GAROFALO HEALTH CARE S.P.A.

SEPARATE FINANCIAL STATEMENTS

AT DECEMBER 31, 2018

COMPANY REGISTERED OFFICE

Garofalo Health Care S.p.A.

Piazzale Belle Arti, 6 – Rome 00196

PARENT COMPANY LEGAL DETAILS

Approved share capital: €28,700,000

Share capital subscribed and paid-in: €28,700.000(*)

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

VAT No.: 06103021009

Website: http://www.garofalohealthcare.com

*enrolled in the Companies Registration Office on 12/2/2019

CORPORATE BOARDS OF THE COMPANY

BOARD OF DIRECTORS

Alessandro M. Rinaldi - Chairman

Maria Laura Garofalo – Chief Executive Officer

Nicola Colavito (*) - Director

Alessandra Rinaldi Garofalo (*) - Director

Claudia Garofalo - Director

Umberto Suriani – Director

Patrizia Crudetti – Director

Giuseppe Giannasio – Director (*)

Cristina Finocchi Mahne – Director (*)

Flavia Mazzarella – Director (*)

Tommaso Longhi – Director (*)

(**) in office since November 9, 2018, the first day of the listing of the Company’s shares on the MTA segment

BOARD OF STATUTORY AUDITORS

Alessandro Musaio – Chairman

Giancarla Branda – Statutory Auditor

Francesca Di Donato – Statutory Auditor

INDEPENDENT AUDIT FIRM

EY S.p.A.

EXECUTIVE OFFICER FOR FINANCIAL REPORTING

Mr. Fabio Tomassini

SEPARATE FINANCIAL STATEMENTS

AT DECEMBER 31, 2018

Balance sheet at December 31, 2018, December 31, 2017 and January 1, 2017

		For the year ended December 31					
Euro thousands		2018	of which related parties	2017	of which related parties	January 1, 2017	of which related parties
Other intangible assets	Note 2	4		-		-	
Property, plant and equipment	Note 3	32		-		-	
Equity investments	Note 4	74,872		74,686		31,774	
Other non-current financial assets	Note 5	9,029	7,528	7,257	7,257	7,357	7,357
Deferred tax assets	Note 6	297		6		-	
TOTAL NON-CURRENT ASSETS		**84,234**		**81,949**		**39,131**	
Trade receivables	Note 7	1,170	1,170	2		-	
Tax receivables	Note 8	1,651		149	149	337	
Other receivables and current assets	Note 9	968		82	5	2,057	2,010
Cash and cash equivalents	Note 10	65,109		295		27	
TOTAL CURRENT ASSETS		**68,898**		**528**		**2,421**	
TOTAL ASSETS		**153,132**		**82,477**		**41,552**	

		At December 31					
Euro thousands		2018	of which related parties	2017	of which related parties	January 1, 2017	of which related parties
Share capital	Note 11	28,700		300		200	
Legal reserve	Note 11	60		40		20	
Other reserves	Note 11	109,273		57,527		29,522	
Net Profit	Note 28	4,993		10,008		2,052	
TOTAL SHAREHOLDERS' EQUITY		**143,026**		**67,875**		**31,794**	
Employee benefits	Note 12	34		-		-	
Non-current financial payables	Note 13	-		6,401	6,401	6,459	6,459
TOTAL NON-CURRENT LIABILITIES		**34**		**6,401**		**6,459**	
Trade payables	Note 14	527		111		52	
Current financial payables	Note 15	7,856	7,856	6,766	6,766	1,247	1,247
Tax payables	Note 16	13		-		-	
Other current liabilities	Note 17	1,676	1,250	1,324	1,250	2,000	2,000
TOTAL CURRENT LIABILITIES		**10,072**		**8,201**		**3,299**	
TOTAL LIABILITIES		**10,106**		**14,602**		**9,758**	
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**153,132**		**82,477**		**41,552**	

2018 Separate Income Statement

		For the year ended December 31			
Euro thousands		2018	of which related parties	2017	of which related parties
Revenues from services	Note 18	1,200	1,200	-	
Other revenue	Note 18	-		3	
TOTAL REVENUES		**1,200**		**3**	
Raw materials and consumables	Note 19	20		0	
Service costs	Note 20	5,150	211	356	
of which non-recurring charges		*4,037*		0	
Personnel costs	Note 21	664		0	
Other operating costs	Note 22	18		22	
Amortisation, depreciation, and write-downs	Note 23	8		0	
Impairments and other provisions	Note 24	62	62	114	114
TOTAL OPERATING COSTS		**5,922**		**492**	
EBIT		**(4,722)**		**(489)**	
Financial income	Note 25	8,108	8,108	10,548	10,548
Financial charges	Note 26	(403)	(403)	(16)	(16)
TOTAL FINANCIAL INCOME AND CHARGES		**7,705**		**10,532**	
PROFIT BEFORE TAXES		**2,983**		**10,043**	
Income taxes	Note 27	2,010		(35)	
NET PROFIT FOR THE YEAR	**Note 28**	**4,993**		**10,008**	

2018 Comprehensive Separate Income Statement

	For the year ended December 31	
Euro thousands	**2018**	**2017**
Net Profit for the year	**4,993**	**10,008**
Other components of comprehensive income that will not subsequently be reclassified in profit/(loss) for the year	-	-
Actuarial gains/(losses) of employee defined plans	(5)	0
Tax effect	1	0
Total other components of comprehensive income that will not subsequently be reclassified in profit/(loss) for the year net of income taxes	(4)	**0**
Profit/(loss) recognised to equity	(4)	**0**
Total comprehensive income for the year	**4,989**	**10,008**

Statement of changes in separate shareholders' equity at December 31, 2018 and December 31, 2017

Euro thousands	Share capital	Legal reserve	Other reserves	Net Profit	Net Equity
January 1, 2017	**200**	**20**	**29,522**	**2,053**	**31,795**
Allocation of result	-	20	2,033	-2,053	**0**
Net profit				10,008	**10,008**
Share capital increase (Note 16)	100	-	25,972	-	**26,072**
Other movements	-	-	-	-	-
December 31, 2017	**300**	**40**	**57,527**	**10,008**	**67,875**
Allocation of result		20	9,988	(10,008)	-
Net profit			(4)	4,993	**4,989**
Share capital increase (Note 16)	20,700		(20,700)		-
Listing charges	7,700		62,463		**70,163**
Other movements			-1		**-1**
December 31, 2018	**28,700**	**60**	**109,273**	**4,993**	**143,026**

Separate Cash Flows Statement at December 31, 2018

	For the year ended December 31	
Euro thousands	2018	2017
OPERATING ACTIVITIES		
Profit for the year	**4,993**	**10,008**
Adjustments:		
- Amortisation and depreciation	8	-
- Provisions for employee benefit liabilities	47	-
- Provisions for risks and charges	-	-
- Doubtful debt provision		-
- Change in other non-current assets and liabilities	(1,772)	
- Net change in deferred tax assets and liabilities	(291)	(6)
- Change in fair value of derivative instruments		
- Payments for employee benefits	(17)	
- Payments for provisions for risks and charges		
Changes in operating assets and liabilities:		

(Increase) decrease in trade and other receivables	(1,168)	-
(Increase) decrease in inventories		-
Increase (decrease) in trade and other payables	416	60
Other current assets and liabilities	(2,024)	2,317
NET CASH FLOW GENERATED FROM OPERATING ACTIVITIES (A)	**192**	**12,379**
CASH FLOW FROM INVESTING ACTIVITIES		
Investments in tangible assets	(39)	
Investments in intangible assets	(5)	
(Investments)/Disposal of financial assets	(186)	(42,913)
CASH FLOW ABSORBED BY INVESTING ACTIVITIES (B)	(230)	(42,913)
CASH FLOW FROM FINANCING ACTIVITIES		
Issue/Drawdown of medium-long-term loans		6,466
Repayment of medium-long-term loans	(5,312)	(1,006)
Issue/(repayment) of short-term loans		
Dividends received	(8,097)	(750)
Dividend approved	8,097	
Share capital increase and shareholder payments	70,163	26,092
NET CASH FLOW GENERATED/(ABSORBED) FROM FINANCING ACTIVITIES (C)	**64,852**	**30,802**
TOTAL CASH FLOWS (D=A+B+C)	**64,814**	**268**
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR (E)	295	27
CASH AND CASH EQUIVALENTS AT END OF YEAR (F=D+E)	**65,109**	**295**
Additional information:		
Interest paid	**0**	**14**
Income taxes paid	**62**	**24**

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

AT DECEMBER 31, 2018

Note 1. Accounting standards and preparation basis for the Separate Financial Statements at December 31, 2018

1.1 Company information

The publication of the separate financial statements of Garofalo Health Care S.p.A. (hereafter also "GHC") for the period ended December 31, 2018 was approved by the Board of Directors on April 18, 2019.

1.2 General Principles

The separate financial statements of the GHC Group for the year ended December 31, 2018 (the "**Separate Financial Statements**") have been prepared in compliance with IFRS international accounting standards, supplemented by the related interpretations of the International Financial Reporting Standards Interpretations Committee (IFRS IC), previously called the Standing Interpretations Committee (SIC), as well as the provisions issued in implementation of article 9 of Legislative Decree no. 38/2005. The IFRSs applied are those in effect at the date of approval of the separate financial statements.

For all periods until December 31, 2017 inclusive, the company prepared the financial statements in accordance with Italian GAAP (OIC). These financial statements are the first of the company to be prepared as per IFRS.

Therefore, Garofalo Health Care prepared its first consolidated financial statements under IAS/IFRS for inclusion in the prospectus drawn up for admission to Borsa Italiana S.p.A. The transition date to IAS/IFRS defined in the consolidated financial statements was January 1, 2015. In order to establish the value of assets and liabilities on the transition of the separate financial statements, the company, as per IFRS 1, decided to use the same transition date as the consolidated financial statements.

For comparative purposes, the statements are presented with the comparative financial statements at December 31, 2017.

In the first few months of the second half of 2018, the Company undertook an analysis of the main impacts of the adoption of the standards set to be applied in the near future.

The Separate Financial Statements are presented in Euro thousands 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 Separate Financial Statements, in the absence of uncertainties or doubts about the ability of the Company 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.

Transition to International Financial Reporting Standards (IFRS)

The separate financial statements at December 31, 2018 are the first complete financial statements drawn up as per international accounting standards ("IAS/IFRS Standards") issued by the International Accounting Standard Board (IASB).

In preparing the financial statements at December 31, 2018 as per IAS/IFRS Standards, the figures at January 1, 2017 and at December 31, 2017 were presented for comparative purposes.

The transition date to IAS/IFRS Accounting standards is January 1, 2017. The last financial statements prepared in accordance with Italian GAAP relate to the year ended December 31, 2017.

In order to illustrate the effects of the transition to IAS/IFRS on the separate financial statements of the company Garofalo Health Care S.p.A., this document provides the reconciliations required by paragraphs No. 39 and No. 40 of IFRS 1 "First-time adoption of International Financial Reporting Standards". For these purposes, the following were prepared:

- The notes concerning the first-time application rules of the standards;
- The reconciliations between shareholders' equity according to the previous accounting standards and that according to IAS/IFRS at January 1, 2017 and December 31, 2017;
- The reconciliation of the net result reported in the financial statements prepared according to the previous accounting standards (financial year 2017) and that deriving from application of IAS/IFRS for the same financial year;
- The notes to the reconciliation statements;
- The IAS/IFRS balance sheet at January 1, 2017 and December 31, 2017 and the IAS/IFRS income statement for the year ended December 31, 2017.

These statements were prepared only for the purposes of the transition regarding the preparation of the first complete separate financial statements according to IFRS and do not include comparative data and the necessary Explanatory Notes which would be required to provide a true and fair view of the balance sheet and net result of Garofalo Health Care S.p.A. as per IFRS.

Notes concerning the first-time application rules

The opening balance sheet at January 1, 2017, the 2017 income statement and the balance sheet at December 31, 2017 were prepared in compliance with the full hierarchy of pronouncements issued by the IASB, including International Accounting Standards (IAS), International Financial Reporting Standards (IFRS) and Interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) and the preceding Standing Interpretations Committee (SIC), as endorsed by the European Union.

For the transition to IAS/IFRS the estimates previously formulated according to Italian GAAP were maintained, except where the adoption of IAS/IFRS accounting standards required the formulation of estimates according to different methods.

Accounting processes chosen within the accounting options set by IFRS:

- measurement of intangible and tangible fixed assets: subsequent to initial recognition, IAS 16 and IAS 38 allow these assets to be measured either at cost or at fair value. The Company decided to adopt the cost method.

Reconciliation between Net Equity and Net result prepared according to Italian GAAP and Net Equity - Net result as per IAS/IFRS.

The differences emerging from the application of IAS/IFRS prepared under Italian GAAP on the opening balance sheet at January 1, 2017 and on the separate financial statements at December 31, 2017 of Garofalo Health Care S.p.A. are reported in the following reconciliation table.

The accounts are shown in the table before taxes, while the relative fiscal effects are shown cumulatively in a separate adjustment account.

Euro thousands	**Net Equity**
At January 1, 2017 ITA GAAP	**31,794**
IAS 38	-
At January 1, 2017 IFRS GAAP	**31,794**

Euro thousands	**Net Equity**
At December 31, 2017 ITA GAAP	**68,077**
IAS 38	(202)
At December 31, 2017 IFRS GAAP	**67,875**

Explanatory Notes - Adjustments

(Note A) IAS 38 Intangible Assets

Some accounts previously recognised to intangible assets do not qualify for capitalisation as per IAS/IFRS and in particular IAS 38 - Intangible assets. The adjustments mainly concerned the set-up and expansion costs capitalised according to Italian GAAP;

These intangible assets do not meet the recognition criteria established by IAS 38 and were therefore reversed from the balance sheet as per IAS/IFRS.

Reconciliation of the IAS/IFRS balance sheet at January 1, 2017

Euro thousands	**1.1.2017 ITA GAAP**	**IAS 38**	**1.1.2017 IAS/IFRS**
Fixed assets	31,774		31,774
Other non-current financial assets	7,357		7,357
TOTAL NON-CURRENT ASSETS	***39,131***	-	***39,131***
Receivables	2,394		2,394
Cash and cash equivalents	27		27
TOTAL CURRENT ASSETS	***2,421***	-	***2,421***
TOTAL ASSETS	***41,552***	-	***41,552***

Euro thousands	**1.1.2017 ITA GAAP**	**IAS 38**	**1.1.2017 IAS/IFRS**
Share capital	200		200
Legal reserve	20		20
Other reserves	29,522		29,522
Net Profit	2,052	-	2,052
TOTAL SHAREHOLDERS' EQUITY	**31,794**	-	**31,794**
Non-current financial payables	6,459		6,459
TOTAL NON-CURRENT LIABILITIES	**6,459**		**6,459**
Trade payables	52		52
Current financial payables	1,247		1,247
Other current liabilities	2,000		2,000
TOTAL CURRENT LIABILITIES	**3,299**		**3,299**
TOTAL LIABILITIES	**9,758**		**9,758**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**41,552**		**41,552**

Reconciliation of the IAS/IFRS balance sheet December 31, 2017

	For the year ended December 31		
Euro thousands	**2017 ITA GAAP**	**IAS 38**	**2017 IAS/IFRS**
Fixed assets	74,894	(208)	74,686
Other non-current financial assets	7,257		7,257
Deferred tax assets	-	6	6
TOTAL NON-CURRENT ASSETS	***82,151***	***(202)***	***81,949***
Receivables	233		233
Cash and cash equivalents	295		295
TOTAL CURRENT ASSETS	**528**	**-**	***528***
TOTAL ASSETS	**82,679**	**(202)**	***82,477***

	For the year ended December 31		
Euro thousands	**2017 ITA GAAP**	**IAS 38**	**2017 IAS/IFRS**
Share capital	300		300
Legal reserve	40		40
Other reserves	57,527		57,527
Net Profit/(loss)	10,210	(202)	10,008
TOTAL SHAREHOLDERS' EQUITY	**68,077**	**(202)**	**67,875**
Non-current financial payables	6,401		6,401
TOTAL NON-CURRENT LIABILITIES	**6,401**		**6,401**
Trade payables	111		111
Current financial payables	6,766		6,766
Other current liabilities	1,324		1,324
TOTAL CURRENT LIABILITIES	**8,201**		**8,201**
TOTAL LIABILITIES	**14,602**		**14,602**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**82,679**		**82,477**

Reconciliation of the 2017 Income Statement

	For the year ended December 31		
Euro thousands	2017 ITA GAAP	IAS 38	2017 IAS/IFRS
REVENUES	3		**3**
OPERATING COSTS	**285**	**207**	**492**
EBIT	**(282)**	**(207)**	**(489)**
FINANCIAL INCOME AND CHARGES	**10,532**	**-**	**10,532**
PROFIT/(LOSS) BEFORE TAXES	**10,250**	**(207)**	**10,043**
Income taxes	40	(5)	(35)
NET PROFIT/(LOSS) FOR THE YEAR	**10,210**	**(202)**	**10,008**

1.3 Financial Statements

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

The Balance Sheet has been classified on the basis of the operating cycle, with the distinction between current/non-current items. Based on this distinction, assets and liabilities are considered current if they are to be realized or settled in the normal operating cycle. The revenue and cost items recorded during the year are presented in two tables: an income statement, which reflects the analysis of the aggregate costs by nature, and a statement of comprehensive income. 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.

a) Other intangible assets

Intangible assets acquired separately are initially recognized at cost, while those acquired through business combinations are recognized at fair value on the acquisition date. After initial recognition, intangible assets are recognized at cost, net of accumulated amortization and accumulated impairment, if any. Intangible assets internally generated, with the exception of development costs, are not capitalised and are recorded in the income statement of the financial year in which they were incurred.

Intangible assets with a definite useful life are amortized over their useful life and tested for impairment whenever there is evidence of a loss of value. The amortization period and the amortization method of an intangible asset with definite useful life are reconsidered at least at the end of each year. Changes in the expected useful life or in the manner in which the future economic benefits related to the asset will be realized are recognized through the change in the period or amortization method, as the case may be, and are considered changes in accounting estimates. The amortisation of finite intangible assets is recorded in the separate income statement under the category of costs relating to intangible assets.

Intangible assets with indefinite useful life are not amortized but are subject to an annual impairment test at an individual level or at cash-generating unit level. The valuation of the indefinite useful life is reviewed annually to determine whether this allocation continues to be sustainable, otherwise, the change from indefinite useful life to definite useful life is applied on a prospective basis.

The profits or losses deriving from the derecognition of an intangible asset are calculated as the difference between the net revenue from the disposal and the carrying value of the intangible asset and are recognized in the Profit/(Loss) Statement of the year at the time of derecognition.

Description	Years
Concessions, licenses, trademarks and similar rights	5 years
Software	5 years
Other intangible assets	5 years

b) *property, plant and machinery*

Property, plant and equipment purchased separately are recorded at historical cost, including ancillary costs directly attributable and necessary for entry into operation of the asset for the use for which it was purchased; said cost includes expenses for the replacement of part of machinery and plants at the time they are incurred, if they comply with the recognition criteria.

Property, plant and equipment acquired through business combinations are recognized at fair value determined at the acquisition date.

Maintenance and repair expenses, which do not increase the value and/or extend the residual useful life of the asset are expensed in the year in which they are incurred; where they increase the value and/or extend the residual life of the assets, they are capitalised.

Property, plant and equipment are stated net of the relevant accumulated depreciation and impairment, if any, determined according to the methods described below. Depreciation is calculated on a straight- line basis over the estimated useful life of the asset. This period is reviewed annually and any changes are made on a prospective basis.

The estimated useful life, expressed in years, of the main classes of tangible assets is as follows:

Description	Years
Industrial and commercial equipment	8 years
Furniture and fittings	10 years
EDP	5 years
Motor and transport vehicles	4 years

If components of property, plant and equipment have different useful lives, these components are accounted for separately. Land, whether free of construction or related to buildings, is recognized separately and is not depreciated as elements of unlimited useful life.

The book value of plant, property and equipment is subject to verification of any loss in value when events or changes occur indicating that the carrying value can no longer be recovered.

At the time of sale, or when there are no expected future economic benefits from the use of an asset, it is eliminated from the financial statements and any loss or profit (calculated as the difference between sale's price and book value) is charged to the income statement in the year of its elimination.

c) *Leased assets*

The definition of a contractual agreement as a lease transaction (or containing a lease transaction) is based on the substance of the agreement and requires an assessment of whether fulfilment of the agreement depends on the use of one or more specific assets and if the agreement transfers the right to use them. The verification that an agreement contains a lease is carried out at the beginning of the agreement.

A lease contract is classified as a financial lease or an operating lease at the beginning of the lease. A lease contract that substantially transfers to the Company all the risks and rewards of ownership of the asset leased, is classified as a finance lease.

Finance leases are capitalised at the commencement date of the lease at fair value of the leased asset or, if lower, at the present value of the lease payments. The lease payments are divided between a capital portion and an interest portion in order to obtain a constant interest rate on the residual balance of the payable. Financial charges are recorded in the income statement.

Leased assets are depreciated on the basis of the useful life of the asset. However, where there does not exist reasonable certainty that the Company will obtain ownership of the asset at the end of the contract, the asset is depreciated over the shorter period between the estimated useful life of the asset and the duration of the lease contract.

An operating lease is a leasing contract which does not qualify as a finance lease. Operating lease payments are recognized as costs in the income statement on a straight-line basis over the duration of the contract.

d) Impairments

At each year-end, the company assesses the existence of impairment indicators regarding property, plant and equipment, intangible assets and investments. Where such indicators arise, an impairment test is made.

In the case in which the book value of the intangible or tangible assets or of investments exceeds the recoverable value, they are written down to reflect the latter. The recoverable amount is determined as the higher of the fair value of an asset or cash-generating unit net of costs of sale and its use value and is determined for each asset individually, unless an asset generates cash flows that are not largely independent from those generated by other assets or groups of assets; in this case, the Company estimates the recoverable value of the cash-generating unit to which the asset belongs.

When determining value in use, the estimated future cash flows are discounted by the Company at a pre-tax rate that reflects the market assessment of the time value of money and the risks specific to the asset.

For the purposes of estimating value in use, future revenue streams are obtained from the business plans approved by the Board of Directors, which constitute the best estimate of the Company on the forecast economic conditions over the period of the plan. The projections of the plan normally cover a time span of three years; the long-term growth rate used to estimate the terminal value of the asset or unit is normally lower than the average long-term growth rate of the sector or market of reference. If the carrying amount of the investments is higher than its recoverable value, this asset has incurred a loss in value and is consequently written down to the recoverable value.

Impairment losses incurred by investments are recorded in the income statement in the category of costs relating to those assets. At the reporting date, the Company also assesses any indicators of a reduction in the loss of value previously recorded and, where these indicators exist, performs a new estimate of the recoverable value. A previously recognized impairment loss can be reversed only if there have been changes in the estimates used to determine the recoverable amount since the last impairment loss was recognized. In this case, the carrying amount of the asset is recorded at the recoverable value, while the restated value must not exceed the carrying amount which would have been determined, after amortisation or depreciation, if no loss in value had been recognised in previous years. Each reversal is recognized as income in the income statement; after a reversal is recognized, the depreciation or amortization charge for the asset is adjusted in future periods to allocate the asset's revised book value, less its residual value, if any, on a systematic basis over its remaining useful life. Impairment of goodwill cannot in any case be subject to reversals.

e) investments in subsidiaries, associates

The subsidiaries are all those companies over which GHC S.p.A. exercises control. Control is obtained where the company is exposed to or has the right to the variable returns from the relationship with the investee and has the capacity, through the exercise of its power, to influence returns. Such power is defined as the capacity to manage the core operations of the investee on the basis of the substantial existing rights. Associates are those companies over which GHC S.p.A. exercises significant influence. Significant influence is the power to participate in the financial and operating policy decisions of an investee, however not exercising control or joint control.

Shareholdings in subsidiaries and associates are valued at cost. The cost is adjusted for any impairment; the latter shall be subsequently reinstated if the conditions which have determined them cease to exist; recoveries cannot exceed the original cost.

Where the loss pertaining to GHC S.p.A. exceeds the book value of the investment, and where the holding is obliged to comply with legal or implicit obligations of the company or in any case to cover the losses, any excess over the book value is written down and any excess is recorded in a specific risks and charges provision. In the case of a non-economic sale of a shareholding to a jointly controlled company, any difference between the consideration received and the carrying amount of the investment is recognized under equity.

Dividends from investments are recorded to the income statement when the right of the shareholders to receive the payment arises. The dividends payable to third parties are recorded as changes in shareholders' equity at the date in which the Shareholders and Board of Directors meetings approve them respectively.

The use of estimates and the opinions of management adopted in preparing the separate financial statements are the same, where applicable, to those adopted for the preparation of the consolidated financial statements, to which reference should be made, except for the valuation of investments (as reported below).

f) Classification current/non-current

Assets and liabilities in the Company's financial statements are classified as current or non-current.

An asset is current when:

- it is expected to be realized, or is held for sale or consumption, in the normal course of the operating cycle;
- it is held mainly for the purpose of negotiating it;
- it is expected to be realized within twelve months of the closing date of the year; or
- it consists of cash or cash equivalents unless it is forbidden to exchange it or use it to settle a liability for at least twelve months from the closing date of the financial year.

A liability is current when:

- it is expected to be settled within the normal operating cycle;
- it is held principally for trading;
- it must be settled within twelve months of the closing date of the year; or
- the entity does not have an unconditional right to defer settlement of the liability for at least twelve months of the closing date of the year.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

g) Cash and cash equivalents

Cash and cash equivalents include cash on hand and demand and short-term deposits. Short-term deposits must have an original maturity of three months or less and not subject to significant risks related to the change in value.

h) Financial payables

All loans are initially recognized at fair value of the amount received, less ancillary costs incurred in connection with the arrangement of the loan.

After initial recognition, loans are measured at amortized cost, using the effective interest rate method.

Any gain or loss is recognized in the income statement when the liability is extinguished, as well as through the amortization process.

i) Provisions for risks and charges

Provisions for risks and charges are recorded when the Company has a legal or implicit obligation (that derives from a past event) and a payment of resources is probable to satisfy the obligation and the amount of this payment can be reliably estimated.

If the discounting effect of the value of money is significant, allocations are discounted using a pre-tax discount rate that reflects, where appropriate, the specific risks associated with the liabilities. When provisions are discounted, increases resulting from the passage of time are recognized as borrowing costs.

l) Employee benefit provisions

Post-employment benefits are defined on the basis of programs, even if not formalized, which according to their characteristics are divided into “defined benefit” programs and “defined contribution” programs.

Italian legislation (article 2120 of the Civil Code) provides that, on the date on which each employee terminates the employment contract with the company, indemnity referred to as TFR is received. The calculation of this indemnity is based on some items that make up the employee’s annual salary for each year of work (appropriately re-evaluated) and on the length of the employment relationship. According to Italian civil law, this indemnity is reflected in the financial statements according to a calculation method based on the indemnity accrued by each employee at the reporting date, in the event that all employees terminate the employment contract on that date.

The International Financial Reporting Interpretations Committee (IFRIC) of the International Accounting Standards Board (IASB) addressed the subject of the Italian TFR and concluded that, in application of IAS 19, it must be calculated according to a method called Projection Unitary Credit Method (PUCM), according to which the amount of liabilities for the benefits acquired must reflect the date of expected resignation and must be discounted.

The actuarial assumptions and the related effects take into consideration the regulatory changes introduced by the Italian legislator, which provided for the option for the employee to allocate the TFR accrued from July 1st, 2007 to INPS or supplementary pension funds.

The Company’s net obligation deriving from defined benefit plans is calculated by estimating the amount of the future benefit that employees have accrued in exchange for the activity performed in the current year and in previous years; this benefit is discounted to calculate the current value. The actuarial gains and losses referring to the defined benefit plans accumulated up to the previous year and which reflect the effects deriving from changes in the actuarial assumptions used, are recognized in full in the comprehensive income statement.

The actuarial valuation of the liability was entrusted to an independent actuary.

The company does not have other defined benefit pension plans.

The obligation of the Company deriving from defined contribution plans is limited to the payment of contributions to the State or to a legally separate asset or entity (fund), and is determined on the basis of the contributions due.

m) Financial instruments

The final version of the new IFRS 9 Standard, divided into three pillars, determines the need to review the processes and criteria for the management of financial instruments in terms of “Classification and Measurement”, “Impairment” and “Hedge Accounting”.

Regarding Classification & Measurement, the Standard provides for new rules for the classification of financial assets in the following categories:

- Amortised cost – “CA”;
- Fair value with changes in equity (Fair Value Other Comprehensive Income) – “FVOCI”;
- Fair value with changes in the income statement (Fair Value through Profit and Loss) – “FVTPL”.

This classification is carried out according to two discriminating factors:

- The Business Model that the Company has associated with each of the portfolios identified and
- The characteristics of the contractual cash flows of the financial instrument (SPPI Test – Solely Payments of Principal and Interest).

Regarding Impairment, the main changes concern:

- The change in the scope of application of financial assets subject to the impairment process;
- The introduction of an impairment model based on expected losses (Expected Credit Loss) with the adoption of a Forward-Looking approach;
- The classification of financial instruments in three stages of credit quality and the consequent need to adopt a specific Stage Assignment Framework;
- The calculation of value adjustments according to the stage of credit quality attributed.

In the case of financial assets not recognized in the income statement, the Company initially evaluates a financial asset at its fair value plus transaction costs.

Classification criteria in Stages (“stage assignment”) - general approach

The “general” approach is based on the classification of financial assets in three stages of risk, which correspond to different methods of measuring value adjustments according to the univocal concept of “Expected Loss”, or also “Expected credit losses” (hereinafter ECL). For the purposes of staging, the Company has adopted the following model:

For trade receivables (receivables for commissions), the simplified approach will therefore record the expected losses on all trade receivables based on their residual contractual duration.

Cash and cash equivalents, such as current accounts held as assets valued at amortized cost, are also subject to the general impairment rule. 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.

For other receivables, the parameters for determining the significant increase in credit risk (SICR) have been defined, for the purpose of correctly allocating performing exposures to stage 1 or stage 2 ("tracking"). On the other hand, with reference to "impaired" exposures, account is taken of current logics of classification of exposures that are adequate with respect to the classification logics of exposures in stage 3.

With reference to the "tracking" of credit quality, a precise analysis was carried out of the credit quality of each individual relationship, for the purpose of identifying any "significant deterioration" of the same from the date of initial recognition and the consequent need for classification in stage 2, as well as a specular analysis, of the conditions for returning to stage 1 from stage 2. Specifically, in order to distinguish receivables that do not show signs of SICR (stage 1) from those that show such signals (Stage 2), the Company has chosen, in line with the requirements introduced by IFRS 9, to analyse the following relevant aspects:

- The change in the creditworthiness of the counterparty (assessed based on the outcome of the recovery and reminder actions);
- The expected life of the receivable;
- The "forward looking" information that can influence credit risk (i.e. the deviation of financial instruments as guarantee).

The Company's Stage Assignment Framework provides for the need to classify Performing financial instruments in 2 different stages, each representing increasing levels of risk:

- Stage 1 includes all receivables that have not undergone a "SICR" or, although they have recorded a change in credit risk over time, are characterized by a low level of credit risk at the reporting date;
- Stage 2 includes receivables that have recorded a "SICR" on the reporting date compared to the first recognition and this level of risk can no longer be considered low.

The classification of receivables in Stage 3, on the other hand, is envisaged for all relationships in default at the reporting date.

IFRS 9 requires the Company to recognize an allocation for expected credit losses (ECL) for all loans and other receivables that represent a financial asset that are not held at FVPL.

Expected credit losses (ECL) are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive. For trade receivables, the company applied the standard simplified approach and calculated the ECL based on the expected credit losses over the life of the loans. The company has defined an allocation based on the company's historical experience with respect to losses on receivables, adjusted by taking into account specific forecast factors for creditors and the economic context.

The Standard provides for the classification and measurement of financial liabilities at amortized cost with the exception (IFRS 9 par. 4.2.1) of:

- Financial liabilities measured at FVTPL (including derivative financial instruments);
- Financial liabilities arising when the transfer of a financial asset does not meet the criteria for derecognition or when the approach of residual involvement is applied;
- Financial guarantees and commitments to provide loans;
- Potential amount recognized by the acquirer in a business combination to which IFRS 3 Business Combinations applies.

The Standard maintains the possibility of opting, at the time of initial and irrevocable entry, for fair value measurement with a balancing entry in the income statement (fair value option) when (IFRS 9 par. 4.2.2 and 4.3.5):

- The liability includes an embedded derivative;
- The designation allows the elimination or significant reduction of a valuation or recognition inconsistency (accounting mismatch);
- The liability is included in a group of liabilities managed at fair value based on a documented policy.

For financial liabilities designated at fair value, the Standard requires gains or losses to be recognized as follows:

- The changes in the fair value of financial liabilities that are attributable to changes in their credit risk are recognized in equity (without reversal to the income statement). In the event of repurchase, the reserve could be reclassified to an available equity reserve;
- The remaining change in fair value of liabilities is recognized in the income statement.

In summary, the rules for the classification and measurement of financial liabilities envisaged by the Standard have not changed compared to the previous IAS 39 Financial instruments: recognition and measurement, except for the new accounting rules, or the recognition of cumulative fair value changes related to credit risk in OCI. Below is an example of IFRS 9 treatment regarding financial liabilities.

In consideration of the nature of the instruments as well as of the Company's business plan, the breakdown by technical form has been identified as the relevant level at which to conduct the analysis of the business model for the company. When the business model of an asset or a portfolio of assets is of the type hold to collect or both hold to collect and sell, the next step of the assessment consists in analysing the contractual cash flows to verify that they represent only the repayment capital and interest (hereinafter SPPI).

An entity must always check the contractual cash flows when it becomes part of the contractual clauses of the instrument and, therefore, the retrospective application in accordance with IFRS 9 requires the asset to be analysed on the basis of the evidence at the time of recognition in the financial statements. However, it is noted that an instrument that has been restructured or renegotiated so as not to lead to derecognition of the original asset and the recognition of the new asset, should not be the subject of a new SPPI Test.

n) Fair value measurement

The Company assesses financial instruments, such as derivatives and capital instruments, at fair value at each reporting date.

Fair value is the price that would be received for the sale of an asset, or that would be paid to transfer a liability in an arm's length transaction at the measurement date. A fair value measurement assumes that the sale transaction of the asset or transfer of the liability takes place:

- in the main market of the asset or liability;

or

- in the absence of a principal market, in the most advantageous market for the asset or liability.

The principal market or the most advantageous market must be accessible for the Company.

The fair value of an asset or liability is measured adopting the assumptions which market operators would utilise in the determination of the price of the asset or liability, assuming they act to best satisfy their economic interests.

The fair value measurement of a non-financial asset considers the capacity of a market operator to generate economic benefits utilising the asset to its maximum and best use or by selling to another market operator that would utilise the asset to its maximum or best use.

The Company utilises measurement techniques which are appropriate to the circumstances and for which there is sufficient available data to measure the fair value, maximising the utilisation of relevant observable inputs and minimising the use of non-observable inputs.

All the assets and liabilities for which the fair value is measured or stated in the financial statements are categorised based on the fair value hierarchy, as described below:

- Level 1 - prices listed (not adjusted) on active markets for identical assets or liabilities which the entity can access at the measurement date;

- Level 2 - inputs other than listed prices included in Level 1, directly or indirectly observable for the asset or the liability;

- Level 3 - measurement techniques for which the input data are not observable for the asset or for the liability.

The fair value measurement is classified entirely in the same fair value hierarchical level in which the lowest hierarchical input level utilised for the measurement is classified.

For the assets and liabilities recognised in the financial statements at fair value on a recurring basis, the company assesses whether there have been transfers between the hierarchy levels, reviewing the classification (based on the lowest input level, which is significant for the fair value measurement in its entirety) at each reporting date.

o) Revenue recognition

IFRS 15 redefines the criteria for the recognition of revenues and is applicable to all contracts with customers, with the exception of contracts falling within the scope of other standards (e.g. interest and commissions generated by financial instruments and which fall within the scope of IFRS 9). Certain requirements of IFRS 15 are also relevant for the recognition and measurement of profits or losses from the disposal of non-financial assets relating to non-core operations.

IFRS 15 introduces a 5-step model for the recognition of revenues generated from contracts with customers and require revenues to be recognised for an amount which reflects the consideration which the company expects to receive in exchange for the goods or services provided to the customer. All facts and circumstances should be taken into consideration in applying the 5 steps of the model. In addition, the standard sets out the accounting treatment of incremental costs incurred to obtain a contract and costs directly associated with the execution of a contract. The revenues which fall within the scope of IFRS 15 relate to the offsetting of costs of the holding company with the subsidiaries for administrative coordination, financial, corporate and IT services. Although these services are separate, they are closely related and therefore the company has identified only one obligation to be satisfied. As referring to services transferred during the year, the company does not indicate any impacts deriving from the application of this standard.

p) - Recognition of costs

Costs are recognised on the acquisition of the goods or service.

q) Financial income and charges

Financial income and expenses are recorded on an accruals basis on the interest matured on the net value of the relative financial assets and liabilities and utilising the effective interest rate.

r) Income taxes

Current taxes

Current taxes reflect an estimate of the tax burden, determined by applying the legislation in effect in the countries in which the company Garofalo Health Care operates. Current tax liabilities are calculated using the rates in effect or substantially approved on the closing date of the financial year.

The payable for current taxes is classified in the balance sheet, net of any tax advances paid.

Deferred taxes

Deferred taxes are calculated on deductible (deferred tax assets) and taxable (deferred tax liabilities) temporary differences resulting at the reporting date between the tax values taken as reference for assets and liabilities and the values in the financial statements.

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 value to be recognized in the financial statements of deferred tax assets is reviewed on each reporting date and reduced to the extent that it is no longer likely that sufficient tax profits will be available in the future in order to allow all or part of this receivable to be used.

Unrecognized deferred tax assets are reviewed annually at the reporting date and are recognized to the extent that it has become likely that future taxable income will be sufficient for their recovery.

Deferred tax assets and liabilities are measured using the tax rates that are expected to be applied in the years in which the assets are realized or the liabilities are settled, considering the rates currently in effect and those already issued, or substantially issued, at the reporting date.

Deferred taxes and liabilities are recognized directly in the Income Statement, with the exception of those relating to items recognized directly in equity; in this case, the related deferred taxes are recorded consistently without recognition in the income statement.

Deferred tax assets and liabilities are offset if there is a legal right to compensate current tax assets with current tax liabilities and the deferred taxes refer to the same legal entity and the same tax authority.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

Indirect taxes

Costs, revenues, assets and liabilities are recognized net of indirect taxes, such as value added tax, with the following exceptions:

- the tax applied to the purchase of goods or services is non-deductible; in this case, it is recognized as part of the purchase cost of the asset or part of the cost recognized in the income statement;
- trade receivables and payables include the indirect tax applicable.

The net amount of indirect taxes to be recovered or paid to the tax authorities is included in the financial statements as receivables or payables.

s) Segment information

The identification of the operating sector in which the Company operates is carried out on the basis of the accounting standard IFRS 8 – Operating Segments. On December 12, 2012, the IASB issued a set of amendments that have made changes to the aforementioned standard requiring that information be provided on the assessments made by the company management in the aggregation of the operating segments describing the segments that have been aggregated and the economic indicators that have been evaluated to determine that the aggregated segments have similar economic characteristics.

The company GHC is a holding company operating in the private accredited healthcare sector in Italy and a leader in terms of turnover, with eighteen healthcare facilities located in six Italian regions. From the point of view of GHC S.p.A.'s management organization, the activity carried out was grouped into a single Strategic Business Unit (hereinafter "SBU"), which includes the entire business.

t) Listing costs

As part of the listing project, the Company and/or the selling shareholders support specific costs, such as (i) the fees that are recognized to the banks coordinating the offer, (ii) the fees that are paid to consultants, specialists and lawyers; (iii) other costs such as, for example, communication costs, printing costs of information prospectuses and out-of-pocket expenses.

The transaction costs of a corporate transaction are accounted for as a deduction from equity to the extent they are marginal costs directly attributable to the equity transaction (capital increase) that otherwise would have been avoided. Transaction costs that are simultaneously linked to more than one transaction (listing of the company on the stock exchange) are allocated to the relevant transactions according to a rational allotment criterion consistent with similar transactions.

The criterion adopted by the company is to determine the ratio of the number of new shares issued during the IPO process to the total number of shares in issue that are listed, and to take the share of costs calculated by applying this ratio to the total incremental costs to equity and the difference to the income statement, net of bank fees of Euro 1,837 thousand, taken directly to equity.

During the year ended December 31, 2018 the Company incurred IPO costs of approximately Euro 7.3 million, of which Euro 4 million was expensed to the income statement and Euro 3.3 million accounted for as a reduction in equity.

1.7 Discretional 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.

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.

Recoverability of investments
The company assesses annually the existence of indicators of impairment regarding each investment, in line with its strategy to manage the legal entities within the company and, where evident, subject these assets to an impairment test.

The processes and methods to value and establish the recoverable value of each investment are based on assumptions requiring the opinion of the directors, in particular with regards to the identification of the impairment indicators, the outlook on future earnings for the duration of the business plans of the companies, the establishment of the adjusted cash flows according to the estimate of the terminal value and the establishment of the growth and discounting rates applied to future cash flows.

1.8 Accounting standards issued but not yet in force

The accounting standards, amendments and interpretations not adopted in advance for the year ended December 31, 2018 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 separate 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 16 Leases

IFRS 16 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. IFRS 16 defines the principles for the recognition, measurement, presentation and disclosure of leasing and requires lessees to recognise all leasing contracts in the financial statements on the basis of a single model similar to that utilised for recognising finance leases in accordance with IAS 17. The standard provides for two exemptions for the recognition by lessees - leasing contracts with low value (for example personal computers) and short-term lease contracts (for example contracts with expiry within 12 months or less). At the initial date of the lease contract, the lessee records a liability against the payments (the leasing liability) and an asset which represents the right to the use of the underlying asset for the duration of the contract (the right to use an asset). The lessees must separately record the expenses for interest on the leasing liabilities and the amortisation of the right to use an asset.

The lessees must also remeasure the leasing liabilities on the occurrence of certain events (e.g. change in the lease contract conditions, change in the future lease payments resulting from a change in an index or rate utilised to determine these payments). The lessee will generally recognise the amount of the remeasurement of the leasing liability as an adjustment to the right to use the asset.

The accounting required by IFRS 16 for lessees is substantially unchanged compared to the current accounting under IAS 17. The lessees will continue to classify all leases utilising the same classification principle as per IAS 17 and distinguishing between two types of leases: operating leases and finance leases.

IFRS 16 requires from lessors and lessees greater disclosure compared to IAS 17.

IFRS 16 will enter into force for the periods beginning January 1, 2019 and thereafter. Advance application is permitted, but not before the entity has adopted IFRS 15. A lessee may choose to apply the standard utilising a fully retrospective approach or a modified retrospective approach. The transitory provisions within the standard permit some options.

The Company has decided to adopt the simplified transition model and opted to apply the Standard to contracts previously identified as leases under IAS 17 and IFRIC 4. Accordingly, it will not apply the Standard to contracts that were not previously identified as leases under IAS 17 and IFRIC 4. In 2018, the Company undertook a detailed analysis of the impacts of IFRS 16. In short, the introduction of the new Standard does not have any impact on the Company's income statement, cash flows or business in 2018. However, in 2019 and future periods it will have a significant impact on the way in which the assets, liabilities, costs and cash flows associated with lease contracts are presented. The values resulting from the application of the new Standard are in the process of being calculated.

Interpretation IFRIC 22 Foreign currency transactions and advance consideration

The interpretation clarifies that, when defining the spot exchange rate to be used for the initial recognition of the related asset, costs or revenues (or part of these) at the time of derecognition of a non-monetary asset or a non-monetary liability relating to advances on fees, the transaction date is the date on which the entity initially recognizes the non-monetary asset or the non-monetary liability relating to advances on fees. In the case of multiple payments or advances, the entity should define the transaction date for each payment or advance on consideration.

Amendments to IAS 40 Changes in the allocation of investment property

The amendments clarify when an entity should transfer a building, including buildings under construction or development within or outside the Property investments account. The amendment establishes that a change of use occurs when the building satisfies, or ceases to satisfy, the definition of property ownership and demonstrates a change in use. A simple change in management's intentions with regards to the use of the building is not considered as proof of a change in use. These amendments did not have any impact on the separate financial statements.

Amendments to IFRS 2 -Classification and recognition of share-based payments

The IASB issued amendments to IFRS 2 Share-based payments which concern three principal areas: the effects of a vesting condition on the measurement of a cash-settled share-based payment; the classification of an equity-settled share-based payment settled net of withholding tax obligations; the accounting where a change in the terms and conditions of an equity-settled share-based payment changes its classification from cash-settled to equity-settled. On its adoption, the entities must apply the amendments without restating the previous years, but the retrospective application is permitted if chosen for all three of the amendments and other criteria are satisfied. The company accounts for cash-settled share-based payment transactions according to the approach clarified in the above amendments. The Group has not undertaken share-based payment transactions settled net of obligations for withholding tax, nor has it amended the terms and conditions of its share-based payment transactions. Therefore, these amendments did not have any impact on the separate financial statements.

Amendments to IFRS 4 - Joint application of IFRS 9 Financial Instruments and IFRS 4 Insurance Contracts

The amendments concern the problems arising from the adoption of the new standard on financial instruments, IFRS 9, before the adoption of IFRS 17 Insurance Contracts, which replaces IFRS 4. The amendments introduce two options for entities that issue insurance contracts: a temporary exemption in the application of IFRS 9 and the overlay approach. These amendments are not significant for the Company.

Amendments to IAS 28 Equity Investments in Associates and Joint Ventures - Clarification that recognition of an equity investment at fair value through profit or loss is a choice that applies to an individual equity investment

The amendments clarify that an entity that is a venture capital organization, or another qualified entity, may decide, at the time of initial recognition and with reference to the individual investment, to evaluate its investments in associates and joint ventures at fair value recognized in the Income Statement. Where an entity not qualifying as an investment entity has a holding in an associate or joint venture which is an investment entity, the entity may, on applying the equity method, decide to maintain the fair value measurement applied by the investment entity (whether an associate or joint venture) in measuring its holdings (in the associate or joint venture). This choice is made separately for each associate or joint venture that is an investment entity on the last (in terms of occurrence) of the following dates: (a) initial recognition of the investment in the associate or joint venture that is an investment entity; (b) in which the associate or joint venture becomes an investment entity; and (c) in which the associate or joint venture that is an investment entity becomes for the first time the parent company. These amendments did not have any impact on the separate financial statements.

Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards – Deletion of Short-Term Exemptions for First-Time Adopters

The short-term exemptions under paragraphs E3-E7 under IFRS 1 have been deleted as they have fulfilled their scope. These amendments did not have any impact on the separate financial statements of the company.

Note 2 Other intangible assets

The account Other intangible assets amounts to Euro 4 thousand and the table below shows the movements in individual items of Intangible assets during the period ended December 31, 2018. The account considers the definitive useful life (5 years)

Euro thousands	Concessions, licenses, trademarks & others	Software	Total
Net value at December 31, 2017	**-**	**-**	**-**
Increases	2	3	**5**
Net decreases	-	-	**-**
Amortisation	-	(1)	**(1)**
Net value at December 31, 2018	**2**	**2**	**4**

Concessions, licenses, trademarks & others

Concessions, licenses, trademarks and similar rights amount to Euro 2 thousand and concern purchases made in the year.

Software

Software amounts to Euro 2 thousand and concerns the applications used for administrative activities.

Note 3 Property, plant and equipment

The table below shows the breakdown of the account at December 31, 2018, compared with December 31, 2017 and December 31, 2016. For the useful life of the account, reference should be made to the accounting policies.

Euro thousands	At December 31		At January 1
	2018	**2017**	**2017**
Industrial and commercial equipment	1	-	-
Other assets	31	-	-
Total	**32**	**-**	**-**

The following tables show the changes in the item in question for the period ended December 31, 2018, compared to the period ended January 31, 2017:

Euro thousands	Industrial & commercial equipment	Other assets	Total
Net value at December 31, 2017	-	-	-
Increases	1	38	**39**
Net decreases	-	-	-
Depreciation	-	(7)	**(7)**
Net value at December 31, 2018	**1**	**31**	**32**

Industrial & commercial equipment

Industrial and commercial equipment amounts to Euro 1 thousand at December 31, 2018.

Other Assets

Other assets in 2018 reported a net increase of Euro 31 thousand regarding investments in computers and furniture and equipment for the head office and telephone equipment.

Note 4 Equity investments

Investments amount to Euro 74,872 thousand at December 31, 2018 and relates to investments in subsidiaries (compared to the previous year's balance of Euro 74,686 thousand).

Euro thousands	At December 31		At January 1
	2018	2017	2017
Investments in subsidiaries	74,872	74,686	31,774
Total equity investments (in subsidiary companies)	**74,872**	**74,686**	**31,774**

The account increased in 2017 principally following:

- Acquisition of 50% of Fi.d.es Medica S.r.l. in June 2017, for Euro 10 million;
- Acquisition of Casa di Cura Prof. Nobili S.p.A. in December 2017, for approx. Euro 7 million;
- Conferment following the Group restructuring of the following companies: Eremo di Miazzina (approx. Euro 15.4 million), Villa Von Siebenthal S.r.l. (approx. Euro 3.2 million) and Casa di Cura Villa Garda (approx. Euro 7.5 million).

In 2018, the account increased by Euro 186 thousand, mainly due to:

- Subscription to the share capital increase of the company Centro Medico Palladio S.r.l. in liquidation, amounting to Euro 189 thousand;
- Acquisition of an additional holding of 1.5% in the subsidiary Casa di Cura Prof. Nobili for Euro 60 thousand;
- Write-down for Euro 63 thousand of the investment in Centro Medico Palladio S.r.l. in liquidation, fully writing down the book value in the absence of expected future cash flows.

The following table presents the breakdown of the share capital and of the shareholders' equity of each subsidiary at December 31, 2018:

Company	Registered office	Capital in Euro	Last year profit (loss) in Euro	Net equity in Euro (*)	% Holding	Book value or corresponding receivable
CASA DI CURA VILLA BERICA SPA	VICENZA	1,560	3,203	8,329	100	2,170
CASA DI CURA RUGANI SRL	MONTERIGGIONI (SI)	100	1,379	8,592	99.99	100
HESPERIA HOSPITAL MODENA SPA	MODENA	120	6,646	12,192	99.95	20,602
C.M.S.R. VENETO MEDICA SRL	ALTAVILLA VICENTINA (VI)	20	777	10,428	100	8,699
SANIMEDICA SRL	ALTAVILLA VICENTINA (VI)	10	54	279	100	210
CENTRO MEDICO PALLADIO SRL	VICENZA	10	-64	30	90	27
L'EREMO DI MIAZZINA SPA	CAMBIASCA (VB)	1,560	552	19,786	100	15,359

VILLA VON SIEBENTHAL SRL	GENZANO DI ROMA (RM)	100	34	2,776	100	3,181
CASA DI CURA PROF. NOBILI SPA	CASTIGLIONE DEI PEPOLI (BO)	104	814	6,531	54.46	6,936
VILLA GARDA SPA	GARDA (VR)	1,440	646	22,916	83.33	7,531
FI.D.ES. MEDICA SRL	PIOMBINO (LI)	200	-493	19,808	50	10,056
Total						**74,872**

(*) The values of the share capital, the profit (loss) for the last year and of the shareholders' equity refer to the financial statements prepared according to Italian GAAP at December 31, 2018.

With regards to the investment in Hesperia Hospital Modena S.p.A., whose book value is Euro 20.6 million against a corresponding share of net equity at December 31, 2018 of Euro 12.2 million, with dividends distributed in 2018 of Euro 5.5 million and of Euro 4 million in 2017, management decided to apply an impairment test to assess any impairments, which were negative.

In addition, with regards to Villa Von Siebenthal S.r.l., Casa di Cura Prof Nobili S.p.A. and FI.D.ES. MEDICA S.r.l. the company carried out impairment tests, which were negative.

Evaluation system

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

The prospective cash flows used in the impairment test are developed for a time period of 3 years with a terminal value forecast, the cash flows utilised derive from the 2018-2021 Business Plan approved by the Board of Directors on June 27, 2018 and are developed by referring to the operating EBITDA expected net of taxes and less the contribution of fixed assets and working capital. The assumptions are consistent with the past actual results and the historical trend of the reference market. The growth rate g used to calculate the terminal value is 0.

The discounting rate of cash flows (WACC) used for the impairment tests is equal to 6.03% at December 31, 2018 and presents the following main parameters:

- *Risk free rate*: the rate used is 2.76% for 2018; this value corresponds to the yield on Italian ten-year government securities measured as a monthly average over the last twelve months (Source: Bloomberg);

- *Beta*: for the estimation of the non-differentiable systemic risk coefficient, reference was made to the inputs elaborated by international practice (Source: Bloomberg), taking into consideration a group of listed companies operating in the same sector of the company to be valued, thus calculating an appropriate industry average beta, equal to 0.53% at December 31, 2018;

- *Market premium*: for the purposes of the analysis, a rate of 6.0% was used for all three years. This parameter is in line both with the results of long-term analyses and with professional practice;

- *Premium for additional risk:* prudentially, an increase in the cost of risk capital equal to 1.0% was applied at December 31, 2018 for the CGUs to take into account the reduced size compared to the companies used as comparable;

- With reference to the *cost of the debt (Kd)* for the CGUs that present outstanding loans, reference was made to the effective interest rate applied by the banking system on the same loans i.e. the twelve-month average ten-year EUR IRS (interest rate swap) (Source: Bloomberg) with a spread of 2.24 percentage points;

- *Financial structure:* consistently with that done for the purposes of the calculation of the beta, we applied to the cost of risk capital and the cost of debt capital, weights determined using a market D/E representative of the average financial structure of the sample of comparable listed companies previously identified, equal to 0.6 for December 31, 2018. The w_e and w_d weights for 2018 were 59.98% and 40.02%, respectively.

CGU Villa Von Siebenthal S.r.l.

The recoverable value of the cash-generating unit Villa Von Siebenthal S.r.l., social-care healthcare facility operating in Genzano Romano, was determined on the basis of the calculation of the value in use, in which the cash flow projections deriving from the related financial budgets were used for a period of three years, approved by management. As a result of the updated analyses, the management did not identify an impairment of this cash-generating unit. The equilibrium WACC, i.e. the discount rate of future cash flows which equates the recoverable value with the book value, was approx. 7%.

CGU Fides Medica Group

The recoverable value of the cash-generating unit of the Fides Medica Group was determined on the basis of the calculation of the value in use, in which the cash flow projections deriving from the related financial budgets were used for a period of three years, approved by management. As a result of the updated analyses, the management did not identify an impairment of this cash-generating unit. The equilibrium WACC, i.e. the discount rate of future cash flows which equates the recoverable value with the book value, was approx. 7.0%.

CGU Casa di Cura Prof. Nobili S.p.A.

The recoverable value of the cash-generating unit of the Fides Medica Group was determined on the basis of the calculation of the value in use, in which the cash flow projections deriving from the related financial budgets were used for a period of three years, approved by management. As a result of the updated analyses, the management did not identify an impairment of this cash-generating unit. The equilibrium WACC, i.e. the discount rate of future cash flows which equates the recoverable value with the book value, was higher by approx. 50%.

CGU Hesperia Hospital S.r.l.

The recoverable value of the cash-generating unit Hesperia Hospital S.r.l., healthcare facility operating in Modena, was determined on the basis of the calculation of the value in use, in which the cash flow projections deriving from the related financial budgets were used for a period of three years, approved by management. As a result of the updated analyses, the management did not identify an impairment of this cash-generating unit. The equilibrium WACC, i.e. the discount rate of future cash flows which equates the recoverable value with the book value, was approx. 20%.

Note 5 Other non-current financial assets

The account is broken down as follows:

Euro thousands	At December 31		At January 1
	2018	2017	2017
Financial receivables from subsidiaries	7,528	7,257	7,357
Financial receivables from others	1,501	-	-
Total other non-current financial assets	**9,029**	**7,257**	**7,357**

The account includes "financial receivables from subsidiaries" of Euro 7,528 thousand. The movement in the account at December 31, 2018 compared to December 31, 2017 mainly concerns the fresh provision of interest bearing loans by GHC S.p.A. to the subsidiaries L'Eremo di Miazzina S.p.A. and Villa Von Siebenthal S.r.l., for approx. Euro 600 thousand and Euro 200 thousand respectively, partly offset by the settlement of the loan to the subsidiary Rugani Hospital S.p.A. for approx. Euro 750 thousand.

"Financial receivables from others" includes also the advance payment of Euro 1,501 thousand made on December 21, 2018 following the execution of the preliminary agreement for the purchase of 100% of Poliambulatorio Dalla Rosa Prati S.r.l., which in turn owns 100% of Dalla Rosa Prati Grossi S.r.l., owner of the building in which the company operates and at which the company is headquartered. Since this contract provides for various conditions precedent for the benefit of the seller, which were met in January 2019, it only entered into legal effect, with the resulting transfer of title to the equity interest, in the following year. GHC S.p.A. only acquired control of these companies following the closing of February 5, 2019.

The movement at December 31, 2017 over January 1, 2017 concerns the repayment of the loan of the company Rugani Hospital S.r.l. for Euro 100 thousand.

Note 6 Deferred tax assets and liabilities

Deferred tax assets and liabilities

The composition of "Deferred tax assets and liabilities" at December 31, 2018, compared with the situation at December 31, 2017, is presented below. The balance at December 31, 2016 was zero.

Euro thousands	At December 31	At December 31
	2018	2017
Deferred tax assets:		
within 1 year	297	6
over 12 months	-	-
Total	**297**	**6**
Deferred tax liabilities:	-	-
within 1 year	-	-
over 12 months	-	-
Total	**-**	**-**
Net balance	**297**	**6**

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 year ended December 31, 2018 and December 31, 2017.

Euro thousands	At December 31
	2018
Net opening balance	**6**
Credit / (Debit) to the income statement	354
Other changes	(64)
Credit / (Debit) to equity	1
Net closing balance	**297**

Net deferred tax assets and liabilities amounted to Euro 297 thousand at December 31, 2018.

The breakdown of net deferred taxes at December 31, 2018 is illustrated below:

	Balance sheet			Comprehensive Income Statement		Income Statement	
DESCRIPTION *Euro thousands*	31.12.2018	Other changes	31.12.2017	31.12.2018	31.12.2017	31.12.2018	31.12.2017
Accreditation and buildings gross-up	-	-	-	-	-	-	-
Amortisation of goodwill	-	-	-	-	-	-	-
Provision for risks and charges	-	-	-	-	-	-	-
Tax Losses	365	-	-	-	-	365	-
Doubtful debt provision	-	-	-	-	-	-	-
Uncollected interest on arrears	-	-	-	-	-	-	-
Derivative instruments	-	-	-	-	-	-	-
IAS 38 adjustments - Depreciation	6	-	6	-	-	-	6
IAS 17 adjustments - Finance leases	-	-	-	-	-	-	-
IAS 19 adjustments - Employee leaving indemnity	5	-	-	1	-	4	-
Equity Method	-	-	-	-	-	-	-
Other movements	(79)	(64)	-	-	-	(15)	-
Total	**297**	(64)	**6**	1	-	**354**	**6**
Deferred tax assets	**297**	(64)	6	1	-	354	6
Deferred tax liabilities	-	-	-	-	-	-	-
Net deferred tax assets/liabilities	**297**	(64)	**6**	1	-	**354**	**6**

Note 7 Trade receivables

Trade receivables amounted to Euro 1,170 thousand at December 31, 2018, compared with Euro 2 thousand at December 31, 2017. The receivables refer to the fees invoiced to the subsidiaries for the administrative coordination, financial, corporate and IT services provided by the holding company.

Euro thousands	At December 31		At January 1
	2018	**2017**	**2017**
Receivables from subsidiaries	1,170	2	-
Total trade receivables	**1,170**	**2**	**-**

The above receivable positions in 2018 were collected during Q1 2019.

Note 8 Tax receivables

The table below shows the breakdown of tax receivables at December 31, 2018, compared with December 31, 2017.

Euro thousands	At December 31		At January 1
	2018	2017	2017
Tax receivables – from tax consolidation	-	149	337
IRES receivables	1,651	-	-
Total tax receivables	**1,651**	**149**	**337**

Tax receivables of Euro 1,651 thousand at December 31, 2018 were up by Euro 1,502 thousand on the balance of Euro 149 thousand from the previous year. The movement in the account mainly concerns the increase in the tax receivable for IRES of GHC S.p.A. for Euro 1,651 thousand on the basis of the tax loss matured by GHC S.p.A., mainly relating to the listing costs incurred by the company on IPO.

Tax receivables at December 31, 2016 were equal to the receivables from the tax consolidation of Raffaele Garofalo & C. S.a.p.a..

Note 9 Other receivables and current assets

Other receivables and current assets amounted to Euro 968 thousand at December 31, 2018, up by Euro 886 thousand on Euro 82 thousand at December 31, 2017, chiefly attributable to the account "Other tax receivables", the increase in which was due to the greater VAT receivable accrued to G.H.C. S.p.A. as a result of the costs of the IPO process.

The changes in the account were as follows:

Euro thousands	At December 31		At January 1
	2018	2017	2017
Other receivables and current assets - other receivables	-	13	7
Other receivables and current assets - dividends	-	-	2,010
Other receivables and current assets - other tax receivables	946	69	40
Other receivables and current assets - prepayments and accrued income (non-financial)	22	-	-
Total other receivables and current assets	**968**	**82**	**2,057**

Note 10 Cash and cash equivalents

The changes in the account over the last three years were as follows.

Euro thousands	At December 31		At January 1
	2018	**2017**	**2017**
Bank current accounts	65,095	295	27
Checks and cash	14	-	-
Total cash and cash equivalents	**65,109**	**295**	**27**

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

The company GHC S.p.A. 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.

The increase in cash and cash equivalents is primarily to be attributed to the completion of the process of listing on the Mercato Telematico Azionario ("MTA") organized and managed by Borsa Italiana S.p.A. the newly issued ordinary shares of the company, approved by the Board of Directors of Garofalo Health Care S.p.A. on July 31, 2018 and concluded on November 9, 2018.

In further detail, the shares subject to the offering derived from the divisible, paid share capital increase in cash, with exclusion of option rights, pursuant to Article 2.441, paragraph 5, of the Italian Civil Code, for the purposes of the listing of the Shares on the MTA, to be reserved for subscription by institutional investors, approved by resolution of the Company's extraordinary Shareholders' Meeting on September 26, 2018, as supplemented by the Company's extraordinary Shareholders' Meeting on October 12, 2018. On October 29, 2018 the Company's Board of Directors, exercising the powers granted to it under the above motions, set the maximum number of shares subject to the Offering (including the greenshoe option) at 22,000,000, without par value and with full rights, at a price of Euro 3.34.

The subscription of the said 22,000,000 shares, which include the 2,000,000 shares issued on December 5, 2018 within the framework of the exercise of the greenshoe option, generated total proceeds of Euro 73,480 thousand.

See Note 13 Non-current financial payables for the composition of net financial position at December 31, 2018 and December 31, 2017.

Note 11 Shareholders' Equity

Share capital

At December 31, 2018 share capital amounted to Euro 28,700 thousand, fully paid-in, and consisted of 82,000,000 ordinary shares without par value.

On July 31, 2018 the extraordinary Shareholders' Meeting resolved on an increase in share capital from Euro 300,000 to Euro 21,000 thousand, through a partial use of the extraordinary reserve of Euro 20,700 thousand, to be allocated to capital, without the issue of new shares, and on a split of the Company's shares at a ratio of 200 new shares without par value per each old share without par value. As a result of this transaction, share capital increased to Euro 21,000 thousand, divided into 60,000,000 ordinary shares without par value.

Share capital also increased in 2018 due to the listing process on the Mercato Telematico Azionario ("MTA"), which concluded with the commencement of trading of the Company's shares on the MTA on November 9, 2018 and with the exercise of the greenshoe option on December 5, 2018. In further detail, a total of 22,000,000 shares were assigned in the institutional placement, of which 20,000,000 shares deriving from the divisible, paid share capital increase in cash, with exclusion of option rights, pursuant to Article 2441, paragraph 5, of the Italian Civil Code, approved by resolution of the Company's extraordinary Shareholders' Meeting on September 26, 2018, as supplemented by the Company's extraordinary Shareholders' Meeting on October 12, 2018, and the 2,000,000 shares subject to the greenshoe option. The new shares subscribed by the institutional investors at a price of Euro 3.34 each thus resulted in a further increase in share capital of Euro 7,700 thousand, whereas the remainder, of Euro 65,780 thousand, was entered to the account "Share premium reserve" for a total of Euro 73,480 thousand. Consequently, shareholders' equity benefited from an overall increase of Euro 70,163 thousand, net of listing costs directly allocated to reserves for Euro 3,317 thousand.

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	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. The shareholders' rights and obligations are as established in Articles 2346 *et seq.* of the Italian Civil Code and Article 7 of the By-laws with regard to multi-voting rights.

Shareholder	Direct shareholder	% of ordinary share capital	% of voting share capital
Garofalo Maria Laura(1)	Anrama S.p.A. Larama 98 S.p.A. Garofalo Maria Laura	70.798%	80.373%
Peninsula Capital II S.a.r.l.(2)	PII 4 S.à.r.l.	9.968%	6.700%

(1) Source: GHC Group

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

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

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

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

At December 31, 2017 the share capital amounted to Euro 300 thousand, fully paid-in, and consisted of 300 thousand ordinary shares without par value.

At January 1, 2017 the share capital amounted to Euro 200 thousand, fully paid-in, and consisted of 400 thousand ordinary shares without par value.

Legal reserve

At December 31, 2018 the legal reserve amounted to Euro 60 thousand and increased due to the motion by the Shareholders' Meeting allocating part of the net profit for 2017 of Euro 20 thousand, in accordance with Article 2.430 of the Italian Civil Code.

At December 31, 2017, the legal reserve amounted to Euro 40 thousand.

At January 1, 2017, the legal reserve amounted to Euro 20 thousand.

Other Reserves

The composition of the account "Other reserves" at December 31, 2018, with a comparison to December 31, 2017, is presented below.

Euro thousands	At December 31		At January 1
	2018	2017	2017
Extraordinary reserve	4,398	15,378	13,342
Shareholder capital payments reserve	5,146	5,146	5,146
Conferment reserves	37,006	37,006	11,034

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

IAS 19 actuarial effect reserve	(4)	-	-
Stock-grant plan reserve	485	-	-
Share premium reserve	62,462	-	-
Retained earnings	(220)	(3)	-
Other reserves	**109,273**	**57,527**	**29,522**

At December 31, 2018 the account "Other reserves" amounted to Euro 109,273 thousand and showed a net increase of Euro 51,746 thousand on December 31, 2017, primarily deriving from the combined effect of: (i) the recognition of the share premium reserve of Euro 62,462 thousand following the IPO process described above; the account includes Euro 65,780 thousand attributable to the recognition of the share premium, less Euro 3,317 thousand due to the effect on equity of costs associated with the IPO process incurred and taken to equity on the basis of the ratio of the number of new shares issued to the new of shares existing following the IPO process. The remaining IPO costs of Euro 4,037 thousand have been taken to the income statement, among the service costs entered to the account "Non-recurring charges"; (ii) a net decrease in the extraordinary reserve, mainly due to the allocation of Euro 10,008 thousand of the total net profit for the previous year and the decrease of Euro 20,700 thousand attributable to the free increase in share capital, in accordance with the motion of the extraordinary Shareholders' Meeting of July 31, 2018 and, finally, a decrease of Euro 485 thousand due to the formation of the reserve for the stock-grant plan pursuant to the resolution of the Board of Directors of GHC S.p.A. of September 26, 2018. At the time of preparation of these notes, the assignments had yet to be made, and accordingly no assessment was required under IFRS 2.

At December 31, 2017, the account Other Reserves amounted to Euro 57,527 thousand, with a net increase of Euro 28,005 thousand over December 31, 2016, mainly due to the combined effect of: (i) the increase in the conferment reserve following the conferment transactions of the companies held by the company Larama 98 S.p.A. and in particular of the companies L'Eremo di Miazzina S.p.A., Villa Von Siebenthal S.r.l. and Casa di Cura Villa Garda S.p.A.; (ii) the increase in the extraordinary reserve due to the allocation of the prior year net profit.

Note 12 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 December 31	At December 31
	2018	2017
Annual inflation rate	1.00%	1.25%
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%	2.02%

Movements during the year were as follows (in Euro thousands):

Euro thousands	
December 31, 2017	**-**
Financial charges/(income)	-
Utilisations	-
Net actuarial gains/(losses) recognized in the year	5
Transfer in/(out)	-
Cost for service	29
Balance at December 31, 2018	**34**

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 Euro thousands for the year ended December 31, 2018 are summarized in the following tables.

		Dec 31, 2018		
		Annual discount rate		
		-10%	***100%***	***10%***
Annual inflation rate	***-10%***	100.04%	100%	98.97%
	100%	100.55%	**100%**	99.46%
	10%	101.06%	101%	99.96%

Note 13 Non-current financial payables

The following table presents the figures for the company’s outstanding financial payables at December 31, 2018 and December 31, 2017.

Euro thousands	At December 31		At January 1
	2018	2017	2017
Other non-current financial payables	-	6,401	6,459
Total non-current financial payables	**-**	**6,401**	**6,459**

The change in "Shareholder loans" in question was attributable to the reclassification of the amount payable to Larama 98 S.p.A., due on June 30, 2019, to "Other current financial payables".

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

Euro thousands	At December 31, 2018	Cash flow	Change Fair Value	Reclassifications	At December 31, 2017
Other non-current financial payables	0		-	6,401	(6,401)
Other current financial debt	(7,856)	5,311	-	(6,401)	(6,766)
Cash and cash equivalents	65,109	64,814	-		295
Net financial debt	**57,253**	**70,125**		**0**	**(12,872)**

The "Cash flow" column refers to the cash flows presented in the Separate Cash Flow Statement.

Note 14 Trade payables

"Trade payables" amounted to Euro 527 thousand at December 31, 2018, Euro 111 thousand at December 31, 2017 and Euro 52 thousand at January 1, 2017. A breakdown of the account is shown in the table below:

Euro thousands	At December 31		At January 1
	2018	2017	2017
Trade Payables	430	2	0
Payables for invoices to be received	97	109	52
Total trade payables	**527**	**111**	**52**

At December 31, 2018, trade payables increased over the previous year by Euro 416 thousand, mainly due to the increase in costs incurred for the listing process.

Note 15 Current financial payables

The following table presents the figures for the company's outstanding current financial payables.

Euro thousands	At December 31		At January 1
	2018	**2017**	**2017**
Payable to subsidiaries	1,902	6,766	1,247
Shareholder loan	5,954	0	-
Total current financial payables	**7,856**	**6,766**	**1,247**

The reduction in payables to subsidiaries over 2017 was Euro 4,864 thousand, mainly due to: (i) new amounts received from the subsidiaries for Euro 2,400 thousand for the funding of current operations, in addition to the other Group companies (ii) the reduction of Euro 7,497 thousand relating to the offsetting of dividends approved by Hesperia Hospital pro quota of Euro 5,497 thousand and from Villa Berica for Euro 2,000.

“Shareholder loans” of Euro 5,954 thousand at December 31, 2018 are attributable to the financial payable due to Larama 98 S.p.A. set to come due on June 30, 2019, classified among “Other non-current financial payables” at December 31, 2017.

Note 16 Tax payables

The table below provides the breakdown of the account for the year ended December 31, 2018 and a comparison to the same period of the previous year.

Euro thousands	At December 31		At January 1
	2018	**2017**	**2017**
Other tax payables	13	-	-
Total Tax payables	**13**	**-**	**-**

Note 17 Other current liabilities

At December 31, 2018, “Other current liabilities” reported a balance of Euro 1,676 thousand, compared to Euro 1,324 thousand at December 31, 2017, increasing Euro 352 thousand, mainly relating to payables for tax withholdings, whose increase on the previous year relates both to the increased number of employees and outside consultancy for the listing process. The table below summarizes the composition of the account:

Euro thousands	At December 31		At January 1
	2018	**2017**	**2017**
Social security institutions	97	-	-
Tax payables	-	-	-
Withholding payables	277	7	-
Employee payables	43	-	-
Other payables	1,259	1,317	2,000
Total Other current liabilities	**1,676**	**1,324**	**2,000**

“Other payables” at December 31, 2018 mainly comprise payables for dividends to the parent company Larama 98 S.p.A. of Euro 1,250 thousand.

The account at December 31, 2017 amounted to Euro 1,317 thousand, compared to Euro 2,000 thousand at

January 1, 2017. The decrease in 2017 compared to January 1, 2017 mainly relates to the payment of the dividend for an amount of Euro 750 thousand in favour of Larama 98 S.p.A. This amount as a result of the corporate restructuring in 2017 remained within the GHC Group.

Note 18 Revenues from services

Revenues from services amounts to Euro 1,200 thousand and relate to the offsetting of costs of the parent company to the subsidiaries for administrative coordination, financial and IT services.

The account is broken down below

Euro thousands	At December 31,		Change
	2018	**2017**	**2018 vs 2017**
Revenues from services	1,200	-	1,200
Total revenues from services	**1,200**	**-**	**1,200**

Other operating revenues

Other operating revenues amounted to zero in the year. The account is broken down below

Euro thousands	At December 31,		Change
	2018	**2017**	**2018 vs 2017**
Other income	-	3	(3)
Total other operating revenues	**-**	**3**	**(3)**

Note 19 Costs for raw materials, ancillary, consumables and goods

Raw materials, ancillary, consumables and goods amounted to Euro 20 thousand in 2018. The increase relates to the purchases made for the company's ordinary activities.

Note 20 Service costs

Service costs for the year ended December 31, 2018 amounted to Euro 5,150 thousand, compared with Euro 356 thousand for the year ended December 31, 2017, marking an increase of Euro 4,794 thousand. This movement mainly relates to non-recurring listing costs for Euro 4,037 thousand, recognised to the income statement as per IAS 32. The table below provides the breakdown of the account for the year ended December 31, 2018 and a comparison to the same period of the previous year:

Euro thousands	**At December 31**		**Change**
	2018	**2017**	**2018 vs 2017**
Director fees	193	67	126
Statutory auditors' fees	94	53	41
Rental charges	81	-	81
Listing costs	4,037	-	4,037
Other costs	745	236	509
Total service costs	**5,150**	**356**	**4,794**

Note 21 Personnel costs

Personnel costs amount to Euro 664 thousand in 2018 and relate to the increase in the year concerning costs to establish the organisational structure of the holding company.

The table below shows the breakdown of personnel costs for the year ended December 31, 2018, with a comparison to the year ended December 31, 2017.

Euro thousands	At December 31,		Change
	2018	**2017**	**2018 vs 2017**
Wages and salaries	454	-	454
Social security charges	161	-	161
Severance	48	-	48
Other	1	-	1
Total personnel costs	**664**	**-**	**664**

The increase in personnel costs concerns the establishment of the company organisation, required to start the process for the listing of the company shares on the main segment of the Italian stock exchange and to undertake normal holding company operations, as those undertaken by G.H.C. S.p.A.

Note 22 Other operating costs

Operating costs in 2018 amounted to Euro 18 thousand, slightly decreasing on Euro 22 thousand in 2017.

The table below shows the breakdown of such costs for the years ended December 31, 2018 and December 31, 2017.

Euro thousands	At December 31,		Change
	2018	**2017**	**2018 vs 2017**
Non-deductible VAT on a pro rata basis	-	20	(20)
Income taxes	5	1	4
Other operating charges	13	1	12
Total Other operating costs	**18**	**22**	**(4)**

Note 23 Amortisation, depreciation and write-downs

Amortisation, depreciation and write-downs in 2018 amounted Euro 8 thousand and entirely concerned amortisation and depreciation on the new investments outlined above.

Note 24 Impairments and other provisions

Impairments and other provisions, amounting to Euro 62 thousand, decreased by Euro 52 thousand on the previous year.

Investment write-downs concern the subsidiary Centro Medico Palladio in liquidation, with the process expected to conclude in the first half of 2019.

Note 25 Financial income

Financial income amounted to Euro 8,108 thousand for the year ended December 31, 2018, compared with Euro 10,548 thousand in the previous year, marking a decrease of Euro 2,440 thousand.

The table below shows the breakdown of the account in question and the change on the previous year:

Euro thousands	At December 31,		Change
	2018	**2017**	**2018 vs 2017**
Interest on bank deposits	1	0	1
Interest income from subsidiary companies	10	2	8
Dividends	8,097	10,546	(2,449)
Total financial income	**8,108**	**10,548**	**(2,440)**

Dividends relate to the amounts approved for Euro 5,497 thousand pro quota regarding Hesperia Hospital S.p.A. and Euro 2,600 thousand regarding Villa Berica S.p.A. The dividends approved in 2018 were collected for Euro 600 thousand with the remainder offset against GHC S.p.A. payables to the same companies.

Note 26 Financial charges

Financial charges amounted to Euro 403 thousand, compared with Euro 16 thousand in the previous year, marking an increase of Euro 387 thousand.

The table below shows the breakdown of and changes in the account in question compared to the year ended December 31, 2017.

In Euro thousands	At December 31,		Change
	2018	**2017**	**2018 vs 2017**
Interest expense to subsidiaries	403	16	387
Interest charges from shareholders	-	-	-
Total financial charges	**403**	**16**	**387**

The account includes interest on the debt positions with subsidiaries and interest on the payable of G.H.C. S.p.A. to Larama 98 S.p.A, arising on January 1, 2018 and with maturity on June 30, 2019.

Note 27 Income taxes

The table below shows the breakdown of and changes in the account in question for the periods ended December 31, 2018 and December 31, 2017.

In Euro thousands	At December 31,		Change
	2018	**2017**	**2018 vs 2017**
Current taxes	(1,680)	39	(1,719)
Deferred tax income	(353)	(4)	(349)

Deferred tax charges	-	-	-
Other	23	-	23
Total income taxes	**(2,010)**	**35**	**(2,045)**

During the period ended December 31, 2018, income taxes amounted to Euro 2,010 thousand, essentially due to the tax benefit generated by the Group's IRES taxation, whereby the tax loss reported by GHC S.p.A. relating to the listing costs was offset by the taxable profit earned by the individual companies.

The company's nominal and effective rates for the years ended December 31, 2018 and December 31, 2017 are reconciled below.

IRES reconciliation	**At December 31**	
in Euro thousands	**2018**	**2017**
Profit before taxes	**2,983**	**10,043**
IRES rate applicable	24%	24%
Theoretical tax charge (Profit before taxes * IRES tax rate)	**716**	**2,410**
Dividends received	(1,846)	(2,404)
IPO Costs at net equity	(796)	-
Other changes	(107)	29
Total income taxes	**(2,033)**	**35**
Effective tax rate	**(68.2)%**	**0.3%**

Note 28 Net profit for the year

2018 net profit of Euro 4,993 thousand compared to Euro 10,008 thousand in the previous year.

Note 29 Fair value hierarchy

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	**Dec 31, 2018**		**Dec 31, 2017**		**Dec 31, 2016**	
Euro thousands	**Book Value**	**Fair Value**	**Book Value**	**Fair Value**	**Book Value**	**Fair Value**
Loans	7,856	7,856	13,167	13,167	7,706	7,706
Total	**7,856**	**7,856**	**13,167**	**13,167**	**7,706**	**7,706**

The financial liabilities set out above have been assigned to level 2 of the fair value hierarchy (for both 2018 and 2017).

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:

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

Note 30 Commitments, risks and contingent liabilities

30.1 Finance leases and final purchase commitments

The company has not undertaken finance leases.

30.2 Commitments and Guarantees

Commitments and guarantees at December 31, 2018 are described below.

- 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;
- Ordinary surety Euro 845 thousand, approved on 16.03.2018
- Omnibus surety with risk limitation Euro 325 thousand approved on 16.03.2018

No expected losses on guarantees have come to light.

30.3 Financial risk management

This section contains a description of the financial risks to which GHC S.p.A is exposed, together with the policies and strategies employed by the company to manage the risks concerned during the year to December 31, 2018 and the year to December 31, 2017.

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

GHC through its operating activities is exposed to financial risks, in particular:

• Credit risk arising from commercial transactions or financing activity;

• Liquidity risk, related to the availability of financial resources and access to the credit market;

Operational risk relating to the conduct of the business;

The management and monitoring system for the main risks involves the director and management of the company 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 policy for managing the risks to which the company is exposed is approached as follows:

by setting guidelines that are to inspire operational management of liquidity risk;

The principal risks to which the company is exposed are as follows:

30.3.1 Credit risk

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

The credit risk of GHC S.p.A. is moderate as the credit positions recognised to GHC S.p.A.'s financial statements are with Group companies and derive from revenues for the offsetting of costs incurred by the holding company for services provided to the subsidiaries. More particularly, the Group companies, operating in "strong" Regions, whose health spend is balanced from a financial viewpoint and consequently is not exposed to payment delay risks, with consequent benefits for the company.

Information on GHC's trade receivable positions at December 31, 2018 and December 31, 2017 is provided below by time past due:

Euro thousands	**At December 31**	**At December 31**
	2018	**2017**
Not yet due	1,170	2
Total trade receivables	**1,170**	**2**

The balance of trade receivables at December 31, 2018 was collected in the first quarter of 2019.

30.3.2 Liquidity risk

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

The company has introduced effective financial planning which offsets liquidity risk, also in view of the fact, as stated GHC S.p.A.'s receivables are from Group companies whose liquidity is related to on-time payment by the Regional Health System to which the individual clinics belong. The company therefore considers that this risk deriving from any delayed payment by the Regional Health System, with any related impacts on liquidity, is moderate. The Group's facilities are primarily located in regions with a balanced healthcare spending budget. This reduces, but does not eliminate, the risk that the Regional Health Systems within whose territory the facilities concerned operate may delay the payment of services rendered to patients. At December 31, 2018, the GHC Group's average collection times from the Regional Health System were approximately 100 days, compared with an industry national average of 110 days.

GHC S.p.A. in addition, to offset any unexpected liabilities, may utilise the shareholders' equity reserves of the subsidiaries, which may be distributed in view of the financial equilibrium of the subsidiaries.

The following is a breakdown of outstanding financial and trade payables in 2018 and 2017 by residual time to maturity:

Euro thousands	At December 31, 2018		
	Financial liabilities	**Trade payables**	**Total**
Maturity:			
Within 12 months	7,856	527	**8,383**
Total	**7,856**	**527**	**8,383**

Euro thousands	At December 31, 2017		
	Financial liabilities	**Trade payables**	**Total**
Maturity:			
Within 12 months	6,766	111	**6,877**
Beyond 12 months	6,401		**6,401**
Total	**13,167**	**111**	**13,278**

Euro thousands	At 31 December 2016		
	Financial liabilities	**Trade payables**	**Total**
Maturity:			
Within 12 months	1,247	52	**1,299**
Beyond 12 months	6,459		**6,459**
Total	**7,706**	**52**	**7,758**

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

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

Note 31 Other information

31.1 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 2018 and 2017 the Company did not conclude any significant transactions or transactions with a significant effect on the Group's financial position or operating result for the year with related parties.

The following table shows the total amount of transactions with related parties during the period ended December 31, 2018:

Dec 31, 2018	Receivables		Payables		Costs		Revenues	
Euro thousands	**Fin./Tax**	**Com.**	**Fin./Tax**	**Trade/Other**	**Fin.**	**Com.**	**Fin.**	**Com.**
Maria Laura Garofalo						140		
Alessandro Maria Rinaldi						57		
Mariano Garofalo								
Claudia Garofalo						10		
Alessandra Rinaldi						4		
Raffaele Garofalo SA.PA			233					
Larama 98 S.p.A.			5,732	1,250	167			
An.rama		2						
Rugani Hospital s.r.l.	6,507	148						122
Centro Medico Palladio s.r.l. in liq.	50		12					
Villa Von Siebenthal	212	41					3	34
Hesperia Hospital S.p.A.	6	484	868		155		5,497	397
Eremo di Miazzina S.p.A.	607	151	54				7	123
Villa Berica	92		737		80		2,600	172
Villa Garda S.p.A.			1					71
CMSR Veneto Medica	26	95	299					78
Sanimedica	29	23						18
Casa di Cura Prof. Nobili		88						72
Società Fides Medica		137						113
Total	**7,529**	**1,169**	**7,936**	**1,250**	**402**	**211**	**8,107**	**1,200**

31.2 Significant events after December 31, 2018

On January 7, 2019, Garofalo Health care S.p.A. using own funds completed the acquisition of an additional holding of 30.75% in Casa di Cura del Prof. Nobili S.p.A., a company in which GHC already held 52.55% of the share capital. Subsequently, on January 16, 2019, an additional acquisition of 12.05% of the company was completed through the use of own financial resources.

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

On January 29, 2019, the Board of Directors of the company approved the launch of a treasury share buyback programme, following authorisation by the Shareholders' Meeting of September 26, 2018 and with efficacy from November 9, 2018, the date on which the company's shares began trading on the Italian Stock Exchange. This treasury share buyback programme stipulates the purchase, in one or more tranches, of ordinary shares, up to a maximum limit of 1,230,000 (1.5% of the share capital of the company, at the date of the BoD motion): the maximum amount in cash allocated to the purchase programme is Euro 5 million, concluding on May 9, 2020.

On February 5, 2019, following the signing of a preliminary purchase contract on December 20, 2018 and announced to the market on December 21, 2018, the company completed the acquisition of the company Poliambulatorio Dalla Rosa Prati S.r.l., a diagnostic center headquartered in Parma, operating both under the Emilia-Romagna Region accredited and private healthcare systems and under the agreement with the Parma Hospital for PET-TAC services. The price paid for the acquisition of the Poliambulatorio, settled by GHC through own resources, was approx. Euro 17.9 million. With this operation, the GHC Group consolidates its presence in Emilia-Romagna, where it has two major acute recovery clinics: the Hesperia Hospital in Modena and the Casa di Cura Prof. Nobili in Castiglione dei Pepoli (province of Bologna).

On April 12, 2019, in relation to the withdrawal from the subsidiary Villa Garda S.p.A. by the minority shareholder, with regards to the exercise of the right to withdrawal announced on June 20, 2018 by the minority shareholder, concerning point 22-quater of Article 2427 of the Civil Code, the calculation of the value of the shares subject to withdrawal made by the Sole Director on December 21, 2018 on the basis of the valuation undertaken by an independent expert became definitive in accordance with law. Consequently, on March 22, 2019, the 2,400 ordinary shares subject to withdrawal were offered as options to the other shareholder GHC S.p.A. at a unitary price of Euro 1,692.74 and for a total amount of Euro 4,062,568, in accordance with Article 2437-*quater* of the Civil Code. The shareholder GHC S.p.A. may exercise the option right within thirty days from the above offer date. Where the options are not taken up by the shareholder GHC S.p.A., they may be sold also to third parties and for this reason the outcome of the procedure is uncertain.

31.3 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., in all capacities and forms, during the years ended December 31, 2018 and December 31, 2017 amounted to Euro 193 thousand and Euro 68 thousand, respectively.

The remuneration accrued to the Board of Statutory Auditors of Garofalo Health Care S.p.A for the years ended December 31, 2018 and December 31, 2017 amounted to Euro 94 thousand and Euro 53 thousand, respectively.

Euro thousands	At December 31, 2018
Emoluments for office	
Statutory Auditors	94
Directors	193

Euro thousands	At December 31, 2017
Emoluments for office	
Statutory Auditors	53
Directors	68

31.4 Independent auditors' fees

Type of service	Service provider	Recipient	Fees *Euro thousands*
Audit	Auditor of the Parent Company	Parent Company	48
Tax return certification services	Auditor of the Parent Company	Parent Company	3
IPO process certification services	Auditor of the Parent Company	Parent Company	450
Other IPO process services	Auditor of the Parent Company	Parent Company	535
Sub-total			**1,036**

31.5 Number of employees

The following table provides a concise comparison of the number of employees in 2018 by category with the previous year.

Employees by category	Number of employees at 31/12/2018	Number of employees at 31/12/2017	Change 2018 vs 2017
Executives	5	-	5
White-collar	4	-	4
Total	**9**	**-**	**9**

31.6 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.

31.7 Allocation of the result

Dear shareholders, We propose the approval of the financial statements at December 31, 2018 and, in accordance with Article 2427, paragraph 1, No. 22 *septies* of the Civil Code, the allocation of the net profit of Euro 4,993 thousand as follows: Euro 250 thousand to the legal reserve, Euro 45 thousand to the provision as per Article 40 of the By-Laws and the remaining Euro 4,698 thousand to the extraordinary reserve.

Mr. Alessandro Maria Rinaldi

Legal Representative

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