(This independent auditors' report has been translated into English solely for the convenience of international readers. Accordingly, only the original Italian version is authoritative.)

KOS Group

Consolidated financial statements as at and for the year ended 31 December 2022

(with independent auditors' report thereon)

KPMG S.p.A.

6 April 2023

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

(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 KOS Group (the “group”), which comprise the statement of financial position as at 31 December 2022, 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 2022 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 2022 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 2022 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 2022 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 2023

KPMG S.p.A.

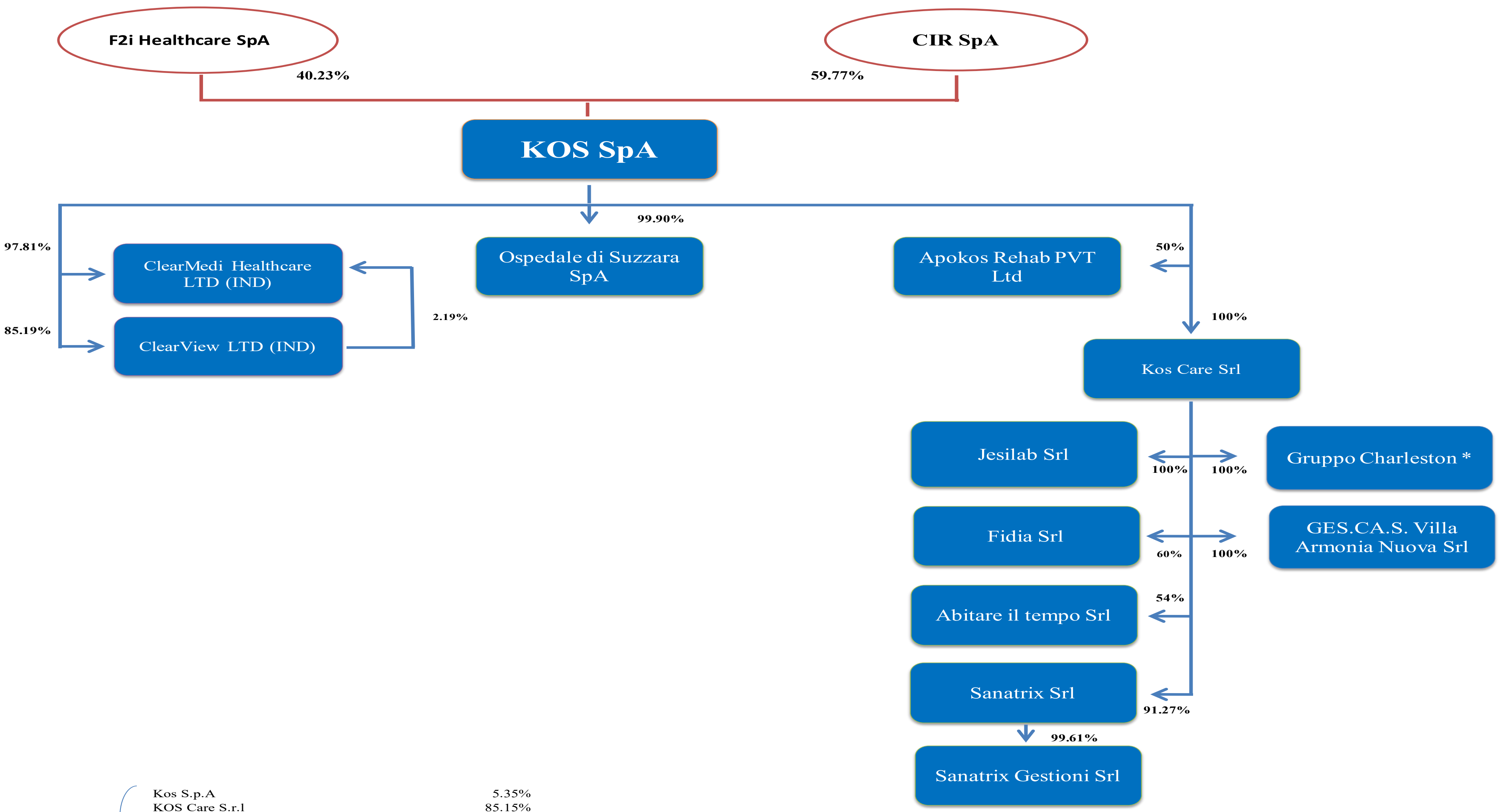
(signed on the original)

Claudio Mariani
Director

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

CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2022

GROUP STRUCTURE



KOS Servizi Scarl

Kos S.p.A	5.35%
KOS Care S.r.l	85.15%
Ospedale di Suzzara S.p.A.	1.79%
Abitare il Tempo S.r.l	4.11%
Sanatrix Gestioni S.r.l.	2.52%
Fidia S.r.l.	0.36%
GES.CA.S. Villa Armonia Nuova S.r.l.	0.36%
Jesilab S.r.l.	0.36%

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

Index

Company bodies at 31 December 2022

Board of Directors

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

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 2022 reporting period, in line with internal management reporting and in compliance with the IFRS, the organisational structure has been revised and now provides for four operating segments: the Care Homes / *Residenze Socio-Assistenziali* – "*RSA*" segment (in turn, divided between business conducted in Italy and business conducted in Germany under the Charleston brand), the Rehabilitation, Psychiatric Care and Non-Residential Care segment, the Acute Care segment and, finally, the Diagnostics and Cancer Care segment. Following the sale of the Medipass Group at the end of 2020, the Diagnostics and Cancer Care operating segment only includes the activities of the two Group companies in India, ClearMedi HealthCare LTD and ClearView LTD, which were reclassified at 31 December 2022 to "Assets held for Sale" (in accordance with IFRS 5) as they are expected to be sold during 2023. The structure by operating segment is shown below:

Operating segment		**Activity**
Care Homes / RSA	Italy	Management in Italy of care homes for the elderly and for people with disabilities, providing high quality services in facilities situated in several regions of Italy. The care homes offer respite care, long-term stay care and day care.
	Germany	Management of care homes for the elderly in Germany under the Charleston brand.
Rehabilitation, Psychiatric Care and Non-Residential Care		Management of functional and psychiatric rehabilitation centres, treatment communities, outpatient centres and innovative services (telemedicine, home care and other personal care services).
Acute Care		Management of Suzzara Hospital (Lombardy) under a concession and direct management of the Villa dei Pini care home (Marche). These facilities offer specialist services regarding diagnosis, treatment and rehabilitation of acute and semi-acute conditions, as well as surgery in various areas.
Cancer treatment and diagnostic services		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, Psychiatric Care and Non-Residential Care		Acute care	Cancer treatment and diagnostic services (1)	Total
		Rehabiliation	Psychiatric Care			
Region						
Lombardy	17	3	2	1		**23**
Piedmont	12	0	2			**14**
Liguria	9	0	6			**15**
Marche	8	6	2	1		**17**
Emilia Romagna	6	2	2			**10**
Tuscany	2	0	2			**4**
Veneto	3	1	0			**4**
Trentino	0	1	0			**1**
Lazio	1	0	2			**3**
Campania	0	1	0			**1**
Umbria	0	1	0			**1**
Foreign countries	51	0	0		13	**64**
Total	**109**	**15**	**18**	**2**	**13**	**157**

Note (1): For cancer treatment and diagnostic services, reference is made to the facilities where Clearmedi Healthcare conducts its activities.

The split between Care Homes, Rehabilitation, Psychiatric Care and Non-Residential Care 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.

In addition to the operating segments mentioned above, we highlight the Corporate and Shared Services operating segment whose primary objective is the integration and rationalisation of support services (ICT, purchasing, cleaning, logistics, etc) to group companies.

Care Home Management (RSA)

In the Care Homes sector, KOS is Italy's leading private operator in terms of turnover and number of beds managed and mainly operates under the "Anni Azzurri" brand. The Group is also one of the leading private operators on the German market where it 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	Bologna	Casa Olga	33		**33**
Emilia Romagna	Castenaso (BO)	Idice	100		**100**
Total			**487**	**-**	**487**
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	54		**54**
Tuscany	Grosseto (GR)	Il Poggione	120		**120**
Total			**174**	**-**	**174**
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	Loreto (AN)	Abitare il Tempo	50	82	**132**
Marche	Campofilone (FM)	Campofilone	100		**100**
Marche	Villalba (MC)	Villalba	80		**80**
Total			**683**	**82**	**765**
Lazio	Rome	Parco di Veio	118		**118**
Total			**118**	**-**	**118**
Total			**6,025**	**336**	**6,361**

Region	Municipality	Name	Number of beds authorised		
			For elderly people	For rehabilitation	Total
Germany	Bad Schussenried	Regenta	118		**118**
Germany	Ulm	Elisabethenhaus	110		**110**
Germany	Stadland	Friesenhof (Rodenkirchen)	62		**62**
Germany	Nordenham	Gut Hansing	85		**85**
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	50		**50**
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	167		**167**
Germany	Neuenstein	Neuenstein	84		**84**
Germany	Coburg	Coburg	84		**84**
Germany	SG Mühldorf	Mühldorf	124		**124**
Germany	BH Waldkraiburg	Waldkraiburg	87		**87**
Total			**4,423**	**-**	**4,423**

Rehabilitation, Psychiatric Care and Non-Residential Care

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). Finally, it provides Non-Residential Care services through outpatient activities, home services and telemedicine.

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

Psychiatric Rehabilitation			Number of beds
Lombardy	Milan	Cima	19
Lombardy	Pavia	Casa Maura	20
Piedmont	Sampeyre (CN)	Sampeyre	25
Piedmont	Sanfrè (CN)	Sanfrè	20
Liguria	Varazze (SV)	Varazze	40
Liguria	Mioglia (SV)	Mioglia	22
Liguria	Varazze (SV)	Redalloggio	15
Liguria	Sanremo (IM)	Red West	25
Liguria	Carcare (SV)	Tuga	15
Liguria	Borzonasca (GE)	Tuga 2	15
Emilia Romagna	Modena	Villa Rosa	82
Emilia Romagna	Riolo Terme (RA)	Casa di cura Villa Azzurra	100
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			**771**

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 15 functional rehabilitation facilities 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 discharged. In this context, through **Non-Residential Care**, the Group provides multi-discipline and multi-professional outpatient services, primarily to patients of a young age, as well as home care and telemedicine services to make up for the shortcomings of the Italian National Health Service.

The aim of the rehabilitation services provided by the Group is to enable people to regain 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 after the causal events.

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	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)	Ospedale di Casorate Primo	38			**38**
Lombardy	Mede (PV)	Ospedale di Mede	18			**18**
Veneto	Arcugnano (VI)	Casa di cura Villa Margherita	147			**147**
Campania	Benevento	Casa di cura Villa Margherita	135			**135**
Umbria	Foligno (PG)	Foligno	83			**83**
Outpatient clinics						
Marche	Ascoli Piceno	Centro ambulatoriale				
Marche	Camerino (MC)	Centro ambulatoriale				
Marche	Civitanova Marche (MC)	Centro ambulatoriale				
Marche	Fabriano (AN)	Centro ambulatoriale				
Marche	Filottrano (AN)	Centro ambulatoriale				
Marche	Jesi (AN)	Centro ambulatoriale				
Marche	Macerata	Centro ambulatoriale				
Marche	Matelica (MC)	Centro ambulatoriale				
Marche	San Severino (MC)	Centro ambulatoriale				
Marche	San Benedetto T. (AP)	Centro ambulatoriale				
Marche	Tolentino (MC)	Centro ambulatoriale				
Marche	Porto Potenza Picena (MC)	Centro ambulatoriale				
Marche	Jesi (AN)	Centro ambulatoriale JesiLab				
Marche	Civitanova Marche (MC)	Centro ambulatoriale Fidia				
Marche	Pesaro	Centro ambulatoriale				
Total			**1,580**	**76**	**0**	**1,656**

Acute Care

The Group operates in this segment through the concession-based management of Suzzara Hospital (Lombardy) and the direct management of Villa dei Pini Care Home (Marche). 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 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 2023, the ASST ("Territorial Health Agency") of the province of Mantua will issue its executive plan for anti-seismic compliance works. We note that, through DGR 4928 of June 21 2021 and DGR 5066 of July 19 2021, Lombardy Region 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 more permanent.

Given Lombardy Region resolution no. 7,242 of October 28 2022, the investigation with a view to making the concession more permanent received the backing of the relevant Regional Commission and Mantua ASST is working on the contractual document that will finalise the more permanent arrangements, while also setting out operating rules. Pending completion of this process, the extension of the existing contract until June 30 2023 has been finalised.

Villa dei Pini Care Home in the Marche Region has been a part of the KOS Group since 2009. Over the years, exponential growth and development - in both quantitative and qualitative terms – of the services delivered have confirmed the Care Home as a centre of excellence in the region. The hospital is accredited with the Italian National Health Service and can call on the services of experienced professionals. It uses innovative equipment and offers appropriate care, services and diagnostic tests to both inpatients and outpatients. The main areas of intervention of Villa dei Pini Care Home regard internal medicine and cardiology, oncology, general surgery, specialist surgery and orthopaedics.

Diagnostics and 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 were those carried out in India by the subsidiary ClearMedi Healthcare LTD until the end of 2022. Said company currently has 13 service contracts with private healthcare facilities, mainly in Radiotherapy and Cancer Care. The company is now the subject of negotiations for its sale and, in accordance with IFRS 5, it has been reclassified to “Assets held for Sale”. The following table shows the services provided by the Group in India with details of the hospitals/facilities where the services are delivered.

Country	Municipality	Hospital/Structure	Service
India	Nanded	Jija Mata Hospital	1
India	Madya Pratesh	Jan Seva Trust Bimr Hospital	1
India	Vadovra	Kailash Cancer Hospitals	1
India	Patna	Paras Hospital	1
India	New Delhi	Jamia Hamdard Hospital	1
India	Mysore	Radiant Global Solutions Hospital	1
India	Coimbatore	Aswin Hospital	1
India	Madurai	Guru Hospital	1
India	Gurgaon	Paras Hospital	1
India	Patna	Paras Hospital	1
India	Shanti	Shanti Hospital	1
India	Panchkula	Paras Hospital	1
India	Panchkula	Paras Hospital	1
Total			**13**

Overview of the health sector

The year 2022 was characterised by great uncertainty and instability because of the international environment influenced by the effects of the Russian-Ukrainian war (which broke out in February and is still ongoing), by the resulting increase in energy costs (which has badly hit Italy and Germany), by rising inflation and interest rates and by the slowdown of economic growth. All these elements of instability have also impacted the healthcare and social care sectors – both public and private – which have already been severely tested by the pandemic and by a general shortage of qualified personnel, especially doctors and nurses.

The successful national vaccination campaign meant that the Covid-19 pandemic had a more limited impact than in the previous two years. However, it was still a factor, especially in the first quarter of the year and, less so, towards the end of the year when infection levels rose because of the spread of the Omicron variant. This led to further, negative effects for the older, more fragile population, on operating costs of healthcare and social care facilities and on the rules regarding access to Care Homes.

Despite the temporary crisis, elderly care is a sector where demand is increasing gradually due to the effect of demographic trends. This is demonstrated by the fact that the reduction in negative, Covid-19 related effects during the year led to a significant rise in Care Home occupancy rates.

On a European level, the social care sector has been hit by the scandal in France involving Orpea S.A., Europe's leading operator in the long-term care sector, following publication of "*Les Fossoyeurs*", a book by independent investigative journalist Victor Castanet. His allegations led to legal action by the French Government against Orpea, to the launch of an investigation by the French judicial authorities into the social care sector as a whole and to a fall in the Orpea stock price.

In Italy, implementation of the various steps of the National Recovery and Resilience Plan ("NRRP") approved on 31 July 2021 continued in 2022. Through Mission 5 "Inclusion and Cohesion" (€ 19.85 billion allocated) and Mission 6 "Health" (€ 20.23 billion allocated, including React EU and the Supplementary Fund), the current version of the Plan is set to have an impact on the organisation of the sector as its investment decisions are influenced by the effects of the pandemic and, therefore, focus on the development of home care (target: 10% of the population of over 65s to receive home care by 2026) and on strengthening the public sector through digitalisation and the development of "proximity networks". These networks will consist of: Territorial Operations Centres (TOC), destined to coordinate home services with other healthcare services and act as an interface with hospitals and the emergency network; Community Health Centres, clinics with multi-discipline teams and the first point of contact for the chronically ill; and Community Hospitals which will provide medium/low intensity intermediate treatment.

In June, when Decree no. 77 of May 23 2022 came into force, reform M6C1-1 of the NRRP ("Definition of a new organisational model for the territorial health care network") was adopted and regulations and guidelines on the structure of the new Health Service, insofar as it regards Territorial Care and Assistance, were established. Decree no. 77 identifies the planned interventions and the related uniform "organisational and technological standards" as the means of improving territorial assistance services, while leaving to the various regional and corporate entities the challenge of producing effective, coherent guidelines in their territorial environments (Fig. 1).

Fig. 1

DECREE 23 MAY N.77: MODELS AND STANDARDS FOR THE DEVELOPMENT OF TERRITORIAL ASSISTANCE IN THE NHS	**DISTRICT: FUNCTIONS AND ORGANIZATIONAL STANDARDS**
	- Health District for every 100,000 inhabitants, approximately
	- 1 hub community house for every 40,000-50,000 inhabitants
	- Spoke community houses and General Medicine clinics (GPs);
	- 1 family or community nurse for every 3,000 inhabitants
	- 1 Continuity of Care Unit (1 doctor and 1 nurse) for each District
	- 1 Territorial Operations Center for every 100,000 inhabitants
	- 1 community hospital with 20 beds for every 100,000 inhabitants

Implementation of the NRRP in its current form and management of these new structures will require massive recruitment of personnel – especially doctors and nurses. This could worsen the staff shortages that have affected the sector for some time and which were felt in 2022 (it is estimated that more than 65,000 nurses are needed merely to achieve the Decree no. 77/22 targets).

Still with regard to implementation of the NRRP, there remains the issue of (current) funding to support management of the entire reform process and it is hard to foresee how the situation will develop.

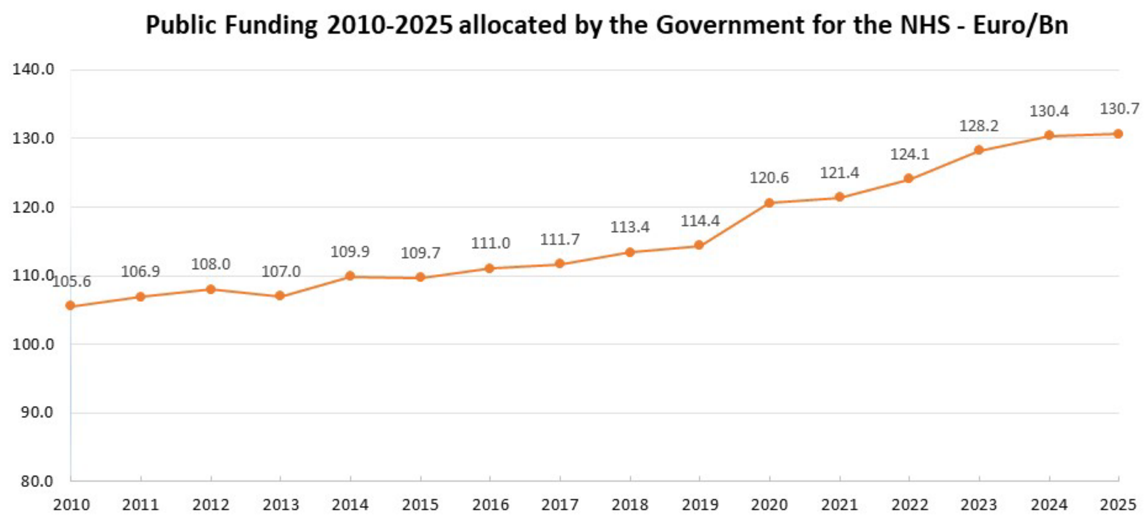
The NRRP has allocated significant funds to home care and territorial services but it has neglected the residential care for the non-self-sufficient sector. This is due to the erroneous belief that home care can replace residential care and fails to consider that, with a coverage rate of 1.9% (number of beds per 100 people aged over 65), residential care in Italy falls well short of the European target of 5%.

This gap is further aggravated by the fact that Italy – with 7.5% of the population aged over 80 – is the nation with the second oldest population in the world, after Japan.
Moreover, as Italy has one of the world's highest life expectancies and one of the lowest birth rates, the Dependency Ratio (Ratio between the over 65 population and the population between 14 and 65 years of age) is destined to increase further in the years ahead – it is expected to rise from 37% in 2021 to 60.3% in 2061 – with accompanying demand for more beds for non-self-sufficient elderly people than currently available; at present, this demand is not considered in national and regional healthcare planning.
These factors have driven the recovery in occupancy of existing residential care places which fell significantly during the Covid-19 pandemic. In the coming years, they are destined to bring about a further increase in private spending (it returned to pre-pandemic levels in 2021, at € 41 billion) which already plays an important role in specialist outpatient treatment and in rehabilitation and which covers 24.4% of total current health expenditure. In 2021, both components of private health spending increased considerably: direct spending rose by 7.5% while "brokered" spending increased by 6.1%, as driven by insurance-funded spending which went from € 3.2 billion in 2020 to € 3.4 billion in 2021 (+5.3%). A further increase is expected for 2022.

[Source: OASI Report 2022 Chap.6]

Public Health Expenditure

In 2022, national health funding – i.e. the total funding for public and accredited health services in Italy – amounted to € 124.061 billion. As provided by the 2023 National Budget Law, National Health Funding will increase by a further € 2.150 billion in 2023, plus the extra € 2 billion allocated by the 2021 Budget, this taking the Funding allocated for 2023 to a total of € 128.211 billion (against € 126.061 billion per the 2022 National Budget Law), with a total increase of € 4.150 billion compared to 2022. Again compared to the amount allocated by the 2022 National Budget Law, a further € 2.3 billion has been provided for 2024, rising to € 2.6 billion in 2025; this takes National Health Funding for 2024 and 2025 to € 130.4 billion and € 130.7 billion, respectively.



The increases in National Health Funding approved by the 2023 National Budget Law are lower than the current rate of inflation, leading to gradual, real under-finding and a focus of hospital activities on emergency/urgent services and life-saving treatment. Moreover, as a percentage of GDP, public health expenditure in Italy fell from 7.3% in 2020 to 7.1% in 2021 with a further drop to 7% expected in 2022; this makes it one of the lowest levels among Western countries.
These factors, together with the lengthy waiting lists created as a result of the pandemic, have led to massive use of private paid-for healthcare services, especially in the outpatient, diagnostic and minor surgery sectors.

In terms of the allocation of public health funding, it should also be noted that, in 2023, a significant portion of the increase – € 1.4 billion to be exact – will be allocated to dealing with rising energy costs. The Ministry of Health fund for use in purchasing anti-Sars-CoV-2 vaccines and drugs to treat Covid patients will also increase by € 650 million in 2023. With effect from 2024, a further € 200 million will go to increase the indemnity for emergency room personnel (the fund stood at € 90 million and was created by the last Government). The National Budget Law also granted pharmacies additional fees – effective from 1 March 2023 – for the reimbursement of medicines dispensed under the Italian National Health Service system, up to a total of € 150 million a year. This measure had already been implemented on an experimental basis in 2021. Finally, there is improved palliative care, the psychology bonus has been extended for the next few years, resources to finance scholarships for specialisation in general practice medicine have increased, healthcare and social care personnel hired during the pandemic emergency have been retained for the whole of 2023 and there is new funding for asbestos victims and mesothelioma sufferers.

The increase in overall health expenditure does not appear sustainable from the public purse alone. A gradual change in the ratio between public and private spending is required, as brokered to varying degrees by insurance cover. For this reason, we expect a gradual reduction in the coverage of certain services by the Italian NHS with an increase in private spending and the need to meet this demand with a more flexible supply approach, diversified by service and population target.

The health and social care sector in Germany

The Care Homes/RSA sector continued to be greatly affected by the pandemic in the first half of 2022. As a result of the quarantine measures and the various restrictions introduced, occupancy rates improved only slightly compared to 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).

The German government classed the sector has important for the healthcare system and, in March 2020, it issued a rescue plan by means of the new §150 2 SGB XI. This enabled 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 were to be made to the insurance funds responsible for long-term care. These forms of assistance were initially due to end on 30.09.2020 but were on a quarterly basis, on the last occasion until June 30 2022.

TestV (Testing Order) of October 18 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 December 05 2022. The current extension will remain in force until February 28 2023.

In the second half of 2022, the pandemic was less severe, care home occupancy rates and demand for professional care showed signs of recovery. A shortage of qualified nurses is the challenge facing the care sector in Germany. Nurses' salaries increased in 2022 and this was a partial help in finding specialist personnel. 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 trend, 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 2021, some 5 million people in Germany (4.1 million in 2019) required long-term care as defined by the law on insurance for long-term care (SGB XI); around 62 % of them (2019: 62 %) were women. 79% (2019: 80%) of those in need of long-term care were over 65 years of age and around 33% were over 85 (2019: 34%). The percentage of people in need of care who were cared for at home increased from 80% in 2019 (a total of 3.3 million people) to 84% (4.2 million) in 2021. Some 2.5 million of these people were cared for only by their relatives. A further 1,047,000 people live at home and care is jointly provided by care services and outpatient support.

Another 565,000 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 people in need of full-time, care home services fell from 818 thousand in 2019 to 793 thousand in 2021. During the pandemic period, the relatives of the elderly – often forced to stay at home themselves – were able to take care of them directly. Moreover, the multiple restrictions in place made it very difficult to obtain a place in a care home. Hospitals were full of Covid-19 patients and they kept places free; this led to less treatment and a lower number of residents moved from hospitals to care homes.

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 6.2% to 1,047,000 persons in need of long-term care.

Nationwide, there were 16,115 care homes in December 2021 (2019: around 14,500), The majority of them (8,512 care homes or 52.8% (2019: 53 % or 8,115) were operated by non-profit organisations (e.g. DIAKONIE or CARITAS). Private sector care providers operated 42.7% of care homes (2019: 43%). Public sector care providers operated the smallest percentage of care homes at 4.5 % (2019: 5 %). Non-profit organisations have recorded the highest growth with a 4.9% increase compared to 2019.

As in prior years, growth in the residential care home sector has been characterised by the opening of new care homes, mainly by non-profit organisations.

As the number of persons in need of care increases, demand for healthcare workers will continue 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 2022, leading European operators continued to grow externally. In Italy, Korian made acquisitions in the Lombardy and Lazio Regions in the residential care home sector, in the rehabilitation sector, in outpatient centres and in day surgery clinics (Residenze Assistite Maleo, Casa di Cura Fondazione Gaetano e Piera Borghi Srl and Centro Medico Sanitario Srl, IHG Group). French operator Coliseè – through its Italian subsidiary Isenior – has also continued to grow through greenfield constructions in Piedmont, Lombardy, Tuscany and Veneto for a total of around 700 beds.

Another factor that has characterised the competitive environment in Italy has been the direct involvement of several insurance companies in the management of healthcare facilities: in particular, Unipol has completed the acquisition of Società e Salute, a company operating in the private outpatient healthcare sector with the “Centro Medico Santagostino” brand while Generali has set up a private equity fund dedicated to investments in the health sector with a particular focus on multi-purpose clinics, rehabilitation centres, diagnostics and telemedicine.

The Exor Group has entered the sector with the acquisition of a non-controlling interest in Lifenet Healthcare, a company managed by entrepreneur Nicola Bedin, by means of a share issue destined to sustain further growth for the group in outpatient and surgical services at both outpatient clinics and hospitals. Lifenet Healthcare has acquired *Poliambulatorio Chirurgico Modenese* in Modena.

Finally, the listed Garofalo Health Care Group has continued its strategy of developing a network of hospital, outpatient, diagnostic and social care facilities with the acquisition of the Gruppo Veneto Diagnostica e Riabilitazione Srl (GVDR), one of the leading centres in Veneto Region with Regional Health Service accreditation.

Against this backdrop, KOS has focused on making its organisation more efficient, developing non-residential services (home care, tele-psychiatry and tele-rehabilitation) and has continued its strategy of consolidating its network in the Italian and German markets. The development of three Care Homes – in Lombardy, Piedmont and Tuscany – is close to completion and they are scheduled to open early in 2023, offering a total of 308 beds. German subsidiary Charleston is also scheduled to open an 88-bed Care Home in January 2023.

Impact of the Covid-19 pandemic on the KOS Group

In 2022, the impact of Covid-19 showed clear signs of easing. The campaign to vaccinate care home residents continued and preventive measures were maintained in order to guarantee the safety of both personnel and patients; these have included the use of facemasks and other personal protective equipment, hygiene procedures, social distancing and isolation of residents who test positive. However, it can now be said that Covid-19 is now managed on a similar basis to other infectious diseases. Symptoms are much less severe than at the start of the pandemic and the need for hospitalisation has decreased considerably. During the reporting period, restrictions on new admittances in case of positive cases among residents were gradually removed as were restrictions on visits by relatives. During 2022, there was a significant increase in care home occupancy rates although they have not yet returned to pre-pandemic levels in the main regions.
The activities of hospitals and rehabilitation centres were slowed down by Covid in 2022 but slowly returned to normal as the year progressed with a further recovery expected in the coming months, also thanks to a pickup in patients travelling from one region to another for treatment.
In Germany, too, the early months of the year were marked by a certain spread of the virus. Over the year, the situation returned to normal and the last few weeks of the year saw occupancy rates increase and this bodes well for the months ahead.

Consolidation scope of the KOS Group

As a result of several changes to the consolidation scope (acquisitions, disposals and change of corporate structure) in 2022 and 2021, the figures at 31 December 2022 are not immediately comparable with those for prior year. In order to provide a more accurate reading of the 2022 financial statements and help comparability with the 2021 figures, we have described below the main transactions that have taken place in the last two reporting periods in each operating segment:

Care Homes / RSA:

2021
On 1 January 2021, Casa di Cura Sant' Alessandro S.r.l. was merged with 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.

2022
In February, Charleston Holding GmbH completed the acquisition of Inntal Pflegeheime GmbH, the company that owns and operates two care homes – with 124 and 87 beds, respectively – in Southeast Germany, near Munich; the company has annual revenue totalling around € 10 million. The care homes provide a high quality service in recently renovated properties with half of all beds situated in single rooms.
On 1 May 2022, Charleston Holding GmbH was the subject of a reverse merger into KOS Germany GmbH. The new company was then renamed Charleston Holding GmbH.

Rehabilitation, Psychiatric Care and Non-Residential Care:

2021
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.

2022
The remaining 5% of GES.CA.S. Villa Armonia Nuova S.r.l. was acquired in July and said company is now wholly owned by the Group. The acquisition price was € 745 thousand.
During the third quarter, Villa Margherita S.r.l. was merged into Kos Care S.r.l. with effect from 1 November 2022.

In the field of non-residential care, the Group has signed a partnership agreement with one of the main Italian operators helping fragile patients to access home diagnostic services. Diagnostic radiography and cardiological tests will be available in Anni Azzurri Care Homes in Lombardy, thus offering an innovative service that will avoid the need to travel to hospitals or diagnostic centres which can be stressful for the most fragile individuals. The partnership also extends to the Anni Azzurri a casa home care service which will make it possible to perform RX, ECG and Holter tests directly at home.

Acute Care

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 more permanent.
Moreover, 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 concession expired on 31 October 2022 and work with Mantua ASST ("Territorial Health Authority") on making it more permanent is still in progress. In the meantime, an extension until 30 June 2023 has been finalised.

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.

Diagnostics & Cancer Care

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.

2022

During the year, the services provided at Paras Hospital in the city of Patna were discontinued as their renewal was considered unprofitable. In December, a formal offer for the sale of ClearMedi HealthCare LTD and ClearView LTD was made and the deal should be finalised in 2023. Therefore, in accordance with IFRS 5, the companies have been reclassified to "Assets held for Sale".

Corporate Area and shared services

2021 and 2022

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 2021 and 2022, it launched new catering services at a number of operating facilities.

The Group's Operating Performance

The following tables set out the Group's statement of financial position and statement of profit or loss highlights at 31 December 2022:

KOS GROUP STATEMENT OF FINANCIAL POSITION

(eur/000)	31/12/2022	31/12/2021
NON CURRENT ASSETS	1,434,278	1,420,349
CURRENT ASSETS	209,483	278,019
ASSETS HELD FOR SALE	25,106	-
TOTAL ASSETS	**1,668,867**	**1,698,368**
EQUITY	345,962	345,640
- NON-CONTROLLING INTERESTS	7,680	7,523
- OWNERS OF THE PARENT	338,282	338,117
NON CURRENT LIABILITIES	1,055,797	1,096,673
CURRENT LIABILITIES	259,498	256,055
LIABILITIES ASSOCIATED WITH ASSETS HELD FOR SALE	7,610	-
TOTAL LIABILITIES AND EQUITY	**1,668,867**	**1,698,368**
NET FINANCIAL POSITION	**(976,419)**	**(935,125)**

KOS GROUP STATEMENT OF PROFIT OR LOSS

(eur/000)	2022	2021
REVENUE	683,474	641,855
GROSS OPERATING PROFIT (EBITDA)	121,427	117,468
OPERATING PROFIT (EBIT)	30,443	31,809
PRE-TAX PROFIT (LOSS)	(902)	3,209
PROFIT (LOSS) FROM CONTINUING OPERATIONS	**(480)**	**2,327**
PROFIT FROM DISCONTINUED OPERATIONS	712	40
PROFIT FOR THE YEAR INCLUDING NON-CONTROLLING INTERESTS	**232**	**2,367**
- PROFIT FOR THE YEAR ATTR. TO NON-CONTROLLING INTERESTS	986	977
- PROFIT FOR THE YEAR ATTR. TO OWNERS OF THE PARENT	(754)	1,390

In 2022, Group revenues totalled € 683,474 thousand, a 6.5% increase compared to prior year (€ 641,855 thousand).

The table below shows the revenue contributed by each operating segment:

(eur/000)	**2022**	**%**	**2021**	**%**	**Var.**
Care Homes	416,414	61%	373,024	58%	43,390
of which:					
Italy	*225,146*	*33%*	*193,610*	*30%*	*31,536*
Germany	*191,268*	*28%*	*179,415*	*28%*	*11,854*
Rehabilitation, Psychiatric Care and Non-Residential Care	189,184	28%	189,707	30%	(522)
Acute care	77,789	11%	79,050	12%	(1,261)
Cancer treatment and diagnostic services	-	0%	-	0%	-
Other	87	0%	74	0%	13
Total	**683,474**	**100%**	**641,855**	**100%**	**41,619**

In the **Care Homes/RSA** segment, the volume of activity in Italy was greater than in prior year thanks to a recovery in resident numbers in 2022 with the average occupancy rate reaching 80.1% (70.1% in 2021); total revenue grew by € 31,536 thousand thanks to the aforementioned improvement in occupancy rate and to the extension of the perimeter of the segment (revenue of € 6,553 thousand contributed by acquisitions/new openings). Subsidies received decreased from € 3,957 thousand in 2021 to € 2,774 thousand in 2022.
In Germany, RSA activities recorded an increase in revenue (+€ 11,854 thousand) mainly thanks to new facilities opened during 2022 which contributed revenue of € 8,118 thousand. Over the year, there was a slight fall in the average occupancy rate from 83.6% in 2021 to 81.2% in 2022, mainly because of the opening of new care homes which have not yet reached a full level of operations;

In the **Rehabilitation, Psychiatric Care and Non-Residential Care** segment, revenue from rehabilitation activities – both psychiatric and functional and both carried out in Italy – was broadly in line with the previous reporting period. The decrease in subsidies compared to the comparative year had a negative impact of € 1,949 thousand.

In the **Acute Care** segment**,** revenue fell by € 1,261 thousand mainly because of the presence of a greater number of patients with Covid DRG tariffs in 2021.

“Other” refers to certain chargebacks to personnel for canteen services by KOS Servizi S.c.a.r.l., the company involved in the integration and rationalisation of support services to group companies.

Gross operating profit (EBITDA) for 2022 amounts to € 121,427 thousand compared to € 117,468 thousand in 2021. As a percentage of revenue, EBITDA is in line with prior year (18%). The impact of acquisitions made and new facilities opened in 2021 and 2022 was positive by € 912 thousand. It should be recalled that the comparative year included gains realised on the sale of a number of properties owned by the Group that were then leased back. Meanwhile, we highlight the increase of around € 11.8 million in utilities costs (electricity and gas) due to tariff increases introduced with effect from 2Q2022. Energy subsidies totalling around € 3.5 million made available by recent government decrees have been recognised.

The Group recorded depreciation, amortisation and impairment losses of around €90,984 thousand in 2022, more than the € 85,659 thousand booked in 2021. The impact on this item of the full contribution of acquisitions made and the new facilities opened in 2021 and 2022 was € 2,736 thousand.

The results of ClearMedi HealthCare Ltd for 2021 and 2022 are presented in accordance with IFRS 5 which requires that historical results for 2021 and results for 2022, as well as disposal-related expenses, should no longer be consolidated line-by-line but should be reported under a single caption “Profit from discontinued operations”.

Results by operating segment are shown below:

(eur/000)

	Care Homes				Rehabilitation, Psychiatric Care and Non-Residential Care		Acute care		Cancer treatment and diagnostic services		Corporate, other services and IC		Total	
	Italy		Germany											
	31/12/2022	31/12/2021	31/12/2022	31/12/2021	31/12/2022	31/12/2021	31/12/2022	31/12/2021	31/12/2022	31/12/2021	31/12/2022	31/12/2021	31/12/2022	31/12/2021
Total revenue	**225,372**	**193,811**	**191,268**	**179,415**	**189,737**	**190,527**	**80,292**	**81,908**	**-**	**-**	**(3,195)**	**(3,806)**	**683,474**	**641,855**
GROSS OPERATING PROFIT (LOSS) (EBITDA)	51,483	46,715	32,475	35,978	28,732	26,650	12,328	11,483	-	-	(3,591)	(3,358)	121,427	117,468
OPERATING PROFIT (LOSS) (EBIT)	13,198	9,182	5,898	11,678	10,753	9,848	6,311	6,569	-	-	(5,717)	(5,468)	30,443	31,809
NET FINANCIAL EXPENSE													(31,345)	(28,600)
INCOME TAXES													422	(882)
PROFIT (LOSS) FROM CONTINUING OPERATIONS													(480)	2,327
PROFIT (LOSS) FROM DISCONTINUED OPERATIONS													712	40
PROFIT FOR THE YEAR ATTR. TO NON-CONTROLLING INTERESTS													986	977
PROFIT FOR THE YEAR ATTR. TO OWNERS OF THE PARENT													(754)	1,390

	Care Homes				Rehabilitation, Psychiatric Care and Non-Residential Care		Acute care		Cancer treatment and diagnostic services		Corporate, altri servizi comuni e IC		Total	
	Italy		Germany											
FINANCIAL POSITION	31/12/2022	31/12/2021	31/12/2022	31/12/2021	31/12/2022	31/12/2021	31/12/2022	31/12/2021	31/12/2022	31/12/2021	31/12/2022	31/12/2021	31/12/2022	31/12/2021
Property, plant and equipment*	98,799	100,128	11,715	7,367	113,776	103,040	26,993	28,982		15,446	2,720	2,695	254,002	257,657
Intangible assets	145,653	146,045	93,091	88,832	112,565	112,438	17,701	17,934		16	1,497	2,421	370,506	367,685
Right of use assets	297,565	313,225	396,224	366,554	84,260	81,155	503	326		2,676	760	988	779,312	764,925
Other non current assets	1,428	1,409	15	15	871	867	76	76		0	28,068	27,715	30,458	30,082
Assets held for sale									25,492				25,106	
Current assets	23,686	17,068	11,003	11,919	50,740	45,263	14,723	9,602		5,866	109,331	188,300	209,483	278,019
Total assets	**567,130**	**577,876**	**512,047**	**474,687**	**362,212**	**342,762**	**59,996**	**474,817**	**25,492**	**24,004**	**142,376**	**222,119**	**1,668,867**	**1,698,368**
Equity											345,962	345,640	345,962	345,640
Non current liabilities	2,176	1,477	183	455	14,050	17,370	605	747		212	1,038,783	1,076,413	1,055,797	1,096,673
Liabilities held for sale									7,718				7,610	
Current liabilities	79,991	56,197	30,598	28,216	54,029	42,116	27,972	27,955		3,718	66,908	97,852	259,498	256,055
Total liabilities	**82,166**	**57,674**	**30,781**	**28,671**	**68,079**	**59,485**	**28,578**	**25,173**	**7,718**	**3,930**	**1,451,653**	**1,519,905**	**1,668,867**	**1,698,368**

* Including investment property

In the Care Homes/RSA segment, EBITDA amounts to € 83,958 thousand compared to € 82,693 thousand in 2021. As a percentage of revenue, EBITDA decreased from 22.2% in 2021 to 20.1% in 2022. The impact of the full contribution of the acquisitions made in 2021 and 2022 was € 14,671 thousand on revenue and € 730 thousand on EBITDA. In Italy, the EBITDA generated by this operating segment was up by € 4,768 on prior year despite the higher utilities costs recorded in 2022 and the gains on disposals present in 2021; the improvement was mainly thanks to a strong improvement in care home occupancy rates compared to 2021. In contrast, in Germany, EBITDA decreased by € 3,503 thousand because of: lower government subsidies received than in 2021; the effect of inflation on care home operating expenses and; higher personnel expense as the difficulties encountered in finding nursing staff on the market led to greater use of temporary personnel.

In the Rehabilitation, Psychiatric Care and Non-Residential Care segment, EBITDA amounts to € 28,732 thousand compared to € 26,650 thousand in 2021. As a percentage of revenue, EBITDA has increased from 14% in 2021 to 15.1% in 2022.

In the Acute Care segment, EBITDA amounts to € 12,328 thousand compared to € 11,483 thousand in 2021. As a percentage of revenue, EBITDA has increased from 14% in 2021 to 15.4% in 2022.

In accordance with IFRS 5, the 2021 and 2022 results of the Diagnostics and Cancer Care segment have been reclassified to "Profit from discontinued operations", in the same manner as assets/liabilities at 31 December 2022.

Operating profit (EBIT) amounts to € 30,442 thousand, slightly lower than the amount of € 31,809 thousand reported for 2021. The effect of the acquisitions made in 2021 and 2022 was negative by € 1,824 thousand. It should be recalled that the comparative year included the gains realised on the sale of several properties owned by the Group that were subsequently leased back.

In 2022, net financial expense totalled € 31,345 thousand, higher than the € 28,600 thousand reported for 2021. The increase was mainly due to the higher financial expense for rights of use as a result of renegotiations and the new lease/rental agreements entered into during the reporting period.

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 cash and debt balances with clear benefits for the Group and the individual companies in terms of increased and more flexible available credit.

There was net tax benefit of € 422 thousand compared to a net tax expense of € 882 thousand in 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 loss attributable to the owners of the parent of € 754 thousand and a profit attributable to non-controlling interests of € 986 thousand for a total profit for the year of € 232 thousand.

The statement of cash flows is set out below, as prepared in an "operational" format which shows changes in the net financial position without considering the effects of application of IFRS 16.

(eur/000)	**2022**	**2021**
PROFIT (LOSS) FROM CONTINUING OPERATIONS	(480)	2,260
AMORTISATION, DEPRECIATION, IMPAIRMENT LOSSES & OTHER NON-MONETARY CHANGES	27,858	27,656
SELF-FINANCING	**27,378**	**29,916**
CHANGE IN WORKING CAPITAL AND OTHER NON-CURRENT ASSETS AND LIABILITIES	(5,376)	4,038
CASH FLOWS GENERATED BY OPERATIONS	**22,002**	**33,954**
CAPITAL INCREASES AND OTHER CHANGES IN EQUITY	(704)	71
TOTAL SOURCES OF FUNDS	**21,298**	**34,025**
NET INVESTMENT IN NON-CURRENT ASSETS	(37,445)	7,328
CONSIDERATION PAID FOR BUSINESS COMBINATIONS	(4,081)	(1,350)
NET FINANCIAL POSITION OF ACQUIRED COMPANIES	405	-
PAYMENT OF DIVIDENDS AND OTHER RESERVES	(590)	(1,003)
OTHER CHANGES	157	67
TOTAL APPLICATION OF FUNDS	**(41,554)**	**5,042**
CASH FLOWS FROM (USED IN) CONTINUING OPERATIONS	**(20,256)**	**39,067**
CASH FLOWS FROM DISCONTINUED OPERATIONS	**2,205**	**1,444**
CASH FLOWS FOR THE YEAR	**(18,051)**	**40,511**
OPENING NET FINANCIAL INDEBTEDNESS BEFORE IFRS 16	**(160,208)**	**(200,719)**
CLOSING NET FINANCIAL INDEBTEDNESS BEFORE IFRS 16	**(178,259)**	**(160,208)**
RESIDUAL LIABILITY FOR IFRS 16	(798,160)	(774,917)
CLOSING NET FINANCIAL INDEBTEDNESS	**(976,419)**	**(935,125)**

Net cash outflows of € 18 million was recorded in 2022. In 2021, cash flows of € 40.5 million were generated and included the proceeds from the sale of several care home properties owned by the Group under a sale and leaseback operation.

At 31 December 2022, the Group had 11,341 employees, including 7,210 in Italy and 4,131 in Germany (11,721 employees at 31 December 2021). The decrease is mainly due to the reclassification of ClearMedi HealthCare LTD to "Assets held for sale". In terms of HR management, it should be noted that the direct and indirect effects of the pandemic greatly impacted workforce dynamics during 2022; these effects included a shortage of professional staff available on the market, increased employee turnover, higher absenteeism and an increased internal and external conflict over employee salaries and conditions. HR management policies reacted to this trend by focusing on talent management and employee involvement initiatives, by extending recruitment horizons (looking at foreign channels: Albania, India, Venezuela, Tunisia), by introducing organisational efficiency and innovation measures and by implementing various means to combat and discourage absenteeism. The KOS Group has always invested in employee training and has long established the "KOS Academy" which seeks to improve the quality of service provided to residents through continuous training that increases and hones the professional skills of employees.

With regard to the Group's statement of financial position, capex for the year included ordinary capex and capex to comply with laws and regulations totalling € 20 million plus capex on business development/expansion of € 17.8 million. Details of the main business development capex in 2022 are provided below:

- € 7.3 million refers to construction of a 120 bed care home in the Municipality of Borgomanero;
- € 5 million refers to construction of an 80 bed care home in the Municipality of Campi di Bisenzio (FI);
- € 2.5 million refers to the development of three care homes in Germany;
- € 3 million refers to development work on facilities already operating and to new constructions where work has just commenced;

Trade working capital was positive by € 18,471 thousand at 31 December 2022 compared to a positive figure of € 9,246 thousand at 31 December 2021. The increase is mainly due to the increase in receivables from public sector customers which should decrease over the months ahead.

The Group's net financial indebtedness is € 976 million at 31 December 2022 compared to € 935 million at 31 December 2021. The € 41.3 million increase is due to the renegotiation of several lease/rental agreements - with an impact on lease liabilities due to the postponement of maturity dates – and to operating performance.

In December 2022, Kos S.p.A. signed a new loan agreement for € 150 million. It used part of the proceeds to repay the full € 75 million of the loan subject to a SACE guarantee. In December, the parent also made early repayment of two loans (the syndicated loan arranged for the acquisition of Charleston and the bilateral loan from Mediobanca) for a total of € 80.3 million. Finally, Kos S.p.A. used € 30 million of the real estate facility arranged in June 2021 whose period of use ended in December.

The Group's financial indebtedness includes: (i) cash and cash equivalents of € 91.6 million; (ii) financial assets for measurement of derivatives and non-recourse factoring of € 6.5 million; (iii) current financial indebtedness (advances on invoices and bank overdraft) of zero while total available short-term credit facilities amount to € 33 million (i.e. there is headroom of € 33 million); (iv) non-current financial indebtedness of € 1,074.5 million which totals € 276.4 million if lease liabilities are excluded. The Group also has the possibility of using additional medium/long term lines of credit totalling € 75 million.

The following table shows the main lines of credit with details of their availability at 31 December 2022:

	31/12/2022			31/12/2021		
(eur/million)	Total	Used	Available	Total	Used	Available
Short-term Lines ("Uncommitted"/at sight)	33.0	0.0	33.0	33.6	0.0	33.6
Long-term ("Committed"/contractualised)	351.4	276.4	75.0	405.3	338.2	67.1
Total	**384.4**	**276.4**	**108.0**	**438.9**	**338.2**	**100.7**

Details of the net financial position at 31 December 2022 are shown below:

(eur/000)	31/12/2022	31/12/2021
(A) Cash and cash equivalents	91,596	172,805
(B) Other cash equivalents	-	-
(C) Liquidity (A) + (B)	**91,596**	**172,805**
(D) Securities, derivatives and other financial assets	6,508	5,157
(E) Total current financial assets (C) + (D)	**98,104**	**177,962**
(F) Account overdrafts	-	-
(G) Collateral loans	5,000	-
(H) Bank loans	108	8,985
(I) Bonds	666	666
(J) Finance leases	1,453	1,407
(K) Lease liabilities	52,479	49,278
(L) Loans and borrowings with other financial backers	190	191
(M) Derivatives	-	-
(N) Current financial indebtedness (F) + (G) + (H) + (I) + (J) + (K) + (L) + (M)	**59,896**	**60,527**
(O) Net current financial position (N) - (E)	**(38,208)**	**(117,435)**
(P) Collateral loans	83,923	58,817
(Q) Bank loans	74,054	155,504
(R) Bonds	99,000	99,000
(S) Finance leases	11,778	13,217
(T) Right of use loans	745,681	725,639
(U) Loans and borrowings with other financiale backers	191	383
(V) Non-current financial indebtedness (P)+(Q)+(R)+(S)+(T)+(U)	**1,014,627**	**1,052,560**
(W) Net financial indebtedness (O)+(V)	**976,419**	**935,125**

At 31 December 2022, the net financial indebtedness of the parent KOS S.p.A. is € 52 million, excluding net amounts due from subsidiaries of € 195 million.

Use of financial instruments

The Group is party to a derivative contract to hedge the interest rate risk and its residual nominal value at 31 December 2022 was around € 13 million (€ 24 million at 31 December 2021); the mark-to-market value of the contracts was positive by around € 280 thousand (positive by € 8 thousand at 31 December 2021) and is included in the consolidated net financial indebtedness.

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 contract in place at 31 December 2022.

Company	Signature date	Time	*Pay*	*Cap*	*Floor*	*Receive/Index*	Notional		*Fair Value*	
							31/12/22	31/12/21	31/12/22	31/12/21
Kos SpA	2019	Quarterly		0.50%		Euribor 3 M	13,125	21,875	280	8
Total Interest Rate Cap							**13,125**	**23,773**	**280**	**8**
Total effective portion of derivatives							**13,125**	**23,773**	**280**	**8**
Total							**13,125**	**23,773**	**280**	**8**

The derivative contract is an Interest Rate Cap that provides for payment of a fixed rate of interest against collection of a floating rate but it ceased to be effective during 2022. In accordance with IFRS 9, changes in fair value are recognised through profit or loss.

If the derivative hedging instrument fully meets the conditions of IFRS 9 for the application of hedge accounting (formal designation of the hedging relationship; documented hedging relationship, measurable and highly effective), it is 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 changes in fair value due to interest rate fluctuation– still within the limits of the effective portion hedged - are also recorded under equity.

For those derivative contracts that failed to constitute effective hedges in terms of the 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 and Germany showed important signs of recovery in 2022 and the trend has continued in the first few months of 2023. The epidemic is now normalising and if there are no further waves of infection and resulting disruption of hospital activity and if patient movement from one region to another resumes, it is expected that the rehabilitation and acute care segments can return to close to their pre-Covid levels during the current reporting period.
Despite a clear increase in occupancy rates and renewed confidence on the part of families, it will take at least until the end of 2023 for Care Homes in Italy to return to occupancy levels similar to those seen pre-pandemic. In the face of growing volumes and demand, the main uncertainty in Italy remains the ability of the public system to sustain the necessary expenditure and, therefore, tariff increases; the balance between public and private expenditure is another key issue. Care Homes in Germany are also expected to return to close to pre-pandemic occupancy rates towards the end of 2023. Demographic change and population aging will be major factors in increasing the demand for Care Home beds. In Germany, according to forecasts by the Federal Institute for Population Research (BiB), the number of people in need of care will rise from 5 million in 2021 to around 6 million in 2030. The cost reimbursements provided by the German government ended in June 2022 and a further increase in personnel expense is expected in 2023 given the salary increases provided for under renewed collective labour agreements. Energy cost increases, the effects of which were already felt in 2022, will be the subject of government subsidies under several legislative provisions approved by the Germany parliament in December 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 revenue and costs.

The epidemic is now coming to an end and key performance indicators improved in 2022. In July 2023, the Group drew up a Plan that shows how, over the next few years, it will restore the profitability that was enjoyed before the pandemic broke out (although, for 2023, the Group's financial and operating performance is still expected to be down on pre-Covid levels).
With regard to the available finances, taking account of forecast results and cash flows and considering existing loan maturity dates, the Group has the finances necessary to meet its requirements in the next twelve months. From a medium/long-term perspective, the Company has signed agreements with the banks for new lines of credit that have enabled it to repay the SACE guaranteed loan that was obtained to deal with the pandemic. This new finance will also cover the Group's operating and investment requirements while extending the average maturity of loans.

Loan covenants were comfortably complied with as at 31 December 2022. The recovery in operating profitability, together with liquidity currently available and new finance obtained in 2022 will guarantee sufficient cash for the Group to finance its operating activities and planned capex.

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 parent 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;

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 the outlook for gross domestic product and tax revenue, 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 revenue 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 commercial relations with public sector bodies like Municipal and Regional Authorities. In fact, around 65% of KOS Group consolidated revenue in the year ended 31 December 2022 was generated by such commercial relations.

Any reduction in the spending power of the Italian government and other public sector bodies and any inability on the part of the KOS Group to find valid alternatives to its current relations with public sector bodies could, therefore, prejudice the business of the KOS Group as well as 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 indebtedness 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 measured the contingent liabilities that could arise from these pending legal disputes and have made 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, although the situation seems to be returning to pre-Covid normality, we cannot exclude the possibility of consequences triggered by the global uncertainty of new waves of Covid-19 virus infection ("Coronavirus"). See the "*Business outlook*" section.

Climate risks

Growing attention to the possible consequences of climate change has led the Group to carry out an in-depth climate risk assessment in the geographical areas where it operates. It identified the climatic events to be considered and the relevant indicators in order to assess the level of exposure to risk regarding each type of event identified.
The analysis was performed at 190 Group sites situated in Italy and Germany. For each site, the applicability of the physical climate risk was assessed on the basis of geographical location and the probability of occurrence of the phenomenon over a period of 5 years (2023-2028).
In detail, the risk-causing climatic events listed in the Climate Delegated Act – Annex I – Appendix A of the EU Taxonomy were analysed and divided into:

- Acute risks: short-term events caused by particular, extreme weather phenomena which are extremely severe and more frequent over time e.g. storms, floods, fires and heatwaves;
- Chronic risks: resulting from long-term changes to climate patterns e.g. temperature changes and rising sea levels.

For each risk. An indicator was identified which, when evaluated as part of a scenario analysis, made it possible to examine the impact of climatic phenomena on the organisation's activities and the related vulnerability. Specifically, for each indicator, site-specific data provided by dedicated tools and referring to the RCP 4.5 scenario ("optimistic") and the RCP 8.5 scenario ("pessimistic") of the IPCC – Intergovernmental Panel on Climate Change were analysed.

Each indicator was assessed in order to assign the appropriate level of risk based on a scale of values Low (1), Medium (2) and High (3); the thresholds were defined based on available sources of literature and/or weighted assessments of the context of the organisation and the indicators obtained.
Finally, for each site and geographical area, an indicator representing the overall level of risk exposure was calculated. The analysis showed that in both the optimistic and pessimistic scenarios, the level of risk exposure for the two geographical areas analysed (Italy and Germany) was low. Meanwhile, in the pessimistic scenario, the level of risk exposure on a site by site level was low for 95% of sites and medium for 5%; in the optimistic scenario, there was a negligible variance (1%, equal to 2 sites). In both scenarios, no site had a high level of risk exposure.

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:

- 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 companies' third party liability. Based on the reserves created by the insurers, the Group determines its exposure and specific provision is made in the consolidated financial statements. The Group's third party liability policies also include cover against Covid-19 related damage. This is considered a success as the insurance market has shown a degree of reluctance in light of claims and disputes triggered by the healthcare emergency in relation to the pandemic.

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 are 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 indebtedness given capex made;
- regular, centralised control of collection and payment flows;
- maintenance of an adequate level of available liquidity;
- diversification of means and sources for raising financial resources;
- regular monitoring of future liquidity in relation to the business planning process;
- regular checks 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.
Derivative instruments are stated at fair value.

Other price risks

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

In its capacity as holding company, KOS 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 2022, the Group had 11,341 employees against 11,721 employees at 31 December 2021.

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
- CCNL for ARIS non-medical executives

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 employees of Care Homes and ARIS rehabilitation centres;

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

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 Indepdendent 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 relate to the personal affairs of residents/patients and they are entitled to receive guarantees about how they are 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 continued and appropriate documentation has been submitted.
The Group has also set up a discussion group for compliance with the requirements of EU Directive 1148/2016, as incorporated into Italian law, with regard to the establishment of N.I.S. (Network and Information Security).
Continues training is provided through the online course available on the Group platform and through specific, classroom-based sessions. More than 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 € 5,012 thousand for 2022 compared to € 2,987 thousand for 2021. The deterioration is mainly due to the presence in prior year of a gain of € 2,300 thousand on the sale of a property. In 2022, the company recorded depreciation, amortisation and impairment losses totalling € 289 thousand. This represented a decrease compared to the total of € 397 thousand recorded in 2021, mainly as a result of the aforementioned disposal.

The operating loss is € 5,301 thousand compared to € 3,384 thousand in theprior year.

Net financial expense for 2022 totalled € 455 thousand compared to € 312 thousand in 2021.

Net impairment gains on financial assets totalling € 808 thousand were recognised in 2022 in application of IFRS 9 which measures financial assets and guarantees given.

There was net tax benefit of € 975 thousand compared to € 787 thousand in 2021. These taxes flow into the CIR S.p.A. Group Taxation Arrangement.

In December, an agreement was reached for the sale of the investments in ClearMedi Healthcare LTD and Clearview LTD. The high likelihood that this agreement will lead to the actual sale of the two companies in 2023 means that, pursuant to IFRS 5, the investments have been measured at fair value and recognised in the financial statements under "Assets held for sale". The fair value measurement of the two investments had a negative effect of € 20,442 thousand. The caption "Loss on assets held for sale" refers to the aforementioned impairment loss and to disposal-related costs totalling € 254 thousand (€ 67 thousand in 2021).

At 31 December 2022, the parent had 21 employees compared to 20 employees as at 31 December 2021.

A loss of € 23,759 thousand is reported for the year ended 31 December 2022 against a loss of € 2,749 thousand for 2021. The higher loss is mainly due to the fair value measurement of investments as described above.

In the Statement of Financial Position, equity investments amounted to € 153,555 thousand at 31 December 2022 against € 191,977 thousand at 31 December 2021. The decrease refers to the reclassification of investments earmarked for disposal to the caption "Assets held for sale".

The net financial position at 31 December 2022 is analysed below:

(eur/000)	31/12/2022	31/12/2021
(A) Cash and cash equivalents	66,929	120,268
(B) Other cash equivalents	-	-
(C) Liquidity (A) + (B)	**66,929**	**120,268**
(D) Securities, derivatives and other financial assets	280	8
(E) Financial assets with subsidiaries	7,178	14,095
(F) Total current financial assets (C)+(D)+(E)	**74,387**	**134,371**
(G) Account overdrafts	-	-
(H) Collateral loans	5,000	-
(I) Bank loans	-	8,742
(J) Bonds	666	666
(K) Finance leases	-	-
(L) Lease liabilities	232	231
(M) Loans and borrowings with other financial backers	-	-
(N) Derivatives	-	-
(O) Financial liabilities with subsidiaries	120,807	172,440
(P) Current financial indebtedness (G)+(H)+(I)+(J)+(K)+(L)+(M)+(N)+(O)	**126,705**	**182,079**
(P) Net current financial indebtedness (P)-(F)	**52,318**	**47,708**
(Q) Non current financial assets with subsidiaries	258,509	311,625
(R) Non-current financial assets (Q)	**258,509**	**311,625**
(S) Collateral loans	83,923	58,817
(T) Bank loans	73,423	151,840
(U) Bonds	99,000	99,000
(V) Finance leases	-	-
(W) Lease liabilities	412	639
(W_1) Non current financial liabilities with subsidiaries	1,180	
(X) Loans and borrowings with other financial backers	-	-
(Y) Non-current financial indebtedness (S)+(T)+(U)+(V)+(W)+(X)	**257,938**	**310,296**
(Z) Net financial indebtedness (Y)+(P)-(R)	**51,747**	**46,379**

The net financial indebtedness of the parent KOS S.p.A. is € 51,747 thousand compared to € 46,379 thousand at 31 December 2021. At 31 December 2022, the net financial indebtedness included cash and cash equivalents of € 66,929 thousand, financial assets with subsidiaries totalling € 265,687 thousand, € 121,987 thousand of financial liabilities with subsidiaries and bank loans and borrowings of € 257,012 thousand. The € 5,368 thousand rise in net financial indebtedness represents the result of the many transactions carried out in 2022.

Management and coordination activities

Pursuant to Art. 2497 bis of the Italian Civil Code, we inform you that the parent is subject to management and co-ordination by the ultimate parent CIR S.p.A. – Compagnie industriali riunite. Said company's relations with the 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 / (Loss)
CIR S.p.A. – Compagnie industriali riunite	638,604	694,344	2,085

The above amounts were taken from the approved IFRS separate financial statements at 31 December 2021.

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. In more detail, the Group is involved – in collaboration with the ESPRM (European Society of Physical and Rehabilitation Medicine) – in the development of application protocols for the use of robotic instruments in rehabilitation and in the study of care models using rehabilitation and hydrotherapy to treat Parkinson's disease.

Treasury shares

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

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

	2022		2021	
(eur/000)	Equity	Profit (loss) for the year	Equity	Profit (loss) for the year
EQUITY AND PROFIT (LOSS) FOR THE YEAR OF THE PARENT	**121,490**	**(23,759)**	**145,058**	**(2,749)**
Equity and profit of consolidated Companies	467,037	4,983	465,564	7,798
Reversal of impairament losses of consolidated Companies	35,422	20,442	14,980	
Derecognition of carrying amount of consolidated equity investments and goodwill	(277,585)		(277,761)	
Fair value of derivatives	(29)		(113)	
Dividends elimination		(707)		(1,177)
Other	(373)	(727)	(2,088)	(1,505)
TOTAL EQUITY AND PROFIT FOR THE YEAR	**345,962**	**232**	**345,640**	**2,367**
of which attributable to non-controlling interests	7,680	986	7,523	977
EQUITY AND PROFIT (LOSS) FOR THE YEAR OF CONSOLIDATED COMPANIES NET OF DIVIDENS	**338,282**	**(754)**	**338,117**	**1,390**

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 and in the Notes to the Separate Financial Statements of KOS S.p.A..

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 locations at 31 December 2022:

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

Milan, 23 February 2023

FOR THE BOARD OF DIRECTORS
The Chairman
Carlo Michelini

Statement of profit or loss

(eur/000)	*Note*	2022	2021
REVENUE	4	683,474	641,855
PURCHASES	5	(53,556)	(58,605)
SERVICES	6	(147,412)	(132,304)
PERSONNEL EXPENSE	7	(364,018)	(330,530)
OTHER OPERATING INCOME	8	32,972	26,969
OTHER OPERATING COSTS	9	(30,042)	(29,943)
IMPAIRMENT LOSSES (GAINS) ON EQUITY-ACCOUNTED INVESTMENTS	19	9	26
GROSS OPERATING PROFIT		**121,427**	**117,468**
AMORTISATION, DEPRECIATION, IMPAIRMENT LOSSES AND PROVISIONS	10	(90,984)	(85,659)
OPERATING PROFIT		**30,443**	**31,809**
FINANCIAL INCOME	11	524	74
FINANCIAL EXPENSE	12	(31,909)	(28,745)
DIVIDENDS	11	40	71
IMPAIRMENT LOSSES (GAINS) ON FINANCIAL ASSETS	13	-	-
PRE-TAX PROFIT (LOSS)		**(902)**	**3,209**
INCOME TAXES	14	422	(882)
PROFIT (LOSS) FROM CONTINUING OPERATIONS		**(480)**	**2,327**
PROFIT FROM DISCONTINUED OPERATIONS	15	712	40
PROFIT FOR THE YEAR INCLUDING NON-CONTROLLING INTERESTS		**232**	**2,367**
PROFIT FOR THE YEAR ATTR. TO NON-CONTROLLING INTERESTS		986	977
PROFIT FOR THE YEAR ATTR. TO OWNERS OF THE PARENT		**(754)**	**1,390**
BASIC EARNINGS PER SHARE	39	(0.008)	0.016
DILUTED EARNINGS PER SHARE	39	(0.008)	0.015

Statement of comprehensive income

(eur/000)	2022	2021
PROFIT (LOSS) FROM CONTINUING OPERATIONS	**(480)**	**2,327**
Items that will not be subsequently reclassified to profit or loss		
Actuarial gains (losses)	2,749	(295)
Tax effect	(660)	71
Translation difference	(744)	642
Items that will be subsequently reclassified to profit or loss		
Gains on cash flows hedges	22	88
Tax effect	(5)	(21)
Profit from discontinued operations	712	40
TOTAL COMPREHENSIVE INCOME	**1,594**	**2,852**
Owners of the parent	565	1,870
Non-controlling interests	1,029	982

Statement of financial position

(eur/000)	Notes	31/12/2022	31/12/2021
NON-CURRENT ASSETS		**1,434,278**	**1,420,349**
INTANGIBLE ASSETS	16	370,506	367,685
PROPERTY, PLANT AND EQUIPMENT	17	251,463	254,999
RIGHT-OF-USE ASSETS	18	779,312	764,925
INVESTMENT PROPERTY	19	2,539	2,658
EQUITY-ACCOUNTED INVESTMENTS	20	631	622
OTHER EQUITY INVESTMENTS	20	1,825	1,825
OTHER ASSETS	21	2,355	2,962
DEFERRED TAX ASSETS	22	25,647	24,673
CURRENT ASSETS		**209,483**	**278,019**
INVENTORIES	23	5,522	5,890
FINANCIAL ASSETS WITH THE PARENT	24	743	1,271
TRADE RECEIVABLES	25	88,062	80,315
OTHER ASSETS	26	17,052	12,581
FINANCIAL ASSETS	27	6,508	5,157
CASH AND CASH EQUIVALENTS	28	91,596	172,805
ASSETS HELD FOR SALE	15	25,106	-
TOTAL ASSETS		**1,668,867**	**1,698,368**
LIABILITIES AND EQUITY			
EQUITY	29	**345,962**	**345,640**
SHARE CAPITAL		8,853	8,853
RESERVES		43,297	41,176
RETAINED EARNINGS		286,132	288,088
EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT		**338,282**	**338,117**
EQUITY ATTRIBUTABLE TO NON-CONTROLLING INTERESTS		7,680	7,523
NON-CURRENT LIABILITIES		**1,055,797**	**1,096,673**
BONDS	30	99,000	99,000
OTHER LOANS AND BORROWINGS	30	158,168	214,702
LEASE LIABILITIES	30	757,459	738,856
TRADE PAYABLES	35	812	203
OTHER LIABILITIES	36	143	138
DEFERRED TAX LIABILITIES	31	14,719	14,220
PROVISIONS FOR PERSONNEL	32	20,077	24,129
PROVISIONS FOR RISKS AND CHARGES	33	5,419	5,425
CURRENT LIABILITIES		**259,498**	**256,055**
BONDS	30	666	666
OTHER LOANS AND BORROWINGS	30	5,298	9,175
LEASE LIABILITIES	30	53,932	50,685
FINANCIAL LIABILITIES WITH THE PARENT	34	308	-
TRADE PAYABLES	35	75,114	76,959
OTHER LIABILITIES	36	83,549	79,665
PROVISIONS FOR RISKS AND CHARGES	33	40,631	38,905
LIABILITIES ASSOCIATED WITH ASSETS HELD FOR SALE	15	7,610	-
TOTAL LIABILITIES AND EQUITY		**1,668,867**	**1,698,368**

Statement of cash flows

(eur/000)	**2022**	**2021**
OPERATING ACTIVITIES		
PROFIT (LOSS) FROM CONTINUING OPERATIONS	(480)	2,327
ADJUSTMENTS:		
AMORTISATION, DEPRECIATION AND IMPAIRMENT LOSSES	86,774	83,375
GAIN ON THE SALE OF PROPERTY		(5,029)
ACCRUAL TO PROVISIONS FOR PERSONNEL, NET OF UTILISATIONS AND STOCK OPTIONS	(1,690)	(1,795)
ACCRUAL TO PROVISIONS FOR RISKS AND CHARGES	1,720	(2,084)
CHANGE IN NET WORKING CAPITAL, NET OF ACQUISITIONS	(12,921)	(16,241)
CHANGES IN OTHER CURRENT ASSETS/LIABILITIES, NET OF ACQUISITIONS	(239)	14,521
OTHER CHANGES IN NON-CURRENT ASSETS/LIABILITIES, NET OF ACQUISITIONS	(369)	(7,011)
CASH FLOW FROM OPERATING ACTIVITIES	**72,795**	**68,063**
of which:		
interest paid	7,974	9,325
income taxes paid	2,610	3,790
INVESTING ACTIVITIES		
(PURCHASE)/SALE OF NON-CURRENT ASSETS	(37,445)	(37,618)
PROCEEDS FROM THE SALE OF ASSETS	-	52,599
PURCHASE OF ASSETS, NET OF BANK LOANS AND BORROWINGS	(3,676)	(1,350)
CASH FLOW FROM (USED IN) INVESTING ACTIVITIES	**(41,121)**	**13,631**
FINANCING ACTIVITIES		
OTHER CHANGES IN EQUITY	(704)	71
CHANGES IN OTHER FINANCIAL ASSETS	(1,351)	(1,033)
DRAWDOWN/(REPAYMENT) OF OTHER LOANS AND BORROWINGS	(58,074)	(16,225)
REPAYMENT OF LEASE LIABILITIES	(51,443)	(58,902)
DIVIDENDS PAID AND RESERVES DISTRIBUTED	(590)	(1,003)
CASH FLOW USED IN FINANCING ACTIVITIES	**(112,162)**	**(77,092)**
INCREASE (DECREASE) IN NET CASH AND CASH EQUIVALENTS	**(80,488)**	**4,602**
OPENING NET CASH AND CASH EQUIVALENTS	**172,084**	**166,500**
INCREASE IN NET CASH AND CASH EQUIVALENTS FROM DISCONTINUED OPERATIONS	**-**	**982**
CLOSING NET CASH AND CASH EQUIVALENTS	**91,596**	**172,084**
CASH AND CASH EQUIVALENTS	**91,596**	**172,805**
BANK OVERDRAFTS	**-**	**-**
CLOSING NET CASH AND CASH EQUIVALENTS	**91,596**	**172,805**

In the statement of cash flows for the year ended 31 December 2021, the cash flows generated by Discontinued Operations have been reclassified under the line item “Increase in net cash and cash equivalents from discontinued operations”, excluding the effects of the cash flows of ClearMedi HealthCare LTD and ClearView LTD; for impact, see paragraph “2.2 Presentation of the consolidated financial statements and comparability” of the Notes to the Consolidated Financial Statements.

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 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	LEGAL RESERVE	SHARE PREMIUM RESERVE	STOCK OPTION RESERVE	HEDGING RESERVE	ACTUARIAL RESERVE	RETAINED EARNINGS(LOSSES CARRIED FORWARD)	TRANSLATION RESERVE	PROFIT (LOSS) FOR THE YEAR	TOTAL	PROFIT FOR THE YEAR ATTRIBUTABLE TO NC INTERESTS	NON-CONTROLLING INTERESTS	TOTAL
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**
Capital increase										0			0
Loss for the year									(754)	(754)	986		232
Other comprehensive income:													
Changes in hedging reserve					17					17			17
Changes in actuarial reseve						2,042				2,042		47	2,089
Translation differences								(740)		(740)		(4)	(744)
Total other comprehensive income	**0**	**0**	**0**	**0**	**17**	**2,042**	**0**	**(740)**	**(754)**	**565**	**986**	**43**	**1,594**
Increase in stock option reserve				62						62			62
Purchase of Villa Armonia third parties							(462)			(462)		(282)	(744)
Allocation of prior year profit							1,390		(1,390)	0	(977)	977	0
Dividends paid and reserves distributed										0		(590)	(590)
BALANCE AT 31 DECEMBER 2022	**8,853**	**1,771**	**40,250**	**2,449**	**(29)**	**(1,144)**	**286,115**	**771**	**(754)**	**338,282**	**986**	**6,694**	**345,962**

Notes to the consolidated financial statements

1 Profile of the KOS Group

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

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

The Group invests in the management of residential care facilities (care homes, psychiatric and rehabilitation residences and residences for the differently able), 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:

Care Homes / "*Residenze Socio-Assistenziali" - RSA*: the Group provides residential healthcare and assistance to the elderly, mainly under the "Anni Azzurri" and "Charleston" brands.

Rehabilitation, Psychiatric Care and Non-Residential Care: the Group operates functional and psychiatric rehabilitation centres under the "Santo Stefano" (functional rehabilitation) and "Neomasia" (psychiatric rehabilitation) brands.

Acute Care: The Acute Care 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.

Diagnostics and Cancer Care: 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. In accordance with IFRS 5, the Group assets in this operating segment have been reclassified to assets held for sale as they are the subject of a disposal agreement which is expected to be finalised in 2023.

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 2022, KOS Group was managing some 144 healthcare facilities – 93 in North and Central Italy and 51 in Germany - with a total of 13,518 beds plus around 750 beds under construction. It operates in four operating segments:

- **Care Homes / RSA:** management of care homes for the elderly with some 109 care homes for a total of 10,784 beds (including 4,423 in Germany);
- **Rehabilitation, Psychiatric Care and Non-Residential Care:** management of 33 rehabilitation facilities for a total of 2,427 beds in operation;
- **Acute Care:** management of a 123-bed hospital in Suzzara and the activities of the Sanatrix Group (184 beds) plus 15 outpatient clinics;
- **Diagnostics and Cancer Care:** delivery of diagnostics and cancer care services inside public and private sector healthcare facilities in India.

KOS S.p.A. has its registered office at via Ciovassino,1 Milan and its operational 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 directly and indirectly controlled by it at 31 December 2022, as adjusted, where necessary, to bring them into line with the IFRS 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
KOS Care S.r.l	Milan	2,550,000	€	Kos S.p.A	100.00%	100.00%
Charleston Holding GmbH	Füssen (DE)	25,000	€	KOS Care S.r.l	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	€	Wohn- und Pflegezentrum Haus am Bahnhof 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%
Inntal Pflegeheime GmbH	Waldkraiburg (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%
GES.CA.S. Villa Armonia Nuova S.r.l.	Roma	52,000	€	KOS Care S.r.l	100.00%	100.00%
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%
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%
KOS Servizi Società Consortile a r.l.	Milan	138,000	€	Kos S.p.A	5.35%	97.73%
				KOS Care S.r.l	85.15%	
				Ospedale di Suzzara S.p.A.	1.79%	
				Abitare il Tempo S.r.l	4.11%	
				Sanatrix Gestioni S.r.l.	2.52%	
				Fidia S.r.l.	0.36%	
				GES.CA.S. Villa Armonia Nuova S.r.l.	0.36%	
				Jesilab S.r.l.	0.36%	

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) 31/12/2022	Carrying amount (eur) 31/12/2021
Osimo Salute S.p.A	Osimo (AN)	750,000	€	Abitare il tempo S.r.l	25.50%	14.03%	893	893
Fondo Spazio Sanità	Rome	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%	631	622
Other							32	32
Total							**2,456**	**2,447**

In February, the German subsidiary Charleston GmbH completed the acquisition of Inntal Pflegeheime GmbH, a company that operates two care homes near Munich with a total of 211 beds. The acquisition price was € 4,081 thousand and goodwill of € 4,171 thousand arose from the deal.

As a result of the acquisitions made in 2021 and 2022, the figures at 31 December 2022 are not immediately comparable with those at 31 December 2022.

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 2022 report the following amounts.

Eur thousand		**31/12/2022**
Non current assets*	G	16,713
Working capital		(868)
Financial liabilities	C	(16,339)
Cash and cash equivalents	B	405
Goodwill	H	4,170
Purchase price		**(4,081)**
of which:		
Advances paid in previous years		-
Purchase price allocation liabilities		-
Price paid net of advances	A	(4,081)
Impact on financial indebtedness	**D= A+B+C**	**(20,015)**
Purchase price net of cash and cash equivalents	**E=A+B**	(3,676)
Non current assets from acquisition	**I=G+H**	**20,883**

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

The revenue effect of the above acquisitions amounts to around € 8,118 thousand since the date of acquisition while the gross operating profit effect is negative by € 394 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 otherwise specified.

The Consolidated Financial Statements have been prepared on a going concern basis. The Group maintains that there is no uncertainty over its ability to continue to operate as a going concern despite the difficult economic and financial climate.

2.1 Accounting standards

The KOS Group's consolidated financial statements at 31 December 2022 have been prepared in accordance with the International Financial Reporting Standards (IFRS) endorsed by the European Union. IFRS is intended as including all "International Financial Reporting Standards", all "International Accounting Standards" (IAS) and all of the interpretations of the International Financial Reporting Interpretations Committee (IFRIC) (formerly known as the "Standards Interpretations Committee'' (SIC)) which, at the date of approval of the Consolidated Financial statements, had been endorsed by the European Union by means of the procedure laid down by European Regulation no. 1606/2002 of the European Parliament and European Council of 9 July 2002 and by European Regulation no. 519/2019 of the Commission of 28 March 2019 which amended EC Regulation no 1126/2008 which adopted certain international financial reporting standards in accordance with EC Regulation no. 1606/2002. 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 to 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 year have been prepared including, in the Statement of Profit or Loss and in the Statement of Cash Flows, the reclassification of amounts relating to ClearMedi HealthCare LTD and ClearView LTD in light of an agreement for the sale of 100% of the shares of said companies that was signed in December 2022. It is expected that the deal will be completed in 2023.

The following is reported in the consolidated financial statements at 31 December 2022:

• in the Statement of Profit or Loss and the Statement of Comprehensive Income for 2022 and, for comparative purposes, for 2021, revenue and income and costs and expenses minus costs to sell of the Discontinued Operations have been classified under the caption “Profit from discontinued operations”;
• in the Statement of Cash Flows for the year ended 31 December 2022 and, for comparative purposes, for the year ended 31 December 2021, the cash flows generated by 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 two companies to be sold 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 companies to be sold at 31 December 2022.

CONTRIBUTION TO PROFIT OR LOSS OF DISCONTINUED OPERATIONS

(eur/000)	31/12/2022	31/12/2021
REVENUE	18,412	18,276
OPERATING PROFIT	**1,918**	**704**
NET FINANCIAL EXPENSE	- 972	- 616
INCOME TAXES	20	19
PROFIT FOR THE YEAR INCLUDING NON-CONTROLLING INTERESTS	**966**	**107**
Costs incurred for the sale net of the tax effect	- 254	- 67
PROFIT FROM DISCONTINUED OPERATIONS	**712**	**40**

CONTRIBUTION TO COMPREHENSIVE INCOME OF DISCONTINUED OPERATIONS

(eur/000)	31/12/2022	31/12/2021
PROFIT FOR THE YEAR INCLUDING NON-CONTROLLING INTERESTS	**966**	**107**
Items that will not be subsequently reclassified to profit or loss		
Actuarial gains (losses)		
Tax effect		
Translation difference	(759)	634
TOTAL COMPREHENSIVE INCOME	**207**	**741**

CONTRIBUTION TO CASH FLOW OF DISCONTINUED OPERATIONS

(eur/000)	31/12/2022	31/12/2021
CASH FLOW FROM OPERATING ACTIVITIES	2,085	4,631
CASH FLOW FROM (USED IN) INVESTING ACTIVITIES	(1,017)	(5,065)
CASH FLOW USED IN FINANCING ACTIVITIES	(1,004)	2,137
INCREASE IN NET CASH AND CASH EQUIVALENTS	**64**	**1,703**
OPENING NET CASH AND CASH EQUIVALENTS	**721**	**(982)**
CLOSING NET CASH AND CASH EQUIVALENTS	**785**	**721**

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 fair 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 includes the Group share of the profit or loss of associates, accounted for using 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 of 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 recognied 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 investors

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 the statement of 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 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 need-ed 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 related expenses 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 3.3% 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)	***2022***	**IFRS 16 impact**	**2022 IFRS 16**
REVENUE	683,474		683,474
PURCHASES	(53,556)		(53,556)
SERVICES	(216,666)	69,254	(147,412)
PERSONNEL EXPENSE	(364,018)		(364,018)
OTHER OPERATING INCOME	32,972		32,972
OTHER OPERATING COSTS	(30,042)		(30,042)
IMPAIRMENT LOSSES ON EQUITY-ACCOUNTED INVESTMENTS	9	-	9
GROSS OPERATING PROFIT	**52,173**	**69,254**	**121,427**
AMORTISATION, DEPRECIATION, IMPAIRMENT LOSSES AND PROVISIONS	(33,503)	(57,481)	(90,984)
OPERATING PROFIT	**18,670**	**11,773**	**30,443**
FINANCIAL INCOME	524		524
FINANCIAL EXPENSE	(12,135)	(19,774)	(31,909)
DIVIDENDS	40		40
PRE-TAX PROFIT	**7,099**	**(8,001)**	**(902)**
INCOME TAXES	(885)	1,307	422
PROFIT FROM DISCONTINUED OPERATIONS	771	(59)	712
PROFIT FOR THE YEAR INCLUDING NON-CONTROLLING INTERESTS	**6,985**	**(6,753)**	**232**

(eur/000)	*31/12/2022*	IFRS 16 impact	31/12/2022 IFRS 16
NON-CURRENT ASSETS	**666,760**	**767,518**	**1,434,278**
INTANGIBLE ASSETS	370,506		370,506
PROPERTY, PLANT AND EQUIPMENT	251,463		251,463
RIGHT-OF-USE ASSETS	19,398	759,914	779,312
INVESTMENT PROPERTY	2,539		2,539
EQUITY-ACCOUNTED INVESTMENTS	631		631
OTHER EQUITY INVESTMENTS	1,825		1,825
OTHER ASSETS	2,355		2,355
DEFERRED TAX ASSETS	18,043	7,604	25,647
CURRENT ASSETS	**209,483**	**2,557**	**209,483**
INVENTORIES	5,522		5,522
ASSETS WITH THE PARENT	743		743
TRADE RECEIVABLES	88,062		88,062
OTHER ASSETS	17,052		17,052
FINANCIAL ASSETS	6,508		6,508
CASH AND CASH EQUIVALENTS	91,596		91,596
ASSETS HELD FOR SALE	22,549	2,557	25,106
TOTAL ASSETS	**898,792**	**770,075**	**1,668,867**
LIABILITIES AND EQUITY			
EQUITY	**374,440**	**(28,478)**	**345,962**
SHARE CAPITAL	8,853		8,853
RESERVES	43,297		43,297
RETAINED EARNINGS	314,610	(28,478)	286,132
EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT	**366,760**	**(28,478)**	**338,282**
EQUITY ATTRIBUTABLE TO NON-CONTROLLING INTERESTS	7,680		7,680
NON-CURRENT LIABILITIES	**310,116**	**745,681**	**1,055,797**
BONDS	99,000		99,000
OTHER LOANS AND BORROWINGS	158,168		158,168
LEASE LIABILITIES	11,778	745,681	757,459
TRADE PAYABLES	812		812
OTHER LIABILITIES	143		143
DEFERRED TAX LIABILITIES	14,719		14,719
PROVISIONS FOR PERSONNEL	20,077		20,077
PROVISIONS FOR RISKS AND CHARGES	5,419		5,419
CURRENT LIABILITIES	**209,216**	**52,872**	**259,498**
BANK OVERDRAFTS	-		-
BONDS	666		666
OTHER LOANS AND BORROWINGS	5,298		5,298
LEASE LIABILITIES	1,453	52,479	53,932
LIABILITIES WITH THE PARENT	308		308
TRADE PAYABLES	75,114		75,114
OTHER LIABILITIES	85,746	(2,197)	83,549
PROVISIONS FOR RISKS AND CHARGES	40,631		40,631
LIABILITIES ASSOCIATED WITH ASSETS HELD FOR SALE	5,020	2,590	7,610
TOTAL LIABILITIES AND EQUITY	**898,792**	**770,075**	**1,668,867**

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 amount of the intangible assets and property, plant and equipment of the KOS Group is 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 impaired, 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 Group 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 receivable 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's statement of financial position even though they have been legally transferred. In such cases, a financial liability for the same amount is recognised for the factoring advances received.

Tax assets

Tax assets 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.

Assets and liabilities held for sale

Non-current assets or disposal groups comprising assets and liabilities are classified as held for sale when it is highly probable that their carrying amount will be recovered principally through a sale transaction rather than through continuing use.

The assets or disposal group are usually measured at the lower of carrying amount and fair value less costs to sell. Any impairment loss recognised for a disposal group is, first, allocated to goodwill and, then, to the remaining assets and liabilities on a proportionate basis, except for inventories, financial assets, deferred tax assets, employee benefits, investment property and biological assets which continue to be measured in compliance with the Group's other accounting policies. Impairment losses resulting from the initial classification of an asset as held for sale or for distribution and subsequent measurement differences are recognised in profit/(loss) for the period.

Once classified as held for sale, intangible assets and property, plant and equipment are no longer amortised/depreciated and equity investments recognised under the equity method are no longer recognised using that method.

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 accounted for in the Statement of Profit or Loss for the periods – and in the manner – in which the hedged items flow through 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 accounting 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

Allocations 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 the reporting date. 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 expense". 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 for 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 in issue 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, 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 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 exercise 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 reporting date.

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 financial statements 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 2022-2024), Kos Care S.r.l. (period 2020-2022), Jesilab S.r.l. (period 2022-2024), Villa Armonia Nuova S.r.l. (period 2021-2023) and Sanatrix 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 Taxes 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 due from companies that transfer taxable income in the amount of the IRES liability. Meanwhile, the consolidating company recognises an amount due 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 period.

When hedging derivatives hedge the risk of changes in the fair value of the instruments being hedged ("fair value hedges", e.g. hedging of changes in the "fair value" of fixed rate assets/liabilities), the derivatives are recognised 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 an equity security not held for trading purposes, the Group may choose irrevocably to present subsequent changes in fair value through other comprehensive income. This choice is made for each asset.

All financial assets not classified as measured at amortised cost or at FVOCI, as previously indicated, are measured at FVTPL. This includes all derivative instruments.

At the time of initial recognition, the Group may irrevocably designate the financial asset as measured at fair value through profit or loss if, by so doing, it eliminates or significantly reduces an accounting imbalance that would 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, value and timing of sales of financial assets in prior years, the reasons for sale and expectations regarding future sales.

Transfers of financial assets to third parties through transactions that do not lead to derecognition are not considered sales for the purposes of evaluation of the business model, in line with the fact that the Group continues to 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 consolidated financial statements and the accompanying notes in accordance with IFRS involves the use by Management of estimates and assumptions that are reflected in the assets and liabilities and in the information disclosed.
The estimates and assumptions used are based on experience and on other factors deemed relevant. Although the ongoing 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 loss 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. It should be noted that, given how the Group's business and size have evolved and considering changes that have redefined the sector in recent years, the Group felt it was appropriate to adapt its organisational structure (by operating segment/division). This reorganisation is also reflected in the redetermination of the CGUs identified for impairment test purposes and provides for a country-based organisation (i.e. Italy and Germany) and a division-based organisation for each country in which each division reflects an operating segment with particular features. The rationale is the need for an organisational model more effective in managing different businesses based on "drivers" and operating methods i.e. with the RSAs on the one hand and rehabilitation activities on the other. The heads of each operating division have been full control of activities falling under their responsibility.

In accordance with the Group's organisational and business structure, these CGUs have been identified as homogeneous groupings capable of autonomously generating cash flows through the continuous use of the assets attributable to them. Given that the Group operates in four different operating segments (Care Homes; Rehabilitation, Psychiatric Care and Non-Residential Care, Acute Care; and Cancer Care and Diagnostics), the CGUs identified by management – to which goodwill has been allocated – are as follows: Care Homes/*Residenze Socio Assistenziali* (RSA) Italy, Care Homes / *Residenze Socio Assistenziali* (RSA) Germany, Rehabilitation, Psychiatric Care and Non-Residential Care and Acute Care. The Cancer Care and Diagnostics CGU (which includes the business operating in India) has not been considered as it is a non-core business held for sale; it has been measured at fair value less costs to sell as required by IFRS 5.

Value in use was determined by discounting the expected cash flows for each CGU.

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 2023-2027 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 based on detailed forecasts for each Group healthcare facility and using specific key value drivers.

The main estimates made when preparing the Business Plan that formed the basis for the impairment test regarded the hypothesis that Group activities relate to essential services, are sustained by growing demand and will continue to be supported by the Italian National Health Service to a significant degree, despite limitations on public health spending.

General assumptions

- Gradual end of the Covid-19 pandemic and growing demand in all business segments
- Increase in personnel expense in relation to renewal of collective agreements and in other costs due to inflation, as partially countered by an increase in revenue from public contributions and a partial increase in private expenditure.
- Distribution of dividends from 2025: 80% of prior year Group consolidated profit
- Acquisition of four new facilities in 2026-2027
- Planned sale of Clearmedi India in 2023. Since 2019, its profit has been classified under "Profit from discontinued operations" as per IFRS 5.

In addition to these general assumptions, the specific assumptions made for each CGU are listed below:

General assumptions regarding Care Homes/RSA Italy CGU

- Gradual recovery in occupancy rate thanks to progressive end of epidemic, renewed confidence of families in RSAs/Care Homes and growing structural demand
- Public and private care home fees expected to increase slightly, partially offsetting cost inflation and due to an improved mix of services offered
- Renewal of collective labour agreements, resulting in higher personnel expense but also to greater appeal for healthcare personnel needed to sustain the increase in occupancy rates

General assumptions regarding Care Homes/RSA Germany CGU

- Occupancy of available beds in the Long Term Care Germany CGU is expected to increase, also thanks to gradual end of the epidemic
- This is also thanks to an increase in nurses' salaries that will help deal with staff shortages encountered in recent months thus reducing the number of temporary employees with accompanying cost savings
- Forecast yoy increase in tariffs will offset personnel expense increases and other effects of cost inflation

Assumptions regarding Rehabilitation, Psychiatric Care and Non-Residential Care CGU

- Gradual improvement in occupancy rate, especially thanks to production of 100% of regional ceiling at all structures and increase in services to patients from outside of region
- Development of more complex neurorehabilitation and cardio-pneumological rehabilitation, defence and growth – also in private sector – of orthopaedic and musculoskeletal rehabilitation which represents the bulk of demand and which, in future, could be less covered by Italian NHS funding
- Development of psychiatric rehabilitation services, with strong growth in demand in some segments such as Eating Disorders
- Renewal of collective labour agreements with resulting increase in personnel expense but also greater appeal to the social and health care personnel needed to sustain the higher occupancy

Assumptions regarding Acute Care CGU

- It is assumed that the Suzzara Hospital concession will be renewed. However, for impairment test purposes, in line with previous tests, the Group preferred to test cash flows until the end of the current concession during 2023
- Suzzara: increase in private health services and more efficient activities, also thanks to a policy of investment in technology and infrastructure
- KCA: more private services – surgery, care home and outpatient treatment

Assumptions regarding the Cancer Care and Diagnostics CGU

- It is assumed that Clearmedi India will be sold in 2023. In accordance with IFRS 5, its profit has been reclassified to "Profit from discontinued operations ".

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 goodwill and other assets recognised at 31 December 2022 will not be impaired in future periods.

It should be noted that an impairment test was also performed based on the CGUs identified in the previous reporting periods i.e. the test on the long Term Care CGU (as divided into regions) which has now been replaced by the Test on the Care Homes / RSA Italy CGU and the Rehabilitation, Psychiatric Care and Non-Residential Care CGU. For the results, see Note 16 "Intangible assets".

Other equity investments

Equity 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 derivative instrument was entered into in order to hedge the interest rate risk.

As the conditions laid down by IFRS 9 for the application of hedge accounting were not respected in full, the above instrument has been measured at FVTPL.

For the purposes of these consolidated financial statements, the fair value of hedging derivatives in place at 31 December 2022 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 2022

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 2022 reporting period are provided below.

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]	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)	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)	May 2020	1 January 2022	28 June 2021	(EU) 2021/1080 2 July 2021
Reference to the Conceptual Framework (Amendments to IFRS 3)	May 2020	1 January 2022	28 June 2021	(EU) 2021/1080 2 July 2021

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 2022

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
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
Definition of Accounting Estimates (Amendments to IAS 8)	February 2021	1 January 2023	2 March 2022	(EU) 2022/357 3 March 2022
Disclosure of accounting policies (Amendments to IAS 1[2])	February 2021	1 January 2023	2 March 2022	(EU) 2022/357 3 March 2022
Deferred tax related to assets and liabilities arising from a single transaction (Amendments to IAS 12)	Maggio 2021	1 January 2023	11 August 2022	(EU) 2022/1392 12 August 2022
First-time application of IFRS 17 and IFRS 9 — Comparative information (Amendments to IFRS 17)	December 2021	1 January 2023	8 September 2022	(EU) 2022/1491 9 September 2022

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

ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS NOT YET ENDORSED BY THE EUROPEAN UNION AT 31 DECEMBER 2022

As at 31 December 2022, 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.

[2] The document published by the IASB includes amendments to the document '*IFRS Practice Statements 2 - Making Materiality Judgements*' which have not been endorsed by the European Union as they do not relate to an accounting standard or to an interpretation.

Document title	Date of issue by the IASB	Effective date of IASB document	Date of expected EU endorsement
Standards			
IFRS 14 Regulatory deferral accounts	January 2014	1 January 2016	Endorsement process suspended with new accounting standard on “rate-regulated activities” awaited
Amendments			
Sale or contribution of assets between an investor and its associate or joint venture (Amendments to IFRS 10 and IAS 28)	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 meth-od
Classification of liabilities as current or non-current (Amendments to IAS 1) and Non-current liabilities with covenants (Amendments to IAS 1)	January 2020 July 2020 October 2022	1 January 2024	TBD
Lease liability in a sale and leaseback (Amendments to IFRS 16)	September 2022	1 January 2024	TBD

There has been no early application of accounting standards or interpretations whose application would be obligatory for periods commencing after 31 December 2022. The Directors are currently evaluating the possible effect of the introduction of these amendments on the Group’s consolidated financial statements; no significant effects are expected at present.

3 Information on risks and financial instruments

3.1 Definition of risks

The Group’s business activities are exposed to a range of financial risks that could affect its financial position, 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 comes 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 indebtedness given capex made;
- regular, centralised control of collection and payment flows;
- maintenance of an adequate level of available liquidity;
- diversification of means and sources for 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 exchange rate 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 a fluctuation in market interest rates. See Note "*4.7 Sensitivity analysis*" for further details.

Other price risks

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

Risks regarding the general state of the economy

The health emergency linked to the Covid-19 pandemic has had a major impact on the health sector since 2020. In 2022, the situation showed signs of a slow but significant return to normal. At present, it is impossible to exclude the possibility of new waves of infections and resulting disruption to hospital activities which could affect, in particular, healthcare, rehabilitation and social care facilities and outpatient and home care activities. Reference should be made to the "Business outlook" section of the Directors' Report for further information.

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 2021 and 2022.

Categories of financial assets and liabilities	IFRS 9 classification	31/12/2022	31/12/2021
NON-CURRENT ASSETS			
Other investments	Cost except Fondo Spazio Sanitario at FVTPL	1,825	1,825
Other assets	Other assets at amortised cost	2,355	2,962
CURRENT ASSETS			
Trade receivables from the parent	Amortised cost	743	1,271
Trade receivables	Amortised cost	88,062	80,315
Other assets	Amortised cost	17,052	12,581
Financial assets	Financial assets at amortised cost	6,508	5,157
Cash and cash equilvalents	Financial assets at amortised cost	91,596	172,805
NON-CURRENT LIABILITIES			
Bonds	Liabilities at amortised cost	(99,000)	(99,000)
Other financial liabilities	Liabilities at amortised cost	(158,168)	(214,702)
Lease liabilities	Liabilities at amortised cost	(757,459)	(738,856)
Trade payables	Liabilities at amortised cost	(812)	(203)
CURRENT LIABILITIES			
Bank overdrafts	Liabilities at amortised cost	-	-
Bonds	Liabilities at amortised cost	(666)	(666)
Trade payables to the parent	Liabilities at amortised cost	(308)	-
Other financial liabilities	Liabilities at amortised cost	(5,298)	(9,175)
Lease liabilities	Liabilities at amortised cost	(53,932)	(50,685)
Trade payables	Liabilities at amortised cost	(75,114)	(76,959)

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 2022 and 31 December 2021, by hierarchical level of fair value.

Financial Statements at 31 December 2022				
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		280		**280**
- Non-recourse factoring		6,228		**6,228**

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**

During 2022, there were no transfers from Level 3 to other Levels and vice versa.

The following should be noted with regard to the measurement assumptions applied to the asset classes:

- due to their short term maturity, for current assets and current liabilities – e.g. trade receivables and trade payables – and for current financial liabilities and sundry liabilities - excluding financial assets for derivatives - gross carrying amount was considered a reasonable approximation of fair value;
- in order to hedge the interest rate risk and the 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. The carrying amount of 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 allowance during the reporting period are shown below:

(eur/000)	31/12/2021	Increase	Utilisation	Changes in consolidation scope	Other changes	Differences in exchange rates	31/12/2022
Loss allowance	33,721	546	(920)	(8,990)	(150)		24,207

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".

31/12/2022	Total financial assets	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	**2,355**	**2,355**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Gross balance	2,355	2,355	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													
Amounts due from private sector	**10,729**	**2,181**	**8,548**	**5,661**	**1,143**	**338**	**743**	**547**	**116**	**0**	**0**	**0**	**0**
Gross balance	19,353	2,397	16,956	5,850	1,374	677	1,554	1,463	1,553	1,453	1,074	492	1,466
Loss allowance	-8,624	-216	-8,408	-189	-231	-339	-811	-916	-1,437	-1,453	-1,074	-492	-1,466
Amounts due from public sector	**77,333**	**59,482**	**17,851**	**2,228**	**2,890**	**1,010**	**2,971**	**6,656**	**1,929**	**165**	**2**	**0**	**0**
Gross balance	92,916	60,657	32,259	2,242	2,925	1,032	3,123	7,633	2,853	369	807	31	11,244
Loss allowance	-15,583	-1,175	-14,408	-14	-35	-22	-152	-977	-924	-204	-805	-31	-11,244
Other financial assets	**17,052**	**17,052**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Gross balance	17,052	17,052	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	**107,469**	**81,070**	**26,399**	**7,889**	**4,033**	**1,348**	**3,714**	**7,203**	**2,045**	**165**	**2**	**0**	**0**

31/12/2021	Total financial assets	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													
Amounts due from private sector	**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
Amounts due from public sector	**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 financial 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**

3.4 Additional disclosures on financial liabilities

The contractual maturity dates of "Financial liabilities", including interest, are shown in the following tables for 2022 and 2021, 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.

31.12.2022	<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	66,737	35,919	0	0	0	**105,897**	**99,666**
Other financial liabilities:	15,284	30,258	39,011	37,934	35,572	51,789	**209,848**	**176,697**
- Bank loans and borrowings	12,915	27,988	37,066	35,616	34,220	45,775	**193,580**	**163,085**
- 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	2,022	1,979	1,945	2,319	1,352	6,014	**15,631**	**13,231**
- Other financial backers	346	291	0	0	0	0	**637**	**381**
Bank overdrafts	0	0	0	0	0	0	**0**	**0**
Trade payables	75,114	0	0	0	0	0	**75,114**	**75,114**
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	**93,639**	**96,995**	**74,930**	**37,934**	**35,572**	**51,789**	**390,859**	**351,477**

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:	15,899	38,661	82,014	35,131	34,957	50,580	**257,241**	**238,501**
- Bank loans and borrowings	13,844	36,782	80,305	33,402	32,803	43,574	**240,710**	**223,306**
- 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**	**14,623**
- Other financial backers	381	190	0	0	0	0	**571**	**572**
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	**96,099**	**41,902**	**148,751**	**71,050**	**34,957**	**50,580**	**443,338**	**415,126**

Other financial liabilities - excluding lease liabilities – amount to € 276.4 million and consist of loans and finance lease liabilities due to banks (€176.7 million) and bonds (€99.7 million).

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 respect certain covenants should the group 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 31.12.2022 (eur/000)	Maturity	Term
KOS S.p.A.	mortgage loan	88,923	23.06.2028	Euribor 6 mesi/360
KOS Care Srl	Lease Foligno	3,291	01.04.2033	Euribor 3 months/360
KOS Care Srl	Lease Montecosaro	2,402	01.11.2026	Euribor 3 months/365
KOS Care Srl	Lease Foligno	4,466	01.04.2033	Euribor 3 months/365
KOS Care Srl	Lease Ascoli	3,072	07.02.2027	Euribor 3 months/365
Total loans with collateral and/or liens		**102,154**		
KOS Care Srl	Loan	287	15.12.2022	Euribor 6 months/360
Gruppo Charleston	Loan	162	12.11.2022	Fix
Gruppo Charleston	Loan	306	03.02.2024	Fix
Loans not secured by collateral		**755**		
KOS Spa	Syndicated Loan 150Ml	73,423	02.12.2027	Euribor 6 months/360
Total Corporate line		**73,423**		
Kos Spa	Bonds	35,414	18.10.2025	Fix
	Bonds	64,252	18.10.2024	Fix
Total Bond		**99,666**		
KOS Care Srl	Regional loan from Lombardy regional authorities (FRI!	381	30.06.2024	
Total other financial backers		**381**		
Total bank overdrafts				
Financial liabilities for derivatives				
Total financial liabilities		**276,379**		

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 2022 and later are shown below:

(eur/000)	Type of loan	Residual amount at 31.12.2022	Maturity	Base for covenants	Target covenants 31.12.2022 and other		
					(NFD-RE DEBT)/(EBITDA-6,5%RE DEBT)	Ebitda/Of	Loan to value
Kos S.p.A	**Syndicated loan from Intesa Sanpaolo S.r.l, CDP, Credit Agricole, Banco BPM, BPER, Cassa di Risparmio di Bolzano, Banca Agricola Pop di Ragusa, MCC, Banca Popolare di Bari**						
	- Refinancing line	75,000	02/12/2027	KOS Group	<=3,5	>=3	
	-Investments line	-	02/12/2027				
	-Revolving line	-	02/11/2027				
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	**Real estate Syndicated loan (Unicredit, IntesaSanpaolo)**	90,000	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 2022:

(eur/000)	Type of loan	Residual amount at 31.12.2022	Maturity	Base for covenants	Target covenants 31.12.2022 and other		
					(NFD-RE DEBT)/(EBITDA-6,5%RE DEBT)	Ebitda/Of	Loan to value
Kos S.p.A	**Syndicated loan from Intesa Sanpaolo S.r.l, CDP, Credit Agricole, Banco BPM, BPER, Cassa di Risparmio di Bolzano, Banca Agricola Pop di Ragusa, MCC, Banca Popolare di Bari**						
	- Refinancing line	75,000	02/12/2027	KOS Group	1.65	4.49	
	-Investments line	-	02/12/2027				
	-Revolving line	-	02/11/2027				
Kos S.p.A	**Bond 64ML€**	64,000	18/10/2024	KOS Group	1.65	4.49	58%
	Bond 35ML€	35,000	18/10/2025				
Kos S.p.A	**Real estate Syndicated loan (Unicredit, IntesaSanpaolo)**	90,000	23/06/2028	KOS Group	1.65	4.49	58%

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

At 31 December 2022, 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 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 2022:

	31/12/2022			31/12/2021		
(eur/million)	**Total**	**Used**	**Available**	**Total**	**Used**	**Available**
Short-term Lines ("Uncommitted"/at sight)	**33.0**	**0.0**	**33.0**	**33.6**	**0.0**	**33.6**
Long-term ("Committed"/contractualised)	**351.4**	**276.4**	**75.0**	**405.3**	**338.2**	**67.1**
Total	**384.4**	**276.4**	**108.0**	**438.9**	**338.2**	**100.7**

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 Cap contract*. Details of the instrument at 31 December 2022 are provided below:

Company	Signature date	Time	*Pay*	*Cap*	*Floor*	*Receive/Index*	Notional		*Fair Value*	
							31/12/22	31/12/21	31/12/22	31/12/21
Kos SpA	2019	Quarterly			0.50%	Euribor 3 M	13,125	21,875	280	8
Total Interest Rate Cap							**13,125**	**23,773**	**280**	**8**
Total effective portion of derivatives							**13,125**	**23,773**	**280**	**8**
Total							**13,125**	**23,773**	**280**	**8**

The total notional amount at 31 December 2022 was € 13,125 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" (intrinsic portion) resulting from movements in the interest rate curve – again only in relation to the effective portion of the hedge – are also recognised under an equity reserve.

The table below shows the following information on derivatives:

- the notional amount at 31 December 2022 and 2021, 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*.

	31/12/22					
	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	-	-			-	(29)
- Cash flow hedge pursuant to IAS 39 Interest Rate Cap	8,750	4,375	280		251	
Total	**8,750**	**4,375**	**280**	**0**	**251**	**(29)**

	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)**

(1) Represents the value of (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 net 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 profit 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 negative for most of 2022, 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 2022, would have had an impact on pre-tax profit of around -€ 1,623 thousand (-€ 1,036 thousand at 31 December 2021) with an effect on equity of around -€1,623 thousand (-€ 1,036 thousand at 31 December 2021). Non-material impact on Group figures.

Notes to the Statement of Profit or Loss

Note that the consolidated financial statements at 31 December 2022 and the comparative information at 31 December 2021 have been prepared including the reclassification to "Profit from discontinued operations" of amounts relating to ClearMedi HealthCare LTD and ClearView LTD in light of the agreement signed in December 2022 for the sale of 100% of the equity of the aforementioned companies. For further information on the effects of the reclassification, reference should be made to paragraph "2.2 Presentation of the consolidated financial statements and comparability" of the Notes to the Consolidated Financial Statements.

4) Revenue

The Group's revenue for 2022 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)	**2022**	**%**	**2021**	**%**	**Var.**
Care Homes	416,414	61%	373,024	58%	43,390
of which:					
Italy	*225,146*	*33%*	*193,610*	*30%*	*31,536*
Germany	*191,268*	*28%*	*179,415*	*28%*	*11,854*
Rehabilitation, Psychiatric Care and Non-Residential Care	189,184	28%	189,707	30%	(522)
Acute care	77,789	11%	79,050	12%	(1,261)
Cancer treatment and diagnostic services	-	0%	-	0%	-
Other	87	0%	74	0%	13
Total	**683,474**	**100%**	**641,855**	**100%**	**41,619**

The increase in revenue is due to:

- In the **Care Home / RSA** segment, the volume of activity in Italy was higher than in prior year thanks to a partial recovery in the number of residents with an average occupancy rate of 80.1% (70.1% in 2021); total revenue in this segment has increased by € 31,536 thousand thanks to the aforementioned improvement in the occupancy rate and to expansion (revenue of € 6,553 thousand contributed by newly acquired/newly opened care homes). Subsidies received decreased from € 3,957 thousand in 2021 to € 2,774 thousand in 2022. In Germany, RSA activities recorded an increase in revenue (+€ 11,854 thousand) mainly thanks to new facilities opened during 2022 which contributed revenue of € 8,118 thousand. Over the year, there was a slight fall in the average occupancy rate from 83.6% in 2021 to 81.2% in 2022, mainly because of the opening of new care homes which have not yet reached a full level of operations;
- In the **Rehabilitation, Psychiatric Care and Non-Residential Care** segment, revenue from rehabilitation activities – both psychiatric and functional and both carried out in Italy – was broadly in line with the previous reporting period. The decrease in subsidies compared to the comparative year had a negative impact of € 1,949 thousand.
- In the **Acute Care** segment**,** revenue fell by € 1,261 thousand mainly because of the presence of a greater number of patients with Covid DRG tariffs in 2021.

"Other" refers to certain chargebacks to personnel for canteen services by KOS Servizi S.c.a.r.l., the company involved in the integration and rationalisation of support services to the Group's member companies.

Revenue by type of customer

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

(eur/000)	**2022**	**%**	**2021**	**%**	**Var.**
Public	441,932	65%	423,333	66%	18,599
Private	241,542	35%	218,522	34%	23,020
Total	**683,474**	**100%**	**641,855**	**100%**	**41,619**

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)	**2022**	**%**	**2021**	**%**	**Var.**
Lombardy	140,617	21%	130,102	20%	10,515
Trentino Alto Adige	7,701	1%	6,101	1%	1,600
Veneto	31,527	5%	29,697	5%	1,830
Piedmont	41,578	6%	38,899	6%	2,679
Liguria	19,777	3%	18,389	3%	1,388
Tuscany	8,605	1%	8,167	1%	438
Emilia Romagna	63,467	9%	60,384	9%	3,083
Marche	147,125	22%	140,685	22%	6,440
Umbria	3,893	1%	3,546	1%	347
Abruzzo	4,595	1%	3,751	1%	844
Puglia	1,717	0%	1,623	0%	94
Lazio	13,121	2%	12,914	2%	207
Campania	6,466	1%	6,126	1%	340
Sicily	270	0%	284	0%	(14)
Other regions	1,741	0%	1,755	0%	(14)
Foreign countries	191,274	27%	179,432	28%	11,842
Total	**683,474**	**100%**	**641,855**	**100%**	**41,619**

The increase is due, in part, to a sharp increase in occupancy rates compared to prior year (especially in Italy) and, in part, to the effect of acquisitions made and new facilities opened in 2021 (full contribution in 2022) and the effect of acquisitions made during 2022 (€ 14,311 thousand);

5) Purchases

In the year ended 31 December 2022, this item totalled € 53,556 thousand against € 58,605 thousand in 2021. These costs represented around 8% of revenue, lower than in prior year.

The increase relating to the full contribution of acquisitions made in 2021 and 2022 was € 967 thousand.

The total cost for the reporting period with comparative information for prior year is set out below:

(eur/000)	2022	%	2021	%	Var.
Food and beverages	13,798	26%	11,840	20%	1,958
Medical gases	808	2%	679	1%	129
Diagnostics consumables	-	0%	-	0%	-
Medical consumables	15,730	29%	23,015	39%	(7,285)
Medicines	7,863	15%	7,925	14%	(62)
Prosthetic materials and medical devices	8,531	16%	8,115	14%	416
Generic consumables	3,548	7%	3,204	5%	344
Other	3,278	6%	3,827	7%	(549)
Total	**53,556**	**100%**	**58,605**	**100%**	**(5,049)**

The decrease is mainly due to lower utilisation of PPE and to a lower cost of restocking PPE than in prior year.

6) Services

Costs for services have increased from € 132,304 thousand in 2021 to € 147,412 thousand for the year ended 31 December 2022.

The total cost for the year ended 31 December 2022 is analysed in detail below and compared with the previous reporting period:

(eur/000)	2022	%	2021	%	Var.
Legal, notarial and tax consulting	1,298	1%	1,923	1%	(625)
IT consulting	4,070	3%	3,687	3%	383
Technical consulting	1,152	1%	2,534	2%	(1,382)
Medical-nursing consulting	55,919	38%	51,332	39%	4,587
Fees to Directors	1,367	1%	1,536	1%	(169)
Fees to Statutory Auditors	119	0%	164	0%	(45)
Personnel services	111	0%	185	0%	(74)
Utilities	31,412	21%	19,624	15%	11,788
Maintenance and repairs	9,191	6%	9,387	7%	(196)
Insurance	4,014	3%	3,972	3%	42
Cleaning and surveillance	235	0%	359	0%	(124)
Subcontracting costs	13,298	9%	13,139	10%	159
Care and laboratory services	6,217	4%	5,712	4%	505
Catering services	997	1%	1,111	1%	(114)
Lease fees	1,675	1%	1,665	1%	10
Rents	973	1%	475	0%	498
Other services	15,364	10%	15,499	12%	(135)
Total	**147,412**	**100%**	**132,304**	**100%**	**15,108**

The increase is mainly due to the higher level of activity than in prior year together with increases in hourly fees for doctors and nurses, a sharp rise in utilities costs (especially for RSAs where contracts with suppliers did not provide for price freezes) and the full contribution of acquisitions made during 2021 and 2022 (impact of € 1,288 thousand).

The following tables show the fees relating to 2022 for audit services and other services rendered by the independent auditors and other entities belonging to their network.

Schedule 1)

Fees (*) relating to 2022 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 companie	KOS S.p.A.	42
Other services	KPMG S.p.A. and other network companie	KOS S.p.A.	18

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

Schedule 2)

Fees relating to 2022 for services rendered by the independent auditors to other Group companies.

Audit	KPMG S.p.A. and other network companie	Subsidiaries	587
Other services	KPMG S.p.A. and other network companie	Subsidiaries	68

7) Personnel expense

Personnel expense for the year ended 31 December 2022 totalled € 364,018 thousand against € 330,530 thousand in 2021. The increase of € 33,489 thousand is due to: the higher volume of activity than in 2021; the presence in 2021 of COVID subsidies (especially in Germany); the positive effects of the wage supplement fund (FIS); and the effect of facilities acquired in 2021 and 2022 (effect of € 12,472 thousand). As a percentage of revenue, personnel expense has increased from 51% in 2021 to 53% in 2022.

The total expense for the year ended 31 December 2022 is analysed in detail below and compared with prior year:

(eur/000)	2022	%	2021	%	Var.
Wages and salaries	271,325	75%	246,460	75%	24,865
Social security charges	68,824	19%	63,481	19%	5,343
Post-employment benefits	11,943	3%	11,196	3%	747
Stock option plan valuation	61	0%	112	0%	(51)
Other costs	11,865	3%	9,281	3%	2,584
Total	**364,018**	**100%**	**330,530**	**100%**	**33,488**

The table below shows the actual number of employees as at 31 December 2022 and 31 December 2021:

	31/12/22	31/12/21
Managers/Executives	48	48
White collar workers*	4,444	5,078
Medical staff, carers and workers	6,850	6,595
Total	**11,342**	**11,721**
Employees - Average	**11,361**	**11,581**

*Includes medical directors (112 at 31/12/2022)

The decrease in the number of employees is due to the exclusion of all employees of ClearMedi HealthCare LTD.

8) Other operating income

Other operating income for year ended 31 December 2022 totalled € 32,972 thousand, higher than the total of € 26,969 thousand in prior year. The impact of acquisitions made in 2021 and 2022 was € 1,721 thousand.

It may be analysed as follows:

(eur/000)	2022	%	2021	%	Var.
Ordinary prior year income	11,581	35%	9,971	37%	1,610
Gains on the sale of assets	74	0%	5,029	19%	(4,955)
Other revenue and income	21,317	65%	11,969	44%	9,348
Total	**32,972**	**100%**	**26,969**	**100%**	**6,003**

Ordinary prior year income includes the reversal of credit notes and provisions made in prior year that were no longer needed; it also includes relief/subsidies towards prior year revenue (€ 6,171 thousand) relating to Italy.

The gains on the sale of assets recorded during 2021 referred to the sale of several properties owned by the Group. The properties were then leased back by the Group.

Other revenue and income includes government refunds and subsidies for COVID received in Germany (€ 7,891 thousand against € 7,242 thousand in 2021) and Italy (€ 3,766 thousand against €779 thousand in 2021), as well as a subsidy of € 3,537 thousand towards the increase in gas and electricity costs incurred during the reporting period.

9) Other operating costs

Other operating costs amounted to € 30,042 thousand in 2022 against € 29,943 thousand in 2021. This item mainly consists of non-deductible input VAT (€ 21,888 thousand in 2022 against € 19,662 thousand in 2021) and other duties and taxes. Ordinary prior year expense includes differences on provisions and accruals made when preparing prior year financial statements.

The impact on this item of acquisitions made and new facilities opened in 2021 and 2022 was € 393 thousand.

(eur/000)	2022	%	2021	%	Var.
Taxes and duties	26,480	88%	24,201	81%	2,279
Ordinary prior year expense	1,539	5%	1,227	4%	312
Ordinary losses	76	0%	278	1%	(202)
Sundry operating costs	1,947	6%	4,237	14%	(2,290)
Total	**30,042**	**100%**	**29,943**	**100%**	**99**

10) Amortisation, depreciation, impairment losses and provisions

For the year ended 31 December 2022, this item amounted to € 90,984 thousand and was higher than in 2021 (€ 85,659 thousand).

The impact of acquisitions made and new facilities opened in 2021 and 2022, which made a full contribution in the reporting period, was € 2,736 thousand.

(eur/000)	2022	%	2021	%	Var.
Depreciation	25,048	28%	24,559	29%	489
Amortisation	2,774	3%	2,714	3%	60
Depreciation of right-of-use assets	58,916	65%	57,277	67%	1,639
Loss allowance	546	1%	50	0%	496
Other provisions	3,664	4%	919	1%	2,745
Other impairment losses	36	0%	140	0%	(104)
Total	**90,984**	**100%**	**85,659**	**100%**	**5,325**

11) Financial income

Financial income amounted to € 524 thousand in the year ended 31 December 2022 compared to € 74 thousand in 2021. It is analysed below:

(eur/000)	2022	%	2021	%	Var.
Interest income on bank accounts	241	46%	4	5%	237
Interest income on derivatives	273	52%	6	8%	267
Interest income on arrears	-	0%	54	73%	(54)
Other financial income	10	2%	10	14%	-
Total	**524**	**100%**	**74**	**100%**	**450**

"Other financial income" mainly includes exchange gains which are in line with the previous reporting period.

"Interest income on arrears" included interest income 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)	2022	2021	Var.
Dividends	40	71	(31)

"Dividends" of € 40 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 expense

Financial expense for the reporting period totalled € 31,909 thousand compared to € 28,745 thousand for 2021, as shown below:

(eur/000)	2022	%	2021	%	Var.
Interest expense on bank accounts	-	0%	2	0%	(2)
Interest expense on derivatives	21	0%	103	0%	(82)
Interest expense on loans and borrowings	7,704	24%	8,012	28%	(308)
Interest expense on leases and RoU	20,303	64%	17,438	61%	2,865
Third party loans and borrowings	134	0%	66	0%	68
Exchange losses	-	0%	-	0%	-
Other financial expense	3,747	12%	3,124	11%	623
Total	**31,909**	**100%**	**28,745**	**100%**	**3,164**

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

The increase in "Interest on leases and rights of use" mainly relates to new lease/rental agreements signed during the reporting period and to inflation-linked increases to existing ones.

13) Impairment losses (gains) on financial assets

There were no impairment losses on financial assets during the reporting period.

14) Income taxes

Income taxes show a net benefit of € 422 thousand compared to income tax expense in 2021, as shown below:

(eur/000)	**2022**	**%**	**2021**	**%**	**Var.**
Current taxes - IRES	(128)	30%	1,951	221%	(2,079)
Current taxes - IRAP	1,892	-448%	1,964	223%	(72)
Substitutive tax	-	0%	3,055	346%	(3,055)
Deferred tax expense/(income)	(2,186)	518%	(6,088)	-690%	3,902
Total	**(422)**	**100%**	**882**	**100%**	**(1,304)**

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

	2022	**2021**
Effective tax rate	**47%**	**27%**

The incidence of income taxes on the pre-tax profit/loss was 47% and increased compared to prior year.

We recall the fact that as certain personnel expense and financial expenss 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)		**2022**	**2021**
Pre-tax profit (loss) in the financial statements		(902)	3,209
Theoretical tax rate (24% of the pre-tax profit (loss))	**A**	**(216)**	**770**
Tax effect of non-deductible costs	b	(124)	(1,613)
Tax effect of prior year losses generating deferred tax assets	b	39	34
Tax effect of prior year losses not generating deferred tax assets	b	-	(11)
Tax effect of foreign operations	b	481	136
Non-taxable grants	b	-	-
Other	b	(2,494)	(398)
Total effect of addbacks and other - (b)	**B**	**(2,098)**	**(1,852)**
Income taxes	**A + B**	**(2,314)**	**(1,082)**
IRAP and other taxes	C	1,892	1,964
Total	**"A+B"+C**	**(422)**	**882**

15) Profit from discontinued operations

The amount of €712 thousand reported under this caption refers to the profit for 2022 of ClearMedi Healthcare LTD and ClearView LTD net of disposal-related expenses (€254 thousand). These companies are the subject of a disposal agreement that should be finalised in 2023. Pursuant to IFRS 5, the amounts relating to said companies have been reclassified to “Profit from discontinued operations”.

Notes to the Statement of Financial Position

NON-CURRENT ASSETS

16) Intangible assets

At 31 December 2022, net intangible assets amounted to € 370,506 thousand against € 367,685 thousand at 31 December 2021.

	Opening balance			Changes in the year											Closing balance		
	Historical cost	Impairment losses and accumulated amortisation	Carrying amount as at 31/12/2021	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 31/12/2022
(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	17,933	(14,187)	3,746	1,179	5	(5)	(50)	34			(56)	(1)	(56)	56	(2,741)	18,955	(16,844)	2,111
Goodwill	377,686	(14,315)	363,371	4,170											-	381,856	(14,315)	367,541
Assets under development and payments	523	-	523	393							(80)		-			836	-	836
Other intangible assets	736	(691)	45										-	-	(27)	736	(718)	18
Total	**396,878**	**(29,193)**	**367,685**	**5,742**	**5**	**(5)**	**(50)**	**34**	**-**	**-**	**(136)**	**(1)**	**(56)**	**56**	**(2,768)**	**402,383**	**(31,877)**	**370,506**

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 2021:

(eur/000)	31/12/2022	%	31/12/2021	%	Var.
Care Homes	237,931	65%	233,761	64%	4,170
of which:					
Italy	144,930	39%	144,930	40%	-
Germany	93,002	25%	88,832	24%	4,170
Rehabilitation, Psychiatric Care and Non-Residential Care	111,496	30%	111,496	31%	-
Acute care	17,598	5%	17,598	5%	-
Cancer treatment and diagnostic services		0%	-	0%	-
Other	516	0%	516	0%	-
Total	**367,541**	**100%**	**363,371**	**100%**	**4,170**

The increase of € 4,170 thousand recognised at 31 December 2022 is due to the acquisition by German subsidiary Charleston Holding GmbH of Inntal Pflegeheime GmbH, a company that operates two care homes – with 124 and 87 beds, respectively – in Southeast Germany.

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 amounts 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 2022. The goodwill recognised 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. It should be noted that, given how the Group's business and size have evolved and considering changes that have redefined the sector in recent years, the Group felt it was appropriate to adapt its organisational structure (by operating segment/division). The rationale is the need for an organisational model more effective in managing different businesses based on "drivers" and operating methods i.e. with the RSAs on the one hand and rehabilitation activities on the other. The heads of each operating division have been full control of activities falling under their responsibility.

The CGUs identified by management – to which goodwill has been allocated – are as follows: Care Homes/*Residenze Socio Assistenziali* (RSA) Italy, Care Homes / *Residenze Socio Assistenziali* (RSA) Germany, Rehabilitation, Psychiatric Care and Non-Residential Care, Acute Care. The Diagnostics and Cancer Care CGU, India has not been considered as it is a non-core business destined for sale; it has been measured at fair value less costs to sell as required by IFRS 5. The non-current assets of the parent KOS S.p.A. have been allocated to the Corporate CGU and have not been tested for impairment as they are non-operating.

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

Operating Segment	**Country**	**Carrying amount tested (A)**	**Carrying amount not tested (B)**	**Carrying amount from finacial statements before i.t.(C)=(A)+(B)**
Care Homes	Italy	521,956		521,956
	Greenfield and new acquisitions		20,613	20,613
	Italy	521,956	20,613	542,569
	Germany	503,801		503,801
Functional rehabilitation, Psychiatric rehabilitation and non-residential care (B)	**Italy**	**326,398**	**641**	**327,039**
Acute Care ©	**Italy**	**43,607**	**-2,597**	**41,010**
Cancer treatment and diagnostic services (D)	**India**			**0**
Corporate (E)	**Italy**	**0**	**7,873**	**7,873**
Total Assets (F)=(A)+(B)+(C)+(D)+(E)		**1,395,761**	**26,530**	**1,422,290**
of which: Intangible assets (no goodwill)				*2,965*
of which: goodwill				*367,541*
of which: right-of-use assets				*779,312*
of which: investment property				*2,539*
of which: Property plant and equipment				*251,463*
of which: NWC				*18,471*

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

The carrying amount not tested refers to non-operating assets such as corporate and Greenfield, as well as to the negative working capital of Suzzara in the Acute Care CGU.

When performing the impairment test, the KOS Group used the latest profit and loss and cash flow forecast data for the period 2023-2027 (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 forecasts are contained in the Business Plan approved by the KOS S.p.A. Board of Directors. The Business Plan was prepared based on detailed estimates made for each of the Group's facilities and using specific key value drivers.

The main estimates made when preparing the Business Plan that formed the basis for the impairment test regarded the hypothesis that Group activities relate to essential services, are sustained by growing demand and will continue to be supported by the Italian National Health Service to a significant degree, despite limitations on public health spending.

General assumptions

- Gradual end of the Covid-19 pandemic and growing demand in all business segments
- Increase in personnel expense in relation to renewal of collective agreements and in other costs due to inflation, as partially countered by an increase in revenue from public contributions and a partial increase in private expenditure.
- Distribution of dividends from 2025: 80% of prior year Group consolidated profit
- Acquisition of four new facilities in 2026-2027
- Planned sale of Clearmedi India in 2023. Since 2019, its profit has been classified under " Profit from discontinued operations " as per IFRS 5

In addition to these general assumptions, the specific assumptions made for each CGU are listed below:

General assumptions regarding Care Homes/RSA Italy CGU

- Gradual recovery in occupancy rate thanks to progressive end of epidemic, renewed confidence of families in RSAs/Care Homes and growing structural demand
- Public and private care home fees expected to increase slightly, partially offsetting cost inflation and due to an improved mix of services offered
- Renewal of collective labour agreements, resulting in higher personnel expense but also to greater appeal for healthcare personnel needed to sustain the increase in occupancy rates

General assumptions regarding Care Homes/RSA Germany CGU

- Occupancy of available beds in the Long Term Care Germany CGU is expected to increase, also thanks to gradual end of the epidemic

- This is also thanks to an increase in nurses' salaries that will help deal with staff shortages encountered in recent months thus reducing the number of temporary employees with accompanying cost savings
- Forecast yoy increase in tariffs will offset personnel expense increases and other effects of cost inflation

Assumptions regarding Rehabilitation, Psychiatric Care and Non-Residential Care CGU

- Gradual improvement in occupancy rate, especially thanks to production of 100% of regional ceiling at all structures and increase in services to patients from outside of region
- Development of more complex neurorehabilitation and cardio-pneumological rehabilitation, defence and growth – also in private sector – of orthopaedic and musculoskeletal rehabilitation which represents the bulk of demand and which, in future, could be less covered by Italian NHS funding
- Development of psychiatric rehabilitation services, with strong growth in demand in some segments such as Eating Disorders
- Renewal of collective labour agreements with resulting increase in personnel expense but also greater appeal to the social and health care personnel needed to sustain the higher occupancy

Assumptions regarding Acute Care CGU

- It is assumed that the Suzzara Hospital concession will be renewed. However, for impairment test purposes, in line with previous tests, the Group preferred to test cash flows until the end of the current concession during 2023
- Suzzara: increase in private health services and more efficient activities, also thanks to a policy of investment in technology and infrastructure
- KCA: more private services – surgery, care home and outpatient treatment

Assumptions regarding the Cancer Care and Diagnostics CGU

- It is assumed that Clearmedi India will be sold in 2023. In accordance with IFRS 5, its profit has been reclassified to " Profit from discontinued operations ".

Terminal value was calculated based on a growth (g) rate of 2.0% for Italy (1.4% in 2021) 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 4.0% was adopted (4.1% in 2021). Meanwhile, a rate of 2% was used for the assets in Germany (1% in 2021).

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 6.2% (against 5.6% in 2021) for assets in Italy; 5.0% (4.4% in 2021) for assets in Germany; and 7.8% for assets in India (8.0% in 2021).

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 its gradual coming to an end 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.

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 carrying amount as shown below:

1) Care Homes/RSA Italy: the sensitivity analysis produced positive results even considering a 0.5% lower rate of growth and a significantly higher WACC than that used in the test.

2) Care Homes/RSA Germany: the sensitivity analysis produced positive results even considering a 0.5% lower rate of growth and a significantly higher WACC than that used in the test.

3) Rehabilitation and Psychiatric Care: the sensitivity analysis produced positive results even considering a 0.5% lower rate of growth and a significantly higher WACC than that used in the test.

4) Acute Care: the sensitivity analysis produced positive results even considering a 0.5% lower rate of growth and a significantly higher WACC than that used in the test.

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 Care Homes/RSA Italy area, there would be zero cover in the event of an overall gross operating profit reduction of 23.68% or a 2.56% increase in WACC.
2) For the Care Homes/RSA Germany area, a 13.63% gross operating profit reduction would lead to zero cover as would a 1.35% WACC increase.
3) For the Rehabilitation and Psychiatric Care area, an gross operating profit reduction of 15.8% would be required or a WACC increase of 1.45%.
4) For the Acute Care area (excluding Suzzara Hospital), an gross operating profit reduction of 35.33% would be required or a WACC increase of 3.78%.
5) On a consolidated level, a 19.39% gross operating profit reduction would be required or a 1.88% increase in WACC.

It should be noted that an impairment test was also performed based on the CGUs identified in the previous reporting periods i.e. the test on the long Term Care CGU (as divided into regions) which has now been replaced by the Test on the Care Homes / RSA Italy CGU and the Rehabilitation, Psychiatric Care and Non-Residential Care CGU.

The recoverability of the amounts reported was tested by comparing the carrying amount attributed to the CGUs identified in the previous reporting period – including goodwill – with recoverable amount (value in use). Value in use is represented by the present value of the future cash flows expected from the continued use of the assets relating to the cash generating units and the terminal value attributable to them.

The test performed on the basis of the CGUs identified in the previous reporting period did not detect any impairment, except in Umbria region where the Group operates with a single facility that is in its start-up phase. It should be noted that the impairment amounts to around 3.7% of the carrying amount of Umbria region and to less than 0.1% of the carrying amount of the Italian regions combined.

Moreover, if Suzzara is considered as a standalone CGU, as was the case until June 2022, there is a minor impairment. It should be noted that the Suzzara impairment loss emerges testing only non-current assets and not NIC as it is negative. Further, it should be recalled that, in June 2023, all Suzzara assets will have been depreciated in full, based on the assumption of discontinuation of the concession activities made for impairment test purposes.

The table below provides details of the impairment test under the old method for the Long Term Care CGU and for the Suzzara CGU:

eur/000	Enterprise Value	Carrying Amount	Cover/Impairment
Piedmont	76,636	73,922	**2,714**
Lombardy	491,301	287,460	**203,841**
Veneto	59,152	58,465	**687**
Liguria	58,946	46,844	**12,102**
Emilia Romagna	171,404	84,830	**86,574**
Tuscany	25,996	18,851	**7,144**
Marche	357,590	239,116	**118,474**
Lazio	39,115	37,499	**1,617**
Trentino	31,981	10,147	**21,834**
Umbria	8,159	8,477	**- 318**
Campania	25,602	25,433	**169**
Suzzara	819	914	**- 95**

17) Property, Plant and Equipment

At 31 December 2022, net property, plant and equipment amounted to € 251,463 thousand against € 254,999 thousand at 31 December 2021.

The following table shows a breakdown of this item and changes therein in 2022.

	Opening balance			Changes in the year												Closing balance		
	Historical cost	**Impairment losses and accumulated depreciation**	**Carrying amount as at 31/12/2021**	**Purchases**	**Business combination - Increase**		**Discontinued operations**		**Exchange differences**		**Reclassifications**		**Net disposals**		**Impairment losses and depreciation**	**Historical cost**	**Impairment losses and accumulated depreciation**	**Carrying amount as at 31/12/2022**
(eur/000)					Historical cost	Impairment losses and accumulated depreciation	Historical cost	Impairment losses and accumulated depreciation	Historical cost	Impairment losses and accumulated depreciation	Historical cost	Impairment losses and accumulated depreciation	Historical cost	Impairment losses and accumulated depreciation				
Land	25,488	-	25,488	762												26,250	-	26,250
Buildings	156,201	(53,805)	102,396	1,879							2,771	-	(223)	87	(4,767)	160,628	(58,485)	102,143
Pland and Machinery	33,713	(24,292)	9,421	1,944							1,414	(547)	(314)	155	(2,344)	36,757	(27,028)	9,729
Industrial and commercial equipment	98,935	(65,434)	33,501	5,702	306	(165)	(24,091)	9,628			(453)	1,761	(1,367)	1,234	(5,684)	79,032	(58,660)	20,372
Other assets	171,736	(100,858)	70,878	10,591	299	(66)	(3,246)	2,299			312	(1,222)	(1,920)	1,641	(12,172)	177,772	(110,378)	67,394
Assets under construction and payments	13,315		13,315	16,940					-		(3,899)		(781)		-	25,575		25,575
Total	**499,388**	**(244,389)**	**254,999**	**37,818**	**605**	**(231)**	**(27,337)**	**11,927**	**-**	**-**	**145**	**(8)**	**(4,605)**	**3,117**	**(24,967)**	**506,014**	**(254,551)**	**251,463**

Land and buildings are recognised at historical cost. In order to test their carrying amount, independent appraisals were performed at 31 December 2022.

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.

With regard to the Group's Statement of Financial Position, ordinary capex and capex to comply with laws and regulations totalled € 20 million while capex on business development/expansion amounted to € 17.8 million. Details of the business development capex during the 2022 reporting period are provided below:

- € 7.3 million refers to construction of a 120 bed care home in the Municipality of Borgomanero;
- € 5 million refers to construction of an 80 bed care home in the Municipality of Campi di Bisenzio (FI);
- € 2.5 million refers to the development of three care homes in Germany;
- € 3 million refers to development work on facilities already operating and to new constructions where work has just commenced.

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

"Business combinations" includes assets recognised following the acquisition of Inntal Pflegeheime GmbH.

"Assets held for sale" refers to the assets of ClearMedi HealthCare LTD and ClearView LTD which have been reclassified pursuant to IFRS 5 as they are subject to a disposal agreement that should be finalised during 2023.

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 on this caption are analysed below:

	Opening balance			Changes in the year												Closing balance		
	Historical cost	Impairment losses and accumulated depreciation	Carrying amount as at 31/12/2021	Purchases	Business combination - Increase		Discontinued operations		Exchange differences		Reclassifications		Net disposals		Impairment losses and depreciation	Historical cost	Impairment losses and accumulated depreciation	Carrying amount as at 31/12/2022
(eur/000)					Historical cost	Impairment losses and accumulated depreciation	Historical cost	Impairment losses and accumulated depreciation	Historical cost	Impairment losses and accumulated depreciation	Historical cost	Impairment losses and accumulated depreciation	Historical cost	Impairment losses and accumulated depreciation				
Righ-of-use assets	912,732	(147,807)	764,925	59,694	16,339		(2,991)	315					(1,122)	1,068	(58,916)	984,652	(205,340)	779,312
Total	**912,732**	**(147,807)**	**764,925**	**59,694**	**16,339**	**-**	**(2,991)**	**315**	**-**	**-**	**-**	**-**	**(1,122)**	**1,068**	**(58,916)**	**984,652**	**(205,340)**	**779,312**

Increases for the year mainly refer to lease/rental agreements whose conditions and expiry dates were revised during the first nine months of the year. "Business combinations" refers to the aforementioned acquisition as Inntal Pflegeheime GmbH operates two leased care homes with 124 and 87 beds, respectively, in Southeast Germany.

"Discontinued operations" refers to the assets of ClearMedi HealthCare LTD which have been reclassified pursuant to IFRS 5 as they are subject to a disposal agreement that should be finalised during 2023.

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 depreciation	Carrying amount as at 31/12/2021	Purchases	Business combination - Increase		Discontinued operations		Exchange differences		Reclassifications		Net disposals		Impairment losses and depreciation	Historical cost	Impairment losses and accumulated depreciation	Carrying amount as at 31/12/2022
(eur/000)					Historical cost	Impairment losses and accumulated depreciation	Historical cost	Impairment losses and accumulated depreciation	Historical cost	Impairment losses and accumulated depreciation	Historical cost	Impairment losses and accumulated depreciation	Historical cost	Impairment losses and accumulated depreciation				
Investment property	4,962	(2,304)	2,658												(119)	4,962	(2,423)	2,539
Total	**4,962**	**(2,304)**	**2,658**	**-**	**-**	**-**			**-**	**-**	**-**		**-**	**-**	**(119)**	**4,962**	**(2,423)**	**2,539**

Investment property was valued upon purchase and again at 31 December 2022.

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 2022; they are measured using the equity method.

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 recognised using the equity method (Apokos Rehab Private Ltd) from the date when joint control began until the time it ceases to exist. The subsequent measurement of the investment for consolidation purposes generated a gain of € 9 thousand which was classified in the Statement of Profit or Loss under "impairment losses (gains) 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) 31/12/2022	Carrying amount (eur) 31/12/2021
Osimo Salute S.p.A	Osimo (AN)	750,000	€	Abitare il tempo S.r.l	25.50%	14.03%	893	893
Fondo Spazio Sanità	Rome	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%	631	622
Other							32	32
Total							**2,456**	**2,447**

** Equity-accounted investees*

21) Other non-current assets

The following table provides a breakdown of this item:

(eur/000)	31/12/2022	31/12/2021	Var.
Tax assets	12	12	-
Security deposits	416	1,098	(682)
Amounts receivables from social security institutions	448	303	145
Other assets	1,479	1,549	(70)
Total	**2,355**	**2,962**	**(607)**

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 taxes

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

(eur/000)	31/12/2022		31/12/2021	
	Difference	**Tax**	**Difference**	**Tax**
Temporary difference in current assets	10,275	2,488	13,500	3,256
Temporary difference in non-current assets	41,672	10,848	34,383	9,417
Temporary difference in current liabilities	5,935	1,532	5,882	1,525
Temporary difference in provisions for personnel	15,496	3,726	17,518	4,213
Temporary difference in provisions for risks and charges	20,821	5,034	19,646	5,096
Temporary difference in financial instruments	50	12	104	25
Temporary difference from tax losses	8,362	2,007	4,754	1,141
Total deferred tax assets	**102,611**	**25,647**	**95,787**	**24,673**

(eur/000)	31/12/2022		31/12/2021	
	Difference	**Tax**	**Difference**	**Tax**
Temporary difference in non-current assets	51,924	14,501	52,382	14,556
Temporary difference in current liabilities	33	8	-	-
Temporary difference in provisions for personnel	881	210	(1,383)	(336)
Total deferred tax liabilities	**52,838**	**14,719**	**50,999**	**14,220**

With regard to deferred tax assets:

- the temporary differences in current assets mainly relate to the loss allowance;
- the temporary differences in non-current assets mainly regard the effect of accounting for leases (IFRS 16) and differences in depreciation/amortisation charges for financial reporting and tax purposes;
- the temporary differences in provisions for personnel mainly regard provisions created for collective labour agreement renewal;
- the temporary differences in financial instruments mainly regard the valuation of 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 € 32 thousand. For reasons of prudence, no deferred tax assets have recognised on such losses. A detailed analysis is provided below:

	31/12/2022	31/12/2021
Prior year losses	8,394	9,999
of which:		
- tax losses that generate deferred tax assets	8,362	4,754
- tax losses that did not generate deferred tax assets	32	5,245

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 S.p.A. and Kos Care S.r.l).
The tax losses that did not generate any deferred tax assets in 2021 mainly regarded Ges.Ca.S Villa Nuova Armonia S.r.l. and Casa di Cura Villa Margherita S.r.l. which did not take part in the group taxation arrangement and/or whose recovery could not be considered reasonably certain in light of planned extraordinary operations.
In 2022, deferred tax assets mainly refer to tax loss carryforwards available to the CIR group taxation arrangement which are expected to be recovered in future periods.
Deferred taxes recognised directly in equity during the year were negative and amounted to € 1,711 thousand. They refer to the tax effect of the actuarial gains(losses) from application of IAS 19 (€ 661 thousand), to the reclassification of substitute tax on the revaluation of properties (€ 1,039 thousand) and to the measurement of the derivatives of the parent KOS S.p.A..
Changes in deferred tax assets and liabilities compared to 31 December 2021 are analysed below, inclusive of equity effects not passing through profit or loss.

Movements in deferred tax assets and liabilities

(eur/000)	31/12/2021	Use of deferred taxes from previous year	Deferred taxes for the year	Changes in consolidation scope	Other changes	31/12/2022
Deferred tax assets						
- in profit or loss	22,736	(1,275)	3,628		(20)	25,069
- in equity	1,937	(320)			(1,039)	578
Total	**24,673**	**(1,595)**	**3,628**	**-**	**(1,059)**	**25,647**

(eur/000)	31/12/2021	Use of deferred taxes from previous year	Deferred taxes for the year	Changes in consolidation scope	Other changes	31/12/2022
Deferred tax liabilities						
- in profit or loss	(8,225)	502	(649)			(8,372)
- in equity	(5,995)		(352)			(6,347)
Total	**(14,220)**	**502**	**(1,001)**	**-**	**-**	**(14,719)**
Net deferred taxes	**10,453**	**(1,093)**	**2,627**	**-**	**(1,059)**	**10,928**

During the reporting period, deferred tax assets recognised through profit or loss had a negative impact of € 2,333 thousand while the negative impact of accounting for deferred tax liabilities was € 147 thousand.

The following table shows movements in deferred tax assets and liabilities in 2021.

(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**

CURRENT ASSETS

23) Inventories

At 31 December 2022, inventories amounted to € 5,522 thousand and decreased by € 368 thousand compared to 31 December 2021.

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

(eur/000)	31/12/2022	31/12/2021	Var.
Other goods	560	419	141
Healthcare goods	4,478	5,071	(593)
Food product inventory	484	400	84
Total	**5,522**	**5,890**	**(368)**

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

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

24) Financial assets with the parent

(eur/000)	31/12/2022	31/12/2021	Var.
Financial assets with the parent	743	1,271	(528)
Total	**743**	**1,271**	**(528)**

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 2022, trade receivables amounted to € 88,062 thousand, an increase of € 7,747 thousand on 31 December 2021.

The balance is analysed as follows:

(eur/000)	31/12/2022	%	31/12/2021	%	Var.
Trade receivables from private customers	19,353	17%	32,949	29%	(13,596)
Trade receivables form public-sector customers	92,916	83%	81,087	71%	11,829
Loss allowance	(24,207)		(33,721)		9,514
Total	**88,062**	**100%**	**80,315**	**100%**	**7,747**

A specific loss allowance is created to bring trade receivables into line with their estimated realisable amount. Accruals to the loss allowance are made based on a detailed assessment of each receivable balance, taking account of overdue balances. During the reporting period, € 546 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 2022 and was unchanged compared to 31 December 2021. 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 30% at 31 December 2021 to 22% at 31 December 2022. The decrease in the reporting period compared to 31 December 2021 mainly relates to the reclassification of ClearMedi HealthCare LTD to Assets held for Sale.

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 2022 and 2021 are broken down by region in the table below:

(eur/000)	31/12/2022	%	31/12/2021	%	Var.
Lombardy	1,486	2%	(2,146)	-3%	3,632
Trentino Alto Adige	1,239	1%	1,091	1%	148
Veneto	2,509	3%	3,410	4%	(901)
Piedmont	4,638	5%	4,099	5%	539
Liguria	3,161	4%	2,783	3%	378
Tuscany	666	1%	599	1%	67
Emilia Romagna	1,856	2%	1,555	2%	301
Marche	44,123	50%	38,528	48%	5,595
Lazio	3,470	4%	3,174	4%	296
Campania	6,486	7%	3,112	4%	3,374
Calabria	3,676	4%	3,289	4%	387
Sicily	254	0%	224	0%	30
Other regions	4,158	5%	3,908	5%	250
Foreign countries	10,340	12%	16,689	21%	(6,349)
Total	**88,062**	**100%**	**80,315**	**100%**	**7,747**

In Lombardy Region, a credit note was issued in prior year in respect of payments on account already collected from ATS Lombardia (Lombardy Health Protection Agency) to which a lower volume of services was delivered as a result of the Covid-19 emergency.

At 31 December 2022 and 31 December 2021, there were no trade receivables due after more than five years.

26) Other current assets

At 31 December 2022, other current assets amounted to € 17,052 thousand, an increase of € 4,471 thousand compared to 31 December 2021, as detailed below:

(eur/000)	31/12/2022	31/12/2021	Var.
Financial assets with associates	133	133	-
Financial assets with others	12,981	8,995	3,986
Tax assets	3,938	3,453	485
Total	**17,052**	**12,581**	**4,471**

"Tax assets" include VAT assets of € 258 thousand (€ 328 thousand at 31 December 2021) and IRES and IRAP payments on account totalling € 289 thousand (€ 584 thousand at 31 December 2021), as well as a tax credit of around € 1,776 thousand received as a subsidy towards high energy costs and other tax assets relating to the 4.0 transition plan.

Financial assets with others mainly include the payments on account made to health and safety institution INAIL, advances to suppliers, sundry deposits, financial assets from non-recourse factoring and prepaid expenses and accrued income mainly consisting of accrued rental income. The increase compared to prior year mainly regards government refunds recognised by the German subsidiary.

At 31 December 2022 and 31 December 2021, there were no other amounts due after more than five years.

27) Financial assets

The balance of € 6,508 thousand at 31 December 2022 has increased compared to 31 December 2021 (€ 5,157 thousand). It comprises financial assets from non-recourse factoring and the financial asset for the fair value measurement of a derivative.

28) Cash and cash equivalents

Cash and cash equivalents totalled € 91,596 thousand at 31 December 2022, a decrease of € 81,209 thousand compared to 31 December 2021. They can be broken down as follows:

(eur/000)	31/12/2022	31/12/2021	Var.
Bank and postal deposits	91,186	172,230	(81,044)
Cash and cash equivalents on hand	285	355	(70)
Cheques	125	220	(95)
Total	**91,596**	**172,805**	**(81,209)**

Movements in cash and cash equivalents in 2022 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 a € 96 thousand increase in the value of these assets.

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

The Group's net financial indebtedness is € 976,419 thousand against € 935,125 thousand at 31 December 2021. For further information, see the note on the "Net financial position".

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 (LOSS) FOR THE YEAR	TOTAL	PROFIT FOR THE YEAR ATTRIBUTABLE TO NC INTERESTS	NON-CONTROLLING INTERESTS	TOTAL
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**
Capital increase										0			0
Loss for the year									(754)	(754)	986		232
Other comprehensive income:													
Changes in hedging reserve					17					17			17
Changes in actuarial reseve						2,042				2,042		47	2,089
Translation differences								(740)		(740)		(4)	(744)
Total other comprehensive income	**0**	**0**	**0**	**0**	**17**	**2,042**	**0**	**(740)**	**(754)**	**565**	**986**	**43**	**1,594**
Increase in stock option reserve				62						62			62
Purchase of Villa Armonia third parties							(462)			(462)		(282)	(744)
Allocation of prior year profit							1,390		(1,390)	0	(977)	977	0
Dividends paid and reserves distributed										0		(590)	(590)
BALANCE AT 31 DECEMBER 2022	**8,853**	**1,771**	**40,250**	**2,449**	**(29)**	**(1,144)**	**286,115**	**771**	**(754)**	**338,282**	**986**	**6,694**	**345,962**

Share capital

Share capital was wholly subscribed and paid at 31 December 2022. 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 Parent 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 2022 are shown in the following table:

31/12/2022	*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	10.4	1,414,583	2.65	31/12/2014	17/05/203
Stock Option '16	1,206,000	7.50							1,206,000	7.79	10.4	964,800	7.79	17/05/2023	17/05/203
Total	**2,620,583**	**4.88**							**2,620,583**	**5.02**	**10.4**	**2,379,383**	**4.73**		

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

The value 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 € 61 thousand at 31 December 2022.

Reserves

Legal reserve

The legal reserve amounts to € 1,771 thousand and has not changed compared to 31 December 2021.

Share premium reserve

The share premium reserve amounts to € 40,250 thousand and has not changed compared to 31 December 2021.

Valuation reserves

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

Valuation reserves (eur/000)	31/12/2021	Increase	Decrease	Changes in intrinsic value	31/12/2022
Hedging reserve	(46)			17	(29)
Stock option reserve	2,387	62			2,449
Actuarial reserve	(3,186)		2,042		(1,144)
Total	**(845)**	**62**	**2,042**	**17**	**1,276**

The ***Stock option reserve*** offsets costs relating to vesting stock options awarded by KOS S.p.A.

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

The ***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.

Equity – non-controlling interests

Equity attributable to non-controlling interests, amounting to € 7,680 thousand (€ 7,523 thousand at 31 December 2021), mainly regards fully consolidated companies with non-controlling investors. The increase compared to 31 December 2021 is primarily due to the payment of dividends by Ab-itare il tempo S.r.l. and Fidia S.r.l. (€ 590 thousand), to profit for the year (€ 986 thousand) and to the acquisition of non-controlling interests in GES.CA.S.Villa Armonia Nuova S.r.l. (€ 282 thousand).

(eur/000)				
Company	**Non-controlling interests**	**% of direct non-controlling interests**	**Profit for the year attr. to non-controlling interests**	**Reserves attr. to NC interests**
Abitare il Tempo S.r.l.	46%	46%	625	4,539
Fidia S.r.l	40%	40%	30	172
KOS Servizi Società Consortile R.L	3%	0%	-	(18)
Sanatrix Gestioni S.r.l.	10%	0%	238	2,421
Sanatrix S.r.l.	10%	10%	-	695
ClearMedi Healthcare Ltd	1%	0%	3	(31)
ClearView Healthcare Ltd	15%	15%	-	115
Die Frankenschwestern GmbH	40%	40%	90	(213)
Total			**986**	**7,680**

30) Financial liabilities

At 31 December 2022, financial liabilities amounted to € 1,074,523 thousand against € 1,113,087 thousand at 31 December 2021, a decrease of € 38,564 thousand for the year.

The following table contains a breakdown of these balances by maturity date as at 31 December 2022 and 31 December 2021.

(eur/000)	31/12/2022	Within the year	1-5 years	Over five years	31/12/2021	Within the year	1-5 years	Over five years
Bank overdrafts	**-**	-			**-**	-		
Bank loans and borrowings - collateral	**88,923**	5,000	37,256	46,667	**58,817**	-	22,150	36,667
Bank loans and borrowings	**74,162**	108	74,054	-	**164,489**	8,985	149,254	6,250
Bonds	**99,666**	666	99,000	-	**99,666**	666	99,000	-
Loans and borrowings with other financial backers	**381**	190	191	-	**574**	191	383	-
Finance leases	**13,231**	1,453	6,005	5,773	**14,624**	1,407	6,354	6,863
Lease liabilities	**798,160**	52,479	211,160	534,521	**774,917**	49,278	198,732	526,907
Fair value of derivatives	**-**	-			**-**	-		
Total	**1,074,523**	**59,896**	**427,666**	**586,961**	**1,113,087**	**60,527**	**475,873**	**576,687**

The following table shows movements in non-current financial liabilities between 31 December 2021 and 31 December 2022.

(eur/000)	31/12/2021	Increase	Decrease	Exchange difference	Liabilities associated with assets held for sale	31/12/2022
Bank loans and borrowings - collateral	**58,817**	30,106				**88,923**
Bank loans and borrowings	**164,489**	75,172	(162,574)		(2,925)	**74,162**
Bonds	**99,666**	0				**99,666**
Loans and borrowings with other financial backers	**574**		(193)			**381**
Finance leases	**14,624**		(1,393)			**13,231**
Lease liabilities	**774,917**	59,694	(50,050)	16,222	(2,623)	**798,160**
Fair value of derivatives	**0**					**0**
Total	**1,113,087**	**164,972**	**(214,210)**	**16,222**	**(5,548)**	**1,074,523**

Bank loans and borrowings

Details of the main movements are provided below:

- On 2 December 2022, a new financing agreement of € 150 million was signed with a syndicate of nine banks. The new financing includes a) a medium/long-term line of credit (refinancing facility) to refinance the loan with a SACE guarantee, as signed on 24 May 2022, for € 75 million; b) a medium/long-term line of credit to support the Group's capex plan and treasury outflows maturing under its business plan, for € 60 million (investment facility); c) a revolving line of credit to finance the company's general cash requirements, € 15 million. The financing agreement is for a period of five years and provides for: in relation to the refinancing facility, a repayment plan with six-monthly instalments and 24 months of interest only payments; in relation to the investment facility, a repayment plan with six-monthly instalments, 24 months of interest only payments and a final balloon repayment of 25% of the amount of the facility; finally, amounts drawn on the revolving line shall be repaid at the end of the relevant interest period. The financing agreement provides for financial commitments in line with existing loans.
- On 12 December 2022, KOS S.p.A. utilised the entire refinancing facility of the new financing described above in order to repay the loan with a SACE guarantee.
- On 13 December 2022, KOS S.p.A. utilised €30 million of the property loan facility arranged on 23 June 2021.
- On 15 December 2022, KOS S.p.A. made early repayment of the bilateral loan agreed with Mediobanca on 25 June 2019 in the amount of € 15.3 million;
- On 20 December 2022, KOS S.p.A. made full repayment – in the amount of € 65 million – of the loan arranged on 1 August 2019 to finance the acquisition of Charleston.

At 31 December 2022, available loan facilities included the investment facility and the revolving line of the financing arranged on 2 December 2022 for a total amount of € 75 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 issue by KOS S.p.A., in October 2017, of two bonds by means of a private placement subscribed by institutional investors for a total of € 99 million. In detail:

- € 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 2022 and 31 December 2021.

(eur/000)	31/12/2022	31/12/2021	Var
Regional fund (FRISL)	381	572	(191)
Total	**381**	**572**	**(191)**

Other financial liabilities include € 381 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 leases s at 31 December 2022 and 31 December 2021. The leases are property leases.

(eur/000)	31/12/2022	31/12/2021	Var
Property lease - Montecosaro	2,402	2,899	(495)
Property lease - Foligno	4,466	4,632	(167)
Property lease - Foligno	3,291	3,505	(214)
Property lease - Ascoli	3,072	3,586	(514)
Total	**13,231**	**14,623**	**(1,391)**

The decrease is due to repayments made during the reporting period.

Lease liabilities

Pursuant to IFRS 16, the Group has recorded a lease liability for rights of use which totalled € 798,160 thousand at 31 December 2022 (€ 774,917 thousand at 31 December 2021). The liability mainly refers to the rental/lease of buildings and to the hire/rental of cars and other assets. The increase compared to prior year mainly refers to rental/lease agreements whose conditions and maturity dates were revised during the reporting period. Meanwhile, the caption "Business combinations" refers to the acquisition of Inntal Pflegeheime GmbH which operates, under leases, two care homes in Southeast Germany with 124 and 87 beds, respectively. Decreases relate to payments made during the reporting period.

31) *Deferred tax liabilities*

Deferred tax liabilities totalled € 14,719 thousand at 31 December 2022, slightly higher than at 31 December 2021 (€ 14,220 thousand).

The deferred tax liabilities relate to temporary differences between the carrying amount of the assets and liabilities recognised 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 2022, post-employment benefits amounted to € 20,077 thousand, a decrease of € 4,052 thousand compared to 31 December 2021.

The following table shows movements in provisions for personnel in 2022.

(eur/000)	31/12/2022	31/12/2021
Opening balance	24,129	25,772
Service cost	11,943	11,196
Financial expense	215	80
Benefits paid	(2,457)	(2,191)
Change in consolidation scope		-
Transfers to pension funds/treasury fund	(10,634)	(10,987)
Other changes	(398)	(17)
Net unrealised actuarial gains (losses)	(2,721)	276
Total	**20,077**	**24,129**

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	31/12/2022	31/12/2021
Inflation rate	2.30%	1.75%
Discount rate	3,77%*	0,98%*
Remuneration increase rate	0,50% - 1,50%	0,50% - 1,50%
ESI increase rate	3.23%	2.81%

Demographic assumptions	31/12/2022	31/12/2021
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.	708,402	698,694	716,238	691,747	687,863	720,411
KOS SERVIZI SOC. CONSORTILE A R.L.	4,730,749	4,651,846	4,760,661	4,628,094	4,592,325	4,799,029
OSPEDALE DI SUZZARA S.p.A.	62,501	61,418	62,892	61,107	60,606	63,428
VILLA ARMONIA NUOVA	308,869	307,286	310,305	305,928	304,758	311,530
KOS CARE S.R.L.	13,159,378	13,051,890	13,247,203	12,971,930	12,894,591	13,328,474
ABITARE IL TEMPO S.R.L.	429,825	421,520	433,999	418,070	415,727	436,511
SANATRIX GESTIONI S.R.L.	512,952	507,949	516,679	504,528	501,056	520,355
FIDIA S.R.L.	146,623	140,781	147,443	140,450	139,284	148,723
JESILAB S.R.L.	113,823	111,133	114,712	110,480	109,906	115,332

COMPANY	Service Cost pro futuro	Duration (Years)
KOS S.p.A.	116,966	13
KOS SERVIZI SOC. CONSORTILE A R.L.	95,136	11
OSPEDALE DI SUZZARA SPA	0	10
VILLA ARMONIA NUOVA	0	5
KOS CARE S.R.L.	0	7
ABITARE IL TEMPO S.R.L.	50,973	15
SANATRIX GESTIONI S.R.L.	0	8
FIDIA S.R.L.	11,396	18
JESILAB S.R.L.	20,806	17
TOTAL	**295,277**	

Year	**1**	**2**	**3**	**4**	**5**
KOS S.p.A.	112,421	88,142	92,435	96,550	100,550
KOS SERVIZI SOC. CONSORTILE A R.L.	504,291	366,209	340,923	420,929	170,229
OSPEDALE DI SUZZARA SPA	5,924	4,189	4,021	3,859	3,703
VILLA ARMONIA NUOVA	76,036	18,724	59,584	42,663	10,991
KOS CARE S.R.L.	1,951,404	1,063,321	1,135,610	990,931	540,174
ABITARE IL TEMPO S.R.L.	28,985	28,576	30,445	48,427	32,772
SANATRIX GESTIONI S.R.L.	43,500	39,435	35,784	33,750	26,594
FIDIA S.R.L.	4,031	4,337	17,408	4,649	4,948
JESILAB S.R.L.	10,061	11,075	11,981	12,787	13,489
TOTAL	**2,736,653**	**1,624,009**	**1,728,189**	**1,654,545**	**903,451**

33) Provisions for risks and charges

The following table shows changes during the reporting period:

(eur/000)	31/12/2021	Increase	Utilisation	31/12/2022
NON-CURRENT				
Provisions for sundry risks	5,425	1,806	(1,812)	5,419
Total "NON-CURRENT"	**5,425**	**1,806**	**(1,812)**	**5,419**
CURRENT				
Provisions for sundry risks	38,905	5,675	(3,949)	40,631
Total "CURRENT"	**38,905**	**5,675**	**(3,949)**	**40,631**
TOTAL PROVISIONS FOR RISKS AND CHARGES	**44,330**	**7,481**	**(5,761)**	**46,050**

The Group is involved in various civil lawsuits regarding medical and surgical practice that could lead to its being ordered to pay compensation. The Group has valued the contingent liabilities that could arise in relation to the pending litigation and has created a related provision for risks. Litigation and claims against the Group can arise as a result of complex, difficult problems involving varying degrees of uncertainty and several appeal levels over a long period of time. The estimated contingent liability is determined after a detailed process with external legal and medical advisors assisting Group management to make its objective assessments. Based on the assessments performed, the consolidated financial statements include provisions of € 9,503 thousand for litigation and claims with third parties and personnel; € 8,229 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 € 18,609 thousand.

34) Financial liabilities with the parent

(eur/000)	31/12/2022	31/12/2021	Var.
Liabilities with the parent	308	-	308
Total	**308**	**-**	**308**

At 31 December 2022, 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 a zero balance.

35) Trade payables

The following table shows trade payables at 31 December 2022 and the change on 31 December 2021:

(eur/000)	31/12/2022	31/12/2021	Var.
NON CURRENT			
Trade payables	812	203	609
Total "NON CURRENT"	**812**	**203**	**609**
CURRENT			
Trade payables	74,841	76,634	(1,793)
Advance payments	273	325	(52)
Total "CURRENT"	**75,114**	**76,959**	**(1,845)**
Total trade payables	**75,926**	**77,162**	**(1,236)**

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 2022 and 31 December 2021, there were no trade payables due after more than five years.

36) Other liabilities

At 31 December 2022, other liabilities increased to € 83,692 thousand from € 79,803 thousand at 31 December 2021:

(eur/000)	**31/12/2022**	**31/12/2021**	**Var.**
NON CURRENT			
Other sundry liabilities	143	138	5
Total "NON-CURRENT"	**143**	**138**	**5**
CURRENT			
Tax liabilities	2,766	5,508	(2,742)
VAT liabilities	-	349	(349)
Withholding taxes	6,159	5,808	351
Other tax liabilities	3,257	4,963	(1,706)
Liabilities with social security institutions	13,317	12,857	460
Liabilities with personnel	34,675	33,201	1,474
Guarantee deposits	6,355	5,551	804
Other sundry liabilities	17,020	11,428	5,592
Total "CURRENT"	**83,549**	**79,665**	**3,884**
Total other liabilities	**83,692**	**79,803**	**3,889**

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 e 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, 14th month’s salaries, bonuses, salaries) accruing but not yet paid.

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

“Other sundry liabilities” mainly include balances of the German Charleston Group; they comprise the effect of reimbursements relating to the Covid-19 emergency and accrued expenses and deferred income for the year.

37) Guarantees, commitments and risks

Commitments and contingent risks

The following table summarises the Group’s commitments and contingent risks at 31 December 2022 and 31 December 2021:

(eur/000)	**31/12/2022**	**31/12/2021**	**Var.**
Surety (building rent)	28,489	27,786	703
Surety for key money	225	225	-
Other commitments	6,916	7,407	- 492
Total	**35,630**	**35,418**	**211**

At 31 December 2022, 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 € 35,630 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 € 28,443 thousand;
- Guarantee in favour of the Municipality of Sanremo for security deposits on planning permission/urbanisation costs - € 225 thousand;

At 31 December 2022, other commitments and risks amounted to € 6,916 thousand and mainly related to the following:

- assets on free of charge loan for use totalling € 3,013 thousand;
- insurance guarantees granted by Ospedale di Suzzara in favour of F.lli Montecchi - € 953 thousand.
- calls for tender of around € 756 thousand
- contractual commitments for around € 2,194 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 109 care homes for the elderly, 7 were owned by the Group as were 7 of the 34 functional and psychiatric rehabilitation facilities. The remaining facilities (out-patient clinics, psychiatric rehabilitation communities, diagnostics departments) are generally leased/rented.

With regard to the additional guarantees given, it should be recalled that 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 intercompany 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.

[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.

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 carry out transactions of a commercial and financial nature with some related parties, regulated at market conditions, i.e. at such conditions as would be applied to independent parties.

KOS Group's related party transactions mainly involve:

- financial transactions;
- service agreements;
- trade transactions;
- transactions regarding the CIR Group group taxation arrangements.

The following table contains details of the statement of financial position and statement of profit or loss captions of the KOS Group with other entities identified as related parties and belonging to the KOS Group at both 31 December 2022 and 31 December 2021:

	31/12/2022						31/12/2021					
INTERCOMPANY ASSETS / LIABIITIES	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			743			308			1,271			-
Associates												
Osimo Salute S.p.A.		133						133				
Other related parties				3,050					26	446		
Total	**-**	**133**	**743**	**3,050**	**-**	**308**	**-**	**133**	**1,297**	**446**	**-**	**-**

	2022						2021					
INTERCOMPANY REVENUE/COSTS	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						134	
Associates												
Other related parties				6,595				10		1,882		
Total	**-**	**-**	**-**	**6,595**	**134**	**-**	**-**	**10**	**-**	**1,882**	**134**	**-**

"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 € 5,286 thousand in 2022 and liabilities of € 1,376 thousand at 31 December 2022) and Studio Dentistico Associato Grechi (costs of € 1,270 thousand in 2022 and liabilities of € 1,610 thousand at 31 December 2022)
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., it holds a 54% investment in Abitare il Tempo s. r. l. 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 KOS Care S.r.l. facilities in the Marche Region;
- Studio Dentistico Associato Grechi because it is managed by close relatives of a senior executive of KOS Care S.r.l.

The fees of the members of the Boards of Directors of the KOS Group companies amounted to € 1,367 thousand (€ 1,536 thousand in 2021).

The fees of the members of the Boards of Statutory Auditors of the KOS Group companies amounted to € 119 thousand (€ 164 thousand in 2021).

Gross remuneration of the key managers totalled € 1,764 thousand in 2022 (€ 1,451 thousand in 2021). The increase compared to prior year is due to changes made to the organisational structure in 2022 in order to adapt to changes in the sector; the key managers of the Group were also redefined. On a like-for-like basis, the remuneration of key managers in 2021 would have totalled € 1,837 thousand.

39) Net financial position

At 31 December 2022, the net financial position was as follows:

(eur/000)	**31/12/2022**	**31/12/2021**
(A) Cash and cash equivalents	91,596	172,805
(B) Other cash equivalents	-	-
(C) Liquidity (A) + (B)	**91,596**	**172,805**
(D) Securities, derivatives and other financial assets	6,508	5,157
(E) Total current financial assets (C) + (D)	**98,104**	**177,962**
(F) Account overdrafts	-	-
(G) Collateral loans	5,000	-
(H) Bank loans	108	8,985
(I) Bonds	666	666
(J) Finance leases	1,453	1,407
(K) Lease liabilities	52,479	49,278
(L) Loans and borrowings with other financial backers	190	191
(M) Derivatives	-	-
(N) Current financial indebtedness (F) + (G) + (H) + (I) + (J) + (K) + (L) + (M)	**59,896**	**60,527**
(O) Net current financial position (N) - (E)	**(38,208)**	**(117,435)**
(P) Collateral loans	83,923	58,817
(Q) Bank loans	74,054	155,504
(R) Bonds	99,000	99,000
(S) Finance leases	11,778	13,217
(T) Right of use loans	745,681	725,639
(U) Loans and borrowings with other financiale backers	191	383
(V) Non-current financial indebtedness (P)+(Q)+(R)+(S)+(T)+(U)	**1,014,627**	**1,052,560**
(W) Net financial indebtedness (O)+(V)	**976,419**	**935,125**

The Group's net financial indebtedness is € 976 million against € 935 million at 31 December 2021. The increase of around € 41.3 million is due to the renegotiation of several lease/rental agreements - with an impact on lease liabilities due to the postponement of maturity dates – and to operating performance.

The Group's financial indebtedness includes: (i) cash and cash equivalents of € 91.6 million; (ii) financial assets for measurement of derivatives and non-recourse factoring of € 6.5 million; (iii) current financial indebtedness (advances on invoices and bank overdraft) of zero while total available short term credit facilities amount to € 33 million (i.e. there is headroom of € 33 million); (iv) non-current financial indebtedness of € 1,074.5 million which totals € 276.4 million if lease liabilities are excluded. The Group also has the possibility of using additional medium/long term lines of credit totalling € 75 million.

The statement of cash flows shows that cash flows from operating activities amounted to € 72,795 thousand in the year ended 31 December 2022 compared to € 68,063 thousand in the year ended 31 December 2021. Despite the continuing impact of the pandemic during the year and utilities cost increases in 2022, the Group generated cash flows from its operating activities.

Cash flows from investing activities were € 13,631 thousand in 2021, while cash flows of € 41,121 thousand were used in investing activities in 2022. The change is mainly due to the Sale and Leaseback operations carried out in 2021.

Cash flows used in financing activities increased from € 77,092 thousand in 2021 to € 112,162 thousand in 2022. The cash flows used are mainly explained by the fact that debt unwound exceeded new debt arranged.

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.

	2022	2021
Earning (loss) for the year		
Profit (loss) for the year attributable to shareholders (A)	**(753,575)**	**1,389,676**
Diluted effect (B)	**0**	**0**
Diluted earning (loss) attributable to shareholders (E=A+B)	**(753,575)**	**1,389,676**
Number of shares		
Weighted average number of ordinary shares outstanding (C)	89,016,534	89,016,534
Diluted effect (D)	973,871	973,871
Weighted average number of ordinary shares outstanding dluited (F=C+D)	89,990,405	89,990,405
Basic earning (loss) per share (A/C)	**(0.008)**	**0.016**
Diluited earning (loss) per share (E/min (F;C))	**(0.008)**	**0.015**

41) Segment reporting

Segment reporting has been prepared in order to provide the information needed to assess the nature and effects on the financial statements of the activities carried out and the different economic sectors (Para 1 IFRS 8).

The operating segments - on which separate information has been provided - have been identified based on internal reporting and on the operating activities that generate revenues and costs, the results of which are regularly examined by senior management responsible for making decisions on resource allocation and performance assessment and for which separate financial information is available.

The operating segments reported on separately by the Group are: Care Homes/RSA, as divided between Italy and Germany; Rehabilitation, Psychiatric Care and Non-Residential Care; Acute Care; and Cancer Care and Diagnostics.

Some profit and loss and statement of financial position information by operating segment for 2022 and 2021 is provided below.

(eur/000)

	Care Homes				Rehabilitation, Psychiatric Care and Non-Residential Care		Acute care		Cancer treatment and diagnostic services		Corporate, other services and IC		Total	
	Italy		Germany											
	31/12/2022	31/12/2021	31/12/2022	31/12/2021	31/12/2022	31/12/2021	31/12/2022	31/12/2021	31/12/2022	31/12/2021	31/12/2022	31/12/2021	31/12/2022	31/12/2021
Total revenue	**225,372**	**193,811**	**191,268**	**179,415**	**189,737**	**190,527**	**80,292**	**81,908**	**-**	**-**	**(3,195)**	**(3,806)**	**683,474**	**641,855**
GROSS OPERATING PROFIT (LOSS) (EBITDA)	51,483	46,715	32,475	35,978	28,732	26,650	12,328	11,483	-	-	(3,591)	(3,358)	121,427	117,468
OPERATING PROFIT (LOSS) (EBIT)	13,198	9,182	5,898	11,678	10,753	9,848	6,311	6,569	-	-	(5,717)	(5,468)	30,443	31,809
NET FINANCIAL EXPENSE													(31,345)	(28,600)
INCOME TAXES													422	(882)
PROFIT (LOSS) FROM CONTINUING OPERATIONS													(480)	2,327
PROFIT (LOSS) FROM DISCONTINUED OPERATIONS													712	40
PROFIT FOR THE YEAR ATTR. TO NON-CONTROLLING INTERESTS													986	977
PROFIT FOR THE YEAR ATTR. TO OWNERS OF THE PARENT													(754)	1,390

	Care Homes				Rehabilitation, Psychiatric Care and Non-Residential Care		Acute care		Cancer treatment and diagnostic services		Corporate, altri servizi comuni e IC		Total	
	Italy		Germany											
FINANCIAL POSITION	31/12/2022	31/12/2021	31/12/2022	31/12/2021	31/12/2022	31/12/2021	31/12/2022	31/12/2021	31/12/2022	31/12/2021	31/12/2022	31/12/2021	31/12/2022	31/12/2021
Property, plant and equipment*	98,799	100,128	11,715	7,367	113,776	103,040	26,993	28,982		15,446	2,720	2,695	254,002	257,657
Intangible assets	145,653	146,045	93,091	88,832	112,565	112,438	17,701	17,934		16	1,497	2,421	370,506	367,685
Right of use assets	297,565	313,225	396,224	366,554	84,260	81,155	503	326		2,676	760	988	779,312	764,925
Other non current assets	1,428	1,409	15	15	871	867	76	76		0	28,068	27,715	30,458	30,082
Assets held for sale									25,492				25,106	
Current assets	23,686	17,068	11,003	11,919	50,740	45,263	14,723	9,602		5,866	109,331	188,300	209,483	278,019
Total assets	**567,130**	**577,876**	**512,047**	**474,687**	**362,212**	**342,762**	**59,996**	**474,817**	**25,492**	**24,004**	**142,376**	**222,119**	**1,668,867**	**1,698,368**
Equity											345,962	345,640	345,962	345,640
Non current liabilities	2,176	1,477	183	455	14,050	17,370	605	747		212	1,038,783	1,076,413	1,055,797	1,096,673
Liabilities held for sale									7,718				7,610	
Current liabilities	79,991	56,197	30,598	28,216	54,029	42,116	27,972	27,955		3,718	66,908	97,852	259,498	256,055
Total liabilities	**82,166**	**57,674**	**30,781**	**28,671**	**68,079**	**59,485**	**28,578**	**25,173**	**7,718**	**3,930**	**1,451,653**	**1,519,905**	**1,668,867**	**1,698,368**

* Including investment property

42) Significant events after the reporting date

There have been no significant events after 31 December 2022.

The Group's business activities showed important signs of recovery in 2022 and the trend has continued in the first few months of 2023. The epidemic is now normalising and if there are no further waves of infection and resulting disruption of hospital activity and if patient movement from one region to another resumes, it is expected that the rehabilitation and acute care segments can return to close on their pre-Covid levels during the current reporting period. Despite a clear increase in occupancy rates and renewed confidence on the part of families, it will take at least until the end of 2023 for Care Homes in Italy to return to occupancy levels similar to those seen pre-pandemic.

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.

The epidemic is now coming to an end and key performance indicators improved in 2022. In July 2023, the Group drew up a Plan that shows how, over the next few years, it will restore the profitability that was enjoyed before the pandemic broke out (although, for 2023, the Group's financial and operating performance is still expected to be down on pre-Covid levels).
With regard to the available finances, taking account of forecast results and cash flows and considering existing loan maturity dates, the Group has the finances necessary to meet its requirements in the next twelve months. From a medium/long-term perspective, the Company has signed agreements with the banks for new lines of credit that have enabled it to repay the SACE guaranteed loan that was obtained to deal with the pandemic. This new finance will also cover the Group's operating and investment requirements while extending the average maturity of loans.

Loan covenants were comfortably complied with as at 31 December 2022. The recovery in operating profitability, together with liquidity currently available and new finance obtained in 2022 will guarantee sufficient cash for the Group to finance its operating activities and planned capex.

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.

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 ultimate parent CIR S.p.A whose relations with the Parent are limited to coordination, the chargeback of costs for services and participation in the CIR Group consolidated taxation arrangement.
Highlights from the latest, approved IFRS financial statements of the ultimate parent CIR S.p.A. are set out below (source: https://www.cirgroup.it/bilanci-e-relazioni).

(eur)

ASSETS		31.12.2021
NON-CURRENT ASSETS		**679,785,315**
INTANGIBLE ASSETS		91,624
PROPERTY, PLANT AND EQUIPMENT		5,447,253
INVESTMENT PROPERTY		11,573,207
RIGHT-OF-USE ASSETS		76,379
EQUITY INVESTMENTS		587,761,792
OTHER ASSETS		45,005,797
of which with related parties (*)	*43,485,158*	
OTHER FINANCIAL ASSETS		27,976,627
DEFERRED TAX ASSETS		1,852,636
CURRENT ASSETS		**23,892,200**
OTHER ASSETS		9,406,702
of which with related parties (*)	*2,440,586*	
SECURITIES		4,196,048
CASH AND CASH EQUIVALENTS		10,289,450
TOTAL ASSETS		**703,677,515**

LIABILITIES		31.12.2021
EQUITY		**694,344,198**
SHARE CAPITAL		638,603,657
RESERVES		36,497,012
RETAINED EARNINGS		17,158,030
PROFIT FOR THE YEAR		2,085,499
NON-CURRENT LIABILITIES		**2,459,480**
LEASE LIABILITIES		49,932
OTHER LIABILITIES		282,000
DEFERRED TAX LIABILITIES		86,290
EMPLOYEE BENEFIT OBLIGATIONS		2,041,258
CURRENT LIABILITIES		**6,873,837**
BANK LOANS AND BORROWINGS		--
LEASE LIABILITIES		16,683
OTHER LIABILITIES		6,857,154
of which with related parties (*)	*2,973,614*	
PROVISIONS FOR RISKS AND CHARGES		--
TOTAL LIABILITIES AND EQUITY		**703,677,515**

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

(eur)

		2021
SUNDRY REVENUE AND INCOME		6,915,739
of which with related parties (*)	735,793	
COSTS FOR SERVICES		(6,413,683)
of which with related parties (*)	(12,000)	
PERSONNEL EXPENSE		(4,051,090)
OTHER OPERATING EXPENSE		(2,433,838)
AMORTISATION, DEPRECIATION AND IMPAIRMENT LOSSES		(1,803,197)
OPERATING PROFIT (LOSS)		**(7,786,069)**
FINANCIAL INCOME		1,458,604
of which with related parties (*)	740,484	
FINANCIAL EXPENSE		(13,490)
DIVIDENDS		2,000,895
of which with related parties (*)	2,000,895	
GAINS FROM SECURITIES TRADING		6,067,654
LOSSES FROM SECURITIES TRADING		(1,030,427)
NET FAIR VALUE GAINS (LOSSES) ON FINANCIAL ASSETS		(173,280)
PROFIT (LOSS) BEFORE TAXES		**523,887**
INCOME TAXES		1,562,612
PROFIT (LOSS) FROM CONTINUING OPERATIONS		**2,086,499**
PROFIT FROM DISCONTINUED OPERATIONS		--
PROFIT FOR THE YEAR		**2,086,499**
BASIC EARNINGS PER SHARE (in euro)		0.0018
DILUTED EARNINGS PER SHARE (in euro)		0.0017
BASIC LOSS PER SHARE FROM CONTINUING OPERATIONS (IN EURO)		0.0018
DILUTED LOSS PER SHARE FROM CONTINUING OPERATIONS (IN EURO)		0.0017

(*) 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 Parent forms part as a subsidiary.

	Smallest grouping	***Largest grouping***
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, 23 February 2023

For the Board of Directors
The Chairman
Carlo Michelini

(This independent auditors' report has been translated into English solely for the convenience of international readers. Accordingly, only the original Italian version is authoritative.)

KOS S.p.A.

Separate financial statements as at and for the year ended 31 December 2022

(with independent auditors' report thereon)

KPMG S.p.A.

6 April 2023

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

(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 financial statements

Opinion

We have audited the separate financial statements of KOS S.p.A. (the "company"), which comprise the statement of financial position as at 31 December 2022, 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 separate financial statements give a true and fair view of the financial position of KOS S.p.A. as at 31 December 2022 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 separate financial statements*" section of our report. We are independent of the company 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.

Other matters

As required by the law, the company disclosed the key figures from the latest financial statements of the company that manages and coordinates it in the notes to its own separate financial statements. Our opinion on the separate financial statements of KOS S.p.A. does not extend to such data.

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

The directors are responsible for the preparation of separate 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 company's ability to continue as a going concern and for the appropriate use of the going concern basis in the preparation of the separate 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 company 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 company's financial reporting process.

Auditors' responsibilities for the audit of the separate financial statements

Our objectives are to obtain reasonable assurance about whether the separate 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 separate 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 separate 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 company'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 company'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 separate 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 company to cease to continue as a going concern;

- evaluate the overall presentation, structure and content of the separate financial statements, including the disclosures, and whether the separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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 company's directors are responsible for the preparation of a directors' report at 31 December 2022 and for the consistency of such report with the related separate 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 company's separate financial statements at 31 December 2022 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 company's financial statements at 31 December 2022 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 2023

KPMG S.p.A.

(signed on the original)

Claudio Mariani
Director

KOS group

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

SEPARATE FINANCIAL STATEMENTS OF KOS S.p.A. AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2022

KOS SpA Sede Legale: Via Ciovassino, 1 20121 Milano | Sede Operativa: Via Durini, 9 20122 Milano
Tel. +39 02 6713291 Fax +39 02 36026907
R.E.A. di Milano n. 1400104 | C.F. e iscrizione al Registro delle Imprese 02058910874 | P.I. 10674520159
Capitale sociale € 8.853.458,40 i.v. | Direzione e Coordinamento art. 2497 cc: Cir SpA

Separate Financial Statements of KOS S.p.A. at 31 December 2022

Index

Statement of Profit or Loss and Statement of Comprehensive Income

(eur)	*Notes*	2022	2021
REVENUE	1	629,869	733,662
PURCHASES	2	(22,464)	(16,637)
SERVICES	3	(1,577,863)	(2,032,198)
PERSONNEL EXPENSE	4	(3,989,030)	(3,996,992)
OTHER OPERATING INCOME	5	6,176	2,371,530
OTHER OPERATING COSTS	6	(59,000)	(46,039)
GROSS OPERATING LOSS		**(5,012,312)**	**(2,986,674)**
AMORTISATION, DEPRECIATION, IMPAIRMENT LOSSES AND PROVISIONS	7	(288,723)	(397,139)
OPERATING LOSS		**(5,301,035)**	**(3,383,813)**
FINANCIAL INCOME	8	10,529,266	9,356,105
FINANCIAL EXPENSE	9	(10,074,097)	(9,668,091)
DIVIDENDS	10		
IMPAIRMENT LOSSES (GAINS) ON FINANCIAL ASSETS	11	808,309	227,071
PRE-TAX LOSS		**(4,037,557)**	**(3,468,728)**
INCOME TAXES PROFIT	12	974,864	786,684
LOSS FROM CONTINUING OPERATIONS		**(3,062,693)**	**(2,682,044)**
LOSS FROM DISCONTINUED OPERATIONS	13	(20,696,482)	(67,100)
LOSS FOR THE YEAR		**(23,759,175)**	**(2,749,144)**

(eur)	2022	2021
LOSS FROM CONTINUING OPERATIONS	**(3,062,693)**	**(2,682,044)**
Items that will not be subsequently reclassified to profit or loss		
Actuarial gains	113,023	18,038
Tax effect		
Items that will be subsequently reclassified to profit or loss		
Gains on cash flow hedges	21,412	88,791
Tax effect	(5,139)	(21,310)
Loss from discontinued operations	(20,696,482)	(67,100)
TOTAL COMPREHENSIVE EXPENSE	**(23,629,879)**	**(2,663,625)**

Statement of Financial Position

(eur)	Note	31/12/2022	31/12/2021
NON-CURRENT ASSETS		**414,635,534**	**506,146,442**
INTANGIBLE ASSETS	14	45,774	60,386
PROPERTY, PLANT AND EQUIPMENT	15	110,269	179,436
RIGHT-OF-USE ASSETS	16	614,384	855,468
EQUITY INVESTMENTS	17	153,555,306	191,977,203
FINANCIAL ASSETS WITH SUBSIDIARIES	19	258,509,001	311,625,000
OTHER ASSETS	20	12,284	12,284
DEFERRED TAX ASSETS	21	1,788,516	1,436,665
CURRENT ASSETS		**75,979,914**	**135,880,773**
TRADE RECEIVABLES FROM THE PARENT	22	531,807	329,387
TRADE RECEIVABLES FROM SUBSIDIARIES	23	629,849	679,032
TRADE RECEIVABLES	24	5	-
OTHER ASSETS	25	431,790	501,772
FINANCIAL ASSETS	26	280,452	7,725
FINANCIAL ASSETS WITH SUBSIDIARIES	27	7,177,506	14,095,075
CASH AND CASH EQUIVALENTS	28	66,928,505	120,267,782
ASSETS HELD FOR SALE	13	19,916,848	-
TOTAL ASSETS		**510,532,296**	**642,027,215**
LIABILITIES AND EQUITY			
EQUITY	29	**121,490,314**	**145,058,262**
SHARE CAPITAL		8,853,458	8,853,458
RESERVES		41,872,936	41,682,165
RETAINED EARNINGS		70,763,920	94,522,639
NON-CURRENT LIABILITIES		**257,844,644**	**311,630,703**
BONDS	30	99,000,000	99,000,000
OTHER FINANCIAL LIABILITIES	30	157,345,431	210,655,838
LEASE LIABILITIES	30	411,885	639,304
DEFERRED TAX LIABILITIES	21	389,940	584,909
POST-EMPLOYMENT BENEFITS	31	697,388	750,652
CURRENT LIABILITIES		**131,197,338**	**185,338,250**
BONDS	30	665,959	665,959
FINANCIAL LIABILITIES WITH SUBSIDIARIES	30	121,987,667	172,441,615
OTHER FINANCIAL LIABILITIES	30	5,000,001	8,741,535
LEASE LIABILITIES	30	231,818	230,805
FINANCIAL LIABILITIES WITH THE PARENT	32	-	-
TRADE PAYABLES	33	533,486	760,648
TRADE PAYABLES TO SUBSIDIARIES	34	14,106	-
OTHER LIABILITIES	35	2,054,042	1,809,320
PROVISIONS FOR RISKS AND CHARGES	36	710,259	688,368
LIABILITIES ASSOCIATED WITH ASSETS HELD FOR SALE		-	-
TOTAL LIABILITIES AND EQUITY		**510,532,296**	**642,027,215**

Statement of Cash Flows

(eur)	2022	2021
OPERATING ACTIVITIES		
LOSS FOR THE YEAR	(3,062,693)	(2,682,044)
ADJUSTMENTS:		
AMORTISATION, DEPRECIATION AND IMPAIRMENT LOSSES	288,723	397,139
IMPAIRMENT (GAINS) LOSSES ON FINANCIAL ASSETS	808,309	(227,071)
ACCRUAL FOR POST-EMPLOYMENT BENEFITS, NET OF UTILISATIONS AND STOCK OPTIONS	121,234	165,877
ACCRUAL TO PROVISIONS FOR RISKS AND CHARGES, NET OF UTILISATION	43,782	-
GAIN ON THE SALE OF PROPERTY	-	(2,327,922)
CHANGE IN NET WORKING CAPITAL NET OF ACQUISITIONS	(213,061)	(1,832,884)
CHANGE IN CURRENT ASSETS/LIABILITIES, NET OF UTILISATION	191,169	(473,918)
CHANGE IN NON-CURRENT ASSETS/LIABILITIES, NET OF UTILISATION	(546,820)	(423,589)
CASH FLOW USED IN OPERATING ACTIVITIES	**(2,369,357)**	**(7,404,412)**
INVESTING ACTIVITIES		
(PURCHASE)/SALE OF NON-CURRENT ASSETS	37,784	(21,744,330)
PROCEEDS FROM THE SALE OF ASSETS		6,500,000
CASH FLOW FROM (USED IN) INVESTING ACTIVITIES	**37,784**	**(15,244,330)**
FINANCING ACTIVITIES		
OTHER CHANGES IN EQUITY	-	-
CHANGE IN OTHER FINANCIAL ASSETS	57,814,291	(1,445)
DRAWDOWN/(REPAYMENT) OF OTHER LOANS AND BORROWINGS	(108,344,944)	6,344,966
REPAYMENT OF LEASE LIABILITIES	(222,822)	(233,000)
CASH FLOW FROM (USED IN) FINANCING ACTIVITIES	**(50,753,475)**	**6,110,521**
DECREASE IN NET CASH AND CASH EQUIVALENTS	**(53,085,048)**	**(16,538,221)**
OPENING NET CASH AND CASH EQUIVALENTS	**120,267,782**	**136,873,103**
INCREASE IN NET CASH AND CASH EQUIVALENTS FROM DISCONTINUED OPERATIONS	**(254,229)**	**(67,100)**
CLOSING NET CASH AND CASH EQUIVALENTS	**66,928,505**	**120,267,782**
CASH AND CASH EQUIVALENTS	**66,928,505**	**120,267,782**
BANK OVERDRAFTS	**-**	**-**
CLOSING NET CASH AND CASH EQUIVALENTS	**66,928,505**	**120,267,782**

In the statement of cash flows for the year ended 31 December 2022 and for the comparative year ended 31 December 2021, the cash flows generated by Discontinued Operations have been reclassified under the line item "Increase in net cash and cash equivalents from discontinued operations".

Statement of Changes in Equity

EUR	SHARE CAPITAL	LEGAL RESERVE	SHARE PREMIUM RESERVE	STOCK OPTION RESERVE	HEDGING RESERVE	ACTUARIAL RESERVE	OTHER RESERVE	RETAINED EARNINGS(LOSSES CARRIED FORWARD)	PROFIT (LOSS) FOR THE YEAR	TOTAL
BALANCE AT 31 DECEMBER 2020	**8,853,458**	**1,769,621**	**40,250,027**	**2,274,677**	**(113,045)**	**(110,083)**	**(2,588,018)**	**473,253**	**96,799,601**	**147,609,491**
Capital increase										0
Loss for the year									(2,749,144)	(2,749,144)
Other comprehensive expense:										
Changes in hedging reserve					67,481					67,481
Changes in actuarial reserve						18,038				18,038
Total other comprehensive expense	**0**	**0**	**0**	**0**	**67,481**	**18,038**	**0**	**0**	**(2,749,144)**	**(2,663,625)**
Increase in stock option reserve				112,396						112,396
Allocation of prior year profit		1,071						96,798,530	(96,799,601)	0
BALANCE AT 31 DECEMBER 2021	**8,853,458**	**1,770,692**	**40,250,027**	**2,387,073**	**(45,564)**	**(92,045)**	**(2,588,018)**	**97,271,783**	**(2,749,144)**	**145,058,262**

EUR	SHARE CAPITAL	LEGAL RESERVE	SHARE PREMIUM RESERVE	STOCK OPTION RESERVE	HEDGING RESERVE	ACTUARIAL RESERVE	OTHER RESERVE	RETAINED EARNINGS(LOSSES CARRIED FORWARD)	LOSS FOR THE YEAR	TOTAL
BALANCE AT 31 DECEMBER 2021	**8,853,458**	**1,770,692**	**40,250,027**	**2,387,073**	**(45,564)**	**(92,045)**	**(2,588,018)**	**97,271,783**	**(2,749,144)**	**145,058,262**
Loss for the year									(23,759,175)	(23,759,175)
Other comprehensive expense:										
Changes in hedging reserve					16,273					16,273
Changes in actuarial reserve						113,023				113,023
Total other comprehensive expense	**0**	**0**	**0**	**0**	**16,273**	**113,023**	**0**	**0**	**(23,759,175)**	**(23,629,879)**
Increase in stock option reserve				61,475						61,475
Allocation of prior year loss								(2,749,144)	2,749,144	0
Other changes							456			456
BALANCE AT 31 DECEMBER 2022	**8,853,458**	**1,770,692**	**40,250,027**	**2,448,548**	**(29,291)**	**20,978**	**(2,587,562)**	**94,522,639**	**(23,759,175)**	**121,490,314**

For the Board of Directors

The Chairman
(Carlo Michelini)

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

1 Structure and content

The separate financial statements are prepared in accordance with the IFRS and consist of 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, as required by IAS 1. These notes include all of the information requested by statutory reporting requirements contained in the Italian Civil Code and in other previous laws.

As the parent, KOS S.p.A. has also prepared consolidated financial statements for the KOS Group at 31 December 2022.

The separate financial statements are prepared in Euro while the notes are prepared in thousands of Euro unless otherwise stated. This is except for several paragraphs as separately specified and the comments in the text of the notes which are prepared in thousands of Euro.

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 Company's lifespan is scheduled to last until 31 December 2050.

2 Adoption of international financial reporting standards

Following the introduction of Legislative Decree no 38/2005, which regulates the possibility of preparing financial statements in accordance with the IFRS on the basis of the options provided under Article 5 of Regulation (EC) no 1606/2002 issued by the European Parliament and the European Council in July 2002, KOS S.p.A.. voluntarily adopted these accounting standards with effect from preparation of its separate financial statements at 31 December 2009.

These separate financial statements have been prepared in accordance with the International Financial Reporting Standards (hereinafter, also "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 Separate Financial statements, had been endorsed by the European Union by means of the procedure laid down by European Regulation no. 1606/2002 of the European Parliament and European Council of 9 July 2002 and by European Regulation no 519/2019 of the Commission of 28 March 2019 which amended EC Regulation no 1126/2008 which adopted certain international financial reporting standards in accordance with EC Regulation no 1606/2002. IFRS have been applied on a consistent basis to all of the periods presented in these separate financial statements.

The Company has not applied IFRS 8 "Operating segments" and IAS 33 "Earnings per share" as their application is obligatory only for companies whose shares are listed on regulated markets.

The financial information and disclosures contained in these separate financial statements have been prepared in compliance with IAS 1.

KOS S.p.A.'s separate financial statements 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 these Notes.

2.1. Comparability of financial statements

The amounts reported in the separate financial statements are compared with the amounts from the prior year financial statements as prepared and restated where required in application of the IFRS.

3 Basis of preparation

The accounting standards applied when preparing the separate financial statements are described below. The accounting standards have been applied on a uniform basis to all years presented in this document, unless otherwise stated.
The separate financial statements have been prepared on a going concern basis. The Directors maintain that there is no going concern uncertainty notwithstanding the tough economic and financial environment
.

3.1 General principles

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

3.2 Use of estimates and judgment

When preparing the financial statements in accordance with the IFRS, Management must make judgments, estimates and assumptions that affect the application of the accounting standards and the amount of the assets, liabilities, costs and revenue reported in the financial statements. These estimates and related assumptions are based on past experience and on other factors considered reasonable in the circumstances and have been used to estimate the carrying amount of assets and liabilities which cannot easily be obtained from other sources. It should, however, be noted that, as these are estimates, the actual results may differ from those estimated because of the uncertainty that characterises the assumptions and the conditions on which the estimates are based.
Estimates and assumptions are reviewed regularly. Any changes due to a revised accounting estimates are recorded in the period in which the revision is made and in relevant future periods.

The amounts reported by KOS S.p.A. which require the greatest use of subjective judgment by the Directors when making estimates are listed below. Any change in conditions underlying the assumptions used could have a significant impact on the financial results of KOS S.p.A:

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

b) Deferred tax assets: deferred tax assets are recognised based on the expectation of sufficient taxable income to permit their recovery in future years. The assessment of expected taxable income for the purposes of recognition of deferred tax assets depends on factors that may vary over time with a significant effect on the recoverability of the deferred tax assets.

c) Provisions for risks and charges: provision is made for the risk of a negative outcome for legal and tax risks. The amount of the provisions recorded 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 separate financial statements of KOS S.p.A.

d) Derivative instruments (see Note 2.2. "*Change of accounting policies*").

3.3 Basis of presentation and comparability

The Statement of Profit or Loss has been prepared with revenue and costs classified by type. It shows operating profit and pre-tax profit so as to provide a better representation of the performance of ordinary operating activities.

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 the normal operating cycle; 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 is 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/loss for the year;
- 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, actuarial gains or losses generated by valuation of defined benefit plans) 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 tables contained in the note on “Related party transactions”.

The amounts reported in the financial statements are compared with the amounts from the prior year financial statements as restated based on the same accounting policies.

3.4 Main accounting policies

NON-CURRENT ASSETS

Intangible assets and goodwill

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 also tested for impairment once a year or whenever there are indicators 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.

Goodwill and other intangible assets with an indefinite useful life are not amortised but subjected to an impairment test at least on an annual basis.

Goodwill cannot be revalued, even in application of specific legislation, and any impairment losses on goodwill cannot be reversed subsequently.

Rights of use

Upon first-time application of IFRS 16, for all leases with a term of more than 12 months, the Company 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 periods 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 Company 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 dis-counted at the interest rate implicit in the lease or, if that rate cannot be readily determined, at the Company'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 i.e. 1.25% for the office and 2% for the company cars.

Property, plant and equipment

Property, plant and equipment owned by the company are recognised at purchase or production cost including any related expenses 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 tangible 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 Company 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. 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 qualifying assets in relation to which the company 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.

Impairment of assets

The carrying amounts of the intangible assets and property, plant and equipment of KOS S.p.A. 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 Company 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 Company 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 carrying amount is reduced to bring it into line with the recoverable amount. Any impairment is recognised immediately in profit or loss.
When evaluating whether investments in subsidiaries and associates have been impaired and these entities are unlisted or fair value less costs to sell cannot be determined reliably, the recoverable amount is defined as value in use. Value in use is the Company's share of the present value of estimated operating cash flows or of dividends to be received in relation to each investee and the proceeds expected to be obtained upon ultimate disposal of the investment.

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 subsidiaries and associates

Such investments are recognised at cost as adjusted for any impairment loss. Any positive difference arising upon acquisition between the acquisition cost and the Company's share of the equity of the investee is, therefore, included in the carrying amount of the investment.
Investments in subsidiaries and associates are tested for impairment every year or more frequently if necessary. If there is evidence that the investments have been impaired, impairment losses are recognised in 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.

Other investments

Investments in other entities that constitute non-current financial assets not held for trading (i.e. equity investments at FVOCI) 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.

Financial assets and liabilities (IAS 32, IFRS 9 and IAS 21)

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

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

Trade payables, financial liabilities with parents, subsidiaries and associates and other financial 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.

The effects of the tax consolidation with CIR which solely regard IRES taxation are reflected in the Statement of Financial Position by recognising assets/liabilities with the company together with tax assets/liabilities.

Inventories

The inventories of the subsidiaries are measured at the lower of purchase or production cost and estimated realisable amount or replacement cost. Net realisable amount is the estimated selling price in the normal course of business excluding estimated completion costs and costs necessary to make the sale. As an operating holding company which manages investments, KOS S.p.A. does not have any inventories so it does not apply the relevant accounting standards.

CURRENT ASSETS

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 under the amortised cost method; at the reporting date, they are stated at estimated realisable value and adjusted for impairment.
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. See the comments already made in the Note on "Financial assets and liabilities (IAS 32, IFRS 9 and IAS 21)"

Tax assets

Tax assets 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 and other cash investments for a period of less than three months.
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 Company classes the credit risk regarding its cash and cash equivalents as low.
The Company measures expected credit losses relating to cash and cash equivalents using a method similar to that applied to debt securities.

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 consider-ation paid – including directly attributable expenses and after tax effects – is recognised as a reduction to equity. The consideration received from the subsequent sale or reissue of treasury shares is recognised as an increase to equity. Any positive or negative difference resulting from the transaction is transferred directly to/from retained earnings.

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 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.
Moreover, the new IFRS 9 introduces a new hedge accounting model, aligned with the entity's risk management policies.

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 liabil-ities 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.

KOS S.p.A. derecognises a financial liability when the obligation specified in the contract has been fulfilled or can-celled or has expired. The Company 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. In-creases in the provision due to the passage of time are recognised in the Statement of Profit or Loss under "Financial income and expense". The Notes to the separate 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 3.2 "Basis of presentation and comparability" for more details.

Trade payables and other liabilities

Trade payables and other liabilities are initially recognised at fair value as increased 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. 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 the effects are significant.

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.
Pursuant to IFRS 15, the Company 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.

Share-based payments and warrants

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 and warrants is recognised in a specific reserve.

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 Company 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 based on estimated taxable income. The expected liability is recognised under "*Current 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 reporting date.

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 reporting date 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 2022-2024) has 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 Company transfers its taxable income or tax loss to the consolidating company. The consolidating company recognises an amount receivable from the subsidiary, in the amount of the IRES liability, if it transfers taxable income. Meanwhile, the consolidating company recognises a liability in the amount of the IRES on the loss actually offset at Group level if a tax loss is transferred.

Derivative instruments

Derivative instruments are assets and liabilities stated at fair value.
Derivatives are only 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 period.

When hedging derivatives hedge the risk of changes in the fair value of the instruments being hedged ("*fair value hedges"*, e.g. hedging of changes in the "*fair value*" of fixed rate assets/liabilities), the derivatives are recognised 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 the statement of 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 an equity security not held for trading purposes, the company 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 company 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 Company 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 Company's key management personnel;
- the risks that affect performance of the business model (and of the financial assets held within the business model) and the way that such risks are managed;
- the method of remuneration for Company management (e.g. if remuneration is based on the fair value of the assets managed or on contractual cash flows collected); and
- the frequency, value and timing of sales of financial assets in prior years, the reasons for sale and expectations regarding future sales.

Transfers of financial assets to third parties through transactions that do not lead to derecognition are not considered sales for the purposes of evaluation of the business model, in line with the fact that the Company 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 Company 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 Company 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 Company'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 expenses, 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 Company neither transfers nor maintains substantially all of the risks and re-wards of ownership of the financial asset and does not maintain control of the financial asset.
The Company 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 Company derecognises a financial liability when the obligation specified in the contract has been fulfilled or cancelled or has expired. The Company 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 Company currently has the legal right to offset such amounts and intends to settle the balance on a net basis or to realise the asset and settle the liability at the same time.

Derivative instruments, including hedge accounting
The Company 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 Company 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 Company 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 Company 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.

3.5 Main assumptions and accounting estimates

Use of estimates

Based on the contents of Note 3.2. “Use of estimates and judgment”, we summarise below the key valuation processes and assumptions used by management when applying accounting policies to the future and which may have significant effects on the amounts recognised in the separate financial statements or for which there is a risk of significant adjustments to the carrying amount of assets and liabilities in the period after the reporting period.

Equity investments

Investments are measured at cost, as adjusted for impairment.

The Company has applied an impairment test in order to assess the recoverability of the amount recognised as investments through cash flows forecast in future years.

The 2023-2027 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 the Group's activities relate to essential services, are sustained by growing demand and will continue to be largely supported by the Italian National Health Service, notwithstanding constraints on public health expenditure.

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 company cannot guarantee that goodwill and other assets recognised at 31 December 2022 will not be impaired in future periods.

Stock options and warrants

For the purposes of these separate financial statements, the profit or loss and financial position effects of the stock option plans 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.

Fair value of derivative instruments

For the purposes of these separate financial statements, the fair value of hedging derivatives in place at 31 December 2022 had to be determined. See paragraph "4.5 *Accounting for hedging transactions*" for details.

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 company.
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 Company 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

The Company assesses the recoverability of its financial assets on the basis of 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.

Contingent liabilities

The Company makes provision for contingent 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 regarding the Company 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 Company 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.

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 in-crease 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 values 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.

3.5 Recently issued accounting standards

ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS APPLIED FROM 1 JANUARY 2022

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 2022 reporting period are provided below.

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]	May 2020	1 January 2022	28 June 2021	(EU) 2021/1080 2 July 2021
Property, Plant and Equip-ment – Proceeds before In-tended Use (Amendments to IAS 16)	May 2020	1 January 2022	28 June 2021	(EU) 2021/1080 2 July 2021
Onerous Contracts – Cost of Fulfilling a Contract (Amend-ments to IAS 37)	May 2020	1 January 2022	28 June 2021	(EU) 2021/1080 2 July 2021
Reference to the Conceptual Framework (Amendments to IFRS 3)	May 2020	1 January 2022	28 June 2021	(EU) 2021/1080 2 July 2021

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

ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS RECENTLY ENDORSED BY THE EUROPEAN UNION AT 31 DECEMBER 2022

[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.

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
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
Definition of Accounting Estimates (Amendments to IAS 8)	February 2021	1 January 2023	2 March 2022	(EU) 2022/357 3 March 2022
Disclosure of accounting policies (Amendments to IAS 1[2])	February 2021	1 January 2023	2 March 2022	(EU) 2022/357 3 March 2022
Deferred tax related to assets and liabilities arising from a single transaction (Amendments to IAS 12)	Maggio 2021	1 January 2023	11 August 2022	(EU) 2022/1392 12 August 2022
First-time application of IFRS 17 and IFRS 9 — Comparative information (Amendments to IFRS 17)	December 2021	1 January 2023	8 September 2022	(EU) 2022/1491 9 September 2022

An assessment of the effect these standards, amendments and interpretations will have on the Company is in progress. The Directors do not expect their adoption to produce any significant effects.

ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS NOT YET ENDORSED BY THE EUROPEAN UNION AT 31 DECEMBER 2022

As at 31 December 2022, 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 Company's separate Financial Statements is still in progress.

Document title	Date of issue by the IASB	Effective date of IASB document	Date of expected EU endorsement
Standards			
IFRS 14 Regulatory deferral accounts	January 2014	1 January 2016	Endorsement process suspended with new accounting standard on "rate-regulated activities" awaited
Amendments			
Sale or contribution of assets between an investor and its associate or joint venture (Amendments to IFRS 10 and IAS 28)	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 meth-od
Classification of liabilities as current or non-current (Amendments to IAS 1) and Non-current liabilities with covenants (Amendments to IAS 1)	January 2020 July 2020 October 2022	1 January 2024	TBD
Lease liability in a sale and leaseback (Amendments to IFRS 16)	September 2022	1 January 2024	TBD

There has been no early application of accounting standards or interpretations whose application would be obligatory for periods commencing after 31 December 2022. The Directors are currently evaluating the possible effect of the introduction of these amendments on the Company's separate financial statements; no significant effects are expected at present.

[2] The document published by the IASB includes amendments to the document '*IFRS Practice Statements 2 - Making Materiality Judgements*' which have not been endorsed by the European Union as they do not relate to an accounting standard or to an interpretation.

There has been no early application of accounting standards or interpretations whose application would be obligatory for periods commencing after 31 December 2022. The Directors are currently evaluating the possible effect of the introduction of these amendments on the Company's separate financial statements; no significant effects are expected at present.

4 Information on risks and financial instruments

4.1 Definition of risks

The main categories of risk to which the Company is exposed are as follows:

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

The extent of the Company'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.

KOS S.p.A.'s maximum theoretical exposure to the credit risk is represented by the carrying amount of the financial assets reported in its separate financial statements.

At the reporting date, amounts receivable were essentially due from Group companies and the tax authorities.
The guarantees issued are mainly on behalf of Group companies.

At 31 December 2021 and 2022, KOS S.p.A.'s maximum theoretical exposure to the credit risk was represented by the carrying amount of the financial assets reported in its financial statements, as summarised below by maturity date:

	2022							2021						
(eur/000)	Not yet due	Overdue					Total	Not yet due	Overdue					Total
		0-30	31-60	61-90	91-365	Over 365			0-30	31-60	61-90	91-365	Over 365	
Non-current financial assets	258,509						**258,509**	311,625						**311,625**
Current financial assets	7,458						**7,458**	14,103						**14,103**
Trade receivables	1,162						**1,162**	1,008						**1,008**
TOTAL	**267,129**	-	-	-	-	-	**267,129**	**326,736**	-	-	-	-	-	**326,736**

Liquidity risk

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

The liquidity risk can manifest itself with the inability to raise, at reasonable conditions, the financial resources needed for operating activities.

The Company'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 – and the Company - 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 determine 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. and its subsidiaries.

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

- constant monitoring of forecast cash requirements so that any action necessary can be taken in good time (arrange additional lines of credit, share capital increases, etc.).
- arrangement of adequate lines of credit;
- optimisation of liquidity, using cash pooling where feasible;
- correct composition of net financial indebtedness given capex made;
- regular, centralised control of collection and payment flows;
- maintenance of an adequate level of available liquidity;
- diversification of means and sources for 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 and the Company to meet their requirements in terms of investments, working capital management and repayment of loans at maturity.

Reference should be made to Note "4.4 Additional disclosures on financial liabilities" for a table containing analysis of financial liabilities.

Market risk

Currency risk

Exposure to the currency risk is due to exchange rate fluctuation which is also reflected in profit or loss and equity. The Company's foreign currency transactions mainly regard purchases of limited value of services from foreign companies.

Risks regarding the general state of the economy

The health emergency linked to the Covid-19 pandemic has had a major impact on the health sector since 2020. In 2022, the situation showed signs of a slow but significant return to normal. At present, it is impossible to exclude the possibility of new waves of infections and resulting disruption to hospital activities which could affect, in particular, healthcare, rehabilitation and social care facilities and outpatient and home care activities. Reference should be made to the "Business outlook and description of main risks and uncertainties" section of the Directors' Report for further information.

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 and assets and liabilities; 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 counterparties to these contracts are leading financial institutions.

Derivatives are measured at fair value.

The interest rate to which KOS S.p.A. is most exposed is the Euribor.

Sensitivity analysis regarding 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 of any fluctuation in market interest rates on the 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 company and payables for advances on notes receivable. The sensitivity analysis also considers the effect of hedging derivative instruments.
As interest rates were negative for most of 2022, the Company again decided to measure only the impact on the P&L and the statement of financial position of a positive fluctuation of + 1%.
A sudden, hypothetical fluctuation of 100 basis points in short-term interest rates applicable to floating-rate financial assets and liabilities, net of the effect resulting from hedging instruments in place and including the factoring of receivables at 31 December 2022 would have had a negative impact on pre-tax profit/loss of around € 1,629 thousand (€ 837 thousand at 31 December 2021) and a negative effect on equity of around € 1,629 thousand (€ 837 thousand at 31 December 2021).

<u>Other price risks</u>

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 capable of affecting all securities traded on the market.
KOS S.p.A. does not have any exposure in securities traded on active markets so its exposure to this type of risk is nil.

4.2 Financial instruments in terms of IFRS 9: classification and measurement of financial assets and liabilities

The following table shows the various measurement methods used for each type of financial asset and liability in 2022.

Categories of financial assets and liabilities	31/12/2022		31/12/2021	
	IFRS 9 classification	IFRS 9 amount	IFRS 9 classification	IFRS 9 amount
NON-CURRENT ASSETS				
Other assets	Assets at amortised cost	12	Assets at amortised cost	12
Financial assets with subsidiaries	Assets at amortised cost	258,509	Assets at amortised cost	311,625
Trade receivables	Assets at amortised cost	-	Assets at amortised cost	-
CURRENT ASSETS				
Financial assets with the parent	Assets at amortised cost	532	Assets at amortised cost	329
Financial assets with subsidiaries	Assets at amortised cost	7,178	Assets at amortised cost	14,095
Trade receivables from subsidiaries	Assets at amortised cost	630	Assets at amortised cost	679
Trade receivables	Assets at amortised cost	-	Assets at amortised cost	-
Other assets	Assets at amortised cost	432	Assets at amortised cost	502
Financial assets	Assets at amortised cost	280	Assets at amortised cost	8
Cash and cash equilvalents	Assets at amortised cost	66,929	Assets at amortised cost	120,268
NON CURRENT LIABILITIES				
Bonds	Liabilities at amortised cost	99,000	Liabilities at amortised cost	99,000
Other financial liabilities	Liabilities at amortised cost	157,345	Liabilities at amortised cost	210,656
Lease liabilities	Liabilities at amortised cost	412	Liabilities at amortised cost	639
CURRENT LIABILITIES				
Bank overdrafts	Liabilities at amortised cost	-	Liabilities at amortised cost	-
Bonds	Liabilities at amortised cost	666	Liabilities at amortised cost	666
Financial liabilities with subsidiaries	Liabilities at amortised cost	121,988	Liabilities at amortised cost	172,442
Financial liabilities with the parent	Liabilities at amortised cost	-	Liabilities at amortised cost	-
Other financial liabilities	Liabilities at amortised cost	5,000	Liabilities at amortised cost	8,742
Lease liabilities	Liabilities at amortised cost	232	Liabilities at amortised cost	231
Trade payables	Liabilities at amortised cost	533	Liabilities at amortised cost	761
Trade payables to subsidiaries	Liabilities at amortised cost	14	Liabilities at amortised cost	-

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 2022 and 31 December 2021, by hierarchical level of fair value measurement.

	Financial statement at 31/12/22			
IFRS 7 - Financial Instruments - Supplementary Disclosures	Level 1	Level 2	Level 3	**Total**
(eur/000)				
CURRENT ASSETS				
Financial assets at fair value through equity				
Other financial assets				
- derivatives		280		**280**
CURRENT LIABILITIES				
Financial liabilities at fair value through equity				
Other financial liabilities				
- derivatives		-		**-**

	Financial statement at 31/12/21			
IFRS 7 - Financial Instruments - Supplementary Disclosures	Level 1	Level 2	Level 3	**Total**
(eur/000)				
CURRENT ASSETS				
Financial assets at fair value through equity				
Other financial assets				
- derivatives		8		**8**
CURRENT LIABILITIES				
Financial liabilities at fair value through equity				
Other financial liabilities				
- derivatives				**-**

During 2022, there were no transfers from Level 2 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 S.p.A. has entered into *IRS-Interest Rate Swap* 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).

4.3 Additional disclosures on financial liabilities

The contractual maturity dates of "Financial liabilities", including interest, are shown in the following tables for 2022 and 2021, 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.

(eur/000)	< 1 year	>1<2 years	>2<3 years	>3<4 years	>4<5 years	>5 years	**Total**	**Total carrying amount at 31/12/2022**
Principal + interest								
Non-derivative financial liabilities								
Other financial liabilities:	**15,694**	**94,323**	**72,930**	**35,615**	**34,220**	**45,775**	**298,557**	**262,011**
- Bank loans and borrowings	12,453	27,586	37,011	35,615	34,220	45,775	192,660	162,345
- Bonds	3,241	66,737	35,919	0	0	0	105,897	99,666
Trade payables	**533**						**533**	**533**
Derivative financial liabilities								
Hedging derivatives								
Total	**16,227**	**94,323**	**72,930**	**35,615**	**34,220**	**45,775**	**299,090**	**262,544**

(eur/000)	< 1 year	>1<2 years	>2<3 years	>3<4 years	>4<5 years	>5 years	**Total**	**Total carrying amount at 31/12/2021**
Principal + interest								
Non-derivative financial liabilities								
Other financial liabilities:	**16,074**	**36,666**	**147,041**	**69,356**	**32,803**	**43,574**	**345,514**	**319,063**
- Bank loans and borrowings	12,833	33,425	80,304	33,438	32,803	43,574	236,376	219,397
- Bonds	3,241	3,241	66,737	35,919	0	0	109,138	99,666
Trade payables	**761**						**761**	**761**
Derivative financial liabilities	**0**						**0**	**67**
Hedging derivatives	0						0	67
Total	**16,835**	**36,666**	**147,041**	**69,356**	**32,803**	**43,574**	**346,275**	**319,891**

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

4.4 Loans and related covenants

The main non-current financial liabilities at 31 December 2022 may be summarised as follows:

Type of loan	Residual amount as at 31.12.2022 (eur/000)	Current	Non-current	Bank	Amount available as at 31.12.2022	Term	**Rate**
(eur/000)							
Mortgage loan	90,000	5,000	85,000	Unicredit - IntesaSanpaolo	90,000	23/06/28	Eur 6 M
Loan	75,000	0	75,000	Intesa, CDP, CACIB, Banco BPM, BPER, Cassa di Risparmio Bolzano, Banca Agricola Pop di Ragusa, MCC, Banca Pop di Bari	150,000	01/12/27	Eur 6 M
Bonds - maturity date 2024	64,000	-	64,000	Investors	64,000	18/10/24	Fix 3,15%
Bonds - maturity date 2025	35,000	-	35,000	Investors	35,000	18/10/25	Fix 3,50%
Total	**264,000**	**5,000**	**259,000**				

The loans listed above 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 company takes action to remedy the breach of the covenants on the terms and in the manner required by the loan agreements.

Details of contractual loan covenants are provided below together with covenant calculations at 31 December 2022.

(eur/000)	**Type of loan**	**Residual amount at 31.12.2022**	**Maturity**	**Base for covenants**	**Target covenants 31.12.2022 and other**		
					(NFD-RE DEBT)/(EBITDA-6,5% RE DEBT)	**Ebitda/Of**	**Loan to value**
Kos S.p.A	**Syndicated loan from Intesa Sanpaolo S.r.l, CDP, Credit Agricole, Banco BPM, BPER, Cassa di Risparmio di Bolzano, Banca Agricola Pop di Ragusa, MCC, Banca Popolare di Bari**						
	- Refinancing Line	75,000	02/12/2027	KOS Group	<=3,5	>=3	
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	**Real estate Syndicated loan (Unicredit, IntesaSanpaolo)**	90,000	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 / property, plant and equipment

(eur/000)	Type of loan	Residual amount at 31.12.2022	Maturity	Base for covenants	Target covenants 31.12.2022 and other		
					(NFD-RE DEBT)/(EBITDA-6,5%RE DEBT)	Ebitda/Of	Loan to value
Kos S.p.A	**Syndicated loan from Intesa Sanpaolo S.r.l, CDP, Credit Agricole, Banco BPM, BPER, Cassa di Risparmio di Bolzano, Banca Agricola Pop di Ragusa, MCC, Banca Popolare di Bari**						
	- Refinancing line	75,000	02/12/2027	KOS Group	1.65	4.49	
	-Investments line	-	02/12/2027				
	-Revolving line	-	02/11/2027				
Kos S.p.A	**Bond 64ML€**	64,000	18/10/2024	KOS Group	1.65	4.49	58%
	Bond 35ML€	35,000	18/10/2025				
Kos S.p.A	**Real estate Syndicated loan (Unicredit, IntesaSanpaolo)**	90,000	23/06/2028	KOS Group	1.65	4.49	58%

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

Based on figures at 31 December 2022, there were no covenant breaches.

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

	31/12/2022			31/12/2021		
(eur/million)	**Total**	**Used**	**Available**	**Total**	**Used**	**Available**
Short-term Lines ("Uncommitted"/at sight)	**33.0**	**0.0**	**33.0**	**33.0**		**33.0**
Long-term ("Committed"/contractualised)	**337.0**	**262.0**	**75.0**	**384.3**	**319.3**	**65.0**
Total	**370.0**	**262.0**	**108.0**	**417.3**	**319.3**	**98.0**

4.5 Accounting for hedging transactions

Derivative contracts are used to hedge the risk of interest rate fluctuation in relation to some of the loan contracts entered into, above all, by the subsidiaries. The method used is based on a cash flow hedge strategy. The objective pursued by hedging the interest rate risk is to fix the cost of cash outflows relating to long-term floating rate loan agreements subject to hedging by arranging a related derivative contract that guarantees receipt of the floating rate in return for a fixed rate payment.

Therefore, when accounting for hedging transactions, procedures are performed to check for compliance with the requirements of IFRS 9 on hedge accounting.

The hedging derivatives in place at 31 December 2022 are as follows:

Company	**Signature date**	**Time**	***Pay***	***Cap***	***Floor***	***Receive/Index***	**Notional**		***Fair Value***	
							31/12/22	**31/12/21**	**31/12/22**	**31/12/21**
Kos SpA	2019	Quarterly			0.50%	Euribor 3 M	13,125	21,875	280	8
Total Interest Rate Cap							**13,125**	**21,875**	**280**	**8**
Total effective portion of derivatives							**13,125**	**21,875**	**280**	**8**
Total							**13,125**	**21,875**	**280**	**8**

Where the conditions laid down by IFRS 9 for application of hedge accounting are met in full, subsequent changes in "fair value" resulting from movements in the interest rate curve –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 2022, 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;
- changes in fair value between the dates the hedges were signed and the reporting date;
- the ineffective portion immediately recognised in the statement of profit or loss under *Financial expense*

.

(eur/000)	Notional amount within 12 months	Notional amount after 12 months	FV of contracts (1) positive	FV of contracts (1) negative	P&L effect (2)	Equity reserve net of tax effect (3)
	31/12/22					
Interest rate risk management						
- Cash flow hedge pursuant to IAS 39 IRS	-	-			-	(29)
- Cash flow hedge pursuant to IAS 39 Interest Rate Cap	8,750	4,375	280		251	
Total	**8,750**	**4,375**	**280**	**0**	**251**	**(29)**

(eur/000)	Notional amount within 12 months	Notional amount after 12 months	FV of contracts (1) positive	FV of contracts (1) negative	P&L effect (2)	Equity reserve net of tax effect (3)
	31/12/21					
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)**

Notes to the Statement of Profit or Loss

1) Revenue

The Company's revenue by area of activity is set out in the following table:

(eur/000)	2022	%	2021	%	Var.
Chargebacks from subsidiaries	630	100%	659	90%	(29)
Rental income from subsidiaries	-	0%	75	10%	(75)
TOTAL	**630**	**100%**	**734**	**100%**	**(104)**

"Chargeback to subsidiaries" includes the chargeback of costs for KOS S.p.A. personnel seconded to subsidiaries Ospedale di Suzzara S.p.A. and KOS Servizi Soc. Consortile a.r.l. and for sundry services like IT costs and consulting services of use to Group companies.

"Rental income from subsidiaries" included income from the rental to KOS Care S.r.l. of the B. Franchiolo Care Home in Sanremo which was sold in 2021.

2) Purchases

Purchases of goods amount to € 22 thousand and include stationery costs, fuel for motor vehicles and sundry consumable materials.

(eur/000)	2022	%	2021	%	Var.
General consumables	22	100%	17	100%	5
TOTAL	**22**	**100%**	**17**	**100%**	**5**

3) Services

Costs for services amount to € 1,578 thousand for the year ended 31 December 2022 against € 2,032 thousand in 2021.
Details of the main items are provided below:

(eur/000)	2022	%	2021	%	Var.
Legal, notarial and tax consulting	50	3%	46	2%	4
IT consulting	315	20%	656	32%	(341)
Management and marketing consulting	-	0%	-	0%	-
Independent auditors' fees	190	12%	262	13%	(72)
Directors' fees	310	20%	310	15%	-
Statutory Auditors' fees	44	3%	73	4%	(29)
Utilities	51	3%	30	1%	21
Food services	29	2%	27	1%	2
Rent and lease fees	9	1%	21	1%	(12)
Intercompany services	182	12%	225	11%	(43)
Other services	398	25%	382	19%	16
TOTAL	**1,578**	**100%**	**2,032**	**100%**	**(454)**

Costs for intercompany services refer to chargebacks by KOS Servizi S.c.a r.l, (for general services and IT expenses) and by the parent CIR S.p.A.

The caption "Independent auditors' fees" includes the services of the independent auditors and other related services.

IT and technical consulting has decreased as more strategic review and analysis activities were carried out in 2021.

4) Personnel expense

Personnel expense amounts to € 3,989 thousand in 2022 against € 3,997 thousand in 2021. This item includes expense relating to employees such as performance related increases, promotions, accrued holiday pay, amounts provided by law or under collective agreements and costs relating to the Stock Option Plans set up in 2010 and 2016. The effect of measurement of these plans was € 41 thousand in 2021 compared to € 75 thousand in 2021.

The main component items are analysed below:

(eur/000)	2022	%	2021	%	Var.
Wages and salaries	2,742	69%	2,668	67%	74
Social security charges	838	21%	857	21% (	19)
Post-employment benefits	154	4%	164	4% (	10)
Stock option plan valuation	41	1%	75	2% (	34)
Other costs	214	5%	233	6% (	19)
TOTAL	**3,989**	**100%**	**3,997**	**100% (**	**8)**

Details of the headcount at 31 December 2022 and 31 December 2021 are provided below:

	2022	2021
Management	8	8
Employees	13	12
TOTAL	**21**	**20**

5) Other operating income

In 2022, other operating income amounted to € 6 thousand compared to € 2,372 thousand in 2021.

(eur/000)	2022	%	2021	%	Var.
Ordinary prior year income	-	0%	43	2% (	43)
Gains on the sale of assets	-	0%	2,328	98% (	2,328)
Other revenue and income	6	100%	1	0%	5
TOTAL	**6**	**100%**	**2,372**	**100% (**	**2,366)**

In 2021, gains on the sale of assets related to the sale of the property in Sanremo.

6) Other operating costs

In 2022, other operating costs totalled € 59 thousand, an increase of € 13 thousand compared to € 46 thousand in 2021. Taxes and Duties mainly included sundry taxes and duties (Waste Tax, Tax Stamps and Stamp Duty).

Ordinary prior year expense includes differences on provisions and accruals made when preparing prior year financial statements.

(eur/000)	2022	%	2021	%	Var.
Taxes and other duties	7	12%	17	37% (	10)
Ordinary prior year expense	44	75%	3	7%	41
Sundry operating costs	8	14%	26	57% (	18)
TOTAL	**59**	**100%**	**46**	**100%**	**13**

7) Amortisation, depreciation, impairment losses and provisions

In 2022, this item amounted to € 289 thousand compared to € 397 thousand in 2021, a decrease of € 108 thousand. The decrease relating to property, plant and equipment mainly refers to the effect of the sale of the property in Sanremo in 2021.

(eur/000)	**2022**	**%**	**2021**	**%**	**Var.**
Depreciation	22	8%	93	23%	(71)
Amortisation	39	13%	65	16%	(26)
Depreciation of right-of-use assets	228	79%	239	60%	(11)
TOTAL	**289**	**100%**	**397**	**100%**	**(108)**

8) Financial income

(eur/000)	**2022**	**%**	**2021**	**%**	**Var.**
Interest income from bank accounts	199	2%	-	0%	199
Interest income on derivatives	272	3%	1	0%	271
Interest income from subsidiaries	8,210	78%	8,446	90%	(236)
Other financial income from subsidiaries	1,848	18%	908	10%	940
Other financial income	-	0%	1	0%	(1)
TOTAL	**10,529**	**100%**	**9,356**	**100%**	**1,173**

Financial income amounts to € 10,529 thousand in 2022 against € 9,356 thousand in 2021.

"Other financial income from subsidiaries" represents the portion relating to 2022 of partial or total chargebacks performed in prior years, fees paid on the arrangement of new loans and charged back or portions relating to the period and guarantee fees.

In 2022, interest income from subsidiaries regards interest bearing loans granted and interest charged on the cash pooling arrangement under the agreement in place within the KOS Group. See Note 9) Financial expense for a short description of the loan agreements in place at the reporting date. The conditions applied to intercompany loans reflect those applied by the banks plus a spread.

A breakdown by subsidiary is provided below (excluding bank interest income in name of KOS SPA):

(eur/000)	**14/07/1905**	**%**	**13/07/1905**	**%**	**Var.**
Kos Care Srl	9,523	95%	8,992	96%	531
Abitare il Tempo Srl	27	0%	16	0%	11
Kos Servizi Scarl	181	2%	72	1%	109
Sanatrix Gestioni Srl	274	3%	142	2%	132
ClearMedi Healthcare Ltd	-	0%	101	1%	(101)
GES.CA.S Villa Armonia Nuova Srl	53	1%	31	0%	22
Total	**10,058**	**100%**	**9,354**	**100%**	**704**

9) Financial expense

(eur/000)	**2022**	**%**	**2021**	**%**	**Var.**
Interest expense on derivatives	21	0%	97	1%	(76)
Interest expense on loans, borrowings and bonds	7,695	76%	7,828	81%	(133)
Interest expense on right-of-use assets	10	0%	13	0%	(3)
Other financial expense	2,348	23%	1,730	18%	618
TOTAL	**10,074**	**100%**	**9,668**	**100%**	**406**

The increase in financial expense is mainly due to fees for the arrangement of the new loan and the unwinding of loans in place at the previous reporting date. As described in the Note on Financial liabilities, debt has remained almost stable as the most significant movements occurred in December (use of property facility, new loan and unwinding/early repayment of SACE loan and bilateral loan).

The caption "Interest expense on right-of-use assets" includes interest of € 10 thousand on rights of use in accordance with IFRS 16.

"Other financial expense" totalling € 2,348 thousand have increased compared to the € 1,730 thousand reported in 2021. The total includes € 214 thousand for banking services and € 2,127 thousand of commission/fees on loans. It also includes the financial component of the post-employment benefits as recalculated under IAS 19 - € 7 thousand.

"Interest expense on derivatives" amounts to € 21 thousand and has decreased compared to prior year (€ 97 thousand).

10) Dividends

No dividends were received in 2022 or 2021.

11) Impairmente gains (losses) on financial assets

(eur/000)	2022	%	2021	%	Var.
Impairment losses on equity investments	-	0%	-	0%	-
Impairment losses (gains) on non-current financial assets	(808)	100%	(227)	100%	(581)
Impairment losses on derivatives	-	0%	-	0%	-
TOTAL	**(808)**	**100%**	**(227)**	**100%**	**(581)**

The impairment test in accordance with IFRS 9 on intercompany financial assets and guarantees given led to the recognition of impairment losses of € 22 thousand on intercompany financial assets and impairment gains of € 830 thousand on guarantees. The net profit or loss effect was an impairment gain of € 808 thousand.

12) Income Taxes

Income taxes show a net benefit of € 975 thousand against € 787 thousand in 2021. The total includes current taxes of € 423 thousand and deferred taxes of € 552 thousand. IRES corporation tax calculated on the taxable income is debited to the parent under the Group taxation arrangement with CIR S.p.A. The Company has no taxable income for IRAP purposes.

(eur/000)	2022	2021	Var.
IRES	(423)	(341)	(82)
IRAP	-	-	-
Deferred tax expense/(income)	(552)	(446)	(106)
Previous years income taxes	-	-	-
TOTAL	**(975)**	**(787)**	**(188)**

	2022	2021
Effective tax rate	**24.1%**	**22.3%**

For further information on deferred tax assets and liabilities, see Note 21) "Deferred taxes".

The following table contains a reconciliation between the theoretical tax rate (24%) and the effective rate (23.9%) per the financial statements and the corresponding theoretical and effective tax charges:

(eur/000)		2022	2021
Pre-tax loss		(4,038)	(3,536)
Theoretical income taxes (24%)	**A**	**(969)**	**(849)**
Tax effect of non-deductible costs	b	196	6
Tax effect of prior year tax losses generating deferred tax assets in the period	b		34
Tax effect of prior year tax losses not generating deferred tax assets in the period	b		(11)
Other	b	(202)	33
Total effect of addbacks and other (b)	**B**	**(6)**	**62**
Income taxes	**A + B**	**(975)**	**(787)**
IRAP and other taxes	C	-	-
TOTAL	**"A+B"+C**	**(975)**	**(787)**

During 2022, adjustments to taxable income that led to non-deductible permanent differences mainly included the non-deductible portion of local property tax IMU of € 19 thousand and costs not deductible for tax purposes (motor vehicle costs and telephone expenses).

13) Loss from discontinued operations

In December 2022, KOS S.p.A. signed an agreement for the sale to third parties of the shares held by it in Clear-Medi HealthCare LTD and ClearView LTD. The deal will be completed during 2023. The high likelihood that this agreement will lead to the actual sale of the two companies in 2023 means that, pursuant to IFRS 5, in the Statement of Profit or Loss and in the Statement of Financial Position, the assets and liabilities with the two companies subject to the agreement have been measured and classified as "Assets held for sale".

The caption "Loss from discontinued operations" includes the remeasurement at fair value of the investments subject to the agreement. This remeasurement led to an impairment loss of € 20,442 thousand to the investments at 31 December 2022; at 31 December 2021, they were reported at € 38,442 thousand. In the previous reporting period, this caption amounted to € 67 thousand and referred to consulting costs for due diligence carried out during 2021.

The costs of € 254 thousand incurred in 2022 include due diligence and legal and tax advisory costs in support of the deal.

13) a. Off-balance sheet agreements

We note that, pursuant to Article 2427(22-ter) of the Italian Civil Code, the Company was not party to any off-balance sheet agreements.

13) b. Other information

Pursuant to statutory reporting requirements, the following table sets out the fees payable to the Board of Directors, the Board of Statutory Auditors and the Independent Auditors. Audit firm KPMG S.p.A. has been appointed to audit the separate financial statements for the three-year period 2020-2021-2022, in accordance with the articles of association and Article 2409-bis of the Italian Civil Code.

(eur)	2022	%	2021	%	Var.
Directors' fees	310,000	75%	309,719	76%	281
Independent auditors' fees	60,120	15%	56,000	14%	4,120
Statutory Auditors' fees	44,408	11%	44,408	11%	-
TOTAL	**414,528**	**100%**	**410,127**	**100%**	**3,910**

"Independent auditors' fees" includes fees for the audit of the separate financial statements and for certification of tax returns.

Consob Information Notice - Art. 149-xii – Regulation no. 11971

"The following table, prepared in accordance with Art. 149-xii of the Consob Issuers' Regulation, provides details of fees relating to 2022 for audit services and non-audit services rendered by the independent auditors and by entities belonging to their network.".

Fees (*) relating to 2022 for services rendered by independent auditors to KOS SPA.

Type of service	Provider	Recipient	Amount (€/000)
Audit	KPMG S.p.A.	KOS S.p.A.	42
Other services	KPMG S.p.A.	KOS S.p.A.	18

(*) The fees do not include VAT, expenses and any reimbursement of the Consob supervisory fee.

In terms of Article 2427(20) of the Italian Civil Code, we note that there are no assets destined for a specific transaction.

Notes to the Statement of Financial Position

Non-Current Assets

14) Intangible Assets

Net intangible assets amounted to € 46 thousand at 31 December 2022, a decrease compared to 31 December 2021 (€ 60 thousand).

The table below contains a breakdown of intangible assets and movements therein in 2022.

	Opening balance			Changes in the year												Closing balance		
	Historical cost	Impairment losses and accumulated amortisation	Carrying amount as at 31/12/2021	Purchases	Business combinations – increase		Discontinued operations		Exchange differences		Reclassifications		Net disposals		Impairment losses and amortisation	Historical cost	Impairment losses and accumulated amortisation	Carrying amount as at 31/12/2022
(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	1,205	(1,145)	60	1											(39)	1,206	(1,184)	22
Assets under development and paymen	-	-	-	24												24	-	24
Other intangible assets	30	(30)	-													30	(30)	-
Total	**1,235**	**(1,175)**	**60**	**25**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(39)**	**1,260**	**(1,214)**	**46**

Increases to “Assets under development and payments on account” consist of purchases of business intelligence and Group treasury management/accounting software.

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

Category	**%**	**Useful life - Years (range)**
Concessions, licenses, trademarks and similar	33.33	3.0
Other long term charges	20	5.0

15) Property, Plant and Equipment

At 31 December 2022, net property, plant and equipment amounted to € 110 thousand against € 179 thousand at 31 December 2021.

The table shows a breakdown of this item and movements therein in 2022.

	Opening balance			Changes in the year												Closing balance		
	Historical cost	Impairment losses and accumulated depreciation	Carrying amount as at 31/12/2021	Purchases	Business combinations – increase		Discontinued operations		Exchange differences		Reclassifications		Net disposals		Impairment losses and depreciation	Historical cost	Impairment losses and accumulated depreciation	Carrying amount as at 31/12/2022
(eur/000)					Historical cost	Impairment losses and accumulated depreciation	Historical cost	Impairment losses and accumulated depreciation	Historical cost	Impairment losses and accumulated depreciation	Historical cost	Impairment losses and accumulated depreciation	Historical cost	Impairment losses and accumulated depreciation				
Land	-	-	-													-	-	-
Buildings	-	-	-												-	-	-	-
Pland and Machinery	27	(27)	-										(22)	22	-	5	(5)	-
Industrial and commercial equipment	5	(5)	-												-	5	(5)	-
Other assets	762	(683)	79										(3)	6	(22)	759	(699)	60
Assets under construction and payments on account	100		100										(50)			50		50
Total	**894**	**(715)**	**179**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(75)**	**28**	**(22)**	**819**	**(709)**	**110**

Assets under construction of € 50 thousand represent the deposit paid in 2016 towards the purchase of a plot of land in Verona. The decrease compared to 31 December 2021 is due to an impairment loss but the probability of recovering the remaining amount is considered high.

In terms of Article 10 of Law no 72 of 19/3/1983, we note that no monetary revaluations have ever been performed under that law or under any subsequent revaluation laws.

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

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

The useful lives of each category of property, plant and equipment are shown below:

Category	%	Useful life - Years (range)
Buildings	3	33.3
General plants	15	6.7
Electrical and plumbimg systems	25	4.0
Telephone and data system	25	4.0
General equipments	15	6.7
Office furniture and fittings	12 - 15	8,3 - 6,7
Other assets	8.3	12.0
Electronic office machines	20	5.0
Telephone system	20	5.0

16) Right-of-use assets

Movements in this caption are analysed below:

	Opening balance			Changes in the year												Closing balance		
	Historical cost	Impairment losses and accumulated depreciation	Carrying amount as at 31/12/2021	Purchases	Business combinations – increase		Discontinued operations		Exchange differences		Reclassifications		Net disposals		Impairment losses and depreciation	Historical cost	Impairment losses and accumulated depreciation	Carrying amount as at 31/12/2022
(eur/000)					Historical cost	Impairment losses and accumulated depreciation	Historical cost	Impairment losses and accumulated depreciation	Historical cost	Impairment losses and accumulated depreciation	Historical cost	Impairment losses and accumulated depreciation	Historical cost	Impairment losses and accumulated depreciation				
Right of use assets	1,471	(615)	856	22									(78)	40	(226)	1,415	(801)	614
Total	**1,471**	**(615)**	**856**	**22**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(78)**	**40**	**(226)**	**1,415**	**(801)**	**614**

The change over the reporting period refers to new car lease agreements to replace contracts that had ended

17) Equity investments

The table contains details of equity investments and movements therein during 2022.

(eur/000)	Historical cost at 31/12/2021	Loss allowance	Carrying amount at 31/12/2021	Increase	Decrease	Other changes	Historical cost at 31/12/2022	Loss allowance	Carrying amount at 31/12/2022
Kos Care Srl	148,135	-	148,135			14	148,149	-	148,149
Ospedale di Suzzara Spa	9,789	(5,119)	4,670			2	9,791	(5,119)	4,672
KOS Società Consortile a r.l.	133	-	133			4	137	-	137
Apokos Rehab Ltd	1,197	(600)	597				1,197	(600)	597
Clearmedi HC Ltd/India	43,307	(6,842)	36,465		(36,465)		-	-	-
Clearview Ltd/India	1,977	-	1,977		(1,977)		-	-	-
TOTAL	**204,538**	**(12,561)**	**191,977**	**-**	**(38,442)**	**20**	**159,274**	**(5,719)**	**153,555**

The following movements took place during the reporting period:

- "Decreases" includes the reclassification of the investments in ClearMedi and Clearview to "Assets held for sale";
- "Other changes" includes increases to several investments following the valuation of stock options awarded to the employees of a number of subsidiaries.

The following additional financial information is provided on investments held directly:

(eur/000)

Company	Head Office	Investment as at 31/12/2022 (A)	% of ownership	Revenue local GAAP	Equity as at 31/12/2022 local GAAP	Equity as at 31/12/2022 IAS/IFRS (B)	Profit (Loss) as at 31/12/2022 local GAAP	Profit (Loss) 2022 IFRS	(A) - (B)
Kos Care Srl	Milano	**148,149**	100.00%	410,279	232,537	352,586	(10,319)	3,187	204,437
Ospedale di Suzzara Spa	Suzzara (MN)	**4,672**	99.90%	43,748	4,724	4,694	1,325	1,327	22
KOS Società Consortile a r.l.	Milano	**137**	5.35%	54,284	226	32	-	204	(105)
Apokos Rehab Ltd	India	**597**	50.00%	1,754		632		63	35
TOTAL		**153,555**							

The figures shown above are from financial statements approved by the respective Boards of Directors at 31 December 2022 (except for Apokos Rehab Ltd whose approved financial statements are at 31 March 2022). Furthermore, it also shows figures from these financial statements, restated to bring them into line with the IFRS, as prepared for the purposes of the Group's consolidated financial statements. This is in order to highlight the difference between the carrying amount and equity of the subsidiaries based on the IFRS and, therefore, in accordance with the accounting policies applied by the parent KOS S.p.A. The amounts shown for the subsidiaries and associates are in proportion to the percentage interests held.

The Company has performed an impairment test on its other investments in order to evaluate the recoverability of value through cash flows in the years to come, as based on the most recent forecast information contained in the business plan for 2023-2027 and discounted at an appropriate rate that reflects the cost of money and the remuneration of risk in light of the respective debt/equity structure; the rate adopted was a WACC of 6.2% (5.6% in 2021) for Italy and 7.8% for India (8% in 2021).

Discounted cash flows also take account of the estimated rate of growth for the sector which is higher than a rate of growth close to inflation and equal to 2% (1.39% in 2021). The rates for each country used in the impairment test at 31 December 2022 are as follows:
G-Italy 2%
G-India 4% (4.1% in 2021)

Moreover, the Company has performed a sensitivity analysis considering changes in the underlying assumptions made for the impairment test and, in particular, in those variables that most affect recoverable amount (discount rate, growth rate, terminal amount, tariff trends). This analysis did not highlight any factors requiring impairment losses to be recognised on investments.

In light of the agreement signed in December 2022 for the sale of Indian subsidiaries Clearmedi Healthcare LTD and ClearView LTD (the deal will be completed in 2023), the investments in said subsidiaries have been measured at fair value. This led to an impairment adjustment of € 20,442 thousand and to the classification of the investments under "Assets held for sale".

None of the long term equity investments is subject to any restrictions on its availability to the investor nor are there any options or other privileges thereon. We note that some of the agreements regarding loans to the subsidiaries impose restrictions on the distribution of dividends by the subsidiaries and require compliance with certain covenants that was achieved at 31 December 2022.

18) Non-Current Trade Receivables

This caption had a zero balance as at 31 December 2022 and 31 December 2021.

19) Non-Current Financial assets with Subsidiaries

At 31 December 2022, this item totalled € 258,509 thousand against € 311,625 thousand at 31 December 2021. It may be analysed as follows:

(eur/000)	31/12/2022	31/12/2021	Var.
Financial assets with subsidiaries	258,509	311,625	(53,116)
TOTAL	**258,509**	**311,625**	**(53,116)**

The decrease in financial assets with subsidiaries is due to the early repayment of several loans, as partially countered by the arrangement of a new loan and by utilisation of the property loan facility. In more detail:

- •On 2 December 2022, a new financing agreement of € 150 million was signed with a syndicate of nine banks. On 12 December 2022, KOS S.p.A. utilised the entire refinancing facility of the new financing – in the amount of € 75 million - to repay the loan with a SACE guarantee. With the new financing, KOS provided the subsidiaries with the funds needed to make early repayment of the Intercompany debt originating from the SACE loan. This operation led to the emergence of Intercompany financial assets of the same amount as the previous ones. In detail: KOS Care Srl - € 65 million; KOS Servizi Scarl - € 5 million; and Sanatrix Gestioni Srl - € 4.5 million.
- •On 13 December 2022, KOS S.p.A. utilised €30 million of the property loan facility arranged on 23 June 2021 The loan proceeds were transferred by means of Intercompany loans to the following subsidiaries: KOS Care Srl - € 24 million; and Sanatrix Gestioni Srl - € 6 million;
- •On 15 December 2022, KOS S.p.A. made early repayment of the bilateral loan agreed with Mediobanca on 25 June 2019 in the amount of € 15.3 million. It did so using the proceeds from the repayment of an Intercompany loan by Kos Care Srl;
- •On 20 December 2022, KOS S.p.A. made full repayment – in the amount of € 65 million – of the loan arranged on 1 August 2019 to finance the acquisition of Charleston. In this case, too, the proceeds came from early repayment of the Intercompany loan by Kos Care Srl;

The information provided above explains the main movements – on top of scheduled repayments – in financial assets, including the current portion explained in Note 27 "***Current Financial assets with Subsidiaries***"

Details of non-Current Financial assets with Subsidiaries are shown below:

(eur/000)	**31/12/2022**	**31/12/2021**	**Var.**
Kos Care Srl	238,620	297,125	(58,505)
Abitare il Tempo Srl	944	1,000	(56)
Kos Servizi Scarl	5,000	5,000	-
Sanatrix Gestioni Srl	12,056	6,500	5,556
ClearMedi Healthcare Ltd	-	-	-
GES.CA.S Villa Armonia Nuova Srl	1,889	2,000	(111)
TOTAL	**258,509**	**311,625**	**(53,116)**

20) Other Non-Current assets

The following table contains a breakdown of this item:

(eur/000)	**31/12/2022**	**31/12/2021**	**Var.**
Tax assets	12	12	-
TOTAL	**12**	**12**	**-**

Tax assets consist of prior year tax credits which have remained unchanged compared to 31 December 2021.

21) Deferred taxes

This includes deferred tax assets and liabilities arising on temporary differences between the profit/loss for the year and taxable income. The temporary differences regard directors' fees and services not completed that will be deductible in future periods and the change in provisions in application of IFRS 9 with regard to the risk on financial assets. Deferred tax liabilities have arisen on the deferral over five years of taxation of the gain realised on the sale of a property in Riva Ligure in 2020.

(eur/000)	31/12/2022		31/12/2021	
	Difference	Tax	Difference	Tax
Temporary difference in non-current assets	-	-	6	1
Temporary difference in current liabilities	270	64	270	65
Temporary difference in provisions for risks and charges	3,586	861	3,648	876
Temporary difference in financial instruments	39	9	60	14
Temporary difference from tax losses	3,562	855	2,002	481
TOTAL DEFERRED TAX ASSETS	**7,457**	**1,789**	**5,986**	**1,437**

(eur/000)	31/12/2022		31/12/2021	
	Difference	Tax	Difference	Tax
Temporary difference in non-current assets	1,625	390	2,437	585
TOTAL DEFERRED TAX LIABILITIES	**1,625**	**390**	**2,437**	**585**

It is believed that the tax loss carryforwards may generate deferred tax assets based on the results forecast in the business plan and the participation of the companies in the CIR group taxation arrangement.

Changes in deferred tax assets and liabilities compared to 31 December 2021 are analysed below, inclusive of equity effects not passing through profit or loss. The decrease in taxes refers to the portion of the change in the fair value of derivatives that passed through Equity and was recorded in an Equity Reserve in the amount of € 5 thousand.

(eur/000)	31/12/2021	Use of deferred taxes from previous year	Deferred taxes for the year	Changes in consolidation scope	Other changes	31/12/2022
Deferred tax assets						
- in profit or loss	608	-	357			965
- in equity	829	(5)				824
TOTAL	**1,437**	**(5)**	**357**	**-**	**-**	**1,789**

(eur/000)	31/12/2021	Use of deferred taxes from previous year	Deferred taxes for the year	Changes in consolidation scope	Other changes	31/12/2022
Deferred tax liabilities						
- in profit or loss	(585)	195				(390)
- in equity	-					-
Total	**(585)**	**195**	**-**	**-**	**-**	**(390)**
Net deferred taxes	**852**	**190**	**357**	**-**	**-**	**1,399**

Current Assets

22) Trade receivables from the parent

(eur/000)	31/12/2022	31/12/2021	Var.
Trade receivables from the parent	532	329	203
TOTAL	**532**	**329**	**203**

Trade receivables from the parent include the IRES tax asset with CIR S.p.A. arising from taxes losses transferred under the CIR S.p.A. group taxation arrangement.

23) Trade receivables from subsidiaries

At 31 December 2022, trade receivables from subsidiaries amounted to € 629 thousand compared to € 679 thousand at 31 December 2021:

(eur/000)	31/12/2022	31/12/2021	Var.
Trade receivables from subsidiaries	629	679	(50)
TOTAL	**629**	**679**	**(50)**

Trade receivables from subsidiaries regard charges for coordination and development services provided by KOS S.p.A. and the recharge of costs for the Group's business management software. Details of Trade Receivables from subsidiaries are provided below:

(eur/000)	**31/12/2022**	**31/12/2021**	**Var.**
Kos Care Srl	78	104	(26)
Kos Servizi Scarl	120	144	(24)
Ospedale di Suzzara SpA	426	429	(3)
Sanatrix Gestioni Srl	5	2	3
TOTAL	**629**	**679**	**(50)**

The carrying amount of trade receivables approximates their fair value.

At 31 December 2022 and 31 December 2021, there were no trade receivables due after more than five years.

24) Trade receivables

At 31 December 2022, Trade Receivables totalled € 5 thousand (there were no trade receivables at 31 December 2021). There was no loss allowance at 31 December 2022.

25) Other current assets

(eur/000)	**31/12/2022**	**31/12/2021**	**Var.**
Financial assets with others	108	110	(2)
Tax assets	324	392	(68)
TOTAL	**432**	**502**	**(70)**

At 31 December 2022, "Other assets" amounted to € 432 thousand compared to € 502 thousand at 31 December 2021.

"Financial assets with others" mainly includes prepaid expenses, the advance payment to INAIL (Health and Safety Insurance Institution) for employees and balances on credit cards made available to employees for business travel expenses.

"Tax assets" includes prior year VAT assets (€ 258 thousand at 31 December 2022) and payments of € 64 thousand made to the tax authorities in 2009 and 2016 in relation to an appeal regarding the 2009 tax period (IRES and VAT) which is still pending.

26) Current financial assets

(eur/000)	**31/12/2022**	**31/12/2021**	**Var.**
Derivatives	280	8	272
TOTAL	**280**	**8**	**272**

At 31 December 2022, this item included the valuation of the Cap arranged with Mediobanca in December 2019 (€ 280 thousand).

27) Current financial assets with subsidiaries

At 31 December 2022, "Financial assets with subsidiaries" amounted to € 7,178 thousand against € 14,095 thousand at 31 December 2021.

(eur/000)	**31/12/2022**	**31/12/2021**	**Var.**
Financial assets with subsidiaries	7,658	11,413	(3,755)
Financial assets with subsidiaries for cash pooling	3,386	7,378	(3,992)
Loss allowance	(3,866)	(4,696)	830
TOTAL	**7,178**	**14,095**	**(6,917)**

"Financial assets with subsidiaries" include loan assets with repayments of € 6,917 thousand due in 2024 and interest accruing (€ 741 thousand).
"Financial assets with subsidiaries for cash pooling "represents the reporting date balances on the individual cash pooling accounts. Cash pooling is subject to interest at the 1 month Euribor rate plus a spread of 2.25% for DR balances.

The decrease in the loss allowance is due to the decrease in financial assets in 2022 and to the consistent application of IFRS 9.

At 31 December 2021, Current Financial assets with Subsidiaries was analysed as follows:

(eur/000)	31/12/2022	31/12/2021	Var.
Kos Care Srl	5,099	9,471	(4,372)
Abitare il Tempo Srl	56	-	56
Kos Servizi Scarl	1	-	1
Sanatrix Gestioni Srl	445	25	420
ClearMedi Healthcare Ltd		1,917	(1,917)
GES.CA.S Villa Armonia Nuova Srl	4,739	4,739	-
Jesilab Srl	704	394	310
Casa di Cura Villa Margherita Srl*	-	2,245	(2,245)
Loss allowance	(3,866)	(4,696)	830
TOTAL	**7,178**	**14,095**	**(6,917)**

* Casa di Cura Villa Margherita S.r.l. was merged into KOS CARE S.r.l. during 2022

The following table shows financial assets with subsidiaries based on the source of financing used and highlighting the maturity date:

(eur/000)

Source	KOS CARE Srl	GES.CAS. VILLA ARMONIA NUOVA	SANATRIX GESTIONI	ABITARE IL TEMPO	KOS SERVIZI SCARL	Clearmedi Ltd	Total	Current amount	Non current amount	Maturity	Rate
							-				
Syndacated loan SACE	65,000	-	4,500	-	5,000	-	74,500		-	02.12.2027	Eur 6 months/360+2,10%
Real Estate syndacated loan	79,000	2,000	8,000	1,000		-	90,000	5,000	85,000	23.06.2028	Eur 6 months/360+1,75%
Bond 7y-sc.2024	64,000	-	-	-		-	64,000		64,000	18 10 2024	Fix 3,15%
Bond 8y-sc.2025	35,000	-	-	-		-	35,000		35,000	18 10 2025	Fix 3,50%
Other	-	-	-			1,917	1,917	1,917	-		
Total	**243,000**	**2,000**	**12,500**	**1,000**	**5,000**	**1,917**	**265,417**	**6,917**	**184,000**		

28) Cash and cash equivalents

At 31 December 2022, cash and cash equivalents amounted to € 66,929 thousand, a decrease of € 53,339 thousand compared to 31 December 2021. They are analysed as follows:

(eur/000)	31/12/2022	31/12/2021	Var.
Bank and postal deposits	66,927	120,267	(53,340)
Cash and cash equivalents on hand	2	1	1
TOTAL	**66,929**	**120,268**	**(53,339)**

Movements in cash and cash equivalents in 2022 are analysed in the statement of cash flows. The decrease compared to prior year is mainly due to the repayment of financial liabilities in December 2022.

The carrying amount of these assets was in line with their fair value at 31 December 2022 and 31 December 2021.

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

29) EQUITY

The Equity table below shows movements during the year compared to prior year amounts.

EUR	SHARE CAPITAL	LEGAL RESERVE	SHARE PREMIUM RESERVE	STOCK OPTION RESERVE	HEDGING RESERVE	ACTUARIAL RESERVE	OTHER RESERVE	RETAINED EARNINGS(LOSSES CARRIED FORWARD)	LOSS FOR THE YEAR	TOTAL
BALANCE AT 31 DECEMBER 2021	**8,853**	**1,771**	**40,250**	**2,387**	**(46)**	**(92)**	**(2,588)**	**97,272**	**(2,749)**	**145,058**
Loss for the year	0	0	0	0	0	0	0	0	(23,759)	(23,759)
Other comprehensive expense:										
Changes in hedging reserve	0	0	0	0	16	0	0	0	0	16
Changes in actuarial reserve	0	0	0	0	0	113	0	0	0	113
Total other comprehensive expense	**0**	**0**	**0**	**0**	**16**	**113**	**0**	**0**	**(23,759)**	**(23,630)**
Increase in stock option reserve	0	0	0	61	0	0	0	0	0	61
Allocation of prior year loss	0	0	0	0	0	0	0	(2,749)	2,749	0
BALANCE AT 31 DECEMBER 2022	**8,853**	**1,771**	**40,250**	**2,448**	**(30)**	**21**	**(2,588)**	**94,523**	**(23,759)**	**121,489**

Share capital

Wholly subscribed and paid share capital amounted to € 8,853 thousand at 31 December 2022. Approved share capital amounts to € 8,880 thousand while € 8,853 thousand has been subscribed and paid, as divided into 89,016,534 shares with no nominal value.

Share-based payments

KOS S.p.A. has implemented a number of stock option plans (the "Stock Option Plans") in order to provide the Group with a means of offering incentives to directors and employees while building up their loyalty in such a way that key personnel feel a greater sense of belonging to the business. At the same time, the plans help encourage the creation of value for the Company and, therefore, for its shareholders. Exercise of the stock options is subject to specific time requirements relating to period of employment or appointment and the option rights only vest when these requirements are met.

The following table contains details of the various stock option plans at 31 December 2022 together with movements during the year:

31/12/2022	*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	10.4	1,414,583	2.65	31/12/2014	17/05/2033
Stock Option '16	1,206,000	7.50							1,206,000	7.79	10.4	964,800	7.79	17/05/2023	17/05/2033
Total	**2,620,583**	**4.88**							**2,620,583**	**5.02**	**10.4**	**2,379,383**	**4.73**		

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

The value of the stock options recognised in profit or loss is shown under Personnel expense for share based payments regarding stock options on KOS S.p.A. shares.

Reserves

Legal Reserve
The "*Legal Reserve"* amounts to € 1,771 thousand. There were no movements during 2022.

Share premium reserve
The "*Share premium reserve*" amounts to € 40,250 thousand. There were no movements in 2022.

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

Valuation reserves (eur/000)	31/12/2021	Increase	Decrease	Changes in intrinsic value	31/12/2022
Hedging reserve	(46)			16	(30)
Stock option reserve	2,387	61			2,448
IAS 19 reserve	(92)	113			21
Totale	**2,249**	**61**	**0**	**16**	**2,439**

The Stock option plan reserve offsets costs relating to vesting Stock Options awarded by KOS S.p.A. The increase relates to the 2022 impact of the remeasurement of the new stock option plans issued from 17 May 2016.

The hedging reserve includes the intrinsic value of the derivative contracts based on the cash flow hedge method, allocating it to equity reserve at contract date, in relation to only the effective portion for IRS contracts, and to the variation on Collar and Interest Rate Cap contracts.

The actuarial reserve includes actuarial gains and losses resulting from application of IAS 19 revised to post-employment benefits.

Equity items are analysed as follows by origin, possible utilisation and availability for distribution:

Equity at 31/12/22		Amount	Possibility of use	With respect to the portion vested	Tax position	Summary of use in the three previous year	
(eur)						to cover losses	other reasons
Share Capital		8,853,458	===	===	NI		
Equity - related			-	-	-		
	Legal reserve	1,770,692	B	===	NI		
	Share premium reserve	40,250,027	A - B - C	40,250,027	NI	(13,399,367)	(32,363,972)
	Share capital increase	-	A - B	-	NI		
Income reletaed							
	Legal reserve	-		===	NI		
	Extraordinary reserves	-	-	-	NI		
Profits							
	Profit for previous years	94,523,095	A - B - C	94,523,095	NI	(2,749,144)	
	Profit for the year	-	===	-	NI		
Losses							
	Loss for previous years	-	-	-	-		
	Loss for the year	(23,759,175)		(23,759,175)			
Other reserves							
	Other reserves	(2,567,040)	===				
	Stock Option reserve	2,448,548	===				
	Hedging reserve	(29,291)	===				
TOTAL		**121,490,314**		**111,013,947**		**(16,148,511)**	**(32,363,972)**
Non distributable (**)				1,770,692			
Amount available for distribution				**109,243,255**			

Legenda: A to increase share capital B to cover losses C for distribution
NI reserves and funds that do not form part of the company's tax base upon distrubution
(**) means 20% of the share capital which forms part of the legal reserve and coverage of losses

All of the items included in the Company's equity at 31 December 2022 are freely available for use and distribution, except for the legal reserve which can be used to cover losses and the share premium re-serve which can be used for free share issues, to cover losses and distributed freely only when the legal reserve – currently equal to € 1,771 thousand – is maintained.

The Company has undertaken not to distribute dividends or reserves in 2022.

Non-Current and Current Liabilities

30) Financial liabilities

At 31 December 2022, financial liabilities amounted to € 384,643 thousand (current liabilities of € 126,705 thousand and non-current liabilities of € 257,938 thousand) against € 492,377 thousand at 31 December 2021.

The following table contains a breakdown of these balances by maturity date as at 31 December 2022 and 31 December 2021:

(eur/000)	31/12/2022	Within the year	1-5 years	Over five years	31/12/2021	Within the year	1-5 years	Over five years
Bank overdrafts	-	-			-			
Bank loans and borrowings - collateral	**88,923**	5,000	37,256	46,667	**58,817**	-	22,150	36,667
Bank loans and borrowings	**73,423**	-	73,423	-	**160,582**	8,742	145,590	6,250
Bonds	**99,666**	666	99,000	-	**99,666**	666	99,000	-
Loans and borrowings with other financial backers	**121,987**	120,807	1,180	-	**172,442**	170,400	2,042	-
Lease liabilities	**644**	232	412	-	**870**	231	639	-
Fair value of derivatives	-	-			-	-		
TOTAL	**384,643**	**126,705**	**211,271**	**46,667**	**492,377**	**180,039**	**269,421**	**42,917**

The following table shows movements in financial liabilities (secured loans, loans and borrowings with other financial backers):

(eur/000)	31/12/2022	Current	Non - current	31/12/2021	Current	Non - current
Bank overdrafts	-	-	-	-	-	-
Bank loans and borrowings - collateral	**88,923**	5,000	83,923	**58,817**	-	58,817
Bank loans and borrowings	**73,423**	-	73,423	**160,582**	8,742	151,840
Bonds	**99,666**	666	99,000	**99,666**	666	99,000
Loans and borrowings with other financial backers	**121,987**	120,807	1,180	**172,442**	170,400	2,042
Finance leases	-	-	-	-	-	-
Lease liabilities	**644**	232	412	**870**	231	639
Fair value of derivatives	-	-	-	-	-	-
TOTAL	**384,643**	**126,705**	**257,938**	**492,377**	**180,039**	**312,338**

The following table shows movements on financial liabilities (secured loans, loans and debt towards other lenders):

(eur/000)	31/12/2021	Increase	Decrease	Other changes	31/12/2022
Bank loans and borrowings - collateral	**58,817**	30,106			**88,923**
Bank loans and borrowings	**160,582**	74,999	(162,158)		**73,423**
Bonds	**99,666**				**99,666**
Loans and borrowings with other financial backers	**172,442**		(50,455)		**121,987**
Finance leases	**0**				**0**
Lease liabilities	**870**	22	(248)		**644**
Fair value of derivatives	**0**				**0**
TOTAL	**492,377**	**105,127**	**(212,861)**	**0**	**384,643**

The main movements during the reporting period are detailed below:

- On 2 December 2022, a new financing agreement of € 150 million was signed with a syndicate of nine banks. The new financing includes a) a medium/long-term line of credit (refinancing facility) to refinance the loan with a SACE guarantee, as signed on 24 May 2022, for € 75 million; b) a medium/long-term line of credit to support the Group's capex plan and treasury outflows maturing under its business plan, for € 60 million (investment facility); c) a revolving line of credit to finance the company's general cash requirements, € 15 million. The financing agreement is for a period of five years and provides for: in relation to the refinancing facility, a repayment plan with six-monthly instalments and 24 months of interest only payments; in relation to the investment facility, a repayment plan with six-monthly instalments, 24 months of interest only payments and a final balloon repayment of 25% of the amount of the facility; finally, amounts drawn on the revolving line shall be repaid at the end of the relevant interest period. The financing agreement provides for financial commitments in line with existing loans.
- On 12 December 2022, KOS S.p.A. utilised the entire refinancing facility of the new financing described above in order to repay the loan with a SACE guarantee.
- On 13 December 2022, KOS S.p.A. utilised €30 million of the property loan facility arranged on 23 June 2021.
- On 15 December 2022, KOS S.p.A. made early repayment of the bilateral loan agreed with Mediobanca on 25 June 2019 in the amount of € 15.3 million;
- On 20 December 2022, KOS S.p.A. made full repayment – in the amount of € 65 million – of the loan arranged on 1 August 2019 to finance the acquisition of Charleston.

At 31 December 2022, available loan facilities included the investment facility and the revolving line of the new syndicated financing; their utilisation periods expire on 2 December 2024 and 2 November 2027, respectively.

The above loans contain specific clauses that entitle the lending banks to render the loans subject to immediate repayment in case of failure to respect certain covenants unless the KOS Group takes action to remedy the breach of the covenants on the terms and in the manner required by the loan agreements. They also place limits on the distribution of dividends over their duration, based on the leverage ratio.
The loans arranged are designed to meet the funding requirements of the group headed by KOS S.p.A. through specific intercompany loans while also optimising the Group's debt structure.

The caption "*Bonds*" refers to the issue by KOS S.p.A. in October 2017 of two bonds, by means of a private placement, subscribed by institutional investors for a total amount of € 99 million. The two bonds subscribed by institutional investors - with BNP Paribas as Agent Bank and subject to specific intercompany loan agreements - are described below:

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

The caption "*Lease liabilities*" refers to the application of the new IFRS 16 with effect from 1 January 2019.

"*Financial liabilities with subsidiaries*" regard amounts due to direct and indirect subsidiaries at 31 December 2022 in relation to the cash pooling arrangement. The conditions applied are as contractually agreed and the parameters applied are set out in paragraph 8) Financial income.

The total may be broken down by company as follows:

(eur/000)	**31/12/2022**	**31/12/2021**	**Var.**
Kos Care Srl	70,335	129,442	(59,107)
Abitare il Tempo Srl	9,207	9,084	123
Kos Servizi Scarl	6,476	10,526	(4,050)
Ospedal di Suzzara SpA	10,599	10,542	57
Sanatrix Gestioni Srl	24,972	12,428	12,544
GES.CA.S Villa Armonia Nuova Srl	39	40	(1)
Sanatrix Srl	359	380	(21)
TOTAL	**121,987**	**172,442**	**(50,455)**

31) Post-employment benefits

This caption includes the Italian post-employment benefits ("TFR") provision and other employee benefits accruing at the reporting date. Where applicable, they are valued under the actuarial method required by IAS 19.

The following table shows changes in this item in 2022:

(eur/000)	**31/12/2022**	**31/12/2021**
Opening balance	751	715
Service cost	154	164
Financial expense	7	2
Benefits paid		
Transfers to pension funds/treasury fund	(102)	(112)
Other changes	-	-
Net unrealised actuarial losses	(113)	(18)
Total	**697**	**751**

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

Economic assumptions	**31/12/2022**	**31/12/2021**
Inflation rate	2.30%	1.75%
Discount rate	3,77%*	0,98%*
Remuneration increase rate	0,50% - 1,50%	0,50% - 1,50%
ESI increase rate	3.23%	2.81%

Demographic assumptions	**31/12/2022**	**31/12/2021**
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:

- 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;

Company	Assumption variation					
	employee turnover		inflation rate		discount rate	
	1%	**-1%**	**0.25%**	**-0.25%**	**0.25%**	**-0.25%**
KOS S.p.A.	708,402	698,694	716,238	691,747	687,863	720,411

- details of contribution for the next reporting period and of the average financial duration of defined benefit plan obligations;

Company	**KOS S.p.A.**
Service Cost pro futuro	116,965.76
Duration del piano	13.1

- payments envisaged by the plan.

Year	**1**	**2**	**3**	**4**	**5**
KOS S.p.A.	112,421	88,142	92,435	96,550	100,550

32) Financial liabilities with the Parent

At 31 December 2022, there were no financial liabilities with the parent CIR S.p.A.

33) Trade payables

At 31 December 2022, trade payables amounted to € 533 thousand compared to € 761 thousand at 31 December 2021. The balance includes liabilities arising upon the purchase of goods or services. This amount is recognised net of discounts and/or contributions received and after credit notes receivable for various reasons.

(eur/000)	31/12/2022	31/12/2021	Var.
NON CURRENT			
Trade payables	-	-	-
Total "NON CURRENT"	**-**	**-**	**-**
CURRENT			
Trade payables	533	761	(228)
Advance payments	-	-	-
Total "CURRENT"	**533**	**761**	**(228)**
TOTAL	**533**	**761**	**(228)**

At 31 December 2022 and 31 December 2021, there were no payables due after more than a year.

34) Trade Payables to Subsidiaries

At 31 December 2022, this item included the trade payable of € 14 thousand to KOS Servizi Società Consortile a r.l. for chargebacks of costs for general and IT services. There were no trade payables to subsidiaries at 31 December 2021.

(eur/000)	31/12/2022	31/12/2021	Var.
Kos Servizi Scarl	14	-	14
TOTAL	**14**	**-**	**14**

35) Other liabilities

Other liabilities amounted to € 2,054 thousand at 31 December 2022, an increase of € 245 thousand compared to 31 December 2021. The balance was analysed as follows:

(eur/000)	31/12/2022	31/12/2021	Var.
NON CURRENT			
Other sundry liabilities	-	-	-
Total "NON CURRENT"	**-**	**-**	**-**
CURRENT			
Withholding taxes	147	117	30
Other tax liabilities	12	3	9
Liabilities with social security institutions	543	496	47
Liabilities with personnel	1,141	976	165
Other sundry liabilities	211	217	(6)
Total "CURRENT"	**2,054**	**1,809**	**245**
TOTAL	**2,054**	**1,809**	**245**

Withholding taxes include the liability for withholding taxes for employees, collaborators and consultants in December 2022.

Liabilities with social security institutions include employee and employer's social security and pension contributions due in relation to wages and salaries for the month of December 2022 and on accruals for deferred remuneration.

Liabilities with employees include bonuses and holiday pay due to employees.

Other sundry liabilities mainly include fees due to some members of the Board of Directors, insurance premiums and condominium expenses due and December account statements on employee credit cards.

36) Provisions for risks and charges

(eur/000)	31/12/2021	Increases	Utilisation	31/12/2022
NON-CURRENT				
Provisions for sundry risks	-			-
Total "NON-CURRENT"	**-**	**-**	**-**	**-**
CURRENT				
Provisions for tax risks	50			50
Provisions for sundry risks	638	22		660
Total "CURRENT"	**688**	**22**	**-**	**710**
TOTAL	**688**	**22**	**-**	**710**

The Provision for Tax risks shows an unchanged balance of € 50 thousand which emerged in 2012 in relation to a tax inspection performed that year by the authorities in relation to the 2009 tax period and which led to two Tax Demands on 17 December 2013. The Company has filed an appeal which is still pending and the Tax Authorities filed an appeal with the Court of Cassation in February 2019.

The Provision for Sundry Risks includes € 150 thousand allocated for unforeseen costs that could emerge in subsequent periods and € 510 thousand due to the application of IFRS 9 in relation to risks regarding financial assets, as applied to guarantees given on the Company's own account and on behalf of Group companies. The increase of € 22 thousand refers to the realignment of the risk with the value of guarantees at 31 December 2022.

37) Guarantees, commitments and risks

Commitments and contingent risks

The following table summarises the Company's commitments and contingent risks:

(eur/000)	31/12/22	31/12/21	Var.
Guarantees/Letters of patronage	35,682	34,152	1,530
TOTAL	**35,682**	**34,152**	**1,530**

As at 31 December 2022, the guarantees and, more generally, corporate commitments given by KOS S.p.A. amounted to around € 35,682 thousand, broadly in line with the total of € 34,152 thousand at 31 December 2021. The increase is mainly due to new lease/rental agreements for which letters of support were obtained from the parent and to the issue of a new guarantee in favour of the Indian subsidiary.

Details are provided below:

(eur/000)

Subsidiaries Guarantees/Letters of patronage	**31/12/22**	**31/12/21**	**Var.**
Kos Care Srl	28,757	27,970	787
Ospedale di Suzzara Spa		200	(200)
Sanatrix Gestioni Srl	369		
ClearMedi Healthcare Ltd	5,865	5,291	574
Indirect subsidiaries Guarantees/Letters of patronage			
Abitare il Tempo Srl	420	420	-
Other Guarantees/Letters of patronage			
Locazione Uffici Milano	46	46	-
Residenza Sanremo fav.Comune	225	225	-
TOTAL	**35,682**	**34,152**	**1,161**

38) Related party transactions

In accordance with IAS 24, we note that the following entities are considered "related parties":

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) associate;
c) 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.

We note that the transactions with related parties, including intra-Group transactions, cannot be classed as atypical or unusual and form part of the ordinary business of the Group companies.

KOS S.p.A. and the other Group companies have relations of a commercial and financial nature with some related parties, regulated at market conditions from economic and financial perspectives, i.e. at such conditions as would be applied to independent parties.

KOS Group's related party transactions mainly refer to:

- financial transactions;
- service agreements;
- trade transactions;
- transactions associated with CIR Group group taxation arrangement.

Pursuant to Article 2427 (22-bis) of the Italian Civil Code, transactions with related parties, including intercompany transactions, cannot be classed as either atypical or unusual.

The following table contains details of the statement of financial position and statement of profit or loss captions of the KOS Group with other entities identified as related parties and belonging to the KOS Group at both 31 De-

[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.

cember 2022 and 31 December 2021. It shows the loss allowance as per IFRS 9:

	31/12/2022				31/12/2021			
INTERCOMPANY ASSETS / LIABIITIES	**Assets**		**Liabiities**		**Assets**		**Liabiities**	
(eur/000)	**Trade**	**Finan.**	**Trade**	**Finan.**	**Trade**	**Finan.**	**Trade**	**Finan.**
Parent								
CIR S.p.A - Compagnie industriali riunite	532		-		329		-	
Subsidiaries								
Kos Care Srl	79	243,720		70,336	104	306,596		129,442
Abitare il Tempo Srl		1,000		9,207		1,000		9,084
Kos Servizi Scarl	120	5,000	14	6,476	144	5,000	-	10,526
Ospedal di Suzzara SpA	426			10,599	429			10,542
Sanatrix Gestioni Srl	5	12,501		24,972	2	6,525		12,428
ClearMedi Healthcare Ltd				-	-	1,917		-
GES.CA.S Villa Armonia Nuova Srl		6,628		39		6,739		40
Jesilab Srl		704		-		394		-
Casa di Cura Villa Margherita Srl						2,245		-
Sanatrix Srl				359				380
Loss allowance		- 3,866				- 4,696		
TOTAL	**1,162**	**265,687**	**14**	**121,988**	**1,008**	**325,720**	**-**	**172,442**

	31/12/2022				31/12/2021			
INTERCOMPANY REVENUE/COSTS	**Revenue**		**Costs**		**Revenue**		**Costs**	
(eur/000)	**Sales revenue**	**Financial income**	**Purchase costs**	**Financial expense**	**Sales revenue**	**Financial income**	**Purchase costs**	**Financial expense**
Parent								
CIR S.p.A - Compagnie industriali riunite			134				134	
Subsidiaries								
Kos Care Srl	78	9,523			179	8,992		
Medipass Srl								
Abitare il Tempo Srl	-	27			-	16		
Kos Servizi Scarl	120	181	48		124	72	88	
Ospedal di Suzzara SpA	426		-		429		3	
Sanatrix Gestioni Srl	6	274			2	142		
ClearMedi Healthcare Ltd	-	-			-	101		
Casa di Cura S.Alessandro Srl								
GES.CA.S Villa Armonia Nuova Srl	-	53			-	31		
Jesilab Srl	-				-			
Ecomedica SpA								
Casa di Cura Villa Margherita Srl	-				-			
Sanatrix Srl	-				-			
Other related parties								
TOTAL	**630**	**10,058**	**182**	**-**	**734**	**9,354**	**225**	**-**

The fees of the members of the Board of Directors of KOS S.p.A. amount to € 310 thousand (€ 310 thousand in 2021).

The fees of the members of the Board of Statutory Auditors of KOS S.p.A. amount to € 44 thousand (€ 44 thousand in 2021).

The fees of the Risk Management Committee amount to € 10 thousand and are unchanged compared to 2021.

The fees of the Supervisory Board amount to € 26 thousand compared to € 29 thousand in 2021.

The gross remuneration of key managers totalled Euro 1,764 thousand in 2022 (Euro 1,451 thousand in 2021). The increase compared to prior year is due to changes made to the organisational structure in 2022 in order to adapt to changes in the sector; the key managers of the Group were also redefined. On a like-for-like basis, the remuneration of key managers in 2021 would have totalled € 1,837 thousand.

39) Net financial position and Cash flow

The net financial position at 31 December 2022 was as follows:

(eur/000)	31/12/2022	31/12/2021
(A) Cash and cash equivalents	66,929	120,268
(B) Other cash equivalents	-	-
(C) Liquidity (A) + (B)	**66,929**	**120,268**
(D) Securities, derivatives and other financial assets	280	8
(E) Financial assets with subsidiaries	7,178	14,095
(F) Total current financial assets (C)+(D)+(E)	**74,387**	**134,371**
(G) Account overdrafts	-	-
(H) Collateral loans	5,000	-
(I) Bank loans	-	8,742
(J) Bonds	666	666
(K) Finance leases	-	-
(L) Lease liabilities	232	231
(M) Loans and borrowings with other financial backers	-	-
(N) Derivatives	-	-
(O) Financial liabilities with subsidiaries	120,807	172,440
(P) Current financial indebtedness (G)+(H)+(I)+(J)+(K)+(L)+(M)+(N)+(O)	**126,705**	**182,079**
(P) Net current financial indebtedness (P)-(F)	**52,318**	**47,708**
(Q) Non current financial assets with subsidiaries	258,509	311,625
(R) Non-current financial assets (Q)	**258,509**	**311,625**
(S) Collateral loans	83,923	58,817
(T) Bank loans	73,423	151,840
(U) Bonds	99,000	99,000
(V) Finance leases	-	-
(W) Lease liabilities	412	639
(W_1) Non current financial liabilities with subsidiaries	1,180	
(X) Loans and borrowings with other financial backers	-	-
(Y) Non-current financial indebtedness (S)+(T)+(U)+(V)+(W)+(X)	**257,938**	**310,296**
(Z) Net financial indebtedness (Y)+(P)-(R)	**51,747**	**46,379**

The net financial indebtedness of KOS S.p.A. is € 51,747 thousand compared to € 46,379 thousand at 31 December 2021. The € 5,368 thousand increase is the result of many transactions carried out in 2022.

Excluding financial assets and liabilities with subsidiaries there is net financial indebtedness of € 195,447 thousand against net financial indebtedness of € 199,659 thousand at 31 December 2021.

The Statement of Cash Flows shows that cash flows used in operations for the year ended 31 December 2022 were € 2,369 thousand compared to € 7,404 thousand for the year ended 31 December 2021.

Cash flows from investing activities amounted to € 38 thousand, while cash flows of € 15,244 thousand were used in investing activities in 2021. Cash flows for 2021 included the impact of increases in investments and the sale of the property in Riva Ligure for € 6.5 million.

Cash flow from financing activities were f € 6,110 thousand in 2021, while cash flows of € 50,753 thousand were used in financing activities in 2022. The cash flows used in in 2022 is mainly due to the fact the early repayment of debt exceeded drawdowns on existing borrowing facilities and new loans/financing arranged.

40) Significant events after the reporting date and business outlook

There have been no significant events after 31 December 2022. Meanwhile, with regard to the business outlook, it should be noted that the Group's business activities in Italy and Germany showed important signs of recovery in 2022 and the trend has continued in the first few months of 2023. The epidemic is now normalising and if there are no further waves of infection and resulting disruption to hospital activity and if patient movement from one region to another resumes, it is expected that the rehabilitation and acute care segments can return to close on their pre-Covid levels during the current reporting period.
Despite a clear increase in occupancy rates and renewed confidence on the part of families, it will take at least until the end of 2023 for Care Homes in Italy to return to occupancy levels similar to those seen pre-pandemic. In the face of growing volumes and demand, the main uncertainty in Italy remains the ability of the public system to sustain the necessary expenditure and, therefore, tariff increases; the balance between public and private expenditure is another key issue. Care Homes in Germany are also expected to return to close to pre-pandemic occupancy rates towards the end of 2023. Demographic change and population aging will be major factors in increasing the demand for Care Home beds. In Germany, according to forecasts by the Federal Institute for Population Research (BiB), the number of people in need of care will rise from 5 million in 2021 to around 6 million in 2030. The cost reimbursements provided by the German government ended in June 2022 and a further increase in personnel expense is expected in 2023 given the salary increases provided for under renewed collective labour agreements. Energy cost increases, the effects of which were already felt in 2022, will be the subject of government subsidies under several legislative provisions approved by the Germany parliament in December 2022.

41) Going concern issue

These separate financial statements have been prepared on a going concern basis.

It should be noted that the Company, 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 Company's business, with a particular impact on revenue and costs.

The epidemic is now coming to an end and key performance indicators improved in 2022. In July 2023, the Company drew up a Plan that shows how, over the next few years, it will restore the profitability that was enjoyed before the pandemic broke out (although, for 2023, the Company's financial and operating performance is still expected to be down on pre-Covid levels).
With regard to the available finances, taking account of forecast results and cash flows and considering existing loan maturity dates, the Company has the finances necessary to meet its requirements in the next twelve months. From a medium/long-term perspective, the Company has signed agreements with the banks for new lines of credit that have enabled it to repay the SACE guaranteed loan that was obtained to deal with the pandemic. This new finance will also cover the Company's operating and investment requirements while extending the average maturity of loans.

Loan covenants were comfortably complied with as at 31 December 2022. The recovery in operating profitability, together with liquidity currently available and new finance obtained in 2022 will guarantee sufficient cash for the Company to finance its operating activities and planned capex.

Given all of the above, there is no reason to doubt the Company'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 Company 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,

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

42) Management and coordination activities

Pursuant to Article 2497 bis of the Italian Civil Code, we inform you that the Company is subject to management and coordination by its parent CIR S.p.A – Compagnie Industriali Riunite whose relations with the Company are limited to coordination, the chargeback of costs for services and participation in the CIR Group consolidated taxation arrangement.

Highlights from the latest, approved IFRS financial statements of the parent CIR S.p.A. – Compagnie Industriali Riunite (formerly COFIDE S.p.A.) are set out below.

(eur)

ASSETS		31.12.2021
NON-CURRENT ASSETS		**679,785,315**
INTANGIBLE ASSETS		91,624
PROPERTY, PLANT AND EQUIPMENT		5,447,253
INVESTMENT PROPERTY		11,573,207
RIGHT-OF-USE ASSETS		76,379
EQUITY INVESTMENTS		587,761,792
OTHER ASSETS		45,005,797
of which with related parties (*)	*43,485,158*	
OTHER FINANCIAL ASSETS		27,976,627
DEFERRED TAX ASSETS		1,852,636
CURRENT ASSETS		**23,892,200**
OTHER ASSETS		9,406,702
of which with related parties (*)	*2,440,586*	
SECURITIES		4,196,048
CASH AND CASH EQUIVALENTS		10,289,450
TOTAL ASSETS		**703,677,515**

LIABILITIES		31.12.2021
EQUITY		**694,344,198**
SHARE CAPITAL		638,603,657
RESERVES		36,497,012
RETAINED EARNINGS		17,158,030
PROFIT FOR THE YEAR		2,085,499
NON-CURRENT LIABILITIES		**2,459,480**
LEASE LIABILITIES		49,932
OTHER LIABILITIES		282,000
DEFERRED TAX LIABILITIES		86,290
EMPLOYEE BENEFIT OBLIGATIONS		2,041,258
CURRENT LIABILITIES		**6,873,837**
BANK LOANS AND BORROWINGS		--
LEASE LIABILITIES		16,683
OTHER LIABILITIES		6,857,154
of which with related parties (*)	*2,973,614*	
PROVISIONS FOR RISKS AND CHARGES		--
TOTAL LIABILITIES AND EQUITY		**703,677,515**

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

(eur)

		2021
SUNDRY REVENUE AND INCOME		6,915,739
of which with related parties (*)	735,793	
COSTS FOR SERVICES		(6,413,683)
of which with related parties (*)	(12,000)	
PERSONNEL EXPENSE		(4,051,090)
OTHER OPERATING EXPENSE		(2,433,838)
AMORTISATION, DEPRECIATION AND IMPAIRMENT LOSSES		(1,803,197)
OPERATING PROFIT (LOSS)		**(7,786,069)**
FINANCIAL INCOME		1,458,604
of which with related parties (*)	740,484	
FINANCIAL EXPENSE		(13,490)
DIVIDENDS		2,000,895
of which with related parties (*)	2,000,895	
GAINS FROM SECURITIES TRADING		6,067,654
LOSSES FROM SECURITIES TRADING		(1,030,427)
NET FAIR VALUE GAINS (LOSSES) ON FINANCIAL ASSETS		(173,280)
PROFIT (LOSS) BEFORE TAXES		**523,887**
INCOME TAXES		1,562,612
PROFIT (LOSS) FROM CONTINUING OPERATIONS		**2,086,499**
PROFIT FROM DISCONTINUED OPERATIONS		--
PROFIT FOR THE YEAR		**2,086,499**
BASIC EARNINGS PER SHARE (in euro)		0.0018
DILUTED EARNINGS PER SHARE (in euro)		0.0017
BASIC LOSS PER SHARE FROM CONTINUING OPERATIONS (IN EURO)		0.0018
DILUTED LOSS PER SHARE FROM CONTINUING OPERATIONS (IN EURO)		0.0017

(*) 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 grouping***
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

43) List of secondary business locations

Pursuant to Article 2428(4) of the Italian Civil Code, all of the Company's business locations as at 31 December 2022 are listed below:

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

44) Allocation of the net loss for the year

The Board of Directors submits the Separate Financial Statements at 31 December 2022 for approval and proposes to carry forward the loss for the year of € 23,759,175.39.

Milan, 23 February 2023

For the Board of Directors

The Chairman

(Carlo Michelini)