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

KOS Group

Consolidated financial statements as at and for the year ended 31 December 2020

(with independent auditors' report thereon)

KPMG S.p.A.

1 April 2020

KPMG S.p.A.
Revisione e organizzazione contabile
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(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 2020, 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 2020 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 2020 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 2020 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 2020 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.

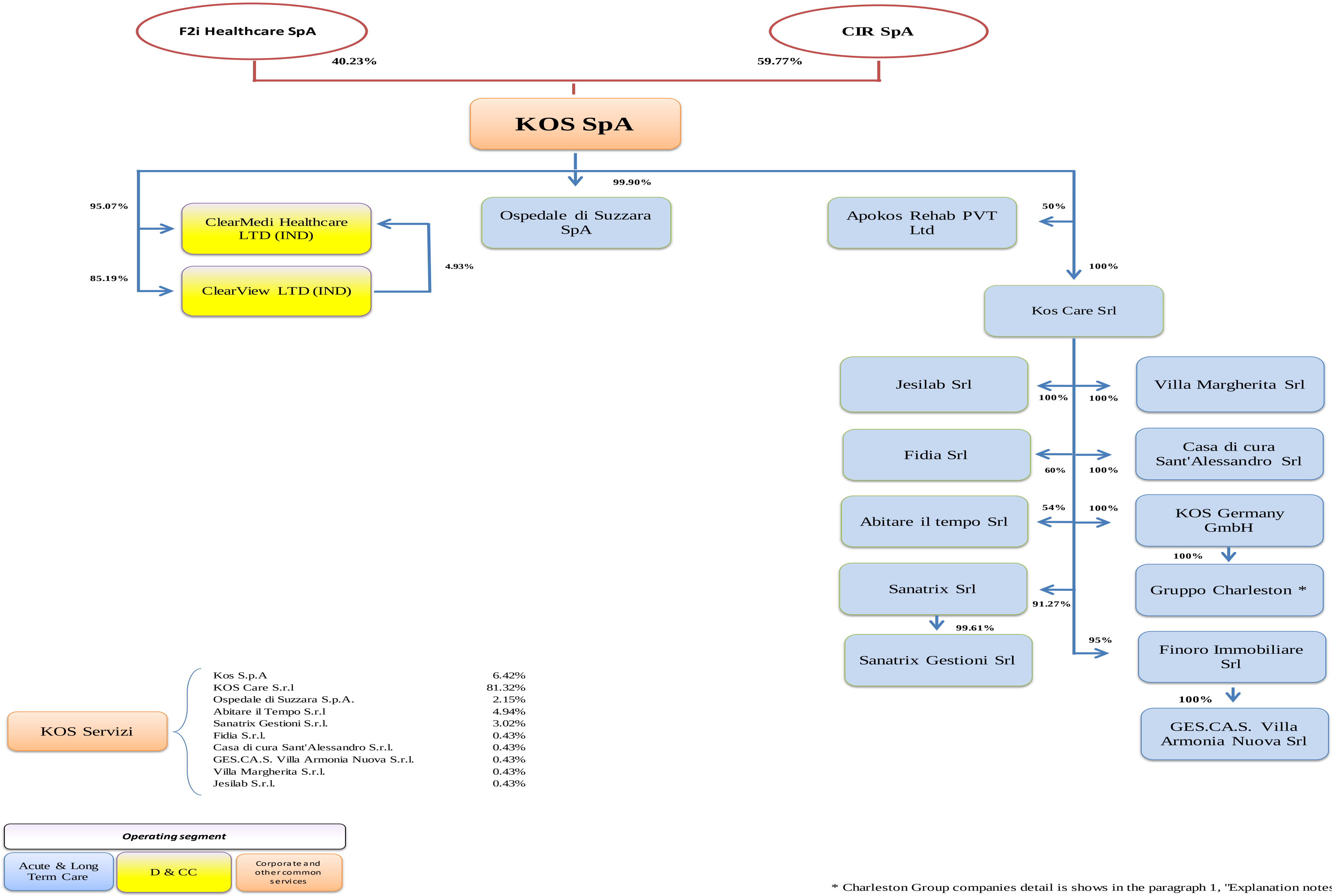
Milan, 7 April 2021

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 2020



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

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Corporate Governance

Board of Directors

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

Board of Statutory Auditors

President	Luca Aurelio Guarna
Statutory Auditors	Luigi Nani Luigi Macchiorlatti Vignat
Substitute Statutory Auditors	Sergio Valter Finulli Renato Colavolpe
External 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.

With effect from the 2020 reporting period, in line with internal management reporting and in compliance with IFRS, the organisational structure has been revised and now provides for two operating segments: the Acute & Long Term Care segment (in turn, divided between activities conducted in Italy and those conducted in Germany under the Charleston trademark) and the Diagnostic & Cancer Care segment. Following the sale of the Medipass Group at the end of 2020, the latter operating segment only includes the activities of the two Group companies in India.

The structure by operating segment is shown below:

Operating segment		**Activity**
Acute & Long Term Care	Italy	Management in Italy of care homes for the elderly, management of functional and psychiatric rehabilitation facilities , management of psychiatric treatment communities and outpatient centres. Management of Suzor Hospital under a concession and direct management of the Villa dei Pini care home in Civitanova Marche (MC).
	Germany	Management of care homes for the elderly and psychiatric treatment facilities in Germany
Diagnostic & Cancer Care		Contract management of hi-tech diagnostic and radiotherapy services within hospital facilities and management of approved radiology centres and health centres.

The Group performs its activities both in Italy -largely 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		**23**
Piedmont	12	2			**14**
Liguria	8	6			**14**
Marche	6	10			**16**
Emilia Romagna	4	5			**9**
Tuscany	1	3			**4**
Veneto	3	1			**4**
Trentino	0	1			**1**
Lazio	1	2			**3**
Campania	0	1			**1**
Umbria	0	1			**1**
Foreign countries	47	0		14	**61**
Total	**99**	**37**	**1**	**14**	**151**

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

The split between Care 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 Care 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, through the acquisition of the Charleston Group, the Group became 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 Care Homes are certified in accordance with currently applicable laws, as this a pre-requisite for them to operate. Furthermore, the Anni Azzurri Care 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 Care Homes. The tables below list the Anni Azzurri and Charleston Care Homes managed by the Group as at the reporting date. They show the number of authorised and accredited beds at each Care 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	Campofilone	Campofilone	100		**100**
Total			**553**	-	**553**
Lazio	Rome	Parco di Veio	118		**118**
Total			**118**	-	**118**
Total			**5,476**	**254**	**5,730**

Region	Municipality	Name	Number of beds authorised		
			For elderly people	For rehabilitation	Total
Germany	Bad Schussenried	Regenta	115		**115**
Germany	Ulm	Elisabethenhaus	115		**115**
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	50		**50**
Germany	Langwedel	Haus am Goldbach	59		**59**
Germany	Sittensen	Up`n Kamp	62		**62**
Germany	Freiburg	Atrium Residenz	88		**88**
Germany	Biberach	Gigelberg	83		**83**
Germany	Warthausen	Schlosspark	121		**121**
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 Schrieweshof (WPS)	87		**87**
Germany	Gladbeck	Wohnpark Luisenhof (WPL)	138		**138**
Germany	Brilon	Christophorus Residenz	132		**132**
Germany	Bestwig	Christophorus Residenz	67		**67**
Germany	Essen	Essen	168		**168**
Germany	Mülheim	Mülheim	168		**168**
Total			**4,046**	-	**4,046**

The Group’s Care 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, 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.

Rehabilitation

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	20
Lazio	Rome	S. Alessandro	60
Lazio	Rome	Villa Armonia	104
Total			**814**

* Psychiatric rehabilitation facility

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 14 functional rehabilitation facilities, 3 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	Venerabile Marcucci	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**
Marche	Pesaro (PU)	Villa Fastiggi	80			**80**
Emilia Romagna	Fontanellato (PR)	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)	Casorate Primo Hospital	38			**38**
Lombardy	Mede (PV)	Mede Hospital	18			**18**
Veneto	Arcugnano (VI)	Nursing Home Villa Margherita	147			**147**
Campania	Benevento	Nursing Home Villa Margherita	135			**135**
Umbria	Foligno (PG)	Foligno	83			**83**
Outpatient clinics						
Marche	Ascoli Piceno	Outpatient clinic				
Marche	Camerino (MC)	Outpatient clinic				
Marche	Civitanova Marche (MC)	Outpatient clinic				
Marche	Fabriano (AN)	Outpatient clinic				
Marche	Filottrano (AN)	Outpatient clinic				
Marche	Jesi (AN)	Outpatient clinic				
Marche	Macerata	Outpatient clinic				
Marche	Matelica (MC)	Outpatient clinic				
Marche	San Severino (MC)	Outpatient clinic				
Marche	San Benedetto T. (AP)	Outpatient clinic				
Marche	Tolentino (MC)	Outpatient clinic				
Marche	Porto Potenza Picena (MC)	Outpatient clinic				
Marche	Jesi (AN)	Outpatient clinic JesiLab				
Marche	Civitanova Marche (MC)	Outpatient clinic Fidia				
Marche	Pesaro	Outpatient clinic				
Total			**1,645**	**223**	**105**	**1,973**

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.

Diagnostic & Cancer treatment

Until November 2020, the Group was active, through the Medipass brand, in the outsourced provision of advanced services involving management of complex hi-tech medical equipment (diagnostic imaging, nuclear medicine and radiotherapy) for public and private sector hospitals and healthcare facilities. Following the sale of the Medipass Group, the only current operations in this segment are those carried out by Indian subsidiary ClearMedi Healthcare LTD. Clearmedi is one of the leading providers of Fully Managed Services in India. Founded in 2011, it now has around 14 service contracts with private healthcare facilities, mainly in Radiotherapy and Cancer Care, while it also manages three specialist hospital oncology centres.

The following table shows the services provided by the Group in India with details of the hospitals/facilities where the services are provided.

Region	Municipality	Hospital/Structure	Service
Estero			
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			**14**

Acute Care (Ospedale di Suzzara)

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 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.

By the end of April 2021, the ASST ("Territorial Health Agency") of the province of Mantua will issue its executive plan for anti-seismic compliance works which will be presented to Lombardy Region and the Civil Protection Agency for their opinions. If the plan obtains the approval of the Civil Protection Agency, it will be possible to estimate the related investment and the length – in years – if the subsequent phase will then be determined. Once these factors have been determined, the basis for renewal of the concession will be apparent; the existing concession is scheduled to expire in 2022.

Overview of the healthcare sector

In March 2020, WHO confirmed there was an ongoing pandemic due to the global spread of a new coronavirus, commonly known as Covid-19. This exceptional event greatly affected the sector as a whole, causing unprecedented change and disruption to organisations and processes. The health emergency had a very significant impact on the healthcare sector in 2020, because of both the direct consequences of the virus and the strict containment measures and health protocols that were implemented and which regarded healthcare, rehabilitation and care facilities as well as outpatient and home care activities..

This affected occupancy rates, especially at Long Term Care and rehabilitation facilities. Long Term Care and Rehabilitation facilities saw occupancy rates fall by more than 50% in some cases because of access restrictions in compliance with safety protocols (isolation in a single room upon initial admission to the facility, units dedicated to Covid patients), a reduction in the number of patients in need of rehabilitative treatment because of the lower volume of surgery in hospitals, self-imposed limits on admissions because of shortages of medical personnel and carers which, at times, made treatment difficult, patients and relatives' fear of entering residential facilities, increase in the number of people working for home which created additional time for caring for the elderly at home, problems in paying the privately funded portion of care fees because of the economic crisis triggered by the pandemic.

During the first half of 2020, at the height of the pandemic, a new form of public/private sector collaboration was necessary and the Italian national Health Service accredited private hospitals and public hospitals made intensive care and acute care beds available for Covid patients. The various activities were reorganised with the most important and urgent specialities like oncology and heart surgery concentrated on private and public hospitals designated as new hubs so that urgent treatment required without delay could be provided to non-Covid patients. Meanwhile, other public hospitals were designated for the treatment of Covid patients, almost exclusively. Small/medium-sized facilities made beds available for Covid patients discharged after the acute phase of the illness or provided surgery and treatment for such patients. Similar support was provided by rehabilitative and long-term care facilities. Care Home operators were also asked to make available partially empty units or to set up units to help deal with the emergency and satisfy the need for beds for those discharged from acute Covid care hospitals. Restrictions were also imposed on access to outpatient activities whether for treatment or preventive medicine, waiting lists grew longer and, at some public hospitals, private treatment and check-ups were suspended.

Accredited private health operators provided great support to the Italian national Health Service during this critical year, making available beds in both general wards and intensive care units.

In order to convey the importance of their contribution, it is worth recalling that, in Italy, (based on OASI/Ministry of Health figures for 2019), the accredited private health sector represents: 21% of public health expenditure and 26% of hospital admissions, 74% of rehabilitative care and 43% of admissions for long-term hospital care, 59% of outpatient clinics, 82% of residential care facilities (Care Homes, communities for the disabled and psychiatric care facilities) and 68% of semi-residential facilities (mainly day centres) for assistance with chronic conditions and social care; the accredited private sector is expanding, especially where there are growing needs linked to ageing, chronic conditions and Long Term Care, where the most critical problems emerged in 2020.

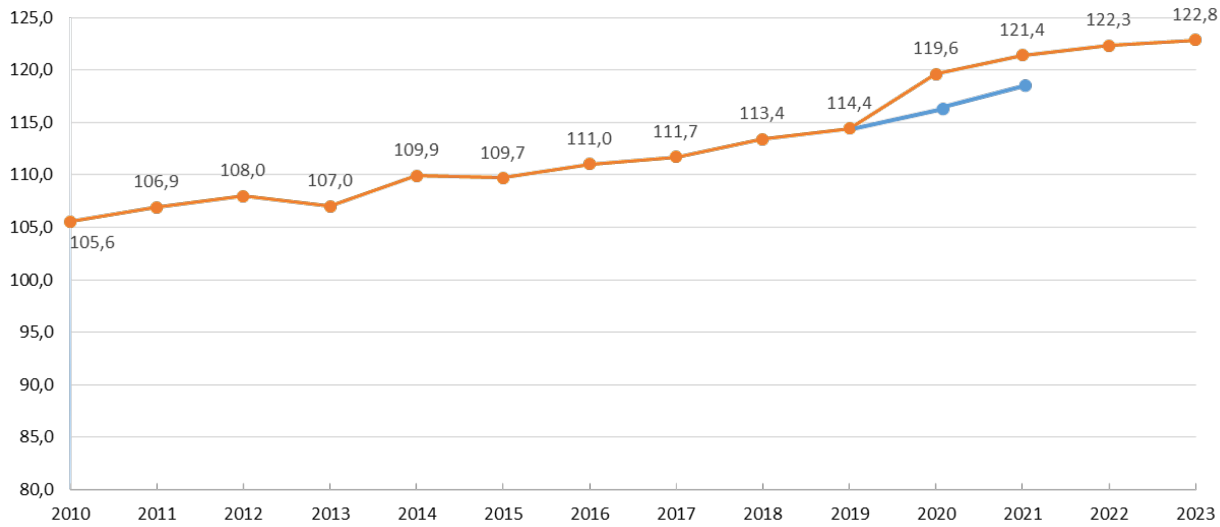
The pandemic put the spotlight on certain features of the Italian National Health Service that had already proven problematic in the past, also in relation to the containment of health expenditure in the last five years in an attempt to balance the books. Specifically, the following needs have been highlighted:

- Review of outpatient care which, if adequately strengthened, could have provided greater support;
- Increase in care/treatment that can be provided on an outpatient basis and at home
- Improvement of territorial care and medicine (existing weaknesses in terms of both emergency room filtering and care have been highlighted): need for innovative implementation of screening and prevention, home treatment and telemedicine while identifying new services and reimbursement mechanisms;
- update by The Italian national Health Service of its portfolio of refundable healthcare services and care solutions;
- Update of hi-tech equipment;
- improvements in Infrastructure, especially more spacious premises and better quality equipment;
- Deal with shortages of medical and nursing personnel highlighted during this period and review employment contracts which have also been driven by the need to contain costs;
- Investment in prevention;
- Greater investment of resources in health system as a percentage of GDP and investment to make up delays caused by the pandemic which has led to longer waiting lists – already critical in prior years – for both tests and preventive diagnostics and for scheduled hospital admissions and elective surgery.

The Healthcare Pact 2019-2021 had set the new level of health funding at Euro 114.4 billion for 2019 with subsequent increases of Euro 2 billion in 2020 (to Euro 116.4 billion) and Euro 1.5 billion in 2021 (to Euro 117.9 billion.

In response to the Covid-19 emergency, the 2020 Document on the Economy and Finance (DEF) increased healthcare funding to Euro 119.6 billion for 2020. The 2021 National Budget Law, as approved on 30 December 2020, increased Italian National Health Service funding for 2021 by a further Euro 2 billion, taking it to Euro 121.4 billion i.e. Euro 3.5 billion more than planned in 2019. Further increases of around Euro 230 million may be expected for the 2021 vaccination roll-out, the healthcare personnel indemnity and for secondment to IRCSS ("Centres of Medical Excellence") in other regions. An additional Euro 0.9 billion and Euro 0.5 billion of funding is planned for 2022 and 2023, respectively, to cover expenditure relating to the Covid-19 emergency.

Public funds allocated for the 2021 – 2023 period by the Italian Government for the National Health system eur/bn



The further increase in the National Health Service budget for 2021 is mainly destined for measures designed to contain Covid 19 e,g. expenditure on rapid lateral flow tests that can be performed by general practitioners and paediatricians, specialist training contracts for trainee doctors and the recruitment of more healthcare personnel to deal with the emergency, expenditure on vaccines.

The Budget Law contains further measures for the health sector including: **Accreditation of home care organisations**, the rules under Legislative Decree 502/92 for the authorisation and accreditation of entities and professionals of public and private sector organisations that deliver home care; **Funding of overtime** for personnel working on the emergency; **Investment on health construction and technological modernisation,** existing funding of Euro 30 billion under the 2020 Budget Law has been increased by Euro 2 billion. The Regions shall allocate 0.5% of resources earmarked for investments to telemedicine (purchase by public and accredited private healthcare facilities of IT devices and applications that can be used to make reports remotely and offer specialist visits and home care on a remote basis); **Payments on account and one-off contribution to accredited private operators**: the measure already introduced for 2020 by Article 19-ter of the Law Decree 137/2020 converted into law 176/2020 (the so-called Decreto ristori)) is extended to cover 2021. Regions and autonomous provinces may pay accredited private healthcare facilities that have suspended outpatient and residential care/treatment activities because of COVID-19, in response to regional orders, advances of up to 90 per cent of the budget allocated to them under agreements and contracts signed for 2021. When determining the budget payment, activities actually delivered and reported will be taken into account; when the amount reported is lower than 90%, the rest of the budget will be paid as a one-off contribution to cover only the fixed costs still incurred by the accredited private health facility (costs that have to be accounted for and reported); this measure also applies to purchases of social care services (Care Homes, Day Centres, etc) but only in relation to the healthcare portion if the allocated budget is not achieved; Healthcare mobility: it is established that for Regions to be able to access full NHS funding, bilateral agreements between regions on the governance of interregional healthcare mobility must be signed; rules are also introduced on the use of healthcare mobility data – specifically, guidelines and sets of objective, measurable indicators must be developed, also using National Health Card system data, in order to obtain a national programme for the assessment and improvement of mobility processes with a view to ensuring that mobility occurs in compliance with Essential Levels of Care; plans aimed at regional border areas and at cross-region flows will be developed in order to improve and develop local services, also in order to prevent hefty social and financial costs from being born by the people.

Competitive positioning

In 2020, all Italian healthcare operators were focused on containing the Covid-19 pandemic and on dealing with difficulty in sourcing personal protective equipment (PPE), ventilators and healthcare personnel.

However, major international groups continued with the process of expansion and completed deals already commenced at the end of 2019/beginning of 2020. Orpea has invested in Ireland, where it was not yet present, acquiring two operators in the Care Home segment with a total of around 15 facilities and 1,248 beds. It has also continued to strengthen its

presence in France in the psychiatric care segment with the acquisition of two companies with a total of 16 facilities and 1,499 beds. Orpea has also continued its expansion in Latin America with new greenfield developments with around 3,000 beds and already has an established presence in Brazil (471 beds), Uruguay (100 beds) and Mexico (125 beds).
Korian has increased its presence in Italy by around 320 beds through the acquisition of the S. Camillo care home in Forte dei Marmi, three care homes and a psychiatric community in Lombardy, a Hospice in Rome and a care home in the province of Rome. The Group has also continued to consolidate in Germany and in Benelux and, at the end of 2020, it announced that it was party to exclusive negotiations with a private equity fund for the acquisition of France's third largest private operator in the psychiatric care sector.
Both Groups are growing in Europe in non-care home segments such as domestic care and assisted living for the independent elderly. Korian has also completed a number of acquisitions in the specialist outpatient and diagnostic services segments in Italy and Group.
In Italy, several medium-sized groups are, albeit slowly because of the pandemic, continuing to grow by establishing new care homes for private residents in Veneto, Piedmont and Lombardy Regions.
Against this background, KOS has continued its strategy of consolidation on the Italian and German markets. 200 care home beds are under development in Northern Italy, a care home and psychiatric care facility with a total of 214 beds has been acquired and agreements have been signed in Germany for the establishment of care homes with more than 400 beds that will be operated by Charleston.
KOS is currently the leading private operator in terms of LTC beds in Italy and the 12th largest care home operator in Germany.

Impact of the Covid-19 pandemic on the KOS Group

The first cases of Covid-19 (Coronavirus) infection in Italy were detected in February 2020 and the virus spready rapidly in the following months, especially in March and April.

The Group immediately adopted all of the necessary measures to safeguard personnel and patients. During the reporting period and, especially in March and April, treatment procedures were reduced or suspended at hospitals dealing with acute conditions (Civitanova and Suzzara) and there was also a reduction in admissions to Care Homes and to rehabilitation facilities (as a result of the lower level of hospital activity). The services provided at the Group's outpatient clinics were also suspended, also as a result of restrictions introduced by legislative measures. Admissions to rehabilitation facilities, to the two hospitals providing treatment of acute conditions and to outpatient clinics only recommenced gradually in June, as did admissions to Care Homes but at a much slower rate than before.

In Italy, cases of Covid infection were registered at 45 of the KOS Group's care homes (17 care homes currently have cases of Covid positivity) with the number of cases peaking at more than 900 in May and a total of more than 2,000 cases (200 cases at the present date) and more than 400 deaths attributable to Covid-19. At the date of this report, there were active cases at some 25 facilities (of which 17 were care homes and including facilities dedicated to Covid care) with around 350 50 residents/patients infected. There are five facilities with dedicated Covid units (and they host more than 100 patients). In Germany, there have been 197 deaths to date while 24 people are currently positive across 10 different facilities. Since January 2021, the vaccination campaign has involved all of the Group's facilities and their residents, patients and workers. At present 73% of residents at the Group's facilities (in Italy and Germany) have been vaccinated as have 60% of workers.
In dealing with the health emergency, the Group has incurred increased costs for personal protective equipment, sanitisation materials and making working environments safe. Personnel costs have also increased in proportion to the number of residents because of the higher level of care needed during the pandemic.
Finally, the judicial authorities are conducting a series of investigations to which the parent is responding without delay and with the utmost transparency.

With regard to the effect of Covid-19 on accounting estimates and valuations, it should be noted that the amounts reported in the separate financial statements of KOS S.p.A. and in the consolidated financial statements of the KOS Group are fully supported by the figures determined on the basis of the new, approved Business Plan. In fact, the parent has taken account of the Covid-19 impact when determining the main amounts reported in the financial statements with particular regard to:

- the possible impairment of goodwill, intangible assets, property, plant and equipment and equity investments in the separate financial statements because of deterioration in the economic outlook. In more detail, for Impairment Test purposes, the Company (i) used the updated Business Plan, approved by the KOS Board of Directors on 2 February 2021, (ii) revised the determination of certain discount rate parameters in order to neutralise the effect on market rates of the measures adopted by the European and US Centra Banks to deal with the economic consequences of the Covid-19 pandemic (e.g. using average risk-free rates for a longer period of time than in prior years), (iii) performed sensitivity analysis of the key calculation parameters, also on a combined basis;
- risks regarding financial assets and liabilities with particular attention to the liquidity risk and measurement of expected bad debts;

For further details about accounting estimates and measurement, reference should be made to the "Notes to the Consolidated Financial Statements".

Perimeter of the KOS Group

As a result of several changes to the Group's perimeter (acquisitions, disposals and change of corporate structure) in 2020 and 2019, the figures at 31 December 2020 are not immediately comparable with those for prior year. In order to provide a more accurate reading of the 2020 financial statements and help comparability with the 2019 figures, we have described below the main transactions that have taken place in the last two reporting periods in each operating segment:

Long Term Care:
2019
SELEMAR S.r.l., which operates an analysis laboratory in Urbino (PU), was acquired in March 2019. The company was later merged through incorporation into parent company KOS Care S.r.l.
With effect from 1 June 2019, company Villa dei Pini S.r.l. was merged through incorporation into parent KOS Care S.r.l.
Special purpose vehicle KOS Germany GmbH was incorporated 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- sufficientelderly people and ancillary services for elderly and severely disabled people. It runs 47 care 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 an accredited 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 Care Home that hosts non-self-sufficient individuals with physical or sensorial conditions, or chronic or degenerative illnesses, who cannot be cared for at home.

2020
On 1 January 2020, Casa Serena S.r.l was merged with Kos Care S.r.l and, on 1 November 2020, Villa Pineta S.r.l. and HSS Real Estate S.r.l. were also merged with Kos Care S.r.l. On 1 January, Laboratorio Gamma was merged with Sanatrix Gestioni S.r.l.
The first quarter of the year also saw the completion of the acquisition of the company Casa di Cura Villa Armonia Nuova in Rome. This is a Residential Rehabilitation and Treatment Facility with 104 accredited beds including 74 beds for psychiatric patients and 30 beds for patients with eating disorders and adolescents. The deal involved the acquisition by Kos Care S.r.l. of 95% of Finoro Immobiliare S.r.l., owner of the property and parent of the operating company Ges.Ca.S. Villa Armonia Nuova S.r.l.
The business consisting of a 110-bed Care Home in Genoa was acquired in November from the Sereni Orizzonti Group.
On 14 July, two properties (Riva Ligure and Villadose) were the subject of a sale & leaseback operation with the Investire SGR S.p.A. real estate fund, as managed by Fondo Spazio Sanità.

Cancer treatment and diagnostic services
2019
With regard to the activities of subsidiaries outside Italy, in India, Clearmedi Healthcare Pvt Ltd signed and began working under a new service agreement at Kailash Cancer Hospital in Vadovra.

2020
In September, KOS and Inframedica S.àr.l., a company wholly and indirectly controlled by DWS Alternatives Global Limited, an investment manager delegated to manage the Pan-European Infrastructure III, SCSp Fund ("DWS") signed a binding agreement for the transfer of 100% of the quotas of Medipass S.r.l. ("Medipass") from KOS to DWS. Before the sale was carried out, KOS bought back from Medipass S.r.l. the investments in Indian subsidiaries (Clearmedi Healthcare Private LTD, Clearview Healthcare Private LTD). The agreed enterprise value was € 169.2 million with an equity value of € 105.6 million, net of the amount paid by KOS to acquire the assets in India (€ 16.1 million); the deal was completed in November 2020 although price adjustments may occur in the first few months of 2021. The deal realised the value of a non-core asset that grew significantly under the Group's management and will enable the Group to focus on the development of its core Long Term Care activities.

Corporate area and shared services
2020
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 2020, it launched new catering services at a number of operating facilities.

Developments regarding the Ospedale di Suzzara concession

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, the Suzzara hospital sent a letter to the Mantua *Azienda Socio Sanitaria Territoriale* ("ASST", (Mantua Provincial Health Agency)), together with an expert report, raising doubts on whether the seismic retrofitting project approved by a resolution of the Health Agency then later sent to the Region would fully comply with all anti-seismic requirements. At the same time, it invited the Health Agency to a meeting to discuss and evaluate the project and to make any appropriate changes. A discussion group with the Mantua Health 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. By April 2021, the Mantua Health 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 which is currently due to end on 31 October 2022.

The Group's Operating Performance

The following tables set out the Group's key statement of financial position and statement of profit or loss items at 31 December 2020:

KOS GROUP CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(eur/000)	31/12/2020	31/12/2019
NON CURRENT ASSETS	1,422,241	1,530,350
CURRENT ASSETS	264,649	257,549
TOTAL ASSETS	**1,686,890**	**1,787,899**
EQUITY	343,677	292,172
- NON-CONTROLLING INTERESTS	7,461	6,279
- OWNERS OF THE PARENT	336,216	285,893
NON CURRENT LIABILITIES	1,065,891	1,189,402
CURRENT LIABILITIES	277,322	306,325
TOTAL LIABILITIES AND EQUITY	**1,686,890**	**1,787,899**
NET FINANCIAL POSITION	**(930,995)**	**(1,105,313)**

KOS GROUP CONSOLIDATED INCOME STATEMENT HIGHLIGHTS

(eur/000)	2020	2019
REVENUE	631,575	537,791
EBITDA	111,663	121,734
EBIT	15,391	57,871
PRE-TAX PROFIT (LOSS)	(16,918)	36,138
PROFIT (LOSS) FROM CONTINUING OPERATIONS	**(23,630)**	**23,123**
PROFIT FROM DISCONTINUED OPERATIONS	71,440	8,232
PROFIT FOR THE YEAR INCLUDING NON-CONTROLLING INTERESTS	**47,810**	**31,355**
- PROFIT FOR THE YEAR ATTR. TO NON-CONTROLLING INTERESTS	1,069	1,051
- PROFIT FOR THE YEAR ATTR. TO OWNERS OF THE PARENT	46,741	30,304

In 2020, Group revenue totalled € 631,575 thousand against € 537,791 thousand in 2019.

The table below shows revenue by each operating segment:

(eur/000)	2020	%	2019	%	change
Acute & Long Term Care	615,769	97%	517,043	96%	98,726
Italy	*442,858*	*70%*	*489,936*	*91%*	*(47,078)*
Germany	*172,911*	*27%*	*27,107*	*5%*	*145,804*
Diagnostic & Cancer Care	15,744	2%	20,684	4%	(4,940)
Other	62	0%	64	0%	(2)
Total	**631,575**	**100%**	**537,791**	**100%**	**93,784**

With regard to the impact of the pandemic on the Group, the pre-Covid-19 forecast, on a like-for-like consolidation scope, was that revenue in 2020 would be broadly in line with 2019.
In the first two months of the year, the Company recorded revenue in line with expectations. This was followed by an extremely significant slump with the first signs of recovery visible in certain areas of activity from June.

The overall increase in revenues is mainly due to:

- in the Acute & Long term care segment, revenue increased compared to prior year, mainly thanks to acquisitions made in 2019 (which made a full contribution in 2020) and to acquisitions made in 2020, whose total impact amounted to € 161,466 thousand (of which € 145,804 thousand relating to Germany). This effect was more than countered by the reduction in revenues following the suspension of certain activities due to the Covid-19 emergency. In fact, the situation led to a sharp reduction in admissions to both care homes (the occupancy rate in Italy was more than 25% down on prior year) and rehabilitation facilities; in the latter case, this was due to a significant decrease in "elective" surgery by all hospitals, also because of the ban on movement from one Italian region to another.
- in the Diagnostic & Cancer Care segment, where the Indian subsidiary operates, revenues fell. This segment was also hit by the limitations imposed in response to the Covid-19 emergency, as mentioned above.

EBITDA for 2020 amounts to € 111,663 thousand compared to € 121,734 thousand in 2019. As a percentage of revenues, EBITDA has fallen from 22.6% to 17.7%. Overall, the adverse impact of the Covid-19 emergency was only partially offset by the positive effect of acquisitions made in 2019 and 2020, a total of € 30,775 thousand. We highlight the reversal of the reversal of the excess portion of provisions created in prior year for contractual vacation indemnity compared to the actual cost emerging upon the successful renegotiation of the AIPO collective labour agreement during the year (impact of € 8,157 thousand).

In 2020, amortisation, depreciation and writedowns totalled around € 96,272 thousand, up on the € 63,863 thousand recorded in 2019. The impact of the full contribution of the acquisitions made in 2019 and 2020 (especially the Charleston Group) was € 22,615 thousand.

Following the sale of Medipass Italy and UK, P&L results for 2019 and 2020 have been presented in accordance with IFRS5. This means that historical results for 2019 and for the first ten months of 2020, together with the gain on the sale and transaction related expenses, are no longer consolidated line-by-line but are presented as a single line item "Profit (Loss) from Assets held for Sale"".

Results by operating segment are shown below:

(eur/000)

	ACUTE & LONG TERM CARE				D&CC		CORPORATE, OTHER COMMON SERVICES AND IC		Total	
	Italy		Germany							
	31/12/2020	31/12/2019	31/12/2020	31/12/2019	31/12/2020	31/12/2019	31/12/2020	31/12/2019	31/12/2020	31/12/2019
Total revenue	**445,915**	**492,611**	**172,911**	**27,107**	**15,744**	**20,684**	**(2,995)**	**(2,611)**	**631,575**	**537,791**
EBITDA	72,004	120,449	34,228	2,003	3,477	2,659	1,954	(3,377)	111,663	121,734
EBIT	17,436	66,755	9,878	(2,120)	(11,489)	(1,098)	(434)	(5,666)	15,391	57,871
NET FINANCIAL EXPENSES									(32,309)	(21,733)
INCOME TAXES									(6,712)	(13,015)
PROFIT (LOSS) FROM CONTINUING OPERATIONS									(23,630)	23,123
PROFIT (LOSS) FROM DISCONTINUED OPERATIONS									71,440	8,232
PROFIT FOR THE YEAR ATTR. TO NON-CONTROLLING INTERESTS									1,069	1,051
PROFIT FOR THE YEAR ATTR. TO OWNERS OF THE PARENT									46,741	30,304

	ACUTE & LONG TERM CARE				D&CC		CORPORATE, OTHER COMMON SERVICES AND IC		Total	
	Italy		Germany							
FINANCIAL POSITION	31/12/2020	31/12/2019	31/12/2020	31/12/2019	31/12/2020	31/12/2019	31/12/2020	31/12/2019	31/12/2020	31/12/2019
Property, plant and equipment*	235,365	242,673	6,406	6,720	15,680	47,737	1,944	1,697	259,395	298,827
Intangible assets	275,437	266,144	89,024	88,986	25	36,626	2,275	3,036	366,761	394,792
Right of use assets	380,791	372,700	386,686	408,018	1,269	22,508	1,057	1,347	769,803	804,573
Other non current assets	2,352	2,351	15	7	0	6	23,915	29,794	26,282	32,158
Assets held for sale										
Current assets	63,747	77,602	8,087	7,244	4,821	39,289	187,994	133,414	264,649	257,549
Total assets	**957,692**	**961,470**	**490,218**	**510,975**	**21,795**	**146,166**	**217,185**	**169,288**	**1,686,890**	**1,787,899**
Equity							343,677	292,172	343,677	292,172
Non current liabilities	22,025	23,577	640	991	172	2,463	1,043,054	1,162,371	1,065,891	1,189,402
Liabilities held for sale										
Current liabilities	136,547	131,556	20,299	20,727	3,037	23,265	117,439	130,777	277,322	306,325
Total liabilities	**158,572**	**155,133**	**20,939**	**21,718**	**3,209**	**25,728**	**1,504,170**	**1,585,320**	**1,686,890**	**1,787,899**

* Including investment property

Acute & Long term care

Total revenues (Italy + Germany, including intercompany revenue) for the year ended 31 December 2020 amount to € 618,826 thousand compared to € 519,718 thousand for the year ended 31 December 2019. EBITDA amounts to € 106,232 thousand (including gains on property disposals) compared to € 122,452 thousand in 2019. As a percentage of revenue, EBITDA decreased from 24% in 2019 to 17.2%. The impact of the full contribution of the acquisitions made in 2019 and 2020 was € 161,466 thousand on revenue and € 30,775 thousand on EBITDA. The 2019 results of the business in Germany are not comparable with the 2020 results because they only relate to a short period of time (the acquisition took place in November 2019).

Diagnostic & Cancer Care

In the D&CC operating segment (which, in the consolidated financial statements, only includes the results of the Indian subsidiaries following application of IFRS5 after the sale of the Medipass Group), the KOS Group reports revenues totalling € 15,744 thousand for 2020 (€ 20,684 thousand in 2019). EBITDA amounts to € 3,477 thousand and has increased compared to 2019 (€ 2,659 thousand). The increase is thanks to the suspension of activities on an unprofitable service. The D&CC operating segment has also been hit by the effects of the COVID-19 emergency, albeit to a lesser extent. The fall in EBIT reflects the impairment adjustments made to fixed assets and trade receivables to take account of the fact that the value in use of the suspended service is lower than the related carrying amount.

Consolidated EBIT amounts to € 15,391 thousand compared to € 57,871 thousand in 2019. The positive effect of the acquisitions made in 2019 and 2020 (€8,159 thousand) was more than offset by the negative effect of the Covid-19 emergency.

In 2020, net financial expenses totalled € 32,309 thousand, higher than the € 21,733 thousand reported for 2019. The increase was mainly due to the effect of the acquisitions made in 2019 and 2020 (€ 10,464 thousand), especially the Charleston Group whose contribution represented just two months in 2019.

It should be recalled that 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 € 6,712 thousand, less than in 2019 (€ 13,015 thousand). The percentage incidence of taxes on pre tax profit has increased significantly compared to prior year, mainly because of the negative results reported for 2020.

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).

The reporting period ended with a net profit pertaining to the Group of € 46,741 thousand and a net profit pertaining to non-controlling interests of € 1,069 thousand for a total net profit of € 47,810 thousand. The result for the year includes the profit from discontinued operations, € 71,440 thousand relating to the disposal of the Medipass Group. This amount includes € 67.2 million representing the gain on the sale and € 4.2 million of profits of the Medipass Group for 2020 after disposal related expenses (in 2019, this item only included the result for the year net of certain intercompany costs).

As at 31 December 2020, the Group had 11,581 employees (11,804 employees at 31 December 2019). The decrease is due to the sale of the Medipass Group, the effect of which was only partially offset by the impact of the new acquisitions made in 2020.

With regard to the Group's financial position, capex for the year includes ordinary capex and capex to comply with laws and regulations (€ 19 million) and capex on business development/expansion (€ 18 million). Details of the business development capex during 2020 are provided below:

- € 0.2 million refers to construction of a 100 bed care home in Campofilone – construction work began in 2018;
- € 0.5 million refers to construction of a 120 bed care home in the Municipality of Vimercate;
- € 5 million refers to construction of a 120 bed care home in Grossetto;
- € 1.4 million refers to construction of a 120 bed care home in the Municipality of Borgomanero;
- € 1.5 million relates to new equipment installed at client hospital facilities where management of diagnostics services has been entrusted to subsidiary ClearMedi Health Care Ltd;
- € 5 million refers to construction of an 80 bed care home in the Municipality of Villalba;
- € 4.4 million refers to development work on facilities already operating and to new constructions where work has just commenced;

At a consolidated level, there has been a decrease in intangible assets and property, plant and equipment following the disposal of the Medipass Group. The effect of that disposal has only been partially countered by the acquisitions made during 2020 and by capex for the year.

Trade working capital was negative by € 7,458 thousand at 31 December 2020 compared to a positive figure of € 33,702 thousand at 31 December 2019. The increase is mainly due to the factoring of receivables from public sector customers during the period and to the effect of provision made for receivables of the Indian subsidiary to bring them into line with their estimated recoverable amount.

The Group's net financial debt amounted to € 931 million at 31 December 2020 against € 1,105 million at 31 December 2019. The figure at 31 December 2020 does not include the third party debt and the positive bank balances of the Medipass Group companies. The overall improvement of around € 174 million in the net financial debt is mainly due to the sale of the Medipass Group companies. The sale of properties in Vimercate, Villadose and Riva Ligure also had a positive impact and offset the impacts of the acquisitions made in the first few months of 2020.

The Group's financial position includes: (i) cash and cash equivalents of € 167.8 million; (ii) financial assets arising on the measurement of derivatives and non-recourse factoring of € 4 million; (iii) short-term borrowing (advances on invoices and bank overdraft) of € 1.3 million while total available short term credit facilities amount to € 49.3 million (i.e. there is headroom of € 48 million); (iv) medium/long term debt of € 1,101.6 million which totals € 371 million if lease liabilities are excluded. The Group also has the possibility of using additional medium/long term lines of credit totalling € 27.8 million.

The following table shows the main lines of credit with details of their availability at 31 December 2020:

	31/12/2020			31/12/2019		
(eur/million)	Total	Used	Available	Totali	Utilizzate	Disponibili
Short-term Lines ("Uncommitted"/at sight)	49.3	1.3	48.0	59.4	6.5	52.9
Long-term ("Committed"/contractualized)	398.6	370.8	27.8	514.4	485.8	28.6
Total	447.9	372.1	75.8	573.8	492.3	81.6

Details of the net financial debt at 31 December 2020 are shown below:

(eur/000)	31/12/2020	31/12/2019
(A) Cash and cash equivalents	167,817	115,375
(B) Other cash equivalents	-	-
(C) Liquidity (A) + (B)	**167,817**	**115,375**
(D) Securities, derivatives and other financial assets	4,124	9,194
(E) Total current financial assets (C) + (D)	**171,941**	**124,569**
(F) Payables to banks for account overdrafts	1,317	6,513
(G) Payables to banks for collateral loans	13,638	8,762
(H) Banks loans	17,231	20,533
(I) Bond loans	666	561
(J) Financial leases	4,223	9,035
(K) Right of use loans	48,924	47,822
(L) Payables to other financing entities	191	191
(M) Derivative financial instruments	70	298
(N) Current financial debt (F) + (G) + (H) + (I) + (J) + (K) + (L) + (M)	**86,260**	**93,715**
(O) Net current financial position (N) - (E)	**(85,681)**	**(30,854)**
(P) Payables to banks for collateral loans	21,331	35,202
(Q) Banks loans	184,076	267,426
(R) Bond loans	99,000	98,600
(S) Financial leases	30,345	44,685
(T) Right of use loans	681,352	689,491
(U) Payables to other financing entities	572	763
(V) Non current financial debt (P)+(Q)+(R)+(S)+(T)+(U)	**1,016,676**	**1,136,167**
(W) Net financial debt (O)+(V)	**930,995**	**1,105,313**

In May and June, the Group carried out an operation for the non-recourse factoring of receivables totalling € 39.2 million due from public sector customers.

At 31 December 2020, the parent KOS S.p.A.'s net financial debt amounted to € 23 million, excluding net receivables with subsidiaries of € 119 million.

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 2020 was around € 56 million (€ 88.8 million at 31 December 2019); the mark-to-market value of these contracts was negative by around € 0.1 million (negative by € 0.3 million at 31 December 2019) 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 2020. 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 2020.

Company	Enter date	Time	*Pay*	*Cap*	*Floor*	*Receive/Index*	Notional		*Fair Value*	
							31/12/20	31/12/19	31/12/20	31/12/19
Kos Care Srl	2013	Quarterly	1.740%			Euribor 3M	-	6,113	-	(33)
Kos Care Srl	2015	Quarterly	0.150%			Euribor 3M	-	1,929	-	(3)
Kos Care Srl	2014	Quarterly	0.298%			Euribor 3M	-	-	-	(20)
Kos Care Srl	2015	Quarterly	0.206%			Euribor 3M	-	4,536	-	(26)
Kos Care Srl	2015	Quarterly	0.390%			Euribor 3M	-	3,316	-	(18)
Kos SpA	2017	Half-year	0.385%			Euribor 6M	8,224	11,482	(34)	(76)
Kos SpA	2017	Half-year	0.370%			Euribor 6M	8,224	11,482	(33)	(73)
Total Interest Rate Swap							**16,448**	**38,858**	**(67)**	**(249)**
Kos Care Srl	2014 FWD Start 2017	Monthly		1.50%		Monthly avarage Euribor 1M	2,430	2,893	-	-
Kos Care Srl	2014 FWD Start 2016	Monthly		1.50%		Monthly avarage Euribor 1M	2,064	2,457	-	-
Kos Care Srl	2014 FWD Start 2016	Monthly		1.50%		Euribor 3 M	2,918	3,277	-	-
Kos SpA	2019	Quarterly		0.50%		Euribor 3 M	30,624	35,000	6	18
Total Interest Rate Cap							**38,036**	**43,627**	**6**	**18**
Derivative instruments effective							**54,484**	**82,485**	**(61)**	**(231)**
Sanatrix Gestioni Srl	Cap - 2013	Monthly		2.50%		Euribor 6M	1,099	1,598	-	-
Kos Care Srl	IRS - 2013	Quarterly	2.04%			Euribor 3M	450	1,350	(4)	(29)
Kos Care Srl	IRS - 2015	Quarterly	0.220%			Euribor 3M	-	3,337	-	(20)
Derivative instruments not effective							**1,549**	**6,285**	**(4)**	**(49)**
Total							**56,033**	**88,770**	**(65)**	**(280)**

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.

Derivatives 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 allocated to profit or loss.

Business outlook and main risks and uncertainties

Looking forward, uncertainty over how long it will take for a return to normal operations makes it difficult to assume there will be a significant improvement in the level of activity in the short-term. Therefore, it is assumed that diagnostic and psychiatric rehabilitation activities will be able to return close to pre-Covid levels in 2021, depending on how the vaccination roll-out proceeds. For the remaining activities, a return to normal can only be foreseen for 2021 if the situation regarding the pandemic improves greatly. More specifically, for Care Homes in Italy, occupancy rates will be able to increase towards pre-pandemic levels only once all restrictions on the admission of new residents (e.g. need for isolation upon admission to the facility) and on operation of the care homes (e.g. reintroduction of visits by relatives, double rooms available for use as single rooms for isolation requirements) have been removed and depending on the vaccination of both workers and residents.
Finally, we note that the Care Home segment in Germany has been less badly affected than in Italy (occupancy rate down by around 5% compared to pre-Covid level) but that a return to normal in Germany will also only be possible once all

operational restrictions have been removed. These restrictions limit capacity in terms of number of available beds and hold back demand; the success of the vaccination roll-out will be another important factor.

In 2021, 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's position in the healthcare sector in Italy and, if appropriate, abroad.

To that end, several mergers with recently acquired companies were completed in 2020 while further mergers are planned for 2021.

Efforts to improve marketing policies 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.

The Ospedala di Suzzara concession expires during 2021 and, by April 2021, the Mantua health agency will publish a call for tenders for performance of technical tests on the building; it will then publish a call for tenders for the new anti-seismic compliance work. Once the project has been prepared, it will be submitted to Lombardy Region for approval. Only at that point will it be possible to prolong the concession whose natural expiry is scheduled for October 2022.

In the first two months of 2021, the Group recorded revenue of € 101,452 thousand, around 11% lower than in the same period of 2020. The positive effect of changes in the scope of consolidation (mainly the acquisition of Finoro Immobiliare S.r.l.) has been more than offset by the enduring effects of the Covid 19 pandemic. In recent weeks, Care Home occupancy in Italy stood at around 67% compared to 94% in the corresponding period of 2020 while occupancy in Germany is gradually increasing (it now stands at 82%). Restrictions on acute care activities continue to affect all rehabilitation facilities while highly specialised and psychiatric rehabilitation centres have proven more resilient.

Going concern issue

These consolidated financial statements have been prepared on a going concern basis.
It should be noted that the Group, like the whole industry segment in which it operates, is going through a wholly unforeseeable crisis period, of extraordinary intensity, as a result of the Covid-19 pandemic and its consequences on the business, with a particular impact on revenues and costs. This has created several factors of uncertainty that have been, and continue to be, monitored by management which has also taken steps to mitigate the related uncertainty, as far as possible.
In 2020, Group revenue – excluding the business in Germany acquired at the end of 2019 – decreased by a little over 10% compared to prior year (17% increase if Germany is included). In parallel, also taking account of the additional expenses incurred to manage the Covid-19 crisis, EBIT and net income fell sharply, from € 57.8 million to € 15.4 million and from €23.1 million to -€23.6 million, respectively. Net financial debt – pre IFRS 16 – has been reduced by € 167 million to € 200.7 million, manly thanks to the previously managed disposal which had a positive impact of around € 163 million.

Faced with the effects of Covid-19 and the deterioration in operating results, in February 2021. Company drew up a Plan showing how the financial equilibrium that characterised the Group before the pandemic can be regained in the medium-term. As in the reporting period just ended, in 2021 the Group's key performance indicators and financial ratios are expected to be worse than in the pre-Covid period. This makes it necessary to monitor the possible effects on the financial situation and, specifically, on the availability of the financial resources needed to sustain the Plan and respect covenants in the year ahead.
With regard to the available finances, taking account of forecast results and cash flows and considering existing loan maturity dates and also have turned to alternative sources of finance such as the sale of real estate properties or non-core assets, the Group has the finances necessary to meet its requirements in the next twelve months. From a medium/long-term perspective, Group management has already commenced negotiations with the banks with a view to obtain new lines of credit, also against a background of rules introduced in Italy on loans accompanied by government guarantees.

There is, however, an issue regarding the risk that the Company may fail to respect the covenants in its loan agreements. In fact, failure to respect these covenants constitutes an event that gives the lenders the right to terminate the loan agreements. The covenants were respected in December 2020 but the foreseeable business outlook means we cannot exclude the risk that the covenants might not be respected at the next two measurement dates. In light of this, Management has identified and launched ordinary and extraordinary measures designed to minimise said risk at the next measurement dates, including the possible sale of certain real estate assets and the refinancing of other properties in order to improve the financial structure and respect the covenants. These measures together with the liquidity currently available and the obtaining of financing guaranteed by SACE from a syndicate of banks – negotiations are at an advanced stage – will guarantee abundant liquidity, sufficient for the Group to finance its operations and planned capex. Moreover, from a P&L perspective, action has been taken to contain operating expenses and government aid is awaited in both Germany and Italy in order to cover at least part of the revenues lost and the extraordinary costs incurred because of the pandemic.
Given all of the above and taking account of:

• the scenario used for impairment test purposes which shows the prospect of recovery to the pre-Covid situation in the years ahead and the sustainability of debt envisaged in the Plan;
• the fact that the Company has the finances necessary to meet its requirements in the next twelve months;
• the fact that loan conditions and covenants were respected at 31 December 2020 and the measures identified by management to ensure they will also be respected at the next measurement dates;

the Board of Directors has concluded that there is no reason not to apply the going concern basis of accounting.

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 equity, financial position and result 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 2020, 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 2020 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 result.

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 result.
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 repayment of these loans or to renegotiate them 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 valued 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, 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.

Moreover, following the pandemic, several insurance companies are revising their policy conditions in order to limit their exposure in case of damages caused by Covid-19 and are increasing insurance premiums given the expected increase in claims.

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 balance sheet, income statement and financial position of the Group.

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,..).
- 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 risks 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 2020, the Group had 11,581 employees against 11,804 employees at 31 December 2019. This decrease is mainly due to changes in the scope of consolidation.

The Group companies operating in Italy apply the following 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.

Ospedale di Suzzara S.p.A.:

- CCNL for CIMOP medical staff employed in Care 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 Care Homes, I.R.C.C.S., hospitals and rehabilitation centres;
- CCNL for ARIS CIMPO Medical Executives;
- CCNL for employees of facilities operating in the socio-medical-healthcare-education sector.
- CCNL for employees of Care Homes and 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 Srl:

- CCNL for ARIS CIMPO Medical Executives;
- CCNL for CIMOP medical staff employed in Care 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 Care Homes and 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 Care Homes and 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 Care 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 Care Homes, I.R.C.C.S., hospitals and rehabilitation centres.

Legislative Decree 231/01

Some time ago, the various Group companies adopted an Organisation and Management Model in terms of 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.
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.
In 2020, the Organisation Models were further revised to take account of the new offences now included among those contemplated by Legislative Decree 231/01. Particular attention has been paid to Tax Offices to which the various companies are exposed. The updated Models are close to completion and will soon be submitted to the respective Boards of Directors for approval.
The Supervisory Boards work closely together and cooperate 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.
During 2020, given the emergency situation triggered by the Covid-19 pandemic, the members of the various Supervisory Boards consulted one another on several occasions for updates on the spread of the pandemic in the Group's facilities and among personnel. They also monitored the implementation of safety measures and checked on progress with the criminal proceedings that were launched during the year in relation to the handling of the Covid emergency at certain facilities.
Efforts continued 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.
As part of internal control activities, the Supervisory Board agreed the results of the testing performed by the Internal Audit function, as based on a plan agreed at the start of the year. Testing was carried out on a partial basis because of the restrictions imposed by the spread of the Covid-19 pandemic. Meanwhile, health and care audits continued and focused on issues relating to the pandemic.
The audits conducted have not identified significant issues in terms of Legislative Decree 231/01.
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 Legislative Decree 101/2018, companies have taken necessary action to guarantee a new approach to data protection. A Data Protection Officer (DPO) has been appointed and the role of Privacy Manager has been created. Records of Processing by the Data Controller have been set up and, where applicable, Records of Data Processors have been implemented. Moreover, authorisation has been given to employees who process personal data and procedures have been implemented to ensure there is appropriate information on the various types of personal data processing. The logging of suppliers that process sensitive data has been completed and appropriate documentation has been compiled.
The Group has also set up a discussion group for compliance with the requirements of EU Directive 1148/2016, as incorporated into Italian law, with regard to the establishment of N.I.S. (Network and Information Security).
Continues training is provided through the online course available on the Group platform and through specific, classroom-based sessions. Some 6,000 employees and collaborators have now received training.

General information on the Parent Company

Parent company KOS S.p.A. reports positive EBITDA of € 183 thousand for 2020 compared to negative EBITDA of € 4,688 thousand in 2019. The improvement is mainly thanks to the gain realised in 2020 on the disposal of a property owned by the company. In 2020, the company recognised depreciation, amortisation and impairment losses for a total of € 575 thousand. This decrease compared to the total of € 643 thousand recorded in 2019, is mainly a result of the aforementioned disposal.

EBIT was negative by € 391 thousand compared to a negative figure of € 5,311 thousand in prior year.

Net financial income for the year totalled € 428 thousand compared to net financial expenses of € 909 thousand in 2019.

Net adjustments to financial assets totalling € 5,471 thousand were made in 2020. This included € 6,982 thousand for impairment of the investment in subsidiary Clearmedi, as partially offset by a positive adjustment of € 1,512 thousand in application of IFRS9 which measures financial receivables and guarantees given.

Income taxes amounted to € 305 thousand compared to € 2,099 thousand in 2019. Although the company reported a pre-tax loss, the presence of permanently not deductible expense for tax purposes gives rise to tax liabilities and means that the effective tax rate is rather different to the theoretical rate. These taxes flow into the CIR S.p.A. Group tax consolidation scheme.

At 31 December 2019, the parent had 20 employees compared to 21 employees as at 31 December 2019.

A net profit of € 97,400 thousand is reported for the year ended 31 December 2020, including the gain realised on the sale of the investment in Medipass S.r.l. (€ 103,139 thousand after costs to sell and taxes) compared to a net loss of €8,129 thousand in 2019.

Moving on to the Statement of Financial Position, equity investments amounted to € 170,846 thousand against € 164,513 thousand at 31 December 2019.

The net financial debt at 31 December 2020 is analysed below:

(eur/000)	31/12/20	31/12/19
(A) Cash and cash equivalents	136,873	35,085
(B) Other cash and cash equivalents	-	-
(C) Liquidity (A)	**136,873**	**35,085**
(D) Securities, derivatives and other financial receivables	6	21
(D1) Financial receivables from subsidiaries	16,300	41,842
(E) Total current financial assets (C) + (D) + (D1)	**153,179**	**76,948**
(G) Bank loans and borrowings - collateral	273	607
(H) Bank loans and borrowings	16,539	19,663
(H1) Bond loans	666	561
(I) Payables for right of use	200	209
(J) Derivatives liabilities	67	148
(K) Financial liabilities to subsidiaries	158,659	166,684
(L) Current financial debt (G) + (H) + (H1) + (I) + (J) + (K)	**176,404**	**187,872**
(M) Net current financial debt (L) - (E)	**23,225**	**110,924**
(N) Financial assets from subsidiaries	261,375	327,294
(O) Non current financial debt (N)	**261,375**	**327,294**
(P) Bank loans and borrowings - collateral	480	1,686
(Q) Bank loans and borrowings	160,829	239,368
(Q1) Bond loans	99,000	98,600
(R) Payables for right of use	780	980
(S) Non current financial debt (P) + (Q) + (Q1) + ®	**261,090**	**340,633**
(T) Net non current financial debt (S) - (O)	**(285)**	**13,339**
(U) Net financial debt (M) + (T)	**22,941**	**124,264**

The net financial debt of the parent KOS S.p.A. amounts to € 22,941 thousand compared to net indebtedness of € 124,264 thousand at 31 December 2019. At 31 December 2020, the net financial debt included cash and cash equivalents of € 136,873 thousand, receivables from subsidiaries totalling € 277,675 thousand, € 158,659 thousand of payables to subsidiaries and bank borrowings of € 277,787 thousand. The € 101,323 thousand reduction in net debt is mainly due to the sale of the investment in Medipass S.r.l. 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 ultimate parent CIR S.p.A. – Compagnie industriali riunite. 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	Loss
CIR S.p.A. – Compagnie industriali riunite	320,637	681,380	(161,443)

The above amounts were taken from the company' separate financial statements prepared in accordance with IFRS accounting standards as at and for the year ended 31 December 2019.

Research and development activities

Scientific research and development, conducted mainly in the Acute & 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 separate Financial Statements and the Group's Consolidated Financial Statements

(eur/000)	2020 Net equity	2020 Net Income	2019 Net equity	2019 Net Income
EQUITY AND PARENT COMPANY PROFIT (LOSS) FOR THE YEAR	**148,209**	**97,400**	**47,794**	**(8,129)**
Equity and profit of consolidated Companies	398,804	(21,179)	458,075	37,955
Deconsolidation of equity investments		(33,665)		
Reversal of writedown of consolidated Companies	14,980	6,842	8,138	
Derecognition of carrying amount of consolidated equity investments and goodwill	(216,115)		(218,928)	
Fair value of derivatives	(113)		(269)	
Dividends elimination				(925)
Other	(2,088)	(1,588)	(2,638)	2,454
TOTAL EQUITY AND PROFIT FOR THE YEAR	**343,677**	**47,810**	**292,172**	**31,355**
of which attributable to non-controlling interests	7,461	1,069	6,279	1,051
EQUITY AND PROFIT FOR THE YEAR ATTRIBUTABLE TO THE OWNERS OF THE PARENT	**336,216**	**46,741**	**285,893**	**30,304**

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 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 2020:
Registered Office: Via Ciovassino, 1 - 20121 Milan
Operating Head Office: Via Durini, 9 - 20122 Milan

Milan, 25 February 2021

FOR THE BOARD OF DIRECTORS
The Chairman
Carlo Michelini

Statement of profit or loss

(eur/000)	Notes	2020	2019
REVENUE	4	631,575	537,791
PURCHASE OF GOODS	5	(62,357)	(44,077)
SERVICES	6	(136,020)	(131,296)
PERSONNEL EXPENSE	7	(318,323)	(225,942)
OTHER OPERATING INCOME	8	26,340	6,541
OTHER OPERATING COSTS	9	(29,297)	(21,326)
ADJUSTMENTS TO EQUITY-ACCOUNTED INVESTEES	20	(255)	43
GROSS OPERATING PROFIT		**111,663**	**121,734**
AMORTIZATION, DEPRECIATION, IMPAIRMENT LOSSES AND PROVISIONS	10	(96,272)	(63,863)
OPERATING PROFIT		**15,391**	**57,871**
FINANCIAL INCOME	11	307	92
FINANCIAL EXPENSES	12	(32,544)	(21,877)
DIVIDENDS	11	56	42
ADJUSTMENTS TO FINANCIAL ASSETS	13	(128)	10
PRE-TAX PROFIT (LOSS)		**(16,918)**	**36,138**
INCOME TAXES	14	(6,712)	(13,015)
PROFIT (LOSS) FROM CONTINUING OPERATIONS		**(23,630)**	**23,123**
PROFIT FROM DISCONTINUED OPERATIONS	15	71,440	8,232
PROFIT FOR THE YEAR INCLUDING NON-CONTROLLING INTERESTS		**47,810**	**31,355**
PROFIT FOR THE YEAR ATTR. TO NON-CONTROLLING INTERESTS		1,069	1,051
PROFIT FOR THE YEAR ATTR. TO OWNERS OF THE PARENT		**46,741**	**30,304**
BASIC EARNINGS PER SHARE	40	0.525	0.342
DILUTED EARNINGS PER SHARE	40	0.523	0.341

Statement of comprehensive income

(eur/000)	2020	2019
PROFIT (LOSS) FROM CONTINUING OPERATIONS	**(23,630)**	**23,123**
Items that will never be reclassified to profit or loss:		
Actuarial losses	(126)	(1,636)
Income taxes actuarial losses	43	356
Translation difference	627	213
Items that will be reclassified to profit or loss:		
Net gains on cash flow hedges	205	229
Income taxes on net gains on cash flow hedges	(49)	(55)
Profit from discontinued operations	71,440	8,232
TOTAL COMPREHENSIVE INCOME	**48,510**	**30,462**
Owners of the parent	47,447	29,421
Non-controlling interests	1,063	1,041

Statement of financial position

(eur/000)	Notes	31/12/2020	31/12/2019
NON CURRENT ASSETS		**1,422,241**	**1,530,350**
INTANGIBLE ASSETS	16	366,761	394,792
PROPERTY, PLANT AND EQUIPMENT	17	256,619	295,923
RIGHT OF USE ASSETS	18	769,803	804,573
INVESTMENT PROPERTY	19	2,776	2,904
EQUITY-ACCOUNTED INVESTEES	20	596	851
OTHER EQUITY INVESTMENTS	20	1,826	1,817
OTHER ASSETS	21	3,638	4,880
DEFERRED TAX ASSETS	22	20,222	24,610
CURRENT ASSETS		**264,649**	**257,549**
INVENTORIES	23	9,335	4,521
RECEIVABLES FROM PARENT COMPANY	24	1,030	2,782
TRADE RECEIVABLES	25	64,039	113,810
OTHER ASSETS	26	18,304	11,867
FINANCIAL ASSETS	27	4,124	9,194
CASH AND CASH EQUIVALENTS	28	167,817	115,375
ASSETS HELD FOR SALE		-	-
TOTAL ASSETS		**1,686,890**	**1,787,899**
LIABILITIES AND EQUITY			
EQUITY	29	**343,677**	**292,172**
SHARE CAPITAL		8,853	8,848
RESERVES		41,217	46,791
RETAINED EARNINGS		286,146	230,254
EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT		**336,216**	**285,893**
EQUITY ATTRIBUTABLE TO NON-CONTROLLING INTERESTS		7,461	6,279
NON-CURRENT LIABILITIES		**1,065,891**	**1,189,402**
BOND LOANS	30	99,000	98,600
OTHER LOANS AND BORROWINGS	30	205,979	303,391
LEASE LIABILITIES	30	711,697	734,176
TRADE PAYABLES	35	319	442
OTHER LIABILITIES	36	134	132
DEFERRED TAX LIABILITIES	31	17,103	16,846
PERSONNEL PROVISIONS	32	25,772	27,241
PROVISIONS FOR RISKS AND CHARGES	33	5,887	8,574
CURRENT LIABILITIES		**277,322**	**306,325**
BANK OVERDRAFTS	30	1,317	6,513
BOND LOANS	30	666	561
OTHER LOANS AND BORROWINGS	30	31,130	29,784
LEASE LIABILITIES	30	53,147	56,857
PAYABLES TO PARENT COMPANY	34	826	5,216
TRADE PAYABLES	35	80,832	84,629
OTHER LIABILITIES	36	68,877	70,515
PROVISIONS FOR RISKS AND CHARGES	33	40,527	52,250
LIABILITIES ASSOCIATED WITH ASSETS HELD FOR SALE		-	-
TOTAL LIABILITIES AND EQUITY		**1,686,890**	**1,787,899**

Statement of cash flows

(eur/000)	31/12/2020	31/12/2019
OPERATING ACTIVITIES		
Profit (Loss) from continuing operations	(23,630)	23,123
ADJUSTMENTS:		
AMORTIZATION, DEPRECIATION AND IMPAIRMENT LOSSES	87,557	60,461
ACCRUAL TO PROVISIONS FOR PERSONNEL, NET OF UTILISATIONS AND STOCK OPTIONS	962	943
ACCRUAL TO PROVISIONS FOR RISKS AND CHARGES, NET OF UTILISATIONS	(10,143)	9,030
CHANGE IN NET WORKING CAPITAL, NET OF ACQUISITIONS	30,378	(12,626)
CHANGES IN OTHER CURRENT ASSETS/LIABILITIES, NET OF ACQUISITIONS	(7,580)	17,827
OTHER CHANGES IN NON-CURRENT ASSETS/LIABILITIES, NET OF ACQUISITIONS	2,983	(8,777)
CASH FLOW FROM OPERATING ACTIVITIES	**80,527**	**89,981**
of which:		
interest paid	13,125	9,431
income taxes paid	6,859	17,460
INVESTING ACTIVITIES		
(PURCHASE)/SALE OF NON-CURRENT ASSETS	(49,392)	(41,211)
PURCHASE OF ASSETS, NET OF BANK LOANS AND BORROWINGS	(12,851)	(93,769)
CASH FLOW USED IN INVESTING ACTIVITIES	**(62,243)**	**(134,980)**
FINANCING ACTIVITIES		
PROCEEDS FROM CAPITAL INCREASES OF NC INTERESTS	2,823	79
OTHER CHANGES IN EQUITY	250	(210)
CHANGES IN OTHER FINANCIAL ASSETS	4,720	5,324
DRAWDOWN/(REPAYMENT) OF OTHER LOANS AND BORROWINGS	(107,278)	137,104
DIVIDENDS PAID AND RESERVES DISTRIBUTED		(35,883)
CASH FLOW FROM (USED IN) FINANCING ACTIVITIES	**(99,485)**	**106,414**
INCREASE (DECREASE) IN NET CASH AND CASH EQUIVALENTS	**(81,201)**	**61,415**
OPENING NET CASH AND CASH EQUIVALENTS	**106,386**	**44,442**
INCREASE IN NET CASH AND CASH EQUIVALENTS FROM DISCONTINUED OPERATIONS	**141,315**	**529**
CLOSING NET CASH AND CASH EQUIVALENTS	**166,500**	**106,386**

In the statement of cash flows for the period ended 31 December 2020 and, for comparative purposes at 31 December 2019, the cash flows from Discontinued Operations have been reclassified under the line item "Cash flows/Net cash and cash equivalents of discontinued operations", excluding the effects of the cash flows of the Medipass Group; for impact, see paragraph "*2.2 Presentation of the consolidated financial statements and comparability*".

Statement of changes in consolidated 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 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**

	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 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**
Capital increase	5		2,736							2,741		82	2,823
Profit for the year									46,741	46,741	1,069		47,810
Other comprehensive income:													
Changes in cash flow hedge reserve					156					156			156
Changes in post-employment benefit valuation reserve						(80)				(80)		(3)	(83)
Translation differences								630		630		(3)	627
Total other comprehensive income	**0**	**0**	**0**	**0**	**156**	**(80)**	**0**	**630**	**46,741**	**47,447**	**1,069**	**(6)**	**48,510**
Increase in stock option reserve				217						217			217
Stock option reserve utization				(474)			474			0			0
Dilution of non-controlling interests (CMH)							(82)			(82)			(82)
Medipass Group disposal										0		(294)	(294)
Finoro Group acquisition										0		331	331
Allocation of prior year profit			(8,129)				38,433		(30,304)	0	(1,051)	1,051	0
BALANCE AT 31 DECEMBER 2020	**8,853**	**1,770**	**40,250**	**2,275**	**(113)**	**(2,965)**	**238,528**	**877**	**46,741**	**336,216**	**1,069**	**6,392**	**343,677**

Accounting policies and Notes to the Consolidated Financial Statements

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 (care 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:

Acute & Long Term Care: the Group provides residential healthcare and assistance to the elderly, mainly under the "Anni Azzurri" and "Charleston" brands. 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. In this business area, the Group also manages Ospedale F.lli Montecchi di Suzzara (MN) under a concession agreement.

Diagnostic & Cancer Care (D&CC): the Group provides advanced services for complex medical technology management (diagnostic imaging, nuclear medicine and radiotherapy, the last of these is under development) on an outsourced basis, mainly through subsidiary ClearMedi Healthcare. The business of the Medipass Group in Italy and the UK was sold during the reporting period.

The Group operates mainly in Italy in eight regions of North and Central Italy (Liguria, Piedmont, Lombardy, Veneto, Trentino, Emilia Romagna, Marche and Umbria), Following the acquisition of the Charleston Group at the end of 2019, the KOS Group now also operates in Germany.

As at 31 December 2020, KOS Group was managing some 137 healthcare facilities – 90 in North and Central Italy and 47 in Germany - with a total of 12,686 beds plus around 950 beds under construction. It operates in two business segments:

- **Acute & Long Term Care:** management of care homes for the elderly with some 99 care homes for a total of 9,776 beds (including 4,046 in Germany) and 37 rehabilitation facilities for a total of 2,787 beds in operation plus 15 outpatient clinics and management of a 123-bed hospital;
- **Diagnostic & Cancer Care:** operation of cancer care and diagnostic services in private and public sector healthcare facilities in India;

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

- 59.77% by C.I.R S.p.A., a company listed on the Mercato Telematico Italiano (Italian electronic stock exchange) managed by Borsa Italiana;
- 40.23% 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 2020, 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
Acute & Long Term Care	KOS Care S.r.l	Milan	2,550,000	€	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%
	Charleston VOR- GmbH	Füssen (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%
	Wohn- und Pflegezentrum Neuenstein 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%
	Wohn- und Pflegezentrum Crailsheim GmbH	Füssen (DE)	25,000	€	Charleston Holding GmbH	100.00%	100.00%
	Wohn- und Pflegezentrum Durlangen 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%
	Finoro Immobiliare S.r.l.	Rome	52,000	€	KOS Care S.r.l	95.00%	95.00%
	GES.CA.S. Villa Armonia Nuova S.r.l.	Rome	52,000	€	Finoro Immobiliare S.r.l.	100.00%	95.00%
	Ospedale di Suzzara S.p.A.	Suzzara (MN)	120,000	€	Kos S.p.A	99.90%	99.90%
	Sanatrix Gestioni S.r.l.	Civitanova Marche (MC)	300,000	€	Sanatrix S.r.l.	99.61%	90.92%
D & CC	ClearView Healthcare LTD	New Delhi (IND)	4,661,880	INR	Kos S.p.A	85.19%	85.19%
	ClearMedi Healthcare Ltd	New Delhi (IND)	58,464,060	INR	Kos S.p.A	95.07%	95.07%
					ClearView Healthcare LTD	4.93%	4.20%
Corporate e altri servizi comuni	KOS Servizi Società Consortile a r.l.	Milan	115,000	€	Kos S.p.A	6.42%	97.26%
					KOS Care S.r.l	81.32%	
					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%	
					Casa di cura Sant'Alessandro S.r.l.	0.43%	
					GES.CA.S. Villa Armonia Nuova 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) 31/12/2020	Carrying amount (eur) 31/12/2019
Osimo Salute S.p.A	Osimo (AN)	750,000	€	Abitare il tempo S.r.l	25.50%	14.03%	893	893
Fondo Spazio Sanità	Roma	107,103,000	€	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%	595	851
Other							33	24
Total							**2,421**	**2,668**

** Equity-accounted investees*

During the reporting period, the Group acquired a 95% interest in Finoro Immobiliare S.r.l., owner of GES.CA. S Villa Armonia Nuova S.r.l. The acquisition price paid was € 11,318 thousand, giving rise to goodwill of € 5,038 thousand.

November saw the completion of a business consisting of the operation of a 110 bed care home in the Municipality of Genoa. The acquisition price was € 1,350 thousand and goodwill of € 877 thousand arose from the deal.

Acquisitions made in 2019 and 2020 mean that the figures as at 31 December 2020 are not immediately comparable with those at 31 December 2019. In particular, we highlight the effect of the acquisition of the Charleston Group whose P&L effect was only reflected for two months in 2019.

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 2020 report the following amounts.

Eur thousand		**31/12/2020**
Non current assets*	G	12,846
Working capital		(568)
Non current net assets/(liabilities)		(1,239)
Financial liabilities	C	(3,773)
Cash and cash equivalents	B	(182)
Non-controlling interests		(331)
Goodwill	H	5,916
Equity reserves		0
Purchase price		**(12,669)**
of which:		
Advances paid in previous years		(3,274)
Price paid net of advances	A	(9,395)
Impact on financial debt	**D= A+B+C**	**(13,350)**
Purchase price net of cash and cash equivalents	**E=A+B**	(12,851)
Non current assets from acquisition	**I=G+H**	**18,762**

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

The revenue effect of the above acquisitions amounts to around € 4,615 thousand since the date of acquisition while the EBITDA effect is positive by € 107 thousand.

2 Basis of preparation and accounting policies

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

The Consolidated Financial Statements have been prepared on a going concern basis. The Group maintains 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 2020 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.

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 line 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 Statement of Profit or Loss, the Statement of Financial Position, the Statement of Cash Flows, the Statement of Changes in Consolidated Equity and the Notes thereto.

2.2 Basis of Presentation of the consolidated financial statements and comparability

The Statement of Profit or Loss has been prepared with revenue and costs classified by type. It shows the operating profit and pre-tax profit (loss) so as to provide a better representation of the performance of ordinary operating activities.
The consolidated 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 statement of comprehensive income, prepared in accordance with IAS and compulsory as from the current year, highlights the other profit or loss items taken directly to equity.

The 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 Statement of Cash Flows has been prepared using the indirect method.

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

- the allocation of net profit for the year of the parent company and the subsidiary companies to non-controlling shareholders;
- amounts relating to transactions with shareholders (sale and purchase of treasury shares);
- as required by IFRS, each profit and loss item, net of any tax effect, is taken 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);
- movements on valuation reserves for cash flow hedging instruments net of any tax effect;
- the effect of any changes in accounting policies.

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”.

The consolidated financial statements have been prepared to reflect the sale of the Medipass Group. Said transaction took place under the binding agreement signed in September by KOS S.p.A. and Inframedica S.àr.l., a company wholly and indirectly controlled by DWS Alternatives Global Limited, investment manager responsible for management of the Pan-European Infrastructure III, SCSp (“DWS”), for the transfer of 100% of the quota capital of Medipass S.r.l. Before the sale was carried out, KOS bought back its Indian subsidiaries (Clearmedi Healthcare Private LTD, Clearview Healthcare Private LTD) from Medipass S.r.l. The agreed enterprise value was € 169.2 million with an equity value of € 105.6 million, net of the outlay on the part of KOS for the acquisition of the Indian companies (€ 16.1 million); the deal was completed in November 2020 although there could be price adjustments in the first few months of 2021.

The following is reported in the consolidated financial statements at 31 December 2020:

• in the Statement of Profit or Loss and the Statement of Comprehensive Income as at and for the year ended 31 December 2020 and, for comparative purposes, prior year, revenue and income and costs and expense minus costs to sell of the Discontinued Operations have been reclassified under the caption “Profit (Loss) from Assets Held for Sale”;
• in the Statement of Cash Flows as at and for the year ended 31 December 2020 and, for comparative purposes, prior year, the cash flows generated by assets constituting the Discontinued Operations have been reclassified to the caption “Cash flows generated by Assets Held for Sale”, excluding the effect of the cash flows of the Medipass Group which are presented in the next paragraph.

The following tables present details of the Statement of Profit or Loss, the Statement of Comprehensive Income and the Statement of Cash Flows of the Medipass companies sold for the period ended 31 October 2020 (last consolidated financial statements of the Group) and for the year ended 31 December 2019, together with the Statement of Financial Position as at 31 December 2019.

CONTRIBUTION TO PROFIT OR LOSS OF DISCONTINUED OPERATIONS

(€/000)	31/10/2020	31/12/2019
REVENUE	46,833	57,394
OPERATING PROFIT	**8,854**	**10,878**
NET FINANCIAL EXPENSES	- 667	- 726
INCOME TAXES	- 1,250	- 903
PROFIT FOR THE YEAR INCLUDING NON-CONTROLLING INTERESTS	**6,937**	**9,249**
Costs incurred for the sale net of the tax effect	- 2,754	- 1,017
Capital gain from discontinued operations	67,257	-
PROFIT FROM DISCONTINUED OPERATIONS	**71,440**	**8,232**

COMPREHENSIVE INCOME STATEMENT CONTRIBUTION OF DISCONTINUED OPERATIONS

(eur/000)	31/10/2020	31/12/2019
PROFIT FOR THE YEAR INCLUDING NON-CONTROLLING INTERESTS	**6,937**	**9,249**
Items that will never be reclassified to profit or loss:		
Actuarial gains (losses)		(127)
Income taxes actuarial gains (losses)		4
Translation difference	(282)	215
TOTAL COMPREHENSIVE INCOME	**6,655**	**9,341**

CASH FLOW CONTRIBUTION OF DISCONTINUED OPERATIONS

(eur/000)	31/12/2019
CASH FLOW FROM OPERATING ACTIVITIES	6,117
CASH FLOW USED IN INVESTING ACTIVITIES	(22,778)
CASH FLOW FROM FINANCING ACTIVITIES	19,666
INCREASE IN NET CASH AND CASH EQUIVALENTS	**3,005**
OPENING NET CASH AND CASH EQUIVALENTS	**(529)**
CLOSING NET CASH AND CASH EQUIVALENTS	**2,476**

2.3 Basis of consolidation

The consolidated financial statements are based on the separate financial statements of the parent 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 principles 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 subsidiariesafter stating individual assets, liabilities and contingent liabilities their current value at the date control was acquired. Any remaining, positive difference is allocated to the non-current asset balance “Goodwill”.
If, after a further 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 statement of profit or loss effects of intercompany transactions are eliminated.
Unrealised losses are eliminated and are considered as an indicator of impairment of the asset transferred.

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 includes the Group share of the results of equity-accounted associated companies, , 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 taken to profit or loss when the acquisition takes place.
Costs relating to business combinations are taken to profit or loss.
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 of goodwill is never reversed.
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 statement of profit or loss. 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 statement of profit or loss. 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 statement of profit or loss.

2.5 Main accounting policies and measurement 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. Intangible assets with a finite useful life are tested for impairment annually or whenever there is an indicator of impairment. 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 recorded 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, 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 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 begun 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 in 2019, for all leases with a term of more than 12 months, the Group recognised the right-of use assets and the related financial liabilities ("lease liabilities"), 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 periods 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 group shall revise and update the residual amount of the asset.

The financial liability is recognised at the net present value of future payments over the term of the lease, 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.

The financial liability was determined by discounting expected future 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 that represents a period consistent with that used by management to evaluate 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 recorded 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 2.40% to calculate the rights of use.

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

(eur/000)	*2020*	IFRS 16 impact	2020 IFRS 16
REVENUE	631,575		631,575
PURCHASE OF GOODS	(62,357)		(62,357)
SERVICES	(198,759)	62,739	(136,020)
PERSONNEL EXPENSE	(318,323)		(318,323)
OTHER OPERATING INCOME	26,340		26,340
OTHER OPERATING COSTS	(29,297)		(29,297)
GROSS OPERATING PROFIT	**48,924**	**62,739**	**111,663**
AMORTIZATION, DEPRECIATION, IMPAIRMENT LOSSES AND PROVISIONS	(42,397)	(53,875)	(96,272)
OPERATING PROFIT	**6,527**	**8,864**	**15,391**
FINANCIAL INCOME	307		307
FINANCIAL EXPENSES	(16,437)	(16,107)	(32,544)
DIVIDENDS	56		56
PRE-TAX LOSS	**(9,675)**	**(7,243)**	**(16,918)**
INCOME TAXES	(7,808)	1,096	(6,712)
PROFIT FROM DISCONTINUED OPERATIONS	71,440		71,440
PROFIT FOR THE YEAR INCLUDING NON-CONTROLLING INTERESTS	**53,957**	**(6,147)**	**47,810**

(eur/000)	*31/12/2020*	**IFRS 16 impact**	**31/12/2020 IFRS 16**
NON CURRENT ASSETS	703,468	**718,773**	**1,422,241**
INTANGIBLE ASSETS	366,761		366,761
PROPERTY, PLANT AND EQUIPMENT	256,619		256,619
RIGHT OF USE ASSETS	53,015	716,788	769,803
INVESTMENT PROPERTY	2,776		2,776
EQUITY-ACCOUNTED INVESTEES	596		596
OTHER EQUITY INVESTMENTS	1,826		1,826
OTHER ASSETS	3,638		3,638
DEFERRED TAX ASSETS	18,237	1,985	20,222
CURRENT ASSETS	264,649	-	**264,649**
INVENTORIES	9,335		9,335
RECEIVABLES FROM PARENT COMPANY	1,030		1,030
TRADE RECEIVABLES	64,039		64,039
OTHER ASSETS	18,304		18,304
FINANCIAL ASSETS	4,124		4,124
CASH AND CASH EQUIVALENTS	167,817		167,817
ASSETS HELD FOR SALE	-		-
TOTAL ASSETS	968,117	**718,773**	**1,686,890**
LIABILITIES AND EQUITY			
EQUITY	352,300	**(8,623)**	**343,677**
SHARE CAPITAL	8,853		8,853
RESERVES	41,217		41,217
RETAINED EARNINGS	294,769	(8,623)	286,146
EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT	344,839	**(8,623)**	**336,216**
EQUITY ATTRIBUTABLE TO NON-CONTROLLING INTERESTS	7,461		7,461
NON-CURRENT LIABILITIES	384,539	**681,352**	**1,065,891**
BOND LOANS	99,000		99,000
OTHER LOANS AND BORROWINGS	205,979		205,979
LEASE LIABILITIES	30,345	681,352	711,697
TRADE PAYABLES	319		319
OTHER LIABILITIES	134		134
DEFERRED TAX LIABILITIES	17,103		17,103
PERSONNEL PROVISIONS	25,772		25,772
PROVISIONS FOR RISKS AND CHARGES	5,887		5,887
CURRENT LIABILITIES	231,278	**46,044**	**277,322**
BANK OVERDRAFTS	1,317		1,317
BOND LOANS	666		666
OTHER LOANS AND BORROWINGS	31,130		31,130
LEASE LIABILITIES	4,223	48,924	53,147
PAYABLES TO PARENT COMPANY	826		826
TRADE PAYABLES	80,832		80,832
OTHER LIABILITIES	71,757	(2,880)	68,877
PROVISIONS FOR RISKS AND CHARGES	40,527		40,527
LIABILITIES ASSOCIATED WITH ASSETS HELD FOR SALE	-		-
TOTAL LIABILITIES AND EQUITY	968,117	**718,773**	**1,686,890**

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 profit or loss 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 recorded 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 loss. 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 associated companies 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.

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 book value of the asset and the present amount of expected future cash flows.

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

In accordance with Consob Warning Notice no 1/21, the Group has taken into account the impact of Covid-19 when determining the amounts reported in its consolidated financial statements, especially with regard to Covid related risks and the measurement of expected bad debts. The analysis performed did not detect any significant risks.

Factoring of receivables

Receivables transferred under factoring transactions are only eliminated from the assets side of the 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's 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.

In accordance with Consob Warning Notice no 1/21, the Group has taken into account of the impact of Covid-19 when determining the amounts reported in its consolidated financial statements, especially with regard to risks regarding financial assets and liabilities and with particular attention to the liquidity risk and the measurement of expected bad debts. The analysis performed did not detect any significant risks.

EQUITY

Ordinary shares are stated at nominal amount. Costs directly attributable to the issue of new shares are deducted from equity reserves, net of any related tax benefit. In case of purchases of treasury shares recorded in equity, the consideration paid – including directly attributable expenses and after tax effects – is recorded as a reduction to equity. The consideration received from the subsequent sale or reissue of treasury shares 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 statement of profit or loss, 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 recognised in equity and is accounted for in the Statement of Profit or Loss for the years – and in the manner – in which the hedged items flow through the Statement of Profit or Loss for the period in which the related profit or loss effect of the hedged transaction is recognised. Gains or losses related to a hedge considered ineffective are recognised immediately in the statement of 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 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.

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 discounted. Increases in the provision due to the passage of time are recognised in the income statement under "Financial income and expenses". The Notes to the Financial 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 profit or loss in subsequent periods. See Note 3.1 "Comparability of financial statements" for more details.

Trade payables, and, 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 statement of profit or loss 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.
"Other financial liabilities" includes the financial contra-entry to the Statement of Financial Position Asset Caption "Rights of use of assets" as required in application of IFRS 16.

STATEMENT OF PROFIT OR LOSS

Revenue and costs

Revenue for services are recognised when the services are rendered, taking account of the state of completion of the services at the reporting date.
Revenues are 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 profit or loss 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 expense are recognised in the statement of profit or loss on an accrual basis, during the reporting period in which they are incurred. Borrowing costs sustained 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 reporting period, 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 reporting period 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 include stock options vesting as at the reporting date and the portion of warrants that has matured.
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 statement of profit or loss for the year 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.

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 recorded 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), Kos Care S.r.l. (period 2020-2022) and Jesilab S.r.l. (period 2019-2021) have

joined the Italian tax consolidation scheme set up by the ultimate parent 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*)). Medipass ceased to belong to the Group taxation arrangement following its sale in November 2020.
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 assetfrom companies that transfer taxable income in the amount of the IRES payable. Meanwhile, the consolidating company records 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 for the period.

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 profit or loss; 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 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 recorded 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 profit or loss.

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: determination 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 profit and loss, 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 year unless they clearly represent a recovery of part of the cost of the investment. Other net profits and losses are recorded in other comprehensive income and are never recycled through profit or loss for the period.

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 year.
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 recorded 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 recorded 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 2021-2025 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 2021 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 suffer a reduction because of the ongoing pandemic and resulting financial crisis, as well as because of its possible effects on public and healthcare expenditure.

General assumptions

- Completion of the vaccination roll-out and of available Covid treatment from the final quarter of 2021;
- No acute phase of the pandemic in the first few months of 2021;

- No dividends distributed during the Business Plan period;
- Increase in personnel costs in 2021 and 2022 followed by realignment with previous forecasts

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Assumptions regarding the Long Term Care CGU

- Occupancy rate to recover from the summer of 2021 following slowdown in demand because of decline in elderly population, reduction in household income, changing work patterns with increased capacity for autonomous care of relatives and media-promoted perception of dangers associated with Care Homes;
- Return of care home bed occupancy rates to pre-Covid levels in 2022;
- Healthcare fees assumed stable with private component assumed down because of pricing policies but partially compensated by public component;
- *Rehab-Acute Care*: affected by restrictions and by social-distancing rules but with larger increase in occupancy rate than care homes.

With regard to Ospedale di Suzzara:

- It is assumed that the concession for Suzzara Hospital will be renewed. However, for the purposes of the impairment test, in line with previous tests, the Company opted to test cash flows until the expiry of the existing concession, as scheduled for 2022;
- Investment in anti-seismic plan forecast from 2022.

Assumptions regarding the Long Term Care Germany CGU:

- An increase in the number of beds available is forecast from 2022. The occupancy rate is also expected to increase from that year after the decrease recorded in 2020 because of the Covid-19 pandemic.
- Personnel cost increase of 2% for care homes and 1.5% for other personnel forecast for the duration of the Business Plan.

Assumptions regarding the D&CC CGU:

- No new services forecast following the sale of Medipass ITA and Medipass UK;
- With regard to the test of the NIC of Medipass India, the Group has assumed that 10% of the cash flows from the development division will be allocated in line with the business forecast for cash flow generation by Indian activities.

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 recorded at 31 December 2020 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 recorded at cost except for the investment in Apokos which is measured at equity.

Fair value of derivatives

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

- 3 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 number of 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 2020 had to be determined. See paragraph "3.*6 Accounting for hedging transactions*" for details.

Stock options and warrants

For the purposes of these dconsolidated financial statements, the profit or loss 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 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.

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 debts represents the directors' best estimate of losses on trade receivables. As required by IFRS 9, impairment is determined based on 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.

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 value 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, AMENDMENTS AND IFRS INTERPRETATIONS APPLIED FOR THE FIRST TIME FROM 1 JANUARY 2020

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 2020 reporting period are provided below.

Document title	Issue date	Effective date	Endorsement date	EU Regulation and publication date
Amendments to references 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) 2019/2104 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
Definition of a business (Amendments to IFRS 3)	October 2018	1 January 2020	21 April 2020	(EU) 2020/551 22 April 2020
COVID-19 related rent concessions (Amendment to IFRS 16)	May 2020	1 June 2020	9 October 2020	(EU) 2020/1434 12 October 2020

Adoption of the accounting standards, amendments and interpretations set out in the above table did not have any significant effect 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 2020

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 title	Issue date	Effective date	Endorsement date	EU Regulation and publication date
Prolongation of temporary extension of application of IFRS 9 (Amendments to IFRS 4)	June 2020	1 January 2021	15 December 2020	(EU) 2020/2097 16 December 2020
Interest rate benchmark reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)	August 2020	1 January 2021	13 January 2021	(EU) 2021/25 14 January 2021

An assessment of the effect these standards, amendments and interpretations will have on the Group is in progress but their adoption is not expected to produce any significant effects.

ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS NOT YET ENDORSED BY THE EUROPEAN UNION AT 14 JANUARY 2021

As at 31 December 2020, 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 title	Date of issue by the IASB	Effective date of IASB document	Date of expected EU endorsement
Standards			
IFRS 14 Regulatory Deferral Accounts	January 2014	1 January 2016	Endorsement process suspended with new accounting standard on "rate-regulated activities" awaited.
IFRS 17 Insurance Contracts, including subsequent amendments issued in June 2020	May 2017 June 2020	1 January 2023	TBD
Amendments			
Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to	September 2014	Postponed until completion of the IASB project on	Endorsement process suspended until completion of the

IFRS 10 and IAS 28)		the equity method	IASB project on the equity method
Reference to the Conceptual Framework (Amendments to IFRS 3)	May 2020	1 January 2022	TBD
Property, plant and equipment: proceeds before intended use (Amendments to IAS 16)	May 2020	1 January 2022	TBD
Onerous contracts—Cost of fulfilling a contract (Amendments to IAS 37)	May 2020	1 January 2022	TBD
Annual improvements to IFRS Standards (Cycle 2018–2020)	May 2020	1 January 2022	TBD
Classification of Liabilities as Current or Non-current (Amendments to IAS 1), including subsequent amendment issued in July 2020	January 2020 July 2020	1 January 2023	TBD

There has been no early application of accounting standards or interpretations whose application would be obligatory for periods commencing after 31 December 2020. The Directors are currently evaluating the possible effect of the introduction of these amendments on the Group's consolidated financial statements; no significant effects are expected at present.

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 financial position, results of operations 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 sec-tor 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 its 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 from 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 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 debt 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 taken out.

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 derivatives in accordance with the established risk management policies. Under these policies, financial derivatives 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

In March 2020, WHO confirmed there was an ongoing pandemic due to the global spread of a new coronavirus known as Covid 19. This exceptional event greatly affected the sector as a whole, causing unprecedented change and disruption to organisations and processes. The health emergency had a very significant impact on the healthcare sector in 2020, because of both the direct consequences of the virus and the strict containment measures and health protocols that were implemented and which regarded healthcare, rehabilitation and care facilities as well as outpatient and home care activities. Reference should be made to the "Business outlook" section of the Directors' Report for further details.

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 and 2020.

Categories of financial assets and liabilities at 31 december 2020	IFRS 9 classification	IFRS 9 amount
NON CURRENT ASSETS		
Other investments	Cost except Fondo Spazio Sanitario valued FVTPL	1,826
Other assets	Other assets at amortised cost	3,638
CURRENT ASSETS		
Receivables from parent company	Amortised cost	1,030
Trade receivables	Amortised cost	64,039
Other assets	Amortised cost	18,304
Financial assets	Receivables at amortised cost	4,124
Cash and cash equilvalents	Receivables at amortised cost	167,817
NON CURRENT LIABILITIES		
Bond loans	Liabilities at amortised cost	(99,000)
Other financial liabilities	Liabilities at amortised cost	(205,979)
Lease liabilities	Liabilities at amortised cost	(711,697)
Trade payables	Liabilities at amortised cost	(319)
CURRENT LIABILITIES		
Bank overdrafts	Liabilities at amortised cost	(1,317)
Bond loans	Liabilities at amortised cost	(666)
Payables to parent company	Liabilities at amortised cost	(826)
Other financial liabilities	Liabilities at amortised cost	(31,130)
Lease liabilities	Liabilities at amortised cost	(53,147)
Trade payables	Liabilities at amortised cost	(80,832)

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 assets	Other assets 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 stated 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 following levels must be shown:

- 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 2020 and 31 December 2019, by hierarchical level of fair value measurement.

Financial Statements at 31 December 2020				
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		4,117		4,117
CURRENT LIABILITIES				
Financial liabilities at fair value through equity				
Other financial liabilities				
- derivatives		(61)		(61)
Financial liabilities at fair value through profit or loss				
Other financial liabilities				
- derivatives		(4)		(4)
Total other financial liabilities	-	(4)	-	(4)

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)

During 2020, 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

The Group is party to two non-recourse factoring contracts and, in 2020, it also carried out two one-off, non-recourse factoring operations with ABF Leasing. The value of receivables is reduced for identified impairment. This process is performed by creating a specific provision that is deducted directly from the financial assets adjusted for impairment.

Movements on the provision for doubtful debts during the reporting period are shown below:

(eur/000)	31/12/2019	Increase	Utilization	Changes in consolidation scope - decrease	Other changes	Differences in exchange rates	31/12/2020
Loss allowance	28,462	8,969	(704)	(1,690)	(575)	338	34,800

The gross carrying amount of financial assets represents the Group's maximum exposure to the credit risk. The amount included in "Changes to consolidation scope " mainly regards the effect of the sale of Medipass S.r.l. and its subsidiaries.

The following table contains a detailed analysis of current and non-current trade receivables and other receivables, showing those from the public and private sectors (amounts in €/000).

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

31/12/2020	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	**3,638**	**3,638**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Gross balance	3,638	3,638	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	**13,052**	**2,455**	**10,597**	**4,210**	**910**	**2,683**	**1,522**	**837**	**310**	**87**	**13**	**11**	**14**
Gross balance	30,432	2,604	27,828	4,527	1,039	2,854	2,180	3,082	7,394	3,713	1,361	530	1,148
Loss allowance	-17,380	-149	-17,231	-317	-129	-171	-658	-2,245	-7,084	-3,626	-1,348	-519	-1,134
Public sector trade receivable	**50,987**	**39,156**	**11,831**	**3,041**	**1,970**	**0**	**1,597**	**1,442**	**0**	**370**	**1,339**	**608**	**1,464**
Gross balance	68,407	39,589	28,818	3,199	2,466	0	2,876	3,044	0	824	2,835	1,856	11,718
Loss allowance	-17,420	-433	-16,987	-158	-496	0	-1,279	-1,602	0	-454	-1,496	-1,248	-10,254
Other assets	**18,304**	**18,304**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Gross balance	18,304	18,304	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	**85,981**	**63,553**	**22,428**	**7,251**	**2,880**	**2,683**	**3,119**	**2,279**	**310**	**457**	**1,352**	**619**	**1,478**

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 receivable	**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**

3.4 Additional disclosures on financial liabilities

The contractual maturity dates of “Financial liabilities”, including interest payable, are shown in the following tables for 2020 and 2019, respectively. We report below the contractual maturities of financial liabilities (including trade payables and other current liabilities), including interest liabilities. All of the amounts shown are undiscounted, nominal future cash flows, as determined with reference to residual contractual maturities, 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

31.12.2020	**<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	3,241	3,241	3,241	66,737	35,919	0	**112,379**	**99,666**
Other financial liabilities:	39,018	104,599	50,149	65,012	8,649	27,764	**295,191**	**271,604**
- Bank loans and borrowing	33,949	96,199	46,981	61,769	5,595	12,387	**256,880**	**236,275**
- Finance lease companies	4,866	8,182	2,976	3,015	3,054	15,377	**37,471**	**34,567**
- Other lenders	203	218	192	228	0	0	**841**	**762**
Bank overdrafts	1,353	0	0	0	0	0	**1,353**	**1,317**
Trade payables	81,926	0	0	0	0	0	**81,926**	**81,926**
Derivative financial liabilities								
Hedging derivatives	271	0	0	0	0	0	**271**	**71**
Non-hedging derivatives	0	0	0	0	0	0	**0**	**0**
Total	**125,808**	**107,840**	**53,390**	**131,749**	**44,568**	**27,764**	**491,119**	**454,584**

31.12.2019	**<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	3,241	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**

Other financial payables- excluding financial payables for rights of use – amount to € 486,245 thousand (including € 36,018 thousand classified as current liabilities) and consist of loans and finance lease payables due to banks (€271,604 thousand), bonds (€99,666 thousand) and derivative financial liabilities (€ 71 thousand).

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

- if the creditor may choose when to settle a liability, the liability is included in the earliest possible period;
- the amounts reported relate to contract cash flows, are not discounted and are gross of any foreseen 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 meet covenants while also maintaining the ideal capital structure.

The main medium-long term financial liabilities and lease liabilities at 31 December 2020 may be summarised as follows:

Debtor	Type of loan	Residual amount as at 31.12.2020 (eur/000)	Maturity	Term
KOS Care Srl	mortgage loan UBI	812	30.06.2025	Euribor 1 month/360
KOS Care Srl	mortgage loan UBI	2,430	30.06.2025	Euribor 1 month/365
KOS Care Srl	mortgage loan UBI	2,064	30.06.2025	Euribor 3 months/360
Abitare il Tempo Srl	mortgage loan UBI	246	31.04.2025	Euribor 6 months/365
Abitare il Tempo Srl	mortgage loan UBI	83	31.04.2025	Euribor 6 months/365
KOS Care Srl	mortgage loan BPO	110	31.12.2021	Euribor 6 months/365
Sanatrix Gestione S.r.l	mortgage loan UBI	101	31.07.2021	Euribor 3 months/360
KOS S.p.A.	mortgage loan UBI	754	30.09.2023	Euribor 6 months/365
KOS Care Srl	mortgage loan BPO	622	31.03.2025	Euribor 6 months/365
KOS Care Srl	mortgage loan Delleani	7,021	31.10.2024	Euribor 3 months/360
Sanatrix Gestione S.r.l	mortgage loan UBI	1,099	31.01.2023	Euribor 6 months/360
KOS Care Srl	Leasign Padiglione F	5,184	30.11.2026	Euribor 3 months/365
KOS Care Srl	Leasing Monza	6,322	30.09.2029	Euribor 3 months/365
KOS Care Srl	Leasing Foligno	3,546	01.04.2033	Euribor 3 months/360
KOS Care Srl	Leasing Montecosaro	3,209	01.11.2026	Euribor 3 months/365
KOS Care Srl	Leasing Foligno	4,822	01.04.2033	Euribor 3 months/365
KOS Care Srl	Leasing Ascoli	4,113	30.06.2025	Euribor 3 months/360
KOS Care Srl	Loan Villa Azzurra	1,750	30.09.2022	Euribor 3 months/360
KOS Care Srl	Loan Tonengo	1,286	31.12.2022	Euribor 3 months/360
KOS Care Srl	Leasing Arco e Villa Adria	2,684	30.06.2025	Euribor 3 months/365
KOS Care Srl	Leasing Polo Geriatrico Riabilitativo	7,098	29.03.2022	Euribor 3 months/365
KOS Care Srl	mortgage loan	110	29.05.2023	Euribor 6 months/360
Sanatrix Gestione S.r.l	mortgage loan Villalba	7,065	30.09.2023	Euribor 3 months/365
KOS Care Srl	mortgage loan Grosseto	5,060	30.09.2024	Euribor 3 months/365
Finoro Immobiliare S.r.l	mortgage loan Finoro	800	31.12.2025	Euribor 3 months/365
Finoro Immobiliare S.r.l	mortgage loan Finoro	609	30.04.2028	Euribor 3 months/365
Finoro Immobiliare S.r.l	mortgage loan Finoro	246	28.02.2025	Euribor 3 months/365
Total loans with collateral and/or liens		**69,246**		
Ospedale di Suzzara S.p.A	Loan	185	31.01.2021	Euribor 3 months/360
Ges.ca.s Villa Armonia Nuova S.r.l.	Loan	41	31.05.2021	Euribor 3 months/365
Ges.ca.s Villa Armonia Nuova S.r.l.	Loan	363	31.07.2022	Euribor 3 months/365
Ges.ca.s Villa Armonia Nuova S.r.l.	Loan	78	31.07.2021	Euribor 3 months/365
KCA	Loan	65	28.08.2021	Euribor 1 month360
KCA	Loan	444	15.12.2022	Euribor 6 months/360
KCA	Loan	472	21.01.2025	Euribor 3 months/365
Gruppo Charleston	Loan	38	12.11.2022	Fix
Gruppo Charleston	Loan	40	03.02.2024	Fix
ClearMedi HealthCare	Loan	21,658		Base rate
Loans not secured by collateral		**23,386**		
Kos S.p.A	Linee corporate Pool	14,250	25.07.2022	Euribor 6 months/360
	Linee corporate Pool Ing Natixis	39,000	06.04.2022	Euribor 6 months/360
	Mediobanca line	30,625	25.06.2024	Euribor 3 months/360
	Pool line Germany acquisition	95,000	28.10.2024	Euribor 6 months/360
Total Corporate line		**178,875**		
Kos Spa	Bond	35,000	18.10.2025	Fix
	Bond	64,000	18.10.2024	Fix
Total Bond		**99,000**		
KOS Care Srl	Regional loan (FRISL) Lombardy	763		
Total other lenders		**763**		
Total bank overdrafts		**1,317**		
Financial liabilities for derivatives		**72**		
Total financial liabilities		**372,659**		

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 reporting periods 2020 and later are shown below:

(eur/'000)	Type of loan	Residual amount at 31.12.2019	Maturity	Base for covenants	Target covenants 31.12.2020 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	-	25/07/2022	KOS Group	<=3,5	>=3	< 60%
	- Line B	14,250	25/07/2022				
	- Line Revolving	-					
Kos S.p.A	**Syndicated loan (ING, Natixis)**	39,000	06/04/2022	KOS Group	<=3,5	>=3	< 60%
Kos S.p.A	**Mediobanca loan**	30,625	25/06/2024	KOS Group	<=3,5	>=3	< 60%
Kos S.p.A	**Bond 64ML€**	64,000	18/10/2024	KOS Group	<=3,5	>=3	< 60%
	Bond 35ML€	35,000	18/10/2025				
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 Srl	**Loan ICREA**	2,684	30/06/2025	KOS Group	<=3,5		
	Mortgage Villa Azzurra	1,750	'30/09/2022		<=3,5		
	Mortgage GE Tonengo D'Asti	1,286	18/12/2022		<=3,5		
Kos Care Srl	**ICREA Loan**	5,060	30/09/2024	KOS Group	<=4		
Sanatrix Gestione Srl	**ICREA Loan**	7,065	30/09/2023	KOS Group	<=4		

Legenda
Nfp: Net financial position
RE Debt: Real estate debt
EBITDA: Earning before income, taxes and depreciation
OF: Net financial expenses
Loan to Value: Real estate loan / Net tangible fixed assets

The following table shows actual figures for 2020:

(eur/'000)	Type of loan	Residual amount at 31.12.2019	Maturity	Base for covenants	Target covenants 31.12.2020 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		25/07/2022	KOS Group	2.96	3.03	34%
	- Line B	14,250	25/07/2022				
	- Line Revolving	-					
Kos S.p.A	**Syndicated loan (ING, Natixis)**	39,000	06/04/2022	KOS Group	2.96	3.03	34%
Kos S.p.A	**Mediobanca loan**	30,625	25/06/2024	KOS Group	2.96	3.03	34%
Kos S.p.A	**Bond 64ML€**	64,000	18/10/2024	KOS Group	2.96	3.03	34%
	Bond 35ML€	35,000	18/10/2025				
Kos S.p.A	**Pool loan (BNP, Intesa, Banco Popolare di Milano, Credit Agricole, ING)**	95,000	28/10/2024	KOS Group	2.96	3.03	34%
Kos Care	**Loan ICREA**	2,684	30/06/2025	KOS Group	2.96		
	Mortgage Villa Azzurra	1,750	'30/09/2022				
	Mortgage GE Tonengo D'Asti	1,286	18/12/2022				
Kos Care Srl	**ICREA Loan**	5,060	30/09/2024	KOS Group	2.96		
Sanatrix Gestione Srl	**ICREA Loan**	7,065	30/09/2023	KOS Group	2.96		

At 31 December 2020, 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 financial statements, there were no breaches of the said clauses.

Finally, with regard to additional guarantees given, it should be noted that medium/long-term loans liabilities are secured by mortgages on the Group properties to which each loan relates. Meanwhile, corporate loans and bonds are secured by the assignment of amounts receivable by KOS from its subsidiaries, receivables due to the fact that KOS has lent the proceeds from these loans to the other Group companies to make acquisitions, capex, etc.

The following table shows the main lines of credit, as divided based on their availability at 31 December 2020:

	31/12/2020			31/12/2019		
(eur/million)	**Total**	**Used**	**Available**	**Totali**	**Utilizzate**	**Disponibili**
Short-term Lines ("Uncommitted"/at sight)	**49.3**	**1.3**	**48.0**	**59.4**	**6.5**	**52.9**
Long-term ("Committed"/contractualized)	**398.6**	**370.8**	**27.8**	**514.4**	**485.8**	**28.6**
Total	**447.9**	**372.1**	**75.8**	**573.8**	**492.3**	**81.6**

The decrease in medium/long-term loans payable is mainly due to the repayment of loans related to Medipass Srl i.e. those payable to CDP and BEI and to the repayment of borrowing relating to intercompany loans made to Medipass.

3.6 Accounting for hedging transactions

Hedging contracts in place

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 2020 are provided below:

Company	**Enter date**	**Time**	***Pay***	***Cap***	***Floor***	***Receive/Index***	**Notional**		***Fair Value***	
							31/12/20	**31/12/19**	**31/12/20**	**31/12/19**
Kos Care Srl	2013	Quarterly	1.740%			Euribor 3M	-	6,113	-	(33)
Kos Care Srl	2015	Quarterly	0.150%			Euribor 3M	-	1,929	-	(3)
Kos Care Srl	2014	Quarterly	0.298%			Euribor 3M	-	-	-	(20)
Kos Care Srl	2015	Quarterly	0.206%			Euribor 3M	-	4,536	-	(26)
Kos Care Srl	2015	Quarterly	0.390%			Euribor 3M	-	3,316	-	(18)
Kos SpA	2017	Half-year	0.385%			Euribor 6M	8,224	11,482	(34)	(76)
Kos SpA	2017	Half-year	0.370%			Euribor 6M	8,224	11,482	(33)	(73)
Total Interest Rate Swap							**16,448**	**38,858**	**(67)**	**(249)**
Kos Care Srl	2014 FWD Start 2017	Monthly		1.50%		Monthly avarage Euribor 1M	2,430	2,893	-	-
Kos Care Srl	2014 FWD Start 2016	Monthly		1.50%		Monthly avarage Euribor 1M	2,064	2,457	-	-
Kos Care Srl	2014 FWD Start 2016	Monthly		1.50%		Euribor 3 M	2,918	3,277	-	-
Kos SpA	2019	Quarterly		0.50%		Euribor 3 M	30,624	35,000	6	18
Total Interest Rate Cap							**38,036**	**43,627**	**6**	**18**
Derivative instruments effective							**54,484**	**82,485**	**(61)**	**(231)**
Sanatrix Gestioni Srl	Cap - 2013	Monthly		2.50%		Euribor 6M	1,099	1,598	-	-
Kos Care Srl	IRS - 2013	Quarterly	2.04%			Euribor 3M	450	1,350	(4)	(29)
Kos Care Srl	IRS - 2015	Quarterly	0.220%			Euribor 3M	-	3,337	-	(20)
Derivative instruments not effective							**1,549**	**6,285**	**(4)**	**(49)**
Total							**56,033**	**88,770**	**(65)**	**(280)**

The total notional amount at 31 December 2020 was € 56,033 thousand.

The objective 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 for which the conditions laid down by IFRS 9 for application of hedge accounting (formal designation of a hedging relationship; documented, measurable and highly effective hedging relationship) are 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 recorded 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 recorded under an equity reserve.

The instruments for which all of the requirements of IFRS 9 are not respected in full are an IRS activated in 2013 by HSS Real Estate S.r.l. (merged through incorporation into KOS Care S.r.l. in 2020) and a monthly CAP activated by Sanatrix Gestioni S.r.l. The fair value of these contracts has been recognised in the Statement of Profit or Loss.

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 2020 and 2019, 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 recognised in the statement of profit or loss under *Financial expenses and/or financial income*.

31/12/20						
(eur/000)	Notional amount within 12 months	Notional amount after 12 months	FV of contracts (1) positive	FV of contracts (1) negative	P&L effect (2)	Equity reserve net of tax effect (3)
Interest rate risk management						
- Cash flow hedge pursuant to IAS 39 IRS	3,898	13,000		(71)	41	(113)
- Cash flow hedge pursuant to IAS 39 Interest Rate Cap	17,260	21,875	6		(12)	
Total	**21,158**	**34,875**	**6**	**(71)**	**29**	**(113)**

31/12/19						
(eur/000)	Notional amount within 12 months	Notional amount after 12 months	FV of contracts (1) positive	FV of contracts (1) 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)**

(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 recorded 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 2020 (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 2020, would have had an impact on pre-tax profit of around -€ 1,499 thousand (-€ 1,719 thousand at 31 December 2019) with an effect on equity of around +€1,499 thousand (+€ 1,719 thousand at 31 December 2019).

Notes to the captions of the Statement of Profit or Loss

4) Revenue

The Group's revenue for 2020 is analysed below. Prior year figures and changes are also shown .

Revenue by operating segment

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

(eur/000)	2020	%	2019	%	change
Acute & Long Term Care	615,769	97%	517,043	96%	98,726
Italy	*442,858*	*70%*	*489,936*	*91%*	*(47,078)*
Germany	*172,911*	*27%*	*27,107*	*5%*	*145,804*
Diagnostic & Cancer Care	15,744	2%	20,684	4%	(4,940)
Other	62	0%	64	0%	(2)
Total	**631,575**	**100%**	**537,791**	**100%**	**93,784**

The increase in revenues is thanks to:

- in the Acute & Long term care segment, revenue increased compared to prior year, mainly thanks to acquisitions made in 2019 (which made a full contribution in 2020) and to acquisitions made in 2020, whose total impact amounted to € 161,466 thousand. This effect was more than countered by the reduction in revenue following the suspension of certain activities due to the Covid-19 emergency. In fact, the situation led to a sharp reduction in admissions to both care homes and rehabilitation facilities; in the latter case, this was due to a significant decrease in "elective" surgery by all hospitals, also because of the ban on movement from one Italian region to another. In terms of occupancy, compared to prior year, the effects of the Covid-19 triggered a decrease of more than 20% in admissions in Italy.

- in the Diagnostic & Cancer Care segment, where the Indian subsidiary operates, revenue fell. This segment was also hit by the limitations imposed in response to the Covid-19 emergency, as mentioned above.

Revenue by type of customer

Revenue by type of customer are shown in the table below:

(eur/000)	2020	%	2019	%	change
Public	395,839	63%	342,174	64%	53,665
Private	235,736	37%	195,617	36%	40,119
Total	**631,575**	**100%**	**537,791**	**100%**	**93,784**

The split of revenue by type of customer shows that the percentage of revenue from private customers has remained substantially and in line with that recorded in prior year.

Revenue by Region

Revenus by region are shown in the table below:

(eur/000)	2020	%	2019	%	change
Lombardy	126,427	20%	154,193	29%	(27,766)
Trentino Alto Adige	7,159	1%	10,160	2%	(3,001)
Veneto	26,961	4%	31,040	6%	(4,079)
Piedmont	38,357	6%	44,111	8%	(5,754)
Liguria	18,150	3%	18,351	3%	(201)
Tuscany	7,968	1%	8,161	2%	(193)
Emilia Romagna	56,840	9%	56,037	10%	803
Marche	131,502	21%	135,887	25%	(4,385)
Umbria	3,470	1%	3,920	1%	(450)
Abruzzo	3,900	1%	4,722	1%	(822)
Puglia	1,854	0%	2,689	1%	(835)
Lazio	12,897	2%	8,174	2%	4,723
Campania	5,199	1%	10,274	2%	(5,075)
Sicily	304	0%	349	0%	(45)
Other regions	1,917	0%	1,923	0%	(6)
Foreign countries	188,670	30%	47,800	8%	140,870
Total	**631,575**	**100%**	**537,791**	**100%**	**93,784**

The increase is due to the aforementioned acquisitions which mainly involved Lazio region and revenue from abroad. The acquisition of the Charleston Group led to a € 145,804 thousand increase in revenues from abroad.

The decrease in revenue in the main regions where the Group operates is due to the current situation which has led to a sharp reduction in admissions to both Care Homes – causing the revenue decrease in Lombardy, Veneto and Piedmont regions – and rehabilitation facilities, in the latter case because of a sharp reduction in elective surgery by all hospitals (mainly in the Marche region); another factor is the suspension of patient mobility between regions which has hit revenues from regions where the Group is not physically present but which formed part of its customer base before the restrictions introduced to deal with the pandemic.

5) Purchases of goods

In 2020, this item totalled € 62,357 thousand against € 44,077 thousand in 2019. These costs represented around 9.9% of revenues, higher than in prior year (8.2%). The increase relates partly to new acquisitions and to the full impact of acquisitions made in 2019 (€ 9,980 thousand) and partly to purchases of personal protective equipment to cope with the COVID-19 emergency.

The total cost for the year ended 31 December 2020 is analysed in detail below and compared with prior year.

(eur/000)	2020	%	2019	%	change
Food and beverages	12,243	20%	8,954	20%	3,289
Medical gases	644	1%	592	1%	52
Diagnostics consumables	3,054	5%	5,927	13%	(2,873)
Medical consumables	19,687	32%	6,306	14%	13,381
Medicines	8,349	13%	8,002	18%	347
Prosthetic materials and medical devices	7,365	12%	7,440	17%	(75)
Laboratory consumables	4,246	7%	1,380	3%	2,866
Generic consumables	429	1%	51	0%	378
Cleaning material	1,895	3%	1,303	3%	592
Other	4,445	7%	4,122	9%	323
Total	**62,357**	**100%**	**44,077**	**100%**	**18,280**

6) services

Services have increased from € 131,296 thousand in 2019 to € 136,020 thousand in 2020.

The total for 2020 is analysed in detail below and compared with prior year.

(eur/000)	2020	%	2019	%	change
Legal, notarial and tax consulting	1,754	1%	2,323	2%	(569)
IT consulting	3,662	3%	2,289	2%	1,373
Technical consulting	2,361	2%	2,239	2%	122
Medical-nursing consulting	42,790	31%	44,455	34%	(1,665)
Fees to Directors	1,219	1%	1,485	1%	(266)
Fees to Statutory Auditors	171	0%	129	0%	42
Personnel services	359	0%	407	0%	(48)
Utilities	19,105	14%	13,723	10%	5,382
Maintenance and repairs	9,746	7%	7,147	5%	2,599
Insurance	3,498	3%	2,551	2%	947
Cleaning and surveillance	1,179	1%	1,525	1%	(346)
Subcontracting costs	13,948	10%	17,104	13%	(3,156)
Care and laboratory services	9,881	7%	9,248	7%	633
Catering services	1,944	1%	2,520	2%	(576)
Lease fees	2,009	1%	1,369	1%	640
Rents	1,112	1%	522	0%	590
Other services	21,282	16%	22,260	17%	(978)
Total	**136,020**	**100%**	**131,296**	**100%**	**4,724**

The increase is mainly due to the full impact of acquisitions made in 2019 and 2020 (€ 15,603 thousand), as partially countered by the insourcing of certain services (see corresponding increase in personnel costs), and to the effects of the Covid-19 emergency.

The following tables show the fees relating to 2020 for audit services and other services rendered by the external auditor and other entities belonging to its network.

Schedule 1)

Fees (*) relating to 2020 for services provided by the external auditor to KOS S.p.A.

Type of service	Provider	Recipient	Amount (€/000)
Audit	KPMG S.p.A. and other network companies	KOS S.p.A.	55
Other services	KPMG S.p.A. and other network companies	KOS S.p.A.	5

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

Schedule 2)

Fees relating to 2020 for services rendered by the external auditor to other Group companies.

Audit	KPMG S.p.A. and other network companies	Subsidiaries	564

7) Personnel expense

Personnel expense for 2020 totalled € 318,323 thousand against € 225,942 thousand in 2019.

The increase of €92,381 thousand compared to prior year mainly relates to facilities acquired in 2019 and 2020 (impact of € 106,928 thousand), as countered only partially by the reversal of excess provisions created in prior years for ARIS/AIPO collective labour agreement negotiations (impact of € 8,157 thousand). We also highlight the increase in "Other costs", mainly in relation to the use of temporary labour to deal with the Covid-19 emergency, especially by the German subsidiary; the effect was partially offset by government reimbursements included under "Other operating income".

As a percentage of revenues, personnel costs rose from 42% in 2019 to 50.4% in 2020. The increase is due to the effect of the ongoing health emergency.

The total cost for the year ended 31 December 2020 is analysed in detail below and compared with prior year:

(eur/000)	2020	%	2019	%	change
Wages and salaries	236,576	74%	164,937	73%	71,639
Social security charges	61,005	19%	47,554	21%	13,451
Post-employment benefits	10,888	3%	10,300	5%	588
Stock option plan valuation	177	0%	254	0%	(77)
Other costs	9,677	3%	2,897	1%	6,780
Total	**318,323**	**100%**	**225,942**	**100%**	**92,381**

The table below shows the actual number of employees as at 31 December 2020 and 31 December 2019:

	31/12/2020	31/12/2019
Managers/Executives	50	46
White collar workers*	4,700	4,966
Medical staff, carers and workers	6,728	6,792
Total	**11,581**	**11,804**
Employees - Average	**11,819**	**7,888**

*Includes doctor-managers (103 at 31/12/2020)

The decrease in the number of employees is mainly due to the sale of the Medipass Group, as partially countered by the effect of acquisitions during the reporting period.

8) Other operating income

Other operating income for 2020 totalled € 26,340 thousand, higher than € 6,541 thousand in prior year. The impact of acquisitions made in 2019 and 2020 was € 8,560 thousand.

It may be analysed as follows:

(eur/000)	2020	%	2019	%	change
Ordinary prior year income	3,434	13%	1,873	29%	1,561
Gains on the sale of assets	9,558	36%	220	3%	9,338
Other revenue and income	13,348	51%	4,448	68%	8,900
Total	**26,340**	**100%**	**6,541**	**100%**	**19,799**

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

Gains on disposals during the reporting period refer to the sale to Investire SGR of properties owned by the Group and used as the Le Grange Care Home in Riva Ligure and the Sant'Anna Care Home in Villadose. The properties were than leased back by the Group.

Other revenue and income mainly includes costs for extras settled 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 government refunds received by the German subsidiary (impact of € 7,905 thousand) to deal with the Covid-19 emergency.

9) Other operating costs

Other operating costs amounted to € 29,297 thousand in 2020 against € 21,326 thousand in 2019. This item mainly consists of non-deductible input VAT (€ 19,622 thousand in 2020 against € 15,899 thousand in 2019) and other duties and taxes. 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 expense. The impact on this item regarding acquisitions made in 2019 and 2020 was € 6,740 thousand.

(eur/000)	2020	%	2019	%	change
Taxes and duties	24,480	84%	18,865	88%	5,615
Prior year expense	1,069	4%	798	4%	271
Ordinary losses	432	1%	113	1%	319
Sundry operating costs	3,316	11%	1,550	7%	1,766
Total	**29,297**	**100%**	**21,326**	**100%**	**7,971**

10) Amortisation, depreciation, writedowns and provisions

At 31 December 2020, this item amounted to € 96,272 thousand against € 63,863 thousand in 2019, as follows:

The impact of acquisitions made in 2019 – full impact on the current reporting period – and in 2020 was € 22,615 thousand.

(eur/000)	2020	%	2019	%	change
Depreciation	25,604	27%	22,219	35%	3,385
Amortisation	2,694	3%	1,061	2%	1,633
Amortisation of leased assets and right of use	57,076	59%	36,775	58%	20,301
Loss allowance	8,969	9%	2,151	3%	6,818
Other provisions	(254)	0%	1,250	2%	(1,504)
Other impairment losses	2,183	2%	407	1%	1,776
Total	**96,272**	**100%**	**63,863**	**100%**	**32,409**

We highlight the writedown of certain healthcare equipment whose carrying amount was no longer in line with its fair value.

We also highlight the reversal of a provision of € 1 million for tax disputes following the definitive settlement of said disputes.

The increase in allocations to the provision for doubtful debts mainly regards the additional amount provided following a detailed review of the overview receivables of subsidiary ClearMedi Healthcare at the reporting date, highlighting significant doubtful balances.

11) Financial income

Financial income amounted to € 307 thousand in 2020 compared to € 92 thousand in 2019. It is analysed below:

(eur/000)	2020	%	2019	%	change
Interest income on bank accounts	188	61%	37	40%	151
Interest income on derivatives	71	23%	43	47%	28
Interest income on arrears	6	2%	1	1%	5
Other financial income	42	14%	11	12%	31
Total	**307**	**100%**	**92**	**100%**	**215**

"Other financial income" mainly includes exchange gains which have increased by € 31 thousand compared to the previous reporting period.

"Late payment interest" includes late payment interest accruing but not yet collected.

"Interest income on derivatives" includes the change attributable to fair value for the period relating to the accounting treatment of Interest rate swaps and collar agreements and the amount already collected by companies party to derivative contracts.

Movements on dividends are presented below

(eur/000)	2020	2019	change
Dividends	56	42	14

The dividend income of € 56 thousand includes the dividend paid by the Spazio Sanità real estate fund, in which a number of Group companies hold minority interests.

12) Financial expenses

Financial expenses for the period totalled € 32,544 thousand compared to € 21,877 thousand in 2019, as shown below:

(eur/000)	2020	%	2019	%	change
Interest expense on bank accounts	36	0%	126	1%	(90)
Interest expense on derivatives	240	1%	435	2%	(195)
Interest expense on loans and borrowings	12,162	37%	9,132	42%	3,030
Interest expense on leases and RoU	17,160	53%	8,761	40%	8,399
Third party loans and borrowings	88	0%	164	1%	(76)
Exchange losses	191	1%	75	0%	116
Other financial expenses	2,667	8%	3,184	15%	(517)
Total	**32,544**	**100%**	**21,877**	**100%**	**10,667**

"Other financial expenses" includes bank charges and commission on loan transactions.

The increase of € 10,667 thousand compared to 2019 is mainly due to the full-year impact of acquisitions made in 2019 (impact of € 10,470 thousand).

13) Adjustments to financial assets

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

14) Income taxes

Income taxes amount to € 6,712 thousand, a decrease compared to 2019, as analysed below:

(eur/000)	2020	%	2019	%	change
Current taxes - IRES	1,214	18%	10,487	81%	(9,273)
Current taxes - IRAP	1,534	23%	4,146	32%	(2,612)
Deferred tax expense/(income)	3,964	59%	(1,618)	-12%	5,582
Total	**6,712**	**100%**	**13,015**	**100%**	**(6,303)**

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

	2020	2019
Effective tax rate	**-40%**	**36%**

The incidence of income taxes on the pre-tax result was negative by 40% and was greatly affected by the losses for the reporting period.

We recall the fact that as certain personnel costs 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 (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)		2020	2019
Pre-tax profit in the financial statements		(16,918)	36,138
Theoretical tax rate (24% of the pre-tax profit)	**A**	**(4,060)**	**8,673**
Tax effect of non-deductible costs	b	1,832	(467)
Tax effect of prior year losses generating deferred tax assets	b	928	(280)
Tax effect of prior year losses not generating deferred tax assets	b	433	421
Tax effect of foreign operations	b	172	(245)
Other	b	5,873	767
Total effect of addbacks and other - (b)	**B**	**9,238**	**196**
Income taxes	**A + B**	**5,178**	**8,869**
IRAP and other taxes	C	1,534	4,146
Total	**"A+B"+C**	**6,712**	**13,015**

15) Profit from discontinued operations and from activities destined for disposal

This item, amounting to € 71,440 thousand, includes € 6,937 thousand (€ 9,249 thousand in 2019) of profit generated during the year by the Medipass Group until 31 October 2020 (last date of consolidation) and € 67,257 thousand (net of taxes of € 1,286 thousand) representing the gain realised on the sale of the Medipass Group to Inframedica S.àr.l.. In accordance with IFRS 5, costs to sell amounting to € 2,754 thousand (net of the tax effect of € 33 thousand) have also been reclassified to this caption, compared to € 1,017 thousand in 2019.

Notes to the captions of the Statement of Financial Position

Non-current assets

16) Intangible assets

At 31 December 2020, net intangible assets amounted to € 366,761 thousand against € 394,792 thousand at 31 December 2019.

	Opening balance			Changes in the year											Closing balance		
	Historical cost	Impairment losses and accumulated amortisation	Carrying amount as at 31/12/2019	Purchases	Changes in consolidation scope - Increase		Changes in consolidation scope - Decrease		Exchange differences		Other changes		Net disposals		Impairment losses and amortisation	Historical cost	Impairment losses and accumulated amortisation	Carrying amount as at 31/12/2020
(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	Historical cost	Impairment losses and accumulated amortisation				
Concessions, licenses, trademarks and similar	15,564	(11,831)	3,733	1,801			(1,493)	1,480			797		(229)	156	(2,011)	16,440	(12,206)	4,234
Goodwill	410,719	(21,440)	389,279	6,092	3,603		(40,388)	4,545			(649)		(72)			379,305	(16,895)	362,410
Assets under development and payments on account	1,010	-	1,010								(962)					48	-	48
Other intangible assets	1,943	(1,173)	770	-					(95)	77			(802)	802	(683)	1,046	(977)	69
Total	**429,236**	**(34,444)**	**394,792**	**7,893**	**3,603**	**-**	**(41,881)**	**6,025**	**(95)**	**77**	**(814)**		**(1,103)**	**958**	**(2,694)**	**396,839**	**(30,078)**	**366,761**

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 2019:

(eur/000)	*31/12/2020*	*%*	*31/12/2019*	*%*	*Var.*
Nursing homes	361,894	100%	352,920	91%	8,974
Cancer treatment and diagnostic services	0	0%	35,843	9%	(35,843)
Acute Care	0	0%	0	0%	0
Corporate	516	0%	516	0%	0
Total	**362,410**	**100%**	**389,279**	**100%**	**(26,869)**

The increase of € 8,974 thousand recorded at 31 December 2020 is mainly due to the acquisition of Finoro Immobiliare S.r.l., owner of GES.CA.S Villa Armonia Nuova S.r.l. (€ 8,641 thousand); and to the acquisition of a business that manages a 110 bed Care Home in Genoa (€ 877 thousand) after other minor price adjustments.

The decrease relates to the sale of the Medipass Group, the effects of which are reported under "Business combinations - decreases".

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 tested for impairment 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 2020. 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 operating segments: Acute & Long Term Care (Rehabilitation and care home/RSA management and Ospedale di Suzzara) and Cancer Treatment and Diagnostics (through Indian subsidiary Clearmedi Healthcare Ltd). Management has identified the following CGUs:

- In the “Long Term Care” segment, the CGUs have been identified on a regional and national level, as follows:
    - 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 Ospedale di Suzzara;
- The “Cancer Care and Diagnostics” segment only includes Indian subsidiary Clearmedi.

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

ASA	Region/Country	Net carrying amount tested (A)	Net carrying amount not tested (B)	Net carrying amount from finacial statemet before i.t.(C)=(A)+(B)
Long Term Care	Lombardy	284,648		284,648
	Piedmont	80,078		80,078
	Tuscany	12,187		12,187
	Liguria	37,041		37,041
	Emilia Romagna	72,498		72,498
	Veneto	59,808		59,808
	Marche	212,516		212,516
	Lazio	40,396		40,396
	Trentino	9,518		9,518
	Campania	24,072		24,072
	Umbria	9,759		9,759
	Germany	481,920		481,920
	Greenfield and new acquisitions		44,719	44,719
				0
Total Long Term Care (A)		***1,324,441***	***44,719***	***1,369,160***
Acute Care (B)		***4,349***	***0***	***4,349***
Cancer treatment and diagnostic services	India	16,973		16,973
Total Cancer treatment and diagnostic services (C)		***16,973***	***0***	***16,973***
KOS S.p.a. and KOS Servizi			10,250	10,250
ICO Right of use			-4,773	-4,773
Corporate (D)		***0***	***5,477***	***5,477***
Total Assets (E)=(A)+(B)+(C)+(D)		**1,345,763**	**50,196**	**1,395,959**
of which: Intangible assets (no goodwill)				*4,351*
of which: goodwill				*362,410*
of which: right of use				*769,803*
of which: property investments				*2,776*
of which: Tangible assets				*256,619*

The recoverability of the amounts recognised was assessed by comparing the crarrying amount attributed to the CGUs including goodwill (i.e. the carrying amounts) with recoverable value (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 17 Property, plant and equipment – were taken into account.

When performing the impairment test, the KOS Group used the latest profit and loss and cash flow forecast data for the period 2021-2025 (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.

The main estimates made when preparing the Business Plan that formed the basis for the impairment test regarded the hypothesis that, even though they are essential services that complement those provided by the Italian National Health Service, Group activities may suffer a contraction because of the ongoing pandemic and resulting financial crisis, as well as the possible effects of the pandemic on public expenditure in general and health expenditure, in particular.

General assumptions

- Completion of the vaccination roll-out and of available Covid treatment from the final quarter of 2021;
- No acute phase of the pandemic in the first few months of 2021;
- No dividends distributed during the Business Plan period;
- Increase in personnel expense in 2021 and 2022 followed by realignment with previous forecasts.

Assumptions regarding the Long Term Care CGU

- Occupancy rate to recover from the summer of 2021 following slowdown in demand because of decline in elderly population, reduction in household income, changing work patterns with increased capacity for autonomous care of relatives and media-promoted perception of dangers associated with Care Homes;
- Return of care home bed occupancy rates to pre-Covid levels in 2022;
- Healthcare fees assumed stable with private component assumed down because of pricing policies but partially compensated by public component;
- *Rehab-Acute Care*: affected by restrictions and by social-distancing rules but with larger increase in occupancy rate than care homes.

With regard to Ospedale di Suzzara:

- It is assumed that the concession for Suzzara Hospital will be renewed. However, for the purposes of the impairment test, in line with previous tests, the Company opted to test cash flows until the expiry of the existing concession, as scheduled for 2022;
- Investments in anti-seismic plan forecast from 2022.

Assumptions regarding the Long Term Care Germany CGU:

- An increase in the number of beds available is forecast from 2022. The occupancy rate is also expected to increase from that year after the decrease recorded in 2020 because of the Covid-19 pandemic.
- Personnel cost increase of 2% for care homes and 1.5% for other personnel forecast for the duration of the Business Plan.

Assumptions regarding the D&CC CGU:

- No new services forecast following the sale of Medipass ITA and Medipass UK;
- With regard to the test of the NIC of Medipass India, the Group has assumed that 10% of the cash flows from the development division will be allocated in line with the business forecast for cash flow generation by Indian activities.

Terminal value was calculated based on a growth (g) rate of 1.35% (1.5% in 2019) 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 (4.2% in 2019). Meanwhile, a rate of 1% was used for the assets in Germany (1.9% in 2019).

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 5.5% (against 5.6% in 2019) for assets in Italy; 4.3% (4.4% in 2019) for assets in Germany; and 8.9% for assets in India (8.42% in 2019).

On the basis of the best information available, the Company's business plan reflects the conclusions reached by management with regard to the effects of the pandemic and, consequently, the estimates made in relation to the recoverability of intangible assets (in particular, goodwill) and property, plant and equipment consider the impact of the negative effects of the Covid 19 virus 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 ongoing pandemic and the current market crisis, the factors used to make the estimates may have to be revised.

The Group has performed a sensitivity analysis considering variations in the underlying assumptions behind the impairment test and, in particular, in the variables that most affect recoverable value (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 for Italy and Country for abroad) 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, Veneto, Liguria, Lazio, Umbria and Campania Regions plus the Germany area for all of which the cover becomes negative if a growth rate of zero is considered together with a WACC higher than the 0.5% used for the test.

2) Cancer Treatment and Diagnostics: the sensitivity analysis produced positive results even considering a lower growth rate and a significantly higher WACC than that used in the test, considering India as 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. The analysis did not identify any impairment loss.

17) *Property, Plant and Equipment*

At 31 December 2020, net property, plant and equipment amounted to € 256,619 thousand against € 295,923 thousand at 31 December 2019.

The following table shows a breakdown of this item and changes thereon in 2020.

	Opening balance			Changes in the year												Closing balance		
	Historical cost	Impairment losses and accumulated amortisation	Carrying amount as at 31/12/2019	Purchases	Changes in consolidation scope - Increase		Changes in consolidation scope - Decrease		Exchange differences		Other changes		Net disposals		Impairment losses and amortisation	Historical cost	Impairment losses and accumulated amortisation	Carrying amount as at 31/12/2020
(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	Historical cost	Impairment losses and accumulated amortisation				
Land	30,632	(522)	30,110	896							(1,374)	522	(3,238)			26,916	-	26,916
Buildings	162,781	(59,096)	103,685	1,954	8,787	(37)					629	1,323	(16,553)	3,421	(5,509)	157,598	(59,898)	97,700
Pland and Machinery	80,644	(57,720)	22,924	1,563	167	(167)	(44,884)	32,089			(1,072)	1,072	(3,528)	3,065	(2,104)	32,890	(23,765)	9,125
Industrial and commercial equipment	110,690	(66,602)	44,088	7,306	282	(98)	(14,021)	5,405	(3,199)	932	1,186	150	(5,722)	5,092	(9,903)	96,522	(65,024)	31,498
Other assets	163,128	(103,278)	59,850	14,448	564	(251)	(12,186)	9,008	(388)	87	85	(827)	(12,362)	12,221	(10,143)	153,289	(93,183)	60,106
Assets under construction and payments on account	35,266		35,266	11,342			(1,670)		(9)		(880)		(12,775)		-	31,274		31,274
Total	**583,141**	**(287,218)**	**295,923**	**37,509**	**9,800**	**(553)**	**(72,761)**	**46,502**	**(3,596)**	**1,019**	**(1,426)**	**2,240**	**(54,178)**	**23,799**	**(27,659)**	**498,489**	**(241,870)**	**256,619**

Land and buildings are recognised at historical cost. In order to test their carrying amount, independent appraisals were performed at 31 December 2020.

Fair value was determined using generally accepted valuation methods and principles based on the most widely applied valuation criteria. Following the valuations performed in 2020, the historical cost of certain assets was adjusted by around € 2,173 thousand to bring it into line with fair value.

Increases for the year, amounting to € 37 million, include ordinary capex (restoration of current operating capacity - around € 16 million), capex to comply with laws and regulations (€ 3 million) and capex on business development/expansion (€ 18 million). Details of the business development capex during the reporting are provided below:

- € 0.2 million refers to construction of a 100 bed care home in Campofilone – construction work began in 2018;
- € 0.5 million refers to construction of a 120 bed care home in the Municipality of Vimercate;
- € 5 million refers to construction of a 120 bed care home in the Municipality of Grosseto;
- € 1.4 million refers to construction of a 120 bed care home in the Municipality of Borgomanero;
- € 1.5 million relates to new equipment installed at client hospital facilities where management of diagnostics services has been entrusted to subsidiary ClearMedi Health Care Ltd;
- € 5 million refers to construction of an 80 bed care home in the Municipality of Villalba;
- € 4.4 million refers to development work on facilities already operating and to new constructions where work has just commenced.

As in prior years, the depreciation charged to the statement of profit or loss was determined based on the residual useful lives of the property plant and equipment in question by applying depreciation rates felt to represent their useful lives.

During the reporting period, the properties used as the La Grange and Sant'Anna care homes, in Riva Ligure and Villadose, respectively, were sold. The properties were then leased back by the Group.

"Business combinations - increases" refers to assets recognised by means of the acquisition of Finoro Immobiliare S.r.l. and GES.CA.S Villa Armonia Nuova S.r.l., as well as of a business consisting of management of a care home in the Municipality of Genoa.

"Business combinations – decreases" includes amounts relating to Medipass S.r.l. and its European subsidiaries which were sold during the reporting period.

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

The useful lives of each property, plant and equipment 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

18) Right of use assets

In accordance with IFRS 16, this caption includes recognition of Right of use assets under lease agreements while the related lease liability is reported under "Other lease liabilities "

Movements on this caption are analysed below:

	Opening balance			Changes in the year												Closing balance		
	Historical cost	Impairment losses and accumulated amortisation	Carrying amount as at 31/12/2019	Purchases	Changes in consolidation scope - Increase		Changes in consolidation scope - Decrease		Exchange differences		Other changes		Net disposals		Impairment losses and amortisation	Historical cost	Impairment losses and accumulated amortisation	Carrying amount as at 31/12/2020
(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	Historical cost	Impairment losses and accumulated amortisation				
Righ of use assets	867,256	(62,683)	804,573	46,456			(34,271)	13,320	(187)	75	1,072	(1,072)	(5,567)	2,480	(57,076)	874,759	(104,956)	769,803
Total	**867,256**	**(62,683)**	**804,573**	**46,456**	**-**	**-**	**(34,271)**	**13,320**	**(187)**	**75**	**1,072**	**(1,072)**	**(5,567)**	**2,480**	**(57,076)**	**874,759**	**(104,956)**	**769,803**

Additions for the period mainly refer to new leases for the La Grande and Sant'Anna care homes which were the subject of a sale and leaseback operation.
The sale of the Medipass Group led to a total decrease of Euro 20.9 million in "Right of use assets".

19) Investment property

This item includes several properties not used in the Group's core business activities, among them a property rented out for use as an hotel and an apartment rented to third parties.

Changes during the period were as follows:

	Opening balance			Changes in the year												Closing balance		
	Historical cost	Impairment losses and accumulated amortisation	Carrying amount as at 31/12/2019	Purchases	Changes in consolidation scope - Increase		Changes in consolidation scope - Decrease		Exchange differences		Other changes		Net disposals		Impairment losses and amortisation	Historical cost	Impairment losses and accumulated amortisation	Carrying amount as at 31/12/2020
(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	Historical cost	Impairment losses and accumulated amortisation				
Investment property	4,962	(2,058)	2,904												(128)	4,962	(2,186)	2,776
Total	**4,962**	**(2,058)**	**2,904**	**-**	**-**	**-**			**-**	**-**	**-**		**-**	**-**	**(128)**	**4,962**	**(2,186)**	**2,776**

Investment property was measured at cost and again at 31 December 2020. Following this valuation, in 2020, the historical cost value of certain property was increased by € 10 thousand to bring it into line with fair value.

20) 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 2020.

These investments are considered as belonging to the "available for sale" category in 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 (Apokos Rehab Private Ltd) 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 loss of € 255 thousand which was classified in the Statement of Profit or Loss 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) 31/12/2020	Carrying amount (eur) 31/12/2019
Osimo Salute S.p.A	Osimo (AN)	750,000	€	Abitare il tempo S.r.l	25.50%	14.03%	893	893
Fondo Spazio Sanità	Roma	107,103,000	€	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%	595	851
Other							33	24
Total							**2,421**	**2,668**

* Equity-accounted investees

21) Other non-current assets

The following table provides a breakdown of this item:

(eur/000)	31/12/2020	31/12/2019	Var.
Tax assets	12	370	(358)
Security deposits	1,362	1,346	16
Receivables from social security institutions	632	221	411
Other assets	1,632	2,943	(1,311)
Total	**3,638**	**4,880**	**(1,242)**

This item includes receivables from social security institutions and guarantee deposits plus other tax assets.

"Other assets" includes a payment on account made to a supplier in relation to a Care Home that will be leased by the Group once construction has been completed.

The effect of the disposal of the Medipass Group was € 324 thousand.

22) 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)	31/12/2020		31/12/2019	
	Difference	Tax	Difference	Tax
Temporary difference in current assets	13,709	3,321	14,280	3,479
Temporary difference in non-current assets	20,399	5,058	16,996	4,232
Temporary difference in current liabilities	6,689	1,587	4,472	1,188
Temporary difference in provisions for personnel	18,702	4,520	20,770	4,988
Temporary difference in provisions for risks and charges	21,771	5,554	23,589	6,416
Temporary difference in financial instruments	137	33	520	135
Temporary difference from tax losses	619	149	14,905	4,172
Total	**82,026**	**20,222**	**95,532**	**24,610**

(eur/000)	31/12/2020		31/12/2019	
	Difference	Tax	Difference	Tax
Temporary difference in current assets	-		8,779	2,522
Temporary difference in non-current assets	55,888	17,471	52,870	14,805
Temporary difference in current liabilities	-	-	(29)	(7)
Temporary difference in provisions for personnel	(1,534)	(368)	(1,792)	(474)
Total	**54,354**	**17,103**	**59,828**	**16,846**

With regard to deferred tax assets:

- the temporary differences in current assets mainly relate to loss allowance;
- the temporary differences in non-current assets mainly regard the effect of accounting for 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 derivatives.

With regard to deferred tax liabilities:

- the temporary differences in non-current assets mainly regard the effect of accounting for 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 payroll provisions are mainly due to the different treatment of the TFR/employee leaving indemnity provision for IAS purposes (IAS 19).

Tax losses not yet used for the calculation of deferred taxes to € 1,163 thousand. On a prudential basis, no deferred tax assets have recognised on such losses. A detailed analysis is provided below:

	31/12/2020	31/12/2019
Prior year losses	1,782	24,376
of which:		
- tax losses that generated deferred tax assets	619	14,905
- tax losses that did not generated deferred tax assets	1,163	9,471

Deferred taxes recognised directly in equity during the year were negative and amounted to € 724 thousand. They mainly refer to the sale of Medipass, net of acquisitions made during the reporting period and the tax effect of the actuarial gains(losses) from application of IAS 19.

Changes in deferred tax assets and liabilities compared to 31 December 2019 are analysed below, inclusive of equity effects not taken to profit or loss. We highlight the effect relating to the acquisitions made in 2020, specifically GES.CA.S Villa Armonia Nuova S.r.l. which had an impact of € 75 thousand on deferred tax assets. This effect was more than offset by the impact of the sale of the Medipass Group (€ 2,190 thousand on deferred tax assets and € 322 thousand on deferred tax liabilities).

Changes in deferred tax assets and liabilities

(eur/000)	31/12/2019	Use of deferred taxes from previous year	Deferred taxes for the year	Changes in consolidation scope	Other changes	31/12/2020
Deferred tax assets						
- in profit or loss	22,367	(5,108)	2,071	-	22	19,352
- in equity	2,243	(48)	23	(2,119)	771	870
Total	**24,610**	**(5,156)**	**2,094**	**(2,119)**	**793**	**20,222**

(eur/000)	31/12/2019	Use of deferred taxes from previous year	Deferred taxes for the year	Changes in consolidation scope	Other changes	31/12/2020
Deferred tax liabilities						
- in profit or loss	(9,999)	975	(1,902)	-	(22)	(10,948)
- in equity	(6,835)	56	-	322	302	(6,155)
Total	**(16,834)**	**1,031**	**(1,902)**	**322**	**280**	**(17,103)**
Net deferred taxes	**7,776**	**(4,125)**	**192**	**(1,797)**	**1,073**	**3,119**

During the reporting period, deferred tax assets recognised in profit or loss had a negative impact of € 3,015 thousand while the negative impact relating to accounting for deferred tax liabilities was equal to € 949 thousand.

The following table shows movements on deferred tax assets and liabilities in 2019.

(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 los:	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 los:	(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 ta	**5,131**	**(1,355)**	**3,039**	**927**	**34**	**7,776**

Current assets

23) Inventories

At 31 December 2020, inventories amounted to € 9,335 thousand and increased by € 4,814 thousand compared to 31 December 2019. The effect on inventories of acquisitions made during 2020 was € 55 thousand while the sale of the Medipass Group had a negative effect of € 213 thousand.

The table contains a breakdown of the categories of goods in inventory together with prior year comparative figures.

(eur/000)	31/12/2020	31/12/2019	Var.
Other goods	735	552	183
Healthcare goods	8,203	3,554	4,649
Food product inventory	397	415	(18)
Total	**9,335**	**4,521**	**4,814**

Inventories include medical products and other items normally utilised in the Group's core business. The increase compared to 31 December 2019 relates to purchases of PPE to deal with the COVID-19 emergency.

The analysis performed identified the need for a specific provision for PPE inventories. The particularly high prices incurred during the initial phase of the emergency (March/April) to purchase PPE gradually decreased over the reporting period and required a provision of around € 4 million.

24) Receivables from parent company

(eur/000)	31/12/2020	31/12/2019	Var.
Receivables from parent company	1,030	2,782	(1,752)
Total	**1,030**	**2,782**	**(1,752)**

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 group taxation arrangement.

The decrease partially relates to the sale of Medipass S.r.l. which, at 31 December 2019, had a receivable of around € 0.9 million due from CIR S.p.A. in relation to the group taxation arrangement.

25) *Trade receivables*

At 31 December 2020, trade receivables amounted to € 64,039 thousand, a decrease of € 49,771 thousand on 31 December 2019. Acquisitions made during 2020 generated an increase of € 1,001 thousand while the disposal of the Medipass Group led to a decrease of € 22,108 thousand. It should also be noted that receivables of around € 39 million were factored during the reporting period, specifically balances due from ASUR Marche.

The balance is analysed as follows:

(eur/000)	31/12/2020	%	31/12/2019	%	Var.
Receivables from private customers	30,432	31%	48,670	34%	(18,238)
Receivables form public-sector customers	68,407	69%	93,602	66%	(25,195)
Loss allowance	(34,800)		(28,462)		(6,338)
Total	**64,039**	**100%**	**113,810**	**100%**	**(49,771)**

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, € 8,969 thousand was allocated to the provision, excluding the amount provided for late payment interest receivable.

Note that the loss allowance includes a prudent allowance made upon invoicing late payment interest, mainly to public sector customers. This provision stood at € 6,613 thousand at 31 December 2019 and was unchanged compared to 31 December 2019. In accordance with IFRS 9, the allowance has been calculated based on an expected credit loss model. The Group's trade receivables of all age bands were adjusted by means of percentage provisions ranging from 1% for receivables not overdue up to 100% for the oldest receivables. As a percentage of gross trade receivables, the provision for doubtful debts has increased from 20% at 31 December 2019 to 35% at 31 December 2020.

For details of movements on the provision for doubtful debts, see Note *"3.3 Additional disclosures on financial assets"*.

The carrying amount of trade receivables, net of the provision, approximates their fair value.

Trade receivables at 31 December 2020 and 2019 are broken down by region in the table below:

(eur/000)	31/12/2020	%	31/12/2019	%	Var.
Lombardy	(1,886)	-3%	4,400	4%	(6,286)
Trentino Alto Adige	791	1%	2,191	2%	(1,400)
Veneto	3,235	5%	5,544	5%	(2,309)
Piedmont	2,972	5%	5,121	4%	(2,149)
Liguria	2,017	3%	269	0%	1,748
Tuscany	434	1%	3,722	3%	(3,288)
Emilia Romagna	1,188	2%	11,539	10%	(10,351)
Marche	33,164	52%	39,410	35%	(6,246)
Lazio	2,505	4%	11,680	10%	(9,175)
Campania	2,817	4%	3,037	3%	(220)
Calabria	2,486	4%	873	1%	1,613
Sicily	163	0%	158	0%	5
Other regions	2,961	5%	4,614	4%	(1,653)
Foreign countries	11,192	17%	21,252	19%	(10,060)
Total	**64,039**	**100%**	**113,810**	**100%**	**(49,771)**

In Lombardy, a credit note has been issued in respect of receivables for payments on account already collected from ATS Lombardia (Lombardy Health Protection Agency) for which a lower volume of services was provided as a result of the Covid-19 emergency.

At 31 December 2020 and 31 December 2019, there were no trade receivables due after more than five years.

26) *Other assets*

At 31 December 2020, other assets amounted to € 18,304 thousand, an increase of € 6,437 thousand compared to 31 December 2019, as detailed below:

(eur/000)	31/12/2020	31/12/2019	Var.
Receivables from associates	133	105	28
Receivables from others	13,914	7,725	6,189
Tax assets	4,257	4,037	220
Total	**18,304**	**11,867**	**6,437**

"Tax receivables" mainly includes VAT receivables of € 1,064 thousand (€ 2,078 thousand at 31 December 2019) and IRES and IRAP payments on account totalling around € 1,332 thousand (€ 314 thousand at 31 December 2019).

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. The increase compared to last year end is mainly due to higher advance payments to suppliers, especially for purchases of PPE not yet delivered at the reporting date, and to receivables for government refunds recorded by the German subsidiary.

Acquisitions made in 2020 led to a € 1,341 thousand increase in this balance while the disposal of the Medipass Group led to a decrease of € 908 thousand.

At 31 December 2020 and 31 December 2019, there were no other receivables due after more than five years.

27) Financial assets

The balance of € 4,124 thousand at 31 December 2020 has decreased compared to 31 December 2019 (€ 9,194 thousand) and mainly comprises receivables from non-recourse factoring. The disposal of the Medipass Group led to a decrease of € 350 thousand.

28) Cash and cash equivalents

Cash and cash equivalents totalled € 167,817 thousand at 31 December 2020, an increase of € 52,442 thousand compared to last year end. They can be broken down as follows:

(eur/000)	31/12/2020	31/12/2019	Var.
Bank and postal deposits	167,377	114,811	52,566
Cash and cash equivalents on hand	336	349	(13)
Cheques	104	215	(111)
Total	**167,817**	**115,375**	**52,442**

Changes in the caption compared to 2020 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 € 129 thousand.

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

The Group's net financial debt amounts to € 930,995 thousand against € 1,105,315 thousand at 31 December 2019. For further information, see the note on the "Net financial debt".

29) EQUITY

The following table shows changes in consolidated equity during the reporting period:

	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 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**
Capital increase	5		2,736							2,741		82	2,823
Profit for the year									46,741	46,741	1,069		47,810
Other comprehensive income:													
Changes in cash flow hedge reserve					156					156			156
Changes in post-employment benefit valuation reserve						(80)				(80)		(3)	(83)
Translation differences								630		630		(3)	627
Total other comprehensive income	**0**	**0**	**0**	**0**	**156**	**(80)**	**0**	**630**	**46,741**	**47,447**	**1,069**	**(6)**	**48,510**
Increase in stock option reserve				217						217			217
Stock option reserve utization				(474)			474			0			0
Dilution of non-controlling interests (CMH)							(82)			(82)			(82)
Medipass Group disposal										0		(294)	(294)
Finoro Group acquisition										0		331	331
Allocation of prior year profit			(8,129)				38,433		(30,304)	0	(1,051)	1,051	0
BALANCE AT 31 DECEMBER 2020	**8,853**	**1,770**	**40,250**	**2,275**	**(113)**	**(2,965)**	**238,528**	**877**	**46,741**	**336,216**	**1,069**	**6,392**	**343,677**

Share capital

Share capital was wholly subscribed and paid up at 31 December 2020. It amounts to € 8,853 thousand and is divided into 89,016,534 shares with no nominal value.

In November 2020, after the exercise of stock options for the sale of the Medipass Group, a Share Capital increase of 535,500 shares equal to € 5 thousand was subscribed.

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 changes thereon in 2020 are shown in the following table:

31/12/2020	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	2.65			246,500	2.65			1,414,583	2.65	12.4	1,414,583	2.65	31/12/2014	17/05/2033
Stock Option '16	1,495,000	7.00			289,000	7.22			1,206,000	7.25	12.4	482,400	7.25	17/05/2023	17/05/2033
Total	**3,156,083**	**4.71**			**535,500**	**5.12**			**2,620,583**	**4.77**	**14.9**	**1,896,983**	**3.82**		

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

The value of the stock options recognised in profit or loss under Personnel costs for share based payments regarding stock options on KOS S.p.A. shares was equal to € 177 thousand at 31 December 2020.

During the reporting period, before the sale of Medipass S.r.l., 535,500 options were exercised at an average exercise price of € 5.12.

Reserves

Legal reserve

The legal reserve amounts to € 1,770 thousand and did not increase during 2020.

Share premium reserve

The share premium reserve amounts to € 40,250 thousand and has decreased by € 5,393 thousand compared to 31 December 2019. In November 2020, following the exercise of stock options for the sale of the Medipass Group, a Share Capital increase was approved with an accompanying payment of € 2,736 thousand into the Reserve. The decrease of € 8,129 thousand is due to utilisation of the reserve to cover the loss of KOS S.p.A. for 2019.

Valuation reserves

The following table shows movements on valuation reserves during the period:

Valuation reserves (eur/000)	31/12/2019	Increase	Decrease	Changes in intrinsic value	31/12/2020
Cash flow hedges	(269)			156	(113)
Stock option plans	2,532	217	(474)		2,275
Post-employment benefits	(2,885)	(380)	300		(2,965)
Total	**(622)**	**(163)**	**(174)**	**156**	**(803)**

The ***Stock option plan 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 decrease refers to the exercise of options by several option holders at the time of the sale of the investment in Medipass.

The ***Cash flow hedge 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 ***TFR/Employee severance indemnity valuation reserve*** includes actuarial gains and losses resulting from application of the revised IAS 19 to the Group’s TFR/employee severance indemnity provision.

Other reserves and retained earnings

This includes the retained earnings (accumulated losses) 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 holding 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 pertaining to non-controlling interests, amounting to € 7,461 thousand (€ 6,279 thousand at 31 December 2019), mainly regards companies consolidated on a line by line basis but with non-controlling shareholders. The increase compared to 31 December 2019 is primarily due to the acquisition of Finoro S.r.l. (95% interest held), as partially offset by the disposal of the Medipass Group. In addition to these effects, it net profits for the period must be considered (€ 1,069 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%	4,855
Fidia S.r.l	40%	40%	127
KOS Servizi Società Consortile R.L	3%	0%	-18
Sanatrix Gestioni S.r.l.	10%	0%	1,687
Sanatrix S.r.l.	10%	10%	695
Finoro Immobiliare S.r.l.	5%	5%	326
GES.CA.S. Villa Armonia Nuova S.r.l.	5%	0%	-42
ClearMedi Healthcare Ltd	1%	0%	-120
ClearView Healthcare Ltd	15%	15%	114
Die Frankenschwestern GmbH	40%	40%	-163
Total			**7,461**

30) Financial liabilities

At 31 December 2020, financial liabilities amounted to € 1,102,936 thousand against € 1,229,882 thousand at 31 December 2019, a decrease of € 126,946 thousand for the year. The decrease is mainly due to the sale of the Medipass Group with the resulting settlement of the corporate debt guaranteed by Medipass.

The following table contains a breakdown of these balances by maturity date as at 31 December 2020 and 31 December 2019.

(eur/000)	31/12/2020	Within the year	1-5 years	Over five years	31/12/2019	Within the year	1-5 years	Over five years
Bank overdrafts	**1,317**	1,317			**6,513**	6,513		
Bank loans and borrowings - collateral	**34,969**	13,638	21,331	-	**43,964**	8,762	32,881	2,321
Bank loans and borrowings	**201,307**	17,231	184,076	-	**287,959**	20,533	253,477	13,949
Bond loans	**99,666**	666	99,000	-	**99,161**	561	63,625	34,975
Other lenders	**763**	191	572	-	**954**	191	763	-
Finance leases	**34,568**	4,223	15,352	14,993	**53,720**	9,035	21,996	22,689
Lease liabilities	**730,276**	48,924	196,656	484,696	**737,313**	47,822	187,773	501,718
Fair value of derivatives	**70**	70			**298**	298		
Total	**1,102,936**	**86,260**	**516,987**	**499,689**	**1,229,882**	**93,715**	**560,515**	**575,652**

The following table shows movements on medium/long term financial liabilities between 31 December 2019 and 31 December 2020.

(eur/000)	31/12/2019	Increase	Decrease	Exchange difference	Changes in consolidation scope - Increase	Changes in consolidation scope - Decrease	31/12/2020
Bank loans and borrowings - collateral	**43,964**	7,153	(16,723)	(1,350)	1,925		**34,969**
Bank loans and borrowings	**287,959**	27,632	(113,603)	(1,574)	893		**201,307**
Bond loans	**99,161**	505					**99,666**
Other lenders	**954**		(191)				**763**
Finance leases	**53,720**	0	(4,052)	(2)		(15,098)	**34,568**
Lease liabilities	**737,313**	36,728	(40,610)	(166)		(2,989)	**730,276**
Fair value of derivatives	**298**		(228)				**70**
Total	**1,223,369**	**72,018**	**(175,407)**	**(3,092)**	**2,818**	**(18,087)**	**1,101,619**

The effect of changes in the scope of consolidation mainly regard the disposal of the Medipass Group and the resulting closure of corporate debt guaranteed by Medipass (Bei, CDP and a portion of the ING Natixis syndicated loan).

Financial liabilities and bank borrowing

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

- Drawdowns of € 3.5 million and € 3.55 million, respectively, were made on the construction loan facilities arranged in prior years to finance the greenfield developments in Grosseto and Villalba;
- In April 2020, KOS S.p.A. requested and was granted a 6-month postponement of the ING Natixis loan principal repayment due on 6 April 2020. Also in April 2020, the Company drew down € 25 million on the syndicated RCF. Both the €18 million instalment and the € 25 million drawn down on the RCF were repaid in October.
- Following the sale of the Medipass Group companies, KOS SpA repaid those corporate loans guaranteed by the assignment of intercompany receivables due from Medipass; this included a loan of € 20 million from BEI, a loan of € 17.142 million from CDP and part of the loan from the ING Natixis syndicate (€ 7.5 million). € 9.1 million disbursed to Medipass in relation to the bond of € 64 million was not repaid by allocated to KOS Care Srl.
- Repayment in December of around € 10 million of the Indian medium/long-term debt.
- The additional decreases regard the repayment of loan principal and the sale of the property in Vimercate, the property in Villadose and the property in Riva Ligure accompanied by the extinguishment of the related loans of € 7.6 million, € 0.9 million and € 1.1 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, where considered significant, loans are stated at amortised cost 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 “*Bonds loans*” refers to the issue by KOS S.p.A., in October 2017, of two 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 2020 and 31 December 2019.

(eur/000)	31/12/2020	31/12/2019	Var
Regional fund (FRISL)	763	953	(190)
Total	**763**	**953**	**(190)**

Other financial liabilities includes payables of € 763 thousand relating to an interest free “repayable grant” from Lombardy Region to fund construction of a care home in Milan; the funding is from the Lombardy Social Infrastructure Reconstruction Fund (*Fondo Ricostruzione Infrastrutture Sociali Lombardia* (FRISL)).

Liabilities to lease 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 2020 and 31 December 2019.

(eur/000)	31/12/2020	31/12/2019	Var
Leasing real estate - Padiglione F.	5,184	5,735	- 552
Leasing real estate - Montecosaro	3,209	3,604	- 394
Leasing real estate - Monza	6,322	6,724	- 402
Leasing real estate - Foligno	4,822	5,005	- 182
Leasing real estate - Foligno	3,546	3,682	- 136
Leasing real estate - PGR	7,098	8,889	- 1,791
Leasing real estate - Ascoli	4,113	4,623	- 509
Leasing on high tech plants	272	15,458	- 15,186
Total	**34,567**	**53,720**	**(19,153)**

The decrease in property lease payables is due to repayments made during the period while the decrease in payables for hi-tech equipment leases is due to the sale of the Medipass Group companies.

Financial payables for rights of use

Pursuant to IFRS 16, the Group has recorded a financial payable for rights of use which totalled € 730,276 at 31 December 2020. The payable mainly refers to the rental/lease of buildings and to the hire/rental of cars and other assets.

Financial payables for measurement of derivatives

Financial payables for measurement of derivatives regards 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.

31) Deferred tax liabilities

Deferred tax liabilities totalled € 17,103 thousand at 31 December 2020, an increase compared to 31 December 2019 (€ 16,846 thousand).

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

32) Provisions for personnel

Payroll provisions include the *Post-employment benefits* (“TFR”) and other benefits accrued at the reporting date. Where applicable, they are measured, on a six-monthly basis, under the actuarial method required by IAS 19. At 31 December 2020, the TFR/Employee severance indemnity provision amounted to € 25,772 thousand, a decrease of € 1,469 thousand compared to 31 December 2019. The line “Increases/decreases due to change in scope of consolidation” includes the impact of acquisitions in 2020 - Ges.Ca.S. Villa Armonia Nuova S.r.l. and of the sale of the Medipass Group: € 1,310 thousand and € 2,297 thousand, respectively.

The following table shows movements on payroll provisions in 2020.

(eur/000)	31/12/2020	31/12/2019
Opening balance	27,241	25,012
Service cost	10,888	10,661
Finance cost	188	364
Benefits paid	(1,887)	(1,872)
Change in consolidation scope	(987)	887
Transfers to pension funds/treasury fund	(9,784)	(9,059)
Other changes	(389)	(312)
Net unrealised actuarial gains	502	1,560
Provisions for personnel	**25,772**	**27,241**

In compliance with IAS 19, employee benefits have been reported according to the ‘projected unit credit cost’ method based on the following assumptions:

Economic assumptions	31/12/2020	31/12/2019
Inflation rate	0.80%	1.20%
Discount rate	0,34%*	0,77%*
Remuneration increase rate	0,50% - 1,50%	0,50% - 1,50%
ESI increase rate	2.10%	2.40%

Demographic assumptions	31/12/2020	31/12/2019
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 %	
KOS S.p.A.	690,298.52	711,513.95	715,675.80	685,296.90	680,319.36	721,085.24
KOS SERVIZI SOC. CONSORTILE A R.L.	4,547,621.37	4,680,798.59	4,711,224.86	4,512,180.75	4,486,879.71	4,738,985.21
OSPEDALE DI SUZZARA S.p.A.	84,986.73	84,986.73	84,986.73	84,986.73	84,986.73	84,986.73
CASA DI CURA PRIVATA VILLA MARGHERI	1,781,007.09	1,805,335.72	1,814,130.21	1,771,390.86	1,758,751.72	1,827,561.41
KOS CARE S.R.L.	15,166,825.87	15,385,283.51	15,461,105.44	15,083,249.93	14,971,420.66	15,580,185.48
ABITARE IL TEMPO S.R.L.	524,228.74	535,829.21	540,483.92	519,141.77	516,131.51	543,784.77
SANATRIX GESTIONI S.R.L.	792,329.64	803,006.31	806,464.40	788,480.75	783,292.52	812,003.73
FIDIA S.R.L.	161,208.52	165,346.01	166,872.97	159,495.88	158,463.54	168,006.14
JESILAB S.R.L.	96,823.71	96,823.71	96,823.71	96,823.71	96,823.71	96,823.71

Company	Service Cost pro futuro	Duration (Years)
KOS S.P.A.	61,853.16	16.30
KOS SERVIZI SOC. CONSORTILE A R.L.	869,827.39	16.60
OSPEDALE DI SUZZARA SPA	0.00	10.40
CASA DI CURA PRIVATA VILLA MARGHERITA S.R.L.	0.00	8.10
KOS CARE S.R.L.	0.00	9.50
ABITARE IL TEMPO S.R.L.	58,720.50	15.30
SANATRIX GESTIONI S.R.L.	0.00	7.90
FIDIA S.R.L.	22,950.83	23.80
TOTAL	**1,013,351.88**	

Year	1	2	3	4	5
KOS S.P.A.	39,801.65	33,260.72	34,888.21	36,383.81	37,741.98
KOS SERVIZI SOC. CONSORTILE A R.L.	575,072.64	201,699.43	294,204.49	276,684.88	379,840.43
OSPEDALE DI SUZZARA SPA	12,997.66	4,254.11	4,048.01	3,852.35	3,664.11
CASA DI CURA PRIVATA VILLA MARGHERITA S.R.L.	328,536.22	96,285.25	90,999.06	85,992.54	101,594.46
KOS CARE S.R.L.	2,742,781.90	675,210.54	748,901.23	612,248.29	941,307.74
ABITARE IL TEMPO S.R.L.	106,235.67	22,534.97	23,874.43	25,097.23	26,219.79
SANATRIX GESTIONI S.R.L.	235,202.13	31,115.01	27,847.01	26,750.51	35,887.84
FIDIA S.R.L.	6,819.42	7,798.91	8,645.95	9,372.56	9,992.08
TOTAL	**4,047,447.29**	**1,072,158.94**	**1,233,408.39**	**1,076,382.17**	**1,536,248.43**

33) Provisions for risks and charges

The following table shows changes in 2020:

(eur/000)	31/12/2019	Increase	Utilization	Changes in consolidation scope - decrease	Other changes	31/12/2020
NON-CURRENT						
Provisions for sundry risks	8,574	660	(2,667)		(680)	5,887
Total "NON-CURRENT"	**8,574**	**660**	**(2,667)**	**-**	**(680)**	**5,887**
CURRENT						
Provisions for sundry risks	52,250	5,879	(14,059)	(4,223)	680	40,527
Total "CURRENT"	**52,250**	**5,879**	**(14,059)**	**(4,223)**	**680**	**40,527**
TOTAL PROVISIONS FOR RISKS AND CHARGES	**60,824**	**6,539**	**(16,726)**	**(4,223)**	**-**	**46,414**

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 € 8,306 thousand for litigation and claims with third parties and personnel; € 8,045 thousand of this total is classified under current provisions for sundry risks.

The surgeons and medical personnel 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 € 19,501 thousand.

The caption "Business combinations – decreases" refers to the effect of the sale of Medipass S.r.l. and its subsidiaries. Excess tax provisions and payroll provisions have also been reversed (following renewal of the AIOP collective labour agreement) as the related contingent liabilities no longer exist.

34) Payables to parent company

(eur/000)	31/12/2020	31/12/2019	Var.
Payables to parent company	826	5,216	(4,390)
Total	**826**	**5,216**	**(4,390)**

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 tac consolidation scheme.

35) Trade payables

The following table shows trade payables at 31 December 2020 and the change on 31 December 2019:

(eur/000)	31/12/2020	31/12/2019	Var.
NON CURRENT			
Trade payables	319	442	(123)
Total "NON CURRENT"	**319**	**442**	**(123)**
CURRENT			
Trade payables	80,724	84,552	(3,828)
Advance payments	108	77	31
Total "CURRENT"	**80,832**	**84,629**	**(3,797)**
Total trade payables	**81,151**	**85,071**	**(3,920)**

Advance payments mostly regard advances on fees received from customers.

The carrying amount of trade payables and other liabilities approximates their valuation at amortised cost. The decrease relates to supplier payment patterns and to the sale of the Medipass Group (impact of € 12,106 thousand) which was only partially offset by the effect of acquisitions that took place in 2020.

At 31 December 2020 and 31 December 2019, there were no liabilities due after more than five years.

36) Other liabilities

At 31 December 2020, other liabilities decreased to € 69,011 thousand from € 70,647 thousand at 31 December 2019:

(eur/000)	31/12/2020	31/12/2019	Var.
NON CURRENT			
Other sundry liabilities	134	132	2
Total "NON CURRENT"	**134**	**132**	**2**
CURRENT			
Tax liabilities	3,529	1,811	1,718
VAT liabilities	63	2,120	(2,057)
Withholding taxes	5,910	5,946	(36)
Other tax liabilities	976	541	435
Payables to social security institutions	11,998	12,551	(553)
Payables to personnel	29,333	28,647	686
Guarantee deposits	4,002	5,048	(1,046)
Other sundry payables	13,066	13,851	(785)
Total "CURRENT"	**68,877**	**70,515**	**(1,638)**
Total other payables	**69,011**	**70,647**	**(1,636)**

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.

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

37) Guarantees, commitments and risks

Commitments and contingent risks

The following table summarises the Group's commitments and contingent risks at 31 December 2020 and 31 December 2019:

(eur/000)	31/12/2020	31/12/2019	Var.
Surety (building rent)	24,983	22,677	2,306
Surety for key money	225	225	-
Other commitment	8,471	10,629	- 2,158
Total	**33,679**	**33,531**	**147**

At 31 December 2020, 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 € 25,208 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 € 24,9379 thousand;
- Guarantee in favour of the Municipality of Sanremo for security deposits on planning permission/urbanisation costs - € 225 thousand.

At 31 December 2020, other commitments and risks amounted to € 8,470 thousand and mainly related to the following:

- assets on gratuitous loan totalling € 3,013 thousand;
- insurance guarantees granted by Ospedale di Suzzara in favour of F.lli Montecchi - € 953 thousand.
- competitive tenders of around € 795 thousand
- contractual commitments for around € 3,709 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 care homes for the elderly, 12 were owned by the Group as were 9 of the 37 functional and psychiatric rehabilitation facilities. The remaining facilities (out-patient clinics, psychiatric rehabilitation communities, diagnostics departments) are generally leased/rented.

With regard to the additional guarantees given, it should be recalled that all of the Group's medium/long-term loans payable are secured by mortgages on the properties to which each loan relates. Meanwhile, corporate loans and bonds are secured by the assignment of amounts receivable by KOS from its subsidiaries, receivables due to the fact that KOS has lent the proceeds from these loans to the other Group companies.

38) 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:

- financial transactions;
- service agreements;
- trade transactions;
- transactions under the CIR Group group tax arrangements.

The following table contains details of the statement of financial position and statement of profit or loss transactions of the KOS Group with other entities identified as related parties and belonging to the KOS Group at both 31 December 2020 and 31 December 2019:

	31/12/2020						31/12/2019					
INTERCOMPANY ASSETS / LIABIITIES	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			1,030			826			2,782			5,216
Associates												
Osimo Salute S.p.A.		133						105				
Other related parties			26	1,849					26	354		24
Total	-	133	1,056	1,849	-	826	-	105	2,808	354	-	5,240

	31/12/2020						31/12/2019					
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						110	
Associates												
Other related parties		6		5,792				6		1,901	238	
Total	-	6	-	5,792	110	-	-	6	-	1,901	348	-

[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.

"Other related parties" mainly includes trade relations with labour cooperatives and other companies. The main other related parties include: Coo.s.s. Marche Onlus (costs of € 5,548 thousand and payables of € 1,815 thousand at 31 December 2020)

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 several Istituto di Riabilitazione S. Stefano facilities.

The emoluments of the members of the Boards of Directors of the KOS Group companies amounted to € 1,219 thousand (€ 1,485 thousand in 2019).

The fees of the members of the Boards of Statutory Auditors of the KOS Group companies amounted to € 171 thousand (€ 129 thousand in 2019).

Gross remuneration of the key managers totalled € 1,253 thousand in 2020 (€ 2,003 thousand in 2019).

39) Net financial debt

At 31 December 2020, the net financial position was as follows:

(eur/000)	31/12/2020	31/12/2019
(A) Cash and cash equivalents	167,817	115,375
(B) Other cash equivalents	-	-
(C) Liquidity (A) + (B)	**167,817**	**115,375**
(D) Securities, derivatives and other financial assets	4,124	9,194
(E) Total current financial assets (C) + (D)	**171,941**	**124,569**
(F) Payables to banks for account overdrafts	1,317	6,513
(G) Payables to banks for collateral loans	13,638	8,762
(H) Banks loans	17,231	20,533
(I) Bond loans	666	561
(J) Financial leases	4,223	9,035
(K) Right of use loans	48,924	47,822
(L) Payables to other financing entities	191	191
(M) Derivative financial instruments	70	298
(N) Current financial debt (F) + (G) + (H) + (I) + (J) + (K) + (L) + (M)	**86,260**	**93,715**
(O) Net current financial position (N) - (E)	**(85,681)**	**(30,854)**
(P) Payables to banks for collateral loans	21,331	35,202
(Q) Banks loans	184,076	267,426
(R) Bond loans	99,000	98,600
(S) Financial leases	30,345	44,685
(T) Right of use loans	681,352	689,491
(U) Payables to other financing entities	572	763
(V) Non current financial debt (P)+(Q)+(R)+(S)+(T)+(U)	**1,016,676**	**1,136,167**
(W) Net financial debt (O)+(V)	**930,995**	**1,105,313**

The Group's net financial debt amounts to € 931 million at 31 December 2020 against € 1,105 million at 31 December 2019. The 31 December 2020 figure does not include the third party debt and the cash and bank balances of the Medipass Group. The overall improvement of around € 174 million in the net financial position is mainly thanks to the sale of the Medipass Group companies. The sales of properties in Vimercate, Villadose and Riva Ligure also had a positive impact, as countered by the acquisitions that took place in the first few months of 2020.

The Group's financial debt includes: (i) cash and cash equivalents of € 167.8 million; (ii) financial receivables for measurement of derivatives and non-recourse factoring of € 4 million; (iii) short-term borrowing (advances on invoices and bank overdraft) of € 1.3 million while total available short term credit facilities amount to € 49.3 million (i.e. there is headroom of € 48 million); (iv) medium/long term debt of € 1,101.6 million which totals € 371 million if financial liabilities for rights of use are excluded. The Group also has the possibility of using additional medium/long term lines of credit totalling € 27.8 million.

The consolidated statement of cash flows shows that cash flows from operating activities amounted to € 80,527 thousand in the year ended 31 December 2020 compared to € 89,981 thousand in the year ended 31 December 2019. Despite the ongoing pandemic, the Group generated cash flows from its operating activities, also thanks to the factoring of overdue receivables.

Cash flows used in investing activities decreased from € 134,980 thousand in 2019 to € 62,243 thousand in 2020. In addition to ordinary capex, the figure for 2020 includes acquisitions of € 12,851 thousand in respect of the acquisition of Finoro Immobiliare S.r.l. The prior year figure included the acquisition of the Charleston Group.

Cash flows from financing activities increased from a positive € 106,414 thousand in 2019 to a negative € 99,485 thousand in 2020. The cash flow absorbed by financing activities was mainly due to the settlement of financial liabilities of around € 107,000 following the disposal of the Medipass Group companies.

40) 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.

	2020	2019
	December	December
Earning (loss) for the period		
Net earning attributable to shareholders (A)	**46,741,190**	**30,304,134**
Diluted effect (B)	**0**	**0**
Diluted earning (loss) attributable to shareholders (E=A+B)	**46,741,190**	**30,304,134**
Number of shares		
Weighted average number of ordinary shares outstanding (C)	89,016,534	88,481,034
Diluted effect (D)	432,475	517,509
Weighted average number of ordinary shares outstanding dluited (F=C+	89,449,009	88,998,543
Basic earning (loss) per share (A/C)	**0.525**	**0.342**
Diluited earning (loss) per share (E/m in (F;C))	**0.523**	**0.341**

41) 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 profit and loss and statement of financial position information by operating segment for 2020 and 2019 is provided below.

(eur/000)

	ACUTE & LONG TERM CARE				D&CC		CORPORATE, OTHER COMMON SERVICES AND IC		Total	
	Italy		Germany							
	31/12/2020	31/12/2019	31/12/2020	31/12/2019	31/12/2020	31/12/2019	31/12/2020	31/12/2019	31/12/2020	31/12/2019
Total revenue	**445,915**	**492,611**	**172,911**	**27,107**	**15,744**	**20,684**	**(2,995)**	**(2,611)**	**631,575**	**537,791**
EBITDA	72,004	120,449	34,228	2,003	3,477	2,659	1,954	(3,377)	111,663	121,734
EBIT	17,436	66,755	9,878	(2,120)	(11,489)	(1,098)	(434)	(5,666)	15,391	57,871
NET FINANCIAL EXPENSES									(32,309)	(21,733)
INCOME TAXES									(6,712)	(13,015)
PROFIT (LOSS) FROM CONTINUING OPERATIONS									(23,630)	23,123
PROFIT (LOSS) FROM DISCONTINUED OPERATIONS									71,440	8,232
PROFIT FOR THE YEAR ATTR. TO NON-CONTROLLING INTERESTS									1,069	1,051
PROFIT FOR THE YEAR ATTR. TO OWNERS OF THE PARENT									46,741	30,304

	ACUTE & LONG TERM CARE				D&CC		CORPORATE, OTHER COMMON SERVICES AND IC		Total	
	Italy		Germany							
FINANCIAL POSITION	31/12/2020	31/12/2019	31/12/2020	31/12/2019	31/12/2020	31/12/2019	31/12/2020	31/12/2019	31/12/2020	31/12/2019
Property, plant and equipment*	235,365	242,673	6,406	6,720	15,680	47,737	1,944	1,697	259,395	298,827
Intangible assets	275,437	266,144	89,024	88,986	25	36,626	2,275	3,036	366,761	394,792
Right of use assets	380,791	372,700	386,686	408,018	1,269	22,508	1,057	1,347	769,803	804,573
Other non current assets	2,352	2,351	15	7	0	6	23,915	29,794	26,282	32,158
Assets held for sale										
Current assets	63,747	77,602	8,087	7,244	4,821	39,289	187,994	133,414	264,649	257,549
Total assets	**957,692**	**961,470**	**490,218**	**510,975**	**21,795**	**146,166**	**217,185**	**169,288**	**1,686,890**	**1,787,899**
Equity							343,677	292,172	343,677	292,172
Non current liabilities	22,025	23,577	640	991	172	2,463	1,043,054	1,162,371	1,065,891	1,189,402
Liabilities held for sale										
Current liabilities	136,547	131,556	20,299	20,727	3,037	23,265	117,439	130,777	277,322	306,325
Total liabilities	**158,572**	**155,133**	**20,939**	**21,718**	**3,209**	**25,728**	**1,504,170**	**1,585,320**	**1,686,890**	**1,787,899**

* Including investment property

42) Significant events after 31 December 2020

In January, subsidiary Kos Care S.r.l. completed the acquisition of a business comprising a 100-bed care home in Castenaso (BO). The facility is scheduled to open in the first quarter of 2021.
The month of January saw the start of the vaccination campaign that involved all residents, patients and workers at all of the Group's facilities. At present, 73% of residents have been vaccinated as have 60% of workers.

In the first two months of 2021, the Group recognised revenue of € 101,452 thousand, around 11% lower than in the same period of 2020. The positive effect of changes in the consolidation scope (mainly the acquisition of Finoro Immobiliare S.r.l.) has been more than countered by the enduring effects of the Covid 19 pandemic. In recent weeks, Care Home occupancy in Italy stood at around 67% compared to 94% in the corresponding period of 2020 while occupancy in Germany is gradually increasing (it now stands at 82%). Restrictions on acute care activities continue to affect all rehabilitation facilities while highly specialised and psychiatric rehabilitation centres have proven more resilient.

<u>43) Going concern issue</u>

These consolidated financial statements have been prepared on a going concern basis.
It should be noted that the Group, like the whole industry segment in which it operates, is going through a wholly unforeseeable crisis period, of extraordinary intensity, as a result of the Covid-19 pandemic and its consequences on the business, with a particular impact on revenues and costs. This has created several factors of uncertainty that have been, and continue to be, monitored by management which has also taken steps to mitigate the related uncertainty, as far as possible.
In 2020, Group revenues – excluding the business in Germany acquired at the end of 2019 – decreased by a little over 10% compared to prior year (17% increase if Germany is included). In parallel, also taking account of the additional expenses incurred to manage the Covid-19 crisis, EBIT and net income fell sharply, from € 57.8 million to € 15.4 million and from €23.1 million to -€23.6 million, respectively. Net financial debt – pre IFRS 16 – has been improved by € 167 million to € 200.7 million, manly thanks to the previously managed sael which had a positive impact of around € 163 million.

Faced with the effects of Covid-19 and the deterioration in operating results, in February 2021. Company drew up a Plan showing how the financial equilibrium that characterised the Group before the pandemic can be regained in the medium-term. As in the reporting period just ended, in 2021 the Group's key performance indicators and financial ratios are expected to be worse than in the pre-Covid period. This makes it necessary to monitor the possible effects on the financial situation and, specifically, on the availability of the financial resources needed to sustain the Plan and respect covenants in the year ahead.
With regard to the available finances, taking account of forecast results and cash flows and considering existing loan maturity dates and also have turned to alternative sources of finance such as the sale of real estate properties or non-core assets, the Group has the finances necessary to meet its requirements in the next twelve months. From a medium/long-term perspective, Group management has already commenced negotiations with the banks with a view to obtain new lines of credit, also against a background of rules introduced in Italy on loans accompanied by government guarantees.

There is, however, an issue regarding the risk that the Company may fail to meet the covenants in its loan agreements. In fact, failure to respect these covenants constitutes an event that gives the lenders the right to terminate the loan agreements. The covenants were met in December 2020 but the foreseeable business outlook means we cannot exclude the risk that the covenants might not be respected at the next two measurement dates. In light of this, Management has identified and launched ordinary and extraordinary measures designed to minimise said risk at the next measurement dates, including the possible sale of certain real estate assets and the refinancing of other properties in order to improve the financial structure and meet the covenants. These measures together with the liquidity currently available and the obtaining of financing guaranteed by SACE from a syndicate of banks – negotiations are at an advanced stage – will guarantee abundant liquidity, sufficient for the Group to finance its operations and planned capex. Moreover, from a P&L perspective, action has been taken to contain operating expenses and government aid is awaited in both Germany and Italy in order to cover at least part of the revenues lost and the extraordinary costs incurred because of the pandemic.
Given all of the above and taking account of:

• the scenario used for impairment test purposes which shows the prospect of recovery to the pre-Covid situation in the years ahead and the sustainability of debt envisaged in the Plan;
• the fact that the Company has the finances necessary to meet its requirements in the next twelve months;
• the fact that loan conditions and covenants were met at 31 December 2020 and the measures identified by management to ensure they will also be respected at the next measurement dates;
the Board of Directors has concluded that there is no reason not to apply the going concern basis of accounting.

44) 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 consolidated taxation arrangement.
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).

(in euro)

ASSETS		*31.12.2019*
NON-CURRENT ASSETS		**588,135,050**
PROPERTY, PLANT AND EQUIPMENT		219,931
INVESTMENT PROPERTY		851,763
EQUITY INVESTMENTS IN SUBSIDIARIES		573,821,503
OTHER EQUITY INVESTMENTS		--
OTHER ASSETS		122,343
OTHER FINANCIAL ASSETS		13,119,510
CURRENT ASSETS		**12,322,105**
OTHER ASSETS		126,200
of which with related parties (*)	*5,425*	
SECURITIES		10,959,354
CASH AND CASH EQUIVALENTS		1,236,551
TOTAL ASSETS		**600,457,155**

LIABILITIES		*31.12.2019*
EQUITY		**562,850,855**
SHARE CAPITAL		345,997,510
RESERVES		152,361,608
RETAINED EARNINGS		51,085,968
PROFIT FOR THE YEAR		13,405,769
NON-CURRENT LIABILITIES		**35,910,130**
OTHER LOANS AND BORROWINGS		35,787,786
OTHER LIABILITIES		34,582
DEFERRED TAX LIABILITIES		87,762
EMPLOYEE BENEFIT OBLIGATIONS		--
CURRENT LIABILITIES		**1,696,170**
OTHER LOANS AND BORROWINGS		--
TRADE PAYABLES		94,040
of which with related parties (*)	--	
OTHER LIABILITIES		1,602,130
TOTAL LIABILITIES AND EQUITY		**600,457,155**

(*) As per Consob Resolution no. 6064293 of 28 July 2006

(in euro)		*2019*
SUNDRY REVENUE AND INCOME		394,475
of which with related parties (*)	85,000	
COSTS FOR THE PURCHASE OF GOODS		(1,375)
COSTS FOR SERVICES		(2,042,868)
of which with related parties (*)	(122,000)	
PERSONNEL EXPENSES		--
OTHER OPERATING EXPENSE		(607,381)
AMORTISATION, DEPRECIATION & WRITE-DOWNS		(54,519)
OPERATING LOSS		**(2,311,668)**
FINANCE INCOME		4,689
FINANCE EXPENSE		(821,850)
DIVIDENDS		14,187,075
of which with related parties (*)	14,187,075	
GAINS FROM TRADING SECURITIES		363,970
LOSSES FROM TRADING SECURITIES		(1,702,167)
FAIR VALUE GAINS (LOSSES) ON FINANCIAL ASSETS		3,738,912
PROFIT BEFORE TAXES		**13,458,961**
INCOME TAX		(53,192)
PROFIT FROM CONTINUING OPERATIONS		**13,405,769**
PROFIT (LOSS) FROM DISCONTINUED OPERATIONS		--
PROFIT FOR THE YEAR		**13,405,769**
BASIC EARNINGS PER SHARE (in euro)		0.0194
DILUTED EARNINGS PER SHARE (in euro)		0.0194

(*) 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***
Name	**CIR S.p.A. – Compagnie industriali riunite**	**FRATELLI DE BENEDETTI S.p.A.**
City (of in Italy) or foreign country	Milan	Turin
Tax number (for Italian companies)	01792930016	05936550010
Place of filing of consolidated accounts	Milan Via Ciovassino, 1	Turin Via Valeggio, 41

Milan, 25 February 2021

For the Board of Directors
The Chairman
Carlo Michelini