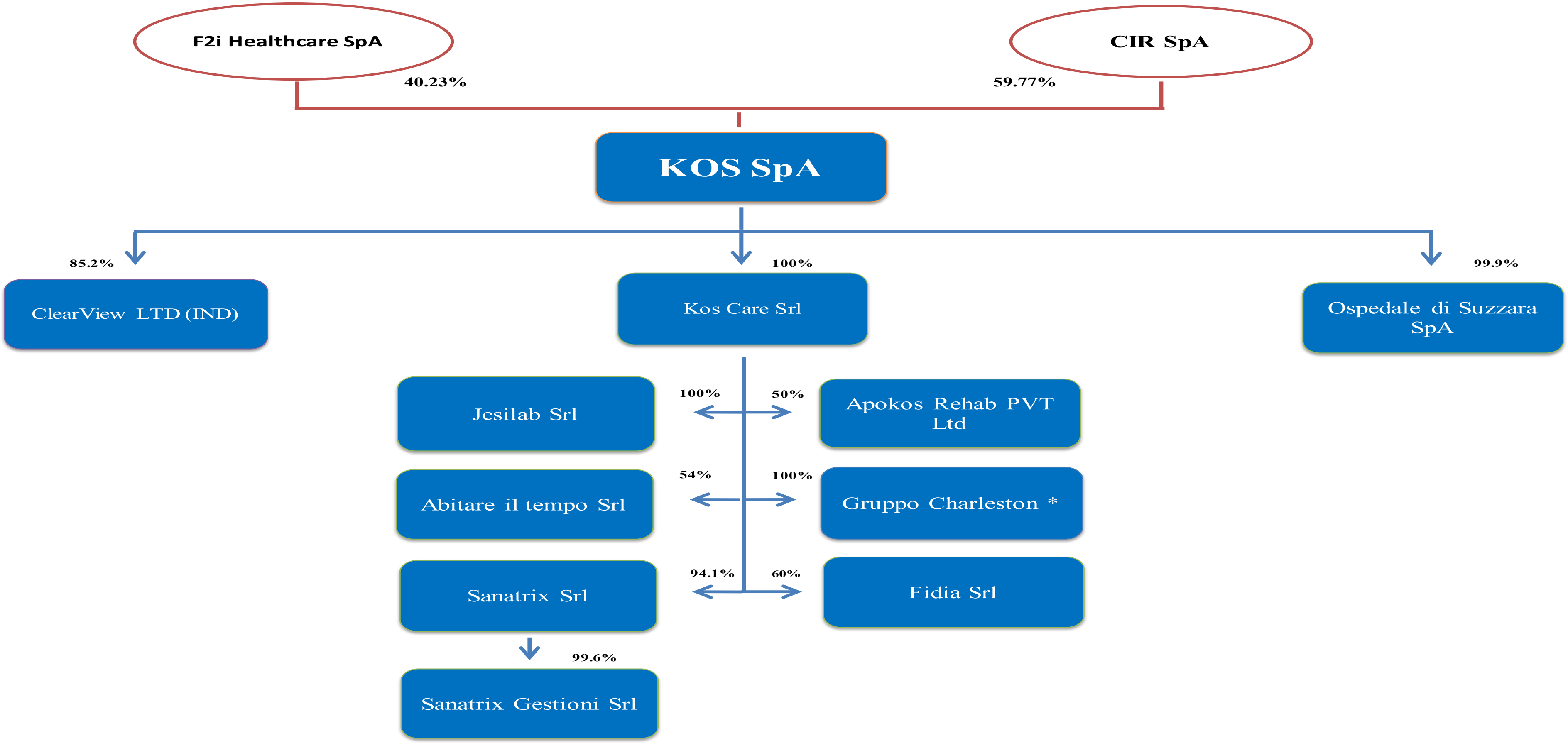
(Translation from the Italian original which remains the definitive version)

CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2023

GROUP STRUCTURE



KOS Servizi

Kos S.p.A	5.35%
KOS Care S.r.l	85.51%
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%
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 2023

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 Claudio Patrian Cecilia Todarello

Board of Statutory Auditors

Chairman	Luca Aurelio Guarna
Standing Statutory Auditors	Luigi Nani Renato Colavolpe
Alternate Statutory Auditors	Sergio Valter Finulli

Independent Auditors

KPMG S.p.A.

DIRECTORS' REPORT

General information on the KOS Group

The 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.

Until 2022, the organisational structure provided for four operating segments: the Care Homes segment (in turn, divided between business conducted in Italy under the Anni Azzurri brand 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 included the activities of the two Group companies in India. These two Indian investments were reclassified at 31 December 2022 to "Assets held for Sale". The sale of ClearMedi Healthcare LTD was completed in June 2023 and its shares transferred to NHPEA V (BVI) Limited. This transaction saw the KOS Group exit fully from the "Diagnostics and Cancer Care" sector.

Subsequently, in line with internal management reporting and in compliance with the IFRS, the organisational structure was revised and now provides for the following operating segments:

Operating segment		**Activity**
Care Homes	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.

The Group performs its activities both in Italy - largely in the Central-Northern regions – and abroad. The acquisition of the Charleston Group in Germany in 2019 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	Total
		Rehabiliation	Psychiatric Care		
Region					
Lombardy	17	3	2	1	**23**
Piedmont	13	0	2		**15**
Liguria	8	0	6		**14**
Marche	8	6	2	1	**17**
Emilia Romagna	6	2	2		**10**
Tuscany	3	0	2		**5**
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	52	0	0		**52**
Total	**111**	**15**	**18**	**2**	**146**

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 the group companies.

Care Home Management

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 is 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	81	20	**101**
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	Borgomanero (NO)	Borgomanero	120		**120**
Piedmont	Turin	Cit Turin	132		**132**
Total			**1,343**	**41**	**1,384**
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			**602**	**-**	**602**
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	Campi Bisenzio (FI)	Campi Bisenzio	80		**80**
Tuscany	Grosseto (GR)	Il Poggione	120		**120**
Total			**254**	**-**	**254**
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			**6,195**	**336**	**6,531**

Region	Municipality	Name	Number of beds authorised		
			For elderly people	For rehabilitation	Total
Baden Württemberg	Bad Schussenried	Regenta	102		**102**
Baden Württemberg	Ulm	Elisabethenhaus	110		**110**
Baden Württemberg	Freiburg	Atrium Residenz	88		**88**
Baden Württemberg	Biberach	Gigelberg	83		**83**
Baden Württemberg	Warthausen	Schlosspark	121		**121**
Baden Württemberg	Aulendorf	Schlossplatz	25		**25**
Baden Württemberg	Zweiflingen	Drendel	91		**91**
Total			**620**	**-**	**620**
Bayern	Haßfurt	Unteres Tor	65		**65**
Bayern	Erlangen I	Venzonestift	57		**57**
Bayern	Forchheim	Jahnpark	54		**54**
Bayern	Würzburg	Ludwigshof	66		**66**
Bayern	Aschaffenburg	Bretanostift	80		**80**
Bayern	Fürth	Stift am Südpark	88		**88**
Bayern	Regensburg I	Stift am Rosengarten	88		**88**
Bayern	Nürnberg I	Stift am Ludwigstor	75		**75**
Bayern	Erlangen II	Röthelheimpark	119		**119**
Bayern	Unterhaching	Stumpfwiese	88		**88**
Bayern	Regensburg II	Candis	99		**99**
Bayern	Nürnberg II	Theresias	95		**95**
Bayern	Stein	Spectrum	77		**77**
Bayern	München	Neuperlach	80		**80**
Bayern	Herzogenaurach	Liebfrauenhaus	89		**89**
Bayern	Coburg	Coburg	84		**84**
Bayern	Stockstadt	Hübnerwald	88		**88**
Bayern	SG Mühldorf	Mühldorf	124		**124**
Bayern	BH Waldkraiburg	Waldkraiburg	87		**87**
Total			**1,603**	**-**	**1,603**
Nordrhein-Westfalen	Gütersloh	Wohnpark Dr. Murken (WPM)	133		**133**
Nordrhein-Westfalen	Welver	Wohnpark Klostergarten (WPK)	154		**154**
Nordrhein-Westfalen	Paderborn	Wohnpark Schrieweshof (WPS)	87		**87**
Nordrhein-Westfalen	Gladbeck	Wohnpark Luisenhof (WPL)	138		**138**
Nordrhein-Westfalen	Brilon	Christophorus Residenz	132		**132**
Nordrhein-Westfalen	Bestwig	Christophorus Residenz	67		**67**
Nordrhein-Westfalen	Essen	Essen	168		**168**
Nordrhein-Westfalen	Mülheim	Mülheim	167		**167**
Total			**1,046**	**-**	**1,046**
Niedersachsen	Stadland	Friesenhof (Rodenkirchen)	62		**62**
Niedersachsen	Nordenham	Gut Hansing	85		**85**
Niedersachsen	Brake	Haus Teichblick	74		**74**
Niedersachsen	Rotenburg	Pflegezentrum am Bahnhof	67		**67**
Niedersachsen	Ottersberg	Haus Ottersberg	62		**62**
Niedersachsen	Schwanewede	Haus Schwanewede	65		**65**
Niedersachsen	Bakum	St. Johannes	57		**57**
Niedersachsen	Bremervörde	Haus am Park	69		**69**
Niedersachsen	Langwedel	Haus am Goldbach	59		**59**
Niedersachsen	Sittensen	Up`n Kamp	62		**62**
Total			**662**	**-**	**662**
Hessen	Bad Camberg	Anna-Müller-Haus	120		**120**
Hessen	Gilserberg	Kikra	61		**61**
Hessen	Neuenstein	Neuenstein	84		**84**
Total			**265**	**-**	**265**
Schleswig Holstein	Fehmarn	Burg auf Fehmarn	75		**75**
Schleswig Holstein	Glückstadt	Landhaus Glückstadt	50		**50**
Total			**125**	**-**	**125**
Brandenburg	Zeuthen	Haus Zeuthen	50		**50**
Total			**50**	**-**	**50**
Bremen	Bremen	Lesmona	50		**50**
Total			**50**	**-**	**50**
Mecklenburg Vorpommern	Seehof	Haus Seehof	67		**67**
Total			**67**	**-**	**67**
Total			**4,488**	**-**	**4,488**

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 current 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	Outpatient clinic				
Marche	Camerino (MC)	Outpatient clinic				
Marche	Civitanova Marche (MC)	Outpatient clinic				
Marche	Fabriano (AN)	Outpatient clinic				
Marche	Filottrano (AN)	Outpatient clinic				
Marche	Jesi (AN)	Outpatient clinic				
Marche	Macerata	Outpatient clinic				
Marche	Matelica (MC)	Outpatient clinic				
Marche	San Severino (MC)	Outpatient clinic				
Marche	San Benedetto T. (AP)	Outpatient clinic				
Marche	Tolentino (MC)	Outpatient clinic				
Marche	Porto Potenza Picena (MC)	Outpatient clinic				
Marche	Jesi (AN)	Jesilab outpatient clinic				
Marche	Civitanova Marche (MC)	Fidia outpatient clinic				
Marche	Pesaro	Outpatient clinic				
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.

The concession agreement under which Ospedale di Suzzara conducts its activities was due to expire on 31 October 2022 but was extended subsequently until 30 June 2023. In May 2023, the ASST ("Territorial Health Agency") of the province of Mantua proposed a new ten-year concession agreement with an annual concession fee of € 1.5 million plus VAT in accordance with the law. As the company was denied the opportunity to establish a consultation process to discuss the proposed terms and conditions, it was unable to accept the proposal as it was. In light of this, in June 2023, the ASST of Mantua published a call for tenders offering the same terms and conditions originally offered to Ospedale di Suzzara S.p.A.
The company considered its rights to have been infringed. It felt the conditions proposed by the call for tenders were unsustainable and noted that it had not been given the chance to put forward its argument for a different handling of the

situation. It filed an appeal with the Regional Administrative Court of Brescia but its appeal was rejected at the end of October 2023. In November, Ospedale di Suzzara S.p.A. appealed to the Council of State, At a hearing held at the end of November 2023, the Council of State examined the appeal and scheduled a hearing to discuss the case for 22 February 2024.

Given the above, Lombardy Region has passed a special Resolution extending the existing concession until 30 June 2024. At that time, the ASST of Mantua closed the call for tenders and admitted the only tender that had been submitted. The tender has not yet been awarded and it seems likely that this will take place after the ruling of the Council of State. Considering the fact that the concession with the Fondazione Presidio Ospedialiero F.lli Montecchi di Suzzara will end on 30 June 2024, the Directors of Ospedale di Suzzara S.p.A. have concluded that, in the next 12 months, there is no reasonable alternative to winding up the business, even though, pursuant to Article 2485 of the Italian Civil Code, there are not yet any grounds for dissolution in terms of Article 2484 of the Italian Civil Code. Therefore, the financial statements of Ospedale di Suzzara have been prepared on a going concern basis, as adapted to take account of the limited remaining time period when applying the relevant accounting principles.

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

In December 2022, NHPEA V (BVI) Limited, a vehicle company controlled by Morgan Stanley Private Equity Asia, submitted a formal proposal to acquire 100% of the shares of ClearMedi HealthCare LTD. The sale of 100% of the shares of ClearMedi HealthCare LTD was completed in June 2023 with a valuation equivalent to an enterprise value of € 21.6 million and an equity value of € 17.3 million. ClearView LTD remains the property of the Group; given the fact that said company is no longer material for the purposes of the consolidation following the sale of the investment in ClearMedi HealthCare LTD, it has been valued at cost with effect from 30 June 2023 and its liquidation will be commenced during 2024. This transaction completes the Group’s decision to exit from a sector no longer considered of strategic interest and to concentrate further on core businesses i.e. in the Care Home Management, Rehabilitation, Psychiatric Care and Non-Residential Care and Acute Care sectors.

Overview of the health sector

The year 2023 was characterised by rising inflation which affected several aspects to the delivery of healthcare and social care services. On top of the increase in energy costs which had already negatively impacted the previous year, the sector had to deal with significant increases in key operating costs such as personnel costs, catering services, laundry and cleaning and rent.
Moreover, staff shortages (especially regarding doctors, nurses and health workers) created serious problems and is still putting great pressure on health facilities on a global scale. All around the world, healthcare facilities are reporting difficulties in attracting, training and holding on to qualified human resources, in the face of a general increase in demand for care and assistance services. The World Health Organisation predicts a shortage of 10 million health workers by 2030.

As duly highlighted by the OASI (Observatory on businesses and the Italian National Health System) Report 2023, produced by the Bocconi University CERGAS Research Centre, growth of the elderly population and inflation-linked revaluation mechanisms will lead – without any change of policy – to a forecast increase of € 64 billion in pension expenditure in the period 2022-2026 alone: a 22% increase for a sector which, at 15% of GDP, already costs twice as much as public health expenditure. In addition to this scenario, there is a second, highly significant factor regarding the

servicing of public debt which has become more costly because of rising interest rates. Interest expenses, which currently eat up 4% of GDP, are expected to increase by around € 20 billion (+24%) by 2026.
Against a backdrop of slowing economic growth, these demographic and macroeconomic factors clearly have a direct impact on the Italian National Health Service.
As is well-know, the resources available to cover public health expenditure on the Italian NHS are among the most modest in Western Europe and fall well short of France, Germany and the United Kingdom where public health expenditure stands at between 10% and 11% of GDP. With these resources, the Italian NHS has to take care of one of the world's most elderly populations, according to ISTAT figures: 24% of Italians are over 65; 40% have at least one chronic condition, 21% have multiple conditions and 3.9 million people are unable to take care of themselves.
Scant resources, increasing needs and rising operating costs are transforming the Italian National Health Service into what has been effectively defined as a "system of selective universalism". To quote the OASI Report 2023 again, the most recent evidence available (2021 figures) shows that 50% of specialist outpatient visits are now paid for privately, as are 33% of outpatient diagnostic tests. Similarly, home-based and outpatient rehabilitation is largely paid privately, as dentistry has always been.
Just 7% of the almost 4 million non-self-sufficient elderly people have residential care, mainly with admittance to a care home, while 26% receive home care, albeit with an average ADI (Integrated Home Care) of only 16 visits a year; this is well short of being an effective level of care. Therefore, at least 62% of the population with problems in taking care of themselves – around 2.4 million people – receives no public care.
In the field of mental health, according to the findings of the latest SISM Mental Health Report, the level of cover of clinically confirmed needs is 30-40%.

In this context, the range of health goods and services financed out of pocket by households and by businesses (in the case of occupational medicine) or brokered by non-public entities such as insurance companies, company funds or supplementary healthcare funds have taken on an increasingly important role. Based on figures from the National Accounts, ISTAT estimates health expenditure for end consumption of resident and non-resident households at € 41.4 billion.
In 2022, as a percentage of GDP, there was a reversal of the trend in both public and private health spending in almost all OECD countries compared to the previous two years which were affected by dynamics caused by growing health expenditure as a result of the Covid-19 pandemic and a reduction in GDP. The OECD average public health spending has decreased from 7.4% to 7.1% of GDP while private spending has recorded a smaller decrease from 2.2% to 2.1% of GDP, remaining almost stable over the last decade.
Already in 2022, Italy was confirmed as one of the developed countries with the lowest percentage of total resources available to the health system (6.9% of GDP), ahead only of Portugal (6.7%), Greece (5.1%) and Ireland (4.7%).
Again among OECD countries, Italy was one of the advanced countries with the lowest percentage of resources brokered by the insurance sector (0.2% of GDP) with private health spending still largely funded from household budgets (€ 635 per capita per year or 1.9% of GDP).

National Recovery and Resilience Plan (NRRP) and Ministerial Decree no. 77/2022

The year 2023 saw the continuation of implementation of the steps set out in the National Recovery and Resilience Plan (NRRP), as approved on 31 July 2021.
In July 2023, Italy asked the EU Commission to approve changes to the measures initially planned. These changes were approved at the end of November when the Commission gave the green light for payment of the fourth instalment of the NRRP of € 16.5 billion and authorised the changes to the plan initially presented. This new instalment will take the amount received to € 101.9 billion, some 52.5% of the total resources allocated.

In terms of the review of investments to be made with NRRP funds, reductions in the number of Homes (from 1,450 to 1,038), Community Hospitals (from 400 to 307) and Territorial Operations Centres (from 600 to 480) have been confirmed.

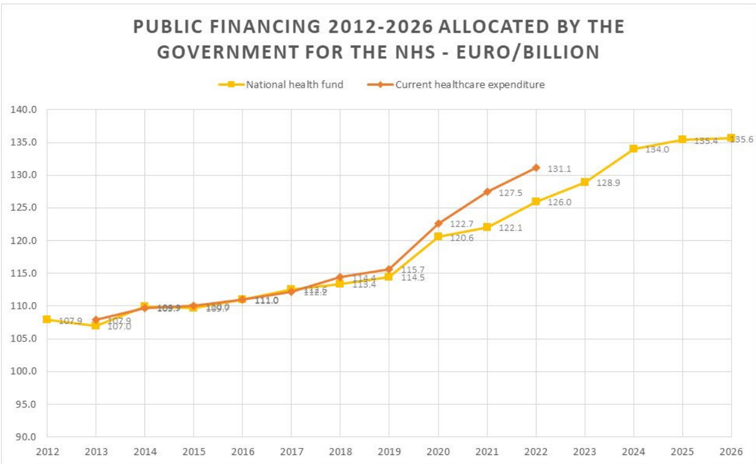
Meanwhile, home care targets have been increased (from 800,000 over 65s in receipt of care by 2026 to 842,000) as have telemedicine targets with the adoption of an even more ambitious project: some 300,000 people will now receive care by 2025 against the 200,000 originally planned.
The changes to the NRRP also provide for the postponement by 6 months (from 30 June 2024 to 31 December 2024) of the target for the opening of Territorial Operations Centres.
The target date for 3,100 items of new diagnostic equipment to become operational has also been postponed by two years (from the end of 2024 to the end of 2026).
The number of intensive care and sub-intensive care beds to be built by June 2026 is also reduced from 7,700 to 5,922.
The number of anti-seismic interventions at hospitals to bring them into line with anti-seismic regulations is also reduced from 109 to 84.
It is also expected that at least 90% of € 250 million will be disbursed from projects aimed at refurbishing and modernising hospitals relating to the "Program Agreements" pursuant to Article 20 of Law no. 67/88, between the Ministry of Health and the respective Regions. Finally, the percentage of general practitioners who must be able to use the electronic health record file by 2025 is set at 85%.

[Source: OASI Report 2023 Chap.2]

Public Health Expenditure

According to the latest State Accounting Report on health spending, in 2022, public health expenditure reached € 131.1 billion plus around € 40 billion of out of pocket spending by households for an overall total in excess of € 170 billion.

As provided by the 2024 National Budget Law, National Health Funding will increase by a further € 3 billion in 2024 compared to the amount allocated by the 2023 Budget Law (€ 130.6 billion), thus taking the Funding allocated for 2024 to a total of € 134 billion. Again compared to the amount allocated by the 2023 National Budget Law, a further € 4 billion has been provided for 2025, rising to € 4.2 billion in 2026; this takes National Health Funding for 2025 and 2026 to € 135.4 billion and € 135.6 billion, respectively.
However, the increases in National Health Funding do not enable us to predict the revival of public health services as around 80% of the additional resources will be used for the renewal of collective labour agreements for health employees and contracted health workers and the small increases expected in 2025 (+1%) and 2026 (+0.15%) will hardly be able to offset inflation and increases in the cost of goods and services. This confirms the NaDEF 2023 estimates for health spending with a further reduction in health spending as a percentage of GDP expected – from 6.6% in 2023 to 6.1% in 2026.



As highlighted by the latest MEF Report on the monitoring of health expenditure published in 2023, an analysis of the breakdown of total health expenditure shows that the various components have remained fairly stable over time. However, their percentage incidence on total spending has varied because of specific factors that have arisen each year. In particular, until 2019, employee wages and salaries were the most significant expense item, averaging around 32%. In the last three years, this percentage has decreased by more than one percentage point while there has been an accompanying increase in intermediate consumption (i.e. the value of goods and services consumed as inputs to the production process i.e. to provide services delivered directly by the NHS through the entities that produce health services); this has increased as a percentage since 2020 largely because of the measures adopted to contain the Covid-19 pandemic and has become the most significant expenditure item. Other social services from the private sector have always been the third most significant item of expenditure at around 22% of the total with a slight decrease over the last three years. The next most significant expenditure items are affiliated pharmaceuticals and affiliated general medical assistance.

[Source: OASI Report 2023 Chapters 3 and 6]

The health and social care sector in Germany

In Germany, as in Italy, the care home occupancy rate is gradually returning to pre-Covid levels, supported by very strong demand for services for the elderly, thanks to demographics and population ageing.

In the first half of 2023, the care sector was badly hit by high energy costs and price increases caused by inflation. Over the year, the time taken to process care tariff negotiations, assess increases in the level of care and assess increases in care levels increased significantly. Energy prices and inflation decreased in the second half of the year but did not return to the levels seen before the Russia-Ukraine war and the energy crisis.

Since the second half of 2023, the health sector has benefited from a brake on energy prices (gas and electricity) and from additional aid introduced in Article 154 SGB XI. In the period from 01 October 2022 to 30 April 2024, it was possible to request additional energy subsidies compared to the benchmark month of March 2022.

Following the suspension of the Coronavirus rescue package, the lower care home occupancy rate, the lack of nursing staff and cost inflation, we have entered into a period of difficulty for healthcare operators (inpatient residences, kindergartens, outpatient care) across all categories (non-profit, public providers, religious, private operators) since the start of the year. The problems will gradually be overcome as tariffs with the public administration are renegotiated, a process that is currently underway.

Forecast demographic changes mean that the old-age dependency ratio (i.e. the ratio of over 67 year olds per 100 people) will increase from 19.6% in 2021 to 22.0% in 2030 and to 25.0% in 2060. By around 2030, there will be around 6 million 80 year olds, a figure destined to reach 9.1 million in 2050.

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.
At the same time, a shortage of skilled labour can still be expected.
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); most (62 %) of them were women (2019: 62 %). 79% (2019: 80%) of those in need of long-term care were over 65 years of age and around 33% were 85 or older (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.

Meanwhile, demand for outpatient care services is growing constantly. The number of persons in need of long-term care provided by outpatient services has increased by 6.2% to 1,047,000 people in need of long-term care.

As people age, they are generally more likely to need care. While “only” 9.3 % (2019: 7.6 %) of people between 70 and 75 years of age required care, the highest percentage of people in need of care was found among people aged 90 or more: in this age range, 81.6% of people required care (2019: 76.3%).

The number of people requiring care in the various age groups has also increased. In 2017, only 44% of people between 85 and 90 years of age needed care. In 2023, 54.1% of people in this age group needed care (2019: 49.4%).

Nationwide, there were 16,115 care homes in December 2021 (2019: around 15,380), 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 the number of persons in need of care increases, demand for nurses continues to increase. Legally required annual salary increases should help alleviate the problem but it will remain a major challenge for the healthcare sector in the coming years.

Competitive Positioning

Throughout Europe, in 2023, the M&A market was rather static, concentrated on a select few transactions, with large operators such as Orpea and Clariane (new brand of the Korian Group of France) which announced major disposals (of € 1 billion in the case of Clariane) to cope with the financial crisis caused by even lower occupancy rates for facilities than in 2019; this was also accompanied by a surge in the main operating costs because of inflation.

In Italy, the listed Garofalo Health Care Group has made acquisitions in Veneto – in the field of outpatient diagnostics and rehabilitation (Gruppo Veneto Diagnostica e Riabilitazione) -, in Lazio – in Acute Care and outpatient activities (Gruppo Aurelia 80) – and in Friuli Venezia Giulia - with the acquisition of Sanatorio Triestino which operates in the Acute Care and Care Home sectors. Also during 2023, the Lifenet Healthcare Group was especially active with the acquisition of a network of private outpatient clinics in the Brianza area in Lombardy (CAB Polidiagnostico) and in Lazio with the Casa di Cura Città di Aprilia. At the end of 2023, again in Lombardy, the Group finally signed binding agreements – that will be operational in 2024 – for the acquisition of Ospedale Sacra Famiglia in Erba, owned by the Ordine Ospedaliero Fatebenefratelli. In the rehabilitation sector, also at the end of 2023, ICS Maugeri Società Benefit signed a binding agreement – that will become effective in 2024 once authorisations and accreditations have been transferred – to take over the management of the Hermitage Capodimonte care home in Naples, an Italian NHS accredited facility.

In the care homes sector, French operator Colisée has – through Italian subsidiary Isenior – continued its growth in Piedmont with the acquisition of a care home in Turin. Operators like Sereni Orizzonti and Gheron have continued the development of greenfield facilities.

Against this backdrop, KOS has focused on making its organisation more efficient, developing non-residential services (home care, remote psychiatry and remote rehabilitation) and has continued its strategy of consolidating its network on the Italian and German markets. Two new care homes have opened in Italy – one in Tuscany and one in Piedmont – together with one new care home in Southern Germany. Two more care homes are scheduled to open in Lombardy and Germany in the first few months of 2024.

Consolidation scope of the KOS Group

As a result of several changes to the consolidation scope (acquisitions, disposals and change of corporate structure) in 2023 and 2022, the figures at 31 December 2023 are not immediately comparable with those for prior year. In order to provide a more accurate reading of the 2023 financial statements and facilitate comparison with the 2022 figures, we have described below the main transactions that have taken place in the last two reporting periods in each operating segment:

Care Homes:

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.

2023

Three new care homes were opened in 2023 in the municipalities of Borgomanero and Campi Bisenzio in Italy and in Stockstadt am Main in Germany; the facilities have 120, 80 and 88 beds, respectively. These are greenfield projects whose specifications have resulted in facilities of the highest architectural standard built to meet the latest eco-friendly criteria while providing hotel quality and excellent healthcare. The Italian facilities were built by the Group then sold to the InvestiRE SGR fund upon completion before being leased back.

Care Home Borgomanero **Care Home Hübnerwald** **Care Home Campi Bisenzio**

It should also be noted that, with effect from 1 June 2023, the Group has opted to apply to its care home employees the National Collective Labour Agreement for employees in the welfare, social care and post-intensive care sectors, as signed in 2022 by employers' association Confcommercio Salute e Cura with assistance from Confcommercio Imprese per l'Italia and Trade Unions FISASCAT CISL and UILTuCS UIL. In this way, the Group has demonstrated its intention to invest in its personnel, abandoning the old ANASTE contract in favour of a contract drafted specifically for our sector, signed by the most important unions (CISL and UIL) and which now represents a key tool supporting the recruitment activities of our organisation.

Rehabilitation, Psychiatric Care and Non-Residential Care:

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.

2023

The direct merger through incorporation of Gescas Villa Nuova Armonia S.r.l. into KOS Care S.r.l. took effect from 1 January 2023.

Two preliminary agreements for the acquisition of non-controlling interests in Sanatrix S.r.l. were signed in September. The final version of one of the preliminary agreements was signed in December and the direct investment in Sanatrix S.r.l. increased from 91.274% to 94.075%. Upon signature of the final acquisition agreement, the Group paid € 940 thousand to the non-controlling investor.

The second preliminary agreement is expected to become final by the end of January 2024. As a result of this second agreement, the direct investment in Sanatrix S.r.l. will increase from 94.075% to 98.926%.

Acute Care

Developments regarding the Ospedale di Suzzara concession

The experimental management of P.O. F.lli Montecchi Suzzara, as carried out since 2004 by subsidiary Ospedale di Suzzara SpA, obtained the backing of the ASST ("Territorial Health Agency") of the province of Mantua in a report dated

July 2022, as well as the support of the Regional Authority in a resolution dated October 2022 which authorised making the management model more permanent and delegated Mantua ASST to take the necessary steps to regulate the relationship with the Management Company. Despite these favourable signs, subsidiary Ospedale di Suzzara was informed in May 2023 of new and onerous conditions involved in making the concession more stable and permanent. These conditions were to include: i) a concession/rental fee increased tenfold to € 1.5 million plus VAT and, also, ii) a variable charge of 3% of the increase in value of production compared to the 2022 figure, and iii) a concession period of only 10 years. Mantua ASST did not take into account the company's arguments, as supported by an expert appraisal by the Research Centre on Health and Social Care Management (CERGAS) of Luigi Bocconi Business University. It ignored the company's request for discussions over the investment plan required by the hospital and, on 21 June 2023, announced a tendering process for the award of the concession to management of P.O. F.lli Montecchi Suzzara for a period of 10 years based on the conditions described above. Also in June, Mantua ASST compelled the Group to continue to manage the hospital until completion of the tendering process which must be not later than 31 December 2023. Faced with this situation, on 29 June 2023, Ospedale di Suzzara S.p.A. petitioned the competent Regional Administrative Court (Brescia) for the annulment of the tendering process and all related activities; it did so with the aim of commencing a constructive dialogue on the need to invest in the hospital and the resulting terms and conditions for its management. On 29 July 2023, the appeal filed by Ospedale di Suzzara S.p.A. was rejected without going into the merits. In response, in early September, the company appealed to the Council of State against the ruling of the Regional Administrative Court (Brescia). On 15 September 2023, the Council of State upheld the appeal of Ospedale di Suzzara S.p.A., froze the tendering process and stopped the opening of envelopes containing possible bids that had been set for 22 September; it called on the Brescia Regional Administrative Court to decide on the merits and, at the end of October, it rejected the appeal. In November, Ospedale di Suzzara S.p.A. presented an appeal to the Council of State. At a hearing held at the end of November 2023, the Council of State examined the appeal and scheduled a hearing to discuss the case for 22 February 2024. Given the above, Lombardy Region has passed a special Resolution extending the existing concession until 30 June 2024. At that time, Mantua ASST closed the call for tenders and admitted the only tender that had been submitted. The tender has not yet been awarded and it seems likely that this will take place after the ruling of the Council of State.

Considering the fact that the concession with the Fondazione Presidio Ospedialiero F.lli Montecchi di Suzzara will end on 30 June 2024, the Directors of Ospedale di Suzzara S.p.A. have concluded that, in the next 12 months, there is no reasonable alternative to winding up the business, even though, pursuant to Article 2485 of the Italian Civil Code, there are not yet any grounds for dissolution in terms of Article 2484 of the Italian Civil Code. Therefore, the financial statements of Ospedale di Suzzara have been prepared on a going concern basis, as adapted to take account of the limited remaining time period when applying the relevant accounting principles.

Diagnostics and Cancer Care

In December 2022, NHPEA V (BVI) Limited, a vehicle company controlled by Morgan Stanley Private Equity Asia, submitted a formal proposal to acquire 100% of the shares of ClearMedi HealthCare LTD. The sale of 100% of the shares of ClearMedi HealthCare LTD was completed in June 2023 with a valuation equivalent to an enterprise value of € 21.6 million and an equity value of € 17.3 million. ClearView LTD remains the property of the Group; given the fact that said company is no longer material for the purposes of the consolidation following the sale of the investment in ClearMedi HealthCare LTD, it has been valued at cost from 30 June 2023 and should be liquidated during 2024. This transaction completes the Group's decision to exit from a sector no longer considered of strategic interest and to concentrate further on core businesses i.e. in the Care Home Management, Rehabilitation, Psychiatric Care and Non-Residential Care and Acute Care sectors.

Corporate Area and Shared Services

2022 and 2023

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 2022 and 2023, 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 2023:

KOS GROUP STATEMENT OF FINANCIAL POSITION

(eur/000)	**31/12/2023**	**31/12/2022**
NON CURRENT ASSETS	1,397,534	1,434,278
CURRENT ASSETS	271,513	209,483
ASSETS HELD FOR SALE	-	25,106
TOTAL ASSETS	**1,669,047**	**1,668,867**
EQUITY	356,067	345,962
- NON-CONTROLLING INTERESTS	7,445	7,680
- OWNERS OF THE PARENT	348,622	338,282
NON CURRENT LIABILITIES	976,742	1,055,797
CURRENT LIABILITIES	336,238	259,498
LIABILITIES ASSOCIATED WITH ASSETS HELD FOR SALE	-	7,610
TOTAL LIABILITIES AND EQUITY	**1,669,047**	**1,668,867**
NET FINANCIAL POSITION	**(920,678)**	**(976,419)**

KOS GROUP STATEMENT OF PROFIT OR LOSS

(eur/000)	**2023**	**2022**
REVENUE	751,956	683,474
GROSS OPERATING PROFIT (EBITDA)	143,990	121,427
OPERATING PROFIT (EBIT)	53,026	30,443
PRE-TAX PROFIT (LOSS)	19,701	(902)
PROFIT (LOSS) FROM CONTINUING OPERATIONS	**11,780**	**(480)**
PROFIT FROM DISCONTINUED OPERATIONS	939	712
PROFIT FOR THE YEAR INCLUDING NON-CONTROLLING INTERESTS	**12,719**	**232**
- PROFIT FOR THE YEAR ATTR. TO NON-CONTROLLING INTERESTS	1,066	986
- PROFIT FOR THE YEAR ATTR. TO OWNERS OF THE PARENT	11,653	(754)

In 2023, Group revenue totalled € 751,956 thousand, a 10% increase compared to prior year (€ 683,474 thousand).

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

(eur/000)	2023	%	2022	%	Var.
Care Homes	473,350	63%	416,414	61%	56,936
of which:					
Italy	*252,499*	*34%*	*225,146*	*33%*	*27,353*
Germany	*220,851*	*29%*	*191,268*	*28%*	*29,583*
Rehabilitation, Psychiatric Care and Non-Residential Care	202,850	27%	189,184	28%	13,666
Acute care	75,733	10%	77,789	11%	(2,056)
Other	23	0%	87	0%	(64)
Total	**751,956**	**100%**	**683,474**	**100%**	**68,482**

In the **Care Homes** segment, the volume of activity in Italy was greater than in prior year thanks to a recovery in resident numbers in 2023 with the average occupancy rate reaching 88.1% (80.1% in 2022); total revenue grew by € 27,353 thousand thanks to the aforementioned improvement in occupancy rate, to tariff increases and to new facilities that opened in 2023 (impact of € 1,886 thousand). Subsidies received decreased from € 2,774 thousand in 2022 to € 494 thousand in 2023. In Germany, Care Homes activities recorded an increase in revenue (+€ 29,583 thousand) mainly thanks to new facilities opened during 2023 (they contributed revenue of € 10,067 thousand), to tariff increases and to an improvement in the average occupancy rate from 81.2% in 2022 to 87.5% in 2023. Government subsidies totalled € 9,141 thousand in 2022 while no subsidies were received in 2023.

In the **Rehabilitation, Psychiatric Care and Non-Residential Care** segment, revenue from rehabilitation activities – both psychiatric and functional and both carried out in Italy – increased by € 13,666 thousand compared to 2022. The increase was mainly thanks to a higher average occupancy rate, especially for Rehabilitation which saw it rise from 74.1% in 2022 to 81.4% in 2023. The decrease in government subsidies compared to 2022 had a negative impact of € 316 thousand.

In the **Acute Care** segment**,** revenue fell by € 2,056 thousand. The decrease was mainly due to a reduction in the number of diagnostic tests performed to check for COVID-19 infection.

“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 companies.

Gross operating profit (EBITDA) for 2023 amounts to € 143,990 thousand compared to € 141,427 thousand in 2022. As a percentage of revenue, EBITDA has grown from 17.8% in 2022 to 19.2% in 2023. The impact of acquisitions made and new facilities opened in 2022 and 2023 was positive by € 2,325 thousand. Energy subsidies totalling around € 4 million (€ 3.5 million in 2022) have been recognised in relation to increases in electricity and gas costs, primarily in the final quarter of 2022 and in the first few months of 2023.

The Group recorded depreciation, amortisation and impairment losses of around €90,964 thousand in 2023, in line with the total of € 90,984 thousand booked in 2022. The impact on this item of the full contribution of acquisitions made and the new facilities opened in 2022 and 2023 was € 1,989 thousand.

The results of ClearMedi HealthCare Ltd for 2022 and 2023 are presented in accordance with IFRS 5 which requires that historical results for 2022 and results for 2023, 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											
	31/12/2023	**31/12/2022**	**31/12/2023**	**31/12/2022**	**31/12/2023**	**31/12/2022**	**31/12/2023**	**31/12/2022**	**31/12/2023**	**31/12/2022**	**31/12/2023**	**31/12/2022**	**31/12/2023**	**31/12/2022**
Total revenue	**252,519**	**225,372**	**220,851**	**191,268**	**203,164**	**189,737**	**77,125**	**80,292**	**-**	**-**	**(1,703)**	**(3,195)**	**751,956**	**683,474**
GROSS OPERATING PROFIT (LOSS) (EBITDA)	65,016	51,483	29,956	32,475	42,350	28,732	9,907	12,328	-	-	(3,239)	(3,591)	143,990	121,427
OPERATING PROFIT (LOSS) (EBIT)	26,680	13,198	933	5,898	25,581	10,753	4,343	6,311	-	-	(4,511)	(5,717)	53,026	30,443
NET FINANCIAL EXPENSE													(33,325)	(31,345)
INCOME TAXES													(7,921)	422
PROFIT (LOSS) FROM CONTINUING OPERATIONS													11,780	(480)
PROFIT (LOSS) FROM DISCONTINUED OPERATIONS													939	712
PROFIT FOR THE YEAR ATTR. TO NON-CONTROLLING INTERESTS													1,066	986
PROFIT FOR THE YEAR ATTR. TO OWNERS OF THE PARENT													11,653	(754)

	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	31/12/2023	31/12/2022	31/12/2023	31/12/2022	31/12/2023	31/12/2022	31/12/2023	31/12/2022	31/12/2023	31/12/2022	31/12/2023	31/12/2022	31/12/2023	31/12/2022
Property, plant and equipment*	81,789	98,799	12,577	11,715	112,823	113,776	26,963	26,993			1,799	2,720	235,951	254,002
Intangible assets	145,288	145,653	93,406	93,091	112,718	112,565	17,590	17,701			1,828	1,497	370,830	370,506
Right of use assets	302,226	297,565	378,032	396,224	79,893	84,260	604	503			1,451	760	762,206	779,312
Other non current assets	1,428	1,428	15	15	871	871	76	76			26,157	28,068	28,547	30,458
Assets held for sale										25,106			0	25,106
Current assets	21,822	23,686	12,450	11,003	49,884	50,740	14,321	14,723			173,036	109,331	271,513	209,483
Total assets	**552,553**	**567,130**	**496,480**	**512,047**	**356,189**	**362,212**	**59,554**	**59,996**	**0**	**25,492**	**204,271**	**142,376**	**1,669,047**	**1,668,867**
Equity											356,067	345,962	356,067	345,962
Non current liabilities	2,252	2,176	198	183	13,555	14,050	662	605			960,075	1,038,783	976,742	1,055,797
Liabilities held for sale										7,610			0	7,610
Current liabilities	86,230	79,991	32,730	30,598	58,447	54,029	27,377	27,972			131,454	66,908	336,238	259,498
Total liabilities	**88,482**	**82,166**	**32,928**	**30,781**	**72,002**	**68,079**	**28,039**	**28,578**	**0**	**7,718**	**1,447,596**	**1,451,653**	**1,669,047**	**1,668,867**

* Including investment property

In the **Care Homes** segment, EBITDA amounts to € 94,972 thousand compared to € 83,598 thousand in 2022. As a percentage of revenue, EBITDA remained broadly in line with 2022. The positive impact of the full contribution of the acquisitions made in 2022 and 2023 was € 11,953 thousand on revenue and € 2,325 thousand on EBITDA. In Italy, the EBITDA generated by this operating segment was up by € 13,533 thousand on prior year despite a € 5,183 thousand reduction in government subsidies received compared to 2022; the improvement was mainly thanks to a strong improvement in care home occupancy rates compared to 2022. In contrast, in Germany, EBITDA decreased by € 2,519 thousand because of: lower government subsidies received than in 2022 (€ 17,033 thousand in 2022 against € 2,834 thousand in 20231; the effect of inflation on care home operating expenses and; higher personnel costs.

In the **Rehabilitation, Psychiatric Care and Non-Residential Care** segment, EBITDA amounts to € 42,350 thousand compared to € 28,732 thousand in 2022, thanks mainly to higher occupancy rates. As a percentage of revenue, EBITDA has increased from 15% in 2022 to 20.8% in 2023.

In the **Acute Care** segment, EBITDA amounts to € 9,907 thousand compared to € 12,328 thousand in 2022. As a percentage of revenue, EBITDA has decreased from 15.4% in 2022 to 12.8% in 2023.

In accordance with IFRS 5, the 2022 and 2023 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 € 53,026 thousand and has increased compared to € 30,443 thousand in 2022. The effect of acquisitions made in 2022 and 2023 was positive by € 336 thousand.

In 2023, net financial expense totalled € 33,325 thousand, higher than the € 31,345 thousand reported for 2022. The increase was mainly due to higher interest rates and to financial expense for rights of use as a result of renegotiations and the new lease/rental agreements entered into in 2023.

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 a net tax expense of € 7,921 thousand compared to net tax income of € 422 thousand in 2022.

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 net profit attributable to the owners of the parent of € 11,653 thousand and a profit attributable to non-controlling interests of € 1,066 thousand for a total profit for the year of € 12,719 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)	31/12/2023	31/12/2022
PROFIT (LOSS) FROM CONTINUING OPERATIONS	11,780	(480)
AMORTISATION, DEPRECIATION, IMPAIRMENT LOSSES & OTHER NON-MONETARY CHANGES	26,588	27,858
SELF-FINANCING	**38,368**	**27,378**
CHANGE IN WORKING CAPITAL AND OTHER NON-CURRENT ASSETS AND LIABILITIES	(23)	(5,376)
CASH FLOWS GENERATED BY OPERATIONS	**38,345**	**22,002**
CAPITAL INCREASES AND OTHER CHANGES IN EQUITY	(1,817)	(704)
TOTAL SOURCES OF FUNDS	**36,528**	**21,298**
NET INVESTMENT IN NON-CURRENT ASSETS	(8,171)	(37,445)
CONSIDERATION PAID FOR BUSINESS COMBINATIONS	-	(4,081)
NET FINANCIAL POSITION OF ACQUIRED COMPANIES	-	405
PAYMENT OF DIVIDENDS AND OTHER RESERVES	(505)	(590)
OTHER CHANGES	(16)	157
TOTAL APPLICATION OF FUNDS	**(8,692)**	**(41,554)**
CASH FLOWS FROM (USED IN) CONTINUING OPERATIONS	**27,836**	**(20,256)**
CASH FLOWS FROM DISCONTINUED OPERATIONS	**18,570**	**2,205**
CASH FLOWS FOR THE YEAR	**46,406**	**(18,051)**
OPENING NET FINANCIAL INDEBTEDNESS BEFORE IFRS 16	**(178,259)**	**(160,208)**
CLOSING NET FINANCIAL INDEBTEDNESS BEFORE IFRS 16	**(131,853)**	**(178,259)**
RESIDUAL LIABILITY FOR IFRS 16	(788,825)	(798,160)
CLOSING NET FINANCIAL INDEBTEDNESS	**(920,678)**	**(976,419)**

Net cash flows of € 46.4 million was recorded in 2023. Cash absorbed by the increase in NWC, especially in the first few months of the year, was more than offset by the effect of the sale of ClearMedi Healthcare LTD and the sale of two properties owned by the Group which were then leased back.

At 31 December 2023, the Group had 11,831 employees, including 7,402 in Italy and 4,429 in Germany (11,341 employees at 31 December 2022. In terms of HR management, it should be noted that while the direct and indirect effects of the pandemic have been technically surpassed, the trend continues to be affected by structural shortages of certain health professionals on the labour market. In response to the new, intense dynamics of staff turnover and contain the indirect effects (absenteeism, internal and external conflict, organisational overload), HR management policies have reacted by investing in the adoption of the latest contractual and remuneration tools (welfare, review of MBO system, selection and stable use of foreign recruitment channels like Argentina, Brazil and Peru, communications campaigns in support of recruitment through brand repositioning, organisational efficiency and innovation measures and using various techniques to combat absenteeism. The KOS Group has always invested in employee training and has long established the "KOS Academy". It has launched a revamp of the Academy in order to focus on the spread of best practices in order to encourage uniform service quality for patients while making the most of network integration between the services provided: training is continuous and part of a cyclical qualitative circuit designed to disseminate procedures and close the gaps identified by monitoring of the effectiveness of procedures.

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 € 19 million plus capex on business development/expansion of € 6.8 million. Details of the main business development capex in 2023 are provided below:

- € 0.6 million refers to construction of a new care home in Stockstadt, Germany. The facility will have 88 beds including 78 in single rooms and 10 in double rooms;
- € 0.8 million refers to construction of a 108 bed care home in Bergamo;
- € 0.7 million refers to the new care home in Modena, a 150 bed facility that is under construction;
- € 1.8 million has been invested in the purchase of a new MRI for the Villa dei Pini care home hospital facility;
- € 2.9 million refers to the development of facilities that are already operational.

Trade working capital was positive by € 25,138 thousand at 31 December 2023 compared to a positive figure of € 18,471 thousand at 31 December 2022. The increase is mainly due to a slight increase in receivables from the public administration and a decrease in trade payables, thanks to completion of several major development projects.

The Group's net financial indebtedness is € 921 million at 31 December 2023 compared to € 976 million at 31 December 2022. The € 55.7 million reduction is mainly due to the change in working capital, the sale of the Indian company and the sale of properties.

The Group's financial indebtedness includes: (i) cash and cash equivalents of € 40.9 million; (ii) financial assets for measurement of derivatives and non-recourse factoring of € 9.48 million; (iii) Time Deposits of € 106.9 million (iv) current financial indebtedness (advances on invoices and bank overdraft) of zero while total available short-term credit facilities amount to € 33 million; (v) non-current financial indebtedness of € 1,077.9 million which totals € 289.1 million if lease liabilities are excluded. The Group also has the possibility of using additional medium/long term lines of credit totalling € 49 million.

The following table shows the main lines of credit with details of their availability at 31 December 2023:

	31/12/2023			31/12/2022		
(eur/million)	Total	Used	Available	Total	Used	Available
Short-term Lines ("Uncommitted"/at sight)	33.0	0.0	33.0	33.0	0.0	33.0
Long-term ("Committed"/contractualised)	338.1	289.1	49.0	351.4	276.4	75.0
Total	371.1	289.1	82.0	384.4	276.4	108.0

Details of the net financial position at 31 December 2023 are shown below:

(eur/000)	**31/12/2023**	**31/12/2022**
(A) Cash and cash equivalents	40,893	91,596
(B) Other cash equivalents	-	-
(C) Liquidity (A) + (B)	**40,893**	**91,596**
(D) Securities, derivatives and other financial assets	116,329	6,508
(E) Total current financial assets (C) + (D)	**157,222**	**98,104**
(F) Account overdrafts	-	-
(G) Collateral loans	3,025	5,000
(H) Bank loans	14,134	108
(I) Bonds	64,666	666
(J) Finance leases	1,483	1,453
(K) Lease liabilities	58,014	52,479
(L) Loans and borrowings with other financial backers	191	190
(M) Derivatives	-	-
(N) Current financial indebtedness (F) + (G) + (H) + (I) + (J) + (K) + (L) + (M)	**141,513**	**59,896**
(O) Net current financial position (N) - (E)	**(15,709)**	**(38,208)**
(P) Collateral loans	74,117	83,923
(Q) Bank loans	86,158	74,054
(R) Bonds	35,000	99,000
(S) Finance leases	10,301	11,778
(T) Right of use loans	730,811	745,681
(U) Loans and borrowings with other financiale backers	-	191
(V) Non-current financial indebtedness (P)+(Q)+(R)+(S)+(T)+(U)	**936,387**	**1,014,627**
(W) Net financial indebtedness (O)+(V)	**920,678**	**976,419**

At 31 December 2023, the net financial indebtedness of the parent KOS S.p.A. is € 39 million, excluding net amounts due from subsidiaries of € 104 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 2023 was around € 4 million (€ 13 million at 31 December 2022); the mark-to-market value of the contracts was positive by around € 53 thousand (positive by € 280 thousand at 31 December 2022) 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 2023.

Company	**Signature date**	**Time**	***Pay***	***Cap***	***Floor***	***Receive/Index***	**Notional**		***Fair Value***	
							31/12/23	**31/12/22**	**31/12/23**	**31/12/22**
Kos SpA	2019	Quarterly			0.50%	Euribor 3 M	4,375	13,125	53	280
Total Interest Rate Cap							**4,375**	**13,125**	**53**	**280**
Total effective portion of derivatives							**4,375**	**13,125**	**53**	**280**
Total							**4,375**	**13,125**	**53**	**280**

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 2023, especially in terms of occupancy, even though they had to operate in an economic environment characterised by public finance limits, high inflation and the tightening of monetary policy with accompanying interest rate increases.
Occupancy rates are close to pre-Covid 19 levels in the Rehabilitation, Psychiatric Care and Acute Care operating segments while, for Care Homes in Italy, against a backdrop of a clear improvement in occupancy rates and renewed confidence on the part of families, the Group will strive to consolidate the improvements recorded in 2023 in all geographical areas. 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, as well as obtaining the right balance between public and private expenditure; we must highlight the trouble that has been encountered in having public sector fees increased for inflation and to cover the salary increases awarded to Group employees under collective labour agreements. At the end of the reporting period, Care Homes in Germany saw occupancy rates return close to pre-Covid levels; the Group will work towards improving occupancy rates further and adjustments to public sector fees that cover cost increases due to inflation. 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. In 2023, personnel expense increased because of salary increases awarded upon renewal of the national collective labour agreement and further increases are forecast in the years ahead.

Going concern

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, has now recovered following the unforeseeable crisis period, of extraordinary intensity, caused by the Covid-19 pandemic.

In January 2024, the Group drew up a Plan that shows how the profitability that was enjoyed before the pandemic broke out has been restored and how it will be consolidated in the years ahead (healthy net profit already reported for 2023 albeit still 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. More specifically, in 2023, the Company invested in low-risk, short-term financial instruments the cash needed to cover debt repayments falling due in 2024 and 2025, especially the two bonds issued in 2017 and 2018.

Loan covenants were comfortably complied with as at 31 December 2023. 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 already in 2023 and 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 62% of KOS Group consolidated revenue in the year ended 31 December 2023 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 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 provision 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 balance sheet, profit or loss and financial position.

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 and main risks and uncertainties*" 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 conflicts

The Group does not operate directly in the countries involved in the Russia-Ukraine and Israel-Palestine conflicts. 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;
- continued threats by Houthi rebels to the flow of global trade in the Red Sea with danger to merchant ships and human life. These attacks could force shipping companies to use longer routes, lead to higher insurance costs and push shipping prices up.

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 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 involve grouping trade receivables by type of counterparty, age, history of previous financial difficulties or disputes and considering 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 2023, the Group had 11,831 employees against 11,341 employees at 31 December 2022.

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 CIMOP Medical Executives;
- CCNL CONFCOMMERCIO WELFARE, HEALTH AND CARE;
- 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. e Fidia S.r.l.:
- CCNL for ARIS CIMOP 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.

Legislative Decree no. 231/01

Some time ago, the various Group companies adopted an Organisational and Management Model in terms of Legislative Decree no. 231/2001 and appointed Supervisory Boards with the role of supervising the operation of the Model, compliance with it and ensuring that it is updated.
Over the years, the Organisational Models have been updated on several occasions in response to a number of legislative measures and organisational revisions. In 2021, the Organisational Models were again amended to deal with the new offences now covered by Legislative Decree no. 231/01. Particular attention has been paid to the Tax Offences to which the various companies are exposed. The updated Models have been approved by the respective Boards of Directors and appropriate training was given to the Group's senior personnel during the year.
Meanwhile, the Boards of Directors of smaller subsidiaries that do not have their own Organisational Model but whose activities are similar to those of the parent, have decided to extend the scope of the parent's Organisational Model to cover their activities. They believe that the rules of conduct and the risk prevention measures set out in the Model can also be effective for their companies.
The Supervisory Boards work closely together and cooperate with the Group departments that operate in sensitive areas. They cooperate with the constant objective of improving overall governance. Moreover, the ongoing interaction between the Parent's Supervisory Board and the Supervisory Boards of the operating companies ensures that the proper supervision is carried out on a Group level.
During the year, the Group also continued with updating and alignment of its facilities in relation to the pandemic. The Supervisory Boards were also constantly updated on the status of criminal proceedings that have commenced in relation to how the Covid emergency was handled at several facilities.
Efforts continued to ensure compliance with Italian Legislative Decree no.231/01. These efforts accompanied both the broader control system based on rules of Corporate Governance i.e. the range of internal rules and formal procedures adopted both within the Group and when dealing with third parties and the existing Internal Control System.
With regard to the internal control system, the Supervisory Board has shared with the Internal Audit department the results of testing performed in accordance with the Group Audit Plan, as approved at the start of the year. The audit work did not make any significant findings for the purposes of Legislative Decree no. 231/01.
Regular meetings area also held with the companies' other governance bodies, in particular the Boards of Statutory Auditors and the Independent Auditors, in order to update one another and share information. The parent'sSupervisory 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 E.U. 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 FAD 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 € 5,074 thousand for 2023 compared to € 5,012 thousand for 2022. In 2023, the company recorded depreciation, amortisation and impairment losses totalling € 299 thousand. This is slightly higher than the total of € 289 thousand recorded in 2022, mainly as a result of the increase in rights-of-use assets recorded in 2023.

The operating loss € 5,373 thousand compared to € 5,301 thousand in the prior year.

Net financial expense for 2023 totalled € 600 thousand compared to € 455 thousand in 2022.

Net impairment losses on financial assets totalling € 25 thousand were recognised in 2023 in application of IFRS9 which measures financial assets and guarantees given (net impairment gains of € 808 thousand in 2022).

There was net tax benefit of € 1,436 thousand compared to € 975 thousand in 2022. These taxes flow into the CIR S.p.A. Group Taxation Arrangement.

In December 2022, KOS S.p.A. signed an agreement for the sale to third parties of its investments in ClearMedi Healthcare LTD. The deal was completed in June 2023. The caption "Losses on assets held for sale", amounting to € 2,347 thousand, includes an impairment loss of € 1,013 thousand to the investment, a provision of € 1,000 thousand for warranties given to the buyer and for risks mainly of a tax nature and costs to sell the investment (due diligence and legal and tax advisory services in support of the deal) of € 333 thousand. In 2022, this caption totalled € 20,696 thousand and included € 20,442 thousand relating to the fair value measurement of the investment subject to the sale and purchase agreement as well as € 254 thousand of consultancy costs relating to due diligence carried out during 2022.

At 31 December 2023, the company had 19 employees compared to 21 employees as at 31 December 2022.

A loss of € 6,909 thousand is reported for the year ended 31 December 2023 against a loss of € 23,759 thousand for 2022. The higher loss in prior year was mainly due to the fair value measurement of investments as described above.

In the Statement of Financial Position, equity investments amounted to € 153,249 thousand at 31 December 2023 against € 153,555 thousand at 31 December 2022.

The net financial position at 31 December 2023 is analysed below:

(eur/000)	**31/12/2023**	**31/12/2022**
(A) Cash and cash equivalents	26,643	66,929
(B) Other cash equivalents	-	-
(C) Liquidity (A) + (B)	**26,643**	**66,929**
(D) Securities, derivatives and other financial assets	106,901	280
(E) Financial assets with subsidiaries	78,005	7,178
(F) Total current financial assets (C)+(D)+(E)	**211,549**	**74,387**
(G) Account overdrafts	-	-
(H) Collateral loans	3,025	5,000
(I) Bank loans	14,025	-
(J) Bonds	64,666	666
(K) Finance leases	-	-
(L) Right of use loans	247	232
(M) Loans and liabilities with other financial backers	-	-
(N) Derivatives	-	-
(O) Financial liabilities with subsidiaries	168,299	120,807
(P) Current financial debt (G)+(H)+(I)+(J)+(K)+(L)+(M)+(N)+(O)	**250,262**	**126,705**
(P) Net current financial position (P)-(F)	**38,713**	**52,318**
(Q) Non current financial assets with subsidiaries	196,616	258,509
(R) Non current financial receivables (Q)	**196,616**	**258,509**
(S) Collateral loans	74,117	83,923
(T) Bank loans	85,826	73,423
(U) Bonds	35,000	99,000
(V) Finance leases	-	-
(W) Right of use loans	251	412
(W1) Financial liabilities with subsidiaries	1,929	1,180
(X) Loans and liabilities with other financial backers	-	-
(Y) Non current financial debt (S)+(T)+(U)+(V)+(W)+(X)	**197,123**	**257,938**
(Z) Net financial debt (Y)+(P)-(R)	**39,220**	**51,747**

The net financial indebtedness of the parent KOS S.p.A. is € 39,220 thousand compared to € 51,747 thousand at 31 December 2022. At 31 December 2023, the net financial indebtedness included cash and cash equivalents of € 26,643 thousand, Time Deposits and derivatives of € 106,901 thousand, financial assets with subsidiaries totalling € 274,621 thousand, € 170,228 thousand of financial liabilities with subsidiaries and bank loans and borrowings of € 276,659 thousand. The € 12,527 thousand reduction in net financial indebtedness mainly relates to the sale of the investment in ClearMedi Healthcare Ltd as well as to the many transactions carried out in 2023.

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
CIR S.p.A. – Compagnie industriali riunite	420,000	692,541	3,049

The above amounts were taken from the approved IFRS separate financial statements at 31 December 2022.

Research and development activities

The scientific research and development carried out by the Group is coordinated internally by a Director of Scientific and Research Activities. It develops original protocols, encourages and facilitates projects organised independently by the various health facilities and takes part in projects organised by bodies such as Universities and Research Institutes. This year the Group was awarded the SIGOT Prize for the best scientific contribution to the National Congress of the Italian Society of Geriatrics Hospital and Territory (SIGOT).
The Group is also 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.
This year an event called the "European Rehabilitation Robotics School" was organised by the Group, promoted by the "Robotic and New Technologies Committee" of the ESPRM with the patronage of the European Board of Physical Medicine and Rehabilitation, SIMFER (Italian Society of Physical Medicine and Rehabilitation) and SIRN (Italian Society of Neurological Rehabilitation)..

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

	2023		2022	
(eur/000)	Equity	Profit (loss) for the year	Equity	Profit (loss) for the year
EQUITY AND PROFIT (LOSS) FOR THE YEAR OF THE PARENT	**114,292**	**(6,909)**	**121,490**	**(23,759)**
Equity and profit of consolidated Companies	459,675	15,301	467,037	4,983
Reversal of capital gain on the sale of intercompany assets		3,282		
Reversal of impairament losses of consolidated Companies	35,422		35,422	20,442
Derecognition of carrying amount of consolidated equity investments and goodwill	(251,839)		(277,585)	
Fair value of derivatives	(13)		(29)	
Dividend elimination		(597)		(707)
Other	(1,470)	1,642	(373)	(727)
TOTAL EQUITY AND PROFIT FOR THE YEAR	**356,067**	**12,719**	**345,962**	**232**
of which attributable to non-controlling interests	7,445	1,066	7,680	986
EQUITY AND PROFIT (LOSS) FOR THE YEAR OF CONSOLIDATED COMPANIES NET OF DIVIDENS	**348,622**	**11,653**	**338,282**	**(754)**

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;
- transctions 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 2023:

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

Milan, 22 February 2024

FOR THE BOARD OF DIRECTORS
The Chairman
Carlo Michelini

Statement of profit or loss

(eur/000)	*Note*	2023	2022
REVENUE	4	751,956	683,474
PURCHASES	5	(53,596)	(53,556)
SERVICES	6	(154,918)	(147,412)
PERSONNEL EXPENSE	7	(390,678)	(364,018)
OTHER OPERATING INCOME	8	22,466	32,972
OTHER OPERATING COSTS	9	(31,280)	(30,042)
IMPAIRMENT LOSSES (GAINS) ON EQUITY-ACCOUNTED INVESTMENTS	20	40	9
GROSS OPERATING PROFIT		**143,990**	**121,427**
AMORTISATION, DEPRECIATION, IMPAIRMENT LOSSES AND PROVISIONS	10	(90,964)	(90,984)
OPERATING PROFIT		**53,026**	**30,443**
FINANCIAL INCOME	11	4,127	524
FINANCIAL EXPENSE	12	(37,502)	(31,909)
DIVIDENDS	11	50	40
IMPAIRMENT LOSSES (GAINS) ON FINANCIAL ASSETS	13	-	-
PRE-TAX PROFIT (LOSS)		**19,701**	**(902)**
INCOME TAXES	14	(7,921)	422
PROFIT (LOSS) FROM CONTINUING OPERATIONS		**11,780**	**(480)**
PROFIT FROM DISCONTINUED OPERATIONS	15	939	712
PROFIT FOR THE YEAR INCLUDING NON-CONTROLLING INTERESTS		**12,719**	**232**
PROFIT FOR THE YEAR ATTR. TO NON-CONTROLLING INTERESTS		1,066	986
PROFIT FOR THE YEAR ATTR. TO OWNERS OF THE PARENT		**11,653**	**(754)**
BASIC EARNINGS PER SHARE	41	0.131	(0.008)
DILUTED EARNINGS PER SHARE	41	0.130	(0.008)

Statement of comprehensive income

(eur/000)	2023	2022
PROFIT (LOSS) FROM CONTINUING OPERATIONS	**11,780**	**(480)**
Items that will not be subsequently reclassified to profit or loss		
Actuarial gains (losses)	(424)	2,749
Tax effect	99	(660)
Translation difference	(771)	(744)
Items that will be subsequently reclassified to profit or loss		
Gains on cash flows hedges	21	22
Tax effect	(5)	(5)
Profit from discontinued operations	939	712
TOTAL COMPREHENSIVE INCOME	**11,639**	**1,594**
Owners of the parent	10,572	565
Non-controlling interests	1,067	1,029

Statement of financial position

(eur/000)	Notes	30/09/2023	31/12/2022
NON-CURRENT ASSETS		**1,397,534**	**1,434,278**
INTANGIBLE ASSETS	16	370,830	370,506
PROPERTY, PLANT AND EQUIPMENT	17	233,540	251,463
RIGHT-OF-USE ASSETS	18	762,206	779,312
INVESTMENT PROPERTY	19	2,411	2,539
EQUITY-ACCOUNTED INVESTMENTS	20	670	631
OTHER EQUITY INVESTMENTS	20	1,825	1,825
OTHER ASSETS	21	2,129	2,355
OTHER FINANCIAL ASSETS	22	-	-
DEFERRED TAX ASSETS	23	23,923	25,647
CURRENT ASSETS		**271,513**	**209,483**
INVENTORIES	24	5,374	5,522
FINANCIAL ASSETS WITH THE PARENT	25	3,474	743
TRADE RECEIVABLES	26	91,330	88,062
OTHER ASSETS	27	14,113	17,052
FINANCIAL ASSETS	28	9,481	6,508
OTHER FINANCIAL ASSETS	22	106,848	-
CASH AND CASH EQUIVALENTS	29	40,893	91,596
ASSETS HELD FOR SALE	15	-	25,106
TOTAL ASSETS		**1,669,047**	**1,668,867**
LIABILITIES AND EQUITY			
EQUITY	30	**356,067**	**345,962**
SHARE CAPITAL		8,853	8,853
RESERVES		42,692	43,297
RETAINED EARNINGS		297,077	286,132
EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT		**348,622**	**338,282**
EQUITY ATTRIBUTABLE TO NON-CONTROLLING INTERESTS		7,445	7,680
NON-CURRENT LIABILITIES		**976,742**	**1,055,797**
BONDS	31	35,000	99,000
OTHER LOANS AND BORROWINGS	31	160,274	158,168
LEASE LIABILITIES	31	741,113	757,459
TRADE PAYABLES	36	784	812
OTHER LIABILITIES	37	146	143
DEFERRED TAX LIABILITIES	32	14,663	14,719
PROVISIONS FOR PERSONNEL	33	20,586	20,077
PROVISIONS FOR RISKS AND CHARGES	34	4,176	5,419
CURRENT LIABILITIES		**336,238**	**259,498**
BANK OVERDRAFTS	31	-	-
BONDS	31	64,666	666
OTHER LOANS AND BORROWINGS	31	17,350	5,298
LEASE LIABILITIES	31	59,497	53,932
FINANCIAL LIABILITIES WITH THE PARENT	35	4,514	308
TRADE PAYABLES	36	71,566	75,114
OTHER LIABILITIES	37	81,347	83,549
PROVISIONS FOR RISKS AND CHARGES	34	37,298	40,631
LIABILITIES ASSOCIATED WITH ASSETS HELD FOR SALE	15	-	7,610
TOTAL LIABILITIES AND EQUITY		**1,669,047**	**1,668,867**

Statement of cash flows

(eur/000)	**31/12/2023**	**31/12/2022**
OPERATING ACTIVITIES		
PROFIT (LOSS) FROM CONTINUING OPERATIONS	11,780	(480)
ADJUSTMENTS:		
AMORTISATION, DEPRECIATION AND IMPAIRMENT LOSSES	89,540	86,774
GAIN ON THE SALE OF PROPERTY	(7)	-
ACCRUAL TO PROVISIONS FOR PERSONNEL, NET OF UTILISATIONS AND STOCK OPTIONS	201	(1,690)
ACCRUAL TO PROVISIONS FOR RISKS AND CHARGES, NET OF UTILISATIONS	(4,576)	1,720
FINANCIAL EXPENSE, NET	33,325	31,345
INCOME TAXES	7,921	(422)
CHANGE IN NET WORKING CAPITAL, NET OF ACQUISITIONS	(6,668)	(12,921)
CHANGES IN OTHER CURRENT ASSETS/LIABILITIES, NET OF ACQUISITIONS	(3,076)	2,793
OTHER CHANGES IN NON-CURRENT ASSETS/LIABILITIES, NET OF ACQUISITIONS	1,869	(369)
INTEREST PAID	(12,270)	(7,974)
INCOME TAXES PAID	(2,803)	(2,610)
CASH FLOWS FROM OPERATING ACTIVITIES	**115,236**	**96,166**
INVESTING ACTIVITIES		
(PURCHASE)/SALE OF NON-CURRENT ASSETS	(27,375)	(37,445)
PROCEEDS FROM THE SALE OF ASSETS	19,200	-
PURCHASE OF ASSETS, NET OF BANK LOANS AND BORROWINGS	-	(3,676)
PURCHASE OF TIME DEPOSITS	(105,000)	-
CASH FLOWS USED IN INVESTING ACTIVITIES	**(113,175)**	**(41,121)**
FINANCING ACTIVITIES		
OTHER CHANGES IN EQUITY	(1,817)	(704)
CHANGES IN OTHER FINANCIAL ASSETS	(1,056)	(1,351)
DRAWDOWN/(REPAYMENT) OF OTHER LOANS AND BORROWINGS	11,121	(61,142)
REPAYMENT OF LEASE LIABILITIES	(77,160)	(71,746)
DIVIDENDS PAID AND RESERVES DISTRIBUTED	(505)	(590)
CASH FLOWS USED IN FINANCING ACTIVITIES	**(69,417)**	**(135,533)**
DECREASE IN NET CASH AND CASH EQUIVALENTS	**(67,356)**	**(80,488)**
OPENING NET CASH AND CASH EQUIVALENTS	**91,596**	**172,084**
INCREASE IN NET CASH AND CASH EQUIVALENTS FROM DISCONTINUED OPERATIONS	**16,653**	**-**
CLOSING NET CASH AND CASH EQUIVALENTS	**40,893**	**91,596**
CASH AND CASH EQUIVALENTS	**40,893**	**91,596**
BANK OVERDRAFTS	**-**	**-**
CLOSING NET CASH AND CASH EQUIVALENTS	**40,893**	**91,596**

In the statement of cash flows for the years ended 31 December 2022 and 31 December 2023, 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 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
Profit 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
Villa Nuova Armonia Srl third parties purchase							(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	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 2022	**8,853**	**1,771**	**40,250**	**2,449**	**(29)**	**(1,144)**	**286,115**	**771**	**(754)**	**338,282**	**986**	**6,694**	**345,962**
Capital increase										0			0
Profit for the year									11,653	11,653	1,066		12,719
Other comprehensive income:													
Changes in hedging reserve					16					16			16
Changes in actuarial reseve						(326)				(326)		1	(325)
Translation differences								(771)		(771)			(771)
Total other comprehensive income	**0**	**0**	**0**	**0**	**16**	**(326)**	**0**	**(771)**	**11,653**	**10,572**	**1,066**	**1**	**11,639**
Increase in stock option reserve				(295)			312			17			17
Die Frankenschwestern GmbH third parties purchase							(243)			(243)		213	(30)
Sale of ClearMedi HealthCare LTD										0		(84)	(84)
Sanatrix Srl third parties purchase							(6)			(6)		(926)	(932)
Allocation of prior year profit							(754)		754	0	(986)	986	0
Dividends paid and reserves distributed										0		(505)	(505)
BALANCE AT 31 DECEMBER 2023	**8,853**	**1,771**	**40,250**	**2,154**	**(13)**	**(1,470)**	**285,424**	**0**	**11,653**	**348,622**	**1,066**	**6,379**	**356,067**

KOS group

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 licences for hospital management.

Specifically, the Group operates in the following operating segments:

Care Homes: 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 provided 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 LTD. The Group assets in this operating segment were sold in June 2023.

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

As at 31 December 2023, KOS Group was managing some 146 healthcare facilities – 94 in North and Central Italy and 52 in Germany - with a total of 13,753 beds plus around 703 beds under construction. It operates in three operating segments:

- **Care Homes:** management of care homes for the elderly with some 111 care homes for a total of 11,019 beds (including 4,488 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;

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 2023, 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%
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	94.08%	94.08%
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.	99.64%	93.75%
Charleston Holding GmbH	Füssen (DE)	25,000	€	KOS Care S.r.l	100.00%	100.00%
Regenta Betriebsgesellschaft mbH	Waltenhofen-Oberdorf (DE)	250,000	€	Charleston Holding GmbH	100.00%	100.00%
Elisabethenhaus Betriebsgesellschaft mbH	Waltenhofen-Oberdorf (DE)	250,000	€	Charleston Holding GmbH	100.00%	100.00%
Dienstleistungsgesellschaft für Sozialeinrichtungen mbH	Waltenhofen-Oberdorf (DE)	25,600	€	Charleston Holding GmbH	100.00%	100.00%
Wohn- und Pflegezentrum Friesenhof GmbH	Waltenhofen-Oberdorf (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	Waltenhofen-Oberdorf (DE)	128,150	€	Charleston Holding GmbH	100.00%	100.00%
Dienstleistungsgesellschaft für Sozialeinrichtungen - Nord mbH	Waltenhofen-Oberdorf (DE)	25,000	€	Wohn- und Pflegezentrum Haus Teichblick GmbH	100.00%	100.00%
Wohn- und Pflegezentrum Haus am Bahnhof GmbH	Waltenhofen-Oberdorf (DE)	51,150	€	Charleston Holding GmbH	100.00%	100.00%
RSG Rotenburger Servicegesellschaft am Bahnhof mbH	Rotenburg (DE)	25,000	€	Charleston Holding GmbH	100.00%	100.00%
Wohn- und Pflegezentrum Haus Ottersberg GmbH	Waltenhofen-Oberdorf (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	Waltenhofen-Oberdorf (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	Waltenhofen-Oberdorf (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	Waltenhofen-Oberdorf (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	Waltenhofen-Oberdorf (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	Waltenhofen-Oberdorf (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	Waltenhofen-Oberdorf (DE)	25,000	€	Charleston Holding GmbH	100.00%	100.00%
Senovum GmbH	Waltenhofen-Oberdorf (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	Waltenhofen-Oberdorf (DE)	250,000	€	Charleston Holding GmbH	100.00%	100.00%
Bayernstift Service GmbH	Waltenhofen-Oberdorf (DE)	25,000	€	BayernStift - Gesellschaft für Soziale Dienste und Gesundheit mbH	100.00%	100.00%
SLW Altenhilfe Liebfrauenhaus GmbH	Waltenhofen-Oberdorf (DE)	50,000	€	BayernStift - Gesellschaft für Soziale Dienste und Gesundheit mbH	100.00%	100.00%
Bayernstift Mobil GmbH	Waltenhofen-Oberdorf (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	100.00%	100.00%
Brisa Management GmbH	Waltenhofen-Oberdorf (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	Waltenhofen-Oberdorf (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	Waltenhofen-Oberdorf (DE)	25,000	€	Charleston Holding GmbH	100.00%	100.00%
Wohn- und Pflegezentrum Neuenstein GmbH	Waltenhofen-Oberdorf (DE)	25,000	€	Charleston Holding GmbH	100.00%	100.00%
SIG GmbH	Waltenhofen-Oberdorf (DE)	25,000	€	Brisa Management GmbH	100.00%	100.00%
GSA GP GmbH	Waltenhofen-Oberdorf (DE)	25,000	€	Brisa Management GmbH	100.00%	100.00%
GSA GmbH & Co. Immobilien Verwaltungs KG	Waltenhofen-Oberdorf (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	Waltenhofen-Oberdorf (DE)	25,000	€	Charleston Holding GmbH	100.00%	100.00%
Wohn- und Pflegezentrum Durlangen GmbH	Waltenhofen-Oberdorf (DE)	25,000	€	Charleston Holding GmbH	100.00%	100.00%
Inntal Pflegeheime GmbH	Waldkraiburg (DE)	25,000	€	Charleston Holding GmbH	100.00%	100.00%
KOS Servizi Società Consortile a r.l.	Milan	138,000	€	Kos S.p.A	5.35%	97.81%
				KOS Care S.r.l	85.51%	
				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%	
				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) 31/12/2023	Carrying amount (eur) 31/12/2022
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%	670	631
ClearView Healthcare LTD	New Delhi (IND)	4,661,880	INR	Kos S.p.A	85.19%	85.19%	-	-
Altre imprese							32	32
Total							**2,495**	**2,456**

** Equity-accounted investees*

As a result of the acquisition of several new facilities in Italy and Germany in 2022 and 2023, the figures at 31 December 2023 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.

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 2023 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. This is except for those captions which, under IFRS, must be measured at fair value, as 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 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 38 "Related party transactions".

The consolidated financial statements for the comparative year have been prepared including the reclassification of amounts relating to ClearMedi HealthCare LTD in light of an agreement for the sale of 100% of the shares of said company that was signed in December 2022. The deal was completed in 2023 with the sale of the entire share capital of ClearMedi HealthCare LTD.

The following is reported in the consolidated financial statements at 31 December 2023:

• in the Statement of Profit or Loss and the Statement of Comprehensive Income for 2023 and, for comparative purposes, for 2022, revenue and income and costs and expense 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 2023 and, for comparative purposes, for the year ended 31 December 2022, 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 being sold which are presented in the next paragraph.

The following tables present details of the Statement of Profit or Loss, the Statement of Comprehensive Income and the Statement of Cash Flows of ClearMedi HealthCare LTD for the period ended 31 May 2023 (last date of consolidation of the investment) and for the year ended 31 December 2022.

CONTRIBUTION TO PROFIT OR LOSS OF DISCONTINUED OPERATIONS

(eur/000)	period ended 31/05/2023	year ended 31/12/2022
REVENUE	7,638	18,412
OPERATING PROFIT	**145**	**1,918**
NET FINANCIAL EXPENSE	(734)	(972)
INCOME TAXES	7	20
PROFIT (LOSS) FOR THE YEAR INCLUDING NON-CONTROLLING INTERESTS	**(582)**	**966**
Capital gain from discontinued operations	2,854	-
Costs incurred for the sale net of the tax effect	(333)	(254)
Provision for guarantee risks on the sale of ClearMedi HealthCare LTD	(1,000)	-
PROFIT FROM DISCONTINUED OPERATIONS	**939**	**712**

CONTRIBUTION TO COMPREHENSIVE INCOME OF DISCONTINUED OPERATIONS

(eur/000)	period ended 31/05/2023	year ended 31/12/2022
PROFIT (LOSS) FOR THE YEAR INCLUDING NON-CONTROLLING INTERESTS	**(582)**	**966**
Items that will not be subsequently reclassified to profit or loss		
Actuarial gains (losses)		
Tax effect		
Translation difference	(18)	(759)
TOTAL COMPREHENSIVE INCOME	**(600)**	**207**

CONTRIBUTION TO CASH FLOW OF DISCONTINUED OPERATIONS

(eur/000)	year ended 31/12/2022
CASH FLOWS FROM OPERATING ACTIVITIES	2,085
CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES	(1,017)
CASH FLOWS USED IN FINANCING ACTIVITIES	(1,004)
INCREASE IN NET CASH AND CASH EQUIVALENTS	**64**
OPENING NET CASH AND CASH EQUIVALENTS	**721**
CLOSING NET CASH AND CASH EQUIVALENTS	**785**

2.3 Basis of consolidation

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

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

Non-controlling 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 dis-poses 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.

Tangible assets 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 de-scribed 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.

Right-of-use assets

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 con-tract 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 6.6% 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)	*2023*	IFRS 16 impact	2023 IFRS 16
REVENUE	751,956		751,956
PURCHASES	(53,596)		(53,596)
SERVICES	(230,446)	75,528	(154,918)
PERSONNEL EXPENSE	(390,678)		(390,678)
OTHER OPERATING INCOME	22,466		22,466
OTHER OPERATING COSTS	(31,280)		(31,280)
IMPAIRMENT LOSSES ON EQUITY-ACCOUNTED INVESTMENTS	40		40
GROSS OPERATING PROFIT	**68,462**	**75,528**	**143,990**
AMORTISATION, DEPRECIATION, IMPAIRMENT LOSSES AND PROVISIONS	(28,683)	(62,281)	(90,964)
OPERATING PROFIT	**39,779**	**13,247**	**53,026**
FINANCIAL INCOME	4,127		4,127
FINANCIAL EXPENSE	(17,079)	(20,423)	(37,502)
DIVIDENDS	50		50
PRE-TAX PROFIT	**26,877**	**(7,176)**	**19,701**
INCOME TAXES	(9,484)	1,563	(7,921)
PROFIT FROM DISCONTINUED OPERATIONS	939		939
PROFIT FOR THE YEAR INCLUDING NON-CONTROLLING INTERESTS	**18,332**	**(5,613)**	**12,719**

(eur/000)	*31/12/2023*	IFRS 16 impact	31/12/2023 IFRS 16
NON-CURRENT ASSETS	**644,763**	**752,771**	**1,397,534**
INTANGIBLE ASSETS	370,830		370,830
PROPERTY, PLANT AND EQUIPMENT	233,540		233,540
RIGHT-OF-USE ASSETS	18,601	743,605	762,206
INVESTMENT PROPERTY	2,411		2,411
EQUITY-ACCOUNTED INVESTMENTS	670		670
OTHER EQUITY INVESTMENTS	1,825		1,825
OTHER ASSETS	2,129		2,129
OTHER FINANCIAL ASSETS	-		-
DEFERRED TAX ASSETS	14,757	9,166	23,923
CURRENT ASSETS	**271,513**	**-**	**271,513**
INVENTORIES	5,374		5,374
FINANCIAL ASSETS WITH THE PARENT	3,474		3,474
TRADE RECEIVABLES	91,330		91,330
OTHER ASSETS	14,113		14,113
FINANCIAL ASSETS	9,481		9,481
OTHER FINANCIAL ASSETS	106,848		106,848
CASH AND CASH EQUIVALENTS	40,893		40,893
ASSETS HELD FOR SALE	-		-
TOTAL ASSETS	**916,276**	**752,771**	**1,669,047**
LIABILITIES AND EQUITY			
EQUITY	**390,023**	**(33,956)**	**356,067**
SHARE CAPITAL	8,853		8,853
RESERVES	42,692		42,692
RETAINED EARNINGS	331,033	(33,956)	297,077
EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT	**382,578**	**(33,956)**	**348,622**
EQUITY ATTRIBUTABLE TO NON-CONTROLLING INTERESTS	7,445		7,445
NON-CURRENT LIABILITIES	**245,931**	**730,811**	**976,742**
BONDS	35,000		35,000
OTHER LOANS AND BORROWINGS	160,274		160,274
LEASE LIABILITIES	10,302	730,811	741,113
TRADE PAYABLES	784		784
OTHER LIABILITIES	146		146
DEFERRED TAX LIABILITIES	14,663		14,663
PROVISIONS FOR PERSONNEL	20,586		20,586
PROVISIONS FOR RISKS AND CHARGES	4,176		4,176
CURRENT LIABILITIES	**280,322**	**55,916**	**336,238**
BANK OVERDRAFTS	-		-
BONDS	64,666		64,666
OTHER LOANS AND BORROWINGS	17,350		17,350
LEASE LIABILITIES	1,483	58,014	59,497
FINANCIAL LIABILITIES WITH THE PARENT	4,514		4,514
TRADE PAYABLES	71,566		71,566
OTHER LIABILITIES	83,445	(2,098)	81,347
PROVISIONS FOR RISKS AND CHARGES	37,298		37,298
LIABILITIES ASSOCIATED WITH ASSETS HELD FOR SALE	-		-
TOTAL LIABILITIES AND EQUITY	**916,276**	**752,771**	**1,669,047**

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 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 as-sets 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 expenses 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 can-celled or has expired. The Group also derecognises a financial liability in case of a change to the related terms of contract and the cash flows of the amended liability are substantially different. In that case, a new financial liability is recognised at fair value based on the amended terms of contract.
The difference between the carrying amount of the extinguished financial liability and the consideration paid (including assets not represented by cash and cash equivalents transferred or liabilities assumed) is recognised in profit or loss for the 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 (*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.

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 allocations for expected liabilities are subject to less uncertainty than allocations to 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 net 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 revised value based on the updated estimates.

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 2022-2024), Jesilab S.r.l. (period 2022-2024), Sanatrix S.r.l. (period 2021-2023) and Sanatrix Gestioni 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 recognise 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 measurement 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 measurement purposes, the Group considers:

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

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

Financial assets: subsequent measurement and profits and losses	
Financial assets measured at FVTPL	These assets are subsequently measured at fair value. Net profits and losses, including dividends or interest received, are recognised in profit/(loss) for the 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 meth-od. Interest expenses 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 re-wards of ownership of the financial asset and does not maintain control of the financial asset.
The Group is involved in transactions that provide for the transfer of assets recognised in its Statement of Financial Position but maintains all or substantially all of the risks and rewards resulting from the asset transferred. In such cases, the assets transferred are not derecognised.

Financial liabilities
The Group derecognises a financial liability when the obligation specified in the contract has been fulfilled or cancelled or has expired. The Group also derecognises a financial liability in case of a change to the related terms of contract and the cash flows of the amended liability are substantially different. In that case, a new financial liability is recognised at fair value based on the amended terms of contract.
The difference between the carrying amount of the extinguished financial liability and the consideration paid (including assets not represented by cash and cash equivalents transferred or liabilities assumed) is recognised in profit or loss for the 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 in-come 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 in-formation disclosed.
The estimates and assumptions used are based on experience and on other factors deemed relevant. Although the on-going review process means that the accounting estimates are increasingly reliable, the actual results may, however, differ from them and, in this case, the effects of any change will be reflected in profit or loss for the period in which the estimate adjustment takes place if the change only regards that period or also in subsequent periods if the adjustment will affect both the current year and future periods.
We summarise below the valuation processes and the key assumptions used by the management when applying the accounting standards with regard to the future that may have a significant impact on the figures reported in the consolidated financial statements or which may lead to the need for adjustments to assets and liabilities in the reporting period following the current one.

Goodwill and non-current assets

Goodwill with an indefinite useful life undergoes an annual impairment test. Any impairment, as ascertained when the carrying amount of the cash generating units to which the goodwill is allocated is higher than its recoverable amount (defined as the higher of value in use and fair value) is recognised by means of an impairment loss. This test requires the Directors to make subjective judgments based on information available within the Group and on the market, as well as based on their past experience. Moreover, when a potential impairment 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 care homes 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), identified in accordance with IFRS 8 ("Operating Segments"), the CGUs identified by management – to which goodwill has been allocated – are as follows: Care Homes Italy, Care Homes Germany, Rehabilitation, Psychiatric Care and

Non-Residential Care and Acute Care. The Cancer Care and Diagnostics CGU (which included the segment operating in India) was sold in June 2023..

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 note on "Impairment of assets" and in note 16 "Intangible assets".

The 2024-2028 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 2024: 100% of prior year Group consolidated profit.
- Planned sale of two care homes in Italy in 2024 and extension and building of 9 facilities over the period 2024-2028.
- Concession to operate Suzzara Hospital will end in 2024.

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

General assumptions regarding Care Homes Italy CGU

- Gradual recovery in occupancy rate thanks to progressive end of epidemic, renewed confidence of families in 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

Assumptions regarding Care Homes Germany CGU

- Occupancy of available beds in the Long Term Care Germany CGU is expected to increase, also thanks to gradual end of the Covid-19 pandemic.
- 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 healthcare services to be delivered

Assumptions regarding Acute Care CGU

- The concession to operate Suzzara Hospital will end in 2024; nonetheless, for impairment purposes, the Group has tested the value of the investment reported by the parent company and confirmed it is consistent with the equity of the subsidiary
- KCA: more private services – surgery, care home and outpatient treatment.

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 2023 will not be impaired in future periods.

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 2023 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 action against 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 2023

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 2023 reporting period are provided below.

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
Initial 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
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[1])	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)	May 2021	1 January 2023	11 August 2022	(EU) 2022/1392 12 August 2022
International Tax Reform – Pillar Two Model Rules (Amendments to IAS 12)	May 2023	1 January 2023	8 November 2023	(EU) 2023/2468 9 November 2023

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 2023

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

[1] 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.

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
Lease liability in a sale and leaseback (Amendments to IFRS 16)	September 2022	1 January 2024	20 November 2023	(EU) 2023/2579 21 November 2023
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	19 December 2023	EU 2023/2822 20 December 2023

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 2023

As at 31 December 2023, the competent bodies of the European Union had not yet completed the endorsement process necessary for adoption of the accounting standards and amendments shown below. An assessment of the possible effect that these standards, amendments and interpretations will have on the Consolidated Financial Statements is still in progress.

Document title	Date of issue by the IASB	Effective date of IASB document	Date of expected EU endorsement
Standards			
IFRS 14 Regulatory deferral accounts	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 method
Supplier Finance Arrangements (Amendment to IAS 7 and IFRS 9)	May 2023	1 January 2024	TBD
Lack of Exchangeability (Amendment to IAS 21)	August 2023	1 January 2025	TBD

There has been no early application of accounting standards or interpretations whose application would be obligatory for periods commencing after 31 December 2023. 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 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, guaran-tees 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 "3*.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 Group is operating in a macroeconomic and geopolitical environment characterised by elements of uncertainty such as the ongoing Russia-Ukraine and Israel-Palestine conflicts, as well as a high level of inflation, rising interest rates and an increase in energy prices. The Group's financial position, financial performance and cash flow are influenced by the various factors that make up the macroeconomic environment described above. 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 2022 and 2023.

Categories of financial assets and liabilities	IFRS 9 classification	31/12/2023	31/12/2022
NON-CURRENT ASSETS			
Other investments	Cost except Fondo Spazio Sanitario at FVTPL	1,825	1,825
Other assets	Other assets at amortised cost	2,129	2,355
CURRENT ASSETS			
Trade receivables from the parent	Amortised cost	3,474	743
Trade receivables	Amortised cost	91,330	88,062
Other assets	Amortised cost	14,113	17,052
Financial assets	Financial assets at amortised cost	9,481	6,508
Other financial assets	Financial assets at amortised cost	106,848	-
Cash and cash equivalents	Financial assets at amortised cost	40,893	91,596
NON-CURRENT LIABILITIES			
Bonds	Liabilities at amortised cost	(35,000)	(99,000)
Other financial liabilities	Liabilities at amortised cost	(160,274)	(158,168)
Lease liabilities	Liabilities at amortised cost	(741,113)	(757,459)
Trade payables	Liabilities at amortised cost	(784)	(812)
CURRENT LIABILITIES			
Bank overdrafts	Liabilities at amortised cost	-	-
Bonds	Liabilities at amortised cost	(64,666)	(666)
Trade payables to the parent	Liabilities at amortised cost	(4,514)	(308)
Other financial liabilities	Liabilities at amortised cost	(17,350)	(5,298)
Lease liabilities	Liabilities at amortised cost	(59,497)	(53,932)
Trade payables	Liabilities at amortised cost	(71,566)	(75,114)

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 2023 and 31 December 2022, by hierarchical level of fair value.

Financial Statements at 31 December 2023				
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		53		**53**
- Non-recourse factoring		9,428		**9,428**

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**

During 2023, 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 assets is reduced for identified impairment. This process is performed by creating a specific provision that is deducted directly from the financial assets adjusted for impairment.

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

(eur/000)	31/12/2022	Increase	Utilisation	Other changes	31/12/2023
Loss allowance	24,207	97	(3,597)	-	20,707

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"

31/12/2023	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	**2,129**	**2,129**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Gross balance	2,129	2,129	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	**13,382**	**924**	**12,458**	**7,560**	**1,141**	**691**	**1,347**	**1,240**	**417**	**55**	**7**	**0**	**0**
Gross balance	21,939	1,170	20,769	7,756	1,406	910	2,070	2,268	2,176	1,003	1,180	559	1,441
Loss allowance	-8,557	-246	-8,311	-196	-265	-219	-723	-1,028	-1,759	-948	-1,173	-559	-1,441
Amounts due from public sector	**77,948**	**55,050**	**22,898**	**1,941**	**1,259**	**1,728**	**5,532**	**10,458**	**1,922**	**0**	**58**	**0**	**0**
Gross balance	90,098	56,047	34,051	1,954	1,278	1,782	5,842	11,707	2,718	73	327	389	7,981
Loss allowance	-12,150	-997	-11,153	-13	-19	-54	-310	-1,249	-796	-73	-269	-389	-7,981
Other financial assets	**14,113**	**14,113**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Gross balance	14,113	14,113	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	**107,572**	**72,216**	**35,356**	**9,501**	**2,400**	**2,419**	**6,879**	**11,698**	**2,339**	**55**	**65**	**0**	**0**

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	**2,962**	**2,962**	**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**

3.4 Additional disclosures on financial liabilities

The contractual maturity dates of "Financial liabilities", including interest, are shown in the following tables for 2023 and 2022, 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.

31.12.2023	<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	66,737	35,919	0	0	0	0	**102,656**	**99,666**
Other financial liabilities:	30,555	47,146	45,334	45,858	46,535	5,596	**221,024**	**189,409**
- Bank loans and borrowings	27,939	45,150	42,990	44,483	45,839	0	**206,401**	**177,435**
- 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	2,141	1,996	2,344	1,375	696	5,596	**14,149**	**11,784**
- Other financial backers	475	0	0	0	0	0	**475**	**190**
Bank overdrafts	0	0	0	0	0	0	**0**	**0**
Trade payables	71,566	0	0	0	0	0	**71,566**	**71,566**
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	**168,858**	**83,065**	**45,334**	**45,858**	**46,535**	**5,596**	**395,246**	**360,641**

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**

Other financial liabilities- excluding lease liabilities – amount to € 289.1 million and consist of bank loans and finance lease liabilities (€189.4 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 2023 may be summarised as follows:

Debtor	Type of loan	Residual amount as at 31.12.2023 (eur/000)	Maturity	Term
KOS S.p.A.	mortgage loan	77,142	23.06.2028	Euribor 6 months/360
KOS Care S.r.l.	Lease Foligno	3,107	01.04.2033	Euribor 3 months/360
KOS Care S.r.l.	Lease Montecosaro	1,909	01.11.2026	Euribor 3 months/365
KOS Care S.r.l.	Lease Foligno	4,288	01.04.2033	Euribor 3 months/365
KOS Care S.r.l.	Lease Ascoli	2,480	07.02.2027	Euribor 3 months/365
Total loans with collateral and/or liens		**88,926**		
KOS Care S.r.l.	Loan	163	01.01.2025	Euribor 6 months/360
Gruppo Charleston	Loan	186	31.01.2025	Fix
Gruppo Charleston	Loan	94	30.11.2024	Fix
Loans not secured by collateral		**442**		
KOS S.p.A.	Syndicated Loan 150Ml	74,425	02.12.2027	Euribor 6 months/360
		25,425	02.12.2027	Euribor 6 months/360
Total Corporate line		**99,850**		
KOS S.p.A.	Bonds	35,414	18.10.2025	Fix
	Bonds	64,252	18.10.2024	Fix
Total Bond		**99,666**		
KOS Care S.r.l.	Regional loan from Lombardy regional authorities (FRI	191	30.06.2024	
Total other financial backers		**191**		
Total bank overdrafts				
Financial liabilities for derivatives				
Total financial liabilities		**289,075**		

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 2023 and later are shown below:

(eur/000)	Type of loan	Residual amount at 31.12.2023	Maturity	Base for covenants	Target covenants 31.12.2023 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	26,000	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)**	78,000	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 2023:

(eur/000)	Type of loan	Residual amount at 31.12.2023	Maturity	Base for covenants	Target covenants 31.12.2023 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	0.67	5.29	
	-Investments line	26,000	02/12/2027				
	-Revolving line	-	02/11/2027				
Kos S.p.A	**Bond 64ML€**	64,000	18/10/2024	KOS Group	0.67	5.29	58%
	Bond 35ML€	35,000	18/10/2025				
Kos S.p.A	**Real estate Syndicated loan (Unicredit, IntesaSanpaolo)**	78,000	23/06/2028	KOS Group	0.67	5.29	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 2023, 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 2023 and at 31 December 2022:

	31/12/2023			31/12/2022		
(eur/million)	**Total**	**Used**	**Available**	**Total**	**Used**	**Available**
Short-term Lines ("Uncommitted"/at sight)	**33.0**	**0.0**	**33.0**	**33.0**	**0.0**	**33.0**
Long-term ("Committed"/contractualised)	**338.1**	**289.1**	**49.0**	**351.4**	**276.4**	**75.0**
Total	**371.1**	**289.1**	**82.0**	**384.4**	**276.4**	**108.0**

3.6 Accounting for hedging transactions

<u>Hedging contracts in place</u>

In order to hedge the interest rate risk, KOS Group has entered into an *Interest Rate Cap contract*. Details of the characteristics of the instrument at 31 December 2023 are provided below:

Company	Signature date	Time	*Pay*	*Cap*	*Floor*	*Receive/Index*	Notional 31/12/23	Notional 31/12/22	*Fair Value* 31/12/23	*Fair Value* 31/12/22
Kos SpA	2019	Quarterly			0.50%	Euribor 3 M	4,375	13,125	53	280
Total Interest Rate Cap							**4,375**	**13,125**	**53**	**280**
Total effective portion of derivatives							**4,375**	**13,125**	**53**	**280**
Total							**4,375**	**13,125**	**53**	**280**

The total notional amount at 31 December 2023 was € 4,375 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 2023 and 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;
- the ineffective portion or the change in time value immediately recognised in the statement of profit or loss under *Financial expenses and/or financial income*.

	31/12/23					
	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	-	-			-	(13)
- Cash flow hedge pursuant to IAS 39 Interest Rate Cap	4,375	-	53		(248)	
Total	**4,375**	**0**	**53**	**0**	**(248)**	**(13)**

	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)**

(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.

Considering the fact that interest rates rose significantly in 2023, this year the Group decided to measure the impact on profit or loss and the statement of financial position of a positive and negative fluctuation of + or - 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 2023, would have had a net impact on pre-tax profit, on an annual basis, of around -€ 1,320 thousand and +€ 1,320 thousand, respectively, with a corresponding effect on equity. In prior year, as interest rates were negative, the Group only considered a positive fluctuation of +1% which would have led to an additional net expense of around € 1,623 thousand. Non-material impact on Group figures.

Notes to the Statement of Profit or Loss

Note that the consolidated financial statements at 31 December 2023 and the comparative information at 31 December 2022 have been prepared including the reclassification to "Profit from discontinued operations" of amounts relating to ClearMedi HealthCare LTD in light of the agreement signed in December 2022 that led to the sale of 100% of the equity of said company in June 2023. For further information on the effects of the reclassification, reference should be made to paragraph "2 Accounting principles and measurement criteria" of the Notes to the Consolidated Financial Statements.

4) Revenue

The Group's revenue for 2023 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)	**2023**	**%**	**2022**	**%**	**Var.**
Care Homes	473,350	63%	416,414	61%	56,936
of which:					
Italy	*252,499*	*34%*	*225,146*	*33%*	*27,353*
Germany	*220,851*	*29%*	*191,268*	*28%*	*29,583*
Rehabilitation, Psychiatric Care and Non-Residential Care	202,850	27%	189,184	28%	13,666
Acute care	75,733	10%	77,789	11%	(2,056)
Other	23	0%	87	0%	(64)
Total	**751,956**	**100%**	**683,474**	**100%**	**68,482**

The increase in revenue is due to:

- In the Care Home segment, the volume of care home activity in Italy was higher than in prior year thanks to a recovery in the number of residents in 2023 with an average occupancy rate of 88.1% (80.7% in 2022); total revenue in this segment increased by € 27,353 thousand thanks to the aforementioned improvement in the occupancy rate, to higher tariffs and to new facilities opened in 2023 (impact of € 1,886 thousand). Government subsidies received decreased from € 2,774 thousand in 2022 to € 494 thousand in 2023. In Germany, Care Home activities recorded an increase in revenue (+€ 29,583 thousand) thanks to new facilities opened during 2022 which contributed revenue of € 10,067 thousand, tariff increases and an improvement in the average occupancy rate from 81.2% in 2022 to 87.5% in 2023. Government subsidies received totalled € 9,141 thousand in 2022 while no subsidies were received in 2023;
- In the Rehabilitation, Psychiatric Care and Non-Residential Care segment, revenue from rehabilitation activities – both psychiatric and functional and both carried out in Italy – increased by € 13,666 thousand compared to 2022. The increase was mainly thanks to the average occupancy rate which rose from 74.1% in 2022 to 81.4% in 2023. The decrease in government subsidies compared to 2022 had a negative impact of € 316 thousand;
- In the Acute Care segment, revenues fell by € 2,056 thousand. The decrease was mainly due to a reduction in the number of diagnostic tests performed to check for COVID-19 infection;

"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 companies.

Revenue by type of customer

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

(eur/000)	2023	%	2022	%	Var.
Public	464,675	62%	441,932	65%	22,743
Private	287,281	38%	241,542	35%	45,739
Total	**751,956**	**100%**	**683,474**	**100%**	**68,482**

The split of revenue by type of customer shows that the percentages of revenue generated by private sector customers has increased compared to that generated by public sector customers.

Revenue by Region

Revenue by region is shown in the table below:

(eur/000)	2023	%	2022	%	Var.
Lombardy	159,035	21%	140,617	21%	18,418
Trentino Alto Adige	8,895	1%	7,701	1%	1,194
Veneto	28,608	4%	31,527	5%	(2,919)
Piedmont	39,437	5%	41,578	6%	(2,141)
Liguria	22,362	3%	19,777	3%	2,585
Tuscany	12,523	2%	8,605	1%	3,918
Emilia Romagna	69,633	9%	63,467	9%	6,166
Marche	153,741	20%	147,125	22%	6,616
Umbria	3,309	0%	3,893	1%	(584)
Abruzzo	4,951	1%	4,595	1%	356
Puglia	2,628	0%	1,717	0%	911
Lazio	13,954	2%	13,121	2%	833
Campania	9,498	1%	6,466	1%	3,032
Sicily	318	0%	270	0%	48
Other regions	1,818	0%	1,741	0%	77
Foreign countries	221,246	31%	191,274	27%	29,972
Total	**751,956**	**100%**	**683,474**	**100%**	**68,482**

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 2022 (full contribution in 2023), as well as to facilities opened in 2023 which generated revenues of € 11,953 thousand.

5) Purchases

In the year ended 31 December 2023, this item totalled € 53,596 thousand against € 53,556 thousand in 2022. These costs represented around 7% of revenue, lower than in prior year.

The increase relating to the full contribution of acquisitions made and new facilities opened in 2022 and 2023 was € 520 thousand.

The total cost for 2023 with comparative information for prior year is set out below:

(eur/000)	**2023**	**%**	**2022**	**%**	**Var.**
Food and beverages	16,272	30%	13,798	26%	2,474
Medical gases	802	1%	808	2%	(6)
Medical consumables	12,295	23%	15,730	29%	(3,435)
Medicines	8,100	15%	7,863	15%	237
Prosthetic materials and medical devices	8,458	16%	8,531	16%	(73)
Generic consumables	4,045	8%	3,548	7%	497
Other	3,624	7%	3,278	6%	346
Total	**53,596**	**100%**	**53,556**	**100%**	**40**

The decrease in "Medical consumables" is mainly due to lower utilisation of PPE and to a lower cost of restocking PPE than in the comparative period.

6) Services

Services amount to € 154,918 thousand in 2023 against € 147,412 thousand for 2022.

The total cost for 2023 is analysed in detail below and compared with the previous year:

(eur/000)	**2023**	**%**	**2022**	**%**	**Var.**
Legal, notarial and tax consulting	808	1%	1,298	1%	(490)
IT consulting	4,338	3%	4,070	3%	268
Technical consulting	1,444	1%	1,152	1%	292
Medical-nursing consulting	60,995	39%	55,919	38%	5,076
Fees to Directors	1,235	1%	1,367	1%	(132)
Fees to Statutory Auditors	112	0%	119	0%	(7)
Personnel services	77	0%	111	0%	(34)
Utilities	27,452	18%	31,412	21%	(3,960)
Maintenance and repairs	10,159	7%	9,191	6%	968
Insurance	3,994	3%	4,014	3%	(20)
Cleaning and surveillance	258	0%	235	0%	23
Subcontracting costs	14,891	10%	13,298	9%	1,593
Care and laboratory services	6,581	4%	6,217	4%	364
Catering services	1,099	1%	997	1%	102
Lease fees	1,234	1%	1,675	1%	(441)
Rents	1,104	1%	973	1%	131
Other services	19,137	12%	15,364	10%	3,773
Total	**154,918**	**100%**	**147,412**	**100%**	**7,506**

The increase is mainly due to the higher volume of activity than in the previous year, along with increases in the hourly fees of doctors and nurses and the full contribution of acquisitions made and new facilities opened in 2022 and 2023 (effect of € 1,726 thousand). The increase was only partially offset by the decrease in "Utilities" resulting from cuts in electricity/gas tariffs with effect from the second quarter of 2023. "Other services" mainly includes laundry and linen rental services for Group facilities, employee training costs, urban and special waste disposal services and other costs for services.

The following tables show the fees relating to 2023 for audit services and other services rendered by the independent auditors and other entities belonging to their network.

Schedule 1)

Fees (*) relating to 2023 for services provided by the independent auditors to KOS S.p.A.

Type of service	Provider	Recipient	Amount (€/000)
Audit	KPMG S.p.A. and other network companies	KOS S.p.A.	49
Other services	KPMG S.p.A. and other network companies	KOS S.p.A.	21

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

Schedule 2)

Fees relating to 2023 for services rendered by the independent auditors to other Group companies.

Audit	KPMG S.p.A. e altre società del network	Subsidiaries	400
Other services	KPMG S.p.A. e altre società del network	Subsidiaries	170

7) Personnel expense

Personnel expense for the year ended 31 December 2023 totalled € 390,678 thousand against € 364,018 thousand in 2022. The increase of € 26,660 thousand is due to the higher volume of activity than in 2022, to salary increases recorded by the German subsidiary and to the impact of facilities acquired and/or opened in 2022 and 2023 (effect of € 6,580 thousand). As a percentage of revenue, personnel expense has decreased slightly compared to the prior year. The decrease in "Other personnel costs" is due to the reversal of over-provisions made in prior years in relation to settlement of the ANASTE collective labour agreement (impact of € 2,500 thousand) and to lesser use of temporary labour by the German subsidiary which coped with the increased workload by recruiting staff rather than using temporary employees.

We also highlight the fact that, with effect from 1 June 2023, the Group opted to apply to its care home employees the National Collective Labour Agreement for employees in the welfare, social care and post-intensive care sectors, as signed on 13 September 2022 by employers' association Confcommercio Salute e Cura. The Group has chosen to prioritise personnel and has replaced the old ANASTE contract with a contract with the highest remuneration rates in the sector; it has done so in order to recognise and reward professionalism while meeting economic expectations.

The total expense for the year ended 31 December 2023 is analysed in detail below and compared with prior year:

(eur/000)	**2023**	**%**	**2022**	**%**	**Var.**
Wages and salaries	296,763	76%	271,325	75%	25,438
Social security charges	76,573	20%	68,824	19%	7,749
Post-employment benefits	11,718	3%	11,943	3%	(225)
Stock option plan valuation	18	0%	61	0%	(43)
Other costs	5,606	1%	11,865	3%	(6,259)
Total	**390,678**	**100%**	**364,018**	**100%**	**26,660**

The table below shows the actual number of employees as at 31 December 2023 and 31 December 2022:

	31/12/2023	**31/12/2022**
Managers/Executives	47	48
White collar workers*	4,518	4,444
Medical staff, carers and workers	7,266	6,850
Total	**11,831**	**11,342**
Employees - Average	**11,686**	**11,361**

*Includes medical directors (114 at 31/12/2023)

8) Other operating income

Other operating income for year ended 31 December 2023 totalled € 22,466 thousand, lower than the total of € 32,972 thousand reported in prior year. The impact of acquisitions made and new facilities opened in 2022 and 2023 was € 37 thousand.

It may be analysed as follows:

(eur/000)	2023	%	2022	%	Var.
Ordinary prior year income	10,232	46%	11,581	35%	(1,349)
Gains on the sale of assets	55	0%	74	0%	(19)
Other revenue and income	12,179	54%	21,317	65%	(9,138)
Total	**22,466**	**100%**	**32,972**	**100%**	**(10,506)**

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 (€ 4,661 thousand in 2023, € 6,171 thousand in 2022) and the reversal of a provision of € 1,500 thousand relating to the acquisition of the German subsidiary after the reasons for which it was created at the time of the acquisition ceased to apply.

In June, the Group sold the property built by it in Borgomanero (120 bed care home). A gain of € 50 thousand was realised on the sale. The property was then leased back.

Other revenue and income includes government refunds and subsidies for COVID received in Germany (€ 982 thousand against € 7,891 thousand in 2022), in Italy (€ 2,411 thousand against € 3,766 thousand in 2022) as well as a subsidy of € 3,990 thousand towards the increase in gas and electricity costs incurred during the reporting period (€ 3,537 thousand in 2022). This item also includes expenses not covered by care home fees incurred by our facilities and then charged back to residents (hairdressing, pharmacy and para-pharmacy, auxiliary care services, etc).

9) Other operating costs

Other operating costs amounted to € 31,280 thousand in 2023 against € 30,042 thousand in 2022. This item mainly consists of non-deductible input VAT (€ 20,977 thousand in 2023 against € 21,888 thousand in 2022) and other duties and taxes. Ordinary prior year expense includes differences on provisions and accruals made when preparing prior year financial statements. . Losses on disposals mainly refer to the sale of the property in Campi di Bisenzio (an 80 bed care homes), construction of which was completed during 2023. The property was then leased back.

The impact of acquisitions and new openings in 2022 and 2023 was € 839 thousand.

(eur/000)	2023	%	2022	%	Var.
Taxes and duties	25,867	83%	26,480	88%	(613)
Ordinary prior year expense	1,125	4%	1,539	5%	(414)
Ordinary losses	98	0%	76	0%	22
Sundry operating costs	4,190	13%	1,947	6%	2,243
Total	**31,280**	**100%**	**30,042**	**100%**	**1,238**

10) Amortisation, depreciation, impairment losses and provisions

For the year ended 31 December 2023, this item amounted to € 90,964 thousand and was in line with 2022 (€ 90,984 thousand).

The impact of acquisitions made and new facilities opened in 2022 and 2023 was € 1,989 thousand.

(eur/000)	2023	%	2022	%	Var.
Depreciation	24,017	26%	25,048	28%	(1,031)
Amortisation	1,249	1%	2,774	3%	(1,525)
Depreciation of right-of-use assets	63,674	70%	58,916	65%	4,758
Loss allowance	(1,436)	-2%	546	1%	(1,982)
Other provisions	2,860	3%	3,664	4%	(804)
Other impairment losses	600	1%	36	0%	564
Total	**90,964**	**100%**	**90,984**	**100%**	**(20)**

We highlight the release of the provision for doubtful debts of around € 1,500 thousand following the recovery of an old receivable from the ASL of Reggio Calabria with which a settlement agreement was reached.

11) Financial income

Financial income amounted to € 4,127 thousand in 2023 against € 524 thousand in 2022, as shown below:

(eur/000)	2023	%	2022	%	Var.
Interest income on bank accounts	2,973	72%	241	46%	2,732
Interest income on derivatives	279	7%	273	52%	6
Interest income on arrears	864	21%	-	0%	864
Other financial income	11	0%	10	2%	1
Total	**4,127**	**100%**	**524**	**100%**	**3,603**

"Interest income on bank accounts" includes interest on temporary cash surpluses arising during the year, as well as interest income on the Time Deposits made by the Group.

"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.

"Interest income on arrears" includes interest income accruing and expected to be collected in the first few months of 2024. It refers to an old amount due from the A.S.L. of Reggio Calabria, settlement of which has given rise to this amount.

Movements in dividends are presented below

(eur/000)	2023	2022	Var.
Dividends	50	40	10

"Dividends" of € 50 thousand includes the dividend paid by the Spazio Sanità real estate fund, in which a number of Group companies hold non-controlling interests. In 2022, "Dividends" totalled € 40 thousand.

12) Financial expense

Financial expense for 2023 totalled € 37,502 thousand compared to € 31,909 thousand for 2022, as shown below:

(eur/000)	**2023**	**%**	**2022**	**%**	**Var.**
Interest expense on bank accounts	35	0%	-	0%	35
Interest expense on derivatives	248	1%	21	0%	227
Interest expense on loans and borrowings	12,949	35%	7,704	24%	5,245
Interest on leases and right-of-use assets	21,261	57%	20,303	64%	958
Third party loans and borrowings	20	0%	134	0%	(114)
Exchange losses	2	0%	-	0%	2
Other financial expense	2,987	8%	3,747	12%	(760)
Total	**37,502**	**100%**	**31,909**	**100%**	**5,593**

The increase in "Interest expenses on loans and borrowings" is mainly due to higher interest rates than in the comparative peri-od.

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

The increase in "Interest on leases and right-of-use assets" mainly relates to new lease/rental agreements signed during the year and to ISTAT cost-of-living index-linked increases to existing ones.

13) Impairment losses (gains) on financial assets

There were no impairment losses on financial assets during the year.

14) Income taxes

Income taxes total € 7,921 thousand compared to net benefit of € 422 thousand for 2022, as shown below:

(eur/000)	**2023**	**%**	**2022**	**%**	**Var.**
Current taxes - IRES	3,425	43%	(128)	30%	3,553
Current taxes - IRAP	2,734	35%	1,892	-448%	842
Deferred tax expense/(income)	1,762	22%	(2,186)	518%	3,948
Total	**7,921**	**100%**	**(422)**	**100%**	**8,343**

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

	2023	**2022**
Effective tax rate	**40%**	**47%**

The incidence of income taxes on the pre-tax profit was 40% and decreased compared to prior year.

We recall the fact that as certain personnel expense and financial expense are partially non-deductible for IRAP purposes, the IRAP charge makes a significant contribution towards increasing the effective consolidated tax rate over the theoretical rate (IRES of 24% and IRAP of 3.9%).

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

(eur/000)		**2023**	**2022**
Pre-tax profit (loss) in the financial statements		19,701	(902)
Theoretical tax rate (24% of the pre-tax profit (loss))	**A**	**4,728**	**(216)**
Tax effect of non-deductible costs	b	1,578	(124)
Tax effect of prior year losses generating deferred tax assets	b	96	39
Tax effect of prior year losses not generating deferred tax assets	b	(140)	-
Tax effect of foreign operations	b	1,319	481
Non-taxable grants	b		-
Other	b	(2,394)	(2,494)
Total effect of addbacks and other - (b)	**B**	**459**	**(2,098)**
Income taxes	**A + B**	**5,187**	**(2,314)**
IRAP and other taxes	C	2,734	1,892
Total	**"A+B"+C**	**7,921**	**(422)**

Pillar Two – Global minimum tax

The Pillar Two/GloBE model rules became effective in Italy for periods beginning on or after 1 January 2024 by means of Legislative Decree no 209/2023, transposing Directive no. 2523/2022/EU; they apply to CIR S.p.A. and provide that entities belonging to the Group (wherever situated) are subject to a minimum tax rate of 15%, to be determined on the basis of a detailed computation based on the accounting and tax information of those entities. If the level of taxation is lower than the minimum level, a minimum tax (the “Top-Up Tax”) shall be applied up to 15%.

As required by IAS 12 (specifically, pursuant to the “Amendments to IAS 12 International Tax Reform-Pillar Two Model Rules”), the Group carried out an analysis with support from an external advisor, in order to identify the scope of application and the potential impact of the new rules on the jurisdictions within its scope of consolidation, also making use of “transitional safe harbours” applicable in the three-year period 2024-2026 (the “transitional period”) as required by the OECD guidelines. These rules provide that no top-up tax is due if any of the following tests are passed (to be carried out in relation to each jurisdiction):

- *De minimis* test: revenue in the jurisdiction is below € 10 million and aggregate pre-tax profit is below € 1 million;
- Simplified effective tax rate test: the level of effective taxation is at least 15% (for 2024), as determined on the basis of the ratio between aggregate amounts of pre-tax profit/loss (denominator) and income taxes (numerator). The numerator figure is the amount of current and deferred income taxes (with some specific adjustments) recognised in the reporting package financial statements of subsidiaries in a given jurisdiction;
- Routine profit test: the aggregate amount of “Substance-based income exclusion” or “SBIE” under the Pillar Two rules is greater than or equal to the aggregate amount of pre-tax profit/loss. As per the OECD guidelines, where a jurisdiction has a pre-tax loss, the test is considered to have been passed.

If none of the tests is passed for a given jurisdiction, the Group is required to calculate the level of effective taxation based on the full set of Pillar Two rules i.e. by making specific “adjustments” to the accounting and tax data of entities situated in that jurisdiction, also in order to determine – where the level of effective taxation is below 15% - the amount of the minimum tax due.

On the basis of current information - for CIR S.p.A. and its subsidiaries - Fratelli De Benedetti S.p.A. assumes the role of ”Ultimate Parent Entity” while CIR S.p.A., Sogefi S.p.A. and KOS. S.p.A. assume the role of “Partially- Owned Parent Entity” or “POPE”.

Moreover, for the purposes of the Pillar Two rules, Sogefi S.p.A. and KOS S.p.A. have the status of “Minority-Owned Constituent Entities” or “MOCE” and, in relation to its subsidiaries, of “Minority- Owned Parent Entities”.
In compliance with the OECD guidelines, the tests provided for by the transitional safe harbours have been prepared using – on a prospective basis – the information available in the “Country-by-Country Report” of the Ultimate Parent Company for 2021 and 2022 and the reporting packages prepared by the controlled entities for the purpose of preparation of the Group’s consolidated financial statements for 2023 based on an approach that considers the “aggregated” data of the Group entities in a single jurisdiction in which the Group operates (“jurisdictional approach”).

On the basis of this activity, the transitional safe harbour tests – performed based on the reporting packages prepared for the consolidation purposes of the Ultimate Parent Entity (UPE) for 2023 – have been passed in all jurisdictions in which the KOS Group operates i.e. Italy and Germany.

The estimated amount – based on a prospective approach to the information currently available, as detailed above – represents the best estimate available at present to the Group of the expected impacts of the coming into force of the full set of Pillar Two rules with effect from 2024 and it has been determined by considering the amount of pre-tax income, the amount of the Substance-based exclusion and a minimum tax rate equal to the difference between 15% and the effective rate in each jurisdiction (obtained based on the Simplified effective tax rate test described above). As not all adjustments that would have been required by the "fully operational" Pillar Two rules were included in the calculation, the actual impact that the Pillar Two rules could have had on the Group's income – if they had been in force for 2023 – might have differed from the estimate made on the basis of the historical information available at present.

15) Profit from discontinued operations

The profit of € 939 thousand reported under this caption refers to the gain of € 2,854 thousand on the sale of ClearMedi Healthcare LTD, the loss of € 582 thousand for the first five months of 2023 and disposal-related expenses of € 333 thousand. A provision of € 1,000 thousand has also been accrued in respect of warranties given to the buyer and for contingent risks, mainly of a tax nature. In 2022, this caption showed a profit of € 933 thousand after disposal-related expenses (€ 252 thousand). The company was sold in June 2023 and, pursuant to IFRS 5, the amounts relating to it have been reclassified to "Profit from discontinued operations".

Notes to the Statement of Financial Position

NON-CURRENT ASSETS

16) Intangible assets

At 31 December 2023, net intangible assets amounted to € 370,830 thousand against € 370,506 thousand at 31 December 2022.

	Opening balance			Changes in the year						Closing balance		
	Historical cost	Impairment losses and accumulated amortisation	Carrying amount as at 31/12/2022	Purchases	Reclassifications		Net disposals		Impairment losses and amortisation	Historical cost	Impairment losses and accumulated amortisation	Carrying amount as at 31/12/2023
(eur/000)					Historical cost	Impairment losses and accumulated amortisation	Historical cost	Impairment losses and accumulated amortisation				
Concessions, licenses, trademarks and similar	18,955	(16,844)	2,111	866	414	41	(487)	487	(1,247)	19,748	(17,563)	2,185
Goodwill	381,856	(14,315)	367,541			3			-	381,856	(14,312)	367,544
Assets under development and paymen	836	-	836	701	(458)		(56)			1,023	-	1,023
Other intangible assets	736	(718)	18	62			-	-	(2)	798	(720)	78
Total	**402,383**	**(31,877)**	**370,506**	**1,629**	**(44)**	**44**	**(543)**	**487**	**(1,249)**	**403,425**	**(32,595)**	**370,830**

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 2022:

(eur/000)	**31/12/2023**	**%**	**31/12/2022**	**%**	**Var.**
Care Homes	237,931	65%	237,931	65%	-
of which:					
Italy	144,929	39%	144,929	39%	-
Germany	93,002	25%	93,002	25%	-
Rehabilitation, Psychiatric Care and Non-Residential Care	111,496	30%	111,496	30%	-
Acute care	17,601	5%	17,598	5%	3
Cancer treatment and diagnostic services		0%		0%	-
Other	516	0%	516	0%	-
Total	**367,544**	**100%**	**367,541**	**100%**	**3**

Impairment test

As required by IAS 36, the KOS Group has performed an impairment test to check the recoverability of the carrying amount of property, plant and equipment and intangible assets recognised in the Group consolidated financial statements at 31 December 2023. 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, in 2022, 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 care homes on the one hand and rehabilitation activities on the other. The heads of each operating division have been given full control of activities falling under their responsibility.

The CGUs identified by management – to which goodwill has been allocated – are as follows: Care Homes Italy, Care Homes Germany, Rehabilitation, Psychiatric Care and Non-Residential Care, Acute Care. 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 not used for production and sales activities.

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	533,210		533,210
	Germany	485,090		485,090
	Greenfield and new acquisitions		1,062	1,062
Care Homes total (A)		**1,018,300**	**1,062**	**1,019,363**
Rehabilitation, Psychiatric Care and Non-Residential Care (B)	**Italy**	**325,204**	**656**	**325,860**
Acute Care ©	**Italy**	**43,196**	**-1,887**	**41,310**
Cancer treatment and diagnostic services (D)	**India**			**0**
KOS S.p.a. and KOS Servizi	Italy		7,592	**7,592**
Corporate (E)	**Italy**	**0**	**7,592**	**7,592**
Total Assets (F)=(A)+(B)+(C)+(D)+(E)		**1,386,701**	**7,423**	**1,394,124**
of which: Intangible assets (no goodwill)				*3,287*
of which: goodwill				*367,544*
of which: right-of-use assets				*762,206*
of which: investment property				*2,411*
of which: Property plant and equipment				*233,540*
of which: NWC				*25,138*

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 their 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 Suzzara S.p.A., in the Acute Care CGU, as the concession for the management of Suzzara Hospital is scheduled to end in 2024. For impairment test purposes, the Group has tested the carrying amounr of the investment held by KOS S.p.A. and has found it to be reasonable compared to the equity of the subsidiary.

When performing the impairment test, the KOS Group used the latest profit and loss and cash flow forecast data for the period 2024-2028 (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 revenues from public contributions and a partial increase in private expenditure.
- Distribution of dividends from 2024: 100% of prior year Group consolidated profit.

- Planned sale of two care homes in Italy in 2024 and extension and building of 9 facilities over the period 2024-2028.
- Concession to operate Suzzara Hospital will end in 2024.

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

General assumptions regarding Care Homes Italy CGU

- Gradual recovery in occupancy rate thanks to progressive end of epidemic, renewed confidence of families in 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

Assumptions regarding Care Homes Germany CGU

- Occupancy of available beds in the Long Term Care Germany CGU is expected to increase, also thanks to gradual end of the Covid-19 pandemic.
- 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 healthcare services to be delivered.

Assumptions regarding Acute Care CGU

- The concession to operate Suzzara Hospital will end in 2024; nonetheless, for impairment purposes, the Group has tested the carrying amount of the investment reported by the parent and confirmed it is consistent with the equity of the subsidiary
- KCA: more private services – surgery, care home and outpatient treatment

Terminal value was calculated based on a growth (g) rate of 2.0% for Italy (2.0% in 2022) which is in line with the average long term growth rate for production, the business sector and the country in which the business operates. Meanwhile, a rate of 2.0% was used for the assets in Germany (2.0% in 2022).

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 6.9% (against 6.2% in 2022) for assets in Italy; 5.8% (5.0% in 2022) for assets in Germany.

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 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 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 Italy area, there would be zero cover in the event of an overall gross operating profit reduction of 13.83% or a 1.38% increase in WACC.
2) For the Care Homes Germany area, a 7.39% gross operating profit reduction would lead to zero cover as would a 0.74% WACC increase.
3) For the Rehabilitation and Psychiatric Care area, an gross operating profit reduction of 23.29% would be required or a WACC increase of 2.24%.
4) For the Acute Care area (excluding Suzzara Hospital), an gross operating profit reduction of 39.91% would be required or a WACC increase of 4.11%.
5) On a consolidated level, a 13.46% gross operating profit reduction would be required or a 1.33% increase in WACC.

17) Property, plant and equipment

At 31 December 2023, net property, plant and equipment amounted to € 233,540 thousand against € 251,463 thousand at 31 December 2022.

The following table shows a breakdown of this item and changes therein in 2023.

	Opening balance			Changes in the year						Closing balance		
	Historical cost	Impairment losses and accumulated depreciation	Carrying amount as at 31/12/2022	Purchases	Reclassifications		Net disposals		Impairment losses and depreciation	Historical cost	Impairment losses and accumulated depreciation	Carrying amount as at 31/12/2023
(eur/000)					Historical cost	Impairment losses and accumulated depreciation	Historical cost	Impairment losses and accumulated depreciation				
Land	26,250	-	26,250	-			(1,784)			24,466	-	24,466
Buildings	160,628	(58,485)	102,143	206	1,048	278	(10)	9	(5,320)	161,872	(63,518)	98,354
Pland and Machinery	36,757	(27,028)	9,729	2,123	1,478	31	(1,080)	1,080	(2,131)	39,278	(28,048)	11,230
Industrial and commercial equipment	79,032	(58,660)	20,372	6,452	1,352	(88)	(5,116)	5,114	(5,797)	81,720	(59,431)	22,289
Other assets	177,772	(110,378)	67,394	10,156	2,104	477	(3,718)	3,676	(11,241)	186,314	(117,466)	68,848
Assets under construction and payment	25,575		25,575	6,861	(5,982)		(18,101)		-	8,353		8,353
Total	**506,014**	**(254,551)**	**251,463**	**25,798**	**-**	**698**	**(29,809)**	**9,879**	**(24,489)**	**502,003**	**(268,463)**	**233,540**

Land and buildings are recognised at historical cost. In order to test their carrying amount, independent appraisals were performed at 31 December 2023

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

Increases for the period, amounting to € 25.8 million, include ordinary capex and capex to comply with laws and regulations (€ 19 million) as well as business development capex (€ 6.8 million). Details of the business development capex are provided below:

- € 0.6 million refers to construction of a new care home in Stockstadt, Germany. The facility will have 88 beds including 78 in single rooms and 10 in double rooms;
- € 0.8 million refers to construction of a 108 bed care home in Bergamo;
- € 0.7 million refers to the new care home in Modena, a 150 bed facility that is under construction;
- € 1.8 million has been invested in the purchase of a new MRI for the Villa dei Pini care home hospital facility;
- € 2.9 million refers to the development of facilities that are already operational.

"Net disposals" mainly refers to the sale of a number of properties owned by the Group – the care homes in Borgomanero and Campi Bisenzio - to InvestiRE SGR S.p.A. The properties were then leased back by the Group.

As in prior years, the depreciation charged to 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.

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

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

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

18) Right-of-use assets

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

Movements in this caption are analysed below:

	Opening balance			Changes in the year						Closing balance		
	Historical cost	Impairment losses and accumulated depreciation	Carrying amount as at 31/12/2022	Purchases	Reclassifications		Net disposals		Impairment losses and depreciation	Historical cost	Impairment losses and accumulated depreciation	Carrying amount as at 31/12/2023
(eur/000)					Historical cost	Impairment losses and accumulated depreciation	Historical cost	Impairment losses and accumulated depreciation				
Righ-of-use buildings	979,657	(201,663)	777,994	43,454			(754)	754	(62,179)	1,022,357	(263,088)	759,269
Righ-of-use plant and machinery	1,207	(1,207)	-							1,207	(1,207)	-
Righ-of-use industrial and commercial equipment	983	(828)	155						(52)	983	(880)	103
Righ-of-use other assets	2,805	(1,642)	1,163	3,114			(686)	686	(1,443)	5,233	(2,399)	2,834
Total	**984,652**	**(205,340)**	**779,312**	**46,568**	**-**	**-**	**(1,440)**	**1,440**	**(63,674)**	**1,029,780**	**(267,574)**	**762,206**

The increase for the year mainly refers to the effect of inflation on lease/rental instalments (impact of around € 33.7 million), to new lease/rental agreements (specifically the Borgomanero and Campi Bisenzio care homes which were involved in a sale and leaseback operation and the new head office of German subsidiary Charleston – total impact of € 14.6 million) and the renewal of several lease/rental agreements after renegotiation with the owners of the properties: this is net of a number of decreases relating to lease/rental agreements that were terminated ahead of their scheduled expiry dates.

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 31/12/2022	Purchases	Reclassifications		Net disposals		Impairment losses and depreciation	Historical cost	Impairment losses and accumulated depreciation	Carrying amount as at 31/12/2023
(eur/000)					Historical cost	Impairment losses and accumulated depreciation	Historical cost	Impairment losses and accumulated depreciation				
Investment property	4,962	(2,423)	2,539						(128)	4,962	(2,551)	2,411
Total	**4,962**	**(2,423)**	**2,539**	**-**	**-**		**-**	**-**	**(128)**	**4,962**	**(2,551)**	**2,411**

Investment property was valued upon purchase and again at 31 December 2023.

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 2023.

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 € 40 thousand which was classified in the Statement of Profit or Loss under "impairment losses (gains) on equity accounted investments".

With effect from 30 June 2023, the investment in ClearView Healthcare LTD has been consolidated at cost as it is no longer material for the purposes of the KOS consolidated financial statements following the sale of the investment held by it in ClearMedi Healthcare LTD. The investment in ClearView Healthcare LTD was written down in full during 2022.

Other investments in associates and other equity-accounted investees

Name	Main office	Share/quota capital (Eur)		Owner	% of investment	Group interest	Carrying amount (eur) 31/12/2023	Carrying amount (eur) 31/12/2022
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%	670	631
ClearView Healthcare LTD	New Delhi (IND)	4,661,880	INR	Kos S.p.A	85.19%	85.19%	-	-
Altre imprese							32	32
Total							**2,495**	**2,456**

** Equity-accounted investees*

21) Other non-current assets

The following table provides a breakdown of this item:

(eur/000)	31/12/2023	31/12/2022	Var.
Tax assets	12	12	-
Security deposits	424	416	8
Amounts receivables from social security institutions	315	448	(133)
Other assets	1,378	1,479	(101)
Total	**2,129**	**2,355**	**(226)**

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) Other financial assets

"Other financial assets" include investments of cash in Time Deposits with leading banks. The agreed maturity periods are 12 and 18 months. Within said periods, it is not possible to withdraw from the contract for the Time Deposits with Credit Agricole (€ 30,000 thousand) while it is possible to withdraw from the contract for the Time Deposits with Intesa San Paolo (10 Time Deposits of € 5,000 thousand each); in the latter case, withdrawal is possible subject to waiving the interest accruing up to the date of withdrawal. The balance also includes Time Deposits totalling € 25,000 thousand that are renewed weekly. The Group can and intends to maintain all of the Time Deposits until their scheduled maturity date.

Details are of this item provided below:

(eur/000)	31/12/2023	within 12 months	1-2 years	31/12/2022	within 12 months	1-2 years
Other financial assets	**106,848**	106,848	-	-	-	-
Total	**106,848**	**106,848**	-	-	-	-

The carrying amount of these assets has been restated at fair value by adjusting the Time Deposits to take into account the credit rating of the banks with which the Group operates. This process led to an impairment adjustment of € 78 thousand to these assets.

23) 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)	31/12/2023		31/12/2022	
	Difference	Tax	Difference	Tax
Temporary difference in current assets	12,350	2,986	10,275	2,488
Temporary difference in non-current assets	49,072	12,315	41,672	10,848
Temporary difference in current liabilities	5,337	1,383	5,935	1,532
Temporary difference in provisions for personnel	11,331	2,719	15,496	3,726
Temporary difference in provisions for risks and charges	17,501	4,239	20,821	5,034
Temporary difference in financial instruments	39	9	50	12
Temporary difference from tax losses	1,133	272	8,362	2,007
Total deferred tax assets	**96,763**	**23,923**	**102,611**	**25,647**

(eur/000)	31/12/2023		31/12/2022	
	Difference	Tax	Difference	Tax
Temporary difference in non-current assets	52,344	14,538	51,924	14,501
Temporary difference in provisions for personnel	530	125	881	210
Total deferred tax liabilities	**52,874**	**14,663**	**52,838**	**14,719**

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 the 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 not used for deferred tax computation purposes amount to € 3,668 thousand. For reasons of prudence, no deferred tax assets have recognised on such losses. A detailed analysis is provided below:

	31/12/2023	31/12/2022
Prior year losses	4,801	8,394
of which:		
- tax losses that generate deferred tax assets	1,133	8,362
- tax losses that did not generate deferred tax assets	3,668	32

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.).

In 2022, deferred tax assets mainly referred to tax loss carryforwards available to the CIR group taxation arrangement, most of which were recovered in the year ended 31 December 2023.

Deferred taxes recognised directly in equity during the year were positive and amounted to € 94 thousand. They refer to the tax effect of the actuarial gains(losses) from application of IAS 19 (€ 99 thousand positive) and to the measurement of the derivatives of the parent KOS S.p.A (€5 thousand negative).

Changes in deferred tax assets and liabilities compared to 31 December 2022 are analysed below, inclusive of equity effects not passing through profit or loss.

Movements in deferred tax assets and liabilities

(eur/000)	31/12/2022	Use of deferred taxes from previous year	Deferred taxes for the year	Changes in consolidation scope	Other changes	31/12/2023
Deferred tax assets						
- in profit or loss	25,069	(4,887)	3,101			23,283
- in equity	578	(6)	68			640
Total	**25,647**	**(4,893)**	**3,169**	**-**	**-**	**23,923**

(eur/000)	31/12/2022	Use of deferred taxes from previous year	Deferred taxes for the year	Changes in consolidation scope	Other changes	31/12/2023
Deferred tax liabilities						
- in profit or loss	(8,372)	486	(462)			(8,348)
- in equity	(6,347)	32				(6,315)
Total	**(14,719)**	**518**	**(462)**	**-**	**-**	**(14,663)**
Net deferred taxes	**10,928**	**(4,375)**	**2,707**	**-**	**-**	**9,260**

During the reporting period, deferred tax assets recognised through profit or loss had a negative impact of € 1,786 thousand while the positive impact of accounting for deferred tax liabilities was € 24 thousand.

The following table shows movements in deferred tax assets and liabilities in 2022.

(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**

CURRENT ASSETS

24) Inventories

At 31 December 2023, inventories amounted to € 5,374 thousand and decreased by € 148 thousand compared to 31 December 2022.

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

(eur/000)	31/12/2023	31/12/2022	Var.
Other goods	549	560	(11)
Healthcare goods	4,280	4,478	(198)
Food product inventory	545	484	61
Total	**5,374**	**5,522**	**(148)**

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.

25) Financial assets with the parent

(eur/000)	31/12/2023	31/12/2022	Var.
Financial assets with the parent	3,474	743	2,731
Total	**3,474**	**743**	**2,731**

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

26) Trade receivables

At 31 December 2023, trade receivables amounted to € 91,330 thousand, an increase of € 3,268 thousand on 31 December 2022.

The balance is analysed as follows:

(eur/000)	31/12/2023	%	31/12/2022	%	Var.
Trade receivables from private customers	21,939	20%	19,353	17%	2,586
Trade receivables form public-sector customers	90,098	80%	92,916	83%	(2,818)
Loss allowance	(20,707)		(24,207)		3,500
Total	**91,330**	**100%**	**88,062**	**100%**	**3,268**

A specific loss allowance is created to bring trade receivables into line with their estimated realisable amount. Accruals to the provision loss allowance are made based on a detailed assessment of each receivable balance, taking account of overdue balances. During the reporting period, € 97 thousand was allocated to the allowance, excluding the amount provided for interest on arrears, while € 1,533 thousand was reversed following the recovery of an old amount due from the ASL of Reggio Calabria.

Note that the loss allowance includes a prudent accrual made upon invoicing interest on arrears, mainly to public sector customers. This accrual, amounting to € 5,748 at 31 December 2023, has decreased compared to 31 December 2022 following the collection of an old receivable due from the ASL of Reggio Calabria. 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 22% at 31 December 2022 to 18.5% at 31 December 2023.

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

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

Trade receivables at 31 December 2023 and 2022 are broken down by region in the table below:

(eur/000)	31/12/2023	%	31/12/2022	%	Var.
Lombardy	5,198	6%	1,486	2%	3,712
Trentino Alto Adige	1,418	2%	1,239	1%	179
Veneto	3,032	3%	2,509	3%	523
Piedmont	3,796	4%	4,638	5%	(842)
Liguria	3,624	4%	3,161	4%	463
Tuscany	2,497	3%	666	1%	1,831
Emilia Romagna	8,934	10%	1,856	2%	7,078
Marche	39,283	43%	44,123	50%	(4,840)
Lazio	3,084	3%	3,470	4%	(386)
Campania	5,062	6%	6,486	7%	(1,424)
Calabria	321	0%	3,676	4%	(3,355)
Sicily	25	0%	254	0%	(229)
Other regions	3,445	4%	4,158	5%	(713)
Foreign countries	11,611	13%	10,340	12%	1,271
Total	**91,330**	**100%**	**88,062**	**100%**	**3,268**

At 31 December 2023 and 31 December 2022, there were no trade receivables due after more than five year.

27) Other assets

At 31 December 2023, other current assets amounted to € 14,113 thousand, a decrease of € 2,939 thousand compared to 31 December 2022, as detailed below:

(eur/000)	31/12/2023	31/12/2022	Var.
Financial assets with associates	105	133	(28)
Financial assets with others	12,436	12,981	(545)
Tax assets	1,572	3,938	(2,366)
Total	**14,113**	**17,052**	**(2,939)**

"Tax assets" includes VAT assets of € 223 thousand (€ 258 thousand at 31 December 2022), IRES and IRAP payments on account totalling € 25 thousand (€ 289 thousand at 31 December 2022), a tax credit of around € 722 thousand relating to the 4.0 transition plan and taxes withheld from interest income of € 542 thousand.

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.

At 31 December 2023 and 31 December 2022, there were no other amounts due after more than five years.

28) Financial assets

The balance of € 9,481 thousand at 31 December 2023 has increased compared to 31 December 2022 (€ 6,508 thousand). It mainly comprises financial assets from non-recourse factoring and the financial assets for the fair value measurement of a derivative.

29) Cash and cash equivalents

Cash and cash equivalents totalled € 40,893 thousand at 31 December 2023, a decrease of € 50,703 thousand compared to 31 December 2022. They can be broken down as follows:

(eur/000)	31/12/2023	31/12/2022	Var.
Bank and postal deposits	40,515	91,186	(50,671)
Cash and cash equivalents on hand	316	285	31
Cheques	62	125	(63)
Total	**40,893**	**91,596**	**(50,703)**

Movements in cash and cash equivalents in 2023 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 € 38 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 € 920,678 thousand against € 976,419 thousand at 31 December 2022. For further information, see the note on the “Net financial position”.

30) Equity

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

	SHARE CAPITAL	LEGAL RESERVE	SHARE PREMIUM RESERVE	STOCK OPTION RESERVE	HEDGING RESERVE	ACTUARIAL RESERVE	RETAINED EARNINGS(LOSSES CARRIED FORWARD)	TRANSLATION RESERVE	PROFIT FOR THE YEAR	TOTAL	PROFIT FOR THE YEAR ATTRIBUTABLE TO NC INTERESTS	NON-CONTROLLING INTERESTS	TOTAL
BALANCE AT 31 DECEMBER 2022	**8,853**	**1,771**	**40,250**	**2,449**	**(29)**	**(1,144)**	**286,115**	**771**	**(754)**	**338,282**	**986**	**6,694**	**345,962**
Capital increase										0			0
Profit for the year									11,653	11,653	1,066		12,719
Other comprehensive income:													
Changes in hedging reserve					16					16			16
Changes in actuarial reseve						(326)				(326)		1	(325)
Translation differences								(771)		(771)			(771)
Total other comprehensive income	**0**	**0**	**0**	**0**	**16**	**(326)**	**0**	**(771)**	**11,653**	**10,572**	**1,066**	**1**	**11,639**
Increase in stock option reserve				(295)			312			17			17
Die Frankenschwestern GmbH third parties purchase							(243)			(243)		213	(30)
Sale of ClearMedi HealthCare LTD										0		(84)	(84)
Sanatrix Srl third parties purchase							(6)			(6)		(926)	(932)
Allocation of prior year profit							(754)		754	0	(986)	986	0
Dividends paid and reserves distributed										0		(505)	(505)
BALANCE AT 31 DECEMBER 2023	**8,853**	**1,771**	**40,250**	**2,154**	**(13)**	**(1,470)**	**285,424**	**0**	**11,653**	**348,622**	**1,066**	**6,379**	**356,067**

Share capital

Share capital was wholly subscribed and paid at 31 December 2023. 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 2023 are shown in the following table:

31/12/2023	*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 plan	1,414,583	2.65					10,000	2.65	1,404,583	2.65	9.4	1,404,583	2.65	31/12/2014	17/05/2033
Stock Option '16 'plan	1,206,000	7.76					255,000	7.76	951,000	8.02	9.4	951,000	8.02	17/05/2023	17/05/2033
Total	**2,620,583**	**5.00**					**265,000**	**7.56**	**2,355,583**	**4.82**	**9.4**	**2,355,583**	**4.82**		

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 € 18 thousand at 31 December 2023.

Reserves

Legal reserve

The legal reserve amounts to € 1,771 thousand and has not changed compared to 31 December 2022.

Share premium reserve

The share premium reserve amounts to € 40,250 thousand and has not changed compared to 31 December 2022.

Valuation reserves

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

Valuation reserves (eur/000)	31/12/2022	Increase	Decrease	Changes in intrinsic value	31/12/2023
Hedging reserve	(29)			16	(13)
Stock option reserve	2,449	18	(313)		2,154
Actuarial reserve	(1,144)	(326)			(1,470)
Total	**1,276**	**(308)**	**(313)**	**16**	**671**

The ***Stock option reserve*** offsets costs relating to vesting stock options awarded by KOS S.p.A. The decrease compared to prior year regards the cancellation of a number of stock option plans of former Group employees.

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 € 7,445 thousand (€ 7,680 thousand at 31 December 2022), mainly regards fully-consolidated companies with non-controlling investors. The change compared to 31 December 2022 is primarily due to the payment of dividends by Abitare il tempo S.r.l. and Fidia S.r.l. (€ 505 thousand), to profit for the year (€ 1,066 thousand) and to the acquisition of non-controlling interests in Die Frankenschwestern GmbH (€ 213 thousand). We also highlight the sale of ClearMedi Healthcare LTD and the deconsolidation of ClearView Healthcare LTD – now consolidated at cost – which reduced non-controlling interests by € 84 thousand, as well as the acquisition of a non-controlling interest in Sanatrix S.r.l. (impact of € 926 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%	861	4,911
Fidia S.r.l	40%	40%	31	187
KOS Servizi Società Consortile R.L	3%	0%	-	(18)
Sanatrix Gestioni S.r.l.	10%	0%	174	1,893
Sanatrix S.r.l.	10%	10%	-	472
Total			**1,066**	**7,445**

31) Financial liabilities

At 31 December 2023, financial liabilities amounted to € 1,077,900 thousand against € 1,074,523 thousand at 31 December 2022, an increase of € 3,377 thousand for the year.

The following table contains a breakdown of these balances by maturity date as at 31 December 2023 and 31 December 2022.

(eur/000)	31/12/2023	Within the year	1-5 years	Over five years	31/12/2022	Within the year	1-5 years	Over five years
Bank overdrafts	**-**	-	-	-	**-**	-	-	-
Bank loans and borrowings - collateral	**77,142**	3,025	74,117	-	**88,923**	5,000	37,256	46,667
Bank loans and borrowings	**100,292**	14,134	86,158	-	**74,162**	108	74,054	-
Bonds	**99,666**	64,666	35,000	-	**99,666**	666	99,000	-
Loans and borrowings with other financial backers	**191**	191	-	-	**381**	190	191	-
Finance leases	**11,784**	1,483	4,957	5,344	**13,231**	1,453	6,005	5,773
Lease liabilities	**788,825**	58,014	228,134	502,677	**798,160**	52,479	211,160	534,521
Fair value of derivatives	**-**	-	-	-	**-**	-	-	-
Total	**1,077,900**	**141,513**	**428,366**	**508,021**	**1,074,523**	**59,896**	**427,666**	**586,961**

The following table shows movements in non-current financial liabilities between 31 December 2022 and 31 December 2023.

(eur/000)	31/12/2022	Increase	Decrease	31/12/2023
Bank loans and borrowings - collateral	**88,923**	219	(12,000)	**77,142**
Bank loans and borrowings	**74,162**	26,444	(314)	**100,292**
Bonds	**99,666**			**99,666**
Loans and borrowings with other financial backers	**381**		(190)	**191**
Finance leases	**13,231**		(1,447)	**11,784**
Lease liabilities	**798,160**	46,564	(55,899)	**788,825**
Fair value of derivatives	**0**			**0**
Total	**1,074,523**	**73,227**	**(69,850)**	**1,077,900**

Bank loans and borrowings

Details of the main movements are provided below:

- On 27 March, the CDP investments facility – relating to financing arranged with a syndicate of banks on 2 December 2022 for a total of € 150 million – was utilised in the amount of € 26 million.
- Partial early repayment – in the amount of € 12 million – of the real estate facility was made on 28 June.
- The other movements relate to repayments for the reporting period.

At 31 December 2023, available loan facilities included the investment facility and the revolving line of the financing arranged on 2 December 2022 for a total amount of € 49 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 2023 and 31 December 2022.

(eur/000)	31/12/2023	31/12/2022	Var
Regional fund (FRISL)	191	381	(191)
Total	**191**	**381**	**(191)**

Other financial liabilities include € 191 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 at 31 December 2023 and 31 December 2022. The leases are property leases.

(eur/000)	31/12/2023	31/12/2022	Var
Property lease - Montecosaro	1,929	2,402	(473)
Property lease - Foligno	4,251	4,466	(215)
Property lease - Foligno	3,107	3,291	(183)
Property lease - Ascoli	2,497	3,072	(575)
Total	**11,784**	**13,231**	**(1,446)**

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

Lease liabilities

Pursuant to IFRS 16, the Group has recorded a lease liability which totalled € 788,825 thousand at 31 December 2023, a net decrease of € 9,335 thousand compared to 31 December 2022 (€ 798,160 thousand). Increases totalling € 46,564 thousand partly relate to new contracts signed by the Group and to the revision of existing repayments; they also regard the inflation-related effect on repayments under existing contracts (around € 33.7 million). These increases were more than offset by repayments for the year. The liabilities mainly refer to the rental/lease of buildings and to the hire/rental of cars and other assets.

32) Deferred tax liabilities

Deferred tax liabilities totalled € 14,663 thousand at 31 December 2023, slightly lower than at 31 December 2022 (€ 14,719 thousand).

The deferred tax liabilities relate to temporary differences between the carrying amount of the assets and liabilities recognised in the financial statements and their corresponding tax bases. See note 23 “Deferred taxes” for further information.

33) 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 2023, the post-employment benefits amounted to € 20,586 thousand, an increase of € 509 thousand compared to 31 December 2022.

The following table shows movements in provisions for personnel in 2023.

(eur/000)	**31/12/2023**	**31/12/2022**
Opening balance	20,077	24,129
Service cost	11,718	11,943
Financial expense	695	215
Benefits paid	(1,965)	(2,457)
Transfers to pension funds/treasury fund	(10,386)	(10,634)
Other changes	23	(398)
Net unrealised actuarial gains (losses)	424	(2,721)
Total	**20,586**	**20,077**

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	**31/12/2023**	**31/12/2022**
Inflation rate	2.00%	2.30%
Discount rate	3,08%*	3,77%*
Remuneration increase rate	0,50% - 1,50%	0,50% - 1,50%
ESI increase rate	3.00%	3.23%

Demographic assumptions	**31/12/2023**	**31/12/2022**
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.

	KOS CARE S.R.L.	ABITARE IL TEMPO S.R.L.	SANATRIX GESTIONI S.R.L.	FIDIA S.R.L.	JESILAB S.R.L.	KOS S.p.A.	KOS SERVIZI SOC. CONSORTILE A R.L.	OSPEDALE DI SUZZARA SPA
Turnover index +1,00%	12,508,834.06	483,894.89	516,957.38	163,532.94	121,618.65	736,284.72	5,219,543.54	64,350.15
Turnover index -1,00%	12,447,974.60	476,722.43	514,005.90	158,785.54	119,498.66	730,912.84	5,170,427.28	63,678.46
Inflation index +0,25%	12,609,759.26	489,322.27	521,520.58	165,160.55	122,915.71	746,180.83	5,289,947.38	64,963.85
Inflation index -0,25%	12,351,409.11	471,930.95	509,667.33	157,571.88	118,399.47	721,609.75	5,105,649.12	63,120.55
Discount rate +0,25%	12,278,295.05	469,193.99	506,286.07	156,248.38	117,720.80	717,492.06	5,081,594.10	62,596.80
Discount rate -0,25%	12,686,858.29	492,276.06	525,093.10	166,606.74	123,653.50	750,589.63	5,316,006.88	65,523.97

Company	KOS CARE S.R.L.	ABITARE IL TEMPO S.R.L.	SANATRIX GESTIONI S.R.L.	FIDIA S.R.L.	JESILAB S.R.L.	KOS S.p.A.	KOS SERVIZI SOC. CONSORTILE A R.L.	OSPEDALE DI SUZZARA SPA
Service Cost pro futuro	0	46,092.46	0	11,869.25	21,784.88	56,801.13	920,668.76	0
Duration del piano	7.32	13.88	8.07	17.28	16.39	12.38	14.97	9.98

				Expected disbursements				
Years	KOS CARE S.R.L.	ABITARE IL TEMPO S.R.L.	SANATRIX GESTIONI S.R.L.	FIDIA S.R.L.	JESILAB S.R.L.	KOS S.p.A.	KOS SERVIZI SOC. CONSORTILE A	OSPEDALE DI SUZZARA SPA
1	1,716,136.92	30,592.91	51,907.54	4,353.47	11,412.39	44,246.75	718,480.35	5,945.91
2	1,139,467.31	30,639.67	29,090.89	17,413.41	12,362.11	46,287.46	369,499.39	4,189.38
3	1,032,870.05	48,882.78	33,573.11	4,636.22	13,201.73	48,230.39	466,463.71	4,013.10
4	539,664.08	32,171.12	26,907.27	4,919.26	13,926.02	50,110.33	286,199.38	3,844.62
5	989,801.20	56,370.19	34,776.15	5,208.35	14,541.83	51,800.45	568,627.75	3,680.67

34) Provisions for risks and charges

The following table shows changes during the reporting period:

(eur/000)	**31/12/2022**	**Increase**	**Utilisation**	**Reclassification**	**31/12/2023**
NON-CURRENT					
Provisions for sundry risks	5,419	2,027	(3,270)		4,176
Total "NON-CURRENT"	**5,419**	**2,027**	**(3,270)**	**-**	**4,176**
CURRENT					
Provisions for sundry risks	40,631	7,887	(11,645)	425	37,298
Total "CURRENT"	**40,631**	**7,887**	**(11,645)**	**425**	**37,298**
TOTAL PROVISIONS FOR RISKS AND CHARGE	**46,050**	**9,914**	**(14,915)**	**425**	**41,474**

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 was determined after a detailed process with external legal and medical consultants assisting company management to make its objective assessments. Based on the assessments performed, the consolidated financial statements include provisions of € 10,069 thousand for litigation and claims with third parties and personnel; € 9,092 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 € 14,489 thousand.

35) Payables to parent company

(eur/000)	31/12/2023	31/12/2022	Var.
Liabilities with the parent	4,514	308	4,206
Total	**4,514**	**308**	**4,206**

At 31 December 2023, payables to parent company CIR S.p.A. mainly included the IRES tax payables relating to the participation of several KOS Group companies in the Group Taxation Arrangement (€ 308 thousand at 31 December 2022).

36) Trade payables

The following table shows trade payables at 31 December 2023 and the change on 31 December 2022:

(eur/000)	31/12/2023	31/12/2022	Var.
NON CURRENT			
Trade payables	784	812	(28)
Total "NON CURRENT"	**784**	**812**	**(28)**
CURRENT			
Trade payables	68,565	74,841	(6,276)
Advance payments	3,001	273	2,728
Total "CURRENT"	**71,566**	**75,114**	**(3,548)**
Total trade payables	**72,350**	**75,926**	**(3,576)**

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 2023 and 31 December 2022, there were no trade payables due after more than five years.

37) Other liabilities

At 31 December 2023, other liabilities decreased to € 81,493 thousand from € 83,692 thousand at 31 December 2022:

(eur/000)	**31/12/2023**	**31/12/2022**	**Var.**
NON CURRENT			
Other sundry liabilities	146	143	3
Total "NON-CURRENT"	**146**	**143**	**3**
CURRENT			
Tax liabilities	2,478	2,766	(288)
Withholding taxes	6,879	6,159	720
Other tax liabilities	519	3,257	(2,738)
Liabilities with social security institutions	13,877	13,317	560
Liabilities with personnel	37,414	34,675	2,739
Guarantee deposits	4,875	6,355	(1,480)
Other sundry liabilities	15,305	17,020	(1,715)
Total "CURRENT"	**81,347**	**83,549**	**(2,202)**
Total other liabilities	**81,493**	**83,692**	**(2,199)**

"Withholding taxes" include the liability for withholding taxes for employees and free-lance personnel.

"Other tax liabilities" includes, *inter alia*, the liability for stamp duty settled in a virtual manner and the liability for taxes on waste. At 31 December 2022, the balance also included the liability for substitute tax on revaluations due in three annual instalments from June 2021.

"Liabilities with personnel" include payroll liabilities (holiday pay, 14th month's salaries, bonuses, salaries) accruing but not yet paid.

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

38) Guarantees, commitments and risks

Commitments and contingent risks

The following table summarises the Group's commitments and contingent risks at 31 December 2023 and 31 December 2022:

(eur/000)	**31/12/2023**	**31/12/2022**	**Var.**
Surety (building rent)	27,674	28,489	(815)
Surety for key money	225	225	-
Other commitments	5,093	6,916	(1,822)
Total	**32,993**	**35,630**	**(2,637)**

At 31 December 2023, 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 € 32,993 thousand, as follows:

- Guarantee on behalf of KOS S.p.A for lease of offices in via Durini - around €46 thousand
- Guarantees on behalf of KOS Care S.r.l. for leases - around € 27,628 thousand;
- Guarantee in favour of the Municipality of Sanremo for security deposits on planning permission/urbanisation costs - € 225 thousand.

At 31 December 2023, other commitments and risks amounted to € 5,093 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
- other contractual commitments for around € 371 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 111 care homes for the elderly, 7 were owned by the Group as were 7 of the 33 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 originally for Euro 100 million and utilised to the extent of Euro 78 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.

39) Related party transactions

In compliance with IAS 24, we note that the following entities are considered "related parties" for the purposes of these Notes:

a) companies which, directly or indirectly through one or more intermediary companies, control or are controlled by, or are under joint control with the company preparing the financial statements;
b) associates;
c) physical persons who directly or indirectly hold voting powers in the company preparing the financial statements, such as to give them a dominant influence on the company, and their close relatives[1];
d) executives with strategic responsibilities, i.e. those who have powers and responsibilities for planning, managing and controlling the activities of the company preparing the financial statements, including the company directors and officers and their close relatives;
e) companies where significant voting powers are directly or indirectly held by any individuals described under c) or under d), or where such individuals can exercise significant influence.

Case e) above includes companies owned by the directors or major shareholders of the company preparing the financial statements and companies having an executive with strategic responsibilities in common with the company preparing the financial statements.

KOS S.p.A. and the other Group companies 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

[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.

of the KOS Group with other entities identified as related parties and belonging to the KOS Group at both 31 December 2023 and 31 December 2022:

INTERCOMPANY ASSETS / LIABITIES	31/12/2023						31/12/2022					
	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			5,374			4,514			743			308
Associates												
Osimo Salute S.p.A.		105						133				
Other related parties				1,152						3,050		
Total	**-**	**105**	**5,374**	**1,152**	**-**	**4,514**	**-**	**133**	**743**	**3,050**	**-**	**308**

INTERCOMPANY REVENUE/COSTS	31/12/2023						31/12/2022					
	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				5,833						6,595		
Total	**-**	**-**	**-**	**5,833**	**134**	**-**	**-**	**-**	**-**	**6,595**	**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 € 5,778 thousand for 2023 and liabilities of € 1,148 thousand at 31 December 2023) and, in the comparative period, Studio Dentistico Associato Grechi (costs of € 1,270 thousand for 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 in the comparative period because it is managed by close relatives of a former executive who had strategic responsibility within KOS Care S.r.l.

The fees of the members of the Boards of Directors of the KOS Group companies amounted to € 1,235 thousand (€ 1,367 thousand in 2022).

The fees of the members of the Boards of Statutory Auditors of the KOS Group companies amounted to € 112 thousand (€ 119 thousand in 2022).

Gross remuneration of the key managers totalled € 1,908 thousand in 2023 (€ 1,764 thousand in 2022).

40) Net financial position

At 31 December 2023, the net financial position was as follows:

(eur/000)	31/12/2023	31/12/2022
(A) Cash and cash equivalents	40,893	91,596
(B) Other cash equivalents	-	-
(C) Liquidity (A) + (B)	**40,893**	**91,596**
(D) Securities, derivatives and other financial assets	116,329	6,508
(E) Total current financial assets (C) + (D)	**157,222**	**98,104**
(F) Account overdrafts	-	-
(G) Collateral loans	3,025	5,000
(H) Bank loans	14,134	108
(I) Bonds	64,666	666
(J) Finance leases	1,483	1,453
(K) Lease liabilities	58,014	52,479
(L) Loans and borrowings with other financial backers	191	190
(M) Derivatives	-	-
(N) Current financial indebtedness (F) + (G) + (H) + (I) + (J) + (K) + (L) + (M)	**141,513**	**59,896**
(O) Net current financial position (N) - (E)	**(15,709)**	**(38,208)**
(P) Collateral loans	74,117	83,923
(Q) Bank loans	86,158	74,054
(R) Bonds	35,000	99,000
(S) Finance leases	10,301	11,778
(T) Right of use loans	730,811	745,681
(U) Loans and borrowings with other financiale backers	-	191
(V) Non-current financial indebtedness (P)+(Q)+(R)+(S)+(T)+(U)	**936,387**	**1,014,627**
(W) Net financial indebtedness (O)+(V)	**920,678**	**976,419**

The Group's net financial indebtedness is € 921 million against € 976 million at 31 December 2022. The improvement of around € 55 million is mainly due to the increase in working capital, the sale of the Indian company and the sale of properties.

The Group's financial indebtedness includes: (i) cash and cash equivalents of € 40.9 million; (ii) financial assets for measurement of derivatives of € 0.05 million; (iii) current financial assets (factoring) of € 9.43 million; (iv) Time Deposits of € 105 million (v) current financial indebtedness (advances on invoices and bank overdraft) of zero while total available short term credit facilities amount to € 33 million; (vi) non-current financial indebtedness of € 1,094.5 million which totals € 294.4 million if lease liabilities are excluded. The Group also has the possibility of using additional medium/long term lines of credit totalling € 49 million.

The statement of cash flows shows that cash flows from operating activities amounted to € 115,236 thousand in the year ended 31 December 2023 compared to € 96,166 thousand in the year ended 31 December 2022.

Cash flows used in investing activities went from a € 41,121 thousand in 2022 to € 113,171 thousand in 2023. We highlight, in particular, the investment of some € 105,000 thousand of the Group's cash in Term Deposits.

Cash flows used in financing activities went from € 135,533 thousand in 2022 to € 69,421 thousand in 2023.

41) 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.

	2023	2022
	December	December
Earning (loss) for the year		
Profit (loss) for the year attributable to shareholders (A)	**11,653,205**	**(753,575)**
Diluted effect (B)	**0**	**0**
Diluted earning (loss) attributable to shareholders (E=A+B)	**11,653,205**	**(753,575)**
Number of shares		
Weighted average number of ordinary shares outstanding (C)	89,016,534	89,016,534
Diluted effect (D)	966,987	973,871
Weighted average number of ordinary shares outstanding dluited (F=C+D)	89,983,521	89,990,405
Basic earning (loss) per share (A/C)	**0.131**	**(0.008)**
Diluited earning (loss) per share (E/m in (F;C))	**0.130**	**(0.008)**

42) Segment reporting

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

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

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

Some profit and loss and statement of financial position information by operating segment for 2023 and 2022 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											
	31/12/2023	31/12/2022	31/12/2023	31/12/2022	31/12/2023	31/12/2022	31/12/2023	31/12/2022	31/12/2023	31/12/2022	31/12/2023	31/12/2022	31/12/2023	31/12/2022
Total revenue	**252,519**	**225,372**	**220,851**	**191,268**	**203,164**	**189,737**	**77,125**	**80,292**	**-**	**-**	**(1,703)**	**(3,195)**	**751,956**	**683,474**
GROSS OPERATING PROFIT (LOSS) (EBITDA)	65,016	51,483	29,956	32,475	42,350	28,732	9,907	12,328	-	-	(3,239)	(3,591)	143,990	121,427
OPERATING PROFIT (LOSS) (EBIT)	26,680	13,198	933	5,898	25,581	10,753	4,343	6,311	-	-	(4,511)	(5,717)	53,026	30,443
NET FINANCIAL EXPENSE													(33,325)	(31,345)
INCOME TAXES													(7,921)	422
PROFIT (LOSS) FROM CONTINUING OPERATIONS													11,780	(480)
PROFIT (LOSS) FROM DISCONTINUED OPERATIONS													939	712
PROFIT FOR THE YEAR ATTR. TO NON-CONTROLLING INTERESTS													1,066	986
PROFIT FOR THE YEAR ATTR. TO OWNERS OF THE PARENT													11,653	(754)

	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	31/12/2023	31/12/2022	31/12/2023	31/12/2022	31/12/2023	31/12/2022	31/12/2023	31/12/2022	31/12/2023	31/12/2022	31/12/2023	31/12/2022	31/12/2023	31/12/2022
Property, plant and equipment*	81,789	98,799	12,577	11,715	112,823	113,776	26,963	26,993			1,799	2,720	235,951	254,002
Intangible assets	145,288	145,653	93,406	93,091	112,718	112,565	17,590	17,701			1,828	1,497	370,830	370,506
Right of use assets	302,226	297,565	378,032	396,224	79,893	84,260	604	503			1,451	760	762,206	779,312
Other non current assets	1,428	1,428	15	15	871	871	76	76			26,157	28,068	28,547	30,458
Assets held for sale										25,106			0	25,106
Current assets	21,822	23,686	12,450	11,003	49,884	50,740	14,321	14,723			173,036	109,331	271,513	209,483
Total assets	**552,553**	**567,130**	**496,480**	**512,047**	**356,189**	**362,212**	**59,554**	**59,996**	**0**	**25,492**	**204,271**	**142,376**	**1,669,047**	**1,668,867**
Equity											356,067	345,962	356,067	345,962
Non current liabilities	2,252	2,176	198	183	13,555	14,050	662	605			960,075	1,038,783	976,742	1,055,797
Liabilities held for sale										7,610			0	7,610
Current liabilities	86,230	79,991	32,730	30,598	58,447	54,029	27,377	27,972			131,454	66,908	336,238	259,498
Total liabilities	**88,482**	**82,166**	**32,928**	**30,781**	**72,002**	**68,079**	**28,039**	**28,578**	**0**	**7,718**	**1,447,596**	**1,451,653**	**1,669,047**	**1,668,867**

* Including investment property

43) Significant events after the reporting date

The acquisition of non-controlling interests in Sanatrix S.r.l. was completed in January 2024. The transaction involved the acquisition of 4.8511% of the quota capital of said company for € 1,970 thousand.

The Group's business activities showed important signs of recovery in 2023 and the trend has continued in the first few months of 2024. In Italy, the various business sectors are approaching pre-Covid levels of activity. Financial indicators continue to improve, although they are not yet at pre-pandemic levels and uncertainty remains over the limits of public funding and the ability to respond to growing demand with the right mix of public and private sector resources. In Germany, levels of activity are close to pre-Covid levels but a full recovery in margins depends on how quickly public sector tariffs will align with costs which have risen because of inflation.

44) 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, has now recovered after the unforeseeable crisis period, of extraordinary intensity, caused by the Covid-19 pandemic.

In 2024, the Group drew up a Plan that shows how the profitability that was enjoyed before the pandemic broke out has been restored and how it will be consolidated in the years ahead (healthy net profit already reported for 2023 albeit still 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. More specifically, in 2023, the Company invested in low-risk, short-term financial instruments the cash needed to cover debt repayments falling due in 2024 and 2025, especially the two bonds issued in 2017 and 2018.

Loan covenants were comfortably complied with as at 31 December 2023. 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 already in 2023 and 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.

45) Management and coordination activities

Pursuant to Article 2497 bis of the Italian Civil Code, we inform you that the Parent is subject to management and coordination by the ultimate parent CIR S.p.A whose relations with the 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 parent company CIR S.p.A. are set out below (source: https://www.cirgroup.it/bilanci-e-relazioni).

(eur)

ASSETS		***31.12.2022***
NON-CURRENT ASSETS		**674,914,928**
INTANGIBLE ASSETS		97,089
PROPERTY, PLANT AND EQUIPMENT		5,180,897
INVESTMENT PROPERTY		14,724
RIGHT-OF-USE ASSETS		98,911
EQUITY INVESTMENTS		581,405,292
OTHER ASSETS		56,595,536
of which with related parties (*)	*54,788,186*	
OTHER FINANCIAL ASSETS		24,400,842
DEFERRED TAX ASSETS		7,121,637
CURRENT ASSETS		**24,635,379**
OTHER ASSETS		8,378,708
of which with related parties (*)	*1,331,927*	
SECURITIES		9,647,249
CASH AND CASH EQUIVALENTS		6,609,422
ASSETS HELD FOR SALE		**10,975,641**
TOTAL ASSETS		**710,525,948**

LIABILITIES		***31.12.2022***
EQUITY		**692,541,366**
SHARE CAPITAL		420,000,000
RESERVES		258,376,990
RETAINED EARNINGS		11,119,524
PROFIT FOR THE YEAR		3,044,852
NON-CURRENT LIABILITIES		**2,763,618**
LEASE LIABILITIES		59,307
OTHER LIABILITIES		282,000
DEFERRED TAX LIABILITIES		121,956
EMPLOYEE BENEFIT OBLIGATIONS		2,300,355
CURRENT LIABILITIES		**10,220,964**
LEASE LIABILITIES		29,867
OTHER LIABILITIES		10,191,097
of which with related parties (*)	*2,398,943*	
LIABILITIES ASSOCIATED WITH ASSETS HELD FOR SALE		**5,000,000**
TOTAL LIABILITIES AND EQUITY		**710,525,948**

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

(eur)

		2022
SUNDRY REVENUE AND INCOME		1,762,670
of which with related parties (*)	778,580	
SERVICES		(6,071,783)
of which with related parties (*)	(12,000)	
PERSONNEL EXPENSE		(4,087,847)
OTHER OPERATING COSTS		(5,832,925)
AMORTISATION, DEPRECIATION AND IMPAIRMENT LOSSES		(962,753)
OPERATING (LOSS)		**(15,192,638)**
FINANCIAL INCOME		1,356,563
of which with related parties (*)	966,457	
FINANCIAL EXPENSE		(23,951)
DIVIDENDS		15,951,882
of which with related parties (*)	15,951,882	
GAINS FROM SECURITIES TRADING		60,502
LOSSES FROM SECURITIES TRADING		(833,487)
NET FAIR VALUE LOSSES ON FINANCIAL ASSETS		(3,418,629)
PRE-TAX LOSS		**(2,099,758)**
INCOME TAXES		5,144,610
PROFIT FROM CONTINUING OPERATIONS		**3,044,852**
PROFIT FROM DISCONTINUED OPERATIONS		--
PROFIT FOR THE YEAR		**3,044,852**
BASIC EARNINGS PER SHARE (in euro)		0.0028
DILUTED EARNINGS PER SHARE (in euro)		0.0028
BASIC LOSS PER SHARE FROM CONTINUING OPERATIONS (IN EURO)		0.0028
DILUTED LOSS PER SHARE FROM CONTINUING OPERATIONS (IN EURO)		0.0028

(*) 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 financial	Milan Via Ciovassino, 1	Turin Via Valeggio, 41

Milan, 22 February 2024

For the Board of Directors
The Chairman
Carlo Michelini

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 2023, the statements of profit or loss, comprehensive income, changes in equity and cash flows for the year then ended and notes thereto, which include material information on the 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 2023 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 the 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 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 audit 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 conoslidated 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 2023 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 2023 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 2023 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, 4 April 2024

KPMG S.p.A.

(signed on the original)

Francesco Cuzzola
Director of Audit