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

KOS Group

Consolidated financial statements as at and for the year ended 31 December 2021

(with independent auditors' report thereon)

KPMG S.p.A.

6 April 2022

KPMG S.p.A.
Revisione e organizzazione contabile
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(This independent auditors' report has been translated into English solely for the convenience of international readers. Accordingly, only the original Italian version is authoritative.)

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 Gewiss Group (the "group"), which comprise the statement of financial position as at 31 December 2021, 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 2021 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 2021 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 2021 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 2021 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.

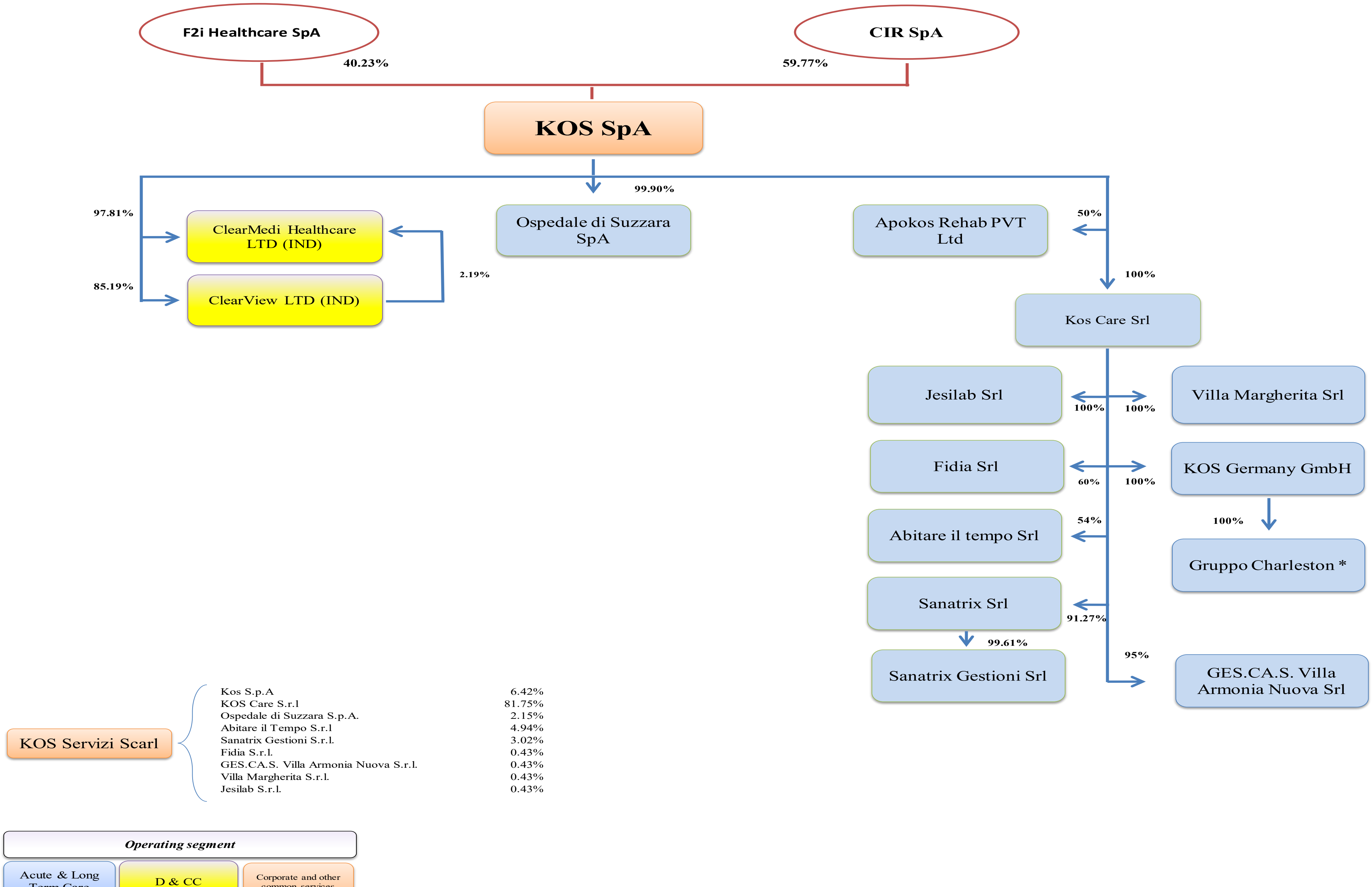
Milan, 6 April 2022

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 2021



* Refer to paragraph 1 of the notes to the consolidated financial statements for details on Charleston group companies.

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Company bodies

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
	Cecilia Todarello

Board of Statutory Auditors

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

DIRECTORS' REPORT – 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 field of care for the elderly and rehabilitation; since 2003, the KOS Group has grown mainly through the acquisition of existing facilities and companies and, to a lesser extent, through the acquisition of land and the construction of new care homes and rehabilitation facilities.

With effect from the 2020 reporting period, in line with internal management reporting and in compliance with the IFRS, the organisational structure was 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 hospitals and radiology centres in India.

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:

	Care Homes	Rehabilitation	Hospital services		**Total**
Region			Acute care	Cancer treatment and diagnostic services (2)	
Lombardy	17	5	1		**23**
Piedmont	12	2			**14**
Liguria	9	6			**15**
Marche	7	10			**17**
Emilia Romagna	5	5			**10**
Tuscany	2	2			**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	**103**	**36**	**1**	**14**	**154**

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, 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. 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.

Care Home Management

In the Care 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. Since 2019, following the acquisition of the Charleston Group, the Group has also been one of the leading private operators on the German market and manages care homes under the "Charleston" brand.

Care 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.

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 mobilisation 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 disease, 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, communal 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.

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 Group's 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	Vimercate (MI)	Vimercate	120		**120**
Lombardy	Cassina de' Pecchi (MI)	San Rocco	150		**150**
Lombardy	Segrate (MI)	Il Melograno	150		**150**
Lombardy	Cermenate (CO)	Villa Clarice	100		**100**
Lombardy	Opera (MI)	Mirasole	204	56	**260**
Lombardy	Rezzato (BS)	Rezzato	166	38	**204**
Lombardy	Monza (MB)	Monza	120		**120**
Lombardy	Bergamo (BG)	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			**2,286**	**197**	**2,483**
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 (GE)	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**
Liguria	Sestri Ponente (GE)	Sestri Ponente	110		**110**
Total			**627**	**-**	**627**
Emilia Romagna	Modena (MO)	Ducale 1	90		**90**
Emilia Romagna	Modena (MO)	Ducale 2/3	114		**114**
Emilia Romagna	Bagnolo in Piano (RE)	Bagnolo	80		**80**
Emilia Romagna	Monteveglio (BO)	Villa dei Ciliegi	70		**70**
Emilia Romagna	Castenaso (BO)	Idice	100		**100**
Total			**454**	**-**	**454**
Veneto	Favaro Veneto (VE)	Mestre	150	16	**166**
Veneto	Quarto d'Altino (VE)	Quarto d'Altino	152		**152**
Veneto	Villadose (RO)	Villadose	120		**120**
Total			**422**	**16**	**438**
Tuscany	Borgo S. Lorenzo (FI)	Beato Angelico	58		**58**
Tuscany	Grosseto (GR)	Il Poggione	120		**120**
Total			**178**	**-**	**178**
Marche	Ancona (AN)	Conero	84		**84**
Marche	Fossombrone (PU)	Casargento	60		**60**
Marche	Ancona (AN)	Residenza Dorica	129		**129**
Marche	Montecosaro (MC)	Santa Maria in Chienti	85		**85**
Marche	San Benedetto del Tronto (AP)	San Giuseppe	95		**95**
Marche	Campofilone (FM)	Campofilone	100		**100**
Marche	Villalba (MC)	Villalba	80		**80**
Total			**633**	**-**	**633**
Lazio	Rome	Parco di Veio	118		**118**
Total			**118**	**-**	**118**
Total			**5,946**	**254**	**6,200**

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	67		**67**
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	55		**55**
Germany	Bremen	Lesmona	50		**50**
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			**4,051**	**-**	**4,051**

Rehabilitation

The Group offers **psychiatric rehabilitation** services under the “Neomesia” brand. It is also one of Italy’s leading private operators in the field of **functional rehabilitation** (hospital, non-hospital and outpatient care) where it operates, primarily, under the “Santo Stefano” brand (functional rehabilitation).

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 patient’s 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	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			**804**

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.

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.

Region	Municipality	Name	Number of beds authorised			
			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)	Centro Cardinal Ferrari	103			**103**
Emilia Romagna	Pavullo nel Frignano (MO)	Villa Pineta	121	76		**197**
Trentino	Arco (TN)	S. Pancrazio	111			**111**
Lombardy	Anzano al Parco (CO)	Villa S. Giuseppe	88			**88**
Lombardy	Casorate Primo (PV)	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**

Diagnostic & Cancer Care

Following the sale of the Medipass Group (in November 2020), the only activities regarding the outsourced delivery 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 are those carried out in India by subsidiary ClearMedi Healthcare LTD. Said company currently has 13 service contracts with private healthcare facilities, mainly in Radiotherapy and Cancer Care. The following table shows the services provided by the Group in India with details of the hospitals/facilities where the services are delivered.

Region	Municipality	Hospital/Structure	Service
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	Shanti	Shanti Hospital	x
India	Panchkula	Paras Hospital	x
India	Panchkula	Paras Hospital	x
Total			**13**

Acute Care (Ospedale di Suzzara)

The management of Suzzara Hospital originated under an experimental scheme (pursuant to Art. 9 bis of Italian Legislative Decree no. 502/92) set up following a successful tender for a public concession contract made in November 2004 by Ospedale di Suzzara S.p.A., a 99.9% owned subsidiary of the KOS S.p.A.. The concession is for a period of 18 years and regards full management of the hospital in question as well as its refurbishment and compliance with applicable laws and regulations.

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

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

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

In 2022, the ASST ("Territorial Health Agency") of the province of Mantua will issue its executive plan for anti-seismic compliance works; the Mantua ASST is currently finalising requirements for participation in the related tendering process. We note that through DGR 4928 of 21/06/2021 and DGR 5066 of 10/07/2021 Lombardy Region has included this project on the list of those eligible for public funding. Moreover, approval of Regional Law no. 22 of 14 December 2021 – which reforms the Consolidated Law on Healthcare in Lombardy (Regional Law no. 33 of 2009) – established the rules that will apply to experimental management arrangements; in particular, an experimental management arrangement may be made more permanent if the positive results of the experimental arrangement are approved by the Regional Commission for the assessment of experimental management arrangements, followed by an order by the Regional Government formally making the arrangement permanent for a period of at least 20 years. At the moment, following the positive opinions expressed by the Provincial Commission and by the ASST of Mantua, the matter is in the hands of the Regional Commission for its final assessment. If no agreement is reached, the concession will end as scheduled on 31 October 2022 with the real estate property and the related moveable assets returned in accordance with the applicable legislation.

Overview of the health sector

The second year of the pandemic saw a notable improvement in the healthcare situation in Italy thanks to the launch of the vaccine campaign at the beginning of 2021. Nonetheless, during the year there were still a lot of hospital admissions due to Covid-19 and this put significant pressure on the Italian National Health System. Private and public healthcare providers sought to deal with this second year by implementing innovative organisational processes: flexibility in emergency rooms, establishment of dedicated Covid wards, careful management of testing, establishment of facilities dedicated to Covid patients and increased use of tele-consultation and tele-monitoring. Steps were taken to integrate services such as district operations centres, hospital operations centres and Hub & Spoke networks between public hospitals and accredited private healthcare operators.

The National Recovery and Resilience Plan

The issues emerging and the need for specific, extraordinary funding were considered and included during drafting of the National Recovery and Resilience Plan, as approved by the Italian Government on 31 July 2021. The plan will be implemented with European Funds aimed at specific projects for a planned total of € 191.51 billion. These projects will be divided into 6 "Missions" depending on the nature of the objectives. Mission 6 "Health" involves total funding of € 15.63 billion and will pursue the following objectives:
1) strengthening of prevention;
2) improving territorial healthcare;
3) modernising the technology at the disposal of the Italian NHS;
4) improving electronic health records;

5) strengthening home care, developing telemedicine and improving integration of all health and care services.

Mission 6 consists of two components:

Proximity networks, intermediate structures and telemedicine for territorial healthcare (Allocated resources of € 7 billion): the actions involved in this component aim to reinforce the services delivered on a local and regional level by strengthening and creating territorial structures (e.g. Community Homes and Community Hospitals),

Innovation, research and digitisation of the national health service (Allocated resources of € 8.63 billion): the measures included in this component will lead to the renewal and modernisation of existing technological and digital structures, the completion and rollout of the Electronic Health Record ("*Fascicolo Sanitario Elettronico (FSE)*") and greater capacity to deliver and monitor Essential Levels of Care ("*Livelli Essenziali di Assistenza (LEA)*") through more effective information systems. A significant amount of resources are also allocated to scientific research and encouraging the technology transfer, as well as to reinforcing the skills and human capital of the NHS also by improving staff training.

Components - Mld. Euro	PNRR	REACT_EU	COMPLEMENTARY FUND	Total
M6C1 - Proximity networks, structures and telemedicine for assistance	7.00	1.50	0.50	9.00
M6c2 - Innovation, research and digitisation of the National Health Service	8.63	0.21	2.39	11.23
Total	**15.63**	**1.71**	**2.89**	**20.23**

The first component - more relevant to the KOS Group's market segment – details the following investments which are designed to strengthen local/territorial and home healthcare services:

INVESTMENT AREA M6 C1	mld. Euro
Houses of the Community and taking charge of the person	**2.00**
Home as the first place for care, home assistance and telemedicine	**4.00**
Home care to an increasing number of elderly patients with chronic pathologies	2.72
Activation of at least 600 Territorial Coordination Centres (COT) to coordinate home services and other health services	0.28
Telemedicine	1.00
Strengthening intermediate health care - Community hospitals	**1.00**

In more detail, in addition to specific investments, the first point also envisages a reform and resulting ministerial decree that will revise the definition of structural, organisational and technological standards for territorial care and assistance. The funding will be shared between the regions which will allocate them to specific projects for which local healthcare structures and facilities will be able to enter into private sector collaborations and partnerships.

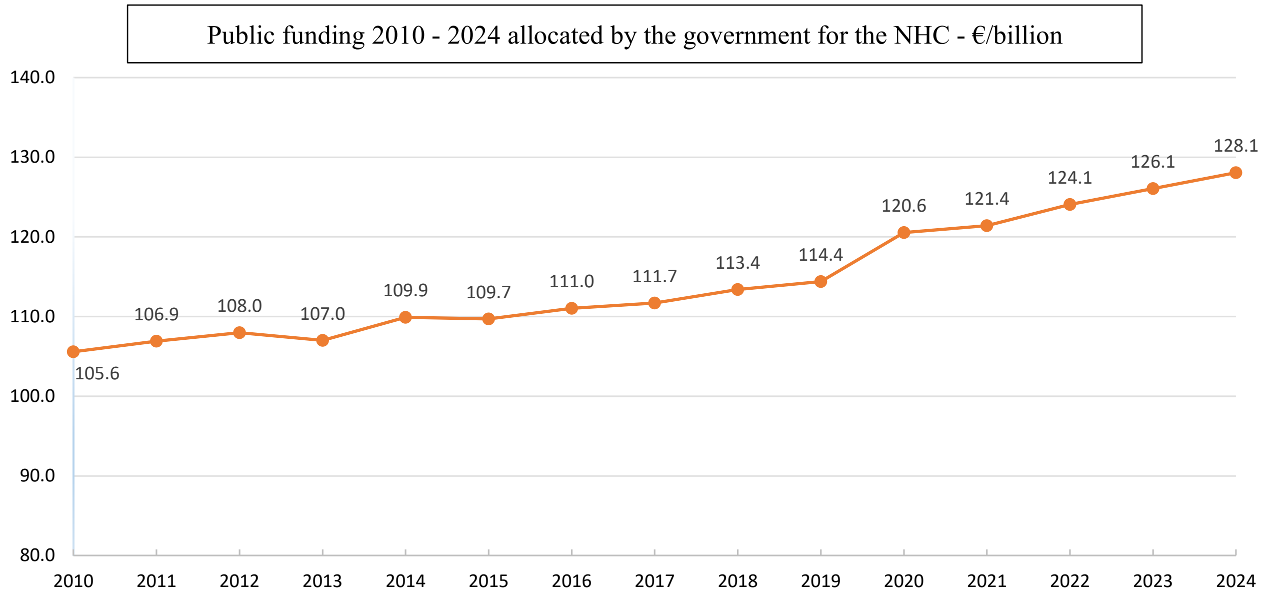
The second component – "Innovation, research and digitisation of the National Health Service" – includes € 7.36 billion for technological and digital modernisation and investments totalling € 1.26 billion on training, scientific research and technology transfer.

These funds, as specifically aimed at chronic health issues and caring for people who are no longer self-sufficient, are in addition to State funding of the National Health Service.

Public Health Expenditure

The new level of national health funding – i.e. the total funding for public and accredited health services in Italy – has been approved by the 2022 National Budget Law at € 124,061 million for 2022, € 126,061 million for 2023 and € 128,061 million for 2024.

The COVID-19 emergency took national health funding to € 121,370 million in 2021, following the National Budget Law 2021; this represented an increase of around € 4 billion on the amounts agreed in the State-Regions Pact 2019-2021. Meanwhile, in 2020, Italian NHS funding totalled € 120,557 million, some € 4 billion more than previously agreed.



As the pandemic was still ongoing the 2022 National Budget Law approved further increases to National Healthcare Funding for 2022, 2023 and 2024 on top of the amount allocated in prior year under the 2021 National Budget Law; the additional funding amounted to around € 5.5 billion for the next two years.

The increased funding will be used to finance additional expenditure on pharmaceuticals and vaccines, capex on the renovation of hospital buildings, additional expenditure on personnel (a 10% increase is forecast), bonuses for doctors and emergency room personnel and more specialist contracts. A fund has also been introduced to increase the involvement of the private healthcare sector in order to reduce waiting lists.

Developments in the healthcare sector

In 2021, "Essential Levels of Social Services for persons who are not self-sufficient" *(Livelli essenziali delle prestazioni sociali (LEPS)")* were established for the first time. Guidelines will be introduced for the implementation of measures to guarantee the uniformity of the organisational model adopted and the split of the funds allocated by the State to the LEPS. During the Covid pandemic, there were clear differences between regions in relation to the health and social care services provided to elderly persons who are not self-sufficient: the objective of the LEPS is to guarantee quality of life, equal opportunities, non-discrimination, prevention and elimination/reduction of conditions of disadvantage and vulnerability.

Implementation of the reform of territorial care and the introduction of digital skills and infrastructures are a response to this requirement. In the last few years, the importance of digitisation has become increasingly apparent for the structures that deliver healthcare and social care services. Digital technology enables greater flexibility in utilising the services and forms the basis for the establishment of an interconnected network of flexible services, tailored to the needs of patients, as part of a localised, territorial approach to healthcare.

In Italy and in Europe, the growing number of elderly people means an increase in the number of people with chronic health conditions and/or in the number of people who are not self-sufficient. Consequently, there will be ever greater demand for care and health systems will have to incur ever higher costs going forward. In light of this, digitisation is one of the paths to be followed in dealing with new healthcare challenges, making services easier to access and use and reducing costs and unnecessary hospitalisation of elderly people.

It is now clear that digital health tools such as electronic health records, electronic prescriptions, electronic medical charts, the digital storage of diagnostic test results, online management of waiting lists and territorial services entrusted to telemedicine, telecare and tele-rehabilitation will bring major benefits to the health system as a whole.

Unfortunately, even though the system reacted well in 2020-2021 with flexible organisation of facilities and resources, the knock-on effect of the pandemic on the healthcare system is expected to lead to the emergence of new problems in the years ahead. In more detail:

- Growing waiting lists for both outpatient services and surgery put off because of Covid-19. Outpatient units have seen a reduction in consultations, diagnostic visits, laboratory services, rehabilitation and treatment. Meanwhile, in terms of surgery, the areas most affected by the decreases have been general surgery, ENT, vascular surgery, oncology, heart surgery and respiratory surgery;

- There has also been a significant decrease in hospitalisations to deal with internal-geriatric patients in relation to fragile individuals with chronic conditions (kidney problems, nutritional issues, psychosis, dementia, COPD);

- Deterioration in health and need for more care because of missed preventive screening, resulting in an increase in illness, especially chronic illness;

- Increase in problems for patients with disabilities and mental health issues due to planned treatment missed, suspended or postponed and because of increased social problems caused by the pandemic;

- Progressive population ageing and limited public resources: the issue of Long Term Care and assistance for fragile individuals (chronic conditions, disabilities, mental problems, addictions, not self-sufficient) will have to be dealt with as a whole by allocating increased resources (public, private, insurance), establishing new residential facilities and improving territorial and home care and telemedicine.

The health and social care sector in Germany

The Care Home sector has continued to be greatly affected by the pandemic. As a result of the quarantine measures introduced, the negative trend in occupancy rates has continued as in prior year.

A series of extra measures have been required to take care of residents, protect them against possible infection and prevent further infections. In dealing with these extra measures, the sector has been faced with new financial and staffing challenges. These have involved the procurement and logistical movement of PPE and the deployment of personnel to provide nursing care with protective equipment (especially facemasks). More individual care has also been required at times when there have been no group activities.

The German government has classified the sector as important for the healthcare system and, in March 2020, it had already issued a rescue plan by means of the new §150 2 SGB XI. This permits all companies invoicing services under SGB XI to claim for all additional expenses relating to COVID-19 and for revenue lost from the comparative month of January 2020; such claims are to be made to the insurance funds responsible for long-term care. These forms of assistance were initially due to end on 30 September 2020 but have been extended on a quarterly basis, on the last occasion until 31 March 2022.

TestV (Testing Order) of 18 October 2020 providing for rapid/lateral flow tests to be performed in care homes for the elderly on both personnel and visitors. This presented new organisational challenges. At the same time, TestV introduced a fee for the POC tests (rapid tests) to be carried out at care facilities and a flat fee for their performance. With the approval of the BMG, the GKV-Spitzenverband last amended the fees on 26 July 2021.

Moreover, 30 July 2021 saw the announcement of guidelines for the reimbursement of revenue lost as a result of COVID-19. The State of Bavaria is subsidising day care facilities in terms of § 41 SGB XI which offer only day care services and with which a care contract has been signed in terms of § 72 SGB XI (authorised care facilities); it is also subsidising fully residential facilities in terms of § 71 par. 2 SGB XI . with care contracts – which have been particularly hit by the COVID-19 pandemic and is compensating them for loss of revenue.

The Charleston Group calculates its main reimbursement options and makes monthly reimbursement requests to the insurance funds for long-term care.

It may be assumed that care home occupancy rates and demand for professional care will increase again when the pandemic ends. In the long term, demographics mean that elderly care will remain one of the strongest growing markets in Germany and major opportunities will open up, especially for private operators.

In line with this development, demand for suitable forms of accommodation and care will continue to grow, creating an enormous market and robust growth potential for many companies operating in the field of care and support for the elderly.

According to the Federal Statistics Bureau, in December 2019, some 4.1 million people in Germany (3.3 million in 2017) required long-term care as defined by the law on the assurance for long-term care (SGB XI); around 62 % of them (2017: 63 %) were women. 80% (2017: 81%) of those in need of long-term care were over 65 years of age and around 34% were over 85 (2017: 35%). The percentage of people in need of care who were cared for at home has increased from 76% in 2017 (a total of 2.6 million people) to 80% (3.3 million). Some 2.1 million of these people are cared for only by their relatives. A further 980,000 people live at home and care is jointly provided by care services and outpatient support. Another 210,000 people in need of care are cared for at home in care level 1 without using care homes or outpatient care. This means they are usually cared for at home by family/relatives only.

The number of persons in need of care who are living in care homes remains unchanged at 818,000.

Meanwhile, demand for outpatient care services has increased. The number of persons in need of long-term care provided by outpatient services has increased by 18.4% to 982,604 persons in need of long-term care.

Some 60.2% of those cared for at home in December 2019 were women (2017: 60%). The percentage of women among those receiving of complete hospital care in the home was significantly higher at 69.7% (2017: 70%).

The people who receive complete hospital care in a care facility were older than those in receipt of home care: 71.5% (2017: 50%) of these home residents were over 85 years old and 50.6% of them received care at home. Those in need of the most serious care were also more likely to receive complete hospital care in a care facility: the percentage of those in need of level 5 care (the highest level of care) was 15.2 % in a care facility (2017: 16%) against 3.5% among those cared for at home (2017: 4%).

As people grow older, it is generally more likely that they will need care. While “just” 7.6 % (2017: 6 %) of people aged between 70 and 75 needed care, the highest care percentage was to be found in people 90 years of age or older: some 76.3% of people in this age band were in need of care (2017: 71%). It is surprising that women around seventy years of age have a significantly higher care rate i.e. they are more likely to require care than men in the same age range. For example, the care rate among women between 85 and 90 years of age is 55.1% (2017: 49%) while among men of the same age, it is “just” 49.4% (2017: 36%). On top of differences in how the health of men and women changes, another factor in the different care rates could be the different behaviour of men and women: elderly women live alone more often. When care is required, the need to ask for assistance may be made more quickly by women whereas, for example, men in need of care are often assisted first by their wives. Consequently, men initially hold off from applying for care or assistance.

As the concept of the need for long-term care has changed, there has also been an increase in care rates in the various age bands. In 2015, the care rate among people between 85 and 90 years of age was still 40%. Now, 49.4% of people in that age band are in need of care (2017: 44%).

Nationwide, there were 15,380 care homes in December 2019 (2017: around 14,500), The majority of them (8,115 care homes or 52.8%; 2017: 53 % or 7,600) were operated by non-profit organisations (e.g. DIAKONIE or CARITAS). Private sector care providers operated 42.7% of care homes (2017: 43%). Public sector care providers operated the smallest percentage of care homes at 4.5 % (2017: 5 %). Private sector providers have recorded the highest growth with a 6.5% increase compared to 2017.

As in prior years, growth in the residential care home sector has been characterised by the opening of new care homes, mainly by private operators. This has led to tougher competition, especially for smaller operators. As a result, there is a constant trend of consolidation in the sector.

As the number of persons in need of care increases, demand for healthcare workers is expected to grow. This will heighten the existing shortage of qualified care workers and will become the key challenge for the care sector in the years ahead.

Competitive Positioning

In 2021, leading European competitors continued to grow externally. In particular, Korian entered the UK market through the acquisition of the Berkley Group and continued to grow on the mental health care market with the acquisition of the ITA Group in Spain. In Italy, Korian has made numerous acquisitions in the residential care home sector in Piedmont (Santa Croce Group) and Puglia (Margilio Group), in the care home sector (Casa di Cura Leonardo- Florence) and in the Diagnostics/Outpatient Centres sector in Florence and Trani (Bari).

Orpea made several acquisitions in Ireland in 2021, including the FirstCare Group with a total of 857 beds, and became the leading operator in that country; in Spain, it acquired the Hestia Group which provides rehabilitation services, palliative care, mental health care and outpatient care. In Switzerland, it completed the acquisition of Sensato AG, the fourth largest operator in that country with 443 beds and places in Residential Care Homes and Assisted Living; these services are also offered by Orpea as complements to its core business in France. The Group has also opened several Residential Care Homes in Europe and Brazil with more than 1,500 beds, including a new 200-bed care home in Turin.

Italian operators have remained focused on issues such as occupancy rates, staff recruitment and dealing with Covid-related issues by vaccinating residents and healthcare personnel.

In line with the needs that emerged during the pandemic, the attention of many groups has switched towards home care, telemedicine and digitisation. Leading European Groups like Korian and Orpea have already begun to invest in these sectors, also through acquisitions made in prior years.

Against this background, KOS has continued its strategy of consolidation on the Italian and German markets. Around 1,500 care home and Rehab beds are under development in Italy and Germany. During the year, five new care homes with a total of 530 beds were opened in Lombardy, Liguria, Emilia Romagna, Tuscany and Marche (Vimercate, Sestri Ponente, Castenaso, Grosseto, Villalba).

Impact of the Covid-19 pandemic on the KOS Group

In 2020, during the first wave of the Covid-19 pandemic, the Group suffered greatly due to both a decline in the number of residents in its Care Homes and the slowdown in rehabilitation activities following the suspension of non-urgent hospital services. The second and third waves – commencing in the Autumn of 2020 and in the Spring of 2021, respectively – had more limited consequences for rehabilitation activities while they triggered a further, gradual reduction in Care Home occupancy levels. In fact, Care Home occupancy fell to its minimum level in the first few months of 2021 before showing some signs of recovery in the months that followed, especially in the summer period. Italy was hit by another wave of Covid-19 infections in the final quarter of 2021 although it had a lesser impact thanks to the ever growing number of persons vaccinated during the year. The infection curve gradually flattened in February 2022.

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 (the latter the 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 have been registered at 50 of the KOS Group's care homes (17 care homes currently have cases of Covid positivity) with a total of more than 2,000 cases (200 cases at the present date) and more than 400 deaths attributable to Covid-19. As at 15 February 2022, some 25 facilities (of which 17 were care homes and also including dedicated Covid care units) still had active cases with 262 residents/patients infected. There are now four facilities with dedicated Covid units (and they host more than 138 patients). In Germany, there have been 157 deaths to date while 34 people are currently positive. Since January 2021, the vaccination campaign has involved all of the Group's facilities and their residents, patients and workers. At the present date, more than 90% of residents at the Group's facilities (in Italy and Germany) have been vaccinated as have more than 90% 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 expense has 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 Company is responding without delay and with the utmost transparency.

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

Consolidation scope of the KOS Group

As a result of several changes to the consolidation scope (acquisitions, disposals and change of company structure) in 2021 and 2020, the figures at 31 December 2021 are not immediately comparable with those for prior year. In order to provide a more accurate reading of the 2021 financial statements and help comparability with the 2020 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:

2020

On 1 January 2020, Casa Serena S.r.l was merged into 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 into Kos Care S.r.l. On 1 January, Laboratorio Gamma was merged into 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 allocated to psychiatric problems and 30 beds to eating disorders and psychiatric treatment of 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 transaction with the Investire SGR S.p.A. real estate fund, as managed by Fondo Spazio Sanità.

2021

On 1 January 2021 Casa di Cura Sant' Alessandro S.r.l. was merged into Kos Care S.r.l. The month of January also saw the completion of the acquisition of a business in Castenaso (BO) consisting of a 100-bed care home. In the second quarter, the reverse merger of Finoro Immobilare S.r.l. into GES.CA.S. Villa Armonia Nuova S.r.l. took place with effect from 1 May 2021.

Diagnostic & Cancer Care

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. 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.

2021

At the end of 2021, together with the Paras Group, Clearmedi Healthcare began to operate under a contract for the supply of equipment and services to manage the radiology and diagnostic imaging department of Paras HEC hospital in Ranchi. Paras HEC is a multi-specialist hospital, currently with 170 beds, in the city of Ranchi, capital of the State of Jharkhand, Northeast India. Ranchi is a city of more than 3 million people and is one of the most important population centres in Eastern India. During the year, the company stopped providing services at Vasundhara hospital.

Corporate Area and shared services

2020 and 2021

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 and 2021, it launched new catering services at a number of operating facilities.

Developments regarding the Ospedale di Suzzara concession

Approval of Regional Law no. 22 of 14 December 2021 – which reforms the Consolidated Law on Healthcare in Lombardy (Regional Law no. 33 of 2009) – established the rules that will apply to experimental management arrangements; in particular, an experimental management arrangement may be made more permanent if the positive results of the experimental arrangement are approved by the Regional Commission for the assessment of experimental management arrangements, followed by an order by the Regional Government formally making the arrangement permanent for a period of at least 20 years.

The Group is still working with the ASST of Mantua on the extension of the concession which is due to expire on 31 October 2022. In 2022, the ASST of Mantua will also have to issue a call for tenders to carry out anti-seismic compliance work at the Hospital.

In 2021, Regional Law no. 22/2021 was published in the BURL ("Lombardy Region Official Bulletin") and stated as follows with regard to concessions "At the end of an experimentation – or when at least ten years have passed since the start of the experimentation – depending on the positive results achieved, the Regional Government may authorise an extension of the management model by authorising, accrediting and entering into a contract with the operator for a period of not less than twenty years; otherwise, it shall declare the arrangement terminated" "Such changes may also be authorised by the Regional Government when extending the management model in terms of sub-paragraph 4; it is still not possible to alter the activities subject to the public procedure in question".

The Regional Government has already launched the procedure to extend the concession and we believe there are valid and legitimate reasons to expect the concession to continue in the new more permanent form.

In the unlikely event that the concession were not extended on a more permanent basis, there would be an extension of the original expiry date in order to guarantee healthcare for inpatients and for the population in general and ensure that the services continue uninterrupted until a new operator is found for the Hospital.

The Group's Operating Performance

The following tables set out the Group's statement of financial position and statement of profit or loss highlights as at and for the year ended 31 December 2021:

KOS GROUP STATEMENT OF FINANCIAL POSITION

(eur/000)	31/12/2021	31/12/2020
NON CURRENT ASSETS	1,420,349	1,422,241
CURRENT ASSETS	278,019	264,649
ASSETS HELD FOR SALE	-	-
TOTAL ASSETS	**1,698,368**	**1,686,890**
EQUITY	345,640	343,677
- NON-CONTROLLING INTERESTS	7,523	7,461
- OWNERS OF THE PARENT	338,117	336,216
NON CURRENT LIABILITIES	1,096,673	1,065,891
CURRENT LIABILITIES	256,055	277,322
LIABILITIES ASSOCIATED WITH ASSETS HELD FOR SALE	-	-
TOTAL LIABILITIES AND EQUITY	**1,698,368**	**1,686,890**
NET FINANCIAL POSITION	**(935,125)**	**(930,995)**

KOS GROUP STATEMENT OF PROFIT OR LOSS

(eur/000)	31/12/2021	12/07/1905
REVENUE	660,131	631,575
GROSS OPERATING PROFIT (EBITDA)	121,955	111,663
OPERATING PROFIT (EBIT)	32,446	15,391
PRE-TAX PROFIT (LOSS)	3,230	(16,918)
PROFIT (LOSS) FROM CONTINUING OPERATIONS	**2,367**	**(23,630)**
PROFIT FROM DISCONTINUED OPERATIONS	-	71,440
PROFIT FOR THE YEAR INCLUDING NON-CONTROLLING INTERESTS	**2,367**	**47,810**
- PROFIT FOR THE YEAR ATTR. TO NON-CONTROLLING INTERESTS	977	1,069
- PROFIT FOR THE YEAR ATTR. TO OWNERS OF THE PARENT	1,390	46,741

In 2021, Group revenue totalled € 660,131 thousand, a 4.5% increase compared to prior year (€ 631,575 thousand).

The table below shows revenue by each operating segment:

(eur/000)	2021	%	2020	%	Var.
Acute & Long Term Care	641,787	97%	615,769	97%	26,018
Italy	*462,372*	*70%*	*442,858*	*70%*	*19,514*
Germany	*179,415*	*27%*	*172,911*	*27%*	*6,504*
Diagnostic & Cancer Care	18,276	3%	15,744	2%	2,532
Other	68	0%	62	0%	6
Total	**660,131**	**100%**	**631,575**	**100%**	**28,556**

In the Acute & Long Term care segment:

- Care Home activities in Italy were down on prior year (full occupancy levels were recorded in the first few months of 2020 but fell gradually as the pandemic led to a lower number of new admissions, reaching their minimum level in the first quarter of 2021; admission levels only began to pick up from the second half of 2021 and the average occupancy rate fell from 79.5% in 2020 to 69.5% in 2021); revenue increased (€ 3,046 thousand) thanks to the higher level of subsidies from the regions and the enlargement of the business perimeter (contribution of € 5,939 thousand from acquisitions/new openings);
- Revenues from rehabilitation and acute care services (psychiatric and functional, both carried out in Italy) have increased (€ 16,468 thousand). This is thanks to a recovery in the volume of services as there were fewer hospital shutdowns during the year and to enlargement of the business scope (contribution of € 5,070 thousand from acquisitions/new openings);
- Care Home activities in Germany generated higher revenue (€ 6,504 million), primarily thanks to higher government grants to support Care Homes in such challenging times; the average occupancy rate fell from 86.2% to 83.6%.

In the Diagnostic & Cancer Care segment, revenues increased (€2,532 thousand) thanks to a near full recovery in activities.

Gross operating profit (EBITDA) for 2021 amounts to € 121,955 thousand compared to € 111,663 thousand in 2020. Although like-for-like EBITDA has fallen because of the lower volume of business, there have been several positive factors such as the positive effect of acquisitions made in 2020 and 2021 (€ 1,700 thousand), the gains realised on the sale of a number of properties (around €5 million) and the greater amount of government assistance received in reimbursement of costs incurred and revenue lost (a total of around € 34 million). In prior year, the most significant non-recurring item was the reversal of the excess portion of provisions created in prior years for contractual holiday indemnity compared to the actual cost emerging upon the successful renegotiation of the AIPO collective labour agreement during the year (€ 8,157 thousand). Overall, EBITDA margin (i.e. as a percentage of revenue) improved slightly from 17.7% in 2020 to 18.3% in 2021.

Results by operating segment are shown below:

(eur/000)

	ACUTE & LONG TERM CARE				D&CC		CORPORATE, OTHER COMMON SERVICES AND IC		Total	
	Italy		Germany							
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
Total revenue	**466,190**	**445,915**	**179,415**	**172,911**	**18,276**	**15,744**	**(3,750)**	**(2,995)**	**660,131**	**631,575**
GROSS OPERATING PROFIT (LOSS) (EBITDA)	83,650	72,004	35,978	34,228	4,554	3,477	(2,227)	1,954	121,955	111,663
OPERATING PROFIT (LOSS) (EBIT)	24,698	17,436	11,678	9,878	704	(11,489)	(4,634)	(434)	32,446	15,391
NET FINANCIAL EXPENSE									(29,216)	(32,309)
INCOME TAXES									(863)	(6,712)
PROFIT (LOSS) FROM CONTINUING OPERATIONS									2,367	(23,630)
PROFIT (LOSS) FROM DISCONTINUED OPERATIONS									-	71,440
PROFIT FOR THE YEAR ATTR. TO NON-CONTROLLING INTERESTS									977	1,069
PROFIT FOR THE YEAR ATTR. TO OWNERS OF THE PARENT									1,390	46,741

	ACUTE & LONG TERM CARE				D&CC		CORPORATE, OTHER COMMON SERVICES AND IC		Total	
	Italy		Germany							
FINANCIAL POSITION	31/12/2021	31/12/2020	31/12/2021	31/12/2020	31/12/2021	31/12/2020	31/12/2021	31/12/2020	31/12/2021	31/12/2020
Property, plant and equipment*	232,274	235,365	7,367	6,406	15,446	15,680	2,570	1,944	257,657	259,395
Intangible assets	276,932	275,437	88,962	89,024	16	25	1,775	2,275	367,685	366,761
Right of use assets	394,707	380,791	366,554	386,686	2,676	1,269	988	1,057	764,925	769,803
Other non current assets	2,352	2,352	15	15	0	0	27,715	23,915	30,082	26,282
Assets held for sale										
Current assets	70,883	63,747	11,919	8,087	5,866	4,821	189,351	187,994	278,019	264,649
Total assets	**977,148**	**957,692**	**474,817**	**490,218**	**24,004**	**21,795**	**222,399**	**217,185**	**1,698,368**	**1,686,890**
Equity							345,640	343,677	345,640	343,677
Non current liabilities	19,593	22,025	455	640	212	172	1,076,413	1,043,054	1,096,673	1,065,891
Liabilities held for sale										
Current liabilities	126,268	136,547	24,718	20,299	3,718	3,037	101,351	117,439	256,055	277,322
Total liabilities	**145,861**	**158,572**	**25,173**	**20,939**	**3,930**	**3,209**	**1,523,404**	**1,504,170**	**1,698,368**	**1,686,890**

* Including investment property

In the Acute & Long Term Care segment, EBITDA amounts to € 119,628 thousand (including gains on the sale of properties) compared to € 106,232 thousand in 2020. As a percentage of revenue, EBITDA improved from 17.2% in 2020 to 18.5% in 2021. The impact of the full contribution of the acquisitions made in 2020 and 2021 was € 12,280 thousand on revenue and € 1,700 thousand on EBITDA.

In the Diagnostic & Cancer Care segment, EBITDA amounts to € 4,554 thousand compared to € 3,447 thousand in 2020. The increase is thanks to a recovery in the level of activity as the situation was less affected by the COVID-19 emergency.

The Group recorded depreciation, amortisation and impairment losses of around € 89,509 thousand in 2021, less than the € 96,272 thousand booked in 2020 (€ 87,389 thousand excluding the impairment losses on several specific amounts receivable in India). The impact on this item of the full contribution of acquisitions made in 2020 and 2021 was € 993 thousand.

EBIT amounts to € 32,446 thousand compared to € 15,391 thousand in 2020. The positive effect of the acquisitions made in 2020 and 2021 was € 708 thousand.

In 2021, net financial expense totalled € 29,216 thousand, lower than the € 32,309 thousand reported for 2020. The decrease was mainly due to the debt reduction achieved as a result of the disposal of Medipass and a number of properties.

It should be recalled that in order to optimise 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 credit 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 € 863 thousand, less than in 2020 (€ 6,712 thousand). The taxes as a percentage of pre-tax profit has increased compared to prior year, mainly because of the improved results reported for 2021.

It should also be remembered that 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 profit attributable to the owners of the parent of € 1,390 thousand and a profit attributable to non-controlling interests of € 977 thousand for a total profit for the year of € 2,367 thousand.

As at 31 December 2021, the Group had 11,721 employees (11,581 employees at 31 December 2020). The headcount figure is substantially in line with prior year.

With regard to the Group's statement of financial position, capex for the year includes ordinary capex and capex to comply with laws and regulations totalling € 20.6 million plus capex on business development/expansion of € 11.5 million. The business development capex mainly refers to four facilities as follows:

- a 120 bed Care Home in the municipality of Grosseto (€ 3.9 million);
- a 120 bed Care Home in the municipality of Borgomanero (€ 2 million);
- an 80 bed Care Home in the municipality of Campi di Bisenzio (FI) (€ 3.6 million);
- an 80 bed Care Home and a new outpatient clinic in the municipality of Villalba (MC) (€ 2 million).

We highlight the disposal of several properties under a sale & leaseback transaction (Monza, Beato Angelico, Villa Jolanda, Sanremo, Grosseto and Villalba); the impact was partially offset by capex for the reporting period.

Trade working capital was positive by € 9,246 thousand at 31 December 2021 compared to a negative figure of € 7,458 thousand at 31 December 2020. The change is mainly due to the increase in trade receivables from public sector customers which should decrease over the months ahead.

The Group's net financial debt, excluding debt due to application of IFRS 16, amounts to € 160.2 million at 31 December 2021 – this is down on the figure of € 200.7 million at 31 December 2020 thanks to the proceeds from the sale of real estate properties which have only partially been reinvested in new developments and to net ordinary cash inflows for the year. Including IFRS 16 debt (up following the sale and leaseback transactions for the aforementioned properties), the net financial debt at 31 December 2021 amounts to € 935 thousand, slightly less than at 31 December 2020 (€ 931 million).

On 24 May 2021, an agreement for a loan of € 75 million was signed with a syndicate of eleven banks with 80% of the funds covered by a SACE Guarantee. Utilisation of the loan must be in compliance with the SACE Regulation and it may only be used to pay for capex, personnel expense, working capital and leases and rentals. We also note that, on 23 June 2021, Kos SpA signed an agreement with a syndicate of two banks for a property loan totalling € 100 million, secured by mortgages on the Group's properties. At the reporting date, € 60 million of the loan had been disbursed.

The Group's net financial debt includes: (i) cash and cash equivalents of € 172.8 million; (ii) financial assets for measurement of derivatives and non-recourse factoring of € 5.2 million; (iii) current debt (advances on invoices and bank overdrafts) of zero while total available short-term credit facilities amount to € 33.6 million (i.e. there is headroom of € 33.6 million); (iv) non-current debt of € 1,052.6 million which totals € 338.2 million if lease liabilities for rights of use are excluded. The Group also has the possibility of using additional medium/long-term lines of credit totalling € 67.1 million.

The following table shows the main lines of credit with details of their availability at 31 December 2021:

	31/12/2021			31/12/2020		
(eur/million)	Total	Used	Available	Total	Used	Available
Short-term Lines ("Uncommitted"/at sight)	33.6	0.0	33.6	49.3	1.3	48.0
Long-term ("Committed"/contractualized)	405.3	338.2	67.1	398.6	370.8	27.8
Total	438.9	338.2	100.7	447.9	372.1	75.8

Details of the net financial position at 31 December 2021 are shown below:

(eur/000)	31/12/2021	31/12/2020
(A) Cash and cash equivalents	172,805	167,817
(B) Other cash equivalents	-	-
(C) Liquidity (A) + (B)	**172,805**	**167,817**
(D) Securities, derivatives and other financial assets	5,157	4,124
(E) Total current financial assets (C) + (D)	**177,962**	**171,941**
(F) Account overdrafts	-	1,317
(G) Collateral loans	-	13,638
(H) Bank loans	8,985	17,231
(I) Bonds	666	666
(J) Finance leases	1,407	4,223
(K) Right of use loans	49,278	48,924
(L) Loans and borrowings with other financiale backers	191	191
(M) Derivatives	-	70
(N) Current financial debt (F) + (G) + (H) + (I) + (J) + (K) + (L) + (M)	**60,527**	**86,260**
(O) Net current financial position (N) - (E)	**(117,435)**	**(85,681)**
(P) Collateral loans	58,817	21,331
(Q) Bank loans	155,504	184,076
(R) Bonds	99,000	99,000
(S) Finance leases	13,217	30,345
(T) Right of use loans	725,639	681,352
(U) Loans and borrowings with other financiale backers	383	572
(V) Non current financial debt (P)+(Q)+(R)+(S)+(T)+(U)	**1,052,560**	**1,016,676**
(W) Net financial debt (O)+(V)	**935,125**	**930,995**

At 31 December 2021, the parent KOS S.p.A.'s net financial debt was € 46 million, excluding net amounts receivable from subsidiaries of € 153 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 2021 was around € 22 million (€ 56 million at 31 December 2020); the mark-to-market value of these contracts was negative by around € 8 thousand (negative by € 65 thousand at 31 December 2020) and is included in the consolidated net financial debt.

During 2021, after repayment of the underlying loans, the Group closed the two Interest Rate Swap agreements signed in order to hedge the risk regarding drawdowns on the ING Natixis line of credit in 2017.

More detailed information is provided in the Notes to the consolidated financial statements. We provide below a summary of the key features of the hedging contracts relating to outstanding loans and lease liabilities at 31 December 2021.

Company	Signature date	Time	*Pay*	*Cap*	*Floor*	*Receive/Index*	Notional		*Fair Value*	
							31/12/21	31/12/20	31/12/21	31/12/20
Kos SpA	2017	Half-year	0.385%			Euribor 6M	-	8,224	-	(34)
Kos SpA	2017	Half-year	0.370%			Euribor 6M	-	8,224	-	(33)
Total Interest Rate Swap							-	16,448	-	(67)
Kos Care Srl	2014 FWD Start 2017	Monthly		1.50%		Monthly avarage Euribor 1M	1,898	2,430	-	-
Kos Care Srl	2014 FWD Start 2016	Monthly		1.50%		Monthly avarage Euribor 1M	-	2,064	-	-
Kos Care Srl	2014 FWD Start 2016	Monthly		1.50%		Euribor 3 M	-	2,918	-	-
Kos SpA	2019	Quarterly		0.50%		Euribor 3 M	21,875	30,624	8	6
Total Interest Rate Cap							23,773	38,036	8	6
Total effective portion of derivatives							23,773	54,484	8	(61)
Sanatrix Gestioni Srl	Cap - 2013	Monthly		2.50%		Euribor 6M	-	1,099	-	-
Kos Care Srl	IRS - 2013	Quarterly	2.04%			Euribor 3M	-	450	-	(4)
Total ineffective portion of derivatives							-	1,549	-	(4)
Total							23,773	56,033	8	(65)

These are Interest Rate Caps that provide for payment of a fixed rate of 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 fluctuations – still within the limits of the effective portion hedged - will also be recorded under equity.

For those derivative contracts that failed to constitute effective hedges in terms of IFRS, the transactions in question had to be discontinued with the reserve accumulated up to the date of effectiveness released gradually to profit or loss and changes in fair value after the date the hedge was no longer effective allocated to profit or loss.

Business outlook and main risks and uncertainties

The Group's business activities in Italy have shown strong signs of recovery in the first few months of 2022. However, there is still uncertainty over how long it will take for things to return to normal.

Depending on how the pandemic evolves and assuming there are no further waves of infection, leading to the suspension of hospital activities, it is expected that the Diagnostics and Cancer Care and Psychiatric Rehabilitation segments can return close to pre-Covid levels of activity in the year 2022. Against the same background, Care Homes in Italy will have to wait until the end of the year, at least, before they can return to near pre-pandemic occupancy levels, unless restrictions on the acceptance of new residents are lifted (e.g. the need to isolate new residents in care homes) along with other operational restrictions (e.g. opening up again to visits by friends and relatives, double rooms used as single rooms for isolation requirements). In Germany, too, considering performance in the first few weeks of 2022, it is expected that occupancy rates in line with pre-pandemic levels can be achieved by the end of 2022.

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 phase of recovery after the unforeseeable crisis period, of extraordinary intensity, caused by the Covid-19 pandemic and its consequences on the Group's business, with a particular impact on revenues and costs.

Faced with the effects of Covid-19 and the deterioration in operating results, the Group has taken action that has already improved its financial position. In January 2022, it also drew up a Plan showing how it plans to restore the profitability that was enjoyed by the Group before the pandemic broke out (for 2022, the Group's financial performance is still expected to be down on that of the pre-Covid period).
With regard to the available finances, taking account of forecast results and cash flows and considering existing loan maturity dates and also having 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, the Group has signed agreements with the banks for new lines of credit under rules in place in Italy on loans accompanied by government guarantees. The Group has also arranged a significant medium/long-term mortgage finance facility drawing on its real estate assets.

In 2021, Management identified and launched a range of measures designed to deal with the risk of failure to comply with the covenants in the Group's loan contracts. These ordinary and extraordinary measures included the disposal of several real estate assets and the abovementioned refinancing of properties owned by the Group; the aim was to improve the financial structure to ensure that the covenants were complied with. In fact, the covenants were comfortably complied with at 31 December 2021. These measures, together with the liquidity currently available and the obtaining of financing guaranteed by SACE from a syndicate of banks – as finalised in June 2021 – 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 costs and further government aid is awaited in both Germany and Italy in order to cover at least part of the revenue lost and the extraordinary costs incurred because of the pandemic.

Given all of the above, there is no reason to doubt the Group's ability to operate as a going concern. This is also taking account of:

• the scenario used for impairment test purposes which shows the prospect of recovery to the pre-Covid situation in the next few years and the sustainability of debt envisaged in the Plan;
• the fact that the Group has the finances necessary to meet its requirements in the next twelve months;
• the fact that loan conditions have been complied with – especially the covenants measured at six-monthly and annual reporting dates - and the measures identified by management to ensure they will also be complied with at the next measurement dates.

Risk management

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

Risks regarding the general state of the economy

The Group's financial position, financial performance and cash flows are 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.

Risks regarding reliance on the public sector

The results of the KOS Group rely significantly on its trade relations with public sector bodies like Municipal and Regional Authorities. In fact, around 64% of KOS Group consolidated revenue for the year ended 31 December 2021 weas generated by such trade 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 its financial position, financial performance and cash flows.

Operational risks of healthcare equipment and 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, financial performance and cash flows.
The operational risks regarding 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 comply with covenants, they would be required to make early 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 performance.

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 assessed the contingent liabilities that could arise from these pending legal disputes and have accrued provisions for the cost of losing 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, financial performance and cash flows.

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, financial performance and cash flows.

Currently, we cannot exclude the possibility of changes or trend reversals not expected by the market. 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 virus ("Coronavirus"), all around the world, at the start of 2020. See the "*Business outlook*" section.

Climate change risks

Considering its business model, the Group is not significantly exposed to environmental risks and, specifically, to the Climate Change risk.

Military conflict between Russia and Ukraine

The Group does not operate directly in the countries involved in the Russia-Ukraine conflict. However, it is important to highlight a number of risks regarding the following:

- business development for the Group's direct customers in those countries;
- macroeconomic and financial factors such as energy commodity price volatility, raw materials price volatility, expected volatility on global financial markets, exchange rate and interest rate volatility;
- Cyber Crime e.g. attacks on the assets of companies operating in the countries in question or in neighbouring countries or intensification of cyber-attacks with potential interruption of services and problems for key infrastructures.

The Group has processes and procedures designed to detect, manage and monitor events with a potentially significant impact on its resources and business activities. These processes are intended to make the action taken as timely and as effective as possible.

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 consolidate financial statements. In June, the Group renewed its main insurance policy which also includes cover against Covid-19 related damages. This was considered a success as the insurance market had, recently, shown a degree of reluctance in the sector, also in light of claims and disputes triggered by the healthcare emergency in relation to the ongoing pandemic.

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 financial position, financial performance and cash flows 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 (currency risk, interest rate risk and other price risks).

Credit risk

The credit risk is the risk of incurring a financial loss due to failure by third parties to fulfil a payment obligation.
The Group has several groupings of trade receivables depending on the nature of the activities carried out by each operating company and on their customer base. The risk is mitigated by the fact that credit exposure is spread across a large number of counterparties. For instance, trade receivables are less concentrated in the RSA/Care Home sector where more than half of revenue come from the persons resident in the Care Homes and trade receivables from public sector bodies (mainly ASLs and municipalities) are due from many different entities. In contrast, trade receivables are more highly concentrated in the hospital management/services segment as revenue is generated by a smaller number of counterparties.
Credit risk monitoring activities commence by grouping trade receivables by type of counterparty, 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 expected credit losses 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 comply with 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 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 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 and financing activities, will enable the Group to meet its requirements in terms of investments, working capital management and repayment of loans at maturity.

Currency risk

In 2011, the Group began – albeit to a limited extent – to operate on international markets and is thus exposed to the currency risk.
As well as seeking natural hedging between amounts receivable and payable, the Group assesses the need to enter into specific hedging contracts in relation to foreign currency loans and commercial transactions in foreign currency.

Interest rate risk

The interest rate risks 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 profit of the Group and might indirectly affect the costs and performance of financing and investing transactions.
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 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.

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 2021, the Group had 11,721 employees against 11,581 employees at 31 December 2020.

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 employees of AIOP and ARIS healthcare facilities

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 employees of AIOP and ARIS healthcare facilities
- 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;
- CCNL for CONSILP professional firms

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 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.

GES.CA.S Villa Armonia Nuova S.r.l
- CCNL for CIMOP medical staff employed in Care Homes, I.R.C.C.S., hospitals and rehabilitation centres;
- CCNL for employees of AIOP and ARIS healthcare facilities
- CCNL for employees of Care Homes and ARIS rehabilitation centres.

Legislative Decree no. 231/01

Some time ago, the various Group companies adopted an Organisational and Management Model in terms of Legislative Decree no. 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, the Organisational Models have been updated on several occasions in response to a number of legislative measures and organisational revisions. In 2021, the Organisational Models were again amended to deal with the new offences now covered by Legislative Decree no. 231/01. Particular attention has been paid to the Tax Offences to which the various companies are exposed. The updated Models have been approved by the respective Boards of Directors and appropriate training was given to the Group's senior personnel during the year.
Meanwhile, the Boards of Directors of smaller subsidiaries that do not have their own Organisational Model but whose activities are similar to those of the parent, have decided to extend the scope of the parent's Organisational 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.
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's Supervisory Board and the Supervisory Boards of the operating companies ensures that the proper supervision is carried out on a Group level.
During the year, the Group also continued with updating and alignment of its facilities in relation to the pandemic. The Supervisory Boards were also constantly updated on the status of criminal proceedings that have commenced in relation to how the Covid emergency was handled at several facilities.
Efforts continued to ensure compliance with Italian Legislative Decree no. 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.
With regard to the internal control system, the Supervisory Board has shared with the Internal Audit department the results of testing performed in accordance with the Group Audit Plan, as approved at the start of the year. The audit work did not make any significant findings for the purposes of Legislative Decree no. 231/01.
Regular meetings area also held with the companies' other governance bodies, in particular the Boards of Statutory Auditors and the Independent Auditors, in order to update one another and share information. The parent's Supervisory Board also meets with the Risk and Control Committee, always collaborating with it for the goal of better overall governance.

Information on personal data protection

In the course of their activities, on a daily basis and primarily under contractual agreements, the KOS Group companies gather a significant volume of personal data and confidential information that they undertake to process in accordance with personal data protection legislation.
This wealth of information must be effectively protected and safeguarded in order to avoid its possible alteration or misuse and guarantee its availability.
Furthermore, certain data relates to the personal affairs of residents/patients and they are entitled to receive guarantees about how it is processed and utilised.
Since the European General Data Protection Regulation (GDPR 679/2016) came into force, together with Legislative Decree no. 101/2018, the various companies have taken the necessary action to guarantee a new approach to data protection issues. 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 Directive (EC) 1148/2016, as incorporated into Italian law, with regard to the establishment of N.I.S. (Network and Information Security).
Continuous 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

The parent KOS S.p.A. reports a gross operating loss of € 3,054 thousand for 2021 compared to a gross operating profit of € 188 thousand for 2020. The deterioration is mainly due to the lower level of gains recorded on the sale of properties and to certain strategic analyses launched in 2021 which led to an increase in consultancy costs. In 2021, the parent recorded depreciation, amortisation and impairment losses totalling € 397 thousand. This represented a decrease compared to the total of € 575 thousand recorded in 2020, mainly as a result of the aforementioned sale of properties.

The operating loss was € 3,451 thousand compared to € 391 thousand in prior year.

Net financial expense for the year totalled € 312 thousand compared to net financial income of € 428 thousand in 2020.

Net impairment gains on financial assets totalling € 227 thousand were recorded in 2021 in application of IFRS 9 which measures financial assets and guarantees given.

There was net tax benefit of € 787 thousand compared to a net tax expense of € 305 thousand in 2020. In prior year, the presence of expenses permanently not deductible for tax purposes gave rise to tax liabilities and meant that the effective tax rate was rather different to the theoretical rate. These taxes flow into the CIR S.p.A. Group Taxation Arrangement.

At 31 December 2021, the parent had 20 employees, unchanged from 31 December 2020.

A loss of € 2,749 thousand is reported for the year ended 31 December 2021 against a profit of € 96,800 thousand for 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).

In the Statement of Financial Position, equity investments amounted to € 191,977 thousand at 31 December 2021 against € 170,846 thousand at 31 December 2020.

The net financial position at 31 December 2021 is analysed below:

(eur/000)	31/12/2021	31/12/2020
(A) Cash and cash equivalents	120,268	136,873
(B) Other cash equivalents	-	-
(C) Liquidity (A) + (B)	**120,268**	**136,873**
(D) Securities, derivatives and other financial assets	8	6
(E) Financial assets with subsidiaries	14,095	16,300
(F) Total current financial assets (C)+(D)+(E)	**134,371**	**153,179**
(G) Account overdrafts	-	-
(H) Collateral loans	-	273
(I) Bank loans	8,742	16,539
(J) Bonds	666	666
(K) Finance leases	-	-
(L) Right of use loans	231	200
(M) Loans and liabilities with other financial backers	-	-
(N) Derivatives	-	67
(O) Financial liabilities with subsidiaries	172,442	158,659
(P) Current financial debt (G)+(H)+(I)+(J)+(K)+(L)+(M)+(N)+(O)	**182,081**	**176,404**
(P) Net current financial position (P)-(F)	**47,710**	**23,225**
(Q) Non current financial assets with subsidiaries	311,625	261,375
(R) Non current financial receivables (Q)	**311,625**	**261,375**
(S) Collateral loans	58,817	481
(T) Bank loans	151,840	160,829
(U) Bonds	99,000	99,000
(V) Finance leases	-	-
(W) Right of use loans	639	780
(X) Loans and liabilities with other financial backers	-	-
(Y) Non current financial debt (S)+(T)+(U)+(V)+(W)+(X)	**310,296**	**261,090**
(Z) Net financial debt (Y)+(P)-(R)	**46,381**	**22,940**

The net financial debt of theposition of parent company KOS S.p.A. shows net indebtedness ofwas € 46,381 thousand compared to net indebtedness of € 22,940 thousand at 31 December 2020. At 31 December 2021, the net financial position debt included cash and cash equivalents of € 120,268 thousand, receivables financial assets withfrom subsidiaries totalling € 325,720 thousand, € 172,442 thousand of payables financial liabilities withto subsidiaries and bank borrowings loans and borrowings of € 319,065 thousand. The € 23,441 thousand rise in net financial debt is mainly due to the share capital increases by several subsidiaries and to cash flows absorbed by operating activities.

Management and coordination activities

Pursuant to Art. 2497 bis of the Italian Civil Code, we inform you that the Company parent is subject to management and co-ordination by holding the ultimate parentcompany CIR S.p.A. – Compagnie industriali riunite. Said company's relations with the Company parent are limited to co-ordination and the recharge of service costs and participation in the CIR Group group taxation arrangement.

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

Name	Share capital	Equity	Profit
CIR S.p.A. – Compagnie industriali riunite	625,125	770,920	2,631

The above amounts were taken from the approved IFRS separate financial statements at 31 December 2020.

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 the Parent's Separate Financial Statements and the Group Consolidated Financial Statements

(eur/000)	2021 Equity	2021 Profit (loss) for the year	2020 Equity	2020 Profit (loss) for the year
EQUITY AND PROFIT (LOSS) FOR THE YEAR OF THE PARENT	**145,058**	**(2,749)**	**148,209**	**97,400**
Equity and profit of consolidated Companies	465,564	7,798	398,804	(21,179)
Deconsolidation of equity investments				(33,665)
Reversal of impairament losses of consolidated Companies	14,980		14,980	6,842
Derecognition of carrying amount of consolidated equity investments and goodwill	(277,761)		(216,115)	
Fair value of derivatives	(113)		(113)	
Dividends elimination		(1,177)		
Other	(2,088)	(1,505)	(2,088)	(1,588)
TOTAL EQUITY AND PROFIT FOR THE YEAR	**345,640**	**2,367**	**343,677**	**47,810**
of which attributable to non-controlling interests	7,523	977	7,461	1,069
EQUITY AND PROFIT (LOSS) FOR THE YEAR OF CONSOLIDATED COMPANIES NET OF DIVIDENS	**338,117**	**1,390**	**336,216**	**46,741**

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 transactions;
- transactions under contracts for services;
- trade transactions;
- transactions under the CIR Group domestic group taxation arrangement.

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 parent's business offices at 31 December 2021:

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

Milan, 24 February 2022

FOR THE BOARD OF DIRECTORS
The Chairman
Carlo Michelini

Statement of profit or loss

(eur/000)	*Notes*	2021	2020
REVENUE	4	660,131	631,575
PURCHASES	5	(62,626)	(62,357)
SERVICES	6	(139,284)	(136,020)
PERSONNEL EXPENSE	7	(333,330)	(318,323)
OTHER OPERATING INCOME	8	27,006	26,340
OTHER OPERATING COSTS	9	(29,968)	(29,297)
IMPAIRMENT LOSSES (GAINS) ON EQUITY-ACCOUNTED INVESTMENTS	19	26	(255)
GROSS OPERATING PROFIT		**121,955**	**111,663**
AMORTISATION, DEPRECIATION, IMPAIRMENT LOSSES AND PROVISIONS	10	(89,509)	(96,272)
OPERATING PROFIT		**32,446**	**15,391**
FINANCIAL INCOME	11	360	307
FINANCIAL EXPENSE	12	(29,647)	(32,544)
DIVIDENDS	11	71	56
IMPAIRMENT LOSSES (GAINS) ON FINANCIAL ASSETS	13	-	(128)
PRE-TAX PROFIT (LOSS)		**3,230**	**(16,918)**
INCOME TAXES	14	(863)	(6,712)
PROFIT (LOSS) FROM CONTINUING OPERATIONS		**2,367**	**(23,630)**
PROFIT FROM DISCONTINUED OPERATIONS	15	-	71,440
PROFIT FOR THE YEAR INCLUDING NON-CONTROLLING INTERESTS		**2,367**	**47,810**
PROFIT FOR THE YEAR ATTR. TO NON-CONTROLLING INTERESTS		977	1,069
PROFIT FOR THE YEAR ATTR. TO OWNERS OF THE PARENT		**1,390**	**46,741**
BASIC EARNINGS PER SHARE	40	0.016	0.525
DILUTED EARNINGS PER SHARE	40	0.015	0.523

Statement of comprehensive income

(eur/000)	2021	2020
PROFIT (LOSS) FROM CONTINUING OPERATIONS	**2,367**	**(23,630)**
Items that will not be subsequently reclassified to profit or loss		
Actuarial losses	(295)	(126)
Tax effect	71	43
Translation difference	642	627
Items that will be subsequently reclassified to profit or loss		
Gains on cash flows hedges	88	205
Tax effect	(21)	(49)
Profit from discontinued operations	-	71,440
TOTAL COMPREHENSIVE INCOME	**2,852**	**48,510**
Owners of the parent	1,870	47,447
Non-controlling interests	982	1,063

Statement of financial position

(eur/000)	*Notes*	31/12/2021	31/12/2020
NON-CURRENT ASSETS		**1,420,349**	**1,422,241**
INTANGIBLE ASSETS	16	367,685	366,761
PROPERTY, PLANT AND EQUIPMENT	17	254,999	256,619
RIGHT-OF-USE ASSETS	18	764,925	769,803
INVESTMENT PROPERTY	19	2,658	2,776
EQUITY-ACCOUNTED INVESTEES	20	622	596
OTHER EQUITY INVESTMENTS	20	1,825	1,826
OTHER ASSETS	21	2,962	3,638
DEFERRED TAX ASSETS	22	24,673	20,222
CURRENT ASSETS		**278,019**	**264,649**
INVENTORIES	23	5,890	9,335
FINANCIAL ASSETS WITH THE PARENT	24	1,271	1,030
TRADE RECEIVABLES	25	80,315	64,039
OTHER ASSETS	26	12,581	18,304
FINANCIAL ASSETS	27	5,157	4,124
CASH AND CASH EQUIVALENTS	28	172,805	167,817
ASSETS HELD FOR SALE		-	-
TOTAL ASSETS		**1,698,368**	**1,686,890**
LIABILITIES AND EQUITY			
EQUITY	29	**345,640**	**343,677**
SHARE CAPITAL		8,853	8,853
RESERVES		41,176	41,217
RETAINED EARNINGS		288,088	286,146
EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT		**338,117**	**336,216**
EQUITY ATTRIBUTABLE TO NON-CONTROLLING INTERESTS		7,523	7,461
NON-CURRENT LIABILITIES		**1,096,673**	**1,065,891**
BONDS	30	99,000	99,000
OTHER LOANS AND BORROWINGS	30	214,702	205,979
LEASE LIABILITIES	30	738,856	711,697
TRADE PAYABLES	35	203	319
OTHER LIABILITIES	36	138	134
DEFERRED TAX LIABILITIES	31	14,220	17,103
PROVISIONS FOR PERSONNEL	32	24,129	25,772
PROVISIONS FOR RISKS AND CHARGES	33	5,425	5,887
CURRENT LIABILITIES		**256,055**	**277,322**
BANK OVERDRAFTS	30	-	1,317
BONDS	30	666	666
OTHER LOANS AND BORROWINGS	30	9,175	31,130
LEASE LIABILITIES	30	50,685	53,147
FINANCIAL LIABILITIES WITH THE PARENT	34	-	826
TRADE PAYABLES	35	76,959	80,832
OTHER LIABILITIES	36	79,665	68,877
PROVISIONS FOR RISKS AND CHARGES	33	38,905	40,527
LIABILITIES ASSOCIATED WITH ASSETS HELD FOR SALE		-	-
TOTAL LIABILITIES AND EQUITY		**1,698,368**	**1,686,890**

Statement of cash flows

(eur/000)	2021	2020
OPERATING ACTIVITIES		
PROFIT (LOSS) FROM CONTINUING OPERATIONS	2,367	(23,630)
ADJUSTMENTS:		
AMORTISATION, DEPRECIATION AND IMPAIRMENT LOSSES	87,225	87,557
GAIN ON THE SALE OF PROPERTY	(5,029)	-
ACCRUAL TO PROVISIONS FOR PERSONNEL, NET OF UTILISATIONS AND STOCK OPTIONS	(1,755)	962
ACCRUAL FOR POST-EMPLOYMENT BENEFITS, NET OF UTILISATIONS AND STOCK OPTIONS	(2,084)	(10,143)
CHANGE IN NET WORKING CAPITAL, NET OF ACQUISITIONS	(16,704)	30,378
CHANGES IN OTHER CURRENT ASSETS/LIABILITIES, NET OF ACQUISITIONS	15,444	(7,580)
OTHER CHANGES IN NON-CURRENT ASSETS/LIABILITIES, NET OF ACQUISITIONS	(6,770)	2,983
CASH FLOW FROM OPERATING ACTIVITIES	**72,694**	**80,527**
of which:		
interest paid	9,325	13,125
income taxes paid	3,790	6,859
INVESTING ACTIVITIES		
(PURCHASE)/SALE OF NON-CURRENT ASSETS	(127,778)	(49,392)
PROCEEDS FROM THE SALE OF ASSETS	52,599	-
PURCHASE OF ASSETS, NET OF BANK LOANS AND BORROWINGS	(1,350)	(12,851)
CASH FLOW USED IN INVESTING ACTIVITIES	**(76,529)**	**(62,243)**
FINANCING ACTIVITIES		
PROCEEDS FROM CAPITAL INCREASES OF NC INTERESTS	83	2,823
OTHER CHANGES IN EQUITY	561	250
CHANGES IN OTHER FINANCIAL ASSETS	(1,033)	4,720
DRAWDOWN/(REPAYMENT) OF OTHER LOANS AND BORROWINGS	11,532	(107,278)
DIVIDENDS PAID AND RESERVES DISTRIBUTED	(1,003)	
CASH FLOW FROM (USED IN) FINANCING ACTIVITIES	**10,140**	**(99,485)**
INCREASE (DECREASE) IN NET CASH AND CASH EQUIVALENTS	**6,305**	**(81,201)**
OPENING NET CASH AND CASH EQUIVALENTS	**166,500**	**106,386**
INCREASE IN NET CASH AND CASH EQUIVALENTS FROM DISCONTINUED OPERATIONS	**-**	**141,315**
CLOSING NET CASH AND CASH EQUIVALENTS	**172,805**	**166,500**
CASH AND CASH EQUIVALENTS	**172,805**	**167,817**
BANK OVERDRAFTS	**-**	**(1,317)**
CLOSING NET CASH AND CASH EQUIVALENTS	**172,805**	**166,500**

In the statement of cash flows for the year ended 31 December 2020 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 equity

	SHARE CAPITAL	LEGAL RESERVE	SHARE PREMIUM RESERVE	STOCK OPTION RESERVE	HEDGING RESERVE	ACTUARIAL RESERVE	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 hedging reserve					156					156			156
Changes in actuarial reseve						(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 utisation				(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	LEGAL RESERVE	SHARE PREMIUM RESERVE	STOCK OPTION RESERVE	HEDGING RESERVE	ACTUARIAL RESERVE	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 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**
Capital increase										0		83	83
Profit for the year									1,390	1,390	977		2,367
Other comprehensive income:													
Changes in hedging reserve					67					67			67
Changes in actuarial reseve						(221)				(221)		(3)	(224)
Translation differences								634		634		8	642
Total other comprehensive income	**0**	**0**	**0**	**0**	**67**	**(221)**	**0**	**634**	**1,390**	**1,870**	**977**	**5**	**2,852**
Increase in stock option reserve				112						112			112
Dilution of non-controlling interests (CMH)							(81)			(81)			(81)
Allocation of prior year profit		1					46,740		(46,741)	0	(1,069)	1,069	0
Dividends paid and reserves distributed										0		(1,003)	(1,003)
BALANCE AT 31 DECEMBER 2021	**8,853**	**1,771**	**40,250**	**2,387**	**(46)**	**(3,186)**	**285,187**	**1,511**	**1,390**	**338,117**	**977**	**6,546**	**345,640**

Notes to the Consolidated Financial Statements

KOS Group

1 Profile of the KOS Group

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

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

The Group invests in the management of residential care facilities (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 operating segments:

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 operating segment also includes the activities of the Sanatrix Group and out-patient clinics. In this operating segment, 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 in 2020.

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 also operates in Germany.

As at 31 December 2021, KOS Group was managing some 140 healthcare facilities – 93 in North and Central Italy and 47 in Germany - with a total of 13,151 beds plus around 1,500 beds under construction. It operates in two operating segments:

- **Acute & Long Term Care:** management of care homes for the elderly with some 103 care homes for a total of 10,251 beds (including 4,051 in Germany) and 36 rehabilitation facilities for a total of 2,777 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.

Consolidation scope and acquisitions

The consolidated financial statements include the figures of the parent KOS S.p.A. and the companies di-rectly and indirectly controlled by it at 31 December 2021, as adjusted, where necessary, to bring them in-to line with the IFRS as adopted by the parent to prepare the Consolidated Financial Statements.

The table below shows a list of the fully consolidated companies:

	Name	Main office	Share/quota capital (eur)	Currency	Share/quotaholders	% of investments	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	€	Charleston VOR- 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%
	GES.CA.S. Villa Armonia Nuova S.r.l.	Rome	52,000	€	KOS Care S.r.l	95.00%	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 &	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	97.81%	97.81%
					ClearView Healthcare LTD	2.19%	1.87%
Corporate e altri servizi	KOS Servizi Società Consortile a r.l.	Milan	115,000	€	Kos S.p.A	6.42%	97.26%
					KOS Care S.r.l	81.75%	
					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%	
					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) 31/12/2021	Carrying amount (eur) 31/12/2020
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	112,043,000	€	KOS Care S.r.l	0.80%	0.80%	900	900
Apokos Rehab PVT Ltd*	Andhra Pradesh - India	169,500,000	INR	Kos S.p.A	50.00%	50.00%	622	595
Other							32	33
Total							**2,447**	**2,421**

** Equity-accounted investees*

January saw the completion of the acquisition of a business consisting of the operation of a 100 bed care home in the Municipality of Castenaso (BO). The acquisition price was € 1,350 thousand and goodwill of € 961 thousand arose from the deal.

Acquisitions made in 2020 and 2021 mean that the figures as at 31 December 2021 are not immediately comparable with those at 31 December 2020.

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 measuring 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 2021 report the following amounts.

Eur thousand		**31/12/2021**
Non current assets*	G	389
Working capital		0
Non current net assets/(liabilities)		0
Financial liabilities	C	0
Cash and cash equivalents	B	0
Non-controlling interests		0
Goodwill	H	961
Equity reserves		0
Purchase price		**(1,350)**
of which:		
Price paid net of advances	A	(1,350)
Impact on financial debt	**D= A+B+C**	**(1,350)**
Purchase price net of cash and cash equivalents	**E=A+B**	(1,350)
Non current assets from acquisition	**I=G+H**	**1,350**

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

The revenue effect of the above acquisitions amounts to around € 357 thousand since the date of acquisition while the gross operating profit effect is negative by € 611 thousand.

2 Basis of preparation

The accounting standards applied when preparing the consolidated financial statements are described below. These accounting standards have been applied consistently to all reporting periods presented herein, unless other-wise 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 eco-nomic and financial climate.

2.1 Accounting standards

The KOS Group's consolidated financial statements at 31 December 2021 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 Regulation (EC) 1606/2002 of the European Parliament and European Council of 9 July 2002 and by Regulation (EC) 519/2019 of the Commission of 28 March 2019 which amended Regulation (EC) 1126/2008 which adopted certain International Financial Reporting Standards in accordance with Regulation (EC) 1606/2002. The 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 Group as their application is only obligatory for companies whose shares are listed on regulated markets. The financial information and disclosures contained in these consolidated financial statements have been prepared in accordance with IAS 1.

The KOS Group adopted the 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 the IFRS and disclosed in the accounting policies. 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 Group's ability to fulfil its obligations in the foreseeable future and, in particular, in the next 12 months.

The Consolidated Financial Statements of the KOS Group comprise the Statement of Profit or Loss, the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Cash Flows, the Statement of Changes in Equity and the Notes to the Consolidated Financial Statements.

2.2 Basis of presentation 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 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 the IFRS, highlights the other profit or loss items that pass directly through 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 profit for the year of the parent and the subsidiaries to non-controlling investors;
- amounts relating to owner transactions (sale and repurchase of treasury shares);
- as required by the IFRS, each profit and loss item, net of any tax effect, is allocated directly to equity (gains or losses on the repurchase and sale of treasury shares) or is covered by an equity reserve (share based payments for stock option plans);
- movements in hedging reserves net of any tax effect;
- the effect of any changes in accounting standards

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 related party transactions have been disclosed in the specific table contained in note 37 "Related party transactions".

The consolidated financial statements for the comparative period were prepared to reflect the sale of the Medipass Group. Said transaction took place under the binding agreement signed in September 2020 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 amount paid by KOS for the acquisition of the Indian companies (€ 16.1 million); the deal was completed in November 2020.

The following is reported in the consolidated financial statements at 31 December 2021:

• in the Statement of Profit or Loss and the Statement of Comprehensive Income for 2021 and, for comparative purposes, for 2020, the revenue and income and costs and expenses, minus costs to sell, of the Discontinued Operations have been classified under the caption "Profit (Loss) from discontinued operations";
• in the Statement of Cash Flows for the year ended 31 December 2021 and, for comparative purposes, for the year ended 31 December 2020, the cash flows generated by the assets constituting the Discontinued Operations have been reclassified to the caption "Increase in net cash and cash equivalents from discontinued operations", 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 and the Statement of Comprehensive Income of the Medipass companies sold for the period ended 31 October 2020 (last consolidated financial statements of the Group).

CONTRIBUTION TO PROFIT OR LOSS OF DISCONTINUED OPERATIONS

(€/000)	period ended 31/10/2020
REVENUE	46,833
OPERATING PROFIT	**8,854**
NET FINANCIAL EXPENSE	- 667
INCOME TAXES	- 1,250
PROFIT FOR THE YEAR INCLUDING NON-CONTROLLING INTERESTS	**6,937**
Costs incurred for the sale net of the tax effect	- 2,754
Capital gain from discontinued operations	67,257
PROFIT FROM DISCONTINUED OPERATIONS	**71,440**

CONTRIBUTION TO COMPREHENSIVE INCOME OF DISCONTINUED OPERATIONS

(eur/000)	**period ended 31/10/2020**
PROFIT FOR THE YEAR INCLUDING NON-CONTROLLING INTERESTS	**6,937**
Items that will not be subsequently reclassified to profit or loss	
Actuarial losses	
Tax effect	
Translation difference	(282)
Items that will be subsequently reclassified to profit or loss	
TOTAL COMPREHENSIVE INCOME	**6,655**

2.3 Basis of Consolidation

The consolidated financial statements are based on the financial statements of 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 principles have been applied on a uniform basis to all of the reporting periods presented in this document, except as otherwise stated.

The 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 standards 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 amount of the equity investments is eliminated against the corresponding portion of the equity of the subsidiaries after giving individual assets, liabilities and contingent liabilities their present value at the date control was acquired. Any remaining positive difference is allocated to the non-current asset balance "Goodwill".
If, after a further check, 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 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 over financial and operational policies, as defined in IAS 28 – Investments in Associates but without their being subsidiaries or joint ventures. The consolidated financial statements include the Group share of the profit or loss of associates, accounted for under the equity method, 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 associates, any gains and losses are eliminated on the basis of the percentage interests held.

Joint ventures

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 joint ventures, which cannot be classed as joint operations, are accounted for using the equity method from the date on which common control commences until the date it ceases to exist.

Business combinations and goodwill

When businesses or business units are acquired from third parties, including through merger or transfer, the assets, liabilities and contingent liabilities acquired and identifiable are recognised at fair value as at the acquisition date.
Any positive difference between the acquisition cost and the fair value of such assets and liabilities is recognised in goodwill and classified as intangible asset with an indefinite useful life.
Any negative difference ("Negative goodwill") is charged to profit or loss when the acquisition takes place.
Costs relating to business combinations are recognised in profit or loss.
Goodwill is initially recognised at cost and subsequently decreased for impairment losses. 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 any impairment losses are never re-versed.
Any liabilities relating to business combinations for conditional payments are recognised on the date of acquisition of the businesses and the going concerns relating to the business combinations.
If all or part of a business previously acquired is sold and goodwill arose upon that acquisition, the value attributable to goodwill is taken into account when the gain or loss on disposal is calculated.

Non-controlling investor

The portion of equity 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 statement of financial position and in the 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 interests in 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 acquires or sells non-controlling interests without affecting its control over the subsidiary are owner transactions 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 shareholders of the parent. There are no adjustments to the amount of goodwill and to profits or losses recognised in profit or loss. Charges relating to such transactions must be recognised 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 disposes of additional non-controlling interests without altering its control over the subsidiary are owner transactions 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

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 needed to make the asset available for use. They are stated net of accumulated amortisation and impairment losses.

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 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 owned by the group is 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 charged to the statement of profit or loss for the year in which they are incurred. Extraordinary maintenance costs that lead to a significant and tangible increase in the productivity or useful life of an asset are recognised as an increase in the carrying amount of the asset and are depreciated over its useful life.

Leasehold improvements are recognised under the appropriate asset category.

Individual components of an asset with different useful lives are recognised separately and depreciated over their useful lives using 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, property, plant and equipment undergo an impairment test. The test performed is described in the "Impairment of assets" paragraph. Any impairment losses can later be reversed.

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 asset to its original condition (minus any incentives received).

The Right-of-use asset 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 asset.

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 a 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, management believes that renewal will be reasonably certain when the option period enters into the period of time covered by the business plan. For example, in the case of a 12+12 contract (i.e. a contract for 12 years with an option for 12 more years), renewal will be reasonably certain (and the financial liability relating to the option period will be recognised together with the accompanying right-of-use asset) 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 right-of-use assets, the Group considered the margin on mortgage loans, based on the term of the lease contract. Therefore, it used rates of between 1.25% and 3.30% to calculate the right-of-use asset.

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

(eur/000)	*2021*	IFRS 16 impact	2021 IFRS 16
REVENUE	660,131		660,131
PURCHASES	(62,626)		(62,626)
SERVICES	(202,726)	63,442	(139,284)
PERSONNEL EXPENSE	(333,330)		(333,330)
OTHER OPERATING INCOME	34,793	(7,787)	27,006
OTHER OPERATING COSTS	(29,968)		(29,968)
GROSS OPERATING PROFIT	**66,300**	**55,655**	**121,955**
AMORTISATION, DEPRECIATION, IMPAIRMENT LOSSES AND PROVISIONS	(33,558)	(55,951)	(89,509)
OPERATING PROFIT	**32,742**	**(296)**	**32,446**
FINANCIAL INCOME	360		360
FINANCIAL EXPENSES	(12,971)	(16,676)	(29,647)
DIVIDENDS	71		71
PRE-TAX PROFIT	**20,202**	**(16,972)**	**3,230**
INCOME TAXES	(4,690)	3,827	(863)
PROFIT FROM DISCONTINUED OPERATIONS	-		-
PROFIT FOR THE YEAR INCLUDING NON-CONTROLLING INTERESTS	**15,512**	**(13,145)**	**2,367**

(eur/000)	31/12/2021	IFRS 16 impact	31/12/2021 IFRS 16
NON-CURRENT ASSETS	669,521	**750,828**	**1,420,349**
INTANGIBLE ASSETS	367,685		367,685
PROPERTY, PLANT AND EQUIPMENT	254,999		254,999
RIGHT-OF-USE ASSETS	20,210	744,715	764,925
INVESTMENT PROPERTY	2,658		2,658
EQUITY-ACCOUNTED INVESTMENTS	622		622
OTHER EQUITY INVESTMENTS	1,825		1,825
OTHER ASSETS	3,178	(216)	2,962
SECURITIES	-		-
DEFERRED TAX ASSETS	18,344	6,329	24,673
CURRENT ASSETS	278,019	-	**278,019**
INVENTORIES	5,890		5,890
ASSETS WITH THE PARENT	1,271		1,271
TRADE RECEIVABLES	80,315		80,315
OTHER ASSETS	12,581		12,581
FINANCIAL ASSETS	5,157		5,157
CASH AND CASH EQUIVALENTS	172,805		172,805
ASSETS HELD FOR SALE	-		-
TOTAL ASSETS	947,540	**750,828**	**1,698,368**
LIABILITIES AND EQUITY			
EQUITY	367,411	**(21,771)**	**345,640**
SHARE CAPITAL	8,853		8,853
RESERVES	41,176		41,176
RETAINED EARNINGS	309,859	(21,771)	288,088
EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT	359,888	**(21,771)**	**338,117**
EQUITY ATTRIBUTABLE TO NON-CONTROLLING INTERESTS	7,523		7,523
NON-CURRENT LIABILITIES	371,034	**725,639**	**1,096,673**
BONDS	99,000		99,000
OTHER LOANS AND BORROWINGS	214,702		214,702
LEASE LIABILITIES	13,217	725,639	738,856
TRADE PAYABLES	203		203
OTHER LIABILITIES	138		138
DEFERRED TAX LIABILITIES	14,220		14,220
PROVISIONS FOR PERSONNEL	24,129		24,129
PROVISIONS FOR RISKS AND CHARGES	5,425		5,425
CURRENT LIABILITIES	209,095	**46,960**	**256,055**
BONDS	666		666
OTHER LOANS AND BORROWINGS	9,175		9,175
LEASE LIABILITIES	1,407	49,278	50,685
TRADE PAYABLES	76,959		76,959
OTHER LIABILITIES	81,983	(2,318)	79,665
PROVISIONS FOR RISKS AND CHARGES	38,905		38,905
LIABILITIES ASSOCIATED WITH ASSETS HELD FOR SALE	-		-
TOTAL LIABILITIES AND EQUITY	947,540	**750,828**	**1,698,368**

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 recognised in 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 recognised in the statement of financial position as deferred income – then taken to profit or loss over the useful life of the 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 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 property, plant and equipment, 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 amount of the assets is estimated so as to determine the amount of any impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount 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 loss is recognised immediately in profit or loss.

Except for goodwill, an impairment loss 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. The carrying amount after the reversal of an impairment loss shall not exceed the carrying amount that would have emerged (after amortisation) if the impairment loss 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, as written down for any impairment through profit or loss. The risk of impairment losses in excess of the carrying amount of the investment is recognised in a specific allowance to the extent that the investor is required to fulfil legal or other obligations towards the investee 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 financial assets

Trade receivables and other financial assets 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, financial assets with the parent, subsidiaries and associates and other financial 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 credit losses through a loss allowance. However, when it is certain that it will not be possible to recover the amount due, the financial asset in question is adjusted directly for the amount considered irrecoverable.

Impairment losses are 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 current and non-current 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 financial 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 group 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 group measures the assets on an Expected Loss basis.

Impairment losses on financial assets are recognised in the Statement of Profit or Loss when there is objective evidence that the group will be unable to recover the financial asset on the basis of the contractual terms.

The amount of the impairment loss is measured as the difference between the carrying amount of the asset and the present value of expected future cash flows.

Financial assets are recognised net of the related loss allowance. Impairment losses recognised as per IFRS 9 are recognised in profit or loss net of any impairment gains.

In accordance with Consob Warning Notice no 1/21, the Group has taken account of 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 credit losses. The analysis performed did not detect any significant risks.

Factoring of trade receivables

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

Tax assets

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 closing exchange rate.

Impairment losses on 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 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 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 credit losses. 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 repurchases of treasury shares recognised in equity, the consideration paid – including directly attributable expenses and net of tax effects – is recognised 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 as 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 recognising an impairment loss.

Hedging reserve

The 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 recognised in Profit or Loss for the periods – and in the manner – in which the hedged items flow through the 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 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 expense, are recognised in profit or loss for the period. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and exchange gains/(losses) are recognised in profit or loss for the period, as are any gains or losses due to derecognition.
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 period.

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 profit or loss under "Financial income and expenses". The Notes to the consolidated 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 costs.

Post-employment benefits

Post-employment benefits are defined, depending on their characteristics, as benefits arising under defined contribution plans and defined benefit plans.
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 (*fondo trattamento di fine rapporto -TFR*), compulsory for Italian companies under Article 2120 of the Italian Civil Code, constitute a form of deferred remuneration and depend on the duration of the working life 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 TFR until 31 December 2006 continue to be "Defined benefit plans" as per 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 stated at nominal value. There is no discounting or separate allocation to profit or loss of explicit or separate interest expense as it is 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 assets and liabilities are translated at closing exchange rates. Liabilities are initially recognised 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, they are recognised at amortised cost, where considered significant.
"Other financial liabilities" includes the financial balancing entry to the Statement of Financial Position Asset Caption "Right-of-use assets" as required in application of IFRS 16.

STATEMENT OF PROFIT OR LOSS

Revenue and costs

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

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

Costs are recognised in 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 shareholders.

Financial income and expense

Financial income and expense are recognised in profit or loss on an accruals basis, during the reporting period in which they are incurred. Borrowing costs incurred for investments in assets it normally takes some time 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 profit or loss 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 profit or loss is adjusted to take account of any effect – after tax - of the exercise of these rights.
Pursuant to IAS 33, the dilution effect is only calculated solely when it leads to lower earnings per share/higher loss per share than the basic earnings/loss per share.

Share-based payments

Given their remuneration like nature, personnel expense includes stock options maturing as at the reporting date and the portion of warrants that has matured.
The expense 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 balancing 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 profit or loss for the period with a balancing 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 Group company, based on estimated taxable income. The expected liability is recognised under "Tax liabilities". Tax liabilities and assets 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 carrying amount of the assets and liabilities in the statement of financial position and their corresponding tax base. 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 profit or loss except for those relating to items recognised directly under equity in which case the related deferred taxes are also charged against equity.

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

KOS S.p.A. (period 2019-2021), Kos Care S.r.l. (period 2020-2022), Jesilab S.r.l. (period 2019-2021), Villa Margherita S.r.l. (period 2021-2023), Villa Armonia Nuova S.r.l. (period 2021-2023) have joined the Italian Group taxation arrangement set up by ultimate parent CIR S.p.A. in terms of Article 117/129 of the Consolidated Income Tax Act (*Testo Unico delle Imposte sul Reddito (T.U.I.R*)).

The companies taking part in the Italian Group taxation arrangement transfer their taxable income or tax loss to the consolidating company. The consolidating company recognises an amount receivable from companies that transfer taxable income in the amount of the IRES payable. Meanwhile, the consolidating company recognises an amount payable to 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 stated 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 the profit or loss for the year.

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 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 financial instrument is suspended under equity. Gains or losses relating to a hedge that has become ineffective are recognised in profit or loss. Moreover, if a hedging instrument or a hedging relationship is closed but the hedged transaction has not yet been realised, gains and losses accumulated to date – and recognised under equity until then – are recognised in profit or loss when the transaction in question is realised.

Changes in the fair value of derivatives that do not satisfy the conditions to be classified as hedges are recognised in 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 a debt 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 otherwise arise from measurement of the financial asset at amortised cost or FVOCI.

Financial assets: evaluation of business model

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

- the stated criteria and the objectives of the portfolio and the practical application of said criteria including, inter alia, if the management strategy is based on obtaining interest income from the contract, on maintaining a determinate interest rate profile, on aligning the duration of the financial assets with that of related financial liabilities 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 group management (e.g. if remuneration is based on the fair value of the assets managed or on contractual cash flows collected); and
- the frequency, amount 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 recognise 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 represents the contractual nominal amount plus contractual interest accruing (but not paid) (that may include a reasonable additional compensation for early termination of the contract) is accounted for in accordance with this criterion of the fair value of the element of prepayment is not significant at the time of initial recognition.

Financial assets: subsequent measurement and profits and losses	
Financial assets measured at FVTPL	These assets are subsequently measured at fair value. Net profits and losses, including dividends or interest received, are recognised in profit/(loss) for the period.
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 period 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 period. Other net profits and losses are recognised in other comprehensive income. Upon derecognition, profits or losses accumulated in other comprehensive income are recycled through profit or loss.
Equity securities measured at FVOCI	These assets are subsequently measured at fair value. Dividends are recognised in profit/(loss) for the period unless they clearly represent a recovery of part of the cost of the investment. Other net profits and losses are recognised in other comprehensive income and are never recycled through profit or loss for the 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 expense, are recognised in profit or loss for the period. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and exchange gains/(losses) are recognised in profit or loss for the period, 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 rewards 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 period.

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 group 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 currency 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 recognised at FVOCI and/or in profit or loss for the period.
The Group designates certain derivative instruments as hedging instruments to cover variability in cash flows relating to highly probable transactions resulting from fluctuation in exchange rates and interest rates. It also

designates certain derivatives and non-derivative financial liabilities as hedging instruments for the currency 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 hedging reserve. The effective portion of changes in the fair value of the derivative that is recognised in other comprehensive income is limited to the cumulative change in the fair value of the hedged instrument (at present value) since the outset of the hedge. The ineffective portion of changes in the fair value of the derivative is recognised immediately in profit or loss for the period.
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 reserve for hedging costs.

If a planned hedged transaction subsequently leads to recognition of a non-financial asset or liability e.g. inventories, the amount accumulated in the hedging 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 hedging 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 period.
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 hedging 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 period.
If no more hedged future cash flows are expected, the amount must be reclassified immediately from the hedging reserve and from the reserve for hedging costs to profit or loss for the period.

Hedging of net investments

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

2.6 Main assumptions and accounting estimates

When the consolidated 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 the 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 profit or loss 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 standards 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 reporting period 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 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 loss. 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 carrying amount through use. The proper identification of indicators of impairment and estimates made to quantify the impairment depend 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 consolidated 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 regional basis), it determined the recoverable amount of property, plant and equipment 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 2022-2026 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 2022 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 contraction because of the ongoing pandemic and resulting financial crisis, as well as because of its possible effects on public and healthcare expenditure.

General assumptions

- No renewed upsurge is expected compared to the current situation regarding the Covid-19 pandemic.
- No dividends distributed during the Business Plan period.
- Increase in personnel expense in 2022 partially offset by an increase in revenue from government grants.

General assumptions regarding the Long Term Care CGU

- Recovery in occupancy rate from the summer of 2021 slowed down by lower 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 2025
- Healthcare fees assumed stable with private component assumed down slightly because of pricing policies but partially compensated by public component thanks to increases in several regions.
- Inpatient Rehab affected by restrictions and by social-distancing rules but with larger increase in occupancy rate than care homes

Assumptions regarding the Long Term Care Italy CGU (regions)

- A 2.8% decrease in Care Home accommodation fees is projected for 2022 because of the weak economy and weak household spending capacity, as offset by revenue generated by support provided to the Public Administration (PA +3.8%)
- Rehab and Acute Care revenue from the Public Administration should increase by 0.5% in 2023 and 2024 in the case of Rehab and by 0.8% in 2023 and 2024 in the case of Acute Care.
- Based on current legislation, it has been assumed that personnel expense under the non-medical AIOP contract (Secured) will increase in the Rehab and Acute business, bringing them into line with what happens in the public sector
- Two target increases have also been assumed for other labour contracts (ARIS, ANASTE, freelance) even though there is currently no legal requirement for such increases
- For Care Homes, it has been assumed that personnel expense under the non-medical AIOP contract (Secured) will increase while an increase has been assumed in the Rehab and Acute business from 2023, except for AIOP and Freelance for which increases are assumed from 2022.

Assumptions regarding the Acute Care CGU

- 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 group opted to test cash flows until the expiry of the existing concession, as scheduled for 2022
- In the 2022 Budget, depreciation and amortisation have been considered as if the concession were ending
- From 2022 onwards, it is assumed the Group will not incur any Capex for anti-seismic compliance works.

Assumptions regarding the Long Term Care Germany CGU

- For the Long Term Care Germany CGU, it has been assumed that the number of beds available will increase from 2022 and 2023 and that that level will remain constant in the other years of the Business Plan. It has also been assumed that occupancy rates will increase after falling in 2021 because of the Covid-19 pandemic
- Personnel expense is expected to increase by 2% per annum for Care Homes and by 1.5% for all other personnel throughout the Business Plan period
- Average fees in the healthcare segment are expected increase by 2.3% per annum

Assumptions regarding the Diagnostics and Cancer Care CGU

- No new services are forecast following the sale of Medipass ITA and Medipass UK, except for Paras Radiology in 2022
- For the purposes of the test of the Net Invested Capital of the Diagnostics & Cancer Care CGU, 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 goodwill and other assets recognised at 31 December 2021 will not be impaired in future periods.

Other investments

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

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

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

Fair value of derivative instruments

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

- 1 *Interest Rate Cap* contract

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

Except for a number of instruments, the conditions imposed by IFRS 9 for the application of hedge accounting have been satisfied in full for all derivatives.

For the purposes of these consolidated financial statements, the fair value of hedging derivatives in place at 31

December 2021 had to be determined. See paragraph "3.*6 Accounting for hedging transactions"* for details.

Stock options and warrants

For the purposes of these consolidated financial statements, the profit or loss and 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 has to be 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 of intangible assets and property, plant and equipment

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 on a periodical basis. These tests could lead to changes in the depreciation/amortisation periods and in depreciation/amortisation charges in future years.

Accruals to the loss allowance

When assessing the recoverability of its financial assets, 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 financial assets may differ from the estimated value due to uncertainty over the conditions based on which ability to pay was determined.

The loss allowance represents the directors' best estimate of credit losses. 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 makes 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 made 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 consolidated 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 (likelihood of death, disability, end of working life, etc.) as well as economic/financial estimates (technical discount rate, rate of inflation, percentage increase in remuneration, rate of increase in TFR).
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.

Taxation

Current taxation for the year is 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 amount of the assets and liabilities in the financial statements and the corresponding tax bases; 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 2021

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 2021 reporting period are provided below.

Document title	Issue date	Effective date	Endorsement date	EU Regulation and publication date
Interest rate benchmark reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)	27 August 2020	1 January 2021	13 January 2021	(EU) 2021/25 14 January 2021
COVID-19-related rent concessions beyond 30 June 2021 (Amendment to IFRS 16)	31 March 2021	1 April 2021	30 August 2021	(EU) 2021/1421 31 August 2021
Extension of the temporary exemption from applying IFRS 9 (Amendments to IFRS 4)	25 June 2020	1 January 2021	15 December 2020	(EU) 2020/2097 16 December 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 2021

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
Annual Improvements to IFRS (2018–2020 cycle) [Amendments to IFRS 1, IFRS 9, IFRS 16[1] and IAS 41]	14 May 2020	1 January 2022	28 June 2021	(EU) 2021/1080 2 July 2021

[1] The amendment to IFRS 16 has not been endorsed by the European Union because the amendment refers to an illustrative example which is not an integral part of the Standard..

Property, Plant and Equipment – Proceeds before Intended Use (Amendments to IAS 16)	14 May 2020	1 January 2022	28 June 2021	(EU) 2021/1080 2 July 2021
Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37)	14 Mayo 2020	1 January 2022	28 June 2021	(EU) 2021/1080 2 July 2021
Reference to the Conceptual Framework (Amendments to IFRS 3)	14 May 2020	1 January 2022	28 June 2021	(EU) 2021/1080 2 July 2021
IFRS 17 Insurance Contracts (including amendments published in June 2020)	May 2017 June 2020	1 January 2023	19 November 2021	(EU) 2021/2036 23 November 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 31 DECEMBER 2021

As at 31 December 2021, 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 consolidated 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	30 January 2014	1 January 2016	Endorsement process suspended with new accounting standard on "rate-regulated activities" awaited
Amendments			
Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)	11 September 2014	Postponed until completion of the IASB project on the equity method	Endorsement process suspended until completion of the IASB project on the equity method
Classification of Liabilities as Current or Non-current (Amendments to IAS 1), including subsequent amendment issued in July 2020 [2]	23 January 2020 15 July 2020	1 January 2023	TBD
Disclosure of Accounting policies (Amendments to IAS 1 and IFRS Practice Statement 2)	12 February 2021	1 January 2023	TBD
Definition of Accounting Estimates (Amendments to IAS 8)	12 February 2021	1 January 2023	TBD
Deferred tax related to assets and liabilities arising from a single transaction (Amendments to IAS 12)	7 May 2021	1 January 2023	TBD
Initial Application of IFRS 17 and IFRS 9— Comparative Information (Amendment to IFRS 17)	9 December 2021	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 2021. 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

[2] The IASB has an ongoing project to amend the requirements of the document published in 2020 and to postpone its coming into force until 1 January 2024. The Exposure Draft was published on 19 November 2021.

3.1 Definition of risks

The Group's business activities are exposed to a range of financial risks that could affect its financial position, financial performance and cash flows because of their impact on operations 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 (currency risk, interest rate risk and other price risks).

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

Credit risk

The credit risk represents the risk of incurring a financial loss because of failure by third parties to fulfil a payment obligation.
The Group has several groupings of trade receivables depending on the nature of the activities carried out by each operating company and on their customer base. The risk is mitigated by the fact that credit exposure is spread across a large number of counterparties. For instance, trade receivables are less concentrated in the RSA/nursing home sector where more than half of revenue come from the persons resident in the nursing homes and trade receivables from public sector bodies (mainly ASLs and municipalities) are due from many different entities. In contrast, trade receivables are more highly concentrated in the hospital management segment as almost all revenue is generated by a smaller number of counterparties.
Credit risk monitoring is performed based on the type of counterparty, 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 expected credit losses 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 an impairment loss 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 current and non-current financial assets 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 its obtaining loans to fund operating activities in a timely manner or in relation to failure to comply with the covenants imposed by certain loans arranged by the Group leading to the lending institutions having the right to demand early repayment of the loans. Cash flow, the funding requirements and the liquidity of Group companies are centrally monitored or managed by the Finance Department with the aim of ensuring that financial resources are effectively and efficiently managed.

The three main factors that are essential to determining the Group liquidity situation are:
- cash generated or 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 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 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 and financing activities, 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

Currency risk

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

With regard to the currency risk regarding the translation of the financial statements of foreign subsidiaries (prepared in INR), 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 profit of the Group and might indirectly affect the costs and performance of financing and investing transactions.
The Group periodically assesses its exposure to the interest rate risk and manages the risk using financial derivative instruments in accordance with the established risk management policies. Under these policies, financial derivative instruments are solely used to the manage exposure to interest rate fluctuations correlated with future cash flows; speculative activities are neither envisaged nor allowed.

The only instruments used for this purpose are interest rate swaps (IRS), caps and collars.

In relation to some of its loans, the Group uses financial derivative instruments for cash flow hedge purposes with the aim of pre-determining interest 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 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, the 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 from 2020 onwards, 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 IFRS 9: classification and measurement of financial assets and liabilities

The following table shows the measurement methods used for each type of financial asset and liability in 2020 and 2021.

Categories of financial assets and liabilities at 31 December 2021	IFRS 9 classification	IFRS 9 amount
NON-CURRENT ASSETS		
Other investments	Cost except Fondo Spazio Sanitario at FVTPL	1,825
Other assets	Other assets at amortised cost	2,962
CURRENT ASSETS		
Trade receivables from the parent	Amortised cost	1,271
Trade receivables	Amortised cost	80,315
Other assets	Amortised cost	12,581
Financial assets	Financial assets at amortised cost	5,157
Cash and cash equivalents	Financial assets at amortised cost	172,805
NON-CURRENT LIABILITIES		
Bonds	Liabilities at amortised cost	(99,000)
Other financial liabilities	Liabilities at amortised cost	(214,702)
Lease liabilities	Liabilities at amortised cost	(738,856)
Trade payables	Liabilities at amortised cost	(203)
CURRENT LIABILITIES		
Bank overdrafts	Liabilities at amortised cost	-
Bonds	Liabilities at amortised cost	(666)
Trade payables to the parent	Liabilities at amortised cost	-
Other financial liabilities	Liabilities at amortised cost	(9,175)
Lease liabilities	Liabilities at amortised cost	(50,685)
Trade payables	Liabilities at amortised cost	(76,959)

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 at FVTPL	1,826
Other assets	Other assets at amortised cost	3,638
CURRENT ASSETS		
Trade receivables from the parent	Amortised cost	1,030
Trade receivables	Amortised cost	64,039
Other assets	Amortised cost	18,304
Financial assets	Financial assets at amortised cost	4,124
Cash and cash equilvalents	Financial assets at amortised cost	167,817
NON-CURRENT LIABILITIES		
Bonds	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)
Bonds	Liabilities at amortised cost	(666)
Trade payables to the parent	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)

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 2021 and 31 December 2020, by hierarchical level of fair value measurement.

Financial Statements at 31 December 2021				
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		8		8
- Non-recourse factoring		5,147		5,147
CURRENT LIABILITIES				
Financial liabilities at fair value through equity				
Other financial liabilities				
- derivatives				-
Financial liabilities at fair value through profit or loss				
Other financial liabilities				
- derivatives		-		-
Total other financial liabilities	-	-	-	-

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)

During 2021, 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 - the carrying amount was considered a reasonable approximation of fair value;
- in order to hedge the interest rate risk and the currency 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. In 2021, no factoring transactions were carried out. The carrying amount of trade receivables is reduced for identified impairment. This process is performed by creating a specific loss allowance that is deducted directly from the financial assets adjusted for impairment.

Movements in the loss alloance during the reporting period are shown below:

(eur/000)	31/12/2020	Increase	Utilisation	Changes in consolidation scope	Other changes	Differences in exchange rates	31/12/2021
Loss allowance	34,800	1,365	(3,209)	-	111	654	33,721

The gross carrying amount of financial assets represents the Group's maximum exposure to the credit risk.

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

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

31/12/2021	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	**2,962**	**2,962**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Gross balance	2,962	2,962	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	**15,086**	**1,232**	**13,854**	**4,968**	**1,426**	**3,933**	**2,378**	**871**	**232**	**46**	**0**	**0**	**0**
Gross balance	32,949	1,387	31,562	5,165	1,677	4,105	3,148	3,276	6,951	3,469	1,902	390	1,479
Loss allowance	-17,863	-155	-17,708	-197	-251	-172	-770	-2,405	-6,719	-3,423	-1,902	-390	-1,479
Public sector trade receivable	**65,229**	**43,916**	**21,313**	**3,998**	**4,575**	**2,859**	**5,458**	**4,244**	**179**	**0**	**0**	**0**	**0**
Gross balance	81,087	45,245	35,842	4,022	4,631	2,931	5,743	4,983	225	579	13	1,617	11,098
Loss allowance	-15,858	-1,329	-14,529	-24	-56	-72	-285	-739	-46	-579	-13	-1,617	-11,098
Other assets	**12,581**	**12,581**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Gross balance	12,581	12,581	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	**95,858**	**60,691**	**35,167**	**8,966**	**6,001**	**6,792**	**7,836**	**5,115**	**411**	**46**	**0**	**0**	**0**

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**

3.4 Additional disclosures on financial liabilities

The contractual maturity dates of "Financial liabilities", including interest, are shown in the following tables for 2021 and 2020, respectively. We report below the contractual maturities of financial liabilities (including trade payables and other current liabilities), including interest. 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

31.12.2021	<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								
Bonds	3,241	3,241	66,737	35,919	0	0	**109,138**	**99,666**
Other financial liabilities:	15,442	38,592	82,285	35,131	34,957	50,580	**256,986**	**238,141**
- Bank loans and borrowings	13,768	36,903	80,575	33,402	32,803	43,574	**241,025**	**223,878**
- Parents	0	0	0	0	0	0	**0**	**0**
- Subsidiaries	0	0	0	0	0	0	**0**	**0**
- Associates	0	0	0	0	0	0	**0**	**0**
- Finance lease companies	1,674	1,689	1,709	1,729	2,153	7,006	**15,961**	**14,263**
- Other financial backers	0	0	0	0	0	0	**0**	
Bank overdrafts	0	0	0	0	0	0	**0**	**0**
Trade payables	76,959	0	0	0	0	0	**76,959**	**76,959**
Derivative financial liabilities								
Hedging derivatives	0	0	0	0	0	0	**0**	**0**
Non-hedging derivatives	0	0	0	0	0	0	**0**	**0**
Total	**95,642**	**41,833**	**149,022**	**71,050**	**34,957**	**50,580**	**443,083**	**414,766**

31.12.2020 Principal + interest	<1 year	>1 <2 years	>2 <3 years	>3 <4 years	>4 <5 years	>5 years	Total	Total carrying amount
Non-derivative financial liabilities								
Bonds	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 borrowings	33,949	96,199	46,981	61,769	5,595	12,387	**256,880**	**236,275**
- Parents	0	0	0	0	0	0	**0**	
- Subsidiaries	0	0	0	0	0	0	**0**	
- Associates	0	0	0	0	0	0	**0**	
- Finance lease companies	4,866	8,182	2,976	3,015	3,054	15,377	**37,471**	**34,567**
- Other financial backers	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**

Other financial liabilities - excluding lease liabilities – amount to € 337,807 thousand and consist of loans and finance lease liabilities due to banks (€ 238,141 thousand) and bonds (€ 99,666 thousand).

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

- where the creditor may choose when to settle a liability, the liability is included in the earliest possible period;
- the amounts reported relate to 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 comply with certain covenants should the company fail to remedy the breach of the 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, repayment 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 comply with covenants while also maintaining the ideal capital structure.

The main non-current financial liabilities and lease liabilities at 31 December 2021 may be summarised as follows:

Debtor	Type of loan	Residual amount as at 31.12.2021 (eur/000)	Maturity	Term
KOS S.p.A.	mortgage loan	58,816	23.06.2028	Euribor 6 mesi/360
KOS Care Srl	Lease Foligno	3,505	01.04.2033	Euribor 3 months/360
KOS Care Srl	Lease Montecosaro	2,900	01.11.2026	Euribor 3 months/365
KOS Care Srl	Lease Foligno	4,632	01.04.2033	Euribor 3 months/365
KOS Care Srl	Lease Ascoli	3,586	07.02.2027	Euribor 3 months/365
Total loans with collateral and/or liens		**73,440**		
Ges.ca.s Villa Armonia Nuova S.r.l.	Loan	135	31.07.2022	Euribor 3 months/365
KCA	Loan	373	15.12.2022	Euribor 6 months/360
Gruppo Charleston	Loan	276	12.11.2022	Fix
Gruppo Charleston	Loan	192	03.02.2024	Fix
ClearMedi HealthCare	Loan	2,926		Base rate
Loans not secured by collateral		**3,901**		
Kos S.p.A	Mediobanca line	21,875	15.06.2024	Euribor 3 mesi/360
	Syndicated loan Germany acquisition	64,631	24.10.2024	Euribor 6 mesi/360
	Syndicated loan line SACE	74,655	31.03.2027	Euribor 3 mesi/360
Total Corporate line		**161,161**		
Kos Spa	Bonds	35,252	18.10.2025	Fix
	Bonds	64,414	18.10.2024	Fix
Total Bonds		**99,666**		
KOS Care Srl	Regional loan from Lombardy regional authorities (FRISL)	572	30.06.2024	
Total other financial backers		**572**		
Total bank overdrafts				
Financial liabilities for derivatives				
Total financial liabilities		**338,739**		

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 comply with certain covenants unless the group 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 2021 and later are shown below:

(eur/'000)	Type of loan	Residual amount at 31.12.2021	Maturity	Base for covenants	Target covenants 31.12.2021 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						
	- revolving line		25/04/2022	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	Mediobanca loan	21,875	15/06/2024	KOS Group	<=3,5	>=3	< 60%
Kos S.p.A	Syndicated loan (BNP, Intesa, Banco Popolare di Milano, Credit Agricole, ING)	65,000	28/10/2024	KOS Group	<=3,5	>=3	< 60%
Kos S.p.A	Syndicated loan SACE (BCC, BNL, BANCO BPM, BNP, CDP, Credit Agricole, ICCREA, ING, Intesa, Mediobanca,	75,000	31/03/2027	KOS Group	<=3,5	>=3	< 60%
Kos S.p.A	Real estate Syndicated loan (Unicredit, IntesaSanpaolo)	60,000	23/06/2028	KOS Group	<=3,5	>=3	< 60%

RE Debt: Real estate debt
EBITDA: Earning before income, taxes and depreciation
OF: Net financial expense
Loan to Value: Real estate loan / Net property, plant and equipment

The following table shows actual figures for 2021:

(eur/'000)	Type of loan	Residual amount at 31.12.2021	Maturity	Base for covenants	Target covenants 31.12.2021 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						
	- revolving line		25/04/2022	KOS Group	1.40	5.26	44%
Kos S.p.A	Bond 64ML€	64,000	18/10/2024	KOS Group	1.40	5.26	44%
	Bond 35ML€	35,000	18/10/2025				
Kos S.p.A	Mediobanca loan	21,875	15/06/2024	KOS Group	1.40	5.26	44%
Kos S.p.A	Syndicated loan (BNP, Intesa, Banco Popolare di Milano, Credit Agricole, ING)	65,000	28/10/2024	KOS Group	1.40	5.26	44%
Kos S.p.A	Syndicated loan SACE (BCC, BNL, BANCO BPM, BNP, CDP, Credit Agricole, ICCREA, ING, Intesa, Mediobanca, Unicredit)	75,000	31/03/2027	KOS Group	1.40	5.26	44%
Kos S.p.A	Real estateSyndicated loan (Unicredit, IntesaSanpaolo)	60,000	23/06/2028	KOS Group	1.40	5.26	44%

At 31 December 2021, 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 consolidated financial statements, there were no breaches of the said clauses.

Finally, with regard to additional guarantees given, as well as being secured by the assignment of KOS's financial assets with its subsidiaries, the property facility is also guaranteed by mortgages on Group properties. Meanwhile, corporate loans and bonds are secured by the assignment of financial assets with its subsidiaries, financial assets 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 2021:

	31/12/2021			31/12/2020		
(eur/million)	Total	Used	Available	Total	Used	Available
Short-term Lines ("Uncommitted"/at sight)	33.6	0.0	33.6	49.3	1.3	48.0
Long-term ("Committed"/contractualised)	405.3	338.2	67.1	398.6	370.8	27.8
Total	438.9	338.2	100.7	447.9	372.1	75.8

3.6 Accounting for hedging transactions

Hedging contracts in place

In order to hedge the interest rate risk, KOS Group has entered into an *Interest Rate Swap contract*. Details of the instrument at 31 December 2021 are provided below:

Company	Signature date	Time	Pay	Cap	Floor	Receive/Index	Notional 31/12/21	Notional 31/12/20	Fair Value 31/12/21	Fair Value 31/12/20
Kos SpA	2017	Half-year	0.385%			Euribor 6M	-	8,224	-	(34)
Kos SpA	2017	Half-year	0.370%			Euribor 6M	-	8,224	-	(33)
Total Interest Rate Swap							**-**	**16,448**	**-**	**(67)**
Kos Care Srl	2014 FWD Start 2017	Monthly		1.50%		Monthly avarage Euribor 1M	1,898	2,430	-	-
Kos Care Srl	2014 FWD Start 2016	Monthly		1.50%		Monthly avarage Euribor 1M	-	2,064	-	-
Kos Care Srl	2014 FWD Start 2016	Monthly		1.50%		Euribor 3 M	-	2,918	-	-
Kos SpA	2019	Quarterly		0.50%		Euribor 3 M	21,875	30,624	8	6
Total Interest Rate Cap							**23,773**	**38,036**	**8**	**6**
Total effective portion of derivatives							**23,773**	**54,484**	**8**	**(61)**
Sanatrix Gestioni Srl	Cap - 2013	Monthly		2.50%		Euribor 6M	-	1,099	-	-
Kos Care Srl	IRS - 2013	Quarterly	2.04%			Euribor 3M	-	450	-	(4)
Total ineffective portion of derivatives							**-**	**1,549**	**-**	**(4)**
Total							**23,773**	**56,033**	**8**	**(65)**

The total notional amount at 31 December 2021 was € 21,875 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 recognised under an equity reserve.

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

The table below shows the following information on derivatives:

- the notional amount at 31 December 2021 and 2020, 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 expense and/or financial income*.

	31/12/21					
	Notional amount		FV of contracts (1)			
(eur/000)	within 12 months	after 12 months	positive	negative	P&L effect (2)	Equity reserve net of tax effect (3)
Interest rate risk management						
- Cash flow hedge pursuant to IAS 39 IRS	-	-			4	(46)
- Cash flow hedge pursuant to IAS 39 Interest Rate Cap	10,648	13,125	8		(20)	
Total	**10,648**	**13,125**	**8**	**0**	**(16)**	**(46)**

	31/12/20					
	Notional amount		FV of contracts (1)			
(eur/000)	within 12 months	after 12 months	positive	negative	P&L effect (2)	Equity reserve net of tax effect (3)
Interest rate risk management						
- Cash flow hedge pursuant to IAS 39 IRS	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)**

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

3.7 Sensitivity analysis

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 of any fluctuation in market interest rates on the Group's consolidated income for the period 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 and liabilities for advances on notes receivable. The sensitivity analysis also considers the effect of hedging derivative instruments.

As interest rates were again very low in 2021 (even reaching negative levels), the Group decided to measure only the impact on profit or loss 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 2021, would have had an impact on pre-tax profit of around -€ 1,036 thousand (-€ 1,499 thousand at 31 December 2020) with an effect on equity of around -€1,036 thousand (-€ 1,499 thousand at 31 December 2020). Non-material impact on Group figures.

Notes to the Statement of Profit or Loss

4) Revenue

The Group's revenue for 2021 is analysed below. Prior year comparative figures are also shown together with the difference compared to prior year.

Revenue by operating segment

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

(eur/000)	2021	%	2020	%	Var.
Acute & Long Term Care	641,787	97%	615,769	97%	26,018
Italy	*462,372*	*70%*	*442,858*	*70%*	*19,514*
Germany	*179,415*	*27%*	*172,911*	*27%*	*6,504*
Diagnostic & Cancer Care	18,276	3%	15,744	2%	2,532
Other	68	0%	62	0%	6
Total	**660,131**	**100%**	**631,575**	**100%**	**28,556**

The increase in revenue is due to:

- in the Acute & Long term care segment, revenue increased compared to prior year. Although certain activities are still suspended because of the Covid-19 emergency, the situation that led to a sharp reduction in admissions to care homes and to rehabilitation facilities improved somewhat in 2021, especially in the second quarter. The climate of increased confidence among residents and their families has led to recovery in occupancy rates from May 2021 onwards, although the rate of growth remains low for now and insufficient to be able to predict a return to normal in the short-term. The effects of the Covid-19 emergency have led to a reduction in occupancy in Italy, especially in the residential care homes for the elderly segment which has recorded a decrease of more than 9% in the number of residents. The effects have been less obvious in other countries and at functional and psychiatric rehabilitation facilities and the reduction in terms of the number of residents has been limited to around 5%.
  The effect of acquisitions made and facilities opened in 2020 (full contribution in the reporting period) and of acquisitions made in 2021 was € 12,280 thousand. We also note that subsidies under Regional resolutions in response to the Covid emergency have had a positive impact of around € 20 million (€ 11.7 million in 2020).

- in the Diagnostic & Cancer Care segment, where the Indian subsidiary operates, revenue increased, mainly thanks to the lesser impact of the Covid-19 pandemic than in prior year.

Revenue by type of customer

Revenue by type of customer is analysed in the table below:

(eur/000)	2021	%	2020	%	Var.
Public	423,333	64%	395,839	63%	27,494
Private	236,798	36%	235,736	37%	1,062
Total	**660,131**	**100%**	**631,575**	**100%**	**28,556**

The split of revenue by type of customer shows that the respective percentages of revenue generated by public sector customers and by private sector customers have remained broadly in line with prior year.

Revenue by Region

Revenue by region is shown in the table below:

(eur/000)	2021	%	2020	%	Var.
Lombardy	130,102	20%	126,427	20%	3,675
Trentino Alto Adige	6,101	1%	7,159	1%	(1,058)
Veneto	29,697	4%	26,961	4%	2,736
Piedmont	38,899	6%	38,357	6%	542
Liguria	18,389	3%	18,150	3%	239
Tuscany	8,167	1%	7,968	1%	199
Emilia Romagna	60,384	9%	56,840	9%	3,544
Marche	140,685	21%	131,502	21%	9,183
Umbria	3,546	1%	3,470	1%	76
Abruzzo	3,751	1%	3,900	1%	(149)
Puglia	1,623	0%	1,854	0%	(231)
Lazio	12,914	2%	12,897	2%	17
Campania	6,126	1%	5,199	1%	927
Sicily	284	0%	304	0%	(20)
Other regions	1,755	0%	1,917	0%	(162)
Foreign countries	197,708	30%	188,670	30%	9,038
Total	**660,131**	**100%**	**631,575**	**100%**	**28,556**

The increase is due, in part, to the aforementioned acquisitions made and new facilities opened (both in Italy and in Germany) in 2020 (specifically, the Valdaso Care Home Campofilone (FM) and the Villa Armonia Nuova Care Home (RM)) which were fully operational in 2021 and to the partial recovery in occupancy rates mentioned above.

5) Purchases

In the year ended 31 December 2021, this item totalled € 62,626 thousand against € 62,357 thousand in 2020. These costs represented around 9.5% of revenue, slightly lower than in prior year (9.9%).

The increase relating to the full contribution of acquisitions made and new facilities opened in 2020 (Valdaso Care Home Campofilone (FM) and Villa Armonia Nuova Care Home (RM)) and in 2021 (Vico Mercati care home in Vimercate (MB) and Idice Care Home in Castenaso (BO)) amounted to € 859 thousand.

The total cost for the year ended 31 December 2021 is analysed in detail below and compared with prior year.

(eur/000)	2021	%	2020	%	Var.
Food and beverages	11,917	19%	12,243	20%	(326)
Medical gases	703	1%	644	1%	59
Diagnostics consumables	3,825	6%	3,054	5%	771
Medical consumables	23,015	37%	23,933	38%	(918)
Medicines	7,925	13%	8,349	13%	(424)
Prosthetic materials and medical devices	8,115	13%	7,365	12%	750
Generic consumables	3,226	5%	2,324	4%	902
Other	3,900	6%	4,445	7%	(545)
Total	**62,626**	**100%**	**62,357**	**100%**	**269**

6) Services

Costs for services have increased from € 136,020 thousand in 2020 to € 139,284 thousand for the year ended 31 December 2021.

The total cost for the year ended 31 December 2021 is analysed in detail below and compared with prior year.

(eur/000)	2021	%	2020	%	Var.
Legal, notarial and tax consulting	1,968	1%	1,754	1%	214
IT consulting	3,785	3%	3,662	3%	123
Technical consulting	2,687	2%	2,361	2%	326
Medical-nursing consulting	55,431	40%	50,743	37%	4,688
Fees to Directors	1,536	1%	1,219	1%	317
Fees to Statutory Auditors	164	0%	171	0%	(7)
Personnel services	222	0%	359	0%	(137)
Utilities	19,937	14%	19,105	14%	832
Maintenance and repairs	10,485	8%	9,746	7%	739
Insurance	4,022	3%	3,498	3%	524
Cleaning and surveillance	5,812	4%	9,181	7%	(3,369)
Subcontracting costs	703	1%	1,179	1%	(476)
Care and laboratory services	13,139	9%	13,948	10%	(809)
Catering services	1,111	1%	1,944	1%	(833)
Lease fees	1,712	1%	2,009	1%	(297)
Rents	479	0%	1,112	1%	(633)
Other services	16,091	12%	14,029	10%	2,062
Total	**139,284**	**100%**	**136,020**	**100%**	**3,264**

The increase is mainly due to the full contribution of acquisitions made and new facilities opened in 2020 (Valdaso Care Home Campofilone (FM) and Villa Armonia Nuova Care Home (RM)) and in 2021 (Vico Mercati Care home in Vimercate (MB) and Idice Care Home in Castenaso (BO)), a total of € 3,407 thousand.

The following tables show the fees relating to 2021 for audit services and other services rendered by the independent auditors and other entities belonging to their network.

Schedule 1)

Fees (*) relating to 2021 for services provided by the independent auditors 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.	39
Other services	KPMG S.p.A. and other network companies	KOS S.p.A.	17

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

Schedule 2)

Fees relating to 2021 for services rendered by the independent auditors to other Group companies.

Audit	KPMG S.p.A. and other netw ork companies	Subsidiaries	600
Other services	KPMG S.p.A. and other netw ork companies	Subsidiaries	10

7) Personnel expense

Personnel expense for the year ended 31 December 2021 totalled € 333,330 thousand against € 318,323 thousand in 2020.

The increase of € 15,007 thousand partly relates to facilities acquired and opened in 2020 (Valdaso Care Home Campofilone Care Home (FM) and Villa Armonia Nuova Care Home (RM)) and in 2021 (Vico Mercati Care home in Vimercate (MB) and Idice Care Home in Castenaso (BO)) which had an impact of € 5,709 thousand. We note the release in 2020 of excess provisions created in prior years for ARIS/AIPO collective labour agreement negotiations (impact of € 8,157 thousand). Moreover, the impact in relation to "Other costs" mainly regarded 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 revenue, personnel expense was in line with prior year at 50%.

The total expense for the year ended 31 December 2021 is analysed in detail below and compared with prior year:

(eur/000)	2021	%	2020	%	Var.
Wages and salaries	249,143	75%	236,576	74%	12,567
Social security charges	63,598	19%	61,005	19%	2,593
Post-employment benefits	11,196	3%	10,888	3%	308
Stock option plan valuation	112	0%	177	0%	(65)
Other costs	9,281	3%	9,677	3%	(396)
Total	**333,330**	**100%**	**318,323**	**100%**	**15,007**

The table below shows the actual number of employees as at 31 December 2021 and 31 December 2020:

	31/12/21	31/12/20
Managers/Executives	48	50
White collar workers*	5,078	4,803
Medical staff, carers and workers	6,595	6,728
Total	**11,721**	**11,581**
Employees - Average	**11,581**	**11,819**

*Includes doctor-managers (104 at 31/12/2020)

8) Other operating income

Other operating income for year ended 31 December 2021 totalled € 27,006 thousand, higher than the total of € 26,340 thousand in prior year. The impact of acquisitions made in 2020 and 2021 was € 144 thousand.

It may be analysed as follows:

(eur/000)	2021	%	2020	%	Var.
Ordinary prior year income	10,008	37%	3,434	13%	6,574
Gains on the sale of assets	5,029	19%	9,558	36%	(4,529)
Other revenue and income	11,969	44%	13,348	51%	(1,379)
Total	**27,006**	**100%**	**26,340**	**100%**	**666**

Ordinary prior year income includes differences between estimated provisions/accruals made in prior year and the actual amounts; it also includes relief/subsidies towards prior year revenue (€ 6,044 thousand) relating to Italy.

The gains on the sale of assets recorded during the reporting period refer to the sale to Investire SGR of several properties owned by the Group i.e. the Beato Angelico care home in Borgo San Lorenzo, the Villa Reale care home in Monza, the Villa Jolanda psychiatric clinic in the province of Ancona and the Franchiolo care home in Sanremo. The properties were then leased back by the Group.

"Other revenue and income" mainly includes specific cost subsidies received largely by the German subsidiary to cope with the Covid emergency (impact € 6,698 thousand), income for services provided by Kos Servizi to a research body (INRCA € 1.3 million) and to former subsidiary Medipass (€300 thousand) and grants for Fonarcom training (around € 400 thousand).

9) Other operating costs

Other operating costs amounted to € 29,968 thousand in 2021 against € 29,297 thousand in 2020. This item mainly consists of non-deductible input VAT (€ 19,662 thousand in 2021 against € 19,622 thousand in 2020) and other duties and taxes. Ordinary prior year expense includes differences on provisions and accruals made when preparing prior year financial statements. Sundry operating costs include membership fees, donations and sundry other operating costs. The impact on this item regarding acquisitions made and facilities opened in 2020 (Valdaso care home in Campofilone (FM) and Villa Armonia Nuova care home (RM)) and in 2021 (Vico Mercati care home in Vimercate (MB) and Idice care home in Castenaso (BO)) was € 749 thousand.

(eur/000)	2021	%	2020	%	Var.
Taxes and duties	24,232	81%	24,480	84%	(248)
Prior year expense	1,227	4%	1,069	4%	158
Ordinary losses	278	1%	432	1%	(154)
Sundry operating costs	4,231	14%	3,316	11%	915
Total	**29,968**	**100%**	**29,297**	**100%**	**671**

10) Amortisation, depreciation, impairment losses and provisions

In 2021, this item amounted to € 89,509 thousand against € 96,272 thousand in 2020, as detailed below.

The impact of acquisitions made and new facilities opened in 2020 (Valdaso care home in Campofilone (FM) and Villa Armonia Nuova care home (RM)) and in 2021 (Vico Mercati care home in Vimercate (MB) and Idice care home in Castenaso (BO)) was € 993 thousand.

(eur/000)	2021	%	2020	%	Var.
Depreciation	26,852	30%	25,604	27%	1,248
Amortisation	2,724	3%	2,694	3%	30
Depreciation of right-of-use assets	57,509	64%	57,076	59%	433
Loss allowance	1,365	2%	8,969	9%	(7,604)
Other provisions	919	1%	(254)	0%	1,173
Other impairment losses	140	0%	2,183	2%	(2,043)
Total	**89,509**	**100%**	**96,272**	**100%**	**(6,763)**

We highlight the impairment losses on certain healthcare equipment whose carrying amount was no longer in line with its fair value.

We also highlight the fact that prior year included an amount of € 8.9 million accrued to the loss allowance following a detailed review of the overdue trade receivables of subsidiary ClearMedi Healthcare; the additional accrual was made for expected credit losses.

11) Financial income

Financial income amounted to € 360 thousand in 2021 compared to € 307 thousand in 2020. It is analysed below:

(eur/000)	2021	%	2020	%	Var.
Interest income on bank accounts	40	11%	188	61%	(148)
Interest income on derivatives	6	2%	71	23%	(65)
Interest income on arrears	54	15%	6	2%	48
Other financial income	260	72%	42	14%	218
Total	**360**	**100%**	**307**	**100%**	**53**

"Other financial income" mainly includes exchange gains which have increased by € 99 thousand compared to the previous reporting period.

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

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

Movements in dividends are presented below:

(eur/000)	2021	2020	Var.
Dividends	71	56	15

"Dividends" of € 71 thousand includes the dividend paid by the Spazio Sanità real estate fund, in which a number of Group companies hold non-controlling interests.

12) Financial expenses

Financial expense for the year totalled € 29,647 thousand compared to € 32,544 thousand for 2020, as shown below:

(eur/000)	2021	%	2020	%	Var.
Interest expense on bank accounts	2	0%	36	0%	(34)
Interest expense on derivatives	103	0%	240	1%	(137)
Interest expense on loans and borrowings	8,390	28%	12,162	37%	(3,772)
Interest expense on leases and RoU	17,653	60%	17,160	53%	493
Third party loans and borrowings	351	1%	88	0%	263
Exchange losses	-	0%	191	1%	(191)
Other financial expense	3,148	11%	2,667	8%	481
Total	**29,647**	**100%**	**32,544**	**100%**	**(2,897)**

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

The decrease compared to prior year is mainly due to the reduction in debt following the sale of Medipass and of the real estate properties. The impact of these transactions was only partially offset by an increase in interest expense on right-of-use assets in relation to the increase in right-of-use assets during the reporting period.

13) Impairment losses (gains) on financial assets

In 2020, impairment gains on financial assets amounted to € 128 thousand in application of IFRS 9. At 31 December 2021, the caption has a zero balance.

14) Income taxes

Income taxes amount to € 863 thousand, a decrease compared to 2020, as analysed below:

(eur/000)	2021	%	2020	%	Var.
Current taxes - IRES	1,951	226%	1,214	18%	737
Current taxes - IRAP	1,964	228%	1,534	23%	430
Substitutive tax	3,055	354%	-	0%	3,055
Deferred tax expense/(income)	(6,107)	-354%	3,964	59%	(10,071)
Total	**863**	**100%**	**6,712**	**100%**	**(5,849)**

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

	2021	2020
Effective tax rate	**27%**	**-40%**

The incidence of income taxes on the pre-tax profit/loss was 27% and increased compared to prior year mainly because of the improved results reported.

We recall the fact that as certain personnel expense and financial expense 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)		2021	2020
Pre-tax profit (loss) in the financial statements		3,230	(16,918)
Theoretical tax rate (24% of the pre-tax profit)	**A**	**775**	**(4,060)**
Tax effect of non-deductible costs	b	(1,613)	1,832
Tax effect of prior year losses generating deferred tax assets	b	34	928
Tax effect of prior year losses not generating deferred tax assets	b	(11)	433
Tax effect of foreign operations	b	152	172
Non-taxable grants	b	-	-
Other	b	(438)	5,873
Total effect of addbacks and other - (b)	**B**	**(1,876)**	**9,238**
Income taxes	**A + B**	**(1,101)**	**5,178**
IRAP and other taxes	C	1,964	1,534
Total	**"A+B"+C**	**863**	**6,712**

15) Profit (Loss) from discontinued operations

In prior year, this item, amounting to € 71,440 thousand, included € 6,937 thousand 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.

Notes to the Statement of Financial Position

Non-current assets

16) Intangible assets

At 31 December 2021, net intangible assets amounted to € 367,685 thousand against € 366,761 thousand at 31 December 2020.

	Opening balance			Changes in the year												Closing balance		
	Historical cost	Impairment losses and accumulated amortisation	Carrying amount as at 31/12/2020	Purchases	Business combination - Increase		Discontinued operations		Exchange differences		Reclassifications		Net disposals		Impairment losses and amortisation	Historical cost	Impairment losses and accumulated amortisation	Carrying amount as at 31/12/2021
(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	16,440	(12,206)	4,234	2,197							37	(32)	(741)	740	(2,689)	17,933	(14,187)	3,746
Goodwill	379,305	(16,895)	362,410	961									(2,580)	2,580	-	377,686	(14,315)	363,371
Assets under development and payments on account	48	-	48	523							(48)					523	-	523
Other intangible assets	1,046	(977)	69								15	(10)	(325)	324	(28)	736	(691)	45
Total	**396,839**	**(30,078)**	**366,761**	**3,681**	**-**	**-**	**-**	**-**	**-**	**-**	**4**	**(42)**	**(3,646)**	**3,644**	**(2,717)**	**396,878**	**(29,193)**	**367,685**

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 2020:

(eur/000)	*31/12/2021*	*%*	*31/12/2020*	*%*	*Var.*
Nursing homes	362,855	100%	361,894	100%	961
Cancer treatment and diagnostic services	0	0%	0	0%	0
Acute Care	0	0%	0	0%	0
Corporate	516	0%	516	0%	0
Total	**363,371**	**100%**	**362,410**	**100%**	**961**

The increase of € 961 thousand recorded at 31 December 2021 is due to the acquisition of a business consisting of operation of a 100-bed care home in Castenaso (BO).

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

Impairment test

As required by IAS 36, the KOS Group has performed an impairment test to check the recoverability of the carrying amount of the property, plant and equipment and intangible assets recognised in the Group consolidated financial statements at 31 December 2021. The goodwill recorded in the consolidated financial statements is tested for impairment at least once a year even if there are no indicators of impairment.

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

The Group operates in two 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	Carrying amount tested (A)	Carrying amount not tested (B)	Carrying amount from finacial statements before i.t.(C)=(A)+(B)
Long Term Care	Lombardy	294,951		294,951
	Piedmont	79,517		79,517
	Tuscany	19,145		19,145
	Liguria	47,379		47,379
	Emilia Romagna	77,062		77,062
	Veneto	60,993		60,993
	Marche	234,621		234,621
	Lazio	37,624		37,624
	Trentino	9,412		9,412
	Campania	25,630		25,630
	Umbria	8,801		8,801
	Germany	465,783		465,783
	Greenfield and new acquisitions		16,412	16,412
Totale Long Term Care (A)		***1,360,918***	***16,412***	***1,377,330***
Acute Care (B)		***2,539***	***-6,377***	***-3,838***
Cancer care and diagnostic services (C)		***20,966***	***0***	***20,966***
KOS S.p.a. e KOS Servizi			6,908	6,908
ICO Right of use			-1,419	-1,419
Corporate (D)		***0***	***5,489***	***5,489***
Total Assets (E)=(A)+(B)+(C)+(D)		**1,384,423**	**15,524**	**1,399,947**
of which: Intangible assets (no goodwill)				*4,314*
of which: goodwill				*363,371*
of which: right of use				*764,925*
of which: property investments				*2,658*
of which: Tangible assets				*254,999*
of which: NWC				*9,680*

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

In some cases, where applicable, the results of real estate appraisals - as described in Note 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 2022-2026 (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

- No renewed upsurge is expected compared to the current situation regarding the Covid-19 pandemic.
- No dividends distributed during the Business Plan period.
- Increase in personnel expense in 2022 partially offset by an increase in revenue from government grants.

General assumptions regarding the Long Term Care CGU

- Recovery in occupancy rate from the summer of 2021 slowed down by lower 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 2025
- Healthcare fees assumed stable with private component assumed down slightly because of pricing policies but partially compensated by public component thanks to increases in several regions.
- Inpatient Rehab affected by restrictions and by social-distancing rules but with larger increase in occupancy rate than care homes

Assumptions regarding the Long Term Care Italy CGU (regions)

- A 2.8% decrease in Care Home accommodation fees is projected for 2022 because of the weak economy and weak household spending capacity, as offset by revenue generated by support provided to the Public Administration (PA +3.8%)
- Rehab and Acute Care revenue from the Public Administration should increase by 0.5% in 2023 and 2024 in the case of Rehab and by 0.8% in 2023 and 2024 in the case of Acute Care.
- Based on current legislation, it has been assumed that personnel expense under the non-medical AIOP contract (Secured) will increase in the Rehab and Acute business, bringing them into line with what happens in the public sector
- Two target increases have also been assumed for other labour contracts (ARIS, ANASTE, freelance) even though there is currently no legal requirement for such increases
- For Care Homes, it has been assumed that personnel expense under the non-medical AIOP contract (Secured) will increase while an increase has been assumed in the Rehab and Acute business from 2023, except for AIOP and Freelance for which increases are assumed from 2022.

Assumptions regarding the Acute Care CGU

- 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 group opted to test cash flows until the expiry of the existing concession, as scheduled for 2022
- In the 2022 Budget, depreciation and amortisation have been considered as if the concession were ending

- From 2022 onwards, it is assumed the Group will not incur any Capex for anti-seismic compliance works

Assumptions regarding the Long Term Care Germany CGU

- For the Long Term Care Germany CGU, it has been assumed that the number of beds available will increase from 2022 and 2023 and that that level will remain constant in the other years of the Business Plan. It has also been assumed that occupancy rates will increase after falling in 2021 because of the Covid-19 pandemic
- Personnel expense is expected to increase by 2% per annum for Care Homes and by 1.5% for all other personnel throughout the Business Plan period
- Average fees in the healthcare segment are expected increase by 2.3% per annum

Assumptions regarding the Diagnostics & Cancer Care CGU

- No new services are forecast following the sale of Medipass ITA and Medipass UK, except for Paras Radiology in 2022
- For the purposes of the test of the Net Invested Capital of the Diagnostics & Cancer Care CGU, 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 1.4% for Italy (1.35% in 2020) which is in line with the average long term growth rate for production, the business sector and the country in which the business operates. For the Indian CGU, as inflation was expected to be higher than that level, a growth rate of 4.1% was adopted (4% in 2020). Meanwhile, a rate of 1% was used for the assets in Germany (1% in 2020).

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, is equal to 5.6% (against 5.5% in 2020) for assets in Italy; 4.4% (4.3% in 2020) for assets in Germany; and 8% for assets in India (8.9% in 2020).

On the basis of the best information available, the group'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 the recoverable amount is determined based on estimates, the Group cannot guarantee that 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 amount (the discount rate, growth rates), determining the level of such variables that make value in use equal to the 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 0.5% lower growth rate and a significantly higher WACC than that used in the test of all regions considered, except for Veneto, Umbria and Campania Regions for which the cover becomes negative (by € 4,369 thousand) if a growth rate of 0.89% is considered together with a WACC higher than the 6.05% used for the test.

2) Diagnostics and Cancer Care: 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 segment 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.

A sensitivity analysis was also performed by calculating the breakeven WACC and gross operating profit reduction i.e. the levels that would lead to zero cover.

1) For the Long Term Care CGU, there would be zero cover in the event of an overall gross operating profit reduction of 18.36% or a 1.63% increase in WACC. For the Germany CGU, an 11.38% gross operating profit reduction would lead to zero cover as would a 1.12% WACC increase.
2) For the Diagnostic & Cancer Care CGU, a gross operating profit reduction of 62.15% would be required or a WACC increase of 9.75%.
3) For Ospedale di Suzzara, the gross operating profit reduction and the WACC increase required are 20.39% or 21.68%, respectively.
4) On a consolidated level, a 22.46% gross operating profit reduction would be required or a 1.1% increase in WACC.

17) Property, Plant and Equipment

At 31 December 2021, net property, plant and equipment amounted to € 254,999 thousand against € 256,619 thousand at 31 December 2020.

The following table shows a breakdown of this item and changes therein in 2021.

	Opening balance			Changes in the year												Closing balance		
	Historical cost	Impairment losses and accumulated amortisation	Carrying amount as at 31/12/2020	Purchases	Business combination - Increase		Discontinued operations		Exchange differences		Reclassifications		Net disposals		Impairment losses and amortisation	Historical cost	Impairment losses and accumulated amortisation	Carrying amount as at 31/12/2021
(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	26,916	-	26,916	-							2,126		(3,554)			25,488	-	25,488
Buildings	157,598	(59,898)	97,700	275							26,423	2,191	(28,095)	8,829	(4,927)	156,201	(53,805)	102,396
Pland and Machinery	32,890	(23,765)	9,125	1,409							3,945	(2,553)	(4,531)	4,424	(2,398)	33,713	(24,292)	9,421
Industrial and commercial equipment	96,522	(65,024)	31,498	6,465	97				1,416	(605)	1,900	63	(7,465)	7,431	(7,299)	98,935	(65,434)	33,501
Other assets	153,289	(93,183)	60,106	7,488	292				170	(49)	22,995	(7,304)	(12,498)	11,927	(12,249)	171,736	(100,858)	70,878
Assets under construction and payments on account	31,274		31,274	16,439					-		(23,639)		(10,759)		-	13,315		13,315
Total	**498,489**	**(241,870)**	**256,619**	**32,076**	**389**	**-**	**-**	**-**	**1,586**	**(654)**	**33,750**	**(7,603)**	**(66,902)**	**32,611**	**(26,873)**	**499,388**	**(244,389)**	**254,999**

Land and buildings are recorded at historical cost. In order to test their carrying amount, independent appraisals were performed at 31 December 2021.

Fair value was determined using generally accepted valuation methods and principles based on the most widely applied measurement criteria. The valuations confirmed that the historical cost of land and buildings was an appropriate valuation method.

Increases for the year, amounting to € 32.1 million, include ordinary capex and capex to comply with laws and regulations (€ 20.6 million) plus capex on business development/expansion (€ 11.5 million). Details of the business development capex during the year are provided below:

- € 3.9 million refers to the construction of a 120 bed care home in the municipality of Grosseto;
- € 2 million refers to the construction of a 120 bed care home in the municipality of Borgomanero;
- € 3.6 million refers to the construction of an 80 bed care home in the municipality of Campi di Bisenzio (FI);

- € 2 million refers to the construction of an 80 bed care home and a new outpatient clinic in the municipality of Villalba (MC);

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

"Business combinations" includes assets recognised following the acquisition of a business consisting of operation of a 100-bed care home in Castenaso (BO).

The caption "Net disposals" mainly refers to the sale to Investire SGR and Numeria SGR of several real estate properties owned by the Group i.e. the Beato Angelico care home in Borgo San Lorenzo, the Villa Reale care home in Monza, the Villa Jolanda psychiatric clinic in the province of Ancona, the Franchiolo care home in Sanremo, the Il Poggione care home in Grosseto and the Villalba care home in Macerate. The properties have been leased back by the Group.

"Reclassifications" includes the final purchase of two leased buildings previously classified under "Right-of-use assets".

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

Movements in this caption are analysed below:

	Opening balance			Changes in the year												Closing balance		
	Historical cost	Impairment losses and accumulated amortisation	Carrying amount as at 31/12/2020	Purchases	Business combination - Increase		Discontinued operations		Exchange differences		Reclassifications		Net disposals		Impairment losses and amortisation	Historical cost	Impairment losses and accumulated amortisation	Carrying amount as at 31/12/2021
(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	874,759	(104,956)	769,803	84,671					-	-	(33,747)	7,600	(12,951)	7,058	(57,509)	912,732	(147,807)	764,925
Total	**874,759**	**(104,956)**	**769,803**	**84,671**	**-**	**-**	**-**	**-**	**-**	**-**	**(33,747)**	**7,600**	**(12,951)**	**7,058**	**(57,509)**	**912,732**	**(147,807)**	**764,925**

Additions for the period mainly refer to new lease agreements i.e. for the Beato Angelico, Villa Reale, Villa Jolanda, B.Franchiolo, Il Poggione and Villalba care homes which were the subject of a sale and leaseback transaction and for the Idice care home in Castenaso which was the subject of a business acquisition during the year. They also include the renewal of several lease agreements that were renegotiated with the owners of the leased properties.

"Reclassifications" includes the final purchase of two leased buildings now classified under "Property, plant and equipment".

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.

Movements 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 31/12/2020	Purchases	Business combination - Increase		Discontinued operations		Exchange differences		Reclassifications		Net disposals		Impairment losses and amortisation	Historical cost	Impairment losses and accumulated amortisation	Carrying amount as at 31/12/2021
(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	(2,186)	2,776												(118)	4,962	(2,304)	2,658
Total	**4,962**	**(2,186)**	**2,776**	-	-	-			-	-	-		-	-	**(118)**	**4,962**	**(2,304)**	**2,658**

Investment property was valued upon purchase and again at 31 December 2021.

20) Other equity 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 2021.

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 joint ventures, 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 profit of € 26 thousand which was classified in the Statement of Profit or Loss under "impairment gains (losses) on equity-accounted investments".

Other investments in associates and other equity-accounted investees

Name	Main office	Share/quota capital (Eur)		Owner	% of investment	Group interest	Carrying amount (eur) 31/12/2021	Carrying amount (eur) 31/12/2020
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	112,043,000	€	KOS Care S.r.l	0.80%	0.80%	900	900
Apokos Rehab PVT Ltd*	Andhra Pradesh - India	169,500,000	INR	Kos S.p.A	50.00%	50.00%	622	595
Other							32	33
Total							**2,447**	**2,421**

** Equity-accounted investees*

21) Other non-current assets

The following table provides a breakdown of this item:

(eur/000)	31/12/2021	31/12/2020	Var.
Tax assets	12	12	-
Security deposits	1,098	1,362	(264)
Amounts receivables from social security institutions	303	632	(329)
Other assets	1,549	1,632	(83)
Total	**2,962**	**3,638**	**(676)**

This item includes amounts receivable 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.

22) Deferred tax assets

This includes deferred tax assets and deferred tax liabilities arising on temporary differences between the profit for the year and taxable income.

(eur/000)	31/12/2021		31/12/2020	
	Difference	Tax	Difference	Tax
Temporary difference in current assets	13,500	3,256	13,709	3,321
Temporary difference in non-current assets	34,383	9,417	20,399	5,058
Temporary difference in current liabilities	5,882	1,525	6,689	1,587
Temporary difference in provisions for personnel	17,518	4,213	18,702	4,520
Temporary difference in provisions for risks and charges	19,646	5,096	21,771	5,554
Temporary difference in financial instruments	104	25	137	33
Temporary difference from tax losses	4,754	1,141	619	149
Total	**95,787**	**24,673**	**82,026**	**20,222**

(eur/000)	31/12/2021		31/12/2020	
	Difference	Tax	Difference	Tax
Temporary difference in non-current assets	52,382	14,556	55,888	17,471
Temporary difference in provisions for personnel	(1,383)	(336)	(1,534)	(368)
Total	**50,999**	**14,220**	**54,354**	**17,103**

With regard to deferred tax assets:

- the temporary differences in current assets mainly relate to loss allowances;
- 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 derivative financial instruments.

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 said company, as occurred in 2007;
- the temporary differences in provisions for personnel are mainly due to the different treatment of post-employment benefits for IFRS purposes (IAS 19).

Tax loss carryforwards for deferred tax computation purposes amount to € 5,245 thousand. For reasons of prudence, no deferred tax assets have recognised on such losses. A detailed analysis is provided below:

	31/12/2021	31/12/2020
Prior year losses	9,999	1,782
of which:		
- tax losses that generate deferred tax assets	4,754	619
- tax losses that did not generate deferred tax assets	5,245	1,163

Tax loss carryforwards could generate deferred tax assets based on the contents of the Business Plan and the participation of the companies in the CIR group taxation arrangement (Kos SpA and Kos Care S.r.l.).
The tax losses that did not generate deferred tax assets mainly regard Villa Nuova Armonia S.r.l. and Villa Margherita S.r.l. which do not take part in the group taxation arrangement and/or whose recovery cannot be considered reasonably certain in light of the contents of the Business Plan.

Deferred taxes recorded directly in equity during the year were positive and amounted to € 50 thousand. They refer to the tax effect of the actuarial gains(losses) from application of IAS 19 and to the measurement of the derivatives of the parent KOS SpA.
Changes in deferred tax assets and liabilities compared to 31 December 2020 are analysed below, inclusive of equity effects not passing through profit or loss.

Movements in deferred tax assets and liabilities

(eur/000)	31/12/2020	Use of deferred taxes from previous year	Deferred taxes for the year	Changes in consolidation scope	Other changes	31/12/2021
Deferred tax assets						
- in profit or loss	19,352	(3,068)	6,452			22,736
- in equity	870	(110)			1,177	1,937
Total	**20,222**	**(3,178)**	**6,452**	**-**	**1,177**	**24,673**

(eur/000)	31/12/2020	Use of deferred taxes from previous year	Deferred taxes for the year	Changes in consolidation scope	Other changes	31/12/2021
Deferred tax liabilities						
- in profit or loss	(10,948)	4,457	(1,734)	-		(8,225)
- in equity	(6,155)	160				(5,995)
Total	**(17,103)**	**4,617**	**(1,734)**	**-**	**-**	**(14,220)**
Net deferred taxes	**3,119**	**1,439**	**4,718**	**-**	**1,177**	**10,453**

During the reporting period, deferred tax assets recognised through profit or loss had a positive impact of € 949 thousand while the positive impact of accounting for deferred tax liabilities was equal to € 2,723 thousand.

The following table shows movements in deferred tax assets and liabilities in 2020.

(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 los	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 los	(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 ta	**7,776**	**(4,125)**	**192**	**(1,797)**	**1,073**	**3,119**

Current assets

23) Inventories

At 31 December 2021, inventories amounted to € 5,890 thousand and decreased by € 3,445 thousand compared to 31 December 2020.

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

(eur/000)	31/12/2021	31/12/2020	Var.
Other goods	419	735	(316)
Healthcare goods	5,071	8,203	(3,132)
Food product inventory	400	397	3
Total	**5,890**	**9,335**	**(3,445)**

Inventories include healthcare products and other items normally utilised in the Group's core business. The decrease compared to 31 December 2020 is due to utilisation in 2021 of PPE purchased in 2020 to deal with the COVID-19 emergency during the most critical phase of the pandemic.

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

24) Financial assets with the parent company

(eur/000)	31/12/2021	31/12/2020	Var.
Financial assets with the parent	1,271	1,030	241
Total	**1,271**	**1,030**	**241**

The financial assets with the ultimate parent CIR S.p.A. were generated by the inclusion of the IRES tax assets arising from the participation of several KOS Group companies in the group taxation arrangement.

25) Trade receivables

At 31 December 2021, trade receivables amounted to € 80,315 thousand, an increase of € 16,276 thousand on 31 December 2020.

The balance is analysed as follows:

(eur/000)	31/12/2021	%	31/12/2020	%	Var.
Trade receivables from private customers	32,949	29%	30,432	31%	2,517
Trade receivables form public-sector customers	81,087	71%	68,407	69%	12,680
Loss allowance	(33,721)		(34,800)		1,079
Total	**80,315**	**100%**	**64,039**	**100%**	**16,276**

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, € 1,365 thousand was allocated to the allowance, excluding the amount provided for interest on arrears.

Note that the loss allowance includes a prudent accrual made upon invoicing interest on arrears, mainly to public sector customers. This accrual stood at € 6,759 thousand at 31 December 2020 and had increased compared to 31 December 2020 (€ 6,613 thousand). In accordance with IFRS 9, the impairment losses have 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 loss allowance has decreased from 35% at 31 December 2020 to 30% at 31 December 2021.

For details of movements in the loss allowance, see Note *"3.3 Additional disclosures on financial assets."*
The carrying amount of trade receivables, net of the allowance, is close to their fair value.
Trade receivables at 31 December 2021 and 2020 are broken down by region in the table below:

(eur/000)	31/12/2021	%	31/12/2020	%	Var.
Lombardy	(2,146)	-3%	(1,886)	-3%	(260)
Trentino Alto Adige	1,091	1%	791	1%	300
Veneto	3,410	4%	3,235	5%	175
Piedmont	4,099	5%	2,972	5%	1,127
Liguria	2,783	3%	2,017	3%	766
Tuscany	599	1%	434	1%	165
Emilia Romagna	1,555	2%	1,188	2%	367
Marche	38,528	48%	33,164	52%	5,364
Lazio	3,174	4%	2,505	4%	669
Campania	3,112	4%	2,817	4%	295
Calabria	3,289	4%	2,486	4%	803
Sicily	224	0%	163	0%	61
Other regions	3,908	5%	2,961	5%	947
Foreign countries	16,689	21%	11,192	17%	5,497
Total	**80,315**	**100%**	**64,039**	**100%**	**16,276**

In Lombardy Region, a credit note has been issued in respect of 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 2021 and 31 December 2020, there were no trade receivables due after more than five years.

26) Other current assets

At 31 December 2021, other current assets amounted to € 12,581 thousand, a decrease of € 5,723 thousand compared to 31 December 2020, as detailed below:

(eur/000)	31/12/2021	31/12/2020	Var.
Financial assets with associates	133	133	-
Financial assets with others	8,995	13,914	(4,919)
Tax assets	3,453	4,257	(804)
Total	**12,581**	**18,304**	**(5,723)**

"Tax assets" mainly include VAT assets of € 328 thousand (€ 1,064 thousand at 31 December 2020) and IRES and IRAP payments on account totalling € 584 thousand (€ 1,332 thousand at 31 December 2020), as well as other tax assets for subsidies relating to capex incurred by the Group.

Financial assets with others mainly include the payments on account made to the health and safety institution INAIL (€ 113 thousand), advances to suppliers (€ 1,681 thousand), guarantee deposits (€ 895 thousand) and pre-paid expenses and accrued income mainly consisting of prepaid rent plus assets for government refunds recorded by the German subsidiary.

At 31 December 2021 and 31 December 2020, there were no other assets due after more than five years.

27) Financial assets

The balance of € 5,157 thousand at 31 December 2021 has increased compared to 31 December 2020 (€ 4,124 thousand) and comprises assets from non-recourse factoring.

28) Cash and cash equivalents

Cash and cash equivalents totalled € 172,805 thousand at 31 December 2021, an increase of € 4,988 thousand compared to 31 December 2020. They can be broken down as follows:

(eur/000)	31/12/2021	31/12/2020	Var.
Bank and postal deposits	172,230	167,377	4,853
Cash and cash equivalents on hand	355	336	19
Cheques	220	104	116
Total	**172,805**	**167,817**	**4,988**

Movements in cash and cash equivalents in 2021 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 loss of € 4 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 € 935,125 thousand against € 930,994 thousand at 31 December 2020. For further information, see the note on the "Net financial position 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	HEDGING RESERVE	ACTUARIAL RESERVE	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 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**
Capital increase										0		83	83
Profit for the year									1,390	1,390	977		2,367
Other comprehensive income:													
Changes in hedging reserve					67					67			67
Changes in actuarial reseve						(221)				(221)		(3)	(224)
Translation differences								634		634		8	642
Total other comprehensive income	**0**	**0**	**0**	**0**	**67**	**(221)**	**0**	**634**	**1,390**	**1,870**	**977**	**5**	**2,852**
Increase in stock option reserve				112						112			112
Dilution of non-controlling interests (CMH)							(81)			(81)			(81)
Allocation of prior year profit		1					46,740		(46,741)	0	(1,069)	1,069	0
Dividends paid and reserves distributed										0		(1,003)	(1,003)
BALANCE AT 31 DECEMBER 2021	**8,853**	**1,771**	**40,250**	**2,387**	**(46)**	**(3,186)**	**285,187**	**1,511**	**1,390**	**338,117**	**977**	**6,546**	**345,640**

Share capital

Share capital was wholly subscribed and paid at 31 December 2021. It amounts to € 8,853 thousand and is divided into 89,016,534 shares with no nominal value.

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

Share-based payments

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

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

Details of the various plans and movements thereon in 2021 are shown in the following table:

31/12/2021	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	1,414,583	2.65							1,414,583	2.65	11.4	1,414,583	2.65	31/12/2014	17/05/2033
Stock Option '16	1,206,000	7.25							1,206,000	7.50	11.4	723,600	7.50	17/05/2023	17/05/2033
Total	**2,620,583**	**4.77**							**2,620,583**	**4.88**	**11.4**	**2,138,183**	**4.29**		

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

The carrying amount of the stock options recognised in profit or loss under Personnel expense for share based payments regarding stock options on KOS S.p.A. shares was equal to € 112 thousand at 31 December 2021.

Reserves

Legal reserve

The legal reserve amounts to € 1,771 thousand and was increased by € 1 thousand in 2021.

Share premium reserve

The share premium reserve amounts to € 40,250 thousand and has not changed compared to 31 December 2020.

Valuation reserves

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

Valuation reserves (eur/000)	31/12/2020	Increase	Decrease	Changes in intrinsic value	31/12/2021
Hedging reserve	(113)			67	(46)
Stock option reserve	2,275	112			2,387
Actuarial reserve	(2,965)	(221)			(3,186)
Total	**(803)**	**(109)**	**0**	**67**	**(845)**

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 ***Hedging reserve*** includes the intrinsic value of the KOS Group derivative contracts based on the cash flow hedge method, allocating it to the equity reserve at the 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 ***Actuarial reserve*** includes actuarial gains and losses resulting from application of the revised IAS 19 to the Group's post-employment benefits.

Other reserves and retained earnings

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

Equity-non-controlling interests

Equity attributable to non-controlling interests, amounting to € 7,523 thousand (€ 7,461 thousand at 31 December 2020), mainly regards companies consolidated on a line by line basis but with non-controlling investos. The increase compared to 31 December 2020 is primarily due to the payment of dividends by Abitare il tempo S.r.l. (€ 1,003 thousand) and to profit for the year (€ 977 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%	4,428
Fidia S.r.l	40%	40%	174
KOS Servizi Società Consortile R.L	3%	0%	-18
Sanatrix Gestioni S.r.l.	10%	0%	2,179
Sanatrix S.r.l.	10%	10%	695
GES.CA.S. Villa Armonia Nuova S.r.l.	5%	0%	283
ClearMedi Healthcare Ltd	1%	0%	-36
ClearView Healthcare Ltd	15%	15%	121
Die Frankenschwestern GmbH	40%	40%	-303
Total			**7,523**

30) Financial liabilities

At 31 December 2021, financial liabilities amounted to € 1,113,087 thousand against € 1,102,936 thousand at 31 December 2020, an increase of € 10,151 thousand for the year.

The following table contains a breakdown of these balances by maturity date as at 31 December 2021 and 31 December 2020.

(eur/000)	31/12/2021	Within the year	1-5 years	Over five years	31/12/2020	Within the year	1-5 years	Over five years
Bank overdrafts	**-**	-			**1,317**	1,317		
Bank loans and borrowings - collateral	**58,817**	-	22,150	36,667	**34,969**	13,638	21,331	-
Bank loans and borrowings	**164,489**	8,985	149,254	6,250	**201,307**	17,231	184,076	-
Bonds	**99,666**	666	99,000	-	**99,666**	666	99,000	-
Loans and borrowings with other financial backers	**574**	191	383	-	**763**	191	572	-
Finance leases	**14,624**	1,407	6,354	6,863	**34,568**	4,223	15,352	14,993
Lease liabilities	**774,917**	49,278	198,732	526,907	**730,276**	48,924	196,656	484,696
Fair value of derivatives	**-**	-			**70**	70		
Total	**1,113,087**	**60,527**	**475,873**	**576,687**	**1,102,936**	**86,260**	**516,987**	**499,689**

The following table shows movements in non-current financial liabilities between 31 December 2020 and 31 December 2021.

(eur/000)	31/12/2020	Increase	Decrease	Exchange difference	31/12/2021
Bank loans and borrowings - collateral	**34,969**	60,000	(36,152)		**58,817**
Bank loans and borrowings	**201,307**	75,491	(113,722)	1,413	**164,489**
Bonds	**99,666**				**99,666**
Loans and borrowings with other financial backers	**763**		(189)		**574**
Finance leases	**34,568**		(19,944)		**14,624**
Lease liabilities	**730,276**	83,599	(38,958)		**774,917**
Fair value of derivatives	**70**		(70)		**0**
Total	**1,101,619**	**219,090**	**(209,035)**	**1,413**	**1,113,087**

Bank loans and borrowings

Details of the main movements are provided below:

- In 2021, the Group carried out sale and leaseback transactions in relation to several properties. This led to the unwinding of related secured debt and property leases.

- On 24 May 2021, an agreement for a loan of € 75 million was signed with a syndicate of eleven banks with 80% of the funds covered by a SACE Guarantee. The loan was disbursed on 4 June 2021 to KOS SpA and it transferred the funds by means of Intragroup loans to the following subsidiaries: KOS Care Srl - € 65 million; Kos Servizi - € 5 million; and Sanatrix Gestioni - € 4.5 million. Utilisation of the loan must be in compliance with the SACE Regulation and it may only be used to pay for capex, personnel expense, working capital and leases and rentals. The loan expires on 31 March 2027 and the agreement provides for three years of interest only payments with the principal then being repaid in quarterly instalments from 30 June 2024. The cost of the SACE guarantee is 0.50% in year one, 1% in years two and three and 2% from year four onwards.

- On 23 June 2021, Kos Spa arranged a property loan facility with a syndicate of two banks. The loan facility is for a total amount of € 100 million and is secured by mortgages on the Group's properties. The loan has been disbursed to KOS SpA in the amount of € 60 million (€ 50 million in June and € 10 million in October) and it has transferred the funds to the following subsidiaries by means of intragroup loans: KOS Care - € 55 million; Gescas Villa Armonia Nuova - € 2 million; Sanatrix Gestioni - € 2 million; and Abitare il Tempo - € 1 million. The subsidiaries have used part of the funds received to repay existing mortgage loans and property leases for a total amount of around € 30 million. The loan expires on 23 June 2028 and the agreement provides for a period of 30 months of interest-only payments and repayment of the principal in six-monthly instalments from 31 December 2023.

- In July 2021, KOS SpA made early repayment of the principal of € 36 million of the ING Natixis loan and of € 14.25 million of line B of the syndicated loan. It also made partial repayment of € 30 million of the loan arranged with a syndicate of banks for the acquisition of Charleston. We note that the parent closed the two IRS derivative agreements that had been arranged for hedging purposes in relation to the ING loan.

At 31 December 2021, available loan facilities included the Mediobanca syndicated revolving facility of € 25 million (utilisation period due to end on 27 April 2022) and the property facility of € 40 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 recorded 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 carrying amount (See Note 4, "*Information on risks and financial instruments*").

Bonds

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

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

Other financial liabilities

The following table contains a breakdown of this item at 31 December 2021 and 31 December 2020.

(eur/000)	31/12/2021	31/12/2020	Var
Regional fund (FRISL)	572	763	(191)
Total	**572**	**763**	**(191)**

Other financial liabilities includes € 572 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).

Finance leases

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 liabilities at 31 December 2021 and 31 December 2020.

(eur/'000)	31/12/2021	31/12/2020	Var
Property lease - Padiglione F.	-	5,184	- 5,185
Property lease - Montecosaro	2,899	3,209	- 310
Property lease - Monza	-	6,322	- 6,322
Property lease - Foligno	4,632	4,822	- 190
Property lease - Foligno	3,505	3,546	- 41
Property lease - PGR	-	7,098	- 7,098
Property lease - Ascoli	3,586	4,113	- 527
High tech equipment leases		272	- 272
Total	**14,623**	**34,567**	**(19,944)**

The decrease in property lease liabilities is due to repayments made during the year while the decrease in liabilities for high tech equipment leases is due to the sale of the Medipass Group companies.

Lease liabilities

Pursuant to IFRS 16, the Group has recorded a lease liability for rights of use which totalled € 774,917 at 31 December 2021 (€ 730,276 thousand at 31 December 2020). The liability mainly refers to the rental/lease of buildings and to the hire/rental of cars and other assets.

Financial liabilities for measurement of derivatives

Financial liabilities 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. The caption had a zero balance at 31 December 2021, a decrease of € 70 thousand compared to 31 December 2020. The increase for the year mainly refers to new lease agreements – specifically, the Beato Angelico, Villa Reale, Villa Jolanda, B.Franchiolo, Il Poggione and Villalba Care Homes which were the subject of a sale and leaseback transaction and the Idice Care Home in Castenaso which was the subject of a business acquisition in the first quarter of the year – as well as to the renewal of several lease agreements that were renegotiated with the owners of the properties. Decreases refer to payments made during the year.

31) __Deferred tax liabilities__

The deferred tax liabilities relate to temporary differences between the carrying amount of the assets and liabilities in the consolidated financial statements and their corresponding tax bases. See note 22 "Deferred taxes" for further information.

32) Provisions for personnel

Provisions for personnel include post-employment benefits ("TFR") and other employee benefits accruing 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 2021, post-employment benefits amounted to € 24,109 thousand, a decrease of € 1,663 thousand compared to 31 December 2020.

The following table shows movements in provisions for personnel in 2021.

(eur/000)	31/12/2021	31/12/2020
Opening balance	25,772	27,241
Service cost	11,196	10,888
Financial expense	80	188
Benefits paid	(2,191)	(1,887)
Change in consolidation scope	-	(987)
Transfers to pension funds/treasury fund	(10,987)	(9,784)
Other changes	(17)	(389)
Net unrealised actuarial gains	276	502
Provisions for personnel	**24,129**	**25,772**

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	31/12/2021	31/12/2020
Inflation rate	1.75%	0.80%
Discount rate	0,98%*	0,34%*
ESI increase rate	2.81%	2.10%

Demographic assumptions	31/12/2021	31/12/2020
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%	0.25%	-0.25%	0.25%	-0.25%
KOS S.p.A.	737,791.06	756,257.27	761,792.79	731,544.07	726,373.82	767,388.54
KOS SERVIZI SOC. CONSORTILE A R.L.	5,025,365.98	5,153,260.66	5,193,830.84	4,979,538.05	4,950,561.87	5,225,510.09
OSPEDALE DI SUZZARA S.p.A.	78,703.92	80,668.12	81,002.91	78,271.53	77,451.48	81,887.72
CASA DI CURA PRIVATA VILLA MARGHERITA S.R.L.	1,557,473.42	1,574,934.12	1,582,632.92	1,549,210.12	1,539,299.60	1,593,133.53
KOS CARE S.R.L.	14,550,073.33	14,734,484.66	14,814,330.31	14,464,162.48	14,359,281.76	14,925,561.02
ABITARE IL TEMPO S.R.L.	484,728.72	496,735.54	501,611.21	479,382.19	476,078.56	505,214.51
SANATRIX GESTIONI S.R.L.	667,068.80	675,762.59	679,301.89	663,233.94	658,478.51	684,353.90
FIDIA S.R.L.	171,988.20	177,452.40	179,630.36	169,543.32	167,767.61	181,593.92
JESILAB S.R.L.	118,321.98	121,223.88	122,372.12	117,026.49	116,270.85	123,201.22
VILLA ARMONIA NUOVA	737,791.06	756,257.27	761,792.79	731,544.07	726,373.82	767,388.54

Company	Service Cost pro futuro	Duration (Years)
KOS S.p.A.	63,091.84	14.94
KOS SERVIZI SOC. CONSORTILE A R.L.	963,859.83	17.64
OSPEDALE DI SUZZARA SPA	0	11.78
CASA DI CURA PRIVATA VILLA MARGHERITA S.R.L.	0	7.52
VILLA ARMONIA NUOVA	0	6.36
KOS CARE S.R.L.	0	8.36
ABITARE IL TEMPO S.R.L.	54,198.50	16.65
SANATRIX GESTIONI S.R.L.	0	8.37
FIDIA S.R.L.	15,198.07	20.62
JESILAB S.R.L.	26,577.76	19.4
TOTAL	**1,122,926.00**	

Year	1	2	3	4	5
KOS S.p.A.	46,106.37	37,016.19	38,701.62	40,275.73	41,765.72
KOS SERVIZI SOC. CONSORTILE A R.L.	470,049.10	317,801.75	385,661.20	464,173.12	509,659.13
OSPEDALE DI SUZZARA SPA	4,448.95	5,524.37	3,987.42	3,814.64	3,648.91
CASA DI CURA PRIVATA VILLA MARGHERITA S.R.L.	232,719.89	156,915.39	147,559.60	118,541.57	78,280.40
VILLA ARMONIA NUOVA	24,300.80	66,162.54	16,511.16	51,574.47	36,796.11
KOS CARE S.R.L.	1,561,554.75	1,153,564.63	1,012,495.52	1,052,629.29	1,063,938.70
ABITARE IL TEMPO S.R.L.	24,165.34	25,110.64	26,619.62	28,043.05	43,772.26
SANATRIX GESTIONI S.R.L.	115,134.21	33,756.65	35,927.89	37,972.89	32,469.40
FIDIA S.R.L.	3,414.40	3,698.11	3,986.08	16,029.41	4,277.85
TOTAL	**2,481,893.81**	**1,799,550.27**	**1,671,450.11**	**1,813,054.17**	**1,814,608.48**

33) Provisions for risks and charges

The following table shows changes in 2021:

(eur/000)	31/12/2020	Increase	Utilisation	31/12/2021
NON-CURRENT				
Provisions for sundry risks	5,887	866	(1,328)	5,425
Total "NON-CURRENT"	**5,887**	**866**	**(1,328)**	**5,425**
CURRENT				
Provisions for sundry risks	40,527	6,503	(8,125)	38,905
Total "CURRENT"	**40,527**	**6,503**	**(8,125)**	**38,905**
TOTAL PROVISIONS FOR RISKS AND CHARGE	**46,414**	**7,369**	**(9,453)**	**44,330**

The Group companies are involved in various civil lawsuits regarding medical and surgical practice that could lead to them 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 € 8,500 thousand for litigation and claims with third parties and personnel; € 8,017 thousand of this total is classified under current provisions for sundry risks.

The doctors working at Group healthcare facilities have insurance policies that partially cover the risk of compensation claims made by patients or their relatives for damage 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 € 18,917 thousand.

34) Financial liabilities with the parent

(eur/000)	31/12/2021	31/12/2020	Var.
Payables to parent company	-	826	(826)
Total	**-**	**826**	**(826)**

At 31 December 2020, financial liabilities with the ultimate parent CIR S.p.A. mainly included the IRES tax liabilities relating to the participation of several KOS Group companies in the Group Taxation Arrangement. At 31 December 2021, there was an asset balance with CIR S.p.A. so this caption shows a zero balance.

35) Trade payables

The following table shows trade payables at 31 December 2021 and the change on 31 December 2020:

(eur/000)	31/12/2021	31/12/2020	Var.
NON CURRENT			
Trade payables	203	319	(116)
Total "NON CURRENT"	**203**	**319**	**(116)**
CURRENT			
Trade payables	76,634	80,724	(4,090)
Advance payments	325	108	217
Total "CURRENT"	**76,959**	**80,832**	**(3,873)**
Total trade payables	**77,162**	**81,151**	**(3,989)**

Trade payables include liabilities for purchases of goods or services. They are reported net of discounts and/or contributions received, as well as of credit notes to be received for various reasons.

Advance payments mostly regard advances on fees received from customers.

The carrying amount of trade payables and other liabilities approximates their measurement at amortised cost.

At 31 December 2021 and 31 December 2020, there were no trade payables due after more than five years.

36) Other liabilities

At 31 December 2021, other liabilities increased to € 79,803 thousand from € 69,011 thousand at 31 December 2020:

(eur/000)	31/12/2021	31/12/2020	Var.
NON CURRENT			
Other sundry liabilities	138	134	4
Total "NON-CURRENT"	**138**	**134**	**4**
CURRENT			
Tax liabilities	5,508	3,529	1,979
VAT liabilities	349	63	286
Withholding taxes	5,808	5,910	(102)
Other tax liabilities	4,963	976	3,987
Liabilities with social security institutions	12,857	11,998	859
Liabilities with personnel	33,201	29,333	3,868
Guarantee deposits	5,551	4,002	1,549
Other sundry liabilities	11,428	13,066	(1,638)
Total "CURRENT"	**79,665**	**68,877**	**10,788**
Total other liabilities	**79,803**	**69,011**	**10,792**

Withholding taxes include the liability for withholding taxes for employees and freelance personnel.

"Other tax liabilities" includes, *inter alia*, the liability for stamp duty settled in a virtual manner, the liability for taxes on waste and the liability for substitute tax on revaluations due in three annual instalments from June 2021.

Liabilities with employees include payroll liabilities (holiday pay, 14^{th} month's salaries, bonuses, salaries) accruing but not yet paid.

Liabilities with social security institutions include employee and employer's social security and pension contributions due.

37) Guarantees, commitments and risks

Commitments and contingent risks

The following table summarises the Group's commitments and contingent risks at 31 December 2021 and 31 December 2020:

(eur/000)	31/12/2021	31/12/2020	Var.
Surety (building rent)	27,786	24,983	2,803
Surety for key money	225	225	-
Other commitment	7,407	8,471	- 1,064
Total	**35,418**	**33,679**	**1,739**

At 31 December 2021, bank guarantees and other guarantees given by KOS SpA and/or the subsidiaries in relation to borrowing facilities of KOS S.p.A. totalled approximately € 28,011 thousand, as follows:

- Guarantee on behalf of KOS S.p.A for lease of offices in via Durini - around €46 thousand
- Guarantees on behalf of KOS Care S.r.l. for leases - around € 27,740 thousand;
- Guarantee in favour of the Municipality of Sanremo for security deposits on planning permission/urbanisation costs - € 225 thousand.

At 31 December 2021, other commitments and risks amounted to € 7,407 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.
- call for tender of around € 64 thousand
- contractual commitments for around € 3,377 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 103 care homes for the elderly, 7 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, the secured facility of Euro 100 million is guaranteed by mortgages on several Group properties. Said facility is also guaranteed by the assignment to the lending banks of KOS's intragroup financial assets with the Group companies that have utilised the facility. Meanwhile, corporate loans and bonds are secured by the assignment of financial assets with its subsidiaries, financial assets 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) associates;
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 relations;
- service agreements;
- trade relations;
- relations regarding the CIR Group group tax arrangements.

The following table contains details of the statement of financial position and statement of profit or loss relations of the KOS Group with other entities identified as related parties and belonging to the KOS Group at both 31 December 2021 and 31 December 2020:

[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.

INTERCOMPANY ASSETS / LIABITIES	31/12/2021						31/12/2020					
	Assets			Liabilities			Assets			Liabilities		
(eur/000)	Trade	Finan.	Other assets	Trade	Finan.	Other liabilities	Trade	Finan.	Other assets	Trade	Finan.	Other liabilities
Parent company												
CIR S.p.A			1,271			-			1,030			826
Associates												
Osimo Salute S.p.A.		133						133				
Other related parties			26	446					26	1,849		
Total	-	133	1,297	446	-	-	-	133	1,056	1,849	-	826

INTERCOMPANY REVENUE/COSTS	2021						2020					
	Revenue			Costs			Revenue			Costs		
(eur/000)	Sales revenue	Other revenue	Financial income	Purchase costs	Other costs	Financial expense	Sales revenue	Other revenue	Financial income	Purchase costs	Other costs	Financial expense
Parent company												
CIR S.p.A					134						110	
Associates												
Other related parties		10		1,882				6		5,792		
Total	-	10	-	1,882	134	-	-	6	-	5,792	110	-

"Other related parties" mainly includes trade transactions with labour cooperatives and other companies. The main other related parties include: Coo.s.s. Marche Onlus (costs of € 1,492 thousand and liabilities of € 416 thousand at 31 December 2021)
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 in the Marche Region.

The fees of the members of the Boards of Directors of the KOS Group companies amounted to € 1,536 thousand (€ 1,219 thousand in 2020).

The fees of the members of the Boards of Statutory Auditors of the KOS Group companies amounted to € 164 thousand (€ 129 thousand in 2019).

Gross remuneration of the key managers totalled € 1,451 thousand in 2021 (€ 1,253 thousand in 2020).

39) Net financial position

At 31 December 2021, the net financial position was as follows:

(eur/000)	31/12/2021	31/12/2020
(A) Cash and cash equivalents	172,805	167,817
(B) Other cash equivalents	-	-
(C) Liquidity (A) + (B)	**172,805**	**167,817**
(D) Securities, derivatives and other financial assets	5,157	4,124
(E) Total current financial assets (C) + (D)	**177,962**	**171,941**
(F) Account overdrafts	-	1,317
(G) Collateral loans	-	13,638
(H) Bank loans	8,985	17,231
(I) Bonds	666	666
(J) Finance leases	1,407	4,223
(K) Right of use loans	49,278	48,924
(L) Loans and borrowings with other financiale backers	191	191
(M) Derivatives	-	70
(N) Current financial debt (F) + (G) + (H) + (I) + (J) + (K) + (L) + (M)	**60,527**	**86,260**
(O) Net current financial position (N) - (E)	**(117,435)**	**(85,681)**
(P) Collateral loans	58,817	21,331
(Q) Bank loans	155,504	184,076
(R) Bonds	99,000	99,000
(S) Finance leases	13,217	30,345
(T) Right of use loans	725,639	681,352
(U) Loans and borrowings with other financiale backers	383	572
(V) Non current financial debt (P)+(Q)+(R)+(S)+(T)+(U)	**1,052,560**	**1,016,676**
(W) Net financial debt (O)+(V)	**935,125**	**930,995**

The Group's net financial debt was € 935 million against € 931 million at 31 December 2020. The worsening of around € 4 million in the net financial debt is mainly due to the Sale & Leaseback transactions involving properties which led to an increase in financial liabilities for rights of use that exceeded the property-related debt repaid.

The Group's net financial debt includes: (i) cash and cash equivalents of € 172.8 million; (ii) financial assets for measurement of derivatives and non-recourse factoring of € 5.2 million; (iii) current debt (advances on invoices and bank overdrafts) of zero while total available short-term credit facilities amount to € 33.6 million (i.e. there is headroom of € 33.6 million); (iv) non-current debt of € 1,052.6 million which totals € 338.2 million if lease liabilities for rights of use are excluded. The Group also has the possibility of using additional medium/long-term lines of credit totalling € 67.1 million.

The statement of cash flows shows that cash flows from operating activities amounted to € 72,694 thousand in the year ended 31 December 2021 compared to € 80,527 thousand in the year ended 31 December 2020. Despite the ongoing pandemic, the Group generated cash flows from its operating activities.

Cash flows used in investing activities increased from € 62,243 thousand in 2020 to € 76,529 thousand in 2021. The change is mainly due to the Sale and Lease transactions relating to properties.

Cash flows from financing activities amounted to € 10,140 thousand in 2021, improved on cash flows used in financing activities of € 99,485 thousand in 2020. The cash flows generated are mainly explained by the fact that new debt agreed, debt repaid and the sale and leaseback transactions produced a net positive balance of around € 10 million.

40) Earnings or loss per share

Basic earnings per share is calculated by dividing the profit for the year attributable to ordinary shareholders by the weighted average number of outstanding shares. Diluted earnings per share is calculated by dividing the profit for the year attributable to ordinary shareholders by the weighted average number of outstanding ordinary shares during the year adjusted by the dilution effects of options outstanding. The parent 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.

	2021	2020
Earning (loss) for the year		
Profit for the year attributable to shareholders (A)	**1,389,676**	**46,741,190**
Diluted effect (B)	**0**	**0**
Diluted earning (loss) attributable to shareholders (E=A+B)	**1,389,676**	**46,741,190**
Number of shares		
Weighted average number of ordinary shares outstanding (C)	89,016,534	89,016,534
Diluted effect (D)	973,871	432,475
Weighted average number of ordinary shares outstanding dluited (F	89,990,405	89,449,009
Basic earning (loss) per share (A/C)	**0.016**	**0.525**
Diluited earning (loss) per share (E/m in (F;C))	**0.015**	**0.523**

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 revenue 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 Care 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 2021 and 2020 is provided below.

(eur/000)

	ACUTE & LONG TERM CARE				D&CC		CORPORATE, OTHER COMMON SERVICES AND IC		Total	
	Italy		Germany							
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
Total revenue	**466,190**	**445,915**	**179,415**	**172,911**	**18,276**	**15,744**	**(3,750)**	**(2,995)**	**660,131**	**631,575**
GROSS OPERATING PROFIT (LOSS) (EBITDA)	83,650	72,004	35,978	34,228	4,554	3,477	(2,227)	1,954	121,955	111,663
OPERATING PROFIT (LOSS) (EBIT)	24,698	17,436	11,678	9,878	704	(11,489)	(4,634)	(434)	32,446	15,391
NET FINANCIAL EXPENSE									(29,216)	(32,309)
INCOME TAXES									(863)	(6,712)
PROFIT (LOSS) FROM CONTINUING OPERATIONS									2,367	(23,630)
PROFIT (LOSS) FROM DISCONTINUED OPERATIONS									-	71,440
PROFIT FOR THE YEAR ATTR. TO NON-CONTROLLING INTERESTS									977	1,069
PROFIT FOR THE YEAR ATTR. TO OWNERS OF THE PARENT									1,390	46,741

	ACUTE & LONG TERM CARE				D&CC		CORPORATE, OTHER COMMON SERVICES AND IC		Total	
	Italy		Germany							
FINANCIAL POSITION	31/12/2021	31/12/2020	31/12/2021	31/12/2020	31/12/2021	31/12/2020	31/12/2021	31/12/2020	31/12/2021	31/12/2020
Property, plant and equipment*	232,274	235,365	7,367	6,406	15,446	15,680	2,570	1,944	257,657	259,395
Intangible assets	276,932	275,437	88,962	89,024	16	25	1,775	2,275	367,685	366,761
Right of use assets	394,707	380,791	366,554	386,686	2,676	1,269	988	1,057	764,925	769,803
Other non current assets	2,352	2,352	15	15	0	0	27,715	23,915	30,082	26,282
Assets held for sale										
Current assets	70,883	63,747	11,919	8,087	5,866	4,821	189,351	187,994	278,019	264,649
Total assets	**977,148**	**957,692**	**474,817**	**490,218**	**24,004**	**21,795**	**222,399**	**217,185**	**1,698,368**	**1,686,890**
Equity							345,640	343,677	345,640	343,677
Non current liabilities	19,593	22,025	455	640	212	172	1,076,413	1,043,054	1,096,673	1,065,891
Liabilities held for sale										
Current liabilities	126,268	136,547	24,718	20,299	3,718	3,037	101,351	117,439	256,055	277,322
Total liabilities	**145,861**	**158,572**	**25,173**	**20,939**	**3,930**	**3,209**	**1,523,404**	**1,504,170**	**1,698,368**	**1,686,890**

* Including investment property

42) Significant events after the reporting date

There have been no significant events after 31 December 2021.

The Group's business activities in Italy have shown strong signs of recovery in the last few months. However, it is still uncertain how long it will take for things return to normal.
Depending on the intensity of the pandemic, the progress made with the vaccination rollout and without any further waves of infections, it is assumed that Diagnostics and Cancer Care and Psychiatric Rehabilitation segments can return close to pre-Covid levels of activity in the year 2022. Against the same background, Care Homes in Italy will have to wait until 2023, at least, before they can return to near pre-pandemic occupancy levels, unless restrictions on the acceptance of new residents are lifted (e.g. the need to isolate new residents in care homes) along with other operational restrictions (e.g. opening up again to visits by friends and relatives, double rooms used as single rooms for isolation requirements).

43) 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 phase of recovery after the unforeseeable crisis period, of extraordinary intensity, caused by the Covid-19 pandemic and its consequences on the Group's business, with a particular impact on revenue and costs.

Faced with the effects of Covid-19 and the deterioration in operating results, the group has taken action that has already improved its financial position. In January 2022, it also drew up a Plan showing how it plans to restore the profitability enjoyed by the Group before the pandemic broke out.

In 2022, the Group's financial performance is still expected to be down on that of the pre-Covid period. With regard to the available finances, taking account of forecast results and cash flows and considering existing loan maturity dates and also having 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, the group has signed agreements with the banks for new lines of credit under rules in place in Italy on loans accompanied by government guarantees. The group has also arranged a significant medium/long-term mortgage finance facility drawing on its real estate assets.

In 2021, Management identified and launched a range of measures designed to deal with the risk of failure to comply with the covenants in the group's loan contracts. These ordinary and extraordinary measures included the disposal of several real estate assets and the abovementioned refinancing of properties owned by the Group; the aim was to improve the financial structure to ensure that the covenants were complied with. In fact, the covenants were comfortably complied with at 31 December 2021. These measures, together with the liquidity currently available and the obtaining of financing guaranteed by SACE from a syndicate of banks – as finalised in June 2021 – 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 costs and further government aid is awaited in both Germany and Italy in order to cover at least part of the revenue lost and the extraordinary costs incurred because of the pandemic.

Given all of the above, there is no reason to doubt the Group's ability to operate as a going concern. This is also taking account of:

• the scenario used for impairment test purposes which shows the prospect of recovery to the pre-Covid situation in the next few years and the sustainability of debt envisaged in the Plan;
• the fact that the group has the finances necessary to meet its requirements in the next twelve months;
• the fact that loan conditions have been complied with – especially the covenants measured at interim and annual reporting dates - and the measures identified by management to ensure they will also be complied with at the next measurement dates.

44) Management and coordination activities

Pursuant to Article 2497 bis of the Italian Civil Code, we inform you that the parent is subject to management and coordination by the ultimate parent 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 taxation arrangement.
Highlights from the latest approved IFRS financial statements of the ultimate parent CIR S.p.A. are set out below (source: https://www.cirgroup.it/bilanci-e-relazioni).

(in euro)

ASSETS		*31.12.2020*
NON-CURRENT ASSETS		**648,842,657**
INTANGIBLE ASSETS		42,527
PROPERTY, PLANT AND EQUIPMENT		5,687,000
INVESTMENT PROPERTY		12,993,560
RIGHT-OF-USE ASSETS		20,410
EQUITY INVESTMENTS		599,482,861
OTHER RECEIVABLES		9,131,863
of which with related parties (*)	*7,653,843*	
OTHER FINANCIAL ASSETS		20,768,053
DEFERRED TAX ASSETS		716,383
CURRENT ASSETS		**138,159,026**
OTHER RECEIVABLES		86,296,351
of which with related parties (*)	*72,857,966*	
SECURITIES		13,950,562
CASH AND CASH EQUIVALENTS		37,912,113
TOTAL ASSETS		**787,001,683**

LIABILITIES		*31.12.2020*
EQUITY		**770,919,909**
SHARE CAPITAL		625,124,960
RESERVES		81,213,741
RETAINED EARNINGS (LOSSES) CARRIED FORWARD		61,950,158
PROFIT FOR THE YEAR		2,631,050
NON-CURRENT LIABILITIES		**2,259,702**
OTHER LOANS AND BORROWINGS		--
LEASE LIABILITIES		12,445
OTHER LIABILITIES		316,582
DEFERRED TAX LIABILITIES		70,786
EMPLOYEE BENEFIT OBLIGATIONS		1,859,889
CURRENT LIABILITIES		**13,822,072**
BANK LOANS AND BORROWINGS		--
LEASE LIABILITIES		8,123
OTHER LIABILITIES		8,862,850
of which with related parties (*)	*4,560,379*	
PROVISIONS FOR RISKS AND CHARGES		4,951,099
TOTAL LIABILITIES AND EQUITY		**787,001,683**

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

(in euro)		
		2020
SUNDRY REVENUE AND INCOME		2,282,643
of which with related parties (*)	927,723	
COSTS FOR THE PURCHASE OF GOODS		--
COSTS FOR SERVICES		(7,238,871)
of which with related parties (*)	(5,548)	
PERSONNEL EXPENSES		(5,041,256)
OTHER OPERATING EXPENSE		(1,783,714)
AMORTISATION, DEPRECIATION & IMPAIRMENT LOSSES		(1,155,908)
OPERATING PROFIT (LOSS)		**(12,937,106)**
FINANCIAL INCOME		763,872
of which with related parties (*)	697,016	
FINANCIAL EXPENSE		(1,365,675)
DIVIDENDS		6,000,000
of which with related parties (*)	6,000,000	
GAINS FROM SECURITIES TRADING		--
LOSSES FROM SECURITIES TRADING		(23,641)
FAIR VALUE GAINS (LOSSES) ON FINANCIAL ASSETS		3,470,292
PROFIT (LOSS) BEFORE TAXES		**(4,092,258)**
INCOME TAXES		1,617,051
PROFIT (LOSS) FROM CONTINUING OPERATIONS		**(2,475,207)**
PROFIT FROM DISCONTINUED OPERATIONS		5,106,257
PROFIT FOR THE YEAR		**2,631,050**
BASIC EARNINGS PER SHARE (in euro)		0.0022
DILUTED EARNINGS PER SHARE (in euro)		0.0022
BASIC LOSS PER SHARE FROM CONTINUING OPERATIONS (IN EURO)		(0.0021)
DILUTED LOSS PER SHARE FROM CONTINUING OPERATIONS (IN EURO)		(0.0021)

(*) 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 grouping	***Largest group***
Name	**CIR S.p.A. – Compagnie industriali riunite**	**FRATELLI DE BENEDETTI S.p.A.**
City	Milan	Turin
Tax number	01792930016	05936550010
Place of filing of consolidated accounts	Milan Via Ciovassino, 1	Turin Via Valeggio, 41

Milan, 24 February 2022

For the Board of Directors
The Chairman
Carlo Michelini