KEDRION
BIOPHARMA

KEDRION GROUP

CONSOLIDATED FINANCIAL STATEMENTS
AS AT DECEMBER 31, 2019

Kedrion S.p.A.

Joint-stock company
Fully paid-up share capital Euro 60,453,901
Registered office: Località Ai Conti - 55051 BARGA (LU), fraz. Castelvecchio Pascoli,
Production facility: 55027 GALLICANO (LU) – frazione Bolognana
80029 S. ANTIMO (NA)
Tax Code – VAT No. – Reg. Of Companies of Lucca No. 01779530466 – Economic & Administrative Index No. 170535.

INDEX

1. **GROUP STRUCTURE** 4

2. **CORPORATE BODIES** 5

3. **REPORT OF THE INDEPENDENT AUDITOR** 7

3.1. INDEPENDENT AUDITOR'S REPORTREPORT ON CONSOLIDATED FINANCIAL STATEMENTS 7
3.2. REPORT ON CONSOLIDATED DISCLOSURE OF NON-FINANCIAL INFORMATION IN ACCORDANCE WITH D. LGS. 254/2016 13

4. **REPORT ON OPERATIONS** 17

4.1. SEGMENT PERFORMANCE 18
4.2. BUSINESS OPERATIONS 22
4.3. SIGNIFICANT EVENTS DURING THE YEAR 22
4.4. BUSINESS PERFORMANCE 24
4.5. STATEMENT OF FINANCIAL POSITION 30
4.6. MAIN RISKS AND UNCERTAINTIES TO WHICH THE GROUP IS EXPOSED 35
4.7. DIVIDEND POLICY 38
4.8. PERSONAL DATA PROCESSING 38
4.9. MAIN FEATURES OF THE INTERNAL RISK MANAGEMENT AND CONTROL SYSTEM IN RELATION TO THE FINANCIAL RE-PORTING PROCESS, ALSO CONSOLIDATED (INFORMATION PURSUANT TO ARTICLE 123-BIS, PARAGRAPH 2. B) OF LEGISLATIVE DECREE 58/98) 39
4.10. PARENT COMPANY AND CONSOLIDATED SUBSIDIARIES/ASSOCIATES 42
4.11. SIGNIFICANT EVENTS AFTER YEAR END 47
4.12. NON-RECURRING TRANSACTIONS 49
4.13. TRANSACTIONS WITH RELATED PARTIES 50
4.14. RECONCILIATION OF NET PROFIT AND GROUP EQUITY WITH THE ANALOGOUS VALUES OF THE PARENT COMPANY 51
4.15. CONSOLIDATED DISCLOSURE OF NON-FINANCIAL INFORMATION IN ACCORDANCE WITH LEGISLATIVE DECREE 254/2016 52

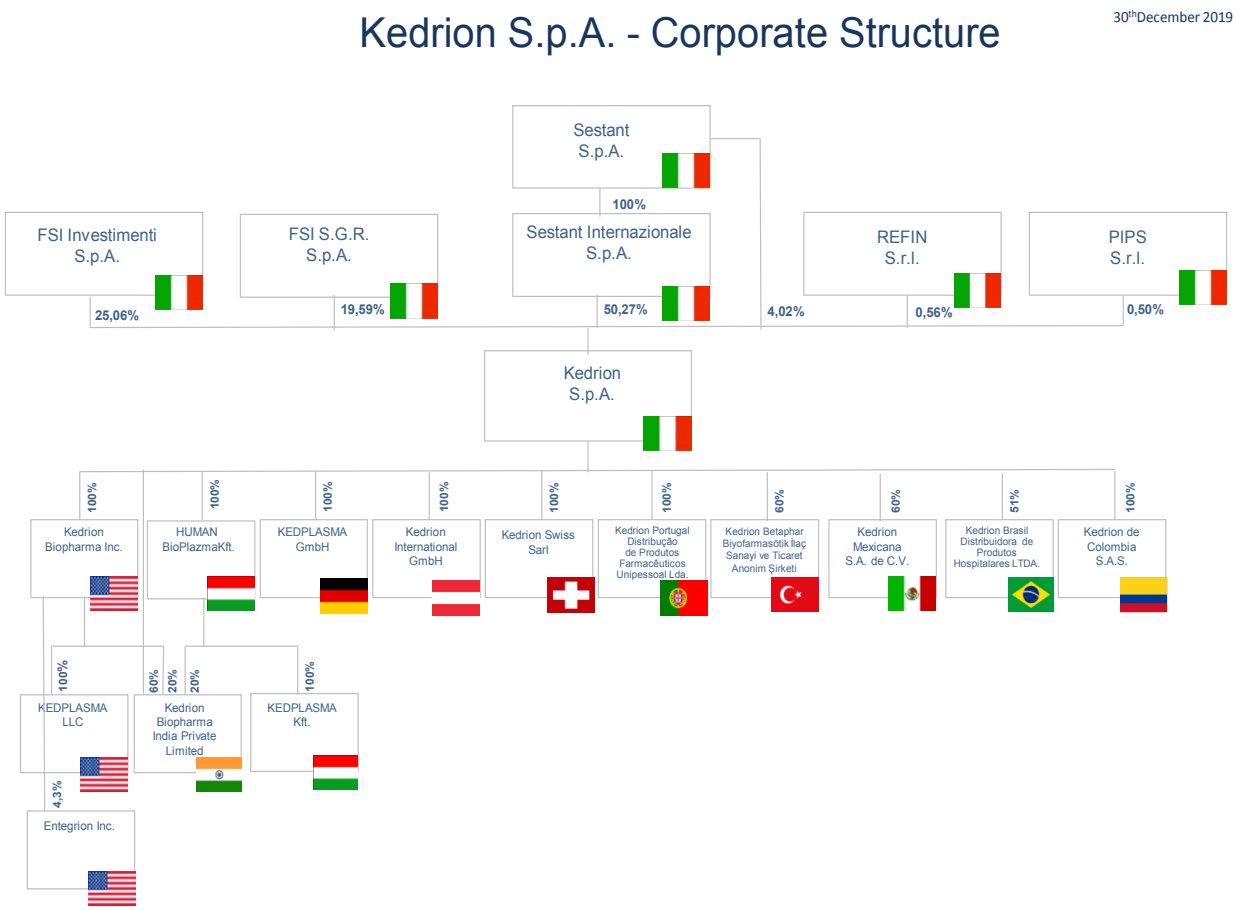
5. **FINANCIAL STATEMENTS** 93

5.1. CONSOLIDATED STATEMENT OF FINANCIAL POSITION 93
5.2. STATEMENT OF PROFIT OR LOSS FOR THE YEAR 95
5.3. STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME 96
5.4. STATEMENT OF CHANGES IN CONSOLIDATED SHAREHOLDERS' EQUITY (NOTE 6.4.18) 97
5.5. CONSOLIDATED STATEMENT OF CASH FLOW 98

6. **EXPLANATORY NOTES** 100

6.1. INTRODUCTION 100
6.2. PERIOD'S SIGNIFICANT EVENTS 102
6.3. ACCOUNTING STANDARDS AND MEASUREMENT CRITERIA 104
6.4. COMMENTS ON THE MAIN ITEMS IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION 129
6.5. COMMENT ON THE MAIN ITEMS OF THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS 153
6.6. OTHER INFORMATION 161

1. GROUP STRUCTURE



On November 15, 2019, the closing of the agreement regarding the entry of a new shareholder into Kedrion S.p.A., FSI SGR S.p.A. took place, which took over 19.59% of the shareholding structure. Following the stipulation of an "Investment Contract" between Kedrion S.p.A., Sestant Internazionale S.p.A., Sestant S.p.A., FSI Investimenti S.p.A. and FSI SGR S.p.A., the share capital of Kedrion S.p.A. is now 50.27% owned by Sestant Internazionale S.p.A, 25.06% by FSI Investimenti S.p.A, 19.59% by FSI SGR S.p.A, 4.02% by Sestant S.p.A, for 0.56% by Refin Srl and 0.50% from PIPS S.r.l.
The entry of the new shareholder and the simultaneous strengthening of capital through a capital increase of Euro 50.0 million by FSI SGR S.p.A. and equal to Euro 16.7 million by CDP Equity, represent for Kedrion S.p.A. a strong contribution to create growth and face with new challenges both in the national and international markets.

2. CORPORATE BODIES

BOARD OF DIRECTORS In office until approval of the financial statements for the year ended 31 December 2020	Paolo Marcucci	Chairman and Managing Director
	Umberto della Sala	Deputy Chairman
	Maria Lina Marcucci	Director
	Andrea Marcucci	Director
	Remo Grassi	Director
	Luca Ungarelli	Director
	Fabrizio Redaelli	Director
	Matteo Fanciullacci	Director
	Giovanni Zetti	Director
	Barnaba Ravanne	Director
	Giacomo Tofani	Director
	Massimo Perpoli	Secretary
REMUNERATION COMMITTEE	Paolo Marcucci	Chairman
	Matteo Fanciullacci	
	Barnaba Ravanne	
RISKS COMMITTEE	Fabrizio Redaelli	Chairman
	Giovanni Zetti	
	Giacomo Tofani	
OPERATION COMMITTEE RELATED PARTIES	Barnaba Ravanne	Chairman
	Remo Grassi	
	Matteo Fanciullacci	
TECHNICAL COMMITTEE	Umberto Della Sala	Chairman
	Giovanni Zetti	
	Giacomo Tofani	
	Luca Ungarelli	
BOARD OF STATUTORY AUDITORS In office until approval of the financial statements for the year ended 31	Giuseppe Galeano	Chairman
	Francesco Cirillo	Standing Auditor
	Marco Miccinesi	Standing Auditor
	Fabrizio Cerbioni	Standing Auditor

December 2020.	Luca Michele Debernardi	Standing Auditor
	Giuseppe Paternò	Alternative Auditor
	Niccolò Poggio	Alternative Auditor

INDEPENDENT AUDITORS E.Y. S.p.A.

The statutory audit assignment was awarded by the ordinary Shareholders' Meeting of 27 April 2015 and expires at the time of the Meeting called to approve the financial statements for the year ending 31 December 2022.

THE COMPANY'S BOARD OF DIRECTORS

a) Role and functions

In compliance with Article 18.1 of the Statute, the Board of Directors is vested with full powers for the ordinary and extraordinary management of the Company, without any exceptions, and may perform all deeds, including provisions, that it deems necessary for achieving the corporate purpose, excluding only those that the law or the Statute specifically reserve to the Shareholders' Meeting or in any event which require a shareholder decision.

b) Composition

The Company is managed by a Board of Directors composed of 11 (eleven) members.

c) Delegation and powers

The Board of Directors has delegated certain powers to individual directors. In particular, the Managing Director is invested with powers relating to ordinary administration for the purposes of achieving the corporate purpose and other specific powers.

3. REPORT OF THE INDEPENDENT AUDITOR

3.1. INDEPENDENT AUDITOR'S REPORTREPORT ON CONSOLIDATED FINANCIAL STATEMENTS

Kedrion S.p.A.

Consolidated financial statements as at December 31st, 2019

Independent auditor's report pursuant to article 14 of Legislative Decree n. 39, dated 27 January 2010, and article 10 of EU Regulation n. 537/2014

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Independent auditor's report pursuant to article 14 of Legislative Decree n. 39, dated 27 January 2010 and article 10 of EU Regulation n. 537/2014
(Translation from the original Italian text)

To the Shareholders of
Kedrion S.p.A.

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Kedrion S.p.A. and its subsidiaries, ("Kedrion Group" or "Group), which comprise the consolidated statement of financial position as at December 31, 2019, and the statement of profit or loss, the statement of profit or loss and other comprehensive income, the statement of changes in consolidated shareholders' equity, the statement of cash flows for the year then ended, and explanatory notes to the consolidated financial statements, including a summary of the significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at December 31, 2019, and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards as adopted by the European Union and with the regulations issued for implementing art. 9 of Legislative Decree n. 38/2005.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of Kedrion S.p.A in accordance with the regulations and standards on ethics and independence applicable to audits of financial statements under Italian Laws. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We identified the following key audit matter:

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Iscritta all'Albo Speciale delle società di revisione
Consob al progressivo n. 2 delibera n.10831 del 16/7/1997

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Key Audit Matter	Audit Response
Valuation related to key investment projects The consolidated financial statements as of December 31, 2019 reflect the impacts of the key investment projects in progress or recently completed, related to the development of the new product "Immunoglobulin 10% - Klg 10", the realization of the new plant in Castelvecchio Pascoli for the purification process of such new product, and the refitting process of Melville plant that after over two years of shutdown, has completed the restructuring project and started a process of increase of the utilization of the production capacity in the first months of 2019, in line with the Group's growth programs. As of December 31, 2019, these projects included investments for Euro 32.9 million for the realization of the new plant in Castelvecchio Pascoli and for Euro 19.4 million for the authorization of production and sale process of Klg10, classified as tangible and intangible assets in progress, respectively, as well as investments for Euro 90.2 million for the refitting of Melville plant, accounted for as tangible and intangible assets. The consolidated financial statements also present non-recurring costs related to the Melville project for Euro 31.9 million, identified in relation to the partial utilization of the production capacity of the plant for Euro 21.9 million, and to the write-down of inventories purchased in connection with the project for Euro 10.0 million. The processes and methodologies for assessing and determining the accounting implications of these projects on the consolidated financial statements as at December 31, 2019 required the use of the Directors' judgment, in particular with reference to: (i) the identification of the capitalization requirements of the expenses, (ii) the assessment on the availability for use of assets at the reporting date, (iii) the assessment of the recoverability of these investments, (iv) the valuation of the write-down of inventories, and (v) the identification of costs related to these projects disclosed as non-recurring costs.	Our audit procedures in response to the key audit matter included, among others: - the assessment of the procedure adopted by the Group for monitoring the projects described, as well as for verifying the requirements for capitalizing the costs incurred; - the execution of substantive testing, on a sample basis, on additions to the investments made in connection with these projects; - the assessment of the evidence used by the Directors to determine that at the year end the tangible and intangible assets in progress were not yet available for use; - the analysis of the assessments on recoverability of the investments prepared by the Directors; - the assessment of the key assumptions used by the Directors to determine the write-down of inventories, based on their expiration date and the expectation on their sales, and testing of the related supporting documentation; - the assessment of the methodologies for identifying and presenting the non-recurring costs related to the projects. Lastly, we evaluated the adequacy of the information provided in the notes in relation to these projects.

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In consideration of the judgment involved and the accounting implications to the Group's consolidated financial statements, we considered that this area represents a key audit matter.

Such matters are reported in the explanatory notes, in particular with reference to notes 5.2 "Period's significant events", 5.3.4 "Discretionary assessments and significant accounting estimates", 5.4.1 "Property, plant and equipment ", 5.4.5 "Life defined intangible assets " and 5.5.11 "Significant non-recurring, unusual and atypical transactions".

Responsibilities of Directors and Those Charged with Governance for the Consolidated Financial Statements

The Directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and with the regulations issued for implementing art. 9 of Legislative Decree n. 38/2005, and, within the terms provided by the 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, when preparing the consolidated financial statements, for the appropriateness of the going concern assumption, and for appropriate disclosure thereof. The Directors prepare the consolidated financial statements on a going concern basis unless they either intend to liquidate the Parent Company Kedrion S.p.A. or to cease operations, or have no realistic alternative but to do so.

The statutory audit committee ("Collegio Sindacale") is responsible, within the terms provided by the law, for overseeing the Group's financial reporting process.

Auditor's 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 auditor's 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 International Standards on Auditing (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 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 International Standards on Auditing (ISA Italia), we have exercised professional judgment and maintained professional skepticism throughout the audit. In addition:

- we have identified and assessed the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, designed and performed audit procedures responsive to those risks, and obtained 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;

- we have obtained 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;
- we have evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors;
- we have concluded on the appropriateness of 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 auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to consider this matter in forming our opinion; our conclusions are based on the audit evidence obtained up to the date of our auditor's report; however, future events or conditions may cause the Group to cease to continue as a going concern;
- we have evaluated 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;
- we have obtained 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 have communicated with those charged with governance, identified at an appropriate level as 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.

We have provided those charged with governance with a statement that we have complied with the ethical and independence requirements applicable in Italy, and we have communicated with them all matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we have determined those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We have described these matters in our auditor's report.

Additional information pursuant to article 10 of EU Regulation n. 537/14

The shareholders of Kedrion S.p.A., in the general meeting held on April 27, 2015, engaged us to perform the audits of the consolidated financial statements for each of the years ending December 31, 2014 to December 31, 2022.

We declare that we have not provided prohibited non-audit services, referred to article 5, par. 1, of EU Regulation n. 537/2014, and that we have remained independent of the Group in conducting the audit.

We confirm that the opinion on the consolidated financial statements included in this report is consistent with the content of the additional report to the audit committee (Collegio Sindacale) in their capacity as audit committee, prepared pursuant to article 11 of the EU Regulation n. 537/2014.

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Report on compliance with other legal and regulatory requirements

Opinion pursuant to article 14, paragraph 2, subparagraph e), of Legislative Decree n. 39 dated 27 January 2010 and of article 123-bis, paragraph 4, of Legislative Decree n. 58, dated 24 February 1998

The Directors of Kedrion S.p.A. are responsible for the preparation of the Report on Operation and of the specific section on Corporate Governance, as provided for by paragraph 2, subparagraph b) of the article 123-bis of Legislative Decree 24 February 1998, n. 58, of Kedrion Group as at December 31, 2019, including their consistency with the related consolidated financial statements and their compliance with the applicable laws and regulations.

We have performed the procedures required under audit standard SA Italia n. 720B, in order to express an opinion on the consistency of the Report on Operations and of specific section on Corporate Governance as provided for by paragraph 2, subparagraph b) of the article 123-bis comma 4 of Legislative Decree 24 February 1998, n. 58, with the consolidated financial statements of Kedrion Group as at December 31, 2019 and on their compliance with the applicable laws and regulations, and in order to assess whether they contain material misstatements.

In our opinion, the Report on Operation and the above mentioned specific section on Corporate Governance are consistent with the consolidated financial statements of Kedrion Group as at December 31, 2019 and comply with the applicable laws and regulations.

With reference to the statement required by art. 14, paragraph 2, subparagraph e), of Legislative Decree n. 39, dated 27 January 2010, based on our knowledge and understanding of the entity and its environment obtained through our audit, we have no matters to report.

Statement pursuant to article 4 of Consob Regulation implementing Legislative Decree n. 254, dated 30 December 2016

The Directors of Kedrion S.p.A. are responsible for the preparation of the consolidated disclosure of non-financial information pursuant to Legislative Decree n. 254, dated 30 December 2016. We have verified that non-financial information have been approved by Directors.

Pursuant to article 3, paragraph 10, of Legislative Decree n. 254, dated 30 December 2016, such non-financial information are subject to a separate compliance report signed by us.

Florence, April 10, 2020

EY S.p.A.
Signed by: Lapo Ercoli, Auditor

This report has been translated into the English language solely for the convenience of international readers.

3.2. REPORT ON CONSOLIDATED DISCLOSURE OF NON-FINANCIAL INFORMATION IN ACCORDANCE WITH D. LGS. 254/2016

Kedrion S.p.A.

Independent auditors' report on the consolidated disclosure of non-financial information in accordance with Article 3, par. 10, of Legislative Decree 254/2016 and with Article 5 of CONSOB Regulation adopted with Resolution n. 20267 of January 18, 2018

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Independent auditors' report on the consolidated disclosure of non-financial information in accordance with Article 3, par. 10, of Legislative Decree 254/2016 and with Article 5 of CONSOB Regulation adopted with Resolution n. 20267 of January 18, 2018

(Translation from the original Italian text)

To the Board of Directors of
Kedrion S.p.A.

We have been appointed to perform a limited assurance engagement pursuant to Article 3, paragraph 10, of Legislative Decree 30 December 2016, n. 254 (hereinafter "Decree") and article 5 of CONSOB Regulation adopted with Resolution 20267/2018, on the consolidated disclosure of non-financial information of Kedrion S.p.A. and its subsidiaries (hereinafter "Kedrion Group" or "Group") for the year ended on 31st December 2019 in accordance with article 4 of the Decree, presented in the specific section of the Management Report and approved by the Board of Directors on 27th March 2020 (hereinafter "DNF").

Responsibilities of Directors and Board of Statutory Auditors for the DNF

The Directors are responsible for the preparation of the DNF in accordance with the requirements of articles 3 and 4 of the Decree and the "Global Reporting Initiative Sustainability Reporting Standards" defined by GRI - Global Reporting Initiative (hereinafter "GRI Standards"), identified by them as a reporting standard.

The Directors are also responsible, within the terms provided by law, for that part of internal control that they consider necessary in order to allow the preparation of the DNF that is free from material misstatements caused by fraud or not intentional behaviors or events.

The Directors are also responsible for identifying the contents of the DNF within the matters mentioned in article 3, par. 1, of the Decree, considering the business and the characteristics of the Group and to the extent deemed necessary to ensure the understanding of the Group's business, its performance, its results and its impact.

The Directors are also responsible for defining the Group's management and organization business model, as well as with reference to the matters identified and reported in the DNF, for the policies applied by the Group and for identifying and managing the risks generated or incurred by the Group.

The Board of Statutory Auditors is responsible, within the terms provided by the law, for overseeing the compliance with the requirements of the Decree.

Auditors' independence and quality control

We are independent in accordance with the ethics and independence principles of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, based on fundamental principles of integrity, objectivity, professional competence and diligence, confidentiality and professional behavior. Our audit firm applies the International Standard on Quality Control 1 (ISQC Italia 1) and, as a result, maintains a quality control system that includes documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable laws and regulations.

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Auditors' responsibility

It is our responsibility to express, on the basis of the procedures performed, a conclusion about the compliance of the DNF with the requirements of the Decree and of the GRI Standards. Our work has been performed in accordance with the principle of "International Standard on Assurance Engagements ISAE 3000 (Revised) - Assurance Engagements Other than Audits or Reviews of Historical Financial Information" (hereinafter "ISAE 3000 Revised"), issued by the International Auditing and Assurance Standards Board (IAASB) for limited assurance engagements. This principle requires the planning and execution of work in order to obtain a limited assurance that the DNF is free from material misstatements. Therefore, the extent of work performed in our examination was lower than that required for a full examination according to the ISAE 3000 Revised ("reasonable assurance engagement") and, hence, it does not provide assurance that we have become aware of all significant matters and events that would be identified during a reasonable assurance engagement.

The procedures performed on the DNF were based on our professional judgment and included inquiries, primarily with company's personnel responsible for the preparation of the information included in the DNF, documents analysis, recalculations and other procedures in order to obtain evidences considered appropriate.

In particular, we have performed the following procedures:

1. analysis of the relevant matters in relation to the activities and characteristics of the Group reported in the DNF, in order to assess the reasonableness of the selection process applied in accordance with the provisions of article 3 of the Decree and considering the reporting standard applied;
2. analysis and evaluation of the criteria for identifying the consolidation area, in order to evaluate its compliance with the provisions of the Decree;
3. understanding of the following aspects:
   - Group's management and organization business model, with reference to the management of the matters indicated in the article 3 of the Decree;
   - policies adopted by the Group related to the matters indicated in the article 3 of the Decree, results achieved and related key performance indicators;
   - main risks, generated or suffered related to the matters indicated in the article 3 of the Decree;

   with regard to these aspects, we obtained the documentation supporting the information contained in the DNF and performed the procedures described in item 4. a) below
4. understanding of the processes that lead to the generation, detection and management of significant qualitative and quantitative information included in the DNF.
   In particular, we have conducted interviews and discussions with the management and with other personnel of Kedrion S.p.A., and we have performed limited documentary evidence procedures, in order to collect information about the processes and procedures that support the collection, aggregation, processing and transmission of non-financial data and information to the management responsible for the preparation of the DNF.

   Furthermore, for significant information, considering the Group activities and characteristics:

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- at Group level
  a) with reference to the qualitative information included in the DNF, and in particular to the business model, policies implemented and main risks, we carried out inquiries and acquired supporting documentation to verify its consistency with the available evidence;
  b) with reference to quantitative information, we have performed both analytical procedures and limited assurance procedures to ascertain on a sample basis the correct aggregation of data;
- for the site of Sant'Antimo of Kedrion S.p.A., that we have selected based on its activities, relevance to the consolidated performance indicators and location, we have carried out a site visit during which we have had discussions with management and have obtained evidence about the appropriate application of the procedures and the calculation methods used to determine the indicators.

Conclusions

Based on the procedures performed, nothing has come to our attention that causes us to believe that the DNF of the Kedrion Group for the year ended on 31st December 2019 has not been prepared, in all material aspects, in accordance with the requirements of articles 3 and 4 of the Decree and the GRI Standards.

Florence, 10th April 2020

EY S.p.A.

Lapo Ercoli
(Auditor)

This report has been translated into the English language solely for the convenience of international readers.

4. REPORT ON OPERATIONS

Dear Shareholders,

the financial year ended 31 December 2019 generated a record turnover for the Kedrion Group of Euro 808.2 million (Euro 687.9 million in 2018), with an increase of 17.5 % compared to the previous year. The strategic investments made in recent years in order to increase access to plasma, were crucial to achieve this result and to obtain a higher efficiency in operations, as well as the great efforts to improve its international positioning, with an export sales share that rose to 80.2 % in 2019. The United States remains the first market thanks to a share of 43.5 % of turnover, followed by the countries of the European Union with 31.5% (among them Italy at 19.8%) and the Rest of the World with the 2 5%.
EBITDA reaches Euro 101.3 million, equal to 12.5% of turnover, more than double the value of the previous year. In fact, in addition to the growth in turnover, there was a sharp reduction (-36.6% compared to 2018) in non-recurring costs thanks above all to the increase in volumes processed in the Melville plant.
Instead, Adjusted EBITDA (calculated excluding the impact of these non-recurring items) reached Euro 166.1 million (20.6 % of sales), a significant increase compared to 2018 (+11.7%).
Finally, Net profit for the year stood at d Euro 38.2 million, equal to 4.7% of the turnover in strong increase compared to Euro 11.6 million for the year 2018.

The financial statements for the year ended 31 December 2019 include the statement of financial position, statement of profit or loss, statement of profit or loss and other comprehensive income, cash flow statement, statement of changes in shareholders' equity and the related explanatory notes, drawn up in compliance with the IFRS adopted by the European Union.
The consolidated statement of financial position shows a distinction between current and non-current assets and liabilities. The presentation format for the consolidated statement of profit or loss for the year as at 31 December 2016 is illustrated on a by function basis, the format considered more representative than the presentation by nature of expense. The adopted format, in fact, complies with internal reporting and business management methods. The cash flow statement was prepared according to the indirect method and is presented in compliance with IAS 7, thereby classifying cash flows under operating, investment and financing activities.

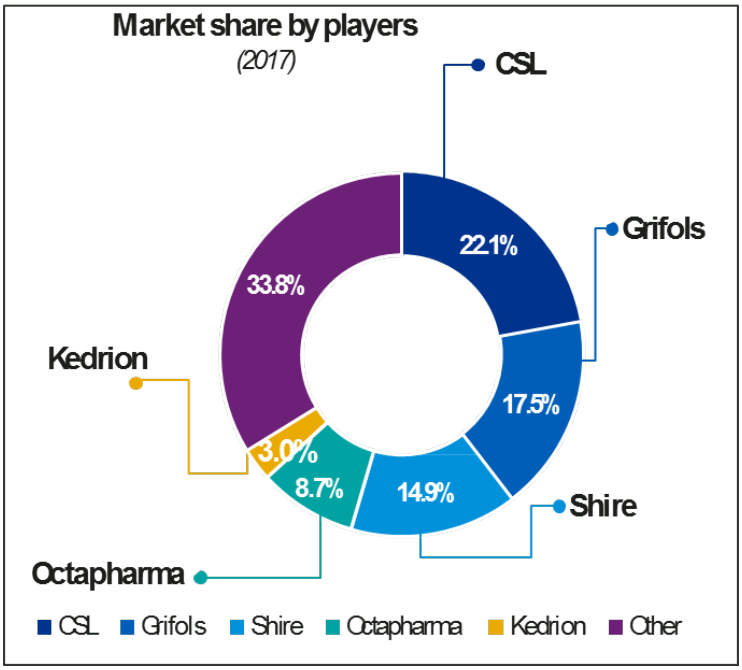
At 1st January 2019, the Group adopted the new International Financial Reporting Standard 16 - Leasing ("IFRS 16"), relating to the accounting of lease contracts.
The new standard provides that the lessee recognizes, for passive lease contracts, assets by right of use for liabilities measured by the present value of future non-variable lease payments. Right-of-use assets are subsequently measured at cost less depreciation and impairment.

4.1. SEGMENT PERFORMANCE

Kedrion's reference market is that of biopharmaceutical products derived from human plasma, a segment forming part of the more extensive pharmaceutical market and it is characterized by a wide range of products to treat conditions such as immunodeficiency, hemophilia, infectious diseases and other serious illnesses. The main customers are government authorities, the national health services (through tender awards) and private distributors.

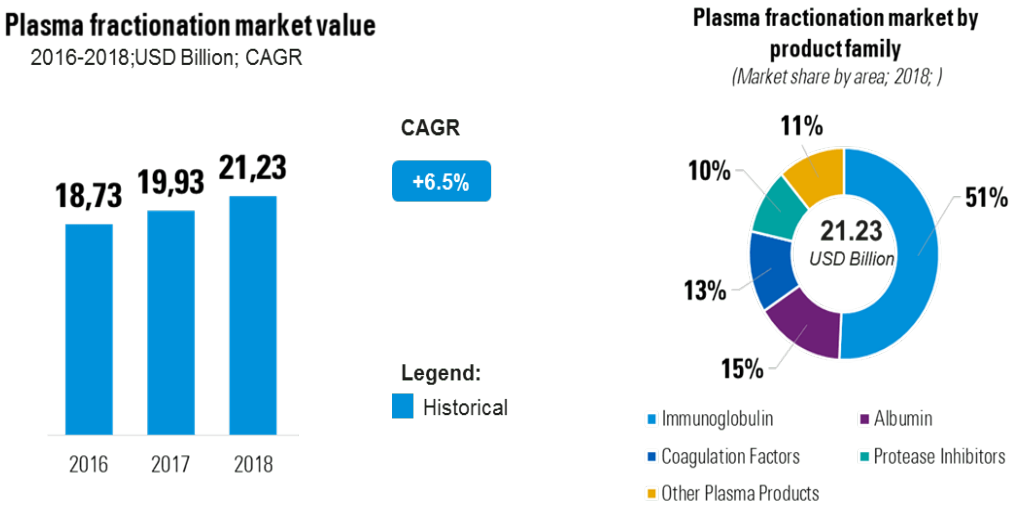
In the last twenty years, the sector has undergone a progressive consolidation phase that, in 2017, led the three main producers of plasma derivatives - CSL, Grifols and Shire (now Takeda) - to hold a market share of approximately 55% overall with Kedrion in fifth position with a 3% share.

MARKET TREND BY COMPETITORS

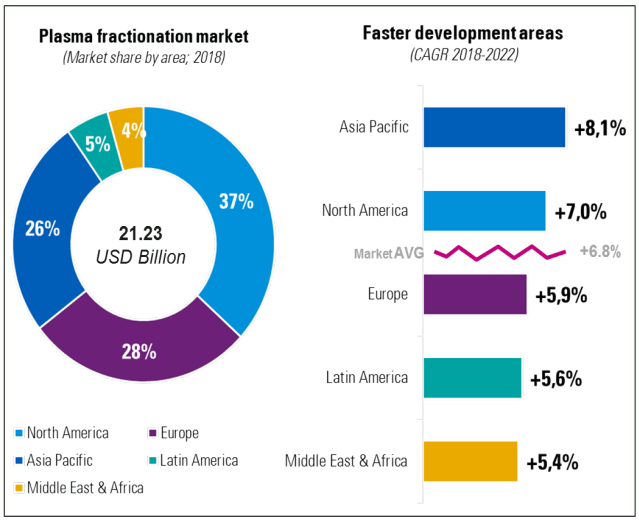


According to the latest estimates, in 2018, the global market for plasma exceeded USD 21 billion, with an average annual growth rate of 6.5% for the period 2016-2018, favored by an increase in diagnoses, an aging population and an increase in per capita health expenditure.
At the product level, the sector is dominated by immunoglobulin, which, with over USD 10 billion, represents approximately 51 % of the total market, an increase of 7.3% on average per year since 2016, thanks to the approval of new therapeutic indications, especially in the neurological field, to the increase in patients diagnosed with primary immunodeficiencies and to the greater penetration in emerging countries.
The second product by value is represented by albumin, with over 3 billion worth of value estimated in 2018 and a share of about 15% of the total market, up 6.6% on average per year since 2016, driven by China's demand. The factors of coagulation are in third position, representing about 13% of the market, equal to USD 3.2 billion, slightly up on 2016 despite the increase in the use of recombinant products and of new therapies.

WORLD MARKET TREND

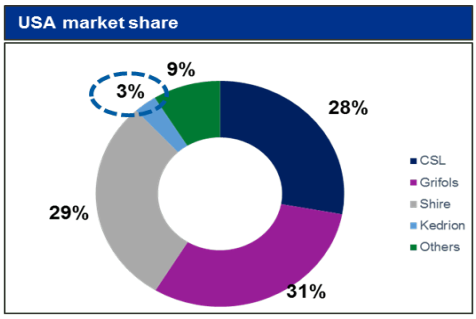


WORLD MARKET BY AREA



From a geographical point of view, 65 % of the market is concentrated in North America and Europe. The United States, with about USD 7.2 billion, representing 37% the most important market with an average annual growth of 6.8% during the period 2016-2018, which is then confirmed at 7.0% in the period 2018-2022 . As shown in the following table, immunoglobulin has the largest market share also in the USA, with around 54%. The three main players - Grifols, Shire (now Takeda) and CSL - together hold 88% of the American market, with Kedrion to 3%.

US MARKET BY COMPETITORS



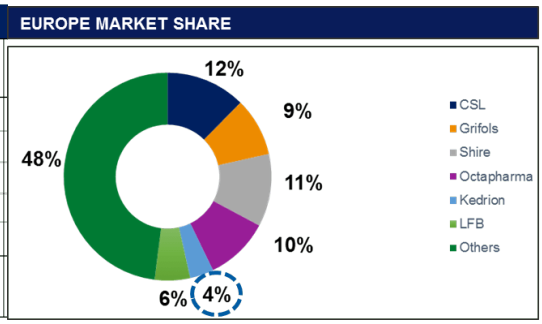
USA MARKET BY PRODUCT

Plasma fractionation market | US				
USD Billion	2016	2017	2018	CAGR 2016-18
Immunoglobulin	3.40	3.65	3.91	+7.3%
Protease Inhibitors	1.02	1.10	1.20	+8.5%
Albumin	0.52	0.55	0.59	+5.7%
Coagulation Factor Concentrates	0.46	0.48	0.49	+2.8%
Other Plasma Products	0.95	1.00	1.06	+5.6%
Total plasmaderivatives	6.35	6.78	7.24	+6.8%

Europe is the second reference world market, with approximately USD 6.4 billion and growth in the 2016-2018 period equal to 6.8% and an expected 5.9% in the years 2018-2022. As reported in the following table, also in Europe the immunoglobulin is the reference product with a market share of approximately 50%. The four main players - CSL, Shire (now Takeda), Octapharma and Grifols - jointly hold only 42% of the European market thanks to the presence of greater local competition compared to the American market, with Kedrion at 4% above all thanks to its positioning in the Italian market.

EUROPE MARKET

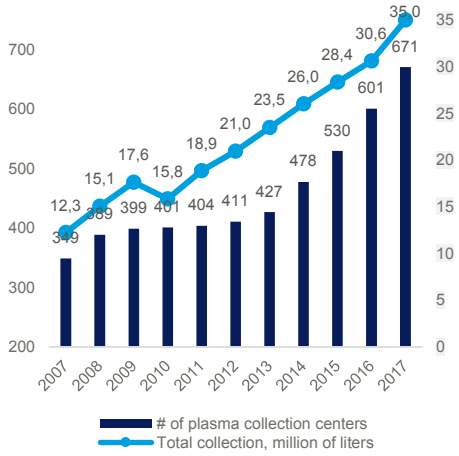
Plasma Fractionation market Europe				
USD Billion	2016	2017	2018	CAGR (2016-18)
Immunoglobulins	2,81	3,00	3,20	6,7%
Coagulation Factor	1,34	1,38	1,42	2,9%
Protease Inhibitors	0,47	0,50	0,54	7,9%
Albumin	0,48	0,50	0,53	5,0%
Other Plasma Products	0,64	0,67	0,70	5,0%
Total plasmaderivatives	**5,73**	**6,05**	**6,39**	**5,6%**



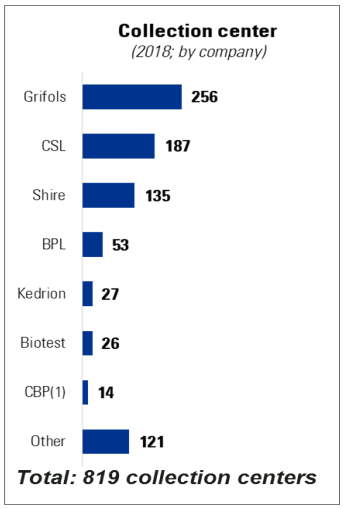
The Italian plasma derivatives market is divided into the processing of national plasma on behalf of the Regions within the national self-sufficiency program and the commercial market.
The new principles established by the Law no. 219/2015 provide that the Regions, individually or in a consortium, deliver the plasma collected at the Transfusion Services and the Associate Collection Units to the authorized companies and affiliated on the basis of tenders. Currently, the authorized companies to carry out the processing of national plasma, identified on the basis of the Ministerial Decree of 5 December 2014, are CSL, Shire (today Takeda), Grifols, Kedrion and Octapharma. Following the entry into force of the new regulatory regime, three tenders were awarded: the first, announced by the Veneto Region on behalf of the NAIP grouping, was assigned to CSL in March 2016; the second, organized by the Emilia Romagna Region on behalf of the RIPP group, was awarded in September 2017 to a temporary association consisting of Grifols and Kedrion and the contract was signed in October 2019. The third, published by the Tuscany Region on behalf of the PLANET group was awarded in July 2018 to a temporary partnership between the companies of the Shire / Takeda Group .
Kedrion currently continues to work on plasma on behalf of the Regions that have not yet launched tenders under the new legislation, as well as on behalf of the Regions referred to in the groups belonging

to Tuscany and Emilia Romagna, as supplies based on the new tenders awarded, have not yet been started.
In 2019, around 856 thousand kilos of plasma were collected in Italy, an increase of 1.4% compared to the previous year, reaching important levels of self-sufficiency.
In terms of products, in recent years, constant growth has been observed for the main plasma derivatives, in line with international markets, except for coagulation factors that are decreasing due to the entry of the new Hemlibra product which has negatively impacted above all the segment of immunotolerances.
On the whole, according to the latest estimates drawn from MRB Data, PPTA, ISTISAN and IQVIA, the Italian market in 2019 (including recombinant) appears slightly shrinking compared to 2018 due to the further reduction of the factors of coagulation, so just under to Euro 800 million but with an increase of more than 15% (between volumes and price) for immunoglobulins, while albumin grows in volumes but with some falls in price. Kedrion has a share of around 20% of the overall Italian market while, excluding recombinants, the market (both commercial and contract work) is equal to around Euro 430 million and Kedrion is the leader with around 34%.

PLASMA COLLECTION IN US 2007-2017



PLASMA COLLECTION IN US IN 2018



The United States is the world's largest market also for plasma collection, with approximately 35 million liters of plasma collected in 2017, 10.8% of increase per year compared to 2012 and a total of 671 collection centers. The latest updated data confirm this growth trend in the United States too, with the number of centers increased to 690 in 2018, out of a total of 819 centers worldwide. In Europe, considering the countries where plasma collection is managed by private companies - Germany, the Czech Republic, Hungary and Austria – around 2.5 million liters of plasma were collected in 2017, with an average annual increase of 3.5% compared to 2012, on a total of 107 centers.
Also, in the plasma collection activities, there has been a progressive consolidation in the last few years with Grifols, CSL and Shire (now Takeda) which own 70% of the European and American centers; in 2019, also BPL collection centers in the US were acquired by Grifols (acquisition still pending approval by the Federal Trade Commission). This increasing consolidation is due to the need for the main fractionators to ensure the supply of raw material, relying on the plans to increase production capacity which focus on the total fractionation capacity going from 51 million liters estimated at the end of 2017 to 77 million of liters in 2022, of which 65% held by the three main players.

4.2. BUSINESS OPERATIONS

Kedrion is one of the leading international groups in the development, production and distribution of a wide range of products derived from human plasma. Its life-saving products are used to treat patients with hemophilia, immunodeficiencies, infectious diseases and other serious conditions in around 100 countries worldwide.

Its global presence is articulated through an integrated business model that ensures the constant availability of the raw material thanks to 29 collection centers owned between Europe and the United States, 5 production plants and a rigorous quality control on the entire production chain. The production plants are subject to constant technological development geared towards excellence and upgraded periodically to ensure the highest safety standards at all levels of production. The plant in Bolognana (LU) is the only plant in Italy capable of producing the whole range of blood products, while that of Sant'Antimo (NA) is specialized in the production of specific immunoglobulins and inactivated plasma viruses. The Godollo plant (Budapest) was originally dedicated to supplies for the European and Asian markets and, following an important renovation that has more than doubled its capacity, since the end of 2012 it also produces intermediates for the Bolognana plant, where they are then brought to the finished product. The Melville US plant, purchased during 2011, subject to a major restructuring during the years 2016-2017, now fractionates plasma mainly for the U.S. market of Kedrion, while the new plant in Castelvecchio Pascoli (LU), currently being completed, will be dedicated to the purification of the 10% immunoglobulin (KIg10).

The Group operates in three business segments:

- *Production and sale of plasma-derived*, i.e. proteins extracted from human plasma such as albumin, standard and specific immunoglobulins, and coagulating factors;
- *Collection and sale of plasma*. The Group has some collection centers that have primarily secured the supply of the plasma needed to cover the needs of the plasma-derivatives segment, then allocating the surplus to the sale to third parties;
- O*ther activities* including the toll manufacturing of intermediates and other products and the marketing of other pharmaceutical specialties including recombinant factor VIII, benefiting from the strong positioning of the Kedrion distribution network.

The Group operates worldwide, segmenting its markets into four geographical macro areas: United States, Italy, European Union, and Rest of the World.

4.3. SIGNIFICANT EVENTS DURING THE YEAR

4.3.1. "PRODUCTION AND SALE OF PLASMA DERIVATIVES" SEGMENT

PERFORMANCE OF MELVILLE PLANT

With regard to the plasma derivatives segment, the main evolution compared to the previous year which had an effect on current performance, is represented by the production recovery of the fractionation line at the US Melville plant, as a result of the completion of the restructuring project (called "refitting"), the following inspection in August 2018 and the final approval of the FDA in February 2019.

The project has been completed from an industrial point of view in 2018 with the operational restart of the fractionation in the second half of the year, with approximately 80,000 liters fractionated.

During 2019, the plant split approximately 480,000 liters in line with the expected progressive growth plan towards the full use of production capacity. The plant complied with the delivery plans for intermediate II + III for the production of the finished Gammaked product at Grifols and for the production of the clinical product for KIg10 in Godollo.

Please note that the project involved investments for the Group for Euro 90.2 million from 2016 to 2019, including investments for the construction of the anti-D immunoglobulin fractionation and purification line (RhoGAM), aimed at internalizing production of this specialty.
The new line dedicated to the RhoGAM product was also inspected by the FDA in November 2018 and was definitively approved in March 2019 for filling and packaging activities.
The production recovery of plant in Melville, both for the fractionation plant and for the filling and packaging line of the RhoGAM, led to a significant improvement in the income statement for the year, mainly due to the reduction in the non-absorbed plant costs and the non-recurring project costs (-60% compared to the previous year), also leading to an increase in margins on sales of products for the American market.
Finally, in February 2020 the Melville plant received the GMP certificate from the European authority, as result of the inspection received by AIFA in November 2019; this represents a further step towards the complete integration and harmonization of this system with the others of the Kedrion Group.

PROJECT FOR THE DEVELOPMENT OF 10% IMMUNOGLOBULIN (KIG10) AND NEW DEDICATED PLANT IN CASTELVECCHIO PASCOLI

During the year, the project to build the 10% immunoglobulin purification plant (KIg10) with the chromatographic method in Castelvecchio Pascoli (LU) has also continued. In April 2019, the first patient of the clinical trial for the PID (primary immunodeficiency) indication was enrolled in the United States, following the FDA's approval of the IND (Investigational New Drug) in January 2019. The last patient was enrolled in November 2019. The treatment of enrolled patients is ongoing and there have been no adverse reactions yet. In the first months of 2020, the company started to work for the beginning of clinical trials for further therapeutic indications.
Currently, the production for clinical studies is carried out in the Godollo plant (purification phase) and the technological transfer in the industrial plant of Castelvecchio is ongoing.
The preparatory activities useful to obtain the necessary authorizations and for the registration of the product have advanced in line with the plan and the expected timescales, leading however to an increase in investments and start-up costs. The costs of the project incurred by the year, which have not yet found a balance in production and related revenues, are equal to Euro 9.7 million, while total investments amount to Euro 24.4 million.
Please note that, following the 2018 innovation agreement between the Ministry for Economic Development, the Tuscany Region and Kedrion S.p.A, part of the investment program of this project are financed by the MISE and the Tuscany Region, for which they were registered in the other income, always of a non-recurring nature, contributions of Euro 3.9 million.

NEW PRODUCT KEDRAB

During 2019, sales of KEDRAB, an anti-rabies hyperimmune immunoglobulin concentrate developed in partnership with Kamada, an Israeli pharmaceutical company, continued. Kedrion has exclusively distributed this product in the United States market since 2018 and the turnover of the first full year of activity was equal to Euro 28.7 million, gaining a market share of approximately 20%.
The clinical study for the pediatric indication is in the final phase, with FDA authorization expected at the beginning of 2021.

PRICE TRENDS

During this financial year, the sales prices of plasma were characterized by a significant increase with regard to the immunoglobulin. In fact, in the European markets the price of immunoglobulin grew between 5 and the 10%, while in the US the growth was around 5%. The price of albumin and coagulation factors is substantially stable in the main markets except for the United States where, due to the higher volumes of albumin allocated and the negative impact on plasma for factor
VIII as result of the introduction of Hemlibra, some pressures on prices have occurred. Other markets such as Mexico, Turkey and Russia have been impacted by the weakness of the local currency.

4.3.2. "COLLECTION AND SALE OF PLASMA" SEGMENT

GREATER PLASMA AVAILABILITY

The Plasma segment was characterized during the year by an increase in the volumes available for the Group, mainly generated by the greater quantities of plasma collected in its own centers and also those supplied by third party suppliers. When the internal production needs were met, the increase in available plasma volumes led to a substantial increase in sales to third parties, generating a segment turnover of Euro 209.6 million compared to Euro 155.1 million in FY 2018 thus achieving a growth of 35%.

SALES AND PURCHASES/START UP OF OWNED COLLECTION CENTERS

During this year the segment saw the sale of 4 plasma collection centers in Germany to HAEMA AG, and the purchase / start- up during the year of 6 centers in the United States for a total of 29 owned centers at the end of the year.
The sale of the 4 collection centers to HAEMA AG contributed significantly to the result for the period, recording an amount of approximately Euro 18.8 million among other income.

SALES PRICE

During the year, selling prices of plasma were characterized by a growth that, with regard to standard plasma, was equal to approximately 3%.

4.3.3. FINANCIAL OPERATIONS

FOREIGN EXCHANGE TREND

The exchange rate trend (in particular the US dollar, which went from 1.1450 on 31 December 2018 to 1.1234 on 31 December 2019) generated a positive impact on the income statement for realized and unrealized exchange differences of Euro 5.6 million (last year the effect on the result had been positive for Euro 9.3 million), as well as an increase in the shareholders' equity of the Group and third parties for Euro 2.9 million due to the change in the conversion reserve .

4.4. **BUSINESS PERFORMANCE**

	Year ended 31 December				
(In thousands of Euro)	2019	% of total revenues	2018	% of total revenues	Difference 2019/2018
Revenues	808,209	100.0%	687,939	100.0%	17.5%
Cost of sales	612,008	75.7%	518,482	75.4%	18.0%
Gross margin	**196,201**	**24.3%**	**169,457**	**24.6%**	**15.8%**
Other income	49,469	6.1%	37,494	5.5%	31.9%
General and administrative expenses	85,140	10.5%	83,659	12.2%	1.8%
Sales and marketing expenses	55,041	6.8%	46,314	6.7%	18.8%
Research and development costs	36,705	4.5%	48,127	7.0%	(23.7%)
Other operating costs	8,402	1.0%	8,286	1.2%	1.4%

EBIT	**60,382**	**7.5%**	**20,565**	**3.0%**	**193.6%**
Financial expenses	35,849	4.4%	27,678	4.0%	29.5%
Financial income	17,596	2.2%	15,387	2.2%	14.4%
Financial operations	**18,253**	**2.2%**	**12,291**	**1.8%**	**48.5%**
INCOME BEFORE TAXES	**42,129**	**5.2%**	**8,274**	**1.2%**	**409.2%**
Income taxes	3,963	0.5%	(3,367)	0.5%	(217.7%)
NET INCOME (LOSS) FOR THE PERIOD	**38,166**	**4.7%**	**11,641**	**1.7%**	**227.9%**
Net income (loss) attributable to non-controlling interest	1,426	0.2%	1,476	0.2%	(3.4%)
GROUP NET INCOME (LOSS)	**36,740**	**4.5%**	**10,165**	**1.5%**	**261.4%**

4.4.1. REVENUES

A breakdown of turnover by business segment and geographical area is provided in the following tables.

REVENUES	**Year ended 31 December**				
(In thousands of Euro)	2019	% of total revenues	2018	% of total revenues	Difference 2019/2018
Plasma derivatives	577,458	71.5%	513,920	74.7%	12.4%
Plasma	209,634	25.9%	155,110	22.6%	35.2%
Other	21,117	2.6%	18,909	2.7%	11.7%
TOTAL	**808,209**	**100.0%**	**687,939**	**100.0%**	**17.5%**

"PRODUCTION AND SALE OF PLASMA-DERIVATIVED" SEGMENT

Revenues of the production and marketing of plasma derivatives at 31 December 2019 amounted to Euro 577.5 million (71.5 % of total revenues) with an increase of approximately 12.4% mainly linked to the increase in volumes sold of standard immunoglobulin, albumin, factor VIII and anti-rabies immunoglobulin as well as the rise in prices for standard immunoglobulin. The US plasma derivatives market increased by about 28% compared to the previous year, thanks to the development of standard and anti-rabies immunoglobulin and other strategic markets are growing, driven by Turkey, India, Austria, Poland and Russia. Within this segment, the US market maintains its leadership over the Italian market, followed by Turkey, Mexico and Germany.
In addition, during 2019, the weight of this segment contracted to about 71.5% as a result of the strong growth of the plasma segment.

"COLLECTION AND SALE OF PLASMA" SEGMENT

Revenues from plasma collection and marketing segment at 31 December 2019 amounted to Euro 209.6 million, with an increase of 35.2% compared to the previous year. This excellent performance was made possible by the increase in volumes of plasma available, both acquired from third parties and generated by a growing collection of US and European property centers (managed by the Business Unit Plasma which now belong to KEDPLASMA LLC and division plasma within the Hungarian company HUMAN BioPlazma Kft.), the number of which, despite the sale of 4 German centers during the year 2019 , increased thanks to the purchase / start-up of 6 other owned centers in the United States.

"OTHER ACTIVITIES" SEGMENT

At 31 December, revenues from this segment amounted to Euro 21.1 million and reflect the sale of synthetic products and contract manufacturing.

One of the synthetic products is Nuwiq, the recombinant factor VIII obtained in exclusive distribution for Italy by Octapharma with a ten-year agreement. The turnover of this product during this year was Euro 11.6 million, a slight decrease compared to 2018 due to the arrival on the market of Hemlibra which also negatively impacted the recombinant products.

During 2019, the sale of CERUS products also continued, of that exclusive distribution in Italy since 2017 concerns biomedical products used for the viral inactivation of platelets and human plasma: the activity was launched both for the commercial synergy with the current Kedrion's positioning in the plasma derivatives sector and for the possible development of the red cell inactivation segment for transfusion use for which CERUS plans to obtain authorization in the coming years. In 2019 the sale of CERUS products generated revenues of Euro 1.5 million compared to Euro 1.6 million in 2018.

The production of contract manufacturing done at the company's Melville and Godollo for some operators is Euro 7.6 million versus Euro 4.8 million in 2018: the main increase of this segment is attributable to greater activity of the Melville plant after the restarting of the previous year.

REVENUES	**Year ended 31 December**				
(In thousands of Euro)	2019	% of total revenues	2018	% of total revenues	Difference 2019/2018
USA	351,841	43.5%	282,109	41.0%	24.7%
Italy	159,832	19.8%	174,209	25.3%	(8.3%)
European Union	94,749	11.7%	75,186	10.9%	26.0%
Rest of the World	201,787	25.0%	156,435	22.8%	29.0%
TOTAL	**808,209**	**100.0%**	**687,939**	**100.0%**	**17.5%**

USA

The turnover of this area reached Euro 351.8 million in 2019 with a growth of 24.7% compared to the previous year and maintaining the position of first reference market for Kedrion with 43.5% of total revenues. Standard immunoglobulin was the main driver of the increase in revenues from this exercise, followed by sales of plasma, the new anti-rabies immunoglobulin and albumin while the anti-D immunoglobulin (RhoGAM) and factor VIII had a slight decrease in the volumes sold.

In addition to the sales of plasma derivates, in this area there is also a turnover derived from the activity carried out by third-party operators at the Melville plant, which has sharply increased thanks to the increased in operational capacity of the plant.

ITALY

At 31 December 2019, the Italian market decreased by 8.3% over the previous year with a turnover of Euro 159.8 million, equal to 19.8% of the total revenues, realized through the sale of finished products on the commercial market and the processing account service for the National Health System. The decrease over the previous year is mainly due to the decrease in volumes of contract work with National Health System.

EUROPEAN UNION

Revenues in the other countries of the European Union amounted to Euro 94.7 million at 31st December 2019, equal to 11.7% of total revenues and present a significant increase of 26.0% compared to 2018 mainly due to the increase in plasma sales to European customers (mainly in Germany) which amount to Euro 28.9 million and also to higher volumes placed at rising prices of standard immune globulin in Poland and Austria. Germany, Austria, Poland, Portugal and Hungary are the main European market of 2019.

REST OF THE WORLD

At 31st December 2019, revenues for this geographical area are equal to Euro 201.8 million, with an increase of 29.0% compared to 2018 and account for 25.0% of total revenues. Compared to 2018, Turkey overcomes Mexico (despite both of these countries face with the weakness of the local currency also in 2019) and becomes the first market in this area in terms of turnover reaching Euro 39.4 million, followed by Switzerland (mainly for sales of plasma) and precisely Mexico. Moreover, they cover around 71% of the total revenues of the area, together with Russia, India and Saudi Arabia.

4.4.2. OPERATING COSTS

Raw material, i.e. plasma, also recorded a price increase in 2019 in line with those highlighted in recent years (3-4% per year). However, the long-term plasma purchase contracts stipulated in previous years enabled to mitigate this increase and thanks to the continuous development of the internal collection, that is less expensive than the plasma purchased from third parties, the increase in the average cost of plasma in the current year has been contained and compensated by the increase in sales prices of finished products, with particular reference to standard immunoglobulin. The balance of these two opposite effects led to a substantial stability in the gross margin, which passed from 24.6% in 2018 to 24.3% in 2019, where the slight reduction is driven by the greater weight of the plasma segment in the current year.

The first full year of activity after the restart of the Melville plant in the second half of 2018 also made it possible to reduce the amount of not absorbed costs in this plant by about 60% compared to the previous year.

Overall, other operating costs are decreasing compared to the previous year thanks to some efficiency improvement projects (procurement excellence, rightsizing) and specific control actions.

4.4.3. ALTERNATIVE PERFORMANCE INDICATORS

In this management report, in addition to the conventional indicators envisaged by the IFRS, some alternative performance indicators are used by the management of the Kedrion Group to monitor and evaluate its operating performance, and which have not to be considered as alternative measures for assessing the performance of the group result, as they are not identified as an accounting measure in the in the context of IFRS,

Since the composition of alternative performance measures (EBITDA, Adjusted EBITDA, gross margin, adjusted, net invested capital, net working capital, net debt) are not governed by the reference

accounting standards, the criteria employed by the Group might not be equal to that adopted by other parties and therefore may not be comparable.

EBITDA AND ADJUSTED EBITDA

EBITDA 2019 stands at Euro 101.3 million (equal to 12.5% of turnover), more than doubled compared to the previous year (Euro 46.5 million) thanks above all to the strong reduction (-36.8% compared to 2018) of non-recurring operating costs in accordance with the definition given in the following table. In fact, as better detailed in the specific section (note 4.12), this item includes approximately Euro 64.6 million of non-recurring operating costs with an impact on EBITDA, of which Euro 30.5 million still related to the activity of the Melville plant.
Meanwhile, adjusted EBITDA (calculated excluding the impact of these non- recurring operating items) reaches Euro 166.1 million (20.6 % of turnover), with a significant increase compared to 2018 (+11.7%), presenting a slight dilution of the margins linked to the greater weight of the plasma segment. Comparing these items with those of the previous year, it should be emphasized that the application of IFRS 16 entered into force since 1 January 2019, has led to a positive impact of around Euro 9.5 million on EBITDA and adjusted EBITDA for the current year.
Depreciation and amortization amounted to Euro 41.3 million and brought Operating profit (EBIT) to Euro 60.4 million equal to 7.5% of turnover.

	Year ended 31 December				
(In thousands of Euro)	2019	% of total revenues	2018	% of total revenues	Difference 2019/2018
Operating Income	60,382	7.5%	20,565	3.0%	193.6%
+ Amortization and depreciation	41,276	5.1%	26,295	3.8%	57.0%
- Plant and machinery grants	(335)	0.0%	(356)	(0.1%)	(6.0%)
EBITDA(*)	**101,323**	**12.5%**	**46,504**	**6.8%**	**117.9%**
Non-recurring items	64,766	8.0%	102,181	14.9%	(36.6%)
ADJUSTED EBITDA(*)	**166,090**	**20.6%**	**148,685**	**21.6%**	**11.7%**

(*) EBITDA is represented by operating profit before depreciation and plant contributions.
(**) Non-recurring operating items include non-recurring costs and revenues determined as required by Consob resolution no. 15519 of 27 July 2006 (reported in the explanatory notes) and additional "non-recurring management" and non-ordinary elements such as costs related to acquisitions, start-up costs of new plants and start-up of plasma centers, as well as other contingent assets and liabilities
(***) Adjusted EBITDA is represented by EBITDA gross of non-recurring operating items.
EBITDA and adjusted EBITDA thus defined represent a measure used by the company's management to monitor and evaluate its operating performance. EBITDA is not identified as an accounting measure under IFRS and therefore should not be considered an alternative measure for assessing the performance of the Group result. Since the composition of EBITDA is not regulated by the reference accounting principles, the determination criterion applied by the Group may not be equal to that adopted by others and therefore not comparable.

ADJUSTED GROSS MARGIN

Analysis of Gross Margin by business segment for the years ended 31 December

(In thousands of Euro)	Segment Adjusted Gross Margin (*)			
	Plasma derived production and marketing	Plasma collection and commercialization	Other activities	TOTAL
YEAR ENDED 31 DECEMBER 2019	**198,846**	**34,894**	**5,147**	**238,887**
% of total revenues of the business segment (**)	*34.4%*	*9.9%*	*24.4%*	*29.6%*
% of total Adjusted Gross Margin	*83.2%*	*14.6%*	*2.2%*	*100.0%*
Difference 2019/2018	*-4.3%*	*0.5%*	*-5.0%*	*(4.5%)*
YEAR ENDED 31 DECEMBER 2018	**198,849**	**29,997**	**5,551**	**234,396**
% of total revenues of the business segment (**)	*38.7%*	*9.4%*	*29.4%*	*34.1%*
% of total Adjusted Gross Margin	*84.8%*	*12.8%*	*2.4%*	*100.0%*

(*) The adjusted gross margin of the sector is represented by the revenues of the segments minus the production costs allocated to the segments not considering the non-recurring production costs such as the non-absorbed consequent to the restructuring of the plants or the acquisition / opening of new ones plasma centers. Among the costs allocated to the sectors, the Group includes direct and indirect production costs relating to the business sector, including production depreciation and all other costs making up the cost of sales. Commercial costs, general and administrative costs, research and development costs and other operating costs are not attributed to the sectors. The sector margin thus defined is a measure used by the Group's management to monitor and evaluate its operating performance and is not identified as an accounting measure under IFRS and, therefore, must not be considered an alternative measure for the valuation ion of the performance of the Group result. Since the composition of the margin and sector is not regulated by the reference accounting principles, the determination criterion applied by the Group may not be homogeneous with that adopted by others and therefore may not be comparable.
(**) Calculated on sector revenues gross of intra-sectoral eliminations.

Plasma-derived production and marketing

The adjusted gross margin of this segment amounts to Euro 198.8 million, equal to 34.4% of the total revenues of the segment and represents 83.2% of the Group's total adjusted gross margin.
The reduction in margins from 38.7 % in 2018 to 34.4% in the current year is mainly attributable to the type of plasma divided into this segment. In fact, compared to the previous year, the weight of the more expensive American plasma has increased and in particular that purchased from third parties in the production plants. Therefore, the increase in the cost of raw materials was only in part balanced by the increase in prices of standard immunoglobulin, mainly in Europe and in USA.

Plasma collection and commercialization

The adjusted gross margin of the plasma collection and marketing segment went from 9.9% of the total revenues of the segment in the financial year 2018 to 9.9% of 2019, with a significant growth weight reaching 14.6% of the Group's total adjusted margin. In fact, during 2019, the volumes of standard plasma available both for the growth of internal deposits and purchases from third-party operators increased considerably and this explains the increased size of this segment. The slight increase in margins is attributable to the greater weight of the more profitable sales of standard plasma collected internally compared to that purchased from third parties while the average increases in the cost of plasma have been reversed on sales prices.

Other activities

The adjusted gross margin of this last residual segment drops reaching 24.4% of total sector revenues for the year ended at 31 December 2019, compared to the 29.4% of the previous year. The dilution of profitability is linked to the increase in production activities on behalf of third parties in the Melville and

Godollo plants, which guarantee the absorption of production costs but have a lower profitability than the turnover relating to the exclusive marketing for Italy both of the recombinant factor VIII licensed by Octapharma and of the products licensed by CERUS which are in slight contraction regarding the previous year. The weight of this segment in terms of margin decreases from 2.4 % to 2.2% as a result of the performance of the activities described above.

4.4.4. FINANCIAL OPERATIONS

Financial charges amounted to Euro 35.8 million in 2019, compared to Euro 27.7 million in 2018 and mainly include bank interest and interest on bond holders, financial charges on leasing contracts, as well as the recognition of exchange losses.
The increase compared to the previous year is attributable to higher financial charges on operating leasing contracts following the application of IFRS 16.
Financial income decreased in this year to Euro 17.6 million compared to Euro 15.4 million in 2018 and is largely attributable to the positive impact of the revaluation of the US dollar which generated exchange rate gains on the value in Euro.
The incidence of financial management (excluding losses and exchange gains) on turnover is 3.2% in line with 2018.
Profit before taxes amounts to Euro 42.1 million (Euro 8.3 million in 2018), equal to 5.2% of turnover; Net profit for the year amounts to Euro 38.2 million (Euro 11.6 million in 2018), amounting to 4.7% of turnover, while the Group profit amounts to Euro 36.7 million (Euro 10.2 million in 2018), corresponding to 4.5% of turnover.

4.5. STATEMENT OF FINANCIAL POSITION

Reclassification of statement of financial position, based on financial criteria, is as follows:

(In thousands of Euro)	31.12.2019		31.12.2018	
INVESTMENTS				
Net Working Capital (*)	286,852	28.6%	296,452	33.7%
Fixed assets and other long-term assets (**)	716,823	71.5%	587,591	66.8%
Short-term liabilities	(1,680)	(0.2%)	(1,450)	(0.2%)
Long-term liabilities	534	0.1%	(2,694)	(0.3%)
Net invested capital	1,002,529	100%	**879,899**	**100%**
SOURCES				
Net Financial Position (***)	516,455	51.5%	496,396	56.4%
Shareholders' equity	486,074	48.5%	383,503	43.6%
Total sources of financing	1,002,529	100%	**879,899**	**100%**

(*) Net working capital is calculated as current assets net of current liabilities excluding overdrafts and loans falling due within one year and financial assets and liabilities. Net working capital is not identified as an accounting measure neither in the context of the Italian Accounting Standards nor in that of the IFRS adopted by the European Union. The determination criterion applied by the Group may not be homogeneous with that adopted by other groups and, therefore, the balance obtained by the Group may not be comparable with that determined by the latter.
(**) This item includes assets held for sale as per note 6.4.17.

(***) Net financial debt is calculated as the sum of overdrafts and loans falling due within one year and non-current financial liabilities net of cash and cash equivalents, current and non-current financial assets and the fair value of financial instruments derivatives. Net financial debt is not identified as an accounting measure neither in the context of the Italian Accounting Standards nor in that of the IFRS adopted by the European Union. The determination criterion applied by the Group may not be equal to that adopted by other groups and, therefore, the balance obtained by the Group may not be comparable with that determined by the latter.

A breakdown of movements in investments is provided in the following table:

(In thousands of Euro)	31.12.2019	31.12.2018
Due from customers/contract assets	150,089	125,709
Inventories	324,956	344,118
Trade payables	(175,155)	(170,959)
Contractual Liabilities	(12,782)	
Other current assets/(liabilities)	(254)	(2,417)
NET WORKING CAPITAL	**286,852**	**296,451**
Tangible assets	284,537	268,365
Goodwill	243,882	230,554
Other intangible assets	112,799	83,331
Activities by right of use	72,363	
Assets held for sale	-	1,554
Investments in associates and other companies	2,240	2,525
Other non-current assets	1,002	1,262
FIXED ASSETS AND OTHER LONG-TERM ASSETS	**716,823**	**587,591**
Employment severance indemnity	(6,294)	(9,028)
Provisions for risks and charges	(762)	(922)
Deferred tax liabilities and prepaid tax assets	12,676	12,341
Other non-current liabilities	(5,086)	(5,085)
LONG-TERM LIABILITIES	**534**	**(2,694)**
Provisions for risks and charges	(1,680)	(1,450)
SHORT-TERM LIABILITIES	**(1,680)**	**(1,450)**

4.5.1. INVESTIMENTS

In 2019, the Group made net investments of Euro 88.1 million, primarily concerned the following:

- **Melville plant (NY, USA)** for a total amount of Euro 6.3 million mainly relating to the new fractionation and purification line for the production of the RhoGAM specialty and to interventions and improvements on other existing buildings and plants;
- **Bolognana Plant (LU, Italy)** for a total amount of Euro 4.3 million mainly referred to interventions and improvements on existing buildings and plants;
- **Sant'Antimo Plant (NA, Italy)** for a total amount of Euro 9.3 million relating to urban planning compliance investments on some buildings and to interventions and improvements on existing buildings and plants;
- **Godollo Plant (Hungary)** for a total amount of Euro 3.1 million referring to interventions and improvements on existing plants;
- **Plasma collection centers in Hungary and United States** for a total of Euro 35.2 million of which 33.5 million for the payment for the acquisition of six new US centers and downpayments made for the purchase of other US centers and the rest for interventions and improvements in the remaining other US and Hungarian centers;
- **Castelvecchio Pascoli (LU, Italy)** for a total amount of Euro 24.7 million mainly related to the KIg10 project (Euro 24.4 million) both linked to the new department for the production of new generation immunoglobulins at 10% and the of costs necessary for the registration of the fixed product. The residual refers to interventions and improvements to the warehouse and surrounding buildings;
- **Other investments** for a total amount of Euro 5.2 million which mainly refers to IT hardware and software investments and other improvements made in the offices of the various headquarters, as well as investments relating to other research and development projects.

Considering the investments described above, the capital invested rises to Euro 1,002.5 million.

4.5.2. NET WORKING CAPITAL

In this year, net working capital fell from Euro 296.5 million in 2018 to Euro 286.9 million, with a percentage on turnover that decreases to 35.5% compared to 43.1 % in 2018. The decrease in absolute value compared to the previous year is generated by the reduction in inventories (Euro 19.2 million) mainly linked to the optimization of the stocks of plasma and finished products, as well as a slight increase in trade payables (+ Euro 4.2 million) due to the phasing of plasma purchases. The effects of these two items are offset by the increase in trade receivables (+ Euro 24.4 million) due to the peak in turnover achieved at the end of the year. Analyzing the other components, it should be noted that the contractual liabilities increased by Euro 12.8 million compared to 2018 thanks to advances from customers related to plasma supply contracts. The item “other current liabilities” decreased by Euro 2.2 million compared to the previous year because of the decrease of tax payables.

4.5.3. FINANCIAL OPERATIONS

The debt structure remained stable compared to that of 2018.In fact, In July 2017 Kedrion S.p.A had issued a new Bond of Euro 350 million with a 5-year maturity, placed with leading international investors and listed on the Irish Stock Exchange. The income of the issue had been partially used to repurchase, in 2018, Euro 91 million of the remaining Euro 149 million of the Bank with a 4.625% coupon issued in 2014, of which the residual amount of Euro 58.2 million was repaid on 24th April 2019.

Nowadays, the company is exposed for 34% with bank debt and for 66% with bonds. The following table provides the data of medium-long term loans granted to the Group and outstanding at 31 December 2019:

Description	Maturity	Global amount (in thousands of Euro)	Outstanding principle as at 31.12.2019 (in thousands of Euro)	Interest rate as at 31.12.2019
Bond	12.07.2022	350,000	350,000	3.00%
Revolving Credit Facility	31.12.2021	60,000	30,000	Euribor floor zero+ 2.000%
Revolving Credit Facility	02.04.2022	30,000	30,000	Euribor 6 M floor zero+ 2.150%
Revolving Credit Facility	22.04.2022	158,304	118,304	Euribor floor zero+ 2.250%
TOTAL		**656,508**	**576,508**	

The weighted average maturity of medium-long term loans is two years and three months. The cost of debt, including short-term credit lines, is around 3.4%, stable compared to 2018.
As it can be figured out from the following table, at 31December 2019 the net financial position including the impact of IFRS16 stood at Euro 516.5 million. Excluding the impact of IFRS16, the net financial position is equal to Euro 442.1 million compared to Euro 496.4 million in 2018. In 31 December 2019, the current portion decreases due to the repayment of the residual portion of the Bond of 2014, while the non-current portion grows due to the long portion of IFRS16.

(In thousands of Euro)	31.12.2019	31.12.2018
Medium/long-term debt towards banks and other lenders - current portion	12,217	64,915
Current financial liabilities towards banks and other lenders	68,103	68,001
Current borrowing	**80,320**	**132,916**
Medium/long-term debt towards banks and other lenders- non-current portion	569,048	490,126
Other non-current financial liabilities	396	515
Non-current borrowing	**569,444**	**490,641**
TOTAL GROSS BORROWING	**649,764**	**623,557**
Cash and cash equivalents	(121,468)	(116,325)
Other current financial assets	(1,912)	(712)
Other non-current financial assets	(9,929)	(10,124)
NET FINANCIAL POSITION (*)	**516,455**	**496,396**

(*) Net financial debt is calculated as the sum of overdrafts and loans falling due within one year and non-current financial liabilities net of cash and cash equivalents, current and non-current financial assets and the fair value of derivative financial instruments. Net financial debt is not identified as an accounting measure neither in the context of the Italian Accounting Standards nor in that of the IFRS adopted by the European Union. The determination criterion applied by the Group may not be equal to that adopted by other groups and, therefore, the balance obtained by the Group may not be comparable with that determined by the latter.

4.5.4. FINANCIAL INDICATORS

	31.12.2019	31.12.2018
Short-term ratio *Short-term financial payables and current share of long-term debt/Net Financial Position*	15.6%	26.8%
Long-term ratio *Long-term financial payables/Total Net Financial Position*	110.3%	98.8%
Ratio - Net Financial Position/Shareholders' Equity	1.06x	1.29x
Ratio - Net Financial Position/Total sources of financing	51.5%	56.4%
Leverage Ratio *(NFP/Adj. EBITDA without IFRS 16 impact)*	2.82x	3.34x
Net Interest Cover Ratio *(EBITDA adj./ Financial operations)*	6.63x	6.85x
ROE	7.9%	3.0%
ROIC	4.6%	1.8%
ROA	85.9%	81.2%
ROS	5.4%	2.2%

Regarding the balance sheet ratios, there is an increase of long-term debts, compared with those at short-term, as a result of the impact of IFRS16 application on the 2019 financial year. Moreover, short-term debts reduce thanks to the repayment on April 2019 of Euro 58.2 million, residuals of the 2014 Bond.
The financial debt / net balance sheet ratio decreases thanks to the capital increase related to the entry of a new shareholder and the continuous monitoring of the net financial position. The Leverage Ratio (calculated without the impact of IFRS16 in order to make it better to compare with the 2018 figure) improves significantly for the reasons mentioned above, while the Net Interest Cover Ratio slightly decreases, thus remaining financially strong.
Arriving to the latest indicators, there was a strong improvement for the ROE, which reports the company's capital return on investment, as well as ROIC (that can be divided in the ROS that is the profitability of sales, and the ROA that expresses return on assets), which measures the return on invested capital, thanks to the strong increase of operating profit, as underlined by the performance ROS.

Looking at the cash flows summarized in the following table, it can be noted that:

- In the financial year 2019 there was an operating cash flow of Euro 107.6 million in sharp increase compared to Euro 36.3 million of the previous financial year. This positive flow in improvement is linked to the optimization of net working capital that drops of 7.6 percentage points as impact of turnover compared to 2018 thanks to a better management of plasma stocks and finished products and other components as already specified in the appropriate section, as well as the higher profitability.
- In 2019, in addition to the normal level of investment required to carry out periodic improvements in efficiency to ensure the highest safety standards, two important strategic projects have been carried on, such as the one of the internalizations of the production process of the new immunoglobulin at 10% (KIg10) and that of increasing the self-sufficiency level of the matter by completing the acquisition of six US plasma collection

centers. The absorption of the cash flow by these projects and other previously detailed investment activities therefore amounted to Euro 83.3 million.

- Financing activities have absorbed cash of Euro 19.4 million, as a result of some important changes such as the aforementioned repayment of the residual portion of the 2014 Bond for Euro 58.2 million, the payment of approximately Euro 24.4 million net interest and Euro 3.2 million in dividends, partially compensated by capital increases of Euro 65.9 million.

Cash flow statement is prepared according to the indirect method and is presented in compliance with IAS 7, classifying cash flows between operating, investment and financing activities. The flow related to financial charges and income, paid and collected, is shown among financing activities and not among operating activities

	Year ended 31 December	
(In thousands of Euro)	2019	2018
Net cash flow from operating activities	107,554	36,309
Net cash flow from investment activities	(83,325)	(65,226)
Net cash flow from financing activities	(19,396)	40,478
TOTAL NET CASH FLOW	**4,833**	**11,561**
Cash and cash equivalents at the beginning of the year	116,323	104,522
Net effect of conversion of foreign currencies on cash and cash equivalents	295	240
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	**121,451**	**116,323**

4.6. MAIN RISKS AND UNCERTAINTIES TO WHICH THE GROUP IS EXPOSED

The Group's main risks are represented by exchange rate risk, interest rate risk, credit risk and liquidity risk. Risk management is centralized in the Corporate Finance function that, in close collaboration with the Group's operational functions, identifies, assesses and hedges financial risks in compliance with the directives established by the related policy approved by the Board of Directors.

4.6.1. EXCHANGE RATE RISK

The Group is internationally active and is therefore exposed to exchange rate risk arising from the various currencies in which it operates. Exposure to the currency risk derives from commercial and financial transactions in currencies other than the accounting currency. The main currencies that generate FX risk are the US dollar and the Hungarian forint.

The sensitivity analysis performed to assess the Group's exposure to exchange rate risk was conducted assuming reasonably possible changes in the exchange rates of the US dollar and the Hungarian forint against the euro. The following tables show the impact on profit before taxes due to changes in the fair value of current assets and liabilities, keeping all other variables fixed. In addition to current commercial assets and liabilities, for 2019 financial items have been included, mainly represented by the balances of intragroup financial receivables and payables in currencies other than the accounting currency and which constitute the main greatness of this analysis.

Year ended	Change in US Dollar	Effect on income before taxes (In thousands of Euro)
31 December 2018	+ 10%	23,179
	- 10%	(19,156)
31 December 2019	+ 10%	23,620
	- 10%	(19,569)

Year ended	Change in Hungarian forint	Effect on income before taxes (In thousands of Euro)
31 December 2018	+ 10%	5,183
	- 10%	(4,241)
31 December 2019	+ 10%	4,986
	- 10%	(4,080)

4.6.2. INTEREST RATE RISK

Kedrion has a fixed rate bond of Euro 350.0 million and three revolving credit facilities of Euro 158.3, 30.0 and 60.0 million at variable rate. Two of the three revolving facilities are covered by interest rate swaps up to 2022, of which the total notional is Euro 45.0 million. At December 31st, the company was covered from interest rate risk for 66% of its total long-term exposure. So that, the Group's interest rate risk is today partially limited in the medium to long term, thanks to the fixed rate bond issue and the two hedging instruments. The exposure is greater on short-term loans. The Group monitors the conditions of the financial markets on interest rates in order to evaluate hedging opportunities to further reduce exposure to risk. Please refer to point 6.6.4 of the explanatory notes for the sensitivity analysis.

4.6.3. LIQUIDITY RISK

The Parent company closely manages liquidity risk by means of strict control of the elements comprising net working capital and maintains an adequate level of cash and funds obtainable by various banking institutions. At December 31st, 2019, the Group had available and unused credit lines for Euro 117.8 million, of which 40.6% in the short term.
In order to make cash flow management more efficient, avoiding the dispersion of cash liquidity and minimizing financial charges, the Group has also adopted systems concentration and centralized management systems of main Group companies' cash liquidity on Kedrion S.p.A accounts (cash pooling)
The Group will have the ability to repay the existing loans at the date set in 2022 through the operating cash flows generated by the operational management, as well as refinancing operations, also through the issue of new financial instruments.

4.6.4. CREDIT RISK

Most of the Group's receivables from Europe are due from hospital companies and other public institutions, whose credit rating is considered to be reasonably sound. In fact, the Group has never recorded losses on receivables, with the exception of the waiver of default interest.
Similarly, receivables from US customers, given the very short payment terms and the financial strength of the customers, are considered reasonably reliable and solvent. The residual receivables are mainly due to foreign customers (Middle East, Asia, Africa and South America) with consolidated knowledge

relationships and long-term collaborations, while in the case of new commercial relationships, in particular on new markets, coverage is generally required with letters of credit or other guarantees. Furthermore, all receivables are constantly monitored by a recently implemented dedicated central structure capable of preventing exposures that are not in line with the Group's policies, such as unauthorized shipments in a context of overdue positions or excess of the credit lines granted. The Group therefore believes that it does not have to implement specific credit risk management policies, given the low risk of insolvency of its customers.

4.6.5. OTHER RISKS

Other possible risks to which the Group could be exposed are related to the macroeconomic environment, the performance and industry' regulation:

- **Risks related to the high degree of regulation of the sector**
  The Group operates in a highly regulated sector and requires government authorizations to carry out its activities. The Group's inability to obtain such authorizations for new products or to maintain such authorizations for existing products could damage its business.
- **Risks related to international operations**
  The Group's international operations expose it to risks inherent in international activities, each of which could influence the Group's operating results.
- **Risks related to increased competition in the Italian market**
  The presence of competitors operating in the Italian market could reduce the Group's access to Italian plasma and its splitting activities on behalf of the Italian regional authorities.
- **Risks related to the production process and to requirements under Good Manufacturing Standards (GMP)**
  Plasma and plasma derivatives are fragile products and production processes are complex. Any improper handling of plasma and plasma derivatives or non-compliance with GMPs could have a negative effect on the Group's activities.
- **Risks related to the interruption of the normal operations of production facilities and collection centers**
  Any interruption to the normal operation of the Group's production facilities, shipping or distribution channels or plasma collection centers can adversely affect its business.
- **The related risks and uncertainties arising from the Covid-19 epidemic**
  The health emergency caused by COVID-19 may expose the Group to the risk of lower donations in collection centers and less availability of plasma supply.
  It should also be noted that until now, no critical issues have emerged regarding this scenario, nor have there been significant decreases in the flow of donors to the collection centers which continue to remain open in compliance with the regulations put in place by the local system in force.
- **Risks related to increased pressure on pricing**
  The Group operates in a highly competitive sector with increasing price pressure. Furthermore, fluctuations in the supply or demand of plasma and plasma derivatives can influence the Group's activities.
- **Risks related to technological changes**
  Technological changes in the production of plasma derivatives and the development of alternative products could make the Group's production processes and products uneconomic.

4.7. DIVIDEND POLICY

Pursuant to art. 29.3 of the Articles of Association of Kedrion S.p.A, the net profits as reported in the financial statement, after deducting a sum corresponding to 5% of them destined to the legal reserve, until it has reached one fifth of the share capital, are allocated according to the decision of the Shareholder's Meeting.

4.8. PERSONAL DATA PROCESSING

Kedrion adopted a Privacy System to ensure compliance with EU Regulation 2016/679 (hereinafter also "GDPR") and Legislative Decree 196/2003 as last amended by Legislative decree 101/2018 (hereinafter also collectively "Regulations").

The Privacy System is part of the principles and elements of the internal control system adopted by the company; it includes:

- Code of ethical conduct; SA8000 social responsibility system - adherence to the Ten principles of the Global Compact on human rights, work, the environment and the fight against corruption; Management policy for Business Ethics annually renewed by Kedrion through the issue of a specific document ; Legality Rating in accordance to the Regulation of the Guarantor Authority of the Competition and the Market, Model 231, whistleblowing system - elements that constitute the ethical reference scenario of the existing Corporate Privacy System;
- Governance structure of responsibility around privacy area - appointment by the BoD of the Data Protection Officer (DPO), which also requires that it be supported by a specific Committee whose members belong to the Information Technology, Human Resources and Legal functions; appointment by the BoD of the Delegate to the privacy system for the management of the related obligations; appointment of internal managers "Designated ", of persons authorized to process, the administrators of the system (ADS), the manager of the surveillance; appointment of managers external to the organization ;
- Principle of segregation of duty in the design and surveillance of the system - for which the surveillance on the Privacy system, and the design of the system, with respect to the prerogatives of the Owner, are carried out by different figures independent of each other although operating in close synergy;
- Principle of prevention and control of conflict of interest, authority and independence in identifying the supervisory body - for which the DPO has been identified, in compliance with the principles set out in art. 37-38-39 of the GDPR, in the company figure already Head of Internal Audit;
- Principle of accountability - to which the technical and organizational measures put in place by the company to guarantee and be able to demonstrate that the processing of personal data is carried out in compliance with the Regulations comply.
- Data processing register – in order to have an updated picture of the processing operations in place by the company that can be maintained and used by the parties involved - Owner, DPO, and Managers (Internal or "Designated Referents", persons authorized to process, administrators of system, video surveillance manager), Interested parties;
- Provision of specific information to the interested parties - to whom the personal data refer, in accordance to the principle of Transparency and usability for the Interested Party, of the protection of the rights of the person concerned;
- Data processing - which is based on the explicit, free and indorsed consent of the interested party;

- Principle of "data protection by default and by design" for the purpose the processing configuration - for which the indispensable guarantees for the purpose of protecting the rights of the data subject, also considering the overall context in which the processing takes place and the risks for rights and freedoms of the data subjects, are considered from the outset in the processing configuration;
- Risk Assessment and Data Protection Impact Assessment (DPIA) - i.e. identification of potential privacy risks which even hypothetically could occur in relation to the processing of personal data carried out by the company for each category of data subjects; risk assessment in consideration of the current internal control system; identification of cases of mandatory impact assessment (Data Privacy Impact Assessment) and implementation of PPE where necessary;
- Annual plan of the DPO of Training on Regulations and on the Company's Privacy System and implementation of the same;
- Information flows to the DPO and Communication System with the Data Controller and with the DPO - through specific addresses disclosed with the documents of the privacy system (such as information notices, appointment letters, agreements with third parties), and from the company web and intranet;
- Compliance Privacy Audit by the DPO;
- Monitoring of regulatory and organizational changes - in order to evaluate and implement the need to adapt the Privacy System;
- Periodic meetings of the DPO with company functions;
- DPO mandate and periodic report of the DPO to the Data Controller on the activities carried out and proposal of the Annual Plan of Activities and Privacy Compliance Audits.

4.9. MAIN FEATURES OF THE INTERNAL RISK MANAGEMENT AND CONTROL SYSTEM IN RELATION TO THE FINANCIAL RE-PORTING PROCESS, ALSO CONSOLIDATED (INFORMATION PURSUANT TO ARTICLE 123-BIS, PARAGRAPH 2. B) OF LEGISLATIVE DECREE 58/98)

The completeness, correctness and timeliness of the financial information is ensured by the adoption of an effective and efficient internal control system of the Group, object of constant improvement and adaptation to the evolution of company activities, the regulatory framework and the economic and social context. The components described below must be considered as integral parts of the internal control system.

4.9.1. ORGANISATIONAL, MANAGEMENT AND CONTROL MODEL PURSUANT TO ITALIAN LEGISLATIVE DECREE NO. 231/2001

Kedrion has, as of 2004, adopted a specific Organization, Management and Control Model pursuant to Article 6 of Legislative Decree 231/2001 (hereinafter also referred to as the Model 231) to prevent the risk of committal of crimes set forth in the above Decree and, at the same time, to spread and consolidate the culture of transparency and integrity, in addition to assuring conditions of correctness in the doing business and conducting corporate activities to protect its position and image and expectations of those interested in his work.
Model 231 is intended for all those who work for the achievement of the Company's corporate purpose. Model 231 is sent to the corporate bodies, directors, employees and third parties who work for Kedrion for various capacities.
The effective adoption and implementation of Model 231 adopted by Kedrion requires that all recipients of Model 231, in carrying out their activities, follow engage in fair and transparent conduct, in line with

the Decree, with the control's measures set forth in Model 231 and with the Ethical-Social Values represented in the Kedrion Code of Ethical Conduct.
Moreover, the effective adoption and effective implementation of Model 231 required Kedrion itself:

- to integrate Model 231 with the pre-existing internal control system, also with the purpose of better monitoring and protecting all company processes and functions in order to prevent any conduct that does not comply with the Laws and therefore also with Legislative Decree 231/2001;

- to make anyone who operates in the name and on behalf of Kedrion:
  - fully aware of the scope and effects of Legislative Decree No. 231/2001;
  - fully aware that conduct must always comply with Kedrion's code of ethics, which is aimed at condemning any conduct, engaged in by whomever, prohibited by legal provisions and contrary to Kedrion's Ethical-Social Values, represented by its Code of Ethical Conduct.

The purposes, principles and contents of Model 231 are disclosed to the recipients of Model 231 through training courses and continuous communication and information also with the Supervisory Body.
Moreover, those third parties who have contractual relationships with the Company must undertake to comply with the Model 231 by signing a special termination clause in the related contract, which will be enforced in the event of violations of the Model's regulations by said third party.
The objectives and principles indicated above were operatively articulated in the following elements of internal control, which also define the contents of Model 231 adopted by Kedrion:

- Analysis of Enterprise Risk Management;
- Analysis and Mapping of Risks with respect to the offenses envisaged by Legislative Decree 231/2001;
- Operating procedures and control protocols relating to areas potentially at risk;
- Code of Ethical Conduct
  Internal disciplinary / sanctioning system defined pursuant to Legislative Decree 231/2001;
- Whistleblowing system;
- Management control system and accounting manual (referring to Law 262/2005) and budget procedures for monitoring also financial flows;
- System Management Control and Management and Command "Financial Statements" (referring to Law 262/2005), including:
  - Tasks and responsibilities of the person in charge of preparing the accounting documents;
  - Operating procedures and specific protocols on the preparation of corporate accounting documents, and on relations with foreign companies;
  - Audit and control plan;
- Company Transfer Pricing Policy in accordance with specific legislation;
- Group Cash Pooling System and Treasury Policy;
- Management information system SAP, regulation of the use and management of the system, validation system;
- Antitrust Compliance Program;
- Legality Rating pursuant to the Regulations of the Competition and Market Authority;
- Corporate Privacy Management System for compliance with EU Regulation 2016/679 and Legislative Decree 196/2003 as last amended by Legislative Decree 101/2018;
- Social Responsibility System on ethics in relations with workers within Kedrion and in the supply chain in accordance with the SA8000 standard - certified by an accredited third party body;
- Occupational Health and Safety Management System, in accordance with the OHSAS18001 standard - certified by an accredited third party body;

- Environmental Management System in accordance with current regulations, with the ISO 14001 standard and with the EMAS scheme - certified by an accredited third party body;
- System of Conducting Scientific Information Activities in accordance with the Guidelines issued by Farmindustria - certified by an accredited third party body;
- Quality / Safety Assurance models in accordance with industry standards of excellence
- Good Manufacturing Practices, Good Distribution Practices, Good Laboratory practice
- Good Clinical Practices, Good Pharmacovigilance Practices;
- Quality Management System based on ISO 9001 standard - certified by an accredited third party;
- System of allocation of roles and responsibilities, system for the allocation powers of mandates, powers of attorney, company organization charts, job descriptions;
- System for staff and collaborators;
- System for assessing employee performance and allocation of objectives;
- Remuneration Policy and system for calculating and reporting variable remuneration;
- Corporate Policy for Business Ethics annually updated by Kedrion through the I issue of a specific document;
- Internal and external communication activities on the System;
- Training activities on the System;
- Ten principles of the Global Compact on human rights, work, the environment and the fight against corruption;
- Appointment of the Supervisory Body pursuant to Legislative Decree 231/2001 (OdV)
- Regulation (or articles of association) of the Supervisory Body
- Procedure for internal information flows to the Supervisory Body
- Appointment of the Data Protection Officer (DPO) in accordance to EU Regulation 2016/679
- Appointment of the Internal Audit Manager (RIA)
- Appointment of the Ethics Officer
- Appointment of the Ethics Committee

We note in particular, that the Board of Directors of Kedrion S.p.A has established, implementing Legislative Decree 231/2001, the Supervisory Body to which the powers and responsibilities necessary for carrying out the activities assigned to it have been attributed the decree on the functioning, efficacy, adequacy and observance of the Organization, Management and Control Model adopted by the Board of Directors itself.
Kedrion maintains a specific Communication System with the Supervisory Body that allows anyone (employees and third parties), through specifically dedicated channels and with procedures regulated by the procedure to:

- ask questions or raise doubts about the principles contained in Kedrion's Code of Ethical Conduct and Model 231;
- ask questions or raise doubts on the activity carried out or to be carried out for Kedrion and therefore on conduct that, in performing any such activities, might involve, even hypothetically, an illegal act and the onset of the offenses identified by Legislative Decree 231/2001;
- report alleged or suspected violations of the ethical principles contemplated by the Kedrion Code of Ethical Conduct and of the safeguards envisaged by Model 231;
- report any other information relating to the elements and contents of Model 231.

4.9.2. COMPLIANCE WITH THE REQUIREMENTS OF ITALIAN LAW 262/2005

Kedrion has defined and maintained its internal control system based on the criteria and principles provided for by Law 262/2005, considering this methodology valid and in line with best practice - even if Kedrion itself has no obligation towards such legislation.
Kedrion's internal control system includes the following elements:

- Identification of the tasks and responsibilities of the function responsible for preparing the accounting documents;
- Operating procedures and specific protocols on the preparation of corporate accounting documents, and on relations with subsidiaries; with a view to strengthening the supervision and control over financial processes and administrative management processes, Kedrion has also adopted a specific corporate Transfer Pricing Policy in line with the provisions of the specific legislation, and the Group Cash Pooling Management System with the related Treasury Policy;
- Training activities for subjects who, for various reasons, operate in the corporate and financial reporting processes;
- Appointment by resolution of the Board of Directors of the Head of Internal Audit, who has been assigned the powers and responsibilities necessary to carry out the activities assigned him by a specific mandate for the assessment of the adequacy and effectiveness of the Internal Control System;
- Audit and control activities of the Internal Audit system, which include:
  - ✓ Annual Audit Plan and its implementation
  - ✓ Verification of the status of updating of company procedures
  - ✓Monitoring the status of implementation of requests for actions formulated with audits
  - ✓ Verification of the state of implementation of the Enterprise Risk Management process and synergy with the proposed annual audit plan
  - ✓ Relationships with the Supervisory Body, with the DPO, and with the Antitrust Compliance Officer, for the implementation of integrated audits
  - ✓ Reconnaissance of the elements of the internal control system - Code of Ethical Conduct; Antitrust Compliance Program; 231 model; budget area control system procedures; SAP business management information system; system for defining, approving, monitoring and controlling the budget; quality and safety assurance system in accordance with pharmaceutical industry standards; Corporate Privacy Management System for compliance with EU Regulation 2016/679 and Legislative Decree 196/2003 as last amended by Legislative Decree 101/2018; Occupational Health and Safety Management System and voluntary OHSAS 18001 certification; Environmental Management System and voluntary certification / registration ISO 14001 and EMAS; management system for scientific information and voluntary certification based on the guidelines of Farmindustria; Social responsibility system, SA8000 voluntary certification and Ethics Officer activities; ISO 9001 quality system and voluntary certification; membership in the Global Compact; Legality Rating; Ethics Committee;
  - ✓ Proposal for changes, updates, additions to the internal control system
  - ✓ Evaluation of the company's risk management, control and governance processes
  - ✓ Periodic reporting to the Board of Directors on the activities carried out and on the proposal of the Annual Audit Plan

4.10. PARENT COMPANY AND CONSOLIDATED SUBSIDIARIES/ASSOCIATES

4.10.1. KEDRION S.P.A.

Kedrion is a pharmaceutical company operating in the production and marketing of plasma derivatives.

During 2019, the Company continued its strategy of preserving its leadership on the Italian market and expanding in the international markets, achieving a turnover of Euro 347.9 million (Euro 333.2 million in 2018), thus increasing the revenues equal to 4.4%.
In this year, the growth in turnover is mainly driven by the increase in sales of plasma factor VIII (+25% compared to 2018), anti-tetanus immunoglobulin (+56%), anti-D immunoglobulin (+20%), standard immunoglobulin (+7%) and albumin (+10%).
Profitability is stable with a positive impact linked to the trend in prices of the standard immunoglobulin that compensates the increase in price of raw materials and the expansion in international markets with lower profitability. The reduction in operating costs is the consequence of important efficiency programs launched during the year that support the growth of EBITDA which reaches Euro 33.3 million (Euro 28.5 million in the previous year), EBT stands at Euro 16.2 million (Euro 15.7 million in 2018).
Finally, net profit rose to Euro 18.5 million (Euro 16.6 million in 2018) thanks also to the reduction in taxes following the use of the tax credit relating to the patent box and to research and development costs.
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4.10.2. KEDRION BIOPHARMA INC

This company incorporated in the US law, originally called Kedrion Melville Inc. a wholly-owned direct subsidiary, owns a production facility with a fractionation capacity of approximately 1 million liters brought as part of a framework agreement with Grifols signed in 2011 which it also provided access, through Kedrion Biopharma Inc. (later incorporated), to the most important market in the sector. During 2012, the acquisition of the medicinal product “RhoGAM” was completed.
On 1 January 2015, the company incorporated Kedrion Biopharma Inc., constituting a single American company dedicated to the production and distribution of drugs mainly intended for the American market. Subsequently the name was changed to Kedrion Biopharma Inc. and with effect from 1 November 2016 Kedrion Biopharma merged Haemopharm Inc., previously holding company of the business unit that deals with the supply of plasma. Thanks to this merger, the corporate structure on the American market has been simplified and Kedrion Biopharma has acquired 100% of KEDPLASMA LLC in order to directly control the plasma supply for the American market required for its production needs.
The 2019 financial year is the first full year of the Melville plant after the restart in the second half of 2018 following the restructuring that led to the construction of a new fractionation plant and a new production line for the RhoGAM specialty. The fractionation plant received definitive approval from the FDA in February 2019 allowing it to process approximately 480,000 liters during the year. Also, the new product line dedicated to RhoGAM has been inspected by the FDA and the operational start of this line, initially only for the filling and packaging activities, it has occurred in the first half of 2019.
The increasing use of the capacity of the Melville plant together with the existing agreement with Grifols for the purification of the fractionated products in Melville allowed to reach a turnover of USD 260.2 million (compared to USD 206.9 million of the previous exercise) with an important growth of 25.7% thanks, above all, to the development of sales of standard immunoglobulin (+ 23% compared to 2018) and anti-rabies immunoglobulin (+ 101%), a product developed in partnership with Kamada and entered the market the United States in the first months of 2018. A decrease in turnover for Koate, plasma factor VIII (-19%) which was negatively affected by the strong impact caused by the entry on the market of Roche's new Hemlibra product. The increase in the use of the production capacity of the Melville plant has brought significant benefits in terms of absorption of the costs of the plant (which for the new Rhogam department have found partial correspondence in production only since the start of operations) contributing to the growth in EBITDA which reached a positive value of USD 13.0 million against a negative one of the previous years of USD 41.7 million.
The level of industrial one off costs, linked both to the lack of full uptake of the plant costs, given the partial exploitation of the production capacity at the Melville plant, and the devaluation of finished products purchased during the refitting phase of plant to create a safety stock (which proved to be in excess of current market dynamics) remain high. In fact, in the current year the total one-off costs

amounted to USD 47.7 million, with a decrease of about 46% compared to 2018 (USD 89.8 million). Due to these still non-recurring costs and a negative financial management balance of USD 19.0 following the interest due to the parent company Kedrion S.p.A for the outstanding loans, the net result for the year shows a loss of USD 16.9 million (against a loss of USD 55.8 million in the previous year).

4.10.3. HUMAN BIOPLAZMA KFT

On 31 December 2007 Kedrion S.p.A acquired 100% of the shares of HUMAN BioPlazma Kft., thus increasing its overall capacity thanks to the plant located in Godollo near Budapest. In the second half of 2012, the new plant also started operations, increasing the overall fractionation capacity to 550,000 liters per year, ensuring a more efficient absorption of production costs. In April 2015, the assets of the subsidiary Plazmaferezis Kft were transferred to HUMAN BioPlazma, while Plazmaferezis was placed in liquidation.
Plasma collection gave a stable performance which reached a total of 102 thousand liters of collection in the 7 collection centers owned in Hungary (101 thousand in 2018) against an ever-increasing competition in this country. These plasma volumes have been completely used for the production of plasma derivatives supporting the growth of the Company's turnover which reached Euro 97.1 million in the current year compared to Euro 44.5 million in 2018 thanks above all to the exchange of flows in the fractionation of volumes for Kedrion S.p.A. in fact, from a contract work, as it was in the previous year, in which the ownership of the plasma and intermediates remained with Kedrion S.p.A, it has now become a plasma purchase and subsequent transfer of the intermediates. There has been a margins contraction due to the rising costs of raw materials and some production yields which have to increased, that lead to a loss of Euro 0.8 million against a net profit of Euro 0.8 million in 2018. During the 2017 financial year, the National Blood Transfusion Service (NBTS) sued HUMAN BioPlazma, for a value of approximately Euro 37 million, to have the price difference between the price actually agreed and paid on plasma purchases made since 1.1.2008 at 30.3.2015 and the highest one established by Legislative Decrees n. 12 of 1992 and n. 9 of 1993. The dispute continued in the subsequent periods and on 27.11.2019 the Budapest Court rejected NBTS's request, condemning the counterparty to pay legal fees. Subsequently, NBTS filed an appeal within the terms of the law and the first hearing is set in June 2020. The law firm that assists the Company has always confirmed the groundlessness of the request, considering the possibility of the Company to be unsuccessful. In accordance with this assessment, the Group has not recognized a provision for risks in the financial statements.

4.10.4. KEDRION INTERNATIONAL GMBH

This company incorporated under the Austrian law and wholly-owned by Kedrion S.p.A., had as its original objective the distribution of Kedrion products in the European Union and in some important Asian markets. At the end of 2016, the company had a major reorganization transferring the German market to KEDPLASMA GmbH (actual transfer from January 1, 2017) and all other markets, with the exception of Austria and Poland (actual transfer from November 1, 2016), and equity investments held in Kedrion Portugal and Kedrion Swiss, at Kedrion S.p.A.
The financial statements as at December 31, 2019 recorded a turnover up 17.8% to Euro 22.1 million (Euro 18.7 mi lions in 2018) thanks to the strong sales growth achieved on the Austrian and Polish markets, in particular due to higher placed volumes of albumin and standard immunoglobulin with significant price increases particularly for the latter product. The profit for the year, which also growing, reaches Euro 1.4 million (Euro 2.1 million in 2018).

4.10.5. KEDRION SWISS S.A.R.L.

Established in 2008 and 100% owned by Kedrion International until 2016, is mainly involved in the marketing of Kedrion products in Switzerland. Following the reorganization of Kedrion International, the

investment in Kedrion Swiss was transferred to Kedrion S.p.A In 2019 the turnover amounted to Euro 0.3 million (Euro 0.5 million in 2018) with sales almost exclusively of immunoglobulin standards they have led to a closing substantial break even.

4.10.6. KEDRION PORTUGAL - DISTRIBUIÇÃO DE PRODUTOS FARMACÊUTICOS UNIPESSOAL, LDA

Headquartered in Alges (Lisbon), was acquired by Kedrion International in December 2010 with the aim of distributing Kedrion products on the Portuguese market. Following the reorganization of Kedrion International, the equity investment in Kedrion Portugal was also transferred to Kedrion S.p.A. In 2019, the company achieved a turnover of Euro 5.7 million, a decrease compared to Euro 7.4 million of the previous financial year, due to a lower volume of standard immunoglobulin sold in this market which led to a net loss of Euro 0.1 million compared to a profit of the previous financial year of Euro 0.5 million.

4.10.7. KEDRION MEXICANA S.A. DE C.V.

This company incorporated under the Mexican law, was set up in June 2008 with the aim of distributing Kedrion products in Mexico. Kedrion S.p.A holds 60% of the share capital, while a local partner, Medici Pharma, SAPI de CV., holds the remaining 40%.
Sales in 2019 reached Euro 28.8 million (Euro 28.5 million in 2018) thanks to an increase in the volumes of standard immunoglobulin sold, closing the year with a net profit of Euro 3.5 million, stable compared to Euro 3.6 million in the previous year.

4.10.8. KEDPLASMA LLC

This company, incorporated under American law has increased overall collection in its centers by around 10% compared to the previous year, reaching 850 thousand liters collected. Currently, the company owns twenty-two collection centers already operating (they were sixteen at 31 December 2018) as result of the acquisition of a further six centers occurred during the current financial year. This growth trend in deposits is linked to the willingness of the Kedrion Group to cover both the production needs of the plasma-cutting segment and to develop the plasma market more and more, thanks to long-term agreements with third parties for the sale of plasma and through trading activities on centers no longer considered strategic.
In accordance with this strategy, in 2019 the Company made sales of around 2.2 million liters for a total amount of USD 386.8 million (USD 320.3 million in 2018) with a significant increase (+ 21%) compared to the previous financial year thanks to the higher volumes of plasma available, to important sales agreements with the main market operators and benefits from favorable price dynamics. This growth in sales contributed to the achievement of an EBITDA of USD 25.2 million, down from USD 38.7 million in 2018, where however the revenue of USD 33.6 million relating to the sale of six centers was present in the other revenues. Net income came was of USD 12.6 million (USD 35.3 million in the previous year).

4.10.9. KEDPLASMA GMBH

This company incorporated under German law and wholly owned by Kedrion S.p.A, was established in June 2008 in order to manage the three plasma collection centers acquired and opened in Bavaria at the end of the same year. During 2017, the company consolidated funding in its centers thanks also to the opening of the new center in Augsburg, optimized trading activities (German, Austrian, Polish and Czech suppliers) with the aim of lowering the average cost per liter of plasma and began the marketing of plasma derivatives in the local market. In fact, the company acquired the German market from Kedrion

International GmbH, with effective transfer from 1 January 2017. Subsequently, in March 2019, the agreement was signed to sell the four German plasma collection centers to HAEMA AG, concentrating its activity only on the distribution of Kedrion products in Germany.
Therefore, the Company generated a turnover of Euro 31.4 million in 2019 (compared to approximately Euro 69.7 million in 2018 which, however, included plasma sales for the whole year), with a slight increase considering the only plasma-derived segment thanks to the higher volumes of standard immunoglobulin placed at increasing prices. The good performance of the plasma derivatives segment and the income recorded for the sale of the four plasma centers allowed to achieve a net profit of Euro 16.1 million (Euro 2.7 million in 2018).

4.10.10. KEDRION BETAPHAR BIYOFARMASÖTIK İLAÇ SANAYI VE TICARET ANONIM ŞIRKETI

In November 2012, Kedrion S.p.A purchased a stake of 42.5% in this Company with registered office in Ankara, Turkey. On September 2, 2015 Kedrion S. p. A. has increased its shareholding from 42.5% to 60% in the capital of company thus becoming the majority shareholder. In 2015, the company began distributing pharmaceutical products and in 2019 achieved a turnover of Euro 3.0 million, an increase compared to the previous year (Euro 2.6 million) thanks to the higher sales of anti-D immunoglobulin, closing with a useful profit of Euro 0.4 million.

4.10.11. KEDRION BRASIL DISTRIBUIDORA DE PRODUTOS HOSPITALARES LTDA

Since November 2013 this company, 51% owned by Kedrion S.p.A and 49% by a local partner - FBM Farma Industria Farmaceutica LTDA, has been officially registered at the Chamber of Commerce of the State of Goias in Brazil. Kedrion Brasil obtained authorization in 2014 to import organic products into Brazil, in 2017 the registration of albumin and at the end of 2019 standard immunoglobulin. Since 2014, the company began to distribute products of other pharmaceutical companies, and in 2019 achieved a turnover of about Euro 2.0 million (Euro 0.8 million in the previous year) due to increased sales of Kedrion albumin, closing the year with a slight loss of Euro 0.2 million.

4.10.12. KEDRION BIOPHARMA INDIA PRIVATE LIMITED

On December 6, 2013, this new Company was established in India, 60% owned by Kedrion S.p.A, 20% owned by HUMAN BioPlazma Kft. And Kedrion Biopharma Inc. for the remaining 20%. This company, after a regulatory process to obtain the necessary import and marketing authorizations, started marketing Kedrion products on the Indian market in 2015, in particular in the hyperimmune sector. Turnover for 2019 was Euro 3.3 million (Euro 1.5 million in 2018) thanks to the growth in albumin sales too, with a loss of Euro 0.4 million (Euro 0.9 million in the 2018) due to the low sales margins in the local market.

4.10.13. KEDRION DE COLOMBIA S.A.S.

Kedrion De Colombia was established in Colombia to consolidate Kedrion's presence in Latin America and in particular in this important market. The procedures for the establishment of the company ended October 26, 2015 and the company, 100% controlled by Kedrion S.p.A, has its headquarters in Bogotá. From 2017 the company started the direct distribution of factor VIII and in the 2019 financial year it achieved a turnover of Euro 2.4 million (Euro 1.6 million in the previous financial year) closing the financial year with a slight loss equal to Euro 0.1 million.

4.10.14. JSC KIROV PLASMA

On 23 March 2017 a new company was established in Russia, JSC Kirov Plasma, as required by the Memorandum of Understanding signed at the time between the Russian companies National Immunobiological Company (Nacimbio) and Pharmastandard, and Kedrion S.p.A (the latter with a share 25%). This Italian-Russian partnership had the aim of creating a joint program for the production of plasma-derived products in the Russian Federation and, in particular, to complete the construction of a production plant in Kirov, Russia.
On 31 December 2019, with the return of Euro 204 thousand as due on the basis of the liquidation balance sheet of the associated company JSC Kirov Plasma against an investment of Euro 331 thousand, the same was canceled as the conditions for the development of the activities that led to its establishment did not verify.

4.10.15. RELATIONS WITH PARENT COMPANIES AND INVESTING COMPANIES

The shares of Kedrion S.p.A are held by:

- Sestant Internazionale S.p.A (50.27%);
- FSI Investimenti S.p.A (25.06%);
- FSI SGR S.p.A (19.59%)
- Sestant S.p.A (4.02%).
- Refin Srl (0.56%)
- PIPS Srl (0.50%)

4.10.16. EQUITY INVESTMENTS

At the date of preparation of these financial statements, Maria Lina Marcucci, Paolo Marcucci and Andrea Marcucci hold shares of 21.56% respectively (16.46% in full ownership and 5.10% in bare ownership with voting rights); 21.56% (16.46% in full ownership and 5.10% in bare ownership with voting rights) and 21.55% (16.46% in full ownership and 5.09% in bare ownership with right of voting) in the share capital of Sestant S.p.A, which directly holds 4.02% of Kedrion S.p.A and 100.00% of the share capital of Sestant Internazionale S.p.A, which owns 50.27% of Kedrion S.p.A
The remaining members of the Board of Directors, the members of the Board of Statutory Auditors and the main managers do not hold equity investments in Kedrion S.p.A
The director Remo Grassi holds a 0.56% stake through the control of the company Refin Srl. The manager Paolo Melloni, through the company PIPs Srl owned together with his children, holds a 0.50%.

4.11. **SIGNIFICANT EVENTS AFTER YEAR END**

In January and February 2020, KEDPLASMA LLC acquired four new centers (Pittson, Allentown, Altoona and Decatur) in the United States from Immunotek Biocenters LLC.

On January 31, Kedrion Biopharma INC. received the response from the FDA regarding the Supplement (PAS) of the Biological License Application (BLA) submitted on September 26, 2019 in order to also produce the "Bulk" of the Rhogam specialty at the Melville plant, already authorized for the "Fill & Finish", thus completing the technology transfer process from OCD.
The FDA response expects Kedrion Biopharma Inc. to perform certain prescribed additional activities within 12 months of response, with a subsequent FDA approval time of 4 to 6 months.

Following the inspection of the AIFA, held in Melville from 11 to 15 November 2019, and subsequent follow-up on corrective actions that Kedrion Biopharma Inc. has put in place to respond to the inspection observations, dated February 6, 2020 Kedrion Biopharma Inc. has received GMP's certification from

AIFA that the Melville site. This approval will allow the inclusion of Melville intermediates in the dossiers of medicines produced in Bolognana and distributed in Europe and other non-EU countries.

On February 24, SIMEST's entry into the capital of Kedrion Biopharma Inc. with a percentage of 4.5%.

In relation to the management of the Corona Virus emergency (COVID 19), starting from February 2020, Kedrion implemented all the necessary actions and measures in order to protect the health of its workers and stem the spread of the virus in alignment with the regulatory provisions entered into force.
The Group, which has as its primary objective the health of its people, has already activated a series of precautions, based on the indications contained in the "regulation protocol for measures to fight and contain the spread of the Covid-19 virus in work ", signed on March 14 by Trade Unions and employers at the invitation of the Prime Minister, and the Ministers of Economy, Labor, Economic Development and Health.
In particular, the Company has adopted the following specific measures: smart-working for all staff functions, reduction of staff to the strict requirements of production and application of a strict procedure for all external accesses.
Until now, there are no substantial negative impacts on the performance of the business except for a drop in donations.
The production activity is constantly carried out in sterile environments following the stringent hygienic-sanitary rules foreseen by the sector in which the Group operates; therefore, there is no impact on production activity.
Regarding the sales of the Group's products, there are no particular risks associated with potential future regulations that could result in the stopping of production activity or blocking the circulation of goods, due to the fact that these are drugs that in almost all cases are identified as life-saving.
Finally, with reference to the macroeconomic and social implications, the possible impacts of these events on the main variables (e.g. employment, rates, government incentives) remain still unclear.
It is therefore not possible to clearly predict the duration of this situation, the scenarios about its foreseeable developments.
None of these events have an impact on 2019 financial statements.

4.11.1. PERFORMANCE IN THE FIRST TWO MONTHS OF THE YEAR AND BUSINESS OUTLOOK

The objective for 2020 is to continue the international development through the growth of the plasma derivative segment thanks to higher volumes of albumin both in the US and in the other world markets, of factor VIII especially in emerging countries and benefiting from price increases expected for standard immunoglobulin especially in the USA but also in other markets through the best allocation of volumes based on price. In particular, significant growth in turnover is expected in the United States and other important markets such as Turkey, Poland and Brazil.
On the other hand, a reduction in turnover for the plasma segment is expected due to the lower volumes of plasma available for third parties, following the greater internal demand for the ramp-up of the volumes split in Melville. However, a slight increase in sales prices in standard plasma is expected in this segment.
Moreover, the process of improving margins is continuing, both through the efficiency of the production plants by increasing the yields per liter of plasma and by reducing the cost of the raw material through the progressive increase in the number of plasma centers directly owned, as well as the continuous face monitoring to contain and reduce operating costs.
In the first two months of 2019, consolidated turnover was approximately Euro 72 million, decreasing compared to Euro 85 million of the previous year due to a different phasing of plasma sales and Contract Manufacturing activities in Italy but in line with sales forecasts in the main markets.

4.12. NON-RECURRING TRANSACTIONS

Following the summary of non-recurring revenues and costs determined for management purposes as indicated in the definition referred to in footnote 4.4.3 (in the notes are highlighted revenues and non-recurring costs as provided by Consob Resolution no. 15519 of 27 July 2006).
During the year 2019 non-recurring transactions have been put in place with a total value of EUR 69.6 million, of which Euro 64.8 million with effect on EBITDA. These mainly refer to:

- Activities of the Melville plant hat, in 2019 found only a partial correspondence in production as the splitting worked at around 50% of its whole capacity, while the new production line dedicated to RhoGAM began operating during the year but at the moment still limited only to filling. The unabsorbed costs were equal to Euro 20.5 million, the devaluation of finished products purchased during the refitting phase of the plant to create a safety stock (which proved to be in excess of the current market dynamics) and today expired for Euro 10.0 million with depreciation for Euro 1.4 million with a total amount of Euro 31.9 million;

- Start-up costs relating to both the KIg10 project (Euro 6.6 million as net balance made up of Euro 13.5 million of costs and Euro 4.5 million of other income related to the contributions for the innovation agreement with the Ministry of Development and Tuscany Region) for the construction of a plant dedicated to the production of the new generation immunoglobulin at 10% and the costs necessary for the registration of the product itself, than to the new plant dedicated to the production of Plasminogen (Euro 4.6 million) and, finally, the higher plasma collection costs incurred in the new open or acquired centers not yet fully operational (Euro 4.9 million);

- Legal transactions and disputes mainly represented by the passive legal transaction with Grifols SA for some contractual non-compliances of Kedrion Biopharma Inc. related to the supply of intermediates produced in Melville in the period before the rebuilding of the plant (net amount equal to Euro 8.2 million), as well as the costs incurred for the positive verification of compliance with the pricing rules in the US (Euro 0.9 million), the costs incurred for a dispute with a distributor for the delay in starting the serialization (Euro 0.9 million), the costs related to a dispute with the owner of a property, headquarter of a plasma collection center of KEDPLASMA LLC seriously damaged by works commissioned by the owner himself (Euro 0.3 million), by the legal costs incurred in the various appeals raised on the award of the tenders for the processing of Italian plasma (Euro 0.1 million), from the partial write-down of some foreign receivables (Euro 0.8 million) linked to country risk and ongoing disputes that do not allow the recovery of the amounts in clear times ; finally, with a positive note, an active transaction for the non-compliance of some contractual conditions relating to previous years by a plasma supplier (Euro 1.3 million);

- Non-recurring incentives to employees for a total value of Euro 1.0 million;

- Strategic consultancy relating to corporate restructuring operations linked to the entry of a new shareholder and revision of the organizational structure of some functions with a view to increasing efficiency for a total of Euro 1.4 million;

- Discontinued operations such as costs bound to Siena plant closure, the sale of the plasma division in Germany and a production line no longer active for a total of Euro 1.8 million;

- Net contingencies for a balance of Euro 4.4 million, mainly consisting of the revision of the 2018 purchase cost with the supplier for the product Ked Rab sold in the USA (Euro 2.1 million), the revision of the 2018 commissions with a distributor United States (Euro 1.0 million) and the change in the amounts allocated for the payback in Italy (Euro 0.8 million).

The table shows the impact of these transactions on the profit and loss statement and the balance sheet.

(In thousands of Euro)	Cost of sales	Other income	General and adm.ve cost	Distribution and marketing cost	R&D cost	Other operating costs	Total	Effect on EBITDA
Activities of the Melville plant	31,379	(447)	0	0	931	0	31,863	30,451
Klg10 start-up cost	0	(4,549)	0	0	13,470	0	8,921	5,805
Plasminogen start-up cost	0	(29)	0	0	4,662	0	4,633	4,344
New plasma centers start-up cost	0	0	0	0	4,877	0	4,877	4,877
Legal transactions	9,339	(1,824)	1,665	516	262	0	9,959	9,959
Non-recurring incentives to employees	0	0	1,006	13	0	0	1,018	1,018
Strategic consultancy	0	0	1,446	0	0	0	1,446	1,446
Discontinued operations	1,816	0	396	0	235	0	2,447	2,447
Net contingencies	151	(477)	511	4,199	15	20	4,419	4,419
TOTAL	**42,685**	**(7,326)**	**5,024**	**4,728**	**24,452**	**20**	**69,583**	**64,766**

4.13. TRANSACTIONS WITH RELATED PARTIES

In 2019, Group companies were party to various types of transactions with other companies of the same Group and with other related parties identified on the basis of the principles established by IAS 24 and specified in detail in the notes to the financial statements.
The conditions under which these transactions were actually carried out are deemed consistent with arm's length conditions. However, there is no guarantee that, if said transactions had been concluded between or with third parties, they would have negotiated or executed the transactions at the same conditions and with the same procedures.

4.14. RECONCILIATION OF NET PROFIT AND GROUP EQUITY WITH THE ANALOGOUS VALUES OF THE PARENT COMPANY

The following table shows the reconciliation between the net result for the period and the group equity with the corresponding values of the parent company:

Reconciliation of Net Profit and Equity

(In thousands of Euro)	2018 Equity	2019 Net profit	2019 OCI	2019 other Equity movements (Dividends)	2019 Equity
Kedrion S.p.A. Financial Statement	**293,935**	**18,456**	**(89)**	**(5,083) 64,364**	**371,583**
Intercompany dividend distribution	(25,232)	(319)	0		(25,551)
Kedrion Biopharma US Inc. Group post-formation result (2011)	103,257	(3,802)	0		99,456
Kedrion International post-establishment result (2006)	897	1,431	0		2,329
HUMAN BioPlazma Group post-acquisition result (2007)	12,776	23	0		12,798
Kedrion Mexicana post-establishment result (2008)	17,461	2,068	0		19,529
Kedrion Brasil post-acquisition result (2013)	(474)	(105)	0		(579)
Kedrion India post-establishment result (2013)	(2,353)	(388)	0		(2,741)
Kedrion Colombia post-establishment result (2015)	231	(86)	0		145
Kedrion Betaphar post-establishment result (2015)	(54)	222	0		168
KEDPLASMA GmbH post-establishment result (2008)	3,473	16,006	0		19,479
Kedrion Portugal post-acquisition result (2010)	764	(148)	0		616
Kedrion Swiss post-establishment result (2008)	(366)	(46)	0		(412)
Gains on inventories write-off	5,396	976	0		6,372
Other intercompany profits write-off	(28,287)	2,452	0		(25,835)
Other provisions	325	0	2,950		3,275
TOTAL OWNED BY GROUP	**381,750**	**36,740**	**2,861**	**(5,083) 64,364**	**480,632**
Amount owned by minority shareholders	1,753	1,426	(11)	(201) 2,476	5,443
TOTALE GROUP BALANCE SHEET	**383,503**	**38,166**	**2,850**	**(5,284) 66,840**	**486,075**

4.15. CONSOLIDATED DISCLOSURE OF NON-FINANCIAL INFORMATION IN ACCORDANCE WITH LEGISLATIVE DECREE 254/2016

CEO Statement

Dear Readers,

I'm glad to present you the Kedrion Consolidated Non-Financial Statement (DNF) relating to the events of 2019.

The document closes the first three years of activity in this area. In fact, since 2017, Kedrion has drawn up the consolidated non-financial declaration. The DNF is prepared in compliance with the provisions of Legislative Decree 254/2016 (and following regulations), which transposed in Italy the European Directive 2014/95.

The DNF represents for Kedrion the confirmation of our attention to environmental sustainability, respect for the rules and principles of ethics in business, attention to the development of people, scientific and applied research, relationship with communities where our plants, plasma centers, laboratories and offices are located.

The DNF 2019, as it happened last year, was drafted according to the "accordance-core" option of the *GRI*, evolving from the *GRI-Referenced one* used in the first year of preparation, 2017.

The text is the result of a broad global matrix in which the main legal entities of Kedrion and numerous functions have contributed to design the impact of our activities in the five areas that build the DNF: Environment, People, Social, Anti-corruption, Human rights.

For each of these areas we have described the organization put in place for their efficient management, as well as the processes, policies and related risk analysis (including initiatives for their mitigation), from a qualitative and quantitative point of view.

As for last year, the DNF contains general information about our group and its way of contributing, together with our most important stakeholders, to the improvement of the natural, economic and social environment to which we belong.

In 2019 Kedrion continued its employee's growth path, increased by 2%. Among Kedrion's employees, a slight majority of female staff and a more marked presence of women in responsibility and management position are confirmed. We also continued to increase investment in training, organizing 24,000 hours of training worldwide (+ 10% on last year); Finally, we have expanded the scope of our personal development and performance management tools.

From an environmental point of view, Kedrion has confirmed and consolidated its impact mitigation policies, also in the presence of the decisive restart of the Melville plant and the general increase in industrial activities. For this area, 2019 was a year of sharing between the production sites of best practices and initiatives aimed at achieving a level of excellence and maturity of the EHS system at a global level.

Our activities for the social communities have been mapped all over the world and show the profile of a company that interacts with frequency and mutual social profit with the reference territories.

Finally, the company confirms its prevention and surveillance measures worldwide, also through independent offices and bodies, in the areas of *compliance*, equal opportunities

and non-discrimination. Even in 2019 there were no cases of human rights violations or reports of episodes of corruption.

The 2019 DNF is published during the pandemic related to the new Coronavirus. Kedrion immediately adopted measures to protect, both the health of our employees and the continuity of our production, essential for our patient communities, which remain our main focus.

The DNF relating to the events of 2020 will report in detail the activities carried out by the company on this critical issue. However, we have decided to summarize them briefly in the initial paragraph of the document that you are about to read.

Paolo Marcucci

FOREWORD - COVID-19

In February 2020, Italy was one of the first European countries where the new Coronavirus spread, after originating in China in late 2019 and spreading in East Asia at the beginning of the new year.

After a few weeks, the spread of the virus has affected almost all the countries of the world, including the United States and Hungary, the two countries that, together with Italy, are the headquarters of the production sites and plasma centers of Kedrion, as well as those where most of the company's employees are based.

Kedrion quickly implemented contingency plans, creating a Covid-19 Response Team, quickly transformed into Covid-19 Global Response Team and made of almost all corporate functions (in particular EHS, HR, Operations, Quality & Regulatory, Medical Area, Communication).

The Response Team has focused on two objectives to be pursued jointly, the safeguard of workers from contagion risks and the business continuity. The latter, as well as fundamental to ensure therapeutic continuity for the patients treated, was requested by the governments where Kedrion operates. In fact, these governments considered the sector in which Kedrion operates, the pharmaceutical sector, *essential* for society (this also applied to the plasma centers of the United States and Hungary, considered by local governments to be a strategic infrastructure not included in the *lockdown* policies).

For what concerns the protection of workers' health, Kedrion allowed and then highly suggested a very wide use of the so-called 'smart working', allowing it to all employees not involved in manufacturing activities - in a broad sense. In this way, the company protected its plasma plants and centers, whose integrity was considered a vital issue.

For employees who are not included in the smart working program, policies of social distancing and sanitization and cleaning of the environments have been strictly adopted (offices, production departments and plasma centers, canteens and common spaces, elevators, meeting rooms, etc.) and behavioral measures aimed to obtain maximum hygiene of places and people. Where proper distancing is not possible, employees have been equipped with Personal Protective Equipment (PPE) and have been continuously updated on emergency management and good practices to be to be adopted. Finally, the rooms have been subject to additional cleaning and sanitizing activities concerning all the surfaces of greatest contact such as handles, keyboards, push-buttons, etc.
Regarding the aspects related to business continuity in the broad sense (Operations, Maintenance, Quality Control, Quality Assurance, Supply Chain, Engineering, etc.), the company has kept close contact with its entire supply chain to monitor any critical aspect also concerning the processes not directly governed (for example the purchase of plasma from third parties, storage and transport operations, the distribution of products in countries where the activity is indirect).
On the date on which the DNF 2019 is closed, the company does not detect interruptions in its production chain, for any drug and for any geography, and has informed patient associations and Scientific's companies about the permanence of production continuity.

Finally, the Kedrion Research and Development area has activated itself and is involved in projects aimed at developing effective therapies against Covid-19 using plasma of people healed, both directly (after viral inactivation), and through the production of specific immunoglobulins.

4.15.1. INTRODUCING KEDRION GROUP

Kedrion is an Italian biopharmaceutical company that collects and splits human plasma in order to develop, produce and distribute plasma-derived drugs for the treatment and treatment of patients

suffering from Hemophilia, Immunodeficiencies and other forms of serious pathologies. Kedrion is the bridge between donors and those in need of care and works globally to extend patient access to available therapies.
Headquartered in Italy and with a commercial presence in over 100 countries worldwide, it is the fifth largest player in the world and the first in Italy in the sector of plasma derivatives.
Kedrion manages the entire plasma transformation cycle (procurement, production and distribution) and is based on a vertically integrated business model. The company has 5 production plants: three in Italy, two of which in Tuscany (in Bolognana and Castelvecchio Pascoli, in the province of Lucca) and one in the province of Naples (in Sant'Antimo); one in Hungary (in Gödöllő, near Budapest); and one in the United States (in Melville, New York State). All these production sites are certified internationally according to GMPs (Good Manufacturing Practices).
In Italy, Kedrion is a long-standing partner of the National Health System, with which it collaborates actively pursuing the goal of self-sufficiency in the supply of plasma-derived drugs; at the same time, the company puts its experience and commitment at the service of communities and health systems around the world to achieve this same goal. In Italy, approximately 1,800,000 donors donate voluntarily, anonymously and unpaid in the over 300 transfusion centers present in the national territory. Many Italian regions entrust plasma to Kedrion, which transforms it into drugs which are then returned to hospitals so that they can meet the therapeutic needs of the population. Kedrion's activities in Italy are aimed at improving plasma collection and contributing to the commitment of the Italian Blood System towards self-sufficiency.
Abroad Kedrion owns plasma collection centers in Hungary and the United States (until May 31, 2019 Kedrion also owned and managed plasma centers in Germany, which were subsequently sold). In the United States, in particular, the center of Buffalo (New York) is specialized in the collection of plasma with a high content of Anti-D antibodies, used in the production of a drug based on Anti-D Immunoglobulins, used for over half a century in the prevention of Fetal-Neonatal Hemolytic Disease (MEFN).
The vertical integration of Kedrion allows a very tight control on its supply chain, also in consideration of the relevant weight that the raw material (human plasma) constitutes for its business. From this point of view, in 2019 there were no significant changes in the processes and activities along the supply chain, which was made more efficient through the continuation of the strategy to rationalize proprietary plasma centers in the United States (see below, in the part relating to people, how this has affected the turnover and termination rate).
From this point of view, in 2019 there were no significant changes in the processes and activities along the supply chain, which was made more efficient by continuing the rationalization strategy of proprietary plasma centers in the United States.
From this point of view, the sale of German plasma centers and the investment for the purchase of new plasma centers in the United States led to a significant reduction in staff in Europe and a simultaneous increase in employees in the United States.
In particular, Kedrion's strategy has continued to tend towards the expansion of the plasma centers directly owned and managed, so as to be totally self-sufficient with respect to the starting material necessary for its factories, which makes the business and its planning more sustainable. In 2019, in addition of the objective of saturating its plants, Kedrion sold plasma to other plasma-activating companies, thus contributing to the production of drugs, unfortunately still structurally insufficient to guarantee access to care for all patients in need.
As far as the stakeholders are concerned, the company identifies the following as main interlocutors, as is the case in reality with a similar size and scope of activity:

- Employees and their representative organizations
- Components of the global value chain (customers and suppliers)
- National, regional and local public institutions
- Independent and regulatory administrative authorities

- Public and private secondary education institutions, universities and advanced training institutions, as well as Departments and Scientific Research Institutes[1]
- Local communities of production sites
- National and international financial community
- Associations of patients and the community of doctors
- Donor associations
- Other non-profit associations (Farmindustria, PPTA, etc.)

The list of the main stakeholders is identified through interviews with the corporate functions and offices exposed to the outside world and who have the burden of managing them and engaging them in corporate activities in the broad sense.
From this point of view, the management of the relationship with employees and with their representative unions is essentially handled by the human resources function, according to the internal laws and procedures intended for them. The relationship with public or regulatory institutions of all levels is the prerogative of the Presidency, which receives support from other functions (including Global Public Affairs, the Regulatory, the Medical Area and the commercial function for Italy); the relationship with academia and research is managed by the Research and Development department, under the coordination of the Presidency; relations with patient associations are managed by the marketing function under the close supervision of the Medical Area; relations with donors are managed by owned plasma centers or, in Italy, by the Donors Italy function; relations with local communities are mainly held by the Presidency, Global Public Affairs and by the management of the production sites; relations with associations such as Farmindustria and PPTA (Plasma Protein Therapeutics Association) are held by the company chairmanship.
Regarding Kedrion's participation in associations is concerned, the two most important are those in Farmindustria and PPTA, the association that brings together the largest plasma-activation or plasma collection companies in the world; Kedrion president is a member of the Farmindustria Board and of the PPTA Global Board of Directors.
In addition to these memberships, Kedrion is also a member of Aspen Italia, founder of the Campus Foundation in Lucca and of the Tuscany Life Sciences Foundation in Siena, member of the VITA Foundation of Siena, of the Lucchese Foundation for Higher Education and Research (FLAFR) and of the Civita association.

4.15.2. NON-FINANCIAL STATEMENT 2019 OF KEDRION GROUP

In compliance with the terms of Legislative Decree 254/2016 and its amendments and additions (hereinafter also referred to the Decree), which implements the European Directive 2014/95 in Italy, this year Kedrion drafted again a consolidated non-financial declaration (from now on, "DNF") relating to the events of the year 2019.
The DNF of Kedrion has annual frequency; the DNF relating to the year 2019 was approved by the Body of Directors on March 27, 2020.
The DNF updates that of 2018, confirming that it has been drafted in the *in accordance - Core option* envisaged by the GRI Standards; in addition, a materiality matrix was developed during the definition of the material issues, as required by the Standards themselves.
The Kedrion DNF 2019 is therefore prepared in accordance with the Sustainability Reporting Standards published by the GRI - Global Reporting Initiative according to the in *accordance - Core approach.* The DNF of Kedrion has an annual frequency.

[1] This stakeholder category is a new one with respect to the previous DNF. Although activities with training and research institutions were not only carried out in 2019, it is true that during last year such activities rose, thanks to an open-innovation ambitious plan, started by R&D department and its chief.

According to the provisions of art. 5 paragraph 3a of the Decree, this DNF is contained in the Management Report of the Consolidated Financial Statements and was approved by the Board of Directors of Kedrion S.p.A on March 27, 2020.
DNF does not report the governance structure of the company, described there in detail, precisely because it is included in the management report. Of course, It should be underlined that the various legal entities are administered by Councils, Boards or Managing Directors supported by Supervisory Boards.
The legislation requires the DNF to report the main activities, policies and related results, the organizational models adopted, the risks generated and / or suffered and the management approach to environmental, social, related to personnel, respect for human rights and fight against active and passive corruption issues, reporting both what is done directly by the company and what can be controlled along the supply chain and the effects for the stakeholders.
From an organizational point of view, Kedrion's DNF 2019 was assigned by the CEO to the Company's Central Services (CCS) area, which formed a multifunctional working group. The CCS function is the contact point for any party interested to deepen the topics covered in the DNF and its construction process.

4.15.3. MATERIALITY ANALYSIS

The Decree provides that the DNF covers, to the extent necessary to ensure an understanding of the business activity, its performance, its results and its impacts, the five thematic areas of: "Employment", "Social", "Environment", "Anti-corruption", "Human Rights".
As provided by the Decree and by the GRI standards, in order to write the DNF, Kedrion drafted a materiality analysis, with the aim of establishing, for each of the five areas envisaged, the topics that the company deemed most relevant., significant and high impact; topics for which it has developed policies and organizational structures aimed at adequately monitoring them.
The materiality analysis was approved by the functions involved and by the company President and CEO.

The material topics identified in the materiality analysis were the following:

“Employment” Area:
- Managerial development
- Employer branding
- Company well-being
- Injuries (Occupational health and safety)

“Social” Area:
- Relationship with local communities
- Research activities and expanded access

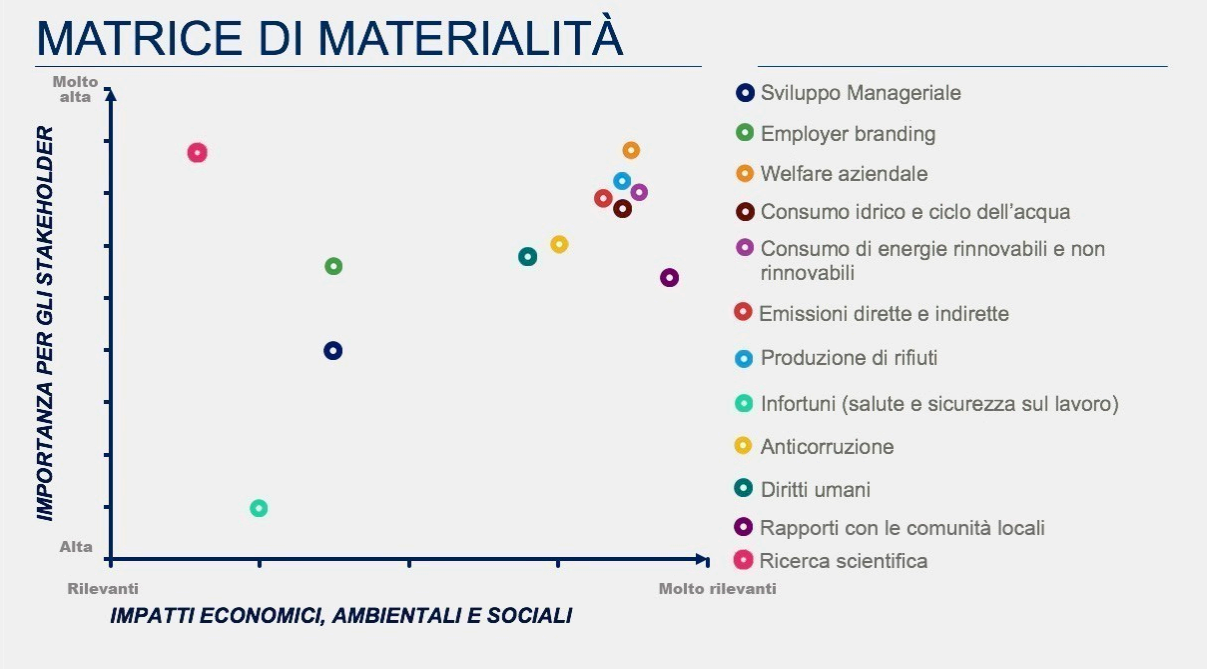
“Environment” Area:
- Water consumption and water cycle
- Renewable and non-renewable energy consumption
- Direct and indirect emissions
- Waste production

Moreover, other two material issues were identified, namely: Respect for human rights and Fight against active and passive corruption.

As pointed out in last year’s DNF, Kedrion started a research on the theme of gender diversity. The analysis examined some aspects related to gender diversity and focused on comparing Kedrion’s structure (governing bodies, personnel distribution and diversity, average compensations, etc.) to the one of other pharmaceutical companies.

The study highlighted a substantial alignment of Kedrion with the reference benchmark. The theme continues not to be formally “material”, not because considered 'solved', but only because the company, in the last three years, has focused its activities regarding its personnel in other areas.
The study carried out in 2019 was a prerequisite to make the theme of *gender diversity* real in the future.
Based on benchmarking and listening activities, the functions involved in the definition of the material issues have also determined them taking into consideration the expectations of the main stakeholders of the company (mentioned above).
For greater adherence to the GRI Standards, from this year Kedrion's materiality analysis is represented through a materiality matrix (figure below). The matrix highlights, in a system of Cartesian axes, the relevance of material issues with respect to two dimensions: on the abscissa axis, the importance in terms of economic, environmental and social impact generated by the company's activities and on the ordinate axis the relevance of the issues from the stakeholder point of view.

The matrix has been revised by the corporate functions involved and will be updated every year.



4.15.4. GENERAL APPROACH ON SUSTAINABILITY TOPICS

Kedrion, due to the specific nature of the products created, helps people, communities and institutions attenuate and remove the obstacles which prevent from enjoying the right to life, liberty and security.
Kedrion contributes to transforming inherent right (life, freedom, safety) into the social right to live in the best possible conditions. For this reason, it collects, transforms, makers active and available the vital energy generated and regenerated, stored and transported in the blood, so that it can be transferred from human being to human being.
Kedrion contributes to the production and distribution of medicines derived from human plasma which are able to improve people’s quality of life. It works to maintain the highest sector standards; it operates to consolidate its own role as a recognized representative of the medical and scientific, healthcare and institutional community.
Kedrion aims, in an international context, to strengthen its role as strategic partner of the healthcare systems in countries which seek to achieve self-sufficiency in the field of plasma derivatives. It produces

wealth for investors, workers, and the territory, and does so in coherence with its own vision and the values of responsibility, transparency, trust and respect for people.
The company's founding values, ethical principles, reference standards and rules of conduct on sustainability issues and on its way of being in the world are set out, among other documents, in the Code of Ethics.
The policy adopted by Kedrion provides for a risk analysis on sustainability issues and the adoption of prudential policies and processes to avoid accidents or non-standard behavior; more specifically, for each of the following areas (Employment, Social, Environment and Safety, Anti- Corruption and Human Rights), the functions involved have indicated the risks to which they are subject, and the mitigation measures adopted to prevent and manage them.

4.15.5. "EMPLOYMENT" AREA

Kedrion believes that the management of its staff goes beyond contractual and legal obligations and works - as described below - on several fronts to guarantee its well-being and professional satisfaction.
The company reckons, for instance, that investing in training of people is fundamental for professional growth and that it must go beyond the simple professional requirements requested by the role: therefore, following the launch of the leadership model based on the managerial and individual skills necessary for each employee, in 2019 the Company has used this model in its processes, starting from the employee's performance management.
Between the end of 2019 and the beginning of 2020, employees were assessed according to the same leadership model, consistently with the managerial or professional nature of the position held. The areas for improvement have been identified and in 2020 individual training and development plans will be guided by the consideration of these areas for improvement.
Kedrion believes that making shared decisions not only allows employees to be primary players, but also leads to better decisions; and that personal and professional growth requires challenges and the possibility of making constructive criticisms. The history of Kedrion's family business leads it to recognize and promote, for example, a good balance between free time and work time, treasuring diversity and at the same time seeking common values. Kedrion works in a way that makes sure that the health and safety of employees are not left to chance or good intentions, by adopting a management system based on safety policies subject to frequent reviews when changes are made, including new processes, activities or production plants.
At December 31, 2019, Kedrion personnel was composed of 2,615 people, against the 2,571 at the end of 2018 (+1.7%). The group's corporate population is concentrated in Italy (44%), in the United States (41%) and in Hungary (14%), countries where production plants and plasma collection centers are located; a residual portion (1%) is based in other locations, mainly in Europe. As in 2018, also in 2019 the female presence on the total workforce increased, reaching 1,396 people, equal to 53% of the total (and +5% compared to the same figure in 2018), of which 23 belonging to the professional category of "Directors " (also in this case, this is an increase of 4.5% compared to 2018).

Breakdown of employees by region 2017-2019

	2017	2018	2019
Italy	1,136	1,146	1,147
Hungary	360	368	359
Germany	145	158	17
Rest of Europe	14	13	11
USA	787	870	1,065
Rest of the World	14	16	16
Total	**2,456**	**2,571**	**2,615**

From, the table above, it is clear the effect of the sale of the German plasma collection centers, which took place on May 31, 2019. As it is usually happening in the sector in which Kedrion operates. This sale assured a competitor the maintenance of the job for the workers employed in the transferred structures. Correspondingly, the company purchased some plasma centers owned in the United States, causing then a significant increase in US employees between 2018 and 2019.

The form of contract applied to almost all Kedrion staff is the permanent one (97.7% of contracts, against 95% in 2018). It should also be noted that 57% of the staff is covered by collective agreements, the remaining part by individual contracts. More specifically, all employees except those in the United States who stipulate individual employment contracts are covered by a national collective bargaining agreement or company collective agreement.

Breakdown of employees by type of contract

Region	Fixed-term			Permanent		
	Men	Women	Total	Men	Women	Total
Italy	23	19	42	668	437	1,105
Hungary	4	13	17	156	186	342
Germany	-	1	1	7	9	16
Rest of Europe	-	-	-	5	6	11
USA			-	346	719	1,065
Rest of the World	-	-	-	10	6	16
TOTAL	**27**	**33**	**60**	**1,192**	**1,363**	**2,555**

With reference to the breakdown by professional category, in 2019 the 48% of employees is in the category "Blue collars" and 49% on that of the "White collars". The "Directors" category, on the other hand, represented 3% of the total employees at 31 December 2019.
Kedrion includes, in the “Directors” category, the personnel in managing or executive positions; employees employed in the offices or, if in a factory, holding the qualification of supervisor or manager (for example in plasma centers in the USA) are included in the "White collars"; the “Blue collars” are the employees employed for manual work (workers, logistics and warehouse workers, other operators, etc.).

Total number of employees by category and gender for the years 2017-2019

	2017			2018			2019		
Category	Men	Women	Total	Men	Women	Total	Men	Women	Total
Directors	72	22	94	68	22	90	65	23	88
White Collars	560	700	1,260	579	765	1,344	534	738	1,272
Blue Collars	582	520	1,102	596	541	1,137	620	635	1,255
TOTAL	**1,214**	**1,242**	**2,456**	**1,243**	**1,328**	**2,571**	**1,219**	**1,396**	**2,615**

As for the annual trend, an increase in the number of women was mainly registered among the blue collars (+ 17.4% compared to 2018). This increase is also linked to the development of plasma centers in the US, where the female presence is significant and prevalent.

During 2019 the use of part-time decreased, especially as a consequence of the dynamics of plasma centers.

Total number of employees by type of contract for the years 2017-2019

	2017			2018			2019		
Type of employment	Men	Women	Total	Men	Women	Total	Men	Women	Total
Full-Time	1,192	1,145	2,337	1,224	1,212	2,436	1,212	1,362	2,574
Part-time	22	97	119	19	116	135	7	34	41
TOTAL	**1,214**	**1,242**	**2,456**	**1,243**	**1,328**	**2,571**	**1,219**	**1,396**	**2,615**

During 2019, the company saw 915 new entries among Italy, Hungary, Germany and the United States.
In the Rest of the world (ROW), only two entrances were observed in 2019.

Total new entries by region and age group at 31.12.2019

Region	< 30	31-50	>51	Total
Italy	26	46	8	80
Hungary	25	34	10	69
Germany	1	5	2	8
Rest of the World		1	1	2
USA	421	289	48	758
TOTAL	**473**	**375**	**69**	**917**

Compared to 2018, the number of new hires has reduced by 19.2%, from 1,135 to 917. In particular, the female hires have reduced by 14 %, those of the male by 30.6%.

Total new entries by region and gender for the years 2017-2019[1]

	2017			2018			2019		
Type of employment	Men	Women	Total	Men	Women	Total	Men	Women	Total
Italy	27	34	61	34	32	66	36	44	80
Hungary	35	61	96	21	55	76	25	44	69
Germany	17	34	51	13	40	53	0	8	8
USA	212	490	702	288	652	940	185	573	758
Rest of the World	0	0	0	0	0	0	1	1	2
Total	**292**	**618**	**910**	**356**	**779**	**1,135**	**247**	**670**	**917**

Data on new entries must be read together with the existents, the main causes resignations of employees (also read from the turnover point of view in the following table) and the sales and acquisition activities of plasma collection centers in the United States and Germany.
The difference between the hires and terminations of the Group in 2019 does not coincide with the growth of the workforce between 2018 and 2019 shown in the table *Breakdown of employees by region*. The difference derives from the fact that this table shows only the employees at 31 December, while the data relating to hires and terminations also include non-employees (e.g. temporary contracts, even of very short duration). The company often uses contracts of this type to meet seasonal and specific needs, especially in the case of plasma centers.
During 2019 the company recorded 869 terminations in Italy, Hungary, Germany and the United States. In the Rest of the world (ROW), there were 4 terminations in 2019.
Overall, there were 123 fewer exits (including those relating to the sale of plasma centers in Germany) compared to 2018 (-12.3%).

Total exits by region and age group at 31.12.2019

Region	< 30	31 - 50	> 51	Total
Italy	11	44	24	79
Hungary	12	49	17	78
Germany	26	67	56	149
USA	255	252	56	563
Others		4	-	4
TOTAL	**304**	**416**	**153**	**873**

Total exits by gender at 31.12.2019

Region	Men	Women	Total
Italy	43	36	79
Hungary	34	44	78
Germany	26	123	149
USA	164	399	563
Others	3	1	4
TOTAL	**270**	**603**	**873**

Number of exits by cause as of 2017-2019

Cause	2017	2018	2019
Resignation	374	331	537
Dismissal	142	20	146
Retirement	6	10	11
End of contract	58	17	18
USA plasma centers sale	270	240	128
Other*	104	378	33
TOTAL	**954**	**996**	**873**

* Under “Other” the terminations not counted in the previous categories are included (death, failed trial period, etc.)

As for the turnover rate linked only to the resignation, which - in particular in the United States, Hungary and Germany - is significant, it is linked to the dynamics typical of plasma collection centers, in which the labor market, the competitive environment and the professional figures employed help frequent job changes. In 2019 the turnover due to resignations (21%) increased compared to 2018 (12.7%) also due to the inclusion in the calculation of the turnover of the resignations happened in the plasma collection centers that were sold during the year and to a reclassification of contracts terminations reasons completed in 2019.

Turnover rate due to resignations during considered period by region and gender[13]

Region	Turnover rate	Number of resigned people	Women resigned in the period	Men resigned in the period
Italy	3.5%	40	24	16
Hungary	16.7%	60	37	23
Germany	82.4%	14	11	3
USA	39.5%	421	300	121
TOTAL	**20%**	**535**	**372**	**163**

Turnover rate due to resignations during considered period by region and age

Region	Turnover rate	Number of resigned people	< 30	31 - 50	> 51
Italy	3.5%	40	5	30	5
Hungary	16.7%	60	12	41	7
Germany	82.4%	14	4	9	1
USA	39.5%	421	198	182	41
TOTAL	**20%**	**535**	**219**	**262**	**54**

As regards, instead, the other reasons for contract terminations, the figure relating to Germany, determined by the sales activities of the plasma centers in 2019, constitutes an *outlier*.

[13] *The figure includes and considers only voluntary resignations. It does not include:*
- *terminations of temporary contracts opened and closed during the year;*
- *terminations due to other causes (retirement, dismissal and/or consensual termination).*

Turnover rate due to other reasons during considered period by region and gender				
Region	**Turnover rate**	**Number of exits for other reasons**	**Women exit for other reason**	**Men exit for other reason**
Italy	3.4%	39	12	27
Hungary	5%	18	7	11
Germany	794.1%	135	112	23
USA	13%	142	99	43
TOTAL	**13%**	**334**	**230**	**104**

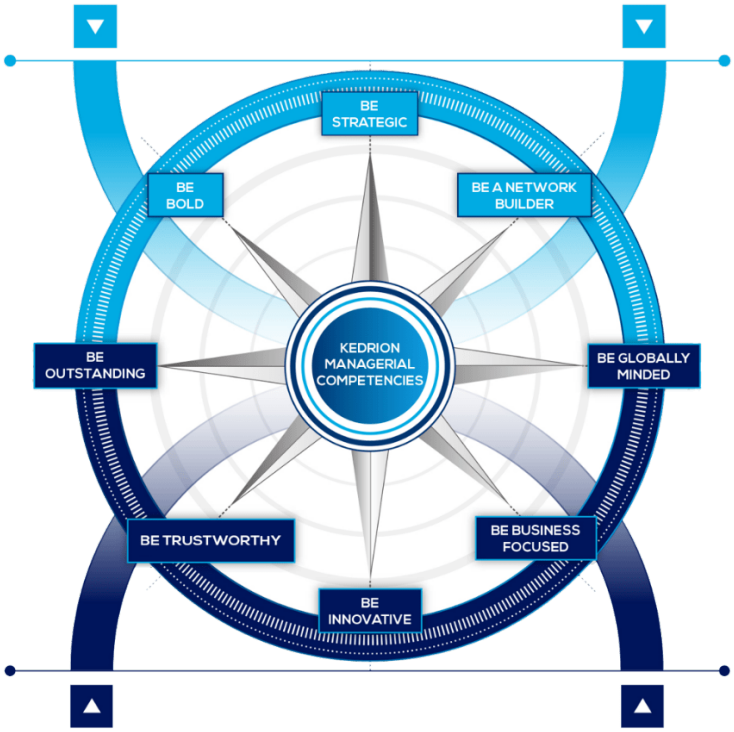
Turnover rate due to other reasons during considered period by region and age					
Region	**Turnover rate**	**Number of exits for other reasons**	**< 30**	**31 - 50**	**> 51**
Italy	3.4%	39	6	14	19
Hungary	5%	18	-	8	10
Germany	794.1%	135	22	58	55
USA	13%	142	57	70	15
TOTAL	**13%**	**334**	**85**	**150**	**99**

The main risks associated with personnel, in Kedrion, are linked to two factors: on the one hand, the technological content and the complexity of the plasma processing processes; on the other hand, the geographical location of the plants and production sites. For both reasons, there are difficulties in finding the right talents with the technical, scientific and experience skills required to cover the key roles, and the pool of talents available in the company is relatively limited.
It is therefore important to carry out risk mitigation activities, taking care, on the one hand, of the accumulation of technical skills, obtained by investing in technical / professional training and ensuring the permanence of people in the roles; on the other hand, using tools that favor retention for figures with key know-how that is not easily replicable. These mitigation activities take place through HR policies aimed at promoting well-being in the workplace, professional development and investment in the person. The tools most often used are people review, management of individual development plans and performance management.
As regards Italy and Hungary, a further risk lies in the fact that there are very few competitors in the sector and from which to draw for expert candidates. In addition, the geographical location of the various offices does not facilitate the transfer or the so-called 'commuting' of candidates from other regions: in this sense, the attraction and retention efforts, once again, leverage both the remuneration aspects and those of development and training.
Kedrion is engaged in continuous discussion with workers' representatives at all levels: European, national, local.
For example, Kedrion S.p.A applies and complies with the provisions of the National Collective Bargaining Agreement for the Chemical-Pharmaceutical sector. In addition to the national collective agreement, in Kedrion S.p.A there are second-level agreements which provide for economic disbursements linked to the achievement of significant results, both as regards profitability and productivity (result bonuses).

In support of its commitment, during 2019 Kedrion S.p.A further consolidated the practice of promoting agile working methods, confirming the pilot project previously launched with the changes deriving from the experience made in 2018, and expanding it.
Furthermore, HUMAN BioPlazma, has signed second-level agreements, that provide for financial contributions aimed at making the company competitive in a dynamic and evolving job market.
Finally, employee listening programs (focus groups and climate surveys) have been conducted both in the US and Hungary aimed at improving the *engagement* of company staff.
On the gender *diversity side*, during 2019 the company compared the gender data for the managerial population, detecting a substantial correspondence with the reference parameters for the pharmaceutical sector provided by our professional partner, an international consultancy company in the human capital sector.
The material issues identified for DNF 2019 in the " Employment" area are four: managerial development, employer branding, corporate welfare, workplace safety. Among these, the first and fourth are certainly the issues that have been given priority and relevance as regards the policies adopted and the organization made available. The theme of managerial development (such as those of employer branding and corporate welfare) are part of the company's Global Human Resources function, while that of workplace safety is entrusted to the Global EHS function.

MANAGERIAL DEVELOPMENT

The success of the company and the growth of staff's professionalism grow together, and both require the active contribution and daily commitment of everyone. With this objective, Kedrion based its skills development system on the Leadership Model launched in 2018; this model is aimed at creating value and improving corporate performance within the framework of a policy of enhancing human resources, managing talents and balancing work and private life.



The theme of managerial development, in this Non-Financial Statement, will be developed by describing the training activities, the performance and talent monitoring system and the remuneration and rewarding policies.

TRAINING ACTIVITIES

Promoting a culture focused on training and skills development allows the organization to have the solidity and flexibility essential to successfully face future challenges.
Therefore, Kedrion devotes particular attention to the issue of training, recognizing the importance it has in building knowledge and maximizing both the technical-specialist skills of its resources and the managerial ones.
Through Kedrion School, a project carried out in collaboration with the Lucca Campus Foundation, the company supports the objectives of internationalization and evolution of teaching, also through the use of digital tools and the consolidation of the managerial and leadership model.
During 2019 the company developed, among others, the following training and managerial development paths:

- The international program on development of managerial skills (Kedrion Management Development Program - KMDP) came to its first edition, focused on talent people of the group: 19 managers from six countries and from all business functions;
- Two plenary sessions for the 100 key people of the company, dedicated to the issues of market orientation and teamworking; the sessions included international speakers, round tables, discussions with the CEO;
- People Management Journey. Path for newly appointed leaders, two classes for a total of 25 Italian people involved. 13 total training days between classroom, outdoor and webinar (6.5 days per group)
- Technical educational program (second edition) for a group of about 30 people
- Finance for non-Financial People, two classroom days for 15 Italian middle managers and managers.

These training courses are brought together by an innovative vision of training, which sees collaborative learning, mentorship and project work experiences used together with traditional classroom and distance learning techniques.
At the end of 2019, a training program designed in collaboration with the Data Protection Officer, the Supervisory Body and the Ethics Officer was also promoted through the new learning platform (see below); the training was dedicated to the in-depth study of the issues relating to EU Regulation 679/2016 - General Data Protection Regulation, the Organizational, Management and Control Model adopted by Kedrion S.p.A pursuant to Legislative Decree 231/2001, as well as the Social Responsibility System - SA8000.
During 2019, Kedrion set up a task force to redesign the learning process. This task force focused on 4 activity streams: defining a vision and learning strategy, identifying best practices, collecting proposals with the objective of improving the learning process and exploring the support potential offered by IT tools. The team produced some recommendations that are currently being implemented.
In order to improve the management of our Training process and generate more effective training experiences, Kedrion has enriched its HRIS (KedPeople) system with a management module for the training management process.
The new tool aims to simplify the management and traceability of the training activity and to facilitate the use of the training contents for all employees, as well as to make their training path available to each employee by entering the session “Training archive”.
As for the entire KedPeople system, with this new module the Company supports the professional growth of employees through the development of skills and knowledge in a constantly changing work environment.

Furthermore, it was decided to invest in some critical phases of personnel management, i.e. the practice of feedback to collaborators and the preparation of effective individual development plans, thanks to the collection of a series of feedback received during the annual human capital review (so-called People Review). This investment translated into a training program that, after the initial launch, involved 42 managers in Italy and 23 in the USA in 2019.
Through local initiatives, both through external providers and by exploiting the training skills of employees, Kedrion has made further significant investments in training to improve and update the skills necessary for the correct performance of the activities related to the role covered.
In addition, on the diversity side, it has to be noted the participation in the training courses of Valore D, the first association of companies in Italy that has been committed to gender balance and an inclusive culture in organizations and in our country, should be noted. In this context, two female managers of Kedrion participated in the middle management process

- 1 female executive participated in the Mentorship program as Mentor (following 1 mentee of another company)
- 1 When female participated in the Mentorship program as Mentee (followed by 1 mentor from another company).

With regard to company training, the values shown are in partial discontinuity with the past, due to the need for adequate technical training for newly acquired plasma centers in the USA and to the change in the reporting of training hours in the same area.

Number of employees involved in the Performance Management process in 2017 and 2018 and 2019 for gender

Year	Men	Women	Total hours	Average hours per employee
2019	12,253	11,666	23,919	9.1*
2018	13,456.6	8,201.4	21,658	8.4*
2017	9,082	12,906	21,988	9.0

Summary of training hours carried out in 2019 by occupational category and gender

Region	Director	White Collar	Blue Collar	Total
Italy	624	8,773	853,5	10,251
Hungary	572	5,892	1,692	8,156
Germany	24	64		88
USA	615	4,745	65	5,425
TOTAL	**1,835**	**19,474**	**2,610.5**	**23,920**

PERFORMANCE MONITORING

In 2019, in continuity with previous years (in Kedrion the performance evaluation system has existed since 2009 and since 2014 it has become a global system), the annual evaluation process of individual performances took place, of strategic importance in the development of human resources. Compared to 2018, the population involved increased from 1,733 to 1942 people; the process involved 74% of the population (in 2018, 67% of the company population was involved) and 100% of Executives and Senior Management, as recipients of incentive programs (MBO). The increase has mainly benefited the female population, which has gone from 802 to 962 (+ 20%).

Number of employees involved in the Performance Management process from 2017 to 2019 for region and gender

	2019			2018			2017		
Region	**Women**	**Men**	**Total**	**Women**	**Men**	**Total**	**Women**	**Men**	**Total**
Italy	628	383	1,011	647	391	1,038	653	403	1,056
Hungary	22	10	32	22	10	32	22	12	34
Germany	5	4	9	4	4	8	4	3	7
USA	51	40	91	254	395	649	296	539	835
Others	3	0	3	4	2	6	5	5	10
TOTAL	**709**	**437**	**1,146**	**931**	**802**	**1,733**	**980**	**962**	**1,942**

Number of employees involved in the Performance Management process in 2019 by occupational category and gender

Category	**Men**	**Women**	**Total**
Directors	58	20	78
White Collars	466	505	971
Blue Collars	456	437	893
TOTAL	**980**	**962**	**1,942**

The KedPMP (*Kedrion Performance Management Process)* provides that, according to the different roles, employees are assessed on the basis of the achievement of departmental and individual objectives and of the level of possession of the competencies provided for in the leadership model.
The system envisages homogeneous evaluation criteria at Corporate level for managerial roles and homogeneous evaluation at Country level, in compliance with local specificities, for non-managerial roles.
During 2019, Kedrion implemented a review of the performance evaluation process, which generated a series of improvements, related to the simplification of the goal setting and assignment of evaluation phases, to the inclusion of the leadership model in the evaluation system, facilitating the monitoring and

reviewing inter-annual phase, which currently essentially covers the whole year, and finally the new support tools to manage the process (FAQ, webinar, etc.).
At Corporate level there is an MBO system, the process of which is constructed in such a way as to guarantee transparency in the assignment and evaluation of objectives and the greatest possible homogeneity in the feedback evaluation and management criteria.
Since 2017, Kedrion has also introduced a global potential assessment process, crossed with the performance assessment: the process is called People Review. It aims to increase management's ability to identify dedicated development paths that are consistent with company needs in terms of succession plans and replacement tables.

REMUNERATION AND REWARDING POLICIES

As regards the Rewarding and Compensation areas, Kedrion has already started a review of the positions evaluation policies in recent years that allows for a segmentation of roles valid throughout the group and in compliance with local specificities, with the aim of promoting remuneration policies, development and management of people who value the principles of fairness and transparency.
Within the Group, remuneration policies are aimed at guaranteeing competitiveness on the labor market, in line with the growth and retention objectives of human resources, as well as at differentiating the remuneration tools based on individual professional skills and competences.
Kedrion has a remuneration system that differentiates employees on the basis of the professional category to which they belong, and / or the role held, which, in addition to the fixed remuneration component, can also include incentive systems (short and long term) linked to individual and corporate objectives.
Within the company, according to Corporate rules but applied to local realities, an annual Salary Review process is envisaged, linked to the outputs of the performance and potential management process.
At the level of each legal entity of the Group there is a system of benefits for employees which, depending on the specific role, context and local laws and reward choices can vary from supplementary health insurance to life to accident insurance; from joining supplementary pension funds to modular packages of benefits to support family life choices (study of minors, home care, medical visits, travel, etc.). The benefits are assigned according to local procedures and are, within the same organizational category, assigned to all employees regardless of the duration and type of contract.
In particular, there are no differentiations between part-time and full-time employees.

EMPLOYER BRANDING

To improve the management of the Recruiting process, in 2019 Kedrion has enriched the HR management system KedPeople with a new form dedicated to recruitment, which will allow to further strengthen the collaboration between recruiters and line managers by connecting, in real time, the Business needs with the activity of Talent Attraction.
This new form builds opportunities for an international talent pool, thus making Kedrion more easily recognizable on the market and accessible by potential external candidates, as well as facilitating access to new opportunities for anyone, already within the Group, who wishes to face with new challenges and new experiences by applying for a new role in the company.
In fact, in 2019 the internal job posting system dedicated to employees who want to apply for one of the vacant positions started. In this way, the transparency and diffusion of professional opportunities has reached a level that allows all interested employees to access more development opportunities, taking an even more active role in building their future in Kedrion.
The recruitment module will allow Kedrion to build a global database of homogeneous information on all potential candidates and make available a series of tools that allow the selection process to be implemented according to the same standards all over the world, making sure that it becomes an integral part of daily life in Kedrion.

In order to bring together talented young people and encourage the inclusion of young graduates and young people with a diploma in the company, in 2019 Kedrion further developed its Employer branding programs, through greater collaboration in specific projects with universities and training institutions in the areas of greatest presence. The main ones include the Master in Pharmaceutical Marketing carried out at the Pin in Prato, a consortium managed by the University of Florence and within which Kedrion also provided part of the teaching and managing an entire training module. In addition, the HR department provided teaching hours as part of the university master's degree in Human Resource Development, organized by the Department of Political Sciences of the University of Pisa.
In addition, the Second Level University Master's Degree in Clinical Trials of Medicines in Internal Medicine, Oncology and Hematology (University of Pisa), in which Kedrion has been collaborating for 3 years, welcoming trainees to the company.
In parallel, Kedrion continues to oversee the labor market through participation in Job Fairs dedicated to the pharmaceutical world (Biopharmaday Genova and Biopharmaday Firenze) and other career days (6 in all), the activation of educational and orientation internship courses. of various company offices (13 internships) and social network presence, with respect to which the Kedrion page on the social network LinkedIn has to be remarked, which currently has over 41,000 *followers*, growing strongly compared to the previous year, a sign of interest for the company.

CORPORATE WELFARE

Kedrion is committed to identifying and promoting initiatives that favor an ever-greater balance between private and professional life.
As an example, some projects in this area are shown below.

- In the United States (KBI), in accordance with local laws, there are several Flexible Working Hours initiatives, which provide that part of the work can be done remotely;
- in Italy (Kedrion S.p.A), starting from the pilot project launched in 2018, Kedrion confirmed and extended the Smart working policy to the entire company population, with the sole exclusion of personnel assigned to laboratory activities and production departments. In the manner established by Kedrion S.p.A, employees enjoy, in compliance with an agreed company regulation, the freedom to choose the preferred way of working remotely (other company sites, their residence or domicile or other places provided they are suitable in terms of compliance with the workplace safety regulations), for a maximum of 6 working days per month. Furthermore, Kedrion fully implemented the local public transport service for the Bolognana site, financing part of its economic cost.

OCCUPATIONAL HEALTH AND SAFETY

The policies practiced by Kedrion through its Environment, Health and Safety (EHS) at work department are intended to:

- Promote the culture of safety at every organizational level;
- Support initiatives aimed at improving working conditions;
- Support to local offices in the management of safety in the workplace
- Continue to monitor the performance at local and group level

These policies are supported and coordinated centrally by the EHS function through the dissemination of guidelines, sharing of tools and skills and monitoring of key indicators.
The Italian and Hungarian offices have adopted an OHS – Occupational Health and Safety management system following the BS OHSAS 18001 standard obtaining the relative certificate and, according to the evolution of the standard itself, they are moving towards ISO 45001 certification.
The OHS certification covers production sites and administrative offices where more than 55% of the total employees are based. Considering all production sites (Melville, Godollo, Sant'Antimo and

Bolognana) the percentage goes up to 85%, and in any case the 100% of employees in the Operations area is included in a structured system being coordinated by the local EHS business functions adopting the Company's policies.
The local EHS structures, coordinated by qualified EHS Managers, following the guidelines issued centrally, identify the health and safety risks and the related prevention and protection measures.
The main activities coordinated and managed by the local EHS functions concern the guarantee of legislative compliance and, where adopted, the maintenance of the management system.
These activities act on the main health and safety management processes which are, in addition to identifying the dangers and managing the risks:

- Health surveillance - to ensure that exposure to occupational hazards does not impact the health of employees assigned to specific jobs
- Information and training - carried out according to local regulatory requirements as well as voluntary standards, where adopted (e.g. OHSAS 180001 certified offices), to ensure that each employee carries out his / her task safely for himself and for others
- Audits and inspections - carried out locally but also as part of a global team at the other corporate offices
- The management of personal protective equipment - in compliance with local technical regulations and standards but also by coordinating with other company offices in order to adopt the best common practices

According to the local reference regulations, in addition to the EHS manager, both the competent doctors or professionals assimilable to this figure and the workers' representatives collaborate in the management system, as well as external competences from time to time appointed.
At the local level, meetings "extended" to other company departments, active parts of the H&S management system, for example Human Resources and the Managers of the various departments, are also set up; these meetings are intended to review the system's performance, propose solutions to problems or initiatives to improve the system.
In addition to the preventive and protective measures adopted at local or national level, initiatives such as incident management are implemented at a global level and mainly concentrated at the production sites to reduce the risks for its employees, visitors and staff of external companies, as well as the local community.
Therefore, the EHS Global structure monitors and supports local functions in the management of accidents starting from the identification of the causes, to then share the results of the analysis with the other sites through a "safety alert" system, so that everyone can learn from the errors and prevent the occurrence of new events.
On a global level, the general objectives are shared which are then implemented by the local realities and are monitored through key indicators such as frequency and severity indexes.
As part of the Operations function, the "Zero Accidents" objective is confirmed, monitored globally through indicators that measure frequency and seriousness.
Another objective launched globally and implemented by the Italian, Hungarian and US production sites is to achieve the highest level of safety culture through the active participation of all employees in reporting, in addition to accidents, the so-called "near misses" or missed accidents, unsafe situations or behaviors and also suggestions for improvement, setting as a minimum annual target a number of reports equal to one for every three employees (33%).
This indicator, including the relationship between accidents, near misses and reports is monitored monthly at the local and global level.
In 2019 the number of reports from employees of the production areas was over 1150 equal to 90% of the number of employees.

HEALTH AND SAFETY RISKS

Under the management of Kedrion there are areas, substances, plants and activities that can represent risk factors for health and safety such as:

- Video terminal, microclimate, lighting, fire / explosion and work-related stress existent in all the activities, from administrative to productive / technical;
- Biological risk, chemical risk, manual handling of loads, noise risk, low temperatures and use of machines and equipment (mechanical risk), which are added to the previous ones for the production and technical areas (laboratories / plasma collection centers, logistics, maintenance);
- Work exposed at height, activities in confined places, driving forklift trucks and mechanical vehicles that are added in reference to specific tasks.

Risks are recognized in accordance with current National Legislation. In particular, the sites in Italy are subject to the Consolidated Law n. 81/08 and produce a Risk Assessment Document (DVR); Hungarian sites are subject to similar legislation and, in turn, produce a risk document similar to the Italian DVR and OSHA indications are followed for the American sites.
The prevention and protection measures adopted in all areas guarantee the control of the above risk factors, keeping the level of risk below the limits set by the regulations and company policies.
The data on accidents and occupational diseases of the last 5 years confirm the above, given that there have been no accidents with serious personal injury or specific occupational diseases attributable to exposure to occupational hazards.

INJURIES

The following table shows the distribution of events, lost days and frequency and indicators by geographical area in 2019:

Distribution of injuries by region at 31.12.2019					
region	Number events	Number of lost days	TIR*	LWR*	Worked hours
Italy	10	266	1.1	28.1	1,889,912
USA	35	357	3.8	39.1	1,827,912
Hungary	9	164	2.9	53.3	615,529
Germany and Rest of the World	1	9	1.7	15.7	114,900
TOTALE	**55**	**796**	**2.47**	**35.8**	**4,448,253**

* The used indexes are the TIR – Total Injury Rate and the LWR – Lost Workdays Rate

The percentage of accidents occurring to female personnel is indicated with an approximation that depends on the fact that part of the accidents relating to the American plasma collection centers do not report the names of the persons involved available for privacy reasons.
The range therefore varies from a minimum of 20% to a maximum of 49%.
The accident trend in the three-year period 2017-2019 is shown below:

Index	2017	2018	2019	Variation 2019/2018
Number of injuries	42	48	55	+15%
Number of days lost	449	571	796	+39%
TIR	2.2	2.2	2.47	+12%
LWR	23.3	26.7	35.8	+34%

The overall figure for 2019, compared with the previous year, shows a slight increase in the number of events and a significant increase in the number of days lost in absolute terms. The indicators, which consider the hours actually worked, also show a significant increase, albeit to a lesser extent.
The most frequent types of accidents are those related to blows and crushing, tripping and slipping, contacts with potentially biohazardous material (punctures or splashes) and stretching and sprains, and the number of events related to falls from height are far less (less than 2 meters), electrocution or cuts and abrasions
The data related to the severity of the events (expressed in lost days) is influenced by an event that took place at the Italian site of S. Antimo which alone contributed for 16% of the total (127 days).
It is confirmed that during the 2017-2019 three-year period no fatal accidents occurred, and no event resulted in an absence from work of more than 180 days

INJURIES TO EXTERNAL STAFF

Given that the staff belonging to external companies and operating in the areas of the organization is subject to a preliminary qualification and is subject of information on the risks present in the areas of their intervention and on the measures to be taken including the management of any emergencies, in case of accidents the company is informed and takes action to promptly verify what has happened.
In 2019 there were two episodes that involved external staff (collaborators or contractors) operating in areas under direct responsibility and / or following the company's directives.
Neither of the two accidents had serious consequences (both with a prognosis of less than 180 days) and in both cases the company started an investigation in collaboration with the company involved in order to identify causes attributable to possible lacks in the implemented system and plan any corrective or improvement actions.
Both events are intended as falls from height, even if from less than 2 meters.
The frequency indicator given by the number of events out of the total hours worked at the company (for a coefficient of 200,000) takes into consideration, for the count of the number of events, all the companies that have seen their employees pay their work at the Kedrion offices, related, as a precaution, only to the hours worked by companies with work contracts accounted for by hour, excluding the hours worked for interventions accounted by "body".
TIR = 2X200,000 / 169,310 = 2.36

PROFESSIONAL DISEASES

The main health risk factors identified in the work areas and in relation to the specific activities carried out, are attributable to exposure to chemical and biological agents, to the manual handling of loads and ergonomics of the workplaces as well as to exposure to noise and low temperatures.
Prevention and protection measures aimed at eliminating, whenever possible, or reducing operators' exposure are the main tool together with verifying health conditions through health surveillance.
The latter is implemented with respect for privacy and with the sole objective of protecting the health of the staff, excluding any type of discrimination.
Reports of any consequences on employee health, including the recognition of any occupational diseases, as well as accidents, represent an opportunity to review the risk assessment and adopt further prevention and protection measures.
During the two-year period 2018-2019 there were no acknowledgments of occupational disease

4.15.6. "SOCIAL" AREA

The policies practiced by Kedrion have as their main element the commitment to Social Responsibility, which extends to all the communities with which the company is in contact: from production plants to the environment, from the donor community to those of patients.
Kedrion aims to increase global awareness of the diseases he deals with and improve their diagnosis, treatment and access to treatment.

Kedrion pursues its objectives both through supporting local projects and through significant international product donations and educational and awareness-raising collaborations.
The relationship and *engagement activities* of the local communities are not coordinated centrally but entrusted to the main local realities. Thus, the production sites of Bolognana, Sant'Antimo, Godollo and Melville carry out continuous listening and animation activities of the local communities of reference; listening and *engagement* leads to the determination and execution of the social activities described below; likewise, each of the plasma centers owned in Germany (until May 31, when they were sold), Hungary and the United States engages the local community in question, and, starting from the needs in this way identified, is committed in building relationships with the local communities.
This year's DNF describes the "Social" area through actions to support local communities and research activities about the so-called *orphan drugs*.

RELATIONSHIP WITH LOCAL COMMUNITIES

The theme of the relationship with local communities takes up Kedrion's original and consolidated tradition of supporting the territories closest to its factories, plasma centers and offices. Starting from the experiences made in Italy in the area of origin of the company, with the growth of the social perimeter and the internationalization of the activities this approach has been recommended, transmitted and supported.
Animated by a deep sense of ethical and civil responsibility, we aspire to promote a culture of social and environmental sustainability, trust and reciprocity. With our daily work we work to improve the existence of all those who live in the communities that host us, in Italy and in the rest of the world.
In 2019 our commitment alongside local realities materialized with our contribution and support to voluntary activities and projects aimed at protecting human rights at a global level.
From an organizational point of view, support activities for local communities are mainly concentrated at central level, at the parent company.
This year's DNF completes the information contained in that relating to the last two years, reporting in the following list almost all the activities carried out in favor of local communities by the main legal entities.
The main activities that the company carries out for local communities are as follows:

KEDRION S.P.A.:

- Kedrion S.p.A. is by far the most significant employer in the areas in which its production facilities are located;
- Under the same economic and technical conditions, Kedrion's supply chain favors companies in the territories in which it has offices, also reducing the environmental impact related to transfers;
- Kedrion S.p.A. supports several activities with the Municipalities and schools in the area, including participation in a Higher Technical Institution (ITS) in Life Sciences and a teaching development project with the technical and professional secondary schools in Valle del Serchio (Borgo a Mozzano and Barga);
- Kedrion Group is one of the founders of the Fondazione Campus di Lucca, a non-profit training and cultural institution which carries out university and advanced training in tourism and the development of the territory and local economies;
- Kedrion encourages local traffic reduction measures through car-sharing and car-pooling initiatives;
- Kedrion Incontra Project (opening and visit of Bolognana and Sant'Antimo plants to associations of Italian blood donors)

In addition to these activities, Kedrion S.p.A has also supported the following non-profit organizations:

- The Robert F. Kennedy Foundation of Italy Onlus (event support)

- Carlo Erba Foundation - second edition of Guelph Marcucci Awards 2019 (two scholarships reserved for young researchers in the field of non-oncological immunology)
- Alumni Association - Ghislieri Foundation (support Ghislieri Prize)
- Treedom (support for a sustainable development project that involves the creation of a corporate forest consisting of 500 trees planted by local farmers between Guatamela, Honduras, Colombia and Kenya)
- Paracels Foundation (support for institutional activities)
- Luigi Villa Foundation (support of research activities in the field of Hemostasis and Thrombosis)
- University of Palermo - DICHIRONS department (contribution to a scholarship in the hematology field)
- University of Milan (medical / scientific training)
- University of Tor Vergata (contribution for medical-scientific education in the form of a Master)
- Local mercies and voluntary associations in the province of Lucca
- Fonesa Foundation (support for the realization of a rehabilitation project aimed at hemophilic patients)
- Careggi ONLUS Foundation (activity support)
- Doctors with Africa CUAMM NGO (support Annual Meeting 2019 "Mothers and children first")
- LILT - Italian league for the fight against cancer (support for the Nastro Rosa campaign)
- Associazione Olimpiadi del Cuore ONLUS (event support)
- Visits to schools to promote school-work alternation activities
- Agreement with ITIS Aversa for curricular internships (Sant'Antimo)
- Relations with Federico II University of Naples for curricular internships (Sant'Antimo)

Kedrion Biopharma Inc.
In the United States, where for several years the company has been promoting spontaneous voluntary activities to support local communities with the Kedrion Cares program with responsibility and passion, Kedrion and KEDPLASMA employees have offered their support to:

- Jersey Cares non-profit organization (activity support)
- Non-profit organization CFA - Center for Food ACTION (activity support)
- The Camilla House charity organization (events and activities support)
- Long Island Cares charity (activity support)
- Susan G. Komen Foundation (support activities and campaigns)
- Non-profit organization One Warm Coat (activity support)
- Charitable Organization Options for Community Living (activity support)
- Non-profit organization Feeding Children EveyWhere (participation in the "Million Meal Pack" charity initiative in Atlanta, Georgia, aimed at preparing one million hot meals to fight hunger)
- Non-profit organization Child Enrichment Inc. (participation in a beneficial sporting event for the construction of a new minor center in the city of Augusta, Maine)
- Non-profit organization Blessings in Backpack (activity support
- Immune Deficiency Foundation (participation in various "IDF Walk" charity running races for research in the field of Primary Immunodeficiencies)
- Hemophilia Federation of American (participation in the charity cycling race "Gears for Good" in favor of children suffering from clotting disorders)
- GBS / CIDP Foundation International (participation in the "Walk & Roll" charity race for research oriented to the diagnosis and treatment of Guillain-Barré syndrome and Chronic Inflammatory Demyelinating Polyneuropathy)

HUMAN BIOPLAZMA KFT.:

The company is committed to offering its contribution to the communities in which it operates also in Hungary, as evidenced by the support for:

- Foundation to support children with leukemia (support activities and events)
- Hematological Diseases Foundation "Our blood is our life" (support activities and events)
- "Ferenc Csolnoky" hospital of the Hungarian city of Veszprém (support for activities and events)
- Association for Immunological and Rheumatological Rehabilitation (support activities and events)
- Nephrology Foundation located in the Hungarian city of Szeged (support activities and events
- Therapeutic apheresis center at the operating unit of the Internal Medicine Clinic of the Semmelweis University of Budapest (support activities and events)
- Hungarian Foundation of GBS / CIDP patients (support activities and events)
- Santa Barbara Hospital Foundation (support for activities and events)
- Hungarian Hemophilia Society (support activities and events)
- Foundation reserved for students of the Loránd Eötvös University of Budapest (event support)
- "Károly Tormay" Polyclinic Medical Center in Gödöllő (donation of electronic devices for medical clinics)
- "Tibor Jánossy" Obstetrics and Gynecology Foundation (donation of electronic devices for medical clinics)
- Foundation to support the care of pediatric patients "Aprónép" (donation of electronic devices for medical clinics)

During 2019 Kedrion did not suffer economic or non-economic sanctions related to the social area (stakeholders, local communities, patients, etc.).
The company will continue to systematize the various Corporate Social Responsibility activities in this sector, assessing their impact and formalizing the mechanism for selecting the activities in which it will decide to engage.

RESEARCH ACTIVITIES, ORPHAN DRUGS AND EXPANDED ACCESS

For Kedrion, innovation represents an element of distinction within its industrial model, as well as one of its main strategic levers. Thanks to innovation, the company has managed to achieve excellent results, identifying the most advanced and effective technological and production solutions currently available and establishing a virtuous circle of continuous improvement of products and processes.
The research and development of Kedrion in recent years has been oriented to several directions:

- An industrial research activity that aims to identify new products or new production processes;
- An industrial development activity aimed at optimizing the production process and guaranteeing the highest quality and safety standards;
- An activity aimed at ensuring compliance in the field of safety from pathogens.

The development of orphan drugs and the provision of compassionate care has always been a vocation of Kedrion, consistent with its values and the relationship it tends to establish within the societies in which it operates.
Please note that according to European legislation, orphan drugs are medicines intended for the treatment of diseases that pose a threat to life or chronic debilitation. In Europe, diseases affecting 5 out of 10,000 individuals are defined as rare. The economic commitment for the development and marketing of these drugs is important and risky, and it is encouraged by specific laws that make the approval times by the competent bodies shorter.

Patients with rare diseases who do not qualify for a clinical trial can have access to orphan drugs through compassionate care, even if the drug has not been approved by the health authorities yet. The Ministerial Decree of May 8, 2003 "Therapeutic use of medicinal products subjected to clinical trials" (OJ No. 173, July 28, 2003, General Series) provides for the extraordinary use of orphan drugs, which are subjected to clinical trials, on patients in danger of life, or suffering from a debilitating disease. The value of these treatments is significant: they allow patients without other valid therapeutic opportunities to use a drug that, although it has not received the necessary approvals for marketing yet, could bring benefits to the patient's quality of life.
The company's commitment to orphan drugs has led in the past to the development of a plant dedicated to the research, development, and production of these products in Siena. Currently the process of plasminogen production has been allocated in the Kedrion site of S. Antimo, a site at the forefront in the production of plasma derivatives, where the original group dedicated to research and development of this drug is located.
Kedrion's commitment to orphan drug projects and compassionate care occurs in various ways, often linked to the close relationship that the company maintains around the world with local and professional stakeholders: doctors, patient associations, public and health institutions. Once the company decides to commit to a project of this king, cross-functional working groups are formed, due to the fact that there is not an existing company department specifically dedicated to compassionating care (which, however, would perhaps make the company less agile in starting up and carry out the various projects).
As in the case of plasminogen, compassionate care projects can provide a future industrial and commercial return. For what concerns plasminogen, in February 2020, the project has become part of experimental drugs and without marketing authorizations which may be reimbursed by the 648/96 Law). Thanks to this, Italian patients treated in 2020 will increase from 5 to 8 and potentially increase further in the next three years. An important milestone for an orphan drug.
There are contexts in which the company has decided, out of a sense of social responsibility and medical ethics, to undertake the development of drugs for ultra-rare diseases (prevalence 1: 10,000,000), as in the case of the development of a blood-derived Factor V. This project is entering the industrialization phase at the S. Antimo site.
It should be added that, especially in Italy, the centrality of the group in the plasma derivatives sector makes Kedrion ethically almost "obliged" to be available to the healthcare system and to requests relating to its area of activity. On the opposite, in some cases, the risk linked to the commitment in this area may depend precisely on the fact that the expectations of the company and of the patients towards the company are very high; while - of course - the company cannot allocate resources comparable to those used for its main business areas for compassionate care projects.
Kedrion's two main projects on orphan drugs are those on Plasminogen and that on Coagulation Factor V.

PLASMINOGEN PROJECT

Kedrion is developing a project to increase the expanded access of the human concentrate of plasminogen, a drug that has obtained an orphan designation for the treatment of patients with wooden conjunctivitis. Thanks to this project, a greater number of patients will be able to request the product and be treated before the drug is commercially available. In 2019, patients taking advantage of the opportunity to receive Plasminogen for compassionate use grew from eleven to thirteen.
Plasminogen (PLG) is an important blood protein that plays a fundamental role in the dissolution of a clot by physiologically acting on the fibrin and on the A chains of the fibrinogen. Under conditions of plasminogen deficiency in the blood, two types of deficiency can occur: type 1 deficiency and type 2 deficiency.
Plasminogen deficiency type 1 or severe hypoplasminogenemia (HPG) is a very rare systemic disease that causes fibrin-rich pseudomembranes (with a wooden appearance) in the mucous membranes when a wound is healing. The most common clinical sign (manifested in 90% of cases) of HPG is chronic inflammation of the conjunctiva (ligneous conjunctivitis), which can lead to blindness, but other sites

may also be involved such as the upper gastrointestinal tract, the respiratory tract, the female genital tract, the central nervous system and the skin. The prevalence of HPG, although not yet well established, is estimated at around 1.6 cases per million of inhabitants. Clinical onset usually occurs in early childhood, but it can occur at all ages and can be caused by repeated microtraumas (dust, foreign body), surgery or local inflammation.
As an authorized drug for plasminogen replacement therapy in HPG patients (and in particular with wooden conjunctivitis) is not yet available, this has been treated in recent years by surgical resection of eye lesions (pseudomembrane) and / or the use of drugs not indicated such as corticosteroids, antibiotics, heparin. All of these approaches, however, are not fully effective or conclusive.
At present, Kedrion is working on completing all the preparatory stages for the product marketing authorization process. In the meantime, the company is continuing , on the one hand , to make the preparation available to patients who took part in the clinical study (currently 6 out of 12) and, on the other hand and within the limits of the current production capacity, it is providing the product under compassionate use for 13 patients (11 in 2018) with wooden conjunctivitis (5 in Italy, one in Spain, one in France, 6 in the United States).
By 2020 Italian patients who will have access to Plasminogen will increase from 5 to 8. In all patients who will have access to the compassionate use program will be 30 globally in the next three years.

FACTOR V PROJECT

During 2019, no substantial progress has been made in this project, that still remains among the activities that the Company intends to carry on. Therefore, it is possible to refer to last year's DNF for the main information about the project.
Factor V is a plasma protein present at a concentration of about 7 µg / ml in healthy subjects. It plays a crucial role in hemostasis: it has a pro-coagulant role in the coagulation cascade by participating in the formation of thrombin.
Congenital Factor V deficiency, single or combined with Factor VIII deficiency, is an extremely rare disease of hemostasis with a prevalence of 1: 1,000,000 of the population. People suffering from a deficiency of this protein show hemorrhages of various localization and extent: epistaxis, menorrhages, hemarthrosis and hematomas, up to the most serious ones, such as intra-cranial and gastrointestinal ones.
Kedrion is developing a concentrate of Factor V, currently the only company on the world scene. The development of the concentrate, so far developed at the level of exploratory research, will enter the industrialization phase in 2021 with the forecast of the first animal toxicity studies in 2022.

4.15.7. "ENVIRONMENT" AREA

Kedrion's attention to the environment starts from the territory in which its employees operate. From the workplace, it extends to the communities which surround the Company, with a strong commitment to reducing environmental impact to a minimum. Conscious of man's responsibility in global climate change, Kedrion's environmental policy contributes to mitigating the consequences of human activity on the surrounding environment.
Kedrion employees are sensitive to the concept of environmental protection and operate to evaluate and monitor environmental aspects connected to activities carried out, pursuing opportunities for improvement.
The Kedrion management team undertakes to implement, maintain and document its processes and activities in compliance with the highest quality standards, including, for example:

- UNI EN ISO 14001 and EMAS Standard* (Eco-Management and Audit Scheme);
- BS OHSAS 18001 (Occupational Health and Safety Assessment Series).

Participation in Global Compact** involves a global commitment to improving environmental services, which are put into action in a strategy founded on principles of:

- Optimising resources and endorsing sustainable ones;

- Reducing negative impact;
- Spreading an environmental culture within and between external collaborators.

*EMAS, the EU Eco-Management and Audit Scheme, is a model to which companies and organizations, both public and private, based in the European Union and wishing to commit themselves to assessing and improving their environmental performance, can voluntarily adhere.

**The United Nations Global Compact is a United Nations initiative created to encourage companies around the world to adopt sustainable policies that respect corporate social responsibility and to make the results of the actions undertaken public. It is a framework that brings together ten principles in the areas of human rights, labor, environmental sustainability and anti-corruption.

The Italian offices have adopted an environmental management system according to ISO 14001.
The Lucca offices (KIg10 production site, Castelvecchio Pascoli warehouse, Bolognana site and administrative offices) and the Sant'Antimo (NA) site are ISO 14001 certified and EMAS registered.
The model adopted integrates the monitoring and control activities of the environmental performances provided for by the AIA (Integrated Environmental Authorizations) applicable to the mentioned sites.
The Italian offices have an Energy Management structure in order to optimize the use of energy resources through analysis and monitoring and promotion of initiatives.
To improve its environmental performance, Kedrion is committed to an ever more in-depth knowledge of its impacts through the analysis of the life cycle of its products and by extending control to the entire supply chain.
In 2019, the EPD, Environmental Product Declaration for Albumin and Factor VII products were published.
The availability of information relating to its impacts and environmental performance is also guaranteed by the publication of the Environmental Declaration relating to Italian EMAS registered sites.
During 2019, initiatives aimed at reducing the impact were launched which, although not having a strong significance in terms of absolute value, allowed to involve a large number of people, making them feel an active part of the system.
Carpooling, car sharing for commuting has been re-launched in Italy, also through a competition to reward the most virtuous carpoolers. The target to be reached for 2019 was 50,000 km certified in car pooling and at the end of 2019 110,000 km have been reached, more than the double expected.
As part of the Green Office project, a campaign for separate waste collection was promoted at all offices both in the administrative offices and in the production sites in Italy by installing over 200 containers divided into 4 types.
A "plastic free" initiative was also launched aimed at eliminating all disposable products from plastic bottles to the material for company canteens. During the Christmas holidays, all employees were honored with a steel thermal bottle.

WATER CONSUMPTION AND WATER CYCLE

Attention to water resources is concentrated on the use of water provided by the public utilities and water coming from wells and on wastewater production.
Water taken from production facilities is mainly used to power cooling systems, softeners, steam production, washes and sanitation. In the other offices, it is used as domestic hot water and for cleaning the workplaces.
The risks connected to the water resource depend on the presence of obligations required by legislation or specific authorizations. Water consumption can constitute a risk connected to the capacity of local infrastructures and the availability of the resource (aqueduct and wells), constituting a constraint with regard to possible increases in production capacity. Furthermore, an increase in water consumption corresponds to an increase in wastewater, whose hydraulic load is governed by authorization and/or technical/infrastructural limitations.
Wastewater derives from the processes of the four production sites, which is transferred to the public utilities in accordance with legislation and regulations in force in terms of hydraulic load and qualitative characteristics of the wastewater.

Discharge is prevalently of an industrial kind and a minor percentage of 10% is represented by domestic hot wastewater.

Water balance (water consumption and discharges in cubic meters) as at 31.12.2019

Water consumption from public utilities* Mc	Water consumption from well Mc	Total water consumption Mc	Wastewater** Mc
635,954	399,874	1,035,828	734,936

*The figure is the sum of measured consumption (Bolognana, S'Antimo, CVP Godollo, Melville, German and Hungarian plasma centers) and estimated consumption (American plasma centers and offices).
**Wastewater measured for Bolognana, S'Antimo, CVP, Godollo and Melville; estimated for Offices and plasma centers.

The largest contribution, equal to 63%, is given by Italy and due to the presence of the two main production plants, followed by the United States (22%) and Hungary (14%) as well countries including production sites (Godollo and Melville).
Below is a table that summarizes the consumption of water and the amount of wastewater discharged at the global level for the three-year period 2017- 2019:

Water balance 2017-2019

Index (Mc)	2017	2018	2019	Variation 2019/2018
Water consumption from public utilities *	423,678	532,251	635,954	+16.8%
Water consumption from well	331,350	376,520	399,874	+6.2%
Total water consumption	**755,028**	**908,771**	1,035,828	**+14%**
Wastewater**	566,092	645,989	730,008	+15.2%

*The figure is the sum of measured consumption (Bolognana, S'Antimo, CVP Godollo, Melville, German and Hungarian plasma centers) and estimated consumption (American plasma centers and offices).
**Wastewater measured for Bolognana, S'Antimo, CVP, Godollo and Melville; estimated for Offices and plasma centers.

The increase recorded in water consumption is linked to an increased activity of both the CVP Kig10 site and the Melville site.

RENEWABLE AND NON-RENEWABLE ENERGY CONSUMPTION

The production sites mainly use energy sources for the production of cold, heat and steam, as well as for powering the plants and for lighting.
The supply of electricity presents constraints related to the infrastructures that can impact on the continuity of the service and on any production developments, although there are emergency generation systems at the service of the most critical plants.
The Bolognana plant produces part of the electricity consumed through a cogeneration plant which, in addition to having a lower environmental impact, guarantees an improvement in the quality of the supply even if it does not reduce the risks associated with any interruptions from the network.
There are no particular legal / authorization restrictions for the various sites.

Monitoring and the related energy diagnosis, required by the Integrated Environmental Authorizations (AIA) and by the legislation on the rational use of energy, represent an opportunity for interventions aimed at optimizing consumption.
The use of natural gas, both for the production of electricity and steam, represents the best source of non-renewable energy in terms of greenhouse gas emissions and therefore an opportunity to improve the environmental impact of the sector. However, it presents risks related to possible short or prolonged interruptions of the supply due to possible technical problems of the network infrastructures or of the supplier with a significant impact on the business continuity of the production plants: this applies, in particular, to the Bolognana site, which uses methane to produce most of the electricity consumed.
To guarantee, anyway, business continuity even in case of emergency, electricity supply from the grid remains active.

ELECTRICITY FROM THE GRID

The Bolognana plant has a 3 MW cogeneration plant capable of satisfying part of the plant's electricity demand, returning a small part to the grid (in 2019 the amount of energy transferred to the grid was 506.74 GJ, equal to 2.1 % purchased energy).
A new tri-generation plant is being commissioned which will replace the current one by introducing an element of efficiency due to the use of heat to power the cold production systems.

Consumption of electricity from the grid at 31.12.2019*

GJ	190,825

*The figure is the sum of measured consumption (Bolognana, S'Antimo, CVP, Godollo, Melville and German and Hungarian plasma centers) and estimate consumption (Offices and US plasma centers).

The largest contribution to total consumption is given by the Italian, American and Hungarian production plants, which account for 40%, 28% and 16% respectively, for a total of 84%.

FOSSIL FUELS

The absolute values and the contributions of the individual companies to the consolidated figure relating to methane consumption, expressed in terms of percentage, are shown in the following tables:

Methane gas consumption* at 31.12.2019

GJ	472,384

* The figure is the sum of measured consumption (Bolognana, S'Antimo, CVP, Godollo, Melville and Hungarian and German plasma centers) and estimated consumption (Offices and US plasma centers).
**The figure includes natural gas for the cogeneration plant at the Bolognana site.

The largest contribution to total consumption is given by the Italian, US and Hungarian production plants, which account for, respectively, 72% (of which the Bolognana site alone represents 61%), 16% and 9%, for a total of 97%.
Below is a table that summarizes the consumption of electricity, methane and diesel, expressed in GJ globally for the three-year period 2017-2019 (the 2017 data is left for completeness of information):

Energy balance 2017-2019 three-year period

Index (GJ)	2017	2018	2019	Difference 2019/2018
Electricity from the grid	151,042	185,380	198,582	+7%
Methane	417,748	442,485	472,384	+7%
Gas Oil	7,776	13,635	11,262	(17%)
Total energy	**576,566**	**641,500**	**682,228**	**+6%**

The table shows an increase both in the consumption of electricity from the grid and in the consumption of methane and a reduction in the consumption of diesel fuel
The greatest increase is due to the greater use of the Castelvecchio Pascoli site.

DIRECT AND INDIRECT EMISSIONS

Kedrion calculates its Carbon Footprint to identify the greenhouse gas emissions generated by its activities, considering the direct emissions from the consumption of natural gas and other fuels and the losses of refrigerant gas (Scope I) and indirect emissions from the consumption of electricity (Scope II). Below the graph that represents the total contributions of CO2 equivalent emission (Scope I) and the trend in the three-year period 2017-2019:

Carbon Footprint 2017-2019 three-year period – Scope I

CO2 equivalent (Ton)	2017*	2018**	2019***	Variation 2019/2018
CO_{2e} from refrigerant gas losses (refilling)	22,062	12,512	5,091	(59%)
CO_{2e} from consumption of natural gas	23,737	24,580	26,890	+9%
CO_{2e} from consumption of gas oil	574	1,013	841	(17%)
Total CO2 eq.	**46,373**	**38,105**	**32,821**	**(14%)**

* DEFRA emission factor version 2017.
** DEFRA conversion factor version 2018.
*** DEFRA conversion factor version 2019.

The data show a decrease in the CO2 emitted by the reintegration of refrigerant gases due both to a decrease in losses and to the replacement of gas with types with lower GWP.
Below is the graph that represents the contributions to the total CO2 equivalent emission (Scope II), according to the "location based" approach.

Carbon Footprint 2017-2019 three-year period – Scope II (*)

Ton CO2 eq	2017*	2018**	2019**	Variation 2019/2018
CO_{2e} from consumption of electric energy from the grid	16,447	19,116	**20,073**	+5%
Total CO2 eq.	**16,447**	**19,116**	**20,073**	**+5%**

* TERNA emission factor version 2016
** TERNA emission factor version 2017

WASTE PRODUCTION

The quantity of waste from the production sites represents the predominant quota of all waste produced by the Group, equal to approximately 88%; the collection centers contribute to a not significant extent (12%); administrative activities contribute negligibly.
The waste, when not transferred to the municipal offices as similar to urban waste, is managed according to the legislation of the country of the production site, both for their classification and packaging, and for their disposal.
The presence of obligations required by legislation or by specific authorizations, or voluntarily undertaken, bind the company to maintain high attention in terms of classification, packaging and compliance with the time and quantity limits defined by the rules and by any local regulations / authorizations.

The possibility of possible interruptions in transport and disposal services related to incorrect classification or packaging, unavailability of suppliers (technical, authorization and contractual problems) make waste management a very significant environmental aspect.
In addition to regulatory compliance and business continuity, Kedrion's attention is paid to the safety of people who in various capacities can come into contact with the material (internal staff, operators in the waste sector and communities) and the environment in general; this leads the company to prefer sustainable disposal methods (energy recovery or material recycling).

Waste production at 31.12.2019

Non-hazardous waste Kg	Hazardous waste Kg	Total waste Kg
838,332	**5,505,034**	**6,343,366**

Waste balance for geographical area at 31.12.2018

Region	Non-hazardous waste Kg	Hazardous waste Kg	Total waste Kg
Italy	624,291	963,799	1,588,090
USA	163,316	965,648	1,128,964
Hungary	39,455	3,575,587	3,615,042
Germany and RoW	11,270	0	11,270
TOTAL	**838,332**	**5505,034**	**6,343,366**

Below are the 2019 values compared to the 2018.

Waste balance 2017-2019 three-year period net of waste disposed of by road

Type (kg)	2017	2018	2019	Variation 2019/2018
Non-hazardous waste	773,529*	1,228,935	838,332	(32%)
Hazardous waste	4,409,410	5,086,959	5,505,034	+8%
TOTAL WASTE PRODUCED	**5,182,939**	**6,315,894**	**6,343,366**	**+1%**

*The quantity of non-hazardous waste of 2017 is purified from the disposal by road of industrial wastewater made necessary by the temporary interruption of the discharge to the site of Bolognana, amounting to 2,453,940 kg.

Amount of waste send to recovery at 31.12.2019

% of total non-hazardous waste	53%
% of total hazardous waste	67%

4.15.8. “ANTI-CORRUPTION” AREA

Kedrion, in line with its constitutive values, with the specific anti-corruption regulations and in line with the tenth Global Compact principle, according to which "companies undertake to fight corruption in all its forms, including the extortion and bribes”, pursues its commitment to fight corruption, in all its forms, direct and indirect.
Kedrion S.p.A adopted a Code of Ethics (the 'Code') and a Global Ethics Policy, prepared in 2019 and approved by the Board of Directors in January 2020, which contains ethical principles and values that inspire responsible management of the activities company, establishing rules of conduct and implementation rules.
THE CODE has been signed by all employees and collaborators and made available on the Company's website; each supplier of the Company is called to respect the principles set out in the Code.
During 2019, there were no episodes of corruption in all the companies of the Kedrion group.
The following paragraphs report the organization and safeguards adopted by the group's main operating companies regarding anti-corruption.

KEDRION S.P.A.

Starting from 2004, Kedrion S.p.A has adopted, an Organizational Management and Control Model, pursuant to art. 6 of Legislative Decree 231/2001 (hereinafter also "Model 231") in order to prevent the risk of committing the offenses envisaged by the same Decree. Among the offenses envisaged there are also corruption offenses in all its forms, both in relations with the Public Administration, and in relations between private individuals, therefore also including all relations with the supply chain. The Board of Directors of Kedrion has established the Supervisory Body pursuant to Legislative Decree 231/2001, art. 6 lett. B in order to supervise the correct application of Model 231.
Kedrion S.p.A always updates the risk mapping of the company, intended as the monitoring of the areas hypothetically and theoretically exposed to "crime risk", including the risk of the crime of corruption.
The potential risks related to the Legislative Decree 231/2001, which emerged from the monitoring, are mainly those typical of the pharmaceutical sector. After an evaluation of all the control measures implemented by the Company, the residual risk was deemed acceptable.
Kedrion has made available tools to report any violations, even anonymously; these tools are: the mail/letter boxes located in all the company's plants and sites, the help-line available on the company intranet site, the web platform accessible from the www.kedrion.it site implemented in compliance with law no. 179 of 2017 so-called "Whistleblowing". All tools are equipped with adequate measures to protect the whistleblower's privacy and confidentiality.

KEDRION BIOPHARMA INC.

Kedrion Biopharma Inc. (KBI) adopted a Compliance Program in 2019 in which the fight against corruption, both nationally and internationally, has the highest priority.
The Compliance Director, in consultation with the Legal Department, followed the implementation of the Compliance Program which included, among other things, the updating of the anti-corruption behavior guidelines and staff training on related issues including the fight against corruption.
The U.S. regulatory environment provides for numerous laws, including the Anti-Kickback Statute, the False Claims Act, and the Foreign Corrupt Practice Act (FCPA) in addition to the specific laws of the member states. These rules provide for severe federal and state penalties in both civil and criminal matters.

HUMAN BIOPLAZMA KFT.

HUMAN BioPlazma Kft., (hereinafter also HBP), which also includes the KEDPLASMA Hungary operating unit, operates in Hungary in compliance with the legal regulatory framework applicable to its activities.
HBP implemented policies and procedures in order to fight both active and passive corruption in its activities. The Company has adopted a Code of Ethical Conduct addressed to all its employees.

During 2019, an email box was activated with the aim to report any violations of laws, policies and procedures.
The compliance concerning the topic of sponsorship activities, considered sensitive, is ensured not only by compliance with the code of the European Federation of Pharmaceutical Associations and Industries (EFPIA), but also by compliance with the pharmaceutical communication and ethics code of the Association of Pharmaceutical Manufacturers Hungarians (Magyarországi Gyógyszergyártók Országos Szövetsége (MAGYOSZ).
With regards to staff training, it should be noted that, in addition to the annual plan, a specific training session was held in 2019 on *sales management* r on the topic of donation management.

KEDPLASMA GMBH

KEDPLASMA GmbH works in Germany in compliance with the applicable legal and regulatory framework. During 2019 it implemented a major business change. In fact, the Company operated both in the collection of plasma and in the distribution of plasma derivatives. On May 31, 2019, the plasma collection activity was no longer carried out following the sale of the collection centers.
In order to combat the fight against corruption, Kedplasma has prepared guidelines, staff training and internal monitoring activities.
Please note that sponsorship compliance, which is a sensitive activity in terms of corruption, is ensured not only by compliance with the code of the European Federation of Pharmaceutical Associations and Industries (EFPIA), but also by compliance with the FSA communication code and pharmaceutical ethics "Freiwillige Selbstkontrolle für die Arzneimittelindustrie eV", of the AKG "Arzneimittel und Kooperation im Gesundheitswesen eV" and other accredited subjects.

4.15.9. “HUMAN RIGHTS” AREA

Kedrion has always been committed to creating a work environment characterized by empowerment, mutual trust and respect, enhancement of the personality and diversity between individuals.
Kedrion believes relations between colleagues, at every level of the organization, are carried out with loyalty and fairness in mutual respect for the rights and freedoms of people as fundamental.
It also believes it is necessary that all the company's employees and collaborators contribute to maintaining a climate of mutual respect for dignity, honor and reputation.
The company prevents and opposes all forms of child labor, forced labor, unfair disciplinary procedures, physical or mental coercion or injury against the person.
Kedrion prevents and refuses all forms of worker discrimination based on nationality, ethnicity, religion, social class, gender, sexual orientation, political and trade union orientation, health conditions, physical limitations, age, previous family responsibilities, marital status or any other condition that may give rise to discrimination.
The company aims to offer equal opportunities to all employees in career development, exit from work and retirement, respecting the fundamental principle of equality.
During 2019, no episodes were identified throughout the company consolidation perimeter that configured violations of human and worker rights.
The following paragraphs show the organization and controls adopted by the group's main operating companies in the area of human rights.

KEDRION S.P.A.

The Company's Board of Directors has implemented the Ethics Office function for some time, responsible for the definition, implementation, adaptation and continuous improvement of the Business Management System for Business Ethics. The delegation conferred is extended to the implementation of the SA8000 voluntary international standard (Social Accountability 8000), that is to the implementation of the Social Responsibility System on Ethics in relations with workers within Kedrion and in the supply chain.

Kedrion has been SA8000 certified by a third party since 2004, in 2019 it obtained the renewal of the certification until 9 August 2022.
During 2019, Kedrion S.p.A updated the Risk Analysis prepared with respect to the principles of the Social Responsibility Standard SA8000, which did not highlight critical situations under the various ethical and legal compliance profiles, concerning the company-worker and company-chain relationship of supply.
Principles and methods of conducting the Risk Analysis are described and regulated in the Company SA8000 Manual (the "Manual") which summarizes the principles of the Standard and illustrates the entire Social Responsibility Management System adopted by Kedrion S.p.A. The Manual, jointly to the Code of Ethical Conduct, is disclosed to all employees upon hiring.
None of the reports forwarded by workers to the Ethics Officer configured violations of human rights and workers' rights, specifically there were no:

- violations of laws or applicable rules;
- known or suspected violations of Kedrion's business ethics management system and related procedures;
- practices and / or which do not comply with the Code of Ethical Conduct and with the SA8000 Social Responsibility System adopted by Kedrion.

Kedrion S.p.A, since 2005, recognizes, approves, supports and adopts the 10 ethical principles of the UN Global Compact concerning human rights, work, the environment and the fight against corruption.

KEDRION BIOPHARMA INC.

Kedrion Biopharma Inc. (KBI) complies with all American laws regarding the fight against discrimination and has an internal control system to prevent and detect such conduct. KBI has implemented a system to report discriminatory conduct or in any case not in line with the values and principles of the Company. Federal laws and those of individual Member States are very restrictive in respect of phenomena of violation of equal treatment and protection of human rights.

HUMAN BIOPLAZMA KFT.

The company, which also includes the KEDPLASMA Hungary operating unit (hereinafter also HBP), operates in Hungary in compliance with the legal and regulatory framework applicable to its activities.
With reference to human rights and discrimination, HBP also pays particular attention to the fact that in Hungary the prohibition of discrimination and the principle of equal treatment are governed by numerous laws, including the Hungarian Constitution , the Civil Code (Law N. V 2013), Law No. CXXV of 2003 on equal treatment and the promotion of equal opportunities (implemented in Hungarian legislation and thus harmonized with the respective EU Directives such as, for example, the 2000/78, 2000/43 and 2004 / 113; and the 2016/679 - GDPR regulation), the Labor Code (Law No. I of 2012). Therefore, the Company is very careful to comply with the legal requirements during the exercise of its activities.
With regard to the plasma collection conducted by KEDPLASMA Hungary, it could happen that the Company excludes some donors' candidates with the purpose of safety and quality of product issues.
In 2019, KEDPLASMA Hungary, revised the internal policy aimed at regulating the behavior not only of its employees but also of donors and donor candidates, in order to avoid cases of discrimination. On the bases of this policy, a commitment to employees is required to carry out their duties in compliance with the requirements on equal treatment and the prohibition of discrimination.
The company conducts constant and accurate monitoring of employment relationships, to reject and prevent any form of discrimination, from hiring to the conclusion of the employment relationship, conducted and controlled by the company's human resources function.

KEDPLASMA GMBH

With reference to human rights, non-discrimination and equal treatment, KEDPLASMA GmbH recognizes itself in the values of the parent company set out above.
In particular, the fundamental regulatory reference in this area is the German federal law on equal treatment, Allgemeines Gleichbehandlungsgesetz (AGG) of 14 August 2006, which transposed the European Directives issued in the years 2000-2004: Guidelines 2000/78 / EG on employment, Guidelines 2000/43 / EG anti-racism, Guidelines 2002/73 / EG and 2004/113 / EG on equal treatment between men and women.
AGG aims to prevent and eliminate discrimination due to race, ethnic origin, sex, religion or ideology, disability, age or sexual identity.
KEDPLASMA respects the aforementioned legislative provisions, for the entire duration of the employment relationship with its employees. In particular, under the coordination of the human resources function, KEDPLASMA implements recruitment policies, planning of benefits and contractual conditions in compliance with the legal obligations represented by AGG. In the same way, extreme attention is paid to the possible occurrence of conduct that does not comply with the provisions in force.

4.15.10. METHODOLOGICAL NOTE

BOUNDARY AND REPORTING PROCESS

The DNF includes in its reporting boundary the Parent Company and the subsidiary companies consolidated with the line-by-line method (it should be noted that the American company that operates the plasma collection centers, KedPlasma LLC, is 100% controlled by KBI, therefore the data relating to KBI or the US region also include those of KedPlasma LLC). Any exceptions are indicated in the text; in the case in which some data are not available, the text highlights this in a clear and transparent way.
The working plan followed to prepare the DNF 2019 followed the phases and time-frames listed below, coherent with Legislative Decree 254/16 and aligned to the financial reporting process and the SOP (Standard Operating Procedure) on non-financial communications prepared and approved by the Kedrion Group:

1. Assignment of the task by the President and Chief Executive Officer of Kedrion S.p.A., to the Group Administration department (start of November 2019);
2. Identification of the external consultant to support the activity (mid-November 2019);
3. Choose of the type of DNF (consolidated), its location in the management report, its relationship with the GRI Standards and the chosen methodology (GRI in accordance-Core) (end of November 2019);
4. Contact the consultant and the Group Administration department with the data owners and the representatives of each department and legal entity of the Group concerned (before end of November 2019);
5. Training activity and information on the DNF (before mid-December 2019);
6. Development and approval, by the departments involved and the President and Chief Executive Officer of Kedrion S.p.A., of the Materiality Analysis (mid-January 2019);
7. Collection of data and their validation alongside the data owners and department representatives (before mid-February 2019);
8. Draft of the DNF draft and transmission to the data owners (end of February 2019);
9. Approval of the DNF draft by the data owners and transmission of the document to the Group Administration department (before mid-March 2019);
10. Send the DNF proposal to the company secretary with a view to its approval in the Board of Directors Meeting on 27 March (20 March 2019).

CORRELATION TABLE

Kedrion material topics	GRI Standard	Boundary		
		Internal	External	Limitations
Managerial development	404: Training and Education	✓		
Employer branding	GRI 102-8: General disclosure	✓		
	GRI 401: Employment	✓		
Company well-being	GRI 401: Employment	✓		
Injuries (Occupational health and safety)	403: Occupational Health and Safety	✓		
Relationship with local communities	413: Local Communities	✓		
Scientific research activity	413: Local Communities	✓		
	419: Socio-economic Compliance	✓		
Water consumption and water cycle	303: Water	✓		
Renewable and non-renewable energy consumption	302: Energy	✓		
Direct and indirect emissions	305: Emissions	✓		
Waste production	306: Effluents and Waste	✓		
Human rights	406: Non-discrimination	✓		
Anti-corruption	205: Anti-corruption	✓	✓	Reporting not extended to the external boundary (suppliers and other partners)

METHODOLOGIES FOR CALCULATING INJURIES AND EMISSIONS

Methodological Note

Health and safety indicators

The indicators used are the Total Injury Rate, TIR, and the Lost Work Days Rate, LWR.

TIR = number of events x 200,000/hours worked***

*LWR = number of days lost** x 200,000/hours worked*

***Number of injuries (recordable injuries) that led to absence from work, restrictions to work or medical treatment, including events of biological risk (first aid cases and accidents on way to/from work are excluded).*

***Hours effectively worked (where a measurement system is not present, these are estimated according to the work schedule).*

****Given calendar days (the day of the event and the day of return to work are excluded), when employee was absent from work (days of transfer or restrictions were not considered)*

Occupational diseases data is reported in the text communicating that no recognized cases not occurred.

The data about accident distribution by gender is partial because of lack of information for employees operating in the US plasma centers in the case of accident with biological risk, for which, the name is not available in respect for privacy.

The consumption of electricity from the grid, methane gas and gas oil, measured by reading on-site counters or telemetries, is transformed into GJ using conversion factors available online:

- Coefficient from therms to scm of natural gas 1 scm = 0.3734 therms (SNAM converter)
- Purchased electricity consumption: kWh x 0.0036 = GJ purchased electricity
- Gas oil and natural gas (fuel): conversion factors from Defra tables 2019 version
  - Consumption of natural gas: scm x 35.7936 / 1,000 = GJ
  - Consumption of gas oil: tonne x 42,932 = GJ

To calculate the equivalent emissions of CO_2, the references are those reported below:

- Scope I (Defra 2019 version)
  Natural gas: smc x 2.0375 = kg CO_{2e}
  Gas oil: tonne x 3,205.55 = kg CO_{2e}
  GWP refrigerant gases:
  R22: kg x 1,810 = kg CO_{2e}
  R404A: kg x 3,922 = kg CO_{2e}
  R407C: kg x 1,774 = kg CO_{2e}
  R410A: kg x 2,088 = kg CO_{2e}
  R507: kg x 3,985 = kg CO_{2e}
  R134A: kg x 1,430 = kg CO_{2e}
  R422D: kg x 2,730 = Kg CO_{2e}
  ISCEON: kg x 3,805 = kg CO_{2e}
  R449: kgx1,397 = Kg CO_{2e} (value provided by General Gas as not available from DEFRA)
- Scope II (Terna 2017 version)
  Electricity:
  kWh x 0.359 = kg CO_{2e} (Italy)
  kWh x 0.411 = kg CO_{2e} (USA)
  kWh x 0.464 = kg CO_{2e} (Germany)
  kWh x 0.277 = kg CO_{2e} (Hungary)

  Note: methodology applied is Location Based not Market Based

GRI Standard	Disclosure	Paragraph	Omission
GRI 101: Foundation 2016			
General Disclosures			
GRI 102: General Disclosures 2016	**Organisational profile**		
	102-1 Name of the organization	§4.15.1	
	102-2 Activities, brands, products and services	§4.15.1	
	102-3 Location of headquarters	§4.15.1	
	102-4 Location of operations	§4.15.1	
	102-5 Ownership and legal form	See Management Report	
	102-6 Markets served	See Management Report	
	102-7 Scale of the organization	See Management Report	
	102-8 Information on employees and other workers	§4.15.5	
	102-9 Supply chain	§4.15.1	
	102-10 Significant changes to the organization and its supply chain	§4.15.5	
	102-11 Precautionary Principle approach	§4.15.4	
	102-12 External activities	§4.15.1 e 4.15.6	
	102-13 Membership of associations	§4.15.1	
	102-14 Statement from senior decision-maker	§4.15	
	Strategy		
	102-15 Key impacts, risks, and opportunities	§4.15.4	
	102-16 Values, principles, standards and norms of behavior	§4.15.4	

	102-18 Governance structure	See Management Report
	Reporting practice	
	102-40 List of stakeholder groups	§4.15.1
	102-41 Collective bargaining agreements	§4.15.5
	102-42 Identifying and selecting stakeholders	§4.15.1
	102-43 Approach to stakeholder engagement	§4.15.1
	102-44 Key topics and concerns raised	§4.15.3
	102-45 Entities included in the consolidated financial statements	§4.15.2
	102-46 Defining report content and topic Boundaries	§4.15.2
	102-47 List of material topics	§4.15.3
	102-48 Restatements of information	No
	102-49 Changes in reporting	No
	102-50 Reporting period	2019
	102-51 Date of the most recent report	29/3/2019
	102-52 Reporting cycle	Annual
	102-53 Contact point for questions regarding the report	§4.15.2
	102-54 Claims of reporting in accordance with the GRI Standards	§4.15.2
	102-55 GRI content index	§4.15.10
	102-56 External assurance	

Material Topics		
GRI 200 Economic Standard Series		
Anti-corruption		
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	§4.15.8
	103-2 The management approach and its components	§4.15.8
	103-3 Evaluation of the management approach	§4.15.8
GRI 205: Anti-corruption 2016	205-3 Confirmed incidents of corruption and actions taken	Zero
GRI 300 Environmental Standards Series		
Energy		
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	§4.15.7
	103-2 The management approach and its components	§4.15.7
	103-3 Evaluation of the management approach	§4.15.7
GRI 302: Energy 2016	302-1 Energy consumption within the organization	§4.15.7
Water		
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	§4.15.7
	103-2 The management approach and its components	§4.15.7
	103-3 Evaluation of the management approach	§4.15.7
GRI 303: Water 2016	303-1 Water withdrawal by source	§4.15.7

Emissions		
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	§4.15.7
	103-2 The management approach and its components	§4.15.7
	103-3 Evaluation of the management approach	§4.15.7
GRI 305: Emissions 2016	305-1 Direct (Scope 1) GHG emissions	§4.15.7
Effluents and Waste		
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	§4.15.7
	103-2 The management approach and its components	§4.15.7
	103-3 Evaluation of the management approach	§4.15.7
GRI 306: Effluents and Waste 2016	306-2: Waste by type and disposal method	§4.15.7
GRI 400 Social Standard Series		
Employment		
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	§4.15.5
	103-2 The management approach and its components	§4.15.5
	103-3 Evaluation of the management approach	§4.15.5
GRI 401: Employment 2016	401-1 New employee hires and employee turnover	§4.15.5
	401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	§4.15.5
Occupational Health and Safety		
GRI 403: Occupational Health and Safety 2016	403-1 Occupational health and safety management system 403-2 Hazard identification, risk assessment, and incident investigation 403-3 Occupational health services 403-4 Worker participation, consultation, and communication on occupational health and safety	§4.15.5
	403-5 Worker training on occupational health and safety	§4.15.5
	403-6 Promotion of worker health 403-07 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships 403-09 Work-related injuries	
Training and Education		
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	§4.15.5
	103-2 The management approach and its components	§4.15.5
	103-3 Evaluation of the management approach	§4.15.5
GRI 404: Training and Education 2016	404-3 Percentage of employees receiving regular performance and career development reviews	§4.15.5
Non-discrimination		
GRI 103: Management	103-1 Explanation of the material topic and its Boundary	§4.15.9
	103-2 The management approach and its components	§4.15.9

Approach 2016	103-3 Evaluation of the management approach	§4.15.9	
GRI 406: Non-discrimination 2016	406-1 Incidents of discrimination and corrective actions taken	Zero	
Local Communities			
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	§4.15.6	
	103-2 The management approach and its components	§4.15.6	
	103-3 Evaluation of the management approach	§4.15.6	
GRI 413: Local Communities 2016	413-1 Operations with local community engagement, impact assessments, and development programs	§4.15.6	Some information required by the GRI standard are not currently available. Kedrion commits to make, in the coming years, the data collection process more structured in order to satisfy the requirements of the GRI disclosure.
Socio-economic compliance			
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	§4.15.6	
	103-2 The management approach and its components	§4.15.6	
	103-3 Evaluation of the management approach	§4.15.6	
GRI 419: Socio economic compliance 2016	419-1 Non-compliance with laws and regulations in the social and economic area	§4.15.6	

Castelvecchio Pascoli, 27 March 2020

On behalf of the Board of Directors
The Chairman
Paolo Marcucci

5. FINANCIAL STATEMENTS

KEDRION Group
Registered office in LOC. AI CONTI - 55051 CASTELVECCHIO PASCOLI (LU)
Fully paid-up share capital Euro 60,453,901.

5.1. CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(In thousands of Euro)	NOTES	31.12.2019	31.12.2018
NON CURRENT ASSETS			
Property, plant and equipment	6.4.1	282,270	266,038
Investment property	6.4.2	2,267	2,327
Goodwill	6.4.3	243,882	230,554
Rights of use(1)	6.4.4	72,363	0
Definite life intangible assets	6.4.5	112,799	83,331
Investments in associates	6.4.6	0	331
Investments in other companies	6.4.7	2,240	2,194
Other non-current financial assets	6.4.8	9,929	10,124
Deferred tax assets	6.4.9	12,676	12,341
Other non-current assets	6.4.10	1,002	1,262
TOTAL NON-CURRENT ASSETS		**739,428**	**608,502**
CURRENT ASSETS			
Inventories	6.4.11	324,956	344,118
Trade receivables	6.4.12	123,169	106,154
Contract asset	6.4.13	26,920	19,555
Current tax receivables	6.4.14	8,865	7,739
Other current assets	6.4.15	31,204	38,220
Other current financial assets	6.4.16	1,912	712
Cash and cash equivalents	6.4.17	121,468	116,325
TOTAL CURRENT ASSETS		**638,494**	**632,823**
Assets available for sale	6.4.18	0	1,554
TOTAL ASSETS		**1,377,922**	**1,242,879**

(In thousands of Euro)	NOTES	31.12.2019	31.12.2018
SHAREHOLDERS' EQUITY			
SHAREHOLDERS' EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT			
Share capital	6.4.19	60,454	55,186
Reserves	6.4.19	383,438	316,399
Net income attributable to Equity holders of the Parent	6.4.19	36,740	10,165
TOTAL SHAREHOLDERS' EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT		**480,632**	**381,750**
EQUITY ATTRIBUTABLE TO NON-CONTROLLING INTERESTS			
Capital and reserves attributable to non-controlling interests	6.4.19	4,017	277
Net Income attributable to non-controlling interests	6.4.19	1,426	1,476
TOTAL EQUITY ATTRIBUTABLE TO NON-CONTROLLING INTERESTS		**5,443**	**1,753**
TOTAL SHAREHOLDERS' EQUITY		**486,075**	**383,503**
NON CURRENT LIABILITIES			
Medium/long-term loan(2)	6.4.20	569,048	490,126
Financial Liabilities	6.4.21	396	515
Provisions for risks and charges	6.4.22	762	922
Liabilities for employee benefits	6.4.23	6,294	9,028
Other non-current liabilities	6.4.24	5,086	5,085
TOTAL NON-CURRENT LIABILITIES		**581,586**	**505,676**
CURRENT LIABILITIES			
Financial liabilities	6.4.25	68,103	68,001
Current portion of medium/long-term debt(3)	6.4.26	12,217	64,915
Provisions for risks and charges	6.4.27	1,680	1,450
Trade payables	6.4.28	175,155	170,959
Contractual Liabilities	6.4.29	12,782	0
Current tax payables	6.4.30	6,325	743
Other current liabilities	6.4.31	33,999	47,632
TOTALE CURRENT LIABILITIES		**310,261**	**353,700**
TOTAL LIABILITIES		**891,847**	**859,376**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**1,377,922**	**1,242,879**

KEDRION Group
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5.2. STATEMENT OF PROFIT OR LOSS FOR THE YEAR

(in thousands of Euro)	NOTES	31.12.2019	31.12.2018
Revenues	6.5.1	808,209	687,939
Cost of sales	6.5.2	612,008	518,482
GROSS MARGIN		**196,201**	**169,457**
Other income	6.5.3	49,469	37,494
General and Administrative expenses	6.5.4	85,140	83,659
Sales and marketing expenses	6.5.5	55,041	46,314
Research and development costs	6.5.6	36,705	48,127
Other operating costs	6.5.7	8,402	8,286
OPERATING INCOME		**60,382**	**20,565**
Financial expenses[4]	6.5.8	35,849	27,678
Financial income	6.5.9	17,596	15,387
INCOME BEFORE TAXES		**42,129**	**8,274**
Income taxes	6.5.10	3,963	(3,367)
NET INCOME/(LOSS) FOR THE PERIOD		**38,166**	**11,641**
Of which:			
Net Income attributable to Equity holders of the Parent		36,740	10,165
Net Income attributable to non-controlling interests		1,426	1,476

With respect to the non-recurring components of income, see Note 6.5.11 included in the explanatory notes to the consolidated financial statements.

[1] IFRS 16
[2] of which 67,097 related to IFRS 16;
[3] of which 7,249 related to IFRS 16;
[4] of which 3,323 related to IFRS 16.

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5.3. STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

(In thousands of Euro)	NOTES	31.12.2019	31.12.2018
NET INCOME FOR THE PERIOD		**38,166**	**11,641**
OTHER COMPREHENSIVE INCOME/(LOSS)			
Items of other comprehensive income that will subsequently be reclassified to profit or loss for the year net of taxes:			
Net Income/(losses) on cash flow hedges		77	71
Income taxes		(19)	(17)
Exchange differences on translation of foreign operations	6.4.19	2,939	8,251
Income taxes		0	0
Total items of other comprehensive income that will subsequently be reclassified to profit or loss for the year net of taxes		**2,997**	**8,305**
Items of other comprehensive income that will not subsequently be reclassified to profit or loss for the year:			
Net actuarial gains (losses) from defined benefit plans	6.4.23	(191)	104
Income taxes		44	(30)
Total items of other comprehensive income that will not subsequently be reclassified to profit or loss for the year (net of taxes)		**(147)**	**74**
TOTAL ITEMS OF OTHER COMPREHENSIVE INCOME (NET OF TAXES)		**2,850**	**8,379**
TOTAL COMPREHENSIVE INCOME/(LOSS) (NET OF TAXES)		**41,016**	**20,020**
Attributable to:			
Equity holders of the Parent		39,601	18,436
Non-controlling interests	6.4.19	1,415	1,584

5.4. STATEMENT OF CHANGES IN CONSOLIDATED SHAREHOLDERS' EQUITY (NOTE 6.4.18)

(in thousands of Euro)	Share capital	Legal reserve	Share premium reserve	Other reserves	Cash flow hedge	Foreign currency	TFR reserve (IAS 19)	Income for the period	Total Shareholders' Equity attributable	Total Equity attributable to	Total Shareholders'
Note	**6.4.19**	**6.4.19**	**6.4.19**	**6.4.19**	**6.4.19**	**6.4.19**	**6.4.23**				
BALANCES AS AT 01.01.2018	**55,186**	**7,488**	**18,807**	**290,482**	**(651)**	**(7,612)**	**(730)**	**5,188**	**368,158**	**850**	**369,008**
Allocation of profit for the year	0	255	0	84	0	0	0	(339)	**0**	0	**0**
Distribution of dividends	0	0	0	0	0	0	0	(4,849)	(4,849)	(939)	(5,788)
Other variations	0	0	0	5	0	0	0	0	**5**	0	**5**
Kedrion Brasil capital increase	0	0	0	0	0	0	0	0	**0**	258	**258**
Exchange differences	0	0	0	0	0	8,143	0	0	**8,143**	108	**8,251**
Total comprehensive income the year	0	0	0	0	54	**0**	**74**	10,165	**10,293**	**1,476**	**11,769**
BALANCES AS AT 31.12.2018	**55,186**	**7,743**	**18,807**	**290,571**	**(597)**	**531**	**(656)**	**10,165**	**381,750**	**1,753**	**383,503**

(in thousands of Euro)	Share capital	Legal reserve	Share premium reserve	Other reserves	Cash flow hedge	Foreign currency	TFR reserve (IAS 19)	Income for the period	Total Shareholders' Equity attributable	Total Equity attributable to	Total Shareholders'
BALANCES AS AT 01.01.2019	**55,186**	**7,743**	**18,807**	**290,571**	**(597)**	**531**	**(656)**	**10,165**	**381,750**	**1,753**	**383,503**
Allocation of profit for the year	0	833	0	4,249	0	0	0	(5,082)	**0**	0	**0**
Distribution of dividends	0	0	0	0	0	0	0	(5,083)	**(5,083)**	(201)	**(5,284)**
Kedrion Betaphar capital increase	0	0	0	0	0	0	0	0	**0**	2,476	**2,476**
Kedrion S.p.A. capital increase	5,268	0	59,096	0	0	0	0	0	**64,364**	0	**64,364**
Exchange differences	0	0	0	0	0	2,950	0	0	**2,950**	(11)	**2,939**
Total comprehensive income the year	0	0	0	0	58	**0**	**(147)**	36,740	**36,651**	**1,426**	**38,077**
BALANCES AS AT 31.12.2019	**60,454**	**8,576**	**77,903**	**294,820**	**(539)**	**3,481**	**(803)**	**36,740**	**480,632**	**5,443**	**486,075**

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5.5. CONSOLIDATED STATEMENT OF CASH FLOW

(In thousands of Euro)	NOTES	31.12.2019	31.12.2018
NET INCOME/(LOSS) (BEFORE TAXES) FOR THE PERIOD		**42,129**	**8,274**
Adjustments to reconcile net profit with cash flow generated / (absorbed) by operating activities:			
Amortization and depreciation	6.5.7	41,276	26,295
Financial Charge	6.5.8	35,849	27,678
Financial Income	6.5.9	(17,596)	(15,387)
Provisions for employee benefits	6.4.23	(2,724)	2,534
Payables for employee benefits	6.4.23	(255)	(192)
Net change in provisions for risks and charges	6.4.22 6.4.27	70	815
Net change in other non-current assets and liabilities	6.4.24 6.4.10	261	(2,461)
Net changes in operating assets and liabilities:			
Trade receivables	6.4.12	(22,055)	1,933
Inventories	6.4.11	22,611	(60,279)
Trade payables	6.4.28	16,953	48,164
Other current assets and liabilities		(2,477)	5,594
Other cash flow from operating activities			
Income taxes paid		(6,488)	(6,659)
NET CASH FLOW GENERATED BY OPERATING ACTIVITIES (A)		**107,554**	**36,309**
Investments in tangible assets	6.4.1	(26,625)	(22,397)
Disposal of tangible assets	6.4.1	422	248
Purchase of plasma collection center		(35,699)	(43,570)
Sell of plasma collection center		1,554	14,466
Goodwill		0	214
Investments in associates/others		331	0
Investments in intangible assets	6.4.4	(23,352)	(14,302)
Disposal of intangible assets	6.4.4	45	115
NET CASH FLOW ABSORBED BY INVESTMENT ACTIVITIES (B)		**(83,325)**	**(65,226)**

(In thousands of Euro)	NOTES	31.12.2019	31.12.2019
Distribution of dividends	6.4.19	(3,214)	(7,511)
Capital increase		63,410	258
Capital increase Turkey		2,476	0
Bond repayment		(58,204)	0
New medium/long-term loans	6.4.20	70,000	58,371
Repayment of medium/long-term loans	6.4.20	(73,631)	(27,910)
Interest collected	6.5.9	771	526
Interest paid		(25,158)	(20,260)
Change in non-current financial assets	6.4.8 6.4.21	76	901
Net change in short-term financial assets and liabilities		4,078	36,103
NET CASH FLOW GENERATED / (ABSORBED) BY FINANCING ACTIVITIES (C)		**(19,396)**	**40,478**
Net cash flow generated by operating activities (A)		107,554	36,309
Net cash flow absorbed by investment activities (B)		(83,325)	(65,226)
Net cash flow generated / (absorbed) by financing activities (C)		(19,396)	40,478
TOTAL NET CASH FLOW D=(A+B+C)		**4,833**	**11,561**
Cash and cash equivalents at the beginning of the period (E)		116,323	104,522
Net effect of conversion of foreign currencies on cash and cash equivalents (F)		295	240
CAH AND CASH EQUIVALENTS AT THE END OF THE PERIOD H=(D+E+F)		**121,451**	**116,323**
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD:			
Cash and Cash equivalents:		116,325	104,522
Current account overdrafts and cash equivalents payable on demand		(2)	0
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD		**116,323**	**104,522**
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD:			
Cash and cash equivalents	6.4.17	121,468	116,325
Current account overdrafts and cash equivalents payable on demand	6.4.25	(17)	(2)
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD:		**121,451**	**116,323**

Castelvecchio Pascoli, 27 March 2020

On behalf of the Board of Directors
The Chairman
Paolo Marcucci

6. EXPLANATORY NOTES

6.1. INTRODUCTION

Kedrion S.p.A. is a joint-stock company incorporated and domiciled in Italy, and together with its subsidiaries ("Kedrion Group") carries out activity of production and distribution of biological drugs derived from the process of industrial plasma fractionation. In addition, it also markets synthetic pharmaceutical products and implements operations relative to the collection and sale of plasma in foreign markets as well as other activities, such as the transfer of technology relating to the production of plasma derivatives. Further information on the activities performed by the Group can be found in the Report on Operations.

In addition to Kedrion S.p.A., the consolidated financial statements of Kedrion as at 31 December 2019, prepared by the directors of the parent company, include the following companies:

- The US subsidiary Kedrion Biopharma Inc. (formerly Kedrion Melville), 100% owned by Kedrion;
- The indirect US subsidiary KEDPlasma LLC. (formerly ABS), 100% owned by Kedrion BioPharma Inc.
- The Austrian subsidiary Kedrion International GmbH, 100% owned by Kedrion;
- The Hungarian subsidiary HUMAN BioPlazma KFT, 100% owned by Kedrion;
- The indirect Hungarian subsidiary KEDPlasma Kft, 100% owned by Human BioPlazma KFT;
- the Swiss subsidiary Kedrion Swiss Sarl, 100% owned by Kedrion S.p.A;
- The German subsidiary KEDPLASMA Gmbh, 100% owned by Kedrion S.p.A.;
- The Mexican subsidiary Kedrion Mexicana SA de CV, 60% owned by Kedrion S.p.A. The remaining 40% is owned by a third party;
- The Portuguese subsidiary KEDRION PORTUGAL - DISTRIBUIÇÃO DE PRODUTOS FARMACÊUTICOS UNIPESSOAL, LDA 100% owned by Kedrion;
- The Brazilian subsidiary Kedrion Brasil Distribudora de Produtos Hospitalares Ltda (hereinafter referred to as Kedrion Brasil), 51% owned by Kedrion. The remaining 40% is owned by a third party;
- The Indian subsidiary Kedrion Biopharma India Private Limited, 60% owned by Kedrion, 20% owned by Human BioPlazma Kft and the remaining 20% by Kedrion Biopharma Inc.;
- The subsidiary Kedrion Betaphar SA, 60% owned by Kedrion;
- The subsidiary Kedrion de Colombia Sas, 100% owned by Kedrion.

On December 31, 2019 with the return of Euro 204 thousand as due on the basis of the liquidation balance sheet of the associated company JSC Kirov Plasma against an investment of Euro 331 thousand, the same was canceled as the conditions for the development of the activities that led to its establishment.
On July 12, 2017, the parent company Kedrion S.p.A issued a second Euro 350 million bond loan with a 3% senior coupon, unsecured, non-convertible, with an issue price set below 99.43 and lasting 5 years from the date of issue. Previously, in 2014, a bond loan had been issued for an initial amount of Euro 300 million fully repaid at the April 2019 maturity.
As a result of these listed loans, Kedrion has become a Public Interest Body ("EIP") according to the definition provided for in art. 16 of D. Lgs. 39/2010.
On November 15, 2019 , following the signing of an "Investment Contract" between the Company, Sestant Internazionale S.p.A, Sestant S.p.A, FSI Investimenti S.p.A and FSI SGR S.p.A, the share capital of Kedrion S.p.A is held for 50.27 % by Sestant Internazionale S.p.A for 25.06% of FSI Investments S.p.A , for 19.59% of FSI SGR S.p.A, for 4.02 % from Sestant S.p.A, for 0.56% from Refin Srl and for 0.50% from PIPS Srl. All category A shares assigned to Sestant Internazionale S.p.A, Sestant

S.p.A, REFIN Srl and PIPS Srl, category B shares assigned to FSI Investimenti S.p.A and category C shares assigned to FSI SGR S.p.A, have no expressed nominal value.
The signing of the "Contract of Investment" represent for the Company an immediate capital strengthening, as well as a strong contribution in order to face with the growth and the new challenges of an increasingly competitive market.
The shareholders jointly control the Company on the basis of the statutory provisions which provide a qualified majority of the Board of Directors for the adoption of the Reserved Matters. The Board of Directors underlines that the Company is not subject to direction and coordination by the joint parent companies Sestant Internazionale S.p.A, FSI Investimenti S.p.A, FSI SGR S.p.A and Sestant S.p.A in accordance with the provisions of art. 2497 sexies and 2497 septies of the Civil Code. The Company's bodies are wholly and unconditionally autonomous from the management point of view, following the fact that the preparation of the strategies is carried out by the management without any interference from the shareholders.
The presentation format for the consolidated balance sheet classifies items in an increasing order of liquidity, where:

- Current activities include activities which:
  - They are supposed to be realized, or held for sale or consumption, in the normal course of the operating cycle;
  - They are held for the purpose of negotiation;
  - They are supposed to be realized within twelve months from the closing date of the financial year; or
  - They consist of cash or cash equivalents unless it is forbidden to trade them or use them to repay a liability for at least twelve months from the closing date of the financial year;
- Non-current assets are all other assets that do not fall within the definition above. They mainly include intangible assets with a finite and indefinite life, tangible assets and equity investments;
- Current liabilities include liabilities that:
  - It is expected to become extinct in their normal operating cycle;
  - They are held mainly for the purpose of trading;
  - They must be settled within twelve months from the closing date of the financial year; or
  - he entity does not have an unconditional right to defer settlement of the liability for at least twelve months from the reporting date;
- Non-current liabilities include all other liabilities that do not fall within the definition above.

The presentation format for the consolidated Statement of profit or loss for the year as at 31st December 2019 and 2018 is illustrated by function, the format considered more representative than the presentation by nature of expense. The adopted format complies with internal reporting and business management methods. The consolidated statement of cash flow was prepared according to the indirect method and in the format compliant with IAS 7, classifying cash flows under operating, investment and financing activities.
The cash flow related to financial charges and financial income paid and collected is put in financing activities and not in operating activities.
Directors at the meeting of the Board of Directors on 27 March 2020 approved the financial statements for the year ended 31 December 2019.

6.2. PERIOD'S SIGNIFICANT EVENTS

6.2.1. MELVILLE PLANT'S PERFORMANCE

With regard to the plasma derivatives segment, the main evolution compared to the previous year which had an effect on current performance, is represented by the production recovery of the fractionation line at the US Melville plant, as a result of the completion of the restructuring project (called "refitting "), the following inspection in August 2018 and the final approval of the FDA in February 2019.
The project has been completed from an industrial point of view in 2018 with the operational restart of the fractionation in the second half of the year, with approximately 80,000 liters fractionated.
During 2019, the plant has fractionated approximately 480,000 liters in line with the expected ramp-up plan towards the full use of production capacity. The plant complied with the delivery plans for intermediate II + III for the production of the finished Gammaked product at Grifols and for the production of the clinical product for KIg10 in Godollo.
Please note that the project involved investments for the Group for Euro 90.2 million from 2016 to 2019, including investments for the construction of the anti-D immunoglobulin fractionation and purification line (RhoGAM), aimed at internalizing production of this specialty.
The new line dedicated to the RhoGAM product was also inspected by the FDA in November 2018 and was definitively approved in March 2019 for filling and packaging activities.
The production recovery of plant in Melville, both for the fractionation plant and for the filling and packaging line of the RhoGAM, led to a significant improvement in the income statement for the year, mainly due to the reduction in the non-absorbed plant costs and the non-recurring project costs (-60% compared to the previous year), also leading to an increase in margins on sales of products for the US market.
Finally, in February 2020 the Melville plant received the GMP certificate from the European authority, as result of the inspection received by AIFA in November 2019; this represents a further step towards the complete integration and harmonization of this plant with the others of the Kedrion Group.

6.2.2. CASTELVECCHIO PASCOLI NEW PLANT FOR PURIFICATION OF IMMUNOGLOBULIN 10% (KIG10)

During the year, the project to build the 10% immunoglobulin purification plant (KIg10) with the chromatographic method in Castelvecchio Pascoli (LU) has also continued. In April 2019, the first patient of the clinical trial for the PID (primary immunodeficiency) indication was enrolled in the United States, following the FDA's approval of the IND (Investigational New Drug) obtained in January 2019. The last patient was enrolled in November 2019. The treatment of enrolled patients is ongoing and there have been no adverse reactions yet. In the first months of 2020, the company started to work for the beginning of clinical trials for further therapeutic indications.
Currently, the production for clinical trials is carried out in the Godollo plant (purification phase) and the technological transfer in the industrial plant of Castelvecchio is ongoing.
The preparatory activities useful to obtain the necessary authorizations and for the registration of the product have advanced in line with the plan and the expected timeline, leading however to an increase in investments and start-up costs. The costs of the project incurred by the year, which have not yet found a balance in production and related revenues, are equal to Euro 9.7 million, while total investments amount to Euro 24.4 million.
Please note that, following the 2018 innovation agreement between the Ministry for Economic Development, the Tuscany Region and Kedrion S.p.A, part of the investment program of this project is financed by the MISE and the Tuscany Region, for which they were registered in the other income, always of a non-recurring nature, contributions of Euro 3.9 million.

6.2.3. NEW PRODUCT: KEDRAB

During 2019, sales of KEDRAB, an anti-rabies hyperimmune immunoglobulin concentrate developed in partnership with Kamada, an Israeli pharmaceutical company continued. Kedrion has exclusively distributed this product in the United States market since 2018 and the turnover of the first full year of activity was equal to Euro 28.7 million, gaining a market share of approximately 20%.
The clinical study for the pediatric indication is in the final phase, with FDA authorization expected at the beginning of 2021.

6.2.4. SALES AND PURCHASES / STARTING UP OF PROPERTY COLLECTION CENTERS

The Group is continuing its investment activity aimed at growing the number of collection centers as envisaged in the strategic plan guidelines.
This growth occurs through the establishment of new collection centers, the purchase of plasma collection centers from third parties.
During 2019, six additional centers were acquired in the United States for a total of 29 owned centers at the end of the year, including 22 in the United States and 7 in Hungary.
The detail of the acquisitions for the year 2019 is described in the following paragraph 6.2.5.

6.2.5. BUSINESS CONSOLIDATION IN 2019

In 2019, the subsidiary KEDPLASMA LLC has bought from Immunotek Biocenters LLC the business lines related to 6 plasma collection centers in the United States, comprising mainly plants and related equipment, personnel, contractual relationships, and relationships with donors. The allocation of the price paid, amounting to USD 36 million (Euro 35.7 million), was completed by the end of the year on the basis of an appraisal entrusted to a third party company. These acquisitions were recognized in accordance with IFRS 3 by recognizing the start-up, the acquired assets and the liabilities as identifiable.

	Fair value recognized in acquisitions						
(In thousand Euro)	Hickory	Anderson	Meridian	Odessa	Amarillo	Dallas	Total
ACQUIRED NET ASSETS							
Property, plant and equipment	429	1,176	412	531	477	0	3,026
Intangible assets with finite useful lives	2,753	2,538	2,269	1,649	2,591	5,341	17,141
– Of which Donor list	1,358	1,236	778	503	992	0	4,867
– Of which Licenses	1,000	959	1,131	775	1,187	0	5,052
– Of which Trade Names and Trademarks	395	343	360	370	413	0	1,881
Activities for rights of use	3,080	1,586	2,306	2,487	2,766	2,485	14,712
Liabilities for rights of use	(3,080)	(1,586)	(2,306)	(2,487)	(2,766)	(2,485)	(14,712)
NET WORKING CAPITAL	**657**	**863**	**490**	**731**	**799**	**0**	**3,540**
TOTAL NET ASSETS IDENTIFIED AT FAIR VALUE	**3,839**	**4,576**	**3,172**	**2,911**	**3,868**	**5,341**	**23,707**

IDENTIFIED GOODWILL	**2,159**	**1,627**	**2,660**	**3,162**	**2,387**	**0**	**11,994**
PURCHASE CONSIDERATION TRANSFERRED	**5,998**	**6,203**	**5,831**	**6,073**	**6,254**	**5,341**	**35,701**
- Of which in cash	5,998	6,203	5,831	6,073	6,254	5,341	35,701

The acquisitions made in 2019 were consolidated starting from the date of control acquisition. On December 31, 2019, FDA had not already implemented the transfer of ownership of the Dallas - Forest Lane center, consequently the price paid for the acquisition is among the fixed assets in progress. The transfer of ownership of the center took place in January 2020.

6.2.6. FOREIGN EXCHANGE

The exchange rate trend (in particular the US dollar, which went from 1.1450 on 31 December 2018 to 1,1234 on 31 December 2019) generated a positive impact on the income statement with regard to realized and unrealized exchange differences of Euro 5.6 million (last year the effect on the result had been positive for Euro 9.3 million), as well as an increase in the shareholders' equity of the Group and third parties for Euro 2.9 million due to the change in the conversion reserve.

6.3. ACCOUNTING STANDARDS AND MEASUREMENT CRITERIA

6.3.1. CONTENTS AND FORM OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements of Kedrion S.p.A. as at 31st December 2019 have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and adopted by the European Union, and in accordance with the regulations issued to implement the art. 9 of Legislative Decree n. 38/2005. IFRS also includes all valid International Accounting Standards ("IAS") and all interpretations of the International Financial Reporting Standards Interpretations Committee ("IFRS IC"), including those previously issued by the Standing Interpretations Committee ("SIC").
The accounting standards adopted in drawing up the consolidated financial statements as at 31st December 2019 are consistent with those used to draw up the annual consolidated financial statements as at 31st December 2018, except for the new principles, amendments and interpretations in force as of 1st January 2019 that have been adopted.
The consolidated financial statements have been drawn up according to the historical cost principle, except for derivative financial instruments, which are entered at fair value. They have also been drawn up on the assumption that the business is a going concern and, if allowed, on the accrual accounting principle.
The functional currency of the consolidated financial statements is the Euro, and all figures are rounded up to the nearest thousand Euro unless indicated otherwise.

6.3.2. CONSOLIDATION AREA

The consolidated financial statements include the financial statements of Kedrion S.p.A. and those of its subsidiaries as at 31st December 2019. Control is obtained when the Group is exposed to or has the right to variable returns resulting from its involvement with the investee and, at the same time, is able to influence said returns by exercising its power over said entity.
Specifically, Kedrion S.p.A controls an investee if, and only if, the company has:

- power over the investee (i.e. it has valid rights that give it the ability to direct the relevant activities of the investee);
- Exposure or rights to variable returns from its involvement with the investee;
- The ability to use its power over the investee to affect the amount of its returns.

Generally, it is assumed that holding a majority of voting rights entails control. To support this assumption and when the Group holds less than the majority of voting rights (or similar rights), the Group considers all of the relevant facts and circumstances to establish whether it controls the investee, including:

- Contractual agreements with other holder of voting rights;
- Rights resulting from contractual agreements;
- Voting rights and potential voting rights of the Group.

The Group reconsiders whether it has control over an investee if the facts and the circumstances indicate that there have been changes in one or more of the three elements that define control. Consolidation of a subsidiary starts when the Group obtains control of the same and ceases when the Group loses control of the same. The assets, liabilities, revenues and costs of the subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date on which the Group obtains control until the date on which the Group no longer has control over the Company.

The profit (loss) for the year and all of the other components of comprehensive income are attributed to the shareholders of the parent and to the non-controlling interests, even if this implies that the non-controlling interests have a negative balance. When necessary, the appropriate adjustments are made to the financial statements of subsidiaries, in order to guarantee compliance with the Group's accounting policies. All intragroup assets and liabilities, shareholders' equity, revenues, costs and cash flows relating to transactions between group entities are fully eliminated at the time of consolidation.

Changes in the share of investment in a subsidiary that do not result in a loss of control are recorded under shareholders' equity.

If the Group loses control of a subsidiary, it must eliminate the relative assets (including goodwill), liabilities, non-controlling interests and other equity components, while any profit or loss is recognized in the statement of profit or loss. Any equity investment maintained must be recognized at its fair value.

The table below summarizes with regard to the subsidiary companies, the information as at 31 December 2019 concerning their name, registered office and the percentage of share capital held directly and indirectly by the Group.

Subsidiary companies (consolidate with the line-by-line method)

Name	Registered Office	Currency	Share capital units of currency	% control		Notes
				Direct	Indirect	
Kedrion International GmbH	Vienna – Austria	Euro	70,000	100%		
HUMAN BioPlazma Kft.	Gödöllő – Hungary	Hungarian Forint	4,000,000,000	100%		
Kedrion Mexicana S.A. de C.V.	Mexico City – Mexico	Mexican Peso	2,061,320	60%		
Kedrion Biopharma Inc.	New Jersey – United States	US Dollar	1	100%		
KEDRION BRASIL DISTRIBUIDORA DE PRODUTOS HOSPITALARES LTDA	Goiania – Brazil	Brazilian Real	700,000	51%		
Kedrion Betaphar Biyofarmasötik İlaç Sanayi ve Ticaret Anonim Şirketi	Ankara - Turkey	Turkish Lira	40,000,000	60%		
KEDRION DE COLOMBIA S.A.S.	Bogotà - Colombia	Colombian peso	30,000,000	100%		
KEDRION PORTUGAL - DISTRIBUIÇÃO DE PRODUTOS FARMACÊUTICOS UNIPESSOAL, LDA	Alges - Portugal	Euro	50,000	100%		
Kedrion Swiss Sarl	Zug – Switzerland	Swiss Franc	20,000	100%		

KEDPLASMA GmbH	Grafelfing – Germany	Euro	25,000	100%		
Kedrion Biopharma India Private Limited	Gurgaon - India	Indian Rupee	13,900,000	60%	40%	1
KEDPLASMA LLC	Delaware – United States	Us Dollar	1,382,522		100%	2
KEDPlasma Kft.	Gödöllő – Hungary	Hungarian Forint	12,000,000		100%	3

1. Through Biopharma Inc and through Human BioPlazma KFT
2. Through Kedrion Biopharma INC.
3. Through Human BioPlazma KFT.

6.3.3. CONSOLIDATION CRITERIA

The consolidated financial statements are prepared on the basis of draft financial statements drawn up by each of the consolidated companies and approved by their respective Boards of Directors or similar competent bodies. These draft financial statements of the subsidiaries are prepared with reference to the same financial year and by adopting the same accounting standards as the parent company. Subsidiaries are consolidated on a line-by-line basis as from the date of their acquisition, i.e. the date on which the Group acquires control, and cease to be consolidated on the date on which control is transferred outside the Group.
Specifically, for the consolidated companies, the following consolidation criteria were applied:

- The carrying amount of the investments included in the consolidation area was de-recognized against the subsidiaries' shareholders' equity according to the line-by-line method and where the direct or indirect investment is less than 100%, the share of the result and of shareholders' equity attributable to non-controlling interests is attributed and stated in a separate item of the consolidated Statement of profit or loss for the year and in the consolidated Statement of financial position;
- Any difference between the acquisition cost and the carrying amount of shareholders' equity of the investees at the time of acquisition of the investment, if positive, is allocated to the specific assets of the companies acquired on the basis of their current values at the acquisition date and, for the remaining portion, where conditions are met, to the item Goodwill. In this case, these amounts are not amortized but subject to impairment testing at least once a year and, in any case, whenever it is deemed necessary in the event of impairment. If derecognition of the investment gives rise to a negative difference, this is entered in the statement of profit and loss;
- Payables and receivables, costs and revenues, gains and losses ensuing from transactions performed between Group companies are derecognized with consideration for the related tax effects;
- The effects arising from extraordinary transactions involving Group companies (mergers, contributions, etc.) in the case of jointly-controlled business combinations are derecognized.

6.3.4. TRANSLATION INTO EURO OF FINANCIAL STATEMENTS DRAWN UP IN FOREIGN CURRENCY

The consolidated financial statements are presented in Euro, the Company's functional currency. Each company in the Group defines its own functional currency which is used to measure the individual items in its individual financial statements.
The financial statements of foreign companies expressed in currencies other than the Euro are translated into Euro according to the following procedures:

- The items of the profit and loss statement are translated at the year-average exchange rates, while the balance sheet items are translated at the rates in force at year-end with the exclusion of shareholders' equity (included in the result for the year);

- The shareholders' equity items, including the result for the year, are translated at historical exchange rates.

The translation difference arising from this process is entered under consolidated shareholders' equity under the item "Exchange differences on translation of foreign operations", which is classified within the item Other Reserves. At the time of disposal of a foreign company, the exchange differences accumulated in this reserve, and relating to the company sold, are booked within the statement of profit and loss.
The exchange rates used to determine the value in Euro of the financial statements expressed in foreign currencies of the subsidiaries (value for 1 Euro) break down in the table below:

	Average exchange rates for the year ended 31 December		Year-end exchange rate as at 31 December	
Currency (for 1 Euro)	2019	2018	2019	2018
US dollar	1.12	1.18	1.12	1.15
Hungarian Forint	325.30	318.89	330.53	320.98
Swiss Franc	1.11	1.16	1.09	1.13
Mexican Peso	21.56	22.71	21.22	22.49
Brazilian Real	4.41	4.31	4.52	4.44
Indian Rupee	78.84	80.73	80.19	79.73
Turkish lira	6.36	5.71	6.68	6.06
Colombian Peso	3,674.52	3,486.74	3,688.66	3,721.81

TRANSACTION AND BALANCES

Transactions are initially recorded by the Group's entities at their respective functional currency applying currency exchange interest spot rate as of transaction date. Foreign currency monetary assets and liabilities are exchanged in functional currency applying currency exchange interest rate at reporting date. Foreign currency translation realized gains and losses and those arising on translation of monetary items are recognized in the Consolidated Statement of profit or loss. Tax charges related to differences arising on translation of monetary items are recognized in the Consolidated Statement of profit or loss too. Non-monetary items measured in terms of historical cost in a foreign currency are translated using the exchange interest rates as at the date of initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange interest rate as at fair value settlement date. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e. translation differences on items whose fair value gain or loss is recognized in OCI or profit or loss are also recognized in OCI or profit or loss, respectively.)

6.3.5. CHANGES IN INTERNATIONAL ACCOUNTING STANDARDS

The Group adopts IFRS 16 for the first time. Below are described the impact and the nature of the changes following the adoption of this new accounting principles. Several other amendments and interpretations apply for the first time in 2019, but do not have impact on the Group's financial statements, therefore the restatement of the opening balances as at 1 January 2019 was not necessary. The Group has not early adopted any other standards, interpretations or amendments published but not yet in force.

IFRS 16: LEASES

IFRS 16 was published in January 2016, substituting the IAS 17 Leases IFRIC 4, SIC-15 and SIC-27. IFRS 16 defines the principles for the recognition, measurement, presentation and reporting of leasing (contracts that give the right to use third party assets) and requires tenants to account for all leasing contracts in the financial statements on the basis of a single model similar to the one used to account for financial leases in accordance with IAS 17. The principle allows two exemptions for the lessors: leasing contracts relating to "low value" activities (for example personal computers, copiers ...) and short-term leasing contracts (for example contracts with expiration within 12 months or less). On the starting date of the leasing contract, the lessee recognizes a liability for the invariable rents' payments (i.e. leasing liabilities) and an activity which constitutes the right to use the underlying asset for the whole the duration of the contract (i.e. the right of use). The lessor must also account the leasing liabilities at certain events (for example: change in the conditions of the lease, change in future lease payments subsequent to changes in an index or a rate utilized to determine those payments). The lessee generally recognizes the amount of the remeasurement of the leasing liability as an adjustment to the right to use the asset. However, the standard does not provide for significant changes for landlords.
The Group applies the principle retrospectively and has chosen the "modified" method, in accordance with the provisions of paragraphs IFRS 16: C7-C13. In particular, the Group has recognized, in connection with lease contracts previously classified as operating:

- a financial liability, equal to the present value of future payments remaining on the transition date of each contract;
- a right of use equal to the value of the financial liability at the transition date, net of any accrued income and prepaid expenses referring to the lease and recognized in the balance sheet on the closing date of this report.

The effect of adopting IFRS 16 at 1 January 2019 (increase / (decrease)) is shown below:

(In thousands of Euro)	Value
ASSETS	
Assets by right of use	
Property, plant and machinery	69,183
Total assets	**69,183**
LIABILITIES '	
Payables to banks and other lenders non-current portion	63,113
Current account payables to banks and other lenders	6,070
Total liabilities	**69,183**
Balance on 01.01.2019	**0**

Since the adoption of IFRS 16, the impact has been mainly related to the rental contracts of the American and Hungarian plasma collection centers.
In adopting IFRS 16, the Group made use of the exemption granted in relation to short-term leases (i.e. contracts with expiry within 12 months or less) and for lease contracts for which the underlying asset is it is configured as a low-value asset (i.e. the assets underlying the lease contract do not exceed Euro 5,000 when new). For such contracts, the introduction of IFRS 16 does not have involved the detection of financial lease liabilities and the related right of use, but the rents have been recognized in the income statement on a linear basis for the duration of their contracts. This case refers mainly to telephones, laptops, copiers and overalls used by the staff employed in the production activity.
Furthermore, with reference to the transition rules, the Group has used of the following practical expedients:

- Classification of contracts that expire within 12 months from the transition date as a short-term lease. For these contracts, lease payments are recorded in the income statement on a linear basis. This case mainly refers to pre-existing contracts expiring on 31 December 2019 relating to the Group's non-strategic assets.
- Use of the present information at the transition date for the determination of the lease term, with particular reference to the exercise of extension and early closing options.

The transition to IFRS 16 introduces some elements of judgment that entail the definition of some accounting policies and the use of assumptions and estimates in relation to the lease term, to the definition of the incremental borrowing rate. The most important are summarized as follows:

- Lease term: identifying the duration of the rental contract is a very relevant issue since the form, legislation and commercial practices on real estate rental contracts vary significantly from one jurisdiction to another. The Group has chosen not to consider the renewable period within the duration of the contract for the lease contracts of the collection centers that provide for one or more renewal options at the end of the non-cancellable period, evaluating the presence of reasonable certainty the effective possibility of exercising the right itself and taking into consideration the residual time span of each contract (on average equal to 15 years).
- For other leasing contracts that provide a renewal option at the end of the non-erasable period, it chose to consider the renewable period within the term of the contract, including renewals established by the contract.
- Definition of the discount rate: due to the fact that in most of the rental contracts stipulated by the Group, there is no implicit interest rate, the Group has calculated an incremental borrowing rate (IBR). In order to determine the IBR to be used for discounting future rent payments, the Group has determined IBR as the rate of a risk-free instrument, increased by the Group's credit spread. The weighted average IBR applied during the transition is 3.6%.

In order to help in the understanding of the impacts of the first application of the principle, the following table provides a reconciliation of future commitments relating to leasing contracts and the impact resulting from the adoption of IFRS 16 to 1st January 2019:

(In thousands of Euro) **Lease obligations reconciliation**	
Operating lease as at 31 December 2018	104,149
Short term lease	(1,362)
Low value lease	(419)
Not discounted financial liabilities for lease at 01.01.2019	102,368
Discounting effect	(33,185)
Discounted financial liabilities for lease at 01.01.2019	**69,183**

IFRIC INTERPRETATION 23: UNCERTAINTIES ON TAX TREATMENT OF TAXES

The Interpretation defines the accounting treatment of income taxes when the tax treatment involves uncertainties that affect the application of IAS 12. It is not applied on taxes or duties that do not fall under IAS 12, nor does specifically include requirements relating to interest or penalties attributable to uncertain tax treatment.

The Interpretation specifically addresses the following points:

- If an entity considers uncertain tax treatment separately;
- The entity's assumptions about the tax authorities' review of tax treatments;
- How an entity determines taxable profit (or tax loss), tax base, unused tax losses, unused tax credits and tax rates;
- How an entity treats changes in facts and circumstances.

The Group decides whether to consider each uncertain tax treatment separately or together with other (one or more) uncertain tax treatments and uses the approach that allows the best forecast of the resolution of the uncertainty.

The Group uses a significant judgment in identifying the uncertainties on the tax treatment of income taxes. Given that the Group operates in a complex multinational context, it assessed whether the interpretation could have led to an impact on its consolidated financial statements.

At the time of the interpretation, the Group examined the existence of uncertain fiscal positions, in particular with reference to the transfer pricing policy.

The Company and its subsidiaries file tax returns in various jurisdictions deducting certain costs related to transfer prices; this approach could be contested by the reference tax authorities.

The Group has determined, based on studies on transfer prices, that it is probable that its tax treatments (including those of the subsidiaries) will be accepted by the tax authorities. The interpretation therefore had no impact on the Group's consolidated financial statements.

AMENDMENTS TO IFRS 9: PREPAYMENT FEATURES WITH NEGATIVE COMPENSATION

According to IFRS 9, a debt instrument can be measured at amortized cost or at fair value in the overall income statement, provided that the contractual cash flows are "only capital and interests payments on the reference amount" (the criterion SPPI) and the instrument is classified in the appropriate business model. The amendments to IFRS 9 clarify that a financial asset exceeds the SPPI criterion regardless of the event or circumstance that causes the early termination of the contract and regardless of which party pays or receives reasonable compensation for the early termination of the contract. These changes had no impact on the Group's consolidated financial statements.

AMENDMENTS TO IAS 19: PLAN AMENDMENT, CURTAILMENT OR SETTLEMENT

The amendments to IAS 19 establish the accounting rules in the event that, during the reference period, there is a change, a reduction or a regulation of the plan. The amendments specify that when a modification, reduction or regulation of the plan takes place during the period, an entity is required to determine the cost of the service for the rest of the period following the modification, reduction or regulation of the plan, using the assumptions actuarial measures to re-measure the net liability (assets) for defined benefits so that it reflects the benefits offered by the plan and the plan assets after this event. An entity is also required to determine the net interest for the remaining period after the plan is changed, the plan is reduced or settled: the net defined benefit liability (asset) that reflects the benefits offered by the plan and the assets of the plan after that event; and the discount rate used to re-parameterize the net defined benefit liability (asset).

These changes had no impact on the consolidated financial statements as the Group, in the reference period, did not record any changes, reduction or regulation of the plans.

AMENDMENTS TO IAS 28: LONG-TERM INTEREST IN ASSOCIATES AND JOINT VENTURE

The amendments specify that an entity applies IFRS 9 for long-term investments in an associated company or joint venture, for which the equity method is not applied but which, in essence, form part of the net investment in the company. associated or joint venture (long-term interests).

This clarification is relevant because it implies that the expected credit losses model of IFRS 9 applies to such long-term investments.

The amendments also clarify that, when applying IFRS 9, an entity must not take into account any losses of the associated company or joint venture or any impairment of the equity investment, recognized as adjustments to the net investment in the associate or joint venture ventures that derive from the application of IAS 28 Investments in Associates and Joint Ventures.

These changes had no impact on the consolidated financial statements yet.

ANNUAL CYCLE OF IMPROVEMENTS 2015-2017

These improvements include:

- IFRS 3 Business Combination: the amendments clarify that, when an entity gains control of a business which a joint operation, it applies the requirements for a business combination that has developed in several stages, including the remeasurement at fair value of the equity investment previously held in the assets and liabilities of the joint operation. In doing so, the buyer re-evaluates the interest previously held in the joint operation.
  The entity applies these changes to business combinations for which the acquisition date coincides or is later than the first financial year starting from January 1, 2019, with the early application allowed.
  This change did not have any impact on the Group's consolidated financial statements as no business combination occurred in which joint control was obtained;
- IFRS 11 Joint Arrangements: an entity that participates in a joint operation, without having joint control, could obtain joint control of the joint operation in the event that its activity constitutes a business as defined in IFRS 3.
  The amendments clarify that the investments previously held in this joint operation are not re-measured. An entity applies these changes to transactions in which it has joint control since the beginning of the financial year starting from January 1st, 2019 or later, with the early application allowed.
  This change did not have any impact on the Group's consolidated financial statements as no business combination occurred in which joint control was obtained;
- IAS 12 Income Tax: the amendments clarify that the effects of dividend taxes are related to past transactions or events that have generated distributable profits rather than distributions to shareholders. Therefore, an entity recognizes the effects of income taxes deriving from dividends in the statement of profit / (loss) for the year, in the other components of the comprehensive income statement or in equity in accordance with the way in which the entity has previously acknowledged such past operations or events.
  The entity applies these changes for periods starting from January 1st, 2019 or later, and early application is permitted. When an entity applies these changes for the first time, it applies them to the effects of taxation on dividends recognized from the beginning of the first year. Since the current practice of the Group is in line with these amendments, the Group has not recorded any impact deriving from such changes on its consolidated financial statements.
- IAS 23 Borrowing costs: the amendments clarify that an entity treats non-specific loans as any loan made that from the beginning was aimed at developing an activity, in the event that all the actions necessary to prepare this activity for use or sales are completed.
  An entity applies these changes to financial charges incurred from the beginning of the period in which the entity applies those changes for the first time. An entity applies these changes for periods beginning on or after 1 January 2019, and early application is permitted. Since the current practice of the Group is in line with these amendments, the Group has not recorded any impact deriving from such changes on its consolidated financial statements.

6.3.6. PRINCIPLES ISSUED BUT NOT YET IN FORCE

The principles which, at the date of preparation of the Group's consolidated financial statements, were already issued but not yet in force are illustrated below. The list refers to principles and interpretations that the Group expects will be reasonably applicable in the future. The Group intends to adopt these principles when they come into force.

CHANGES TO THE "REFERENCES TO THE CONCEPTUAL FRAMEWORK IN IFRS STANDARDS"

In March 2018, the IASB published the Conceptual Framework, which establishes a complete set of concepts for financial reporting, the definition of standards, the orientation in the development of consistent accounting policies and assistance in understanding and interpreting the standards. It includes some new concepts, provides updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts.

IFRS 17 INSURANCE CONTRACTS

In May 2017, the IASB issued IFRS 17 *Insurance Contracts* (IFRS 17), a new complete standard relating to insurance contracts that covers the recognition and measurement, presentation and disclosure. When IFRS 17 comes into force, it will replace IFRS 4 *Insurance Contracts* which was issued in 2005. IFRS 17 applies to all types of insurance contracts (for example: life, non-life, direct insurance, re-insurance) regardless of the type of entity issuing them, as well as certain guarantees and financial instruments with discretionary participation features.

For this purpose, limited exceptions will be applied. The general objective of IFRS 17 is to present an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the provisions of IFRS 4 which are largely based on the maintenance of previous accounting policies, IFRS 17 provides a complete model for insurance contracts which covers all the relevant accounting aspects. The heart of IFRS 17 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation characteristics (the *variable fee approach*)
- A simplified approach (the premium allocation approach) mainly for short-term contracts.

IFRS 17 will be in force for financial years starting on January 1, 2021 or later and will require the presentation of comparative balances. Early application is allowed, in the case the entity must also have adopted IFRS 9 and IFRS 15 on the date of first application of IFRS 17 or previously. This principle does not apply to the Group.

AMENDMENTS TO IFRS 3: DEFINITION OF A BUSINESS

In October 2018, the IASB issued changes to the definition of corporate activity in IFRS 3 Definition of a Business to support entities in determining whether a set of acquired activities and goods could constitute a corporate activity or not. The amendments clarify the minimum requirements necessary to have a business, remove the assessment of the possibility of market operators to replace any missing elements, add guidance to support entities in assessing whether an acquired process is substantial, restrict the definitions of business and output and introduce an optional test on the concentration of fair value. New illustrative examples have been published together with changes.

AMENDAMENTS TO IAS 1 AND IAS 8

In October 2018, the IASB issued amendments to IAS 1 Presentation of the financial statements and to IAS 8 Accounting standards, as well as changes to accounting estimates and errors to align the definition of "material" among the standards and clarify some aspects of the definition. The new definition states that "Information could be material if it is expected that omission, misstatement or obscuring, influence the decisions that the primary users of generic financial statements take on the base of those budgets". The new definition indicates that information is relevant (material) if one could reasonably expect to influence the decisions that the main users of the financial statement would take on the basis of the financial information contained therein, as a consequence of its omission, resulting from its incorrect or incomprehensible presentation ('obscuring').

REFORM OF THE BENCHMARK INTEREST RATE - CHANGES IN IFRS 9, IAS 39 AND IFRS 7

In September 2019, the IASB issued some amendments to IFRS 9, IAS 39 and IFRS 7 "Financial Instruments: Disclosures", which conclude the first phase of its work to respond to the effects of the reform of the Interbank Offered Rates (IBOR) on the financial reporting. The amendments envisage temporary changes that allow hedge accounting to be applicable during the period of uncertainty, brought about by the replacement of the pre-existing Interest Rate Benchmark with a risk-free alternative interest rate. The changes assume that the benchmark on which the hedged cash flows and / or the hedging instrument are based will not change following the IBOR reform. The changes must be applied retroactively. The changes are effective for periods that open to the 1st January 2020 or later. The Group will monitor the evolution of the ongoing changes of the reform.

6.3.7. DISCRETIONARY ASSESSMENTS AND SIGNIFICANT ACCOUNTING ESTIMATES

The preparation of the Group financial statements requires the directors to make discretionary assessments, estimates and assumptions that influence the values of revenues, costs, assets and liabilities as well as the information relating to potential assets and liabilities at the reporting date. During the year, the most significant discretionary evaluations covered the verification of any possible loss on goodwill and the judgment applied in defining the accounting effects related to the refinery (and in particular the refitting of the plant fractionation and new Rhogam lines inside the Melville plant, the development of the KIG10 product and the new plant in Castelvecchio Pascoli) as better indicated below. Additional items that require the formulation of estimates include the valuation of inventories, deferred tax assets and liabilities, employee benefits and other items detailed below.
In the future, if these estimates and assumptions, which are based on the best evaluation currently available and which are periodically reviewed, should differ from the final results, they will be amended accordingly in the period in which the circumstances change. The effect of any change will be carried to the statement of profit and loss.

IMPAIRMENT LOSS ON GOODWILL

Goodwill is subject to impairment testing at least once a year; this verification involves an estimate of the fair value of the cash flow generating units to which goodwill is attributed, based on the model of the discounting of cash flows (DCF) and the most significant estimates and assumptions refer to the estimate of cash flows, the growth rates to be applied beyond the explicit forecast period and the determination of the discount rate.
On December 31, 2019 and 2018, the carrying amount of goodwill is respectively Euro 243,882 thousand and Euro 230,554 thousand. Further details are provided in paragraph 6.4.3.

EVALUATIONS RELATED TO THE MAIN ONGOING PROJECTS

The ongoing projects at Melville plant, Castelvecchio Pascoli and the development of the KIG 10 entail significant accounting effects on the consolidated financial statements and involve the use of the opinion of the directors, in particular with reference (i) to the identification of the requirements for capitalization of investments carried out, (ii) to determine the date from which these activities become available for use and to define their useful life , (iii) to assess the recoverability of the investments in progress, and (iv) to identify the additional charges attributable to these projects included in non-recurring charges.

NON-RECURRING COSTS

Costs related to the Melville plant that are not absorbed by production and not at full capacity and therefore charged to the income statement, are considered by the management as non-recurring as they are related to the reopening of the plant, of which the event is exceptional and obviously not frequent in the normal course of business. These costs were quantified on the basis of the results of the

analytical accounting of the establishment cost centers and were included in the non-recurring costs in the period detailed in note 6.5.11.

PROPERTY PLANT AND MACHINERY AND INTANGIBLE ASSETS WITH A FINITE USEFUL LIFE

As part of the strategic projects, the Group has constantly monitored the costs related, dividing them between the capitalized amounts ("Capex") and the costs charged to the income statement ("Opex").
All costs that do not meet the capitalization requirements of the accounting standards and described in the following note 6.3.8 have been considered as Opex.
The Group evaluates the availability for use of the investments made in order of the determination of the date on the amortization process.
The Group also verified the recoverability of the book value of the costs capitalized in relation to these projects.

INVENTORIES

Inventories of raw materials, semi-finished and finished products are generally subject to expiration, so management considers the expiry date associated with each lot to be a fundamental element in the assessments of their recoverability. It should be noted that the expiration dates of the raw materials are no longer relevant once they are put into production. In such cases, the expiry date is recognized, which is attributed in the production process to the semi-finished and finished products.
Inventories with near expiration dates are entirely written down to consider their difficult recoverability.

DEFERRED TAX ASSETS AND LIABILITIES

Deferred tax assets are recognized for all temporary differences and all tax losses carried forward, to the extent to which is likely that future tax profits will exist against which these losses can be used. A significant discretionary assessment is required of directors to determine the amount of deferred tax assets that can be accounted for. They have to estimate the probable temporal manifestation and the amount of future taxable profits as well as a future tax planning strategy. Deferred tax assets and deferred tax liabilities are offset where there is a legal right that allows to offset current tax assets and current tax liabilities, and deferred taxes refer to the same taxpayer and the same tax authority. The carrying amount of deferred tax assets at 31st December 2019 amounts to Euro 12,676 thousand. Deferred tax assets are recognized to the extent that it is probable that adequate future tax profits will exist against which the temporary differences and tax losses can be used. In this regard, the Group estimates the probable temporal manifestation and the amount of future taxable profits.
Further details are provided in paragraph 6.4.9. The same considerations described above are also applied to the tax consolidation receivables from the shareholder Sestant S.p.A for any transfers of tax losses of the Parent Company.

EMPLOYEE BENEFITS - EMPLOYEE SEVERANCE INDEMNITY

The actuarial valuation requires the elaboration of assumptions about discount rates, future salary increases, turnover and mortality rates. Due to the long-term nature of these plans, these estimates are subject to a significant degree of uncertainty. All recruitments are reviewed annually.
The net liability to employees for employee termination indemnities at 31st December 2019 and 2018 is equal to Euro 6,294 thousand and Euro 9,028 thousand respectively. Further details are provided in paragraph 6.4.23.

OTHER ACCOUNTINGS ESTIMATES

Estimates are also used to recognize provisions for credit risks and for product returns, amortization of tangible and intangible assets with a finite life, valuation of receivables for services accrued, invoices to be received for services provided and income tax year.

They also concern development costs which are capitalized on the basis of the accounting standard referred to in note 6.3.8. To determine the values to be capitalized, the directors must elaborate assumptions regarding the future cash flows expected from the fixed assets, the discount rates to be applied and the periods of manifestation of the expected benefits.
At 31 December 2019 and 2018, capitalized development costs amounted to Euro 101 thousand and Euro 148 thousand respectively.
Finally, the following paragraph gives an indication of the estimates applied in determining the fair value of the financial instruments, the determination of which however did not have any particular effects on the financial statements 2019.

FAIR VALUE MEASUREMENT

The Group evaluates financial instruments, such as derivatives, at fair value at each balance sheet date.
Fair value is the price that would be received for the sale of an asset, or that would be paid for the transfer of a liability, in a regular transaction between market operators on the measurement date.
A fair value measurement assumes that the sale of the asset or the transfer of the liability takes place:

(a) in the main market of the asset or liability; or
(b) in the absence of a main market, in the most advantageous market for the asset or liability.

The main market or the most advantageous market must be accessible by the Group.
The fair value of an asset or liability is measured by adopting the assumptions that market operators would use in determining the price of the asset or liability, assuming that they act to best satisfy their economic interest.
Fair value measurement of a non-financial asset considers the ability of a market operator to generate economic benefits by using the asset in its maximum and best use or by selling it to another market operator who would use it in its maximum and best use.
The Group uses valuation techniques that are suitable for the circumstances and for which there is sufficient data available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.
All the assets and liabilities for which the fair value is valued or shown in the financial statements are categorized according to the fair value hierarchy, as described below:

- Level 1 - (unadjusted) quoted prices in active markets for identical assets or liabilities that the entity can access on the measurement date;
- Level 2 - inputs other than the quoted market prices included in Level 1, that are observable directly or indirectly for the asset or liability;
- Level 3 - valuation techniques for which the input data are not observable for the asset or liability.

The fair value measurement is classified fully in the same level of the fair value hierarchy as the lower hierarchy level used for measurement.
For the assets and liabilities recognized in the financial statements on a recurring basis, the Group determines whether transfers have occurred between the levels of the hierarchy by reviewing the categorization (based on the lowest level input, which is significant for the purposes of assessing fair value in its wholeness) at each balance sheet date.
The Group Management determines the criteria and procedures for both the recurring fair value assessments and the non-recurring assessments.
External experts are involved in measuring significant assets, such as property investments, and significant liabilities, where necessary.
At each reporting date, Group Management analyzes the changes in values of assets and liabilities for which the revaluation or restatement is required, according to the accounting standards the Group.
For this analysis, the main inputs applied in the most recent evaluation are verified, comparing the information used in the evaluation to the contracts and other relevant documents.

Group Management performs, also with the support of external experts where necessary, a comparison between each change in the fair value of each asset and liability and the relevant external sources, in order to determine whether the change is reasonable.
The results of the assessments are periodically presented to the Board of Statutory Auditors and to the Group's auditors. This presentation includes a discussion of the main assumptions used in the assessments.
For the purposes of fair value disclosure, the Group determines the classes of assets and liabilities based on the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as previously illustrated.

6.3.8. VALUATION CRITERIA

PROPERTY, PLANT AND EQUIPMENT

Tangible assets are recognized at their historical cost, including accessory costs directly attributable and necessary to operational start-up of the asset for the use for which it was purchased. This cost item includes costs to replace machine and system parts at the time they are incurred, and provided they comply with recognition criteria.
Maintenance and repairs expenses, that are not expected to enhance and/or prolong the residual life of the assets, are recorded in the period they are incurred; otherwise, they are capitalized.
Tangible assets are recorded net of related depreciation and any impairment loss calculated as described below. Depreciation is calculated on a straight-line basis over the expected useful life of the asset to the company; the latter is reviewed on an annual basis and any changes, where necessary, are applied prospectively.
If significant parts of such tangible assets have different useful lives, the relevant components are recorded separately. Land, unbuilt or annexed to buildings, is recorded separately and is not subject to depreciation as it is considered to have an unlimited useful life.
The carrying amount of tangible assets is subject to impairment testing to identify any loss of value if events or changing circumstances indicate that the carrying amount cannot be recovered. If there is any indication of this type - and in cases where the carrying amount exceeds the recoverable value - the assets are written-down to reflect their recoverable value. The recoverable value of tangible assets is the higher of the net sale price (fair value) and the value in use.
The value in use is calculated by discounting expected future cash flows at a pre-tax rate that reflects the current market estimate as a ratio between the time value of money and the risks specified for that asset. For an asset that does not generate largely independent cash flows, the value in use is determined in relation to the cash flow generating unit to which the asset pertains. Impairment is recognized in the statement of profit or loss under depreciation expense and write-downs. Such impairment losses are reversed if the reasons generating impairment cease to exist.
At the time of sale or when there are no grounds to expect future economic benefits from use of an asset, it is eliminated from the balance sheet and any loss or gain (calculated as the difference between the disposal value and the carrying amount) is recognized in the statement of profit or loss in the year in which it is eliminated.

INVESTMENT PROPERTY

Assets held for earnings rather than production purposes are classified under a specific item, “Investment property”, in accordance with IAS 40, and recorded at their cost less depreciation, depletion and amortization.
Assets falling into this category include land and/or buildings (or parts of buildings) held by the owner or by the lessee as part of a finance or operating lease agreement for the purpose of leasing to third parties in order to benefit from related lease instalments, or in order to benefit from the increase in value of the asset, unless such property:

- Is used in production, for provision of goods and services or for administrative purposes;
- Is held for sale as part of normal business operations.

This type of property is classified separately from other real estate assets held.

FINANCE AND OPERATING LEASING

With reference to the 2018 comparative year, the financial leasing contracts, which essentially transfer all the risks and benefits deriving from ownership of the leased asset to the Group, are capitalized at the starting date of the lease at the fair value of the leased asset or, if lower, the present value of the fees. The rental fees are divided pro rata between the capital and interest portions in order to obtain the application of a constant interest rate on the residual balance of the debt. Financial expenses are directly charged to the income statement.
Capitalized leased goods are depreciated over the estimated useful life of the asset. If there is no reasonable certainty that the Group will obtain ownership of the asset at the end of the contract, the depreciation is applied over the shortest time period between the estimated useful life of the asset and the duration of the lease contract.

LEASES

At the beginning of the contract, the Group assesses if the contract is, or contains, a lease. The contract is, or contains, a lease if it grants the right to control the use of a specified asset for a period of time, in exchange for a fee.
The Group makes use of the exemption envisaged by IFRS16 for intangible assets.
The Group applies a single accounting model for all the lease contracts in which it is a lessee, except for short-term contracts and lease contracts for small value goods. The Group recognizes a financial liability for leasing and a right-of-use assets.

RIGHT OF USE ASSETS

The Group recognizes an asset by right of use on the effective date of the contract (i.e. on the date on which the underlying asset is available to the lessee). Right of use assets are measured at cost, net of the related accumulated depreciation and any accumulated impairment losses determined according to the methods described below and adjusted to take into account any recalculation of the leasing liability.
The cost of the Right of Use assets includes the value of the recognized leasing liability, the initial direct costs incurred, the payments due for the leasing made on or before the effective date net of the leasing incentives received, and the estimate the costs that the Group will have to bear for the restoration of the underlying asset in its original conditions, if provided for in the contract.
Depreciation is calculated on a straight-line basis based on the lesser of the duration of the contract and the estimated useful life of the asset, unless the Group is reasonably certain that it purchases the leased asset at the end of the lease contract.
The value of the Assets for Use Right is subject to verification, to detect any loss in value, if events or changes in situation indicate that the book value cannot be recovered. If there is an indication of this type and the book value exceeds the presumed realization value, the assets are written down to reflect their realizable value. The realizable value is represented by the higher between the net sale price and the value in use. In defining the value in use, the expected future cash flows are discounted using a pre-tax discount rate that reflects the current market estimate relating to the cost of money compared to time and the specific risks of the asset. For an asset that does not generate widely independent cash flows, the realizable value is determined in relation to the cash generating unit to which the asset belongs. Impairment losses are recognized in the income statement under amortization and write-down costs. These impairment losses are reversed if the reasons that generated them cease to exist.

LEASING LIABILITIES

At the effective date of the contract, the Group recognizes a liability for leasing calculated as the present value of the future payments remaining until the end of the contract. Future payments include fixed payments, net of any leasing incentives to be received, variable payments that depend on an index or rate and the amounts that the Group is expected to pay as guarantees of the residual value. Future payments also include the purchase option exercise price, if the Group has reasonable certainty to exercise the option, and lease termination penalty payments, if the Group has reasonable certainty to exercise the option. resolution. Variable payments, which do not depend on an index or rate, but which for the Group mainly depend on the volume of sales, continue to be recorded as costs in the income statement, among the costs for services. To calculate the present value of future payments, the Group uses the Incremental Borrowing rate (IBR) on the contract start date. Subsequently, the leasing liability is increased for interest and decreased for payments made. In addition, the leasing liability is remeasured to take into account changes to the terms of the contract.

SHORT-TERM CONTRACTS AND CONTRACTS FOR LOW-VALUE GOODS

The Group makes use of the exemption from the application of IFRS 16 for short-term contracts (less than 12 months) and for contracts in which the individual leased asset is of small value (less than Euro 5,000). The payments of fees of these contracts are accounted for linearly as costs in the income statement, based on the terms and conditions of the contract.

BUSINESS COMBINATIONS AND GOODWILL

Business combinations are accounted by using the acquisition method. This requires recognition - at fair value - of identifiable assets (including any definite life and indefinite life intangible assets not previously recognized) and identifiable liabilities (including potential liabilities and excluding future restructuring) of the acquired company.

Goodwill acquired in a business combination is initially measured at cost, represented by the difference between the cost of the business combination and the relevant net fair value portion of the identifiable asset, liability or potential liability (of the acquired company). If the amount is lower than the fair value of the net assets of the subsidiary acquired, then the difference is booked to the statement of profit or loss.

After the initial recognition, goodwill is valued at cost net of accumulated impairment. For the purpose of impairment testing, goodwill acquired under a business combination is allocated, from the date of acquisition, to each cash generating unit which is expected to benefit from the synergies of the combination, regardless of whether other assets or liabilities of the acquired entity are assigned to said units.

Goodwill is tested for impairment at least once per year (at 31st December) and more frequently if there is evidence that the carrying amount has suffered impairment.

Impairment of goodwill is determined by measuring the recoverable value of the cash generating unit (or group of cash generating units) to which the goodwill is attributable. If the recoverable value of the cash generating unit is lower than the carrying amount of the cash generating unit to which the goodwill has been allocated, impairment is recorded. Any decrease in the value of goodwill cannot be written back in future years.

If goodwill has been allocated to a cash generating unit and the entity disposes of part of the assets of said unit, the goodwill associated to the asset disposed of is included in the asset's carrying amount, when the disposal results in a profit or loss. Goodwill associated with asset disposed of is calculated on the basis of the values relating to the asset disposed of and of the part of the cash generating unit retained.

Investment in associates

The Group consolidates its investments in associates by using the equity method. An associate is a company over which the Group exercises significant control.

By using the equity method, an investment in an associate is initially recorded at cost and the carrying amount is increased or reduced to recognize the investor's share of the profits and losses of the investee realized after the acquisition date. Goodwill relating to the associate is included in the carrying amount of the investment and is not subject to amortization, nor to an individual impairment check.
The statement of profit or loss reflects the Group's share of the associate's result for the year. If an associate records adjustment by direct recognition in shareholders' equity, the Group records its respective share and includes the amount, where applicable, in the statement of changes in shareholders' equity. Any unrealized gains or losses from transactions between the Group and the associate are eliminated in proportion to the investment in the associate.
The statement of profit or loss reflects the Group's share of the associate's result for the year. The Group's share represents the result of the associate attributable to shareholders; therefore, this refers to the result after taxes and amounts due to other shareholders of the associate.
The associate's financial statements are drafted at the same date as those of the Group. Where necessary, the associate's financial statements are adjusted to bring them into line with the Group's accounting standards.
Following the application of the equity method, the Group assesses whether or not it is necessary to recognize impairment of its investment in the associate. At each reporting date, the Group checks whether there is objective evidence that its investment in the associate has suffered impairment. In this case, the Group calculates the amount of the loss as the difference between the recoverable value of the associate and the carrying amount of the latter in its financial statements, recording said difference in the profit (loss) for the year, under the item "Group's share of the associate's result".
Upon loss of a significant influence over the associate, the Group evaluates and records the residual investment at fair value. The difference between the carrying amount of the investment at the date of the loss of significant influence and the fair value of the residual investment and of fees received is recorded in the statement of profit or loss.

Investments in other companies and available-for-sale financial assets

Investments in other companies, booked as non-current financial assets, which are not available-for-sale, are measured at cost less impairment since the fair value cannot be calculated reliably.

Definite life intangible assets

Definite life intangible assets are recorded under assets at their purchase cost when it is likely that use of the asset will generate future economic benefits and when the cost of the asset can be reliably calculated. Intangible assets acquired through business combinations are recognized at the fair value defined at the acquisition date, if the fair value can be reliably calculated. Intangible assets with a definite useful life are amortized on a straight-line basis over their estimated useful life. The useful life is reviewed on an annual basis and any changes, where necessary, are applied prospectively.

Development costs

Research costs are recognized in the statement of profit or loss at the time they are incurred.
Development costs incurred for a specific project are only capitalized when the Group can demonstrate the technical probability of completing the intangible asset so that it becomes available for use or for sale, its intention to complete the asset for use or for sale, how it will generate future economic benefits, availability of technical, financial and other resources needed to complete development and its capacity to reliably assess the cost attributable to the asset during development.
While under development, the asset is tested for impairment on an annual basis. After initial recognition, development costs are assessed at cost less any amortization or accrued impairment. Amortization of the asset begins when development has been completed and the asset is ready for use. It is amortized according to the period in which it is expected that the related project will generate revenues for the Group. While the asset is still not in use, it will be subject to annual impairment testing.

Trademarks and Rights

This item relates to license rights for marketing authorizations for specialist medicines and to trademarks for registration of pharmaceutical products. The purchase cost of trademarks and rights are amortized over the useful life of the acquired asset, normally 5 years for rights and 10 years for trademarks.

Other Intangible assets

This item refers to:

- The purchase of application software amortized over 5 years;
- Sales contracts entered into with customers and the list of hyperimmune plasma donors registered with the purchase method in the business combination of the US subsidiary KEDPLASMA LLC, amortized over a period of time of 15 years;

Impairment test

Intangible assets with an indefinite useful life and those still non-available are tested for impairment at least once per year - on 31st December - both individually and at cash generating unit level, as more appropriate, and when there is evidence of impairment.
The other intangible assets are subject to verification, in order to detect any loss in value, if events or changes in the situation indicate that the carrying amount cannot be recovered. If there is an indication of this type and, in the event that the book value exceeds the recoverable value, the assets are written down to reflect their recoverable value. The recoverable amount of the intangible assets is represented by the greater of the net sale price ("fair value") and the value in use.
The value in use is calculated by discounting the expected future cash flows, using a pre-tax discount rate that reflects the current market estimate for the cost of money compared to time and the specific risks of the asset. For an asset that does not generate widely independent financial flows, the value in use is determined in relation to the cash-generating unit to which this asset belongs. Impairment losses are recorded in the income statement under amortization, depreciation and write-downs based on the destination to which the asset refers. These losses in value are restored if the reasons that generated them no longer exist.

Impairment of non-financial assets

At each reporting date, the company assesses the existence of indicators of impairment of assets. In this case, or where an annual impairment test is required, the company estimates the recoverable value. The recoverable value is the higher of the fair value of the asset or cash generating unit, net of sale costs, and its value in use. The recoverable value is determined for each individual asset, except when said asset generates cash flows that are not sufficiently independent from those generated by other assets or asset groups. If the carrying amount of an asset is higher than its recoverable value, said asset has been impaired and is consequently written down to its recoverable value.
In determining the value in use, the company discounts estimated future cash flows to the present value by using a pre-tax discount rate which reflects the market valuations of the present value of money and the specific risks of the asset. In calculating the fair value net of sale costs, account is taken of recent market transactions. If it is not possible to identify said transactions, an appropriate valuation model is used. These calculations are corroborated by the proper valuation multipliers, prices of listed shares for investees whose shares are traded on the market, and other available fair value indicators or using the discounted cash flow (DCF) method.
The Company bases its impairment test on detailed budgets and provisional calculations, drafted separately for each cash generating unit of the company to which individual assets are allocated. These budgets and provisional calculations generally cover a period of three or more years.
Impairment of operating assets, including the impairment of inventories, is recorded in the statement of profit or loss under cost categories consistent with the use of the asset that recorded impairment. Fixed assets revalued previously are an exception, where the revaluation was accounted for in the consolidated statement of comprehensive income and classified as a revaluation reserve. In these

cases, the impairment is, in turn, recorded in the consolidated statement of comprehensive income up to the amount of the previous revaluation.
For assets other than goodwill - and at each reporting date - the company assesses the elimination (or reduction) of indicators of impairment that were previously recorded and, if these indicators exist, estimates the recoverable value. The value of an asset previously written down can only be written back if there are changes in the assumptions on which the calculation of the recoverable value was based, after the recognition of the latest impairment. The write-back cannot exceed the carrying amount which would have been determined, net of amortization, if no impairment had been recorded in previous years. This write-back is booked to the statement of profit or loss except in the case that the fixed asset is accounted for at the revalued amount; in this case, the write-back is treated as a revaluation increase.

Other non-current financial and other non-current assets

These assets are valued according to the cost method, amortized by the effective discount rate method net of any impairment.
The amortized cost is calculated by taking into consideration all purchase discounts or bonuses and includes commissions as an integral part of the effective interest rate and transaction costs.

Inventories

Inventories are assessed at the lower between the purchase and/or production cost, determined by the weighted average cost method, and the net realizable value. The estimated net realizable value includes the estimated sale price less costs estimated for completion and estimated sale costs. Raw materials and consumables are entered at purchase cost, inclusive of accessory charges. Work in progress, semi-finished and finished products are entered on the basis of directly attributable production costs and a portion of the indirect production costs incurred in the year and reasonably attributable to the products. The value of inventories is adjusted, where necessary, through entry of a special provision for write-down that takes the factors of obsolescence into account.

Trade receivables

Trade receivables are normally recognized at fair value - in general corresponding to their nominal sum - and later measured at the amortized cost, written down in the event of impairment.
The Group records an expected credit loss (ECL) write-down using the simplified method. ECLs are based on the difference between the contractual cash flows due under the contract and all the cash flows the Group expects to receive, discounted at an approximation of the original effective interest rate. The Group determines impairment losses on trade receivables by considering the amount of receivables of doubtful collectability, analyzing the specific conditions of the Group's customers, any guarantees given in favor of Group companies, appropriately assessing outstanding disputes and the possibilities of recovering past due receivables, as well as determining the expected insolvency rate, analyzing the average rate of loss on receivables recorded in recent years.
Receivables in a currency other than the operating currency are recognized at the exchange rate valid on the date of the transaction, and then translated to the year-end exchange rate. Any translation gain or loss is recognized in the statement of profit or loss.
For nationwide receivables from public authorities characterized by an average repayment period of more than 12 months, an analytical time-discounting process was applied based on assumptions and estimates.

Other current assets and other financial assets

These are initially recognized at fair value and thereafter according to the amortized cost method.
A financial asset (or, where applicable, part of a financial asset or part of a group of similar financial assets) is eliminated from the financial statements when:

- The right to receive cash flows from the asset has ended;
- The Group retains the right to receive cash flows from the asset, but is contractually obliged to transfer these sums in full and without delay to a third party;

- The Group has transferred the right to receive cash flows from the asset and (a) has transferred substantially all asset ownership risks and rewards or (b) has not transferred substantially all asset risks and rewards but has transferred control of the asset.

Where the Group has transferred the right to receive cash flows from an asset but has not substantially transferred or retained all risks and rewards, or has not lost control of the asset, the asset is recorded in the Group financial statements to the extent of the Group's residual involvement in the asset. Residual involvement in the form of a guarantee on the transferred asset is assessed at the lower between the initial recognition value and the maximum payment the Group could be held to make.
In cases in which residual involvement is in the form of a put or call option on the transferred asset (including options settled in cash or similar), the extent of Group involvement corresponds to the amount of the transferred asset that the Group could buy back. Nevertheless, if a put option is issued on an asset measured at fair value (including options settled in cash or similar), the extent of the Group's residual involvement is limited to the lower between the fair value of the transferred asset and the option exercise price.

Cash and equivalents

Cash, cash equivalents and short-term deposits include cash on hand and demand or short-term deposits, the latter with an original maturity date of no more than three months.

Loans

All loans are initially recognized at the fair value of the sum received, net of accessory loan allocation charges. After initial recognition, loans are assessed at amortized cost using the effective interest rate method.
Any gain or loss is recognized in the statement of profit or loss when the liability has been settled, other than by the amortization process.
Payables due to bondholders were recognized at the fair value of the payment, net of accessory bond issue charges. After initial recognition, loans are assessed at amortized cost using the effective interest rate method.
A financial liability is removed when the obligation underlying the is extinguished or fulfilled.
In cases where an existing financial liability is replaced by another one of the same lenders, under substantially different conditions, or when the conditions of an existing liability are substantially changed, such exchange or modification is treated as an accounting cancellation of the original liability and the recognition of a new liability, with budgetization in the income statement of any differences between the book values.

Provisions for risks and charges

Provisions for risks and charges are made when the Group has to meet a current commitment (legal or implicit) deriving from a past event, when an outlay of resources is likely to meet that commitment and it is possible to perform a reliable estimate of the amount.
When the Group considers that a provision for risks and charges will be repaid in full or in part, e.g. in the case of risks covered by insurance policies, the indemnity is recorded separately in the balance sheet if, and only if, it is a near certainty. In this case, the cost of any provision is recognized in the statement of profit or loss net of amortization recorded for the indemnity.
If time-discounting of the value of money is significant, the provisions are discounted at a pre-tax rate that reflects, where possible, the specific liability risks. When time discounting is applied, the increase in the provision due to the passing of time is recognized as a financial charge.

Liabilities of employee benefits

Post-employment benefits due to employees are divided, on the basis of the economic nature, into defined contribution or defined benefit plans. In defined contribution plans, the company's legal or implicit obligation is limited to the amount of contributions to be paid: consequently, the actuarial risk

and investment risk are borne by the employee. In defined benefit plans, the company's obligation consists of granting and ensuring the agreed benefits to employees: consequently, the actuarial risk and investment risk are borne by the company. Italian legislation (Art. 2120 of the Italian Civil Code) states that, as at the date on which each employee terminates his employment contract with the company, he/she shall receive an indemnity known as an Employee Severance Indemnity, which is considered a defined benefit plan according to IAS 19. Calculation of this indemnity is based on certain items that make up the annual salary of the employee for each year of service (revalued as appropriate) and on the length of service. According to Italian civil law, this indemnity is reflected in the financial statements through a calculation method based on the indemnity matured for each employee as at the reporting date, and as if all employees had terminated their employment contract on that date. IASB's IFRIC considered the matter of the Italian employee severance indemnity and concluded that, in application of IAS 19, it has to be calculated according to the Projected Unit Credit Method (PUCM), in which the total payable for accrued benefits must reflect the expected date of resignation and must be time-discounted. Effective as of 2007, the Group acknowledged the effects of the amendments introduced by the "2007 Financial Law" and subsequent decrees and regulations, relating to the allocation of amounts of Employee Severance Indemnity accrued from 1 January 2007. In particular, for the purposes of application of IAS 19, the new legislation changes, as of 1 January 2007, the nature of Employee Severance Indemnity from "defined benefit plan" to "defined contribution plan", with particular reference to companies with more than 50 employees.
Starting from 2012, actuarial gains and losses are booked to the Statement of profit or loss and other comprehensive income.
In addition to the TFR mentioned above, there is a defined benefit plan relating to the Hungarian HBP subsidiary that will be paid to employees (i) in part on the achievement of certain work-related thresholds at the company; (ii) partly on the retirement date.
The net commitment of the Group from defined benefit plans is calculated separately for each plan, estimating the amount of the future benefit accrued by the employee in exchange for services rendered in the current and previous financial years. This benefit is then discounted back to calculate the current value.
Actuarial assessment of these payables is assigned to an independent actuary.
The Group has no other defined benefit or defined contribution pension plans.

Financial Instruments

Financial instruments are initially recognized at fair value and thereafter measured according to the following classification:

- Financial assets at amortized cost (debt instruments);
- Financial assets at fair value recorded in the comprehensive income statement with reclassification of accumulated profits and losses (debt instruments);
- Financial assets at fair value recorded in the comprehensive income statement without reversal of profits and losses accumulated at the time of their elimination (equity instruments);
- Financial assets at fair value recorded in the income statement.

For financial assets, this treatment is divided into the following categories:

- Financial assets measured at fair value with changes recognized in the statement of profit or loss;
- Investments held to maturity;
- Loans and receivables;
- Available-for-sale financial assets.

With regard to financial liabilities, provision is made for just two categories:

- Financial liabilities measured at fair value with changes recognized in the statement of profit or loss;
- Liabilities recorded at the amortized cost.

The fair value calculation methods for such financial instruments, for accounting or reporting purposes, are summarized below according to the main financial instrument categories to which they are applied:

- Derivatives: suitable pricing models have been adopted on the basis of market interest rate values and exchange ratios;
- Receivables, payables and unlisted financial assets: for financial assets with maturity beyond one year, the discount cash flow method has been applied, i.e. time discounting of expected cash flows based on the current interest rates and credit ratings;
- Listed financial Instruments: the market value as at the date of reference is used.

Derivatives

The Group uses derivatives as currency forward contracts to hedge, respectively, its currency exchange risks and interest rate swaps, with the intention of hedging financial risks relating to changes in interest rates on existing medium/long-term debt.
In compliance with IAS 39, which the Group chosen to continue to apply, hedge accounting rules may only be applied to hedging derivatives if:

a) at the time of hedging, formal designation and documentation on the hedge exists;
b) it is envisaged that the hedge will be highly effective;
c) its effectiveness may be reliably measured; and
d) the hedge itself is highly effective in accounting periods other than those to which it is designated.

All derivatives are measured at fair value. When derivatives have characteristics for which hedge accounting is appropriate, the following accounting treatment is applied:

- Fair value hedge - if a financial derivative is designated as a hedge against exposure to changes in the current value of an asset or liability in the balance sheet that could affect the statement of profit or loss, gains or losses deriving from subsequent assessments of the current value of the hedge are recognized in the statement of profit or loss, as are gains or losses on the item hedged.
- Cash flow hedge - if a financial derivative is designated as a hedge against changes in the cash flows of an asset or liability in the balance sheet, or a transaction seen as highly likely and which could affect the statement of profit or loss, the effective portion of gains or losses on the financial instrument is recognized under shareholders' equity. Any accrued gains or losses are written-off from shareholders' equity and recognized in the statement of profit or loss in the period in which the hedge is applied. Hedge-related gains or losses, or on that part of the hedge which has become ineffective, are recognized in the statement of profit or loss when ineffectiveness is confirmed.

If the conditions for the application of hedge accounting are not met, any effects deriving from the fair value measurement of the derivative are recognized directly to the statement of profit or loss.

Non-Current assets held for sale

Non-current assets held for sale rather than production purposes are classified under a specific item, "Non-Current assets held for sales", in accordance with IFRS 5 and recorded at the lower between Net Book Value and fair value less selling and distribution costs.

Revenues

Revenues from contracts with customers are recognized when control of the goods and services is transferred to the customer for an amount that reflects the consideration that the Group expects to receive in exchange for these goods or services. The Group has concluded that it generally acts as the principal in the agreements that generate revenues, as it usually controls the goods and services before they are transferred to the customer.

Sales of goods

Revenues from the sale of finished products and goods are recognized when the asset is transferred to the customer.
The Group considers if there are other promises in the contract that represent obligations to do on which a part of the amount of the transaction must be allocated. In determining the price of the sale transaction, the Group considers the effects deriving from the possible presence of a variable price, significant financing components, non-monetary fees and payments to be paid to the customer.

Variable consideration
If the amount defined in the contract includes a variable amount, the Group estimates the amount of the consideration to which it will be entitled in exchange for the transfer of the goods to the customer.
The variable consideration is estimated at the time the contract is stipulated and it is not possible to record it until it is highly probable that, when the uncertainty associated with the variable consideration will be subsequently resolved, there will be no significant downward adjustment to the accounted amount of cumulative revenue. Volume discounts and other contractual discounts give rise to variable fees.
The Group can grant discounts to some customers where the quantity of products purchased during the period reaches certain turnover thresholds. To estimate the variable consideration related to the expected discounts, the Group applies the expected value method.

Amounts to be paid to the customer
Contracts with customers may include the payment of fees to customers. The Group records the consideration to be paid to the customer as a reduction in the transaction price and, consequently, in revenue, unless the payment to the customer is made in exchange for a separate good or service transferred by the customer to the Group. If the amount to be paid to the customer includes a variable amount, this is estimated by the Group.

Revenues from services

The Group provides plasma processing services on behalf of third parties. The Group recognizes the revenues deriving from these services over time, using an input-based method to assess the progress of the service.
The Group considers if there are other promises in the contract that represent obligations to do on which a part of the consideration for the transaction must be allocated. In determining the price of the sale transaction, the Group considers the effects deriving from the possible presence of a variable price, significant financing components, non-monetary fees and payments to be paid to the customer.
Revenues are recognized to the extent to which it is likely that the economic benefits will be enjoyed by the Group and that the relative amount can be reliably determined, regardless of the date of collection. Revenues are measured at the fair value of the amount received or to be received, taking into account the payment terms defined in the contract and excluding tax and duties. In all sale contracts in which it is the primary debtor, the Group has entered into the same and is implementing the same on its own behalf, has discretionary power over pricing policies and is also exposed to inventory and credit risk.

Variable consideration
If the amount promised in the contract includes a variable amount, the Group estimates the amount of the consideration to which it will be entitled in exchange for the provision of services to the customer.
The variable consideration is estimated at the time the contract is stipulated and it is not possible to record it until it is highly probable that, when the uncertainty associated with the variable consideration will be subsequently resolved, there will be no significant downward adjustment to the accounted amount of cumulative revenue. Discounts and other contractual penalties give rise to variable fees.

The Group can grant discounts or penalties to customers based on the terms of service contracts. To estimate the variable consideration related to the expected discounts, the Group applies the expected value method.

Contractual balances

Contract assets

Contract activity represents the right of the entity to obtain the agreed amount in exchange of the transfer of control of the goods or services to the customer.

If the Group meets its obligation by transferring goods or services to the customer before the customer pays the consideration or before payment is due, the entity must recognize an asset resulting from the contract, excluding amounts presented as receivables.

Trade receivables

A credit represents the Group's unconditional right to receive the consideration (i.e., it only needs to run out of time for the consideration to be paid).

Contract liabilities

The contractual liability is an obligation to transfer to the customer goods or services for which the Group has already received the consideration (or for which a portion of the consideration is due). If the customer pays the consideration before the Group has transferred control of the goods or services to him, the liability deriving from the contract is recognized when the payment is made or (if previous) when it is due. Liabilities deriving from the contract are recognized as revenues when the Group satisfies the obligations to make in the related contract.

Some contracts allow the customer to return the goods within a certain period of time. The Group uses the expected value method to estimate the assets that will not be returned because this method is the best for predicting the amount of the variable consideration to which the Group will be entitled. The IFRS 15 guide on the limitations to the recognition of the variable consideration is applied for the determination of the amount of the variable consideration that can be included in the transaction price. For the goods expected, the Group will adjust the revenues and register a contractual liability.

Costs for obtaining a contract

The Group may pay commissions to third-party sales contracts. For these costs the Group applies the practical expedient that allows to immediately pay the costs for obtaining contracts, since the depreciation period of the activity that the Group would otherwise have used would have been less than a year.

Similarly, in the comparative year, revenues are recognized in accordance with IAS 18 to the extent that it is probable that the economic benefits will be achieved by the Group and the relative amount can be reliably determined, regardless of the date of collection. Revenues are measured at the fair value of the consideration received or to be received, in accordance with the terms of payment contractually defined and excluding taxes and duties. The Group, concluded that it is operating on its own account in all the sales contracts as it is the primary debtor, has the discretion on the pricing policy and is also exposed to the risk of stock and credit.

The revenue is recognized when the company has transferred to the buyer all the significant risks and benefits connected to the asset ownership, generally on the date of delivery of the goods. The revenue is valued at the fair value of the amount received or to be received, net of returns and rebates, trade discounts and volume reductions.

The recognition of revenues for the provision of services is based on the stage of completion of servicing activities as at the reporting date, measured as a percentage with reference to different variables depending on the services provided and contracts stipulated with the customer. The provision of services not yet completed as at the reporting date is booked as 'long term contracts' under trade receivables. Any revenues invoiced as at the reporting date in excess of the amount accrued according

to the stage of completion of the service is suspended under advances from customers and classified under trade payables. When the result of services cannot be reliably measured, the revenues are recognized to the extent to which it is considered that costs incurred can be recovered.
In the case of nationwide revenues from public authorities that are characterized by an average collection period of more than 12 months, an analytical time-discounting process was applied based on assumptions and estimates so as to determine the implicit financial component.

Interest income

For all financial instruments measured at amortized cost and interest bearing financial assets classified as available for sale, interest income is recognized using the effective interest rate, which is the rate that accurately discounts future revenues, estimated for the expected life of the financial instrument or for a shorter period, when necessary, with respect to the net carrying amount of the financial assets. Interest income is under financial income in the statement of profit or loss for the year.

Rental income

Rent resulting from investment property is recognized on a straight line basis for the duration of the rental agreements in place on the date of the financial statements and is classified under revenues, given their operational nature.

Government grants

Government grants are recognized when there is a reasonable certainty that they will be received, and all related conditions are satisfied. Where government grants are related to a cost component (operating grants) they are recognized as revenues across the relevant financial years in proportion to the costs they are expected to offset. Where the grant is related to an asset (capital grants), the asset and the grant are recorded separately under assets and liabilities at par value and the release to the statement of profit or loss takes place progressively on a straight-line basis over the estimated useful life of the related asset.

Dividends

Dividend income is recorded when shareholders become entitled to receive payment, which occurs when the Shareholders' Meeting approves distribution.

Current taxes

These taxes reflect a realistic estimate of the tax burden, calculated by applying the regulations in force in countries in which the Kedrion Group operates. The current tax payable is recorded in the balance sheet, net of any prepaid taxes.
As regards the Parent Company, it should be noted that, from 2016, as a consolidating company together with the consolidating partner Sestant S.p.A., it exercised the option for the "national tax consolidation" as a consolidating company, as per the Articles 117-129 of Presidential Decree December 22, 1986 n. 917 (so-called TUIR), which makes it possible to determine the IRES tax on a taxable base corresponding to the algebraic sum of the positive and negative taxable income of the individual participating companies, after making some adjustments provided for by current legislation.
The economic relations, as well as the reciprocal responsibilities and obligations between the consolidating and consolidated, are defined in the "Group Regulations governing the application of the provisions on" National Consolidation "".
Consequently, the debt or credit for IRES current taxes of the Parent Company is classified as "Other payables" or "Other receivables". Furthermore, any accrued tax losses are transferred to the shareholder Sestant with the recognition of a consolidated tax income recognized in the income statement.

Deferred taxes

Deferred taxes are calculated on the timing differences existing as at the reporting date between the taxable values taken as reference for the assets and liabilities, and the values recorded in the financial statements.

Deferred tax liabilities are recognized on all taxable timing differences, except in the following cases:

- when the deferred tax liabilities derive from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and which, at the time of the transaction, has no effect either on the profit for the year calculated for accounting purposes or on the profit or loss calculated for tax purposes;
- with regard to taxable timing differences relating to investments in subsidiaries, associates and joint ventures, where the reversal of timing differences can be monitored, and it is likely that this will not happen in the foreseeable future.

Deferred tax assets are recognized for all deductible timing differences - and for all tax assets and liabilities carried forward - to the extent that it is likely that future tax gains will exist and on which the deductible timing differences and tax assets and liabilities carried forward can be applied, with the exception of cases where:

- the deferred tax asset associated with deductible timing differences derives from the initial recognition of an asset or liability in a transaction that is not a business combination and which, at the time of the transaction, has no effect either on the profit for the year calculated for accounting purposes or on the profit or loss calculated for tax purposes;
- with regard to taxable timing differences associated with investments in subsidiaries and associates, deferred tax assets are recognized only to the extent to which it is likely that the deductible timing differences can be reversed in the near future and that there are sufficient tax profits on which the timing differences can be applied.

The amount of deferred tax assets to be recorded in the financial statements is reviewed at each year-end and reduced by the extent to which it is no longer likely that future tax gains will be available to allow the utilization of all or part of the relevant tax credit. Deferred tax assets not recognized are reviewed annually at year-end and recognized at the extent to which it is likely that tax gains are sufficient to allow recovery of the deferred tax assets.

Deferred tax assets and liabilities are measured on the basis of tax rates expected to apply in the financial year in which such assets are realized or in which such liabilities are extinguished, taking into account the current tax rates and those issued or substantially in issue at the reporting date.

Deferred tax assets and liabilities are offset where a legal right exists to offset the current tax assets against current tax liabilities, and the deferred taxes relate to the same taxpayer and the same tax authority.

Income taxes on items recorded directly under shareholders' equity are recognized directly in shareholders' equity rather than in the statement of profit or loss.

Value added tax

Revenues, costs and assets are recognized net of value added tax (VAT) except where this tax is applied on the purchase of non-deductible goods or services; in this case, it is recorded as part of the purchase cost of the asset or part of the cost item recorded in the statement of profit or loss.

The net total of indirect taxes on purchases and sales that can be recovered from or paid to the tax authority is included in the financial statements under other current assets or liabilities as appropriate at the balance sheet date. The value added tax (VAT) connected to Public Entities' billing is subject to the split payment scheme, according to which the public body is obliged to pay the supplier only the fee agreed upon while the VAT due must be credited by the public body in an appropriate current account bound to be acquired by the tax authorities.

6.4. COMMENTS ON THE MAIN ITEMS IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

6.4.1. PROPERTY, PLANT AND EQUIPMENT

The historical cost, accumulated depreciation and the net carrying amount of the item Property, plant and equipment as at 31 December 2019, 1 January 2019 and 1 January 2018 are provided in the table below:

(In thousands of Euro)	Land and buildings	Plant and equipment	Industrial and commercial equipment	Other assets	Assets Under Construction and advances	Total
COST						
Balance as at 1 January 2018	**89,535**	**185,111**	**20,412**	**20,936**	**133,993**	**449,987**
Reclassifications	20,319	64,451	1,963	1,854	(85,463)	(3,124)
Increases	2,480	11,654	1,985	1,984	11,343	29,446
Translation differences	(261)	(193)	114	87	4,911	4,658
Decreases	(629)	(365)	(1,573)	(1,322)	0	(3,889)
Balance as at 1 January 2019	(822)	(958)	(1,022)	(511)	**0**	(3,313)
Reclassifications	**110,622**	**259,700**	**21,879**	**23,028**	**64,784**	**480,013**
Increases	(12,378)	33,581	1,275	1,150	(20,568)	3,060
Translation differences	1,571	7,442	3,343	2,340	20,907	35,603
Decreases	(43)	804	57	52	514	1,384
Assets held for sale	(1,011)	(27)	(201)	(390)	(52)	(1,681)
Balance as at 31 December 2019	**98,761**	**301,500**	**26,353**	**26,180**	**65,585**	**518,379**
DEPRECIATION AND IMPAIRMENT						
Balance as at 1 January 2018	**35,335**	**131,427**	**15,674**	**16,336**	**0**	**198,772**
Depreciation of the year	3,855	11,989	1,175	1,752	0	18,771
Write-downs	0	0	0	0	0	0
Disposals	(190)	(350)	(535)	(770)	0	(1,845)
Translation differences	11	19	50	46	0	126
Reclassifications	42	143	0	0	(187)	(2)
Assets held for sale	(368)	(697)	(394)	(388)		(1,847)
Balance as at 1 January 2019	**38,685**	**142,530**	**15,970**	**16,977**	**(187)**	**213,975**
Depreciation	4,211	15,729	1,652	2,130	0	23,722
Write-downs	0	0	0	0	0	0
Disposals	(800)	(5)	(175)	(279)	0	(1,259)
Translation differences	(60)	(255)	4	(14)	(4)	(329)
Reclassifications	(540)	540	0	0	0	0
Balance as at 31 December 2018	**41,496**	**158,539**	**17,451**	**18,814**	**(191)**	**236,109**
Carrying amounts as at 01.01.2019	**71,937**	**117,170**	**5,909**	**6,051**	**64,971**	**266,038**
Carrying amounts as at 31.12.2019	**57,265**	**142,961**	**8,902**	**7,366**	**65,776**	**282,270**

Of which under finance lease:

(In thousands of Euro)	31.12.2019			31.12.2018		
	Historical cost	Accumulated depreciation	Net value	Historical cost	Accumulated depreciation	Net value
Buildings	3,480	951	2,530	3,219	757	2,462
Plant	102,718	80,542	22,176	99,886	75,500	24,385
Equipments	3,598	1,957	1,641	1,596	1,578	18
Other assets	9,313	8,466	848	9,255	8,265	990
TOTAL	**119,110**	**91,916**	**27,195**	**113,956**	**86,101**	**27,855**

During the financial year ended on 31st December 2019, Kedrion Group realized net investments for a total value of Euro 35,603 thousand, of which Euro 5,155 thousand financed through financial leasing contracts which did not have a direct impact on current financial flows. The increases for investments made in 2019 mainly concern the following:

- **Melville plant (NY, USA)** for a total amount of Euro 6.3 million mainly relating to the new fractionation and purification line for the production of the RhoGAM specialty and to interventions and improvements on other existing buildings and plants;

- **Bolognana plant (LU, Italy)** for a total amount of Euro 4.3 million mainly referred to interventions and improvements on existing buildings and plants;

- **Sant'Antimo plant (NA, Italy)** for a total amount of Euro 9.3 million relating to urban planning compliance investments on some buildings and to interventions and improvements on existing buildings and plants;

- **Godollo plant (Hungary)** for a total amount of Euro 3.1 million relating to interventions and improvements on existing plants;

- **Plasma collection centers in the United States and Hungary** for a total of Euro 35.2 million of which 33.5 million for the payment of the acquisition of six new US centers and for downpayments made for the purchase of other US centers, the remaining part for interventions and improvements in other US and Hungarian centers;

- **Castelvecchio Pascoli (LU, Italy)** for a total amount of Euro 24.7 million mainly related to the KIg10 project (Euro 24.4 million), the new department for the production of new generation immunoglobulins at 10%, as well as to the costs necessary for the registration of the fixed product, while the residue refers to interventions and improvements to the warehouse and neighboring buildings;
- **Other investments** for a total amount of Euro 5.2 million which mainly refer to IT hardware and software investments and other improvements made in the offices of the different headquarters, as well as investments relating to other research and development projects.

In past years, the Kedrion Group has benefited from national public contributions on the tangible assets provided for by Law no. 488/92 and by Law no. 388/00, respectively for a total of Euro 6,703 thousand and Euro 3,356 thousand. These grants were granted on the basis of the investments incurred and capitalized for Euro 12,184 relating to Law no. 488/92 and for Euro 12,805 thousand relating to Law no.

388/00. In 2010, a "Program Agreements" contract was also entered into with the Italian Medicines Agency under which 10% of the investments made on the Bolognana production site in the 2007-2009 three-year period were funded, with a maximum of Euro 24,900 thousand. Total investments amount to Euro 26,535 thousand and the contribution recognized to Euro 2,490 thousand. Tangible assets were recorded at their purchase price and the value of the grant has been discounted under other current and non-current liabilities (for the portion exceeding 12 months). Subsequently, the portion for the year was recognized in the income statement on a straight-line basis over the expected useful life of the reference asset. At 31 December 2019, deferred income of Euro 300 thousand remain on these benefits.
In the past years, the Hungarian subsidiary HUMAN Bio Plazma benefited from a grant on tangible assets for a total of Euro 897 thousand, the residual amount at December 31, 2019 recorded in deferred income is equal to Euro 545 thousand.
Tangible assets were recorded at their purchase price and the value of the investment tax credit amount has been discounted under other current and non-current liabilities (for the portion exceeding 12 months). The portion relevant to the year is carried to the statement of profit or loss on a straight-line basis throughput the expected useful life of the assets concerned. As at 31 December 2019, deferred income for this tax credit of Euro 279 thousand remained.
There are no restrictions on the ownership of property, plant and machinery used to guarantee liabilities and contractual commitments in place for the purchase of these types of assets. At the end of the year, the Group assesses the presence of impairment indicators traceable through internal or external sources of information. Typically, external sources may consist of changes in the technological, economic and legal context in which it operates, while internal sources are represented by corporate strategies which may or may not change the intended use of the assets.
No impairment losses have been found from the analyzes carried out.

6.4.2. PROPERTY INVESTMENT

The historical cost, accumulated depreciation and the net carrying amount of the item Investment property as at 31 December 2019 and as at 31 December 2018 are provided in the table below:

(In thousands of Euro)	Land and buildings
COST	
Balance as at 1 January 2018	**2,627**
Reclassifications	0
Increases	9
Translation differences	0
Decreases	(13)
Balance as at 1 January 2019	**2,623**
Reclassifications	0
Increases	0
Translation differences	0
Decreases	0
Balance as at 31 December 2019	**2,623**
Depreciation and impairment	
Balance as at 1 January 2018	**241**
Depreciation of the year	60
Write-downs	0

Disposals	(5)
Translation differences	0
Reclassifications	0
Balance as at 1 January 2019	**296**
Depreciation of the year	60
Write-downs	0
Disposals	0
Translation differences	0
Reclassifications	0
Balance as at 31 December 2019	**356**
Carrying amounts as at 01.01.2019	**2,327**
Carrying amounts as at 31.12.2019	**2,267**

.
The land classified under investment property, with specification of its fair value, is located in the following places:

- Castelvecchio Pascoli (LU) - historical cost Euro 73 thousand; fair value Euro 51 thousand.
- San Pietro in Campo (LU) - historical cost Euro 104 thousand; fair value Euro 453 thousand.
- Monsagrati (LU) - historical cost 1,363 thousand Euro; fair value Euro 1,733 thousand.

The buildings classified under investment property instead refer to:

- a residential apartment located in Monsagrati (LU) - residual value Euro 10 thousand; fair value Euro 35 thousand.
- a new industrial building located in S. Antimo (NA), with a residual value of Euro 732 thousand gross of accessory purchase charges, and fair value of Euro 968 thousand.

The fair value of investment property is determined by using valuation models and observable market parameters, therefore under the fair value hierarchy according to IFRS 13, they are investment property at fair value of Level 2.

6.4.3. GOODWILL

Goodwill entered in the balance sheet is subject to annual impairment testing. Listed below are the carrying amounts - as at the reporting dates - of the item Goodwill entered in the consolidated financial statements as well as their allocation to specific cash generating units (CGU), and the changes during the period:

(In thousands of Euro)	Balance at 31.12.2018	Reclassifications	Increases for Business Combination	Translation differences	Assets held for sale	Decreases	Balance at 31.12.2019
Goodwill CGU plasma derivates	188,278	0	0	617	0	0	188,895
Goodwill CGU plasma	41,609	0	11,995	716	0	0	54,320
Goodwill CGU – Other	667	0	0	0	0	0	667
TOTALE	**230,554**	**0**	**11,995**	**1,333**	**0**	**0**	**243,882**

The differences relative to CGU "plasma" CGU is due to the following:

- Increase resulting from the purchase of six new centers for Euro 11,995 thousand (USD 17.3 million);
- Translate differences per Euro 716 thousand.

The change relating to the "plasma derived" CGU is due to the translation difference of Euro 617 thousand.

CGU PLASMA DERIVATIVES GOODWILL

The Plasma-derivatives CGU includes the activities related to the fragmentation and / or purification of plasma-derived products (located in the three production centers in Italy, USA and Hungary) and their sale on the market. The production allocation of the Group's plasma derivatives is not related to the geographical location and is aimed at optimizing the overall efficiencies and the ability of the Group to respond to market demand.
The goodwill related to the Plasma-derivatives CGU stand for a total of Euro 188.895 thousand.
The impairment test was carried out using the Discounted Cash Flow (DCF) method after tax. The expected flows, used in the calculation of the DCF, were determined on the basis of a 4-year business plan which take into consideration the various reference scenarios and on the basis of the development expectations of the various markets. Profitability (EBIT) was expected to grow as a consequence of the completion of the restructuring and development projects: the Melville and Castelvecchio Pascoli plants. In terms of balance sheet, an increase in commercial working capital was expected as a result of the growth deriving from these projects and the investments for their completion.
In order to determine the value in use of the CGU, the discounted cash flows of the 4 years of explicit projection have been considered added to a terminal value. The terminal value represents the current value at the last year of the projection of all subsequent cash flows calculated as a perpetual income of the flow generated in the last year subject to explicit forecast, using a long period growth rate ("g" rate) equal to 0%.

The discount rates applied to the prospective cash flows (WACC) are summarized in the following table:

CGU	WACC
CGU plasma derivates goodwill	8.56%

A sensitivity analysis was also performed on the key assumptions the recoverable amount is based on, such as growth rate changes equal to +/- 0.5% and WACC changes equal to +/- 0.5%. Directors believe that reasonable change in the key assumptions will not generate an excess of the carrying amount compared to the recoverable amount.

CGU PLASMA GOODWILL

The plasma CGU includes activities related to the collection and marketing of plasma.
Goodwill related to GCU Plasma amount to Euro 54,320 thousand (Euro 41,609 thousand at December 31st, 2018), have been subjected to a matching analysis, comparing the book value with the recoverable value determined on the basis of the CGU value in use.
The value in use was determined using the Discounted Cash Flow (DCF) model. Cash flow projections are derived from a prediction on 2020 Budget and on the basis of Kedrion Group consolidated business plan for the period 2021 – 2023, developed from the previous business plan for the period 2019 - 2022.

In order to determine the CGU value in use, cash flows projections over the next 4 years were discounted and added to the terminal value. The terminal value represents the current value, at the last year of the projection of all subsequent cash flows calculated as a perpetual income and was determined using a long period growth rate (“g” rate) equal to 0%, assumed equal to the present value of the perpetual income of the flow generated in the last year subject to explicit forecast, assuming a long-term growth rate "g" of 0%.
The discount rates applied to the prospective cash flows (WACC) are summarized in the following table:

CGU	WACC
CGU plasma goodwill	7.28%

The calculation of the value in use on the basis of these parameters did not involve any impairment of goodwill. A sensitivity analysis was also performed on the results applied to the recoverable amount (such as changes of both long term growth rate and WACC equal to +/- 0.5%). The Directors believe that any reasonable change in the key assumptions will not generate an excess of the carrying amount compared to the recoverable amount.

GOODWILL – OTHERS CGU

Kedrion Group decided to represent in this section, all goodwill related to marginal businesses for Euro 667 thousand.
In 2007, the purchase of a business unit was completed, consisting of a hydroelectric control unit including accessories, for the generation of electricity. This acquisition involved the recording of goodwill for Euro 215 thousand, in 2018 this business unit was sold to third parties and consequently this goodwill was eliminated.
In 2005, the Group established a marketing company, Kedrion International GmbH, with registered office in Vienna (Austria), jointly with a third party from outside the group. The Group’s share of the investment was 30% of the share capital. During the course of 2006, the Group increased its investment in the company by acquiring a further 70%, thus achieving total control. In the transaction the Group recognized goodwill of Euro 459 thousand to the vendor.
Subsequently, on 31 December 2010, a contract was signed for the purchase of 95% of the shares of Kedrion Portugal Unipessoal Lda and a purchase option for the remaining 5%. This acquisition involved the recording of goodwill for Euro 165 thousand.
On 18 November 2013 Kedrion S.p.A. acquired 51% of Kedrion Brasil Distribuidora de Produtos Hospitalares Ltda-Me from a local partner – FBM Farma Industria Farmaceutica LTDA.
This acquisition involved the recording of goodwill for Euro 43 thousand.

6.4.4. RIGHTS OF USE

(In thousands of Euro)	Buildings	Other assets	Total
Balance on January 1, 2019	**0**	**0**	**0**
FTA increase	67,805	1,378	69,183
Reclassifications	0	0	0
Other increase	10,429	662	11,091
Translation difference	305	2	307
decreases	(154)	(30)	(184)
Balance at 31 December 2019	**78,385**	**2,012**	**80,397**

Balance at January 1 , 2019	**0**	**0**	**0**
Depreciation for the year	7501	658	8,159
Write-downs	0	0	0
Disposals	(77)	(12)	(89)
Translation difference	(36)	0	(36)
Reclassifications	0	0	0
Balance at 31 December 2019	**7,388**	**646**	**8,034**
VALUES AT 31.12.2019	**70,997**	**1,366**	**72,363**

The activities for the rights of use are mainly connected to leases of collecting plasma American and Hungarian centers, as well as offices and other business premises.

6.4.5. DEFINITE LIFE INTANGIBLE ASSETS

The historical cost, the accumulated amortization and the net carrying amount of the item Definite life intangible assets as at 31 December 2019 and as at 31st December 2018 are provided in the table below:

(In thousands of Euro)	Development costs	Trademarks and Rights	Assets under construction	Others	Total
COST					
Balance as at 1 January 2017	**12,377**	**50,173**	**17,116**	**49,222**	**128,888**
Reclassifications	0	5,491	(10,856)	2,241	(3,124)
Increases	0	6,141	13,422	13,629	33,192
Translation differences	(214)	1,553	581	1,336	3,256
Decreases	(1,736)	(2,870)	0	(987)	(5,593)
Assets held for sale	0	0	0	(227)	(227)
Balance as at 1 January 2018	**10,427**	**60,488**	**20,263**	**65,214**	**156,392**
Reclassifications	0	4,726	(8,305)	517	(3,062)
Increases	0	2,215	31,926	6,353	40,494
Translation differences	(180)	836	275	736	1,667
Decreases	0	(60)	(45)	(59)	(164)
Balance as at 31 December 2018	**10,247**	**68,205**	**44,114**	**72,761**	**195,327**
AMMORTISATION AND IMPAIRMENT					
Balance as at 1 January 2018	**12,181**	**25,202**	**0**	**29,471**	**66,854**
Amortization for the year	48	2,731	0	4,685	7,464
Write-downs	0	0	0	0	0
Disposals	(1,736)	(223)	0	(176)	(2,135)
Translation differences	(214)	575	0	722	1,083
Reclassifications	0	0	0	0	0
Assets held for sale	0	0	0	(205)	(205)
Balance as at 1 January 2018	**10,279**	**28,285**	**0**	**34,497**	**73,061**

Amortization for the year	49	3,463	0	5,723	9,235
Write-downs	0	0	0	0	0
Disposals	0	(61)	0	(58)	(119)
Translation differences	(180)	244	0	287	351
Reclassifications	0	0	3	(3)	0
Balance as at 31 December 2019	**10,148**	**31,931**	**3**	**40,446**	**82,528**
Carrying amounts as at 31.12.2018	**148**	**32,203**	**20,263**	**30,717**	**83,331**
Carrying amounts as at 31.12.2019	**99**	**36,274**	**44,111**	**32,315**	**112,799**

As at 31 December 2019, Trademarks and Rights totaled Euro 36,274 thousand and was made up of the following items specific to the commodity sector:

(In thousands of Euro)	31.12.2019	31.12.2018
Rights	21,563	18,119
Trademarks	14,711	14,084
RIGHTS AND TREADKMARKS	**36,274**	**32,203**

Rights relate to the patent rights of the RhoGAM specialty purchased during 2012 and valued at fair value at the time of the PPA considering a royalty on the expected turnover of 5% for a period of 15 years and the licenses for marketing authorization (AIC) of other medicinal specialties.
Trademarks are mainly made by the " RhoGAM ", of which residual value is equal to Euro 8,053 thousand, as well as the trademarks related to plasma collection centers for Euro 4,719 thousand and the trademark for the Koate Euro 2,515 thousand. The management carried out the necessary recoverability checks without identifying impairment indicators in relation to trademarks.
The item fixed assets in progress mainly consists of:

- Costs incurred for obtaining the AIC of new medicinal products for 20.1 million;
- Advances paid for the acquisition of new centers for Euro 21.7 million;
- For the remainder mainly from software.

Management carried out the due checks on recoverability without identifying impairment indicators relating to this item.
The item Other intangible assets mainly include customer lists relating to the acquisition of RhoGAM for Euro 10,719 thousand, of application software programs for Euro 7,772 thousand and the list of hyperimmune plasma donors of the subsidiary KEDPLASMA LLC for Euro 13,824 thousand. With reference to this item in the financial statement, the useful life of the assets was reviewed, not revealing any changes in estimates.

6.4.6. INVESTMENTS IN ASSOCIATED COMPANIES

The details of the investments in associates at December 31, 2019 and December 31, 2018 are shown below.

(In thousands of Euro)	31.12.2019	31.12.2018
Participations in the associated company Kirov Plasma	0	331
INVESTMENTS IN ASSOCIATED COMPANIES	**0**	**331**

On March 23, 2017, a company was set up in Russia, JSC Kirov Plasma. Kedrion S.p.A had the role of technological partner and holds 25% of the joint venture. The Italian-Russian partnership was born with

the aim of completing the construction of a production plant in Kirov. During 2019, the Company and shareholders decided to wind up the associated company, being unable to achieve the objective in a reasonable time frame. The wind up was completed on 31 December with the payment of the portion resulted from the residual liquidation equal to Euro 204 thousand, compared to an initial investment and Euro 331 thousand.

6.4.7. INVESTMENTS IN OTHER COMPANIES

A breakdown of investments in other companies as at 31 December 2019 and as at 31 December 2018 is provided below.

(In thousands of Euro)	31.12.2019	31.12.2018
Other investments	2,240	2,194
Investments in other companies	**2,240**	**2,194**

Other investments of Euro 2,240 thousand are represented by the investment of 4.3% that the subsidiary Kedrion Biopharma holds in the US research company Entegrion Inc. in association with which a project is considered strategic for the Group is being developed, on behalf of the US Department of Defense (DoD), for the creation of a blood-derived product usable in military emergency situations.
Investments in other companies is valued at cost adjusted for impairment.
At 31t December 2019 there were no indicators of impairment. The change compared to 31 December 2018 is due to the difference in translate.

6.4.8. OTHER NON-CURRENT FINANCIAL ASSETS

(In thousands of Euro)	31.12.2019	31.12.2018
Guarantee deposits	1,172	1,089
Plasma centers start up financing	8,325	8,244
Financial deferrals	432	791
Other non-current financial assets	**9,929**	**10,124**

Guarantee deposits mainly relate to the leases of the plasma collection centers and offices.
The loan of Euro 8,325 thousand was granted by the US subsidiary KEDPLASMA LLC to the company Immunotek Biocenters LLC to finance the opening of the new US plasma collection centers and will be repaid through partial compensation on future purchases of plasma.
Financial expenses relate to anticipated bank charges relating to available credit lines for the Group, of which availability runs out in the coming years

6.4.9. DEFERRED TAX ASSETS

The table below shows the composition of deferred tax assets and liabilities as at 31 December 2019 and as at 31 December 2018.

(in thousands of Euro)	31.12.2019	31.12.2018
Deferred tax assets	13,684	13,268
Deferred tax liabilities	(1,008)	(927)
Total net deferred tax assets (liabilities)	**12,676**	**12,341**

Tax assets and liabilities are recognized and measured separately and shown net in the balance sheet on the basis of the same conditions prescribed by IAS 12.

The table below provides a breakdown of deferred tax assets as at 31 December 2098 and 31 December 2018:

(in thousands of Euro)	Taxable amount 2018	Total deferred tax assets	Increase	Decrease.	Taxable amount.2019	Total deferred tax assets 2019
Trademarks and goodwill amortization	53	15	6	26	33	8
Unpaid directors' fees	453	109	119	453	119	29
Unpaid membership fees	124	30	76	124	76	18
Unpaid interest expense	6	1	22	1	27	6
Unpaid tax	0	0	369	0	369	88
Currency adjustment	760	182	15	760	15	4
Risk provisions	1,706	450	1,551	1,433	1,824	490
Intercompany profit eliminated	10,304	2,885	0	400	9,904	2,773
TFR (employee severance indemnity) Reserve (IAS 19)	209	50	184	0	393	94
Hedging Derivatives	786	189		79	707	170
Deferred taxes in Kedrion Biopharma	22,456	5,345	5,910	0	28,366	6,751
Others relevant values	2,553	663	0	2,553	0	0
TOTAL	**39,410**	**9,919**	**8,252**	**5,829**	**41,833**	**10,431**
Tax credit of the subsidiary HUMAN BioPlazma	3,349	3,349	0	96	3,253	3,253
TOTAL DEFFERED TAX ASSET		**13,268**				**13,684**

The table below provides a breakdown of deferred tax liabilities as at 31 December 2019 and 31 December 2018:

(in thousands of Euro)	Taxable amount 2018	Total deferred tax liabilities	Increase	Decrease	Taxable amount 2019	Total deferred tax liabilities 2019
Deferred taxes in the subsidiary HUMAN Bioplazma	764	145	367	0	1,131	215
Other	3,164	759	141	0	3,305	793
Total deferred tax liabilities	**3,928**	**927**	**508**	**0**	**4,436**	**1,008**
Net impact on Shareholders' Equity		**12,341**				**12,676**

Deferred tax assets of the US subsidiary Kedrion Biopharma Inc. mainly refer to past losses.
Deferred taxes include, inter alia, the tax credit with a residual value at 31 December 2019 equal to Euro 3, 253 thousand accrued on investments made by the Hungarian subsidiary HUMAN BioPlazma and which may be used in reduction of 80% of the tax due over a 10-year period.
There are no deferred taxes on the undivided profits of the subsidiaries or other temporary differences that may originate from them.
Deferred tax assets are recognized to the extent that it is probable that adequate future tax profits will exist against which the temporary differences and tax losses can be used.

In this regard, the Group estimates the probable temporal manifestation and the amount of future taxable profits.

6.4.10. OTHER NON-CURRENT ASSETS

The table below provides a breakdown of other non-current assets as at 31 December 2019 and as at 31 December 2018:

(in thousands of Euro)	31.12.2019	31.12.2018
Prepaid expenses	988	1,199
Tax credit	0	5
Other non-current assets	14	58
OTHER NON-CURRENT ASSETS	**1,002**	**1,262**

The item Prepaid expenses includes the non-current portion of prepaid expenses relating primarily to the rights of renewal of Marketing Authorizations.

6.4.11. INVENTORIES

The table below provides a breakdown of inventories as at 31 December 2019 and as at 31 December 2018:

(in thousands of Euro)	31.12.2019	31.12.2018
Raw materials and consumables	93,280	114,002
Work in progress	155,863	136,171
Finished products and goods for resale	75,813	93,945
INVENTORIES	**324,956**	**344,118**

The inventories decrease of Euro 19,162 thousand is mainly due to the optimization of the stocks of plasma and finished products.
The growth of the work in process items is mainly due to the restart of the Melville plant.
The value of inventories is expressed net of provision for impairment losses of Euro 3,539 thousand, of which Euro 3,038 thousand referred to inventories at the Melville plant and Euro 501 thousand related to inventories of the parent company. Inventories of raw materials, semi-finished and finished products are generally subject to expiry, so that management considers the expiry date associated with each batch as a fundamental element in the assessments of their recoverability. It should be noted that the expiration dates of the raw materials are no longer relevant once they are put into production. In such cases, the expiry date is the one that is attributed in the production process to the semi-finished and finished products.
Inventories with near expiration dates are entirely written down to take into account their difficult recoverability.

6.4.12. TRADE RECEIVABLES

The table below provides a breakdown of trade receivables as at 31 December 2019 and as at 31 December 2018:

(in thousands of Euro)	31.12.2019	31.12.2018
Receivables due from customers	123,169	106,154
TRADE RECEIVABLES	**123,169**	**106,154**

For the terms and conditions relating to receivables from related parties, see note 6.6.2.
Trade receivables are non-interest bearing and generally have a contractual maturity of 45 to 120 days.
In 2019 the receivables from customers increased by Euro 17,015 thousand following the peak of year-end turnover.
The adjustment of receivables for foreign customers at the exact exchange rate of 31st December 2019 led to the recognition of an unrealized exchange gain of Euro 287 thousand.
In view of the expected credit losses, the Group has designed a specific provision for impairment losses equal to Euro 6,689 thousand and which is considered to be congruous with respect to the doubtful positions at the year-end date and the expected default rate. The use of the financial statement relates to the elimination of some small credits deemed to be irrecoverable.
The movements in the bad debt provisions for the period ended 31 December 2019 are shown below:

(in thousands of Euro)	For trade receivables	For default interest	Total
Balance as at 01.01.2019	**6,101**	**192**	**6,293**
Utilization in the year	(59)	(6)	(65)
Allocations for the year	461	0	461
Balance as at 31.12.2019	**6,503**	**186**	**6,689**

The Group determines impairment losses on trade receivables considering the amount of receivables of doubtful collectability, analyzing the specific conditions of the Group's customers, any guarantees given in favor of Group companies, appropriately evaluating the existing possibilities of recovery of past due loans, as well as determining the expected default rate expected by analyzing the average loss rate on loans of the last financial years.
The provision for late payment interest refers to receivables for late payment interest which, based on the current regulatory provisions, the Group invoices to National Public Bodies.

6.4.13. CONTRACT ASSETS

The movements in contract assets at 31st December 2019 and 31st December 2018 are shown below:

(in thousands of Euro)	31.12.2019	31.12.2018
Contract assets	26,920	19,555
CONTRACT ASSETS	**26,920**	**19,555**

According with IFRS 15, receivables for work in progress are represented as "contractual assets" separately from trade receivables.
Contractual assets are initially recognized for revenues deriving from subcontracting services, as the receipt of the consideration is subject to the positive completion of the service. Upon completion of the latter and acceptance by the customer, the amounts recognized as contractual activities are reclassified in trade receivables.

6.4.14. CURRENT TAX RECEIVABLES

The table below provides a breakdown of current tax receivables as at 31 December 2019 and as at 31 December 2018:

(in thousands of Euro)	31.12.2019	31.12.2018
Foreign taxes	4,671	4,077
IRES	4,194	3,662
Current tax receivables	**8,865**	**7,739**

Receivables concern the surplus of payments on account made by Kedrion S.p.A and by foreign subsidiary Kedrion Biopharma Inc.

6.4.15. OTHER CURRENT ASSETS

The table below provides a breakdown of other current assets as at 31 December 2019 and as at 31 December 2018:

(in thousands of Euro)	31.12.2019	31.12.2018
Receivables from employees	663	278
Social security receivables	68	93
Other receivables	15,824	9,645
Advances on other receivables	(302)	(560)
Sundry	189	93
VAT and other tax receivables	8,441	24,085
Insurance	902	626
Fees for renewal of marketing authorizations	67	80
Costs pertaining to subsequent years	5,352	3,880
Other current assets	**31,204**	**38,220**

These other current assets are considered recoverable and, as a result, were not subject to value adjustments.

The item “other receivables” includes credits of Parent Company equal to Euro 7,143 to the shareholder Sestant S.p.A following the accession to the national fiscal consolidation for three-year period 2016-2018. On this occasion, the Group regulations governing the application of the provisions on national consolidation were delivered. The national fiscal consolidation was automatically renewed for the period 2019-2021.

The receivable from the Ministry of Economic Development and to the Tuscany Region for several research projects funded by Euro 5, 725 thousand.

The various credits also include the credit accrued towards the Italian Medicines Agency (AIFA) for Euro 1,153 thousand, as a result of the contribution recognized on some research projects and of the investments made during the three-year period 2007-2009 on the Bolognana plant and for some reimbursements due on fees paid in excess.

The decrease in VAT receivables relates to the offsetting of VAT receivables and payables of the Hungarian subsidiary. Other tax debts are related to credit accrued by Kedrion on research and development activities in 2019 amounted to Euro 4,305 thousand.

6.4.16. OTHER CURRENT FINANCIAL ASSETS

(in thousands of Euro)	31.12.2019	31.12.2018
Financial Deferrals	1,228	358
Other financial assets	684	354
Other current financial assets	**1,912**	**712**

The item “Financial deferrals” refers to two FX Collar instruments that the Company has currently in place to hedge the exchange risk of an Intercompany loan outstanding towards its US subsidiary Kedrion Biopharma Inc. The transactions have a total notional amount of USD 125 million and maturing on December 31st, 2021.
The fair value of these two derivatives at 31st December 2019 was positive with a value of Euro 1,228 thousand.
The voice “other financial activities” recognizes interest accrued by the subsidiary KEDPLASMA LLC on the loan granted to Immunotek Biocenters LLC for the opening of new plasma collection centers for Euro 314 thousand, as well as the current portion of deferred bank fees paid on the lines of credit available to the parent company for Euro 358 thousand, of which usefulness will run out in future years, and other current financial assets of Euro 12thousand.

6.4.17. CASH AND CASH EQUIVALENTS

The table below provides a breakdown of the item as at 31 December 2019 and 2018:

(in thousands of Euro)	31.12.2019	31.12.2018
Bank and postal deposits	120,468	115,195
Cash at bank and on hand	1,000	1,130
Cash and cash equivalents	**121,468**	**116,325**

6.4.18. OTHER CURRENT ASSET HELD FOR SALE

On March 12, 2019, an agreement was reached for the sale to company Haema AG. The four plasma centers belonging to KEDPLASMA Gmbh with simultaneous payment of an advance of Euro 10 million. This agreement, which provides for a total amount of Euro 20.5 million, has been finalized on May 31st, 2019 with the delivery of the four centers and the collection of the balance.

6.4.19. CAPITAL AND RESERVES

Following the signing of an "Investment Agreement" on 15th November 2019, stipulated between the Company, Sestant International S.p.A, Sestant S.p.A, FSI and FSI Investimenti SGR S.p.A, the registered capital of Kedrion S.p.A is equal to Euro 60,453.90, fully paid, and is 50.27% owned by Sestant Internazionale S.p.A, 25.06% by FSI Investimenti S.p.A, 19.59% by FSI SGR S.p.A, 4.02% by Sestant S.p.A 0.56% by Refin Srl and 0.50% by PIPS Srl. All of the shares of category A assigned to Sestant Internazionale S.p.A, Sestant S.p.A, REFIN Srl and PIPS Srl, those category B shares assigned to FSI Investimenti S.p.A and those of category C assigned to FSI SGR S.p.A, have no expressed nominal value.

Changes in the Group's consolidated shareholders' equity during the year ended 31st December 2019 therefore refer to:

- the share capital increase for Euro 5,268 thousand to share capital and for Euro 59,096 thousand to share premium reserve, net of costs incurred for the transaction;
- the distribution of dividends to shareholders for Euro 5,083 thousand;
- the carrying forward of the remaining comprehensive income as at 31st December 2018;
- the change in the translation reserve for Euro 2,950 thousand;
- the reserve for hedging financial instruments entered following the stipulation of some interest rate swap contracts to hedge the interest rate risk on existing loans for Euro 58 thousand;
- the IAS 19 reserve for Euro (147) thousand.

The item "Other reserves" is composed as follows:

- the reserve of payments for future capital increase of Euro 68,883 thousand, made in 2009 by the shareholders by waiving their financial credit including interest accrued up to the effective date of the reverse merger transaction;
- the capital account reserve created in 2012 by the shareholders Sestant and Investitori Associati IV through the waiver of a financial credit for Euro 5,000 thousand;
- the consolidation reserve deriving from the contribution of Kedrion shares to the Kedrion Group;
- the merger surplus generated by the reverse merger of Kedrion Group S.p.A into Kedrion S.p.A in 2014 for Euro 23,840 thousand.

Shareholders' equity attributable to third parties, equal to Euro 5,443 thousand at 31st December 2019, relates to the minority interests, equal to 40%, held by Medici Pharma SAPI de CV in Kedrion Mexicana, equal to Euro 2,981 thousand, 49% held by FBM Farma Industria Farmaceutica LTDA in Kedrion Brasil, equal to Euro (89) thousand and 40% held by Betaphar İlaç San. ve Tic. A.Ş. following the signing of a capital increase aimed at refinancing the Company to cope with the developments of activities related to the local market, for Euro 2,551 thousand

Dividends paid and proposed

(in thousands of Euro)	31.12.2019	31.12.2018
Paid in the year	2,541	6,449
Proposed for approval by the Shareholders' Meeting (*)	0	5,083

(*) Not recognized as a liability at December 31.

In 2019, a first payment of the dividends proposed for approval at the shareholders' meeting was paid. The information relating to subsidiaries with significant minority interests is shown below:

Non-controlling interests held by minority shareholders

Company Name	Registered office	2019	2018
Kedrion Mexicana	Mexico	40%	40%
Kedrion Brasil	Brazil	49%	49%
Kedrion Betaphar	Turkey	40%	40%

The financial information of these subsidiaries is shown below. This information is based on the financial statement balances before intercompany netting.

Statement of profit or loss	Kedrion Mexicana		Kedrion Brasil		Kedrion Betaphar	
(in thousands of Euro)	2019	2018	2019	2018	2019	2018
Revenues	28,770	28,474	1,972	771	3,039	2,611
Cost of sales	(22,920)	(22,103)	(1,858)	(659)	(2,112)	(1,920)
GROSS MARGIN	**5,850**	**6,371**	**114**	**112**	**927**	**691**
Other income	0	0	3	35	1	50
General and administrative expenses	(766)	(707)	(259)	(214)	(286)	(256)
Sales and marketing expenses	(550)	(677)	(52)	0	(26)	(47)
Research and development costs	0	0	0	0	0	0
Other operating costs	(271)	(282)	(72)	0	0	0
OPERATING INCOME	**4,263**	**4,705**	**(266)**	**(67)**	**616**	**438**
Financial expenses	18	(1,021)	(228)	(62)	(406)	(700)
Financial income	799	1,491	188	61	276	438
INCOME BEFORE TAXES	**5,080**	**5,175**	**(306)**	**(68)**	**486**	**176**
Income Taxes	(1,634)	(1,577)	101	0	(116)	0
NET INCOME/(LOSS) FOR THE PERIOD	**3,446**	**3,598**	**(205)**	**(68)**	**370**	**176**
Total comprehensive income/(loss) net of taxes	**3,446**	**3,598**	**(205)**	**(68)**	**370**	**176**
Attributable to non-controlling interests	1,378	1,439	(101)	(33)	148	70
Dividends paid to non-controlling interests	201	939	0	0	0	0

Statement of financial position	Kedrion Mexicana		Kedrion Brasil		Kedrion Betaphar	
(In thousands of Euro)	2019	2018	2019	2018	2019	2018
Property, plant and equipment and other non-current financial assets	511	178	143	43	255	227
Inventories	9,928	8,165	1,428	183	300	272
Trade receivables and other assets	7,785	7,668	535	181	10,897	399
Cash and cash equivalents	2,773	1,140	294	391	1,662	1,796
Financial liabilities	(100)	0	(80)	(3)	(25)	(783)
Trade payables and other payables	(13,197)	(12,900)	(2,416)	(623)	(901)	(1,780)
Loans and financing and liabilities for deferred taxes (non-current taxes)	(231)	0	(90)	(157)	(5,809)	0
Shareholders' equity	**7,469**	**4,251**	**(186)**	**15**	**6,379**	**130**
Attributable to:						
Equity holders of the Parent	4,488	2,559	(97)	7	3,828	79
Non-controlling interests	2,981	1,693	(89)	8	2,551	51

6.4.20. MEDIUM/LONG-TERM DEBT

The item “Medium / long-term debt” includes the non-current portion (over 12 months) of bank loans, financial payables to bondholders and payables to leasing companies for the purchase of tangible assets.
The table below provides a breakdown of this item as at 31st December 2019, with a specification of the total loan and the current portion (classified in the consolidated statement of financial position under the item "current portion of medium / long-term debt"):

MEDIUM/LONG-TERM DEBT	2019		2018	
(In thousands of Euro)	31.12.2019	Of which current portion	31.12.2018	Of which current portion
Revolving Credit Facility Crèdit Agricole, Unicredit (Kedrion S.p.A.)	30,000	0	0	0
Revolving Credit Facility Mediobanca, Banca IMI and Natixis (Kedrion S.p.A.)	118,304	0	138,304	0
Loan FBM Industria Farmaceutica (Kedrion Brasil Ltda)	80	80	66	0
Kedrion Betaphar Loan	0	0	80	0
Total medium/long-term debt	**148,384**	**80**	**138,450**	**0**
Less current portion	**(80)**		0	
Non-current portion of medium/long-term debt	**148,304**		**138,450**	
Payables to leasing companies	12,533	4,888	13,910	6,761
Less current portion	(4,888)		(6,761)	
Liabilities for operating leasing IFRS 16	74,344	7,249	0	0
Less current portion	(7,249)		0	0
Net payables to leasing companies	**74,740**		**7,149**	0
Old bond (Kedrion S.p.A.)	0	0	58,154	58,154
Less current portion	**0**	**0**	(58,154)	
New bond (Kedrion S.p.A.)	346,004	0	344,527	0
Net payables to bondholders	**346,004**		**344,527**	
Total current portion		**12,217**		**64,915**
Medium/long term debt	**569,048**		**490,126**	

As at 31st December 2019, medium/long-term debt - broken down by year of maturity and after the amortized cost effect - was as follows:

Medium/Long Term Loan as at 31.12.2019					
(In thousands of Euro)	Payables to bondholders	Ministry for Education, Universities and Research (MIUR)	Payables for leased assets	Financial liabilities	Total medium/long-term debt
Within 12 months	0	0	12,137	80	12,217
Within 24 months	0	0	10,447	30,000	40,447
Within 36 months	350,000	0	9,507	118,304	477,811
Within 48 months	0	0	8,603	0	8,603
Within 60 months	0	0	10,413	0	10,413
Over 60 months	0	0	35,770	0	35,770
TOTAL LOANS	**350,000**	**0**	**86,877**	**148,384**	**585,261**
Less current portion	0	0	12,137	80	12,217
Total medium/long-term debt	**350,000**	**0**	**74,740**	**148,304**	**573,044**

The table below provides information on the loans granted to the Group:

Description	Maturity	Interest rate 31.12.2019	Balance outstanding as at 31 Dec. 2019	Due within 12 months	Due within 5 years	Due beyond 5 years
Revolving Credit Facility	31.12.2021	Euribor+2.00%	30,000	0	30,000	0
FBM Industria Farmaceutica	11.04.2020	Selic+2.00%	80	80	0	0
Revolving Credit Facility	22.04.2022	Euribor+2.25%	118,304	0	118,304	0
Bonds	12.07.2022	3%	350,000	0	350,000	0

Interest expense of approximately Euro 15,763 thousand has accrued as a result of the before reported funds and those extinguished during the year 2019.
The debt structure remained stable compared to that of 2018.
In fact, in July 2017, Kedrion S.p.A issued a new bond loan of Euro 350 million with a 5-year maturity, placed with primary international investors and listed on Irish Stock Exchange. The proceeds of the issue had been partially used to repurchase, in 2018, Euro 91 million of the remaining 149 million of the bond with a 4.625% coupon issued in 2014, the residual amount of Euro 58.204 million was repaid on 24 April 2019.
Today, the company is exposed for 34% with bank debt and for 66% with bonds.
The bank loan contracts and bond issuance to the Company require compliance with financial covenants.
Regarding the bank indebtedness, the financial covenants establish the compliance with some ratios that link the Group's net financial indebtedness with the consolidated profitability (Leverage Ratio) and consolidated profitability with financial charges (Interest Cover Ratio).
The bond issue includes the obligation for the Company to comply with certain limits of indebtedness of the Group raised by the subsidiaries that are not guarantor of the bond (i.e. Priority indebtedness) and the assumption of additional debt except under the Fixed Charge Cover Ratio.

The calculation of the financial parameters is monitored by the company on each calculation date and on 31st December 2019 these ratios prove to be respected. As agreed with the lending institutions, the calculation is performed neutralizing the application of IFRS 16. Debts on leasing companies include contracts stipulated in the year ended on 31st December 2019, for a total of Euro 5,952 thousand useful to finance the investments made. The interest rates applied on these loans are in line with the market rates. For commitments on financial risks, see note 6.6.4.
As follows, the table required by the changes provided to IAS 7 with the differences in liabilities related to the financing activity, including both cash flow and non-monetary changes:

(In thousands of Euro)	Value at 01.01.2019	Cash Flow	Interest rate change effect	Fair value variation	Capex	New lease agreements	Other non-monetary movements	Value at 31.12.2019
Bond Old	58,154	(58,204)	0	0	0	0	50	0
Bond New	344,526	0	0	0	0	0	1,478	346,004
Other medium/long term loans – IFRS 16	0	(6,237)	0	0	69,183	11,091	307	74,344
Financial lease	13,911	(7,329)	0	0	0	5,951	0	12,533
Other medium-long term loan	138,450	9,934	0	0	0	0	0	148,384
Financial short term asset and liabilities	67,289	4,080	(3,037)	(1,228)	0	0	(913)	66,191
Non current financial asset and liabilities	(9,609)	76	0	0	0	0	0	(9,533)
TOTAL LIABILITY FROM FINANCING ACTIVITY	**612,721**	**(57,680)**	**(3,037)**	**(1,228)**	**69,183**	**17,042**	**922**	**637,923**

6.4.21. FINANCIAL LIABILITIES

The item recognizes the non-current portion of the liability deriving from the fair value measurement of the hedging financial instruments entered following the stipulation of some Interest Rate Swap contracts to hedge the interest rate risk on loans of the Parent Company for Euro 396 thousand.

6.4.22. PROVISIONS FOR RISKS AND CHARGES

The table below provides a breakdown of this item and its changes as at 31st December 2019. Its use is related to the definition of an agree for a contract with a German customer of the associated Company HUMAN BioPlazma:

(In thousands of Euro)	Value at 31.12.2018	Provisions	Utilization	Value at 31.12.2019
Contractual risks for services	922	0	160	762
PROVISIONS FOR RISKS AND CHARGES	**922**	**0**	**160**	**762**

6.4.23. LIABILITIES FOR EMPLOYEE BENEFITS

As at 31 December 2019, Liabilities for employee benefits amount to Euro 6,294 thousand and are made up of the employee severance indemnity due to employees of Kedrion S.p.A, according to art. 2120 of the Italian Civil Code for Euro 3,595 and other employee benefits for the remaining amount.
The employee severance indemnity, as at the art. 2120 of the Italian Civil Code, is accounted for benefit pension plans as it is considered as a defined benefit obligation so that it has been treated in accordance with IAS 19 which requires the measurement of the related liability on the basis of actuarial techniques.
The main assumptions adopted are summarized in the following tables:

Summary of the Technical Economic Bases – financial assumptions	31.12.2019	31.12.2018
Annual discount rate	0.77%	1.57%
Annual inflation rate	1.20%	1.50%
Annual rate of Employee severance indemnity increase	2.400%	2.625%

Summary of the Technical Demographic Bases	Demographic assumptions
Death	RG48 mortality tables published by Ragioneria Generale dello Stato (Italian State General Accounting Department)
Disability	INPS (Italian National Social Security Institute) tables broken down by age and gender
Retirement	100% on reaching AGO requirements

Table showing the annual turnover frequency and TFR (employee severance indemnity) advances	31.12.2019	31.12.2018
Frequency of advances	2.00%	2.00%
Turnover Frequency	2.00%	2.00%

It should be noted that - for the actuarial calculation - a discount rate determined in relation to a basket of corporate AAA-rated bonds was used (iBoxx Corporate AA 10+ index), in accordance with the guidelines advised by the Association of Actuaries on 31 December 2019 and the reference accounting standard.
The table below shows the changes in the employee severance indemnity for the years as at 31 December 2019 and as at 31 December 2018:

(In thousands of Euro)	31.12.2019	31.12.2018
Present value of the obligation at the start of the period	3,604	3,848
Financial charge	55	52
Benefits paid	(255)	(192)
Actuarial loss (gain) recorded	191	(104)
PRESENT VALUE OF THE OBLIGATION AT THE END OF THE PERIOD	**3,595**	**3,604**

Other liabilities for employees benefit amount to Euro 2,699 thousand, and mainly consist for Euro 749 thousand, of a defined benefit plan on the Hungarian controlled HBP and for Euro 1,784 thousand form the present value of the liability recognized in relation to the 2016-2018 incentive system.

The average number of Group employees, expressed in terms of full-time equivalent staff, is shown in the following table:

Staff - FTE	31.12.2019	31.12.2018
Total FTE (emp.+ emp. leasing + temp.+ outsourcing)	2,526	2,556
- Of which employee leasing Kedrion S.p.A.	0	0
- Of which temporary workers Kedplasma LLC	1	0
- Of which temporary workers Kedrion Biopharma	23	23
- Of which outsourcing Kedrion Mexicana e Kedrion India	1	0

6.4.24. OTHER NON-CURRENT LIABILITIES

The table below provides a breakdown of this item for the years ended 31 December 20198 and 31 December 2018:

(In thousands of Euro)	31.12.2019	31.12.2018
Grant on investments	479	731
Hungary grant	3,489	3,336
Tax payables	480	999
Other liabilities	638	19
OTHER NON-CURRENT LIABILITIES	**5,086**	**5,085**

Liabilities for the investment contribution include:

- The benefit referred to in Law 488/92, the tax credit of Law 388/00 received in the past in the capital account and the credit accrued on the investments made in the 1st half of 2015 and represent the non-current portions of the same contributions of accrual for subsequent years which are recorded in the income statement on a straight-line basis over the expected useful life of the assets to which they refer;
- The residual amount of the capital contribution due on the basis of the program agreements signed with the Italian Medicines Agency represents the portion relating to future years which will be charged to the income statement based on the useful life of the investments financed. The portion booked in profit or loss statement during the year is equal to Euro 31 thousand.

The non-current portion of the capital contribution grant due on the basis of an agreement stipulated by the Hungarian subsidiary HUMAN BioPlazma with the government to finance the investments made on the production plant amounts to Euro 3,489 thousand, including a tax credit accrued on investments made by the Hungarian subsidiary HUMAN BioPlazma, which may be used to reduce 80% of tax due over a 10-year period.

The item "Tax payables" relates to the assessment with adhesion that defined the minutes of findings issued on October 3, 2016 against Kedrion S.p.A, in which the reporters had highlighted, relative to the year 2013:

- The suitability of the documentation provided in relation to the regulation of documentary charges regarding transfer prices;
- A higher taxable amount in the transactions for the purchase of plasma, both collected and intermediated, towards the German subsidiary K EDPLASMA GmbH and for the plasma fractionation operations carried out by the Hungarian subsidiary HUMAN BioPlazma Kft. For approximately Euro 2.5 million overall and a corresponding higher tax of Euro 0.8 million.

The definition has been extended to subsequent years (2014 and 2015) with a total cost of about Euro 1.9 million.

6.4.25. FINANCIAL LIABILITIES

The following table shows the details of the item in question for the years ended December 31, 2019 and December 31, 2018:

(In thousands of Euro)	31.12.2019	31.12.2018
Due to banks for advances on bills and invoices	30,452	25,145
Due to other lenders	1,513	4,902
Hedging derivatives	311	362
Non-Hedging derivatives	0	139
Payables to bondholders for interest	4,977	6,799
Current account overdrafts and cash equivalents payable on demand	40	413
Revolving credit facility (Intesa San Paolo)	30,000	30,000
Other financial payables	810	241
FINANCIAL LIABILITIES	**68,103**	**68,001**

Financial liabilities, equal to Euro 68,103 thousand, are composed of current accounts liabilities and short-term debts, as indicated in the previous table.
Payables to other lenders are represented by payables to factoring and leasing companies.
Hedging derivatives measure the fair value measurement of the liability deriving from the Interest Rate Swap contracts entered into to hedge the interest rate of the Revolving Credit Facility loan of Euro 158 million for Euro 106 thousand and on the Revolving Credit Facility of Euro 30 million for Euro 205 thousand.
Payables to bondholders relate to interest accrued on bond issued at the annual rate of 4.625% and those accrued on the new bond issued at the annual rate of 3% for a total of Euro 4,977 thousand.
The item current account overdrafts and cash equivalents payable on demand shows the accrued interest accrued at 31 December and the negative balance of some bank accounts.
The Revolving Credit Facility is a credit line granted by Intesa San Paolo for a total of Euro 30 million, which at 31 December was entirely used.
The use of the credit lines granted by the banks to the Parent Company at 31 December 2019 is equal to 39.20 % of the total credit line against 34.91% at 31 December 2018.

6.4.26. CURRENT PORTION OF MEDIUM/LONG-TERM DEBT

The table below provides a breakdown of the current portion of medium/long term debt as at 31 December 2019 and as at 31 December 2018:

(In thousands of Euro)	31.12.2019	31.12.2018
Old bond	0	58,154
Medium/long-term debt	80	0
Payables to leasing companies	12,137	6,761
CURRENT PORTION OF MEDIUM/LONG-TERM DEBT	**12,217**	**64,915**

For further details, see note 6.4.20.

6.4.27. CURRENT PROVISIONS FOR RISKS AND CHARGES

(In thousands of Euro)	Amount as at 31.12.2018	Reclassifications / Provisions	Utilization	Value as at 31.12.2019
Legal disputes	1,450	1,407	1,177	1,680
TOTAL	**1450**	**1407**	**1,177**	**1,680**

The utilization of the period related to a transaction with Biotest for some contractual non-compliances, raised by the German company referring to the supply of intermediates produced in the Godollo plant, as well as to the provision to cover the breach of the limit of hospital expenses charged to pharmaceutical companies for 2017.
The provision refers to an ongoing transaction with Biotest for certain contractual breaches raised by the German company relating to the supply of intermediate products at the Godollo plant for Euro 600 thousand, to the tax dispute between the subsidiary Kedrion Biopharma Inc. and the State of California for Euro 357 thousand and to the provision to cover the breach of the limit of hospital expenses borne by the pharmaceutical companies for the year 2018 for Euro 450 thousand.

6.4.28. TRADE PAYABLES

The table below provides a breakdown of trade payables as at 31 December 2019 and as at 31 December 2018:

(In thousands of Euro)	31.12.2019	31.12.2018
Italian suppliers	41,765	36,494
Foreign suppliers	111,737	120,920
Invoices to be received	23,048	18,505
Advances to suppliers	(142)	(4,677)
Credit notes to be received	(1,253)	(283)
TRADE PAYABLES	**175,155**	**170,959**

Trade payables do not generate interest and are mainly settled at 60-90 days. This value includes the payables relating to the normal business activities of the group companies, in particular the purchase of raw materials, components, services and external processes.
The increase in the item is mainly due to the increase of plasma purchases.

6.4.29. CONTRACTUAL LIABILITIES

(In thousands of Euro)	31.12.2019	31.12.2018
Contractual liabilities	12,782	0
CONTRACTUAL LIABILITIES	**12,782**	**0**

Contractual liabilities are comprehensive of the customers prepayments for future plasma deliveries and of future refunds derived from contractually agreed rights of return.

6.4.30. CURRENT TAX PAYABLES

The balance of Euro 6,325 thousand as at 31 December 2019 represents mainly the payable for current income taxes of foreign companies, in particular of KEDPLASMA Gmbh for Euro 5,808 thousand, of Kedrion Mexicana for Euro 103 thousand and of Kedrion Betaphar for Euro 110 thousand, which breaks down as follows:

(In thousands of Euro)	31.12.2019	31.12.2018
IRES	0	0
IRAP	199	41
Other current taxes relating to foreign companies	6,126	702
Current tax payables	**6,325**	**743**

6.4.31. OTHER CURRENT LIABILITIES

Details of the other current liabilities at December 31, 2019 and December 31, 2019 are shown below:

(In thousands of Euro)	31.12.2019	31.12.2018
Social security payables	7,608	7,533
Payables to employees and collaborators	14,878	13,670
Payables to Shareholders for dividends	2,541	440
Other payables	1,917	5,523
Accrued expenses	477	768
Grant on investments	260	315
Hungary grant - current portion	309	612
IVA	1,351	14,709
Withholding tax	4,658	4,062
Other current liabilities	**33,999**	**47,632**

Social security payables primary refers to contributions on salaries for December and the fourteenth month salary, allocations for leave not taken, company bonuses and accrued retirement incentives.
Payables to employees include salaries for the month of December, accrued employee severance indemnity for employees who have ceased employment as at 31 December, including any retirement incentive, fourteen month salary and leave accrued not taken.

The Other payables item mainly includes the following items:

- The debt relating to a tax imposed by the Romanian authorities on sales in this market for Euro 1,030 thousand;
- The current portion of the debt relating to the definition of the assessment report issued on 3 October 2016 for Euro 442 thousand.
- The debt to the shareholder Sestant S.p.A for the taxes transferred following adhesion to the tax consolidation for Euro 63 thousand;

  The decrease of VAT debt is a result of the compensation between debt and credit of the Hungarian subsidiary Human Bioplazma for a better representation.

Payables for the capital grant contribution and tax credit of Law 488/92 and Law 388/00 and the subsidy on investments made in the first half of 2015 relate to the shares of the same contributions for the next twelve months that they are recorded in the income statement on a straight-line basis over the expected useful life of the assets to which they refer.
The payable to the Tax Authorities for taxes purposes mainly refers to the withholding taxes related to the wages of the months of November and December and to the thirteenth month.

6.5. COMMENT ON THE MAIN ITEMS OF THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

6.5.1. REVENUES

In the financial years ended on 31 December 2019, revenues from contracts with costumers amount to Euro 808,209 thousand. They break down as follows:

	31 December 19				
REVENUES (In thousands of Euro)	**Plasma derivates**	**Plasma**	**Other activities**	**Eliminations**	**Consolidated statement**
Type of goods and services					
Plasma derivates	577,458				577,458
Plasma		362,134		(152,500)	209,634
Other			21,117		21,117
Total revenues	**577,458**	**362,134**	**21,117**	**(152,500)**	**808,209**
Geographical area					
US	209,383	210,202	3,024	(70,768)	351,841
Italy	146,286	55,097	13,546	(55,097)	159,832
Rest of the World	160,514	41,269	4		201,787
European Union	61,275	55,566	4,543	(26,635)	94,749
Total revenues	**577,458**	**362,134**	**21,117**	**(152,500)**	**808,209**
Timing of revenue recognition					
Goods transferred at a certain time	458,031	362,134	13,550	(152,500)	681,215
Services transferred over a specified period of time	119,427		7,567		126,994
Total revenues	**577,458**	**362,134**	**21,117**	**(152,500)**	**808,209**

The Group operates in three business sectors:

- *Production and sale of plasma derivatives*, i.e. proteins extracted from human plasma such as albumin, standard and specific immunoglobulins, and coagulating factors;
- *Collection and sale of plasma* collected at the centers owned by the Group;
- *Other activities* including the marketing of synthetic products and toll manufacturing.

An analysis of revenues by business segment for the year ended 31 December 2019 is provided below:

"PRODUCTION AND SALE OF PLASMA DERIVATIVES" SEGMENT

Revenues in the segment of production and distribution of plasma derivatives products as at 31 December 2019 amounted to Euro 577.5 million (71.5 % of total revenues), an increase of about 12.4% mainly linked to the increase in volumes sold of immunoglobulin standard, albumin, factor VIII and anti-rabies immunoglobulin, as well as the rise in prices for standard immunoglobulin. The US plasma-derivatives market increased by about 28 % compared to the previous year thanks to the development of standard and anti-rabies immunoglobulin, and other important markets are growing, driven by Turkey, India, Austria, Poland and Russia; within this segment, the US market maintains its leadership over the Italian market, followed by Turkey, Mexico and Germany.
Moreover, in 2019, there is a reduction of the weight of this segment contracted to about 71.5 % following the strong growth of the plasma segment.

"COLLECTION AND SALE OF PLASMA" SEGMENT

Revenues in plasma collection and marketing segment as at 31 December 2019 amounted to Euro 209.6 million, an increase of 35.2 % compared to the previous year. This excellent performance was made possible by the increase in the volumes of plasma available, both purchased from third parties and generated by a growing collection of US and European owned centers (managed by the Plasma Business unit to which KEDPLASMA LLC belongs, KEDPLASMA GmbH and the plasma division within the Hungarian company HUMAN Bioplazma Kft.) the number of which, despite the sale of 4 German centers during 2019, increased thanks to the purchase / start-up of another 6 owned centers in the United States .

"OTHER ACTIVITIES" SEGMENT

At 31 December, revenues from this segment amounted to Euro 21.1 million and reflect the sale of synthetic products and contract manufacturing.
One of the synthetic products is Nuwiq, the recombinant factor VIII obtained in exclusive distribution for Italy by Octapharma with a ten-year agreement. The turnover of this product during this year was Euro 11.6 million, a slight decrease compared to 2018 due to the arrival on the market of Hemlibra which also negatively impacted the recombinant products.
During 2019, the sale of CERUS products also continued, whose exclusive distribution in Italy since 2017 is related to biomedical products used for the viral inactivation of platelets and human plasma: the activity was launched both for the commercial synergy with the current Kedrion's positioning in the plasma derivatives sector and for the possible development of the red cell inactivation segment for transfusion use for which CERUS plans to obtain authorization in the coming years. In 2019 the sale of CERUS products generated revenues of Euro 1.5 million compared to Euro 1.6 million in 2018.
The contract manufacturing done at the company's Melville and Godollo for some operators, is Euro 7.6 million versus Euro 4.8 million in 2018: the main increase of this segment is attributable to greater activity of the Melville plant after the restarting of the previous year.

6.5.2. COST OF SALES

The item breaks down as follows:

	Period ended at 31 December	
(In thousands of Euro)	2019	2018
Consumption of raw materials, accessories and consumables	426,367	321,692
Outsourced processing	21,903	33,659
Service costs	49,186	67,295
Labor costs and related charges	88,493	80,052
Amortization and depreciation	26,059	15,784
TOTAL COST OF SALES	**612,008**	**518,482**

The cost of sales for financial year 2019, amounts to Euro 612,008 thousand, with a percentage on revenues of 75.7% compared to 75.4% of 2018, remaining stable in percentage terms. The increase of plasma price has been only partially mitigated by the utilization of plasma collected internally. However, compared to last year, the recovery of production in the Melville plant led to a reduction in the unabsorbed plant costs, even if it is not at full capacity

The item “consumption of raw materials, accessories and consumables” includes the cost of plasma and all the materials used during the production process.

The costs for outsourced processing are attributable to the purification and packaging activities carried out at external plants and refer mainly to the Melville plant.

The costs for services refer to maintenance on plants and other third parties’ services relating to production sites.

Non-recurring transactions relating to the cost of sales amounted to Euro 42.5 million and relate to costs not absorbed by the production of the Melville plant. For more details, see note 6.5.11.

6.5.3. OTHER INCOME

The item is composed as follow:

	Period ended at 31 December	
(In thousands of Euro)	2019	2018
Recovery of expenses	331	967
Capital gains plasma center’s sale	18,867	28,451
Early termination penalty Biotest distribution agreement	454	470
Insurance refunds	3,917	2,242
Operating grants	335	356
Plant and machinery grants	1,494	885
Utilization of provisions	545	177
Services	12,067	1,600
Others	11,459	2,346
OTHER INCOME	**49,469**	**37,494**

Other income shows a significant increment, mainly due to the reimbursement from a vendor for missed plasma supplies for Euro 10,709 thousand, of which approximately Euro 1.3 million are considered non-recurring as they refer to prior years, as well as to the increased cost of internal work capitalized for Euro 12,067, compared to Euro 1,600 of the previous year, related to the inventories produced for the development of KIG10, partly cleansed by the lower capital gain realized through the sale of four plasma collection centers Germans compared to the gain on the sale of US centers realized in the previous year.
The items insurance costs recoveries and insurance reimbursements relate to reimbursements and recovery of expenses obtained from suppliers and customers and to reimbursements on claims involving finished and intermediate products and reimbursement for a study on the safety of the Rhogam product supported by the subsidiary Kedrion Biopharma Inc. for Euro 447 thousand.
Grants related to the year refer to the quota for the year relating to research projects partly financed by the Ministry of University and Research and the Tuscany Region.
Plant grants refer to the amount pertaining to the year of grants paid pursuant to Law 488/92, Law 388/00 and the contribution paid by AIFA in the Program Agreements and the investment contribution of 2015 according to the DL 91/2014.
The item "other" mainly refers to research services carried out on behalf of a third-party US company for Euro 268 thousand, transport costs recognized by customers and for the residual to occurrence income relating to insurance reimbursements relating to claims that occurred in previous years.
The sale of four centers Germans was completed in May 2019 and for a sell price of Euro 20.5 million compared with a value of assets disposed of about Euro 1.7 million, generating a per capital gain of about Euro 18.9 million.
According to the directors, these operations should be seen in the ordinary optimization of the Group's procurement management, within which the excess capacity of collection and/or purchase of plasma is managed through the sale to third parties of plasma or, directly from the centers that are less responsive to the Group's strategic objectives. Consistent with this assessment, the transaction, although it has had a significant effect on the result of the year, is not considered non-recurring and in the cash flow statement the originated that were classified among those generated by operating activities.

6.5.4. GENERAL AND ADMINISTRATIVE EXPENSES

The item breaks down as follows:

	Period ended at 31 December	
(In thousands of Euro)	**2019**	**2018**
Labor cost and related charges	32,130	28,755
Taxes and duties (excluding income tax)	1,579	1,375
Legal and administrative services	11,669	12,863
Directors' and Auditors' fees and expenses	1,661	2,616
Amortization and depreciation	10,095	6,961
General and administrative insurance	3,643	3,237
Data processing expenses	2,588	2,937
Telephone and postal charges	1,943	1,651
Rentals and operating leases	629	3,492
Outsourcing	5,778	5,489
Provisions	504	1,718
Other services and general and administrative costs	12,921	12,565
Total general and administrative expense	**85,140**	**83,659**

The increase in general and administrative costs is mainly due to the increase in amortization and depreciation in application of IFRS 16 and to labor costs, partially mitigated by a reduction in consultancy costs.
Provisions for the period relate to the loss in value of trade receivables estimated in application of the accounting standard IFRS 9 and to the provision for risks due to a dispute raised by a commercial partner.
The item other services and general costs includes, among other things, cleaning costs, car rental costs and membership fees to sector organizations.
Non-recurring transactions relating to general and administrative expenses amount to Euro 4,513 thousand. For more details, see note 6.5.11.

6.5.5. SALES AND MARKETING EXPENSES

The item breaks down as follows:

	Period ended at 31 December	
(In thousands of Euro)	2019	2018
Labor cost and related charges	17,317	16,553
Consultancy	3,394	3,855
Commissions	7,016	3,075
Convention and conference costs	1,693	1,901
Advertising costs	3,041	4,109
Amortization and depreciation	705	135
Other	21,875	16,686
Total sales and marketing expenses	**55,041**	**46,314**

Commissions, mainly due to marketing expenses, increased in 2019 following the increase in commissions paid to US buying groups.
The item " others " includes expenses for market research, transport costs on sales and annual fees for membership in sector associations.
Non-recurring transactions relating to commercial and marketing expenses amount to Euro 262 thousand. For more details, see note 6.5.11.

6.5.6. RESEARCH AND DEVELOPMENT COSTS

The item breaks down as follows:

	Period ended at 31 December	
(In thousands of Euro)	2019	2018
Labor cost and related charges	10,744	17,814
Consultancy	2,291	6,404
Clinical trials	6,254	1,672
Amortization and depreciation	4,174	3,248
Other	13,242	18,989
Total research and development costs	**36,705**	**48,127**

The decrease in research costs is attributable to the capitalization of the development costs of the KIG10 product, following the completion, at the end of November, of the enrollment of all patients for the clinical study authorized by the FDA in January 2019.
The item “other” includes costs for the purchase of materials for clinical trials and services from third parties, as well as costs incurred for the development of the US collection centers.
For more details, please refer to the management report on ongoing research projects.
Non-recurring operations relating to research and development expenses amount to Euro 1,695 thousand. For more details, see note 6.5.11.

6.5.7. OTHER OPERATING COSTS

The item breaks down as follows:

	Period ended at 31 December	
(In thousands of Euro)	**2019**	**2018**
Labor cost and related charges	3,709	3,462
Consultancy	889	935
Amortization and depreciation	244	167
Product registration fees	2,885	2,744
Other	675	978
Total other operating costs	**8,402**	**8,286**

Other operating costs mainly regard the costs incurred by the Group to maintain product registrations in Italy and abroad. The cost has remained substantially unchanged compared to the previous year.

EXPENSES BREAKDOWN BY TYPE AND BY FUNCTION

	Period ended at 31 December	
(in thousands of Euro)	**2019**	**2018**
Purchases	411,621	384,413
Change in inventories	21,847	(57,676)
Services	153,340	161,569
Amortization and depreciation	41,277	26,295
Labor cost	152,393	146,636
Use of third party assets	5,692	15,204
Provisions for risks	504	1,710
Other costs	10,622	26,717
Total costs by type	**797,296**	**704,868**

The use of third party assets includes the costs for leasing contracts for which the underlying asset is configured as a "low value asset", contracts that expire within 12 months from the transition date or in any case less than 12 months, "short term lease ”, and the costs for services attached to leases for which IFRS 16 was applied for the leasing portion of the asset.

(In thousands of Euro)	Period ended at 31 December 2019	2018
Cost of sales	612,008	518,482
General and administrative expenses	85,140	83,659
Sales and marketing expenses	55,041	46,314
Research and development costs	36,705	48,127
Other operating costs	8,402	8,286
Total costs by function	**797,296**	**704,868**

6.5.8. FINANCIAL EXPENSES

The table below provides a breakdown of financial expenses as at 31 December 2019 and as at 31 December 2018:

(In thousands of Euro)	Period ended at 31 December 2019	2018
Bank interest expense	5,426	3,078
Interest due to bondholders	11,370	13,192
Other interest expense	494	514
Net actuarial interest	1,940	1,988
Financial expenses on derivatives	127	88
Financial expenses on leasing contracts	1,040	489
Other	5,487	2,933
Realized exchange losses	9,965	5,396
Total financial expenses	**35,849**	**27,678**

Financial expenses were mainly generated from the medium-long term financing including bonds granted to the Group and described in note 6.4.20. The increase is mainly due to the fluctuation of the currencies which generated realized and unrealized losses on exchange rates equal to Euro 10 million, with a worsening in financial charges of approximately Euro 4.6 million compared to 2018, and to the increase in interest expense deriving from the application of IFRS 16.

6.5.9. FINANCIAL INCOME

The item breaks down as follows:

(In thousands of Euro)	Period ended at 31 December 2019	2018
Interest income	772	501
Financial income on derivatives	1,228	165
Realized exchange gains	15,596	14,721
Total financial income	**17,596**	**15,387**

The relevant increase in financial income is mainly due to the currency fluctuation.

6.5.10. INCOME TAXES

Income taxes at 31 December 2019 amount to Euro 3,963 thousand and are broken down as follows

	Period ended at 31 December	
(In thousands of Euro)	2019	2018
Current taxes	8,834	6,340
Deferred taxes	(1,148)	(5,189)
Income / charges from fiscal consolidation	0	(356)
Tax credits	(4,306)	(4,629)
Taxes of previous years	583	467
Income taxes	**3,963**	**(3,367)**

The result before income taxes, the provision for income taxes for the years ended 31 December 2019 and 2018 and the reconciliation between the theoretical and effective tax rates resulting from the consolidated financial statements are shown in the following table:

	Period ended at 31 December	
(In thousands of Euro)	2019	2018
Income before taxes	42,129	8,274
IRES tax rate for the year	24%	24%
Theoretical tax burden	**10,111**	**1,986**
IRAP	199	1,182
Non-deductible costs	918	1,117
Off-balance sheet tax deductions	(5,000)	(2,119)
Tax credit on non-deductible foreign dividends	0	125
Tax credit on investments and research	(4,306)	(4,629)
Effect of different theoretical tax rates for foreign subsidiaries	2,041	(1,029)
Total differences	**(6,148)**	**(5,353)**
Total income tax charged to the statement of profit or loss	**3,963**	**(3,367)**
Effective Tax rate	**9%**	**(41%)**

6.5.11. SIGNIFICANT NON-RECURRING, UNUSUAL AND ATYPICAL TRANSACTIONS

During 2019, non-recurring costs and revenue items according to Consob resolution no. 15519 of 27 July 2006, which defines them as "income components (positive and / or negative) deriving from events or operation whose occurrence is non-recurring, as well as from those operations or events that do not occur frequently in the usual course of business" are equal to Euro 46.7 million and are detailed as follows:

(In thousands of Euro)	Cost of Sales	Other Income	General and administrative expenses	Marketing and sales cost	Research and development cost	Other operating cost	TOTAL	Of which with effect on EBITDA
Refitting Melville plant	31,379	(447)	0	0	931	0	**31,863**	**30,451**
Transactions and contractual penalties	9,339	(1,824)	1,665	262	516	0	**9,959**	**9,959**
Extraordinary incentives related to ongoing projects	0	0	1,446	0	0	0	**1,446**	**1,446**
Non recurrent donations	1,816	0	396	0	235	0	**2,447**	**2,447**
Strategic consulting	0	0	1,006	0	13	0	**1,018**	**1,018**
TOTAL	**42,534**	**(2,270)**	**4,513**	**262**	**1,695**	**0**	**46,733**	**45,321**

We summarize below the nature of the cost and revenue items considered non-recurring:

- Activities of the Melville plant that, in 2019 found only a partial correspondence in production as the fractionation line worked at around 50% of its capacity, while the new production line dedicated to RhoGAM began operating during the year but at the moment still limited only to filling. The unabsorbed costs were equal to Euro 20.5 million, the devaluation of finished products purchased during the refitting phase of the plant to create a safety stock (which proved to be in excess compared to the current market dynamics), which are today expired, are equal to Euro 10.0 million and depreciation for Euro 1.4 million, with a total amount of Euro 31.9 million;
- Legal transactions and litigation mainly represented by the passive legal transaction with Grifols SA for some contractual non-compliances of Kedrion Biopharma Inc. related to the supply of intermediates produced in Melville in the period before the refitting of the plant (net amount equal to Euro 8.2 million), as well as by the costs incurred for the positive verification of compliance with the pricing rules in the US (Euro 0.9 million), by the costs incurred for a dispute with a distributor for the delay in starting the serialization (Euro 0.9 million), by the costs related to a dispute with the owner of the property of a plasma collection center of KEDPLASMA LLC seriously damaged by works commissioned by the owner himself (Euro 0.3 million), by the legal costs incurred in the various appeals raised on the award of the tenders for the contract manufacturing of Italian plasma (Euro 0.1 million), by the partial write-off of some foreign receivables (Euro 0.8 million) linked to country risk and ongoing disputes that do not allow the recovery of the amounts in clear times; finally, with a positive note, an active transaction for the non-compliance of some contractual conditions relating to previous years by a plasma supplier (Euro 1.8 million);
- Strategic consultancy referred to corporate restructuring operations linked to the entry of a new shareholder and revision of the organizational structure of some functions with the objective of an ever more efficiency for a total of Euro 1.4 million;
- Non-recurring incentives to employees for a total value of Euro 1.0 million;
- Discontinued operations i.e. cost related to the Siena plant closure, the sale of the plasma division in Germany and a production line no longer active for a total of Euro 1.8 million.

6.6. **OTHER INFORMATION**

6.6.1. OPERATING SEGMENTS

The Group provides information on the basis of its operating segments. An operating segment is based on the Group's management structure and internal reporting system. Segment results include elements

attributable directly to a sector and through the reasonable allocation for costs common to several segments. Revenues, costs and segment results include transfers between segments. These transactions are eliminated at the consolidation stage. Intercompany sale prices are established in a manner similar to transactions with third parties. The Group also provides information on geographical areas.
The Group operates in three operating segments:

- The main segment refers to the production and marketing of plasma derivatives, in particular medicines containing proteins extracted from human plasma such as albumin, standard and specific immunoglobulins, and coagulating factors;
- The collection and marketing of plasma collected at the centers owned by the Kedrion Group;
- Other activities including the toll-manufacturing for intermediates and other products and the marketing of other pharmaceutical specialties including recombinant factor VIII, benefiting from the strong positioning of the Kedrion distribution network.

The Group operates worldwide, segmenting its markets into four geographical macro areas: “Italy”, “European Union”, “U.S.A.” and “Rest of the World”.
Sales to foreign customers are based on the geographical location of the customers.
Inter-segment revenues of the segment "Plasma" are realized with the segment "Plasma derivatives".

Information on the operating segments as at 31st December 2018 and 2019 is provided below:

	Period ended at 31.12.2018				
(In thousands of Euro)	Plasma derivatives	Plasma	Other activities	Eliminations	Consolidated
Revenues from third parties	513,920	155,110	18,909	0	687,939
Inter-segment revenues		162,948	0	(162,948)	0
TOTAL REVENUES	**513,920**	**318,058**	**18,909**	**(162,948)**	**687,939**
COST OF SALES	**380,011**	**288,061**	**13,359**	**(162,948)**	**518,482**
GROSS MARGIN	**133,909**	**29,997**	**5,551**		**169,457**
% OF REVENUES	**26.1%**	**19.3%**	**29.4%**		**24.6%**
Other income	9,043	28,451	0	0	37,494
Operating costs					186,386
OPERATING INCOME					**20,565**
Net financial expenses					12,291
INCOME BEFORE TAXES					**8,274**
Income taxes					(3,367)
GROUP INCOME					**11,641**

(In thousands of Euro)	Plasma derivatives	Plasma	Other activities	Eliminations	Consolidated
	Period ended at 31.12.2019				
Revenues from third parties	577,458	209,633	21,117		808,209
Inter-segment revenues		143,910		(143,910)	0
TOTAL REVENUES	**577,458**	**353,543**	**21,117**	**(143,910)**	**808,209**
COST OF SALES	**421,297**	**318,650**	**15,971**	**(143,910)**	612,008
GROSS MARGIN	**156,161**	**34,893**	**5,146**	**0**	**196,201**
% OF REVENUES	**27.04%**	**9.87%**	**24.37%**		**24.28%**
Other income	30,669	18,800			49,469
Operating costs					185,288
OPERATING INCOME					**60,382**
Net financial expenses					18,253
INCOME BEFORE TAXES					**42,129**
Income taxes					3,963
GROUP INCOME					**38,166**

(In thousands of Euro)	Plasma derivatives	Plasma	Other activities	Unallocated	Consolidated
	Assets and liabilities as at 31 December 2018				
Operating assets	868,275	160,430	23,438	190,736	1,242,879
Liabilities from operations allocated to segments	87,337	79,912	3,711	688,418	859,376
Other segment reporting as at 31 December 2018:					
Investments in intangible assets	325	44,226			44,551
Investments in property, plant and equipment allocated to segments	20,385	2,451			22,836
Amortization/depreciation of intangible and tangible assets allocated to segments	13,954	1,830			15,784

Assets and liabilities as at 31 December 2019					
(In thousands of Euro)	Plasma derivatives	Plasma	Other activities	Unallocated	Consolidated
Operating assets	401,789	39,184	13,536	923,413	1,377,922
Liabilities from operations allocated to segments	101,465	70,301	3,389	716,692	891,847
Other segment reporting as at 31 December 2019:					
Investments in intangible assets	243	21,584			21,827
Investments in property, plant and equipment allocated to segments	24,617	1,516			26,134
Investments in rights of use	958	11,764			12,722
Amortization of intangibles and tangibles allocated to segments	19,137	6,922	26,059		

6.6.2. RELATED PARTY TRANSACTIONS

The following tables provide details of economic and financial transactions with related parties, for the periods ended at December 31, 2018 and 2019. The companies indicated were identified as related parties given their direct or indirect relationship to the majority shareholders.

	Period Ended at 31.12.2018						
(In thousands of Euro)	Revenues	Cost of Sales	G&A	S&A	R&D	Other operating costs	Financial (expense) / income
Il Ciocco S.p.A.	0	92	295	42	10	6	0
Nuovi Orizzonti Srl	0	0	0	0	0	0	0
Shaner Ciocco S.r.l.	1	3	60	41	5	8	0
Ancora S.r.l.	0	0	68	0	3	68	0
San Quirico S.r.l.	0	0	96	0	0	0	0
Borgo Ai Conti Srl	0	0	75	0	0	0	0
Tissuelab Srl	7,598	0	0	609	0	0	0
Idrotherm 2000 Srl	0	0	0	0	7	0	0
Fondazione Campus	0	4	535	55	10	7	0
Il Ciocco International Travel Service S.r.l.	0	0	1,103	0	0	0	0
Fondo Strategico Italiano S.p.A.	0	0	26	0	0	0	0
Maggio Re S.r.l.	0	0	824	115	196	120	0
Tecno Costruzioni S.r.l.	0	271	5	0	0	0	0
Tecno Immobiliare S.r.l.	0	73	31	0	0	84	0
Validations and Technical Serv. S.r.l.	0	764	55	0	466	0	0
VTS USA inc.	0	20	0	0	0	0	0
Sestant S.p.A.	0	0	0	0	0	0	0
G.P.S. S.r.l.	0	2,139	693	34	90	76	0

Ai Piani S.r.l.	0	0	7	0	0	0	0
Paola Pardini	0	0	63	0	0	0	0
Refin srl	0	0	240	0	0	0	0
Remo Grassi	0	0	153	0	0	0	0
Entegrion Inc.	494	0	0	0	0	0	0
TOTAL	**8,094**	**3,364**	**4,329**	**896**	**787**	**369**	**0**
Group Total	**687,939**	**518,482**	**83,659**	**46,314**	**48,127**	**8,286**	**(12,291)**
% incidence	**1.2%**	**0.6%**	**5.2%**	**1.9%**	**1.6%**	**4.4%**	**0.0%**

Period Ended at 31.12.2019

(In thousands of Euro)	Revenues	Cost of Sales	G&A	S&A	R&D	Other operating costs	Financial (expense) / income
Il Ciocco S.p.A.	0	340	489	65	71	15	0
Shaner Ciocco S.r.l.	0	1	59	87	3	0	0
Ancora S.r.l.	0	0	33	0	30	61	0
San Quirico S.r.l.	0	0	96	0	0	0	0
Borgo Ai Conti Srl	0	0	90	0	30	0	0
Tissuelab Srl	8,549	0	0	586	0	0	0
Idrotherm 2000 Srl	0	0	12	0	0	0	0
Fondazione Campus	0	0	457	49	0	0	0
Il Ciocco International Travel Service S.r.l.	0	0	1,070	0	0	0	0
Fondo Strategico Italiano S.p.A.	0	0	100	0	0	0	0
CDP Equity S.p.A	0	0	55	0	0	0	0
Maggio Re S.r.l.	0	0	770	219	129	95	0
Tecno Costruzioni S.r.l.	0	114	7	0	7	0	0
Tecno Immobiliare S.r.l.	0	108	108	18	13	0	0
Validations and Technical Serv. S.r.l.	0	1,313	92	0	367	0	0
VTS USA inc.	0	81	0	0	0	0	0
Sestant S.p.A.	0	0	0	0	0	0	0
Sestant Investimenti Srl	0	0	13	0	0	0	0
G.P.S. S.r.l.	0	1,915	631	39	43	33	0
Paola Pardini	0	0	70	0	0	0	0
Refin srl	0	0	240	0	0	0	0
Remo Grassi	0	0	262	0	0	0	0
Entegrion Inc.	268	0	0	0	0	0	0
Boldshield Limited	0	0	60	0	0	0	0
TOTAL	**8,818**	**3,871**	**4,714**	**1,063**	**694**	**204**	**0**
Group Total	**808,209**	**612,008**	**85,140**	**55,041**	**36,705**	**8,402**	**(18,253)**
% incidence	**1.1%**	**0.6%**	**5.5%**	**1.9%**	**1.9%**	**2.4%**	**0.0%**

	31.12.2018				
(In thousands of Euro)	Financial receivables	Receivables	Borrowings	Payables	CAPEX
Il Ciocco S.p.A.	120	0	0	95	0
Nuovi Orizzonti Srl	0	0	0	0	0
Shaner Ciocco S.r.l.	0	1	0	17	0
Ancora S.r.l.	0	0	0	0	0
San Quirico Srl	0	0	0	0	0
Borgo Ai Conti Srl	0	0	0	0	0
Tissuelab Srl	0	3,745	0	380	200
Idrotherm 2000 Srl	0	0	0	5	0
Fondazione Campus	0	0	0	284	0
Il Ciocco International Travel Service S.r.l.	0	0	0	211	0
Fondo Strategico Italiano S.p.A.	0	0	0	8	0
Maggio Re S.r.l.	65	0	0	0	4
Tecno Costruzioni S.r.l.	1	0	0	134	281
Tecno Immobiliare S.r.l.	56	0	0	0	0
Validations and Technical Serv. S.r.l.	0	0	0	452	587
VTS USA inc.	0	0	0	0	0
Sestant S.p.A.	0	6,409	0	2,580	0
G.P.S. S.r.l.	0	0	0	460	0
Ai Piani S.r.l.	3	0	0	0	0
Paola Pardini	11	0	0	0	0
Refin srl	0	0	0	107	0
Remo Grassi	0	0	0	0	0
Entegrion Inc.	0	288	0	0	0
TOTAL	**257**	**10,444**	**0**	**4,734**	**1,072**
Group Total	**10,837**	**106,154**	**623,558**	**170,959**	**349,368**
% incidence	**2.4%**	**9.8%**	**0.0%**	**2.8%**	**0.3%**

	31.12.2019				
(In thousands of Euro)	Financial receivables	Receivables	Borrowings	Payables	CAPEX
Il Ciocco S.p.A.	120	1	0	624	0
Shaner Ciocco S.r.l.	0	0	0	14	0
Ancora S.r.l.	0	0	0	0	0
Borgo Ai Conti Srl	0	0	0	0	0
Tissuelab Srl	0	5,262	0	110	0
Idrotherm 2000 Srl	0	0	0	6	0
Fondazione Campus	0	0	0	233	0
Il Ciocco International Travel Service S.r.l.	0	0	0	378	0
Fondo Strategico Italiano S.p.A.	0	0	0	0	0
CDP Equity S.p.A	0	0	0	0	0
Maggio Re S.r.l.	65	0	0	0	0
Tecno Costruzioni S.r.l.	1	0	0	112	271
Tecno Immobiliare S.r.l.	60	0	0	0	0
Validations and Technical Serv. S.r.l.	0	0	0	676	929
Sestant S.p.A.	0	7,143	0	63	0
Sestant Investimenti Srl	0	0	0	16	0
G.P.S. S.r.l.	0	0	0	320	0
Ai Piani S.r.l.	3	0	0	0	0
Paola Pardini	11	0	0	0	0
Refin srl	0	0	0	100	0
Remo Grassi	0	0	0	153	0
Entegrion Inc.	0	(304)	0	0	0
Boldshield Limited	0	0	0	54	0
TOTAL	**260**	**12,102**	**0**	**2,860**	**1,199**
Group Total	**11,841**	**123,169**	**649,764**	**175,155**	**88,088**
% incidence	**2.2%**	**9.8%**	**0.0%**	**1.6%**	**1.4%**

In particular, for the end of the financial year 2019, the details relating to each related party:

- Il Ciocco: costs mainly relate to property leases for Euro 20 thousand, electricity supplies for Euro 98 thousand and natural gas for Euro 53 thousand, security and porter services for Euro 236 thousand, canteen service for Euro 158 thousand and cleaning service for Euro 332 thousand. Payables are commercial in nature and refer to the services previously indicated.
- Shaner Ciocco: costs are mainly relative to Euro 116 thousand for hotel and entertainment expenses. Payables are commercial in nature and refer to the services indicated above.

- Ancora: the costs relate to the rent for an office building in Rome for Euro 124 thousand.
- Borgo Ai Conti: the costs relate to the rents for an office building in Lucca for Euro 90 thousand.
- Tissuelab: revenues of Euro 8,549 thousand refer to the sale of products intended for the retail market; The service costs are relative to the marketing and distribution of recombinant Factor VIII for Euro 586 thousand.
- Idrotherm 2000: security expenses for Euro 12 thousand.
- Fondazione Campus Studi del Mediterraneo: costs related to training courses for managers and middle managers of Kedrion S.p.A, consulting, translations and language courses for Euro 506 thousand. Payables are commercial in nature and refer to the services indicated above.
- Il Ciocco International Travel Service: costs mainly relate to helicopter transport services for about Euro 790 thousand, and to hotel booking services, as well as to transfers for a total of Euro 250 thousand, and to the management of the car park and rental for Euro 31 thousand. Payables are of commercial nature and refer to the services indicated above.
- FSI S.p.A: costs relate to fees paid to directors.
- CDP Equity S.p.A: costs relate to fees paid to directors.
- Maggio Re Srl: these relate to rentals for Euro 1, 212 thousand for renting some office buildings.
- Tecno Costruzioni Srl: costs related to carrying out building works, maintenance facilities for Euro 128 thousand and Euro 281 thousand for investments.
- Tecno Immobiliare SrL: costs relating to the leasing of properties for Euro 247 thousand.
- VTS Srl: the costs for Euro 1,772 thousand relate to the homologations and validations, maintenance of the plants.
- VTS USA Inc: costs related to approvals and validations carried out at US plasma collection centers for Euro 80 thousand.
- Sestant: payables and receivables refer to the transfer of the IRES debt and tax credits following the adoption of Tax Consolidation Financial Statements;
- Sestant Investimenti: costs and debts refer to a telecommunication service;
- GPS Srl: costs are mainly related to consulting services and telecommunication for Euro 67 million, cleaning fee for Euro 1,516 thousand, food service for Euro 906 thousand, fuel services for Euro 19 thousand, porterage for Euro 108 thousand.
- Ai Piani: credits related for a security deposit on a lease contract now closed.
- Paola Pardini: costs related to rent of buildings for Euro 70 thousand.
- Refin: costs are mainly related to consultancy for Euro 240 thousand;
- Remo Grassi: costs refer to consultancy services for Euro 262 thousand.
- Entegrion: revenues refer to services paid for a research project; payables relate to advances received on these services.
- Boldshield Limited: costs relate to consultancy services for Euro 60 thousand.

6.6.3. ANNUAL FEES TO DIRECTORS, STATUTORY AUDITORS AND THE INDEPENDENT AUDITORS

DIRECTORS' FEES

NAME AND SURNAME	POSITION	FEES	BONUSES AND OTHER FEES	TOTAL FEES
Paolo Marcucci	Chairman and CEO	730,000	200,000	930,000
Umberto Della Sala	Vice Chairman	3,750	0	3,750
Andrea Marcucci	Director	30,000	0	30,000
Marialina Marcucci	Director	30,000	*0*	30,000
Remo Grassi	Director	30,000	1,750	31,750
Matteo Fanciullacci	Director	27,143	583	27,726
Giacomo Tofani	Director	3,750	0	3,750
Giovanni Zetti	Director	1,855	0	1,855
Fabrizio Redaelli	Director	3,750	0	3,750
Luca Ungarelli	Director	3,750	0	3,750
Barnaba Ravanne	Director	3,750	0	3,750
Rodolfo De Dominicis(1)	Vice Chairman	198,004	1,750	199,754
Guido Rivolta(2)	Director	17,500	1,167	18,667
Simone Bergonzi(3)	Director	7,782	0	7,782
TOTAL		**1,091,034**	**205,250**	**1,296,284**

(1) Until November 15, 2019
(2) Until July 31, 2019
(3) Until al November 15, 2019

BOARD OF STATUTORY AUDITORS

NAME AND SURNAME	POSITION	FEES	TOTAL FEEES
Giuseppe Galeano	Chairman	4,375	4,375
Francesco Cirillo	Regular auditor	34,054	34,054
Marco Miccinesi	Regular auditor	34,063	34,063
Fabrizio Redaelli	Ex-Chairman	41,250	41,250
Fabrizio Cerbioni	Regular auditor	3,438	3,438
Luca Michele Debernardi	Regular auditor	3,438	3,438
TOTAL		**120,617**	**120,617**

FEES OF INDEPENDENT AUDITORS EY S.P.A

(In thousands of Euro)	2019
Statutory audit of annual accounts	94
Audit of subsidiaries	390
Other certification services	43
TOTAL	**527**

6.6.4. FINANCIAL RISK MANAGEMENT

EXCHANGE RATE RISK

The Group is active internationally and is therefore exposed to the exchange risk deriving from the various currencies in which it operates. The exposure to exchange rate risk derives from commercial and financial transactions in currencies other than the accounting currency, mainly the US dollar and, to a lesser extent, the Hungarian forint.

The sensitivity analysis performed to assess the Group's exposure to currency risk was conducted by assuming reasonably possible changes in the exchange rates of the US dollar and the Hungarian forint against the euro. The following tables show the impact on pre-tax income due to changes in the fair value of current assets and liabilities, of a commercial and financial nature, keeping all the other variables fixed.

Period Ending	Change in US Dollar	Effect on income before taxes (in thousand Euro)
31 December 2018	Revaluation 10%	23,179
	Devaluation 10%	(19,156)
31 December 2019	Revaluation 10%	23,620
	Devaluation 10%	(19,569)

Period Ending	Change in Hungarian Forint	Effect on income before taxes (in thousand Euro)
31 December 2018	Revaluation 10%	5,183
	Devaluation 10%	(4,241)
31 December 2019	Revaluation 10%	4,986
	Devaluation 10%	(4,080)

There were no direct effects on shareholders' equity in that the Group has no exchange rate hedges in place at the end of the year.

INTEREST RATE RISK

Changes in interest rates can negatively impact the value of the Group's assets and liabilities. These fluctuations generally do not create negative impacts on the fair market value of the debt but could have significant effects on the result of the operations, on the business activities, on the financial conditions and on the Group's prospects.

Floating-rate debts create for the Group a risk arising from the volatility of interest rates. Regarding this risk, Kedrion has resorted to Interest Rate Swap (IRS) derivative contracts, which transform the variable rate into a fixed rate, for the purposes of the relative hedging.
Kedrion has a fixed rate bond loan of Euro 350.0 million and three revolving credit facilities of Euro 158.3 million, Euro 30.0 million and Euro60.0 million at floating rate. Two of these three revolving lines are hedged by two interest rate swaps expiring in 2022, for which total notional is equal to Euro 45.0 million. At December 31, the Group was covered by interest rate risk for 66% of its total long-term exposure. However, the interest rate risk to which the Group is now exposed is partially limited on the medium to long term, thanks to the fixed rate bond issue and the two hedging transactions. The exposure is greater on short-term loans. The Group monitors the conditions of the financial markets on interest rates in order to evaluate hedging opportunities to further reduce exposure to risks.

The following tables shows the hedging instrument transactions as at 31 December 2019:

Type	Debtor rate (fixed)	Creditor rate (variable)	Initial date	Maturity date	Notional capital (Euro)	Fair value 31.12.2019 (Euro)
Fixed for Floating Interest Rate Swap	0.39%	Euribor 6 months	17.01.2018	01.04.2022	30,000,000	(461,002)
Fixed for Floating Interest Rate Swap	0.30%	Euribor 1/3/6 months	24.04.2019	22.04.2022	15,000,000	(245,698)

Derivative instruments have been designated as cash flow hedge instruments and have direct impacts on equity.
The analysis of the table below is conducted with reference to reasonable potential changes in the key variables (Euribor), keeping all other variables unchanged, and shows the impact on income before taxes and on equity due to changes in the fair value of the financial instrument (IRS) outstanding at the end of the financial year as at 31 December 2019:

(In thousands of Euro)	Effect on the result before taxes	Effect on equity
+ 100 basis points	0	1,168
- 50 basis points	0	(580)

LIQUIDITY RISK

The Group manage liquidity risk through the strict control of the elements making up the net working capital and maintains an adequate level of cash and funds available through loans made available by various banking institutions. The Group has available and unused credit lines for Euro 117.8 million, of which 40.6% in the short term.
In order to make cash flow management more efficient, avoiding the dispersion of liquidity and minimizing financial charges, the Group has also adopted systems of concentration and centralized management of liquidity of the main Group companies (cash pooling) on the Kedrion S.p.A. The Group will have the ability to repay the existing loans at the date set in 2022 through the cash flows generated by the operating management as well as refinancing operations, also through the issue of new financial instruments.

(In thousands of Euro)	On demand	Less than 3 months	From 3 to 12 months	From 1 to 5 years	> 5 years	Total
Financing and loans	540	8,794	40,985	599,444	0	**649,763**
Trade payables and other payables	44,073	35,929	135,478	4,668	417	**220,566**
TOTAL	**44,614**	**44,723**	**176,464**	**604,112**	**417**	**870,329**

For more details on the maturity analysis of the medium-long term debt, refer to note 6.4.20.

CREDIT RISK

Most of the Group's Euro receivables are due by hospital companies and other public bodies, whose credit rating is considered to be reasonably sound. In fact, the Group has never recorded credit losses with this type of customers, with the exception of the renunciation of default interest. Similarly, even receivables from US customers, given the very short payment terms and the financial soundness shown by the customers themselves, are considered reasonably reliable and solvent. Residual receivables are mainly due to foreign customers (Middle East, Asia, Africa and South America) with relationships of consolidated knowledge and long-term collaborations, while in the case of new businesses, especially in new markets, coverage with letters of credit or other guarantees is generally required. Furthermore, all receivables are constantly monitored by a recently implemented dedicated central structure capable of preventing exposures that are not in line with the Group's policies, for example, unauthorized shipments in the presence of overdue positions or excess of the credit lines granted. The Group therefore believes that it does not have to implement specific credit risk management policies, given the low default risk of its customers.
The exposure of trade receivables net of the related provision for bad debts is summarized below, broken down by age bracket:

Commercial credit (in thousand euro)	**Financial year ended 31 December 2019**	
Gross trade receivables	129,858	100%
Allowance for doubtful accounts	(6,689)	(5%)
Commercial credits	**123,169**	**95%**

Commercial credit (in thousand euro)	**Financial year ended 31 December 2019**	
To expire	74,909	61%
Expired 0-30 days	5,474	4%
Expired 31-60 days	4,752	4%
Expired 61-90 days	8,396	7%
Expired for over 90 days	29,638	24%
Net trade receivables	**123,169**	**100%**

CAPITAL MANAGEMENT POLICY

The primary objective of the Group's capital management is to ensure that adequate levels of the capital indicators are maintained in order to support the business. The Group manages the capital structure and modifies it according to changes in economic conditions. To maintain or adapt the capital structure, the Group can adjust the dividends paid to shareholders, repay the capital or issue new shares.

The Group verifies its capital through a debt / capital ratio, or by comparing the net debt to the total capital plus the net financial position. For further details on financial debt and the debt / capital ratio, please refer to the report on operations.

FINANCIAL ASSETS AND LIABILITIES

All the Group's financial instruments are recorded in the balance sheet at a book value that is not different from the fair value.

6.6.5. COMMITMENTS AND RISKS

This item includes sureties, guarantees and third-party assets held by the Group. For the years ended 31 December 2019 and 2018, the item is summarized as follows:

	Period Ended at 31 December	
(In thousands of Euro)	2019	2018
Risks	**60,708**	**49,320**
- Sureties	57,351	38,688
- Guarantees	3,357	10,632
Third party assets held by the Group	14,836	24,391
TOTAL	**75,544**	**73,711**

RISKS

As at 31 December 31, 2019, the risks consisted of guarantees given for participation in public tenders for an amount of Euro 35,511 thousand, other insurance guarantees given in favor of Public Bodies for Euro 21,839 thousand. The signing guarantees are issued in support of the foreign commercial activity, mainly for supply and lease contracts.

THIRD PARTY ASSETS HELD BY THE GROUP

These refer entirely to third party assets held by the Group mainly for the Italian plasma processing activities performed by Kedrion on behalf of the Regional Authorities.

COMMITMENTS

The Group has a contract of leasing that has not started at 31 December 2019 yet. Payments for leasing in the future in reference to the period of this non-erasable of this contract are Euro 33 thousand within one year and Euro 153 thousand after 12 months.

6.6.6. DIVIDEND POLICY

Pursuant to article 30.3 of the Articles of Association of Kedrion S.p.A, the net profits resulting from the financial statements duly approved by the Shareholders' Meeting will be divided as follows: a) at least 5% to the legal reserve fund until it has reached the fifth of share capital; the remainder to distribute dividends and to the extraordinary reserve.

6.6.7. SUBSEQUENT EVENTS

In January and February 2020, KEDPLASMA LLC acquired four new centers (Pittson, Allentown, Altoona and Decatur) in the United States from company Immunotek Biocenters LLC.

On January 31, Kedrion Biopharma Inc. received the response from the FDA regarding the Supplement (PAS) of the Biological License Application (BLA) submitted on 26 September 2019 in order to produce the "Bulk" of the Rhogam specialty at the Melville plant, now authorized for the "Fill & Finish", thus completing the technology transfer process from OCD.

The FDA response expects Kedrion Biopharma Inc. to perform certain prescribed additional activities within 12 months of trial, with a subsequent FDA approval time of 4 to 6 months.

Following the AIFA inspection, held in Melville from 11 to 15 November 2019, and the subsequent follow-up on the corrective actions that Kedrion Biopharma Inc. has put in place to respond to the inspection observations, on 6 February 2020 Kedrion Biopharma Inc has received confirmation from AIFA that the Melville site has been approved and that the GMP certificate is being issued. This approval will allow the inclusion of Melville intermediates in the dossiers of medicines produced in Bolognana and distributed in Europe and other non-EU countries.

In relation to the management of the Corona Virus emergency (COVID 19), starting from February 2020, Kedrion activated all the necessary actions and measures in order to protect the health of its workers and stem the spread of the virus in alignment with the regulatory provisions entered into force. The Group , which has as its primary objective the health of its people, has already activated a series of precautions, based on the indications contained in the "regulation protocol for measures to combat and contain the spread of the Covid-19 virus in work" signed on March 14 by Trade Unions and employers at the invitation of the Prime Minister, and the Ministers of Economy, Labor, Economic Development and Health.
In particular, the Company has adopted the following specific measures: smart-working for all staff functions, reduction of staff to what is strictly necessary in the production area and application of a rigid procedure for all external accesses.
Until now, there have been no substantial negative impacts on the performance of the activities.
The production activity is constantly carried out in sterile environments following the stringent hygienic-sanitary rules foreseen by the sector in which the Group operates; therefore, there has been no impact on production activity.
Regarding the sales of the Group's products, there are no particular risks associated with potential future regulations that could result in the stopping of production activity or blocking the circulation of goods, due to the fact that these are drugs that in almost all cases are identified as life-saving.
Finally, with reference to the macroeconomic and social implications, the possible impacts of these events on the main variables (e.g. employment, rates, government incentives) remain still unclear.
It is therefore not possible to clearly predict the duration of this situation, the scenarios about its foreseeable developments.
None of these events have an impact on 2019 financial statements.

6.6.8. DISCLOSURE PURSUANT TO LAW 124/2017

The following table shows the public grants received by the Parent Company in 2019:

Receiving Body	Granting Body	Amount Received 2019	Collection date	Causal
Kedrion S.p.A C.F. 01779530466	Regione Toscana	156,759	29/11/2019	POR FESR 2014-2020 R&S 2014
Kedrion S.p.A C.F. 01779530466	Regione Toscana	12,000	19/11/2019	Contributo Regionale tirocini non curricolari - Giovanisi (LR 32 - 2002)
Kedrion S.p.A C.F. 01779530466	Regione Toscana	2,100	05/06/2019	Contributo Regionale tirocini non curricolari - Giovanisi (LR 32 - 2002)
Kedrion S.p.A C.F. 01779530466	Regione Toscana	1,800	10/05/2019	Contributo Regionale tirocini non curricolari - Giovanisi (LR 32 - 2002)
Kedrion S.p.A C.F. 01779530466	Regione Toscana	3,600	10/04/2019	Contributo Regionale tirocini non curricolari - Giovanisi (LR 32 - 2002)
Kedrion S.p.A C.F. 01779530466	Regione Toscana	3,600	01/04/2019	Contributo Regionale tirocini non curricolari - Giovanisi (LR 32 - 2002)

Castelvecchio Pascoli, 27 March 2020

On behalf of the Board of Directors
The Chairman
Paolo Marcucci

KEDRION
BIOPHARMA