories

The following table breaks down inventories at June 30, 2019, compared with December 31, 2018.

<i>Euro thousands</i>	<i>At June 30</i>	<i>At December 31</i>	<i>Change</i>
	2019	2018	2019 vs 2018
Raw material, ancillaries and consumables	2,839	2,218	621
Inventories	2,839	2,218	621

Inventories amounted to Euro 2,839 thousand at June 30, 2019 and to Euro 2,218 thousand at December 31, 2018. The account, which consists solely of raw materials, supplies and consumables, refers to the materials used in the clinical and hospital activities of the Group's companies.

The movement in the account of Euro 621 thousand mainly concerns the inclusion in the consolidation scope of the companies Poliambulatorio dalla Rosa Prati, Dalla Rosa Prati Grossi and Ospedali Privati Riuniti S.p.A. for a total amount of Euro 558 thousand.

Note 12 Trade receivables

Trade receivables at June 30, 2019 amount to Euro 53,475 thousand compared to Euro 35,239 thousand at December 31, 2018, with a net increase of Euro 18,236 thousand. The account is broken down as follows:

<i>Euro thousands</i>	<i>At June 30</i>	<i>At December 31</i>	<i>Change</i>
	2019	2018	2019 vs 2018
Receivables – private customers	8,238	4,551	3,687
Receivables – local health authorities	50,602	34,427	16,175
Other receivables	278	639	(361)
Bad debt provision	(5,643)	(4,378)	(1,265)
Total trade receivables	53,475	35,239	18,236

The increase in trade receivables of Euro 18,236 thousand, relating to the change in the consolidation scope for Euro 8,721 thousand, concerning for Euro 7,326 thousand Ospedali Privati Riuniti S.p.A. and for Euro 1,395 thousand Poliambulatorio dalla Rosa Prati.

At like-for-like scope, an increase in the receivables of Hesperia Hospital of Euro 3,278 thousand is reported, for Rugani Hospital of Euro 2,360 thousand, for Casa di Cura Vila Berica of Euro 1,281 thousand and finally for l'Eremo di Miazzina of Euro 1,040 thousand. These increases substantially concerned an extension of the timings by which the Health Authorities (ASL's) settled the final quarter of the previous year, mainly due to the controls carried out and partly the delaying of invoicing times and therefore of receipt.

Trade receivables refer solely to provisions rendered within Italy and there are no receivables due beyond twelve months.

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

<i>Euro thousands</i>	December 31, 2018	Provisions	Recl.	Utilisations	Change Boundary	June 30, 2019
Doubtful debt provision	4,378	246	-	(39)	1,058	5,643

The Doubtful debt provision at June 30, 2019 was Euro 5,643 thousand, increasing Euro 1,265 thousand over December 31, 2018. The change in the account mainly concerns:

- (i) Euro 246 thousand for provisions made by the company Hesperia Hospital Modena S.p.A.;
- (ii) Euro 1,058 thousand due to the change in the consolidation scope, with the inclusion in the GHC Group of the company Ospedali Privati Riuniti S.p.A.;
- (iii) Euro 39 thousand, mainly due to the utilisation of the doubtful debt provision by the company Ro. E. Mar S.r.l.

In terms of the mechanisms to calculate expected losses, IFRS 9, in view of the nature of its receivables, the Company has decided to apply a loss-rate approach, which consists of determining percent loss rates on a statistical basis as a function of the losses recorded over a twelve-month period and the residual lifetime of the receivables, and then adjusting these historical trends to take account of current conditions and future expectations. Consequently, the Company has divided its receivables portfolio into uniform risk classes and then determined a loss rate for each uniform portfolio thus identified on the basis of the historical default experience for each portfolio. The Company then updated the historical rates thus obtained to take account of current economic conditions and reasonable expectations regarding future economic conditions.

Note 13 Tax receivables

The table below shows the breakdown of tax receivables at June 30, 2019, compared with December 31, 2018.

<i>Euro thousands</i>	<i>At June 30</i>	<i>At December 31</i>	<i>Change</i>
	2019	2018	2019 vs 2018
Other receivables and current assets – tax receivables for IRES and IRAP refund applications	437	647	(210)
Tax receivables – IRES prepayment	1,772	1,709	63
Tax receivables – IRAP prepayment	165	13	152
Tax receivables – from tax consolidation	-	-	-
Tax receivables – other tax receivables	100	715	(615)
Total tax receivables	2,474	3,084	(610)

Tax receivables at June 30, 2019 amounted to Euro 2,474 thousand, compared to Euro 3,084 thousand in the preceding period, with a net decrease of Euro 610 thousand.

At June 30, 2019, the account mainly comprised tax receivables arising from IRES and IRAP refund applications for Euro 437 thousand, total IRES and IRAP prepayments of Euro 1,937 thousand and other tax receivables of Euro 100 thousand.

The IRES advances of Euro 1,772 thousand include the receivable of the parent company GHC for Euro 1,258 thousand, concerning advances paid in the previous year by the consolidated companies, net of income taxes due for the period.

A decrease of Euro 611 thousand was reported on December 31, 2018, mainly concerning: (i) the net decrease of tax receivables for IRES and IRAP applications for Euro 210 thousand (reduction of Euro 317 thousand concerning Eremo di Miazzina S.p.A. due to the reclassification of the account to "other receivables and other assets" and increasing Euro 105 thousand due to the change in the consolidation scope with the inclusion in the GHC Group of the company Ospedali Privati Riuniti S.p.A.); (ii) the increase in IRES and IRAP advances for Euro 215 thousand for the companies not within the tax consolidation, mainly concerning the change in the consolidation scope regarding Poliambulatorio Dalla Rosa Prati S.r.l. and its subsidiary (Euro 337 thousand); (iii) the decrease in the account "other tax receivables" of Euro 615 thousand, with Euro 602 thousand concerning Hesperia Hospital Modena S.p.A. due to the offsetting of the scientific research receivable matured at December 31, 2018.

Note 14 Other receivables and current assets

Other receivables and current assets amounted to Euro 3,740 thousand at June 30, 2019, compared to Euro 2,507 thousand at December 31, 2018, an increase of Euro 1,233 thousand.

The changes in the account were as follows:

<i>Euro thousands</i>	<i>At June 30</i>	<i>At December 31</i>	<i>Change</i>
	2019	2018	2019 vs 2018
Other receivables and current assets - from suppliers for payments on account	370	346	24
Other receivables and current assets - from others	457	461	(5)
Other receivables and current assets - from employees	4	6	(3)
Other receivables and current assets - from social-security institutions	36	24	12
Other tax receivables	1,626	1,033	592
Other receivables and current assets - prepayments and accrued income (non-financial)	1,247	635	612
Total other receivables and current assets	3,740	2,507	1,233

The account mainly breaks down as follows:

- (i) supplier advances of Euro 370 thousand, mainly concerning for Euro 188 thousand Hesperia Hospital Modena S.p.A. and for Euro 142 thousand Rugani Hospital S.r.l.;
- (ii) other receivables totalling Euro 457 thousand, of which Euro 426 thousand concerning Villa Von Siebenthal S.r.l.;
- (iii) other tax receivables of Euro 1,626 thousand, mainly concerning Garofalo Health Care S.p.A. for an amount of Euro 946 thousand and concerning VAT receivables. The movement in the account concerns the reclassification of the receivables of the companies Raffaele Garofalo & C. S.a.p.a. for Euro 670 thousand

- (Euro 261 thousand Hesperia Hospital Modena S.p.A., Euro 370 thousand L'Eremo di Miazzina S.p.A. and Euro 39 thousand Centro Medico Palladio S.r.l. in liquidation);
- (iv) prepayments and accrued income concerning non-financial assets for Euro 1,247 thousand at June 30, 2019, of which Euro 152 thousand concerning C.M.S.R. Veneto Medica S.r.l., Euro 335 thousand concerning Hesperia Hospital Modena S.p.A., Euro 145 thousand concerning Casa di Cura Prof. Nobili S.p.A. and Euro 119 thousand the company L'Eremo di Miazzina S.p.A.; a further increase in the account of Euro 231 thousand relates to the new companies entering the consolidation scope in the first half of 2019 (Euro 102 thousand Poliambulatorio Dalla Rosa Prati S.r.l., Euro 53 Ospedali Privati Riuniti S.p.A. and Euro 76 thousand GHC Project 2 S.r.l.).

Note 15 Other current financial assets

Current financial assets at June 30, 2019 amount to Euro 150 thousand. The balance of the account breaks down as follows: (i) Euro 100 thousand regarding the receivable of the company F.I.D.E.S. Medica S.r.l. for the residual portion of dividends approved but not yet settled by the associate Il Fiocco S.c.a.r.l.; (ii) Euro 47 thousand concerning financial prepayments and accrued income of the companies Hesperia Hospital Modena S.p.A. (Euro 18 thousand), Rugani Hospital S.r.l. (Euro 15 thousand) and Fides Group (Euro 14 thousand).

Note 16 Cash and cash equivalents

The changes in the account were as follows.

<i>Euro thousands</i>	<i>At June 30</i>	<i>At December 31</i>	<i>Change</i>
	2019	2018	2019 vs 2018
Bank current accounts	33,928	92,164	(58,236)
Cheques and cash	222	123	99
Total cash and cash equivalents	34,150	92,287	(58,137)

The amounts shown can be readily converted into cash and does not have a significant risk of change in value. The decrease in the account compared to December 31, 2018 is mainly due to the utilisation of liquidity for acquisition-led growth, with the acquisition of the companies Poliambulatorio Dalla Rosa Prati in February 2019 and Ospedali Privati Riuniti S.p.A. in May 2019, in addition to the acquisition of the minority holdings in Casa di Cura Prof. Nobili and Casa di Cura Villa Garda and the advance on the price paid in June for the acquisition of the companies Centro Medico San Biagio Spa, Centro Medico Università Castrense S.r.l. and BIMAR S.r.l.

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

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

Note 17 Assets held-for-sale

The increase in the account of Euro 3,051 thousand exclusively concerns the change in the consolidation scope regarding the company Ospedali Privati Riuniti S.p.A. and includes a low risk and liquid investment product finalised in July. As the disposal was subsequent to period-end, in accordance with IFRS 5 this asset was classified to assets held-for-sale.

Note 18 Shareholders' equity

Share capital

At June 30, 2019, the fully paid-in share capital amounted to Euro 28,700 thousand and consisted of 82,000,000 ordinary shares without par value. The share capital of the company remained unchanged compared to December 31, 2018.

The table below reports the GHC Group's ownership structure at December 31, 2018, 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-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 confers two votes. For further information, reference should be made to paragraph 2, letter d), of the Corporate Governance Report.</p> <p>The shareholders' rights and obligations are as established in Articles 2346 <i>et seq.</i> of the Italian Civil Code and Article 7 of the By-laws with regard to multi-voting rights.</p>

Shareholder	Direct shareholder	% of ordinary share capital	% of voting share capital
Garofalo Maria Laura ⁽¹⁾	Anrama S.p.A.	70.798% ⁽²⁾	80.373% ⁽²⁾
	Larama 98 S.p.A.		
	Garofalo Maria Laura		
Peninsula Capital II S.a.r.l. ⁽²⁾	PII 4 S.à.r.l.	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.

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

⁽¹⁾ Source: GHC Group

⁽²⁾ Percentages concern number of total shares, including treasury shares

⁽²⁾ Source: GHC Group and Consob; figures at December 31, 2018.

with Article 143-quater of the Consob Issuers' Regulation also presents the identification details of the shareholders who have applied for registration in the List, with indication of their individual holdings – in any event exceeding the threshold indicated by Article 120, paragraph 2 of the CFA – date of registration and date of attainment of multi-vote rights.

Legal reserve

At June 30, 2019, the legal reserve amounted to Euro 310 thousand, increasing Euro 250 thousand due to the Shareholders' Meeting motion of May 24, 2019 which stipulated the allocation of 5% of the parent company's net profit.

Other Reserves

The composition of the account "Other reserves" at June 30, 2019, with a comparison to December 31, 2018, is presented below.

<i>Euro thousands</i>	<i>At June 30</i>	<i>At December 31</i>	<i>Change</i>
	2019	2018	2019 vs 2018
Extraordinary reserve	9,096	4,398	4,698
Shareholder capital payments reserve	5,146	5,146	-
Conferment reserves	37,006	37,006	-
Stock Grant plan reserve	485	485	-
Provision as per Article 40 By-Laws	45	-	45
Reserve - IAS 19 Post-employment benefits	(794)	(325)	(469)
First Time Adoption Reserve	2,320	2,320	-
Retained earnings	33,804	25,014	8,790
Share Premium Reserve	62,463	62,463	-
Revaluation reserve	-	-	-
Reserve for treasury shares in portfolio	(558)	-	(558)
Non-distributable unrealised exchange gains reserve	-	-	-
Euro rounding reserve	-	-	-
Other reserves	149.013	136,507	12.506

At June 30, 2019, Other Reserves amounted to Euro 149,013 thousand, with a net increase of Euro 12,506 thousand compared to December 31, 2018, mainly as a combined effect of: i) the change in the IAS 19 actuarial effects reserve of Euro 469 thousand, ii) the change in the treasury shares in portfolio reserve following the acquisition of 140,896 shares, for Euro 558 thousand, according to the Board of Directors' motion of January 29, 2019 and the Shareholders' Meeting motion of May 24, 2019, iii) the increase in consolidated retained earnings/accumulated losses Euro 8,790 thousand; iv) the increase in the extraordinary reserve of Euro 4,698 thousand due to the Shareholders' Meeting motion of May 24, 2019, which stipulated the allocation of a portion of the parent company's net profit to this reserve.

With regards to the reserve of Euro 485 thousand for the setting up of the stock grant plan reserve according to the motion of the Board of Directors of GHC S.p.A. of September 26, 2018, at the time of preparation of these notes, the allocations had yet to be made, and accordingly no assessment was required under IFRS 2.

The IFRS first-time adoption reserve, amounting to a positive Euro 2,320 thousand at June 30, 2019, represents the effects on shareholders' equity of the transition to IASs/IFRSs by the Garofalo Health Care Group.

Note 19 Employee Benefits

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

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

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

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

	At June 30	At December 31
	2019	2018
Annual inflation rate	1.00%	1.00%
Annual real remuneration rate by category:		
Executives	2.60%	2.60%
Managers	1.70%	1.70%
White-collar	1.40%	1.40%
Annual increase in post-employment benefit	1.87%	1.87%

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

<i>Euro thousands</i>	
Balance at December 31, 2018	8,769
Financial charges/(income)	7
Utilisations	-
Net actuarial gains/(losses) recognized in the year	622
Transfer in/(out)	670
Cost for service	277
Balance at June 30, 2019	10,345

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

the first half of 2019 and for the year ended December 31, 2018 are summarized in the following tables.

		30 June 19		
		Annual discount rate		
		-10%	100%	10%
Annual inflation rate	-10%	10,295	10,275	10,255
	100%	10,351	10,345	10,311
	10%	10,409	10,388	10,368

Note 20 Provision for risks and charges

“Provisions for risks and charges” at June 30, 2019 and at December 31, 2018 respectively amounted to Euro 8,970 thousand and Euro 6,150 thousand and mainly include risks provisions for healthcare cases.

A breakdown of “Provisions for risks and charges” at June 30, 2019, compared with December 31, 2018, is presented below:

<i>Euro thousands</i>	At June 30	At December 31	Change
	2019	2018	2019 vs 2018
Provisions for risks and charges – End-of-service indemnity provisions	148	119	29
Provisions for risks and charges – Provisions for healthcare lawsuit risks	7,505	5,746	1,759
Provision for risks and charges – Other provisions for risks and charges	1,317	285	1,032
Total provisions for risks and charges	8,970	6,150	2,820

The changes in the “Provisions for risks and charges” in the period ended June 30, 2019 - compared with December 31, 2018 - are presented below.

<i>Euro thousands</i>	Provisions for risks and charges – End-of-service indemnity provisions	Provisions for risks and charges – Provisions for healthcare lawsuit risks	Provision for risks and charges – Other provisions for risks and charges	Total
Net value at December 31, 2018	119	5,746	285	6,150
Provisions	29	310	1,100	1,439
Decrease	-	(281)	(62)	(343)
Reversals	-	(415)	(21)	(436)
Change in consolidation scope	-	2,145	15	2,160
Net value at June 30, 2019	148	7,505	1,317	8,970

Provisions for risks and charges include the total end-of-service indemnities for directors of Euro 148 thousand at June 30, 2019, compared with a balance of Euro 119 thousand at December 31, 2018, with a movement of Euro 29 thousand concerning the accruals in the period made by: Rugani Hospital S.r.l. for Euro 10 thousand, C.M.S.R. Veneto Medica S.r.l. for Euro 6 thousand and Casa di Cura Prof. Nobili S.p.A. for Euro 13 thousand.

Provisions for healthcare lawsuit risks amount to Euro 7,505 thousand at June 30, 2019, with a net increase over December 31, 2018 of Euro 1,759 thousand. The item includes liabilities deemed probable in respect of damage claims brought by patients of the facilities in the course of their healthcare services, both under

accreditation from the government and privately. The accrual has been based on a thorough analysis of the damage claims brought in and out of court, which the company, with the support of its legal counsel, has decided to recognize in its accounts. The change in the account was due to:

- (i) Provisions of Euro 310 thousand, relating for Euro 300 thousand to the company Eremo di Miazzina S.p.A. and for Euro 10 thousand to Rugani Hospital S.r.l., following the deterioration of the positions present in previous years or the occurrence of new events.
- (ii) Utilisations of Euro 281 thousand, mainly concerning the company Casa di Cura Villa Berica S.p.A. for Euro 275 thousand following the settlement of a healthcare claim in the initial months of 2019.
- (iii) Releases of Euro 415 thousand, mainly concerning Hesperia Hospital S.p.A. for Euro 369 thousand, and principally related to the settlement in the period of two claims.
- (iv) Euro 2,145 thousand due to the change in the consolidation scope, with the inclusion in the GHC Group of the company Ospedali Privati Riuniti S.p.A.;

Other risks provisions at June 30, 2019 amounted to Euro 1,317 thousand, compared to Euro 285 thousand at December 31, 2018, with a movement of Euro 1,032 thousand. The account includes the provisions made against non-healthcare risks and substantially concerning labour disputes, risks concerning budget overruns on accredited healthcare services provided and collected, for which there is a high probability that the clinic shall be repaid these amounts, and finally other risks not related to healthcare operations.

The change in the account was due to:

- (i) Provisions of Euro 1,100 thousand concerning the company Eremo di Miazzina S.p.A. for Euro 300 thousand for a labour dispute, Euro 395 thousand to Hesperia Hospital S.p.A. for exceeding the 2016 ceiling for outside region patients and for appropriateness controls, to the company Casa di Cura del Prof. Nobili S.p.A. for Euro 322 thousand for potential outside region budget overruns and Villa Von Siebenthal S.r.l. for Euro 73 thousand for amounts due under contracts.
- (ii) Utilisations of Euro 62 thousand concerning the company Villa Von Siebenthal S.r.l. for Euro 45 thousand.
- (iii) Releases of Euro 21 thousand, entirely concerning the company casa di Cura Prof Nobili S.p.A..

Note 21 Non-current financial payables

“Non-current financial payables” amount to Euro 59,268 thousand, increasing Euro 36,340 thousand over the preceding period.

The following table presents the figures for the Garofalo Group’s outstanding financial payables at June 30, 2019 and December 31, 2018.

<i>Euro thousands</i>	<i>At June 30</i>	<i>At December 31</i>	<i>Change</i>
	2019	2018	2019 vs 2018
Other non-current financial payables	17,392	228	17,164
Non-current bank payables	41,876	22,700	19,176
Total non-current financial payables	59,268	22,928	36,340

The composition of “Other non-current financial payables” at June 30, 2019, compared with the situation at December 31, 2018, is presented below.

Euro thousands	At June 30	Dec. 31	Change
	2019	2018	2019 vs 2018
Shareholder loan	4,603	42	4,561
Financial payables for IFRS 16 Non-Current	8,355	-	8,355
Payables to leasing companies	4,432	179	4,253
Guarantee deposits	2	7	(5)
Total other non-current financial payables	17,392	228	17,164

Other non-current financial payables amount to Euro 17,392 thousand at June 30, 2019 and Euro 228 thousand at December 31, 2018.

The account mainly comprises:

(i) “payables for shareholder loans”, for Euro 4,603 thousand, including interest of Euro 70 thousand, concerns the financial payable to Larama 98 S.p.A.; the movement in the account mainly relates to the non-current payable following the renegotiation of the debt with the company Larama 98, with maturity of June 30, 2022; this account at December 31, 2018 was recognised to current financial receivables;

(ii) “payables for IFRS 16” of Euro 8,355 thousand, recognised to the financial statements in the first half of 2019 following the entry into force from January 1, 2019 of IFRS 16 with the introduction of a differing accounting method. Representation of the impact of the new standard was previously provided both at like-for-like scope and with regards to the new companies entering the Group during 2019;

(iii) “payables to leasing companies” for Euro 4,432 thousand concerning the recognition to the financial statements of the residual financial payable for leased assets previously recognised with the finance method and the relative acquisitions, principally of healthcare equipment; the change in the account is entirely due to the inclusion in the consolidation scope of Poliambulatorio dalla Rosa Prati and its subsidiary.

“Non-current bank payables” amounted to Euro 41,876 thousand at June 30, 2019, compared with Euro 22,700 thousand at December 31, 2018. The net increase in the first half of 2019 in the account “Non-current bank payables” of Euro 19,176 thousand, compared to December 31, 2018, is as a combined effect of:

(i) payment of instalments on loans drawn down by the individual companies for Euro 2,463 thousand;

(ii) the granting of new loans for a total of Euro 20,000 thousand, of which Euro 19,027 thousand concerning the non-current portion and regarding the following Group companies: GHC Project 2 S.r.l. (Euro 15,000 thousand), Casa di Cura Villa Garda S.p.A. (Euro 5,000 thousand, of which Euro 4,027 thousand concerning the non-current portion);

(iii) change in the consolidation scope of Euro 2,612 thousand, with the inclusion in the GHC Group of the companies Poliambulatorio Dalla Rosa Prati S.r.l. (Euro 2,497 thousand) and Dalla Rosa Prati Grossi (Euro 115 thousand).

The following tables present the loans contracted by Group companies in H1 2019 and the year ended on December 31, 2018, with a breakdown into amounts set to come due within and beyond 12 months.

Description	Annual interest rate at signing	Maturity	Balance at June 30, 2019	Balance at December 31, 2018
	%		Euro thousands	
MPS – Antonveneta	3.30%	Apr 10, 19	-	197
Carige	4.05%	Dec 31, 22	4,266	4,841
Banca Popolare di Novara loan no. 7054702	Euribor 3m base 365	Dec 31, 24	592	645
Banca di Sondrio - Unsecured loan	Euribor 6m + spread of 0.45%	Jan 31, 22	4,203	4,855
BIIS Loan No. 7496000	Euribor 6m + spread of 0.85%	Jun 30, 25	2,887	3,121
BIIS Loan No. 7496001	Euribor 6m + spread of 0.85%	Jun 30, 25	1,015	1,094
Carige	2.00%	Oct 31, 19	22	49
Carige loan	2.50%	Jun 30, 25	352	379
Carige loan	5.30%	Dec 31, 31	1,029	1,058
Carige loan	2.85%	Dec 31, 25	10,781	11,531
BPER	1.95%	July 19, 19	25	-
BPM - Unsecured loan	1.40%	Nov 8, 23	443	-
BPM - Unsecured loan	1.00%	Feb 13, 23	369	-
Banca Cremonese Cred.Coop. - Unsecured loan	2.17%	May 12, 20	96	-
Credito Padano - Unsecured loan	3.90%	Dec 15, 19	27	-
Cassa di Risparmio Parma e Piacenza - Unsecured loan	1.23%	Feb 12, 25	413	-
Cassa di Risparmio Parma and Piacenza	2.75%	Dec 22, 32	551	-
Intesa San Paolo	2.20%	Jun 30, 21	200	-
Intesa San Paolo - Unsecured loan	1.87%	Jun 15, 20	92	-
Intesa San Paolo - Unsecured loan	2.18%	Sep 14, 21	225	-
Banca Passadore - Unsecured loan	2.75%	Mar 1, 23	229	-
Banca Reale - Unsecured loan	3.50%	May 31, 21	101	-
Banca Reale - Unsecured loan	3.00%	Oct 31, 19	27	-
Banca Reale - Unsecured loan	3.50%	Oct 31, 22	211	-
Intesa San Paolo	2.58%	Jun 28, 24	127	-
Unicredit (bullet)	Euribor 3m +spread 1.5%	May 31, 21	15,000	-
BPM	Euribor 3m +spread 1.35%	Jun 30, 24	5,000	-
Total			48,283	27,770
of which:				
Bank payables - non-current portion of loans			41,876	22,700
Bank payables - current portion of loans			6,407	5,070

Banca Infrastruttura Innovazione e Sviluppo S.p.A. (now Intesa San Paolo S.p.A.) granted Villa Von Siebenthal S.r.l. two loans, the first of Euro 6.7 million and the second of Euro 2.5 million, for a total of Euro 9.2 million, under two separate loan agreements. The loan agreements provide for: (i) an undertaking for the borrower to comply with the following financial covenant: a ratio of net financial position to gross operating margin of 12 or lower, to be calculated annually within 60 days of the reporting date; (ii) a cross-default clause between the two contracts, such that breach of one contract entails the right to invoke the acceleration clause in respect of the other; and (iii) a cross-default clause in respect of the breach of any financial obligation by the borrower that is not remedied within the contractually agreed term.

Unicredit S.p.A. granted to the company GHC Project 2, a vehicle company incorporated for the acquisition of Ospedali Privati Riuniti, a loan of Euro 15 million. The contract stipulates compliance with the following covenants to be calculated annually on the basis of the consolidated financial statements of Garofalo Healthcare Spa from 31.12.2019:

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

Note 22 Derivative financial instrument liabilities - non-current

Derivative financial instrument liabilities - non-current amount to Euro 13 thousand at June 30, 2019. The movement on December 31, 2018 was Euro 2 thousand.

<i>Euro thousands</i>	<i>At June 30</i>	<i>At December 31</i>	<i>Change</i>
	2019	2018	2019 vs 2018
Derivative financial instrument liabilities - non-current	13	11	2
Total derivative financial instrument liabilities - non-current	13	11	2

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

The Company has opted not to account for such instruments according to the hedge accounting method.

Interest rate derivatives are over-the-counter (OTC) instruments, meaning that they are entered into bilaterally with market counterparties and their current value is determined on the basis of valuation techniques based on inputs (such as interest rate curves) observable on the market (level 2 of the fair value hierarchy established in IFRS 7 and described in further detail in note 41).

In relation to the financial instruments existing at June 30, 2019, is reported that:

- all derivative financial instruments valued at fair value fall within level 2 (identical situation in 2018);
- no transfers occurred from Level 1 to Level 2 or vice-versa in the first half of 2019 and in 2018;
- no transfers occurred from Level 3 to the other levels or vice-versa in the first half of 2019 and in 2018.

Note 23 Trade payables

Trade payables amount to Euro 32,403 thousand at June 30, 2019 and to Euro 20,750 thousand at December 31, 2018. A breakdown of the account is shown in the table below:

<i>Euro thousands</i>	<i>At June 30</i>	<i>At December 31</i>	<i>Change</i>
	2019	2018	2019 vs 2018
Trade Payables	20,164	15,050	5,114
Payables to doctors	1,156	753	403
Other payables	320	253	67
Payables for invoices to be received	11,664	5,545	6,119
Credit notes to be received	(826)	(850)	24
Total trade payables	32,478	20,751	11,728

At June 30, 2019, the account increased Euro 11,728 thousand, mainly due to the change in the consolidation scope relating to Poliambulatorio dalla Rosa Prati and the company Ospedali privati Riuniti S.p.A. for a total amount of Euro 6,603 thousand.

The principal accounts comprising this account are:

- “Trade payables”, which amount to Euro 20,164 thousand at June 30, 2019 and Euro 15,050 thousand at December 31, 2018, increasing by Euro 5,114 thousand;
- “Payables to Doctors”, which amount to Euro 1,156 thousand at June 30, 2019 and Euro 753 thousand at December 31, 2018, increasing by Euro 403 thousand;
- “Payables for invoices to be received”, which amount to Euro 11,664 thousand at June 30, 2019 and Euro 5,545 thousand at December 31, 2018. The increase in the account of Euro 6,119 thousand concerns the provisions made on an accruals basis.

The increase in trade payables at like-for-like consolidation scope is due to the extended payment deadlines granted by suppliers to the Group companies.

Note 24 Current financial payables

The following table presents the figures for the Group’s outstanding current financial payables.

<i>Euro thousands</i>	<i>At June 30</i>	<i>At December 31</i>	<i>Change</i>
	2019	2018	2019 vs 2018
Current bank payables	18,360	16,024	2,336
Total Payables for shareholder loans	-	5,954	(5,954)
Total other current financial payables	2,078	164	1,914
Total current financial payables	20,438	22,142	(1,704)

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

The composition of “Current bank payables” at June 30, 2019, compared with the situation at December 31, 2018, is presented below.

<i>Euro thousands</i>	<i>At June 30</i>	<i>At December 31</i>	<i>Change</i>
	2019	2018	2019 vs 2018
Current bank payables - 4 bank payables (short-term portion of loans)	6,408	5,070	1,338
Current bank payables - 4 bank payables (current accounts)	2,194	516	1,678
Current bank payables - 4 bank payables (advances)	9,758	10,438	(680)
Total Current bank payables	18,360	16,024	2,336

As presented in the table, current bank payables reported a movement of Euro 2,336 thousand compared to December 31, 2018, mainly due to the change in the consolidation scope following the acquisition of Poliambulatorio Dalla Rosa Prati S.r.l. for Euro 1,495 thousand.

The account “short-term portion of loans” at June 30, 2019 concerns loans to be repaid within the coming 12 months and concerning the following companies: Poliambulatorio Dalla Rosa Prati S.r.l. for Euro 513 thousand, Casa di Cura Villa Garda S.p.A. for Euro 973 thousand, CMSR Veneto Medica S.r.l. for Euro 1,169 thousand, Villa Von Siebenthal S.r.l. for Euro 645 thousand, L’Eremo di Miazzina S.p.A. for Euro 105 thousand, Rugani Hospital S.r.l. Euro 1,344 thousand, Fides Medica S.r.l. Euro 1,592 thousand, Fides Servizi S.c.r.l. for Euro 55 thousand and Dalla Rosa Prati Grossi S.r.l. for Euro 12 thousand.

The account “payables to banks for current accounts” of Euro 2,194 thousand comprises credit lines utilised at June 30, 2019.

The account “bank payables for advances” of Euro 9,758 thousand at June 30, 2019 mainly comprises advances on commercial invoices.

The account “payables to shareholders for loans” reported a movement of Euro 5,954 thousand due to the reclassification commented upon previously with regards to the “Other non-current financial payables” account.

The composition of “Other current financial payables” at June 30, 2019 amounts to Euro 2,077 thousand and compared with the situation at December 31, 2018 is presented below. The increase of Euro 1,914 thousand is substantially due to the application of IFRS 16.

<i>Euro thousands</i>	<i>At June 30</i>	<i>At December 31</i>	<i>Change</i>
	2019	2018	2019 vs 2018
Current financial payables - leasing companies	351	164	187
Current financial payables - accrued financial liabilities and deferred financial income	37	-	37
Financial payables for IFRS 16 Current	1,690	-	1,690
Total Other financial payables	2,078	164	1,914

The item “Payables to leasing companies” refers to the recognition of the current financial payable for the acquisition of leased assets accounted for according to the finance method and related primarily to the purchase of healthcare equipment. The account at June 30, 2019 amounted to Euro 351 thousand, compared to Euro 164 thousand at December 31, 2018.

“Accrued financial liabilities and deferred financial income” mainly concerns interest charges matured on mortgages at June 30, 2019, but not settled at that date.

The account “payables for IFRS 16” increased by Euro 1,690 thousand and concerns the short-term portion of operating lease payables recognised to the financial statements in the first half of 2019 following the entry into force from January 1, 2019 of the new international accounting standard.

Note 25 Tax payables

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

<i>Euro thousands</i>	<i>At June 30</i>	<i>At December 31</i>	<i>Change</i>
	2019	2018	2019 vs 2018
Tax payables - IRES tax payables	1,625	195	1,430
Tax payables - IRAP tax payables	827	185	642
Tax payables - from tax consolidation	-	14	(14)
Total Tax payables	2,452	394	2,058

Tax payables increased from Euro 394 thousand at December 31, 2018 to Euro 2,452 thousand at June 30, 2019, increasing Euro 2,058 thousand, mainly due to IRES payables. This increase particularly concerns: (i) the companies not within the tax consolidation: Hesperia Hospital Modena S.p.A. (Euro 69 thousand) and Rugani Hospital S.r.l. (Euro 367 thousand), and Casa di Cura Prof. Nobili S.p.A. (Euro 254 thousand); (ii) the change in the consolidation scope and in particular Poliambulatorio Dalla Rosa Prati S.r.l. (Euro 580 thousand), Dalla Rosa Prati Grossi S.r.l. (Euro 53 thousand) and Ospedali Privati Riuniti S.p.A. (Euro 579 thousand).

Note 26 Other current liabilities

At June 30, 2019 "Other current liabilities" amounted to Euro 17,268 thousand. The comparison with December 31, 2018 is presented below.

<i>Euro thousands</i>	<i>At June 30</i>	<i>At December 31</i>	<i>Change</i>
	2019	2018	2019 vs 2018
Social security institutions	2,334	2,221	113
Tax payables	127	65	62
Withholding tax payables	1,786	2,034	(248)
Employee payables	6,282	3,944	2,338
Other payables	6,738	5,534	1,204
Total Other current liabilities	17,267	13,798	3,469

The account Other current liabilities increased by Euro 3,469 thousand, mainly due to the increase in employee payables, particularly due to the accrual for vacation days matured and not taken and the thirteenth-month accrual in the period. The increase in employee payables for Euro 2,338 thousand is due for Euro 420 thousand to Hesperia Hospital Modena S.p.A., Euro 218 thousand to Casa di Cura Prof. Nobili S.p.A. and Euro 130 thousand to Casa di Cura Villa Garda S.p.A.. The increase in the account was in addition due to the change in the consolidation scope for Euro 1,239 thousand (concerning Ospedali Privati Riuniti S.p.A. for Euro 1,073 thousand and Poliambulatorio Dalla Rosa Prati S.r.l. for Euro 166 thousand).

The account "other payables" at June 30, 2019 increased by Euro 1,204 thousand, mainly concerning Casa di Cura Villa Garda for Euro 749 thousand with regards to tax withholdings concerning the withdrawal of the minority shareholder in the clinic in June and paid in the subsequent month. This account remained unchanged and included Euro 1,250 thousand to Larama 98 S.p.A., not yet settled.

Note 27 Revenues from services

Revenues from services amounted to Euro 92,286 thousand in H1 2019, up Euro 12,751 thousand over the previous year. All revenues relate to services provided in Italy.

The following table presents revenues from services for H1 2019 and H1 2018.

<i>Euro thousands</i>	<i>H1</i>		<i>Change</i>
	<i>2019</i>	<i>2018</i>	<i>2019 vs 2018</i>
Hospital services	67,869	61,894	5,975
Dependency care services	24,417	17,641	6,776
Total revenues from services	92,286	79,535	12,751

The increase in revenues from services of Euro 12,751 thousand in the first half of 2019 mainly concerns the inclusion in the consolidation scope for Euro 11,657 thousand of Poliambulatorio Dalla Rosa Prati S.r.l. and of Ospedali Privati Riuniti S.p.A.

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

The table below shows the breakdown of revenues from hospital services for H1 2019 and H1 2018.

<i>Euro thousands</i>	<i>H1</i>		<i>Change</i>
	<i>2019</i>	<i>2018</i>	<i>2019 vs 2018</i>
Acute and post-acute care services	52,376	49,134	3,242
Outpatient services	15,493	12,760	2,733
Total hospital services	67,869	61,894	5,975

Revenues from hospital services amounted to Euro 67,869 thousand in H1 2019, accounting for 74% of the Group's total revenues, up by Euro 5,975 thousand overall.

Revenues from acute and post-acute care services of Euro 52,376 thousand accounted for 57% of the Group's total revenues in H1 2019 (Euro 49,134 thousand, accounting for 61% in H1 2018); the net movement of Euro 3,242 thousand mainly concerns the entry into the Group of Ospedali Privati Riuniti S.p.A.

Revenues from outpatient services of Euro 15,493 thousand accounted for 17% of the Group's total revenues in H1 2019 (Euro 12,760 thousand and 16% in H1 2018); the net movement of Euro 2,733 thousand is mainly to the entry into the Group of Ospedali Privati Riuniti S.p.A.

The table below shows the breakdown of revenues from dependency care services for H1 2019 and H1 2018.

<i>Euro thousands</i>	<i>H1</i>		<i>Change</i>
	<i>2019</i>	<i>2018</i>	<i>2019 vs 2018</i>
Social-care services	11,246	11,200	46
Local outpatient care services	13,171	6,441	6,730
Dependency care services	24,417	17,641	6,776

Revenues from dependency care services amounted to Euro 24,417 thousand in H1 2019 compared to Euro 17,641 thousand in H1 2018, up Euro 6,776 thousand and accounting for 27% of Group revenues.

Revenues from social-care services of Euro 11,246 thousand accounted for 12% of total Group revenues in H1 2019 (Euro 11,200 thousand and 14% in H1 2018); the account was substantially stable, with a net movement of Euro 46 thousand.

Local outpatient care services of Euro 13,171 thousand accounted for 14% of total Group services in H1 2019 (Euro 6,441 thousand and 8% in H1 2018); the increase in the account of Euro 6,730 thousand is mainly due to the entry into the Group of the company Poliambulatorio Dalla Rosa Prati S.r.l..

Note 28 Other operating revenues

Other operating revenues amounted to Euro 573 thousand for H1 2019 and Euro 786 thousand for H1 2018, with a net decrease of Euro 213 thousand.

The following table presents the breakdown of other operating revenues in H1 2019 and H1 2018.

Euro thousands	H1		Change
	2019	2018	2019 vs 2018
Other income - third parties	398	612	(214)
Taxable prior year income	130	156	(26)
Gain on asset disposals	28	7	21
Prior year income	17	11	6
Total other operating revenues	573	786	(213)

“Other revenues” in H1 2019, comprising 69% of the account, amounted to Euro 398 thousand, reporting a net decrease of Euro 214 thousand, mainly due to:

- (i) lower Hesperia Hospital income of Euro 329 thousand, concerning income recorded by Hesperia Hospital following the disposal of healthcare items to the supplier Medical in the first half of 2018;
- (ii) increase of Euro 116 thousand concerning the change in the consolidation scope regarding Poliambulatorio Dalla Rosa Prati and Ospedali Privati Riuniti S.p.A.

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

Costs for raw materials, ancillary, consumables and goods amounted to Euro 12,802 thousand for the first half of 2019 and to Euro 11,600 thousand for the first half of 2018, marking an increase of Euro 1,202 thousand.

The table below shows the breakdown of the account for H1 2019 and H1 2018.

Euro thousands	H1		Change
	2019	2018	2019 vs 2018
Healthcare supplies and prostheses	9,019	8,320	699
Medical and pharmacological material	2,393	1,865	528
Testing and hygienic materials	651	593	58
Change in inventories of raw materials, ancillary, consumables and goods	(50)	190	(240)
Other	789	632	157
Total raw materials, ancillary & consumables	12,802	11,600	1,202

In the first half of 2019, the most significant component of the costs of raw materials, ancillary and consumables was represented by the costs of Healthcare supplies and prostheses of Euro 9,019 thousand, up by Euro 699 thousand on the previous period. The movement relates for Euro 515 thousand to the inclusion of the consolidation scope of the new companies acquired. At like-for-like consolidation scope, the net increase was Euro 183 thousand, as follows: the company Hesperia Hospital Modena S.p.A. reported an increase in the account of Euro 517 thousand (due both to higher production volumes and the altered production mix), which was partially mitigated by the decrease reported by Rugani Hospital S.r.l. for Euro 180 thousand and by Casa di Cura Villa Berica S.p.A. for Euro 165 thousand.

The other expense account which significantly impacts on material costs regards medical and pharmacological materials which in H1 2019 amounted to Euro 2,393 thousand, compared to Euro 1,865 thousand in H1 2018, increasing Euro 528 thousand. This movement mainly concerns the change in the consolidation scope (Euro 460 thousand).

Analysis and hygiene materials amounted to Euro 651 thousand in H1 2019, compared to Euro 593 thousand in H1 2018. The increase in the account of Euro 58 thousand concerns: (i) Euro 38 thousand for higher costs recorded by Eremo di Miazzina S.p.A. (ii) Euro 20 thousand regarding the change in the consolidation scope.

The change in inventories reported a reversal on H1 2018 of Euro 240 thousand, substantially due to Hesperia Hospital S.p.A. following the arrival of inventories in the first half of 2018 as a result of the sale to the supplier Medical of the above material.

Note 30 Service costs

Service costs amounted to Euro 35,637 thousand in H1 2019 and Euro 29,338 thousand in H1 2018, increasing Euro 6,300 thousand.

The table below breaks down costs for H1 2019 and H1 2018.

Euro thousands	H1		Change
	2019	2018	2019 vs 2018
Medical and nursing care services	21,027	17,427	3,600
Owned asset maintenance services	1,245	1,205	40
Catering services	1,084	1,074	10
Technical healthcare services	1,324	1,140	184
Cleaning costs	947	815	132
Electricity	890	704	186
Coordinated long-term contractors	193	497	(304)
Director fees	1,340	973	367
Rental charges – equipment	602	390	212
Third-party processing (tests, etc.)	679	495	184
Legal fees	317	279	38
Linen hire	258	255	4
Technical consultants	1,030	218	812
Other	4,701	3,866	835
Total service costs	35,637	29,338	6,300

The increase in service costs mainly concerns the increase in the “surgical services” account for Euro 3,600 thousand, with Euro 3,510 thousand relating to the change in the consolidation scope. The company Hesperia

Hospital in addition contributed to the increase in this account for Euro 505 thousand on the basis of the company's increased volumes of production. This amount was mitigated by the decrease of Rugani Hospital for Euro 368 thousand following the entry into force from January 1, 2019 of GRT Motion No. 1220, which introduced significant organisational changes for the company with the consequent adjustment of the cost structure and a review of doctors' fees. The Eremo di Miazzina clinic also reported a decrease in the account for an amount of Euro 170 thousand, due to the interruption of consultancy contracts.

Technical consultancy increased approx. Euro 812 thousand, mainly due to non-recurring consultancy costs in support of M&A's in the first half of 2019 for approx. Euro 600 thousand.

The "other" account in H1 2019 mainly comprises: (i) water, telephone, methane and natural gas and waste disposal expenses for Euro 997 thousand; (ii) administration and payroll consultancy for Euro 513 thousand; (iii) other lease charges for Euro 387 thousand (iv) Third party, all risk and property insurance totalling Euro 357 thousand. The change in the account on H1 2018 was Euro 835 thousand and concern the change in the consolidation scope; this movement was offset by the reversal of charges due to the application of IFRS 16 for Euro 1,062 thousand.

Note 31 Personnel costs

Personnel costs amounted to Euro 21,651 thousand in H1 2019 and Euro 19,815 thousand in H1 2018, increasing Euro 1,837 thousand.

The table below breaks down costs for H1 2019 and H1 2018.

Euro thousands	H1		Change
	2019	2018	2019 vs 2018
Wages and salaries	15,919	14,271	1,648
Social security charges	4,787	4,246	541
Post-employment benefits	807	1,019	(212)
Other	138	279	(141)
Total personnel costs	21,651	19,815	1,837

The increase in personnel costs of Euro 1,837 thousand is due to the change in the consolidation scope for Euro 2,173 thousand; this movement however was offset by the decrease in the cost of other clinics at like-for-like consolidation scope.

Note 32 Other operating costs

Other operating costs amounted to Euro 4,144 thousand in H1 2019, increasing Euro 641 thousand on Euro 3,503 thousand on H1 2018.

The table below breaks down costs for H1 2019 and H1 2018.

Euro thousands	H1		Change
	2019	2018	2019 vs 2018
Non-deductible VAT on a pro rata basis	3,130	2,802	327
Income taxes	442	400	42
Other operating charges	179	100	79
Prior year charges	193	82	111
Deductible expenses	55	7	48

Subscriptions	54	55	(1)
Other costs	93	57	36
Total Other operating costs	4,144	3,503	641

The increase in the “Non-deductible pro-rata VAT” account, which substantially accounts for the most significant movement, relates for Euro 176 thousand to the change in the consolidation scope regarding Ospedali Privati Riuniti S.p.A. and Poliambulatorio dalla Rosa Prati. Garofalo Healthcare S.p.A. contributed in addition to the account for Euro 128 thousand, due to the setting up of Group VAT from January 1, 2019 as no longer benefitting from the VAT deductibility system for purchases.

Note 33 Amortisation, depreciation and write-downs

Amortisation, depreciation and write-downs amounted to Euro 4,569 thousand at June 30, 2019, increasing Euro 1,380 thousand over Euro 3,188 thousand at June 30, 2018.

The table below shows the breakdown of and changes in the account in question for the periods ended June 30, 2019 and June 30, 2018.

Euro thousands	H1		Change
	2019	2018	2019 vs 2018
Amortisation of Intangible assets	176	159	17
Depreciation of property, plant and equipment and investment property	4,147	2,844	1,303
Write-downs	246	185	61
Total amortisation, depreciation and write-downs	4,569	3,188	1,380

Depreciation in the first half of 2019 was substantially in line with the preceding half-year.

With regards to the depreciation of Euro 4,147 thousand, the increase of Euro 1,303 thousand relates mainly to (i) the increase in depreciation for Euro 463 thousand due to the inclusion in the consolidation scope of the companies Poliambulatorio Dalla Rosa Prati and Ospedali Privati riuniti S.p.A. (ii) for Euro 849 thousand higher depreciation relating to the application of IFRS 16, as indicated in the rights-of-use table, commented upon in the property, plant and equipment section.

With regards to the write-down of current receivables of Euro 246 thousand, this amount entirely concerns the company Hesperia Hospital.

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

Note 34 Impairments and other provisions

Impairments and other provisions amounted to Euro 1,003 thousand in H1 2019, increasing Euro 949 thousand over H1 2018.

The table below shows the breakdown of and changes in the account in question for the periods ended June 30, 2019 and June 30, 2018.

Euro thousands	H1		Change
	2019	2018	2019 vs 2018
Provision for risks for healthcare legal cases	310	262	48

Release of risk provisions	(436)	(180)	(256)
Other provisions	1,129	31	1,098
Impairment of equity instruments	0	8	(8)
Total impairments and other provisions	1,003	121	882

At June 30, 2019, “provisions for legal cases” of Euro 310 thousand concern the provisions for healthcare risks and mainly concerning Eremo di Miazzina (Euro 300 thousand).

The “risks provision release” account of Euro 436 thousand mainly concerns the review of an estimate, resulting in the reversal of the healthcare risks provision of Hesperia Hospital S.p.A.

With regards to “Other accruals to provisions” of Euro 1,129 thousand, the account mainly includes accruals for labour disputes with regards to Eremo di Miazzina for Euro 300 thousand, Euro 395 thousand concerning Hesperia Hospital S.p.A. for provisions for threshold excess 2016 for outside region patients and appropriateness controls and Euro 320 thousand for probable outside region budget overruns estimated by Casa di Cura Prof. Nobili.

Note 35 Financial income

Financial income amounted to Euro 50 thousand in H1 2019, increasing Euro 48 thousand over H1 2018.

The table below presents the breakdown and movements in the account.

Euro thousands	H1		Change
	2019	2018	2019 vs 2018
Interest income	6	1	5
Other income	44	0	44
Total financial income	50	1	49

Other income of Euro 44 thousand concerns the dividends distributed in favour of Hesperia Hospital S.p.A. by the investment held in the company Ottica Modenese s.r.l.

Note 36 Financial charges

Financial charges amounted to Euro 795 thousand in H1 2019, increasing Euro 212 thousand over the preceding period.

The table below presents the breakdown and movement in the account in H1 2019 and H1 2018.

Euro thousands	H1		Change
	2019	2018	2019 vs 2018
Interest on mortgage loans	364	355	9
Bank interest charges	75	53	22
Interest expenses on advances	36	49	(13)
Other interest charges	278	105	173
Financial charges	42	21	21
Total financial charges	795	583	212

In H1 2019, interest charges on loans were substantially in line with the preceding period.

“Other interest charges” of Euro 278 thousand increased Euro 173 thousand and related to interest charges concerning the application of IFRS 16.

Note 37 Results of investments at equity

The table below presents the breakdown and movement in the account in H1 2019 and H1 2018.

Euro thousands	H1		Change
	2019	2018	2019 vs 2018
Share of result	100	154	(54)
Total	100	154	(54)

The account in H1 2019 amounted to Euro 100 thousand and refers to the Group's share of the profit of Il Fiocco S.c.a.r.l.. As described above, the company joined the Group in 2017, through the acquisition of the Fides Group.

Note 38 Income taxes

The table below presents the breakdown and movement in the account in H1 2019 and H1 2018.

Euro thousands	H1		Change
	2019	2018	2019 vs 2018
Current taxes	3,376	2,854	522
Deferred tax income	(91)	19	(110)
Deferred tax charge	438	430	8
Income from tax consolidation	(255)	(32)	(223)
Other	40	72	(32)
Total income taxes	3,506	3,343	163

In the first half of 2019, Income taxes amounted to Euro 3,506 thousand, increasing Euro 163 thousand over the preceding period. This movement, at like-for-like scope, concerns a reduction in the tax charge of the companies for Euro 344 thousand, mainly concerning the tax loss of GHC S.p.A. for Euro 255 thousand; this was offset for Euro 545 thousand by income taxes from companies acquired in the first half of the year.

Note 39 Net profit for the period

The H1 2019 net profit was Euro 8,902 thousand, substantially unchanged compared to Euro 8,985 thousand in H1 2018.

Note 40 Basic and diluted earnings per share

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

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

Euro thousands	H1	H1
	2019	2018
Net profit attributed to the shareholders of the parent company	8,894	8,755
Number of ordinary shares at end of year/period*	81,859,104	60,000,000
Earnings per share – basic (in euro)	0.11	0.15

Earnings per share – diluted (in euro)	0.11	0.15
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There were no other operations on the ordinary shares or potential ordinary shares between the balance sheet date and the date of the preparation of the financial statements.

* Amount net of treasury shares

Note 41 Fair value hierarchy

The contractual characteristics and fair values of derivative financial instruments hedging against interest rate risk at June 30, 2019 and June 30, 2018 are presented below:

Company	Contr.	Type	Rate payable	Rate receivable	Beginning Date	Maturity date	Notional principal (in thousands of Euro)	Fair Value (Euro thousands)	
								At June 30, 2019	At December 31, 2018
Eremo	Banco Popolare	Interest Rate Swap	0.60%	Euribor 3m	Apr 20, 15	Dec 31, 24	1,000	13	11
Total								13	11

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

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

Financial Liabilities	June 30, 2019		December 31, 2018	
	Book Value	Fair Value	Book Value	Fair Value
Securities investments	1,007	1,845	1,027	1,845
Loans	48,283	47,692	27,770	28,601
Derivatives	13	13	11	11
Capital instruments	831	831	878	878

The financial liabilities set out above have been assigned to level 2 of the fair value hierarchy (for both for H1 2019 and H1 2018).

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

Fair Value - Hierarchy

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

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

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

Valuation processes

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

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

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

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

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

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

Valuation techniques and hypotheses

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

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

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

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

Note 42 Commitments, risks and contingent liabilities

42.1 Commitments and Guarantees

Commitments and guarantees at June 30, 2019 are described below.

Guarantees given by the Group on its own behalf to third parties:

- Indefinite-term commercial surety of Euro 40 thousand;
- Mortgage on real property under relationship no. 02399 – 690420329600 with Banca Intesa San Paolo S.p.A. of Euro 19,000 thousand;
- Mortgage no. 387613 of Euro 2,795 thousand, maturing on June 6, 2027;
- Consolidated mortgage charge of Euro 1,000 thousand valid until December 17, 2030;
- Mortgage on commercial properties of Euro 790 thousand.

Guarantees given by third parties to the Group:

- Surety letter of Euro 9,000 thousand, valid until revoked;
- Surety contract of Euro 155 thousand, entered into on January 16, 2018;
- Specific sureties with Banca Intesa San Paolo S.p.A. under relationships no. 02399 – 690420329600 of Euro 1,482 thousand and no. 02399 – 690420329601 of Euro 4,236 thousand;
- Surety of Euro 18 thousand contracted on August 17, 2017;
- Surety of Euro 19 thousand;
- Commitment to release a definitive guarantee of Euro 85 thousand;
- Definitive surety of Euro 37 thousand;
- Surety letter of Euro 260 thousand, valid until revoked;
- Surety letter of Euro 1,820 thousand, valid until revoked;
- Surety letter of Euro 13,000 thousand, valid until revoked;
- Generic surety of Euro 50 thousand;
- First-demand surety of Euro 60 thousand on relationship no. 800003144432 contracted on January 30, 2012;
- First-demand surety of Euro 67 thousand on transaction no. 800003330921 contracted on January 8, 2009;
- First-demand surety of Euro 30 contracted on January 11, 2013.

Guarantees provided by the Group in favour of third parties:

- First-demand surety of Euro 94 contracted on January 21, 2001;
- Surety letter of Euro 1,950 thousand, valid until revoked;

- Surety letter of Euro 206 thousand, valid until revoked;
- Surety letter of Euro 200 thousand, valid until revoked;
- Surety letter of Euro 80 thousand, valid until revoked;
- Surety letter of Euro 790 thousand, valid until revoked;
- Surety letter of Euro 26 thousand, valid until revoked;
- Omnibus surety no. 838520 of Euro 150 thousand.;
- Mortgage on commercial properties of Euro 4.000 thousand;
- Surety letter provided by the bank to third parties of Euro 40 thousand, No. 08492 – 820000698581
- Surety letter provided by the bank to third parties of Euro 20 thousand, No. 08492 – 82000069858
- Contract guarantee provided in favour of the leasing company of Euro 127 thousand;
- Contract guarantee provided in favour of the leasing company of Euro 2,413 thousand;
- Contract guarantee provided in favour of the leasing company of Euro 406 thousand;
- Contract guarantee provided in favour of the leasing company of Euro 99 thousand;
- Guarantee provided in favour of the University of Bologna of Euro 92 thousand;
- Mortgage on properties of Euro 900 thousand;
- Loan patronage letter of Euro 5 million;
- Surety on Unicredit loan of Euro 15 million;
- Surety no. 18110970 of 141 thousand contracted on September 15, 2015;
- Surety No. 18166318 of Euro 70 thousand contracted on January 11, 2019;
- Surety no. 250047439 of 83 thousand contracted on September 21, 2017;
- Guarantees provided by the bank in favour of leasing company of Euro 17 thousand.

No expected losses on guarantees have come to light.

42.2 Financial risk management

The financial risks to which the Group and its subsidiaries are exposed are outlined below.

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

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

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

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

The risk management policy applied by the Group regards the setting of guidelines at the central level on which to base the operational management of market, liquidity risk cash flow risks and for the monitoring of results. For greater details on financial risk management, reference should be made to Note 40.3 Financial Risk Management of the Consolidated Financial Statements at December 31, 2018.

42.2 Legal disputes

Damage compensation claims

In March 2010 the Group suspended insurance cover for several facilities (Hesperia Hospital Modena S.p.A., L'Eremo di Miazzina S.p.A., Rugani Hospital S.r.l., Casa di Cura Villa Berica S.p.A. and Casa di Cura Villa Garda S.p.A.). Accordingly, since that date it has received damage claims relating to the operating activity of the facilities concerned since that date.

Administrative disputes

Rugani Hospital S.r.l. has lodged a pending appeal with the Florence Court of Appeal against judgment no. 234/2017 filed on December 27, 2017, rendered *inter partes* by the Court of Siena, Labour Section, in trial no. 264/2016 in the General Register regarding the classification of relationships with certain workers. On the basis of an opinion from the company's legal counsel, the risk has been deemed "probable" and an accrual of Euro 92 thousand has been made to other provisions for risks and charges.

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

- a proceeding involving SIFIN S.r.l. as adverse party. The dispute arises from the without-recourse factoring agreement for the receivables claimed by Villa Von Siebenthal S.r.l. from the Italian national and regional health system. SIFIN S.r.l. sued Villa Von Siebenthal S.r.l. before the Civil Court of Rome in connection with the above agreement, seeking payment of Euro 220 thousand. By entry of appearance and reply of June 20, 2009, Villa Von Siebenthal S.r.l. entered an appearance in the proceedings, petitioning the court to reject the claims made by SIFIN S.r.l. and lodging a counter-claim for a declaratory judgment finding the agreement void and ordering a refund of the sum to the factor by way of interest and fees, while also contesting the manner in which SIFIN S.r.l. forbore the interest accrued from the Lazio Region. By interim judgment no. 6850/2014, filed on March 25, 2014, the judge re-opened the proceedings "in order to determine the exact amount of the parties reciprocal claims by ordering court-appointed expert testimony." In the expert witness report filed, the court-appointed expert provided his conclusions regarding the sums owed by Villa Von Siebenthal S.r.l. to SIFIN S.r.l. and those owed by SIFIN S.r.l. to Villa Von Siebenthal S.r.l.. Following the hearing for the entry of conclusions held on July 6, 2016, by final judgment no. 2670/2017, filed on February 10, 2017, the judge ordered SIFIN S.r.l. to pay Villa Von Siebenthal S.r.l. the sum of Euro 138 thousand, in addition to the legal fees arising from the claim, expenses and additional amounts due by law. SIFIN S.r.l. filed the following appeals against the above judgments before the Rome Court of Appeal:
 - appeal against interim judgment no. 6850/2014. The case was enrolled as no. 3098/2015, General Registry. By entry of appearance and reply of September 24, 2015, Villa Von Siebenthal S.r.l. entered an appearance in the proceeding, petitioning the court to reject the claims made by SIFIN and also lodging a counter-appeal.
 - appeal against definitive judgment No. 2670/2017. The case was enrolled as no. 3212/2017, General Registry. By entry of appearance and reply of July 25, 2017, Villa Von Siebenthal S.r.l. entered an appearance in the proceeding, petitioning the court to reject the claims made by SIFIN S.r.l. and also lodging a counter-appeal.
 - petition for a writ of interlocutory precautionary attachment pursuant to Articles 669-quater and 671 of the Italian Code of Civil Procedure, seeking attachment of all sums on deposit in current accounts held by Villa Von Siebenthal S.r.l., the accounts receivable claimed by the latter and all other items of moveable and/or immovable property, up to the amount of Euro 161 thousand. By order dated February 12, 2018, the Rome Court of Appeal rejected the petition lodged by SIFIN S.r.l. In the opinion of the company's legal counsel, the risk may be deemed "possible/remote" and hence no liability has been recognized in respect of this proceeding, also considering credit position claimed by Villa Von Siebenthal S.r.l. in respect of SIFIN S.r.l.
- A social-security dispute; the company received a request from the INPS regional directorate for Lazio for documents in connection with inspection assessments of the relationship between the supplier Futura soc. coop. and Villa Von Siebenthal S.r.l., and specifically the service agreement between the

two companies. Following the inspection, on April 4, 2017 Villa Von Siebenthal S.r.l. received consolidated assessment and notification report no. 2016003251/S1 in which it is claimed that Villa Von Siebenthal S.r.l., by virtue of the service agreement with Futura soc. coop., is jointly and severally liable with this latter company for payments of mandatory social-security contributions for the period from April 2013 to November 2015, amounting to Euro 100 thousand. In the opinion of the company's legal counsel, the risk may be deemed "possible" and hence no liability has been recognized in respect of this proceeding.

- In November 2013, the company Villa Von Siebenthal S.r.l. received a writ of summons concerning a claim, based on a suicide attempt in April 2012, by a patient who alleged the clinic's liability for not adopting appropriate precautionary measures and sought damages for physical and psychiatric injury. While the case was still ongoing, the patient passed away and his wife sub-entered the claim.

On May 30, 2019, a judgement of the Velletri Court became immediately enforceable, by which, accepting the claim of the plaintiff, Villa Von Siebenthal was required, in absentia, to pay the amount of Euro 348,852, in addition to litigation costs. Villa Von Siebenthal was judged in default since Cattolica Assicurazione, despite having been promptly been informed of the claim (2012) and of the writ of summons in 2013, failed to assume the clinic's legal defence, although was obliged to do so under the insurance contract.

However, as immediately became apparent, in view of such a deeply unjust and obviously unfounded judgement on its merits, Villa Von Siebenthal immediately challenged this provision, while also requesting its suspension by means of a specific appeal filed on 28/06/2019 to the counterparty and recorded to the General Registry at No. 4543/2019. Assicurazioni Cattolica was also contacted to ascertain the reasons for its contractual non-compliance, while also requested to finally assume its legal defence of the clinic and to release it from any liability related to and/or consequent to the case. The structure is currently awaiting receipt both of the judge's decision regarding the suspension of the judgment, in addition to the confirmation and availability of Cattolica Assicurazione to assume its legal defence so as to indemnify it from any liability relating to the claim put forward by the plaintiff.

In October 2017 L'Eremo di Miazzina was sued by the heirs of Ms. Concetta Ciamprone before the Civil Court of Verbania on claims of negligence and medical practice in connection with the patient's death in 2015. An expert's report concluding that the facility is liable has been filed. In October 2018, the heirs served notice of the suit before the Court of Verbania, seeking damages of approximately Euro 1 million. The Court scheduled a hearing for January 18, 2019, at which L'Eremo di Miazzina entered an appearance, arguing that the claim was inadmissible because the suit had been filed after the end of the mandatory statutory period, seeking further expert witness testimony and disputing the amount of the damages. The Court reserved the case for decision, fixing a deadline for any statements of position.

On the basis of an opinion from the company's legal counsel, the risk associated with this case has been deemed "probable" and an accrual of Euro 500,000 has been recognized.

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

The company for this dispute recognised to the financial statements at June 30, 2019 a risks provision of Euro 500 thousand, which management considers appropriate in view of the above judgement on the basis of the opinion of its legal counsel, who consider it appropriate to propose an appeal for a partial review of the awarded amount. More specifically, the legal counsel consider that the damage paid to the husband of the deceased does not take into account the fact that the husband himself died three years after the death of Ms. Ciamprone and therefore the court should have reduced the sum due proportionally to the objective and effective three years of survival by settling an amount of approximately Euro 150 thousand.

L'Eremo di Miazzina was sued by a former employee for a labour case related to engineering and general works at the Istituto Raffaele Garofalo site deemed to be additional to the Employee's contract, with a request for payment of approx. Euro 300,000. The Court, after hearing the expert testimony, sent the case for judgement.

On the basis of an opinion from the legal counsel, the risk associated with this case has been deemed “probable” and an accrual of Euro 300,000 has been recognized.

INPS vs. Casa di Cura Villa Berica S.p.A. By inspection report dated September 15, 2014, the INPS and the Vicenza Local Labour Directorate contested the working arrangements between Casa di Cura Villa Berica S.p.A. and 12 self-employed physicians and the head of the nursing service, claiming that they were to be classified as employees. A fine of Euro 58,333.32 was levied and the sum payable to the INPS was assessed at Euro 5,554,652.00. Casa di Cura Villa Berica S.p.A. appealed this report before the Court of Vicenza, Labour Section, which by judgment dated March 23, 2017 ruled in the company’s favour, finding that the working arrangements at issue in the above report qualified as self-employment. The INPS appealed the judgment before the Venice Court of Appeal by appeal served on October 6, 2017, but in respect of two professionals only (one physician and an office worker in charge of nursing services), whom the INPS once again claimed should be treated as employees. On the basis of an opinion from the company’s legal counsel, the risk associated with this case has been deemed “possible” and hence no provision has been recognized.

Disputes with local health authorities

Rugani Hospital has lodged a petition before the Regional Administrative Court of Tuscany against the measure by the local health authority for South-eastern Tuscany, arguing that the appealed motions are unlawful due to a lack of competence, in that they introduce restrictions and ceilings on the volumes of services (of a highly complex nature, involving specialist outpatient care, including outpatient surgery) provided to patients residing outside the region, which it is argued could only have been imposed by lawmakers at the level of the central government or the Region of Tuscany. The local health authority for South-eastern Tuscany has essentially (above all within its specific territory of reference) effected an outright unilateral amendment of regional regulations (laid down in motion no. 343 of 2017), which in reality constitute the “external regulatory basis” for the provision of healthcare services and which therefore cannot be modified either by economic operators or local health authorities, given that the latter operate in part as extensions of the Regional Health System, pursuant to Articles 19, 29, 72 and 76 of Regional Law No. 40 of 2005 and Articles 8-*quinquies* and 8-*sexies* of Legislative Decree No. 502 of 1992. It is also argued that the authority has breached and misapplied Tuscany Regional Council Motion No. 343 of 2017, implementing Art. 15, paragraph 14, of the Decree-Law of July 6, 2012 and Art. 1, paragraph 574, of Law No. 208 of December 28, 2015, in open (and intentional) conflict with regional regulations, which it contravenes by imposing spending limits affecting the provision of highly complex inpatient and specialized outpatient care (including outpatient surgery) to residents of other regions, without support from any contract or regional law. The case was discussed before the court, which decided it by judgment no. 1600 of December 11, 2018 rejecting the petition lodged by Rugani Hospital S.r.l.

An appeal against the above judgment by the Regional Administrative Court of Tuscany before the Council of State is therefore being prepared. The arguments on which the appeal is founded have to do with the provisions of the new Tuscany Regional Council Motion No. 1220 of 2018, which post-dates the trial of the first instance, and in which the Region of Tuscany confirms and reiterates its intention of applying the regulatory provisions of Tuscany Regional Council Motion No. 343/17 until the 2018 annual period, including the possibility of providing “highly-specialized” services to patients from other regions, and thus without imposing any ceiling on Rugani Hospital.

On the basis of an opinion from the company’s legal counsel, the risk has been deemed “probable” and an accrual of Euro 773 thousand has thus been recognized.

The following disputes are pending between L’Eremo di Miazzina, on the one hand, and the Verbano-Cusio-Ossola local health authority and the Piedmont Region, on the other. A brief description of the ongoing proceedings is provided below:

- Dispute between the Verbano-Cusio-Ossola local health authority and L’Eremo di Miazzina S.p.A. regarding healthcare services in 2014, 2015 and 2016. In a letter dated July 14, 2017, the Verbano-Cusio-Ossola local health authority requested that the company issue various credit notes in respect of the years indicated above, claiming a reduction due to a purported lack of continuity of care. The

company rejected this claim on the basis that it had not exceeded the threshold triggering the above reduction for patients from Piedmont, and that the said reduction – particularly for the years 2014 and 2015 – could not be applied to out-of-region patients, especially in the light of the position taken by the Piedmont Region in its Regional Council Motion of November 2016. Finally, the company also argued that it had never exceeded the reduction thresholds due to a lack of continuity in care in 2016 as well.

On the basis of an opinion from the company's legal counsel, the risk associated with this case has been deemed "probable" and an accrual to the doubtful debt provision of Euro 650 thousand has thus been recognized.

Dispute between L'Eremo di Miazzina S.p.A. and the Piedmont Court of Auditors, which in March 2013 served a notice of damages to the Treasury in respect of the period of 1999 to 2006, claiming a breach of Regional Council Motion No. 70 of 1995. The company submitted a position statement and the proceeding was then concluded by judgment no. 153 of July 15, 2015, in which L'Eremo di Miazzina S.p.A. entered an appearance, arguing that the alleged damages to the Treasury had become prescribed, a claim that was granted by the Court. Other facilities against which unfavourable judgments had been rendered lodged appeals, and the Public Prosecutor's Office lodged counter-appeals, including in respect of the company's position, resuming the proceeding.

On the basis of an opinion from the company's legal counsel, the risk associated with this case has been deemed "possible" and hence no provision has been recognized.

Disputes with the Local Labour Directorate of Novara – Verbano-Cusio-Ossola. On March 8, 2016 inspectors issued report no. 000/2016-234-01, claiming that employees had not been granted weekly and daily time off. L'Eremo submitted position statements challenging the report and its representatives were questioned, reiterating its position and the motions for dismissal entered.

According to the company's legal counsel, the risk of an unfavourable outcome is "remote". Consequently, no provision has been recognized.

On June 14, 2018 inspectors from the Local Labour Directorate of Novara – Verbano-Cusio-Ossola issued assessment report no. 000/2017-594-01, claiming that the employees had not received their holiday leave within 18 months of becoming entitled to it. L'Eremo submitted position statements challenging the report and company representatives were questioned, reiterating its position and the motions for dismissal entered.

According to the company's legal counsel, the risk of an unfavourable outcome is "remote". Consequently, no provision has been recognized.

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

Note 43 Other information

43.1 Related party transactions

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

Pursuant to Consob Motion No. 17221 of March 12, 2010, it is reported that in the first half of 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.

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

The following table shows the total amount of related party transactions during the period ended June 30, 2019:

June 30, 19	Receivables		Payables		Costs		Revenues	
	Fin/Tax	Trade/Other	Fin/Tax	Trade/Other	Fin.	Com.	Fin.	Com.
<i>in Euro</i>								
Maria Laura Garofalo	0	0	0	132	0	573	0	0
Claudia Garofalo	0	0	0	5	0	39	0	0
Raffaele Garofalo S.A.P.A.	0	670	0	(1,800)	0	0	0	0
LARAMA 98 SPA	0	0	(4,603)	(1,236)	70	0	0	0
AN.RAMA	2	0	0	(80)	0	0	0	0
Aurelia Hospital	0	0	0	(20)	0	0	0	0
LEDCON srl	0	0	0	0	0	430	0	0
A.M. Rinaldi	0	0	0	6	0	69	0	0
Alessandra Rinaldi	0	0	0	3	0	18	0	0
Total	2	670	(4,603)	(2,991)	70	1,129	0	0

43.2 Subsequent events

On June 26, 2019, Garofalo Health Care S.p.A. signed three preliminary contracts for the acquisition, from spouses Vincenzo Martino and Pierina Loretta Bianco and from the company BMFIN S.r.l. of the ownership of the spouses of the entire share capital of Centro Medico San Biagio S.p.A. and of Bimar S.r.l. and of 80% or 100% of the share capital of Centro Medico Università Castrense S.r.l. (collectively "the Target").

On July 25, 2019, GHC closed for the acquisition from Mr. Vincenzo Martino and Ms. Pierina Loretta Bianco of 100% of the share capital of **Centro Medico San Biagio S.p.a.** and of **Bimar S.r.l.**.

The full acquisition of Centro Medico Università Castrense s.r.l. was closed on September 17, 2019.

GHC on July 16, 2019, through the subsidiary Hesperia Hospital Modena S.p.A. ("**Hesperia Hospital**" or "**the Subsidiary**"), an acute recovery clinic located in Modena, was definitively awarded the public tender run by Ospedale di Sassuolo S.p.A. for the 100% disposal of Aesculapio S.r.l., the accredited clinic based in San Felice sul Panaro (province of Modena). The closing took place on September 19, 2019.

Finally, on July 31, 2019, the merger by incorporation took place of Dalla Rosa Prati Grossi S.r.l. into Poliambulatorio Dalla Rosa Prati S.r.l., already held 100%.

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 Ferroluzzi 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.

43.3 Remuneration of the Board of Directors and Board of Statutory Auditors

The remuneration paid to members of the Board of Directors of Garofalo Health Care S.p.A. and its subsidiaries, in all capacities and forms, during the periods ended June 30, 2019 and June 30, 2018 amounted to Euro 1,340 thousand and Euro 973 thousand respectively.

The remuneration accrued to the Board of Statutory Auditors of Garofalo Health Care S.p.A. and its subsidiaries for the periods ended June 30, 2019 and June 30, 2018 amounted to Euro 163 thousand and Euro 139 thousand respectively.

The following table shows the remuneration paid to members of the Board of Directors of Garofalo Health Care S.p.A. and its direct or indirect subsidiaries, in all capacities and forms, during the period ended June 30, 2019:

<i>Euro thousands</i>	H1 2019
Emoluments for office	
Statutory Auditors	163
Directors	1,340

The following table shows the remuneration paid to members of the Board of Directors of Garofalo Health Care S.p.A. and its direct or indirect subsidiaries, in all capacities and forms, during the period ended June 30, 2018:

<i>Euro thousands</i>	H1 2018
Emoluments for office	
Statutory Auditors	139
Directors	973

43.5 Number of employees

The following table provides a concise comparison of the number of employees in H1 2019 by category with December 31, 2018.

Employees by category	Number of employees at 30/06/2019	Number of employees at 31/12/2018
Executives	9	8
White-collar	321	255
Doctors	29	26
Technicians	149	120
Nurses/auxiliaries	714	612
Blue-collar	56	57
Total	1,278	1,078

43.6 Positions or transactions arising from atypical and/or unusual transactions

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

Mr. Alessandro Maria Rinaldi

Legal representative