(Translation from the Italian original which remains the definitive version)

KOS Group

Consolidated financial statements as at and for the year ended 31 December 2019

(with independent auditors' report thereon)

KPMG S.p.A.

1 April 2020

KPMG S.p.A.
Revisione e organizzazione contabile
Via Vittor Pisani, 25
20124 MILANO MI
Telefono +39 02 6763.1
Email it-fmauditaly@kpmg.it
PEC kpmgspa@pec.kpmg.it

(Translation from the Italian original which remains the definitive version)

Independent auditors' report pursuant to article 14 of Legislative decree no. 39 of 27 January 2010

To the shareholders of
KOS S.p.A.

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of the KOS Group (the "group"), which comprise the statement of financial position as at 31 December 2019, the income statement and the statements of comprehensive income, changes in equity and cash flows for the year then ended and notes thereto, which include a summary of the significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the KOS Group as at 31 December 2019 and of its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards endorsed by the European Union.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the "*Auditors' responsibilities for the audit of the consolidated financial statements*" section of our report. We are independent of KOS S.p.A. (the "parent") in accordance with the ethics and independence rules and standards applicable in Italy to audits of financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of the parent's directors and board of statutory auditors ("Collegio Sindacale") for the consolidated financial statements

The directors are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with the International Financial Reporting Standards endorsed by the European Union and, within the terms established by the Italian law, for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The directors are responsible for assessing the group's ability to continue as a going concern and for the appropriate use of the going concern basis in the preparation of the consolidated financial statements and for the adequacy of the related disclosures. The use of this basis of accounting is appropriate unless the directors believe that the conditions for liquidating the parent or ceasing operations exist, or have no realistic alternative but to do so.

The *Collegio Sindacale* is responsible for overseeing, within the terms established by the Italian law, the group's financial reporting process.

Auditors' responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISA Italia will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISA Italia, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;
- conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the

related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the group to cease to continue as a going concern;

- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance, identified at the appropriate level required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on other legal and regulatory requirements

Opinion pursuant to article 14.2.e) of Legislative decree no. 39/10

The parent's directors are responsible for the preparation of the group's directors' report at 31 December 2019 and for the consistency of such report with the related consolidated financial statements and its compliance with the applicable law.

We have performed the procedures required by Standard on Auditing (SA Italia) 720B in order to express an opinion on the consistency of the directors' report with the group's consolidated financial statements at 31 December 2019 and its compliance with the applicable law and to state whether we have identified material misstatements.

In our opinion, the directors' report is consistent with the group's consolidated financial statements at 31 December 2019 and has been prepared in compliance with the applicable law.

With reference to the above statement required by article 14.2.e) of Legislative decree no. 39/10, based on our knowledge and understanding of the entity and its environment obtained through our audit, we have nothing to report.

Milan, 1 April 2020

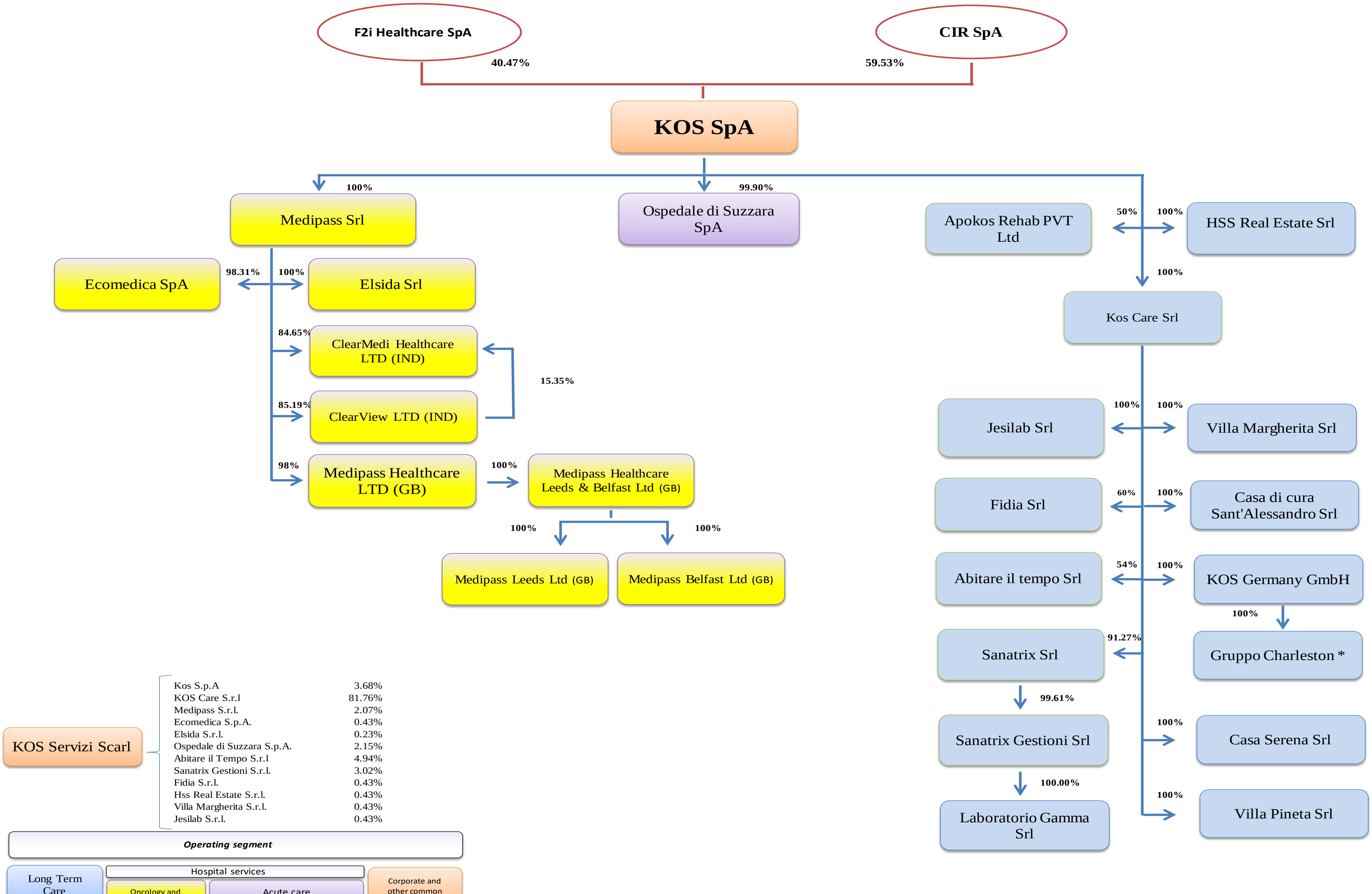
KPMG S.p.A.

(signed on the original)

Claudio Mariani
Director of Audit

CONSOLIDATED

FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2019



* Charleston Group companies detail is shows in the paragraph 1, "Explanation notes"

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Corporate bodies

Board of Directors

Chairman	Carlo Michelini
Deputy Chairman	Francesco Dini
Chief Executive Officer and General Manager	Giuseppe Vailati Venturi
Directors	Monica Mondardini Matteo Ambroggio Rosaria Calabrese Giuseppe Gianoglio Michele Cavigioli

Board of Statutory Auditors

Chairman	Luca Aurelio Guarna
Statutory Auditors	Luigi Nani Luigi Macchiorlatti Vignat
Substitute Statutory Auditors	Sergio Valter Finulli Renato Colavolpe
Independent Auditors	KPMG S.p.A.

REPORT ON OPERATIONS – KOS GROUP

General information on the KOS Group

KOS Group was established in 2002 with the aim of creating a key hub in the private healthcare sector and, more specifically, in the nursing homes and rehabilitation segment.

Since 2003 the KOS Group has grown partly as a result of the typical characteristics of the Italian healthcare system and the ambitious growth objectives set by the Group. However, the main reason for growth has been the acquisition of existing facilities and companies and, to a lesser extent, the acquisition of land and the construction of new nursing homes and rehabilitation facilities.

In compliance with its internal reporting system and IFRS, the Group's current organisation chart includes two SBAs (Strategic Business Areas) which are in turn divided into three operating segments. It should also be noted that corporate costs and Group costs for shared services are recognised separately in the financial reporting by each operating segment. In relation to the Group activities, the parent company KOS S.p.A. carries out co-ordination and strategic guidance activities in specific areas such as development, staff and property management policies, purchases of goods and services, administration, finance and management control, risk management, information systems, relations with the Public Administration and marketing in order to ensure a uniform approach to its most important management decisions, as well as the prompt acquisition of commercial, technical and contractual information in order to enable the Group to optimise the existing synergies among the different areas. We recall that, on 1 July 2017, Residenze Anni Azzurri S.r.l. was merged into Riabilitazione S. Stefano S.r.l. The latter company was renamed KOS Care S.r.l and operates in eight Italian regions under the following brands: Santo Stefano (rehabilitation), Anni Azzurri (nursing homes) and Neomesia (psychiatry). Following these changes to the organisational structure, the Group's functional rehabilitation, psychiatric rehabilitation and nursing home management activities have been included in the Long term care SBA.

The structure by SBA and operating segment is shown below:

Strategic Business Area (SBA)	**Operating Segment**	**Activity**
Long term care	Long term care	Management of nursing homes for the elderly, management of functional and psychiatric rehabilitation facilities, management of psychiatric treatment communities and outpatient centres.
Hospital services	Acute care	Management of Suzzara Hospital under a concession
	Cancer treatment and diagnostic services	Provision, on an outsourced basis, of advanced high tech diagnostic and radiotherapy services within hospital facilities and management of accredited radiology centres and health centres

The Group performs its activities both in Italy – mainly in the Central-Northern regions – and abroad. The acquisition of the Charleston Group in Germany has greatly increased the presence of the Group business outside Italy. The following table provides details of the Group presence by operating segment:

	Nursing Homes	Rehabilitation	Hospital services		**Total**
Region			Acute care	Cancer treatment and diagnostic services (2)	
Lombardy	17	5	1	2	**25**
Piedmont	12	2		1	**15**
Liguria	8	6			**14**
Marche	6	9			**15**
Emilia Romagna	4	5		8	**17**
Tuscany	1	3		1	**5**
Veneto	3	1		2	**6**
Trentino	0	1			**1**
Lazio	1	1		1	**3**
Campania	0	1			**1**
Umbria	0	1			**1**
Molise	0	0		1	**1**
Puglia	0	0		1	**1**
Foreign countries	46	0		17	**63**
Total	**98**	**35**	**1**	**34**	**168**

Nota (1): In the Marche region there are also 15 outpatient clinics, included in the Long term care SBA
Nota (2): For cancer treatment and diagnostic services, reference is made to the facilities where Medipass conducts its activities.

The split between Nursing Homes, Rehabilitation and Acute Care reflects the Group's current organisational structure in compliance with its internal management reporting system. However, we note that some facilities carry out different activities in the Nursing Homes, Rehabilitation and Acute Care segments as shown in the tables in the following paragraph.

Nursing Home Management

In the Nursing Homes sector, the Group is Italy's main private operator in terms of turnover and number of beds managed and mainly operates under the "Anni Azzurri" brand. With effect from 2019, by means of the acquisition of the Charleston Group, the Group has become one of the leading private operators on the German market and manages care homes under the "Charleston" brand.

Nursing Homes represent a basic long-term care solution meeting the specific requirements of elderly persons over 65 years of age who cannot look after themselves. They complement other facilities, such as hospitals, rehabilitation centres and homecare, aimed at ensuring the physical and mental wellbeing of the elderly when care cannot be guaranteed by other facilities and/or their families.
All Anni Azzurri and Charleston Nursing Homes are certified in accordance with currently applicable laws, as this is a pre-requisite for them to operate. Furthermore, the Anni Azzurri Nursing Homes are partially or entirely accredited with the National Healthcare System. This is also a pre-requisite to providing care services on behalf of the National Healthcare System and to applying for reimbursement of a portion of the fees charged by the Nursing Homes. The tables below list the Anni Azzurri and Charleston Nursing Homes managed by the Group at the reporting date. They show the number of authorised and accredited beds at each Nursing Home.

Region	Municipality	Name	Number of beds authorised		
			For elderly people	For rehabilitation	Total
Lombardy	Milan	S. Faustino	150		**150**
Lombardy	Milan	S. Luca	91		**91**
Lombardy	Milan	Navigli	87		**87**
Lombardy	Milan	Parco Sempione	94		**94**
Lombardy	Cassina de' Pecchi (MI)	San Rocco	150		**150**
Lombardy	Segrate (MI)	Il Melograno	150		**150**
Lombardy	Caglio (CO)	Villa Dossel	60		**60**
Lombardy	Cermenate (CO)	Villa Clarice	100		**100**
Lombardy	Opera (MI)	Mirasole	204	56	**260**
Lombardy	Rezzato (BS)	Rezzato	166	38	**204**
Lombardy	Monza	Monza	120		**120**
Lombardy	Bergamo	San Sisto	120		**120**
Lombardy	Villanuova sul Clisi (BS)	S. Francesco	124		**124**
Lombardy	Milan	Polo Geriatrico Riabilitativo Milano	204		**204**
Lombardy	Cinisello Balsamo (MI)	Polo Geriatrico Riabilitativo Cinisello	109	103	**212**
Lombardy	Milan	Sant'Ambrogio	150		**150**
Lombardy	Bollate (MI)	San Martino	147		**147**
Total			**2,226**	**197**	**2,423**
Piedmont	Carmagnola (TO)	Carmagnola	122		**122**
Piedmont	Dormelletto (NO)	Palladio	88		**88**
Piedmont	Gattinara (VC)	San Lorenzo	78		**78**
Piedmont	Marene (CN)	La Corte	111		**111**
Piedmont	Santena (TO)	Santena	86	20	**106**
Piedmont	Scarnafigi (CN)	Scarnafigi	52		**52**
Piedmont	Tonengo d'Asti (AT)	Le Colline del Po	120		**120**
Piedmont	Vespolate (NO)	Vespolate	20		**20**
Piedmont	Volpiano (TO)	Volpiano	219	21	**240**
Piedmont	Dogliani (CN)	Biarella	80		**80**
Piedmont	Montanaro (TO)	Montanaro	120		**120**
Piedmont	Turin	Cit Turin	132		**132**
Total			**1,228**	**41**	**1,269**
Liguria	Botasi (GE)	La Margherita	25		**25**
Liguria	Chiavari (GE)	Castagnola	72		**72**
Liguria	Favale (GE)	Casteldonnino	30		**30**
Liguria	Genova	Rivarolo	94		**94**
Liguria	Riva Ligure (IM)	Le Grange	95		**95**
Liguria	Sanremo (IM)	B. Franchiolo	80		**80**
Liguria	Rapallo (GE)	Minerva	67		**67**
Liguria	Carasco (GE)	Casa Serena	54		**54**
Total			**517**	**-**	**517**
Emilia Romagna	Modena	Ducale 1	90		**90**
Emilia Romagna	Modena	Ducale 2/3	114		**114**
Emilia Romagna	Bagnolo in Piano (RE)	Bagnolo	80		**80**
Emilia Romagna	Monteveglio (BO)	Villa dei Ciliegi	70		**70**
Total			**354**	**-**	**354**
Veneto	Favaro Veneto (VE)	Mestre	150	16	**166**
Veneto	Quarto d'Altino (VE)	Quarto d'Altino	152		**152**
Veneto	Villadose	Villadose	120		**120**
Total			**422**	**16**	**438**
Tuscany	Borgo S. Lorenzo (FI)	Beato Angelico	58		**58**
Total			**58**	**-**	**58**
Marche	Ancona	Conero	84		**84**
Marche	Fossombrone (PU)	Casargento	60		**60**
Marche	Ancona	Residenza Dorica	129		**129**
Marche	Montecosaro	Santa Maria in Chienti	85		**85**
Marche	San Benedetto del Tronto (AP)	San Giuseppe	95		**95**
Marche	Montefalcone Appennino (FM)	Montefalcone Appennino	40		**40**
Total			**493**	**-**	**493**
Lazio	Rome	Parco di Veio	118		**118**
Total			**118**	**-**	**118**
Total			**5,416**	**254**	**5,670**

Germany	Bad Schussenried	Regenta	141		**141**
Germany	Ulm	Elisabethenhaus	145		**145**
Germany	Stadland	Friesenhof (Rodenkirchen)	62		**62**
Germany	Nordenham	Gut Hansing	84		**84**
Germany	Brake	Haus Teichblick	74		**74**
Germany	Rotenburg	Pflegezentrum am Bahnhof	64		**64**
Germany	Ottersberg	Haus Ottersberg	62		**62**
Germany	Seehof	Haus Seehof	67		**67**
Germany	Schwanewede	Haus Schwanewede	65		**65**
Germany	Bakum	St. Johannes	57		**57**
Germany	Bremervörde	Haus am Park	69		**69**
Germany	Fehmarn	Burg auf Fehmarn	75		**75**
Germany	Glückstadt	Landhaus Glückstadt	51		**51**
Germany	Langwedel	Haus am Goldbach	59		**59**
Germany	Selsingen	Zwei Eichen	70		**70**
Germany	Sittensen	Up`n Kamp	62		**62**
Germany	Freiburg	Atrium Residenz	88		**88**
Germany	Biberach	Gigelberg	85		**85**
Germany	Warthausen	Schlosspark	125		**125**
Germany	Aulendorf	Schlossplatz	27		**27**
Germany	Zeuthen	Haus Zeuthen	51		**51**
Germany	Bremen	Lesmona	52		**52**
Germany	Zweiflingen	Drendel	91		**91**
Germany	Bad Camberg	Anna-Müller-Haus	120		**120**
Germany	Haßfurt	Unteres Tor	70		**70**
Germany	Erlangen I	Venzonestift	57		**57**
Germany	Forchheim	Jahnpark	54		**54**
Germany	Würzburg	Ludwigshof	66		**66**
Germany	Aschaffenburg	Bretanostift	80		**80**
Germany	Fürth	Stift am Südpark	88		**88**
Germany	Regensburg I	Stift am Rosengarten	88		**88**
Germany	Nürnberg I	Stift am Ludwigstor	75		**75**
Germany	Erlangen II	Röthelheimpark	119		**119**
Germany	Unterhaching	Stumpfwiese	88		**88**
Germany	Regensburg II	Candis	99		**99**
Germany	Nürnberg II	Theresias	95		**95**
Germany	Stein	Spectrum	77		**77**
Germany	München	Neuperlach	80		**80**
Germany	Herzogenaurach	Liebfrauenhaus	89		**89**
Germany	Gilserberg	Kikra	61		**61**
Germany	Gütersloh	Wohnpark Dr. Murken (WPM)	133		**133**
Germany	Welver	Wohnpark Klostergarten (WPK)	154		**154**
Germany	Paderborn	Wohnpark Schriewesho f (WPS)	87		**87**
Germany	Gladbeck	Wohnpark Luisenhof (WPL)	138		**138**
Germany	Brilon	Christophorus Residenz	132		**132**
Germany	Bestwig	Christophorus Residenz	67		**67**
Total			**3,843**	**-**	**3,843**

The Group’s Nursing Homes provide a full range of assistance and care services for the elderly, including medical and geriatric services, nursing services, basic physical activities or mobilization and rehabilitation, support and protection in daily activities, personal care and hygiene, recreation, catering with personalised diets and religious guidance. The Care Homes also offer specific healthcare and rehabilitation programmes. Some residences are specialised in the treatment of specific conditions and provide assistance to senior citizens with acquired disabilities, psychiatric problems, multiple sclerosis and Alzheimer’s diseases, as well as persons in a persistent vegetative state.

In addition to medical-healthcare and assistance services, all of the Group’s Care Homes also provide the following services, among others:

- accommodation: rooms with en-suite bathroom facilities;
- core services: living room - entertainment area - TV lounge, kitchen, dining room, washrooms with carers available, staff rooms; and
- service centre and community services: reception and administrative offices, common living room /music and reading, bar, multipurpose room, hobby rooms, worship rooms, hair stylist and beautician, outpatient care, chiropody service, fitness/changing room, general services, kitchen/pantry, laundry.

The **psychiatric rehabilitation** facilities managed by the Group operate under the “Neomesia” brand.

For psychiatric rehabilitation, the Group uses a team of professionals in the field of mental health (psychiatrists, psychologists, occupational therapists, psychiatric rehabilitation technicians, and nurses) who work together within specific care teams to prepare each patient's individual therapy programme. The individual therapy programme includes the patients psychopathological, behavioural, relational, family, social, work, and functional profile and residual resources and sets out a specific treatment and rehabilitation programme aimed at the patient's wellbeing.

Psychiatric Rehabilitation			**Number of beds**
Lombardy	Milan	Cima	19
Lombardy	Pavia	Casa Maura	20
Piedmont	Sampeyre (CN)	Sampeyre	25
Piedmont	Sanfrè (CN)	Sanfrè	20
Liguria	Varazze (SV)	Varazze	40
Liguria	Mioglia (SV)	Mioglia	22
Liguria	Varazze (SV)	Redalloggio	15
Liguria	Sanremo (IM)	Red West	25
Liguria	Carcare (SV)	Tuga	15
Liguria	Borzonasca (GE)	Tuga 2	15
Emilia Romagna	Modena	Villa Rosa*	82
Emilia Romagna	Riolo Terme (RA)	Casa di cura Villa Azzurra	100
Emilia Romagna	Bologna	Casa Olga	33
Tuscany	Lucca	Ville di Nozzano*	40
Tuscany	Camaiore (LU)	Villamare*	10
Tuscany	Florence	Villa dei Pini	75
Marche	Maiolati Spontini (AN)	Villa Jolanda	74
Marche	Serrapetrona (MC)	Beata Corte	30
Lazio	Roma	S. Alessandro	60
Total			**720**

* Psychiatric rehabilitation facility

Rehabilitation

The Group is one of Italy’s major private operators in the sector involving management of functional rehabilitation facilities (hospital, non-hospital and outpatient care) and psychiatric rehabilitation facilities. It mainly operates under the “Santo Stefano” brand (functional rehabilitation).

The **functional rehabilitation** facilities operate mainly in the Marche region where the Group is the first ranking private operator and the leading provider of rehabilitation services (also including public sector facilities). As at the reporting date, the Group was managing a total of 13 functional rehabilitation facilities, 2 Care Homes and 15 outpatient clinics under the “Santo Stefano” brand.

Region	Municipality	Name	Number of beds authorized			
			For rehabilitation	For elderly people	Acute care	Total
Functional rehabilitation						
Rehabilitation centres						
Marche	Porto Potenza Picena (MC)	Porto Potenza Picena	430			**430**
Marche	Ancona	Villa Adria	80			**80**
Marche	Cagli (PU)	Cagli	30			**30**
Marche	Ascoli Piceno	Ascoli Piceno	76			**76**
Marche	Macerata Feltria (MC)	Macerata Feltria	40			**40**
Marche	Civitanova Marche (MC)	Villa dei Pini	15	65	105	**185**
Marche	Loreto (AN)	Abitare il Tempo	50	82		**132**
Emilia Romagna	Fontanellato (PR)	Centro Cardinal Ferrari	103			**103**
Emilia Romagna	Pavullo nel Frignano (MO)	Villa Pineta	121	76		**197**
Trentino	Arco (TN)	S. Pancrazio	111			**111**
Lombardy	Anzano al Parco (CO)	Villa S. Giuseppe	88			**88**
Lombardy	Casorate Primo (PV)	Ospedale di Casorate Primo	38			**38**
Lombardy	Mede (PV)	Ospedale di Mede	18			**18**
Veneto	Arcugnano (VI)	Casa di cura Villa Margherita	147			**147**
Campania	Benevento	Casa di cura Villa Margherita	135			**135**
Umbria	Foligno (PG)	Foligno	83			**83**
Outpatient clinics						
Marche	Ascoli Piceno	Centro ambulatoriale				
Marche	Camerino (MC)	Centro ambulatoriale				
Marche	Civitanova Marche (MC)	Centro ambulatoriale				
Marche	Fabriano (AN)	Centro ambulatoriale				
Marche	Filottrano (AN)	Centro ambulatoriale				
Marche	Jesi (AN)	Centro ambulatoriale				
Marche	Macerata	Centro ambulatoriale				
Marche	Matelica (MC)	Centro ambulatoriale				
Marche	San Severino (MC)	Centro ambulatoriale				
Marche	San Benedetto T. (AP)	Centro ambulatoriale				
Marche	Tolentino (MC)	Centro ambulatoriale				
Marche	Porto Potenza Picena (MC)	Centro ambulatoriale				
Marche	Jesi (AN)	Centro ambulatoriale JesiLab				
Marche	Civitanova Marche (MC)	Centro ambulatoriale Fidia				
Marche	Pesaro	Centro ambulatoriale				
Total			**1,565**	**223**	**105**	**1,893**

Through its facilities, the Group provides patients with services that meet a wide range of rehabilitation needs, providing assistance to people of all ages and at any stage of their clinical treatment while ensuring that care continues once they have been allowed to go home.

The aim of the rehabilitation services provided by the Group is to enable people to recover their functional autonomy and take part in social/family/working life as far as possible, depending on the extent of the damage and impaired faculties that they have suffered.

Hospital services

Under the "Medipass" brand, the Group provides complex high tech medical services (diagnostic imaging, nuclear medicine and radiotherapy currently under development), on an outsourced basis, to hospitals and public and private healthcare facilities. In this area the Group also manages an hospital in Suzzara (Mantua).

In the outsourced Hospital Services area, the Group mainly operates through public and private partnerships developed both through project financing and under private concessions from public entities. This business strategy enables the Group to act as a partner for the public sector in all the areas in which it operates, thus enabling it to cover all the needs for the provision of long-term care services.

Cancer treatment and diagnostic imaging (Medipass Group)

The Medipass Group offers public and private healthcare facilities "turnkey" solutions for the design, construction and operation of advanced healthcare services that enable clients to provide patients with diagnostic and/or treatment services. The key feature of the services offered by Medipass is the use of complex medical technology. In particular, Medipass supplements client healthcare facilities in order to:

- Accelerate and simplify the adoption of new methods and technologies, as well as innovation processes;
- Facilitate optimal utilisation of diagnostic and treatment systems, human resources and medical premises;
- Increase capacity to satisfy existing demand or achieve future specialist care objectives.

Medipass is able to provide an integrated service which, depending on effective client requirements, may include:

- Identifying the requirement and sustainability of the activities being planned;
- Determining the layout and operation, design and construction of the premises that will house the service;
- Initial supply and possible periodical renewal of medical technology;
- Supervision of installation and testing of technology;
- Support with managing the authorisation and approval process and launching the service;

- Long-term maintenance of existing and new equipment;
- Provide specialist healthcare personnel (e.g. doctors and technicians) and administrative personnel to work with client resources as well as a team of specialists to support all operations (biomedical engineer, project manager, risk manager…);
- Staff training.

The main areas of intervention are:

Advanced Diagnostic Imaging ("DIA")

- Diagnostic procedures based on the use of diagnostic instruments to perform anatomical-functional analysis of the human body. In addition to traditional Radiology techniques (conventional, CAT, haemodynamic, mammography), they also use Ultrasound and Magnetic Resonance technology. In this segment, Medipass the operations managed by Medipass range from individual pieces of equipment (e.g. MR, CAT scanners) in the department (e.g. Radiology) to all of the hi-tech equipment of a client healthcare facility.

Cancer Treatment and Diagnostics ("CC")

- Nuclear medicine (e.g. PET-CT): metabolic diagnostic technique used extensively in clinical oncology (to show tumours and look for metastases) and in cardiology and neurology. In this segment, Medipass handles activities regarding the preparation and use of radio pharmaceuticals (short half-life isotopes produced with cyclotron) on behalf of the hospital and supports the performance of diagnostic services, working alongside the existing resources of healthcare facilities.

- Radiotherapy: clinical method which uses high energy radiation (e.g. photons or electrons) to treat tumours. In this sector, Medipass operates individual pieces of equipment (e.g. Linear Accelerator) through to all of the hi-tech equipment of the radiotherapy unit of the client facility. At the end of 2019, the equipment managed by the company included around 50 Linear Accelerators in Italy and abroad (UK and India).

Therefore, in the CC field, Medipass can handle much of the diagnostic and treatment process of the cancer patient: from diagnostic imaging (production of radio-pharmaceutical, performance, interpretation and reporting of PET-CET scan) to any subsequent radiotherapy (treatment planning and delivery).

Medipass operates in the above sectors by means of various service models depending on specific client requirements. These service models include:

- Fully Managed Services. Provision of a certain equipment and services connected and in addition to client resources (e.g. medical, technical and admin personnel) needed to use them as well as possible. The length of the service is generally in line with the useful life of the equipment made available and remuneration is based on the number of services (scans, etc.) provided.

- *Managed Equipment Services* ("MES"). Service model originating from English-speaking countries. It involves the long-term management of a significant amount of high-tech medical equipment (initial supply and periodical renewal) and related maintenance services in order to provide the client with a functioning, up-to-date technological equipment at a certain cost. This type of service lasts for a longer period (>15 years) and is remunerated by means of a fixed fee, even though contracts are subject to appropriate changes.

Medipass also provides diagnostic services and specialist services to out-patients in the province of Bologna at five NHS-accredited public clinics, at two NHS accredited private clinics owned by it (through subsidiary Elsida S.r.l.) and at another one in the province of Florence (subsidiary Ecomedica SpA of Empoli) which includes a radiotherapy department.

The Group also operates abroad through subsidiaries Clearmedi Healthcare LTD (India) and Medipass Healthcare LTD (UK). In particular:

- Clearmedi is one of the leading providers of Fully Managed Services in India. Founded in 2011, it now has around 18 service contracts with private healthcare facilities, mainly in Radiotherapy and Cancer Care, while it also manages three specialist hospital oncology centres.

- Medipass Healthcare is an independent vendor of MES Services in the United Kingdom. It currently manages the hi-tech equipment of three of the United Kingdom's leading Cancer Centres with more than 20 Linear Accelerators and numerous items of ancillary diagnostic equipment.

Every year, Medipass provides more than 700,000 diagnostic and treatment services in 40 centres in Italy and abroad. It currently operates more than 100 pieces of hi-tech equipment (e.g. Linear Accelerators, PET-CT, Cyclotrons, MRI, CAT), as well as hundreds of pieces of ancillary medical equipment.

The table below contains a summary of the services supplied by Medipass, also through subsidiaries Elsida S.r.l. and Ecomedica SpA and its foreign subsidiaries, with details of the hospitals in which the services are provided.

Region	Municipality	Hospital/Structure	Outpatient clinics	Service
Italia:				
Veneto	Mestre	Mestre new hospital		x
Veneto	Castelfranco Veneto	Castelfranco Veneto hospital		x
Lazio	Rome	Gemelli U.C.S.C. hospital		x
Lombardy	Milan	Pio X nursing homes		x
Lombardy	Suzzara (MN)	Suzzara hospital		x
Piedomnt	Alessandria	San Biagio hospital		x
Emilia Romagna	Bologna	5 accredited public health centres	x	
Emilia Romagna	San Giovanni Persiceto (BO)	1 accredited private health centre	x	
Emilia Romagna	Anzola Emilia (BO)	1 accredited private health centre	x	
Emilia Romagna	Bologna	Villa Laura private hospital		x
Tuscany	Empoli	Polyclinic Ecomedica	x	
Molise	Campobasso	Fondazione Giovanni Paolo II		x
Puglia	Acquaviva delle Fonti (BA)	Ente Ecclesiastico Ospedale F. Miulli		x
Europe:				
U.K.	Leeds	St. James Institute of Oncology		x
U.K.	Belfast	Belfast city Hospital Cancer centre		x
U.K.	Norfolk	Norfolk Hospital		x
Other:				
India	Nanded	Jija Mata Hospital		x
India	Madya Pratesh	Jan Seva Trust Bimr Hospital		x
India	Vadovra	Kailash Cancer Hospitals		x
India	Patna	Paras Hospital		x
India	New Delhi	Jamia Hamdard Hospital		x
India	Mysore	Radiant Global Solutions Hospital		x
India	Coimbatore	Aswin Hospital		x
India	Madurai	Guru Hospital		x
India	Gurgaon	Paras Hospital		x
India	Patna	Paras Hospital		x
India	Vasundhara	Vasundhara Hospital		x
India	Shanti	Shanti Hospital		x
India	Panchkula	Paras Hospital		x
India	Panchkula	Paras Hospital		x
Total			**8**	**26**

Acute Care (Suzzara Hospital)

The management of Suzzara Hospital is an experimental scheme (pursuant to Art. 9 bis of Italian Law Decree 502/92) set up following a successful tender for a public concession contract made in November 2004 by Ospedale di Suzzara S.p.A., a 99.9% owned subsidiary of the KOS S.p.A.. The concession is for a period of 18 years and regards full management of the hospital in question as well as its refurbishment and compliance with applicable laws and regulations.

The management of Suzzara Hospital is Italy's first experimental case of a public sector hospital being managed by a private sector company. The Group is pursuing the following objectives:

- turning around a loss making situation and making the hospital profitable;
- complying with accreditation standards and safety and fire prevention regulations;
- providing the hospital with the resources needed to ensure that it remains technologically and professionally up to date;
- making new investments in equipment, diagnostic technology, healthcare technology and extraordinary maintenance as well as setting up a new Rehabilitation Unit;
- helping the Hospital to attract more patients;

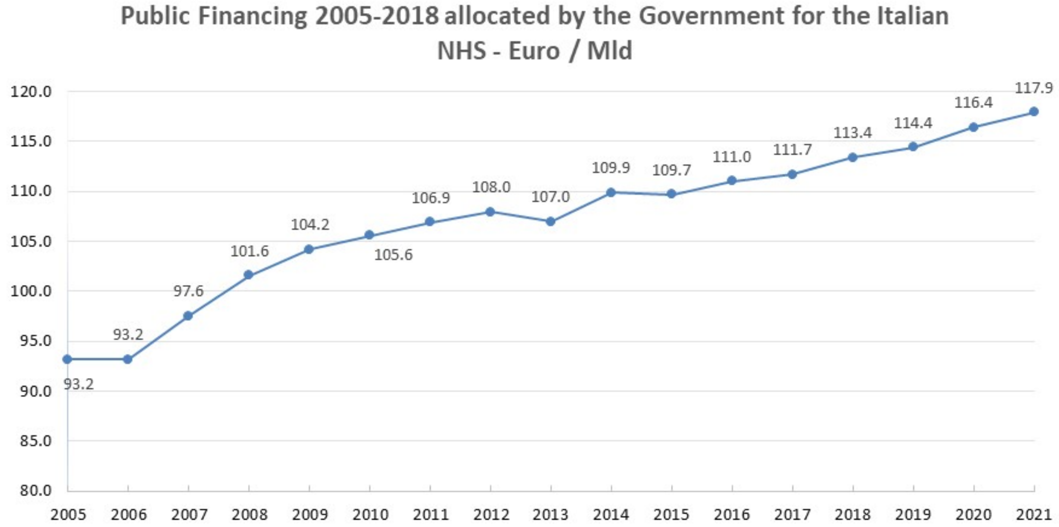
This Hospital has a total of 123 beds (30 of them dedicated to functional rehabilitation) and is accredited with the Italian National Healthcare System for both inpatient care and outpatient care services.

Overview of the healthcare sector

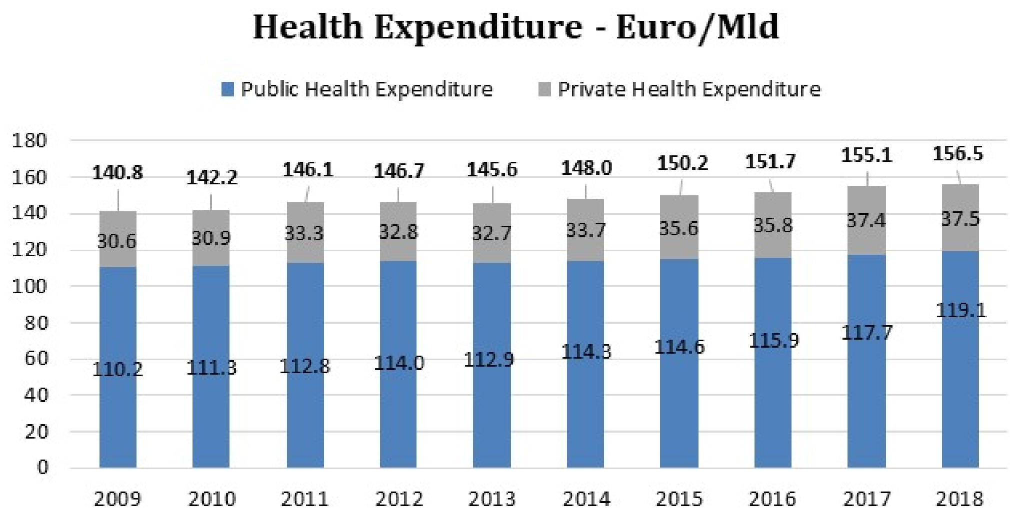
The year 2019 ended with the signature by the Italian Government and the Regional Authorities of a new Healthcare Pact which brought about a number of important changes that will be implemented in the years ahead. After almost ten years of declining public finance, of regions subject to a *Piano di Rientro* (“Austerity Plan”) with major limits on spending that have led to a reduction in services for the public, longer waiting lists, significant differences between Regions in terms of quality and effectiveness of health care services, the new Health Pact focuses on the need to provide new resources and reduce the aforementioned differences in order to comply with the principle of a universal right to health.
The Healthcare Pact touched on the following main points: training and human resources, capital expenditure and investment, territorial reorganisation and Italian NHS funding for the next two years. Steps have also been taken in terms of dealing with the issue of payment for private healthcare services – mainly settled out of pocket at present – by establishing a working group to review the regulation of supplementary healthcare funds.
In recent years, Italy – and our Group – has been faced with increasing difficulty in recruiting qualified personnel – doctors and nurses – to healthcare roles and with the gradual ageing of such personnel. An attempt has been made to remedy this situation by reducing restrictions on staff recruitment by public healthcare facilities, setting out standard training programs and making the most of internal resources. This has involved giving doctors in the third year of specialist training the right to take part in public selection processes for health management roles with the possibility of being hired on a permanent basis. In terms of training, the intention is to perform an overhaul of the training of specialist doctors while developing nursing, technical, rehabilitation and preventive skills that will benefit public and accredited private healthcare facilities.
With regard to capital expenditure and investment, the need for healthcare construction and for new hi-tech equipment has been identified. There are plans to streamline procedures for funding applications and for urgent situations. There will be greater investment on preventive medicine and on strengthening figures such as general practitioners and nurses, roles with an important part to play in improving community care and assistance and managing better the implementation of National Preventive Plans and National Plans for Chronic Conditions.
In terms of community care, there are plans for common objectives and parameters in order to promote greater standardisation and accessibility of healthcare and social care, while also ensuring integration with social care and assistance services. The objectives to be pursued are as follows:

- Methods and tools for use in encouraging effective ongoing care and responsibility for the individual during the various stages of life, with particular attention to the chronically ill and the elderly;
- Complete the overhaul of general practice and paediatrics by encouraging integration with specialist outpatient services;
- Specific active policies to promote and safeguard health with particular attention to infancy and adolescence, to people with mental problems and to assisting persons with disabilities and non-self-sufficient individuals;
- Development and enhancement of the healthcare professions, especially nursing;
- Development and enhancement of the role of the retail pharmacist which is important in the network of community services in terms of taking responsibility for patients and ensuring they follow treatment.

Finally, the Healthcare Pact has provided for a Euro 3.5 billion increase in Italian NHS funding for the period 2020-2021. Therefore, total public finance will amount to Euro 116.47 billion for 2020 and Euro 117.97 billion for 2021.



Considering the trend over the last ten years, total current health expenditure has grown constantly, except between 2012 and 2013 when there was a decrease of around Euro 1 billion. The year on year growth over the period considered regards both public health spending – up from Euro 110.2 billion in 2009 to Euro 119 billion in 2018 (+Euro 8.9 billion) – and private health spending – up from Euro 30.6 billion in 2009 to Euro 37.5 billion in 2018 – although the respective trends varied over the period in question.



Source: Oasi Report 2019

The 1.2% increase in current health expenditure between 2017 and 2018 was associated with a GDP recovery and public health spending remained steady at 6.8% of GDP in 2017 and 2018. Current private health spending remained in line with the 2017 level and totalled Euro 37.5 billion. In 2018, total current health spending increased by 0.9%, mainly thanks to the public sector rather than the private sector.

Figures on health expenditure per capita show that Italy spends relatively little compared to other OECD countries and, especially, compared to European countries with universal health care systems. Per capita health expenditure in Italy stands at around Euro 1,900 while the United Kingdom, France and Germany all have public health spending in excess of Euro 2,600 per capita.

Also, in terms of per capita private health spending, Italy is below the United Kingdom (Euro 720), France (Euro 889) and Germany (Euro 1,016), with expenditure of Euro 660.

Compared to the other European countries, Italy stands out for a clear anomaly: 90% of the Euro 660 per capita of private health spending consists of out of pocket spending by households while spending brokered by health care funds and insurance companies represents just 10% of the total.

	Public Health Expenditure (€ and % of tot)		Mandatory Private Health Expenditure (€ and % of tot)		Mandatory Private and Public Health Expenditure (€ and % of PIL)		*Out of pocket* (€ and % of tot)		Supplementary healthcare (€ and % of tot)		Private Health Expenditure voluntary (€ and % of PIL)		Total Private Health Expenditure (€)	Total (€ and % of PIL)	
Countries €															
Germany	3,443	77%	319	7%	**3,762**	**9.5%**	558	13%	140	3%	**698**	**1.7%**	**1,017**	**4,460**	**11.2%**
Netherlands	1,182	26%	2,493	56%	**3,675**	**8.2%**	482	11%	318	7%	**800**	**1.7%**	**3,293**	**4,475**	**9.9%**
France	2,993	77%	244	6%	**3,237**	**9.3%**	364	9%	281	7%	**645**	**1.9%**	**889**	**3,882**	**11.2%**
Austria	3,235	74%	0	-	**3,235**	**7.7%**	839	19%	297	7%	**1,136**	**2.6%**	**1,136**	**4,371**	**10.3%**
Ireland	3,205	73%	0	-	**3,205**	**5.2%**	540	12%	634	14%	**1,174**	**1.8%**	**1,174**	**4,379**	**7.0%**
Belgium	3,082	77%	0	-	**3,082**	**8.0%**	704	18%	204	5%	**908**	**2.4%**	**908**	**3,990**	**10.4%**
Finland	2,770	74%	44	1%	**2,814**	**6.8%**	757	20%	173	5%	**930**	**2.3%**	**974**	**3,744**	**9.1%**
Italy	1,900	74%	0	-	**1,900**	**6.5%**	591	23%	69	3%	**660**	**2.3%**	**660**	**2,560**	**8.8%**
Spain	1,578	71%	0	-	**1,578**	**6.2%**	523	24%	129	6%	**652**	**2.7%**	**652**	**2,230**	**8.9%**
Portugal	1,124	66%	0	-	**1,124**	**6.0%**	467	28%	104	6%	**571**	**3.1%**	**571**	**1,695**	**9.1%**
Greece	819	61%	0	-	**819**	**4.7%**	468	35%	57	4%	**525**	**3.1%**	**525**	**1,344**	**7.8%**
Countries not €															
UK	2,676	79%	0	-	**2,676**	**7.5%**	542	16%	178	5%	**720**	**2.3%**	**720**	**3,396**	**9.8%**
Switzerland	2,165	25%	3,331	39%	**5,496**	**7.8%**	2,502	29%	644	7%	**3,146**	**4.4%**	**6,477**	**8,642**	**12.2%**

Source: Oasi report 2019, chapter 6

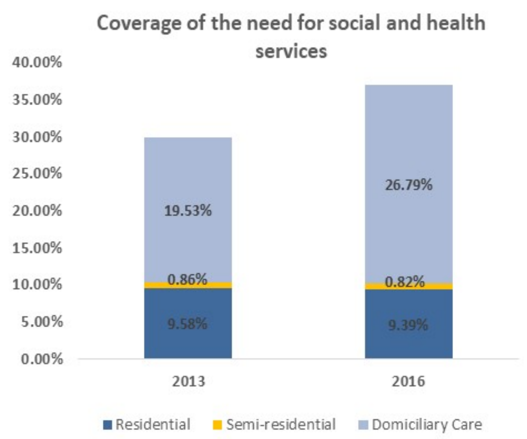
Therefore, Italy is among the countries with universal health care systems that spend least on health.

Elderly population and care services offered

In terms of life expectancy at birth, Italy (83.0 years) lays in fourth place in 2017 after Japan (84.2), Switzerland (83.6) and Spain (83,4). Generally speaking, life expectancy increased by an average of four years between 2000 and 2017. Russia and India recorded the largest increases over that period although they still remain among the countries with more modest life expectancy at birth.
Meanwhile, health life expectancy is a quality indicator and can be used to monitor health and check on progress in terms of accessibility, quality and sustainability of health care.
Japan (74.8), Spain (73.8) and Switzerland (73.5) report the highest figures while India (59.3), Russia (63.5) and Brazil (66) have the lowest. Italy ranks sixth (73.2).
The difference between total life expectancy and health life expectancy at birth ranges from 7.7 years in China to 10 years in the USA and Sweden (9.6 years in Italy) and provides an indication of the amount of time people live with at invalidating condition during their lives. During such periods, individuals will, in all likelihood, have greater contact with the health and social care system of their country, benefiting from its services and absorbing resources.
The rapid evolution of demographic trends of population ageing has now become a structural phenomenon and two additional points are worth making:

- Changes in the socio-demographic structure of the population and in family networks can have explosive consequences for the solidity of a welfare systems still strongly tied to a "family-based" approach to care and assistance;
- The increase in the average age of the population brings with it a physiological increase in the spread of chronic and/or degenerative illnesses.

Given an estimated non self-sufficient elderly population in need of social care of around 2.9 million in 2016, based on identified capacity, coverage of the requirement by existing services was estimated at around 37% in 2016; the level of coverage is growing.



Total capacity of the social care system		
Type of services	**YEAR 2013** **No. of beds** **Hours per DC**	**YEAR 2016** **No. of beds** **Hours per DC**
Residential	218,965	270,020
Semi-residential	14,352	15,666
Domiciliary Care (Full and Care)	11,126,598	12,467,620

Source: 2nd Report of the Long Term Care Observatory

The level of coverage of the requirement provided by residential car (RSA/Care Homes) remained stable over the period 2013-2016 as the services available increased in proportion to the needs of non-self-sufficient elderly people. Moreover, there was a significant increase in the number of hours of Domiciliary Care with coverage of 26.8% but the average number of hours provided to each individual over the calendar year was just 16. This figure should trigger a serious reflection on the limited care intensity provided by the service and on the actual capacity to respond to the needs of the elderly population; the current organisation is overly dispersed and poorly remunerated.
On the other hand, the total rate of coverage of the potential requirement of just 37% triggers reflections regarding the rest of the population which, albeit showing a potential need for care, makes use of alternative forms of care (or no care)

e.g. care cheques (ehich cannot be traced), informal care (family caregivers) or self-employed carerswhich are estimated at around 1 million in number in Italy (2018 figure – 40% of which with a regular employment contract, and 60% without). In order to identify care trends in the various Italian regions, the analysis of the rate of coverage of care homes (*RSA*) was accompanied by an analysis of the rate of coverage by self-employed carers as these two forms of care are alternatives to one another and there is no overlap.
The combined analysis performed on a regional level identified three clusters of Regions:

1) Molise, Basilicata, Sicily, Puglia, Calabria, Abruzzo, Campania: this first group'ss overall rate of coverage of the requirement is below 30%: these are regions where both the RSA/care home network is small (average coverage of less than 2.7%) and the estimated number of freelance self-employed carers is very low. These regions probably make significant use of other forms of care or rely on the help of family members as caregivers;
2) Marche, Aosta Valley, Tuscany, Umbria, Friuli Venezia-Giulia, Liguria, Emilia Romagna, Trento, Lazio, Sardinia: this second group comprises regions which a very low coverage of residential care homes but a higher presence of self-employed carers. The rate of coverage in this cluster ranges from 40% to 65%;
3) Bolzano, Piedmont, Lombardy, Veneto: the third cluster of regions has a higher overall rate of coverage (between 66% and 80%), achieved through a higher number of beds in residential care home (coverage of between 18% and 24%) or by means of self-employed carers.

Therefore, there are great regional differences in terms of both the type of care available for non-self-sufficient elderly people and how the care is provided to them.
The care requirement is not the only matter that must be dealt with when looking at the LTC sector, as the being non-self-sufficient is not the only condition for which a response and services are needed. The Silver Economy concept supports this line of thought. As people age, so their preferences, behaviour and needs change and they form a target population to offer tailored types of service.
Indeed, the term Silver Economy refers to the range of services and products aimed at the over-50 age group is and views ageing as a genuine resource that triggers positive mechanisms on the market.
The Silver Economy also takes into consideration the "young elderly" and carers (formal and informal) to the traditional user base of fragile and non-self-sufficient elderly people.
Possible applications of this "revolution" include:

- Residential solutions (Senior Living and smart homes) where living takes on a new dimension as most people aged over 60 state that they would prefer to remain in a domicile environment rather than in the more traditional facilities that make up the LTC offer;
- E-health solutions, where technology and digital tools are used to sustain and encourage prevention, diagnosis, treatment and monitoring of illnesses, as well as health and lifestyle management;
- LTC, aka the White Economy, which represents the traditional portfolio of services comprising: residential, semi-residential and domiciliary social and health care services;
- Property, liquidity and income management. As they grow older and the number of members of their household decreases, elderly people often find themselves living in properties that are too large for their needs, have difficulty in managing their premises and need to adapt them.

The property and construction sector is an example of how Silver Economy is applied. In Italy, the sector has certain particular features that make it fertile ground for innovative solutions for the elderly which are, however, far from being tested yet. Senior Living is a type of solution proposed to elderly people who are still self-sufficient but who wish to live in a more protected environment than the apartment they lived in before they retired. Elderly people can retain the independence offered by private accommodation while combining it with the support of services offered by specialist personnel for specific health requirements that are starting to manifest themselves. This type of living solution is on the increase in the United States and in Europe, especially in the United Kingdom where there are 50,000 facilities of this type. There is ever growing interest in France, Germany, Belgium and Italy. However, in Italy, investment in the sector has reached just 1.8% of total investments in the real estate sector.

Competitive positioning

In 2019, as in prior years, all medium/large sized operators in the LTC sector were involved in business development transactions abroad in Germany, the Netherlands, Sweden, Portugal, Spain, Belgium and, outside Europe, in Brazil and China. This trend is apparent not only in the LTC sector but also in the Acute Care sector. Large hospital groups – including Italian ones – are also looking at business combinations and development abroad, both in Europe and in non-EU countries like Russia and the United Arab Emirates.
At the same time, operators are seeking increasingly to diversify their services; out-patient centres, diagnostic services, post-acute care services or home care.

Financial investors such as Private Equity funds continue to invest in the sector and were the main players in deals that took place in 2019, such as the acquisition of the Domidep Group of France (around 7,000 beds in 100 facilities in France and Belgium) by the I-Squared Capital fund.

Finally, on the Italian market, there is a growing presence of smaller nursing home groups – run by experienced managers and financial or foreign partners – and they are gradually combining with other entities to reach a total size of 4-8 care facilities each. At the start of 2020, the first Senior Living community for self-sufficient elderly people will be opened by the Domityis Group of France (more than 100 residences managed in France and Belgium), the leading professional operator of this new care model that is more developed abroad than in Italy.

Cancer care and diagnostic services

In the Cancer Care and Diagnostic Services sector, we must underline the high level of investment needed to purchase the technology used in the services, as well as the high level of clinical, technical and operational know-how needed. These constitute significant barriers to entry into this sector on all markets where the Group is present.

However, there are sufficient current providers to keep and maintain a healthy level of competition, especially with regard to the supply of medical technology. Furthermore, the economies of scale resulting from increasing purchase volumes (far greater than those of a single healthcare facility) enable Medipass to offer its clients comparatively competitive outsourced services.

In Italy, Medipass is one of the leading providers of Fully Managed Services in the field of Advanced Diagnostic Imaging and Cancer Treatment and Diagnostics. Other large players operating on the market alongside Medipass include **Alliance Medical** and **Affidea** (Italian subsidiaries of the international groups of the same name) and **Fora** (although it focuses more on laboratory analysis services). On the market as extended to include related services, there is a trend towards the creation of conglomerations of Clinical Engineering, Hospital Services and Hi-Tech Maintenance business with the impetus coming from financial or industrial investors which are combining businesses in order to establish pan-European Groups dedicated to Hi-Tech equipment management in the healthcare segment (e.g. Hospital Consulting which was acquired by the Vamed Group; Asteral, Mesa, IBSL and EBM acquired by the Pantheon Group). Medipass is the only operator with a significant presence in the Cancer Treatment and Diagnosis segment, focusing on Radiotherapy services where its competitors include **Amethist** and **UPMC**.

In the United Kingdom, Medipass Healthcare’s main competitors include:

- **CPUK**, private group which operates private Radiotherapy and Chemotherapy centres, acquired by Genesis Care.
- **InHealth**: the most important player for Clinical Diagnostic Services in Radiology, Nuclear Medicine and Haemodynamics.
- **MESL** a niche financial player which takes part in MES tenders put out by the British NHS. It has an agreement with BMI (private hospital group) in relation to the supply of clinical services for Gamma Knife treatment;
- **UME** has a major MES contract at Bromley Hospital (won in 2002), where it collaborates with GE. In 2006, UME was part of the Consortium that was awarded an MES at Peterborough Hospital but it was replaced by Asteral;
- **OEMs** (i.e. Technology manufacturers like Siemens, GE and Philips) actively compete on the market thanks to their direct control over technology and extensive know-how, even though they are not vendor independent.

At present, in India, there are few well-established operators offering outsourced management of hi-tech services on a Fully Managed Services and/or MES basis. Clearmedi and HCG are the leading players in the sector.

Operating Performance of the Group

For internal management reporting and IFRS purposes, the Group is organised into two SBAs (Strategic Business Areas), which, in turn, are broken down into three operating segments.

The structure by SBA and operating segment is detailed in the table below:

Strategic Business Area	Operating segment	Activity
Long term care	Long term care	Management of nursing homes for the elderly, management of functional and psychiatric rehabilitation facilities, management of psychiatric treatment communities and outpatient centres.
Hospital services/ Management	Acute care	Management of Suzzara Hospital under a concession
	Cancer treatment and diagnostics	Provision, on an outsourced basis, of advanced high tech diagnostic and radiotherapy services within hospital facilities and management of approved radiology centres and health centres

As a result of the acquisitions and extraordinary transactions carried out in 2019 and 2018, the figures at 31 December 2019 are not immediately comparable with prior year. Therefore, in order to provide a better understanding of the 2019 financial statements and to make them more comparable with the 2018 figures, the most significant transactions that have taken place in the last two reporting periods are reported below.

The main transactions in **2018** were as follows:

Long Term Care:

In January 2018, the Group acquired Prora S.r.l., parent company of Ideas S.r.l which operates a residential nuring facility for non self-sufficient elderly people in San Benedetto del Tronto (AP). It has Marche Region authorisation and accreditation and has 90 residential beds and 20 day centre beds. The two companies were later merged into Kos Care S.r.l. with effect from 1 August 2018.

In February 2018, the Group acquired Casa di Cura S. Alessandro S.r.l., a company which runs a 60-bed facility in Rome which currently has authorisation to provide psychiatric rehabilitation services.

In March 2018, the Group acquired Laboratorio Analisi Chimiche Delta S.r.l. which runs an analysis laboratory in Porto Recanati (MC). The company was later merged into the parent company Sanatrix Gestioni S.r.l. with effect from 1 July 2018.

In May 2018, the Group expanded the services it offers in Emilia Romagna when it acquired Ippofin S.r.l., parent company of Villa dei Ciliegi di Monteveglio S.r.l. built company which runs two facilities in Bologna: Villa dei Ciliegi and Casa Olga. The former is a recently constructed residential social and healthcare facility in Monteveglio (Bo) with 70 beds for elderly residents. Meanwhile, Casa Olga is a 33-bed, psychiatric community for elderly patients situated in the Saragozza district of Bologna. The companies were merged into Kos Care S.r.l. with effect from 1 October 2018.

Studio Laboratorio Biemme S.r.l., a company which runs an analysis laboratory in Castelraimondo (MC), was acquired in October 2018.

Villa dei Pini S.r.l., a company which runs a 75-bed facility in Florence, currently authorised to carry out psychiatric rehabilitation, was acquired in December 2018.

Hospital Services/Management

Cancer treatment and diagnostic services

The launch of new services continued in 2018, especially the new radiotherapy contracts at Policlinico Gemelli in Rome. We also note that Clearmedi Healthcare LTD has signed two new contracts at the following hospitals:

- Patna Hospital in the State of Bihar. The hospital belongs to the Paras Group and the contract provides for the management and operation of the Radiology Department.

- Bliss Hospital in Panchkula, a Paras Group hospital, in the Metropolitan area of Chandigarh, Northern India – two management contracts: Radiology; and Radiotherapy and Nuclear Medicine.

The main transactions in **2019** were as follows:

Long Term Care:

SELEMAR S.r.l., which operates an analysis laboratory in Urbino (PU), was acquired in March 2019. The company was later merged into the parent company KOS Care S.r.l..

With effect from 1 June 2019, Villa dei Pini S.r.l. was merged into parent KOS Care S.r.l.

The corporate vehicle KOS Germany GmbH was set up in July 2019 and used to carry out the acquisition of Charleston Holding GmbH, a German company that provides residential care services for non-self-sufficient elderly people and ancillary services for elderly and severely disabled people. It runs 47 nursing homes with a total of 4,050 beds. The deal was closed at the end of October.

100% of the quota capital of Laboratorio Gamma S.r.l., a company based in Fano (PU), was acquired in September 2019. The laboratory has been operating in its area for more than forty years and is accredited with the Italian National Health Service.

Casa Serena S.r.l. became part of the KOS Group in October 2019. Said company operates a sheltered housing facility in Carasco (GE) with capacity for up to 54 residents, including both self-sufficient and non-self-sufficient individuals.

The acquisition of Villa Pineta S.r.l. was finalised in November 2019. The company in question is a private hospital with 151 beds accredited with the Emilia Romagna Regional Health Service. The Hospital specialises in respiratory, cardiological, neuromotor and orthopaedic rehabilitation. It also has two outpatient clinics offering specialist services, one in Pavullo and one in Modena. Villa Pineta also offers residential care services at a nursing home that hosts non-self-sufficient individuals with physical or sensorial conditions, or chronic or degenerative illnesses, who cannot be cared for at home.

Hospital Services/Management

Cancer treatment and diagnostic services

In Italy, the volume of services has increased compared to 2018 due to the net positive effect of additional activities under new radiotherapy contracts in Campobasso and Acquaviva Delle Fonti (BA).

With regard to the activities of subsidiaries outside Italy, in India, Clearmedi Healthcare Pvt Ltd has signed and begun working under a new service agreement at Kailash Cancer Hospital in Vadovra.

Suzzara Hospital

In light of changes introduced by Lombardy Region to the calculation of regional budgets and the additional investment needed to refurbish the Hospital facilities, the Company has made a formal request to change the duration of the concession agreement based on the fact that current economic conditions are different to those that existed when the call for tenders was issued. These changes also include the need for seismic retrofitting at the hospital, following the earthquake in May 2012:the Company included these among the works yet to be carried out but to be counted as additional investments not covered by the tender in question and to be performed if the concession is extended.

In November 2017, Lombardy Region replied stating that the decision regarding the extension of the concession is down to the Company itself.

In response to this statement from the region, in November 2017, Suzzara hospital sent a letter to the Mantua *Azienda Socio Sanitaria Territoriale* (Mantua Provincial Health Agency), together with an expert report, raising doubts on whether the seismic retrofitting project approved by a resolution of the Agency then later sent to the Region, would fully comply with all anti-seismic requirements. At the same time, it invited the Agency to a meeting to discuss and evaluate the project and to make any appropriate changes. A discussion group with the Agency was set up and worked on the matter, arriving at the decision to revise the planned seismic retrofit work in light of the technical tests to be performed on the building in order to confirm the status of the construction before proceeding with a new project. In 2020, the Agency will publish a call for tenders to carry out the technical tests on the building. It will, then, publish a call for tenders for the new seismic retrofit project. Once the project is ready it will be submitted to Lombardy Region for its endorsement. Only at that point will it be possible to finalise the extension of the concession period.

Corporate Area and shared services

On 25 June 2019, Kos SpA signed a bilateral agreement with Mediobanca for a € 35 million loan , for a 5 year period, to sustain the Group's ordinary activities, its capex and its acquisitions. On 27 July 2019, Kos S.p.A. also signed an agreement with BNP (later syndicated with other banks - Banco BPM, Credit Agricole, IntesaSanpaolo, ING Bank) for a €95 million loan of, for a 5 year period, to finance the acquisition of the German company Charleston GmbH, which was completed on 31 October 2019.

KOS Servizi S.c.a r.l. has continued with the integration and rationalisation of support services (ICT, procurement, cleaning, logistics, etc) provided to Group companies. In 2019, it launched new catering services at a number of operating facilities.

The following tables set out the Group's statement of financial position and income statement highlights as at and for the year ended 31 December 2019:

KOS GROUP CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(eur/000)	**31/12/2019**	**31/12/2018**
NON CURRENT ASSETS	1,530,350	673,505
CURRENT ASSETS	257,549	181,634
TOTAL ASSETS	**1,787,899**	**855,139**
EQUITY	292,172	297,647
- NON-CONTROLLING INTERESTS	6,279	6,226
- OWNERS OF THE PARENT	285,893	291,421
NON CURRENT LIABILITIES	1,189,402	343,524
CURRENT LIABILITIES	306,325	213,968
TOTAL LIABILITIES AND EQUITY	**1,787,899**	**855,139**
NET FINANCIAL DEBT	**(1,105,313)**	**(259,433)**

KOS GROUP CONSOLIDATED INCOME STATEMENT HIGHLIGHTS

(eur/000)	**31/12/2019**	**10/07/1905**
REVENUE	595,185	544,927
EBITDA	141,261	101,809
EBIT	67,733	66,275
PRE-TAX PROFIT	45,274	53,553
PROFIT FOR THE YEAR INCLUDING NON-CONTROLLING INTERESTS	**31,355**	**36,316**
- PROFIT FOR THE YEAR ATTR. TO NON-CONTROLLING INTERESTS	1,051	1,148
- PROFIT FOR THE YEAR ATTR. TO OWNERS OF THE PARENT	30,304	35,168

In 2018, Group revenues totalled €595,185 thousand against €544,927 thousand in 2018.

The table below shows the revenues contributed by each SBA:

(eur/000)	2019	%	2018	%	Var.
Long term care	480,539	81%	438,873	81%	41,666
Acute Care	36,504	6%	36,124	7%	380
Cancer treatment and diagnostic services	78,078	13%	69,881	13%	8,197
Other	64	0%	49	0%	15
Total	**595,185**	**100%**	**544,927**	**100%**	**50,258**

The increase in revenues is mainly due to:

- a strong increase in the Long term care segment compared to prior year, mainly thanks to acquisitions made in 2018 (that made a full-year contribution in 2019) and to new acquisitions made in 2019. The impact of changes to the scope of consolidation was €33,264 thousand and mainly referred to the acquisition of the Charleston Group (€27,107 thousand);

- revenues in the acute care, cancer treatment and diagnostics segment, which increased thanks to services launched in 2018 which made a full-year contribution in 2019, and to new services launched in 2019 (impact of €3,160 thousand).

EBITDA for 2019 amounts to €141,261 thousand compared to €101,809 thousand in 2018. As a percentage of revenues, EBITDA has increased from 18.7% to 23.7%. This increase is mainly due to application of the new IFRS 16 with effect from 1 January 2019 – this had a positive impact of €39,304 thousand. The total effect on EBITDA of changes in the scope of consolidation due to the aforementioned acquisitions and business developments is positive and amounts to €4,252 thousand.

In 2019, amortisation, depreciation and write-downs totalled around €73,528 thousand, up on the €35,534 thousand recorded in 2018. The application of IFRS 16 had an effect of €34,845 thousand on amortisation, depreciation and write-downs. The increase also relates to the acquisitions described above and to the opening of new facilities (€6,163 thousand). We also highlight impairment of €407 thousand to certain assets whose value in use was lower than their net carrying amount.

Results by business area are shown below:

SBA	LONG TERM CARE		HOSPITAL MANAGEMENT				CORPORATE AND OTHER COMMON SERVICES		IC ELIMINATIONS		Total	
			ACUTE CARE		Cancer treatment and							
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Third party revenue	480,539	438,873	36,504	36,124	78,078	69,881	64	49	-	-	595,185	544,927
Intercompany revenue	2,222	1,272	-	-	205	191	40,297	28,652	(42,724)	(30,115)	-	-
Total revenue	**482,761**	**440,145**	**36,504**	**36,124**	**78,283**	**70,072**	**40,361**	**28,701**	**(42,724)**	**(30,115)**	**595,185**	**544,927**
EBITDA	119,134	82,152	3,218	2,143	22,885	20,606	(3,976)	(3,092)	-	-	141,261	101,809
EBIT	64,358	61,474	404	(91)	9,052	9,584	(6,081)	(4,692)	-	-	67,733	66,275
NET FINANCIAL EXPENSES											(22,459)	(12,722)
INCOME TAXES											(13,919)	(17,237)
PROFIT FOR THE YEAR											31,355	36,316
PROFIT FOR THE YEAR ATTR. TO NON-CONTROLLING INTERESTS											1,051	1,148
PROFIT FOR THE YEAR ATTR. TO OWNERS OF THE PARENT											30,304	35,168

SBA	LONG TERM CARE		HOSPITAL MANAGEMENT				CORPORATE AND OTHER COMMON SERVICES		IC ELIMINATIONS		Total	
	LONG TERM CARE		ACUTE CARE		Cancer treatment and diagnostic services							
FINANCIAL POSITION	31/12/2019	31/12/2018	31/12/2019	31/12/2018	31/12/2019	31/12/2018	31/12/2019	31/12/2018	31/12/2019	31/12/2018	31/12/2019	31/12/2018
Property, plant and equipment*	244,259	286,174	5,134	6,162	47,737	60,653	1,697	568			298,827	353,557
Intangible assets	354,970	252,747	160	234	36,626	37,135	3,036	1,021			394,792	291,137
Right of use assets	780,129	0	589	0	22,508	0	1,347	0			804,573	0
Other non current assets	2,322	2,315	36	36	6	5	29,794	26,455			32,158	28,811
Assets held for sale											0	0
Current assets	83,737	73,803	1,109	641	39,289	30,255	133,414	76,935			257,549	181,634
Total assets	**1,465,417**	**615,039**	**7,028**	**7,073**	**146,166**	**128,048**	**169,288**	**104,979**	**0**		**1,787,899**	**855,139**
Equity							292,172	297,646			292,172	297,646
Non current liabilities	24,483	21,215	85	553	2,463	2,970	1,162,371	318,786			1,189,402	343,524
Liabilities held for sale											0	0
Current liabilities	139,913	118,378	12,370	11,771	23,265	19,964	130,777	63,856			306,325	213,969
Total liabilities	**164,396**	**139,593**	**12,455**	**12,324**	**25,728**	**22,934**	**1,585,320**	**680,288**	**0**		**1,787,899**	**855,139**

* Including investment property

Long term care

Third party revenues for the year ended 31 December 2019 amount to €480,539 thousand (+9.5% compared to € 438,873 thousand in 2018). EBITDA amounts to € 119,134 thousand, up by 45% on €82,152 thousand in 2018. As a percentage of revenues, EBITDA increased from 18.7% in 2018 to 24.8% in 2019. The increase was mainly due to application of the new IFRS 16 which produced a positive effect of €37,645 thousand on EBITDA, to the nursing homes that opened in 2018 becoming fully operational and to acquisitions made in 2019 (impact of €2,277 thousand).

Hospital management

In the Hospital Management SBA, the KOS Group ended the year with revenues totalling €114,582 thousand (€106,005 thousand in 2018) including €36,504 thousand in the acute care operating sector and €78,078 thousand in the cancer treatment and diagnosis sector. EBITDA amounted to €26,103 thousand (+14.7% on €22,749 thousand in 2018). The positive impact in relation to new accounting standard IFRS 16 was €1,321 thousand.

Consolidated EBIT amounted to €67,733 thousand against €66,275 thousand in 2018. The increase is mainly due to the application of the new accounting standard IFRS 16 which produced a positive effect of €4,458 on consolidated EBIT; this was partially offset by the impact of new acquisitions which was negative by €1,911 thousand. We also highlight non-recurring acquisition-related costs of €3,594 thousand during the year.

In 2019, net financial expenses totalled €22,459 thousand against €12,722 thousand in 2018. This caption includes dividends received of €42 thousand (€32 thousand in 2018). The increase compared to prior year is mainly due to the application of IFRS 16 (impact of €7,842 thousand) and to additional financial expenses on the new loans arranged to finalize acquisitions during the year.

In order to improve current cash flows between group companies, the KOS Group decided to implement a centralised cash pooling system for all group companies. This decision was aimed at offsetting respective cash and debt balances with clear benefits for the Group and the individual companies in terms of increased and more flexible available credit.

Income taxes amounted to €13,919 thousand, less in absolute terms than in 2018. They accounted for 31% of pre-tax profit, in line with prior year. It should be recalled that, with effect from 2017, the IRES rate was reduced from 27.5% to 24%.

In addition, the non-deductibility of certain personnel expense means that IRAP significantly increases the effective consolidated tax rate compared to the theoretical rate of 27.9% (24% IRES and 3.9% IRAP).

As at 31 December 2019, the Group had 11,804 employees (7,006 employees at 31 December 2018). The large increase is primarily due to the acquisition of the Charleston Group which brought with it 3,981 employees.

With regard to the Group's financial position, capex for the year includes ordinary capex and capex to comply with laws and regulations (€19.3 million) and capex on business development/expansion (€33 million). Details of the business development capex during 2019 are provided below:

- €4.8 million refer to the construction of a 100.bed nursing home in Campofilone – construction work began in 2018;
- €7 million refer to the construction of a 120-bed nursing home in the Municipality of Vimercate;
- €13.8 million relate to new equipment installed at client hospital facilities where subsidiaries Medipass S.r.l. and ClearMedi Health Care Ltd manage the diagnostics services;
- €7.4 million refer to development work on facilities already operating and to new constructions where work has just started.

On a consolidated level, intangible assets have also increased – primarily "Goodwill" - following the acquisitions made in 2019: SELEMAR S.r.l. (€569 thousand), the Charleston Group (€88,800 thousand), Villa Pineta S.r.l. (€8,767 thousand) and Laboratorio Gamma S.r.l. (€1,960 thousand). The foreign exchange gains amounted to €260 thousand while impairment adjustments were made to goodwill relating to companies Medipass Leeds and Medipass Belfast (€615 thousand).

Trade working capital amounted to €33,702 thousand at 31 December 2019, higher than the figure of €27,243 thousand at 31 December 2018. The increase is mainly due to higher volumes and to the pattern of collections and payments at the end of the two reporting periods.

The Group's net financial debt ampunted to €1,105 million at 31 December 2019 against € 259 million at 31 December 2018. The impact of applying the new IFRS 16 was to increase net financial debt by € 737 million. Excluding this factor, net debt increased by €109 million mainly as a result of: (i) the distribution of reserves of around € 36 million; (ii) acquisitions during the year of around €94 million; (iii) the increase of € 6.4 million in net working capital and cash flows from operating activities.

The Group's financial position includes: (i) cash and cash equivalents of € 115 million; (ii) financial assets arising on the measurement of derivatives and non-recourse factoring of €9 million; (iii) short-term borrowing (advances on invoices and bank overdraft) of € 6 million while total available short term credit facilities amount to € 59 million (i.e. there is headroom of € 53 million); (iv) medium/long term debt of € 1,126 million which totals € 486 million if lease liabilities are excluded. The Group also has the possibility of using additional medium/long term lines of credit totalling € 29 million.

The following table shows the main lines of credit with details of their availability at 31 December 2019:

	31/12/2019			31/12/2018		
(eur/million)	Total	Used	Available	Total	Used	Available
Short-term Lines ("Uncommitted"/at sight)	59.4	6.5	52.9	70.8	10.9	59.9
Long-term ("Committed"/contractualized)	514.4	485.8	28.6	453.1	318.0	135.1
Total	573.8	492.3	81.6	523.9	328.9	195.0

Details of the net financial debt at 31 December 2019 are shown below:

(eur/000)	31/12/2019	31/12/2018
(A) Cash and cash equivalents	115,375	55,334
(B) Other cash equivalents	-	-
(C) Liquidity (A) + (B)	**115,375**	**55,334**
(D) Securities, derivatives and other financial assets	9,194	14,673
(E) Total current financial assets (C) + (D)	**124,569**	**70,007**
(F) Payables to banks for account overdrafts	6,513	10,892
(G) Payables to banks for collateral loans	8,762	7,514
(H) Banks loans	20,533	1,058
(I) Bond loans	561	569
(J) Financial leases	9,035	10,863
(K) Right of use loans	47,822	-
(L) Payables to other financing entities	191	189
(M) Derivative financial instruments	298	543
(N) Current financial debt (F) + (G) + (H) + (I) + (J) + (K) + (L) + (M)	**93,715**	**31,628**
(O) Net current financial position (N) - (E)	**(30,854)**	**(38,379)**
(P) Payables to banks for collateral loans	35,202	36,903
(Q) Banks loans	267,426	108,837
(R) Bond loans	98,600	98,502
(S) Financial leases	44,685	52,616
(T) Right of use loans	689,491	-
(U) Payables to other financing entities	763	954
(V) Non current financial debt (P)+(Q)+(R)+(S)+(T)+(U)	**1,136,167**	**297,812**
(W) Net financial debt (O)+(V)	**1,105,313**	**259,433**

At 31 December 2019, parent company KOS S.p.A.'s net financial debt was €124 million, excluding receivables/payables from/to subsidiaries of €202 million.

The reporting period ended 31 December 2019 resulted in a profit for the year attributable to the owners of the parent of €30,304 thousand and a profit for the year attributable to non-controlling interests of €1,051 thousand, resulting in a total profit for the year of € 31,355 thousand.

Use of financial instruments

The Group has entered into derivative contracts to hedge the interest rate risk and their residual nominal value at 31 December 2019 was around € 88.8 million (€ 65.1 million at 31 December 2018); the mark-to-market value of these contracts was negative by around € 0.3 million (negative by € 0.5 million at 31 December 2018) and is included in the consolidated net financial debt.

In August 2017, KOS S.p.A. signed two Interest Rate Swap contracts with leading banks in order to cover the risk regarding drawdowns totalling €26 million made on the ING Natixis line of credit in 2017. These two IRS contracts have the following characteristics: *start date* 31 December 2017, *termination date* 6 April 2022. IRS rates of 0.37% and 0.385%, respectively, against the Euribor 6 month rate. Both instruments are linked to the underlying loans and proved to be hedges at 31 December 2018. Consequently, their FV has been recorded in the cash flow hedge reserve.

More detailed information is provided in the Notes to the consolidated financial statements. We provide below a summary of the main characteristics of the hedging contracts relating to outstanding loans and finance lease liabilities at 31 December 2019.

Company	Enter date	Time	*Pay*	*Cap*	*Floor*	*Receive/Index*	Notional		*Fair Value*	
							31/12/19	31/12/18	31/12/19	31/12/18
Kos Care Srl	2013	Quarterly	1.740%			Euribor 3M	6,113	6,465	(33)	(147)
Kos Care Srl	2015	Quarterly	0.150%			Euribor 3M	1,929	2,571	(3)	(9)
Kos Care Srl	2014	Quarterly	0.298%			Euribor 3M	-	3,750	(20)	(16)
Kos Care Srl	2015	Quarterly	0.206%			Euribor 3M	4,536	4,696	(26)	(33)
Kos Care Srl	2015	Quarterly	0.390%			Euribor 3M	3,316	3,947	(18)	(33)
Kos SpA	2017	Half-year	0.385%			Euribor 6M	11,482	13,000	(76)	(105)
Kos SpA	2017	Half-year	0.370%			Euribor 6M	11,482	13,000	(73)	(101)
Total Interest Rate Swap							**38,858**	**47,429**	**(249)**	**(444)**
Kos Care Srl	2014 FWD Start 2017	Monthly		1.50%		Monthly avarage Euribor 1M	2,893	3,332	-	1
Kos Care Srl	2014 FWD Start 2016	Monthly		1.50%		Monthly avarage Euribor 1M	2,457	2,829	-	-
Kos Care Srl	2014 FWD Start 2016	Monthly		1.50%		Euribor 3 M	3,277	3,620	-	-
Kos SpA	2019	Quarterly		0.50%		Euribor 3 M	35,000	-	18	-
Total Interest Rate Cap							**43,627**	**9,781**	**18**	**1**
Derivative instruments effective							**82,485**	**57,210**	**(231)**	**(443)**
Sanatrix Gestioni Srl	Cap - 2013	Monthly		2.50%		Euribor 6M	1,598	2,078	-	-
HSS Real Estate Srl	IRS - 2013	Quarterly	2.04%			Euribor 3M	1,350	2,252	(29)	(71)
Ecomedica Srl	IRS - 2015	Monthly	0.200%			Euribor 1M	-	79	-	-
Ecomedica Srl	IRS - 2016	Monthly	-0.180%			Euribor 1M	-	28	-	-
Kos Care Srl	IRS - 2015	Quarterly	0.220%			Euribor 3M	3,337	3,457	(20)	(26)
Derivative instruments not effective							**6,285**	**7,894**	**(49)**	**(97)**
Total							**88,770**	**65,104**	**(280)**	**(540)**

These are Interest Rate Swaps (IRS) or collars or Interest Rate Caps that include the payment of a fixed rate interest against collection of a floating rate.

Some of the hedging derivative instruments have met in full the conditions of IFRS 9 in relation to the application of hedge accounting (formal designation of the hedging relationship; documented hedging relationship, measurable and highly effective). Therefore, they have been treated under the cash flow hedge method which specifically envisages that the intrinsic value of gains or losses be allocated to reserves at the date of signature of the contract. Any subsequent change in fair value due to interest rate fluctuation– still within the limits of the effective portion hedged - will also be recognised under equity.

Derivative contracts that cannot be considered effective hedges in accordance with IFRS, were discontinued with the gradual release to profit or loss of the reserve accumulated up to the date of effectiveness and in fair value after the date the hedge was no longer effective taken to the profit or loss.

Business outlook and main risks and uncertainties

The growing need to limit public spending, the general trend towards reducing the length of hospital stays for acute care patients, the ageing population and the increase in chronic care are all factors that will lead to higher demand for rehabilitation and Care Home services in the near future.

The presence of entry barriers must also be taken into account: they regard the stringent regulations applicable in the sector with regulatory requirements to be satisfied and significant investment needed to develop new facilities.

Long-term care for the elderly and rehabilitation activities must comply with legal requirements both in terms of the facilities made available and their organisation. This includes government regulations that are sometimes applied on a slightly different basis from one region to another. Compliance with these requisites is essential if a facility is to obtain Italian NHS accreditation leading to reimbursement of a portion of the cost of providing the service.

The current national and regional economic situation, with resources increasingly scarce, requires those on the supply side to adapt. This involves revising their organisational and operating structure and developing new initiatives to satisfy new and emerging needs. A series of measures will be necessary and can be summarised as follows:

- Orientation towards services offering ever more complex care and assistance, especially in the rehabilitation sector;
- Greater integration and complementarity with the Public sector, across the country;
- More efficient operations with focused action to improve the organisational model and procedures, bringing "manageable" costs into line with those incurred by the most efficient healthcare facilities (medical gas costs, pharmaceuticals, waste disposal, utilities, etc.).
- Continuation of action on key operating factors in order to rationalise and streamline the system.
- Prioritise services for private patients, adapting them to satisfy demand;
- Arrange agreements with professional associations and insurance companies.

In 2020, activities aimed at integrating and enhancing the operating subsidiaries will again continue while new opportunities will be sought out in order to consolidate the Group position in the healthcare sector in Italy and, if appropriate, abroad.

To that end, several mergers with recently acquired companies were completed in 2019 while further mergers are planned for 2020.

Efforts to improve marketing policy will also continue so as to raise the Group profile and give it a uniform image in the eyes of the public and government institutions.

In the Cancer Care and diagnostic services sector, the increasing technological complexity of diagnostic imaging, the need to renew the equipment available at public healthcare facilities and financial issues regarding the direct management of investments mean it is reasonable to expect further market growth, both in Italy and abroad.

With regard to the business outlook for Suzzara Hospital, the year 2020 will see the continuation of meetings with Azienda Ospedialiera Carlo Poma regarding the request to extend the concession period which, at present, is scheduled to end at the end of 2020.

In February, the first cases of Covid-19 (Coronavirus) infection in Italy were confirmed and the virus spready rapidly over the following weeks. In response, the Italian Government and the Regional Authorities have taken a series of measures designed to contain and fight Covid-19 across the whole country.

The Group immediately adopted all of the necessary measures to safeguard personnel and patients. However, it is expected that the business will be affected by a reduction in the number of hospital treatment procedures for acute conditions, lower numbers of admissions to Care Homes and to rehabilitation facilities (as a result of the lower level of hospital activity) and the temporary suspension of services provided at the Group's outpatient clinics, also as a result of restrictions introduced by legislative measures. Moreover, additional costs are expected for the supply of personal protective equipment and materials for the disinfection of premises and equipment. The Company believes that these effects will regard 2020 in particular and Business Plan assumptions for subsequent periods remain confirmed for now.

The months ahead will be dedicated to containing the negative effects of the spread of the Covid-19 virus with a particular focus on safeguarding the health of patients, workers and visitors. Work on integrating the systems and facilities of recently acquired facilities will continue in 2020, albeit with certain delays due to the current situation.

Risk management

The main risks and uncertainties that affect the company and the Group are outlined below in accordance with Art. 2428 of the Italian Civil Code.

Risks regarding the general state of the economy

The Group's financial position and results are is affected by outlook for gross domestic product and tax revenues, the credit crunch and volatility of the major economic indicators. The downturn in Italy's major manufacturing and service sectors and the need to direct public spending towards measures that will sustain employment and the flow of credit – including increased funds for welfare and greater resources for the credit sector – together with the possibility that tax revenues might decrease could reduce the resources that the State is able to provide to the regions and, in general, to the healthcare budget, one of the main areas of public expenditure and one of the areas where the most immediate action can be taken in relation to public finances. Again in 2019, a number of legislative measures were introduced with the aim of reducing public expenditure and, in particular, healthcare expenditure. These measures have to be adopted and implemented on a regional level. We note that these measures represent a potential risk to future profitability even though the Group has constantly analysed and monitored them and the results of this process are reflected, as necessary, in the financial statements in the estimates made when evaluating the recoverability of assets and in business plans which show forecast future financial information.

Risks regarding the reliance of the KOS Group on the public sector

The results of the KOS Group rely significantly on its commercial relations with public sector bodies like Municipal and Regional Authorities. In fact, around 60% of KOS Group consolidated revenues in the year ended 31 December 2019 were generated by such commercial relations.

Any reduction in the spending power of the Italian government and other public sector bodies and any inability on the part of the KOS Group to find valid alternatives to its current relations with public sector bodies could, therefore, prejudice the business of the KOS Group as well as financial position and results.

Risks regarding the operation of equipment and healthcare facilities

The healthcare facilities in which KOS subsidiaries operate are exposed to operational risks such as equipment breakdown, failure to comply with applicable laws and regulations, revocation of permits and licences, lack of personnel or industrial action, circumstances involving higher energy or fuel costs, natural disasters, acts of sabotage, acts of terrorism or significant problems with the supply of raw materials.
Any discontinuance of operations at healthcare facilities due to events described above or any other events could have an adverse effect on the Group's operations and its financial position and results.
The risks regarding the operation of healthcare equipment and facilities are adequately insured.

Risks regarding indebtedness of KOS GROUP companies

The repayment of financial debt will depend on the ability of the Group companies to generate sufficient cash flow. If the Group companies are unable to repay debt or fail to respect covenants, they would be required to make early or immediate repayment of these loans and this could have an adverse effect on the business and on the Group's financial position and results.

Risks regarding litigation and disputes

Some Group companies are involved in judicial, civil and administrative proceedings that could require them to pay damages. The Group companies have evaluated the contingent liabilities that could arise from these pending legal disputes and have made provision for the cost of losing the said proceedings. The amount of the provisions allocated was determined based on the prudence concept.

We cannot exclude the possibility that the Group companies may have to face liabilities which are not covered by the provisions and are subject to the outcome of legal proceedings. Such liabilities could have an adverse effect on the Group business and on its financial position and results.

Risks regarding the applicable legislative and regulatory framework

Some Group companies carry out their activities in sectors regulated by European, Italian National and Regional legislation and regulations.
In particular, Group companies are subject to Italian National laws on: (i) access to performance of the activities in which the Group operates; (ii) environmental protection (storage of special waste, use and management of hazardous substances); (iii) construction; (iv) fire prevention; (v) safety in the workplace.

It is impossible to exclude the possibility that legislative measures issued, periodically, by the European Union, the Italian government and the regions in which the Group companies operate, may have a significant impact on the Group's financial position and results.

Currently, we cannot exclude the possibility of changes or unexpected market turnarounds. With regard to such changes, we cannot exclude the possibility of consequences triggered by the global uncertainty created by the spread of the Covid-19 ("Coronavirus), all around the world, at the beginning of 2020. See the "*Business outlook*" section.

Other risks

Other potential risks could regard the Group companies' exposure to accidental events that might occur in the course of its activities, resulting in claims for damages for civil liability (e.g. medical errors, falls/injuries for patients, etc.).
The Group determines its insurance policy on a central level to ensure it is compatible with the risk profile of the individual companies and the Group as a whole. This has led to the arrangement of insurance policies with customised levels of cover and the establishment of the Claims Assessment Committee to monitor them. It should be noted that the maximum pay-out of around € 5 million and €10 million per claim under the third party liability and employee liability policies, respectively, has always proven easily sufficient to cover claims for compensation received while the insurance market has always been ready and willing to cover the Group's risks.
Claims for damages made by patients are handled together with the insurance companies that cover the Group's third party liability. Based on the reserves created by the insurers, the Group determines its exposure and specific provisions are made in the financial statements. On 1 April 2017, the Gelli – Bianco Law (Law 24/2017) came into force. It reiterates citizens' rights to healthcare while also protecting the professional and personal dignity of healthcare workers. The effects of the new law cannot be quantified yet but the Group companies have taken steps to comply with its requirements and provision for the related risks has been made.

Finally, there could be further risks relating to rented/leased properties. It is possible that rental/lease agreements may not be renewed upon expiry or that renewal may be on less favourable terms, affecting the Group's financial position and results.

Management of financial risks

The KOS Group is exposed to various financial risks and, specifically, the credit risk, the liquidity risk and the market risk (exchange rate risk, interest rate risk and other price risks).

Credit risk

The credit risk is the risk of suffering a financial loss due to failure by third parties to fulfil a payment obligation.
The Group has several aggregations of receivables depending on the nature of the activities carried out by each operating company and on their client base. The risk is mitigated by the fact that credit exposure is spread across a large number of debtors. For instance, receivables are less concentrated in the RSA/Care Home sector where more than half of revenues come from the persons resident in the Care Homes and the reported receivables from public sector bodies (mainly ASLs and municipalities) are due from many different entities. In contrast, receivables are more highly concentrated in the hospital management/services segment as revenues are generated by a smaller number of clients.
Credit risk monitoring activities commence by grouping receivables by type of debtor, age, history of previous financial difficulties or disputes and whether there are any ongoing legal or insolvency proceedings.
The Group normally allocates a loss allowance that reflects an estimate of likely bad debts based on a review and assessment of each individual balance.

Liquidity risk

The liquidity risk, or financing risk, is the risk that the Group may encounter difficulty in raising, on acceptable terms and conditions, the funds needed to honour commitments under financial instruments.

The liquidity risk to which the Group is exposed may arise in relation to its obtaining loans to fund operating activities in a timely manner or as a result of its failure to respect covenants under existing loan agreements; in such cases, the lending banks could demand that the Group make early repayment of the loans. Cash flow, the borrowing requirements and the liquidity of Group companies are centrally monitored or managed by the Finance Department with the aim of ensuring that financial resources are effectively and efficiently managed.
The three main factors that are essential to determining the Group liquidity situation are:

- cash generated or absorbed by operating and investing activities;
- maturity and renewal terms of debt or liquidity of financial assets, as well as market conditions;
- investment and development activities of parent company KOS S.p.A.

The Finance Department has adopted a series of policies and procedures aimed at optimising management of financial resources, thus reducing the liquidity risk:

- constant monitoring of forecast cash requirements so that any action necessary can be taken in good time (arrange additional lines of credit, share capital increases, etc.).
- agreement of adequate lines of credit;
- optimisation of liquidity, using cash pooling where feasible;
- correct composition of net financial indebtedness given capex made;
- regular, centralised control of collection and payment flows;
- maintenance of an adequate level of available liquidity;
- diversification of means and sources for use in raising financial resources;
- regular monitoring of future liquidity in relation to the business planning process;
- regular control of compliance with covenants imposed by loans arranged.

Management believes that existing funds and lines of credit, in addition to cash generated by operating activities and borrowing, will enable the Group to meet its requirements in terms of investments, working capital management and repayment of loans at maturity.

Exchange rate risk

In 2011, the Group began – albeit to a limited extent – to operate on international markets and is thus exposed to the exchange rate risk.
As well as seeking natural hedging between receivables and payables, the Group has entered into specific hedging contracts in relation to foreign currency loans and commercial transactions in foreign currency.

Interest rate risk

The interest rate risk is the risk that the value of a financial instrument and/or the related cash flows might change due to fluctuation of market interest rates.

Exposure to the interest rate risk results from the need to finance operating activities, both on a day to day basis and in relation to the acquisition of businesses while also employing available liquid resources. Interest rate fluctuations may have a negative or positive impact on the income of the Group and might indirectly affect the costs and performance of borrowing and investment operations.
The Group regularly assesses its exposure to the interest rate risk and manages the risk using financial derivative instruments in accordance with the established risk management policies. Under these policies, financial derivative instruments are solely used to manage exposure to interest rate fluctuations correlated with future cash flows; speculative derivate instruments are neither used nor considered.
The only instruments used for this purpose are interest rate swaps (IRS), caps and collars.
The Group uses derivative financial instruments for cash flow hedge purposes with the aim of pre-determining interest payable on loans in order to obtain an ideal pre-defined floating and fixed rate mix for its borrowings.
The other parties to these contracts are leading financial institutions.
Derivative instruments are stated at fair value.

Other price risks

Other price risks include the risk that the value of a security might vary due to fluctuation in market prices because of factors specific to the individual security or its issuer or because of factors affecting all securities traded on the market.
The Group does not have any significant exposure in securities traded on active markets so its exposure to this type of risk is negligible.

In its capacity as holding company, CIR S.p.A. is substantially exposed to the same risks and uncertainties as described above with reference to the Group as a whole.

Human Resources

The Group mainly relies on its own employees and only to a limited extent on freelance personnel who are mainly assigned non-strategic roles. The Group believes that a direct employment relationship guarantees greater stability and ongoing monitoring of the quality of the services provided and the resources deployed. However, it should be noted that some psychiatric rehabilitation facilities are wholly operated by local labour cooperatives. In these cases, the local nature of these cooperatives leads to a better overall cost/benefit relationship for the Group.

As at 31 December 2019, the Group had 11,804 employees against 7,006 employees at 31 December 2018. This increase is mainly due to changes in the scope of consolidation and to the opening of new facilities, especially in the nursing homes segment.

The Group companies apply the following Italian National collective labour contracts (CCNL):

KOS S.p.A:
- CCNL for executives of industrial companies;
- CCNL for workers in the private engineering and plant installation industry.

Medipass S.r.l/Elsida S.r.l/Ecomedica S.p.A.:
- CCNL for executives of companies operating in the retail and services sectors (Confcommercio);
- CCNL for employees of companies operating in the retail and services sectors;
- CCNL for non-medical employees of healthcare facilities associated with AIOP.

Ospedale di Suzzara S.p.A.:
- CCNL for CIMOP medical staff employed in nursing homes, I.R.C.C.S., hospitals and rehabilitation centres;
- CCNL for non-medical employees of healthcare facilities related to AIOP.

KOS Care S.r.l.:
- CCNL for executives of companies operating in the retail and services sectors.
- CCNL for CIMOP medical staff employed in nursing homes, I.R.C.C.S., hospitals and rehabilitation centres.
- CCNL for employees of facilities operating in the socio-medical-healthcare-education sector.
- CCNL for employees of nursing homesand ARIS rehabilitation centres
- CCNL for CONSILP Professional Firms

Abitare il Tempo S.r.l., Sanatrix Gestioni S.r.l, Jesilab S.r.l and Fidia S.r.l:
- CCNL for CIMOP medical staff employed in nursing homes, I.R.C.C.S., hospitals and rehabilitation centres;
- CCNL for non-medical employees of healthcare facilities related to AIOP;
- CCNL for employees of nursing homesand ARIS rehabilitation centres.

Kos Servizi S.c. a r.l.:
- CCNL for executives of companies operating in the retail and services sectors.
- CCNL for employees of nursing homesand ARIS rehabilitation centres.

Villa Margherita S.r.l.
- CCNL for non-medical employees of healthcare facilities related to AIOP;
- CCNL for CIMOP medical staff employed in nursing homes, I.R.C.C.S., hospitals and rehabilitation centres;

Casa Serena S.r.l.
- CCNL for employees of businesses in the social care- healthcare-welfare-educational sector; ANASTE.

Villa Pineta S.r.l.
- CCNL for employees of businesses in the social care- healthcare-welfare-educational sector; ANASTE.
- CCNL for non-medical employees of healthcare facilities related to AIOP;
- CCNL for CIMOP medical staff employed in nursing homes, I.R.C.C.S., hospitals and rehabilitation centres;

Casa di cura S.Alessandro S.r.l
- CCNL for employees of Care Homes and ARIS rehabilitation centres;
- CCNL for CIMOP medical staff employed in nursing homes, I.R.C.C.S., hospitals and rehabilitation centres.

Legislative Decree 231, privacy and security

Some time ago, the various Group companies adopted an Organisation and Management Model pursuant to Legislative Decree 231/2001 and appointed Supervisory Boards with the role of supervising the operation of the Model, compliance with it and ensuring that it is updated.
Over the years, in response to legislative measures and organisational changes, several updates to the Organisation Models have been made, arriving at the current versions which were approved by the Boards of Directors of the various companies in February 2019. The updated Organisation Models reflect legislative changes with an impact on the Legislative Decree 231/01 perimeter up until their data of approval.

Meanwhile, the Boards of Directors of smaller subsidiaries that do not have their own Organisation Model but whose activities are similar to those of the parent company, have decided to extend the scope of the parent company's Organisation Model to cover their activities. They believe that the rules of conduct and the risk prevention measures set out in the Model can also be effective for their companies.

Following the updating of the Models, senior Group personnel has been provided with extensive training on the regulatory updates to Legislative Decree 231/01 and on the changes made to the Organisation Model, as well as on the Whistleblowing procedure adopted. Online training continues to be provided to other personnel.

The Supervisory Boards work closely together and with the Group departments that operate in sensitive areas. They cooperate with the constant objective of improving overall governance. Moreover, the ongoing interaction between the Parent Company Supervisory Board and the Supervisory Boards of the operating companies ensures that the proper supervision is carried out on a Group level.

In 2019, the Group continued with its efforts to ensure compliance with Italian Legislative Decree 231/01. These efforts accompanied both the broader control system based on rules of Corporate Governance i.e. the range of internal rules and formal procedures adopted both within the Group and when dealing with third parties and the existing Internal Control System.

The internal control system has been further improved in order to check that decision-making is irreprehensible, that processes take place properly and that business resources are properly used. These checks have regarded both organisational and operational issues and healthcare matters. All audit activities take place with the full involvement of business functions that operate in sensitive areas, cooperating with them to revise operating procedures to render them ever more compliant with the legislative requirements, guarantee transparency and prompt reporting.
Regular meetings area also held with the companies' other governance bodies, in particular the Boards of Statutory Auditors and the External Auditors, in order to update one another and share information. The parent company Supervisory Board also meets with the Risk and Control Committee, always striving with it for the goal of better overall governance.

Information on personal data protection

In the course of their activities, , the KOS Group companies gather a significant volume of personal data and confidential information on a daily basis and primarily under contractual agreements; they undertake to process such data in accordance with personal data protection legislation.
This wealth of information must be effectively protected and safeguarded in order to avoid any alteration or misuse and guarantee its availability.
Furthermore, some of these are personal data concerning health and patients have the right to receive guarantees about how data is processed and used.
Since the European General Data Protection Regulation (GDPR 679/2016) came into force, together with the updated Italian Data Protection Code, companies have been taking necessary action to guarantee a new approach to data protection.
Accordingly, a Data Protection Officer is in place, Records of Processing are being implemented and updated and the main procedures in the area have been issued.
Appropriate documents capable of ensuring compliance with data protection requirements have been created with regard to the various appointments required under the regulations and the provision of training courses for all employees and other workers, via the payroll service web site.

General information on the Parent Company

Parent company KOS S.p.A. recognised negative EBITDA of € 5,685 thousand in 2019 compared to negative EBITDA of €4,398 thousand in 2018. The increase in operating loss is mainly due to higher investment management costs. In 2019, the company recognised depreciation, amortisation and impairment losses for a total of totalling around €643 thousand. This increase compared to 2018 (€ 405 thousand), is mainly a result of the first-time application of IFRS 16 (impact of €230 thousand).

EBIT was negative by €6,328 thousand compared to a negative figure of €4,804 thousand in prior year.

Net financial expenses for the year totalled €909 thousand compared to net financial expenses of €770 thousand in 2018.

Adjustments to financial assets totalling €2,991 thousand were made in 2019, including €2,980 thousand in application of IFRS 9 which measures financial receivables and guarantees given.

Income taxes amounted to €2,099 thousand compared to €1,376 thousand in 2018. Taxation stood at 21% of pre-tax profit, in line with prior year. The presence of permanently not deductible expenses for tax purposes increased the effective tax rate compared to the theoretical rate. These taxes flow into the CIR S.p.A. Group tax consolidation scheme.

At 31 December 2019, the company had 21 employees, the same number as at 31 December 2018.

A net loss of €8,129 thousand is reported for the year ended 31 December 2019 compared to a net loss of €5,270 thousand in 2018.

Moving on to the statement of financial position, equity investments amounted to €164,513 thousand against €164,368 thousand at 31 December 2018.

The net financial debt at 31 December 2019 is analysed below:

(eur/000)	**31/12/19**	**31/12/18**
(A) Cash and cash equivalents	35,085	42,241
(B) Other cash and cash equivalents	-	-
(C) Liquidity (A)	**35,085**	**42,241**
(D) Securities, derivatives and other financial receivables	21	-
(D1) Financial receivables from subsidiaries	41,842	8,061
(E) Total current financial assets (C) + (D) + (D1)	**76,948**	**50,302**
(G) Bank loans and borrowings - collateral	607	603
(H) Bank loans and borrowings	19,663	159
(H1) Bond loans	561	569
(I) Payables for right of use	209	-
(J) Derivatives liabilities	148	206
(K) Financial liabilities to subsidiaries	166,684	128,690
(L) Current financial debt (G) + (H) + (H1) + (I) + (J) + (K)	**187,872**	**130,227**
(M) Net current financial debt (L) - (E)	**110,924**	**79,925**
(N) Financial assets from subsidiaries	327,294	185,238
(O) Non current financial debt (N)	**327,294**	**185,238**
(P) Bank loans and borrowings - collateral	1,686	2,294
(Q) Bank loans and borrowings	239,368	86,051
(Q1) Bond loans	98,600	98,502
(R) Payables for right of use	980	-
(S) Non current financial debt (P) + (Q) + (Q1) + ®	**340,634**	**186,847**
(T) Net non current financial debt (S) - (O)	**13,340**	**1,609**
(U) Net financial debt (M) + (T)	**124,264**	**81,534**

The net financial debt of parent company KOS S.p.A. was €124,264 thousand compared to net indebtedness of €81,534 thousand at 31 December 2018. At 31 December 2019, the net financial debt included cash and cash equivalents of €35,085 thousand, receivables from subsidiaries totalling €369,136 thousand, € 166,684 thousand of payables to subsidiaries and bank loans and borrowings of €360,485 thousand. The €42,730 thousand increase in net debt is mainly due to the distribution of €35,100 thousand from the share premium reserve and to cash flows used in operating activities.

Management and coordination activities

Pursuant to Art. 2497 bis of the Italian Civil Code, we inform you that the Company is subject to management and co-ordination by the parent company CIR S.p.A.. Said company's relations with the Company are limited to co-ordination and the recharge of service costs and participation in the CIR Group tax consolidation scheme.

We present the following information regarding the company that performs management and coordination activities (amounts in €/000):

Name	Share capital	Equity	Profit
CIR S.p.A.	322,089	869,147	14,188

The above figures were taken from the company's separate financial statements prepared in accordance with IFRS accounting standards at 31 December 2018.

Research and development activities

Scientific research and development, conducted mainly in the Long Term Care SBA, is coordinated within the Group by a Scientific Committee. It develops original protocols, encourages and facilitates projects organised autonomously by the various healthcare facilities and takes part in projects organised by Universities and Research Institutes.

Treasury shares

Kos S.p.A. does not hold any treasury shares or shares/quotas in parent companies.

Reconciliation between Parent's separateFinancial Statements and the Group Consolidated Financial Statements

	2019		2018	
(eur/000)	Net equity	Net Income	Net equity	Net Income
EQUITY AND PARENT COMPANY PROFIT (LOSS) FOR THE YEAR	**47,794**	**(8,129)**	**90,691**	**(5,270)**
Equity and profit of consolidated Companies	458,075	37,955	415,297	42,051
Reversal of writedown of consolidated Companies	8,138		8,138	
Derecognition of carrying amount of consolidated equity investments and goodwill	(218,928)		(214,455)	
Fair value of derivatives	(269)		(443)	
Dividends elimination		(925)		(855)
Other	(2,638)	2,454	(1,581)	390
TOTAL EQUITY AND PROFIT FOR THE YEAR	**292,172**	**31,355**	**297,647**	**36,316**
of which attributable to non-controlling interests	6,279	1,051	6,226	1,148
EQUITY AND PROFIT FOR THE YEAR ATTRIBUTABLE TO THE OWNERS OF THE PARENT	**285,893**	**30,304**	**291,421**	**35,168**

Significant events after the reporting period

In February, the Company acquired Casa di Cura Villa Armonia Nuova, a company based in Rome. The company in question runs a Residential Rehabilitation and Treatment Facility with 104 accredited beds 74 of which for psychiatric patients and 30 beds for patients with eating disorders and adolescents undergoing psychiatric treatment.

On 24 February 2020, the first cases of Covid-19 (Coronavirus) infection in Italy were confirmed and the virus spready rapidly over the following weeks. In response, the Italian Government and the Regional Authorities have taken a series of measures designed to contain and fight Covid-19 across the whole country.

The KOS Group immediately adopted all of the necessary measures to safeguard personnel and patients. However, it is expected that the business will be affected by a reduction in the number of hospital treatment procedures for acute conditions, lower numbers of admissions to Care Homes and to rehabilitation facilities (as a result of the lower level of hospital activity) and the temporary suspension of services provided at the Group's outpatient clinics, also as a result of restrictions introduced by legislative measures. Moreover, additional costs are expected for the supply of personal protective equipment and materials for the disinfection of premises and equipment.

The Company believes that these effects will regard 2020 in particular and Business Plan assumptions for subsequent periods remain confirmed for now.

The coming months will be dedicated to containing the negative effects of the spread of the Covid-19 virus with a particular focus on safeguarding the health of patients, workers and visitors. Work on integrating the systems and facilities of recently acquired facilities will continue in 2020, albeit with certain delays due to the current situation.

Related party transactions

Related party transactions, including intercompany transactions, cannot be classed as either atypical or unusual as they form part of the ordinary activities of the Group companies. These transactions take place on an arm's length basis, considering the nature of the goods and services supplied.

The KOS Group's related party transactions mainly regard:

- financial relations;
- relations under contracts for services;
- trade/commercial relations;
- relations under the CIR Group domestic group agreementnational tax consolidation scheme.

Further details of related party transactions are provided in the Notes to the Consolidated Financial Statements.

List of secondary business locations

Pursuant to Article 2428(4) of the Italian Civil Code, we provide below a list of all of the Company's business locations at 31 December 2019:
Registered Office: Via Ciovassino, 1 - 20121 Milan
Operating Head Office: Via Durini, 9 - 20122 Milan

Milan, 25 February 2020

FOR THE BOARD OF DIRECTORS

The Chairman

Carlo Michelini

Consolidated income statement

(eur/000)	Notes	2019	2018
REVENUE	4	595,185	544,927
PURCHASE OF GOODS	5	(45,328)	(39,840)
SERVICES	6	(156,986)	(187,011)
PERSONNEL EXPENSE	7	(235,157)	(200,933)
OTHER OPERATING INCOME	8	6,680	4,866
OTHER OPERATING COSTS	9	(23,176)	(20,152)
ADJUSTMENTS TO EQUITY-ACCOUNTED INVESTEES	18	43	(48)
GROSS OPERATING PROFIT		**141,261**	**101,809**
AMORTIZATION, DEPRECIATION, IMPAIRMENT LOSSES AND PROVISIONS	10	(73,528)	(35,534)
OPERATING PROFIT		**67,733**	**66,275**
FINANCIAL INCOME	11	120	386
FINANCIAL EXPENSES	12	(22,631)	(13,108)
DIVIDENDS	11	42	32
ADJUSTMENTS TO FINANCIAL ASSETS	13	10	(32)
PRE-TAX PROFIT		**45,274**	**53,553**
INCOME TAXES	14	(13,919)	(17,237)
INCOME/(LOSSES) FROM ASSETS HELD FOR DISPOSAL		-	-
PROFIT FOR THE YEAR INCLUDING NON-CONTROLLING INTERESTS		**31,355**	**36,316**
PROFIT FOR THE YEAR ATTR. TO NON-CONTROLLING INTERESTS		1,051	1,148
PROFIT FOR THE YEAR ATTR. TO OWNERS OF THE PARENT		**30,304**	**35,168**
BASIC EARNINGS PER SHARE	39	0.342	0.397
DILUTED EARNINGS PER SHARE	39	0.341	0.396

Consolidated statement of comprehensive income

(eur/000)	2019	2018
PROFIT FOR THE YEAR	**31,355**	**36,316**
Items that will never be reclassified to profit or loss:		
Net actuarial gains	(1,636)	680
Income taxes on net actuarial gains	356	(163)
Translation difference	213	(157)
Items that will be reclassified to profit or loss:		
Net gains on cash flow hedges	229	153
Income taxes on net gains on cash flow hedges	(55)	(37)
TOTAL COMPREHENSIVE INCOME	**30,462**	**36,792**
Owners of the parent	29,421	35,637
Non-controlling interests	1,041	1,155

Consolidated statement of financial position

(eur/000)	Notes	31/12/2019	31/12/2018
NON CURRENT ASSETS		**1,530,350**	**673,505**
INTANGIBLE ASSETS	15	394,792	291,137
PROPERTY, PLANT AND EQUIPMENT	16	295,923	349,040
RIGHT OF USE ASSETS	17	804,573	-
INVESTMENT PROPERTY	18	2,904	4,517
EQUITY-ACCOUNTED INVESTEES	19	851	808
OTHER EQUITY INVESTMENTS	19	1,817	2,235
OTHER ASSETS	20	4,880	4,393
DEFERRED TAX ASSETS	21	24,610	21,375
CURRENT ASSETS		**257,549**	**181,634**
INVENTORIES	22	4,521	3,634
RECEIVABLES FROM PARENT COMPANY	23	2,782	1,574
TRADE RECEIVABLES	24	113,810	96,885
OTHER ASSETS	25	11,867	9,533
FINANCIAL ASSETS	26	9,194	14,674
CASH AND CASH EQUIVALENTS	27	115,375	55,334
ASSETS HELD FOR SALE		-	-
TOTAL ASSETS		**1,787,899**	**855,139**
LIABILITIES AND EQUITY			
EQUITY	28	**292,172**	**297,647**
SHARE CAPITAL		8,848	8,848
RESERVES		46,791	87,934
RETAINED EARNINGS		230,254	194,639
EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT		**285,893**	**291,421**
EQUITY ATTRIBUTABLE TO NON-CONTROLLING INTERESTS		6,279	6,226
NON-CURRENT LIABILITIES		**1,189,402**	**343,524**
BOND LOANS	29	98,600	98,502
OTHER LOANS AND BORROWINGS	29	303,391	199,310
LEASE LIABILITIES	29	734,176	-
TRADE PAYABLES	35	442	-
OTHER LIABILITIES	35	132	101
DEFERRED TAX LIABILITIES	30	16,846	16,244
PERSONNEL PROVISIONS	31	27,241	25,012
PROVISIONS FOR RISKS AND CHARGES	32	8,574	4,355
CURRENT LIABILITIES		**306,325**	**213,968**
BANK OVERDRAFTS	29	6,513	10,892
BOND LOANS	29	561	569
OTHER LOANS AND BORROWINGS	29	29,784	20,167
LEASE LIABILITIES	29	56,857	-
PAYABLES TO PARENT COMPANY	33	5,216	8,451
TRADE PAYABLES	34	84,629	73,275
OTHER LIABILITIES	35	70,515	53,796
PROVISIONS FOR RISKS AND CHARGES	32	52,250	46,818
LIABILITIES ASSOCIATED WITH ASSETS HELD FOR SALE		-	-
TOTAL LIABILITIES AND EQUITY		**1,787,899**	**855,139**

Consolidated statement of cash flows

(eur/000)	31/12/2019	31/12/2018
OPERATING ACTIVITIES		
PROFIT FOR THE YEAR	31,355	36,316
ADJUSTMENTS:		
AMORTIZATION, DEPRECIATION AND IMPAIRMENT LOSSES	69,222	31,905
ACCRUAL TO PROVISIONS FOR PERSONNEL, NET OF UTILISATIONS AND STOCK OPTIONS	1,265	1,139
ACCRUAL TO PROVISIONS FOR RISKS AND CHARGES, NET OF UTILISATIONS	9,651	5,864
CHANGE IN NET WORKING CAPITAL, NET OF ACQUISITIONS	(16,003)	5,106
CHANGES IN OTHER CURRENT ASSETS/LIABILITIES, NET OF ACQUISITIONS	9,942	589
OTHER CHANGES IN NON-CURRENT ASSETS/LIABILITIES, NET OF ACQUISITIONS	(9,335)	(183)
CASH FLOW FROM OPERATING ACTIVITIES	**96,097**	**80,736**
of which:		
interest paid	11,122	9,442
income taxes paid	19,097	13,110
INVESTING ACTIVITIES		
(PURCHASE)/SALE OF NON-CURRENT ASSETS	(63,989)	(47,156)
PURCHASE OF ASSETS, NET OF BANK LOANS AND BORROWINGS	(93,769)	(22,117)
CASH FLOW USED IN INVESTING ACTIVITIES	**(157,758)**	**(69,273)**
FINANCING ACTIVITIES		
PROCEEDS FROM CAPITAL INCREASES OF NC INTERESTS	79	573
OTHER CHANGES IN EQUITY	(106)	(3,135)
CHANGES IN OTHER FINANCIAL ASSETS	5,480	2,375
DRAWDOWN/(REPAYMENT) OF OTHER LOANS AND BORROWINGS	156,511	33,408
DIVIDENDS PAID AND RESERVES DISTRIBUTED	(35,883)	(29,732)
CASH FLOW USED IN FINANCING ACTIVITIES	**126,081**	**3,489**
INCREASE IN NET CASH AND CASH EQUIVALENTS	**64,420**	**14,952**
OPENING NET CASH AND CASH EQUIVALENTS	**44,442**	**29,490**
CLOSING NET CASH AND CASH EQUIVALENTS	**108,862**	**44,442**
CASH AND CASH EQUIVALENTS	**115,375**	**55,334**
BANK OVERDRAFTS	**(6,513)**	**(10,892)**
CLOSING NET CASH AND CASH EQUIVALENTS	**108,862**	**44,442**

Consolidated statement of changes in consolidated shareholders' equity

	SHARE CAPITAL	LEGAL RESERVE	SHARE PREMIUM RESERVE	STOCK OPTION RESERVE	CASH FLOW HEDGING RESERVE	POST-EMP. BENEFIT	RETAINED EARNINGS(LOSSES CARRIED FORWARD)	TRANSLATION RESERVE	PROFIT FOR THE YEAR	TOTAL	PROFIT FOR THE YEAR ATTRIBUTABLE TO NC INTERESTS	NON-CONTROLLING INTERESTS	TOTAL
BALANCE AT 31 DECEMBER 2017	**8,848**	**1,770**	**118,562**	**1,832**	**(559)**	**(2,128)**	**129,438**	**194**	**29,049**	**287,006**	**1,643**	**4,904**	**293,553**
IFRS 9 impact							(876)			(876)		(69)	(945)
BALANCE AT 31 DECEMBER 2017	**8,848**	**1,770**	**118,562**	**1,832**	**(559)**	**(2,128)**	**128,562**	**194**	**29,049**	**286,130**	**1,643**	**4,835**	**292,608**
Share capital increase										0		573	573
Profit for the year									35,168	35,168	1,148		36,316
Other comprehensive income:													
Changes in cash flow hedge reserve					116					116			116
Changes in post-employment benefit valuation reserve						506				506		11	517
Translation differences								(153)		(153)		(4)	(157)
Total other comprehensive income	**0**	**0**	**0**	**0**	**116**	**506**	**0**	**(153)**	**35,168**	**35,637**	**1,148**	**7**	**36,792**
Increase in stock option reserve				384						384			384
Dilution of non-controlling interests (CMH)							(58)			(58)		58	0
Dilution of non-controlling interests (STX)							(1,668)			(1,668)		(1,310)	(2,978)
Allocation of prior year profit							29,049		(29,049)	0	(1,643)	1,643	0
Dividends and reserves distribuited to Shareholders			(29,004)							(29,004)		(728)	(29,732)
Utilisation of share premium			(3,545)				3,545			0			0
BALANCE AT 31 DECEMBER 2018	**8,848**	**1,770**	**86,013**	**2,216**	**(443)**	**(1,622)**	**159,430**	**41**	**35,168**	**291,421**	**1,148**	**5,078**	**297,647**

	SHARE CAPITAL	LEGAL RESERVE	SHARE PREMIUM RESERVE	STOCK OPTION RESERVE	CASH FLOW HEDGING RESERVE	POST-EMP. BENEFIT	RETAINED EARNINGS(LOSSES CARRIED FORWARD)	TRANSLATION RESERVE	PROFIT FOR THE YEAR	TOTAL	PROFIT FOR THE YEAR ATTRIBUTABLE TO NC INTERESTS	NON-CONTROLLING INTERESTS	TOTAL
BALANCE AT 31 DECEMBER 2018	**8,848**	**1,770**	**86,013**	**2,216**	**(443)**	**(1,622)**	**159,430**	**41**	**35,168**	**291,421**	**1,148**	**5,078**	**297,647**
Capital increase										0		79	79
Profit for the year									30,304	30,304	1,051		31,355
Other comprehensive income:													
Changes in cash flow hedge reserve					174					174			174
Changes in post-employment benefit valuation reserve						(1,263)				(1,263)		(17)	(1,280)
Translation differences								206		206		7	213
Total other comprehensive income	**0**	**0**	**0**	**0**	**174**	**(1,263)**	**0**	**206**	**30,304**	**29,421**	**1,051**	**(10)**	**30,462**
Increase in stock option reserve				316						316			316
Dilution of non-controlling interests (CMH)							(75)			(75)		(6)	(81)
Dilution of non-controlling interests (STX)							(90)			(90)		(148)	(238)
Charleston Group acquisition												(130)	(130)
Allocation of prior year profit							35,168		(35,168)	0	(1,148)	1,148	0
Dividends and reserves distribuited to Shareholders			(35,100)							(35,100)		(783)	(35,883)
Utilisation of share premium			(5,270)				5,270			0			0
BALANCE AT 31 DECEMBER 2019	**8,848**	**1,770**	**45,643**	**2,532**	**(269)**	**(2,885)**	**199,703**	**247**	**30,304**	**285,893**	**1,051**	**5,228**	**292,172**

Accounting policies and Notes to the Consolidated Financial Statements KOS Group

1 Profile of the KOS Group

The KOS Group (formerly HSS Group) has been operating in the health care and long term care sector in Italy since 2003. Over the last few years, it has grown as follows:

- acquisitions of stand-alone business units or private chains already operating;
- participation in public tenders for restructuring and/or integrated management licensing;
- participation in tenders for allocation of investments and/or sector management (advanced technology, radiology, operating rooms, etc.) in public health care or social and medical assistance units;
- green field projects with or without local partners.

The Group invests in the management of residential care facilities (nursing homes, psychiatric and rehabilitation residences and residences for the disabled), in the management of advanced diagnostic and therapeutic technology in public and private hospitals (MRI, PET, Accelerators, proton therapy centres) and in public licenses for hospital management.

Specifically, the Group operates in the following business areas:

Long Term Care: the Group provides residential healthcare and assistance to the elderly, mainly under the “Anni Azzurri” brand. It also operates functional and psychiatric rehabilitation centres under the brands “Santo Stefano” (functional rehabilitation) and “Neomasia” (psychiatric rehabilitation) brands. The rehabilitation business area also includes the activities of the Sanatrix Group and out-patient clinics;

Hospital management/services: the Group provides advanced services for complex medical technology management (diagnostic imaging, nuclear medicine and radiotherapy) on an outsourced basis, mainly under the “Medipass” brand. In this business area, the Group also manages Ospedale F.lli Montecchi di Suzzara (MN) under a concession agreement).

The Group operates mainly in Italy in eight regions of North and Central Italy (Liguria, Piedmont, Lombardy, Veneto, Trentino, Emilia Romagna, Marche and Umbria).

As at 31 December 2019, KOS Group was managing some 134 healthcare facilities – 88 in North and Central Italy and 46 in Germany - with a total of 12,249 beds plus around 1,200 beds under construction. It operates in two Strategic Business Areas (SBA) which are divided into three operating segments:

- **Long Term Care**: management of care homes for the elderly with some 98 care homes for a total of 9,513 beds (including 3,843 beds in Germany) and 35 rehabilitation facilities for a total of 2,613 beds in operation plus 15 outpatient clinics;
- **Hospital management/services**: management of a hospital with a total of 123 beds and operation of cancer treatment and diagnostic services in private and public sector hospitals/clinics, for a total of 34 facilities;

The SBAs are, in turn, divided into three operating segments: Long term care, Acute care and Cancer Care and Diagnostics.

KOS S.p.A. has its registered office in via Ciovassino,1 Milan and its operating head office in via Durini, 9, Milan. Its ordinary shares are held as follows:

- 59.53% by C.I.R S.p.A., a company listed on the Mercato Telematico Italiano (Italian electronic stock exchange) managed by Borsa Italiana;
- 40.47% by F2i Healthcare SpA, a company controlled by the second F2i fund.

Scope of consolidation and acquisitions

The consolidated financial statements include the figures for parent company KOS S.p.A. and the companies directly and indirectly controlled by it at 31 December 2019, as adjusted, where necessary, to bring them into line with IAS/IFRS as adopted by the parent company to prepare the Consolidated Financial Statements.

The table below shows a list of the companies consolidated on a line by line basis:

	Name	*Main office*	*Share/quota capital (eur)*	Currency	Shareholders	Shareholding	Group interest
Long Term Care	KOS Care S.r.l	Milan	2,550,000	€	Kos S.p.A	100.00%	100.00%
	Hss Real Estate S.r.l.	Milan	2,064,000	€	Kos S.p.A	100.00%	100.00%
	KOS Germany GmbH	Munchen (DE)	25,000	€	KOS Care S.r.l	100.00%	100.00%
	Charleston Holding GmbH	Füssen (DE)	1,025,000	€	KOS Germany GmbH	100.00%	100.00%
	Regenta Betriebsgesellschaft mbH	Füssen (DE)	250,000	€	Charleston Holding GmbH	100.00%	100.00%
	Elisabethenhaus Betriebsgesellschaft mbH	Füssen (DE)	250,000	€	Charleston Holding GmbH	100.00%	100.00%
	Dienstleistungsgesellschaft für Sozialeinrichtungen mbH	Füssen (DE)	25,600	€	Charleston Holding GmbH	100.00%	100.00%
	Wohn- und Pflegezentrum Friesenhof GmbH	Füssen (DE)	25,000	€	Charleston Holding GmbH	100.00%	100.00%
	Wohn- & Pflegezentrum Gut Hansing GmbH	Nordenham (DE)	50,000	€	Charleston Holding GmbH	100.00%	100.00%
	RDS Residenzpark Dienstleistung & Service GmbH	Nordenham (DE)	25,000	€	Wohn- & Pflegezentrum Gut Hansing GmbH	100.00%	100.00%
	Wohn- und Pflegezentrum Haus Teichblick GmbH	Füssen (DE)	128,150	€	Charleston Holding GmbH	100.00%	100.00%
	Dienstleistungsgesellschaft für Sozialeinrichtungen - Nord mbH	Füssen (DE)	25,000	€	Wohn- und Pflegezentrum Haus Teichblick GmbH	100.00%	100.00%
	Wohn- und Pflegezentrum Haus am Bahnhof GmbH	Füssen (DE)	51,150	€	Charleston Holding GmbH	100.00%	100.00%
	RSG Rotenburger Servicegesellschaft am Bahnhof mbH	Rotenburg (DE)	25,000	€	Charleston Holding GmbH	100.00%	100.00%
	Wohn- und Pflegezentrum Haus Ottersberg GmbH	Füssen (DE)	51,150	€	Charleston Holding GmbH	100.00%	100.00%
	OSW Ottersberger Servicegesellschaft Wümmeblick mbH	Ottersberg (DE)	25,000	€	Wohn- und Pflegezentrum Haus Ottersberg GmbH	100.00%	100.00%
	Wohn- & Pflegezentrum Seehof GmbH	Seehof (DE)	51,200	€	Charleston Holding GmbH	100.00%	100.00%
	DGS Dienstleistungsgesellschaft Seehof mbH	Seehof (DE)	26,000	€	Wohn- & Pflegezentrum Seehof GmbH	100.00%	100.00%
	Wohn- und Pflegezentrum Haus Schwanewede GmbH	Füssen (DE)	27,500	€	Charleston Holding GmbH	100.00%	100.00%
	proGusto Schwaneweder Servicegesellschaft mbH	Schwanewede (DE)	25,000	€	Wohn- und Pflegezentrum Haus Schwanewede GmbH	100.00%	100.00%
	Alten- und Pflegezentrum zu Bakum GmbH	Bakum (DE)	51,129	€	Charleston Holding GmbH	100.00%	100.00%
	APZ zu Bakum Servicegesellschaft mbH	Bakum (DE)	25,000	€	Alten- und Pflegezentrum zu Bakum GmbH	100.00%	100.00%
	Curatum Beteiligungs- und Verwaltungsgesellschaft mbH	Füssen (DE)	25,000	€	Charleston Holding GmbH	100.00%	100.00%
	Seniorendomizil Haus am Park GmbH	Bremervörde (DE)	50,000	€	Curatum Beteiligungs- und Verwaltungsgesellschaft mbH	100.00%	100.00%
	VSG Vörder Service Gesellschaft mbH	Bremervörde (DE)	25,000	€	Seniorendomizil Haus am Park GmbH	100.00%	100.00%
	Wohn- und Pflegezentrum Burg auf Fehmarn GmbH	Füssen (DE)	25,000	€	Curatum Beteiligungs- und Verwaltungsgesellschaft mbH	100.00%	100.00%
	FFH Fehmarnsche Flinke Hände Servicegesellschaft mbH	Fehmarn (DE)	25,000	€	Wohn- und Pflegezentrum Burg auf Fehmarn GmbH	100.00%	100.00%
	Landhaus Glückstadt Wohn- & Pflegezentrum GmbH	Glückstadt (DE)	51,129	€	Curatum Beteiligungs- und Verwaltungsgesellschaft mbH	100.00%	100.00%
	LH Glückstadt Servicegesellschaft mbH	Glückstadt (DE)	25,000	€	Landhaus Glückstadt Wohn- & Pflegezentrum GmbH	100.00%	100.00%
	Wohn- und Pflegezentrum Haus am Goldbach GmbH	Füssen (DE)	50,000	€	Curatum Beteiligungs- und Verwaltungsgesellschaft mbH	100.00%	100.00%
	GBS Goldbach Servicegesellschaft mbH	Langwedel (DE)	25,000	€	Wohn- und Pflegezentrum Haus am Goldbach GmbH	100.00%	100.00%
	Wohn- & Pflegezentrum Up'n Kamp GmbH	Sittensen (DE)	26,000	€	Curatum Beteiligungs- und Verwaltungsgesellschaft mbH	100.00%	100.00%
	BSG Börde Servicegesellshcaft mbH	Sittensen (DE)	25,565	€	Wohn- & Pflegezentrum Up'n Kamp GmbH	100.00%	100.00%
	Seniorensitz "Zwei Eichen" GmbH	Selsingen (DE)	25,000	€	Charleston Holding GmbH	100.00%	100.00%
	SSB Servicegesellschaft Selsinger Börde mbH	Selsingen (DE)	25,000	€	Seniorensitz "Zwei Eichen" GmbH	100.00%	100.00%
	Charleston - Ambulante Dienste GmbH	Füssen (DE)	25,000	€	Charleston Holding GmbH	100.00%	100.00%
	Senovum GmbH	Füssen (DE)	226,000	€	Charleston Holding GmbH	100.00%	100.00%
	Wohn- und Pflegeheim Lesmona GmbH	Bremen (DE)	25,000	€	Charleston Holding GmbH	100.00%	100.00%
	WPH Lesmona Servicegesellschaft mbH	Bremen (DE)	25,000	€	Wohn- und Pflegeheim Lesmona GmbH	100.00%	100.00%
	Senioren- und Pflegehaus "Drendel" Betriebs GmbH	Zweiflingen (DE)	30,000	€	Charleston Holding GmbH	100.00%	100.00%
	Wohn- und Pflegeeinrichtung Bad Camberg GmbH -Anna-Müller-Haus-	Bad Camberg (DE)	100,000	€	Charleston Holding GmbH	100.00%	100.00%
	Wohn- und Pflegezentrum Haus Kikra GmbH	Gilserberg (DE)	26,000	€	Charleston Holding GmbH	100.00%	100.00%
	MPS Catering GmbH	Gilserberg (DE)	25,000	€	Charleston Holding GmbH	100.00%	100.00%
	BayernStift - Gesellschaft für Soziale Dienste und Gesundheit mbH	Füssen (DE)	250,000	€	Charleston Holding GmbH	100.00%	100.00%
	Bayernstift Service GmbH	Füssen (DE)	25,000	€	BayernStift - Gesellschaft für Soziale Dienste und Gesundheit mbH	100.00%	100.00%
	SLW Altenhilfe Liebfrauenhaus GmbH	Füssen (DE)	50,000	€	BayernStift - Gesellschaft für Soziale Dienste und Gesundheit mbH	100.00%	100.00%
	Bayernstift Mobil GmbH	Füssen (DE)	25,000	€	BayernStift - Gesellschaft für Soziale Dienste und Gesundheit mbH	100.00%	100.00%
	Die Frankenschwestern GmbH	Erlangen (DE)	25,000	€	Bayernstift Mobil GmbH	60.00%	60.00%
	Brisa Management GmbH	Füssen (DE)	25,000	€	Charleston Holding GmbH	100.00%	100.00%
	Wohnpark Dr. Murken GmbH	Gütersloh (DE)	25,000	€	Brisa Management GmbH	100.00%	100.00%
	Wohnpark Klostergarten GmbH	Welver (DE)	26,000	€	Brisa Management GmbH	100.00%	100.00%
	Wohnpark Schrieweshof GmbH	Paderborn (DE)	25,000	€	Brisa Management GmbH	100.00%	100.00%
	Wohnpark Luisenhof GmbH	Gladbeck (DE)	25,000	€	Brisa Management GmbH	100.00%	100.00%
	Christophorus Seniorenresidenzen GmbH	Brilon (DE)	25,000	€	Brisa Management GmbH	100.00%	100.00%
	Christophorus Pflege- und Betreuungsdienste GmbH	Dortmund (DE)	25,000	€	Brisa Management GmbH	100.00%	100.00%
	Christophorus Intensivpflegedienste GmbH	Dortmund (DE)	25,000	€	Brisa Management GmbH	100.00%	100.00%
	Wohn- und Pflegezentrum Essen GmbH	Füssen (DE)	25,000	€	Charleston Holding GmbH	100.00%	100.00%
	Wohn- und Pflegezentrum Mülheim GmbH	Füssen (DE)	25,000	€	Charleston Holding GmbH	100.00%	100.00%
	Charleston Dienstleistungsgesellschaft Ruhr mbH	Füssen (DE)	25,000	€	Charleston Holding GmbH	100.00%	100.00%
	INOS 18-027 GmbH	Füssen (DE)	25,000	€	Charleston Holding GmbH	100.00%	100.00%
	SIG GmbH	Füssen (DE)	25,000	€	Brisa Management GmbH	100.00%	100.00%
	GSA GP GmbH	Füssen (DE)	25,000	€	Brisa Management GmbH	100.00%	100.00%
	GSA GmbH & Co. Immobilien Verwaltungs KG	Füssen (DE)	5,000	€	Brisa Management GmbH	100.00%	100.00%
	QLT.CARE GmbH	Füssen (DE)	25,000	€	Charleston Holding GmbH	100.00%	100.00%
	Jesilab S.r.l	Jesi (AN)	80,000	€	KOS Care S.r.l	100.00%	100.00%
	Abitare il Tempo S.r.l	Loreto (AN)	100,826	€	KOS Care S.r.l	54.00%	54.00%
	Fidia S.r.l	Corridonia (MC)	10,200	€	KOS Care S.r.l	60.00%	60.00%
	Sanatrix S.r.l.	Macerata	843,700	€	KOS Care S.r.l	91.27%	91.27%
	Villa Margherita S.r.l.	Arcugnano (VI)	20,000	€	KOS Care S.r.l	100.00%	100.00%
	Casa di cura Sant'Alessandro S.r.l.	Rome	10,000	€	KOS Care S.r.l	100.00%	100.00%
	Casa Serena S.r.l.	Carasco (GE)	10,000	€	KOS Care S.r.l	100.00%	100.00%
	Villa Pineta S.r.l.	Pavullo nel Frignano (MO)	78,000	€	KOS Care S.r.l	100.00%	100.00%
	Laboratorio Gamma S.r.l.	Fano (PU)	45,516	€	Sanatrix Gestioni S.r.l.	100.00%	90.92%
	Sanatrix Gestioni S.r.l.	Civitanova Marche (MC)	300,000	€	Sanatrix S.r.l.	99.61%	90.92%
Hospital Services	Medipass S.r.l.	Bologna	700,000	€	Kos S.p.A	100.00%	100.00%
	Elsida S.r.l.	San Giovanni in Persiceto (BO)	100,000	€	Medipass S.r.l.	100.00%	100.00%
	Ecomedica S.p.A.	Empoli (FI)	380,000	€	Medipass S.r.l.	98.31%	98.31%
	Medipass Healthcare Ltd	London (GB)	5,997	GBP	Medipass S.r.l.	98.00%	98.00%
	Medipass Healthcare Leeds & Belfast Ltd	London (GB)	1,000	GBP	Medipass Healthcare Ltd	100.00%	98.00%
	Medipass Leeds Ltd	London (GB)	2	GBP	Medipass Healthcare Leeds & Belfast Ltd	100.00%	98.00%
	Medipass Belfast Ltd	London (GB)	2		Medipass Healthcare Leeds & Belfast Ltd	100.00%	98.00%
	ClearView Healthcare LTD	New Delhi (IND)	4,661,880	INR	Medipass S.r.l.	85.19%	85.19%
	ClearMedi Healthcare Ltd	New Delhi (IND)	18,791,790	INR	Medipass S.r.l.	84.65%	84.65%
					ClearView Healthcare LTD	15.35%	13.08%
	Ospedale di Suzzara S.p.A.	Suzzara (MN)	120,000	€	Kos S.p.A	99.90%	99.90%
Corporate and other common services	KOS Servizi Società Consortile a r.l.	Milan	115,000	€	Kos S.p.A	3.68%	96.85%
					KOS Care S.r.l	81.76%	
					Medipass S.r.l.	2.07%	
					Elsida S.r.l.	0.23%	
					Ecomedica S.p.A.	0.43%	
					Ospedale di Suzzara S.p.A.	2.15%	
					Abitare il Tempo S.r.l	4.94%	
					Sanatrix Gestioni S.r.l.	3.02%	
					Fidia S.r.l.	0.43%	
					Hss Real Estate S.r.l.	0.43%	
					Villa Margherita S.r.l.	0.43%	
					Jesilab S.r.l.	0.43%	

Details of investments in other non-consolidated companies are provided below:

Other investments in associates and other equity-accounted investees

Name	**Main office**	**Share/quota capital (Eur)**		**Owner**	**% of investment**	**Group interest**	**Carrying amount (eur) 31/12/2019**	**Carrying amount (eur) 31/12/2018**
Osimo Salute S.p.A	Osimo (AN)	750,000	€	Abitare il tempo S.r.l	25.50%	14.03%	893	893
Fondo Spazio Sanità	Rome	107,649,500	€	KOS Care S.r.l	0.84%	0.84%	900	900
Apokos Rehab PVT Ltd*	Andhra Pradesh - India	169,500,000	INR	Kos S.p.A	50.00%	50.00%	851	808
Studio laboratorio Biemme S.r.l.	Castelraimondo (MC)	10,000	€	Sanatrix Gestioni S.r.l.	100.00%	100.00%	-	425
Other							24	17
Total							**2,668**	**3,043**

** Equity-accounted investees*

The following acquisitions took place in 2019:

- 100% of the quota capital of SELEMAR S.r.l. was acquired for €580 thousand. The company was merged into parent KOS Care S.r.l. with effect from 1 July 2019.
- KOS Germany GmbH, the special purpose vehicle used to acquire the Charleston Group, was incorporated in July;
- 100% of the quota capital of Laboratorio Gamma S.r.l. was acquired in September. The acquisition price paid was €2,954 thousand;
- The acquisition of 100% of the quota capital of Casa Serena S.r.l. was completed in October for a price of €827 thousand;
- The acquisition of the Charleston Group, through subsidiary KOS Germany GmbH, was completed in October. The price paid was €84,377 thousand;
- 100% of the quota capital of Villa Pineta S.r.l. was acquired in November for €9,243 thousand.

As a result of the acquisitions made in 2018 and 2019, the figures at 31 December 2019 are not perfectly comparable with those at 31 December 2018.

The companies acquired have been included in the consolidated financial statements effective from the date that the risks and rewards of ownership were transferred to the Group – this generally coincides with the acquisition date. Pursuant to IFRS 3 revised, business combination costs must be allocated to assets, liabilities and intangible assets not recognised in the financial statements of the companies acquired, up to their fair value. Any amount remaining after this allocation must be recognised as goodwill.

Given the complexity of this process, which involves valuing the numerous and diverse assets and liabilities of the companies acquired, IFRS 3 permits the definitive allocation of the acquisition cost to be performed within twelve months of the date of acquisition. The KOS Group has taken advantage of this possibility and, therefore, the consolidated financial statements at 31 December 2019 report the following amounts.

Eur thousand		31/12/2019
Non current assets*	G	463,952
Working capital		(9,545)
Non current net assets/(liabilities)		(6,688)
Financial liabilities	C	(420,385)
Cash and cash equivalents	B	4,615
Non-controlling interests		130
Goodwill	H	66,305
Equity reserves		0
Purchase price		**(98,384)**
of which:		
Advances paid in previous years		(403)
Purchase price allocation liabilities		(260)
Price paid net of advances	A	(97,721)
Impact on financial debt	**D= A+B+C**	**(513,491)**
Purchase price net of cash and cash equivalents	**E=A+B**	(93,769)
Non current assets from acquisition	**I=G+H**	**530,257**

(*)The amount includes property, plant and equipment and intangible assets (goodwill excluded)

The effect of the aforementioned acquisitions on results since the date of acquisition is shown in detail in the table below:

(eur/000)	Charleston Group	Other acquisitions	Total
REVENUE	27,107	1,820	28,927
GROSS OPERATING PROFIT (EBITDA)	**2,003**	**138**	**2,141**
OPERATING PROFIT (EBIT)	**(2,120)**	**(6)**	**(2,126)**
PRE-TAX PROFIT	(4,259)	(27)	(4,286)
INCOME TAXES	104	(8)	96
PROFIT FOR THE YEAR INCLUDING NON-CONTROLLING INTERESTS	**(4,155)**	**(35)**	**(4,190)**

The above acquisitions involved acquisition related costs totalling €3,585 thousand.

2 Basis of preparation

The accounting policies applied when preparing the consolidated financial statements are described below. These accounting policies have been applied consistently to all financial years presented herein, unless otherwise specified.

These consolidated financial statements have been prepared on a going concern basis. The Group assessed that there is no uncertainty over its ability to continue to operate as a going concern despite the difficult economic and financial climate.

2.1 Accounting principles

The KOS Group’s consolidated financial statements as at and for the year ended 31 December 2019 have been prepared in accordance with the International Financial Reporting Standards (IFRS) endorsed by the European Union. IFRS is intended as including all “International Financial Reporting Standards”, all “International Accounting Standards”(IAS) and all of the interpretations of the International Financial Reporting Interpretations Committee (IFRIC) (formerly known as the ‘’Standards Interpretations Committee’’ (SIC)) which, at the date of approval of the Consolidated Financial statements, had been endorsed by the European Union by means of the

procedure laid down by European Regulation no. 1606/2002 of the European Parliament and European Council of 9 July 2002 and by European Regulation no 519/2019 of the Commission of 28 March 2019 which amended EC Regulation no 1126/2008 which adopted certain international financial reporting standards in accordance with EC Regulation no 1606/2002. IFRS have been applied on a consistent basis to all of the periods presented in these consolidated financial statements.
This is the first set of annual financial statements prepared in accordance with the new IFRS16 - Leases. Significant changes resulting from new accounting standards are described in note *2.3 "Change of accounting standards*".

IFRS 8 "Operating segments" and IAS 33 "Earnings per share" have not been applied by the Company as their application is only obligatory for companies whose shares are listed on regulated markets. The financial information and disclosures contained in these financial statements have been prepared in accordance with IAS 1.

The KOS Group adopted IFRS with effect from 1 January 2008.

In accordance with prior years, assets and liabilities have generally been accounted for based on the historical cost method. Some captions have been measured at fair value, as required by IFRS and disclosed in the valuation criteria. It should also be noted that the consolidated financial statements have been prepared on a going concern basis as the Directors have confirmed that there are no financial, operational or other indicators that could cast doubt over the Company's ability to fulfil its obligations in the foreseeable future and, in particular, in the next 12 months.

The KOS Group's consolidated financial statements comprise the consolidated income statement, the consolidated statement of financial position, the consolidated statement of cash flows, the consolidated statement of changes in consolidated equity and the notes to the consolidated financial statements.

2.2 Basis of Presentation of the consolidated financial statements and comparability

The Consolidated Income Statement has been prepared with revenues and costs classified by type. It shows the operating profit and profit before taxation so as to provide a better representation of the performance of ordinary operating activities.
The financial statements have been prepared in thousands of Euro – both the "functional currency" and the "presentation currency" of the Group in terms of IAS 21 – unless otherwise stated.

The "consolidated statement of comprehensive income", prepared in accordance with IAS and compulsory as from the current year, highlights the other P&L items that pass directly to shareholders' equity.

The consolidated statement of financial position has been prepared based on a split between "current/non-current" assets and liabilities. Assets/liabilities are classified as current when they meet any of the following criteria:

- they are expected to be realised or settled, sold or utilised during ordinary business activities; or
- they are held mainly for trading purposes; or
- they are expected to be realised or settled within twelve months of the reporting date.

If none of the three conditions are met, the assets/liabilities are classified as non-current.

The consolidated statement of cash flows has been prepared using the indirect method.

The Statement of Changes in Equity shows the changes in shareholders' equity items in relation to:

- the allocation of profit for the year of the parent company and the subsidiaries to non-controlling interests;
- amounts relating to transactions with shareholders (sale and purchase of treasury shares);
- as required by IFRS, each component of comprehensive income, net of any tax effect, is allocated directly to equity (gains or losses on the purchase and sale of treasury shares) or is covered by an equity reserve (share based payments for stock option plans);
- changes in tha cash flow hedging reserve net of any tax effect;

- the effect of any changes in accounting principles.

For each significant item included in the above schedules, references should be made to the subsequent notes which provide information thereon and details of their make-up and changes compared to prior year.

Finally, we note that significant dealings with related parties have been disclosed in the specific table contained in note 37 “Related party transactions”.

As described in note 2.3 “Change of accounting standards”, the Group has prepared its consolidated financial statements at 31 December 2019 in accordance with IFRS 16.

As required by Articles 2423 – bis and 2423 – ter of the Italian Civil Code, the following are disclosed:
- in note “2.3 Change of accounting standards” how the Company has applied the new accounting standard;
- in the specific notes on Rights of Use and related items (Current and non-current financial liabilities and Financial income (expenses)), the accounting effects of application.

Considering the fact that the Company has opted for the “*Modified Retrospective Approach B*” permitted by the standard, comparative amounts have not been restated and the impact on opening equity has not been reflected.

Therefore, the two reporting periods are not perfectly comparable.

2.3 Change of accounting policies

IFRS 16 “Leases” was approved on 31 October 2017. It came into force on 1 January 2019 and replaces IAS 17 and related interpretations.

The Group adopted IFRS 16 with effect from 1 January 2019. The other new standards that came into force from 1 January 2019 had no effect on the Group’s consolidated financial statements. Other standards that have been published but not yet adopted are not expected to have any significant effect on the Group’s financial statements.

According to The new standard a lease is a contract that conveys the lessee the right to use an asset for a given period of time in exchange for consideration. It eliminates the distinction between operating leases and finance leases for financial reporting purposes for lessees.

The standard provides that, for all leases with a term of more than 12 months:

• in the Statement of Financial Position, a right-of-use asset (or “RoU asset”) will be recognised, together with a lease liability (or “LL”) representing the obligation to make payments required by the lease (as required by the standard, right-of-use assets and lease liabilities are disclosed separately from other Statement of Financial Position items);
• depreciation of the right-of-use assets is recognised to profit or loss, together with interest expenses accruing on the lease liability.

In contrast, lessors still have to make the distinction between operating leases and finance leases in preparing their financial statements.

In compliance with the first-time application methods available under the standard, the Company has opted to adopt the “*Modified Retrospective Approach B*” by:

• recognising at 1 January 2019 right-of-use assets at the same amount as the lease liabilities determined, net of any prepaid amounts already recognised in the Statement of Financial Position, without redetermining comparative information;
• excluding from the scope of application of the standard upon transition those contracts with a residual period of less than 12 months at 1 January 2019.

The Group elected to apply the practical expedients on transition to IFRS 16 to grandfather the assessment of which transactions are leases. Therefore, the definition of lease in accordance with IAS 17 and IFRIC 4 will continue to be applied to leases signed or amended prior to 1 January 2019.
The change in the definition of lease mainly refers to the control-based criterion ("right of use"). Under IFRS 16, a contract contains a lease if the lessee has the right to control the use of a given asset for a period of time in exchange for consideration. The Group applies the lease definition and the related provisions of IFRS 16 for all lease agreements signed or amended with effect from 1 January 2019 (irrespective of the status of lessee or lessor under each lease agreement). In light of the first-time application of IFRS 16, the Group assessed the potential impact of implementation of IFRS 16. This process demonstrated that the new definition under IFRS 16 will not significantly change the scope of application of contracts defined as leases by the Group.

Application of IFRS 16 to leases previously classified as operating leases, in accordance with IAS 17, leads to the recognition of right-of-use assets and lease liabilities. IFRS 16 leads to a reduction in Service costs and to increases in Amortisation, Depreciation, Impairment Losses and Provisions and in Interest expenses.
Lease-related incentives previously recognised in relation to operating leases are derecognised and the amount is incorporated in the right-of-use asset and the lease liability.

In compliance with the first-time application methods selected, comparative information has not been restated.

IFRS 16 introduces new and revised requirements for the accounting treatment of leases. The standard introduces significant changes to recognition of leases, eliminating the distinction between operating leases and finance leases and requiring recognition of right of use assets and lease liabilities from the start date of each lease; this is except for short-term leases and low-value assets. In contrast to the impact on the lessee, the lease reporting requirements for lessors have remained practically unchanged.

The impact of adoption of IFRS 16 on the Group's consolidated financial statements is described below:

(eur/000)	*31/12/2018*	*IFRS 16 impacts*	*Reclass. ex IAS 17*	01/01/2019
NON CURRENT ASSETS	**673,505**	**328,099**	**-**	**1,001,604**
INTANGIBLE ASSETS	291,137			291,137
PROPERTY, PLANT AND EQUIPMENT	349,040		(82,548)	266,492
RIGHT OF USE ASSETS	-	328,099	82,548	410,647
INVESTMENT PROPERTY	4,517			4,517
EQUITY-ACCOUNTED INVESTEES	808			808
OTHER EQUITY INVESTMENTS	2,235			2,235
OTHER ASSETS	4,393			4,393
DEFERRED TAX ASSETS	21,375			21,375
CURRENT ASSETS	**181,634**	**-**	**-**	**181,634**
INVENTORIES	3,634			3,634
RECEIVABLES FROM PARENT COMPANY	1,574			1,574
TRADE RECEIVABLES	96,885			96,885
OTHER ASSETS	9,533			9,533
FINANCIAL ASSETS	14,674			14,674
CASH AND CASH EQUIVALENTS	55,334			55,334
ASSETS HELD FOR SALE	-			-
TOTAL ASSETS	**855,139**	**328,099**	**-**	**1,183,238**
LIABILITIES AND EQUITY				
EQUITY	**297,647**	**-**	**-**	**297,647**
SHARE CAPITAL	8,848			8,848
RESERVES	87,934			87,934
RETAINED EARNINGS	194,639			194,639
EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT	**291,421**	**-**	**-**	**291,421**
EQUITY ATTRIBUTABLE TO NON-CONTROLLING INTERESTS	6,226			6,226
NON-CURRENT LIABILITIES	**343,524**	**303,176**	**-**	**646,700**
BOND LOANS	98,502			98,502
OTHER LOANS AND BORROWINGS	199,310		(52,616)	146,694
LEASE LIABILITIES	-	303,176	52,616	355,792
TRADE PAYABLES	-			-
OTHER LIABILITIES	101			101
DEFERRED TAX LIABILITIES	16,244			16,244
PERSONNEL PROVISIONS	25,012			25,012
PROVISIONS FOR RISKS AND CHARGES	4,355			4,355
CURRENT LIABILITIES	**213,968**	**24,923**	**-**	**238,891**
BANK OVERDRAFTS	10,892			10,892
BOND LOANS	569			569
OTHER LOANS AND BORROWINGS	20,167		(10,863)	9,304
LEASE LIABILITIES	-	27,773	10,863	38,636
PAYABLES TO PARENT COMPANY	8,451			8,451
TRADE PAYABLES	73,275			73,275
OTHER LIABILITIES	53,796	(2,850)		50,946
PROVISIONS FOR RISKS AND CHARGES	46,818			46,818
LIABILITIES ASSOCIATED WITH ASSETS HELD FOR SALE	-			-
TOTAL LIABILITIES AND EQUITY	**855,139**	**328,099**	**-**	**1,183,238**

Details of the effect of adoption of IFRS 16 on the consolidated financial statements at 31 December 2019 are provided below:

(eur/000)	*31/12/2019*	IFRS 16 impact	31/12/2019 IFRS 16
REVENUE	595,185		595,185
PURCHASE OF GOODS	(45,328)		(45,328)
SERVICES	(196,290)	39,304	(156,986)
PERSONNEL EXPENSE	(235,157)		(235,157)
OTHER OPERATING INCOME	6,680		6,680
OTHER OPERATING COSTS	(23,176)		(23,176)
ADJUSTMENTS TO EQUITY-ACCOUNTED INVESTEES	43	-	43
GROSS OPERATING PROFIT	**101,957**	**39,304**	**141,261**
AMORTIZATION, DEPRECIATION, IMPAIRMENT LOSSES AND PROVISIONS	(38,683)	(34,845)	(73,528)
OPERATING PROFIT	**63,274**	**4,459**	**67,733**
FINANCIAL INCOME	120		120
FINANCIAL EXPENSES	(14,789)	(7,842)	(22,631)
DIVIDENDS	42		42
ADJUSTMENTS TO FINANCIAL ASSETS	10	-	10
PRE-TAX PROFIT	**48,657**	**(3,383)**	**45,274**
INCOME TAXES	(14,842)	923	(13,919)
INCOME/(LOSSES) FROM ASSETS HELD FOR DISPOSAL	-	-	-
PROFIT FOR THE YEAR INCLUDING NON-CONTROLLING INTERESTS	**33,815**	**(2,460)**	**31,355**

(eur/000)	*31/12/2019*	IFRS 16 impact	31/12/2019 IFRS 16
NON CURRENT ASSETS	798,355	**731,995**	**1,530,350**
INTANGIBLE ASSETS	394,792		394,792
PROPERTY, PLANT AND EQUIPMENT	295,923		295,923
RIGHT OF USE ASSETS	73,501	731,072	804,573
INVESTMENT PROPERTY	2,904		2,904
EQUITY-ACCOUNTED INVESTEES	851		851
OTHER EQUITY INVESTMENTS	1,817		1,817
OTHER ASSETS	4,880		4,880
DEFERRED TAX ASSETS	23,687	923	24,610
CURRENT ASSETS	257,549	-	**257,549**
INVENTORIES	4,521		4,521
RECEIVABLES FROM PARENT COMPANY	2,782		2,782
TRADE RECEIVABLES	113,810		113,810
OTHER ASSETS	11,867		11,867
FINANCIAL ASSETS	9,194		9,194
CASH AND CASH EQUIVALENTS	115,375		115,375
ASSETS HELD FOR SALE			-
TOTAL ASSETS	1,055,904	**731,995**	**1,787,899**
LIABILITIES AND EQUITY			
EQUITY	294,632	**(2,460)**	**292,172**
SHARE CAPITAL	8,848		8,848
RESERVES	46,791		46,791
RETAINED EARNINGS	232,714	(2,460)	230,254
EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT	288,353	**(2,460)**	**285,893**
EQUITY ATTRIBUTABLE TO NON-CONTROLLING INTERESTS	6,279		6,279
NON-CURRENT LIABILITIES	499,912	**689,490**	**1,189,402**
BOND LOANS	98,600		98,600
OTHER LOANS AND BORROWINGS	303,391		303,391
LEASE LIABILITIES	44,686	689,490	734,176
TRADE PAYABLES	442		442
OTHER LIABILITIES	132		132
DEFERRED TAX LIABILITIES	16,846		16,846
PERSONNEL PROVISIONS	27,241		27,241
PROVISIONS FOR RISKS AND CHARGES	8,574		8,574
CURRENT LIABILITIES	261,360	**44,965**	**306,325**
BANK OVERDRAFTS	6,513		6,513
BOND LOANS	561		561
OTHER LOANS AND BORROWINGS	29,784		29,784
LEASE LIABILITIES	9,034	47,823	56,857
PAYABLES TO PARENT COMPANY	5,216		5,216
TRADE PAYABLES	84,629		84,629
OTHER LIABILITIES	73,373	(2,858)	70,515
PROVISIONS FOR RISKS AND CHARGES	52,250		52,250
LIABILITIES ASSOCIATED WITH ASSETS HELD FOR SALE			-
TOTAL LIABILITIES AND EQUITY	1,055,904	**731,995**	**1,787,899**

Impact of the new definition of lease

The Group elected to apply the practical expedients available for the transition to IFRS 16 to grandfather the assessment of which transactions are leases. Therefore, the definition of lease under IAS 17 and IFRIC 4 shall continue to apply to leases signed or amended prior to 1 January 2019.
The change to the definition of lease primarily refers to the criterion based on control ("right of use"). Under IFRS 16, a contract contains a lease if the customer has the right to control the use of an identified asset for a period of time in exchange for a consideration.
The Group applies the lease definition and the related provisions of IFRS 16 for all lease contracts entered into or amended from 1 January 2019 onwards (irrespective of its status as lessor or lessee under each lease contract).
In view of the first-time application of IFRS 16, the Group assessed the potential effects and implementation of IFRS 16. The work done has shown that the new definition under IFRS 16 will not significantly change the scope of application of the contracts defined by the Group as leases. [doppione pochi paragrafi sopra]

Impact on the statement of financial position

Application of IFRS 16 to leases previously classified as operating leases, in terms of IAS 17, leads to the recognition of the right of use asset and the lease liability. IFRS 16 leads a reduction in service costs and increases in Depreciation, amortisation and writedowns and in Interest expenses.
Lease-related incentives previously booked in relation to operating leases have been eliminated for accounting purposes and the amount is incorporated in the valuation of the right of use asset and the liability resulting from the lease.

2.4 Basis of consolidation

The consolidated financial statements are based on the separate financial statements of parent company KOS S.p.A. and its direct and/or indirect subsidiaries, taking account of the dates from which control was acquired.
The most significant consolidation policies adopted when preparing the consolidated financial statements are outlined below.

These policies have been applied on a uniform basis to all of the reporting periods presented in this document, except as otherwise stated.

These consolidated financial statements have been prepared on a going concern basis. The Directors have concluded that, notwithstanding the difficult economic and financial environment, there are no going concern issues.

Subsidiaries

Subsidiaries are entities over which the Group exercises control as defined by the new IFRS 10 – Consolidated financial statements. KOS S.p.A. controls an entity when, through the exercise of its power over the entity, it is exposed or has rights to variable returns, from its involvement with the entity and has the ability to affect those returns. The exercise of power over an entity derives from the existence of rights that give KOS S.p.A. the current ability to direct the relevant activities, also in its interests. In order to assess whether the Group controls another entity, consideration is given to the existence and effect of potential voting rights exercisable or convertible at that time. Subsidiaries are consolidated line-by-line from the date on which control is transferred to the Group and deconsolidated from the date on which control ends.
Whenever necessary, adjustments were made to the subsidiaries' financial statements in order to bring the accounting policies into line with those adopted by the Group.

Consolidation is performed on a line by line basis. The assets and liabilities, income and expenses of the subsidiaries are included on a line by line basis in the consolidated financial statements. The carrying value of the equity investments is eliminated against the corresponding portion of the equity of the subsidiaries after stating individual assets, liabilities and contingent liabilities at their fair value at the date control was acquired. Any remaining, positive difference is allocated to the non-current asset balance "Good-will".
If, following another test, the acquisition cost is below the market value of net assets of the subsidiary acquired, the difference is directly accounted for in an equity reserve.
The statement of financial position and income statement effects of intercompany transactions are eliminated.
Unrealised losses are eliminated and are considered as an indication of impairment in the transferred asset.

Associates

Associates are companies over which the Group exercises significant influence on financial and operational policy, as defined in IAS 28 – Investments in Associates but without their being subsidiary companies or companies subject to joint control. The consolidated financial statements include the Group share of the results of equity-accounted associates, , from the date the significant influence began until the date that it ends. When the Group's share in the losses of an associate exceeds the carrying amount of the investment, the amount of the investment is fully impaired and the amount of any additional losses is not recognised except insofar as the Group is required to cover them. In the event of transactions between Group companies and associated companies, any gains and losses are eliminated on the basis of the percentage interests held.

Companies under common control

These are companies in which the Group has a share of control established by contract or, for which, there are contractual agreements whereby two or more parties undertake a business activity subject to common control. Investments in entities under common control, which cannot be classed as joint operations, are accounted for using the equity method from the date on which common control commences until the date it ceases to exist.

Business combinations and goodwill

When businesses or business units are acquired from third parties, including through merger or transfer, the assets, liabilities and contingent liabilities acquired and identifiable are recognised at fair value as at the acquisition date.
Any positive difference between the acquisition cost and the fair value of such assets and liabilities is recognised in goodwill and classified as intangible asset with an indefinite useful life.
Any negative difference ("Negative goodwill") is charged to the income statement when the acquisition takes place.
Costs relating to business combinations are recognised in the income statement.
Goodwill is initially recognised at cost and subsequently decreased for impairment of value. Once a year – or more frequently if specific events or altered circumstances suggest the possibility of an impairment of value – the goodwill undergoes an impairment test in accordance with IAS 36 (Impairment of Assets); the original value is not restored if the reasons that led to the impairment cease to apply.
Goodwill is never revalued, not even under specific legislation, and the impairment writedowns of goodwill is never re-versed.
Any liabilities relating to business combinations for conditional payments are recognised on the date of acquisition of the businesses and the going concerns relating to the business combinations.
If all or part of a business previously acquired is sold and goodwill arose upon that acquisition, the value attributable to goodwill is taken into account when the gain or loss on disposal is calculated.

Non-controlling interests

The portion of capital and reserves attributable to non-controlling interests in consolidated subsidiaries and the portion of the profit or loss for the year of consolidated subsidiaries attributable to non-controlling interests are disclosed separately in the consolidated statement of financial position and in the consolidated in-come statement. Losses attributable to non-controlling interests that exceed their share of the subsidiary's equity are allocated to equity attributable to non-controlling interests. Changes in the percentage of ownership of subsidiaries that do not lead to the acquisition/loss of control are recognised as changes in equity.

Acquisition of non-controlling interests

Once control of an entity has been obtained, any transactions in which the parent company acquires or sells non-controlling interests without affecting its control over the subsidiary are transactions with shareholders and must be recognised in equity. It follows that the carrying amount of the controlling investment and non-controlling interests must be adjusted to reflect the change in the interest in the subsidiary and any difference between the amount of the adjustment to non-controlling interests and the fair value of the consideration paid or received for the transaction is recognised directly in equity and allocated to the owners of the parent company. There are no adjustments to the amount of goodwill and to profits or losses recognised in the income statement. Charges relating to such transactions must be recorded in equity in accordance with Paragraph 35 of IAS 32. IFRS 10 establishes that once control over an entity has been obtained, transactions whereby the parent acquires or dis-poses of additional non-controlling interests without altering its control over the subsidiary are transactions with shareholders and must be recognised in equity.

Intercompany dividends

Dividends paid between Group companies are eliminated from the consolidated income statement.

2.5 Main accounting policies and valuation criteria

NON-CURRENT ASSETS

Intangible assets

As defined by IAS 38 (Intangible assets), intangible assets are identifiable assets without physical substance that are controlled by the entity and from which future benefits are expected.

These non-current assets also include “goodwill” when it is acquired against consideration.

Intangible assets and goodwill are recognised at purchase cost including any related expenses and expenses need-ed to make the asset available for use. They are stated net of accumulated amortisation and impairment adjustments.

Intangible assets with a finite useful life are amortised on a straight line basis over their expected useful life i.e. the estimated period over which the assets will be used by the entity. It is assumed that their residual value at the end of the useful life will be zero unless third parties have made a commitment to purchase an asset at the end of its useful life or if there is an active market for the intangible asset.

Other intangible assets with an indefinite useful life are not amortised but subjected to an impairment test at least on an annual basis. The test performed is described in the “Impairment of assets” paragraph.

Upon disposal of all or part of a business previously acquired and whose acquisition led to the emergence of goodwill, the net carrying amount of the goodwill is taken into account when determining the gain or loss on disposal.

Property, plant and equipment

Property, plant and equipment are recognised at purchase or production cost including any ancillary charges and direct costs necessary to make the asset available for use. When such assets form part of the acquisition of an entity, they are recognised at fair value at acquisition date.

Ordinary repair and maintenance costs are taken to profit or loss for the year in which they are incurred. Extraordinary maintenance costs that lead to a significant and tangible increase in the productivity or useful life of an asset are recognised as an increase in the asset value and are depreciated over its useful life.

Leasehold improvements are recognised under the appropriate category.

Individual components of an item of property, plant and equipment with different useful lives are recognised separately and depreciated over their useful lives on a component based approach.

If it is probable that the Group will enjoy the future benefits resulting from the cost incurred to replace a component of property, plant and equipment and the cost of that component can be reliably determined, said cost is recognised as an increase to the carrying amount of the component in question.

Property, plant and equipment are depreciated on a straight line basis every year over a depreciation period that reflects their estimated useful lives. They are shown in the statement of financial position net of accumulated depreciation based on their remaining useful lives.

If there are indicators of impairment, the assets are tested for impairment. The test performed is de-scribed in the “Impairment of assets” paragraph. Any impairment losses may be reversed in future periods.

Pursuant to revised IAS 23 “Borrowing costs”, borrowing costs are directly attributable to the acquisition, construction or production of a qualifying asset in relation to which the Group has commenced an investment, incurred borrowing costs or began preparing the asset for its intended use or sale are capitalised as from 1 January

2009. The changes to this accounting standard have not had a significant effect on the consolidated financial statements of the KOS Group.

Rights of use

Upon first-time application of IFRS 16, for all leases with a term of more than 12 months, the Group recognised the right-of use assets and the related financial liabilities ("Other financial liabilities for rights of use"), representing the obligation to make the payments required by the lease, in its Statement of Financial Position.

Right-of use assets are recognised at cost i.e. the initial amount of the financial liability, as adjusted for any payments made in prior years or at the start date of the lease, as increased for any expenses directly incurred to make the asset ready for use, plus any dismantlement or removal costs that will be incurred as a result of contractual obligations to restore the underlying asset to its original condition (net of any lease incentives received).

The Right of use is depreciated on a straight-line basis over the shorter of the useful life of the Right of Use itself and the term of the lease. At every reporting date or in the presence of indicators or events that make it necessary, the Company shall remesure and update the residual amount of the asset.

The financial liability is recognised at the net present value of future lease payments, as discounted at the interest rate implicit in the lease or, if that rate cannot be readily determined, at the Group's incremental borrowing rate. Any contractual renewals or extensions are considered when determining the financial liability and are, therefore, considered for the purposes of the lease term only where it is highly probable that the renewal option will be exercised.

The financial liability is measured using the amortised cost method and is remeasured in case of changes regarding the exercise of options to renew or terminate the lease, with a consequent change to the carrying amount of the related right of use.

In the comparative period ended 31 December 2018, the Company classified all leases that transferred substantially all of the risks and rewards of ownership as finance leases, as provided for by IAS 17. Assets held under finance leases were recognised in the Statement of Financial Position at the lower between the fair value and the present value of minimum lease payments and subsequent measurement were performed in accordance with the policy applicable to the asset in question.

Operating leases were not recognised in the Statement of Financial Position and related payments were recognised on a straight-line basis in Profit or Loss based on the lease term.

At 1 January 2019, the Group recognised Rights of use of €328,099 thousand against a net financial liability amounted to €330,949 thousand, net of payments already recorded in the Statement of Financial Position.

The financial liability was determined by discounting expected future lease payments at the marginal borrowing rate of the leases.

With regard to renewal options, management has adopted a policy for the determination of lease terms that is consistent with the time cycle of the business in which it operates (i.e. for the period for which management believes it is reasonably certain that the lease will be continued).

In more detail, the Group focuses on the management of healthcare facilities for medium/long-term periods and it adopts an investment policy that provides an economic and financial return on investments within a period of 10 years. Therefore, in order to identify a lease term of a period consistent with that used by management to assess an investment opportunity and taking account of elements of long-term uncertainty that characterise the business it which it operates, the Group believes, at the date of signature of a real estate lease, that the likelihood of exercising the renewal option may be considered reasonably certain in relation to contracts with a non-cancellable period of less than or equal to 10 years. For contracts with a non-cancellable period of more than 10 years (i.e. 12 years), KOS Group management believes it does not have access to information enabling it to assess whether or not it is reasonably certain that such contracts will be renewed at the end of the non-cancellable period. For contracts where the Group does not consider the option period to be reasonably certain (in «view management»), management believes that renewal will be reasonably certain when the option period enters into the period of time covered by the business plan. For example, in the case of a 12+12 contract (i.e. a contract for 12 years with an option for 12 more years), renewal will be reasonably certain (and the financial liability relating to the option period will be recognised together with the accompanying right of use) at the end of the 8th year of the contract because, during that year, when preparing the business plan for the next five years, management will have to decide whether or not to exercise the renewal option (and include the related cash flows in the business plan structure). Moreover, five years is a period of time within which it may be considered reasonable not to exercise the renewal option and focus instead on alternative locations.

With regard to the interest rate used to discount rights of use, the Group considered the margin on mortgage loans, based on the term of the rental contract. Therefore, it used rates of between 1.25% and 2.15% to calculate the rights of use.

Investment property

The Group's investment property includes real estate properties not used in its ordinary operating activities.

Investment property was recognised when allocating part of the price paid for the Sanatrix Group at fair value based on their state of use. Fair value is determined on the basis of specific valuations commissioned from a leading independent valuation firm.

Costs incurred post-acquisition are only capitalised if they lead to an increase in the future economic benefits from the asset to which they relate. All other costs are taken to profit or loss when they are incurred. After the date of initial recognition, the Group has chosen to adopt the cost method.

Depreciation is determined on a straight-line basis over the estimated useful life of the property based on the independent valuation as above.

Land is not depreciated.

Government grants

Government grants are recognised when, irrespective of whether or not they have been formally approved, it is reasonably certain that the recipient company will satisfy the conditions for approval and the grant will be received.
Capital grants are recorded in the statement of financial position as deferred income – then taken to the income statement over the useful life of the fixed asset in relation to which they were granted, in such a way as to reduce the depreciation charge – or by deducting them directly from the fixed asset to which they relate.
Government grants available to reimburse expenses or costs already incurred or to provide immediate financial assistance to the recipient company without there being any related future costs are recognised as income in the period in which they become available.

Impairment of assets

The carrying amounts of the intangible assets and property, plant and equipment of the KOS Group are measured whenever there are internal or external indications that the value of the asset or Cash Generating Unit ("CGU") has been impaired.

At every reporting date, the Group reviews the carrying amount of its tangible assets, intangible assets and equity investments to ascertain if there are any indicators of impairment. In any case, goodwill and intangible assets with an indefinite useful life are tested for impairment at least annually. If there are indicators of impairment, the recoverable value of the assets is estimated so as to determine the amount of any impairment. Where it is not possible to estimate the recoverable value of an individual asset, the Group estimates the recoverable value of the cash generating unit to which the asset belongs.

The recoverable amount is the higher of the asset's fair value less costs to sell and its value in use. When determining the value in use, the estimated future cash flow is discounted to present value at a rate that reflects current market valuations of the value of money and the specific risks relating to the asset.

If the estimated recoverable amount of an asset (or a cash generating unit) is lower than its carrying amount, the latter is reduced to bring it into line with the recoverable amount. Any impairment is recognised immediately to profit or loss.

Except for goodwill, an impairment adjustment is reversed when there is an indication that the impairment no longer exists or when there has been a change in the valuations used to determine recoverable amount. Carrying amount after the reversal of an impairment shall not exceed the carrying amount that would have emerged (after amortisation) if the impairment had never been recognised.

Investments in other entities

Investments in other entities that constitute non-current financial assets not held for trading (i.e. FVOCI equity investments) are initially recognised at fair value, if determinable, and gains and losses from changes in fair value are directly allocated to equity until the investments are transferred or their value is impaired. At that time, all of the gains or losses previously recognised under equity are taken to profit or loss. In the event of impairment, the initial value is not restored if the conditions that led to the impairment cease to apply.
Investments in other entities whose fair value is not available are recognised at cost, adjusted to reflect any impairment through profit or. The risk of impairment losses in excess of the carrying amount of the investment is recorded in a specific provision to the extent that the investor entity is required to fulfil legal or other obligations towards the investee entity or, in any case, to cover its losses.
Investments in real estate funds are measured at FVTPL.
Dividends received from such entities are included in the line item profits (losses) from equity investments.

CURRENT ASSETS

Inventories

Inventories are recognised at the lower of purchase or production cost – determined under the weighted average cost method – and estimated realisable value.

Trade receivables and other assets

Receivables are initially recognised at fair value which is normally equal to their nominal value except in cases where, due to significant delays in collection, it is determined applying the amortised cost method, where considered relevant; at the reporting date, they are stated at estimated realisable value and adjusted for impairment.

Trade receivables, receivables from parent companies, subsidiaries and associates and other assets are initially recognised at fair value i.e. the amount of the consideration less any directly attributable transaction costs. After initial recognition, they are stated at amortised cost, where considered significant, as adjusted for impairment. The Company recognises impairment of receivables through a loss allowance. However, when it is certain that it will not be possible to recover the amount due, the receivable in question is adjusted directly for the amount considered irrecoverable.

Impairment is determined based on the ability to pay of the individual debtors, also taking account of the specific characteristics of the underlying credit risk, bearing in mind the information available and past experience.

Trade receivables and other assets – current and non-current – (representing financial assets) are financial instruments, mainly relating to trade receivables, not derivatives and not listed on an active market, from which fixed or determinable payments are expected. Trade receivables and other assets classified in the Statement of Financial Position under current assets except for those with a contractual maturity date more than twelve months after the reporting date which are classified as non-current assets.

These financial assets are recognised when the Company becomes party to the related contracts. Financial assets disposed of are derecognised as assets in the Statement of Financial Position when the right to receive cash flows is transferred together with all of the risks and rewards associated with the asset in question.

These assets are originally recognised at fair value and, subsequently, at amortised cost, using the effective rate of interest, as adjusted for impairment. They are measured based on the impairment model under IFRS 9 whereby the Company measures the receivables on an Expected Loss basis in place of the IAS 39 framework which was based on Incurred Loss.

Impairment of receivables is taken to profit or loss when there is objective evidence that the Company will be unable to recover the receivable on the basis of the contractual terms.

The amount of the impairment is measured as the difference between the carrying amount of the asset and the pre-sent amount of expected future cash flows.

Receivables are reported net of the related loss allowance. Impairment adjustments made in terms of IFRS 9 are recognised in the Income Statement after any positive effects due to reversals of impairment adjustments.

Factoring of receivables

Receivables transferred under factoring transactions are only eliminated from the assets side of the statement of financial position if the related risks and benefits have been substantially transferred to the factor. Factored receivables that do not fulfil this requirement remain on the Group statement of financial position even though they have been legally transferred. In such cases, a financial liability for the same amount is recognised for the factoring advances received.

Tax receivables

Tax receivables are recognised at fair value and include amounts receivable from the tax authorities or that can be offset in the short term. See also under “Income taxes”.

Other current assets

Other current assets are recognised at the lower of cost and net realisable value.

Cash and cash equivalents

Cash and cash equivalents include cash on hand and bank balances that can be accessed immediately.
Cash equivalents include short-term investments, immediately accessible and readily convertible into cash and not subject to any significant risk of change.
Amounts are recognised at amortised cost, as adjusted for any risk of default by the counterparty. Any foreign currency amounts are recognised at the reporting date exchange rate.

Impairment losses of cash and cash equivalents have been measured based on expected credit losses in the next twelve months and reflect the short-term maturity of the exposures. Based on the external credit rating of its counterparties, the Group classes the credit risk regarding its cash and cash equivalents as low.
The Group measures expected credit losses relating to cash and cash equivalents using a method similar to that applied to debt securities.
Adoption of the standard has not produced any significant effects on the consolidated statement of financial position at the date of initial application of the standard.

EQUITY

Ordinary shares are stated at nominal amount. Costs directly attributable to the issue of new quotas are deducted from the equity reserves, net of any related tax benefit. In case of purchases of treasury quotas recognised in equity, the consideration paid – including directly attributable expenses and after tax effects – is recognised as a reduction to equity. The consideration received from the subsequent sale or reissue of treasury quotas is recognised as an increase to equity. Any positive or negative difference resulting from the transaction is transferred directly to/from retained earnings.

Treasury shares

Treasury shares are classified in a separate item in equity; any subsequent disposal, reissue or cancellation does not have any impact on the income statement, only on equity.

Fair value reserve

Any unrealised gains or losses – net of tax effects – on financial assets classified as "FVOCI" are recognised in equity under the "fair value reserve".
The reserve is transferred to profit or loss upon realisation of the financial asset or upon recording a permanent impairment of its value.

Cash flow hedging reserve

The cash flow hedging reserve is generated when changes in the fair value of derivatives designated, for IFRS 9 purposes, as cash flow hedges are recognised. The portion of the gain or loss considered "effective" is recog-nised in equity and is accounted for in profit or loss over the years – and in the manner – in which the hedged items flow through the profit or loss for the period in which the related effect of the hedged transaction on profit or loss is recognised. Gains or losses related to a hedge considered ineffective are recorded immediately in the profit or loss.

CURRENT AND NON-CURRENT LIABILITIES

Financial liabilities

Financial liabilities are measured at amortised cost or at FVTPL. A financial liability is classified at FVTPL when it is held for trading, is a derivative or is designated as such upon initial recognition. Financial liabilities at FVTPL are measured at fair value and any changes, including interest expenses, are recorded in profit or loss for the period. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expenses and exchange gains/(losses) are recorded in profit or loss for the period, as are any gains or losses due to accounting derecognition.
The Group derecognises a financial liability when the obligation specified in the contract has been fulfilled or can-celled or has expired. The Group also derecognises a financial liability in case of a change to the related terms of contract and the cash flows of the amended liability are substantially different. In that case, a new finan-cial liability is recognised at fair value based on the amended terms of contract.
The difference between the carrying amount of the extinguished financial liability and the consideration paid (in-cluding assets not represented by cash and cash equivalents transferred or liabilities assumed) is recognised in profit or loss for the year.

Provisions for risks and charges

Accruals to provisions are recognised when: (i) the existence of an actual, legal or implied obligation resulting from a past event is probable; (ii) it is probable that fulfilment of the obligation will involve a cost; (iii) the amount of the obligation can be reliably estimated. Such accruals are recognised at an amount representing the best estimate of the amount that the entity will reasonably pay to extinguish the obligation or to transfer it to third parties at year end. When the financial effect of time is significant and the payment dates of the obligation can be reliably estimated, the provision is dis-counted. Increases in the provision due to the passage of time are recognised in the income statement under "Financial income and expenses". These notes to the consolidated fi-nancial statements contain a short description of contingent liabilities and, where possible, an estimate of their cash effects, details of uncertainty regarding their amount and when the related cash outflow will take place. No provision is made for future operating expenses.

Post-employment benefits

Post-employment benefits are defined, on the basis of plans, which may or may not be formalised, which are categorised as either defined contribution plans and defined benefit plans, depending on their characteristics.
Under defined contribution plans, the company's obligation – limited to paying over contributions to the State or to a fund or a legally separate entity – is determined based on the contributions due.
Post-employment benefits (–"*TFR*"), compulsory for Italian companies under Article 2120 of the Italian Civil Code, constitutes a form of deferred remuneration and depends on the length of service of the employees and the remuneration received during the period of service. With effect from 1 January 2007, the Finance Act and the related decrees of implementation introduced changes to the rules on the TFR. The changes included giving employees the chance to choose where their TFR entitlement was allocated as it accrued (to supplementary pension funds or to the "Treasury Fund" managed by state pensions and social security body INPS).
Therefore, the obligation towards INPS and the contributions towards supplementary pensions are "Defined contribution plans" while the amounts recognised in the TFR provision until 31 December 2006 continue to be "Defined benefit plans" in terms of IAS 19.
As required by the revised version of IAS 19, actuarial gains and losses are recognised in "Other Comprehensive Income" in the period in which they arise. These actuarial differences are immediately recognised under retained earnings and are not recognised in the income statement in subsequent periods. See Note 3.1 "Comparability of financial statements" for more details.

Trade payablesand other liabilities

Trade payables and other liabilities are initially recognised at fair value or reduced for any costs incurred in relation to the transaction. They are subsequently measured at nominal value. There is no discounting or separate allocation to the income statement of explicit or discorporated interest expenses as they are not material in light of the expected payment periods.
Accruals for expected liabilities are liabilities for goods or services that have been received or provided but not paid for and include amounts due to employees and other parties.
The timing and amount of accruals for expected liabilities are subject to less uncertainty than other provisions..
The Group operates almost exclusively on the Italian market. Any foreign currency receivables and payables are translated at reporting date exchange rates. Payables are initially recorded at fair value at the transaction date i.e. the amount of the consideration agreed with the counterparty, minus directly attributable transaction costs. After initial recognition, payables are recognised at amortised cost, where considered significant.
The introduction of IFRS 16 with effect from 1 January 2019 led the Group to recognise "*Other lease liabilities*" and "*Rights of use of assets*" as described in Paragraph "*2.3 Change of accounting policies*" in its consolidated financial statements at 31 December 2019,.

INCOME STATEMENT

Revenue and costs

Service revenue are recognised when the services are rendered, taking account of the state of completion of the services at the reporting date.
Revenue is stated net of discounts and any directly related taxes. It is recognised in profit or loss when the related risks and benefits are transferred to the purchaser, it is probable that the consideration will be recovered and the related costs can be reliably estimated.

Revenue is recognised at the fair value of the consideration received. Revenue is recognised net of value added tax, expected returns, allowances and discounts.
In accordance with IFRS 15, the Group proceeds to recognise revenue once it has identified the contracts with its customers and the related services to be rendered (transfer of goods and/or services), determined the consideration it believes it has the right to receive in exchange for such services and assessed how the services will be rendered.

Costs are recognised in the income statement when they relate to goods or services purchased or consumed during the year or by spreading them over a certain period when their future usefulness cannot be identified.

The purchase cost of goods is recognised net of discounts granted by suppliers. Related credits are recognised on an accruals basis in light of information provided by the suppliers.

Dividends

Dividends are recognised when they are approved by the General Meeting.

Financial income and expenses

Financial income and expenses are recognised in the income statement on an accrual basis, during the reporting period in which they are incurred. Borrowing costs incurred for investments in assets it normally takes some to prepare for use or for sale (qualifying assets) are capitalised and amortised over the useful life of the assets to which they refer.

Earnings per share

Basic:

Basic earnings (loss) per share is calculated by dividing the Group profit or loss by the weighted average number of ordinary shares outstanding during the financial year, excluding treasury shares.

Diluted:

Diluted earnings per share is calculated by dividing the Group result by the weighted average number of ordinary shares outstanding during the financial year, excluding treasury shares. When calculating diluted earnings per share, the aforesaid weighted average number of outstanding shares is adjusted to take account of all holders of rights that with a potential dilution effect while the Group's net result is adjusted to take account of any effect – after tax - of the exercise of these rights.
Pursuant to IAS 33, the dilution effect is only calculated solely when it leads to lower earnings per share/higher loss per share than the basic earnings/loss per share.

Share-based payments

Given their remuneration like nature, personnel expense includes stock options vesting as at the reporting date and the vested portion of warrants.
The cost is determined based on the fair value of the right allocated. The amount relating to the period is determined on a proportionate basis over the vesting period.

The fair value of stock options is recognised with the contra- entry made to equity item "Reserves".

The fair value of stock options and warrants is determined when they are assigned under the scheme using specific models and multiplying the number of options exercisable in the period; the number of options exercisable is determined using appropriate actuarial variables. At the reporting date, the Group revises its estimates of the number of options expected to be exercised, as possibly affected by exercise conditions not based on the market. The impact of any such revision is recognised in the income statement for the period with a corresponding entry made to "Stock Option Reserves" under equity for an amount that means cumulative costs correspond to the adjusted value based on the estimates made.
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Income taxes

Current income taxes are calculated, for each of the Group companies, based on estimated taxable income. The expected liability is recognised under "Tax liabilities". Tax liabilities and receivables for current taxes are recognised at the amount expected to be paid/recovered to/from the tax authorities by applying the tax rates and the tax regulations currently applicable or substantially approved at the year end.

Deferred tax assets and liabilities are calculated based on the *“liability method”* on temporary differences between the value of the assets and liabilities in the statement of financial position and their corresponding value for tax purposes. Deferred tax liabilities are recognised on all temporary differences while deferred tax assets are recognised insofar as it is considered probable that there will be future taxable income against which the deductible temporary differences can be offset as they reverse.

The carrying amount of the deferred tax assets is revised at every year end and reduced insofar as it is no longer probable that there will be sufficient taxable income against which to recover all or part of them.

Deferred taxes are charged directly to the income statement except for those relating to items recognised directly under equity in which case the related deferred taxes are also charged against equity.

Deferred tax assets and deferred tax liabilities are recognised as non-current assets and liabilities. They are offset at individual company level if they relate to offsettable taxation due to the same tax authority and the company intends to liquidate its tax assets and liabilities on a net basis. After offsetting, any net asset is recognised under *“Deferred tax assets”* while any net liability is recorded under *“Deferred tax liabilities”*.

KOS S.p.A. (period 2019-2021), Medipass S.r.l. (period 2019-20121, Kos Care S.r.l. (period 2017-2019), HSS Real Estate S.r.l. (period 2017-2019), and Jesilab (period 2019-2021) have joined the Italian tax consolidation scheme set up by ultimate parent company CIR S.p.A. in terms of Article 117/129 of the Consolidated Income Taxes Act (*Testo Unico delle Imposte sul Reddito (T.U.I.R*)).
The companies taking part in the Italian tax consolidation scheme transfer their taxable income or tax loss to the consolidating company. The consolidating company recognises an assets from companies that transfer taxable income in the amount of the IRES liability. Meanwhile, the consolidating company recognises a payable towards companies that transfer tax losses in the amount of the IRES on the loss actually offset at Group level.

Derivative instruments

Derivative instruments are assets and liabilities recognised at fair value.
Derivatives are classified as hedging instruments when there is a genuine, documented hedging relationship and the effectiveness of the hedge – as regularly tested - is high.

The fair value of financial instruments listed on an active market is based on market prices at the reporting date. Meanwhile, the fair value of financial instruments not listed on an active market is determined using valuation techniques based on methods and assumptions linked to market conditions at the reporting date. At the date of signature of the contract, the derivative instruments are initially recognised at fair value as financial assets when fair value is positive or as financial liabilities when fair value is negative. If the financial instruments are not accounted for as hedging instruments, changes in fair value after initial recognition are treated as components of profit or loss.

When hedging derivatives hedge the risk of changes in the fair value of the instruments being hedged (“fair value hedges”, e.g. hedging of changes in the “fair value” of fixed rate assets/liabilities), the derivatives are recognised -ed at “fair value” with the effects recognised in the income statement; accordingly, the hedged instruments are restated to reflect changes in fair value associated with the hedged risk.
When the derivatives hedge the risk of changes in cash flow from the hedged instruments (“cash flow hedges”, e.g. hedging of changes in cash flow from assets/liabilities due to interest rate fluctuation), the intrinsic value of the gains or losses on the derivative financial instrument is suspended under equity. Gains or losses relating to a hedge that has become ineffective are recognised in profit or loss. Moreover, if a hedging instrument or a hedging relationship is closed but the hedged operation has not yet been realised, gains and losses accumulated to date – and recognised under equity until then – are recognised in profit or loss when the transaction in question is realised.

Changes in the fair value of derivatives that do not satisfy the conditions to be classified as hedges are recognised in the income statement.

FINANCIAL INSTRUMENTS

Recognition and measurement
Trade receivables and debt securities issued are recognised when they originate. All other financial assets and liabilities are initially recognised at the trade date i.e. when the Group becomes a contractual party to the financial instrument.
Except for trade receivables which do not contain a significant financing component, financial assets are initially measured at fair value plus or minus – in the case of financial assets or liabilities not measured at FVTPL – transaction costs directly attributable to the acquisition or issue of the financial asset. At the time of initial recognition, trade receivables without a significant financing component are measured at their transaction price.

Subsequent classification and measurement

Financial assets

Upon initial recognition, financial assets are classified based on measurement criteria: amortised cost, fair value in other comprehensive income (FVOCI) – debt securities; FVOCI – equity securities; or fair value through profit or loss (FVTPL).

Financial assets are not reclassified after initial recognition unless the Group changes its business model for managing financial assets. In that case, all of the financial assets affected are reclassified on the first day of the first reporting period after the change of business model.

A financial asset shall be measured at amortised cost if both of the following conditions are met and it is not designated at FVTPL:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A financial asset shall be measured at FVOCI if both of the following conditions are met and it is not designated at FVTPL:

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

At the time of initial recognition of an equity security not held for trading purposes, the Group may choose irrevocably to present subsequent changes in fair value through other comprehensive income. This choice is made for each asset.

All financial assets not classified as measured at amortised cost or at FVOCI, as previously indicated, are measured at FVTPL. This includes all derivative instruments.
At the time of initial recognition, the Group may irrevocably designate the financial asset as measured at fair value through profit or loss if, by so doing, it eliminates or significantly reduces an accounting imbalance that would other-wise arise from measurement of the financial asset at amortised cost or FVOCI.

Financial assets: evaluation of business model

The Group determines the objective of the business model within which the financial asset is held on a portfolio level as this best reflects the way that the asset is managed and information communicated to management. This information includes:

- the stated criteria and the objectives of the portfolio and the practical application of said criteria including, inter alia, if the management strategy is based on obtaining interest income from the contract, on maintaining a determinate interest rate profile, on aligning the duration of the financial assets with that

of related financial activities or on expected cash flows or on the collection of cash flows through the sale of the assets;
- the portfolio performance evaluation methods and the methods used to the Group's key management personnel;
- the risks that affect performance of the business model (and of the financial assets held within the business model) and the way that such risks are managed;
- the method of remuneration for Company management (e.g. if remuneration is based on the fair value of the assets managed or on contractual cash flows collected); and
- the frequency, value and timing of sales of financial assets in prior years, the reasons for sale and expectations regarding future sales.

Transfers of financial assets to third parties through transactions that do not lead to derecognition are not considered sales for the purposes of evaluation of the business model, in line with the fact that the Group continues to report such assets.

Financial assets that satisfy the definition of financial assets held for trading or whose performance is evaluated based on fair value are measured at FVTPL.

Financial assets: assessment to determine if contractual cash flows are represented solely by payments of principal and interest

For valuation purposes, the "principal" is the fair value of the financial asset at the time of initial recognition while the "interest" is the consideration for the time value of money, for the credit risk associated with the amount of principal to be repaid over a given period of time and for other risks and basic costs related to the loan (for example, the liquidity risk and administrative costs), as well as for the profit margin.
When determining if contractual cash flows are represented solely by payments of principal and interest, the Group considers the terms of contract of the instrument. Therefore, it considers whether the financial asset contains a contractual clause that alters the timing or the amount of the contractual cash flows in such a way that it does not meet the following condition. For valuation purposes, the Group considers:

- contingent events that would change the timing or the amount of the cash flows;
- clauses that could alter the contractual coupon rate, including variable rate items;
- elements of prepayment and extension; and
- clauses that limit the Group's demands for cash flows from specific assets (e.g. items without recourse).

The element of prepayment is in line with the criterion of "cash flows represented solely by payments of principal and interest" when the amount of the prepayment substantially represents unpaid amounts of principal and interest accruing on the outstanding principal, that could include a reasonable additional compensation for the early termination of the contract. Moreover, in the case of a financial asset acquired with a premium or a significant discount on the contractual nominal amount, an element that permits or requires a prepayment equal to an amount that substantially rep-resents the contractual nominal amount plus contractual interest accruing (but not paid) (that may include a reasonable additional compensation for early termination of the contract) is accounted for in accordance with this criterion of the fair value of the element of prepayment is not significant at the time of initial recognition.

Financial assets: subsequent measurement and profits and losses	
Financial assets measured at FVTPL	These assets are subsequently measured at fair value. Net profits and losses, including dividends or interest received, are recognised in profit/(loss) for the year.
Financial assets measured at amortised cost	These assets are subsequently measured at amortised cost in accordance with the effective interest method. Amortised cost is reduced for impairment. Interest income, exchange gains and losses and impairment losses are recognised in profit/(loss) for the year as are any gains or losses due to derecognition.
Debt securities measured at FVOCI	These assets are subsequently measured at fair value. Interest income calculated in accordance with the effective interest method, exchange gains and losses and impairment losses are recognised in profit/(loss) for the year. Other net profits and losses are recognised in other comprehensive income. Upon derecognition, profits or losses accumulated in other comprehensive income are recycled through profit or loss.
Equity securities measured at FVOCI	These assets are subsequently measured at fair value. Dividends are recognised in profit/(loss) for the period unless they clearly represent a recovery of part of the cost of the investment. Other net profits and losses are recognised in other comprehensive income and are never recycled through profit or loss for the year.

Financial liabilities: classification, subsequent measurement and profits and losses

Financial liabilities are classified as measured at amortised cost or at FVTPL. A financial liability is classified at FVTPL when it is held for trading, represents a derivative or is designated as such at the time of initial recognition. Financial liabilities at FVTPL are measured at fair value and any changes, including interest expenses, are recognised in profit or loss for the year. Other financial liabilities are subsequently measured at amortised cost using the effective interest meth-od. Interest expenses and exchange gains/(losses) are recognised in profit or loss for the year, as are any gains or losses resulting from derecognition.

Derecognition

Financial assets
Financial assets are derecognised when the contractual rights to cash flows thereunder expire, when the contractual rights to receive the cash flows from a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or where the Group neither transfers nor maintains substantially all of the risks and re-wards of ownership of the financial asset and does not maintain control of the financial asset.
The Group is involved in transactions that provide for the transfer of assets recognised in its Statement of Financial Position but maintains all or substantially all of the risks and rewards resulting from the asset transferred. In such cases, the assets transferred are not derecognised.

Financial liabilities
The Group derecognises a financial liability when the obligation specified in the contract has been fulfilled or cancelled or has expired. The Group also derecognises a financial liability in case of a change to the related terms of contract and the cash flows of the amended liability are substantially different. In that case, a new financial liability is recognised at fair value based on the amended terms of contract.
The difference between the carrying amount of the extinguished financial liability and the consideration paid (including assets not represented by cash and cash equivalents transferred or liabilities assumed) is recognised in profit or loss for the year.

Offsetting

Financial assets and liabilities may be offset and the amount resulting from the offsetting is presented in the Statement of Financial Position if, and only if, the Company currently has the legal right to offset such amounts and intends to settle the balance on a net basis or to realise the asset and settle the liability at the same time.

Derivative instruments, including hedge accounting

The Group uses derivative instruments to hedge its exposure to the foreign exchange and interest rate risks. Embedded derivatives are separated from the primary contract and accounted for separately when the primary contract does not constitute a financial asset and when certain criteria are met.
Derivative instruments are initially measured at fair value. After initial recognition, derivatives are measured at fair value and related changes are accounted for at FVOCI and/or in profit or loss for the period.
The Group designates certain derivative instruments as hedging instruments to cover variability in cash flows relating to highly probable transactions resulting from fluctuation in exchange rates and interest rates. It also designates certain derivatives and non-derivative financial liabilities as hedging instruments for the exchange risk regarding a net investment in a foreign operation.
At the outset of the designated hedging relationship, the Group documents the risk management objectives and the strategy for the hedge, as well as the economic relationship between the hedged item and the hedging instrument and whether it is expected that changes in the cash and cash equivalents of the hedged item and the hedging instrument will offset one another.

Cash flow hedges

When a derivative instrument is designated as a cash flow hedge, the effective portion of changes in the fair value of the derivative is recognised in other comprehensive income and presented in the cash flow hedge reserve. The effective portion of changes in the fair value of the derivative that is recognised in other comprehensive income is limited to the cumulative change in the fair value of the hedged instrument (at present value) since the outset of the hedge. The ineffective portion of changes in the fair value of the derivative is recognised immediately in profit or loss for the year.
In a cash flow hedging relationship, the Group designates as a hedging instrument only the change in the fair value of the spot element of the forward contract. The change in the fair value of the forward element of the forward exchange contract is accounted for separately as a hedging cost and recognised in equity, in the hedging reserve.

If a planned hedged transaction subsequently leads to recognition of a non-financial asset or liability e.g. inventory, the amount accumulated in the cash flow hedge reserve and in the reserve for hedging costs is included directly in the initial cost of the asset or liability at the time of recognition.
For all other planned hedged transactions, the amount shall be reclassified from the cash flow hedge reserve and from the reserve for hedging costs to profit or loss for the same period or same periods in which the expected hedged future cash flows have an effect on profit or loss for the year.
If the hedge ceases to meet admissibility criteria or the hedging instrument is sold, expires or is exercised, the hedge accounting ceases prospectively. When hedge accounting of cash flow hedges ceases, the amount accumulated in the cash flow hedge reserve remains in equity until, in case of hedging of a transaction including the recognition of a non-financial asset or liability, it is included in the cost of the non-financial asset or liability at the time of initial recognition or, in the case of other cash flow hedges, it is reclassified to profit or loss for the same period or the same periods in which the hedged future cash flows have an effect on profit or loss for the year.
If no more hedged future cash flows are expected, the amount must be reclassified immediately from the cash flow hedge reserve and from the reserve for hedging costs to profit or loss for the year.

Hedging of net investments

When a derivative instrument or a non-derivative financial liability is designated as a hedging instrument in relation to the hedging of a net investment in a foreign operation, the effective portion – in the case of derivatives – of the change in the fair value of a derivative instrument, or – in the case of a non-derivative – the exchange gains or losses, are recognised in other comprehensive income or presented in equity in a translation reserve. The non-effective portion is recognised immediately in profit or loss for the year. The amount recognised in other comprehensive income is reclassified to profit or loss for the year as a reclassification adjustment upon disposal of the foreign operation.

2.6 Main assumptions and accounting estimates

When the financial statements were prepared, several accounting estimates and assumptions were made based on past experience and other factors, including expectations about future events it is reasonable to believe will occur.

Use of accounting estimates

The preparation of the financial statements and the accompanying notes in accordance with IFRS involves the use by Management of estimates and assumptions that are reflected in the assets and liabilities and in the information disclosed.
The estimates and assumptions used are based on experience and on other factors deemed relevant. Although the on-going review process means that the accounting estimates are increasingly reliable, the actual results may, however, differ from them and, in this case, the effects of any change will be reflected in the income statement for the period in which the estimate adjustment takes place if the change only regards that period or also in subsequent periods if the adjustment will affect both the current year and future periods.
We summarise below the valuation processes and the key assumptions used by the management when applying the accounting principles with regard to the future that may have a significant impact on the figures reported in the consolidated financial statements or which may lead to the need for adjustments to assets and liabilities in the financial year following the current one.

Goodwill and non-current assets

Goodwill with an indefinite useful life undergoes an annual impairment test. Any impairment, as ascertained when the net carrying amount of the cash generating units to which the goodwill is allocated is higher than its recoverable amount (defined as the higher of value in use and fair value) is recognised by means of an impairment adjustment. This test requires the Directors to make subjective judgments based on information available within the Group and on the market, as well as based on their past experience. Moreover, when a potential impairment is identified, the Group quantifies it using appropriate valuation methods. The same impairment tests and valuation methods are applied to intangible assets and property, plant and equipment with a finite useful life when there are indicators that it will be difficult to recover their net carrying amount through use. The proper identification of indicators of impairment and estimates made to quantify the impairment de-pend on factors that vary over time, affecting the valuations and estimates made by the Directors.

An impairment test was performed on the goodwill and non-current assets recognised in the financial statements by calculating the value in use of the Cash Generating Units (“CGU”) to which goodwill has been allocated. Specifically, using different methods for each operating segment, the KOS Group applied: a first level test in which, for each CGU (identified on a reginal basis), it determined the recoverable value of tangible and intangible assets; and a second level test which considered the entire operating segment ((Long Term Care, Acute Care, Diagnostic Services and Cancer Care).

These CGUs were identified, based on the organisational and business structure of the Group, as units capable of autonomously generating cash flow through the ongoing utilisation of their assets.

Value in use was determined by discounting the expected cash flows for each CGU in its present condition and exclude the estimated future cash flows that might be generated as a result of future restructuring plans or other structural changes.

This was done using the Discounted Cash Flow Model which requires that future cash flows be discounted at a rate that adequately reflects the risks.

Further information on the method adopted is provided in the notes on Impairment of assets and Intangible assets.

The 2020-2024 business plan approved by the KOS S.p.A. Board of Directors, used as the basis for the impairment test, is based on variables that can be controlled by Group management and on assumptions regarding variables that cannot be directly controlled or managed by Group Management.

The plan was drawn up starting from the 2020 Budget, as based on detailed forecasts for each Group healthcare facility and using specific key value drivers for the remainder of the period.

The main estimates made when preparing the business plan based on which the impairment test was performed generally regarded the assumption that, although they relate to essential services and complement the services provided by the Italian National Health Service, the Group's activities could decrease because of the current financial crisis and its possible effects on the public and health care expenditure.

Accordingly, the business plan takes account of the important legislative changes introduced in recent years ("spending review" effects) in order to reduce public spending on both a national and a regional level.

Nonetheless, management believes that, taking account of demographic change with the gradual ageing of the population, the previous trend of health care expenditure and business development plans regarding specific geographical areas, the occupancy rate of beds per specific project can reach higher saturation levels for new initiatives launched recently and for facilities where specific measures have been taken and/or the occupancy rate will remain in line with prior year results for the remaining facilities.

Moreover, in general terms, the tariff growth rate deemed reasonable for forecast purposes was considered in line with inflation and, therefore, with expected cost increases.

It has also been assumed that, in the medium term, the terms of payment for accredited services by the regions will remain broadly stable. A similar approach was adopted with regard to the fees payable by private individuals in the Nursing Homes business area. Partial *ad hoc* increases were assumed on a facility by facility basis.

With regard to Suzzara hospital- which incurred losses in prior years - the Directors have embarked upon and assumed in the business plan period, a number of re-organisation and rationalisation measures that will involve significant change on the past. These measures involve increasing volumes in the inpatient sector taking advantage of cross-region rehabilitation and in diagnostic and outpatient services as well as at increasing revenues.

The Directors have considered the uncertainty involved in this situation and doubts as to the achievability of the business plan objectives. However, they have concluded that the business plan objectives are achievable and that the value of the assets recognised by Suzzara hospital was not impaired at the reporting date.

Should the main estimates and assumptions made in the plan change, leading to different impairment test results, the value in use and the result actually achieved in terms of realisable value of the assets may change too. Therefore, the Group cannot guarantee that the value of goodwill and other assets recognised at 31 December 2019 will not be impaired in future periods.

Other investments

Investments are considered as belonging to the fair value in other comprehensive income category, except for investments in real estate funds which must be measured at FVTPL. This is considering the failure to meet significant influence requirements and taking account of the fact that the following circumstances exist in relation to these equity investments:

- there is no representation on the Board of Directors
- there is no participation in the decision-making process
- there are no significant transactions
- there is no exchange of management personnel or supply of key technical information

These equity investments are recognised at cost except for the investment in Apokos which is measured at equity.

Fair value of derivative instruments

For the purposes of these financial statements it was necessary to determine the fair value of:

- 9 IRS - Interest Rate Swap - contracts;
- 5 Interest Rate Cap contracts

The above derivatives were entered into in order to hedge the interest rate risk.

Except for a few instruments, all derivatives fully meet the hedge accounting requirements of IFRS 9.

In 2019, a new Interest Rate Cap contract was arranged to hedge a loan agreement signed by holding company KOS S.p.A. The contract was effective from 31 December 2019 and it will expire on 25 June 2024.

For the purposes of these financial statements, the fair value of hedging derivatives in place at 31 December 2019 had to be determined. See paragraph "3*.6 Accounting for hedging transactions"* for details.

Stock options and warrants

For the purposes of these financial statements, the income statement and statement of financial position effects of the stock option plan and warrants in place for some members of the Board of Directors and employees of KOS S.p.A. and its subsidiaries are accounted for.
The cost of the plan was determined by estimating the fair value, at the date of assignation, of the rights assigned in prior years to the individual members of the plan, as revised to take account of the vesting conditions at the reporting date.

Amortisation and depreciation

Property, plant and equipment and intangible assets with a definite useful life are respectively depreciated and amortised on a straight line basis over their useful lives.
Useful life is intended as the period over which the assets will be used by the Group.
It is estimated based on past experience for similar assets, on market conditions and on other events that could have an influence on useful life e.g. significant technological progress or change.
This means that the actual economic life may differ from the estimated useful life.
The Group normally tests the validity of the estimated useful life of each asset category periodically. These tests could lead to changes in the depreciation/amortisation periods and in depreciation/amortisation charges in future years.

The introduction of IFRS 16 with effect from 1 January 2019 led the Group to recognise, *"Other lease liabilities*" and "*Rights of use of assets"* as described in Paragraph "*2.3 Change of accounting policies"* in its consolidated financial statements at 31 December 2019.

Allocations to loss allowance

When assessing the recoverability of its receivables, the Group makes forecasts regarding the ability of its debtors to pay, taking account of the information available and considering past experience.
The actual recoverable amount of receivables may differ from the estimated value due to uncertainty over the conditions based on which ability to pay was determined.

The loss allowance represents the directors' best estimate of losses on trade receivables. As required by IFRS 9, impairment is no longer determined based on the incurred loss model, as under IAS 39, but under the expected credit loss model. The expected credit loss model performs an assessment based on the impact of changes in economic factors on expected credit losses, as weighted based on the likelihood of occurrence. The Group has concluded that, given the characteristics of the industry segment in which it operates, the estimate of the new methods for use in estimating impairment of financial assets has not had a significant effect on existing valuation processes. This conclusion is based on the fact that the factors previously used to determine credit risk under IAS 39 i.e. customer risk, country risk and assessment of relevant macroeconomic information, are already considered representative of an expected risk based valuation method.

Contingent liabilities

The Group recognises provision for risks and charges based on assumptions that essentially relate to the amounts that would reasonably be paid to extinguish payment obligations relating to past events.

Litigation and disputes involving the Group can involve complex and difficult legal problems that might be subject to varying levels of uncertainty, in relation to the facts and circumstances of each case and the different laws applicable. The estimate made as a result is based on a thorough process with the involvement of legal and tax experts leading to a subjective judgment being made by Group management. The amounts actually paid to settle the payment obligations or transfer them to third parties may differ significantly from the amount estimated when the provisions are created.

Provision is recognised for the risk of a negative outcome for legal and tax risks. The amount of the provisions recognised in relation to such risks represents the directors' best estimate at the reporting date. This estimate involves making assumptions that depend on factors that could change over time and that could have significant effects on the current estimates made by the directors when preparing the Group's financial statements.

Employee benefits

Liabilities for post-employment benefits for employees are determined applying actuarial methods.
These methods require several work-related and demographic estimates to be made (mortality rate, disability rate, retirement age, etc.) as well as economic/financial estimates (technical discount rate, rate of inflation, percentage of wage increase, TFR growth rate).
The validity of the estimates made essentially depends on the stability of the regulatory background, on market interest rate trends, on salary trends and on how often employees request advance payments.

Income taxes

Current taxes for the year are calculated based on estimated taxable income, applying the tax rates in force when the financial statements are prepared.
Deferred tax assets and liabilities are calculated on temporary differences between the carrying amounts of the assets and liabilities and the corresponding tax values ; they are calculated based on the tax rates expected to be in force when the assets are realised or the liabilities extinguished. Deferred tax assets are recognised where it is considered probable that they will be recovered. This probability depends on the existence of future taxable income against which deductible temporary differences can be offset. The most recently approved business plans were used to evaluate whether or not there would taxable income in future years; these business plans contain assumptions and estimates that are periodically reviewed so as to confirm that they can be realised.

2.7 ACCOUNTING STANDARDS, IMPROVEMENTS, AMENDMENTS AND INTERPRETATIONS APPLIED FROM 1 JANUARY 2019

Details of the new standards and/or the standards amended by the International Accounting Standards Board (IASB) and interpretations of the International Financial Reporting Interpretations Committee (IFRIC) whose application is obligatory with effect from the 2019 reporting period are provided below.

Document name	Issue date	Date came into force	Date of endorsement	EU Regulation and date of publication
IFRS 16 - Leasing	January 2016	1 January 2019	31 October 2017	(EU) 2017/1986 9 November 2017
Prepayment features with negative compensation (Amendments to IFRS 9)	October 2017	1 January 2019	22 March 2018	(EU) 2018/498 26 March 2018
Interpretation IFRIC 23 – Uncertainty over income tax treatments	June 2017	1 January 2019	23 October 2018	(EU) 2018/1595 24 October 2018
Long-term interests in associates and joint ventures (Amendments to IAS 28)	October 2017	1 January 2019	8 February 2019	(EU) 2019/237 11 February 2019
Plan amendment, curtailment or settlement (Amendments to IAS 19)	February 2018	1 January 2019	13 March 2019	(EU) 2019/402 14 March 2019
Annual IFRS improvements - 2015-2017 cycle	December 2017	1 January 2019	14 March 2019	(EU) 2019/412 15 March 2019

Adoption of the accounting standards, amendments and interpretations set out in the above table not effects on the Group's financial position or on its profit or loss.

ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS RECENTLY ENDORSED BY THE EUROPEAN UNION AT 31 DECEMBER 2019

Details of international financial reporting standards, interpretations, amendments to existing standards and interpretations i.e. specific provisions contained in the standards and interpretations approved by the IASB are provided below, together with an indication of those endorsed or not endorsed for adoption in Europe at the date of approval of this annual report.

Document name	Issue date	Date came into force	Date of endorsement	EU Regulation and date of publication
Amendments to the conceptual framework in IFRS	March 2018	1 January 2020	29 November 2019	(EU) 2019/2075 6 December 2019
Definition of Material (Amendments to IAS 1 and IAS 8)	October 2018	1 January 2020	29 November 2019	(EU) 2019/2014 10 December 2019
Interest rate benchmark reform (Amendments to IFRS 9, IAS 39 and IFRS 7)	September 2019	1 January 2020	15 January 2020	(EU) 2020/34 16 January 2020

An assessment of the effect these standards, amendments and interpretations will have on the Group is in progress.

ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS NOT YET ENDORSED BY THE EUROPEAN UNION AT 23 JANUARY 2020

As at 31 December 2019, the competent bodies of the European Union had not yet completed the endorsement process necessary for adoption of the accounting standards and amendments shown below. An assessment of the possible effect that these standards, amendments and interpretations will have on the Financial Statements is still in progress.

Document name	Date of issue by the IASB	Date IASB document came into force	Date of expected endorsement by the EU
Standards			
IFRS 14 Regulatory Deferral Accounts	January 2014	(**Note 1**)	(**Note 1**)

IFRS 17 Insurance Contracts	May 2017	1 January 2021 (**Note 2**)	TBD
Amendments			
Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)	September 2014	Deferred until completion of IASB equity method project	Postponed until completion of IASB equity method project
Definition of business (Amendments to IFRS 3)	October 2018	1 January 2020	March 2020
Classification of Liabilities as Current or Non-current (Amendments to IAS 1)	January 2020	1 January 2022	TBD

(Note 1) IFRS 14 came into force from 1 January 2016 but the European Commission has decided to suspend the endorsement process in anticipation of the new accounting standard on "rate-regulated activities".

(Note 2) Note that, in June 2019, the IASB published an exposure draft including several amendments to IFRS 17 and which postponed the introduction of the new accounting standard until 1 January 2022. At the date of this checklist (23 January 2020), the amendments to IFRS 17 had not yet been finally approved by the IASB.

There has been no early application of accounting standards or interpretations whose application would be obligatory for periods commencing after 31 December 2019.

3 Information on risks and financial instruments

3.1 Definition of risks

The Group's business activities are exposed to a range of financial risks that could affect its balance sheet and financial position, its profit or loss and its cash flow because of their impact on its transactions in financial instruments. The main categories of risks to which the Group is exposed are summarised below:

a) credit risk;
b) liquidity risk;
c) market risk (exchange rate risk, interest rate risk and other price risks).

The extent of the Group's exposure to each category of financial risks identified is analysed below.

Credit risk

The credit risk represents the risk of suffering a financial loss because of failure by third parties to fulfil a payment obligation.
The Group has several concentrations of receivables due to the nature of the activities carried out by each operating company and on their client base. The risk is mitigated by the fact that credit exposure is spread across a large number of debtors. For instance, receivables are less concentrated in the RSA/nursing home sector where more than half of revenues come from the residents in the nursing homes and the reported receivables from public sector bodies (mainly ASLs and municipalities) are due from many different entities. In contrast, receivables are more concentrated in the hospital management segment as almost all revenues are generated by a smaller number of client entities.
Credit risk monitoring is performed based on the type of debtor, the age of the receivable, any past history of financial problems or disputes and the presence of any ongoing legal or insolvency proceedings.
The Group normally creates a loss allowance that represents a broad estimate of losses on receivables as determined based on an analysis and assessment of each individual balance.
The credit risk relating to trade receivables is monitored centrally by the Finance Department which reviews the credit exposure on an ongoing basis. This process leads to a credit provision that ranges from 1% to 100% depending on the age of the receivable. Further information on the review of the status of trade receivables and other assets – current and non-current – is provided in the table in Note *"3.3 Additional disclosures on financial assets"*.

Liquidity risk

The liquidity risk, or funding risk, is the risk that the Group might have difficulty in raising – at reasonable conditions – the funds needed to fulfil its commitments under financial instruments.

The Group's objective is to implement a financial structure which, in line with business objectives, guarantees an appropriate level of liquidity, minimises the related opportunity cost and maintains a good balance in terms of duration and composition of debt.

The liquidity risk to which the Group is exposed arises in relation to it obtaining loans to fund operating activities in a timely manner, or in relation to not respecting the covenants imposed by certain loans arranged by the Group; if so happens, the lending institutions would have the right to demand early repayment of the loans. Cash flow, the funding requirements and the liquidity of Group companies are centrally monitored or managed by the Finance Department with the aim of ensuring that financial resources are effectively and efficiently managed.
The three main factors that are essential to determining the Group liquidity situation are:

- cash generated or used in operating and investing activities;
- maturity and renewal terms of debt or liquidity of financial assets, as well as market conditions;
- investment and development activities of the parent company KOS S.p.A.

The Finance Department has adopted a series of policies and procedures aimed at optimising management of financial resources, thus reducing the liquidity risk:

- constant monitoring of forecast cash requirements so that any action necessary can be taken in good time (arrange additional lines of credit, share capital increases etc.).
- arrangement of adequate lines of credit;
- optimisation of liquidity, using cash pooling where feasible;
- correct composition of net financial indebtedness given capex made;
- regular, centralised control of collection and payment flows;
- maintenance of an adequate level of available liquidity;
- diversification of means and sources for use in raising financial resources;
- regular monitoring of future liquidity in relation to the business planning process;
- regular control of compliance with covenants imposed by loans received.

Management believes that existing funds and lines of credit, in addition to cash from operating activities and borrowing, will enable the Group to meet its requirements in terms of investments, working capital management and repayment of loans at maturity.

Reference should be made to Note "*5.4 Additional disclosures on financial liabilities*" for a table containing analysis of financial liabilities.

Market risk

Exchange rate risk

Since 2011, the Group has begun – albeit to a marginal extent – to operate on international markets thus exposing it to exchange rate risk.
As well as seeking to structure natural hedging between receivables and payables, in prior years, the Group entered into contracts to hedge the exchange rate risk relating to a number of financial transactions and some commercial transactions.

With regard to the exchange risk regarding the translation of the financial statements of foreign subsidiaries (prepared in INR and GBP), it should be noted that the operating companies invoice almost all of their revenue in local currency, operate on their local domestic market and raise finances locally.

Interest rate risk

The interest rate risk regards the risk that the value of a financial instrument and/or the related cash flows might change due to fluctuation of market interest rates.

Exposure to the interest rate risk results from the need to finance operating activities, both on a day to day basis and in relation to the acquisition of businesses while also employing available liquid resources. Interest rate fluctuations may have a negative or positive impact on the income of the Group and might indirectly affect the costs and performance of borrowing and investment operations.
The Group periodically assesses its exposure to the interest rate risk and manages the risk using financial derivative instruments in accordance with the established risk management policies. Under these policies, financial derivative instruments are solely used to the manage exposure to interest rate fluctuations correlated with future cash flows; speculative activities are neither envisaged nor allowed.
The only instruments used for this purpose are interest rate swaps (IRS), caps and collars.
In relation to some of its loans, the Group uses financial derivative instruments for cash flow hedge purposes with the aim of pre-determining interest payable on loans in order to obtain an ideal pre-defined floating and fixed rate mix for its borrowings.
The other parties to these contracts are leading financial institutions.
Derivatives are recognised at fair value.

The interest rate to which the KOS Group is most exposed is the Euribor.

Sensitivity analysis relating to the interest rate risk

With regard to the interest rate risk, a sensitivity analysis has been performed with the aim of quantifying, all other conditions remaining equal, the impact on profit or loss for the year and equity caused by a fluctuation in market interest rates. See Note “*4.7 Sensitivity analysis*” for further details.

Other price risks

Other price risks include the risk that the value of a security might vary due to fluctuation in market prices because of factors specific to the individual security or its issuer or because of factors affecting all securities traded on the market.
The Group does not have any significant exposure in securities traded on active markets so its exposure to this type of risk is negligible.

Risks regarding the general state of the economy

The first cases of Covid-19 (Coronavirus) were detected in Italy in February and the virus spread rapidly in the following weeks. In response, the Italian Government and the Regional Authorities have adopted a range of measures designed to contain and fight Covid-19 across the whole country. Further information is provided in the “Business outlook” section of the Directors’ Report.

3.2 Financial instruments in terms of IAS 39: classes of risk and fair value

The following table shows the various measurement methods used for each type of financial asset and liability in 2019.

Categories of financial assets and liabilities at 31 december 2019	IFRS 9 classification	IFRS 9 amount
NON CURRENT ASSETS		
Other investments	Cost except Fondo Spazio Sanitario valued FVTPL	1,817
Other receivables	Receivables at amortised cost	4,880
CURRENT ASSETS		
Receivables from parent company	Amortised cost	2,782
Trade receivables	Amortised cost	113,810
Other assets	Amortised cost	11,867
Financial assets	Receivables at amortised cost	9,194
Cash and cash equilvalents	Receivables at amortised cost	115,375
NON CURRENT LIABILITIES		
Bond loans	Liabilities at amortised cost	(98,600)
Other financial liabilities	Liabilities at amortised cost	(303,391)
Lease liabilities	Liabilities at amortised cost	(734,176)
Trade payables	Liabilities at amortised cost	(442)
CURRENT LIABILITIES		
Bank overdrafts	Liabilities at amortised cost	(6,513)
Bond loans	Liabilities at amortised cost	(561)
Payables to parent company	Liabilities at amortised cost	(5,216)
Other financial liabilities	Liabilities at amortised cost	(29,784)
Lease liabilities	Liabilities at amortised cost	(56,857)
Trade payables	Liabilities at amortised cost	(84,629)

IFRS 7 requires that financial instruments recognised at fair value in the financial statements be classified based on a hierarchy with three levels that reflect the level of input used in determining the fair value. The levels are as follows:

- level 1 – quoted prices on an active market for the asset or liability being measured;
- level 2 – input other than the quoted prices per level 1 that may be observed directly (prices) or indirectly (derived from prices) on the market;
- level 3 – inputs not based on observable market data.

The following table shows assets and liabilities measured at fair value at 31 December 2019 and 31 December 2018, by hierarchical level of fair value measurement.

Financial Statements at 31 December 2019				
IFRS 7 - Financial Instruments - Supplementary Disclosures	Level 1	Level 2	Level 3	Total
(eur/'000)				
CURRENT ASSETS				
Financial assets at fair value through profit or loss				
Financial assets				
- derivatives		-		-
- Non-recourse factoring		9,174		9,174
CURRENT LIABILITIES				
Financial liabilities at fair value through equity				
Other financial liabilities				
- derivatives		(231)		(231)
Financial liabilities at fair value through profit or loss				
Other financial liabilities				
- derivatives		(49)		(49)
Total other financial liabilities	-	(49)	-	(49)

Financial Statements at 31 December 2018				
IFRS 7 - Financial Instruments - Supplementary Disclosures	Level 1	Level 2	Level 3	Total
(eur/'000)				
CURRENT ASSETS				
Financial assets at fair value through profit or loss				
Financial assets				
- derivatives		1		1
- Non-recourse factoring		14,671		14,671
CURRENT LIABILITIES				
Financial liabilities at fair value through equity				
Other financial liabilities				
- derivatives		(444)		(444)
Financial liabilities at fair value through profit or loss				
Other financial liabilities				
- derivatives		(97)		(97)
Total other financial liabilities	-	(97)	-	(97)

During 2019, there were no transfers from Level 3 to other Levels and vice versa.

Note the following with regard to the measurement assumptions applied to the asset classes:

- due to their short term maturity, for current assets and current liabilities –e.g. trade receivables and trade payables – and for current financial liabilities and sundry liabilities - excluding financial assets for derivatives - gross carrying amount was considered a reasonable approximation of fair value;
- in order to hedge the interest rate risk and the exchange rate risk, KOS Group has entered into IRS-Interest Rate Swap, Collars and Interest Rate Cap contracts. The fair value of the derivatives has been calculated by discounting the future expected cash flows based on the terms and expiry date of each derivative contract and the relevant underlying and using the market interest rate curve as at the reporting date. The reasonableness of the valuation obtained has been verified through a comparison with prices provided by the issuer;
- the fair value of non-current assets and non-current financial liabilities has been estimated by discounting the future expected cash flows based on the terms and expiry dates of each contract and principal and interest, quantified based on the interest rate curve at the reporting date;
- the interest rates used to quantify the amount due and discount forecast cash flows were based on the curve of Euribor rates at the reporting date, as provided by Bloomberg, plus a spread adjusted based on terms of the contracts (spread not considered when applying the same curve for discounting purposes).

3.3 Additional disclosures on financial assets

On occasion, the Group factors some receivables on a recourse basis in return for cash advances; it also has two non-recourse factoring agreements.
Peceivables are adjusted for impairment. This process is performed by creating a specific allowance that is deducted directly from the impaired financial assets.

Changes in the loss allowance during the year are shown below:

(eur/000)	31/12/2018	Increase	Utilization	Changes in consolidation scope	Other changes	Differences in exchange rates	31/12/2019
Loss allowance	26,532	2,544	(1,760)	1,176	(23)	(7)	28,462

The gross carrying amount of financial assets represents the Group's maximum exposure to the credit risk.
The following table contains a detailed analysis of current and non-current trade assets and other receivables, showing those due from the public and private sector entities.

For further details, see Note "3.1 Definition of risks"

31/12/2019	Total receivables	Not yet due	Overdue>	0 - 30 days	30 - 60 days	60 - 90 days	90 - 180	180 - 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	over 5 years
Non current assets													
Trade receivables	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Gross balance	0	0	0	0	0	0	0	0	0	0	0	0	0
Loss allowance													
Other assets	**4,880**	**4,880**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Gross balance	4,880	4,880	0	0	0	0	0	0	0	0	0	0	0
Loss allowance	0	0	0	0	0	0	0	0	0	0	0	0	0
Current assets													
Private sector receivables	**38,622**	**18,713**	**19,909**	**4,368**	**2,598**	**-173**	**6,619**	**4,834**	**1,589**	**60**	**5**	**5**	**4**
Gross balance	48,670	18,751	29,919	4,611	2,744	0	7,433	6,970	4,928	1,068	1,112	581	472
Loss allowance	-10,048	-38	-10,010	-243	-146	-173	-814	-2,136	-3,339	-1,008	-1,107	-576	-468
Public sector trade receivables	**75,188**	**53,935**	**21,253**	**2,379**	**1,350**	**1,025**	**3,209**	**7,027**	**1,869**	**1,820**	**838**	**1,137**	**599**
Gross balance	93,602	54,434	39,168	2,699	1,453	1,104	3,788	8,352	3,787	4,066	2,755	3,416	7,748
Loss allowance	-18,414	-499	-17,915	-320	-103	-79	-579	-1,325	-1,918	-2,246	-1,917	-2,279	-7,149
Other assets	**11,867**	**11,867**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Gross balance	11,867	11,867	0	0	0	0	0	0	0	0	0	0	0
Loss allowance	0	0	0	0	0	0	0	0	0	0	0	0	0
Total	**130,557**	**89,395**	**41,162**	**6,747**	**3,948**	**852**	**9,828**	**11,861**	**3,458**	**1,880**	**843**	**1,142**	**603**

31/12/2018	Total receivables	Not yet due	Overdue>	0 - 30 days	30 - 60 days	60 - 90 days	90 - 180	180 - 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	over 5 years
Non current assets													
Trade receivables	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Gross balance	0	0	0	0	0	0	0	0	0	0	0	0	0
Loss allowance													
Other assets	**4,393**	**3,092**	**1,301**	**0**	**0**	**0**	**0**	**1,301**	**0**	**0**	**0**	**0**	**0**
Gross balance	4,393	3,092	1,301	0	0	0	0	1,301	0	0	0	0	0
Loss allowance	0	0	0	0	0	0	0	0	0	0	0	0	0
Current assets													
Private sector receivables	**26,578**	**11,435**	**15,143**	**1,502**	**1,926**	**5,291**	**3,232**	**2,523**	**579**	**35**	**38**	**9**	**8**
Gross balance	35,127	11,435	23,692	1,802	2,079	5,441	4,893	3,307	2,744	1,320	734	318	1,054
Loss allowance	-8,549	0	-8,549	-300	-153	-150	-1,661	-784	-2,165	-1,285	-696	-309	-1,046
Public sector trade receivables	**70,307**	**51,653**	**18,654**	**1,445**	**2,873**	**986**	**4,003**	**3,647**	**2,376**	**875**	**1,681**	**532**	**236**
Gross balance	88,290	51,718	36,572	1,940	2,954	1,129	4,453	4,327	5,403	1,882	2,604	2,787	9,093
Loss allowance	-17,983	-65	-17,918	-495	-81	-143	-450	-680	-3,027	-1,007	-923	-2,255	-8,857
Other assets	**9,533**	**9,533**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Gross balance	9,533	9,533	0	0	0	0	0	0	0	0	0	0	0
Loss allowance	0	0	0	0	0	0	0	0	0	0	0	0	0
Total	**110,811**	**75,713**	**35,098**	**2,947**	**4,799**	**6,277**	**7,235**	**7,471**	**2,955**	**910**	**1,719**	**541**	**244**

3.4 Additional disclosures on financial liabilities

The contractual maturity dates of "Financial liabilities" as already commented upon in the section including interest payables, including interest payable, are shown in the following tables for 2019 and 2018, respectively. We report below the contractual maturities of financial liabilities (including trade payables and other current liabilities), including interest payable. All of the amounts shown are undiscounted, nominal future cash flows, as determined with reference to residual contractual maturity dates, including both the principal amount and the interest amount. Loans have been included based on the contractual maturity dates when repayment will be made.

€/000

31.12.2019 **Principal + interest**	**<1 year**	**>1 <2 years**	**>2 <3 years**	**>3 <4 years**	**>4 <5 years**	**>5 years**	**Total**	**Total carrying amount**
Non-derivative financial liabilities								
Bond loans	3,241	3,241	3,241	3,241	66,737	35,919	**115,620**	**99,160**
Other financial liabilities:	63,153	76,827	114,203	52,118	69,872	41,893	**418,067**	**387,085**
- Bank loans and borrowing	55,653	66,621	102,945	49,059	65,776	19,519	**359,573**	**332,412**
- Finance lease companies	7,310	10,015	11,068	2,869	3,905	22,374	**57,541**	**53,720**
- Other lenders	191	191	191	191	191	0	**953**	**953**
Bank overdrafts	6,682	0	0	0	0	0	**6,682**	**6,513**
Trade payables	84,568	0	0	0	0	0	**84,568**	**84,658**
Derivative financial liabilities								
Hedging derivatives	719	0	0	0	0	0	**719**	**298**
Non-hedging derivatives	0	0	0	0	0	0	**0**	**0**
Total	**158,363**	**80,068**	**117,444**	**55,359**	**136,609**	**77,812**	**625,656**	**577,714**

€/000

31.12.2018	<1 year	>1 <2 years	>2 <3 years	>3 <4 years	>4 <5 years	>5 years	Total	Total carrying amount
Principal + interest								
Non-derivative financial liabilities								
Bond loans	3,225	3,225	3,225	3,225	3,225	101,725	**117,850**	**99,071**
Other financial liabilities:	29,329	40,258	46,498	60,433	20,972	49,701	**247,191**	**218,935**
- Bank loans and borrowing	16,425	34,221	35,697	49,169	12,433	28,669	**176,614**	**154,311**
- Parent companies	0	0	0	0	0	0	**0**	**0**
- Subsidiaries	0	0	0	0	0	0	**0**	**0**
- Associate	0	0	0	0	0	0	**0**	**0**
- Finance lease companies	12,713	5,846	10,610	11,073	8,348	20,842	**69,433**	**63,480**
- Other lenders	191	191	191	191	191	191	**1,146**	**1,144**
Bank overdrafts	10,982	0	0	0	0	0	**10,982**	**10,892**
Trade payables	73,306	0	0	0	0	0	**73,306**	**73,306**
Derivative financial liabilities								
Hedging derivatives	1,123	0	0	0	0	0	**1,123**	**543**
Non-hedging derivatives	0	0	0	0	0	0	**0**	**0**
Total	**114,740**	**40,258**	**46,498**	**60,433**	**20,972**	**49,701**	**332,602**	**402,747**

Other financial payables- excluding financial payables for rights of use – amount to € 486,543 thousand (including €39,803 thousand classified as current liabilities) and consist of loans and finance lease due to banks (€387,085), bonds (€99,160 thousand) and derivative financial liabilities (€ 298 thousand).

The following should be noted in order to understand better the above tables:

- where the creditor may choose when to settle a liability, the liability is included in the earliest possible period;
- the amounts reported relate to contractual cash flows, are not discounted and are gross of any expected interest;
- the amount of floating rate borrowings has been estimated based on the expected interest rate curve at the reporting date.

The loan contracts reported above include, in some cases, the customary arrangements providing for the termination of the credit period upon failure to respect certain covenants should the company fail to remedy the breach of said covenants, in the terms and manner required by the loan agreements.

So far, the Group has not issued instruments including a debt component and an equity component and it has never found itself in default of clauses regarding the principal amount, interest, amortisation plan or repayments of borrowings.
Further information is provided in the following paragraph.

3.5 Loans and related covenants

The Group's capital management objectives are intended to safeguard its ability to continue to generate profit and respect covenants while also maintaining the ideal capital structure.

The main financial and lease liabilities at 31 December 2019 can be summarised as follows:

Debtor	Type of loan	Residual amount as at 31.12.2019 (eur/000)	Maturity	Term
KOS Care Srl	mortgage loan UBI	966	30.06.2025	Euribor 1 month/360
KOS Care Srl	mortgage loan UBI	2,687	30.06.2025	Euribor 1 month/365
KOS Care Srl	mortgage loan UBI	2,457	30.06.2025	Euribor 3 months/360
Abitare il Tempo Srl	mortgage loan UBI	299	31.04.2025	Euribor 6 months/365
Abitare il Tempo Srl	mortgage loan UBI	101	31.04.2025	Euribor 6 months/365
KOS Care Srl	mortgage loan BPO	216	31.12.2021	Euribor 6 months/365
Sanatrix Gestione S.r.l	mortgage loan UBI	268	31.07.2021	Euribor 3 months/360
KOS S.p.A.	mortgage loan Banco di Brescia - Riva Ligure	1,269	30.09.2023	Euribor 6 months/365
KOS S.p.A.	mortgage loan Banco di Brescia - Sanremo	1,026	30.09.2023	Euribor 6 months/365
Hss Real Estate S.r.l	mortgage loan GE	1,350	30.06.2021	Euribor 3 months/360
KOS Care Srl	mortgage loan BPO	762	31.03.2025	Euribor 6 months/365
KOS Care Srl	mortgage loan Delleani	8,366	31.10.2024	Euribor 3 months/360
Sanatrix Gestione S.r.l	Loan UBI	1,598	31.01.2023	Euribor 6 months/360
KOS Care Srl	Leasign Padiglione F	5,735	30.11.2026	Euribor 3 months/365
KOS Care Srl	Leasing Monza	6,724	30.09.2029	Euribor 3 months/365
KOS Care Srl	Leasing Foligno	3,682	01.04.2033	Euribor 3 months/360
KOS Care Srl	Leasing Montecosaro	3,604	01.11.2026	Euribor 3 months/365
KOS Care Srl	Leasing Foligno	5,005	01.04.2033	Euribor 3 months/365
KOS Care Srl	Leasing Ascoli	4,623	30.06.2025	Euribor 3 months/360
KOS Care Srl	Loan Villa Azzurra	2,750	30.09.2022	Euribor 3 months/360
KOS Care Srl	Loan Tonengo	1,929	31.12.2022	Euribor 3 months/360
KOS Care Srl	Leasing Arco e Villa Adria	3,316	30.06.2025	Euribor 3 months/365
KOS Care Srl	Leasing Polo Geriatrico Riabilitativo	8,889	29.03.2022	Euribor 3 months/365
KOS Care Srl	mortgage loan	151	29.05.2023	Euribor 6 months/360
KOS Care Srl	mortgage loan	237	30.10.2020	Euribor 3 months/360
Hss Real Estate S.r.l	mortgage loan Vimercate	7,600	30.06.2023	Euribor 6 months/365
Sanatrix Gestione S.r.l	mortgage loan Villalba	3,550	30.09.2023	Euribor 3 months/365
Hss Real Estate S.r.l	mortgage loan Grosseto	1,560		
Total loans with collateral and/or liens		**80,719**		
Ospedale di Suzzara S.p.A	Loan BPS	914	31.01.2021	Euribor 3 months/360
KCA - EX Villa Dei Pini Firenze	Loan	38	07.09.2020	Euribor 1 month360
KCA - EX Villa Dei Pini Firenze	Loan	29	31.01.2020	Euribor 1 month360
KCA - EX Villa Dei Pini Firenze	Loan	149	28.08.2021	Euribor 1 month360
ClearMedi HealthCare - Medipass Group	Loan India	28,252		Base rate
Loans not secured by collateral		**29,382**		
Kos S.p.A	Syndicated corporate line	20,000	25.07.2022	Euribor 6 months/360
	Ing Natixis syndicated corporate line	72,000	06.04.2022	Euribor 6 months/360
	BEI syndicated corporate line	20,000	29.06.2025	Euribor12 months/360
	CDP syndicated corporate line	18,571	22.02.2026	Euribor 6 months/360
	Mediobanca line	35,000	25.06.2024	Euribor 3 months/360
	Pool line Germany acquisition	95,000	28.10.2024	Euribor 6 months/360
Total Corporate line		**260,571**		
Kos Spa	Bond	35,060	18.10.2025	Fix
	Bond	64,100	18.10.2024	Fix
Total Bond		**99,160**		
Finance lease		15,458		
Total finance lease liabilities		**15,458**		
KOS Care Srl	Regional loan (FRISL) Lombardy	953		
Total other lenders		**953**		
Total bank overdrafts		**6,513**		
Financial liabilities for derivatives		**298**		
Total financial liabilities		**493,054**		

Some of the Group's loan agreements contain specific clauses that entitle the lending banks to render the loans subject to immediate repayment upon failure to respect certain covenants unless the company takes action to remedy the breach of the covenants on the terms and in the manner required by the loan agreements.

The covenants applicable for the financial years 2019 and later are shown below:

(eur/'000)	Type of loan	Residual amount at 31.12.2019	Maturity	Base for covenants	Target covenants 31.12.2019 and other		
					(NFD-RE DEBT)/(EBITDA-6,5%RE DEBT)	Ebitda/Of	Loan to value
Kos S.p.A	**Syndicated loan from Mediobanca, BNL, Intesa, Unicredit, Banco Popolare di Milano, Credit Agricole, Société Générale** *- Line A* *- Line B* *- Line Revolving*	1,000 19,000 -	25/07/2022 25/07/2022	KOS Group	<=3,5	>=3	< 60%
Kos S.p.A	**Syndicated loan (ING, Natixis)**	72,000	06/04/2022	KOS Group	<=3,5	>=3	< 60%
Kos S.p.A	**Mediobanca loan**	35,000	25/06/2024	KOS Group	<=3,5	>=3	< 60%
Kos S.p.A	**Bond 64ML€** **Bond 35ML€**	64,000 35,000	18/10/2024 18/10/2025	KOS Group	<=3,5	>=3	< 60%
Kos S.p.A	**BEI Loan**	20,000	29/06/2025	KOS Group	<=3,5	>=3	< 60%
Kos S.p.A	**CDP Loan**	18,571	22/02/2026	KOS Group	<=3,5	>=3	< 60%
Kos S.p.A	**Pool loan (BNP, Intesa, Banco Popolare di Milano, Credit Agricole, ING)**	95,000	28/10/2024	KOS Group	<=3,5	>=3	< 60%
Kos Care	**Loan ICREA** **Mortgage Villa Azzurra** **Mortgage GE Tonengo D'Asti**	3,316 2,750 1,929	30/06/2025 '30/09/2022 18/12/2022	KOS Group	<=3,5 <=3,5 <=3,5		
Sanatrix Gestione Srl	**ICREA Loan**	3,550	30/09/2023	KOS Group	<=4		
Hss Real Estate Srl	**ICREA Loan**	1,560	30/09/2024	KOS Group	<=4		

The table below shows actual figures for 2019:

(eur/'000)	Type of loan	Residual amount at 31.12.2019	Maturity	Base for covenants	Target covenants 31.12.2019 and other		
					(NFD-RE DEBT)/(EBITDA-6,5%RE DEBT)	Ebitda/Of	Loan to value
Kos S.p.A	**Syndicated loan from Mediobanca, BNL, Intesa, Unicredit, Banco Popolare di Milano, Credit Agricole, Société Générale** *- Line A* *- Line B* *- Line Revolving*	1,000 19,000 -	25/07/2022 25/07/2022	KOS Group	2.97	6.95	38%
Kos S.p.A	**Syndicated loan (ING, Natixis)**	72,000	06/04/2022	KOS Group	2.97	6.95	38%
Kos S.p.A	**Mediobanca loan**	35,000	25/06/2024	KOS Group	2.97	6.95	38%
Kos S.p.A	**Bond 64ML€** **Bond 35ML€**	64,000 35,000	18/10/2024 18/10/2025	KOS Group	2.97	6.95	38%
Kos S.p.A	**BEI Loan**	20,000	29/06/2025	KOS Group	2.97	6.95	38%
Kos S.p.A	**CDP Loan**	18,571	22/02/2026	KOS Group	2.97	6.95	38%
Kos S.p.A	**Pool loan (BNP, Intesa, Banco Popolare di Milano, Credit Agricole, ING)**	95,000	28/10/2024	KOS Group	2.97	6.95	38%
Kos Care	**Loan ICREA** **Mortgage Villa Azzurra** **Mortgage GE Tonengo D'Asti**	3,316 2,750 1,929	30/06/2025 '30/09/2022 18/12/2022	KOS Group	2.97		
Sanatrix Gestione Srl	**ICREA Loan**	3,550	30/09/2023	KOS Group	2.97		
Hss Real Estate Srl	**ICREA Loan**	1,560	30/09/2024	KOS Group	2.97		

At 31 December 2019, there were no covenant breaches with effects on the Group.

Some of the loan agreements also include "*negative pledge*", "*pari passu"* and *"change of control*" clauses plus limitations on dividend distribution. At the date of preparation of these notes, there were no breaches of the said clauses.

Finally, with regard to additional guarantees in place, reference should be made to the note "Debt and financial liabilities".

The following table shows the main lines of credit, as divided based on their availability at 31 December 2019:

	31/12/2019			31/12/2018		
(eur/million)	**Total**	**Utilized**	**Available**	**Total**	**Utilized**	**Available**
Short-term Lines ("Uncommitted"/at sight)	**59.4**	**6.5**	**52.9**	**70.8**	**10.9**	**59.9**
Long-term ("Committed"/contractualized)	**514.4**	**485.8**	**28.6**	**453.1**	**318.0**	**135.1**
Total	**573.8**	**492.3**	**81.6**	**523.9**	**328.9**	**195.0**

3.6 Accounting for hedging transactions

<u>Hedging contracts in place</u>

In order to hedge the interest rate risk, KOS Group has entered into *IRS - Interest Rate Swap*, *Collar* and *Interest Rate Cap agreements*. Details of such instruments at 31 December 2019 are provided below:

Company	**Enter date**	**Time**	***Pay***	***Cap***	***Floor***	***Receive/Index***	**Notional**		***Fair Value***	
							31/12/19	**31/12/18**	**31/12/19**	**31/12/18**
Kos Care Srl	2013	Quarterly	1.740%			Euribor 3M	6,113	6,465	(33)	(147)
Kos Care Srl	2015	Quarterly	0.150%			Euribor 3M	1,929	2,571	(3)	(9)
Kos Care Srl	2014	Quarterly	0.298%			Euribor 3M	-	3,750	(20)	(16)
Kos Care Srl	2015	Quarterly	0.206%			Euribor 3M	4,536	4,696	(26)	(33)
Kos Care Srl	2015	Quarterly	0.390%			Euribor 3M	3,316	3,947	(18)	(33)
Kos SpA	2017	Half-year	0.385%			Euribor 6M	11,482	13,000	(76)	(105)
Kos SpA	2017	Half-year	0.370%			Euribor 6M	11,482	13,000	(73)	(101)
Total Interest Rate Swap							**38,858**	**47,429**	**(249)**	**(444)**
Kos Care Srl	2014 FWD Start 2017	Monthly		1.50%		Monthly avarage Euribor 1M	2,893	3,332	-	1
Kos Care Srl	2014 FWD Start 2016	Monthly		1.50%		Monthly avarage Euribor 1M	2,457	2,829	-	-
Kos Care Srl	2014 FWD Start 2016	Monthly		1.50%		Euribor 3 M	3,277	3,620	-	-
Kos SpA	2019	Quarterly		0.50%		Euribor 3 M	35,000	-	18	-
Total Interest Rate Cap							**43,627**	**9,781**	**18**	**1**
Derivative instruments effective							**82,485**	**57,210**	**(231)**	**(443)**
Sanatrix Gestioni Srl	Cap - 2013	Monthly		2.50%		Euribor 6M	1,598	2,078	-	-
HSS Real Estate Srl	IRS - 2013	Quarterly	2.04%			Euribor 3M	1,350	2,252	(29)	(71)
Ecomedica Srl	IRS - 2015	Monthly	0.200%			Euribor 1M	-	79	-	-
Ecomedica Srl	IRS - 2016	Monthly	-0.180%			Euribor 1M	-	28	-	-
Kos Care Srl	IRS - 2015	Quarterly	0.220%			Euribor 3M	3,337	3,457	(20)	(26)
Derivative instruments not effective							**6,285**	**7,894**	**(49)**	**(97)**
Total							**88,770**	**65,104**	**(280)**	**(540)**

The total notional amount at 31 December 2019 was € 88,770 thousand. Overall, some 25% of the Group's total floating rate medium/long term debt (i.e. excluding debt for advances on invoices, current account overdrafts and other borrowings to fund working capital) at 31 December 2019 was hedged. This means that there is no overhedging with regard to future cash outflows being hedged.

The aim of interest rate hedges is to fix the cost relating to the floating rate long term loan agreements being hedged by entering into a related derivative contract that allows the floating rate interest to be collected in return for payment of interest at a fixed rate.

Derivatives that meet the hedge accounting requirements of IFRS 9 (formal designation of a hedging relationship; documented, measurable and highly effective hedging relationship) and respected are accounted for on a cash flow hedge basis. This means that, when a hedge agreement is entered into, the related “fair value”, regarding the effective portion only, is recognised under an equity reserve.

Subsequent changes in “fair value” resulting from movements in the interest rate curve – again only in relation to the effective portion of the hedge – are also recognised under an equity reserve.

The instruments for which all of the requirements of IFRS 9 are not fully met are an IRS activated by HSS Real Estate S.r.l. in 2013, a monthly CAP activated by Sanatrix Gestioni S.r.l. and three IRS contracts, two of which the Group took on after the acquisition of Ecomedica S.p.A.. Meanwhile, a 2015 contract entered into by KOS Care S.r.l. proved ineffective during 2018. The fair value of these contracts has been recorded in the Income Statement.

Subsequent changes in fair value (intrinsic portion) resulting from movements in the interest rate curve – again only in relation to the effective portion of the hedge – are also recognised under an equity reserve.

The table below shows the following information on derivatives:

- the notional amount at 31 December 2019 and 2018, as split between amounts due after less than and after more than 12 months based on contractual maturity dates;
- the statement of financial position amount representing the fair value of the contracts at the reporting date;
- the ineffective portion or the change in time value immediately recorded in the income statement under *Financial expenses and/or financial income*.

31/12/19						
	Notional amount		FV of contracts [(1)]			
(eur/000)	within 12 months	after 12 months	positive	negative	P&L effect [(2)]	Equity reserve net of tax effect [(3)]
Interest rate risk management						
- Cash flow hedge pursuant to IAS 39 IRS	26,648	16,898		(298)	40	(269)
- Cash flow hedge pursuant to IAS 39 Interest Rate Cap	6,089	39,135	18		(1)	
Total	**32,737**	**56,033**	**18**	**(298)**	**39**	**(269)**

31/12/18						
	Notional amount		FV of contracts [(1)]			
(eur/000)	within 12 months	after 12 months	positive	negative	P&L effect [(2)]	Equity reserve net of tax effect [(3)]
Interest rate risk management						
- Cash flow hedge pursuant to IAS 39 IRS	9,700	43,545		(541)	46	(443)
- Cash flow hedge pursuant to IAS 39 Interest Rate Cap	1,635	10,225	1		(10)	
Total	**11,335**	**53,770**	**1**	**(541)**	**36**	**(440)**

(1) Represents the value of (assets)/liabilities recorded in the balance sheet due to the fair value measurement of derivative contracts.
(2) The ineffective portion for hedging purposes in terms of IAS 39 and the delta time value for Interest Rate Cap and Collar contracts.
(3) Represents the “intrinsic value” adjustment to derivative contracts gradually recognised in net equity as from the date of signature.

3.7 Sensitivity analysis

With regard to interest rate risk, a sensitivity analysis has been performed with the aim of quantifying, all other conditions remaining equal, the impact of any fluctuation in market interest rates on the Group’s profit for the year and on equity.
When assessing the potential impact of a fluctuation in the interest rates applied, floating-rate financial instruments are analysed separately (the related impact is valued in terms of cash flow). Floating-rate financial instruments typically include cash and cash equivalents, loans to operating companies and to the parent company and payables for advances on notes receivable. The sensitivity analysis also considers the effect of hedging derivative instruments.

As interest rates were again very low in 2019 (even reaching negative levels), the Group decided to measure only the impact on the P&L and the statement of financial position of a positive fluctuation of + 1%.

A hypothetical, sudden fluctuation of "+1%" in short-term interest rates applicable to floating-rate financial assets and liabilities, net of the effect resulting from hedging instruments in place at 31 December 2019 would have had an impact on pre-tax profit of around -€ 1,719 thousand (+€ 179 thousand at 31 December 2018) with an effect on equity of around +€1,719 thousand (+€ 179 thousand at 31 December 2018).

Notes to the income statement

4) Revenue

The Group's revenue for 2019 is analysed below. Prior year figures and changes from prior year are also shown.

Revenue by operating segment

A breakdown of revenue by operating segment is provided in the table below:

(eur/000)	2019	%	2018	%	Var.
Long term care	480,539	81%	438,873	81%	41,666
Acute Care	36,504	6%	36,124	7%	380
Cancer treatment and diagnostic services	78,078	13%	69,881	13%	8,197
Other	64	0%	49	0%	15
Total	**595,185**	**100%**	**544,927**	**100%**	**50,258**

The increase in revenues is due to:

- a robust increase in the Long term care segment compared to prior year, mainly thanks to acquisitions made in 2018 (that made a full year contribution in 2019) and to new acquisitions made in 2019. The impact of changes to the scope of consolidation was €33,264 thousand and mainly referred to the acquisition of the Charleston Group (€27,107 thousand), Villa Pineta S.r.l. (€ 1,157 thousand), Casa Serena S.r.l. (€281 thousand) and the Biemme, Selemar and Gamma laboratories (€895 thousand), in addition to the impact of companies acquired in 2018 which made a full-year contribution in 2019, especially Villa dei Pini S.r.l. (€2,442 thousand) and Ippofin S.r.l. (€1,058 thousand);

- revenue in the acute care, cancer treatment and diagnostics segment increased thanks to services launched in 2018 which made a full-year contribution in 2019 (impact of € 5,037 thousand) and to new services launched in 2019 (impact of €3,160 thousand).

Revenue by type of client

Revenues by type of client is shown in the table below:

(eur/000)	2019	%	2018	%	Var.
Public	357,471	60%	339,996	62%	17,475
Private	237,714	40%	204,931	38%	32,783
Total	**595,185**	**100%**	**544,927**	**100%**	**50,258**

The split of revenue by type of client shows that the percentage of revenues from private clients has remained substantially in line with that recorded in prior year.

Revenue by region

Revenue by region are shown in the table below:

(eur/000)	2019	%	2018	%	Var.
Lombardy	156,829	26%	153,030	28%	3,799
Trentino Alto Adige	10,160	2%	8,696	2%	1,464
Veneto	34,382	6%	33,429	6%	953
Piedmont	46,989	8%	47,854	9%	(865)
Liguria	18,351	3%	21,006	4%	(2,655)
Tuscany	18,278	3%	15,111	3%	3,167
Emilia Romagna	67,018	11%	65,210	12%	1,808
Marche	135,887	23%	129,297	24%	6,590
Umbria	3,920	1%	4,410	1%	(490)
Abruzzo	4,722	1%	4,364	1%	358
Puglia	4,213	1%	3,400	1%	813
Lazio	23,241	4%	22,993	4%	248
Campania	10,274	2%	10,359	2%	(85)
Sicily	349	0%	367	0%	(18)
Other regions	3,085	1%	1,411	0%	1,674
Foreign countries	57,487	8%	23,990	3%	33,497
Total	**595,185**	**100%**	**544,927**	**100%**	**50,258**

The increase is due to the aforementioned acquisitions which mainly involved Marche and Emilia Romagna. In terms of revenue from other countries, the increase is primarily due to the acquisition of the Charleston Group which had an impact of €27,107 thousand on 2019 revenue, and to the greater number of services provided by the Group, especially in India.

5) Purchases of goods

In the year ended 31 December 2019, this item totalled €45,328 thousand against €39,840 thousand in 2018. These costs represented around 7.6% of revenues, substantially in line with prior year (7.3%). The impact relating to new acquisitions and to the full-year contribution of acquisitions made in prior year was €1,525 thousand.

The total cost for the year ended 31 December 2019 is analysed in detail below and compared with prior year.

(eur/000)	2019	%	2018	%	Var.
Food and beverages	8,977	20%	7,330	18%	1,647
Medical gases	604	1%	545	1%	59
Diagnostics consumables	5,934	13%	3,794	10%	2,140
Medical consumables	6,488	14%	6,134	15%	354
Medicines	8,194	18%	8,061	20%	133
Prosthetic materials and medical devices	7,446	16%	7,240	18%	206
Laboratory consumables	1,975	4%	1,614	4%	361
Generic consumables	51	0%	73	0%	(22)
Cleaning material	1,317	3%	1,166	3%	151
Other	4,342	10%	3,883	10%	459
Total	**45,328**	**100%**	**39,840**	**100%**	**5,488**

6) Services

Services went from €187,011 thousand in 2018 to €156,986 in 2019.

The total cost for the year ended 31 December 2019 is analysed in detail below and compared with prior year.

(eur/000)	**2019**	**%**	**2018**	**%**	**Var.**
Legal, notarial and tax consulting	2,756	2%	2,145	1%	611
IT consulting	2,574	2%	1,807	1%	767
Technical consulting	3,933	3%	3,960	2%	(27)
Medical-nursing consulting	52,155	33%	45,735	24%	6,420
Fees to Directors	2,327	1%	2,119	1%	208
Fees to Statutory Auditors	164	0%	155	0%	9
Personnel services	407	0%	392	0%	15
Utilities	14,588	9%	12,052	6%	2,536
Maintenance and repairs	16,566	11%	15,365	8%	1,201
Insurance	2,916	2%	2,510	1%	406
Cleaning and surveillance	1,775	1%	1,535	1%	240
Subcontracting costs	17,104	11%	34,913	19%	(17,809)
Care and laboratory services	9,685	6%	9,412	5%	273
Catering services	2,520	2%	2,648	1%	(128)
Lease fees	1,426	1%	1,703	1%	(277)
Rents	592	0%	33,207	18%	(32,615)
Other services	25,498	16%	17,353	9%	8,145
Total	**156,986**	**100%**	**187,011**	**100%**	**(30,025)**

The decrease on prior year is mainly due to the application of IFRS 16 with effect from 1 January 2019 (impact of €39,304 thousand) and to the insourcing of certain services – offset in the item "personnel expense". The effect of the full-year contribution of acquisitions made in 2018 and of acquisitions made in 2019 was €9,087 thousand. We also note the inclusion in this caption of non-recurring costs of €3,585 thousand relating to acquisitions made in 2019.

In prior year, rent included real estate lease/rental costs, including non-deductible VAT.

The following schedules show the fees relating to 2019 for audit services and other services rendered by the independent auditor and other entities belonging to its network.

Schedule 1)

Fees (*) relating to 2019 for services provided by the independent auditor to KOS S.p.A.

Type of service	Provider	Recipient	Amount (€/000)
Audit	KPMG S.p.A.	KOS S.p.A.	79

(*) Fees do not include VAT, expenses and any reimbursement of Consob supervisory contribution

Schedule 2)

Fees relating to 2019 for services rendered by the independent auditor to other Group companies.

Audit	KPMG S.p.A.	Subsidiaries	390

7) Personnel expense

Personnel expense for the year ended 31 December 2019 totalled € 235,157 thousand against € 200,933 thousand in 2018.

The increase on prior year is partly due to acquisitions made and to the facilities opened in 2018 and 2019, which had an impact of €20,808 thousand. It is also due to the insourcing of several previously outsourced services which has led to an increase in personnel expense. As a percentage of revenue, personnel expense rose from 36.9% in 2018 to 39.5% in 2019. The assessment of new stock option plans were also included, with an impact of €315 thousand (€385 thousand in 2018).

The total personnel expense for the year ended 31 December 2019 is analysed in detail below and compared with prior year:

(eur/000)	2019	%	2018	%	Var.
Wages and salaries	172,078	73%	145,744	73%	26,334
Social security charges	49,458	21%	41,935	21%	7,523
Post-employment benefits	10,661	5%	10,298	5%	363
Stock option plan valuation	315	0%	385	0%	(70)
Other costs	2,645	1%	2,571	1%	74
Total	**235,157**	**100%**	**200,933**	**100%**	**34,224**

The table below shows the actual number of employees as at 31 December 2019 and 31 December 2018:

	31/12/19	31/12/18
Executives/Managers	46	26
White collar workers	4,966	3,954
Medical staff, carers and workers	6,792	3,026
Total	**11,804**	**7,006**
Employees - Average	**7,888**	**6,777**

The increase in the headcount mainly relates to the acquisition of the Charleston Group which brought with it 3.981 employees.

We also note that subsidiary Ospedale di Suzzara S.p.A. previously used personnel seconded from Azienda Ospedaliera Carlo Poma for its business activities – the related cost of €550 thousand in 2018 was recognised under Services. The use of personnel seconded from Azienda Ospedaliera Carlo Poma ended in 2018, therefore in 2019 the subsidiary Ospedale di Suzzara S.p.A. employed only internal personnel.

8) Other operating income

Other operating income in 2019 totalled €6,680 thousand, higher than the total of €4,866 thousand in prior year.

It may be analysed as follows:

(eur/000)	2019	%	2018	%	Var.
Ordinary prior year income	1,787	27%	1,624	33%	163
Gains on the sale of assets	219	3%	20	0%	199
Other revenue and income	4,674	70%	3,222	66%	1,452
Total	**6,680**	**100%**	**4,866**	**100%**	**1,814**

Ordinary prior year income includes differences between estimated provisions/accruals made in prior year and the actual amounts.

Other revenue and income mainly includes costs for extras paid in advance by our facilities and recharged to residents (e.g. hairdressing services, pharmacy costs, additional social healthcare services, etc …).

The increase compared to prior year mainly relates to the acquisitions made in 2019 and to the full-year contribution of acquisitions made in 2018, whose impact was €1,533 thousand.

9) Other operating costs

Other operating costs amount to €23,176 thousand in 2019 against €20,152 thousand in 2018. This item mainly consists of non-deductible input VAT (€ 15,899 thousand in 2019 against €13,731 thousand in 2018) and other duties and taxes. Ordinary prior year expense includes differences on provisions and accruals made when preparing prior year financial statements. Sundry operating expenses include membership fees, donations and sundry other operating expenses. Acquisitions made in 2018 and 2019 had a €2,284 thousand impact on this item.

(eur/000)	2019	%	2018	%	Var.
Taxes and duties	20,542	89%	18,046	90%	2,496
Ordinary prior year expense	925	4%	1,175	6% (	250)
Ordinary losses	113	0%	67	0%	46
Sundry operating costs	1,596	7%	864	4%	732
Total	**23,176**	**100%**	**20,152**	**100%**	**3,024**

10) Amortisation, depreciation, writedowns and provisions

At 31 December 2019, this item amounted to € 73,528 thousand against € 35,534 thousand in 2018, as follows:

(eur/000)	2019	%	2018	%	Var.
Depreciation	26,326	36%	29,614	83% (	3,288)
Amortisation	1,094	1%	931	3%	163
Amortisation of leased assets and right of use	40,781	55%	-	0%	40,781
Loss allowance	2,544	3%	2,462	7%	82
Other provisions	1,761	2%	1,767	5% (	6)
Other impairment losses	1,022	1%	760	2%	262
Total	**73,528**	**100%**	**35,534**	**100%**	**37,994**

The increase is due to application of the new IFRS 16 (impact of €34,845 thousand) and to the resulting amortisation for the right of use assets recognised in accordance with the new standard. We also note the reclassification of €5,935 thousand of depreciation of leased assets from “Depreciation of Property, Plant and Equipment” to the caption “Amortisation of Leased Assets and Rights of Use” in accordance with the aforementioned new standard.

The increase also regards acquisitions and new facilities opened during the year (impact of €2,297 thousand).

We highlight the impairment of goodwill of €615 thousand (€610 thousand in prior year) for Medipass Leeds Ltd and Medipass Belfast Ltd, and the impairment of €407 thousand to property, plant and equipment, whose carrying amount is lower than their fair value.

11) Financial income

Financial income amounted to € 120 thousand in 2019 compared to € 386 thousand in 2018. It is analysed below:

(eur/000)	2019	%	2018	%	Var.
Interest income on bank accounts	37	31%	10	3%	27
Interest income on derivatives	43	36%	59	15% (	16)
Interest income on arrears	1	1%	9	2% (	8)
Other financial income	39	33%	308	80% (	269)
Total	**120**	**100%**	**386**	**100% (**	**266)**

In the financial statements at 31 December 2018, “Other financial income” mainly included interest from the tax authorities on rebate claims settled in 2018.

“Interest income on arrears” includes late payment interest accruing but not yet collected.

“Interest income on derivatives” includes the chan fair value adjustment of the year arising from the measurement of Interest rate swaps and collar agreements for hedging and the amount already collected by the companies party to derivative contracts.

Changes in dividends are shown below:

(eur/000)	2019	2018	Var.
Dividends	42	32	10

The dividendsof € 42 thousand includes the dividend paid by the Spazio Sanità real estate fund, in which a number of Group companies hold non-controlling interests.

12) Financial expenses

Financial expenses for the year totalled €22,631 thousand compared to €13,108 thousand in 2018, as shown below:

(eur/000)	2019	%	2018	%	Var.
Interest expense on bank accounts	172	1%	85	1%	87
Interest expense on derivatives	435	2%	485	4%	(50)
Interest expense on loans and borrowings	9,199	41%	7,497	57%	1,702
Interest expense on leases and RoU	9,210	41%	1,674	13%	7,536
Third party loans and borrowings	166	1%	284	2%	(118)
Exchange losses	75	0%	137	1%	(62)
Other financial expenses	3,374	15%	2,946	22%	428
Total	**22,631**	**100%**	**13,108**	**100%**	**9,523**

“Other financial expenses” include bank charges and commission on loan transactions.

The increase of €9,523 thousand compared to 2018 is due to application of the new IFRS 16, which had an impact of €7,842 thousand on 2019.

13) Adjustments to financial assets

“Adjustments to financial assets” includes the effect of applying IFRS 9.

14) Income taxes

Income taxes amount to €13,919 thousand, a decrease compared to 2018, as analysed below:

(eur/000)	2019	%	2018	%	Var.
Current taxes - IRES	10,831	78%	12,230	71%	(1,399)
Current taxes - IRAP	4,616	33%	4,663	27%	(47)
Deferred tax expense/(income)	(1,528)	-11%	344	2%	(1,872)
Total	**13,919**	**100%**	**17,237**	**100%**	**(3,318)**

The effective rate of taxation in both years is shown below:

	2019	2018
Effective tax rate	**31%**	**32%**

Income taxes represented around 31% of pre-tax profit in 2018, in line with 32% in prior year.

As certain personnel expenses and financial expenses are partially non-deductible for IRAP purposes, the IRAP charge makes a significant contribution towards increasing the effective consolidated tax rate over the theoretical rate which fell from 31.4% to 27.9% in 2017 because of legislative changes (IRES of 24% and IRAP of 3.9%).

The table below contains a reconciliation between the theoretical and effective tax rates per the financial statements and the corresponding theoretical and effective tax charges:

(eur/000)		**2019**	**2018**
Pre-tax profit in the financial statements		45,274	53,553
Theoretical tax rate (24% of the pre-tax profit)	**A**	**10,866**	**12,853**
Tax effect of non-deductible costs	b	(1,871)	(1,523)
Tax effect of prior year losses generating deferred tax assets	b	(449)	(319)
Tax effect of prior year losses not generating deferred tax assets	b	421	379
Tax effect of foreign operations	b	(343)	-
Non-taxable grants	b	-	-
Other	b	679	1,184
Total effect of addbacks and other - (b)	**B**	**(1,563)**	**(279)**
Income taxes	**A + B**	**9,303**	**12,574**
IRAP and other taxes	C	4,616	4,663
Total	**"A+B"+C**	**13,919**	**17,237**

Notes to the Statement of Financial Position

Non-current assets

15) Intangible assets

At 31 December 2019, net intangible assets amounted to € 394,792 thousand against € 291,137 thousand at 31 December 2018.

	Opening balance			Changes in the year										Closing balance		
	Historical cost	Impairment losses and accumulated amortisation	Carryng amount as at 31/12/2018	Purchases	Changes in consolidation scope		Exchange differences		Other changes		Net disposals		Impairment losses and amortisation	Historical cost	Impairment losses and accumulated amortisation	Carryng amount as at 31/12/2019
(eur/000)					Historical cost	Impairment losses and accumulated amortisation	Historical cost	Impairment losses and accumulated amortisation	Historical cost	Impairment losses and accumulated amortisation	Historical cost	Impairment losses and accumulated amortisation				
Concessions, licenses, trademarks and similar	11,070	(9,627)	1,443	2,936	1,395	(1,253)			214		(51)	5	(956)	15,564	(11,831)	3,733
Goodwill	309,009	(20,616)	288,393	66,305	34,936		469	(209)					(615)	410,719	(21,440)	389,279
Assets under development and payments on account	390	-	390	869					(249)					1,010	-	1,010
Other intangible assets	1,678	(767)	911		272	(269)	(7)						(137)	1,943	(1,173)	770
Total	**322,147**	**(31,010)**	**291,137**	**70,110**	**36,603**	**(1,522)**	**462**	**(209)**	**(35)**		**(51)**	**5**	**(1,708)**	**429,236**	**(34,444)**	**394,792**

The useful lives of each intangible asset category are shown below:

Category	**Useful life - Years (range)**		
Industrial patents and intellectual property rights	5.0		25.0
Concessions, licences, trademarks and similar rights	3.0	-	7.0
Other intangible assets	3.0	-	7.0
Goodwill		indefinite	

Goodwill for each operating segment is shown below together with details of changes compared to 31 December 2018:

(eur/000)	*31/12/2019*	*%*	*31/12/2018*	*%*	*Var.*
Nursing homes	352,921	91%	251,650	87%	101,271
Cancer treatment and diagnostic services	35,842	9%	36,226	13%	(384)
Acute Care	0	0%	0	0%	0
Corporate	516	0%	516	0%	0
Total	**389,279**	**100%**	**288,392**	**100%**	**100,887**

The increase of €100,887 thousand at 31 December 2019 is mainly due to the following acquisitions:

- Charleston Group, impact of € 88,801 thousand;
- Villa Pineta S.r.l., impact of € 8,767 thousand;
- Laboratorio Gamma S.r.l., impact of € 1,960 thousand;
- Casa Serena S.r.l. (€ 741 thousand);
- Laboratorio Biemme S.r.l. and Selemar S.r.l., companies later merged through incorporation into Sanatrix Gestioni S.r.l. (€ 972 thousand)

These increases were partially offset by impairment on goodwill for companies Medipass Leeds and Medipass Belfast (€615 thousand). The translation of financial statements prepared in foreign currency had a positive exchange rate effect of € 260 thousand.

As already stated, given the complexity involved in identifying the fair value attributable to the assets and liabilities acquired, the Group has made use of the possibility under IFRS to perform the allocations regarding new investments on a provisional basis while reserving the right to determine the final values within twelve months of the acquisition date.

Impairment test

As required by IAS 36, the KOS Group has performed impairment testing to check the recoverability of the carrying amounts of property, plant and equipment and intangible assets recognised in the Group consolidated financial statements at 31 December 2019. The goodwill recorded in the consolidated financial statements is tested for impairment at least once a year even if there are no indicators of impairment.

Under the method required by IAS 36, the KOS Group has identified CGUs (Cash Generating Units), which represent the smallest identifiable units in the consolidated financial statements that are capable of generating cash flow on a broadly independent basis. The organisational structure, the type of business and the manner in which control is exercised over the operations of the CGUs themselves were taken into account when identifying the CGUs.

The Group operates in two different Strategic Business Units (SBUs) i.e. Long Term Care and Hospital Management/Services which are, in turn, divided into three operating segments: Long Term Care (Rehabilitation and nursing home management), Acute care (Suzzara hospital) and Cancer Treatment and Diagnostics (under the Medipass brand). Management has identified the following CGUs:

- In the “Long Term Care” segment, following CGUs have been identified on a regional and national level:
    - Lombardy
    - Piedmont
    - Tuscany
    - Liguria
    - Emilia Romagna
    - Veneto
    - Marche
    - Lazio
    - Trentino
    - Campania
    - Umbria
    - Germany
- In the “Acute Care” segment, the only CGU identified regards the company Suzzara hospital;
- In the “Cancer Treatment and Diagnostics” segment (operating under the Medipass brand), following separate CGUs have been identified for each country:
    - Italy;
    - UK
    - India

The levels tested and the amounts tested (in Euro / thousands) are shown in the following table:

ASA	Region / Country	Specific goodwill	Regional goodwill	Total Goodwill
Long Term Care	Lombardy	75,337	33,543	108,880
	Piedmont	5,661	2,939	8,600
	Tuscany	3,948	0	3,948
	Liguria	4,727	6,749	11,476
	Emilia Romagna	23,193	2,933	26,126
	Veneto	9,649	10,808	20,457
	Marche	29,144	37,089	66,233
	Lazio	6,445	0	6,445
	Trentino	2,715	0	2,715
	Campania	9,242	0	9,242
	Umbria	0	0	0
	Germany	88,801	0	88,801
Total Long Term Care (A)		**258,861**	**94,061**	**352,922**
Acute care (B)		**0**	**0**	**0**
Cancer treatment and diagnostic services	Italy	26,444	5,061	31,504
	UK	4,337	0	4,337
	India	0	0	0
Total Cancer treatment and diagnostic services (C)		**30,781**	**5,061**	**35,841**
Corporate (D)		516		*516*
Total Goodwill (A+B+C+D)		*290,158*	*99,121*	*389,279*

The recoverability of the amounts recognised was assessed by comparing the carrying amount attributed to the CGUs including goodwill (i.e. the carrying amounts) with recoverable amount (value in use). Value in use is represented by the present value of future cash flows that are expected to be generated by continuous use of the assets relating to the cash generating units plus the terminal value attributable to the same units.

In some cases, where applicable, the results of real estate appraisals - as described in Note 16 Property, plant and equipment – were taken into account.

When performing the impairment test, the KOS Group used the latest income statement and cash flow forecast data for the period 2020-2024 (as described in the paragraph on the use of estimates) and presumed that the assumptions would materialise and objectives be achieved. When processing the forecast data, management made assumptions based on past experience and on prevailing expectations regarding the outlook for the various operating segments.

Terminal value was calculated based on a growth (g) rate of 1.5% (1as in 2018) which is in line with the average long term growth rate for production, the business sector and the country in which the Group operates. For the Indian CGU, as inflation was expected to be higher than that level, a growth rate of 4% was adopted. No terminal value was calculated in relation to services in the UK as the test was performed in relation to the duration of the service agreement.

The discount rate applied (WACC) reflects current market valuations of the cost of money and takes account of business-specific risks. This rate, net of taxes, was equal to 5.6% (against 6.3% in 2018) for assets in Italy; 5.1% (4.8% in 2018) for assets in the UK; and 8.42% for assets in India (10.35% in 2018).

As highlighted in the Directors' Report, certain legislative action ("Spending review") has continued in recent years putting in place measures aimed at reducing public expenditure and, in particular, healthcare expenditure. On the basis of the best information available, the Group business plan reflects the conclusions reached by management with regard to these measures and, consequently, the estimates made in relation to the recoverability of intangible assets (in particular, goodwill) and tangible assets consider the impact of these measures on future earnings.

The test performed did not identify any impairment.

It should also be noted that, as recoverable amount is determined based on estimates, the Group cannot guarantee that the value of goodwill will not be impaired in future periods. In light of the current market crisis, the factors used to make the estimates may have to be revised.

The Group has also performed a sensitivity analysis considering variations in the underlying assumptions behind the impairment test and, in particular, in the variables that most affect recoverable amount (the discount rate, growth rates), determining the level of such variables that make value in use equal to carrying amount as shown below:

1) Long Term Care: the sensitivity analysis performed on the first test level (Region) produced positive results even considering a rate of growth of zero and a significantly higher WACC than that used in the test of all regions considered, except for Piedmont, Liguria, Tuscany, Lazio, Veneto, Umbria and Campania Regions for which the cover becomes negative if a growth rate of zero is considered.

2) Cancer Treatment and Diagnostics: the sensitivity analysis produced positive results even considering a growth rate of zero and a significantly higher WACC than that used in the test for all of the countries considered in the first test level. Further scenarios based on a deterioration in the most sensitive variables did not have any significant impact as the sector mainly operates based on contracts already acquired.

3) Acute Care: this operating segment consists of Ospedale di Suzzara. As growth rate g is not a variable considered when calculating value in use, the sensitivity analysis was conducted changing only the WACC. As the cover is negative by a negligible amount, it is brought to zero using a WACC slightly lower than that used for the CGUs in Italy i.e. 4.67%.

16) Property, Plant and Equipment

At 31 December 2019, net property, plant and equipment amounted to € 295,923 thousand against € 349,040 thousand at 31 December 2018.

The following table shows a breakdown of this item and changes thereon in 2019.

	Opening balance			Changes in the year										Closing balance		
	Historical cost	Impairment losses and accumulated amortisation	Carryng amount as at 31/12/2018	Purchases	Changes in consolidation scope		Exchange differences		Other changes		Net disposals		Impairment losses and amortisation	Historical cost	Impairment losses and accumulated amortisation	Carryng amount as at 31/12/2019
(eur/000)					Historical cost	Impairment losses and accumulated amortisation	Historical cost	Impairment losses and accumulated amortisation	Historical cost	Impairment losses and accumulated amortisation	Historical cost	Impairment losses and accumulated amortisation				
Land	32,209	(522)	31,687	882					(2,459)					30,632	(522)	30,110
Buildings	219,886	(59,949)	159,937	4,783	904	(748)			(53,060)	7,321	(9,732)	45	(5,765)	162,781	(59,096)	103,685
Pland and Machinery	106,171	(71,436)	34,735	2,314	2,264	(1,460)			(24,762)	14,061	(5,343)	5,270	(4,155)	80,644	(57,720)	22,924
Industrial and commercial equipment	94,143	(54,273)	39,870	9,004	8,827	(6,264)	(1)	43	(347)	370	(936)	894	(7,372)	110,690	(66,602)	44,088
Other assets	124,053	(72,972)	51,081	11,391	28,830	(22,831)	(18)	4	298	384	(1,426)	1,410	(9,273)	163,128	(103,278)	59,850
Assets under construction and payments on account	31,730		31,730	24,002	274				(19,648)		(1,092)			35,266		35,266
Total	**608,192**	**(259,152)**	**349,040**	**52,376**	**41,099**	**(31,303)**	**(19)**	**47**	**(99,978)**	**22,136**	**(18,529)**	**7,619**	**(26,565)**	**583,141**	**(287,218)**	**295,923**

Land and buildings are recognised at historical cost. In order to test their carrying amount, independent appraisals were performed at 31 December 2019.

In accordance with IFRS 16, assets held under finance lease agreements have been reclassified to the caption “Right of use assets”. The net effect of the reclassification was €79,916 thousand. During 2019, the final purchase option was exercised in relation to certain leased assets and they were reclassified from rights of use to “Plant and machinery” (€2,038 thousand).

Fair value was determined using generally accepted valuation methods and principles based on the most widely applied valuation criteria. Following the valuations performed in 2019, the historical cost of certain assets was adjusted by around €357 thousand to bring it into line with fair value.

Increases for the year, amounting to €52.3 million, include ordinary capex (restoration of current operating capacity - around €15 million), capex to comply with laws and regulations (€4.3 million) and capex on business development/expansion (€33 million). Details of the business development capex during the year are provided below:

- €4.8 million refers to construction of a 100 bed nursing homes in Campofilone – construction work began in 2018;
- €7 million refers to construction of a 120 bed nursing homes in the Municipality of Vimercate;
- €13.8 million relates to new equipment installed at client hospital facilities where management of diagnostics services has been entrusted to subsidiaries Medipass S.r.l. and ClearMedi Health Care Ltd;
- €7.4 million refers to development work on facilities already operating and to new constructions where work has just started;

"Business combinations" refers to acquisitions made in 2019 i.e. the Charleston Group, Villa Pineta S.r.l., Laboratorio Gamma S.r.l., Casa Serena S.r.l. and Selemar S.r.l..

As in prior years, the depreciation charged to the income statement was determined based on the residual useful lives of the assets in question by applying depreciation rates felt to represent their useful lives.

When the above real estate appraisals were performed, useful life was also examined and a component analysis performed.

The useful lives of each asset category are shown below:

Category	Useful life - Years (range)			Useful life - Years (average)
Buildings			33.3	33.3
General plants	8.0	-	12.5	10.3
Electrical and plumbing systems	7.7	-	8.3	8.0
Sanitary systems	7.7	-	8.3	8.0
Kitchen appliances	7.7	-	8.3	8.0
Telephone and data systems	7.7	-	8.3	8.0
Kitchen equipment	4.0	-	8.0	6.0
General equipment	4.0	-	8.0	6.0
Medical equipment	8.0	-	10.0	9.0
Healthcare furniture and fittings	8.3	-	10.0	9.2
Office furniture and fittings	7.7	-	8.3	8.0
Linen			2.5	2.5
Electronic office machines			5.0	5.0
Vehicles	4.0	-	5.0	4.5
Telephone systems			5.0	5.0

17) Right of use assets

With effect from 1 January 2019, the Group adopted the new IFRS 16 to recognise leases. Under the new standard, there is broad alignment of the accounting treatment of finance leases and operating leases. The main accounting effects of application of the standard include the recognition of Right of use assets at the contract commencement date and the related lease liability for use of the asset.

Movements on this caption are analysed below:

	Opening balance			Changes in the year											Closing balance		
	Historical cost	Impairment losses and accumulated amortisation	Carryng amount as at 31/12/2018	IFRS 16 FTA impact	Purchases	Changes in consolidation scope		Exchange differences		Other changes		Net disposals		Impairment losses and amortisation	Historical cost	Impairment losses and accumulated amortisation	Carryng amount as at 31/12/2019
(eur/000)						Historical cost	Impairment losses and accumulated amortisation	Historical cost	Impairment losses and accumulated amortisation	Historical cost	Impairment losses and accumulated amortisation	Historical cost	Impairment losses and accumulated amortisation				
Righ of use assets	-	-	-	328,099	20,304	419,075				99,778	(21,902)			(40,781)	867,256	(62,683)	804,573
Total	**-**	**-**	**-**	**328,099**	**20,304**	**419,075**	**-**	**-**	**-**	**99,778**	**(21,902)**	**-**	**-**	**(40,781)**	**867,256**	**(62,683)**	**804,573**

"Reclassifications" includes assets held under finance lease agreements, which were reclassified to right of use assets with effect from 1 January 2019, as well as leased assets acquired following the exercise of final purchase options during 2019 and reclassified to "Plant and Machinery". For further details, see paragraph *2.3 "Change of Accounting Standards".*

18) Investment property

This item mainly includes non-business properties owned by the KOS Group, specifically an hotel and an apartment in the Marche Region. Changes during the year were as follows:

	Opening balance			Changes in the year										Closing balance		
	Historical cost	Impairment losses and accumulated amortisation	Carryng amount as at 31/12/2018	Purchases	Changes in consolidation scope		Exchange differences		Other changes		Net disposals		Impairment losses and amortisation	Historical cost	Impairment losses and accumulated amortisation	Carryng amount as at 31/12/2019
(eur/000)																
Investment property	7,870	(3,353)	4,517	-							(2,908)	1,463	(168)	4,962	(2,058)	2,904
Total	**7,870**	**(3,353)**	**4,517**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(2,908)**	**1,463**	**(168)**	**4,962**	**(2,058)**	**2,904**

Investment property was measured at cost and again at 31 December 2019. Following this valuation, in 2019, the historical cost value of certain property was increased by €50 thousand to bring it into line with fair value.

We highlight the sale, during the second half of 2019, of the "Hotel Giannino" which was owned by the Group. Management decided to sell this property and generated a gain on disposal of €74 thousand.

19) Other investments

This item includes the following non-controlling investments over which, notwithstanding the percentage interests held, the KOS Group did not hold control on either a de facto or a legal basis as at 31 December 2019.

These investments are considered as available for salein light of the lack of significant influence and taking account of the fact that one or more of the following circumstances are met in relation to these investments:

- no representation on the board of directors
- no participation in the decision-making processes
- no significant transactions
- no exchange of management personnel or supply of key technical information

This item also includes investments in entities under common control, as recorded using the equity method from the date when common control began until the time it ceases to exist. The subsequent measurement of the investment for consolidation purposes generated a gain of € 44 thousand which was classified in the income statement under adjustments to equity-accounted investees.

Other investments in associates and other equity-accounted investees

Name	Main office	Share/quota capital (Eur)		Owner	% of investment	Group interest	Carrying amount (eur) 31/12/2019	Carrying amount (eur) 31/12/2018
Osimo Salute S.p.A	Osimo (AN)	750,000	€	Abitare il tempo S.r.l	25.50%	14.03%	893	893
Fondo Spazio Sanità	Rome	107,649,500	€	KOS Care S.r.l	0.84%	0.84%	900	900
Apokos Rehab PVT Ltd*	Andhra Pradesh - India	169,500,000	INR	Kos S.p.A	50.00%	50.00%	851	808
Studio laboratorio Biemme S.r.l.	Castelraimondo (MC)	10,000	€	Sanatrix Gestioni S.r.l.	100.00%	100.00%	-	425
Other							24	17
Total							**2,668**	**3,043**

** Equity-accounted investees*

20) Other non-current receivables

The following table provides a breakdown of this item:

(eur/000)	31/12/2019	31/12/2018	Var.
Tax assets	370	370	-
Security deposits	1,346	1,239	107
Receivables from social security institutions	221	165	56
Other assets	2,943	2,619	324
Total	**4,880**	**4,393**	**487**

This item includes receivables from social security institutions and guarantee deposits, plusother assets.

“Other assets” includes a payment on account made to a supplier in relation to a nursing home that will be leased by the Group once construction has been completed.

21) Deferred taxes

This includes deferred tax assets and deferred tax liabilities arising on temporary differences between profit/loss per the financial statements and taxable income.

(eur/000)	31/12/2019		31/12/2018	
	Difference	Tax	Difference	Tax
Temporary difference in current assets	14,280	3,479	14,093	3,401
Temporary difference in non-current assets	16,996	4,232	13,288	3,382
Temporary difference in current liabilities	4,472	1,188	4,464	1,185
Temporary difference in provisions for personnel	20,770	4,988	17,261	4,128
Temporary difference in provisions for risks and charges	23,589	6,416	23,689	5,830
Temporary difference in financial instruments	520	135	662	168
Temporary difference from tax losses	14,905	4,172	10,922	3,281
Total	**95,532**	**24,610**	**84,379**	**21,375**

(eur/000)	31/12/2019		31/12/2018	
	Difference	Tax	Difference	Tax
Temporary difference in current assets	8,779	2,522	11	4
Temporary difference in non-current assets	52,870	14,805	58,511	16,407
Temporary difference in current liabilities	(29)	(7)		
Temporary difference in provisions for personnel	(1,792)	(474)	(697)	(168)
Temporary difference in financial instruments	-	-	2	1
Total	**59,828**	**16,846**	**57,827**	**16,244**

With regard to deferred tax assets:

- the temporary differences in current assets mainly relate to provisions for doubtful debts;
- the temporary differences in non-current assets mainly regard the effect of recognising leases (IFRS 16) and differences in depreciation/amortisation charges for financial reporting and tax purposes;
- the temporary differences in provisions for personnel mainly regard provisions created for collective labour agreement renewal;
- the temporary differences in financial instruments mainly regard the valuation of derivative financial instruments.

With regard to deferred tax liabilities:

- the temporary differences in non-current assets mainly regard the effect of recognising leases (IFRS 16) and the effect of allocating part of the acquisition cost of Santo Stefano Group to the assets of the said company, as occurred in 2007;

- the temporary differences in provisions for personnel are mainly due to the different treatment of the post-employmene benefits for IFRS purposes (IAS 19).

Tax losses not yet used for the calculation of deferred taxes amount to €9,471 thousand. On a prudential basis, no deferred tax assets have been recognised on such losses. A detailed analysis is provided below:

	31/12/2019	31/12/2018
Prior year losses	24,376	15,449
of which:		
- tax losses that generated deferred tax assets	14,905	10,922
- tax losses that did not generated deferred tax assets	9,471	4,527

Deferred taxes recognised directly in equity during the year were positive and amounted to € 1,117 thousand. They mainly refer to acquisitions made during the year and to the tax effect of the fair value measurement of instruments used to hedge the interest rate risk.

Changes in deferred tax assets and liabilities compared to 31 December 2018 are analysed below, inclusive of the effects on equity not taken through profit or loss. The effect of the acquisitions made in 2019, specifically Villa Pineta S.r.l., Casa Serena S.r.l. and the Charleston Group which had an impact of €927 thousand on deferred tax assets.

Changes in deferred tax assets and liabilities

(eur/000)	31/12/2018	Use of deferred taxes from previous year	Deferred taxes for the year	Changes in consolidation scope	Other changes	31/12/2019
Deferred tax assets						
- in profit or loss	19,859	(1,508)	4,016		-	22,367
- in equity	1,516	(268)	87	927	(19)	2,243
Total	**21,375**	**(1,776)**	**4,103**	**927**	**(19)**	**24,610**

(eur/000)	31/12/2018	Use of deferred taxes from previous year	Deferred taxes for the year	Changes in consolidation scope	Other changes	31/12/2019
Deferred tax liabilities						
- in profit or loss	(9,019)	84	(1,064)		-	(9,999)
- in equity	(7,225)	337	-		53	(6,835)
Total	**(16,244)**	**421**	**(1,064)**	**-**	**53**	**(16,834)**
Net deferred taxes	**5,131**	**(1,355)**	**3,039**	**927**	**34**	**7,776**

During the year, deferred tax assets recognised through the income statement had a positive impact of €2,514 thousand while the negative impact relating to accounting for deferred tax liabilities was equal to €986 thousand.

The following table shows movements on deferred tax assets and liabilities in 2018.

(eur/000)	31/12/2017	Use of deferred taxes from previous year	Deferred taxes for the year	Changes in consolidation scope	Other changes	31/12/2018
Deferred tax assets						
- in profit or loss	19,256	(2,203)	2,806			19,859
- in equity	1,362		70	192	(108)	1,516
Total	**20,618**	**(2,203)**	**2,876**	**192**	**(108)**	**21,375**

(eur/000)	31/12/2017	Utilizzo imposte differite di esercizi precedenti	Imposte differite sorte nell'esercizio	Variazioni di perimetro	Other changes	31/12/2018
Deferred tax liabilities						
- in profit or loss	(8,072)	72	(1,019)			(9,019)
- in equity	(6,334)	38	(93)	(836)		(7,225)
Total	**(14,406)**	**110**	**(1,112)**	**(836)**	**-**	**(16,244)**
Net deferred taxes	**6,212**	**(2,093)**	**1,764**	**(644)**	**(108)**	**5,131**

Current assets

22) Inventories

At 31 December 2019, inventories amounted to €4,521 thousand and increased by €887 thousand compared to 31 December 2018. The effect on inventories of acquisitions during 2019 was €623 thousand. The table contains a breakdown of the categories of goods in inventory together with prior year comparative figures.

(eur/000)	31/12/2019	31/12/2018	Var.
Other goods	552	249	303
Healthcare goods	3,554	3,172	382
Food product inventory	415	213	202
Total	**4,521**	**3,634**	**887**

Inventories include medical products and other items normally utilised in the Group's core business.

Inventory turnover is adequate, also considering the type of goods, and no provision was necessary.

23) Receivables from parent company

(eur/000)	31/12/2019	31/12/2018	Var.
Receivables from parent company	2,782	1,574	1,208
Total	**2,782**	**1,574**	**1,208**

The receivables from parent company CIR S.p.A. were generated by the inclusion of the IRES tax receivables arising from the participation of several KOS Group companies in the tax consolidation scheme.

24) Trade receivables

At 31 December 2019, trade receivables amounted to € 113,810 thousand, an increase of € 16,925 thousand on 31 December 2018. The increase is the result of acquisitions carried out during 2019 (effect of € 8,393 thousand) and to collection trends during the year.

The balance is analysed as follows:

(eur/000)	31/12/2019	%	31/12/2018	%	Var.
Receivables from private customers	48,670	34%	35,127	28%	13,543
Receivables form public-sector customers	93,602	66%	88,290	72%	5,312
Loss allowance	(28,462)		(26,532)		(1,930)
Total	**113,810**	**100%**	**96,885**	**100%**	**16,925**

A specific loss allowance is created to bring trade receivables into line with their estimated realisable amount. Allocations to the loss allowance are made based on a detailed assessment of each receivable balance, taking account of overdue balances. During the year, the allowance was increased by €2,544 thousand, net of the impairment of interest on arrears.

The loss allowance includes a prudent allowance made upon the invoicing of interest on arrears, mainly to public sector customers. This allowance stood at € 6,613 thousand at 31 December 2019, in line with the figure at 31 December 2018. In accordance with IFRS 9, the allowance has been calculated based on an expected credit loss model. The Group's trade receivables of all sections were impaired by a percentage ranging from 1% for receivables not overdue up to 100% for the oldest receivables. As a percentage of gross trade receivables, the loss allowance has decreased from 21.5% at 31 December 2018 to 20% at 31 December 2019.

For details of movements on the loss allowance, see Note *"3.3 Additional disclosures on financial assets"*.

The carrying amount of trade receivables, net of the allowance, is close to their fair value.

Trade receivables at 31 December 2019 and 2018 are broken down by region in the table below:

(eur/000)	31/12/2019	%	31/12/2018	%	Var.
Lombardy	4,400	4%	6,952	7%	(2,552)
Trentino Alto Adige	2,191	2%	616	1%	1,575
Veneto	5,544	5%	5,395	6%	149
Piedmont	5,121	4%	5,811	6%	(690)
Liguria	269	0%	2,483	3%	(2,214)
Tuscany	3,722	3%	3,133	3%	589
Emilia Romagna	11,539	10%	8,702	9%	2,837
Marche	39,410	35%	30,402	31%	9,008
Lazio	11,680	10%	11,176	12%	504
Campania	3,037	3%	6,140	6%	(3,103)
Calabria	873	1%	1,912	2%	(1,039)
Sicily	158	0%	225	0%	(67)
Other regions	4,614	4%	3,134	3%	1,480
Foreign countries	21,252	19%	10,804	11%	10,448
Total	**113,810**	**100%**	**96,885**	**100%**	**16,925**

At 31 December 2019 and 31 December 2018, there were no trade receivables due after more than five years.

25) Other assets

At 31 December 2019, other assets amounted to € 11,867 thousand, an increase of € 2,334 thousand compared to 31 December 2018, as detailed below:

(eur/000)	31/12/2019	31/12/2018	Var.
Receivables from associates	105	105	-
Receivables from others	7,725	6,512	1,213
Tax assets	4,037	2,916	1,121
Total	**11,867**	**9,533**	**2,334**

"Tax assets" mainly includes VAT assets of € 2,078 thousand (€ 1,024 thousand at 31 December 2018) and IRES and IRAP payments on account totalling around € 314 thousand (€ 599 thousand at 31 December 2018).

Other assets mainly include the credit for payments on account made to health and safety institution INAIL, advances to suppliers, sundry deposits, receivables due to non-recourse factoring and prepaid expenses and accrued income mainly consisting of prepaid rent.

At 31 December 2019 and 31 December 2018, there were no other assets due after more than five years.

26) Financial assets

The balance of €9,194 thousand at 31 December 2019 has decreased compared to 31 December 2018 (€14,674 thousand), mainly thanks to improved collections. It mainly reflects the inclusion of receivables from non-recourse factoring, as well as the positive fair value (€18 thousand) of the derivative instruments agreed to hedge the risk of interest rate fluctuation.

27) Cash and cash equivalents

Cash and cash equivalents totalled €115,375 thousand at 31 December 2019, an increase of €60,041 thousand compared to 31 December 2018. They can be broken down as follows:

(eur/000)	31/12/2019	31/12/2018	Var.
Bank and postal deposits	114,811	54,861	59,950
Cash and cash equivalents on hand	349	245	104
Cheques	215	228	(13)
Total	**115,375**	**55,334**	**60,041**

Changes in cash and cash equivalents in 2019 are analysed in the statement of cash flows.

The carrying amount of these assets has been restated at fair value by adjusting bank deposits to take account of the credit rating of the banks used by the Group. This process led to an impairment adjustment of € 116 thousand.

Cash and cash equivalents consist of amounts whose use or employment is not subject to any restrictions.

The Group's net financial debt is € 1,105,315 thousand against € 259,433 thousand at 31 December 2018. For further information, see the note on the "Net financial debt".

28) EQUITY

The following table shows changes in equity during the year:

	SHARE CAPITAL	LEGAL RESERVE	SHARE PREMIUM RESERVE	STOCK OPTION RESERVE	CASH FLOW HEDGING RESERVE	POST-EMP. BENEFIT	RETAINED EARNINGS(LOSSES CARRIED FORWARD)	TRANSLATION RESERVE	PROFIT FOR THE YEAR	TOTAL	PROFIT FOR THE YEAR ATTRIBUTABLE TO NC INTERESTS	NON-CONTROLLING INTERESTS	TOTAL
BALANCE AT 31 DECEMBER 2018	**8,848**	**1,770**	**86,013**	**2,216**	**(443)**	**(1,622)**	**159,430**	**41**	**35,168**	**291,421**	**1,148**	**5,078**	**297,647**
Capital increase										0		79	79
Profit for the year									30,304	30,304	1,051		31,355
Other comprehensive income:													
Changes in cash flow hedge reserve					174					174			174
Changes in post-employment benefit valuation reserve						(1,263)				(1,263)		(17)	(1,280)
Translation differences								206		206		7	213
Total other comprehensive income	**0**	**0**	**0**	**0**	**174**	**(1,263)**	**0**	**206**	**30,304**	**29,421**	**1,051**	**(10)**	**30,462**
Increase in stock option reserve				316						316			316
Dilution of non-controlling interests (CMH)							(75)			(75)		(6)	(81)
Dilution of non-controlling interests (STX)							(90)			(90)		(148)	(238)
Charleston Group acquisition												(130)	(130)
Allocation of prior year profit							35,168		(35,168)	0	(1,148)	1,148	0
Dividends and reserves distributed to Shareholders			(35,100)							(35,100)		(783)	(35,883)
Utilisation of share premium			(5,270)				5,270			0			0
BALANCE AT 31 DECEMBER 2019	**8,848**	**1,770**	**45,643**	**2,532**	**(269)**	**(2,885)**	**199,703**	**247**	**30,304**	**285,893**	**1,051**	**5,228**	**292,172**

Share capital

Share capital was fully subscribed and paid at 31 December 2019. It amounted to €8,848 thousand and was divided into 88,481,034 shares with no nominal value.

The shares are divided into three categories/classes (class “A”, “B” and “C” shares) that have the same equity rights and different circulation rights as well as certain particular prerogatives for the class “B” shares in relation to administrative rights.

Share-based payments

KOS S.p.A. has implemented a number of stock option plans in order to provide the Group with a means of offering incentives to directors and employees while building up their loyalty in such a way that key personnel feel a greater sense of belonging to the business. At the same time, the plans help encourage the creation of value for the Company and, therefore, for its shareholders.

Exercise of the stock options is subject to specific time requirements relating to period of employment or appointment and they will only become effective when these requirements are met.

Details of the various plans and movements thereon in 2019 are shown in the following table:

31/12/2019	Outstanding options at 1 January		Granted options during the year		Exercised options during the year		Expired options during the year		Outstanding options at the end of the year			Exercisable options at the end of the year		Vesting and expiry dates	
	Options number	Weighted average price for the year	Options number	Weighted average price for the year	Options number	Weighted average price for the year	Options number	Weighted average price for the year	Options number	Average price for the year	Average time to maturity (years)	Options number	Weighted average price for the year	Vesting date (100%)	Expiry date
Stock Option '10 rev	1,661,083	3.05							1,661,083	2.65	13.4	1,661,083	2.65	31/12/2014	17/05/2033
Stock Option '16	1,495,000	7.17							1,495,000	7.00	13.4	299,000	7.00	17/05/2023	17/05/2033
Total	**3,156,083**	**5.00**							**3,156,083**	**4.71**	**13.4**	**1,960,083**	**3.32**		

The Company values its stock options using the Black-Scholes method.

The value of the stock options recognised in the income statement under Personnel costs for share based payments regarding stock options on KOS S.p.A. shares was equal to €315 thousand at 31 December 2019.

Reserves

Legal reserve

The legal reserve amounts to € 1,770 thousand and did not increase during 2019.

Share premium reserve

The share premium reserve amounts to € 45,643 thousand and has decreased by € 40,370 thousand compared to 31 December 2018. This decrease is due to the distribution of reserves of € 35,100 thousand and to € 5,270 thousand allocated to retained earnings.

Valuation reserves

The following table shows changes in valuation reserves during the year:

Valuation reserves (eur/000)	31/12/2018	Increase	Decrease	Changes in intrinsic value	31/12/2019
Cash flow hedges	(443)			174	(269)
Stock option plans	2,216	316			2,532
Post-employment benefits	(1,622)		(1,263)		(2,885)
Total	**151**	**316**	**(1,263)**	**174**	**(622)**

The ***Stock option plans reserve*** offsets costs relating to vesting Stock Options awarded by KOS S.p.A. The increase relates to the valuation of the new stock option plans issued from 17 May 2016.

The ***Cash flow hedging reserve*** includes the intrinsic value of the KOS Group derivative contracts based on the cash flow hedge method, allocating it to equity reserve at contract date, in relation to only the effective portion for IRS contracts, and to the variation on Collar and Interest Rate Cap contracts (See *"Disclosures on risks and financial instruments*").

The ***Post-employment benefits reserve*** includes actuarial gains and losses resulting from application of the revised IAS 19 to the Group's post-employment benefits.

Other reserves and retained earnings

This includes the retained earnings (losses carried forward) of consolidated companies and the other reserves of subsidiaries. The change mainly regards the allocation of prior year net income to reserves and utilisation by parent company KOS S.p.A. of part of the share premium reserve. The reserve also includes consolidation differences emerging on the acquisition of non-controlling interests in companies already controlled by the Group.

Equity – non-controlling interests

Equity attributable to non-controlling interests, amounting to € 6,279 thousand (€ 6,226 thousand at 31 December 2018), mainly regards non-controlling interests in companies consolidated on a line by line basis. The increase compared to 31 December 2018 is primarily due to the payment of dividends by Abitare il tempo S.r.l. and Fidia S.r.l. (€ 783 thousand), to the acquisition of part of the non-controlling interests in Sanatrix S.r.l. (€ 148 thousand) and to the first-time consolidation of the Charleston Group (€ 130 thousand). These negative effects were more than offset by net profit for the year (€ 1,051 thousand).

(eur/000)			
Company	**Non-controlling interests**	**% of direct non-controlling interests**	**Reserves attr. to NC interests**
Abitare il Tempo S.r.l.	46%	46%	4,141
Fidia S.r.l	40%	40%	128
KOS Servizi Società Consortile R.L	3%	0%	-18
Sanatrix Gestioni S.r.l.	10%	0%	1,171
Sanatrix S.r.l.	10%	10%	695
Laboratorio Gamma S.r.l.	0.39%	0%	3
Medipass Healthcare Ltd	2%	2%	33
ClearMedi Healthcare Ltd	3%	0%	-92
ClearView Healthcare Ltd	15%	15%	127
Medipass Healthcare Leeds & Belfast Ltd	2%	0%	-43
Medipass Leeds Ltd	2%	0%	87
Medipass Belfast Ltd	2%	0%	104
Ecomedica S.p.A.	2%	2%	114
Die Frankenschwestern GmbH	40%	40%	-171
Total			**6,279**

29) Liabilities and financial liabilities

At 31 December 2019, liabilities and financial liabilities amounted to € 1,229,882 thousand against € 329,440 thousand at 31 December 2018, an increase of € 900,457 thousand for the period. It should be recalled that the Group has applied the new IFRS 16 with effect from 1 January 2019 and it had an impact of € 737,313 thousand at the reporting date.

The following table contains a breakdown of financial liabilities by maturity date as at 31 December 2019 and 31 December 2018.

(eur/000)	31/12/2019	Within the year	1-5 years	Over five years	31/12/2018	Within the year	1-5 years	Over five years
Bank overdrafts	**6,513**	6,513			**10,892**	10,892		
Bank loans and borrowings - collateral	**43,964**	8,762	32,881	2,321	**44,417**	7,514	31,041	5,862
Bank loans and borrowings	**287,959**	20,533	253,477	13,949	**109,895**	1,058	98,896	9,941
Bond loans	**99,161**	561	63,625	34,975	**99,071**	569		98,502
Other lenders	**954**	191	763	-	**1,143**	189	763	191
Finance leases	**53,720**	9,035	21,996	22,689	**63,479**	10,863	26,992	25,624
Lease liabilities	**737,313**	47,822	187,773	501,718	-			
Fair value of derivatives	**298**	298			**543**	543		
Total	**1,229,882**	**93,715**	**560,515**	**575,652**	**329,440**	**31,628**	**157,692**	**140,120**

The following table shows changes in medium/long term financial liabilities between 31 December 2018 and 31 December 2019.

(euro/000)	31/12/2018	Increase	Decrease	Changes in consolidation scope	Exchange difference	IFRS 16 FTA impact	31/12/2019
Bank loans and borrowings - collateral	**44,417**	12,411	(14,105)		1,241		**43,964**
Bank loans and borrowings	**109,895**	188,469	(10,279)	(126)			**287,959**
Bond loans	**99,071**	90					**99,161**
Other lenders	**1,143**		(189)				**954**
Finance leases	**63,479**	1,610	(11,442)	73			**53,720**
Lease liabilities	**0**	14,384	(27,095)		419,075	330,949	**737,313**
Fair value of derivatives	**543**		(245)				**298**
Total	**318,548**	**216,964**	**(63,355)**	**(53)**	**420,316**	**330,949**	**1,223,369**

The increase due to changes in the scope of consolidation mainly refer to the application of IFRS 16 to acquisitions carried out in 2019, specifically, the Charleston Group (€411,756 thousand), Villa Pineta S.r.l. (€6,029 thousand), Casa Serena S.r.l. (€1,215 thousand) and Laboratorio Gamma S.r.l. (€75 thousand).

Financial liabilities and bank borrowing

Some details of the main changes during the reporting period are provided below:

- Drawdown of €10 million on the ING/Natixis loan facility for the acquisition of Villa Pineta in November. Drawdown of a further Euro 15 million for an acquisition to be completed in the first half of 2020;
- Drawdown of €20 million on the loan granted by Cassa Depositi e Prestiti to finance capex of Medipass S.r.l.
- On 25 June 2019, Kos SpA signed a bilateral loan agreement with Mediobanca for a total of € 35 million, for a period of 5 years, in order to sustain the Group's ordinary activities, its capex and its acquisitions. The full amount of the loan was drawn down in December.
- Also, on 27 July 2019, Kos S.p.A. entered into an agreement with BNP (later syndicated with other banks - Banco BPM, Credit Agricole, IntesaSanpaolo, ING Bank) for a loan of € 95 million, for a period of 5 years, to finance the acquisition of German company Charleston GmbH on 31 October 2019.
- With regard to the construction loan facilities totalling € 27 million, arranged in 2018 to finance greenfield developments in Vimercate, Villalba and Campofilone, following drawdowns were requested in 2019: € 4.4 million for Vimercate, € 3.1 million for Villalba and € 34 million for Campofilone. In December, the loan relating to the Campofilone development was repaid in full following the sale of the property.
- A construction loan facility totalling €7.7 million was arranged in December 2019 to finance a greenfield development in Grosseto. €1.9 million was drawn down on the facility in 2019.
- Decreases due to principal repayments on loans.

Finally, in September, the Indian subsidiary increased its existing loan facility with the Indian bank Kotak Ltd by around €6.5 million.

Further information on the loans and the related covenants is provided in Note 3.5 "*Loans and related covenants"*.

As required by IFRS 9, loans are states at amortised cost, where considered significant, which is determined using the effective interest method (taking account of explicit market interest and loan related expenses) i.e. considering the rate that discounts future cash flows over the life of the financial instrument in order to arrive at its net carrying amount (See Note 4, "*Information on risks and financial instruments*").

Bonds

The caption "*Bond loans*" refers to KOS S.p.A., issuing in October 2017two bonds by means of a private placement subscribed by institutional investors for a total of € 99 million. The two bonds subscribed by institutional investors with agent bank BNP Paribas and the subject of specific intra-Group loans are described as follows:

- €35 million maturing in October 2025 and subject to bullet repayment on maturity with fixed interest rate of 3.50%
- €64 million maturing in October 2024 and subject to bullet repayment on maturity with fixed interest rate of 3.15%.

Other financial liabilities

The following table contains a breakdown of this item at 31 December 2019 and 31 December 2018.

(eur/'000)	31/12/2019	31/12/2018	Var
Regional fund (FRISL)	953	1,144	(191)
Total	**953**	**1,144**	**(191)**

Other financial ***liabilities*** includes payables of €953 thousand (€1,144 thousand at 31 December 2018) relating to an interest free "repayable grant" from Lombardy Region to fund construction of a nursing home in Milan; the funding is from the Lombardy Social Infrastructure Reconstruction Fund (*Fondo Ricostruzione Infrastrutture Sociali Lombardia* (FRISL).

Liabilities to leasing companies

The Group is party to finance lease agreements which it accounts for in accordance with IFRS 16. The following table contains details of the main finance lease payables at 31 December 2019 and 31 December 2018.

(eur/'000)	31/12/2019	31/12/2018	Var
Leasing real esate - Padiglione F.	5,735	6,267	- 532
Leasing real estate - Montecosaro	3,604	3,982	- 376
Leasing real estate - Monza	6,724	7,112	- 388
Leasing real estate - Foligno	5,005	5,180	- 176
Leasing real estate - Foligno	3,682	3,814	- 131
Leasing real estate - PGR	8,889	10,603	- 1,714
Leasing real estate - Ascoli	4,623	5,116	- 493
Leasing on high tech plants	15,458	21,407	- 5,949
Total	**53,720**	**63,480**	**(9,759)**

The decrease is mainly due to repayments made.

Lease liabilities

With effect from 1 January 2019, upon application of the new IFRS 16, the Group recorded a lease liability which totalled € 737,313 at 31 December 2019. The liability mainly refers to the rental/lease of buildings and to the hire/rental of cars and other assets. Specifically, at 31 December 2019, 440 lease and rental contracts were considered, including 191 property lease/rental contracts. The impact of application of IFRS 16 on this caption from 1 January 2016 onwards was €330,950 thousand.

Financial liabilities on the measurement of derivatives

Financial liabilities on the measurement of derivatives regard the fair value of IRS (interest rate swap), Collar and Interest Rate Cap agreements entered into by the Group in order to hedge the interest rate risk.

30) ***Deferred tax liabilities***

Deferred tax liabilities totalled €16,846 thousand at 31 December 2019, an increase compared to 31 December 2018 (€16,244 thousand).

The deferred tax liabilities relate to temporary differences between the value of the assets and liabilities recognised in the financial statements and their corresponding value for tax purposes. See note 20 "Deferred taxes" for more information.

31) Provisions for personnel

These include post-employment benefits and other employee benefits accruing at year end. Where applicable, they are measured, on a six-monthly basis, under the actuarial method required by IAS 19. At 31 December 2019, the post-employment benefits amounted to €27,241 thousand, an increase of € 2,229 thousand compared to 31 December 2018.

The following table shows changes in payroll provisions in 2019.

(eur/000)	31/12/2019	31/12/2018
Opening balance	25,012	24,774
Service cost	10,661	10,298
Finance cost	364	284
Benefits paid	(1,872)	(1,751)
Change in consolidation scope	887	1,618
Transfers to pension funds/treasury fund	(9,059)	(8,973)
Other changes	(312)	(534)
Net unrealised actuarial gains	1,560	(704)
Provisions for personnel	**27,241**	**25,012**

In compliance with IAS 19, post-employment benefits have been reported according to the 'projected unit credit cost' method based on the following assumptions:

Economic assumptions	31/12/2019	31/12/2018
Inflation rate	1.20%	1.50%
Discount rate	0,77%*	1,57%*
Remuneration increase rate	0,50% - 1,50%	0,50% - 1,50%
ESI increase rate	2.40%	2.63%

Demographic assumptions	31/12/2019	31/12/2018
Mortality rate	RG48	RG48
Disability rate	INPS table by age and sex	INPS table by age and sex
Retirement rate	Fulfillment of compulsory general insurance requirements	Fulfillment of compulsory general insurance requirements

*IBOXX Eurozone Corporates AA

The following is also shown for each company:

- sensitivity analysis for each relevant actuarial assumption, showing the effects in absolute terms of variations in the actuarial assumptions that would be reasonably possible at that date;

- details of contribution for next reporting period;

- details of average financial duration of defined benefit plan obligation;

- payments expected by the plan.

Company	Assumption variation					
	employee turnover		inflation rate		discount rate	
	1%	-1%	25	- 1/4 %	25	- 1/4 %
EL.SI.DA. SRL	145,589.05	153,592.20	153,639.02	145,134.77	144,224.24	154,656.93
KOS S.p.A.	617,163.13	635,392.18	639,904.26	611,959.97	607,497.72	644,763.07
KOS SERVIZI SOC. CONSORTILE A R.L.	3,924,344.89	4,027,622.89	4,056,561.90	3,891,908.94	3,871,577.54	4,078,820.50
MEDIPASS S.R.L.	1,298,106.88	1,322,037.28	1,335,639.74	1,283,637.25	1,276,073.15	1,343,892.22
OSPEDALE DI SUZZARA SPA	107,179.28	109,361.29	109,852.33	106,578.92	105,615.82	110,894.43
ECOMEDICA S.p.A.	826,567.02	852,053.43	859,446.24	818,169.21	812,641.07	865,557.44
CASA DI CURA PRIVATA VILLA MARGHERITA S.R.L	1,752,027.18	1,772,825.87	1,782,439.03	1,741,696.22	1,729,718.42	1,795,183.68
KOS CARE S.R.L.	15,326,442.59	15,524,808.75	15,611,167.21	15,233,031.08	15,121,813.44	15,729,820.73
ABITARE IL TEMPO S.R.L.	496,560.11	506,983.31	511,748.69	491,423.65	488,589.80	514,856.62
SANATRIX GESTIONI S.R.L.	796,976.66	806,187.01	810,225.67	792,621.27	787,603.46	815,586.04
FIDIA S.R.L.	145,063.97	149,836.64	152,173.94	142,510.05	141,010.49	153,845.01
JESILAB S.R.L.	78,076.51	79,601.53	80,507.72	77,107.95	76,624.89	81,037.00

Company	Service Cost pro futuro	Duration (Years)
EL.SI.DA. SRL	46,114.79	21.2
KOS S.p.A.	59,718.14	16.3
KOS SERVIZI SOC. CONSORTILE A R.L.	818,850.91	16.6
MEDIPASS S.R.L.	225,541.74	16.8
OSPEDALE DI SUZZARA SPA		10.4
ECOMEDICA S.p.A.	87,557.11	18.0
CASA DI CURA PRIVATA VILLA MARGHERITA S.R.L.		8.1
KOS CARE S.R.L.	0.00	9.5
ABITARE IL TEMPO S.R.L.	51,578.71	15.3
SANATRIX GESTIONI S.R.L.	0.00	7.9
FIDIA S.R.L.	16,075.17	23.8
JESILAB S.R.L.	16,709.67	17.0
TOTAL	1,322,146.25	

Company	1	2	3	4	5
EL.SI.DA. SRL	18,229.70	6,642.62	7,612.08	8,512.46	9,346.28
KOS S.p.A.	34,330.17	30,451.64	32,167.06	33,747.81	35,215.89
KOS SERVIZI SOC. CONSORTILE A R.L.	598,560.63	266,310.31	205,984.19	274,854.12	258,566.08
MEDIPASS S.R.L.	173,616.71	106,192.89	94,440.56	94,614.12	98,848.78
OSPEDALE DI SUZZARA SPA	19,387.26	8,188.24	4,890.74	4,665.01	4,449.90
ECOMEDICA S.p.A.	115,007.14	25,583.40	27,751.70	29,841.31	31,857.48
CASA DI CURA PRIVATA VILLA MARGHERITA S.R.L.	318,140.19	104,345.36	105,317.86	132,718.23	124,113.33
KOS CARE S.R.L.	1,552,766.10	920,001.93	1,010,944.74	1,006,769.96	1,239,056.68
ABITARE IL TEMPO S.R.L.	79,149.91	22,068.19	23,305.87	24,459.65	42,990.96
SANATRIX GESTIONI S.R.L.	179,132.57	38,620.07	33,687.70	92,238.83	50,306.45
FIDIA S.R.L.	3,060.11	2,850.77	3,126.66	3,406.86	3,694.84
JESILAB S.R.L.	7,002.66	6,097.19	6,568.93	6,974.36	7,319.40
TOTAL	3,098,383.15	1,537,352.59	1,555,798.09	1,712,802.72	1,905,766.08

32) Provisions for risks and charges

The following table shows changes in 2019:

(eur/000)	31/12/2018	Increase	Utilization	Changes in consolidation scope	Other changes	Exchange difference	31/12/2019
NON-CURRENT							
Provisions for sundry risks	4,355		(2,083)	6,302			8,574
Total "NON-CURRENT"	**4,355**	**-**	**(2,083)**	**6,302**	**-**	**-**	**8,574**
CURRENT							
Provisions for sundry risks	46,818	12,402	(7,136)	317	(208)	57	52,250
Total "CURRENT"	**46,818**	**12,402**	**(7,136)**	**317**	**(208)**	**57**	**52,250**
TOTAL PROVISIONS FOR RISKS AND CHARGE	**51,173**	**12,402**	**(9,219)**	**6,619**	**(208)**	**57**	**60,824**

The Group companies are involved in various civil lawsuits regarding medical and surgical practice that could lead to its being ordered to pay compensation. The Group has valued the contingent liabilities that could arise in relation to the pending litigation and has created a related provision for risks. Litigation and claims against the Group can arise as a result of complex, difficult problems involving varying degrees of uncertainty and several appeal levels over a long period of time. The estimated contingent liability was determined after a detailed process with external legal and medical consultants assisting company management to make its objective assessments. Based on the assessments performed, the financial statements include provisions of € 9,602 thousand for litigation and claims with third parties and personnel; € 8,105 thousand of this total is classified under current provisions for sundry risks.

The doctors working at Group healthcare facilities have insurance policies that partially cover the risk of compensation claims made by patients or their relatives for damages suffered as a result of events taking place during their stays at the facilities because of alleged problems with the healthcare services rendered and errors by the personnel working at the facilities.

We also note that provisions for sundry risks include provisions for personnel totalling € 27,947 thousand.

33) Payables to parent company

(eur/000)	31/12/2019	31/12/2018	Var.
Payables to parent company	5,216	8,451	(3,235)
Total	**5,216**	**8,451**	**(3,235)**

Payables to parent company CIR S.p.A. mainly include the IRES tax payables relating to the participation of several KOS Group companies in the tax consolidation scheme.

34) Trade payables

The following table shows trade payables at 31 December 2019 and the change on 31 December 2018:

(eur/000)	31/12/2019	31/12/2018	Var.
NON CURRENT			
Trade payables	442	-	442
Total "NON CURRENT"	**442**	**-**	**442**
CURRENT			
Trade payables	84,552	73,205	11,347
Advance payments	77	71	6
Total "CURRENT"	**84,629**	**73,276**	**11,353**
Total trade payables	**85,071**	**73,276**	**11,795**

Advance payments mostly regard advances on fees received from clients.

The carrying amount of trade payables and other liabilities approximates their valuation at amortised cost. The increase is due to supplier payment patterns and to the acquisitions that took place in 2019.

At 31 December 2019 and 31 December 2018, there were no payables due after more than five years.

35) Other liabilities

At 31 December 2019, other liabilities increased to € 70,647 thousand from € 53,897 thousand at 31 December 2018:

(eur/000)	31/12/2019	31/12/2018	Var.
NON CURRENT			
Other sundry liabilities	132	101	31
Total "NON CURRENT"	**132**	**101**	**31**
CURRENT			
Tax liabilities	1,811	1,361	450
VAT liabilities	2,120	332	1,788
Withholding taxes	5,946	5,608	338
Other tax liabilities	541	1,064	(523)
Payables to social security institutions	12,551	11,877	674
Payables to personnel	28,647	20,664	7,983
Guarantee deposits	5,048	4,232	816
Other sundry payables	13,851	8,658	5,193
Total "CURRENT"	**70,515**	**53,796**	**16,719**
Total other payables	**70,647**	**53,897**	**16,750**

Tax payables include the liability for tax deducted at source from employees and freelance personnel.

Payables to employees include payroll liabilities (holiday pay, 14th month's salaries, bonuses, salaries) accruing but not yet paid. The increase compared to prior year is mainly due to acquisitions completed in 2019 which had an impact of € 5,742 thousand.

Payables to social security/pension institutions include employee and employer's social security and pension contributions payable.

"Sundry other payables" includes € 1,623 thousand representing the outstanding amount due for the acquisition of an investment in Villa dei Pini S.r.l. The increase compared to prior year mainly relates to the acquisition of the Charleston Group which had an impact of € 6,300 thousand on this caption.

36) Guarantees, commitments and risks

Commitments and contingent risks

The following table summarises the Group's commitments and contingent risks at 31 December 2019 and 31 December 2018:

(eur/'000)	31/12/2019	31/12/2018	Var.
Surety (building rent)	22,677	20,019	2,658
Surety for key money	225	225	-
Other commitment	10,629	9,738	891
Total	**33,531**	**29,983**	**3,549**

At 31 December 2019, bank guarantees and other guarantees given by KOS SpA and/or the subsidiaries in relation to credit facilities of KOS S.p.A. totalled approximately €22,901 thousand, as follows:

- Guarantee on behalf of KOS S.p.A for rental of offices in via Durini - around €46 thousand
- Guarantees on behalf of KOS Care S.r.l. for rental agreements - around €22,499 thousand;
- Guarantee on behalf of Medipass S.r.l and its subsidiaries for rental agreements - around €131 thousand
- Guarantee in favour of the Municipality of Sanremo for security deposits on planning permission/urbanisation costs - €225 thousand.

At 31 December 2019, other commitments and risks amounted to € 10,629 thousand and mainly related to the following:

- assets on free use loan totalling €3,013 thousand;
- insurance guarantees granted by Ospedale di Suzzara in favour of F.lli Montecchi - €953 thousand.
- competitive tenders of around €1,558 thousand
- contractual commitments of around €5,105 thousand.

The Group operates out of owned and leased/rented facilities. Its lease/rental agreements are for between three and twelve years and are generally renewable. At the reporting date, out of 99 nursing homes for the elderly, 13 were owned by the Group as were 8 of the 34 functional and psychiatric rehabilitation facilities. The remaining facilities (out-patient clinics, psychiatric rehabilitation communities, diagnostics departments) are generally rented.

37) Related party transactions

In compliance with IAS 24, we note that the following entities are considered “related parties” for the purposes of these notes:

a) companies which, directly or indirectly through one or more intermediary companies, control or are controlled by, or are under joint control with the company preparing the financial statements;
b) affiliated companies;
c) physical persons who directly or indirectly hold voting powers in the company preparing the financial statements, such as to give them a dominant influence on the company, and their close relatives[1];
d) executives with strategic responsibilities, i.e. those who have powers and responsibilities for planning, managing and controlling the activities of the company preparing the financial statements, including the company directors and officers and their close relatives;
e) companies where significant voting powers are directly or indirectly held by any individuals described under c) or under d), or where such individuals can exercise significant influence.

Case e) above includes companies owned by the directors or major shareholders of the company preparing the financial statements and companies having an executive with strategic responsibilities in common with the company preparing the financial statements.

KOS S.p.A. and the other Group companies entertain relations of a commercial and financial nature with some related parties, regulated at market conditions from the economic and financial viewpoints, i.e. at such conditions as would be applied to independent parties.

KOS Group’s related party transactions mainly involve:

[1] An individual's close relatives are defined as those who can be expected to influence or be influenced by the said individual in their relations with the company.

- financial transactions;
- service agreements;
- trade transactions;
- transaction under the CIR Group group tax arrangements.

The following table contains details of the transactions of the KOS Group with other entities identified as related parties and belonging to the KOS Group at both 31 December 2019 and 31 December 2018:

	31/12/2019						31/12/2018					
INTERCOMPANY ASSETS / LIABITIES	Assets			Liabilities			Assets			Liabilities		
(eur/000)	Trade	Finan.	Other receiv.	Trade	Finan.	Other payables	Trade	Finan.	Other receiv.	Trade	Finan.	Other payables
Parent company												
CIR S.p.A			2,782			5,216			1,574			8,451
Associates												
Osimo Salute S.p.A.		105						105				
Other related parties			26	354		24	26			708		29
Total	-	105	2,808	354	-	5,240	26	105	1,574	708	-	8,480

	31/12/2019						31/12/2018					
INTERCOMPANY REVENUE/COSTS	Revenue			Costs			Revenue			Costs		
(eur/000)	Sales revenue	Other revenue	Financial income	Purchase costs	Other costs	Financial charges	Sales revenue	Other revenue	Financial income	Purchase costs	Other costs	Financial charges
Parent company												
CIR S.p.A					110						175	
Associates												
Other related parties		6		1,901	238			23		2,069	63	
Total	-	6	-	1,901	348	-	-	23	-	2,069	238	-

"Other related parties" mainly includes trade transactions with labour cooperatives and other companies. The main other related parties include: Coo.s.s. Marche Onlus (costs of € 1,669 thousand and liabilities of € 288 thousand at 31 December 2019)

Note that the above-mentioned entities are considered related parties of the KOS Group for the following reasons:

- Coo.S. S. Marche Onlus Sooc. Coop. p. A., as, together with KOS Care S.r.l. (formerly Istituto di Riabilitazione S. Stefano), it founded Abitare il Tempo s. r. l. (54% controlled by KOS Care S.r.l. – formerly Istituto di Riabilitazione S. Stefano) and the Chairman and Deputy Chairman of Coo. S. S. Marche are members of the Board of Directors of Abitare il Tempo. The Cooperative is also entrusted with care and nursing services in some of KOS Care S.r.l. (formerly Istituto di Riabilitazione S. Stefano)'s facilities in the Marche region.

The fees of the members of the Boards of Directors of the KOS Group companies amounted to € 2,327 thousand (€ 2,119 thousand in 2018).

The fees of the members of the Boards of Statutory Auditors of the KOS Group companies amounted to € 164 thousand (€ 155 thousand in 2018).

Gross remuneration of the key managers totalled € 2,003 thousand in 2019 (€ 1,941 thousand in 2018).

38) Net financial debt

At 31 December 2019, the net financial debt was as follows:

(eur/000)	**31/12/2019**	**31/12/2018**
(A) Cash and cash equivalents	115,375	55,334
(B) Other cash equivalents	-	-
(C) Liquidity (A) + (B)	**115,375**	**55,334**
(D) Securities, derivatives and other financial assets	9,194	14,673
(E) Total current financial assets (C) + (D)	**124,569**	**70,007**
(F) Payables to banks for account overdrafts	6,513	10,892
(G) Payables to banks for collateral loans	8,762	7,514
(H) Banks loans	20,533	1,058
(I) Bond loans	561	569
(J) Financial leases	9,035	10,863
(K) Right of use loans	47,822	-
(L) Payables to other financing entities	191	189
(M) Derivative financial instruments	298	543
(N) Current financial debt (F) + (G) + (H) + (I) + (J) + (K) + (L) + (M)	**93,715**	**31,628**
(O) Net current financial position (N) - (E)	**(30,854)**	**(38,379)**
(P) Payables to banks for collateral loans	35,202	36,903
(Q) Banks loans	267,426	108,837
(R) Bond loans	98,600	98,502
(S) Financial leases	44,685	52,616
(T) Right of use loans	689,491	-
(U) Payables to other financing entities	763	954
(V) Non current financial debt (P)+(Q)+(R)+(S)+(T)+(U)	**1,136,167**	**297,812**
(W) Net financial debt (O)+(V)	**1,105,313**	**259,433**

The net financial debt of parent company KOS S.p.A. is €124 million, excluding receivables/payables with subsidiaries of € 204 million.

The Group's net financial debt is €1,105 million at 31 December 2019 against €259 million at 31 December 2018. The impact of applying the new IFRS 16 was to increase net financial indebtedness by €737 million. Excluding this factor, net indebtedness increased by €109 million mainly as a result of: (i) the distribution of reserves of around € 36 million; (ii) acquisitions during the year of around €94 million; (iii) the positive change of € 6.4 million in net working capital and cash flows from operating activities.

The Group's financial debt includes: (i) cash and cash equivalents of €115 million; (ii) financial receivables for measurement of derivatives and non-recourse factoring of €9 million; (iii) short-term borrowing (advances on invoices and bank overdraft) of €6 million while total available short term credit facilities amount to €59 million (i.e. there is headroom of €53 million); (iv) medium/long term debt of €1,126 million which totals €486 million if lease liabilities are excluded. The Group also has the possibility of using additional non-current lines of credit totalling €29 million.

The consolidated statement of cash flows shows that cash flows from operating activities amounted to €96,097 thousand in the year ended 31 December 2019 compared to €80,736 thousand in the year ended 31 December 2018.

Cash flows used in investing activities increased from €69,273 thousand in 2018 to €157,758 thousand in 2019.

Cash flows from financing activities increased from a positive €3,489 thousand in 2018 to a positive €126,018 thousand in 2019. This cash flow was mainly due to the distribution of reserves and dividends of around €36 million (compared to €30 million in 2018) which was more than offset by the agreement of new loans.

39) Earnings or loss per share

Basic earnings per share is calculated by dividing the net income for the year attributable to ordinary shareholders by the weighted average number of outstanding shares. Diluted earnings per share is calculated by dividing the net income for the period attributable to ordinary shareholders by the weighted average number of outstanding ordinary shares during the period adjusted by the dilution effects of options outstanding. The company has only one category of potential ordinary shares, i.e. those deriving from employee stock option plans. The following table contains information relevant to the calculation of basic and diluted earnings per share.

	2019 December	2018 December
Earning (loss) for the period		
Net earning attributable to shareholders (A)	**30,304,134**	**35,167,607**
Diluted effect (B)	**0**	**0**
Diluted earning (loss) attributable to shareholders (E=A+B)	**30,304,134**	**35,167,607**
Number of shares		
Weighted average number of ordinary shares outstanding (C)	88,481,034	88,481,034
Diluted effect (D)	517,509	346,482
Weighted average number of ordinary shares outstanding dluited (F=C+D)	88,998,543	88,827,516
Basic earning (loss) per share (A/C)	**0.342**	**0.397**
Diluited earning (loss) per share (E/m in (F;C))	**0.341**	**0.396**

40) Segment reporting

Segment reporting has been prepared in order to provide the information needed to assess the nature and effects on the financial statements of the activities carried out and the different economic sectors (Para 1 IFRS 8).

The operating segments - on which separate information has been provided - have been identified based on internal reporting and on the operating activities that generate revenues and costs, the results of which are regularly examined by senior management responsible for making decisions on resource allocation and performance assessment and for which separate financial information is available.

The operating segments reported on separately by the Group are: Long term care, Acute Care and Cancer Treatment and Diagnostics. For internal reporting purposes, these segments are grouped into strategic business areas (SBAs).

As the operating segments are based on figures obtained from internal reports, overlapping between the Long term Care and the Acute Care segments may occur in some cases. For reporting purposes, such overlapping is not eliminated as it reflects the approach adopted by the Group Management in reviewing data and performance on a regular basis.

Some income statement and statement of financial position information by operating segment for 2019 and 2018 is provided below.

SBA	LONG TERM CARE		HOSPITAL MANAGEMENT				CORPORATE AND OTHER COMMON SERVICES		IC ELIMINATIONS		Total	
			ACUTE CARE		Cancer treatment and							
	2019	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**
Third party revenue	480,539	438,873	36,504	36,124	78,078	69,881	64	49	-	-	595,185	544,927
Intercompany revenue	2,222	1,272	-	-	205	191	40,297	28,652	(42,724)	(30,115)	-	-
Total revenue	**482,761**	**440,145**	**36,504**	**36,124**	**78,283**	**70,072**	**40,361**	**28,701**	**(42,724)**	**(30,115)**	**595,185**	**544,927**
EBITDA	119,134	82,152	3,218	2,143	22,885	20,606	(3,976)	(3,092)	-	-	141,261	101,809
EBIT	64,358	61,474	404	(91)	9,052	9,584	(6,081)	(4,692)	-	-	67,733	66,275
NET FINANCIAL EXPENSES											(22,459)	(12,722)
INCOME TAXES											(13,919)	(17,237)
PROFIT FOR THE YEAR											31,355	36,316
PROFIT FOR THE YEAR ATTR. TO NON-CONTROLLING INTERESTS											1,051	1,148
PROFIT FOR THE YEAR ATTR. TO OWNERS OF THE PARENT											30,304	35,168

SBA	LONG TERM CARE		HOSPITAL MANAGEMENT				CORPORATE AND OTHER COMMON SERVICES		IC ELIMINATIONS		Total	
	LONG TERM CARE		ACUTE CARE		Cancer treatment and diagnostic services							
FINANCIAL POSITION	31/12/2019	31/12/2018	31/12/2019	31/12/2018	31/12/2019	31/12/2018	31/12/2019	31/12/2018	31/12/2019	31/12/2018	31/12/2019	31/12/2018
Property, plant and equipment*	244,259	286,174	5,134	6,162	47,737	60,653	1,697	568			298,827	353,557
Intangible assets	354,970	252,747	160	234	36,626	37,135	3,036	1,021			394,792	291,137
Right of use assets	780,129	0	589	0	22,508	0	1,347	0			804,573	0
Other non current assets	2,322	2,315	36	36	6	5	29,794	26,455			32,158	28,811
Assets held for sale											0	0
Current assets	83,737	73,803	1,109	641	39,289	30,255	133,414	76,935			257,549	181,634
Total assets	**1,465,417**	**615,039**	**7,028**	**7,073**	**146,166**	**128,048**	**169,288**	**104,979**	**0**		**1,787,899**	**855,139**
Equity							292,172	297,646			292,172	297,646
Non current liabilities	24,483	21,215	85	553	2,463	2,970	1,162,371	318,786			1,189,402	343,524
Liabilities held for sale											0	0
Current liabilities	139,913	118,378	12,370	11,771	23,265	19,964	130,777	63,856			306,325	213,969
Total liabilities	**164,396**	**139,593**	**12,455**	**12,324**	**25,728**	**22,934**	**1,585,320**	**680,288**	**0**		**1,787,899**	**855,139**

* Including investment property

41) Significant events after 31 December 2019

In February, the Company acquired Casa di Cura Villa Armonia Nuova, a company based in Rome. The company in question operates as a residential rehabilitation and treatmentfFacility with 104 accredited beds, 74 of which for psychiatric patients and 30 beds for patients suffering from eating disorders and adolescents undergoing psychiatric treatment .

On 24 February 2020, the first cases of Covid-19 (Coronavirus) infection in Italy were confirmed and the virus spready rapidly over the following weeks. In response, the Italian Government and the Regional Authorities have taken a series of measures designed to contain and fight Covid-19 across the whole country.

The KOS Group immediately adopted all of the necessary measures to safeguard personnel and patients. However, it is expected that the business will be affected by a reduction in the number of hospital treatment procedures for acute conditions, lower numbers of admissions to nursing homes and to rehabilitation facilities (as a result of the lower level of hospital activity) and the temporary suspension of services provided at the Group's outpatient clinics, also as a result of restrictions introduced by legislative measures. Moreover, additional costs are expected for the supply of personal protective equipment and materials for the disinfection of premises and equipment.

The Company believes that these effects will regard 2020 in particular and Business Plan assumptions for subsequent periods remain confirmed for now.

The coming months will be dedicated to containing the negative effects of the spread of Covid-19 with a particular focus on safeguarding the health of patients, workers and visitors. Work on integrating the systems and facilities of recently acquired facilities will continue in 2020, albeit with certain delays due to the current situation.

42) Management and coordination activities

Pursuant to Article 2497 bis of the Italian Civil Code, we inform you that the Company is subject to management and coordination by parent company CIR S.p.A, whose relations with the Company are limited to coordination, the chargeback of costs for services and participation in the CIR Group tax consolidation scheme.

Highlights from the latest approved IFRS financial statements of parent company CIR S.p.A. are set out below (source: https://www.cirgroup.it/bilanci-e-relazioni).

1. Statement of financial position

(in Euro)

ASSETS	*Notes*		***31.12.2018***
NON-CURRENT ASSETS			**863,048,958**
INTANGIBLE ASSETS	(4.a.)		65,466
PROPERTY, PLANT AND EQUIPMENT	(4.b.)		2,152,390
INVESTMENT PROPERTY	(4.c.)		13,307,953
EQUITY INVESTMENTS	(4.d.)		756,183,413
OTHER ASSETS	(4.e.)		80,004,316
of which with related parties (*)		*78,977,531*	
OTHER FINANCIAL ASSETS	(4.f.)		11,335,420
DEFERRED TAX ASSETS	(4.g.)		--
CURRENT ASSETS			**26,318,727**
OTHER ASSETS	(5.a.)		18,876,558
of which with related parties (*)	(5.a.)	*13,111,157*	
CASH AND CASH EQUIVALENTS	(5.b.)		7,442,169
TOTAL ASSETS			**889,367,685**

LIABILITIES	*Notes*		***31.12.2018***
EQUITY			**869,147,440**
SHARE CAPITAL	(6.a.)		322,089,243
RESERVES	(6.b.)		408,177,760
RETAINED EARNINGS (LOSSES)	(6.c.)		124,692,792
PROFIT (LOSS) FOR THE YEAR			14,187,645
NON-CURRENT LIABILITIES			**1,809,831**
DEFERRED TAX LIABILITIES	(4.g.)		234,869
EMPLOYEE BENEFIT OBLIGATIONS	(7.a.)		1,574,962
CURRENT LIABILITIES			**18,410,414**
BANK LOANS AND BORROWINGS			--
OTHER LIABILITIES	(8.a.)		13,459,315
of which with related parties (*)	(8.a.)	*7,600,408*	
PROVISIONS FOR RISKS AND CHARGES	(8.b.)		4,951,099
TOTAL LIABILITIES AND EQUITY			**889,367,685**

(*) As per Consob Resolution no. 6064293 of 28 July 2006

2. Income statement

(in Euro)

	Notes		2018
SUNDRY REVENUE AND INCOME	(9)		2,860,568
of which from related parties (*)	(9)	*2,059,289*	
COST FOR SERVICES	(10)		(6,553,501)
of which with related parties (*)	(10)	*(297,973)*	
PERSONNEL COSTS	(11)		(5,419,086)
of which with related parties (*)	(11)	*(31,402)*	
OTHER OPERATING EXPENSE	(12)		(1,691,295)
of which with related parties (*)	(12)	--	
AMORTISATION, DEPRECIATION & IMPAIRMENT LOSSES			(780,679)
OPERATING LOSS			**(11,583,993)**
FINANCIAL INCOME	(13)		1,091,562
of which with related parties (*)		*1,075,046*	
FINANCIAL EXPENSE	(14)		(54,039)
DIVIDENDS	(15)		22,153,612
of which from related parties (*)		*19,402,379*	
GAINS FROM TRADING SECURITIES	(16)		--
LOSSES FROM TRADING SECURITIES	(17)		(11,344)
NET FAIR VALUE GAINS (LOSSES) ON FINANCIAL ASSETS	(18)		172,578
PROFIT (LOSS) BEFORE TAXES			**11,768,376**
INCOME TAXES	(19)		2,419,269
PROFIT (LOSS) FROM CONTINUING OPERATIONS			**14,187,645**
PROFIT / (LOSS) FROM DISCONTINUED OPERATIONS			--
PROFIT (LOSS) FOR THE YEAR			**14,187,645**
BASIC EARNINGS (LOSS) PER SHARE (in euro)	(20)		0.0218
DILUTED EARNINGS (LOSS) PER SHARE (in euro)	(20)		0.0218

(*) As per Consob Resolution no. 6064293 of 28 July 2006

The table below provides details of the companies that prepare consolidated financial statements for the largest and smallest groupings of companies of which the Company forms part as a subsidiary.

	Smallest Group	*Largest Group*
Company	**CIR S.p.A.**	**FRATELLI DE BENEDETTI S.p.A.**
City	Milan	Turin
VAT number	00519120018	05936550010
Consolidated financial statements filed at	Milan Via Ciovassino, 1	Turin Via Valeggio, 41

Milan, 25 February 2020

For the Board of Directors
The Chairman
Carlo Michelini