KEDRION
BIOPHARMA

# KEDRION GROUP
# CONSOLIDATED FINANCIAL STATEMENTS AT DECEMBER 31, 2020

## KEDRION S.p.A.

Joint-stock company
Fully paid-up share capital Euro 60,453,901.00
Registered office: Località Ai Conti – 55051 BARGA (LU) – frazione Castelvecchio Pascoli
Production workshop: 55027 GALLICANO (LU) – frazione Bolognana
80029 SANT'ANTIMO (NA)
Tax code – VAT number – Lucca Companies Register no. 01779530466 – REA no. 170535

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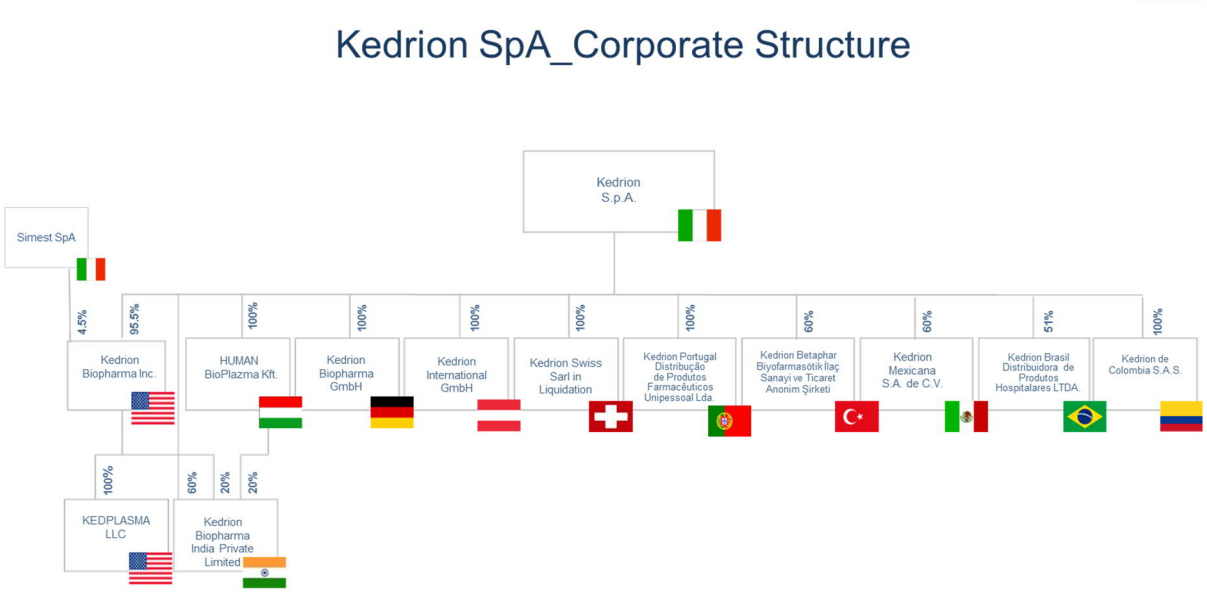
# 1. GROUP STRUCTURE

31.12.2020




# 2. CORPORATE BODIES

**BOARD OF DIRECTORS**

In office until the shareholders' meeting called to approve the financial statements for the year ending at December 31, 2020

| | |
|---|---|
| Paolo Marcucci | Chairman of the Board of Directors |
| Val Gene Romberg | CEO |
| 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 |

| | | |
|---|---|---|
| **APPOINTMENT AND REMUNERATION COMMITTEE** | Paolo Marcucci<br>Matteo Fanciullacci<br>Barnaba Ravanne | Chairman |
| **RISKS COMMITTEE** | Fabrizio Redaelli<br>Giovanni Zetti<br>Giacomo Tofani | Chairman |
| **OPERATIONS COMMITTEE RELATED PARTIES** | Barnaba Ravanne<br>Remo Grassi<br>Matteo Fanciullacci | Chairman |
| **TECHNICAL COMMITTEE** | Val Gene Romberg<br>Giovanni Zetti<br>Giacomo Tofani<br>Luca Ungarelli | Chairman |
| **BOARD OF STATUTORY AUDITORS**<br>In office until the shareholders' meeting called to approve the financial statements for the year ending at December 31, 2020 | Giuseppe Galeano<br>Francesco Cirillo<br>Giuseppe Paternò<br>Fabrizio Cerbioni<br>Luca Michele Debernardi<br>Niccolò Poggio | Chairman<br>Statutory Auditor<br>Statutory Auditor<br>Statutory Auditor<br>Statutory Auditor<br>Alternate Auditor |
| **AUDITING FIRM**<br>The statutory audit assignment was awarded by the ordinary shareholders' meeting held on April 27, 2015 and ends at the time of the meeting called to approve the financial statements for the year ending at December 31, 2022. | Ernst & Young S.p.A. | |

## 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 purposes, 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 administered by a board of directors with 11 (eleven) members.

### c) Delegation and powers

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

# 3. REPORT OF THE EXTERNAL AUDITING FIRM

## 3.1. REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

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# Kedrion S.p.A.

Consolidated financial statements as at December 31st, 2020

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

EY S.p.A.
Piazza della Libertà, 9
50129 Firenze

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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, 2020, 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, 2020, 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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Capitale Sociale Euro 2.525.000,00 i.v.
Iscritta alla S.O. del Registro delle Imprese presso la C.C.I.A.A. di Roma
Codice fiscale e numero di iscrizione 00434000584 - numero R.E.A. 250904
P.IVA 00891231003
Iscritta al Registro Revisori Legali al n. 70945 Pubblicato sulla G.U. Suppl. 13 - IV Serie Speciale del 17/2/1998
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 of the recoverability of Goodwill and Investments in progress

As of December 31, 2020 the Group recognized Goodwill of Euro 253.0 million in the consolidated financial statement, mainly allocated to the Cash Generating Units ("CGUs") Plasmaderivatives and Plasma.

As of the same date, intangibles and tangible assets in progress amount to Euro 46.7 and Euro 86.3 million, respectively, and mainly refer to the development of the new product "Immunoglobulin 10% - KIg 10", the realization of the new plant in Castelvecchio Pascoli for the purification process of the new product, and of the production of the new product line RhoGAM at the Melville plant.

The processes and methodologies for assessing and determining the recoverable amount of each CGU, as well as the assessment of the Group's ability to complete projects in progress and recover the related investments, were based on complex assumptions, also in consideration of the current uncertainty deriving from the Covid-19 pandemic, that by their nature imply the use of the Directors' judgment, in particular with reference to the forecast of future cash flows, the estimate of long-term growth and discount rates used to determine the present value and, for projects in progress, the assessment of the necessary approvals given by the competent regulatory authorities.

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

Such matter is reported in the explanatory notes 6.2 "Period's significant events", 6.3.7 "Discretionary assessments and significant accounting estimates", 6.4.1 "Property, plant and equipment ", 6.4.3 "Goodwill" and 6.4.5 "Intangible assets with definite useful life", to the consolidated financial statements.

Our audit procedures in response to the key audit matter included, among others:

- the analysis of the procedure adopted by the Group to determine the inputs and methodology used in the impairment test analysis, and ofthe monitoring activities for projects in progress;
- the assessment of the appropriateness of the CGUs perimeter;
- the analysis of the business plan for the assessment of future cash flows used to determine the recoverable value of the Plasmaderivatives and Plasma CGUs;
- the comparison between actual results achieved in 2020 and the corresponding budget figures, in order to understand the drivers of the main variations;
- the assessment of the reasonableness of long-term growth rates and discount rates;
- the execution of substantive testing, on a sample basis, of investments' additions made in connection with the projects in progress;
- the assessment of the analysis prepared by the Directors on the expected outcome of the projects in progress and the recoverability of investments related to such projects.

In performing our testing, we also involved our experts on business valuation techniques, in particular with reference to the assessment of the appropriateness of the methodology and assumptions used by the Directors for the determination of the recoverable amount, as well as for the verification of the mathematical accuracy of the calculations, and the sensitivity analysis on key assumptions.

Lastly, we evaluated the adequacy of the information provided in the explanatory notes to the consolidated financial statements with respect to this matter.

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## 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.

## 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 Group Kedrion as at December 31, 2020, 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, 2020 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, 2020 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 13, 2021

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

*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 ITALIAN LEG. DECREE NO. 254/2016

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# 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,

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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 2020 in accordance with article 4 of the Decree, presented in the specific section of the Report on Operations of the consolidated financial statement of the Group as of December 31st, 2020 and for the year then ended, and approved by the Board of Directors on 15th March 2021 (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.

## 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. comparison of the economic and financial data and information included in the DNF with those included in the Kedrion Group's consolidated financial statements;
4. 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 5. a) below;
5. 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:

- 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 production site of Bolognana 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 remote interviews 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 2020 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, April 13, 2021

EY S.p.A.
Signed by: Lapo Ercoli, partner
*This report has been translated into the English language solely for the convenience of international readers.*

# 4. REPORT ON OPERATIONS

*Dear Shareholders,*

*The year ending at December 31, 2020 produced revenues of Euro 697.2 million for the Kedrion Group (Euro 808.2 million in 2019), down by 13.7% on the previous year, as a result of the negative impacts caused by the Covid-19 pandemic, in terms of both a reduction in hospital treatments and in the lower availability of plasma. Despite these difficulties, which affected the entire plasma derivatives sector, the Group consolidated its international positioning through an integrated business model that allowed it to obtain revenues in around 100 countries, with an export quota standing at 78.5% in 2020. The United States remains the first market, thanks to a share of 37.3% of turnover, followed by the countries of the European Union with 35.7% (with Italy at 21.5%) and the Rest of the World with 27%.*
*The EBITDA is Euro 95.9 million, with a growth in profits from 13.1% in the previous year to 13.8% in 2020, despite the negative effects of the Covid-19 pandemic, which impacted both on sales and on non-recurring costs (these do, in fact, include Euro 40.6 million in costs associated with Covid-19).*
*The adjusted EBITDA (calculated excluding the impact of non-recurring items) is Euro 160.1 million, reaching 23.0% as a proportion of revenues, compared with 21.1% in 2019.*
*In conclusion, the net profit of the year stands at Euro 6.0 million, down on the Euro 38.2 million in 2019, due to the negative impacts of Covid-19 and exchange differences, which weighed negatively on the result for the period, for a sum of Euro 30.9 million (compared with the positive impact of Euro 5.6 million recorded in 2019).*

The financial statements for the year ended at December 31, 2020 include the statement of financial position, the profit and loss statement and other comprehensive income, the cash flow statement, the statement of changes in shareholders' equity and the related explanatory notes, drawn up in compliance with the IFRS adopted by the European Union.

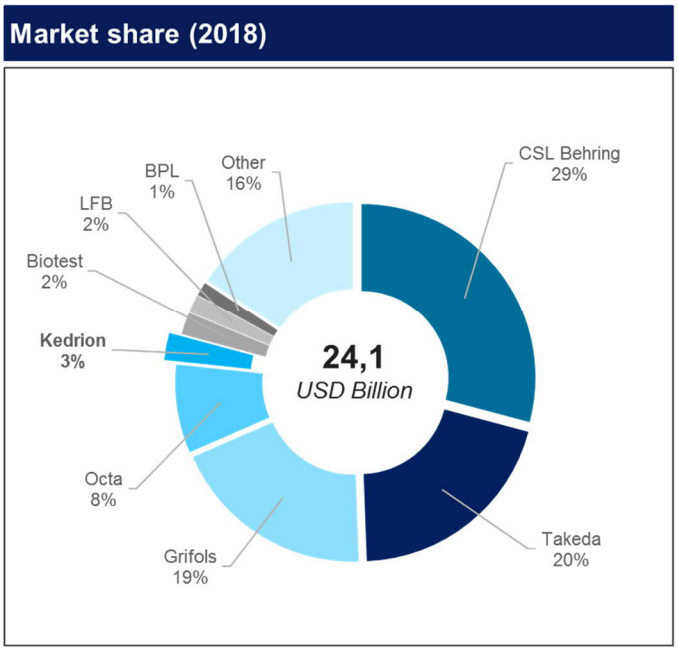
The tables of the consolidated statement of financial position show a distinction between current and non-current assets and liabilities. The presentation format for the consolidated profit and loss statement is illustrated on a by function basis, the format considered more representative than the presentation by type of expense. The adopted format, in fact, complies with internal reporting and business management methods. The cash flow statement has been prepared based on the indirect method and is presented according to IAS 7, classifying cash flows under operations, investment and financing activities.

## 4.1. SECTOR PERFORMANCE

The Group'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, national health services (through tender awards) and private distributors.

In the last twenty years, the sector has undergone a progressive consolidation phase that, in 2018, led the three main producers of plasma derivatives - CSL, Grifols and Takeda - to hold a market share[1] of approximately 68% overall, with Kedrion in fifth position with a 3% share.

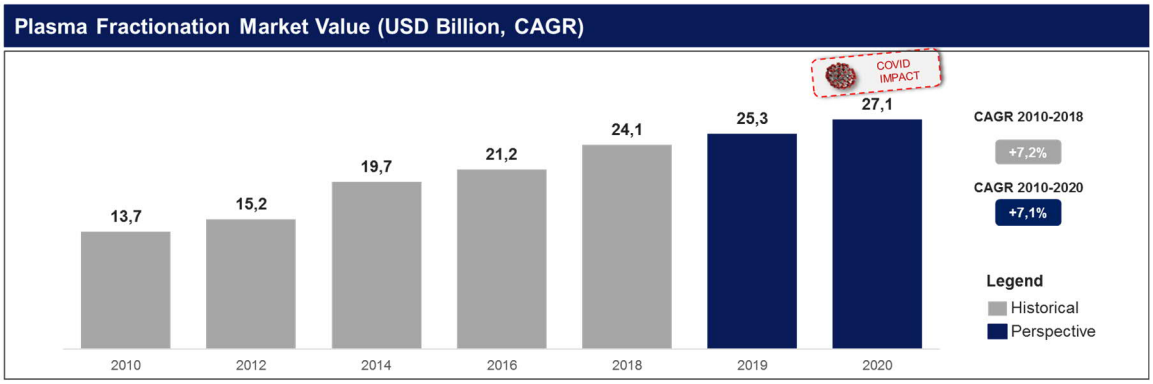
## MARKET TREND BY COMPETITORS



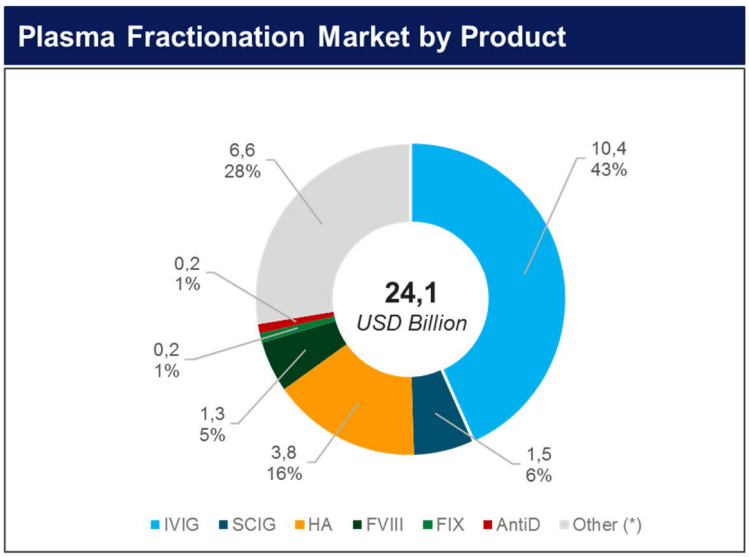

### WORLD MARKET TREND

The global market for plasma derivatives reached USD 24.1 billion[2] in 2018, with an average annual growth rate of 7.2% for the period 2010-2018, favored by an increase in diagnoses, an aging population and an increase in per capita health expenditure. Furthermore, according to the most recent estimates, growth continued over the subsequent years, exceeding USD 27 billion in 2020, despite the effects of the COVID-19 pandemic.

[1] *Source: 2018 Marketing Research Bureau Global Report; 2019-2025 based on MRB estimates, brokers' reports*
[2] *Source: 2018 Marketing Research Bureau Global Report; 2019-2025 based on MRB estimates, brokers' reports*



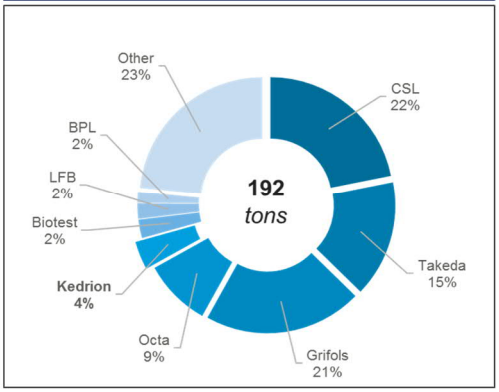

At product level, the sector is dominated by standard immunoglobulin (IVIG), which, at over USD 10 billion (almost 12, if subcutaneous immunoglobulin-SCIG is also considered), accounts for around 43% of the total market, in constant growth thanks to approval of new therapeutic indications, particularly in the field of neurology, to the increase in patients diagnosed with primary immunodeficiencies and to greater penetration on emerging markets.
The second product in terms of value is albumin (HA), which reached USD 3.8 billion in 2018, driven by demand in China and a share of around 16% of the total market. In third place, there is Factor VIII (FVIII), which accounts for around 5% of the market (USD 1.3 billion). This represents a slight contraction, due to the increased use of recombinant products and new therapies (Hemlibra), partly as a result of recent behaviors associated with COVID-19.



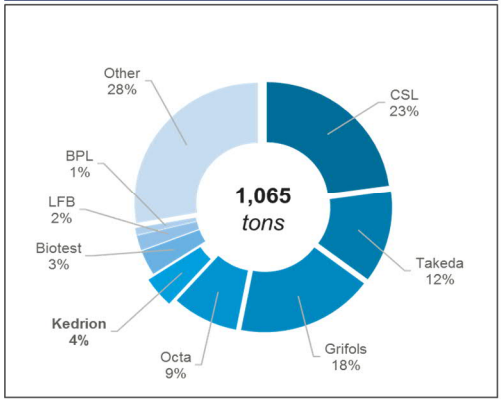

As indicated in the table below, the market shares [3] of the three main products reflect the global data: CSL, Grifols and Takeda do, in fact, represent 58% of the world immunoglobulin market overall, with Kedrion again in fifth place, with a share of 4%, and 53% of the albumin market, with Kedrion again in fifth place, with 4%, and, lastly, 55% of the Factor VIII market, with Kedrion also in fifth place here with a 6% share.

[3] *Source: 2018 MRB Global Report*

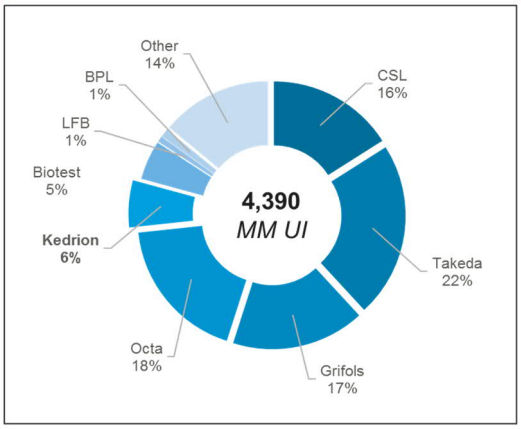
**IVIG Volumes by Player (2018)**




**Albumin Volume by Player (2018)**

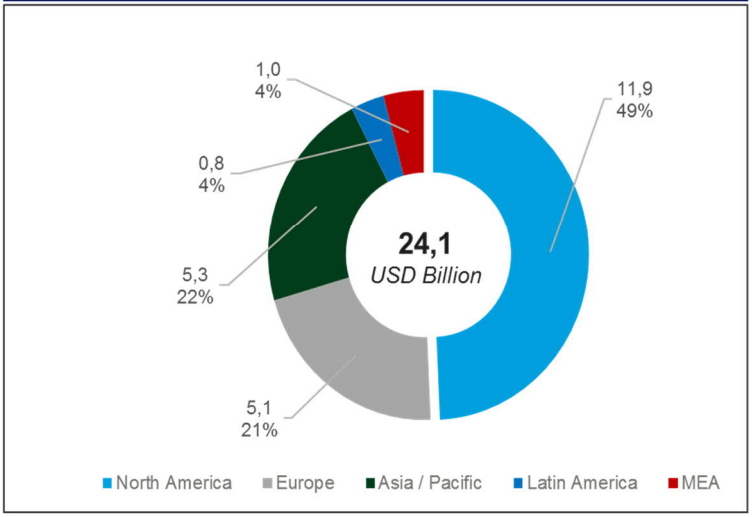



**pdFVIII Volume by Player (2018)**




## MARKET TREND BY AREA

**Plasma Fractionation Market by Area**



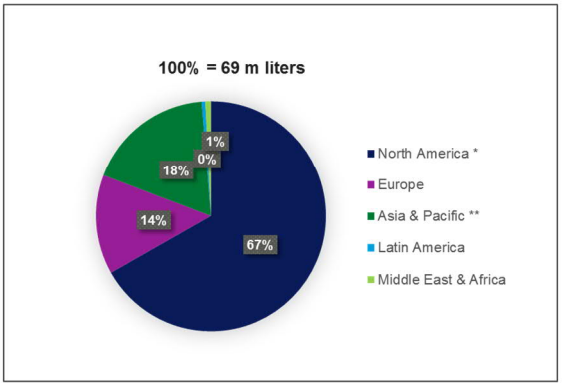
From a geographical point of view, 70% of the market is concentrated in North America and Europe, which are historically the most important markets. This figure rises to 92% if Asia-Pacific is added.
At 49%, North America (of which the USA represents around 99%), with around USD 11.9 billion[4], is the most important market and has grown constantly over the last decade.
With around USD 5.1 billion, Europe has a 21% share and is a market characterized by the presence of greater local competition than the US market, while Asia-Pacific had higher growth rates over recent years, due to an aging population, greater use of albumin (e.g. China) and a higher number of treatments supported by local healthcare systems, turning it into the second world market, with a share of 22%.

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 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 affiliates on the basis of tenders. Currently, the companies authorized to carry out the processing of national plasma, identified on the basis of the Ministerial Decree of 5 December 2014, are CSL, Takeda, Grifols, Kedrion and Octapharma.
Following entry into force of the new regulatory system, three tenders have been awarded: the first, put out by the Veneto Region on behalf of the NAIP group[5], was awarded to CSL in 2016 and started during that same year; the second, organized by the Emilia Romagna Region on behalf of the RIPP group[6], was awarded to a temporary partnership between Grifols and Kedrion. The contract was signed in October 2019 and the service started in November 2020. The third, put out by the Tuscany Region on behalf of the PLANET group[7], was awarded in July 2018 to a temporary partnership between the companies of the Shire/Takeda Group and started in September 2020. The fourth and last, put out by the Lombardy Region, as the leader of the Interregional Agreement between Lombardy, the Piedmont and Sardinia, was awarded to Kedrion in November 2020. The service is due to be activated within twelve months of signing the relative contract, which has not taken place yet.
While awaiting publication of the various tenders, Kedrion has continued to provide the plasma processing service on behalf of the aforesaid regions, on the basis of the previous agreement.
In 2020, around 841 thousands kilos of plasma were collected in Italy, down by 2.0% on the previous year[8], due to the fall in donations caused by COVID-19, which also occurred in Italy, although to a much lesser extent than in the United States.

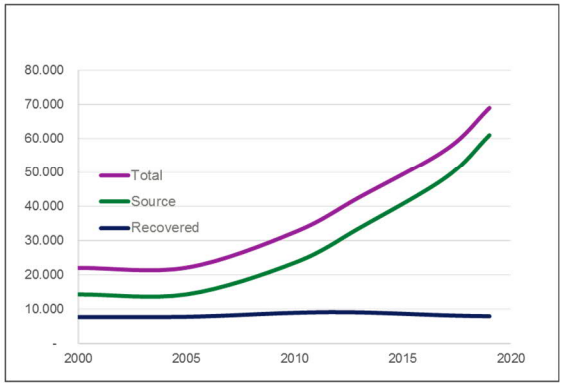
The world plasma collection market reached around 69 million liters in 2019[9], divided between plasma source (obtained from an apheresis procedure) and plasma recovered (obtained from whole blood), and has had positive growth rates for around fifteen years.
North America (of which the United States represents around 99%) is also the leading world market for plasma collection, with around 46 million liters collected in 2019, representing 67% of world collection.
Asia-Pacific (of which China represents around 75% of the total) is in second place, with an 18% share, while Europe follows in third place, with a 14% share.

*[4] Source: 2018 MRB Global Report*
*[5] Abruzzo, Basilicata, Friuli Venezia Giulia, Liguria, Umbria, Valle d'Aosta, Veneto, Aut. Province of Trento, Aut. Province of Bolzano.*
*[6] Emilia-Romagna, Apulia, Calabria and Sicily.*
*[7] Source: Tuscany, Campania, Lazio and Marche*
*[8] Source: Centro Nazionale Sangue (National Blood Center).*
*[9] Source: MRB EU Parliament on-line round table*

**Plasma Collection by Region (2019)**



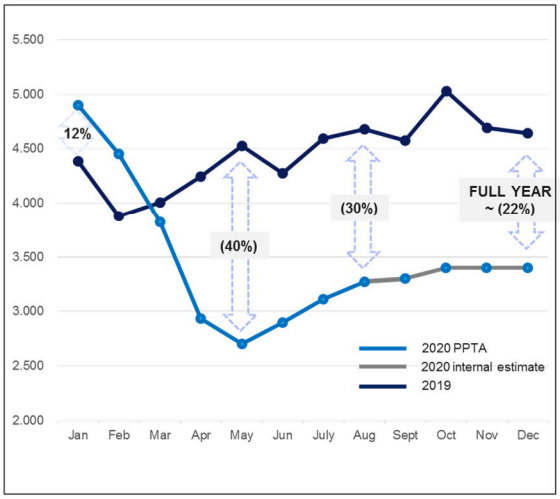

**Plasma Collection Trend by Type**



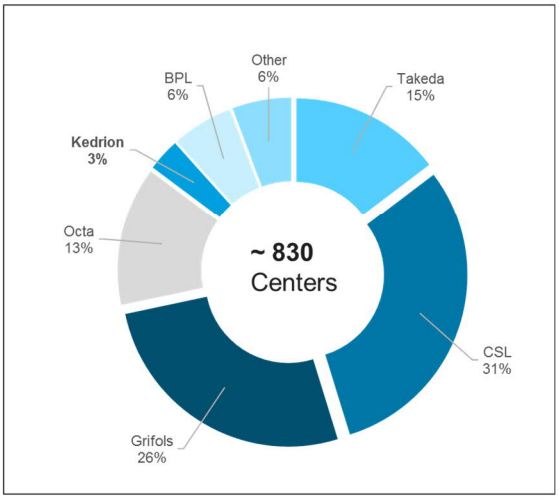

During 2020, as emerges from the data of the PPTA (Plasma Protein Therapeutic Association) shown in the table below, collection of plasma in the United States fell heavily as a result of the COVID-19 pandemic, due to the drop in donations, which fell by 40% in liters collected compared with 2019, at the negative peak reached in May 2020, which was followed by only a partial recovery over the subsequent months.

In plasma collection activities, there has also been a progressive consolidation in the last few years, with Grifols, CSL and Takeda owning 71% of the 830 collection centers in the United States[10]; in 2019, the BPL collection centers in the US were also 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, partly in light of the plans to increase production capacity.

**US Plasma Collection PPTA ('000 liter)**




**US Collection Centers by Company (Sept 2020)**




## 4.2. GROUP 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 twenty-seven collection centers in the United States, five

[10] *Source: MST Analyst Report Sept 2020, Plasma Price Survey*

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 the one in Sant'Antimo (NA) is specialized in the production of specific immunoglobulins and virus-inactivated plasma. The Gödöllő 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 intermediate products for the Bolognana plant, where they are then transformed into the finished product. The Melville plant in the US, purchased during 2011 and subjected to 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) will be dedicated to the purification of 10% immunoglobulin (KIg10).

The Group operates in three business segments:

- Production and sale of plasma derivatives, i.e. proteins extracted from human plasma such as albumin, standard and specific immunoglobulins, and coagulating factors, which is the main segment;
- Collection, purchase and sale of plasma, for which the Group has several collection centers that primarily secure the supply of the plasma needed to cover the needs of the plasma derivatives segment, then allocate the surplus to sale to third parties;
- Other activities, including toll-manufacturing of intermediate and other products and marketing of other pharmaceutical specialties, including recombinant factor VIII, which benefit from the strong positioning of the Kedrion distribution network.

The Group operates worldwide, dividing the markets into four macro-regions: “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

#### COVID-19

The spread of Covid-19 was reported for the first time towards the end of 2019. At that time, a number of cases showing symptoms of “pneumonia of unknown cause” were identified in Wuhan, the capital city of Hubei Province in China. China alerted the World Health Organization (WHO) of the new virus on December 31, 2019. On January 30, 2020, the International Health Regulations Emergency Committee of the WHO declared the spread of Covid-19 as a “public health emergency of international concern”. Since that date, the virus has spread throughout the world. On March 11, 2020, the WHO declared the spread of Covid-19 to be a pandemic.
Covid-19 has had a major impact on the world economy. Many countries have imposed travel restrictions on millions of people and many areas in different countries have been subjected to quarantine measures. Firms are experiencing a fall in revenues and supply difficulties. Although certain countries have started to ease the “lockdown”, this has been gradual and, due to the impacts on business, millions of people have lost their jobs. The Covid-19 pandemic has caused major volatility of financial markets and raw materials markets throughout the world. Numerous governments have announced measures to guarantee both financial and non-financial assistance to enterprise.

The pandemic has had and continues to have major effects on the world plasma derivatives market and on the performance of Kedrion as well. The greatest effects occurred in collection of

plasma in the United States, due to the combined effect that the lockdown measures ('stay-at-home orders') and the financial relief program have had on the number and frequency of donations, particularly among certain groups of habitual donors, such as students. This has contributed to the increase in the cost per liter of collected plasma, due both to the increase in the so-called *donor fees* paid to donors and to the increased incidence of the fixed costs of the centers with respect to the lower volumes collected. It should be noted an increase of the cost per liter also for the plasma acquired from third parties, in some cases also when contracts with determined acquisition price are in force, but for which the supplier has invoked the clause of force majeure for the adjustment application. There has also been a fall in donations in Italy, although to a lesser extent.
The pandemic has also reduced the health spending capabilities of several countries and, generally speaking, has placed stress on the organization of healthcare systems, reducing access for diagnosis and treatment of chronic diseases managed at hospitals. For Kedrion products, there were significant impacts on sales of rabies-immune immunoglobulins (Kedrab) on the US market, due to fewer exposures to the infection caused by the restrictions on movement, and sales of FVIII were also impacted, as the effects of the pandemic have facilitated home treatments. Higher costs were also sustained for the safety and prevention measures (sanitization, PPE, etc.) put in place to guarantee production continuity at the plants.

Like other sector groups, the Group worked in 2021 on development of a treatment for Covid-19, based on hyperimmune immunoglobulins purified from convalescent plasma. The development project, which was started with the strategic collaboration of the Israeli company Kamada Ltd., is relying on the scientific and technological know-how of the two companies, and also the network of Kedrion collection centers in the United States for procurement of hyperimmune plasma. The two companies are currently working on the start of the phase II/III pivotal clinical trials.

## PERFORMANCE OF THE MELVILLE PLANT

In the plasma derivatives segment, production on the fractionation line at the US plant in Melville continued with the so-called "ramp-up", following completion of the "refitting" project, with inspection in August 2018 and final approval of the FDA in February 2019, consolidating the positive impact on Group performance already seen in the previous year.
The project had been completed from an industrial point of view in 2018, with the operational restart of fractionation in the second half of the year and approximately 80 thousands liters fractionated.
The plant fractionated around 480 thousands liters in 2019 and around 593 thousands liters in 2020, in line with the progressive growth plan towards full use of production capacity. The plant complied with the delivery plans for intermediate Fr. II + III for the production of the Gammaked finished product at Grifols and for the production of the clinical product for KIg10 in Gödöllő. The plant also produced the Cryo and Fr. V intermediate products for production, respectively, of the Koate and Albuked finished products at Grifols, and is moving towards full integration with the Bolognana plant for the production of FVIII and Albumin.
In conclusion, the plant continued filling and packaging activities for the RhoGAM product, while awaiting completion of technological transfer of the bulk that will lead, in 2022, to full insourcing of the production cycle, according to the project schedules revised in light of the AI requests received from the FDA in 2020 in reference to our regulatory dossier (PAS).

The production growth of the plant in Melville, both for the fractionation plant and for the RhoGAM filling and packaging line, led to a further improvement in the profit and loss statement for the

year, mainly due to the reduction in the non-absorbed plant costs, also leading to an increase in margins on sales of products for the US market.
In profit and loss statements there are still non recurring cost related to the lengthening of the times for the FDA approval referring to Rhogam new production line at Melville plant.
We remind that in 2019 the authority required a series of insights which postpone the expected date for the entry in operation of the new production line to 2022. This on the one hand forced the subsidiary Kedrion Biopharma Inc. to extend the contract with the current supplier of the finish product paying an extension fees, and on the other hand has not allowed the absorption of the fixed production cost for the structure of which the company has already equipped itself, il line with previous plans. These events have so determined non recurring cost for the period equal to Euro 13.3 million.
Lastly, construction and validation of the new warehouse leased from third parties (Lineage - PFS), located in Hillsborough, New Jersey (US), at which Melville personnel will receive and check the plasma units before sending them to Melville for the defrosting and fractionation process, was completed in November 2020. The new warehouse, which entered into operation on November 23, 2020 and will serve as a logistics hub for plasma, the other raw materials and finished products, represents a further milestone in the Group process of development and autonomy, as previously the plasma control service was assigned to third parties (Grifols).

## PRICE TRENDS

The growth trend in sale prices of plasma derivatives continued for immunoglobulin during the year, supported by a constant increase in demand exceeding the increases in supply by fractionators. In fact, the price of immunoglobulin increased by around 5% on European markets and in the RoW and by around 6% in the United States (in USD; around +4% in Euro). In contrast, the price of albumin fell by around 3% in the United States (in USD; around -5% in Euro) and around 6% on European markets and in the RoW, in line with a sales strategy based more heavily on volumes (+18% in volumes sold compared with the previous year). The price of plasma-derived Factor VIII fell considerably (around -27% in the United States in Euro), in response to the fall in demand caused by Hemlibra, in a manner to cover the additional groups of potential users, and to the impacts arising from pandemic on hospital treatment, while the reduction on the European markets and in the RoW was around 19%, always following falls in demand resulting from gradual introduction of Hemlibra and the consequences of the Covid-19 pandemic.

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

Validation of the production process at the new 10% immunoglobulin (KIg10) purification plant with the chromatographic method in Castelvecchio Pascoli (LU) continued, as did the clinical trials in view of the marketing authorization of the new product. After completion of the enrollment phase in 2019, the last patient enrolled in the clinical trial (so-called “CARES10”) performed in the United States for PID treatment (primary immunodeficiencies) on an adult population was treated in December 2020. No significant adverse reactions were recorded in treatment of the enrolled patients and the final study report is due to be published by the end of April 2021. In the second and third quarters of 2020, the company submitted the application for regulatory authorization to start the clinical trial in pediatric patients suffering from PID, in Italy, Hungary, Slovakia, Russia and Portugal, for purposes of registration of that treatment in the USA and in Europe. The objective is to enroll the first patient by the end of March 2021.
Currently, the production for clinical trials is carried out in the Gödöllő plant (purification phase) and completion of the technological transfer in the industrial plant of Castelvecchio is ongoing.

The costs of the project incurred in the year, which have not yet found a balance in production and related revenues, are Euro 2.9 million, while total investments in 2020 amount to Euro 22.8 million.

### THE "NEXT" TRANSFORMATION PROGRAM

In order to improve its financial equilibrium and competitive position, Kedrion started a transformation program, called 'NEXT", after the new CEO, Val Romberg, took office in October 2020. The program, which follows the initiatives to improve performance, efficiency and achieve procurement excellence already in progress in 2019-20, is concentrated on the Operations, Commercial and G&A areas of "plasmaderivatives" segment and it will be performed with the support of qualified external advisers and will allow the Group to reach the strategic and financial milestones of the plan over the coming three years. The NEXT program also includes a review of organization and governance, implemented starting from February 2021.

### THE SIMEST OPERATION

During 2020, as part of an operation agreed with Simest S.p.A., said company subscribed a capital increase in the US subsidiary Kedrion Biopharma Inc., for a sum of Euro 10 million, thus acquiring a 4.5% stake in the subsidiary.
According to this investment agreement, Simest will receive an annual fixed return on its capital: furthermore, Simest will irrevocably grant Kedrion a call option and Kedrion, for its part, will irrevocably grant Simest a put option on the stake acquired. The option rights may be exercised from November 30, 2022 and no later than November 30, 2027. The sale price has been established by the parties as equal to the historical purchase cost of the stake, namely Euro 10 million.
Based on the above characteristics, and particularly the pre-established price for exercising the option and the fact that Simest S.p.A. is not exposed to the risk of variable returns, the minority stake of Simest has not been allocated to non-controlling interests and a contra-entry in the form of a financial payable equal to the value of the option has been recorded, in accordance with IFRS 10.

## 4.3.2. "COLLECTION AND SALE OF PLASMA" SEGMENT

### COVID-19 AND PLASMA AVAILABILITY

The plasma segment was characterized by a reduction in available volumes for the Group in the year, caused by the effects of the Covid-19 pandemic on plasma collection and the fall in purchases from third-party suppliers. Availability of standard plasma at Kedrion fell by around 18% compared with the budget forecasts, better than for competitors in the United States, where the fall in donations reached the negative peak of 40% decrease on 2019 in May 2020, followed by only a partial recovery over the subsequent months. In order to avoid impacts on internal production needs, the decrease in available plasma volumes led to a substantial reduction in sales to third parties, generating a segment turnover of Euro 94.3 million, compared to Euro 209.6 million in 2019 (-55%).
Right from the start of the pandemic, KEDPLASMA acted to collect Covid-19 hyperimmune plasma from convalescent or recovered donors, in order to support the program of development of anti-Covid immunoglobulins and/or sell it to third parties.

### SALES AND PURCHASES/START-UP OF OWNED COLLECTION CENTERS

During this year, the segment saw the early sale of most of the assets of the seven plasma collection centers in Hungary to HAEMA AG, and the purchase/start- up during the year of five centers in the United States, for a total of 27 owned centers at the end of the year.

Early sale of the assets of the seven Hungarian collection centers to HAEMA AG, and the consequent transfer of all associated risks and benefits, contributed significantly to the result for the period, with recording of a sum of around Euro 15.5 million in other income (last year the transfer of German centers has led an income of about Euro 18.9 million).

#### PRICE TRENDS

There was an increase in the sale prices of plasma during the year, on average of around 2% for standard plasma (+6% if sales relating to contracts with prices established prior to the Covid pandemic are excluded).

### 4.3.3. FINANCIAL MANAGEMENT

#### FOREIGN EXCHANGE

The exchange rate trend (in particular the US dollar, which went from 1.1234 on December 31, 2019 to 1.2271 on December 31, 2020) generated a positive impact on the profit and loss statement with regard to realized and unrealized exchange differences of Euro 30.9 million (last year, the effect on the result had been positive for Euro 5.6 million), as well as a decrease in the shareholders' equity of the Group and attributable to non-controlling interests for Euro 21.4 million, due to the change in the translation reserve.

## 4.4. OPERATING PERFORMANCE

| (in thousands of Euro) | Year ending at December 31 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | 2020 | % total revenues | 2019 restated | % total revenues | 2019 | % total revenues | Delta 2020/2019 restated | Delta 2020/2019 |
| Revenues | 697,234 | 100.0% | 808,209 | 100.0% | 808,209 | 100.0% | -13.7% | -13.7% |
| Cost of sales | 533,505 | 76.5% | 612,008 | 75.7% | 612,008 | 75.7% | -12.8% | -12.8% |
| **GROSS MARGIN(*)** | **163,729** | **23.5%** | **196,201** | **24.3%** | **196,201** | **24.3%** | **-16.6%** | **-16.6%** |
| Other income | 50,278 | 7.2% | 53,775 | 6.7% | 49,469 | 6.1% | -6.5% | 1.6% |
| General and administrative expenses | 80,760 | 11.6% | 85,140 | 10.5% | 85,140 | 10.5% | -5.1% | -5.1% |
| Sales and marketing expenses | 45,677 | 6.6% | 55,041 | 6.8% | 55,041 | 6.8% | -17.0% | -17.0% |
| R&D expenses | 29,165 | 4.2% | 36,705 | 4.5% | 36,705 | 4.5% | -20.5% | -20.5% |
| Other operating costs | 7,943 | 1.1% | 8,402 | 1.0% | 8,402 | 1.0% | -5.5% | -5.5% |
| **EBIT(**)** | **50,462** | **7.2%** | **64,688** | **8.0%** | **60,382** | **7.5%** | **-22.0%** | **-16.4%** |
| Financial expenses | 67,814 | 9.7% | 35,849 | 4.4% | 35,849 | 4.4% | 89.2% | 89.2% |
| Financial income | 13,991 | 2.0% | 17,596 | 2.2% | 17,596 | 2.2% | -20.5% | -20.5% |
| **Financial management** | **53,823** | **7.7%** | **18,253** | **2.2%** | **18,253** | **2.2%** | **194.9%** | **194.9%** |
| **PROFIT/LOSS BEFORE TAXES** | **(3,361)** | **-0.5%** | **46,435** | **5.7%** | **42,129** | **5.2%** | | |
| Income taxes | (9,399) | -1.3% | 8,269 | 1.0% | 3,963 | 0.5% | | |
| **NET INCOME OF THE YEAR** | **6,038** | **0.9%** | **38,166** | **4.7%** | **38,166** | **4.7%** | **-84.2%** | **-84.2%** |
| Profit/Loss of non-controlling interests | 816 | 0.1% | 1,426 | 0.2% | 1,426 | 0.2% | **-42.8%** | **-42.8%** |
| **GROUP PROFIT/LOSS** | **5,222** | **0.7%** | **36,740** | **4.5%** | **36,740** | **4.5%** | **-85.8%** | **-85.8%** |

(*) Gross Margin: the difference between revenues and the cost of sales.
(**) EBIT: the difference between revenues, the cost of sales and operating costs net of other income.

### 4.4.1. REVENUES

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

| **REVENUES** | **Year ending at December 31** |
|---|---|

| (in thousands of Euro) | 2020 | % of total revenues | 2019 | % of total revenues | Delta 2020/2019 |
|---|---|---|---|---|---|
| Plasma derivatives | 579,824 | 83.2% | 577,458 | 71.5% | 0.4% |
| Plasma | 94,271 | 13.5% | 209,634 | 25.9% | -55.0% |
| Other | 23,139 | 3.3% | 21,117 | 2.6% | 9.6% |
| **TOTAL** | **697,234** | **100.0%** | **808,209** | **100.0%** | **-13.7%** |

### "PRODUCTION AND SALE OF PLASMA DERIVATIVES" SEGMENT

Revenues in the segment of production and marketing of plasma-derived products as at December 31, 2020 amounted to Euro 579.8 million (83.2% of total revenues), an increase of around 0.4%, mainly linked to the increase in volumes sold of standard immunoglobulin and albumin, as well as the rise in prices for standard immunoglobulin. The US plasma derivatives market increased by around 5% on the previous year, thanks to development of standard immunoglobulin, and there is also growth on other important markets (Poland, Austria and Portugal), while there was a reduction in Italy, due to the lower volumes of plasma processed for the National Healthcare System, as specified in more detail in the geographical division of revenues.

Within this segment, the US market maintains the leadership over Italy, followed by Turkey, Mexico and Germany.

The weight of this segment also increased to around 83.2% in 2020, following contraction of the plasma segment resulting from the lower plasma availability caused by Covid-19.

### "COLLECTION AND SALE OF PLASMA" SEGMENT

Revenues in the plasma collection and sale segment at December 31, 2020 amounted to Euro 94.3 million, a decrease of 55.0% compared to the previous year. This heavy drop is linked to the reduction in plasma collection on a worldwide basis (estimated to be down by between 20-25% on 2019) caused by the pandemic and, in particular, the heavy impact in the United States, where the twenty-seven centers owned and managed by the Plasma Business Unit, after sale of the seven Hungarian centers in 2020, are located.

### "OTHER ACTIVITIES" SEGMENT

At December 31, 2020, revenues from this segment amounted to Euro 23.1 million and related to the sale of synthetic products and toll manufacturing.

One of the synthetic products is Nuwiq, the recombinant factor VIII obtained in exclusive distribution for Italy from Octapharma with a ten-year agreement. The revenues on this product during the year amounted to Euro 13.9 million, an increase of around 20% on 2019.

During 2020, the sale of CERUS products also continued, of which 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 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 2020, the sale of CERUS products generated revenues of Euro 2.0 million, compared to Euro 1.5 million in 2019.

There was a slight drop in toll manufacturing performed at the Melville and Gödöllő plants for several sector operators, from Euro 7.6 million in 2019 to Euro 6.8 million in 2020.

A breakdown of revenues by region is shown below:

| REVENUES | Year ending at December 31 | | | | |
|---|---|---|---|---|---|
| (in thousands of Euro) | 2020 | % of total revenues | 2019 | % of total revenues | Delta 2020/2019 |
| USA | 260,406 | 37.3% | 351,841 | 43.5% | -26.0% |
| Italy | 150,054 | 21.5% | 159,832 | 19.8% | -6.1% |
| European Union | 98,600 | 14.2% | 94,749 | 11.7% | 4.1% |
| Rest of the World | 188,174 | 27.0% | 201,787 | 25.0% | -6.7% |
| **TOTAL** | **697,234** | **100.0%** | **808,209** | **100.0%** | **-13.7%** |

### USA

Revenues in this area reached Euro 260.4 million in 2020, maintaining its position as the leading market for Kedrion, with 37.3% of total revenues, despite a reduction of 26.0% compared with the previous year. The reduction relates entirely to the fall in availability of plasma caused by the Covid-19 pandemic, with a negative impact on plasma sales to third parties, in order to guarantee intercompany supplies to the production plants. This is why plasma sales in the United States fell from Euro 139.4 million in 2019 to Euro 37.8 million in 2020. In contrast, sales of plasma derivatives on the US market increased by 5% compared with the previous year, with standard immunoglobulin as the main driver of growth, followed by albumin, whereas the volumes of anti-rabies immunoglobulin and Factor VIII sold decreased, due to lockdown and the reduction in hospital treatments caused by the Covid-19 pandemic, as well as the progressive introduction of Hemlibra, as better explained as paragraph “4.3. Significant events during the year”.

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In addition to sales of plasma derivatives, there are also revenues in this area from activities performed for third-party operators at the Melville plant.

### ITALY

At December 31, 2020, the Italian market had decreased by 6.1% compared with the previous year, with a turnover of Euro 150.1 million, equal to 21.5% of total revenues, realized through the sale of finished products on the commercial market and the toll manufacturing service for the National Healthcare System. The decrease compared with the previous year is mainly due to the decrease in volumes of contract work with the National Healthcare System.

### EUROPEAN UNION

Revenues in other EU countries amounted to Euro 98.6 million at December 31, 2020, equal to 14.2% of total revenues, marking a 4.1% increase on 2019, despite the reduction in sales of plasma to European clients, which amounted to Euro 28.9 million, due to the higher volumes of standard immunoglobulin placed at increasing prices in Poland, Austria and Portugal. Germany, Poland, Austria, Portugal and Romania are the main European markets in 2020.

### REST OF THE WORLD

At December 31, 2020, revenues for this macro-region amounted to Euro 188.2 million, with a decrease of 6.7% compared to 2019, and account for 27.0% of total revenues. Turkey confirmed its position as the leading market in this area in terms of revenues, reaching Euro 40.9 million, followed by Switzerland (mainly for plasma sales) and Mexico; furthermore, together with Russia, India, Israel and Yemen, they cover around 70% of total revenues of the area.

## 4.4.2. OPERATING COSTS

There was a higher increase in the price of the raw material (plasma) in 2020 to the increases seen in recent years, caused by the effects of the Covid-19 pandemic. The fall in donations, increased competition and the extraordinary safety measures introduced during the year led to an increase in the collection cost at Kedrion of around 4.0%. However, the increase of average cost of plasma has been softened thanks to the continuous development of internal collection, which is less expensive than the plasma purchased from third parties and has been partially compensated by the increase in sales prices of finished products, with particular reference to standard immunoglobulin.

Furthermore, the increasing use of the plant in Melville, both for the fractionation plant and for the new RhoGAM filling and packaging line, led to a further improvement in the profit and loss statement for the year, mainly due to the reduction in the non-absorbed plant costs.

The balance between these opposing effects led to a slight reduction in the gross margin, which fell from 24.3% in 2019 to 23.5% in 2020.

Overall, operating costs decreased significantly compared with the previous year, due to continuation of several projects to increase efficiency (“procurement excellence”, “right-sizing”) and to specific control actions, particularly in areas where the Covid-19 pandemic led to a reduction in activities (travel, congresses and conferences, training, transport).

## 4.4.3. ALTERNATIVE PERFORMANCE INDICATORS

In this report on operations, 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, which should not be considered as alternative measures for assessing the performance of the group result, as they are not identified as an accounting measure in the context of the IFRS.

Since the composition of alternative performance measures (EBITDA, adjusted EBITDA, adjusted gross margin, net invested capital, net working capital, net debt) are not governed by the reference accounting standards, the criterion employed by the Group might not be the same as that adopted by other parties and therefore might not be comparable.

### EBITDA AND ADJUSTED EBITDA

The 2020 EBITDA is Euro 95.9 million, equal to 13.8% of revenues, an increase in profit with respect to the figure of 13.1% for the previous year, but with a slight reduction in absolute value from Euro 105.6 million in 2019, due both to the fall in revenues caused by the Covid-19 pandemic and to the heavy incidence of non-recurring costs associated with it. In fact, as discussed in detail in the specific section (note 4.12), in the non-recurring costs item, according to the definition provided under the following table, around Euro 64.3 million in non-recurring operating costs have been identified, with an impact on the Ebitda, of which Euro 40.6 million caused, as said, by the Covid-19 pandemic.

The adjusted EBITDA (calculated excluding the impact of these non-recurring items) is Euro 160.1 million, equal to 23.0% of revenues and an increased profit compared with the 21.1% of 2019, with a reduction in absolute value resulting from the reduction in sales caused by the Covid-

19 pandemic, particularly those for plasma, due to its lower availability, and for several plasma derivatives, due to “lockdown” and the decrease in hospital treatments.
Depreciation and amortization amounted to Euro 45.8 million and brought the operating profit (EBIT) to Euro 50.5 million, equal to 7.2% of turnover.

| | Year ending at December 31 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| (in thousands of Euro) | 2020 | % of total revenues | 2019 restated | % of total revenues | 2019 | % of total revenues | Delta 2020/2019 restated | Delta 2020/2019 |
| Operating profit | 50,462 | 7.2% | 64,688 | 8.0% | 60,382 | 7.5% | -22.0% | -16.4% |
| + Amortization / Depreciation | 45,769 | -6.6% | 41,276 | 5.1% | 41,276 | 5.1% | 10.9% | 10.9% |
| - Plant and machinery grants | (352) | -0.1% | (335) | 0.0% | (335) | 0.0% | 5.3% | 5.3% |
| **EBITDA(*)** | **95,879** | **13.8%** | **105,630** | **13.1%** | **101,324** | **12.5%** | -9.2% | -5.4% |
| Non-recurring items(**) | 64,252 | 9.2% | 64,766 | 8.0% | 64,766 | 8.0% | -0.8% | -0.8% |
| **Adjusted EBITDA(***)** | **160,130** | **23.0%** | **170,396** | **21.1%** | **166,090** | **20.6%** | **-6.0%** | **-3.6%** |

(*) EBITDA is represented by operating profit before amortization/depreciation and plant contributions.
(**) Non-recurring operating items include non-recurring costs and revenues determined as required by Consob resolution no. 15519 of July 27, 2006 (reported in the explanatory notes) and additional "non-recurring operating" 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.
The EBITDA and the adjusted EBITDA as defined below are the measurement used by company management to monitor and measure its operating performance. The EBITDA is not identified as an accounting measurement in the IFRS and should therefore not be considered as an alternative measurement of Group performance. The composition of the EBITDA is not governed by the accounting standards of reference, so the criterion applied by the Group to calculate this figure might not be the same as the one adopted by others and is therefore not comparable with them.

## ADJUSTED GROSS MARGIN

**Analysis of adjusted gross margin by business segment for financial years ending at December 31**

| | Segment adjusted gross margin (*) | | | |
|---|---|---|---|---|
| (in thousands of Euro) | Production and sale of plasma derivatives | Plasma collection and sale | Other activities | **TOTAL** |
| **YEAR ENDING AT December 31, 2020** | **205,663** | **14,484** | **6,716** | **226,863** |
| *% of total revenues of the business segment (**)* | *35.5%* | *5.4%* | *29.0%* | *32.5%* |
| *% of total adjusted gross margin* | *90.7%* | *6.4%* | *3.0%* | *100.0%* |
| *Difference 2020/2019* | *1.0%* | *-4.5%* | *4.7%* | *3.0%* |
| **YEAR ENDING AT December 31, 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%* |

(*) 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 non-recurring production costs, such as the non-absorbed costs consequent

upon restructuring of the plants or the acquisition/opening of new plasma centers. Among the costs allocated to the segments, the Group includes direct and indirect production costs relating to the business segment, 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 segment. The segment margin thus defined is a measure used by the Group management to monitor and measure its operating performance and is not identified as an accounting measure under IFRS and should therefore not be considered as an alternative measurement of Group performance. Since the composition of the margin and segment is not regulated by the reference accounting standards, the determination criterion applied by the Group might not be the same as that adopted by others and therefore might not be comparable.
(**) Calculated on segment revenues gross of intra-segment eliminations.

### Production and sale of plasma derivatives

The adjusted gross margin of this segment amounts to Euro 205.7 million, equal to 35.5% of the total revenues of the segment and represents 90.7% of the Group's total adjusted gross margin. The increase in the margin from 34.4% in 2019 to 35.5% in the current year is mainly the result of the increase in the price of standard immunoglobulin and several production efficiency measures, such as increased yields per liter of plasma, partly offset by the increased cost of the plasma used in the production plants.

### Plasma collection and sale

The adjusted gross margin of the plasma collection and sale segment fell from 9.9% of total revenues of the segment in 2019 to 5.4% in 2020, with a significant decrease in the weight to 6.4% of the Group's total adjusted margin. There was, in fact, a considerable reduction in the standard plasma volumes during 2020, due to the fall in donations caused by the Covid-19 pandemic. The reduced margin is attributable to the lower weight of intercompany sales, where the increases in the cost of plasma associated with the pandemic were only partially made up on the sale prices, as opposed to those to third parties, which did absorb these increases.

### Other activities

The adjusted gross margin of this last residual segment increased to 29.0% of total sector revenues for the year ending at December 31, 2020, compared to the 24.4% of the previous year. The improved margin is linked both to the increased weight of revenues on sale, exclusively in Italy, of recombinant Factor VIII, under license from Octapharma, and to an increase in prices for the other activities in this segment. The weight of this segment in terms of margin rose from 2.2% to 3.0%, as a result of performance of the activities described above.

## 4.4.4. FINANCIAL MANAGEMENT

Financial expenses amounted to Euro 67.8 million in 2020, compared to Euro 35.8 million in 2019, and mainly include bank interest and interest due to bondholders and financial expenses on lease contracts, as well as the recognition of exchange losses.
The increase compared with the previous year is due to exchange losses and primarily to weakening of the US Dollar, which had negative impacts on the value in Euro.
Financial income fell to Euro 14.0 million in 2020, compared with Euro 17.6 million in 2019, due mainly to currency fluctuations and to income on financial instruments not used for hedging.
The incidence of financial management (excluding exchange gains and losses) on revenues is 4.0%, a slight increase compared with 3.2% in 2019, due to the fall in revenues.
The profit/loss before taxes is negative and equal to Euro 3.4 million, mainly as a result of the non-recurring costs caused by Covid-19 and by the negative impacts of currency fluctuations in financial management.
The net profit of the year is Euro 6.0 million (Euro 38.2 million in 2019), equal to 0.9% of revenues, due to the positive impact of deferred tax assets on the tax loss and positive current taxes accrued on the tax loss by the US subsidiaries, in line with the requirements of the US taxation system.

The Group profit is Euro 5.2 million (Euro 36.7 million in 2019), corresponding with 0.7% of revenues.

## 4.5. EQUITY AND FINANCIAL SITUATION

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

| (in thousands of Euro) | 12.31.2020 | | 12.31.2019 | |
|---|---|---|---|---|
| **USES** | | | | |
| Net working capital(*) | 293,720 | 27.7% | 286,853 | 28.6% |
| Fixed assets and other assets (**) | 765,105 | 72.1% | 716,823 | 71.5% |
| Short-term liabilities | (1,910) | -0.2% | (1,680) | -0.2% |
| Long-term liabilities | 4,196 | 0.4% | 534 | 0.1% |
| **NET INVESTED CAPITAL** | **1,061,111** | **100%** | **1,002,530** | **100%** |
| **SOURCES** | | | | |
| Net financial debt (***) | 598,800 | 56.4% | 516,455 | 51.5% |
| Shareholders' equity | 462,311 | 43.6% | 486,075 | 48.5% |
| **TOTAL SOURCES OF FUNDING** | **1,061,111** | **100%** | **1,002,530** | **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 either in the context of the Italian Accounting Standards or in that of the IFRS adopted by the European Union. The determination criterion applied by the Group may not be the same as 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 derivatives. Net financial debt is not identified as an accounting measure either in the context of the Italian Accounting Standards or in that of the IFRS adopted by the European Union. The determination criterion applied by the Group may not be the same as 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 applications is provided in the following table:

| (in thousands of Euro) | 12.31.2020 | 12.31.2019 |
|---|---|---|
| Receivables from customers/contractual assets | 172,333 | 150,089 |
| Inventories | 283,832 | 324,956 |
| Trade payables | (141,927) | (175,155) |
| Contractual liabilities | (7,649) | (12,782) |
| Other current assets/(liabilities) | (12,869) | (254) |
| **NET WORKING CAPITAL** | **293,720** | **286,852** |
| Property, plant and equipment | 300,060 | 284,537 |
| Goodwill | 253,057 | 243,882 |
| Other intangible assets | 122,543 | 112,799 |
| Assets for right of use | 88,377 | 72,363 |
| Investments in associates and other companies | 20 | 2,240 |
| Other non-current assets | 1,048 | 1,002 |
| **FIXED ASSETS AND OTHER ASSETS** | **765,105** | **716,823** |
| Employee severance indemnity | (3,915) | (6,294) |
| Provisions for risks and expenses | (692) | (762) |
| Deferred tax liabilities and deferred tax assets | 10,413 | 12,676 |
| Other non-current liabilities | (1,610) | (5,086) |
| **LONG-TERM LIABILITIES** | **4,196** | **534** |
| Provision for risks and charges | (1,910) | (1,680) |
| **SHORT-TERM LIABILITIES** | **(1,910)** | **(1,680)** |

### 4.5.1. INVESTMENTS

In 2020, the Group made net investments of Euro 100.5 million, primarily concerning the following:

- **Melville plant (NY, USA)** for a total amount of Euro 18.0 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 8.1 million, mainly referred to interventions and improvements on existing buildings and plants;
- **Sant'Antimo plant (NA, Italy)** for a total amount of Euro 4.2 million, relating to urban planning compliance investments on some buildings and to interventions and improvements on existing buildings and plants;
- **Gödöllő plant (Hungary)** for a total amount of Euro 5.2 million, relating to interventions and improvements on existing plants;
- **Castelvecchio Pascoli plant (LU, Italy)** for a total amount of Euro 23.3 million, relating mainly to the KIg10 project (Euro 22.8 million), for registration of the new 10% immunoglobulin on the US and European markets, and also interventions and improvements on the new 10% immunoglobulin production department and interventions and improvements on the warehouse and surrounding plants;
- **Plasma collection centers in the United States** for a total amount of Euro 27.1 million, of which 24.9 million for payment of the balance on acquisition of five new US centers and for down payments made for the purchase of other centers, and the remaining part for interventions and improvements in other US centers;
- **Other investments** for a total of Euro 14.6 million, relating mainly to investments in IT hardware and software, purchase of the registrations for sale of plasma-derived products in Turkey, investments in other research and development projects and improvements made to offices at the various facilities.

  Considering the investments described above, the invested capital increased to Euro 1,052.3 million.

### 4.5.2. NET WORKING CAPITAL

Net working capital rose slightly from Euro 286.9 million in 2019 to Euro 293.7 million this year, with a percentage on revenues that increases to 42.1%, compared to 35.5% in 2019. The increase compared with the previous year has been produced by the reduction in trade payables (- Euro 33.2 million), due mainly to different phasing of purchases and the increase in trade receivables (+ Euro 22.2 million), linked to the peak in revenues at the end of the year. In contrast, there was a decrease in inventories (- Euro 41.1 million), linked primarily to optimization in management of stocks of plasma and intermediate products. Analyzing the other components shows that contractual liabilities decreased by Euro 5.1 million on 2019, due to reimbursement of down payments from customers linked to plasma supply contracts, and other current liabilities increased by Euro 12.6 million compared with the previous year, mainly due to dividends to be distributed to shareholders.

### 4.5.3. FINANCIAL MANAGEMENT

The debt structure remained stable compared to that of 2019. In July 2017, Kedrion S.p.A. did, in fact, issue a new bond loan of Euro 350 million with a 5-year maturity, placed with primary international investors and listed on the Irish Stock Exchange. Two stand-by line agreements were signed in 2020, for a total of Euro 35.0 million, to support working capital, a short-term line with JP Morgan to support the working capital of Kedrion Biopharma Inc. and an Equity Loan with Simest. With this operation, Simest acquires a stake in the capital of the US company, Kedrion Biopharma Inc., with a stake of 4.5%, on which there is nonetheless a cross option for its repurchase, with the obligation of doing so within a certain date, so in consolidated financial statements the injection provided by Simest has been accounted as financial liabilities, without recognizing any non controlling interests.

The company is currently exposed for 34% with bank debt and for 66% with bonds. The following table provides the data on loans granted to the Group and outstanding at December 31, 2020:

| Description | Maturity | Global amount (in thousands of Euro) | Residual part as at 12.31.2020 principal (in thousands of Euro) | Interest rate as at 12.31.2020 |
|---|---|---|---|---|
| Bond loan | 07.12.2022 | 350 ,000 | 350 ,000 | 3.00% |
| Revolving Credit Facility | 12.31.2021 | 60 ,000 | 30 ,000 | Euribor floor zero+ 2.000% |
| Revolving Credit Facility | 04.02.2022 | 30 ,000 | 30 ,000 | Euribor 6 M floor zero+ 2.150% |
| Revolving Credit Facility | 04.22.2022 | 158,304 | 118,304 | Euribor floor zero+ 2.250% |
| Loan SIMEST | 11.30.2027 | 10 ,000 | 10 ,000 | 4.00% |
| Loan BNL | 01.30.2022 | 15 ,000 | 15 ,000 | Euribor 3M+1.50% |
| Loan CDP | 01.30.2022 | 20 ,000 | 20 ,000 | 1.98% |
| JP Morgan | 12.02.2021 | 24,560 | 24,560 | Libor+ 2.50% |
| **TOTAL** | | **667,864** | **597,864** | |

The average maturity of loans is two years. The cost of debt, including short-term credit lines, is around 3.0%, stable compared to 2019.
As the following table shows, the net financial position at December 31, 2020, including the impact of IFRS16, stood at Euro 598.8 million. Excluding said impact, the net financial position of the company is equal to Euro 507.1 million, compared to Euro 442.1 million in 2019.

| (in thousands of Euro) | 12.31.2020 | 12.31.2019 |
|---|---|---|
| Current portion of medium/long-term financial liabilities with banks and other lenders | 18,801 | 12,217 |
| Current financial liabilities with banks and other lenders | 103,271 | 68,103 |
| **Current financial indebtedness** | **122,072** | **80,320** |
| Non-current portion of medium/long-term financial liabilities with banks and other lenders | 592,412 | 569,048 |
| Non-current financial liabilities with banks and other lenders | 109 | 396 |
| **Non-current financial debt** | **592,521** | **569,444** |
| **TOTAL GROSS FINANCIAL DEBT** | **714,593** | **649,764** |
| Cash and cash equivalents | (100,592) | (121,468) |

| | | |
|---|---|---|
| Current financial assets | (6,636) | (1,912) |
| Non-current financial assets | (8,565) | (9,929) |
| **NET FINANCIAL DEBT(*)** | **598,800** | **516,455** |

(*) 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 either in the context of the Italian Accounting Standards or in that of the IFRS adopted by the European Union. The determination criterion applied by the Group may not be the same as 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

| | 12.31.2020 | 12.31.2019 restated | 12.31.2019 |
|---|---|---|---|
| Short-term ratio<br>*Short-term financial payables and current portion of long-term loans/Net financial debt* | 20.4% | 15.6% | 15.6% |
| Long-term ratio<br>*Long-term financial payables/Total net financial debt* | 99.0% | 110.3% | 110.3% |
| Ratio - Net financial debt/Shareholders' equity | 1.32x | 1.06x | 1.06x |
| Ratio - Net financial debt/Total sources of funding | 56.4% | 51.5% | 51.5% |
| Leverage Ratio<br>*Net financial debt/adjusted EBITDA without impact of IFRS16* | 3.41x | 2.75x | 2.82x |
| Net Interest Cover Ratio<br>*(EBITDA adj./ Net financial operations)* | 5.78x | 6.63x | 6.63x |
| ROE | 1.3% | 7.9% | 7.9% |
| ROIC | 3.5% | 5.0% | 4.6% |
| ROA | 67.6% | 86.2% | 85.9% |
| ROS | 5.2% | 5.8% | 5.4% |

Insofar as concerns the financial indicators, there is a slight increase in the weight of short-term payables compared with long-term ones, due to the taking out of new short-term lines during the year and the lower remaining lifetime of several bank loans.
The financial debt/equity ratio increased, due mainly to the deterioration of the net financial position caused by the Covid-19 pandemic and to currency fluctuations, particularly for the US Dollar. The Leverage Ratio (calculated without the impact of IFRS16, in order to make it comparable with the one used for covenant purposes) deteriorated for the reasons indicated above, as did the Net Interest Cover Ratio, although it remained within an area of good financial solidity.
Concerning the last of the indicators, there was a major deterioration in the ROE, which indicates the company's capital return on investment, a lesser one for the ROIC (which can be divided into the ROS, representing profitability of sales, and the ROA, expressing the return on assets), which measures the return on invested capital.

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

- In 2020, there was an operating cash flow of Euro 95.9 million, a slight decrease compared to Euro 107.6 million of the previous year. This deterioration is due to the absorption of cash caused by non-recurring costs linked to the Covid-19 pandemic, whereas net working capital remained basically stable, thanks to improved management of stocks of plasma and intermediate products, as already discussed in the specific section.
- In 2020, in addition to the normal level of investment required to carry out periodic improvements in efficiency to ensure the highest safety standards, several important strategic projects continued, such as complete insourcing of the new 10% immunoglobulin (KIg10) and RhoGAM production process and the one to increase the level of raw material self-sufficiency, by completing the acquisition of five US plasma collection centers. Absorption of the cash flow by these projects and other previously detailed investment activities therefore amounted to Euro 100.6 million.
- Financing activities absorbed cash totaling Euro 15.5 million, following several important changes, such as reimbursement of bank loans for Euro 52.8 million, payment of around Euro 23.4 million in net interest and Euro 3.3 million in dividends, partially offset by the opening of new medium/long-term credit lines for Euro 45.0 million and the increase in short-term lines of Euro 17.0 million.

The cash flow statement is prepared based on the indirect method and is presented according to IAS 7, classifying cash flows under operations, investment and financing activities. The cash flow related to financial charges and financial income paid and collected is posted in financing activities and not operations.

| | Year ending at December 31 | |
|---|---|---|
| (in thousands of Euro) | **2020** | **2019** |
| Net cash flow produced by operations | 95,936 | 107,553 |
| Net cash flow absorbed by investments | (100,613) | (83,325) |
| Net cash flow produced/(absorbed) by financing activities | (15,547) | (18,795) |
| **TOTAL CASH FLOW** | **(20,224)** | **5,423** |
| Available funds at the start of year | 121,451 | 116,323 |
| Net effect of translation of foreign currencies on available funds | (643) | (295) |
| **AVAILABLE FUNDS AT THE END OF THE YEAR** | **100,584** | **121,451** |

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

The main risks to which the Group is exposed are the exchange rate risk, interest rate risk, credit risk and liquidity risk. Risk management is centralized in the Corporate Finance function, which, 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 RISK

The Group is active internationally and is therefore exposed to the exchange risk deriving from the various currencies in which it operates. Exposure to the exchange risk derives from commercial and financial transactions in currencies other than the accounting currency. The main currencies that produce the FX risk are the US Dollar, the Hungarian Florin, the Rouble, the Turkish Lira and the Mexican Peso. The sensitivity analysis performed to measure the Group's exposure to the exchange risk was conducted by assuming reasonably possible changes in the exchange rates of the aforementioned currencies 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, financial items have been included for 2020, mainly represented by the balances of intercompany financial receivables and payables in currencies other than the accounting currency.

**Esercizio Chiuso al 31/12/2020**

| Valute | Variazione | Effetto sull'utile al lordo delle imposte (in migliaia di Euro) |
|---|---|---|
| **USD** | rivalutazione 10% | 32.223 |
| | svalutazione 10% | (26.397) |
| **HUF** | rivalutazione 10% | 7.175 |
| | svalutazione 10% | (5.870) |
| **RUB** | rivalutazione 10% | 1.303 |
| | svalutazione 10% | (1.066) |
| **TRY** | rivalutazione 10% | 4.178 |
| | svalutazione 10% | (3.418) |
| **MXN** | rivalutazione 10% | 1.956 |
| | svalutazione 10% | (1.601) |

In order to mitigate exposure in US Dollars, the Group has a collar option hedging 50% of the intercompany loan with the company KBI, signed at the end of 2019 and maturing in December 2021.

The Group monitors performance of all the currencies in which it is currently exposed and assesses further hedging options to mitigate that exposure.

### 4.6.2. INTEREST-RATE RISK

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 60.0 million at a variable rate. Two of these three revolving lines are hedged by interest rate swaps expiring in 2022, for which the total notional sum is Euro 45.0 million. At December 31, the company was hedged against the interest rate risk for 66% of its total long-term exposure. The interest rate risk to which the Group is exposed is therefore currently partially limited in the medium to long term, thanks to the fixed-rate bond issue and the 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. 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 through loans provided by various banks. At December 31, 2020, the Group had available and unused credit lines for Euro 148.0 million, of which 53% are short-term lines.

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. accounts.

Taking the reimbursement dates in 2022 into account, the Group will decide the best refinancing strategy during 2021, which may include new transactions on the capital market.

### 4.6.4. CREDIT RISK

Most of the Group's receivables in Europe are due from hospitals and other public institutions, whose credit rating is considered to be reasonably sound. The Group has, in fact, 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 soundness shown by the customers themselves, are also considered reasonably certain and solvent. Residual receivables are mainly due from foreign customers (Middle East, Asia, Africa and South America) with whom there are consolidated and long-term relationships, while, in the case of new business relationships, especially on 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, such as unauthorized shipments in the presence of overdue payments or excess credit 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.

### 4.6.5. OTHER RISKS

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

- **Risks associated with 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 associated with 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 associated with entry of new operators onto the Italian market**
  The presence of competitors operating on the Italian market could reduce the Group's access to Italian plasma and its fractionation activities on behalf of the Italian regional authorities.
- **Risks associated with the production process and the requirements of Good Manufacturing Standards (GMP)**

Plasma and plasma derivatives are fragile products and the 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 associated with operation of production facilities and collection centers**
  Any interruption of the normal operation of the Group's production plants, shipping or distribution channels or plasma collection centers can adversely affect its business.
- **Risks associated with the uncertainties arising from the Covid-19 pandemic**
  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. This is a systemic risk that impacts sector companies and, if it were to continue to a significant extent in 2021, could lead to the risk of a reduction in availability of plasma in 2021, resulting in lower sales revenues and higher collection costs.
- **Risks associated with increased pressure on pricing caused by competition and imbalances between demand and supply**
  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 associated with development of new production processes and alternatives to plasma derivatives**
  Technological changes in the production of plasma derivatives and the development of alternative products could make the Group's production processes and products uneconomic.
  The only plasma derivatives for which there is currently major competition from alternative products are coagulation factors, and particularly FVIII: a recombinant FVIII has, in fact, been present on the market since the 1980s, but the plasma derivative product has always maintained an important share, due to its greater efficacy on certain categories of patients and its lower cost. The arrival, in the last two years, of a new product (Hemlibra) has further improved patients' quality of life, as it facilitates home treatment, an extremely important aspect during the COVID-19 pandemic.

## 4.7. DIVIDEND POLICY

Pursuant to art. 29.3 of the Statute of Kedrion S.p.A, the net profits of the year, after deducting a sum corresponding to 5% to allocate 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 has implemented a data protection system to ensure compliance with Regulation (EU) no. 2016/679 (hereinafter, also "GDPR") and Italian Leg. Decree no. 196/2003, as most recently amended by Italian Leg. Decree no. 101/2018 (hereinafter, collectively, also the "Regulations").

The data protection system is part of the principles and elements of the internal control system adopted by the company, which comprises:

- a Code of Ethical Conduct; the SA8000 social accountability system; adherence to the ten principles of the Global Compact on human rights, labor, the environment and the fight against corruption; a Management Policy for Ethics in Business, annually renewed by Kedrion through the issue of a specific document; Legality rating pursuant to the Regulation of the Italian Antitrust Authority, Model 231,a whistle-blowing system - all

elements that outline the existing ethical scenario of the Company Data Protection System;

- Governance and organizational structure of responsibility in the data protection area - appointment by the BoD of the Data Protection Officer (DPO), which also requires that said officer be supported by a specific Committee whose members belong to the Information Technology, Human Resources and Legal functions; appointment by the BoD of the data protection representative for management of the related obligations; appointment of “Designated” internal processors, of persons authorized to process, system administrators (ADS), the video surveillance manager; appointment of processors external to the organization;
- Principle of segregation of duty in the design and surveillance of the system - for which the surveillance on the data protection system, and the design of the system, with respect to the prerogatives of the Controller, are carried out by different figures, who are independent of each other but operate 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 Arts. 37-38-39 of the GDPR, as the company figure who is already the Internal Audit Manager;
- Principle of accountability - with 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 performed by the company that can be maintained and used by the parties involved - Controller, DPO, and Processors (Internal or “Designated” processors, persons authorized to process, system administrators, video surveillance manager), data subjects;
- Providing of specific information to the data subjects to whom the personal data refer, in accordance to the principle of transparency and usability for the data subject and protection of the rights of the data subject;
- Data processing - which is based on the express, free and informed consent of the data subject;
- Principle of "data protection by default and by design" for the purpose of configuration of processing - 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 the DPI where necessary;
- Annual plan of the DPO of Training on Regulations and on the Company's Data Protection 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 data protection system (such as information notices, appointment letters, agreements with third parties), and from the company web and Intranet;
- Data Protection Compliance Audit by the DPO;

- Monitoring of regulatory and organizational changes - in order to evaluate and implement the need to adapt the Data Protection System;
- Periodic meetings of the DPO with company functions;
- DPO mandate and periodic report of the DPO to the Controller on the activities carried out and proposal of the Annual Plan of Activities and Data Protection Compliance Audits.

## 4.9. MAIN FEATURES OF THE INTERNAL RISK MANAGEMENT AND CONTROL SYSTEM IN RELATION TO THE FINANCIAL REPORTING PROCESS, ALSO CONSOLIDATED (INFORMATION PURSUANT TO ARTICLE 123-BIS, PARAGRAPH 2. B) OF ITALIAN LEG. DECREE NO. 58/1998)

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, which is the subject 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. ORGANIZATIONAL, MANAGEMENT AND CONTROL MODEL PURSUANT TO ITALIAN LEG. DECREE NO. 231/2001

As from 2004, Kedrion has adopted a specific Organization, Management and Control Model pursuant to Article 6 of Italian Leg. Decree no. 231/2001 (hereinafter also referred to as Model 231), to prevent the risk of committing 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 doing business and conducting corporate activities, to protect its position and image and the expectations of its stakeholders.
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, to directors, employees and to third parties who work for Kedrion in various capacities.
The effective adoption and implementation of Model 231 by Kedrion requires that all recipients of Model 231, in carrying out their activities, engage in fair and transparent conduct, in line with the Decree, with the control 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 existing internal control system, also with the purpose of better monitoring and protection of all company processes and functions, in order to prevent any conduct that does not comply with the law and therefore also with Italian Leg. Decree no. 231/2001;
- to make anyone who operates in the name and on behalf of Kedrion:
  - - fully aware of the scope and effects of Italian Leg. Decree no. 231/2001;
  - - fully aware that conduct must always comply with the Kedrion ethical policy, which condemns 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 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 have been operatively articulated in the following elements of internal control, which also define the contents of the Model 231 adopted by Kedrion:

- Analysis of Enterprise Risk Management;
- Analysis and Mapping of Risks with respect to the offences envisaged by Italian Leg. Decree no. 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 no. 231/2001;
- Whistle-blowing system;
- Management control system and accounting manual (referring to Law 262/2005) and budget procedures for also monitoring cash flows;
- System of Management Control and Management and Control of the "Financial Statements" Area (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;
- SAP management information system, regulation of the use and management of the system, validation system;
- Anti-trust Compliance Program;
- Legality Rating pursuant to the Regulations of the Antitrust Authority;
- Company Data Protection System for compliance with Regulation (EU) no. 2016/679 and Italian Leg. Decree no. 196/2003, as most recently amended by Italian Leg. Decree no. 101/2018;
- Social Responsibility System on ethics in relations with workers within Kedrion and on 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 ISO 45001 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 Practices, Good Clinical Practices, Good Pharmacovigilance Practices;
- Quality Management System based on the ISO 9001 standard - certified by an accredited third-party body;
- System of allocation of roles and responsibilities, system for granting powers of attorney and mandates, spending powers, company organization charts, job descriptions;
- System for recruiting 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 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, labor, the environment and the fight against corruption;
- Appointment of the Supervisory Body pursuant to Italian Leg. Decree no. 231/2001 (OdV)
- Regulations (or statute) of the Supervisory Body
- Procedure for internal information flows to the Supervisory Body
- Appointment of the Data Protection Officer (DPO) in accordance with Regulation (EU) 2016/679
- Appointment of the Internal Audit Manager (RIA)
- Appointment of the Ethics Officer
- Appointment of the Ethics Committee

In detail, it is noted that the Board of Directors of Kedrion S.p.A has established a Supervisory Body, in implementation of Italian Leg. Decree no. 231/2001, which has been granted the powers and responsibilities necessary to carry out the activities assigned to it according to 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 the Kedrion 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 committing of the offences identified by Italian Leg. Decree no. 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 under 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 people 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 to him through 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
  - ✓ Relations with the Supervisory Body, with the DPO and with the Antitrust Compliance Officer, for the implementation of integrated audits
  - ✓ Recognition of the elements of the internal control system - Code of Ethical Conduct; Antitrust Compliance Program; Model 231; financial reporting area control system procedures; SAP management information system; system for defining, approving, monitoring and controlling the budget; quality and safety assurance system in accordance with pharmaceutical industry standards; Company Data Protection System for compliance with EU Regulation 2016/679 and Italian Leg. Decree no. 196/2003, as most recently amended by Italian Leg. Decree no. 101/2018; Occupational Health and Safety Management System and voluntary ISO 45001 certification; Environmental Management System and ISO 14001 and EMAS voluntary certification/registration; 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 of the Global Compact; Legality Rating; Ethics Committee;
  - ✓ Proposals 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 2020, the Company continued its strategy of maintaining its leadership on the Italian market and expanding on international markets, achieving a turnover of Euro 353.8 million (Euro 347.9 million in 2019), thus increasing its revenues by 1.7%.

The increase in revenues in the year was mainly due to the increase in sales of albumin (+43% on 2019), standard immunoglobulin (+35%), anti-D immunoglobulin (+18%), plasma-derived Factor VIII (+15%) and anti-tetanus immunoglobulin (+ 7%).

The profit margin is stable, with a positive impact linked to the trend in prices of standard immunoglobulin that compensates for the increase in the price of raw materials and the expansion on international markets with lower profitability. The reduction in operating costs is a consequence

of the major programs to improve efficiency started during the year, which support the increase in EBITDA to Euro 43.6 million (Euro 32.4 million in the previous year), whereas EBT fell to Euro 8.5 million (Euro 16.2 million in 2019), mainly due to the increase in financial expenses caused by fluctuating exchange rates.
The net profit is Euro 14.4 million (Euro 18.5 million in 2019), due to recording of deferred tax assets on the tax loss and tax credit for research and development and technological innovation activities.

### 4.10.2. KEDRION BIOPHARMA INC.

This US company was originally called Kedrion Melville Inc. and is held with a 95.5% stake (and through a call option for the remaining minority stake). It has a production plant with fractionating capacity of around one million liters, acquired as part of a framework agreement in 2011 with Grifols, which also allowed entry, through Kedrion Biopharma Inc. (subsequently incorporated), onto the sector's most important market. During 2012, the acquisition of the medicinal specialty RhoGAM was completed. On January 1, 2015, the company incorporated Kedrion Biopharma Inc., creating a single American company dedicated to the production and distribution of drugs mainly intended for the US market. The name was subsequently changed to Kedrion Biopharma Inc. and, with effect from November 1, 2016, Kedrion Biopharma merged Haemopharm Inc., previously a holding company of the business unit that deals with plasma supply. 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 US market required for its production needs. During 2020, as part of an operation agreed with Simest S.p.A., said company subscribed a capital increase in the company, thus acquiring a 4.5% stake in it. This operation envisages a repurchase option on the minority stake.
The liters of plasma fractionated at the Melville plant increased in 2020, reaching 593 thousands liters and this, together with the current agreement with Grifols for purification of fractionated products at Melville, allowed revenues to be stabilized at USD 269.9 million (against USD 260.2 million in the previous year). There was an increase in sales of standard immunoglobulin, to USD 161.4 million (+11% on 2019), and of albumin (+74%), but a drop in volumes sold of anti-rabies immunoglobulin and Factor VIII, due to the lockdown and the fall in hospital treatments consequent upon the Covid-19 pandemic, and also, in the case of Factor VIII, the fall in demand caused by Hemlibra. The increase in revenues and the further increase in use of the production capacity of the Melville plant, for both the fractionation plant and the new RhoGAM filling and packaging line, gave material benefits in terms of absorption of plant costs, contributing to the increase in EBITDA, which reached a positive value of USD 29.2 million, with an increase on the previous year (USD 16.4 million).
Due to the non-recurring costs linked to still only partial absorption of the new RhoGAM line and a negative financial management balance of USD 18.9 million, 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 3.7 million (against a loss of USD 19.1 million in the previous year).

### 4.10.3. HUMAN BIOPLAZMA KFT.

On December 31, 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 Gödöllő, near Budapest. In the second half of 2012, the new plant also started operations, increasing the overall fractionation capacity to 550 thousands 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.

In December 2020, sale of the assets of seven plasma collection centers was completed, allowing achievement of EBITDA of Euro 17.7 million and a profit of Euro 17.4 million, against a net loss of Euro 0.8 million in 2019.
During 2017, the National Blood Transfusion Service (NBTS) sued HUMAN BioPlazma, for a value of approximately Euro 37 million, to claim the difference in price between the one actually agreed and paid on plasma purchases made from January 1, 2008 to March 30, 2015 and the higher one established by Legislative Decrees no. 12 of 1992 and no. 9 of 1993. The dispute continued in the subsequent periods and, on November 27, 2019, Budapest Court rejected NBTS's claim, sentencing the other party to pay legal costs. The NBTS then filed an appeal within the legally required times but, in the rulings of June 10, and October 6, 2020, the Supreme Court definitively sentenced NBTS to pay the legal costs, as all degrees of judgment had been exhausted. Subsequently, in December, NBTS filed a further appeal at the Hungarian Constitutional Court, but the legal firm assisting the company, which has always confirmed the lack of grounds of the claim, believes that the possibility of the previous rulings being overturned is remote.

### 4.10.4. KEDRION BIOPHARMA GMBH

This German company, 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 that 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 on the local market. In fact, the company acquired the German market from Kedrion International GmbH, with effective transfer from January 1, 2017. Subsequently, in March 2019, an 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. During 2020, in line with the new business mission, the name of the subsidiary was changed from KedPlasma Gmbh to Kedrion Biopharma GmbH.
The company produced revenues of Euro 20.1 million in 2020 (compared with around Euro 31.4 million in 2019, but which also included sales of plasma for the early months of the year), and a net profit of Euro 0.8 million (Euro 16.1 million in 2019).
A project was developed during the year for reorganization of the European subsidiaries. This will be completed in 2021, with merger by incorporation into Kedrion Biopharma GmbH of Kedrion International GmbH and Kedrion Portugal DISTRIBUIÇÃO DE PRODUTOS FARMACÊUTICOS UNIPESSOAL, LDA, and simultaneous opening of permanent establishments in Austria and Portugal, whereas the permanent establishment of Kedrion International in Poland will be transferred to Kedrion Biopharma Gmbh as a result of the merger.

### 4.10.5. KEDRION INTERNATIONAL GMBH

This Austrian company, wholly owned by Kedrion S.p.A., had as its original objective the distribution of Kedrion products in the European Union and on several important Asian markets. At the end of 2016, the company underwent a major reorganization, transferring the German market to the company called KEDPLASMA GmbH at the time (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, to Kedrion S.p.A.
The financial statements as at December 31, 2020 recorded a 34.3% increase in revenues to Euro 28.2 million (Euro 22.1 million in 2019), thanks to the strong sales growth achieved on the Austrian and Polish markets, in particular due to higher placed volumes of standard

immunoglobulin, with significant price increases particularly for this product, and of Factor VIII. The profit for the year is Euro 1.2 million (Euro 1.4 million in 2019).
As already said, Kedrion International will be merged into Kedrion Biopharma GmbH, with the simultaneous opening of the permanent establishment in Austria and transfer of the one in Poland.

### 4.10.6. KEDRION SWISS S.A.R.L. IN LIQUIDATION

This company was incorporated in 2008 and was wholly owned by Kedrion International until 2016. Its main activity is marketing of Kedrion products in Switzerland. Following the reorganization of Kedrion International, the equity investment in Kedrion Swiss was transferred to Kedrion S.p.A. Revenues in 2020 amounted to Euro 10 thousands (Euro 0.3 million in 2019), with a loss of Euro 88 thousands.
Following reorganization of the European subsidiaries, the company was placed in liquidation in December and sales in the country will now be managed directly by Kedrion S.p.A.

### 4.10.7. KEDRION PORTUGAL - DISTRIBUIÇÃO DE PRODUTOS FARMACÊUTICOS UNIPESSOAL, LDA

The company is located in Alges (Lisbon) and was acquired 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. The company increased its presence on the local market in 2020, thanks partly to the benefits associated with using a direct sales force. The revenues of Euro 7.4 million do, in fact, mark a considerable increase on the Euro 5.3 million of the previous year, thanks to growth in volumes and prices, leading to a substantial break-even for the year.
As already said, Kedrion Portugal will be merged into Kedrion Biopharma GmbH, with simultaneous opening of the permanent establishment.

### 4.10.8. KEDRION MEXICANA S.A. DE C.V.

This Mexican company was incorporated 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 fell in 2020, to Euro 22.2 million (Euro 28.8 million in 2019), mainly due to a reduction in the prices and volumes of coagulation factors, which resulted in a net profit of Euro 0.2 million, compared with Euro 3.5 million the previous year.

### 4.10.9. KEDPLASMA LLC

This US company, of which Haemopharm acquired the remaining 50% stake in capital in October 2008 (the first 50% was acquired at the end of 2004), increased overall collection at its centers by 8% on the previous year, reaching 918 thousands liters collected. The company currently owns twenty-seven collection centers already in operation (twenty-two at December 31, 2019), as a result of the acquisition of a further five centers during the current financial year. This growth trend in collection is linked to the intention of the Kedrion Group not only to cover the production needs of the plasma derivatives segment, but also increasingly to develop the plasma market, through long-term agreements with third parties for the sale of plasma and through trading activities on centers no longer considered strategic.
The company was heavily affected by the Covid-19 pandemic, in terms of both the reduction of plasma availability, with the negative impact on sales of plasma to third parties (although intercompany supplies were not affected) and in the higher costs sustained to encourage donations and for sanitization.

Revenues consequently fell by 30% on the previous year, from USD 386.7 million in 2019 to USD 277.8 million in 2020. The EBITDA also fell to USD -3.2 million, against USD 25.2 million in 2019, resulting in a loss of USD 19.9 million (profit of USD 12.6 in the previous year).

### 4.10.10. KEDRION BETAPHAR BIYOFARMASÖTIK İLAÇ SANAYI VE TICARET ANONIM ŞIRKETI

In November 2012, Kedrion S.p.A purchased a 42.5% stake in this company, which is located in Ankara, Turkey. On September 2, 2015, Kedrion S. p. A. increased its stake from 42.5% to 60% in the capital of company, thus becoming the majority shareholder. The company started distributing pharmaceutical products in 2015 and, at the end of 2020, following termination of the agreement with the previous distributor in Turkey, the company started distribution of Kedrion products in the country, obtaining revenues of Euro 28.8 million (Euro 3.0 million in 2019), ending the year with a net profit of Euro 2.8 million (Euro 0.4 million in 2019).

### 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 biological products into Brazil, the registration of albumin in 2017 and standard immunoglobulin at the end of 2019. The company started distributing the products of other pharmaceutical companies in 2014 and recorded revenues of around Euro 0.8 million in 2020 (Euro 2 million in the previous year), mainly due to depreciation of the local currency, which made this market less profitable, ending the year with a loss of Euro 0.8 million.

In December 2020, acquisition of the minority stake from FBM was approved, for a price of Euro 300 thousands, which reimburses the percentage of capital held (49%) and the financial receivables from Kedrion Brasil.

### 4.10.12. KEDRION BIOPHARMA INDIA PRIVATE LIMITED

On 6 December 2013, this new company was established in India, 60% owned by Kedrion S.p.A, 20% owned by HUMAN BioPlazma Kft. and owned by Kedrion Biopharma Inc. for the remaining 20%. After a regulatory process to obtain the necessary import and marketing authorizations, it started marketing Kedrion products on the Indian market in 2015, in particular in the hyperimmune products segment. Turnover for 2020 was Euro 3.7 million (Euro 3.3 million in 2019), thanks to the growth in albumin sales, and the year ended with a loss of Euro 1.4 million (Euro 0.4 million in the 2019), due to the low profit margins on the local market.

### 4.10.13. KEDRION DE COLOMBIA S.A.S.

Kedrion De Colombia was incorporated in Colombia to consolidate Kedrion's presence in Latin America and particularly on this important market. The procedures for incorporation of the company were completed on October 26, 2015 and the company, wholly owned by Kedrion S.p.A, is located in Bogotá.

From 2017, the company started the direct distribution of Factor VIII and achieved revenues of Euro 2.5 million in 2020 (Euro 2.4 million in the previous year), ending the year with a loss of Euro 0.5 million.

### 4.10.14. 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 S.G.R S.p.A. (19.59%);
- Sestant S.p.A. (4.02%);
- Refin S.r.l (0.56%);
- PIPS S.r.l (0.50%).

### 4.10.15. EQUITY INVESTMENTS

At the date of preparation of these financial statements, Maria Lina Marcucci, Paolo Marcucci and Andrea Marcucci respectively hold shares of 21.56% (16.46% in full ownership and 5.10% in usufruct with voting rights); 21.56% (16.46% in full ownership and 5.10% in usufruct with voting rights) and 21.55% (16.46% in full ownership and 5.09% in usufruct 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 executives do not hold equity investments in Kedrion S.p.A., with the exception of those indicated below.
The director, Remo Grassi, holds a 0.56% stake through control of the company Refin S.r.l. The executive, Paolo Melloni, through the company PIPs S.r.l. owned together with his children, holds a 0.50% stake.
Although he does not hold equity investments, the CEO, Val Gene Romberg, possesses one financial equity instrument with carried interest, as per the minutes of the shareholders' meeting held on November 11, 2020, notarized by Nicola Lucchesi, for the simultaneous payment of the entire sum of Euro 1 million in cash, half funded by Kedrion S.p.A..

## 4.11. **SUBSEQUENT EVENTS**

In January 2021, KEDPLASMA LLC acquired a new center (Dallas Westmoreland, TX) from Immunotek Biocenters LLC and opened the center in Lincoln North, NE. Furthermore, again as part of the plasma division development program, KEDPLASMA LLC will open two new centers in Illinois (Springfield, Urbana) by the end of March 2021.

On February 8, 2021, acquisition of a minority stake of 49% in Kedrion Brasil from the minority shareholder F.B.M. was finalized, with payment of Euro 214 thousands by Kedrion and reimbursement of the shareholder loan of Real 575 thousands.

None of these events have an impact on the 2020 financial statements.

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

The objective for 2021 is once again to continue with international development, mainly through growth of the plasma derivatives segment, with standard immunoglobulin as the driver of development, thanks to the higher volumes available and benefiting from the price increases in both the USA and on other world markets. A significant growth in revenues in the United States is expected, thanks to the forecast recovery of anti-rabies immunoglobulin, which was heavily penalized by the lockdown during 2020, and on other important markets, such as Germany and Mexico. In contrast, revenues in Italy are expected to fall, due to the lower available volumes of national plasma, following awarded of the tenders for plasma processing on behalf of the Regions. Major recovery in plasma collection at the centers owned is expected in the second part of 2021, if there is a gradual reduction in the negative impacts of the Covid-19 pandemic and therefore an increase in revenues for third parties, supported partly by the positive trend in prices and greater internal demand following ramp-up of the fractionated volumes at the Melville plant.

Furthermore, the process of improved performance and efficiency started in previous years continues, through a new transformation program (called “NEXT”), which is concentrated in the Operations, Commercial and G&A areas and has the primary objective of improving the profit margin.
Consolidated revenues in the first two months of 2021 were around Euro 60 million, down on the Euro 72 million of the previous year, due to the reduction in sales of plasma to third-party operators, but in line with the plasma derivative sale forecasts on the main markets.

## 4.12. NON-RECURRING TRANSACTIONS AND OTHER EXCEPTIONAL ELEMENTS

A summary is provided below of non-recurring revenues and costs determined for management purposes, as indicated in the definition referred to in note 4.4.3 (non-recurring revenues and costs are indicated in the explanatory notes, as required by Consob Resolution no. 15519 of July 27, 2006).
Related to period 2020, non recurring costs and other non ordinary items have been identified for a total value of Euro 70.6 million, of which Euro 64.3 million with an effect on EBITDA. These mainly relate to:

- Costs associated with the COVID-19 pandemic, formed mainly of the additional costs of plasma collection in the owned centers (in terms of higher cost per liter collected, due both to the fall in donations, and therefore the volumes collected, and to the increase in the “donor fee” to compensate for the fall in donations) and plasma purchased from third parties (increase in prices, even under a system of contractually established prices with the force majeure clause), totaling Euro 19.2 million; “write-off” and write-downs of inventories, due to the lower sales caused by the pandemic (lockdown and reduction of hospital treatments), totaling Euro 16.3 million; extraordinary bonuses paid to employees at the plants and plasma collection centers during the “lockdown” to guarantee their operation, totaling Euro 2.9 million; lastly, extraordinary sanitization operations, donations and other elements, totaling Euro 2.2 million.

- Costs connected to Rhogam new production line at Melville plant, in respect of which we remember that, while the line of filling and packaging is full operating (authorized in 2019), the completion of the production line of this drug has been postponed due to a series of insights requested by FDA, reason why the expected date for the entry in operation is now schedule in 2022. This on the one hand forced the subsidiary Kedrion Biopharma Inc. to extend the contract with the current supplier of the finish product paying an extension fees, and on the other hand has not allowed the absorption of the fixed production cost for the structure of which the company has already equipped itself, il line with previous plans. These events have so determined non recurring cost for the period;

- Start-up costs relating both to the KIg10 project (Euro 2.9 million, as the net balance, formed of Euro 12.4 million in costs, including Euro 3.1 million in amortization, and Euro 9.5 million in other income on capitalization of in-house work and grants for the innovation agreement with the Ministry of Development and the Tuscany Region) for construction of a new plant dedicated to the production of new-generation 10% immunoglobulin and the costs necessary to register the product, and to the new Plasminogen product (Euro 1.4 million as the net balance, formed of Euro 1.8 million in costs, including Euro 0.2 million in amortization and Euro 0.4 million in income, divided between capitalizations of in-

house work and grants) and, lastly, the higher costs of plasma collection sustained by the new centers opened or acquired and not operating at full capacity yet (Euro 1.6 million);

- Legal transactions and litigation, for a net total of Euro 1.5 million, represented mainly by costs incurred in the period for the transaction of litigations related (i) to the closing of Entegrion project for the development of a new product (Euro 0.7 million), (ii) to a supply to a customer of the US subsidiary (Euro 0.6 million), (iii) to a claim of Indian subsidiary with a local customer (Euro 0.5 million), net by an insurance reimbursement (Euro 0.3 million);

- Non-recurring incentives to employees for a total value of Euro 3.5 million, relating to the efficiency and "right-sizing" plan;

- Strategic consultancy relating to a review of the organizational and corporate set-up and support on efficiency and "right-sizing" projects, for a total of Euro 1.8 million;

- Costs connected to discontinued operations represented by the disposal of the equity investment in Entegrion, amounting to Euro 2.2 million;

- Net contingencies of Euro 1.7 million, formed of contingent losses of Euro 2.2 relating mainly to a price adjustment related to the purchase of cost of albumin granted to a US distributor that the company had to recognize in 2020 on supply provided during previous period, and contingent gains totaling Euro 0.5 million.

The table below shows the economic and financial impacts of these transactions:

**Significant non-recurring transactions in the year ending at 12.31.2020**

| (in thousands of Euro) | Cost of sales | Other income | General and administrative expenses | Marketing and sales costs | R&D expenses | Other operating costs | Financial expenses | Income taxes | TOTAL | Of which with effect on EBITDA | Amort. |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Covid-19 | 38,536 | | 882 | 848 | 322 | 54 | | | **40,641** | **40,641** | |
| Costs connected to Rhogam line in Melville | 21,249 | (7,928) | | | 15 | | | | **13,336** | **12,482** | **854** |
| KIg10 start-up costs | 2,632 | (9,506) | | | 9,790 | | | | **2,916** | **(200)** | **3,116** |
| Plasminogen start-up costs | | (415) | | | 1,819 | | | | **1,404** | **1,248** | **156** |
| New plasma centers start-up costs | | | | | 1,574 | | | | **1,574** | **1,574** | |
| Legal transactions and litigation | 594 | (344) | 1,251 | | - | | | | **1,501** | **1,482** | **19** |
| Non-recurring incentives to employees | 102 | | 3,364 | | 25 | | | | **3,491** | **3,491** | |
| Strategic consultancy | | | 1,718 | | 114 | | | | **1,832** | **1,832** | |
| Costs connected to discontinued operations | | | 49 | | | | 2,189 | | **2,238** | **49** | |
| Net contingencies | 21 | (452) | 499 | 1,526 | 7 | 53 | | | **1,654** | **1,654** | |
| **TOTAL** | **63,134** | **(18,645)** | **7,762** | **2,374** | **13,665** | **107** | **2,189** | **0** | **70,585** | **64,252** | **4,145** |

## 4.13. TRANSACTIONS WITH RELATED PARTIES

In 2020, 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 explanatory notes.
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 performed the transactions under the same conditions and with the same procedures.

## 4.14. RECONCILIATION OF NET PROFIT AND GROUP SHAREHOLDERS' EQUITY WITH THE CORRESPONDING VALUES OF THE PARENT COMPANY

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

**Reconciliation of the result for the year and shareholders' equity**

| (in thousands of Euro) | 2019 Shareholders' equity | 2020 Net profit | 2020 OCI items | Dividends | Other changes in 2020 SE | 2020 Shareholders' equity |
|---|---|---|---|---|---|---|
| **Kedrion S.p.A. Financial Statements** | **371,583** | **14,436** | **99** | **(8,767)** | **1 ,000** | **378,351** |
| Intercompany dividend distribution | (25,551) | (16,920) | 0 | 0 | 0 | (42,471) |
| Kedrion Biopharma US Inc. Group post-incorporation result (2011) | 99,456 | (12,431) | 0 | 0 | 0 | 87,025 |
| Kedrion International post-incorporation result (2006) | 2,329 | 1,201 | 0 | 0 | 0 | 3,530 |
| HUMAN BioPlazma Group post-acquisition result (2007) | 12,798 | 17,375 | 0 | 0 | 0 | 30,173 |
| Kedrion Mexicana post-incorporation result (2008) | 19,529 | 117 | 0 | 0 | 0 | 19,646 |
| Kedrion Brasil post-acquisition result (2013) | (579) | (386) | 0 | 0 | 0 | (965) |
| Kedrion India post-incorporation result (2013) | (2,741) | (1,365) | 0 | 0 | 0 | (4,106) |
| Kedrion Colombia post-incorporation result (2015) | 145 | (492) | 0 | 0 | 0 | (347) |
| Kedrion Betaphar post-incorporation result (2015) | 168 | 1,662 | 0 | 0 | 0 | 1,830 |
| Kedrion Biopharma GmbH post-incorporation result (2008) | 19,479 | 704 | 0 | 0 | 0 | 20,183 |
| Kedrion Portugal post-acquisition result (2010) | 616 | 54 | 0 | 0 | 0 | 670 |
| Kedrion Swiss post-incorporation result (2008) | (412) | (88) | 0 | 0 | 0 | (500) |
| Profits on inventories write-off | 6,372 | (737) | 0 | 0 | 0 | 5,635 |
| Other intercompany profits write-off | (25,835) | 2,092 | 0 | 0 | 0 | (23,743) |
| Reserve from translation | 3,481 | 0 | (20,318) | 0 | 0 | (16,837) |
| Other reserves | (206) | 0 | 0 | 0 | (16) | (222) |
| **TOTAL GROUP STAKE** | **480,632** | **5,222** | **(20,219)** | **(8,767)** | **984** | **457,852** |
| **Stake owned by minority shareholders** | 5,443 | 816 | (1,089) | (711) | 0 | 4,459 |
| **TOTAL CONSOLIDATED FINANCIAL STATEMENTS** | **486,075** | **6,038** | **(21,308)** | **(9,478)** | **984** | **462,311** |

## 4.15. 2019 CONSOLIDATED NON-FINANCIAL DISCLOSURE IN ACCORDANCE WITH LEGISLATIVE DECREE 254/2016

# CEO Statement

Dear readers

Despite the year in which the devastation caused by COVID-19 pandemic has shocked our world, Kedrion continue its improvement and activities in the sphere of efficient use of energy resources, diversity and social activities. The Non Financial Disclosure (NFD) describes these activities.

Kedrion has updated all the necessary data for completing NFD, enriching with the news related to the reaction of the company for defend against Covid-19, protecting its employees, production plants and plasma collection centers and continuing in the production of drugs necessary to serv patients of all the world.

From an industrial point of view, Kedrion suffered a significant downturn of plasma collected, as also happened to all the other companies in the industry.

Referring to personnel, the measures adopted by the company for protect its employees have been efficient, limiting contagion and ensuring production going concern.

Kedrion prepare the Non Financial Disclosure since 2017. The NFD is prepared in compliance with the provisions of Legislative Decree 254/2016 (and following regulations), which transposed in Italy the European Directive 2014/95.

In the NFD the reader will find confirmation of Kedrion 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.

The NFD 2020 has been prepared according to *GRI-Core* mode.

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 NFD: 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.

In 2020, despite pandemic, Kedrion workforce remain unchanged, confirming a slight prevalence of female personnel, which continue to increase his presence in responsibility

positions. We have continued our investments in training and the instruments of performance management are now consolidated.

From an environmental point of view, Kedrion has confirmed and consolidated its impact mitigation policies. For example, in 2020 total water consumption was lower than last year, also considering the major operations of Melville plant and precisely for efficiency policy in the use of water in that production plant; in addition, the reduction of the use of natural gas and natural gas have led to a minor overall use of energy.

Our activities for the social communities, even if excluding the ones performed for marketing purposes, 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 (in particular, see the activities related to the pandemic). In addition, Kedrion carries its commitment in compassionate care area, for example through our new plasminogen project.

Finally, the company confirms its prevention and surveillance measures worldwide in the areas of *compliance* and equal opportunities and non-discrimination. Even in 2020 there were no cases of human rights violations or reports of episodes of corruption.

The 2020 NFD is published while the pandemic is still in ongoing, although mitigation, prophylaxis (vaccines) and possible treatments (among which hyper-immune immunoglobulins for which Kedrion is committed) activities make us hope that this can be leaved behind during 2021.

With this wish we invite you to read with attention this documents, which shows the path taken by Kedrion to a precise analysis and reporting of its activities regarding sustainability and Corporate Social Responsibility.

## 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 had 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.

The pandemic continued throughout 2020, although cyclically, and is still ongoing as this non-financial disclosure is being written.

Kedrion quickly implemented contingency plans, creating a Covid-19 Response Team, rapidly transformed into the Covid-19 Global Response Team, and formed 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, namely the safeguarding of workers from infection risks and production continuity. The latter, as well as being fundamental to ensuring continued treatment for patients, was requested by the governments where Kedrion operates. In fact, these governments considered the segment in which Kedrion operates (pharmaceuticals) 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 protection of workers' health, Kedrion allowed and then firmly recommended the broad use of the so-called 'smart working', allowing its use by all employees not involved in manufacturing activities in the broad sense. The company thus protected its plasma plants and centers, whose integrity was considered a vital issue.

For employees not included in the smart working program, stringent policies of social distancing, sanitization and cleaning of environments (offices, production departments and plasma centers, canteens and communal spaces, elevators, meeting rooms, etc.) have been adopted, together with rules of conduct aimed at obtaining the maximum level of hygiene of places and people. Where social distancing is not possible, employees have been provided with personal protective equipment (PPE) and the procedure of management of the emergency and the good practices to adopt has been continually reviewed. Lastly, the environments have been subject to additional cleaning and sanitizing activities concerning all the surfaces of major contact, such as handles, keyboards, push-buttons, etc.

Regarding the aspects related to production continuity in the broad sense (Operations, Maintenance, Quality Control, Quality Assurance, Supply Chain, Engineering, etc.), the company has kept in close contact with its entire supply chain to monitor any critical aspect, also for 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 not performed directly).

There were no interruptions in the supply chain in 2020, for any drug or region, and the company periodically informed the patients' associations and the scientific companies of this continued production activity.

Furthermore, the Kedrion Research and Development area took action and is involved in projects aimed at developing effective treatments for Covid-19, using the plasma of people who have recovered from it, both directly (after viral inactivation) and through the production of specific immunoglobulins.

### 4.15.1. INTRODUCING KEDRION

Kedrion is an Italian biopharmaceutical company that collects and fractionates human plasma in order to develop, produce and distribute plasma-derived drugs for the care 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 business presence in over 100 countries worldwide, it is the fifth largest player in the world and the first in Italy in the segment of plasmaderivatives.
Kedrion manages the entire plasma transformation cycle (procurement, production and distribution) and is based on a vertically integrated business model. The company has five 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. Many Italian regions entrust plasma to Kedrion, which transforms it into drugs which are then returned to hospitals so that they can meet the treatment needs of the population.
Kedrion has plasma collection centers in the United States. 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 standpoint, there were no significant changes in the processes and activities along the supply chain in 2020.

In detail, Kedrion has invested and intend to invest in the next years on the increase of plasma centers directly possessed and managed, in a manner to aim to self-sufficiency in terms of the raw material needed at its own plants, that will make the business and its planning more sustainable and less dependent from third parties.
As far as the stakeholders are concerned, the company identifies the following as its main interlocutors, as is the case at other companies of a similar size and area 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
- Local communities of production sites
- National and international financial community
- Patients' associations and the community of physicians
- 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 Chairmanship, which receives support from other functions (including Global Public Affairs, Regulatory, the Medical Area and the sales function for Italy); the relationship with academia and research is managed by the Research and Development department, under the coordination of the Chairmanship; 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 Chairmanship, 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.

As far as Kedrion's participation in associations is concerned, the two most important are Farmindustria and PPTA, the association that brings together the world's leading plasma-activation or plasma collection companies; the chairman of Kedrion 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, a 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. 2020 NON-FINANCIAL DISCLOSURE OF THE KEDRION GROUP

In compliance with the provisions of Legislative Decree 254/2016 and its amendments and additions (hereinafter also referred to as the Decree), which implements European Directive 2014/95 in Italy, this year Kedrion once again drafted a consolidated non-financial disclosure (hereinafter, "NFD") relating to the events of 2020.
The NFD of Kedrion is annual.
The NFD updates that of 2019, confirming that it has been drafted according to the "*in accordance - Core option*" of the GRI Standards; in addition, a materiality matrix was developed during the definition of the material issues, as required by the Standards themselves.
According to the provisions of Art. 5, paragraph 3a, of the Decree, this NFD 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 15, 2021.
The NFD does not report on the governance structure of the company, precisely because it is included in the management report and is described there in detail. It should obviously be

emphasized that the various legal entities are administered by Councils, Boards or Managing Directors supported by Supervisory Boards.
The legislation requires the NFD to report the main activities, policies and related results, the organizational models adopted, the risks produced and/or suffered and the methods of managing them from an environmental, social and personnel-related perspective, respect for human rights and the fight against active and passive corruption, 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 NFD 2020 was assigned by the CEO to the Chief Central Services (CCS) area, which formed a multifunctional working group. The CCS function is the contact point for any party interested in a more detailed analysis of the topics covered in the NFD and its construction process.

## 4.15.3. MATERIALITY ANALYSIS

In compliance with the provisions for transposition into Italy of European Directive 2014/95, Kedrion has once again drafted the **Non-financial Disclosure** (consolidated) on events that occurred in 2020.

The Disclosure is an integral part of the approval process of the financial statements and the report on operations. For its drafting, the company set up an **interfunctional work group**; this document has been prepared by the group and provides the working outline for preparation of the Non-financial Disclosure (NFD) of Kedrion for 2020.

The legislation requires the NFD to report the main activities, policies and organizational models adopted, the risks produced or suffered, from an environmental and social perspective, respect for regulations and for people, reporting both what is done directly by the company and what can be controlled along the supply chain and the effects for the stakeholders.

The NFD must include the parent company and the subsidiary companies, consolidated on a line-by-line basis, in its reporting perimeter. Any exceptions will therefore be described and substantiated in the NFD itself.

The NFD is divided into five subject areas: “Personnel”, “Social”, “Environment”, “Human Rights”, “Anti-corruption”.

**The materiality analysis designates, for each area, the topics deemed to have the greatest relevance, priority and impact for the company.**

**In certain cases, the work performed led to an area as a whole being considered as ‘material’ in itself, as is the case for “Human rights” and “Anti-corruption”, while for others, namely the “Personnel”, “Social” and “Environment” areas, the topic has been further divided into material topics.**

From an organizational standpoint, and following the relative SOP, (Standard Operative Procedure), the NFD process was assigned by the CEO to the CCS (Chief Central Services) area of the company and to a work group

formed of a data collection coordinator and representatives of the HR, EHS, R&D, Legal and Ethics Office.

The material topics in each area were indicated by the department manager and the executive appointed to supervise the NFD; meetings were held, questionnaires and queries sent by e-mail, and the topics were selected together with colleagues at the various foreign affiliates of the Group responsible for this. The data collection process benefited from the experience of the last three years and the formats for collecting data used in the past have been improved and standardized.

The work group then met to consolidate the material topics that emerged, share them with the various areas and define them as indicated below.

For each material topic or area, the NFD must contain a description of the management model, the policies adopted and the risks associated with the topic.

**Compared with the versions of the last three-year period, the 2020 materiality analysis also considers the emergency linked to the spread of the novel Coronavirus throughout the world**, which has impacted significantly on the activities of Kedrion, its plants, plasma centers and offices.

The two areas most heavily affected by the health emergency are the ones relating to the **people** who work at Kedrion and to its **production plants** (plants and plasma centers).

The first priority of Kedrion during the pandemic was simultaneous protection of its collaborators and continuity of production of plasma and plasma-derived products, in a manner to ensure that patients throughout the world receive the care they need.

From the standpoint of personnel, the NFD will examine the broad use of work from home and the new digital tools provided to non-production staff (offices).

From the standpoint of the production plants and plasma centers, the company protected the plants from outside viral contamination as far as possible, strictly limiting access of non-production staff and providing production staff with personal protective equipment and strict operating protocols (such as social distancing and contact tracing).

In addition to this, as will be seen in the NFD, Kedrion performed social activities in favor of the Italian healthcare systems, particularly in the early months of the pandemic.

Entering into the specific areas of this year's NFD, the materiality analysis on the "**Personnel**" area identified the following topics as relevant:

- Management of the emergency linked to the novel Coronavirus

- Management development
- Corporate welfare

The topic of *management development* continues to be crucial for a company operating in a challenging and concentrated competitive context where extremely large players are present. Specific attention was focused on the topic in 2020 and it will be developed and reported in the NFD, following activities such as management training, career paths, rewarding mechanisms and performance management.

The topic of *corporate welfare* will be examined through the most successful local experiences, remembering the guidelines and the cultural approach that the company suggests for this topic of engagement and gratification, including non-financial gratification, of its people.

During 2020, the company examined in greater detail the aspects related to the topic of gender diversity and focused on comparing Kedrion's structure (governing bodies, personnel distribution, average salaries) to the one of other pharmaceutical companies.

The analysis highlighted a substantial alignment of Kedrion with the reference benchmark.

In addition to this, the company started several activities aimed at reducing the gender gap, such as giving itself the objective of closing the gap, between genders, in the percentage of employees entitled to a system of variable remuneration (MBO), or continuing its associative activity in Value D, a program that provides training tools and dedicated consultancy to managers.

The materiality analysis of the "**Social**" area identified the following two topics.

- Relations with local communities and research on compassionate use drugs
- Response and reaction to the emergency linked to the novel Coronavirus

- For relations with local communities, the NFD will indicate the major examples of attention focused on the local areas and dialogue with the social partners (and will update about two compassionate projects carried on by the company). In addition, we will give evidence of fiscal responsibility of Kedrion in the Countries in which the Group operate.
- Concerning the activities linked to Kedrion's response to the novel Coronavirus emergency, this year's NFD will also highlight the principal actions taken in 2020 in favor of healthcare institutions, particularly Italian ones.

Due to the emergency, Kedrion suspended research activities focused on essentially social and compassionate care purposes, so there is no reporting on these activities in this edition of the NFD.

The materiality analysis on the **EHS (Environment, Health and Safety)** area highlighted the following topics, confirmed with respect to previous years:

- Water consumption and water cycle
- Renewable and non-renewable energy consumption
- Direct and indirect emissions
- Waste production
- Injuries (occupational health and safety)

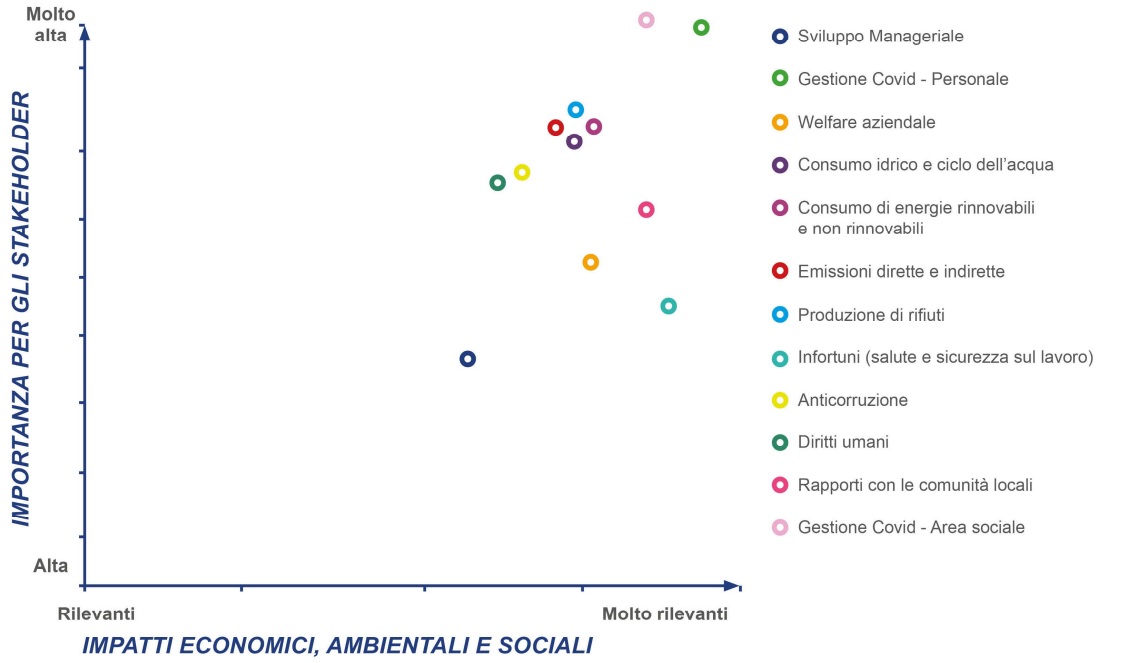
Compared with other areas, the choice of topics in this case followed the content of regulations, consistently with the fact that Kedrion is a manufacturing company and has production sites where the environmental impact must be taken into account.

For the "**Human rights**" and "**Anti-corruption**" areas, both within the company itself and along the supply chain, the materiality analysis led the company to identify these areas as 'material topics' in themselves and it therefore did not further divide them into sub-topics.

The topic of **human rights** will be examined starting with the organizational structures and the policies adopted to monitor this topic appropriately, while the topic of **anti-corruption**, intended as both active and passive, will be discussed considering the company perimeter and the activities performed by the various legal entities. 2020 was actually the first full year of activity of the Kedrion global compliance function, created in 2019.

The materiality matrix highlights the relevance of material topics with respect to two dimensions: on the horizontal axis, the importance in terms of economic, environmental and social impact generated by the company's activities and, on the vertical axis, the relevance of the topics from the stakeholder point of view.

## MATRICE DI MATERIALITÀ




### 4.15.4. GENERAL POLICY ON SUSTAINABILITY TOPICS

Due to the specific nature of the products manufactured, Kedrion helps people, communities and institutions attenuate and remove the obstacles that prevent them from enjoying the right to life, liberty and safety.

Kedrion contributes to the production and distribution of medicines derived from human plasma, which help 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.

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

In 2020, Kedrion dealt with the pandemic in a geographical context characterized by the decisions and initiatives taken by national governments.

Kedrion implemented the tools already outlined in the foreword to the NFD, adapting them to needs, always with respect for the health of workers, and guaranteeing production continuity during the year.

The HR department launched a round table (the “People Forum”) with a team of ten managers appointed by each department, who discussed the People Agenda of Kedrion, namely the work programs to support employee motivation. During 2020, the People Forum held nine meetings, discussing topics such as cultural change, the performance management process, methods of engagement and involvement of people.

The company also undertook a set of listening and discussion initiatives with managers and employees throughout the world in 2020. These initiatives included a series of surveys and groups with employees, culminating in a survey performed in December 2020, on 282 managers, on understanding of the mission and the strategy, involvement of people and the corporate culture, the role of the company leadership, the context of the processes and technological support for the “way of working” of the people at Kedrion and communication skills and abilities to change.

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 as a 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, 2020, the Kedrion workforce numbered 2,640 people, against 2,615 at the end of 2019 (+0.95%). The group's corporate population is concentrated in Italy (42%), in the United States (42%) 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 2019, the number of women on the total workforce, numbering 1,411 people, remains at 53% of the total, whereas the number in the professional category of “Directors” increased (thirty, against twenty-three in 2019).

**Breakdown of employees by region 2018-2020**

| | 2018 | 2019 | 2020 |
|---|---|---|---|
| Italy | 1,146 | 1,147 | 1,128 |
| Hungary | 368 | 359 | 363 |
| Germany | 158 | 17 | 15 |
| Rest of Europe | 13 | 11 | 11 |
| USA | 870 | 1,065 | 1,105 |
| Rest of the World | 16 | 16 | 18 |
| **Total** | **2,571** | **2,615** | **2,640** |

The form of contract applied to almost all Kedrion staff is the permanent one (97.7% of contracts, as in 2019). It should also be noted that 57% of personnel 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 contract | | | Permanent contract | | | Total workforce |
|---|---|---|---|---|---|---|---|
| | Men | Women | Total | Men | Women | Total | |
| Italy | 26 | 22 | 48 | 643 | 437 | 1,080 | 1,128 |
| Hungary | 4 | 16 | 20 | 158 | 185 | 343 | 363 |
| USA | - | - | - | 376 | 729 | 1,105 | 1,105 |
| Rest of the World | - | - | - | 22 | 22 | 44 | 44 |
| **Total** | **30** | **38** | **68** | 1,199 | 1,373 | 2,572 | 2,640 |

With reference to the breakdown by professional category, in 2020, 49% of employees is in the "Blue collar" category and 47.5% in the “White collar” category. The "Directors" category, on the other hand, represented 3.5% of total employees at December 31, 2020.
Kedrion includes, in the “Directors” category, the personnel in managing or executive positions; employees employed in the offices or, if in a plant, holding the qualification of supervisor or manager (for example in plasma centers in the USA) are included in the "White collar” category; the “Blue collar” category is formed of employees employed for manual labor (workers, logistics and warehouse workers, other operators, etc.).

**Total number of employees by category and gender for the three years 2018-2020**

| | 2018 | | | 2019 | | | 2020 | | |
|---|---|---|---|---|---|---|---|---|---|
| Category | Men | Women | Total | Men | Women | Total | Men | Women | Total |
| Director | 68 | 22 | 90 | 65 | 23 | 88 | 65 | 30 | 95 |
| White-collar | 579 | 765 | 1,344 | 534 | 738 | 1,272 | 518 | 737 | 1,255 |
| Blue-collar | 596 | 541 | 1,137 | 620 | 635 | 1,255 | 646 | 644 | 1,290 |
| **Total** | **1,243** | **1,328** | **2,571** | **1,219** | **1,396** | **2,615** | **1,229** | **1,411** | **2,640** |

The number of women on the workforce remained aligned with 2019. Use of part-time contracts in 2020 remained stable with respect to 2019.

**Total number of employees by type of contract for the three years 2018-2020**

| | 2018 | | | 2019 | | | 2020 | | |
|---|---|---|---|---|---|---|---|---|---|
| Type of employment | Men | Women | Total | Men | Women | Total | Men | Women | Total |
| Full-Time | 1,224 | 1,212 | 2,436 | 1,212 | 1,362 | 2,574 | 1,222 | 1,375 | 2,597 |
| Part-time | 19 | 116 | 135 | 7 | 34 | 41 | 7 | 36 | 43 |
| **Total** | **1,243** | **1,328** | **2,571** | **1,219** | **1,396** | **2,615** | 1,229 | 1,411 | 2,640 |

During 2020, there were 823 new entries at the company, divided between Italy, Hungary, Germany and the United States; there were only seven new entries in the Rest of the World (ROW) in 2020. The total number of entries in 2019 was 917.

**Total new entries by region and age groups at 12.31.2020[1]**

| Region | < 30 | 30-50 | >50 | Total |
|---|---|---|---|---|
| Italy | 18 | 24 | 5 | 47 |
| Hungary | 18 | 29 | 6 | 53 |
| USA | 394 | 284 | 45 | 723 |
| Rest of the World | - | 7 | - | 7 |
| **Total** | 430 | 344 | 56 | 830 |

Compared to 2019, the number of new entries fell by 9.5%, from 917 to 830. In particular, female new entries fell by 11.5% and male ones by 4%.

**Total new entries by region and gender for the three years 2018-2020[1]**

| | 2018 | | | 2019 | | | 2020 | | |
|---|---|---|---|---|---|---|---|---|---|
| Category | Men | Women | Total | Men | Women | Total | Men | Women | Total |
| Italy | 34 | 32 | 66 | 36 | 44 | 80 | 22 | 25 | 47 |
| Hungary | 21 | 55 | 76 | 25 | 44 | 69 | 24 | 29 | 53 |
| Germany | 13 | 40 | 53 | 0 | 8 | 8 | 1 | 1 | 2 |
| USA | 288 | 652 | 940 | 185 | 573 | 758 | 188 | 535 | 723 |
| Rest of the World | 0 | 0 | 0 | 1 | 1 | 2 | 2 | 3 | 5 |
| **Total** | **356** | **779** | **1,135** | **247** | **670** | **917** | 237 | 593 | 830 |

The figure on new entries must be interpreted together with the one on exits, the main causes of which were resignations of employees (also interpreted from the viewpoint of the turnover rate - see the table below), dismissals and consensual terminations.
The difference between the hires and terminations of the Group in 2019 does not coincide with the growth of the workforce between 2019 and 2020, shown in the table *Breakdown of employees by region*. The difference derives from the fact that this table shows only the employees at December 31, 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.

**Total exits by region and age group at 12.31.2020**

| Region | < 30 | 30 - 50 | > 50 | Total |
|---|---|---|---|---|
| Italy | 4 | 26 | 36 | 66 |
| Hungary | 11 | 28 | 10 | 49 |
| USA | 339 | 293 | 51 | 683 |
| Other | - | 5 | 2 | 7 |

| | | | | |
|---|---|---|---|---|
| **Total** | 354 | 352 | 99 | 805 |

**Total exits by gender at 12.31.2020**

| Region | Men | Women | Total |
|---|---|---|---|
| Italy | 44 | 22 | 66 |
| Hungary | 22 | 27 | 49 |
| USA | 158 | 525 | 683 |
| Other | 3 | 4 | 7 |
| **Total** | 227 | 578 | 805 |

**Number of exits by cause in the three years 2018-2020**

| Reason | 2018 | 2019 | 2020 |
|---|---|---|---|
| Resignation | 331 | 537 | 564 |
| Dismissal | 20 | 146 | 206 |
| Retirement | 10 | 11 | 7 |
| End of contract | 17 | 18 | 14 |
| USA plasma centers sale | 240 | 128 | 0 |
| Other* | 378 | 33 | 14 |
| **Total** | **996** | **873** | **805** |

* "Other" comprises the terminations not counted in the previous categories (death, failed trial period, etc.).

Concerning the turnover rate linked only to resignation, which is significant, particularly in the United States, Hungary and Germany, this is linked to the dynamics typical of plasma collection centers, in which the labor market, the competitive environment and the professional figures employed result in frequent job changes. In 2020, turnover due to resignations (22%) increased slightly on 2019 (20%), due to the combination of several reductions compared to 2019 in Italy (was 3.5%) and Hungary (was 16.7%), with an increase in the USA (was 39.5%).

**Turnover rate due to resignations during the period considered by region and gender**

| Region | Turnover rate[11] | Number of people resigning | Women resigning in the period | Men resigning in the period |
|---|---|---|---|---|
| Italy | 1.1% | 12 | 6 | 6 |
| Hungary | 10.2% | 37 | 20 | 17 |
| USA | 46% | 513 | 415 | 98 |
| **Total** | 22% | 562 | 441 | 121 |

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

[11] *The figure includes and considers only voluntary resignations at December 31. It does not include:*
- *terminations of temporary contracts opened and closed during 2020;*
- *terminations due to other causes (retirement, dismissal and/or consensual terminations).*

| Region | Turnover rate | Number of people resigning | < 30 | 30 - 50 | > 50 |
|---|---|---|---|---|---|
| Italy | 1.1% | 12 | - | 10 | 2 |
| Hungary | 10.2% | 37 | 11 | 20 | 6 |
| USA | 46% | 513 | 260 | 222 | 31 |
| **Total** | **22%** | **562** | **271** | **252** | **39** |

**Turnover rate due to other reasons in the period considered by region and gender**

| Region | Rate of Turnover | Number of exits for other reasons | Women exiting for other reasons | Men exiting for other reasons |
|---|---|---|---|---|
| Italy | 4.8% | 54 | 16 | 38 |
| Hungary | 3.3% | 12 | 7 | 5 |
| USA | 15.4% | 170 | 110 | 60 |
| **Total** | 9% | 236 | 133 | 103 |

**Turnover rate due to other reasons during the period considered by region and age**

| Region | Turnover rate | Number of exits for other reasons | < 30 | 30 - 50 | > 50 |
|---|---|---|---|---|---|
| Italy | 4.8% | 54 | 4 | 16 | 34 |
| Hungary | 3.3% | 12 | - | 8 | 4 |
| USA | 15.4% | 170 | 79 | 71 | 20 |
| **Total** | 9% | 236 | 83 | 95 | 58 |

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 and scientific skills and experience required to cover the key roles, and the pool of talent available in the company is relatively limited.

It is therefore important to carry out risk mitigation activities, ensuring, on the one hand, 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.

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 financial rewards linked to the achievement of significant results, both as regards profitability and productivity (result bonuses).

Furthermore, HUMAN BioPlazma has signed second-level agreements that provide for financial rewards aimed at making the company competitive on 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 2020 the company compared the gender data for the managerial population, detecting a substantial correspondence with the benchmarks for the pharmaceutical sector provided by our professional partner, an international consultancy company in the human capital sector.

Furthermore, the company started several activities aimed at reducing the gender gap, such as giving itself the objective of closing the gap, between genders, in the percentage of employees entitled to a system of variable remuneration (MBO), or continuing its associative activity in Value D, a program that provides training tools and dedicated consultancy to managers.

## MANAGEMENT OF THE CORONAVIRUS PANDEMIC

As said in the beginning, Kedrion has dealt with the pandemic by prioritizing the health and well-being of workers and the production and logistics continuity needed to ensure that patients continue to get the treatment they need. Therefore, starting in February 2020, Kedrion rapidly implemented the necessary contingency plans.

In the context of smart working it was possible to define a “work from home” policy for employees in the non-production areas, with a significant effort in terms of IT equipment and network infrastructure.

Support of the “way of working” required to manage the pandemic required training in “smart” working methods and the ability to manage teams remotely. Both e-learning tools and a series of webinars were used, involving a total of 297 employees.

## MANAGEMENT DEVELOPMENT

As already said, Kedrion created a People Forum in 2020, to build and implement the main employee motivation and development programs. The work of the forum started in February 2020 and continued throughout the year, touching on topics such as management training, performance management, communication and engagement.

The topic of managerial development, in this Non-Financial Disclosure, 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 the Kedrion School, 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 2020, the company developed, among others, the following training and managerial development paths:

- The fourth edition of the international Kedrion Management Development Program (KMDP), aimed at talented people throughout the entire group, was held: eighteen managers from five countries and representing all company departments;
- a plenary session for 100 key company people, dedicated to the topics of digitalization and including a survey on the state of the digital skills and mindset of the managerial population;
- People Management Journey. Path for newly appointed leaders, two classes for a total of thirty Italian employees.
- Technical educational program (third edition) for a group of around seventy people in Italy and twenty-six in Hungary
- Specific on-line training on smart working.

The common factor of these courses is an innovative vision of training, involving a combination of collaborative learning, mentorship and project work experiences with traditional classroom and distance learning techniques.

Based on the recommendations of the People Forum, a management training program was created for the company's middle management. The program, called "Seeds of Leadership", involved 144 managers in the USA, Italy and Hungary and focused on the topics of leadership, change, active listening, feedback and delegation. In 2021, training activities will continue, with topics such as cross-functional cooperation, project management and continuous improvement.

In order to improve the management of the training process and generate more effective training experiences, Kedrion has enriched its HRIS (KedPeople) system with a management module for the collaboration process (Jam).

The purpose of the new tool is to simplify collaboration and internal communication of employees, facilitating the creation of internal content channels, their use according to the interests of each and the importance element of peer-to-peer dialogue between employees.
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, thanks to the feedback received during the annual human capital review (the so-called People Review), it was decided to invest in certain critical phases of HR management, namely feedback from male and female collaborators and the preparation of efficient individual

development plans. As part of this initiative, 210 people received training in 2020, through classroom teaching and e-learning solutions.

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.

**Summary of hours of training held in 2018, 2019 and 2020 for gender**

| Year | Men | Women | Total Hours | Average hours for employee |
|---|---|---|---|---|
| 2020 | 9,434.0 | 7,418.0 | 16,852.0 | 6.4* |
| 2019 | 12,253.0 | 11,666.0 | 23,919.0 | 9.1* |
| 2018 | 13,456.6 | 8,201.4 | 21,658.0 | 8.4* |

* The average is calculated on the number of total employees at the end of the year

**Summary of hours of training held in 2020 for region and professional category**

| Region | Directors | White Collar | Blue Collar | Total |
|---|---|---|---|---|
| Italia | 715 | 8,901 | 187 | 9,803 |
| Hungary | 420 | 2,776 | 1,948 | 5,144 |
| USA | 87 | 1,736 | 82 | 1,905 |
| **TOTAL** | **1,222** | **13,413** | **2,217** | **16,852** |

## PERFORMANCE MONITORING

In continuity with previous years (at Kedrion, the performance assessment system has existed since 2009 and since 2014 it has become a global system), the process of annual assessment of individual performance, of strategic importance in the development of human resources, took place in 2020. Compared to 2019, the population involved increased from 1,942 to 2,051 people; the process involved 77% of the population (in 2019, 74% of the company population was involved) and 100% of Executives and Senior Management, as recipients of incentive programs (MBO). The increase mainly benefited the female population, which went from 962 to 1033 (+7.3%).

**Number of employees involved in Performance Management process in the three years 2018-2020 by region and gender**

| | 2017 | | | 2018 | | | 2019 | | |
|---|---|---|---|---|---|---|---|---|---|
| Region | Men | Women | Total | Men | Women | Total | Men | Women | 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 |
| Other | 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 2020 by category and gender**

| Category | Men | Women | Total |
|---|---|---|---|
| Directors | 57 | 24 | 81 |
| White collars | 513 | 636 | 1,149 |
| Blue collars | 448 | 373 | 821 |
| **Total** | 1,018 | 1,033 | 2,051 |

According to the KedPMP (Kedrion Performance Management Process), depending on 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 assessment criteria at Corporate level for managerial roles and homogeneous assessment at Country level, in compliance with local specificities, for non-managerial roles.

During 2020, Kedrion implemented a review of the performance assessment process, which generated a series of improvements, related to the simplification of the goal setting and assignment of assessment phases, to the inclusion of the leadership model in the assessment system, facilitating the mid-year monitoring and review phase, which currently essentially covers the whole year, and, lastly, 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 assessment of objectives and the greatest possible homogeneity in the feedback assessment and management criteria.

In 2017, Kedrion also introduced a global potential assessment process, crossed with the performance assessment. This process is called People Review and involved 360 managers and professional consultants in 2020. The aim is 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 assessment 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 situations, 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.

## ENGAGEMENT

During 2020, Kedrion introduced a system of listening to employees and an analysis and intervention process centered on improvement of the levels of engagement and motivation of people.

This initiative is focused on:

- the creation of an internal forum of managers and representatives of the Human Resources department, called People Forum, which has identified several areas of intervention, starting with a cultural change, skills to be developed and priorities to pursue from the “people” perspective

- management of a series of listening moments (the so-called focus groups) on topics such as alignment with company strategy, discussion of the strategic options available and the trade-offs to be managed

- the launch of several surveys among employees (on smart working in Italy and Hungary, with around 500 employees invited to participate, on management of performance with around 190 managers and employees and, towards the end of 2020, on organizational efficiency with 350 managers)

These initiatives were then included in a transformation program to follow in 2021.

## 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 six working days per month. Furthermore, Kedrion fully implemented the local public transport service for the Bolognana site, funding part of its financial cost.

## OCCUPATIONAL HEALTH AND SAFETY

Kedrion adopts policies to:

- Promote the culture of safety at every organizational level;
- Support initiatives aimed at improving working conditions;
- Support local offices in management of occupational safety and in monitoring its performance.

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 facilities have adopted an OHS management system complying with the ISO 45001 standard, for which certification of passage from the previous OSHAS 18001 standard was issued.
In addition to the preventive and protective measures adopted at local or national level, initiatives such as accident management are implemented at a global level and mainly concentrated at the production sites to reduce the risks for employees, visitors and staff of external companies, as well as the local community.
The EHS Global structure therefore monitors and supports local functions in the management of accidents, starting from 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 and then implemented by the local companies and are monitored through key indicators such as frequency and severity.
As part of the Operations function, the "Zero Accidents" objective is confirmed and monitored globally through indicators that measure frequency and severity.
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 in offering suggestions for improvement, setting as a minimum annual target a number of reports equal to one for every three employees. This indicator, including the ratio between accidents, near misses and reports, is monitored monthly at local and global level.
Although the Covid-19 situation required a consistent commitment to managing the emergency and guaranteeing the maximum level of safety for internal and external personnel and their families, the activities to improve the H&S management system continued, although different operating methods were adopted with respect to the requirements and recommendations to minimize the Covid-19 risks, such as efficient internal and external audits performed remotely and training being performed almost completely on line. Local or global safety meetings were also held according to schedule, but again remotely.

Activities such as safety tours and investigation of accidents or near misses, for which presence is necessary, were performed in compliance with the anti-Covid measures required or recommended by the local and international authorities and promptly introduced by the company, without undermining their efficacy in any way.

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

**Distribution of injuries by region at 12.31.2020**

| Region | Number of events | Number of days lost | TIR* | LWR* | Worked hours |
|---|---|---|---|---|---|
| Italy | 7 | 83 | 0.75 | 8.90 | 1,864,552 |
| USA | 37 | 153 | 3.58 | 14.80 | 2,038,040 |
| Hungary | 8 | 115 | 2.61 | 37.49 | 613,491 |
| RoW | 0 | 0 | 0 | 0 | 72 ,000 |
| **TOTAL** | 52 | 351 | 2.25 | 15.2 | 4,618,083 |

* The indicators used 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 people involved for reasons of privacy.
The range therefore varies from a minimum of 44% to a maximum of 78%.

The accident trend in the three-year period 2018-2020 is shown below:

| Table of Contents | 2018 | 2019 | 2020 | Variation 2020/2019 |
|---|---|---|---|---|
| Number of injuries | 48 | 55 | 52 | -5.4 % |
| Number of days lost | 571 | 796 | 351 | -55.9% |
| TIR | 2.2 | 2.47 | 2.25 | -8.9% |
| LWR | 26.7 | 35.8 | 15.2 | -57.5% |

The overall figure for 2020, compared with the previous year, shows a decrease in the number of events and a significant decrease in the number of days lost in absolute terms. The TIR and LWR indicators, which take account of the hours actually worked, shows a slight decrease.
The most frequent types of accident are impacts and crushing, slipping, contact with material constituting a potential biological hazard (puncture wounds or splashing), strains or sprains, cuts and abrasions.
Distribution of accidents across the various company areas confirms good performance in the areas at greatest risk, namely the production plants which reported, at global level, seventeen so-called recordable events, of which fourteen with a recovery time of at least one day (LTAs, Lost Time Accidents), with a TIR=1.59 and an average recovery time per event of twelve days.
A significant contribution to the number of “recordable” events and the frequency rate was made by the US plasma collection centers, with thirty-two events and TIR=4.2.

In contrast, the severity rate was relatively low (LWR=15.5), due to the presence of a high number of recordable events that did not result in lost days, linked mainly to contact with material constituting a potential biological hazard.

### INJURIES TO EXTERNAL PERSONNEL

There were two episodes involving external personnel (collaborators or people operating in areas under direct company responsibility and/or following its directives) in 2020.
Both events occurred at the Italian plant in Tuscany and neither had serious consequences.
One case involved slipping and the other cutting, with respective recovery times of twenty-two and four days.
The frequency rate given by the number of events out of total hours worked at the company (multiplied by a coefficient of 200 thousands) takes into consideration, in counting the number of events, all the companies whose employees work at the Kedrion facilities, and uses as the denominator, simply as a precaution, only the hours worked by companies with work contracts at an hourly payment rate, excluding the hours worked for “fixed” payment.

TIR = 2X200 ,000/222,647.21= 1.80

### OCCUPATIONAL DISEASES

There are areas present at Kedrion in which health and safety risk factors have been identified. In detail:

- Video terminals, micro-climate and lighting, fire/explosion and work-related stress, present in all the activities, from administration to production and technical activities;
- 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 at a height, activities in confined places, driving forklift trucks and mechanical vehicles, which are added in relation to the specific tasks.

Risks are recognized in accordance with current national legislation. In particular, the sites in Italy are subject to Consolidation Act no. 81/08 and prepare a Risk Assessment Document (DVR); the Hungarian sites are subject to similar legislation and, in turn, produce a risk document similar to the Italian DVR.
The prevention and protection measures adopted in all areas guarantee 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 few 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.
Four claims for occupational disease were filed in 2020, one of which (hearing loss) was recognized by the INAIL (Italian Institute for Prevention of Accidents in the Workplace).

## 4.15.6. “SOCIAL” AREA

The cornerstone of the policies adopted by Kedrion is 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 pathologies it deals with and to improve their diagnosis, treatment and access to treatment.

Kedrion pursues its objectives both through supporting local projects and through international product donations and collaboration in educational and awareness-raising initiatives.
This year's NFD describes the "Social" area through actions to support local communities and social activities performed as a result of the current pandemic.

## RELATIONS WITH LOCAL COMMUNITIES

Starting from the experiences in Italy, with the growth of the social perimeter and the internationalization of activities, this approach has been transmitted and supported.
Driven by a sense of ethical and civil responsibility, Kedrion promotes a culture of sustainability and trust.

In 2020, our commitment alongside local communities was in the form of our contribution to and support for voluntary work and projects aimed at protecting human rights at a global level. The current pandemic has reduced the perimeter of these activities, of which there were therefore fewer with respect to the past, partly due to the objective difficulties of supporting public socialization and solidarity activities. However, Kedrion nonetheless supported local communities with actions aimed directly at dealing with the Coronavirus emergency, as will be discussed below.

From an organizational point of view, support activities for local communities are mainly concentrated at central level, at the parent company.

The main activities that the company carried out for local communities were the following:

### 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 facilities, also reducing the environmental impact related to transfers;
- Kedrion S.p.A. supports various 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);
- The 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 supports measures to reduce local traffic, through car-sharing and car-pooling initiatives (an activity that was greatly reduced this year, due to broad use of work from home);
- Kedrion Incontra Project (opening and visit of Bolognana and Sant'Antimo plants to associations of Italian blood donors). Activities were greatly reduced in 2020, due to the Coronavirus pandemic

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 (annual RFK Gala for fund raising on advocacy of human rights)
- Carlo Erba Foundation - second edition of Guelfo Marcucci Awards 2019 (two scholarships reserved for young researchers in the field of non-oncological immunology)
- University of Tor Vergata (contribution for medical-scientific education in the form of a Master's degree)

### KBI E HUMAN BIOPLAZMA KFT.

In the United States, where the company has been promoting spontaneous voluntary activities to support local communities for many years, with the Kedrion Cares program, the Kedrion and KEDPLASMA employees have offered their support to and/or participated in:

- Feeding America for the Seasons of Giving campaign
- Bergen County Animal Shelter for the Animal Shelter Drive campaign
- Jersey Cares to support the Virtual School Supply Drive initiative

Other contributions and donations were also given to:

- John Theissen Children Foundation
- Go Fund Me
- Susan B. Women Foundation
- Burning Bush Family Foundation
- Options For Community Living

Furthermore, at Thanksgiving, almost all the plasma collection centers in the US supported local organizations in food collection drives for people in difficulty.

The company is also committed to offering its contribution to the communities in which it operates in Hungary, as evidenced by the support for Magyar Gyermekonkológiai Hálózat, a network that deals with cancer treatments for children.

During 2020, no financial or non-financial sanctions were imposed on Kedrion in relation 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, ORPHAN DRUGS AND COMPASSIONATE CARE ACTIVITIES

Kedrion research and development activity in the last years was oriented in different directions:

- An activity of industrial research, which aim to identify new products or new production processes;
- An activity of industrial development aimed to optimize the production process and to guaranty the higher quality and safety standards;
- An activity aimed to ensure the compliance in the context of safety from bacterial agents.

Orphan drugs development and compassionate healthcare was always a vocation for Kedrion. In this context, the two main Kedrion projects on orphan drugs are the one on Plasminogen and the other one on Factor V of coagulation.

## PLASMINOGEN PROJECT

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.

In 2020 Kedrion has provided the experimental concentrate for compassionate use / early access to 16 patients (13 in 2019) affected by ligneous conjunctivitis (6 in Italy through L.648/96, 1 in France through nominal ATU, 2 in Spain through compassionate use and 7 in USA through IND sponsored by Kedrion and IND sponsored by doctor.

In 2020 SISET organized a public webinar entitled “Carenza congenita di Plasminogeno e Congiuntivite Lignea” (Congenital lack of Plasminogen and Ligneous Conjunctivitis). The initiative, realized in collaboration with the Italian Association Doctors Oculistic (AIMO), Italian Federation Rare Disease (UNIAMO) and with Kedrion non conditioning contribution, was an important exchange opportunity among specialists (about 90 among academics and doctors from the most important Italian hospitals). Among themes discussed, the need of the improvement of Ligneous Conjunctivitis diagnostic and of promote the integration of this pathology as rare disease to the attention of scientific institutions.

## FACTOR V 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.

Due the extremely rare of this pathology, at the moment it is no available in commerce any specific concentrate of Factor V, so the treatment of the deficit of this protein relies on the reintegration of the deficient factor with the use of fresh frozen plasma, which however involves risks and complications.

Kedrion is developing a Factor V concentrate, at the moment as the only one company in the world.

To sustain the industrial and clinical development of the product, at the moment developed at exploratory research level, in 2020 Kedrion submitted an application for financing to MISE, using the instrument of "Development Agreement". The project submitted has been admitted to financing and is now being assessed post-inspection carried out at the end of 2020 from Ministerial economic and scientific representative.

## ACTIVITIES TO FIGHT THE COVID-19 PANDEMIC

Right from the early days of the pandemic, Kedrion reasoned and acted to offer its assistance to the communities in which it operates, from the Lucca area in Italy to the activities performed in the United States.

In detail, the three activities performed in this area were:

1. Supply of medical devices and PPE to healthcare institutions and hospitals
2. Assignment of machinery and kits for viral inactivation of plasma from people recovering from Covid-19
3. Project to develop an anti-Covid drug (specific immunoglobulin)

1. In the early days of March 2020, Italy discovered that there was a major shortage of essential personal protective equipment, such as face masks, disinfectants and protective overalls. In view of the activity it performs and the custom of working in sterile and pharmaceutical-grade departments, Kedrion was able to support several institutions, by donating the goods at its disposal.
   In the space of just a few weeks, Kedrion recovered all the type FFP2 masks in its possession (several hundred) and donated them to the hospitals of Castelnuovo Garfagnana, Barga and Versilia. It did the same with thousands of surgical masks and sterile overalls. It also supported training for the Civil Defence department of Lucca in sterile packaging of surgical masks to distribute to the local population. The financial value of the goods provided is minor, but, due to the dramatic shortage of this material during that period, the gesture was highly appreciated and considered very useful by the institutes that received it.

2. After the virus had been spreading for several weeks, it became clear that plasma from people who had recovered from Covid-19 contained a large quantity of specific antibodies, developed by the body to protect itself against the virus. The international scientific community suggested that use of plasma from convalescent people (the so-called hyperimmune plasma) could be used to treat Covid patients through transfusions. In order to transfuse human plasma, it is obviously necessary first to inactivate it for other potential viruses (HIV, hepatitis, etc.). Kedrion is the licensee of a machine and kits for viral inactivation of plasma in hospitals and it provided these devices under free loan to various Italian hospitals that did not have them, including the hospitals of Pavia, Mantua and Padua. The financial value of these activities is around Euro 400 thousands but, in this case as well, what counted most was the promptness with which the company allowed transfusion of safe plasma into patients. Clinical trials on the efficacy of hyperimmune plasma against Covid-19 are still in progress. The early results appear promising and the clinical course of patients treated with

plasma in northern Italy and the United States has been encouraging, particularly when treatment has been adopted early on.

3. As a consequence of possible use of hyperimmune plasma against Covid, Kedrion has started a project, together with the biological company Kamada (Israel), for the development of a specific immunoglobulin. Specific immunoglobulins, meaning those obtained from the plasma of people who have recovered from a specific disease, are antibodies in concentrated form that can be infused intravenously into patients and people potentially exposed to the disease (preventive medicine). To cite several examples, specific immunoglobulins are commonly used against diseases such as rabies and tetanus, alongside vaccines (as is known, the existence and broad access to vaccines does not mean that there is no need for treatments for the diseases caused by viruses). Adopting this principle, Kedrion and the other plasma derivation companies of the world have decided to start projects for the development of immunoglobulins obtained from the plasma with a high antibody titer of people recovering from Covid. In this activity, Kedrion created a network that, in addition to Kamada, also involves the US plasma centers and university and scientific institutions, such as Columbia University in New York, Federico II University in Naples and the Istituto Mario Negri in Milan. The first anti-Covid specific immunoglobulins produced from American plasma, using Kamada technology, were used in Israel in June 2020 and Kedrion plans to extend the project to Italy and to various other countries of the world.

## FISCAL RESPONSIBILITY

The fiscal approach of an organization defines how it balances fiscal compliance with business activities and with ethical and social expectations and sustainable development.
In compliance with the “corporate responsibility” principle, the Group acts according to the values of honesty and integrity in management of fiscal activities, as it knows that the proceeds from taxation are one of the main sources of the Group’s contribution to the economic and social development of local communities. It therefore bases its conduct on compliance with tax laws applicable in the countries where it operates, managing the task risk responsibly to protect its image and reputation. In this regard, the company considers taxes to be a cost of enterprise and, as such, one that must be managed with the aim of safeguarding company assets and pursuing the primary goal of creating value for stakeholders over the medium and long term.
In order to guarantee fiscal compliance, the parent company has adopted a specific corporate Transfer Pricing Policy in line with the specific regulations and a Taxes and Levies procedure that identifies roles and responsibilities of the people involved in fiscal management, establishing information flows between the parties and the relative processes to achieve an efficient and, where possible, preventive control of the fiscal risk, as well as a policy to manage the taxation laws interpretation risk. The aim is to pursue:

- lasting growth of corporate assets and protection of the Group’s reputation;
- correct and prompt calculation and payment of the taxes due by law and performance of the related procedures;
- limitation of the fiscal risk, intended as the risk of infringing taxation laws or abuse of the principles and purposes of the taxation system.

The Group maintains a relationship with the revenue authorities based on cooperation and transparency, ensuring that the authorities obtain a full understanding of the events underlying the application of taxation laws. With a view to consolidating transparency with the revenue authorities, the Group ensures correct application of national and local taxation laws and regulations and the OECD Transfer Pricing Guidelines. The company does not perform transactions without valid

economic reasons in order to obtain tax benefits and does not use the so-called blacklisted countries as a means of tax avoidance.
For management of reporting of unethical or unlawful behavior, the information channels are those envisaged by the Supervisory Body to guarantee communication of irregularities or infractions of the Code of Ethics, the Anti-Corruption Code of Conduct and the Organization, Management and Control Model pursuant to Italian Leg. Decree no. 231/2001.

In 2019, the Kedrion Group paid taxes in the amount shown in the following table (figures in thousands of Euro):

| Names of the resident entities | Number FTEs | Primary activities of the organization | Revenues from third-party sales | Revenues from intra-group transactions with other tax jurisdictions | Profit/loss before tax | Tangible assets other than cash and cash equivalents | Corporate Income Taxes paid on cash basis | Corporate income tax accrued on profit/(loss) |
|---|---|---|---|---|---|---|---|---|
| Kedrion S.p.A. (Italia) | 1.134 | Plasmaderivatives production and trading | 273.299 | 74.627 | 20.472 | 118.864 | 1.407 | 1.184 |
| Kedrion Biopharma Inc (Usa) | 291 | Plasmaderivatives production and trading | 222.915 | 9.354 | (16.903) | 126.401 | 1.603 | (527) |
| KEDPlasma LLC (Usa) | 879 | Plasma collection and trading | 209.633 | 65.035 | 11.266 | 9.586 | n.a. | n.a. |
| Human BioPlazma Kft. (Ungheria) | 336 | Plasmaderivatives production and trading | 11.460 | 87.377 | 855 | 29.514 | 0 | 757 |
| Kedrion Biopharma GmbH (Germania) | 13 | Plasmaderivatives trading | 23.274 | 8.107 | 20.256 | 125 | 204 | 5.210 |
| Kedrion International GmbH (Austria) | 8 | Plasmaderivatives trading | 22.108 | 0 | 1.888 | 7 | 920 | 459 |
| Kedrion Portugal Lda (Portogallo) | 3 | Plasmaderivatives trading | 5.734 | 0 | (141) | 0 | 77 | 10 |
| Kedrion Mexicana S.A. de C.V. (Messico) | 9 | Plasmaderivatives trading | 28.770 | 0 | 5.080 | 15 | 1.836 | 1.651 |
| Kedrion Swiss Sarl (Svizzera) | 0 | Plasmaderivatives trading | 339 | 0 | (46) | 0 | 0 | 0 |
| Kedrion Brasil Distributoria (Brasile) | 2 | Plasmaderivatives trading | 1.972 | 0 | (307) | 5 | 0 | 3 |
| Kedrion Biopharma India Private Limited (India) | 5 | Plasmaderivatives trading | 3.294 | 0 | (388) | 5 | 0 | 0 |
| Kedrion Betaphar Bivofarmasoti k (Turchia) | 6 | Plasmaderivatives trading | 3.039 | 0 | 486 | 3 | 411 | 116 |
| Kedrion de Colombia SAS (Colombia) | 4 | Plasmaderivatives trading | 2.373 | 0 | (114) | 12 | 29 | (28) |

## 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 the environmental impact to a minimum. Kedrion is conscious of humankind's responsibility in global climate change, so its 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 the 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[12] Standard (Eco-Management and Audit Scheme);
- ISO 45001 (Occupational Health and Safety Management System).

Participation in the UN Global Compact [13] involves a global commitment to improving environmental performance, based on a strategy founded on principles of:

- Optimizing resources and endorsing sustainable ones;
- Reducing negative impact;
- Spreading an environmental culture within the company and with external collaborators.

The Italian offices have adopted an environmental management system according to ISO 14001. The Lucca facilities (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 sites mentioned.
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 increasingly 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 2020, the EPD (Environmental Product Declarations) for IVIG and albumin products were confirmed.
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.

## WATER CONSUMPTION AND WATER CYCLE

Attention to water resources is concentrated on the use of water from the public network and wells and on waste water production.

[12] EMAS, the European *Eco-Management and Audit Scheme*, is a model that both public and private enterprises and organizations located within the European Union aiming to assess and improve their environmental efficiency apply on a voluntary basis.

13 The United Nations Global Compact is an initiative of the United Nations created to encourage companies throughout the world to adopt sustainable policies, comply with the principles of corporate social responsibilityand publish the results of the action undertaken. It is based on ten principles in the areas of human rights, labor, environmental sustainability and anti-corruption.

The water supplied to the production facilities is mainly used to power cooling systems, softeners and for steam production, washing and sanitization. At the other facilities, 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 (water network and wells), thus constituting a constraint with regard to possible increases in production capacity. Furthermore, an increase in water consumption corresponds with an increase in waste water, the hydraulic load is governed by authorization and/or technical/infrastructural limitations.
Waste water derives from the processes of the four production sites, which is transferred to the public networks in accordance with legislation and regulations in force in terms of hydraulic load and qualitative characteristics of the waste water.
Discharge is prevalently of an industrial kind and a minor percentage of 10% is represented by domestic waste water.

**Water balance (water consumption and discharges in cubic meters) as at 12.31.2020**

| Water consumption from public utilities* $m^3$ | Water consumption from well $m^3$ | Total water consumption $m^3$ | Waste water** $M^3$ |
|---|---|---|---|
| 507,585 | 372,390 | 879,975 | 645,065.92 |

*The figure is the sum of consumption measured (Bolognana, CVP, Sant'Antimo, Gödöllő, Melville) and estimated (offices and plasma centers).
**Waste water measured for Bolognana, CVP, Sant'Antimo, Gödöllő and Melville; estimated for Offices and plasma centers.

Italy makes the largest contribution (72%), due to the presence of the two main production plants, followed by Hungary (15%) and the United States (13%), also countries with production sites (Gödöllő and Melville).

The table below summarizes the consumption of water and the quantities of waste water discharged at global level for the three-year period 2018- 2020:

**Water balance 2018-2020**

| Index ($m^3$) | 2018 | 2019 | 2020 | Difference 2020/2019 |
|---|---|---|---|---|
| Water consumption from public utilities | 532,251 | 635,954 | 507,585 | -20% |
| Water consumption from well | 376,520 | 399,874 | 372,390 | -7% |
| **Total water consumption** | **908,771** | **1,035,828** | **879,975** | **-15%** |
| Waste water | 645,989 | 743,936 | 645,065.92 | -15% |

*The figure is the sum of consumption measured (Bolognana, Sant'Antimo, CVP, Gödöllő, Melville and plasma centers) and estimated (offices).
**Waste water measured for Bolognana, Sant'Antimo, CVP, Gödöllő and Melville; estimated for Offices and plasma centers.

The reduction in water consumption from public utilities is a consequence of optimizing use of the water at 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 serving the most critical plants.
Starting from November 2020, the Bolognana plant obtains a major part of electricity from a trigeneration plant located at the site that, in addition to having a lower environmental impact, also improves the quality of supply and, even though it does not reduce the risks associated with power outages, this plant replaces the self-production in the past using a cogeneration system, with a further improvement in energy performance.
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 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.

In order to guarantee business continuity in emergencies, electricity supply from the grid remains active.

## ELECTRICITY FROM THE GRID

A trigeneration plant recently entered into operation at the Bolognana plant, to replace the previous cogeneration plant, and covers part of the plant's electricity needs.
At the end of 2020, the plant therefore passed from self production of electricity to a new supplier, alongside the external supply, who uses the trigeneration plant recently placed in operation.
The calculation methods used for the 2020 figures therefore take account of the change that took place in November.

The figure for total consumption is shown below.

**Consumption of electricity from the grid* at 12.31.2020**

| | |
|---|---|
| **GJ** | **199,485** |

* The figure is the sum of consumption measured (Bolognana, Sant'Antimo, CVP, Gödöllő, Melville and plasma centers) and estimated (offices).

The largest contribution to total consumption is made by the Italian, American and Hungarian production plants, which account for 46%, 20% and 18% respectively.

## 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 12.31.2020 | |
|---|---|
| GJ | 440,708 |

* The figure is the sum of consumption measured (Bolognana, Sant'Antimo, CVP, Gödöllő, Melville and plasma centers) and estimated (offices).
**The figure includes natural gas for the cogeneration plant at the Bolognana site, which remained in operation until November 2020.

The largest contribution to total consumption is made by the Italian, US and Hungarian production plants, which account, respectively, for 71% (of which the Bolognana site alone, including CVP, represents 63%), 18% and 9%, for a total of 98%.

The table below summarizes the consumption of electricity, methane and diesel, expressed in GJ globally for the three-year period 2018-2020:

**Energy balance 2018-2020**

| Index (GJ) | 2018 | 2019 | 2020 | Difference 2020/2019 |
|---|---|---|---|---|
| Electricity from the grid | 185,380 | 198,582 | 199,485* | **+0.4%** |
| Methane | 442,485 | 472,384 | 440,708 | **-6.7%** |
| Other** | 13,635 | 11,262 | 6,118 | **-46%** |
| **Total energy** | **641,500** | **682,228** | **646,311** | **-5.2%** |

*Since November, the Bolognana plant has been purchasing the electricity that was previously self-produced from a new supplier, who uses the trigeneration plant
** diesel and LPG

The table shows that there has been a very slight increase in consumption of electricity from the grid (see note to the table above) and a decrease in consumption of natural gas and diesel, which reduces total energy consumption

## 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).

Natural gas consumptions represent the main energy source for the heat production (in the form of vapor or hot water) while the electric energy is the main source for cold production; both consumptions are influenced by climatic conditions.
An increase of the temperatures determined a higher consumption of electric energy for the cold production while the lowering of temperature a higher consumption of natural gas for heat production; the higher impact on the energy consumption is the one for cold production.
The graph below indicates total contributions of CO2 equivalent emission (Scope I) and the trend in the three-year period 2018-2020:

**Carbon Footprint 2018-2020 – Scope I**

| $CO_2$ equivalent (Ton) | 2018* | 2019** | 2020*** | Difference 2020/2019 |
|---|---|---|---|---|
| CO2 eq. From refrigerant gas losses (refilling) | 12,512 | 5,091 | 7,103 | +40% |
| CO2 eq. From consumption of methane | 24,580 | 26,890 | 24,896 | -7.4% |
| CO2 eq. From consumption of diesel | 1,013 | 841 | 457 | -46% |
| **Total $CO_2$ eq.** | **38,105** | **32,821** | **32,456** | **-1%** |

* DEFRA conversion factor version 2018
** DEFRA conversion factor version 2019.
*** DEFRA conversion factor version 2020.

The figures indicate an increase in $CO_2$ emission from replenishment of refrigerant gases, to which a significant loss at the Bolognana (equal to 23% of total $CO_2$ from refrigerants in 2020) contributed.

The graph below indicates the contributions to the total $CO_2$ equivalent emission (Scope II) according to the "location-based" approach.

**Carbon Footprint 2018-2020 – Scope II**

| Ton $CO^2$ eq. | 2018* | 2019* | 2020* | Difference 2020/2019 |
|---|---|---|---|---|
| $CO_2$ eq. from consumption of electricity from the grid | **19,116** | **20,073** | 19,160 | -4.5% |
| **Total $CO_2$ eq.** | **19,116** | **20,073** | **19,160** | **-4.5%** |

(***) TERNA conversion factor 2018.

## WASTE PRODUCTION

The quantity of waste from the production sites represents the predominant quota of all waste produced by the Group (approximately 88%); the collection centers contribute to a minor extent (12%) and administrative activities contribute to a negligible extent.

The waste, when not transferred to the municipal dumps as similar to urban waste, is managed according to the legislation of the country where the production site is located, both for its classification and packaging and for its disposal.
The presence of obligations required by legislation or by specific authorizations, or voluntarily undertaken, require the company to pay close attention to classification and packaging and to 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 resulting from incorrect classification or packaging and 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 focuses on the safety of people who, in various capacities, could 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 12.31.2020 | | |
|---|---|---|
| **Non-hazardous waste Kg** | **Hazardous waste Kg** | **Total waste Kg** |
| **995,536** | **5,146,923** | **6,142,459** |

| Waste balance by region at 12.31.2020 | | | |
|---|---|---|---|
| **Region** | **Non-hazardous waste Kg** | **Hazardous waste Kg** | **Total waste Kg** |
| Italy | 644,641 | 992,168 | 1,636,809 |
| USA | 295,493 | 1,012,737 | 1,308,230 |
| Hungary | 55,402 | 3,142,018 | 3,197,420 |
| **TOTAL** | **995,536** | **5,146,923** | **6,142,459** |

The values for the 2018-2020 three-year period are shown below:

| Energy balance 2018-2020 | | | | |
|---|---|---|---|---|
| **Type (kg)** | **2018** | **2019** | **2020** | **Difference 2020/2019** |
| Non-hazardous waste | **1,228,935** | 838,332 | 995,536 | +19% |
| Hazardous waste | 5,086,959 | 5,505,034 | 5,146,923 | -6.5% |
| **TOTAL WASTE PRODUCED** | 6,315,894 | **6,343,366** | 6,142,459 | **-3%** |

| Quantity of waste sent for recovery at 12.31.2020 | |
|---|---|
| **% of total non-hazardous waste** | 63% |

| | |
|---|---|
| **% of total hazardous waste** | 62% |

## 4.15.7. ANTI-CORRUPTION AREA

Kedrion, in line with its founding values, with specific anti-corruption regulations and the tenth Global Compact principle, according to which "*businesses should work against corruption in all its forms, including extortion and bribery*", pursues its commitment to fight corruption, in all its forms, direct and indirect.

In January 2020, the Board of Directors of Kedrion S.p.A. adopted the Global Ethics Policy, which contains the principles and ethical values on which responsible management of company activities is based, establishing the rules of conduct and implementation. The *Global Ethics Policy* has been formally recognized by the governing bodies of the subsidiaries and outlined in the Codes of Ethics available on the company website.

Kedrion also adopted the *Global Anti-bribery and Anti-corruption Policy* in 2020, which confirms the "*Zero tolerance*" approach to any form of corruption. The Policy has been formally recognized by all group companies.

There were no episodes of corruption at any Kedrion Group companies in 2020.

The following paragraphs report the organization and safeguards adopted by the group's main operating companies regarding anti-corruption.

### KEDRION S.p.A.

Kedrion S.p.A. has promoted and adopted an integrated Global Policy system to prevent and mitigate the risks of corrupt behavior at the company.

As from 2004, Kedrion S.p.A. has implemented an Organizational, Management and Control Model pursuant to Art. 6 of Italian Leg. Decree no. 231/2001 (hereinafter, also "Model 231"), in order to prevent the risk of the crimes envisaged by said decree being committed. The offenses envisaged include corruption in all its forms, both in relations with the Public Administration and in relations between private operators, and therefore also including all relations with the supply chain. In November 2020, the Board of Directors of Kedrion S.p.A. updated its Model 231 and Code of Ethics to include the new relevant offenses pursuant to Italian Leg. Decree no. 231/2001 introduced by the Italian legislator during the year.

Kedrion S.p.A also updated its 231 risk mapping, intended as mapping of the company areas that are hypothetically and theoretically exposed to the "risk of crime", including the risk of corruption. The international nature of Kedrion's business activities led the company to analyze the risks associated with those operations and also with its role as the parent company, including in terms of potential liability for offenses pursuant to Italian Leg. Decree no. 231/01, and therefore extended risk mapping to the intercompany areas and processes that are relevant for the Model 231 aspects.

The potential risks relating to the offenses envisaged by Italian Leg. Decree no. 231/2001 that emerged from mapping are mainly those typical of the pharmaceuticals sector. After assessing all the monitoring and mitigation mechanisms adopted by the company, the residual risk is deemed to be acceptable.

Kedrion has provided mechanisms for reporting any violations, even anonymously. These are: the mail/letter boxes located at all the company plants and sites, the help-line available on the company Intranet site, the web platform accessible from the www.kedrion.it website, implemented in compliance with law no. 179 of 2017 on the so-called "Whistle-blowing". All the mechanisms have adequate measures to protect the whistle-blower's privacy and confidentiality.

### KEDRION BIOPHARMA INC.

Kedrion Biopharma Inc. (KBI) adopted a Compliance Program in 2020 in which the fight against corruption, both nationally and internationally, has the highest priority.
The Compliance Officer, in consultation with the Legal Department, supervised 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. The company has adopted the Global Policies promoted by the parent company.

### HUMAN BIOPLAZMA KFT.

HUMAN BioPlazma Kft., which also includes the KEDPLASMA Hungary operating unit, operates in Hungary in compliance with the legal regulatory framework applicable to its activities.
HBP has implemented the Global Policies promoted by the parent company and has implemented procedures to fight active and passive corruption in its activities. The Company has adopted a Code of Ethical Conduct applicable to all its employees.
HBP has activated whistle-blowing channels for reporting any violations of laws, policies and procedures.
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 Hungarian Pharmaceutical Manufacturers (Magyarországi Gyógyszergyártók Országos Szövetsége (MAGYOSZ).

### KEDPLASMA GMBH - KEDRION BIOPHARMA GMBH

KEDPLASMA GmbH changed its name to Kedrion Biopharma GmbH on August 31, 2020. In order to fight corruption, the company has formally implemented the Global Policies introduced by the parent company, in addition to procedures and guidelines that comply with local laws.
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 FSA “Freiwillige Selbstkontrolle für die Arzneimittelindustrie e.V.”, of the AKG “Arzneimittel und Kooperation im Gesundheitswesen e.V.”, and other accredited entities.

## 4.15.8. “HUMAN RIGHTS” AREA

Kedrion has always been committed to creating a work environment characterized by accountability, mutual trust and respect, enhancement of the personality and diversity between individuals.
Kedrion believes relations between colleagues, at every level of the organization, must be based on loyalty and fairness, in mutual respect for the rights and freedoms of people. 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. During 2020, the Board of Directors of Kedrion S.p.A. adopted the *Anti-Slavery And Human Trafficking* Global Policy, which reiterates the ethical vocation of the company.
Kedrion prevents and refuses all forms of worker discrimination based on nationality, ethnicity, religion, social class, gender, sexual orientation, political and trade union views, 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 2020, no episodes were identified throughout the company consolidation perimeter that configured violations of human and worker rights.
The following paragraphs describe 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 mandate granted is extended to the implementation of the SA8000 voluntary international standard (Social Accountability 8000), namely to the implementation of the Social Responsibility System on Ethics in relations with workers within Kedrion and on the supply chain. Kedrion has been SA8000 certified by an external entity since 2004.
In 2020, Kedrion S.p.A. revised its Business Ethics system, partly to reflect the pandemic that continued throughout the entire year.
Kedrion S.p.A. has adopted an SA8000 Manual (the “Manual”) that summarizes the principles of the Standard and describes the entire Social Responsibility Management System adopted by the company. The Manual, together with 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. In detail, there were no:

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

Kedrion S.p.A has recognized, approved, supported and adopted the 10 ethical principles of the UN Global Compact concerning human rights, labor, the environment and the fight against corruption, since 2005.

## 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 conduct that, in any case, is not in line with the values and principles of the company.
Federal and individual State laws on violation of equal treatment and protection of human rights are extremely strict.

### 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 veto on discrimination and the principle of equal treatment are governed by numerous laws, including the Hungarian Constitution , the Civil Code (Law no. V of 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, nos. 2000/78, 2000/43 and 2004/113; and also Regulation (EU) 2016/679 the GDPR) and the Labor Code (Law no. I of 2012). Therefore, the Company is very careful to comply with the legal requirements during the performance of its activities.
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 detail, the basic regulatory reference here is the German federal law on equal treatment, Allgemeines Gleichbehandlungsgesetz (AGG) of August 14, 2006, which transposed the European Directives passed in the years 2000-2004: Guidelines 2000/78/EG on employment, Guidelines 2000/43/EG on racial equality, Guidelines 2002/73/EG e 2004/113/EG on equal treatment of men and women.
The purpose of the AGG is to prevent and eliminate discrimination due to race, ethnic origin, gender, 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 the AGG. In the same way, close attention is paid to the possible occurrence of conduct that does not comply with the provisions in force.

## 4.15.9. NOTE ON METHODOLOGY

### BOUNDARY AND REPORTING PROCESS

The NFD 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, so the data relating to KBI or the US region also includes the data of KedPlasma LLC). Any exceptions are indicated in the text. Where certain data is unavailable, the text highlights this in a clear and transparent way.
The work plan followed in preparing the 2019 NFD followed the phases and timetables indicated below, in compliance with Italian Leg. Decree no. 254/16 and aligned with both the financial reporting process and with the SOP (Standard Operating Procedure) on non-financial reporting prepared and approved by the Kedrion Group:

1. Assignment of the task by the Chairman and Chief Executive Officer of Kedrion S.p.A. to the Group Administration department (start of November 2020);
2. Identification of the activity coordinator (mid-November 2020);
3. Choice of the type of NFD (consolidated), its location in the management report, its relationship with the GRI Standards and the chosen methodology (GRI in accordance-Core) (end of November 2020);
4. Contact of 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 the end of November 2019);
5. Training activity and information on the NFD (before mid-December 2020);
6. Development and approval of the Materiality Analysis by the departments involved and the Chairman and Chief Executive Officer of Kedrion S.p.A. (between January and the end of February 2021);
7. Collection of data and its validation together with the data owners and department representatives (before mid-February 2021);
8. Preparation of the draft NFD and its transmission to the data owners (end of February 2021);
9. Approval of the draft NFD by the data owners and transmission of the document to the Group Administration department (March 8, 2021);
10. Sending of the NFD proposal to the company administration department with a view to its approval at the Board of Directors Meeting on March 15, 2021 (March 8, 2021).

## CORRELATION TABLE

| Kedrion material topics | GRI Standard | Scope | | |
|---|---|---|---|---|
| | | Internal | External | Limitations |
| Management development | 404, are summarized below: Training and Education | ✓ | | |
| Corporate welfare | GRI 401 Employment | ✓ | | |
| Injuries (occupational health and safety) | 403, are summarized below: Occupational Health and Safety | ✓ | | |
| Covid Management – Personnel Area | 403: Occupational Health and Safety | ✓ | | |
| Covid Management – Social Area | 413: Local Communities | ✓ | ✓ | |
| Relation with local communities and research on compassionate use drugs | 413, are summarized below: Local Communities | ✓ | | |
| | 419, are summarized below: Socio-economic Compliance | ✓ | | |
| | 207: Tax | ✓ | | |
| Water consumption and water cycle | 303, are summarized below: Water | ✓ | | |
| Renewable and non-renewable energy consumption | 302, are summarized below: Energy | ✓ | | |
| Direct and indirect emissions | 305, are summarized below: Emissions | ✓ | | |

| | | | | |
|---|---|---|---|---|
| Waste production | 306, are summarized below: Effluents and Waste | ✓ | | |
| Human rights | 406, are summarized below: Non-discrimination | ✓ | | |
| Anti-corruption | 205, are summarized below: Anti-corruption | ✓ | ✓ | Reporting not extended to the external boundary (suppliers and other partners) |

## METHODOLOGIES FOR CALCULATING ACCIDENTS AND EMISSIONS

Health and safety indicators

The indicators used are the TIR (Total Injury Rate) and the LWR (Lost Workdays Rate)

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 on 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).
***The calendar days (excluding the day of the event and the day of return to work) on which the employee was absent from work (excluding days of transfer or restrictions) are considered.
The data on accident distribution by gender is partial, due to a lack of information for employees operating in the US plasma centers in the case of an accident with biological hazard, for which the name of the employee does not appear, for reasons of privacy.
The consumption of electricity from the grid, methane gas and gas oil, measured by reading on-site counters or through telemetry, reading bills or estimated by analogy, 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
Diesel and natural gas (fuel): conversion factors from 2020 version of the Defra tables

- Consumption of natural gas: scm x 35.808/1 ,000 = GJ
- Consumption of gas oil: tonne x 42.932 = GJ
- Consumption of LPG: tonne x 45.94 = GJ

The references indicated below were used to calculate $CO_2$ equivalent emissions:

**SCOPE I (Defra 2020 version)**

Natural gas: smc x 2.03017 = kg $CO_2e$
Diesel: tonne x 3,206.62 = kg $CO_2e$
G5P refrigerant gases:
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 $CO_2e$ (value from Linde Gas)
ISCEON: kg x 3805 = Kg $CO_2e$ (value from Linde Gas)
R449: kg x 1,397 = Kg $CO_2e$ (value provided by General Gas edition, as not available on DEFRA 2020)
R417A: kg x 2,346= Kg $CO^2$ eq (value provided by General Gas edition, as not available on DEFRA 2020)

**SCOPE II (TERNA 2018 version)**
Electricity:
Kwh x 0.336 = kg $CO_2e$ (Italy)
Kwh x 0.399 = kg $CO_2e$ (USA)
Kwh x 0. 273 = kg CO2 eq (Hungary)

| 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 | Cfr. Rel. gestione | |
| | 102-6 Markets served | Cfr. Rel. gestione | |
| | 102-7 Scale of the organization | Cfr. Rel. gestione | |
| | 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 | Cfr. Rel. gestione |
| | **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 | 2020 |
| | 102-51 Date of the most recent report | 16/3/2020 |
| | 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 |
| **Tax** | | |
| **GRI 207: Tax 2019** | 207-1 Approach to Tax | §4.15.8 |
| | 207-2 Tax Governance, control, and risk management | §4.15.8 |
| | 207-3 Stakeholder engagement and management of concerns related to tax | §4.15.8 |
| | 207-4 Country-by-country reporting | §4.15.8 |
| **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 and Effluents** | | |
| GRI 303: Water and Effluents 2018 | 303-1 Interaction with water as a shared source | §4.15.7 |
| | 303-2 Management of water discharge-related impacts | §4.15.7 |
| | | §4.15.7 |
| | 303-3 Water withdrawal | §4.15.7 |
| | 303-4: Water discharge | |
| **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 |
| **Waste** | | |
| GRI 306: Waste 2020 | 306-1 Waste generation and significant waste-related impacts | §4.15.7 |
| | 306-2 Management of significant waste-related impacts | §4.15.7 |
| | | |
| | 306-3: Waste generated | §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 2018 | 403-1 Occupational health and safety management system | |
| | 403-2 Hazard identification, risk assessment, and incident investigation<br>403-3 Occupational health services | §4.15.5 |
| | 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 | §4.15.5 |
| | 403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships | §4.15.5 |
| | 403-9 Work-related injuries | §4.15.5 |
| **Training and Education** | | |

| | | |
|---|---|---|
| GRI 103: Management Approach 2016 | 103-1 Explanat§4.15.5<br>ion 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 Approach 2016 | 103-1 Explanation of the material topic and its Boundary | §4.15.9 |
| | 103-2 The management approach and its components | §4.15.9 |
| | 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 |
| **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 |

# 5. FINANCIAL STATEMENTS

**KEDRION Group**
Registered office in LOC. AI CONTI - 55051 CASTELVECCHIO PASCOLI (LU)
Capital Euro 60,453,901, fully paid up

## 5.1. CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| (in thousands of Euro) | NOTES | 12.31.2020 | 12.31.2019 |
|---|---|---|---|
| **NON-CURRENT ASSETS** | | | |
| Property, plant and equipment | 6.4.1 | 298,592 | 282,270 |
| Investment property | 6.4.2 | 1,468 | 2,267 |
| Goodwill | 6.4.3 | 253,057 | 243,882 |
| Rights of use[1] | 6.4.4 | 88,377 | 72,363 |
| Intangible assets with finite useful life | 6.4.5 | 122,543 | 112,799 |
| Equity investments in other enterprises | 6.4.6 | 20 | 2,240 |
| Other non-current financial assets | 6.4.7 | 8,565 | 9,929 |
| Deferred tax assets | 6.4.8 | 10,413 | 12,676 |
| Other non-current assets | 6.4.9 | 1,048 | 1,002 |
| **TOTAL NON-CURRENT ASSETS** | | **784,083** | **739,428** |
| **CURRENT ASSETS** | | | |
| Inventories | 6.4.10 | 283,832 | 324,956 |
| Trade receivables | 6.4.11 | 138,308 | 123,169 |
| Contractual assets | 6.4.12 | 34,025 | 26,920 |
| Current tax receivables | 6.4.13 | 6,578 | 8,865 |
| Other current assets | 6.4.14 | 30,681 | 31,204 |
| Other current financial assets | 6.4.15 | 6,636 | 1,912 |
| Cash and cash equivalents | 6.4.16 | 100,592 | 121,468 |
| **TOTAL CURRENT ASSETS** | | **600,652** | **638,494** |
| **TOTAL ASSETS** | | **1,384,735** | **1,377,922** |

| (in thousands of Euro) | NOTES | 12.31.2020 | 12.31.2019 |
|---|---|---|---|
| **SHAREHOLDERS' EQUITY** | | | |
| **GROUP SHAREHOLDERS' EQUITY** | | | |
| Share capital | 6.4.17 | 60,454 | 60,454 |
| Reserves | 6.4.17 | 392,176 | 383,438 |
| Net profit attributable to Group | 6.4.17 | 5,222 | 36,740 |
| **TOTAL GROUP SHAREHOLDERS' EQUITY** | | **457,852** | **480,632** |
| **SHAREHOLDERS' EQUITY ATTRIBUTABLE TO NON-CONTROLLING INTERESTS** | | | |
| Capital and reserves of non-controlling interests | 6.4.17 | 3,643 | 4,017 |
| Net profit attributable to non-controlling interests | 6.4.17 | 816 | 1,426 |
| **TOTAL SHAREHOLDERS' EQUITY ATTRIBUTABLE TO NON-CONTROLLING INTERESTS** | | **4,459** | **5,443** |
| **TOTAL SHAREHOLDERS' EQUITY** | | **462,311** | **486,075** |
| **NON-CURRENT LIABILITIES** | | | |
| Medium/long-term loans[(2)] | 6.4.18 | 592,412 | 569,048 |
| Payables to banks and other lenders | 6.4.18 | 109 | 396 |
| Provisions for risks and expenses | 6.4.19 | 692 | 762 |
| Liabilities for employee benefits | 6.4.20 | 3,915 | 6,294 |
| Other non-current liabilities | 6.4.21 | 1,610 | 5,086 |
| **TOTAL NON-CURRENT LIABILITIES** | | **598,738** | **581,586** |
| **CURRENT LIABILITIES** | | | |
| Payables to banks and other lenders | 6.4.18 | 103,271 | 68,103 |
| Current portion of medium/long-term loans[(3)] | 6.4.18 | 18,801 | 12,217 |
| Provisions for risks and expenses | 6.4.22 | 1,910 | 1,680 |
| Trade payables | 6.4.23 | 141,927 | 175,155 |
| Contractual liabilities | 6.4.24 | 7,649 | 12,782 |
| Current tax payables | 6.4.25 | 8,413 | 6,325 |
| Other current liabilities | 6.4.26 | 41,715 | 33,999 |
| **TOTAL CURRENT LIABILITIES** | | **323,686** | **310,261** |
| **TOTAL LIABILITIES** | | **922,424** | **891,847** |

| | | |
|---|---|---|
| **TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES** | **1,384,735** | **1,377,922** |

**KEDRION Group**
Registered office in LOC. AI CONTI- 55051 CASTELVECCHIO PASCOLI (LU)
Capital Euro 60,453,901, fully paid up

## 5.2. STATEMENT OF PROFIT OR LOSS FOR THE YEAR

| (in thousands of Euro) | NOTES | 12.31.2020 | 12.31.2019 |
|---|---|---|---|
| Revenues | 6.5.1 | 697,234 | 808,209 |
| Cost of sales | 6.5.2 | 533,505 | 612,008 |
| **GROSS MARGIN** | | **163,729** | **196,201** |
| Other income | 6.5.3 | 50,278 | 53,775 |
| General and administrative expenses | 6.5.4 | 80,760 | 85,140 |
| Sales and marketing expenses | 6.5.5 | 45,677 | 55,041 |
| R&D expenses | 6.5.6 | 29,165 | 36,705 |
| Other operating costs | 6.5.7 | 7,943 | 8,402 |
| **OPERATING PROFIT** | | **50,462** | **64,688** |
| Financial expenses[4] | 6.5.8 | 67,814 | 35,849 |
| Financial income | 6.5.9 | 13,991 | 17,596 |
| **PROFIT BEFORE TAXES** | | **(3,361)** | **46,435** |
| Income taxes | 6.5.10 | (9,399) | 8,269 |
| **NET PROFIT FOR THE PERIOD** | | **6,038** | **38,166** |
| **Of which:** | | | |
| Net profit attributable to the Group | | 5,222 | 36,740 |
| Net profit attributable to non-controlling interests | | 816 | 1,426 |

For the non-recurring components of income, see note 6.5.11 included in the explanatory notes to the consolidated financial statements.

**KEDRION Group**
Registered office in LOC. AI CONTI- 55051 CASTELVECCHIO PASCOLI (LU)
Capital Euro 60,453,901, fully paid up

## 5.3. PROFIT AND LOSS STATEMENT AND OTHER COMPREHENSIVE INCOME

| (in thousands of Euro) | NOTES | 12.31.2020 | 12.31.2019 |
|---|---|---|---|
| **NET PROFIT FOR THE YEAR** | | **6,038** | **38,166** |
| **OTHER COMPONENTS OF THE STATEMENT OF COMPREHENSIVE INCOME** | | | |
| **Other components of the statement of comprehensive income which will be restated under profit/(loss) for the year:** | | | |
| Net (loss)/profit on cash flow hedges | | 191 | 77 |
| Income taxes | | (46) | (19) |
| Translation differences of foreign financial statements | 6.4.17 | (21,408) | 2,939 |
| **Total other components of the statement of comprehensive income which will be restated under profit/(loss) for the year after taxes** | | **(21,263)** | **2,997** |
| **Other components of the statement of comprehensive income which will not be restated under profit/(loss) for the year:** | | | |
| Net actuarial (loss)/gain on defined benefit plans | 6.4.20 | (51) | (191) |
| Income taxes | | 5 | 44 |
| **Total other components of the statement of comprehensive income which will not be restated under profit/(loss) for the year after taxes** | | **(46)** | **(147)** |
| **TOTAL OTHER COMPONENTS OF THE STATEMENT OF COMPREHENSIVE INCOME, AFTER TAXES** | | **(21,309)** | **2,850** |
| **TOTAL COMPREHENSIVE PROFIT/(LOSS) AFTER TAXES** | | **(15,271)** | **41,016** |
| **Attributable to:** | | | |
| Group interests | | (14,998) | 39,601 |
| Non-controlling interests | 6.4.17 | (273) | 1,415 |

(1) IFRS 16;
(2) of which 84,102 relating to IFRS 16;
(3) of which 7,599 relating to IFRS 16;
(4) of which 3,968 relating to IFRS 16.

**KEDRION Group**
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Capital Euro 60,453,901, fully paid up

| (in thousands of Euro) | Share capital | Legal reserve | Share premium reserve | Other reserves | Cash flow hedge reserve | Reserve from translation | TFR (employee severance | Profit for the period | Total Group shareholders' equity | Total shareholders' equity | Total shareholders' equity |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Notes** | **6.4.17** | **6.4.17** | **6.4.17** | **6.4.17** | **6.4.17** | **6.4.17** | **6.4.21** | | | | |
| **BALANCE 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 Brasil 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** |
| Translation 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** |
| **BALANCE AT 12.31.2019** | **60,454** | **8,576** | **77,903** | **294,820** | **(539)** | **3,481** | **(803)** | **36,740** | **480,632** | **5,443** | **486,075** |

| (in thousands of Euro) | Share capital | Legal reserve | Share premium reserve | Other reserves | Cash flow hedge reserve | Reserve from translation | TFR (employee severance | Profit for the period | Total Group shareholders' equity | Total shareholders' equity | Total shareholders' equity |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **BALANCE AT 01.01.2020** | **60,454** | **8,576** | **77,903** | **294,820** | **(539)** | **3,481** | **(803)** | **36,740** | **480,632** | **5,443** | **486,075** |
| Allocation of profit for the year | 0 | 923 | 0 | 27,050 | 0 | 0 | 0 | (27,973) | 0 | 0 | 0 |
| Distribution of dividends | 0 | 0 | 0 | 0 | 0 | 0 | 0 | (8,767) | (8,767) | **(711)** | (9,478) |
| Issue of financial equity instruments | 0 | 0 | 0 | 1000 | 0 | 0 | 0 | 0 | **1 ,000** | 0 | **1 ,000** |
| Other changes | 0 | 0 | 0 | (16) | 0 | 0 | 0 | 0 | **(16)** | 0 | **(16)** |
| Translation differences | 0 | 0 | 0 | 0 | 0 | (20,318) | 0 | 0 | (20,318) | (1,089) | **(21,407)** |
| Total comprehensive income the year | 0 | 0 | 0 | 0 | 145 | **0** | **(46)** | **5,222** | 5,321 | **816** | **6,137** |
| **BALANCE AT 12.31.2020** | **60,454** | **9,499** | **77,903** | **322,854** | **(394)** | **(16,837)** | **(849)** | **5,222** | **457,852** | **4,459** | **462,311** |

**KEDRION Group**
Registered office in LOC. AI CONTI- 55051 CASTELVECCHIO PASCOLI (LU)
Capital Euro 60,453,901, fully paid up

## 5.5. CONSOLIDATED CASH FLOW STATEMENT

| (in thousands of Euro) | NOTES | 12.31.2020 | 12.31.2019 |
|---|---|---|---|
| **PROFIT BEFORE TAXES** | | **(3,361)** | **46,435** |
| **Adjustments to reconcile pre-tax profit with cash flow generated / (absorbed) by operations:** | | | |
| Depreciation/amortization | 6.5.7 | 45,769 | 41,276 |
| Financial expenses | 6.5.8 | 67,814 | 35,849 |
| Financial income | 6.5.9 | (13,991) | (17,596) |
| Provisions to liabilities for employee benefits | 6.4.20 | (2,165) | (2,724) |
| Payables for employee benefits | 6.4.20 | (343) | (255) |
| Net change in provisions for risks and expenses | 6.4.19<br>6.4.22 | 160 | 70 |
| Change in other non-current liabilities | 6.4.18 | (3,476) | 1 |
| Change in other non-current assets | 6.4.9 | (46) | 260 |
| **Changes in working capital** | | | |
| Trade receivables | 6.4.11 | (31,347) | (22,055) |
| Inventories | 6.4.10 | 44,497 | 22,611 |
| Trade payables | 6.4.23 | (36,635) | 16,953 |
| Other current assets and liabilities | 6.4.14<br>6.4.26 | 34,510 | (6,794) |
| **Other cash flows from operations** | | | |
| Payment of taxes | | (5,450) | (6,488) |
| **NET CASH FLOW GENERATED BY OPERATIONS (A)** | | **95,936** | **107,543** |
| Investments in property, plant and equipment | 6.4.1 | (48,978) | (26,625) |
| Disposal of property, plant and equipment | 6.4.1 | 40 | 422 |
| Purchase of plasma collection centers | | (33,067) | (35,699) |
| Sale of plasma collection centers | | 1,210 | 1,554 |
| Equity investments in associates/others | | 0 | 331 |
| Investments in intangible assets | 6.4.5 | (20,436) | (23,352) |
| Disposal of intangible assets | 6.4.5 | 618 | 44 |

| | | |
|---|---|---|
| **NET CASH FLOW ABSORBED BY INVESTMENT ACTIVITIES (B)** | **(100,613)** | **(83,325)** |

| (in thousands of Euro) | NOTES | 12.31.2020 | 12.31.2019 |
|---|---|---|---|
| Dividends paid | 6.4.17 | (3,253) | (3,203) |
| Capital increase | 6.4.17 | | 63,410 |
| Capital increase - Turkey | 6.4.17 | 0 | 2,476 |
| Issue of financial equity instruments | 6.4.17 | 1 ,000 | |
| Bond loan reimbursement | 6.4.17 | 0 | (58,204) |
| New medium/long-term loans | 6.4.18 | 45 ,000 | 70 ,000 |
| Repayment of medium/long-term loans | 6.4.18 | (52,762) | (73,631) |
| Interest income | 6.4.18 | 409 | 771 |
| Interest paid | 6.5.9 | (23,795) | (25,158) |
| Change in non-current financial liabilities | 6.5.18 | (287) | (119) |
| Change in non-current financial assets | 6.4.15 | 1,124 | 195 |
| Change in short-term financial payables | 6.4.18 | 12,778 | (7,146) |
| Change in short-term financial assets | 6.4.7 | 4,239 | 11,814 |
| **NET CASH FLOW GENERATED / (ABSORBED) BY FINANCING ACTIVITIES (C)** | | **(15,547)** | **(18,795)** |
| Net cash flow produced by operations (A) | | 95,936 | 107,543 |
| Net cash flow absorbed by investments (B) | | (100,613) | (83,325) |
| Net cash flow produced/(absorbed) by financing activities (C) | | (15,547) | (18,795) |
| **TOTAL CASH FLOW D=(A+B+C+D)** | | **(20,224)** | **5,423** |
| Available funds at the start of year (E) | 6.4.16 | 121,451 | 116,323 |
| Net effect of translation of foreign currencies on available funds (F) | 6.4.16 | (643) | (295) |
| **CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR G=(D+E+F)** | | **100,584** | **121,451** |

**NET CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR**

| | | |
|---|---|---|
| Cash and cash equivalents | 121,468 | 116,325 |
| Current account overdrafts and cash equivalents payable on demand | (17) | (2) |
| **NET CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR** | **121,451** | **116,323** |

**NET CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR**

| | | |
|---|---|---|
| Cash and cash equivalents | 100,592 | 121,468 |

| | | |
|---|---|---|
| Current account overdrafts and cash equivalents payable on demand | (8) | (17) |
| **NET CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR** | **100,584** | **121,451** |

Castelvecchio Pascoli, March 16, 2021

For the Board of Directors
The Chairman
Paolo Marcucci

# 6. EXPLANATORY NOTES

## 6.1. FOREWORD

Kedrion S.p.A. is a joint-stock company incorporated and domiciled in Italy, and, together with its subsidiaries (the "Kedrion Group"), carries out the production and distribution of biological drugs derived from the process of industrial plasma fractionation. The Group also markets synthetic pharmaceutical products and performs operations relative to the collection and sale of plasma on 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 December 31, 2020, prepared by the directors of the parent company, include the following companies:

- The US subsidiary Kedrion Biopharma Inc. (formerly Kedrion Melville Inc.), 95.5% owned by Kedrion S.p.A.;
- The indirect US subsidiary KEDPLASMA LLC. (formerly ADVANCED BIOSERVICES LLC), 100% owned by Kedrion BioPharma Inc.;
- The Austrian subsidiary Kedrion International GmbH, 100% owned by Kedrion S.p.A.;
- The Hungarian subsidiary HUMAN BioPlazma KFT, 100% owned by Kedrion S.p.A.;
- The Swiss subsidiary Kedrion Swiss Sarl, 100% owned by Kedrion S.p.A. On December 31, the company was placed in liquidation and the marketing authorizations have been transferred to Kedrion S.p.A., which will therefore be able to sell directly in the country;
- The German subsidiary Kedrion Biopharma GmbH (formerly KEDPLASMA GmbH), 100% owned by Kedrion S.p.A. On September 1, 2020, the company changed its name from KEDPLASMA GmbH to Kedrion Biopharma GmbH;
- The Mexican subsidiary Kedrion Mexicana S.A. de C.V. (hereinafter, Kedrion Melville Inc.), 60% owned by Kedrion S.p.A. The remaining 40% is owned by third parties;
- The Portuguese subsidiary KEDRION PORTUGAL - DISTRIBUIÇÃO DE PRODUTOS FARMACÊUTICOS UNIPESSOAL, LDA (hereinafter, Kedrion Portugal), 100% owned by Kedrion S.p.A.;
- The Brazilian subsidiary KEDRION BRASIL DISTRIBUIDORA DE PRODUTOS HOSPITALARES LTDA (hereinafter, Kedrion Brasil), 51% owned by Kedrion S.p.A. The remaining 49% is owned by third parties;
- The Indian subsidiary Kedrion Biopharma India Private Limited, 60% owned by Kedrion S.p.A., 20% owned by HUMAN BioPlazma Kft. and the remaining 20% by Kedrion Biopharma Inc.;
- The subsidiary Kedrion Betaphar Biyofarmasötik İlaç Sanayi ve Ticaret Anonim Şirketi (hereinafter, Kedrion Betaphar), 60% owned by Kedrion S.p.A. The remaining 40% is owned by third parties;
- The subsidiary KEDRION DE COLOMBIA S.A.S., 100% owned by Kedrion S.p.A.

During the year, a process of reorganization of the European investees was started, which will involve the merging by incorporation into the German company, Kedrion Biopharma GmbH, of Kedrion International and Kedrion Portugal, with the consequent creation of permanent establishments in Austria and Portugal. As a result of the merger, the permanent establishment Kedrion International in Poland will be automatically transferred to the German merging company.

In November, sale was completed of the stake in held in KEDPLASMA Kft., 100% owned by HUMAN BioPlazma Kft.

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 issue date. Previously, in 2014, a bond loan had been issued for an initial amount of Euro 300 million, fully repaid at the April 2019 maturity date.
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 Italian Leg. Decree no. 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% by FSI Investments S.p.A., for 19.59% by FSI SGR S.p.A., for 4.02 % by Sestant S.p.A, for 0.56% by Refin Srl and for 0.50% by PIPS Srl. All of the category A shares assigned to Sestant Internazionale S.p.A, Sestant S.p.A, REFIN Srl and PIPS S.r.l., the category B shares assigned to FSI Investimenti S.p.A and the category C shares assigned to FSI SGR S.p.A, have no expressed nominal value.
The shareholders jointly control the company on the basis of the statutory provisions, which provide for a qualified majority of the Board of Directors for the adoption of the Reserved Matters. The Board of Directors confirms that the company is not subject to administration 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 Art. 2497 septies of the Italian Civil Code. The company governing bodies are wholly and unconditionally independent from the management point of view, since the management prepares strategies without any interference from the shareholders.
The presentation format for the consolidated balance sheet classifies items financially in an increasing order of liquidity, where:

- Current assets include assets which:
  - are assumed to be realized, or possessed for sale or consumption, in the normal operating cycle;
  - are held primarily for the purpose of trading them;
  - are assumed to be realized within twelve months of the end of the year; or
  - are formed of cash and cash equivalents, unless trading them or using them to pay off a liability is prohibited for at least twelve months from the end of the year.
- Non-current assets are all other assets that do not fall within the above definition. They mainly include intangible assets with a finite and indefinite life, property, plant and equipment and equity investments;
- Current liabilities include liabilities that:
  - are expected to be extinguished in their normal operating cycle;
  - are held primarily for the purpose of trading them;
  - must be extinguished within twelve months of the end of the year; or
  - for which the entity does not have an unconditional right to defer payment of the liability for at least twelve months from the end of the year.
- Non-current liabilities include all other liabilities that do not fall within the above definition.

The presentation format for the consolidated profit and loss statement for the year as at December 31, 2020 and 2019 is classification of costs by function, a format considered more representative than presentation by type of expense. The adopted format, in fact, complies with internal reporting and business management methods. The cash flow statement is prepared based on the indirect

method and is presented according to IAS 7, classifying cash flows under operations, investment and financing activities. The cash flow related to financial charges and financial income paid and collected is posted in financing activities and not operations.
At the meeting of the Board of Directors held on March 16, 2021, the directors approved the financial statements for the year ended at December 31, 2020.

## 6.2. SIGNIFICANT EVENTS DURING THE YEAR

### 6.2.1. COVID-19

The spread of Covid-19 was reported for the first time towards the end of 2019. At that time, a number of cases showing symptoms of “pneumonia of unknown cause” were identified in Wuhan, the capital city of Hubei Province in China. China alerted the World Health Organization (WHO) of the new virus on December 31, 2019. On January 30, 2020, the International Health Regulations Emergency Committee of the WHO declared the spread of Covid-19 as a “public health emergency of international concern”. Since that date, the virus has spread throughout the world. On March 11, 2020, the WHO declared the spread of Covid-19 to be a pandemic.
Covid-19 has had a major impact on the world economy. Many countries have imposed travel restrictions on millions of people and many areas in different countries have been subjected to quarantine measures. Firms are experiencing a fall in revenues and supply difficulties. Although certain countries have started to ease the “lockdown”, this has been gradual and, due to the impacts on business, millions of people have lost their jobs. The Covid-19 pandemic has caused major volatility of financial markets and raw materials markets throughout the world. Numerous governments have announced measures to guarantee both financial and non-financial assistance to enterprise.

The pandemic has had and continues to have major effects on the world plasma derivatives market and on the performance of Kedrion as well. The greatest effects occurred in collection of plasma in the United States, due to the combined effect that the lockdown measures (‘stay-at-home orders’) and the financial relief program have had on the number and frequency of donations, particularly among certain groups of habitual donors, such as students. This has contributed to the increase in the cost per liter of collected plasma, due both to the increase in the so-called *donor fees* paid to donors and to the increased incidence of the fixed costs of the centers with respect to the lower volumes collected. There has also been a fall in donations in Italy, although to a lesser extent. It should be noted an increase of the cost per liter also for the plasma acquired from third parties, in some cases also when contracts with determined acquisition price are in force, but for which the supplier has invoked the clause of force majeure for the adjustment application. The pandemic has also reduced the health spending capabilities of several countries and, generally speaking, has placed stress on the organization of healthcare systems, reducing access for diagnosis and treatment of chronic diseases managed at hospitals. For Kedrion products, there were significant impacts on sales of rabies-immune immunoglobulins (Kedrab) on the US market, due to fewer exposures to the infection caused by the restrictions on movement, and sales of FVIII were also impacted, as the effects of the pandemic have facilitated home treatments. Higher costs were also sustained for the safety and prevention measures (sanitization, PPE, etc.) put in place to guarantee production continuity at the plants.

Like other sector groups, the Group worked in 2021 on development of a treatment for Covid-19, based on hyperimmune immunoglobulins purified from convalescent plasma. The development project, which was started with the strategic collaboration of the Israeli company Kamada Ltd., is relying on the scientific and technological know-how of the two companies, and also the network

of Kedrion collection centers in the United States for procurement of hyperimmune plasma. The two companies are currently working on the start of the phase II/III pivotal clinical trials.

### 6.2.2. PERFORMANCE OF THE MELVILLE PLANT

In the plasma derivatives segment, production on the fractionation line at the US plant in Melville continued with the so-called “ramp-up”, following completion of the “refitting” project, with inspection in August 2018 and final approval of the FDA in February 2019, consolidating the positive impact on Group performance already seen in the previous year.

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

The plant fractionated around 480 thousands liters in 2019 and around 593 thousands liters in 2020, in line with the progressive growth plan towards full use of production capacity. The plant complied with the delivery plans for intermediate Fr. II + III for the production of the Gammaked finished product at Grifols and for the production of the clinical product for KIg10 in Gödöllő. The plant also produced the Cryo and Fr. V intermediate products for production, respectively, of the Koate and Albuked finished products at Grifols, and is moving towards full integration with the Bolognana plant for the production of FVIII and Albumin.

In conclusion, the plant continued filling and packaging activities for the RhoGAM product, while awaiting completion of technological transfer of the bulk that will lead, in 2022, to full insourcing of the production cycle, according to the project schedules revised in light of the AI requests received from the FDA in 2020 in reference to our regulatory dossier (PAS).

The production growth of the plant in Melville, both for the fractionation plant and for the RhoGAM filling and packaging line, led to a further improvement in the profit and loss statement for the year, mainly due to the reduction in the non-absorbed plant costs, also leading to an increase in margins on sales of products for the US market.

In profit and loss statements there are still non recurring cost related to the lengthening of the times for the FDA approval referring to Rhogam new production line at Melville plant.

We remind that in 2019 the authority required a series of insights which postpone the expected date for the entry in operation of the new production line to 2022. This on the one hand forced the subsidiary Kedrion Biopharma Inc. to extend the contract with the current supplier of the finish product paying an extension fees, and on the other hand has not allowed the absorption of the fixed production cost for the structure of which the company has already equipped itself, il line with previous plans. These events have so determined non recurring cost for the period equal to Euro 13.3 million.

Lastly, construction and validation of the new warehouse leased from third parties (Lineage - PFS), located in Hillsborough, New Jersey (US), at which Melville personnel will receive and check the plasma units before sending them to Melville for the defrosting and fractionation process, was completed in November 2020. The new warehouse, which entered into operation on November 23, 2020 and will serve as a logistics hub for plasma, the other raw materials and finished products, represents a further milestone in the Group process of development and autonomy, as previously the plasma control service was assigned to third parties (Grifols).

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

Validation of the production process at the new 10% immunoglobulin (KIg10) purification plant with the chromatographic method in Castelvecchio Pascoli (LU) continued, as did the clinical trials in view of the marketing authorization of the new product. After completion of the enrollment phase in 2019, the last patient enrolled in the clinical trial (so-called “CARES10”) performed in the United

States for PID treatment (primary immunodeficiencies) on an adult population was treated in December 2020. No significant adverse reactions were recorded in treatment of the enrolled patients and the final study report is due to be published by the end of April 2021. In the second and third quarters of 2020, the company submitted the application for regulatory authorization to start the clinical trial in pediatric patients suffering from PID, in Italy, Hungary, Slovakia, Russia and Portugal, for purposes of registration of that treatment in the USA and in Europe. The objective is to enroll the first patient by the end of March 2021.
Currently, the production for clinical trials is carried out in the Gödöllő plant (purification phase) and completion of the technological transfer in the industrial plant of Castelvecchio is ongoing.
The costs of the project incurred in the year, which have not yet found a balance in production and related revenues, are Euro 2.9 million, while total investments in 2020 amount to Euro 22.8 million.

### 6.2.4. PRICE TRENDS

The growth trend in sale prices of plasma derivatives continued for immunoglobulin during the year, supported by a constant increase in demand exceeding the increases in supply by fractionators. In fact, the price of immunoglobulin increased by around 5% on European markets and in the RoW and by around 6% in the United States (in USD; around +4% in Euro). In contrast, the price of albumin fell by around 3% in the United States (in USD; around -5% in Euro) and around 6% on European markets and in the RoW, in line with a sales strategy based more heavily on volumes (+18% in volumes sold compared with the previous year). The price of plasma-derived Factor VIII fell considerably (around -27% in the United States in Euro), in response to the fall in demand caused by Hemlibra, in a manner to cover the additional groups of potential users, and to the impacts arising from pandemic on hospital treatment, while the reduction on the European markets and in the RoW was around 19%, always following falls in demand resulting from gradual introduction of Hemlibra and the consequences of the Covid-19 pandemic.

### 6.2.5. THE “NEXT” TRANSFORMATION PROGRAM

In order to improve its financial equilibrium and competitive position, Kedrion started a transformation program, called ‘NEXT”, after the new CEO, Val Romberg, took office in October 2020. The program, which follows the initiatives to improve performance, efficiency and achieve procurement excellence already in progress in 2019-20, is concentrated on the Operations, Commercial and G&A areas of “plasmaderivatives” segment. It will be performed with the support of qualified external advisers and will allow the Group to reach the strategic and financial milestones of the plan over the coming three years. The NEXT program also includes a review of organization and governance, implemented starting from February 2021.

### 6.2.6. THE SIMEST OPERATION

During 2020, as part of an operation agreed with Simest S.p.A., said company subscribed a capital increase in the US subsidiary Kedrion Biopharma Inc., for a sum of Euro 10 million, thus acquiring a 4.5% stake in the subsidiary.
According to this investment agreement, Simest will receive an annual fixed return on its capital: furthermore, Simest will irrevocably grant Kedrion a call option and Kedrion, for its part, will irrevocably grant Simest a put option on the stake acquired. The option rights may be exercised from November 30, 2022 and no later than November 30, 2027. The sale price has been established by the parties as equal to the historical purchase cost of the stake, namely Euro 10 million.
Based on the above characteristics, and particularly the pre-established price for exercising the option and the fact that Simest S.p.A. is not exposed to the risk of variable returns, the minority

stake of Simest has not been allocated to non-controlling interests and a contra-entry in the form of a financial payable equal to the value of the option has been recorded, in accordance with IFRS 10.

### 6.2.7. PURCHASES/START-UP OF PROPRIETARY COLLECTION CENTERS

During this year, the segment saw the early sale of most of the assets of the seven plasma collection centers in Hungary to HAEMA AG, and the purchase/start- up during the year of five centers in the United States, for a total of 27 owned centers at the end of the year.
Early sale of the assets of the seven Hungarian collection centers to HAEMA AG, and the consequent transfer of all associated risks and benefits, contributed significantly to the result for the period, with recording of a sum of around Euro 15.5 million in other income (last year the transfer of German centers has led an income of about Euro 18.9 million).
Details of the acquisitions for 2020 are provided in paragraph 6.2.8 below.

### 6.2.8. BUSINESS COMBINATIONS IN 2020

In 2020, the subsidiary KEDPLASMA LLC bought from Immunotek Biocenters LLC the business lines relating to five plasma collection centers in the United States, comprising mainly plants and related equipment, personnel, current contractual relationships, and relationships with donors. The allocation of the price paid, amounting to USD 33.5 million (Euro 27.3 million), was completed by the end of the year, on the basis of an appraisal entrusted to a third-party company. These acquisitions have been posted in accordance with IFRS 3, by recognizing the start-up, the assets acquired and the identifiable liabilities assumed. For each business combination, the Group must decide whether to measure the minority interest held in the acquired property at fair value or proportionate to the minority interest held in the net identifiable assets of the acquired property, in accordance with the new definition of business (see paragraph 6.3.5).

| | Fair value recognized in acquisitions | | | | | | |
|---|---|---|---|---|---|---|---|
| (in thousands of Euro) | Dallas | Allentown | Altoona | Decatur | Pittston | Bedford | Total |
| **ACQUIRED NET ASSETS** | | | | | | | |
| Property, plant and equipment | 430 | 793 | 473 | 253 | 618 | 242 | 2,809 |
| Intangible assets with finite useful life | 2,460 | 1,950 | 1,551 | 995 | 1,857 | 1,306 | 10,118 |
| - Of which Donor list | 1,062 | 992 | 290 | 112 | 987 | 337 | 3,780 |
| - Of which Licenses | 1,019 | 664 | 895 | 575 | 587 | 641 | 4,381 |
| - Of which Trade Names and Trademarks | 379 | 294 | 366 | 308 | 283 | 328 | 1,958 |
| Assets for rights of use | 2,281 | 2,050 | 2,116 | 3,009 | 2,044 | 2,922 | 14,422 |
| Liabilities for rights of use | (2,281) | (2,050) | (2,116) | (3,009) | (2,044) | (2,922) | (14,422) |
| **NET WORKING CAPITAL** | **619** | **605** | **583** | **354** | **661** | **550** | **3,372** |
| **TOTAL NET ASSETS IDENTIFIED AT FAIR VALUE** | **3,509** | **3,348** | **2,607** | **1,602** | **3,136** | **2,098** | **16,300** |
| **IDENTIFIED GOODWILL** | **2,259** | **2,147** | **2,865** | **3,640** | **2,508** | **3,341** | **16,760** |
| **PURCHASE CONSIDERATION** | **5,768** | **5,495** | **5,472** | **5,242** | **5,644** | **5,439** | **33,060** |
| - Of which in cash | 5,768 | 5,495 | 5,472 | 5,242 | 5,644 | 5,439 | 33,060 |

The acquisitions made in 2020 were consolidated starting from the date of acquisition of control. Transfer of ownership of the Dallas – Forest Lane, purchased in 2019 took place in January 2020, so allocation of the price is shown in the table.

### 6.2.9. FOREIGN EXCHANGE

The exchange rate trend (in particular the US dollar, which went from 1.1234 on December 31, 2019 to 1.2271 on December 31, 2020) generated a positive impact on the profit and loss statement with regard to realized and unrealized exchange differences of Euro 30.9 million (last year, the effect on the result had been positive for Euro 5.6 million), as well as a decrease in the shareholders' equity of the Group and attributable to non-controlling interests of Euro 21.4 million, due to the change in the translation 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 December 31, 2020 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 also in accordance with the provisions implementing Art. 9 of Italian Leg. Decree no. 38/2005.
The term IFRS also refers to all the revised International Accounting Standards ("IAS") and all the interpretations of the International Financial Reporting Interpretations Committee ("IFRIC") included in the standards previously issued by the Standing Interpretation Committee ("SIC").
The accounting standards adopted in drawing up the consolidated financial statements as at December 31, 2020 are consistent with those used to draw up the annual consolidated financial statements as at December 31, 2019, except for the new standards, amendments and interpretations in force as of January 1, 2020 that have been adopted. Furthermore, for a better presentation, the classification of research and development and technological innovation grants has been changed in the comparison period as well.
The consolidated financial statements have been prepared on the basis of the historical cost principle, with the exception of derivative financial instruments, which have been recorded at fair value. They have also been drawn up on the assumption that the business is a going concern and, if allowed, based 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 and its subsidiary companies at December 31, 2020. Control is obtained when the Group is exposed to or has the right to variable returns, deriving from its relationship with the investee, and simultaneously has the ability to influence those returns through its own power over the investee. Specifically, Kedrion S.p.A controls an investee if, and only if, the company has:

- power over the investee (or holds valid rights that give it the actual ability to direct the important activities of the investee);
- exposure or rights to variable returns deriving from the relationship with the investee;
- the ability to exert its power over the investee to influence the amount of its returns.

It is generally assumed that holding the majority of voting rights leads to control. In support of this assumption and when the Group possesses less than the majority of voting rights (or similar rights), the Group considers all relevant facts and circumstances to establish whether it controls the investee, including:

- Contractual agreements with others possessing voting rights;
- Rights deriving from contractual agreements;
- Voting rights and potential voting rights of the Group.

The Group reconsiders whether or not it has control of an investee if the facts and circumstances indicate that there have been changes in one or more of the three elements that establish control. Consolidation of a subsidiary starts when the Group obtains control and ceases when the Group loses control. Assets, liabilities, revenues and costs of the subsidiary acquired or sold during the year are included in the consolidated financial statements from the date when the Group obtains control and up to the date when the Group no longer controls 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 company and to the non-controlling interests, even if this results in the non-controlling interests having a negative balance of shareholders' equity. When necessary, appropriate adjustments are made to the financial statements of the subsidiary companies, in order to ensure that they comply with the group accounting policies. All intercompany assets and liabilities, shareholders' equity, revenues, costs and cash flows relating to transactions between group entities are completely eliminated during consolidation.
Changes in the share of investment in a subsidiary that do not result in a loss of control are recorded as operations on capital.
If the Group loses control of a subsidiary, it must eliminate the relative assets (including goodwill), liabilities, non-controlling interests and other components of shareholders' equity, while any profit or loss is recorded on the profit and loss statement. Any stake that remains must be recorded at fair value.
The table below summarizes the information on subsidiaries as at December 31, 2020, i.e. their name, registered office and the portion of share capital directly and indirectly held by the Group.

**Subsidiary companies (consolidated on a line-by-line basis)**

| Name | Location | Currency | Capital Unit of currency | % control | | Notes |
|---|---|---|---|---|---|---|
| | | | | Direct | Indirect | |
| Kedrion International GmbH | Vienna – Austria | Euro | 70 ,000 | 100% | | |
| HUMAN BioPlazma Kft. | Gödöllő – Hungary | Hungarian Florin | 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 | U.S. Dollar | 1 | 95.5% | | |
| KEDRION BRASIL DISTRIBUIDORA DE PRODUTOS HOSPITALARES LTDA | Goiania – Brazil | Brazilian Real | 2,734 ,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% | | |
| Kedrion Biopharma 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 | U.S. Dollar | 1,382,522 | | 100% | 2 |

1. Through Biopharma Inc and through HUMAN BioPlazma Kft.
2. Through Kedrion Biopharma Inc.

### 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 from the date of their acquisition, or from the date when the Group acquires control, and cease to be consolidated on the date when control is transferred outside of the Group.

Specifically, for the consolidated companies, the following consolidation criteria were applied:

- The carrying amount of the investments included in the consolidation area is 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 profit and loss statement for the year and in the consolidated statement of financial position;
- Any positive difference between the purchase cost and the shareholders' equity of the investees at the moment when the stake is acquired is allocated to the specific assets of the companies, on the basis of their current value at the acquisition date, and the remaining part is recorded in "Goodwill", if the conditions for this are satisfied. 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. Any negative difference that emerges from elimination of the investment is recorded on the profit and loss statement;
- Payables and receivables, costs and revenues, gains and losses ensuing from transactions performed between Group companies are de-recognized 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 de-recognized.

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

The consolidated financial statements are presented in Euro, which is the functional currency. Each Group company establishes its own functional currency, which it uses to measure the items on the individual financial statements.

The financial statements of the foreign companies expressed in a currency other than the Euro are translated in the following manner:

- profit and loss statement items are translated at the average exchange rates of the period, while items on the statement of financial position are translated at the year-end exchange rates, with the exception of shareholders' equity (including the result of the year);
- items of shareholders' equity, including the result for the year, are translated at the historic exchange rates upon formation;

translation differences deriving from the process of conversion are recorded under consolidated shareholders' equity in the item "Translation reserve", which is classified in "Other reserves"; at

the moment of disinvestment in a foreign company, the exchange differences accrued in that reserve in relation to the former investee are allocated to the profit and loss statement.
The exchange rates used to calculate the corresponding value in Euro of the financial statements in foreign currency of the subsidiaries (currency to Euro 1 exchange rate) are shown in the table below:

| | Average exchange rates for the year ending at December 31 | | Year-end exchange rates as at December 31 | |
|---|---|---|---|---|
| Currency (for Euro 1) | 2020 | 2019 | 2020 | 2019 |
| U.S. Dollar | 1.14 | 1.12 | 1.23 | 1.12 |
| Hungarian Florin | 351.25 | 325.3 | 363.89 | 330.53 |
| Swiss Franc | 1.07 | 1.11 | 1.08 | 1.09 |
| Mexican Peso | 24.52 | 21.56 | 24.42 | 22.22 |
| Brazilian Real | 5.89 | 4.41 | 6.37 | 4.52 |
| Indian Rupee | 84.64 | 78.84 | 89.66 | 80.19 |
| Turkish Lira | 8.05 | 6.36 | 9.11 | 6.68 |
| Colombian Peso | 4,217.06 | 3,674.52 | 4,202.34 | 3,688.66 |

### TRANSACTIONS AND BALANCES

Transactions in foreign currency are initially recognized in the functional currency, applying the spot exchange rate at the transaction date. Monetary assets and liabilities in foreign currency are translated into the functional currency using the exchange rate at the reporting date.
The exchange differences realized or those resulting from conversion of monetary items are recognized on the profit and loss statement. Non-monetary items stated at historical cost in foreign currency are translated at the exchange rates at the initial recognition date of the transaction. Non-monetary items stated at fair value in foreign currency are translated at the exchange rate at the date when that value is determined. The profit or loss that emerges from conversion of non-monetary items is treated accordingly, with recognition of the profits and losses relating to the change in fair value of said items (i.e. the conversion differences on the items for which the change in fair value is recognized on the statement of comprehensive income or on the profit and loss statement are recognized, respectively, on the statement of comprehensive income or on the profit and loss statement).

## 6.3.5. CHANGES IN INTERNATIONAL ACCOUNTING STANDARDS

The Group is adopting IFRS 16 for the first time. The impact and the nature of the changes following the adoption of this new accounting standard are described below. Several other amendments and interpretations were applied for the first time in 2019, but do not have an impact on the Group's financial statements, so restatement of the opening balances as at January 1, 2019 was not necessary. The Group did not adopt any other standard, interpretation or amendment if it had been published but not come into force yet.

### 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 assets could constitute a business 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 were published together with the changes. These amendments had no impact whatsoever on the Group consolidated financial statements, except when for the new acquisitions the Group had to consider the new requirements for the definition of business.

### AMENDMENTS 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, amendments to accounting estimates and errors to align the definition of "material" among the standards and to clarify several aspects of the definition. The new definition states that "Information is material if omitting, misstating or obscuring it could reasonably be expected to influence the decisions that the primary users of general purpose financial statements make on the basis of those financial statements". The new definition indicates that information is relevant (material) if omitting, misstating or 'obscuring' it could reasonably be expected to influence the decisions that the primary users of the financial statements would make on the basis of the financial information contained therein. These amendments had no impact whatsoever on the consolidated financial statements and no future impact for the Group is expected, except when the Group had to consider these changes in consolidated financial statements drafting.

### INTEREST RATE BENCHMARK REFORM - AMENDMENTS TO IFRS 9, IAS 39 AND IFRS 7

In September 2019, the IASB issued several amendments to IFRS 9, IAS 39 and IFRS 7, "Financial Instruments: Disclosures", completing the first phase of its work to respond to the effects of reform of the Interbank Offered Rates (IBOR) on financial disclosure. 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 amendments 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 amendments must be applied retroactively. These amendments had no impact whatsoever on the consolidated financial statements and no future impact for the Group is expected.

## 6.3.6. STANDARDS ISSUED BUT NOT YET IN FORCE

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

### IFRS 17 - INSURANCE CONTRACTS

In May 2017, the IASB published IFRS 17 Insurance Contracts, an entirely new standard on insurance contracts that covers their recognition, 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 core of IFRS 17 is the general model, supplemented with:
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 years that start on or after January 1, 2021 and will require the presentation of comparative balances. Application ahead of time is permitted, in which case the entity must also have adopted IFRS 9 and IFRS 15 on or before the date of first application of IFRS 17. This standard does not apply to the Group.

AMENDMENTS TO IAS 1: CLASSIFICATION OF LIABILITIES AS CURRENT OR NON-CURRENT
In January 2020, the IASB published amendments to paragraphs 69 to 76 of IAS 1, in order to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is intended by the right to defer settlement
- That the right to defer settlement must exist at the end of the reporting period
- Classification is not impacted by the probability that the entity will exercise the right to defer settlement
- The settlement date of the liability has no impact on its classification only if a derivative implicit in a liability is itself a capital instrument

The amendments will apply for financial years starting on or after January 1, 2023 and must be applied retrospectively. The Group is currently assessing the impact that these amendments will have on the current situation and whether it will be necessary to renegotiate the existing contracts, also considering the IFRIC IC ongoing discussions.

REFERENCE TO THE CONCEPTUAL FRAMEWORK – AMENDMENTS TO IFRS 3
In May 2020, the IASB published the amendments to IFRS 3 Business Combinations - Reference to the Conceptual Framework. The purpose of the amendments is to replace the references to the Framework for the Preparation and Presentation of Financial Statements, published in 1989, with references to the Conceptual Framework for Financial Reporting published in 2018, without any significant change to the requirements of the standard.
The Board also added an exception to the measurement standards of IFRS 3, in order to avoid the risk of potential “next day” gains or losses arising for liabilities and contingent liabilities falling within the scope of IAS 37 or IFRIC 21 Levies, if contracted separately.
At the same time, the Board decided to clarify the existing guidance in IFRS 3 for contingent assets, which will not be impacted by the review of the references to the Preparation and Presentation of Financial Statements.
The amendments will apply for financial years starting on or after January 1, 2022 and applied prospectively.

PROPERTY, PLANT AND EQUIPMENT: PROCEEDS BEFORE INTENDED USE – AMENDMENTS TO IAS 16
In May 2020, the IASB published Property, Plant and Equipment — Proceeds before Intended Use, which prohibits entities from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Instead, an entity recognizes the proceeds from selling such items, and the cost of producing those items, in the profit and loss statement.
The amendments will be effective for financial years starting on or after January 1, 2022 and must be applied retrospectively to items of property, plant and equipment that are available for use on or after the starting date of the period prior to the period in which the entity first applies the amendments.
These amendments are not expected to have any material impacts for the Group.

ONEROUS CONTRACTS – COSTS OF FULFILLING A CONTRACT – AMENDMENTS TO IAS 37
In May 2020, the IASB published the amendments to IAS 37, in order to specify which costs must be considered by an entity in assessing whether a contract is onerous or at a loss.
The amendment envisages application of an approach referred to as the "directly related cost approach". The costs that relate directly to a contract for the supply of goods or services include both incremental costs and costs directly allocated to contractual activities. General and administrative expenses are not directly linked to a contract and are excluded, unless they are explicitly recharged to the other party according to the contract.
The amendments will apply for financial years starting on or after January 1, 2022. The Group will apply these amendments to contracts for which it has yet to meet all of its obligations at the beginning of the year in which it applies these amendments for the first time.

IFRS 1 FIRST-TIME ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS – SUBSIDIARY AS A FIRST-TIME ADOPTER
As part of the process of annual improvements for 2018-2020 of the IFRS, the IASB published an amendment to IFRS 1 First-time Adoption of International Financial Reporting Standards. This amendment allows a subsidiary opting to apply paragraph D16(a) of IFRS 1 to record translation differences accumulated on the basis of the amounts recorded by the parent, considering the transition date to the IFRS by the parent. This amendment will also apply to affiliates or joint ventures that opt to apply paragraph D16(a) of IFRS 1.
The amendment will apply for financial years starting on or after January 1, 2022 and early application is permitted.

IFRS 9 FINANCIAL INSTRUMENTS – FEES IN THE '10 PER CENT' TEST FOR DERECOGNITION OF FINANCIAL LIABILITIES
As part of the process of annual improvements for 2018-2020 of the IFRS, the IASB published an amendment to IFRS 9. This amendment clarifies that the fees included by an entity in establishing whether the conditions of a new or changed financial liability are substantially different to the conditions of the original financial liability. These fees include only those paid or received between the debtor and the financier, including fees paid or received by the debtor or financier on behalf of others. An entity applies this amendment to financial liabilities that have changed or been exchanged after the date of the first year in which the entity applies the amendment for the first time.
The amendment will apply for financial years starting on or after January 1, 2022 and early application is permitted. The Group will apply this amendment to financial liabilities that have changed or been exchanged after the date of the first year in which it applies the amendment for the first time.
This amendment is not expected to have any material impacts for the Group.

IASB has also issued two amendment to IAS 1 and IAS 8 referring to the disclosure of significant accounting policies adopted and the estimate definition or accounting estimate change.

### 6.3.7. DISCRETIONARY MEASUREMENTS AND SIGNIFICANT ACCOUNTING ESTIMATES

In preparation of the Group financial statements, directors are required to make discretionary measurements, estimates and assumptions that influence the value of revenues, costs, assets and liabilities, as well as disclosures relating to contingent assets and liabilities at the reporting date. During the year, the most significant discretionary measurements, which inevitably had to consider the current context of uncertainty coming from Covid-19 pandemic spread, related to possible impairment of goodwill and the judgment applied in defining the accounting effects associated with ongoing projects (particularly 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 measurement of inventories, deferred tax assets and liabilities, employee benefits and other items detailed below.
In the future, if such estimates and assumptions, which are based on the best evaluations currently available and periodically reviewed, differ from the final results, they will be amended accordingly in the period in which the change in circumstances occurs. The effect of any change will be charged to the profit and loss statement. Administrators opinion, finally, is also required in the identification of non recurring revenue and costs, as well as the definition of the related disclosure reported at paragraph 6.5.11.

#### IMPAIRMENT OF 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.
At December 31, 2019 and 2020, the carrying amount of goodwill was respectively Euro 253,057 thousands and Euro 243,882 thousands. Further details are provided in paragraph 6.4.3.

#### MEASUREMENTS RELATING TO THE MAIN ONGOING PROJECTS

The ongoing projects, in particular referring to the construction of Castelvecchio Pascoli new plant, the development of KIG 10 and the creation of RhoGAM new production line at Melville plant, entail significant accounting effects on the consolidated financial statements and involve the use of the judgment of the directors, in particular with reference (i) to the valuation of the expected outcome of these projects, in relation to the granting of the necessary authorizations from bodies responsible (ii) to identifying the requirements for capitalization of investments carried out, (iii) to determining the date from which these assets become available for use and to define their useful life , (iv) to assessing the recoverability of the investments in progress, and (v) to identifying the additional charges attributable to these projects included in non-recurring charges.

#### PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS WITH A FINITE USEFUL LIFE

As part of the ongoing strategic projects, the Group has constantly monitored the costs related to them, dividing them between the capitalized amounts ("Capex") and the costs charged to the profit and loss 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 to establish the date when the amortization process starts.
The Group has also verified the recoverability of the carrying value of the costs capitalized in relation to these projects.

## INVENTORIES

Inventories of raw materials, semi-finished and finished products are generally subject to expiry, so 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 expiry 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 upcoming expiry dates are entirely written down, to take into account their difficult recoverability.

## DEFERRED TAX ASSETS AND LIABILITIES

Deferred tax assets are recognized with respect to all temporary differences and all tax loss carry-overs, to the extent that there is likely to be sufficient future taxable income against which such losses may be deducted in future taxation periods. The Directors are required to carry out a significant discretionary assessment to determine the amount of deferred tax assets that can be recorded. They must estimate the likely time frame of their occurrence and the amount of future taxable income as well as a strategy for planning future taxes. Deferred tax assets and liabilities are offset, if there is a legal right to offset current tax assets against current tax liabilities, and the deferred taxes relate to the same taxation entity and the same revenue authority. The carrying amount of deferred tax assets at December 31, 2020 amounts to Euro 10,413 thousands. 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 time of occurrence and the amount of future taxable profits.
Further details are provided in paragraph 6.4.8. 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

Actuarial measurement requires the preparation of assumptions on discount rates, future salary increases and turnover and mortality rates. Owing 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 December 31, 2020 and 2019 is equal to Euro 3,915 thousands and Euro 6,294 thousands respectively. Further details are provided in paragraph 6.4.20.

## OTHER ACCOUNTING ESTIMATES

Estimates are also used to measure provisions for risks on receivables and returns of products and for contingent liabilities, as well as depreciation of property, plant and equipment and amortization of intangible assets with a finite useful life, the valuing of accrued receivables for services, the invoices to be received for services rendered and income taxes for the year.
They also relate to 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 make 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 December 31,

2020 and 2019, capitalized development costs amounted to Euro 63 thousands and Euro 99 thousands respectively.
Lastly, the following paragraph gives an indication of the estimates applied in determining the fair value of financial instruments, the determination of which did not have any particular effects on the 2020 financial statements.

## MEASUREMENT OF FAIR VALUE

The Group measures financial instruments such as derivatives at fair value at each reporting date.
The fair value is the price that would be obtained from sale of an asset or which would be paid to transfer a liability in a normal transaction between market operators at the measurement date.
Measurement of fair value assumes that sale of the asset or transfer of the liability takes place:
(a) on the principal market for the asset or liability; or
(b) if there is no principal market, on the most advantageous market for the asset or liability.
The principal market or the most advantageous market must be accessible to 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, based on the assumption that they would act to satisfy their own financial interest.
A fair-value measurement of a non-financial asset considers the capacity of a market operator to produce economic benefits from the highest and best use of the asset, or by selling it to another market operator who would also make full and best use of it.
The Group uses measurement techniques that have been adapted to the circumstances and for which sufficient data is available to measure the fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.
All assets and liabilities for which the fair value is measured or stated on the balance sheet are categorized according to a fair value hierarchy, as described below:

- Level 1 - prices (unadjusted) that are listed on active markets for identical assets or liabilities to which the entity has access at the measurement date;
- Level 2 – different inputs to the listed prices included in Level 1, directly or indirectly observable for the asset or for the liability;
- Level 3 – measurement techniques for which the input data is not observable for the asset or for the liability.

The measurement of fair value is classified entirely on the same level of the fair value hierarchy as the input of the lowest level of the hierarchy used for the measurement.
For assets and liabilities reported on the balance sheet on a recurrent basis, the Group decides whether there have been transfers between the levels of the hierarchy by reviewing the categorization (based on the lowest level input, which is significant for measurement of the fair value as a whole) at each reporting date.
The Group Management determines the criteria and procedures for both the recurring measurements at fair value and measurements carried out on a non-recurring basis.
For the measurement of significant assets, such as real estate properties and significant liabilities, external advisers are involved, when necessary.
At each reporting date, the Group Management analyzes changes in the values of assets and liabilities for which write-up or recalculation is required by the accounting standards.
The main inputs applied in the most recent measurement are checked for this analysis, comparing the information used in the measurement to the contracts and other relevant documents.
Also, with the support of external advisers, if necessary, the Group Management carries out a comparison between each change in fair value of each asset and liability and relevant external sources, in order to determine whether the change is reasonable.

The results of the measurements are periodically presented to the board of statutory auditors and to the auditors of the Group. This presentation includes a discussion of the main assumptions used in the measurement.
For reporting on fair value, the Group decides the asset and liability classes on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy, as previously described.

## 6.3.8. MEASUREMENT CRITERIA

### PROPERTY, PLANT AND EQUIPMENT

Tangible assets are measured at historic cost, including directly attributable ancillary costs that are necessary to commissioning of the asset for its intended use. This cost includes the costs for equipment and plant parts replacement, when incurred, if the recognition criteria are satisfied.
Maintenance and repairs expenses, that are not expected to enhance and/or prolong the residual life of the assets, are recorded in the period when they are incurred; otherwise, they are capitalized.
Property, plant and equipment is recorded net of accumulated depreciation and any impairment losses, determined according to the methods described below. Depreciation is calculated on a straight-line basis according to the estimated useful life of the asset for the company, which is reassessed on an annual basis, while any necessary changes are made and applied prospectively.
If significant parts of these tangible assets have different useful lives, these components are recorded separately. Land without buildings on it and land attached to buildings is recognized separately and is not depreciated, as it is considered as an asset with indefinite useful life.
The carrying value of investment property is subjected to an impairment test designed to detect any losses in value when events or changed circumstances indicate that the book value 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 the 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 specific risks 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 losses are recorded in the profit and loss statement under amortization, depreciation and write-downs, based on the destination to which the asset refers. These impairment losses are reversed if the reasons that caused them no longer to apply.
Upon sale, or when there are no estimated future economic benefits for use, the asset is removed from the balance sheet and any loss or gain (calculated as the difference between the sale value and the carrying amount) is recognized on the profit and loss statement in the year the asset is eliminated.

### INVESTMENT PROPERTY

Assets held for investment and not for an instrumental use are classified under a specific item, “Investment property”, in accordance with IAS 40, and recorded at their cost less depreciation and impairment.
Assets that can be included in this class are land and/or buildings (or portions of buildings) that are held by the owner or the lessee under a financial lease or an operative agreement, and are intended to be rented to third parties, in order to benefit from the corresponding rentals, or from an increase in the value of the asset, unless these properties:

- are used in production, in supply of goods and services, or for administration purposes;
- are held for sale in the normal course of business.

This type of property is classified separately from other real-estate assets held.
Investment property is initially recorded at the purchase cost, inclusive of trading costs.
After initial recording, the Group has adopted to state at cost and measure all its investment property in accordance with the provisions on that criterion set forth by IAS 16, except for those that meet the criteria for classification as held for sale (or are included in a group due for disposal and classified as held for sale), in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations. Investment properties that meet the criteria to be classified as held for sale (or are included in a group due for disposal and classified as held for sale) must be measured in accordance with IFRS 5.
Investment property is written-off in the financial statements when sold or when the investment is unusable over time and no future financial benefits are expected from its sale. Any gains or losses deriving from the collection or disposal of investment property are recorded on the profit and loss statement of the period in which such collection or disposal is carried out.

## 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 goods of modest value. The Group recognizes a financial liability for leases and a right-of-use asset.

### Right-of-use assets

The Group recognizes a right-of-use asset 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 lease made on or before the effective date net of the lease incentives received, and the estimate the costs that the Group will have to bear to restore the underlying asset to 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 will purchase the leased asset at the end of the lease contract.
The value of the right-of-use assets is subject to verification, to detect any impairment, if events or changes in situation indicate that the carrying value cannot be recovered. If there is an indication of this type and the carrying 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 in relation 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 recorded on the profit and loss statement under costs for amortization, depreciation and write-downs. These impairment losses are reversed if the reasons that caused them no longer to apply.

### Lease liabilities

At the effective date of the contract, the Group recognizes a liability for a lease, calculated as the present value of the future payments remaining until the end of the contract. Future payments include fixed payments, net of any lease 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 of exercising the option, and lease termination penalty payments, if the Group has reasonable certainty of exercising the termination option. 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 profit and loss 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 effective 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 and conditions 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 (under twelve months) and for contracts in which the individual leased asset is of modest value (under Euro 5 thousands). Payments of fees on these contracts are entered line-by-line as costs on the profit and loss statement, based on the terms and conditions of the contract.

## BUSINESS COMBINATIONS AND GOODWILL

Business combinations are recorded in accounts using the acquisition method. This method requires the measurement at fair value of assets that can be identified (including intangible assets with finite and indefinite lifetime that have not been previously recognized), and also identifiable liabilities (including contingent liabilities, excluding future restructuring) of the acquired company. Acquisition costs are stated in the year and classified under administrative expenses.

The Group decides that a company asset has been purchased when the integrated set of assets and goods includes at least one production factor and a substantial process that, when combined, contribute significantly to the ability to produce an output.

The process acquired is considered to be substantial when it is crucial to producing an output and the production factors comprise an organized workforce that has the necessary skills, know-how or experience to perform that process or contributes significantly to the ability to continue producing an output and is considered to be unique or scarce or not replaceable without significant costs, efforts or delays in the ability to continue producing an output.

When the Group acquires a business, it classifies or designates the acquired financial assets or liabilities in compliance with the contractual terms and conditions, the financial conditions and any other existing conditions in force at the acquisition date. This includes an assessment aimed at establishing whether the embedded derivative should be separated from the primary agreement.

If the business combination is divided into several phases, the fair value of the investment previously held at the acquisition date is restored and any gain or loss recorded on the profit and loss statement.

Any potential consideration must be recorded by the purchaser at fair value at the acquisition date. The change in fair value of the potential consideration classified as an asset or liability, as a financial instrument within the scope of IFRS 9 Financial Instruments, must be recorded on the profit and loss statement.

The acquired goodwill of a business combination is initially measured at cost, which is the surplus in cost of the business combination compared to the portion attributable to the net fair value of assets, liabilities and identifiable contingent liabilities (of the acquired company). If the

consideration is lower than the fair value of the net assets of the acquired subsidiary, the difference is recognized on the profit and loss statement.
After the initial recognition, goodwill is valued at cost, net of any accumulated impairment. In order to assess impairment, the goodwill acquired in a business combination is allocated, from the acquisition date, to each cash-generating unit which is expected to benefit from the synergies of the combination, regardless of the fact that other assets or liabilities of the acquired entity are assigned to such units.
Goodwill is tested for impairment at least annually (at December 31) and more frequently when circumstances suggest that the recognition value may be subject to 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 refers. If the recoverable amount of the cash-generating unit is lower than the carrying amount of the cash-generating unit to which the goodwill has been allocated, an impairment loss is recognized. The impairment of the goodwill value cannot be recovered in future periods.
If goodwill has been allocated to a cash-generating unit and the entity disposes of the assets of this unit, the goodwill associated with the disposed asset must be included in the book value of the asset when the gain or loss resulting from the disposal is determined. The goodwill associated with the eliminated asset is determined on the basis of the relative values of the disposed asset and of the portion of the cash-generating unit that is retained.

### Intangible assets with finite useful life

Intangible assets with defined useful life are recorded in assets at purchase cost, if it is likely that using the asset will generate future economic benefits and if the cost of the asset may be reliably determined. Intangible assets acquired through business combination transactions are recognized at fair value, defined on the acquisition date, if this value can be reliably determined. Intangible assets with defined useful lives are amortized on a straight-line basis over the estimated useful life. The useful life is reviewed annually and any changes are adjusted prospectively, when necessary.
Intangible assets with a finite useful lifetime are amortized over their useful lifetime and subject to a congruity test whenever there are signs of possible impairment.

#### Development costs

Research costs are recorded on the profit and loss statement in the year when they are incurred. Development costs sustained in relation to a specific project are only capitalized when the Group can demonstrate the technical possibility of completing the intangible asset in a manner to make it available for use or for sale, its intention to complete said asset to use it or sell it, the methods through which it will produce probable future economic benefits, the availability of technical, financial or other resources to complete development and its capacity to measure the cost attributable to the asset during its manner in a reliable manner.
During the development period, the asset is reviewed annually to identify any impairment. After initial recording, the development costs are measured at the cost minus any amortization or accumulated impairment. Amortization of the asset starts when development is completed and the asset is available for use. The asset is amortized with reference to the period in which it is expected that the related project will produce revenues for the Group. The asset is examined annually to check for impairment during the period when it is not yet in use.

#### Rights and trademarks

This item relates to license rights for marketing authorizations (M.A.) 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 five years for rights and ten years for trademarks.

Other intangible assets
This item relates to:

- The purchase of application software amortized over five years;
- Sales contracts entered into with customers and the list of hyperimmune plasma donors registered with the purchase method in occasion of business combination during the acquisition of plasma collection centers from US subsidiary KEDPLASMA LLC, amortized over a period of time of fifteen years.

Impairment test
Intangible assets with an indefinite useful life and those still not available are tested for impairment at least once per year (at December 31), both individually and at cash generating unit level, as more appropriate, and when there is evidence of impairment.
Other intangible assets are subject to verification, in order to detect any impairment, if events or changes in the situation 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 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 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 specific risks 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 losses are recorded in the profit and loss statement under amortization, depreciation and write-downs, based on the destination to which the asset refers. These impairment losses are reversed if the reasons that caused them no longer to apply.

## Impairment of non-financial assets

At each financial statement closing date, the Group assesses the existence of indicators of impairment. In this case, or in cases where an annual impairment test is required, the Group estimates the recoverable value. The recoverable value is the higher between the fair value of the asset or the cash-generating unit, net of sale costs, and its use value. The recoverable value is determined for each individual asset, except when this asset generates cash flows which are not entirely independent from those generated by other assets or groups of assets. If the accounting value of an asset is greater than its recoverable value, it means that this asset has undergone an impairment loss and is consequently written-down until it reaches its recoverable value.
In determining the value in use, the company discounts the estimated future cash flows to the current value, using an after-tax discount rate that reflects market assessments of the current 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 measurement model is used. These calculations are corroborated by the proper measurement 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 Group bases its impairment test on detailed business plans and forecasts, prepared separately for each Group cash-generating unit to which individual assets are allocated. These business plans and forecasts generally cover a period of three or more years.

Impairment losses suffered by operating assets, including losses on inventories, are recorded on the profit and loss statement in the cost categories consistent with the function of the asset that recorded the impairment loss. With the exception of previously written-up fixed assets, restatement is recorded in accounts on the statement of comprehensive income and classified as a revaluation reserve. In these cases, the impairment is also recognized on the statement of comprehensive income, up to the value of the previous write-up.
For assets other than goodwill, at each reporting date, the Group assesses whether there are indicators that previously recognized impairment no longer exists (or has been reduced) and, when said indicators exist, it estimates the recoverable value. The value of a previously written-down asset can only be reinstated if there have been changes in the assumptions on which the calculation of the recoverable value was based and determined after recognition of the latest impairment. The reinstatement cannot exceed the carrying value which would have been determined, net of any amortization/depreciation, if no impairment loss had been recognized in previous financial periods. This reinstatement is recognized on the profit and loss statement, unless the fixed asset is recorded at a revalued amount, in which case the reinstatement is treated as a revaluation gain.

### Inventories

Inventories are measured at whichever is lower between purchase and/or production cost, determined by using the weighted average cost method, and estimated net realizable value. The net estimated realizable value comprises the estimated sales price after deducting the estimated completion costs and estimated costs for realizing the sale. Raw materials and consumables are recorded at purchase cost, including ancillary charges. Products under process, semi-finished and finished products are recorded on the basis of directly attributable production costs and a portion of the indirect production costs sustained during the year and reasonably attributable to the products.
The value of inventories is adjusted, when required, through the recording of a special bad debt provision to take slow-moving goods in stock 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. The ECL are based on the difference between contractual cash flows due according to the contract and all cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate.
The Group determines impairment on trade receivables by considering the amount of receivables of doubtful collection, analyzing the specific conditions of the Group's customers, any guarantees given in favor of Group companies, appropriately assessing any ongoing disputes and the possibilities of recovery of past-due receivables, as well as determining the expected default rate by analyzing the average loss rate on receivables of the last financial years.
Receivables in a currency other than the accounting currency are recorded at the exchange rate on the transaction date and then translated at the year-end exchange rate. The profit or loss resulting from translation is charged to the profit and loss statement.
For national receivables from public authorities characterized by an average repayment period of more than twelve months, an analytical discounting process is applied, based on assumptions and estimates.

### Cash and cash equivalents

Cash and cash equivalents and short-term deposits include cash and deposits on demand and short-term ones, in the latter case with an original expiry date not exceeding three months.

### Provisions for risks and expenses

Provisions for risks and expenses are allocated when the Group must fulfil a current obligation (legal or implicit) resulting from a past event, an outflow of resources is likely to fulfil this obligation and it is possible to carry out an accurate estimate of its amount.

If the Group believes that an allocation to provisions for risks and charges will be partially or entirely reimbursed, for example in the event of risks covered by insurance policies, the indemnity is stated separately from the asset if, and only if, it is practically certain. In this case, the cost of any provision is stated net of the amount recognized for the indemnity on the profit and loss statement.

If the effect of discounting of the value of money is significant, the allocations are discounted by applying a pre-tax discount rate which reflects, where appropriate, specific risks pertaining to the liabilities. When discounting is carried out, the increase in the allocation due over time is recognized as a financial charge.

### Liabilities for employee benefits

Post-employment benefits are divided into defined contribution plans and defined benefit plans, according to their economic nature. In defined contribution plans, the legal or implicit obligation of the company is limited to the amount of contributions to be paid: therefore, the actuarial risk and the investment risk are borne by the employee. In defined benefit plans, the obligation of the company consists of granting and ensuring the benefits granted to employees: therefore, the actuarial and investment risks are borne by the company. Italian legislation (Art. 2120 of the Italian Civil Code) states that, at the date on which each employee terminates the employment contract with the company, he/she shall receive an indemnity known as the TFR (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. The IFRIC of the IASB considered the matter of the Italian employee severance indemnity and concluded that, in application of IAS 19, it must 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 discounted back.

Starting in 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 January 1, 2007. In particular, for the purposes of application of IAS 19, the new legislation changed, as of January 1, 2007, the nature of Employee Severance Indemnity from “defined benefit plan” to “defined contribution plan”, with particular reference to companies with more than fifty employees.

Starting from 2012, actuarial gains and losses are booked to the statement of 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) in part at the retirement date.

The net obligation of the Group resulting from defined benefit plans is calculated separately for each single plan, by estimating the amount of future benefits that the employees have accrued

against the activity performed in the current year and in previous years. These benefits are discounted to calculate the current value.
Actuarial assessment of these liabilities is assigned to independent actuaries.
The Group has no other defined benefit or defined contribution pension plans.

## Financial instruments

A financial instrument is any contract that results in a financial asset for an entity or a financial liability or an instrument representing capital for another entity.

## Financial assets

*Initial recognition and measurement.*

On initial entry, financial assets are classified, depending on the circumstances, on the basis of subsequent measurement methods, i.e. at amortized cost, at the fair value reported on the statement of comprehensive income in OCI and at the fair value reported on the profit and loss statement.
Classification of financial assets on initial entry depends on the characteristics of the contractual cash flows of the financial assets and the business model used by the Group to manage them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at it fair value, plus the transaction costs in the case of a financial asset not reported at fair value on the profit and loss statement. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the price of the transaction according to IFRS 15. Refer to the paragraph “Revenues from contracts with customers” of the accounting standards.
In order for a financial asset to be classified and measured at amortized cost or at fair value recognized in OCI, it must produce cash flows that depend solely on the principal and the interest on the sum of the principal to be repaid (so-called ‘solely payments of principal and interest, or SPPI’). This measurement is indicated as the SPPI test and is performed on each instrument.
The Group business model for management of financial assets refers to the manner in which it manages its financial assets to produce cash flows. The company model determines whether the cash flows will derive from the collection of contractual cash flows, from the sale of financial assets or from both.
The purchase or sale of a financial asset that requires its delivery within a period of time generally established by a regulation or market practices (so-called standardized sale or regular way trade) is recognized the negotiation date, i.e. the date when the Group undertakes to purchase or sell the asset.

*Subsequent measurement*

For purposes of subsequent measurement, the financial assets are classified into four categories:

- Financial assets at amortized cost (debt instruments);
- Financial assets at fair value recognized on the statement of comprehensive income with reclassification of accumulated profits and losses (debt instruments);
- Financial assets at fair value recognized on the statement of comprehensive income without reversal of accumulated profits and losses upon elimination (equity instruments);
- Financial assets at fair value recognized on the profit and loss statement.

The Group holds exclusively financial assets at amortized cost. Financial assets at amortized cost are then measured using the criterion of effective interest and are subject to impairment. Profits

and losses are recorded on the profit and loss statement when the asset is eliminated, altered or written up.
The Group's financial assets at amortized cost include trade receivables, a loan to an affiliate and other minor assets.

*Cancellation*
A financial asset (or, where applicable, part of a financial asset or part of a group of similar financial assets) is cancelled (e.g. removed from the Group statement of financial position) in the first place when:

- the rights to receive cash flows from the asset have expired, or
- the Group has transferred the right to receive cash flows from the asset to a third party or has accepted the contractual obligation to pay them entirely and immediately and (a) has substantially transferred all risks and benefits deriving from the ownership of the financial asset, or (b) has neither substantially transferred nor retained all the risks and benefits of the asset, but has transferred the control thereof.

  In cases in which the Group has transferred the rights to receive cash flows from an asset or has initialed an agreement whereby it retains the contractual rights to receive cash flows from the asset, but accepts a contractual obligation to pay the cash flows to one or more beneficiaries (pass-through), it assesses whether and to what extent it has retained the risks and benefits of possession. If it has neither substantially transferred nor retained all the risks and benefits of the asset or has not lost control of it, the asset continues to be recognized on the Group balance sheet to the extent of its remaining involvement in the asset. In this case, the Group recognizes an associated liability. The transferred asset and the associated liability are measured in a manner to reflect the Group's remaining rights and obligations.

  When the remaining involvement of the entity is a guarantee on the transferred asset, involvement is measured on the basis of whichever is lower between the amount of the asset and the maximum amount of the consideration received that the entity might have to repay.

*Impairment of financial assets*

The Group records a write-down for expected losses (expected credit loss 'ECL') for all financial assets represented by debt instruments not held at fair value recorded on the profit and loss statement. The ECL are based on the difference between contractual cash flows due according to the contract and all cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. Expected cash flows include cash flows from enforcement of real security held or other security on credit that is an integral part of the contractual terms and conditions.

Expected losses are recorded in two phases. In the case of credit exposure for which there has been no significant increase in the credit risk since initial entry, it is necessary to record losses on receivables that derive from the estimate of any default events that could occur within the following twelve months (12-month ECL). In the case of credit exposure for which there is a significant increase in the credit risk compared with the initial entry, it is necessary to record in full expected losses that relate to the remaining duration of exposure, regardless of when the default event is expected to occur (''Lifetime ECL").

For trade receivables and contractual assets, the Group applies a simplified approach in calculating expected losses. The Group therefore does not monitor changes in the credit risk but records the expected loss in full at each reference date.

The Group determines impairment on trade receivables by considering the amount of receivables of doubtful collection, analyzing the specific conditions of the Group's customers,

any guarantees given in favor of Group companies and appropriately assessing any ongoing disputes and the possibilities of recovery of past-due receivables.
The Group has also analyzed the average insolvency rate of customers and losses on receivables recorded over the last few years, in order to assess consistency of the results of the analysis on the expected loss on receivables of each customer with the historical loss rate.

## Financial liabilities

*Initial recognition and measurement*

Financial liabilities are classified, on initial entry, as financial liabilities at fair value recorded on the profit and loss statement, including loans and mortgages, or derivatives designated as hedging instruments.
All financial liabilities are initially stated at fair value, to which the directly attributable transaction costs are added in the case of mortgages, loans and payables.
The Group's financial liabilities include trade payables and other payables, mortgages and loans, including the current account overdraft, security granted and derivative financial instruments.

*Subsequent measurement*

Measurement of financial liabilities depends on their classification, as described below:

*financial liabilities at fair value through profit or loss*

Financial liabilities at fair value with changes recorded on the profit and loss statement include liabilities held for trading and financial liabilities initially recognized at fair value, with changes recorded on the profit and loss statement.
Liabilities held for trading are those sustained for purposes of sale in the short term. This category also includes derivative financial instruments subscribed by the Group that are not designated as hedging instruments in a hedging relationship defined by IFRS 9. Incorporated derivatives, including separated derivatives, are classified as financial instruments held for trading, unless designated as effective hedging instruments.
Gains or losses on financial liabilities held for trading are recorded on the statement of profit/(loss) for the year.
Financial liabilities are designated at fair value with changes recorded on the profit and loss statement on the date of first-time recognition, only if the IFRS 9 criteria are satisfied. At the moment of initial recognition, the Group did not designate financial liabilities at fair value with changes recognized on the profit and loss statement.

*Loans*

All loans are initially recognized at the fair value of the sum received, net of accessory loan acquisition charges. After the initial recognition, these loans are measured using the amortized cost criterion, through the effective interest rate method.
Each gain or loss is recorded in the profit and loss statement when the liability is extinct, as well as through the amortization process.
Payables due to bondholders are recognized at the fair value of the payment, net of accessory bond issue charges. After the initial recognition, these loans are measured using the amortized cost criterion, through the effective interest rate method.
A financial liability is written-off when the obligation associated with the liability is extinguished, cancelled or fulfilled.

If an existing financial liability is replaced by another one from the same lender, at substantially different conditions, or if the conditions applied to an existing liability are substantially changed, this exchange or change is treated as a write-off of the original liability and a new liability is recorded with the recognition, in the profit and loss statement, of any differences in the carrying amounts.

*Cancellation*

A financial liability is cancelled when the underlying obligation is extinguished, cancelled or fulfilled. If an existing financial liability is replaced by another with the same lender, at substantially different conditions, or if the conditions applied to an existing liability are substantially changed, this exchange or change is treated as an accounting derecognition of the original liability and recognition of a new liability, with recognition on the statement of profit /(loss) for the year of any differences in the book value.

*Offsetting of financial instruments*

A financial asset and a financial liability can be offset and the net balance stated on the statement of financial position if a current legal right exists to offset the amounts entered into accounts and it is intended to extinguish the net remainder, or to realize the asset and simultaneously extinguish the liability.

With reference to the period of comparison, in application of International Accounting Standard 39, financial instruments are initially recorded at fair value and, after the initial entry, measured according to their classification.
For financial assets, this treatment varies according to the categories:

- Financial assets at fair value with changes recorded in the profit and loss statement;
- Held-to-maturity investments;
- Loans and receivables;
- Financial assets available for sale.

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

- Financial liabilities at fair value with changes recognized on the profit and loss statement;
- 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 discounted cash flow method has been applied, i.e. discounting back of expected cash flows based on the current interest rates and credit ratings;

Listed financial instruments: the market value at the date of reference is used.

## Derivative financial instruments

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 has chosen to continue to apply, hedge accounting rules may only be applied to hedging derivatives if:

a) when hedging starts, formal designation and documentation on the hedge itself exists;
b) the hedge is expected to be highly effective;

c) its effectiveness may be reliably measured; and
d) the hedge itself is highly effective in accounting periods other than those for 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 on the balance sheet that could affect the profit and loss statement, gains or losses deriving from subsequent measurements of the current value of the hedge are recognized in the profit and loss statement, as are gains or losses on the hedged item.
- Cash flow hedge - if a financial derivative is designated as a hedge against changes in the cash flows of an asset or liability on the balance sheet, or a transaction seen as highly likely and which could affect the profit and loss statement, 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 profit and loss statement 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 on the profit and loss statement.

### Revenue from contracts with customers

The revenue from contracts with customers is recorded 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 said goods and 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.

Sale of assets

Revenues from the sale of finished products and goods are recognized when control of the asset is transferred to the customer.

The Group considers whether there are other promises in the contract that constitute performance obligations to which part of the transaction fee must be allocated. In establishing the price of the sale transaction, the Group considers the effects of the presence of a variable consideration, significant loan components, non-monetary consideration and consideration to be paid to the customer.

*Variable consideration*

If the consideration promised in the contract includes a variable sum, the Group estimates the amount of the consideration to which it will be entitled in exchange for transfer of the goods to the customer.

Variable consideration is estimated when the contract is signed and it cannot be recorded until it is highly probable that, when the uncertainty associated with the variable consideration is resolved subsequently, there will be no need to record a significant reduction in the amount of accumulated revenues that have been recorded in accounts. Volume discounts and other contractual discounts give rise to variable consideration, such as the part of Payback borne by parent company for the period as better explained at paragraph 6.4.22.

The Group can grant discounts to some customers where the quantity of products purchased during the period reaches certain revenue thresholds. To estimate the variable consideration associated with expected discounts, the Group applies the expected value method.

*Consideration to be paid to the customer*
Contracts with customers may include the payments 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.

Provision of 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 measure the state of progress of the service.
The Group considers whether there are other promises in the contract that constitute performance obligations to which part of the transaction fee must be allocated. In establishing the price of the sale transaction, the Group considers the effects of the presence of a variable consideration, significant loan components, non-monetary consideration and consideration to be paid to the customer.

Contractual balances
*Contractual assets*
A contractual asset is the entity's right to obtain the agreed consideration when control of the goods or services is transferred to the customer.
If the Group meets its obligation of transferring the goods or services to the customer before the customer pays the consideration or before payment is due, it must record an asset from the contract, excluding the sums presented as receivables.

*Trade receivables*
A receivable represents the Group's unconditional right to receive the consideration (i.e. it is only necessary for time to pass to obtain payment of the consideration).

*Contractual liabilities*
A contractual liability is an obligation to transfer to the customer goods or services for which the Group has already received consideration (or for which a part of the consideration is due). If the customer pays the consideration before the Group has transferred control of the goods and services, the liability from the contract is recorded when payment is made or, if before, when it is due. Liabilities from contracts are recorded as revenue when the Group meets its performance obligations under the relative 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, as this method is the best for predicting the amount of the variable consideration to which the Group will be entitled. For the goods expected to be returned, the Group adjusts the revenues and records a contractual liability.

Costs for obtaining a contract
The Group may pay commission for the sales contracts finalized. For these costs, the Group applies the practical expedient that allows immediate payment of the costs to obtain the contracts,

since the depreciation period of the asset that the Group would otherwise have used would have been less than one year.
Similarly, in the year of comparison, revenues are recognized in accordance with IFRS 15, 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 has concluded that it is operating on its own account in all the sales contracts, as it is the primary debtor, and therefore has discretionary power over the pricing policy, as well as being exposed to the stock and credit risk.
The revenue is recognized when the company has transferred to the purchaser all significant risks and benefits related to ownership of the asset, generally coinciding with the date of shipment of the merchandise. The revenue is measured 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 supply of services is based on the stage of completion of service activities at the reporting date, measured as a percentage with reference to different variables, depending on the services provided and contracts entered into with the customer. The supply of services not yet completed at the reporting date is booked as 'contract work in progress' and classified under 'trade receivables'. Any revenues invoiced at the reporting date in excess of the amount accrued according to the stage of completion of the service are suspended in 'advances from customers' and classified under 'trade payables'. When the result of a supply of services cannot be reliably measured, the revenues are recognized to the extent to which it is considered that the 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 twelve months, a detailed discounting process based on assumptions and estimates to determine the implicit financial component is applied.

### 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 asset. Interest income is classified as financial income on the profit and loss statement 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 at the reporting date and is classified under revenues, taking the operational nature into account.

### Public grants

Public grants are recognized when there is a reasonable certainty that they will be received and that all the conditions relating to them are satisfied. When the grants are related to cost components (contributions to the capital account), they are recognized as revenues in the periods, in order to ensure they are commensurate to the costs they are intended to compensate. If the grant is connected with an asset (contributions to the capital account), the asset and the grant are recorded separately under assets and liabilities, at their nominal values, and charging to the profit and loss statement takes place gradually over the expected useful life of the asset, on a straight-line basis. The accounting treatment is also applicable to contribution received as

Tax Credit for the activity of research and development and technological innovation, performed by the parent company.

### Dividends

Income from dividends is recognized when shareholders are eligible to receive payment, which is made upon approval of distribution by the shareholders' meeting.

### Income taxes

#### Current taxes

Taxes reflect a realistic estimate of the tax burden, determined by applying the regulations in force in the countries where the Kedrion Group operates; payables for current taxes are recorded on the statement of financial position, net of any prepaid taxes.

For the parent company only, it is specified that, starting from 2016, it has applied, as the consolidated company, jointly with Sestant S.p.A., as the consolidating company, the option for "national tax consolidation" referred to in Articles 117-129 of D.P.R. no. 917 of 22 December 1986 (the TUIR - Income Tax Laws Consolidation Act), which allows IRES (corporate income tax) to be calculated on a taxable base corresponding with the algebraic sum of the positive and negative taxable basis of the individual participating companies, after making several adjustments envisaged by current regulations.

The economic relations, as well as the reciprocal responsibilities and obligations between the consolidating and consolidated companies, are defined in the "Group Regulations governing the application of the provisions on "National Consolidation".

Consequently, the payable or receivable 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 on the profit and loss statement.

#### Deferred taxes

Deferred taxes are calculated on the temporary differences at the reporting date between the tax values for assets and liabilities used as a reference and the values reported on the financial statements.

Deferred tax liabilities are recorded against all taxable temporary differences, except in the following cases:

- when 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 that, at the time of the transaction, does not impact either the profit for the period, calculated for reporting purposes, or the profit or the loss calculated for tax purposes;
- with reference to the temporary taxable differences associated with investments held in subsidiaries, associates and joint ventures, if the reversal of the temporary differences can be controlled and if its occurrence in the foreseeable future is unlikely.

Deferred tax assets are recognized against all deductible temporary differences and for the tax assets and liabilities carried forward, to the extent that the existence of adequate future taxable profits is likely and may involve the use of deductible temporary differences as well as tax assets and liabilities carried forward, except when:

- the deferred tax asset associated with the deductible temporary differences derives from the initial recognition of an asset or a liability in a transaction that is not a business combination and that, at the time of the transaction, does not impact either the profit for the period, calculated for reporting purposes, or the profit or loss calculated for tax purposes;

- with reference to temporary taxable differences associated with equity investments in subsidiaries, associates and joint ventures, the deferred tax assets are recognized only to the extent that it is likely that the temporary differences will be reversed in the near future and that there are adequate taxable profits against which the related temporary differences can be used.

The amount to be recognized in the financial statements for deferred tax assets is reassessed at each financial statement date and reduced to an extent by which it is no longer likely that sufficient taxable profits will be available in the future so as to enable the full or partial use of this receivable.
Non-recognized deferred tax assets are periodically reassessed on an annual basis at the close of the financial statements and are recognized to the extent that it is likely that the taxable profit is sufficient to enable these deferred taxes assets to be recovered.
Deferred tax assets and liabilities are measured based on tax rates that are expected to be applied to the period when the receivables are realized or the liabilities are settled, based on the current rate or the rates and those issued or essentially issued 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 relating to items that are directly recognized under shareholders' equity are also directly recognized under shareholders' equity and not on the profit and loss statement.

Value added tax
Revenues, costs and assets are recognized net of VAT, except when this tax applied on the purchase of goods or services is non-deductible, in which case it is recorded as part of the purchase cost of the asset or part of the cost item recorded on the profit and loss statement.
The net amount of indirect taxes on sales which can be recovered from or paid to the Italian Revenue Agency is included on the financial statements under other current assets or liabilities, depending on whether it is a positive or negative balance. The value added tax (VAT) associated with billing of public entities is subject to the split payment scheme, according to which the public entity is obliged to pay the supplier only the agreed fee, whereas the VAT due must be credited by the public entity into an appropriate blocked current account for acquisition by the revenue authorities.

## 6.4. COMMENTS ON THE MAIN ITEMS ON 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 December 31, 2020, January 1, 2020 and January 1, 2019 are provided in the table below:

| (in thousands of Euro) | Land and buildings | Plant and machinery | Industrial and commercial equipment | Other assets | Construction and advances | Total |
|---|---|---|---|---|---|---|
| **COST** | | | | | | |
| **Balance at January 1, 2019** | **110,622** | **259,700** | **21,879** | **23,028** | **64,784** | **480,013** |
| Reclassifications | (12,378) | 33,581 | 1,275 | 1,150 | (20,568) | 3,060 |
| Increases | 1,571 | 7,442 | 3,343 | 2,340 | 20,907 | 35,603 |
| Translation difference | (43) | 804 | 57 | 52 | 514 | 1,384 |
| Decreases | (1,011) | (27) | (201) | (390) | (52) | (1,681) |

| | | | | | | |
|---|---|---|---|---|---|---|
| **Balance at January 1, 2020** | **98,761** | **301,500** | **26,353** | **26,180** | **65,585** | **518,379** |
| Reclassifications | 3,528 | 5,283 | 2,090 | 1,474 | (8,524) | 3,851 |
| Increases | 7,365 | 11,443 | 1,948 | 1,668 | 30,726 | 53,150 |
| Translation difference | (3,332) | (11,694) | (585) | (856) | (1,701) | (18,168) |
| Decreases | (1,567) | (1,075) | (24) | (759) | 0 | (3,425) |
| **Balance at December 31, 2020** | **104,755** | **305,457** | **29,782** | **27,707** | **86,086** | **553,787** |
| **DEPRECIATION AND IMPAIRMENT** | | | | | | |
| **Balance at January 1, 2019** | **38,685** | **142,530** | **15,970** | **16,977** | **(187)** | **213,975** |
| Depreciation for the year | 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 difference | (60) | (255) | 4 | (14) | (4) | (329) |
| Reclassifications | (540) | 540 | 0 | 0 | 0 | 0 |
| **Balance at January 1, 2020** | **41,496** | **158,539** | **17,451** | **18,814** | **(191)** | **236,109** |
| Depreciation for the year | 4,268 | 16,925 | 2,070 | 2,445 | 0 | 25,708 |
| Write-downs | 0 | 0 | 0 | 0 | 0 | 0 |
| Disposals | (827) | (685) | (9) | (705) | 0 | (2,226) |
| Translation difference | (543) | (3,433) | (213) | (534) | 16 | (4,707) |
| Reclassifications | 302 | 9 | 0 | 0 | 0 | 311 |
| **Balance at December 31, 2020** | **44,696** | **171,355** | **19,299** | **20,020** | **(175)** | **255,195** |
| **CARRYING AMOUNTS AS AT 01.01.2020** | **57,265** | **142,961** | **8,902** | **7,366** | **65,776** | **282,270** |
| **CARRYING AMOUNTS AS AT 12.31.2020** | **60,059** | **134,102** | **10,483** | **7,687** | **86,261** | **298,592** |

Of which under finance lease:

| | 12.31.2020 | | | 12.31.2019 | | |
|---|---|---|---|---|---|---|
| (in thousands of Euro) | Historical cost | Depreciation reserve | Value Profit | Historical cost | Depreciation reserve | Value Profit |
| Buildings | 19,246 | 4,028 | 15,218 | 3,480 | 951 | 2,529 |
| Plant and machinery | 126,209 | 97,962 | 28,247 | 102,718 | 80,542 | 22,176 |
| Equipment | 1,511 | 1,511 | 0 | 3,598 | 1,957 | 1,641 |
| Other assets | 11,727 | 9,609 | 2,118 | 9,314 | 8,466 | 848 |
| **TOTAL** | **158,693** | **113,110** | **45,583** | **119,110** | **91,916** | **27,194** |

During the financial year ended at December 31, 2020, the Kedrion Group realized net investments for a total value of Euro 100,465 thousands, of which Euro 53.2 million related to Property, plant and equipment (of which Euro 1,317 thousands financed through financial lease contracts which did not have a direct impact on current cash flows), Euro 34.0 million related to Intangible assets with finite useful life and Euro 13.3 million related to Goodwill payed for the acquisition of plasma collection centers.

The increases for investments made in 2020 mainly concern the following:

- **Melville plant (NY, USA)** for a total amount of Euro 18.0 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 8.1 million, mainly referred to interventions and improvements on existing buildings and plants;
- **Sant'Antimo plant (NA, Italy)** for a total amount of Euro 4.2 million, relating to urban planning compliance investments on some buildings and to interventions and improvements on existing buildings and plants;
- **Gödöllő plant (Hungary)** for a total amount of Euro 5.2 million, relating to interventions and improvements on existing plants;
- **Plasma collection centers in the United States** for a total amount of Euro 27.0 million, of which 24.9 million for payment of the balance on acquisition of five new US centers and for down payments made for the purchase of other centers, and the remaining part for interventions and improvements in other US centers;
- **Castelvecchio Pascoli (LU, Italy)** for a total amount of Euro 23.3 million, relating mainly to the KIg10 project (Euro 22.8 million) for registration of the new 10% immunoglobulin on the US and European markets, and also interventions and improvements on the new 10% immunoglobulin production department and interventions and improvements on the warehouse and surrounding plants;
- **Other investments** for a total of Euro 14.5 million, relating mainly to investments in IT hardware and software, purchase of the registrations for sale of plasma-derived products in Turkey, investments in other research and development projects and improvements made to offices at the various facilities.

Tangible and intangible assets in progress include the investments connected to the projects in progress, mainly related to KIg10 project, construction of the new plant in Castelvecchio Pascoli (which will be dedicated to the purification of this product) and Rhogam new production line at Melville plant. The recording of these assets in consolidated financial statements has led both the valuation about the outcome of these projects, in particular referring to the granting of the necessary authorization from bodies responsible, considered highly probable, and the verify of their recoverability.

In past years, the Kedrion Group has benefited from national public grants on property, plant and equipment provided for by Law no. 488/92 and by Law no. 388/00, respectively for a total of Euro 6,703 thousands and Euro 3,356 thousands. These grants were granted on the basis of the investments incurred and capitalized for Euro 12,184 thousands relating to Law no. 488/92 and for Euro 12,805 thousands relating to Law no. 388/00. In 2010, a "Program Agreements" contract was also entered into with the Italian Drug 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 thousands. Total investments amounted to Euro 26,535 thousands and the grant was recognized as Euro 2,490 thousands. Property, plant and equipment is recorded at purchase price and the value of the grant has been discounted under other current and non-current liabilities (for the portion exceeding twelve months). The part attributable to the year was subsequently charged to the profit and loss statement on a straight-line basis over the expected useful life of the asset concerned. At December 31, 2020, deferred income of Euro 152 thousands remains on these benefits.

In past years, the Hungarian subsidiary HUMAN BioPlazma benefited from a grant on property, plant and equipment for a total of Euro 897 thousands, and the residual amount at December 31, 2020, recorded in deferred income, is equal to Euro 464 thousands.

Property, plant and equipment is recorded at 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 twelve months). The part attributable to the year has subsequently been charged to the profit and loss statement on a straight-line basis over the expected useful life of the assets concerned. At December 31, 2020, deferred income for this tax credit of Euro 186 thousands remained.
In 2020, Kedrion S.p.A. benefited from two tax credits due according to Law no. 160 of 27 December 2019, for the expenses incurred on investments in new capital goods, in place of the super-amortization and hyper-amortization, amounting respectively to Euro 120 thousands and Euro 209 thousands.
The assets have been 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 twelve months). The part attributable to the year has subsequently been charged to the profit and loss statement on a straight-line basis over the expected useful life of the assets concerned. At December 31, 2020, deferred income for these tax credits of Euro 112 thousands and Euro 160 thousands remained.

There are no restrictions on the ownership of property, plant and equipment 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. Typical external sources might consist of changes in the technological, economic and legal context in which the Group operates, while internal sources consist of corporate strategies that may or may not change the intended use of assets.
No impairment losses were found from the analysis carried out.

### 6.4.2. INVESTMENT PROPERTY

The historical cost, accumulated depreciation and the net carrying value of "*Investment property*" as at December 31, 2020 and as at December 31, 2019 are shown in the table below:

| (in thousands of Euro) | **Land and buildings** |
|---|---|
| **COST** | |
| **Balance at January 1, 2019** | **2,623** |
| Reclassifications | 0 |
| Increases | 0 |
| Translation difference | 0 |
| Decreases | 0 |
| **Balance at January 1, 2020** | **2,623** |
| Reclassifications | (1,107) |
| Increases | 0 |
| Translation difference | 0 |
| Decreases | 0 |
| **Balance at December 31, 2020** | **1,516** |
| **DEPRECIATION AND IMPAIRMENT** | |
| **Balance at January 1, 2019** | **296** |
| Depreciation for the year | 60 |
| Write-downs | 0 |

| | |
|---|---|
| Disposals | 0 |
| Translation difference | 0 |
| Reclassifications | 0 |
| **Balance at January 1, 2020** | **356** |
| Depreciation for the year | 3 |
| Write-downs | 0 |
| Disposals | 0 |
| Translation difference | 0 |
| Reclassifications | (311) |
| **Balance at December 31, 2020** | **48** |
| **CARRYING AMOUNTS AS AT 01.01.2020** | **2,267** |
| **CARRYING AMOUNTS AS AT 12.31.2020** | **1,468** |

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

- San Pietro in Campo (LU) - historical cost of Euro 104 thousands; fair value of Euro 453 thousands.
- Monsagrati (LU) - historical cost of Euro 1,357 thousands; fair value Euro of 1,733 thousands.

The buildings classified under investment property refer to:

- a residential apartment located in Monsagrati (LU) - residual value of Euro 7 thousands; fair value of Euro 35 thousands.

The fair value of investment property is calculated using measurement models and parameters observable on the market. Therefore, according to the IFRS 13 fair value hierarchy, this is investment property with a Level 2 fair value. The reclassification refers to land and buildings which has been reclassified in Property, plant and equipment because their purpose is changed from Property investment to tangible assets used to support the Group operation.

### 6.4.3. GOODWILL

The goodwill recorded on the balance sheet is subject to annual impairment testing. The carrying amounts at the reporting date of the Goodwill posted on the consolidated financial statements, and their allocation to specific cash generating units (CGU), together with changes during the period, are listed below:

| (in thousands of Euro) | Balance at 12.31.2019 | Reclassifications | Increases for Business Combination | Translation difference | Assets held for sale | Decreases | Balance at 12.31.2020 |
|---|---|---|---|---|---|---|---|
| Goodwill of CGU plasma derivatives | 188,895 | 0 | 0 | (3,363) | 0 | 0 | 185,532 |
| Goodwill of CGU plasma | 54,320 | 0 | 16,760 | (4,222) | 0 | 0 | 66,858 |
| Goodwill of CGU – Other | 667 | 0 | 0 | 0 | 0 | 0 | 667 |
| **TOTAL** | **243,882** | **0** | **16,760** | **(7,585)** | **0** | **0** | **253,057** |

The difference relative to the “plasma” CGU is due to the following:

- Increase resulting from the purchase of five new centers for Euro 16,760 thousands (USD 17.8 million), as indicated at paragraph 6.2.7 “Purchases/start-up of proprietary collection centers”;
- Translation differences of Euro (4,223 thousands).

The change relative to the “plasma derivatives” CGU is due to the translation difference of Euro (3,363 thousands).

### GOODWILL OF CGU PLASMA DERIVATIVES

The plasma derivatives CGU includes the activities associated with fragmentation and/or purification of plasma-derived products (located in the three production centers in Italy, the 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 amounts to a total of Euro 185,532 thousands.
The impairment test was carried out using the Discounted Cash Flow (DCF) method after tax. The expected cash flows, used in calculating the DCF, are based on the 2021 Budget 2021 and on forecasts prepared on the basis of the new 2021-2025 strategic plan approved on February 22, 2021. The operating profit (EBIT) is expected to increase as a consequence of completion of the following development projects: new Rhogam production line at the Melville, new purification plant in Castelvecchio Pascoli and development of KIg10. From a financial standpoint, 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 CGU value in use, the discounted cash flows over the five years of the forecast have been considered, added to a terminal value, assumed to be equal to the current value of the perpetual income on the cash flow produced in the last year of the forecast, using a long-term growth rate (“g”) equal to 0%.

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

| CGU | WACC |
|---|---|
| Goodwill of CGU plasma derivatives | 6.99% |

The Group performed a sensitivity analysis on the aforesaid key assumptions used to determine the recoverable amount (changes in growth rate equal to +/- 0.5% and changes in the WACC equal to +/- 0.5%) and, based on the results, the directors believe that reasonable changes in the key assumptions will not generate an excess of the carrying amount compared to the recoverable amount.

### GOODWILL OF CGU PLASMA

The plasma CGU includes activities related to the collection and marketing of plasma.
Goodwill relating to the Plasma CGU amounted to Euro 66,857 thousands (Euro 54,320 thousands at December 31, 2019) and has been subjected to congruity analysis, comparing the carrying 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, discounting the estimated cash flows on the basis of the 2021 Budget and forecasts developed on the basis of the new 2021-2025 strategic plan approved on February 22, 2021.

In order to determine the CGU value in use, the discounted cash flows over the five years of the forecast have been considered, added to a terminal value, assumed to be equal to the current value of the perpetual income on the cash flow produced in the last year of the forecast, using a long-term growth rate ("g") equal to 0%.
The discount rates applied to the prospective cash flows (WACC) are summarized in the following table:

| CGU | WACC |
|---|---|
| Goodwill of CGU plasma | 5.75% |

The calculation of the value in use based on these parameters did not result in any impairment of goodwill.
The Group performed a sensitivity analysis on the aforesaid key assumptions used to determine the recoverable amount (changes in growth rate equal to +/- 0.5% and changes in the WACC equal to +/- 0.5%) and, based on the results, the directors believe that reasonable changes in the key assumptions will not generate an excess of the carrying amount compared to the recoverable amount.

### GOODWILL OF CGU – OTHER

The Group has decided to place in the "Other" CGU all goodwill relating to marginal businesses, for a total of Euro 667 thousands, detailed as follows.
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 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 thousands to the vendor.
Subsequently, on December 31, 2010, a contract was signed for the purchase of 95% of the shares of Kedrion Portugal and a purchase option for the remaining 5%. This acquisition involved the recording of goodwill for Euro 165 thousands.
On November 18, 2013, Kedrion S.p.A. acquired 51% of Kedrion Brasil from a local partner – FBM Farma Industria Farmaceutica LTDA.
This acquisition involved the recording of goodwill for Euro 43 thousands.

## 6.4.4. RIGHTS OF USE

| (in thousands of Euro) | Buildings | Other assets | Total |
|---|---|---|---|
| **COST** | | | |
| **Balance at January 1, 2019** | **0** | **0** | **0** |
| FTA increase | 67,805 | 1,378 | 69,183 |
| Reclassifications | 0 | 0 | 0 |
| Increases | 10,429 | 662 | 11,091 |
| Translation difference | 305 | 2 | 307 |
| Decreases | (154) | (30) | (184) |
| **Balance at January 1, 2020** | **78,385** | **2,012** | **80,397** |
| Reclassifications | 0 | 0 | **0** |
| Increases | 36,509 | 1,036 | 37,545 |
| Translation difference | (5,625) | (28) | (5,653) |
| Decreases | (8,556) | (457) | (9,013) |

| | | | |
|---|---|---|---|
| **Balance at December 31, 2020** | **100,713** | **2,563** | **103,276** |
| **DEPRECIATION AND IMPAIRMENT** | | | |
| **Balance at January 1, 2019** | **0** | **0** | **0** |
| Depreciation for the year | 7501 | 658 | 8159 |
| Write-downs | 0 | 0 | 0 |
| Disposals | (77) | (12) | (89) |
| Translation difference | (36) | 0 | (36) |
| Reclassifications | 0 | 0 | 0 |
| **Balance at January 1, 2020** | **7,388** | **646** | **8,034** |
| Depreciation for the year | 8,558 | 818 | 9,376 |
| Write-downs | 0 | 0 | 0 |
| Disposals | (1,213) | (359) | (1,572) |
| Translation difference | (928) | (11) | (939) |
| Reclassifications | 0 | 0 | 0 |
| **Balance at December 31, 2020** | **13,805** | **1,094** | **14,899** |
| **CARRYING AMOUNTS AS AT 01.01.2020** | **70,997** | **1,366** | **72,363** |
| **CARRYING AMOUNTS AS AT 12.31.2020** | **86,908** | **1,469** | **88,377** |

Assets for the rights of use are mainly connected to leasing contracts on the US plasma collection centers, as well as offices and other business premises. Disposals relate mainly to sale of the Hungarian plasma centers.

### 6.4.5. INTANGIBLE ASSETS WITH FINITE USEFUL LIFE

The historical cost, the accumulated amortization and the net carrying amount of the item Intangible assets with finite useful life as at December 31, 2020 and as at December 31, 2019 are shown in the table below:

| (in thousands of Euro) | Development costs | Rights and trademarks | Fixed assets in progress and advances | Others | Total |
|---|---|---|---|---|---|
| **COST** | | | | | |
| **Balance at January 1, 2019** | **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 difference | (180) | 836 | 275 | 736 | 1,667 |
| Decreases | 0 | (60) | (45) | (59) | (164) |
| **Balance at January 1, 2020** | **10,247** | **68,205** | **44,114** | **72,761** | **195,327** |
| Reclassifications | 0 | 6,372 | (15,165) | 2,582 | (6,211) |
| Increases | 12 | 8,948 | 20,401 | 4,660 | 34,021 |
| Translation difference | (556) | (4,576) | (2,015) | (4,094) | (11,241) |
| Decreases | (1,291) | 0 | (611) | (241) | (2,143) |
| **Balance at December 31, 2020** | **8,412** | **78,949** | **46,724** | **75,668** | **209,753** |

| DEPRECIATION AND IMPAIRMENT | | | | | |
|---|---|---|---|---|---|
| **Balance at January 1, 2019** | **10,279** | **28,285** | **0** | **34,497** | **73,061** |
| Depreciation 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 difference | (180) | 244 | 0 | 287 | 351 |
| Reclassifications | 0 | 0 | 3 | (3) | 0 |
| **Balance at January 1, 2020** | **10,148** | **31,931** | **3** | **40,446** | **82,528** |
| Depreciation for the year | 48 | 4,621 | 0 | 6,013 | 10,682 |
| Write-downs | 0 | 0 | 0 | 0 | 0 |
| Disposals | (1,291) | 0 | 0 | (192) | (1,483) |
| Translation difference | (556) | (1,834) | 0 | (2,127) | (4,517) |
| Reclassifications | 0 | 0 | 0 | 0 | 0 |
| **Balance at December 31, 2020** | **8,349** | **34,718** | **3** | **44,140** | **87,210** |
| **CARRYING AMOUNTS AS AT 01.01.2020** | **99** | **36,274** | **44,111** | **32,315** | **112,799** |
| **CARRYING AMOUNTS AS AT 12.31.2020** | **63** | **44,231** | **46,721** | **31,528** | **122,543** |

The item Rights and trademarks at December 31, 2020 amounted to Euro 44,231 thousands and was formed of the following items specific to the commodity sector:

| (in thousands of Euro) | 12.31.2020 | 12.31.2019 |
|---|---|---|
| Rights | 30,355 | 21,563 |
| Trademarks | 13,876 | 14,711 |
| **RIGHTS AND TRADEMARKS** | **44,231** | **36,274** |

Rights relate to the patent rights of the RhoGAM specialty purchased during 2012 and measured at fair value at the time of the PPA, considering a royalty on the expected turnover of 5% for a period of fifteen years and the licenses for marketing authorization (MA) of other medicinal specialties.

Trademarks are formed mainly of the “RhoGAM” trademark, of which the residual value is equal to Euro 5,545 thousands, as well as the trademarks related to plasma collection centers for Euro 5,414 thousands and the Koate trademark for Euro 1,977 thousands. Management, after evaluation of possible presence of impairment indicators, carried out the necessary recoverability checks, without finding any impairment losses on trademarks.

The item fixed assets in progress mainly consists of:

- Costs incurred for obtaining the MA of new medicinal specialties for Euro 28.9 million, among which the ones related to KIg10 development amount to Euro 26.9 million, for which the granting of the necessary authorization from bodies responsible has been considered highly probable;
- Advances paid for the acquisition of new centers for Euro 15.0 million;
- For the remainder mainly from software.

Management carried out the necessary recoverability checks without identifying impairment indicators in relation to this item.
The item Other intangible assets mainly include customer lists relating to the acquisition of RhoGAM for Euro 7,372 thousands, application software programs for Euro 7,740 thousands and the list of hyperimmune plasma donors of the subsidiary KEDPLASMA LLC for Euro 14,048 thousands. With reference to this balance-sheet item, the useful life of the assets has been reviewed, without revealing any changes in estimates.

### 6.4.6. EQUITY INVESTMENTS IN OTHER ENTERPRISES

A breakdown of equity investments in other companies as at December 31, 2020 and as at December 31, 2019 is provided below.

| (in thousands of Euro) | 12.31.2020 | 12.31.2019 |
|---|---|---|
| Other investments | 20 | 2,240 |
| **EQUITY INVESTMENTS IN OTHER ENTERPRISES** | **20** | **2,240** |

Other equity investments of Euro 20 thousands decreased, following early termination of the contract with the US research company Entegrion Inc., due to the US Department of Defence (Do) abandoning interest in the research project for creation of a blood product usable in emergency military situations. The portion of this investment was therefore sold at the symbolic value of USD 1 and the entire sum on the balance sheet was written down.
This investment in other enterprises is measured at cost, adjusted for impairment.
At December 31, 2020, there were no further indicators of impairment.

### 6.4.7. OTHER NON-CURRENT FINANCIAL ASSETS

| (in thousands of Euro) | 12.31.2020 | 12.31.2019 |
|---|---|---|
| Security deposits | 1,202 | 1,172 |
| New centers start-up funding | 6,790 | 8,325 |
| CEO loan | 500 | 0 |
| Financial deferrals | 73 | 432 |
| **OTHER NON-CURRENT FINANCIAL ASSETS** | **8,565** | **9,929** |

Guarantee deposits mainly relate to the leases on the plasma collection centers and offices.
The loan of Euro 6,790 thousands 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 offsetting against future purchases of plasma.
The CEO loan relates to subscribing of a financial equity instrument. Kedrion S.p.A. granted a loan of Euro 500 thousands for part of the sum. This is a five-year, interest-bearing loan, at an annual rate of 1%. The loan will be repaid in annual amounts, using the sums received as an annual bonus.
Financial expenses relate to bank charges paid in advance in relation to the credit lines available to the Group, of which availability runs out in the coming years.

## 6.4.8. DEFERRED TAX ASSETS

The table below shows the breakdown of deferred tax assets and liabilities as at December 31, 2020 and as at December 31, 2019.

| (in thousands of Euro) | 12.31.2020 | 12.31.2019 |
|---|---|---|
| Deferred tax assets | 11,022 | 13,684 |
| Deferred tax liabilities | (609) | (1,008) |
| **NET DEFERRED TAX ASSETS (LIABILITIES)** | **10,413** | **12,676** |

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

Details of deferred tax assets as at December 31, 2019 and 2020 are shown below:

| (in thousands of Euro) | 2019 taxable amount | 2019 total deferred tax assets | Increase | Decrease | 2020 taxable amount | 2020 total deferred tax assets |
|---|---|---|---|---|---|---|
| Amortization of trademarks and goodwill | 33 | 8 | 669 | 12 | 690 | 166 |
| Unpaid directors' fees | 120 | 29 | 151 | 111 | 160 | 38 |
| Unpaid membership fees | 76 | 18 | 67 | 76 | 67 | 16 |
| Unpaid interest expenses | 27 | 6 | 0 | 27 | 0 | 0 |
| Unpaid taxes | 369 | 88 | 3,497 | 0 | 3,866 | 928 |
| R.O.L. (reduced working hours) | 0 | 0 | 3,494 | 0 | 3,494 | 839 |
| Currency adjustment | **15** | 4 | 1,111 | 16 | 1,110 | 267 |
| Provisions for risks | 1,824 | 490 | 1,036 | 913 | 1,947 | 529 |
| Intercompany profit elimination | 9,904 | 2,773 | 0 | 3,704 | 6,200 | 1,736 |
| TFR (employee severance indemnity) Reserve (IAS 19) | 393 | 94 | 21 | 0 | 414 | 99 |
| Hedging derivatives | 707 | 170 | 0 | 190 | 517 | 124 |
| Deferred taxes in subsidiary Kedrion Biopharma (mainly losses) | 28,366 | 6,751 | 0 | 12,362 | 16,004 | 3,809 |
| Other | 0 | 0 | 3,369 | 0 | 3,369 | 876 |
| **TOTAL** | **41,834** | **10,431** | **13,415** | **17,411** | **37,838** | **9,427** |
| Tax credit of the subsidiary HUMAN BioPlazma | 3,253 | 3,253 | 0 | 1,658 | 1,595 | 1,595 |
| **TOTAL DEFERRED TAX ASSETS** | | **13,684** | | | | **11,022** |

Details of deferred tax liabilities as at December 31, 2019 and 2020 are shown below:

| (in thousands of Euro) | 2019 taxable amount | 2019 total deferred tax liabilities | Increase | Decrease | Taxable amount 2020 | 2020 Total deferred tax liabilities |
|---|---|---|---|---|---|---|
| Deferred taxes in the subsidiary HUMAN Bioplazma | 1,131 | 215 | 0 | 273 | 858 | 163 |
| Other | 3,305 | 793 | 422 | 1,869 | 1,858 | 446 |

| | | | | | | |
|---|---|---|---|---|---|---|
| **TOTAL DEFERRED TAX LIABILITIES** | **4,436** | **1,008** | **422** | **2,142** | **2,716** | **609** |
| **NET IMPACT ON SHAREHOLDERS' EQUITY** | | **12,676** | | | | **10,413** |

Deferred tax assets of the US subsidiary Kedrion Biopharma Inc. mainly relate to past losses.
Deferred taxes also include the tax credit with a residual value at December 31, 2020 equal to Euro 1,595 thousands, 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 ten-year period.
There are no deferred taxes on the undivided profits of the subsidiaries or other temporary differences from which they could originate.
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 time of occurrence and the amount of future taxable profits.

### 6.4.9. OTHER NON-CURRENT ASSETS

The table below provides a breakdown of other non-current assets as at December 31, 2020 and as at December 31, 2019:

| (in thousands of Euro) | 12.31.2020 | 12.31.2019 |
|---|---|---|
| Prepaid expenses | 759 | 988 |
| Tax credit | 276 | 0 |
| Other non-current assets | 13 | 14 |
| **OTHER NON-CURRENT ASSETS** | **1,048** | **1,002** |

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

### 6.4.10. INVENTORIES

The table below provides a breakdown of inventories as at December 31, 2020 and as at December 31, 2019:

| (in thousands of Euro) | 12.31.2020 | 12.31.2019 |
|---|---|---|
| Raw materials and consumables | 84,855 | 93,280 |
| Products under process | 124,078 | 155,863 |
| Finished products and goods | 74,899 | 75,813 |
| **INVENTORIES** | **283,832** | **324,956** |

Inventories decreased by Euro 41,124 thousands, mainly due to the optimization of the stocks of plasma and finished products and following non-recurring destructions due to Covid-19.
The value of inventories is expressed net of the provision for impairment of Euro 2,464 thousands, of which Euro 2,099 thousands relates to inventories at the Melville plant and Euro 365 thousands relates to inventories of the parent company. Inventories of raw materials, semi-finished and finished products are generally subject to expiry, so the management considers the expiry date associated with each batch as a fundamental element in the assessment of their recoverability. It should be noted that the expiry 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 upcoming expiry dates are entirely written down, to take into account their difficult recoverability.

## 6.4.11. TRADE RECEIVABLES

The table below provides a breakdown of trade receivables as at December 31, 2020 and as at December 31, 2019:

| (in thousands of Euro) | 12.31.2020 | 12.31.2019 |
|---|---|---|
| Trade receivables | 138,308 | 123,169 |
| **TRADE RECEIVABLES** | **138,308** | **123,169** |

See note 6.6.2. for the terms and conditions relating to receivables from related parties.
Trade receivables are non-interest bearing and generally have a contractual maturity of 30 to 120 days. In 2020, receivables from customers increased by Euro 15,139 thousands, following the peak in revenues at the end of the year.
The adjustment of receivables for foreign customers at the precise exchange rate at December 31, 2020 led to the recognition of an unrealized exchange gain of Euro 1,134 thousands.

In view of the expected losses on receivables, the Group has set aside a specific provision for bad debts amounting to Euro 7,379 thousands, which is considered to be congruous with respect to the doubtful positions at the end of the year and the expected default rate. The use of the financial statement relates to the elimination of some small credits deemed to be irrecoverable.
The change in the bad debt provisions for the period ending at December 31, 2020 are shown below:

| (in thousands of Euro) | For trade receivables | For default interest | Total |
|---|---|---|---|
| **Balance at 01.01.2020** | **6,503** | **186** | **6,689** |
| Use in the period | (2,028) | 0 | (2,028) |
| Provision in the period | 2,904 | 0 | 2,904 |
| **BALANCE AT 12.31.2020** | **7,379** | **186** | **7,565** |

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

## 6.4.12. CONTRACTUAL ASSETS

The change in contractual assets at December 31, 2020 and December 31, 2019 is shown below:

| (in thousands of Euro) | 12.31.2020 | 12.31.2019 |
|---|---|---|

| | | |
|---|---|---|
| Contractual assets | 34,025 | 26,920 |
| **CONTRACTUAL ASSETS** | **34,025** | **26,920** |

According to 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 assets are reclassified as trade receivables.

### 6.4.13. CURRENT TAX RECEIVABLES

The table below provides a breakdown of current tax receivables as at December 31, 2020 and as at December 31, 2019:

| (in thousands of Euro) | 12.31.2020 | 12.31.2019 |
|---|---|---|
| Foreign taxes | 3,459 | 4,671 |
| IRES | 3,119 | 4,194 |
| **CURRENT TAX RECEIVABLES** | **6,578** | **8,865** |

Receivables relate to the surplus of IRES payments on account made by Kedrion S.p.A in years prior to joining the tax consolidation scheme and to tax credit accrued by the foreign subsidiary, Kedrion Biopharma Inc.

### 6.4.14. OTHER CURRENT ASSETS

The table below provides a breakdown of other current assets as at December 31, 2020 and as at December 31, 2019:

| (in thousands of Euro) | 12.31.2020 | 12.31.2019 |
|---|---|---|
| Receivables from employees | 200 | 663 |
| Social security receivables | 93 | 68 |
| Sundry receivables | 17,297 | 15,824 |
| Advances on other receivables | 7 | (302) |
| Various | 158 | 189 |
| VAT and other tax receivables | 6,733 | 8,441 |
| Insurance | 1,185 | 902 |
| Fees for renewal of marketing authorizations | 371 | 67 |
| Prepaid expenses | 4,637 | 5,352 |
| **OTHER CURRENT ASSETS** | **30,681** | **31,204** |

These other current assets are considered recoverable and, as a result, were not subject to value adjustments.
Other receivables include receivables of the parent company amounting to Euro 11,045 from the shareholder, Sestant S.p.A., following adherence to the national tax consolidation scheme for three-year period 2016-2018. On this occasion, the Group regulations governing the application

of the provisions on national consolidation were resolved. The national tax consolidation scheme was automatically renewed for the period 2019-2021.
The receivables from the Ministry of Economic Development relate to several research projects funded (Euro 5,725 thousands).
The various credits also include the credit accrued with the Italian Drug Agency (AIFA) for Euro 1,153 thousands, as a result of the contribution recognized on several research projects and on the investments made during the three-year period 2007-2009 on the Bolognana plant and several reimbursements due on fees paid in excess.
Other tax receivables relate to the credit accrued by Kedrion S.p.A. in 2020 on research and development activities for Euro 2,087 thousands and on the ones of technological innovation for Euro 50 thousands.

### 6.4.15. OTHER CURRENT FINANCIAL ASSETS

| (in thousands of Euro) | 12.31.2020 | 12.31.2019 |
|---|---|---|
| Non-Hedging derivatives | 6,044 | 1,228 |
| Accruals and other financial assets | 592 | 684 |
| **OTHER CURRENT FINANCIAL ASSETS** | **6,636** | **1,912** |

The item non-hedging derivatives refers to two FX Collar instruments that the company currently uses to hedge the exchange risk on an intercompany loan with its US subsidiary, Kedrion Biopharma Inc., amounting to USD 230 million. The transactions have a total notional value of USD 125 million and maturity on December 31, 2021.
The fair value of these two derivatives at December 31, 2020 was positive, with a value of Euro 6,044 thousands.
The voice “Accruals other financial assets” recognizes the 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 221 thousands, as well as the current portion of deferred bank fees paid on the lines of credit available to the parent company for Euro 360 thousands, of which availability runs out in the coming years, and other current financial assets of Euro 11 thousands.

### 6.4.16. CASH AND CASH EQUIVALENTS

The table below provides a breakdown of the item as at December 31, 2020 and 2019:

| (in thousands of Euro) | 12.31.2020 | 12.31.2019 |
|---|---|---|
| Bank and post office accounts | 91,827 | 120,468 |
| Cash and other cash equivalents in hand | 8,765 | 1 ,000 |
| **CASH AND CASH EQUIVALENTS** | **100,592** | **121,468** |

Cash and cash equivalents are free from constraints and are not subject to disposal costs.

### 6.4.17. CAPITAL AND RESERVES

Following entry into an "Investment Agreement" on November 15, 2019 between the company, Sestant International S.p.A, Sestant S.p.A, FSI Investimenti S.p.A. and FSI SGR S.p.A., the capital of Kedrion S.p.A is equal to Euro 60,453.90, fully paid up, and is owned 50.27% 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 S.r.l. and 0.50% by PIPS Srl. All of the category A shares assigned to Sestant Internazionale S.p.A, Sestant S.p.A, REFIN Srl and PIPS S.r.l., the category B shares

assigned to FSI Investimenti S.p.A and the category C shares assigned to FSI SGR S.p.A, have no expressed nominal value.

The change in the Group's consolidated shareholders' equity during the year ending at December 31, 2020 therefore refers to:

- the distribution of profit reserves to shareholders for Euro 8,767 thousands;
- the carry forward of the remaining comprehensive income as at December 31, 2019;
- issue of a financial equity instrument to the benefit of the new CEO, with a nominal value of Euro 1 million, convertible into company shares in the case of listing.
- the change in the translation reserve for Euro (20,319 thousands);
- the reserve for hedging financial instruments recorded following the signing of several interest rate swap contracts to hedge the interest rate risk on existing loans for Euro 145 thousands;
- the IAS 19 reserve for Euro (46 thousands).

The item “Other reserves” is formed of the following items:

- the reserve of payments for future capital increase of Euro 68,883 thousands, 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 million;
- 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 thousands;
- consolidated profits carried forward.

Shareholders' equity attributable to non-controlling interests, equal to Euro 4,459 thousands at December 31, 2020, relates to the minority interests, equal to 40%, held by Medici Pharma S.A.P.I. de C.V. in Kedrion Mexicana, equal to Euro 2,014 thousands, 49% held by FBM Farma Industria Farmaceutica LTDA in Kedrion Brasil, equal to Euro (405 thousands), and 40% held by Betaphar İlaç San. ve Tic. A.Ş. for Euro 2.850 thousands.

**Dividends paid and proposed**

| (in thousands of Euro) | 12.31.2020 | 12.31.2019 |
|---|---|---|
| Paid in the year | 2,541 | 2,541 |
| Proposed for approval by the shareholders' meeting (*) | 7,218 | 8,767 |

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

The information relating to subsidiaries with significant non-controlling interests is shown below:

**Non-controlling interests held by minority shareholders**

| Company name | Location | 2020 | 2019 |
|---|---|---|---|
| Kedrion Mexicana | Mexico | 40% | 40% |
| Kedrion Brasil | Brazil | 49% | 49% |
| Kedrion Betaphar | Turkey | 40% | 40% |

The economic and financial data of the subsidiaries with significant non-controlling interests is provided below. This information is based on the financial statement balances before intercompany eliminations.

| Profit and Loss Statement | Kedrion Mexicana | | Kedrion Brasil | | Kedrion Betaphar | |
|---|---|---|---|---|---|---|
| (in thousands of Euro) | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 |
| Revenues | 22,176 | 28,770 | 708 | 1,972 | 28,815 | 3,039 |
| Cost of sales | (19,559) | (22,920) | (669) | (1,858) | (24,847) | (2,112) |
| **GROSS MARGIN** | **2,617** | **5,850** | **39** | **114** | **3,968** | **927** |
| Other income | 0 | 0 | 0 | 3 | 11 | 1 |
| General and administrative expenses | (638) | (766) | (201) | (259) | (953) | (286) |
| Sales and marketing expenses | (593) | (550) | (30) | (52) | (544) | (26) |
| R&D expenses | 0 | 0 | 0 | 0 | 0 | 0 |
| Other operating costs | (208) | (271) | (36) | (72) | 0 | 0 |
| **OPERATING PROFIT** | **1,178** | **4,263** | **(228)** | **(266)** | **2,482** | **616** |
| Financial expenses | (909) | 18 | (1,103) | (228) | (2,056) | (406) |
| Financial income | 1 | 799 | 191 | 188 | 3,186 | 276 |
| **PROFIT BEFORE TAXES** | **270** | **5,080** | **(1,140)** | **(306)** | **3,612** | **486** |
| Income taxes | (74) | (1,634) | 384 | 101 | (841) | (116) |
| **NET PROFIT FOR THE PERIOD** | **196** | **3,446** | **(756)** | **(205)** | **2,771** | **370** |
| **Total comprehensive profit/(loss) after taxes** | **196** | **3,446** | **(756)** | **(205)** | **2,771** | **370** |
| Attributable to non-controlling interests | 78 | 1,378 | (370) | (101) | 1,108 | 148 |
| Dividends paid to non-controlling interests | 711 | 201 | 0 | 0 | 0 | 0 |

| Balance Sheet | Kedrion Mexicana | | Kedrion Brasil | | Kedrion Betaphar | |
|---|---|---|---|---|---|---|
| (in thousands of Euro) | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 |
| Property, plant and equipment and other non-current financial assets | 506 | 511 | 457 | 143 | 8,513 | 255 |
| Inventories | 15,944 | 9,928 | 873 | 1,428 | 24 | 300 |
| Trade receivables and other assets | 18,954 | 7,785 | 249 | 535 | 17,060 | 10,897 |
| Cash and cash equivalents | 1,934 | 2,773 | 745 | 294 | 9,852 | 1,662 |
| Payables to banks and other lenders | (85) | (100) | (82) | (80) | (19) | (25) |
| Trade payables and other payables | (32,069) | (13,197) | (2,988) | (2,418) | (23,046) | (900) |

| | | | | | | |
|---|---|---|---|---|---|---|
| Loans and financing and liabilities for deferred taxes (non-current) | (127) | (231) | (86) | (88) | (5,256) | (5,810) |
| **SHAREHOLDERS' EQUITY** | **5,057** | **7,469** | **(832)** | **(186)** | **7,128** | **6,379** |
| **Attributable to:** | | | | | | |
| Group interests | 3,043 | 4,488 | (426) | (97) | 4,277 | 3,828 |
| Non-controlling interests | 2,014 | 2,981 | (406) | (89) | 2,851 | 2,551 |

## 6.4.18. FINANCIAL INDEBTEDNESS

The debt structure remained stable compared to that of 2019, and consist:

- of a bond for Euro 350 million with 5 years maturity, placed on July 2017 from Kedrion S.p.A. with primary international investors and listed on Irish Stock Exchange
- of medium-long term bank loans
- of financial and operative lease contracts (the last one type accounted as debt in accordance with IFRS 16)
- of short term credit facilities.

The details of financial indebtedness for instrument type, split by current and non current portion, at December 31, 2020, compared to December 31, 2019, is summarized in the table below:

| **Consolidated gross financial indebtedness** | **2020** | | | **2019** | | |
|---|---|---|---|---|---|---|
| €/000 | Current | Non current | Total | Current | Non current | Total |
| Bond | - | 347,539 | 347,539 | - | 346,004 | 346,004 |
| **NET PAYABLE TO BONDHOLDERS** | **-** | **347,539** | **347,539** | **-** | **346,004** | **346,004** |
| Revolving Credit Facility Mediobanca, B. IMI e Natixis | - | 118,304 | 118,304 | - | 118,304 | 118,304 |
| Revolving Credit Facility Crédit Agricole, Unicredit | - | - | - | - | 30 ,000 | 30 ,000 |
| Banca Nazionale del Lavoro Loan | 7,500 | 7,500 | 15 ,000 | - | - | - |
| Cassa Depositi e Prestiti Loan | - | 20 ,000 | 20 ,000 | - | - | - |
| Simest Loan | - | 10 ,000 | 10 ,000 | - | - | - |
| FBM Industria Farmaceutica Loan | 82 | - | 82 | 80 | - | 80 |
| **Total medium-long term loans** | **7,582** | **155,804** | **163,386** | **80** | **148,304** | **148,384** |
| Payables to leasing companies | 3,620 | 4,967 | 8,587 | 4,888 | 7,645 | 12,533 |
| Liabilities for operating leasing IFRS 16 | 7,599 | 84,102 | 91,701 | 7,249 | 67,095 | 74,344 |
| **LEASING** | **11,219** | **89,069** | **100,288** | **12,137** | **74,740** | **86,877** |
| **MEDIUM-LONG TERM LOANS** | **18,801** | **592,412** | **611,213** | **12,217** | **569,048** | **581,265** |
| Revolving Credit Facility | 60 ,000 | - | 60 ,000 | 30 ,000 | - | 30 ,000 |
| JPMorgan Loan | 24,447 | - | 24,447 | - | - | - |
| Other bank loan | 9,830 | - | 9,830 | 30,452 | - | 30,452 |
| Other financial liabilities | 8,994 | 109 | 9,103 | 7,651 | 396 | 8,047 |
| **OTHER FINANCIAL LIABILITIES** | **103,271** | **109** | **103,380** | **68,103** | **396** | **68,499** |
| **GROSS FINANCIAL INDEBTEDNESS** | **122,072** | **592,521** | **714,593** | **80,320** | **569,444** | **649,764** |

*Medium-long term loans*

Group has debts for medium-long term loans for a total amount of Euro 611.2 million, in particular for the non current portion equal to Euro 592.4 million and for a lower current portion equal to Euro 18,8 million.
Among these, the net payable to bondholders amount to Euro 347.5 million, bank loans amount to Euro 163.4 million and financial lease liabilities amount to Euro 100.3 million.
So, today the Group, excluding lease contracts (impacted by the application of IFRS 16), is exposed in the long term with bank debt for 30% and with obligation for 57%.

Among the operation carried out during the year 2020, we remember two stand-by lines were then taken out in 2020, for a total of Euro 35 million, to support working capital and an Equity Loan with Simest. With this operation, Simest acquires a 4.5% stake in the capital of the US company, Kedrion Biopharma Inc., on which there is a cross option for repurchase which involve that the amount obtained has been accounted among the financial liabilities.

In the case of bank debt, the financial covenants establish the compliance with certain ratios that link the Group's net financial debt with the consolidated profitability (Leverage Ratio) and consolidated profitability with financial charges (Interest Cover Ratio).
The bond issue includes the obligation for the parent company of complying with certain debt limits of the Group companies not securing the issue (so-called Priority Indebtedness) and assumption of further debt only in compliance with the Fixed Charge Cover Ratio.
The calculation of the financial parameters is monitored by the parent company on each calculation date and these ratios had been respected at December 31, 2020. As agreed with the lending institutions, the calculation is performed neutralizing the application of IFRS 16.

At December 31, 2020, medium/long-term loans, broken down by year of maturity and including the amortized cost effect, (adjusted at the end of the table for reconciliation with financial statements number), were as follows:

**Medium-/Long-term Loans as at 12.31.2020**

| (in thousands of Euro) | Payables to bondholders | Payables for leased assets | Payables to banks and other payables | Total medium-/long-term loans |
|---|---|---|---|---|
| Within 12 months | 0 | 11,219 | 7,582 | 18,801 |
| **Current portion** | **0** | **11,219** | **7,582** | **18,801** |
| Within 24 months | 350 ,000 | 10,196 | 155,804 | 516 ,000 |
| Within 36 months | 0 | 9,263 | 0 | 9,263 |
| Within 48 months | 0 | 7,770 | 0 | 7,770 |
| Within 60 months | 0 | 9,510 | 0 | 9,510 |
| After 60 months | 0 | 52,330 | 0 | 52,330 |
| **Non current portion** | **350 ,000** | **89,069** | **155,804** | **594,873** |
| **TOTAL LOANS** | **350 ,000** | **100,288** | **163,386** | **613,674** |
| Amortized cost | (2,461) | 0 | 0 | (2,461) |

| | | | | |
|---|---|---|---|---|
| **TOTAL MEDIUM-/LONG-TERM LOANS** | **347,539** | **100,288** | **163,386** | **611,213** |

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

| Description | Maturity | Interest rate as at 12.31.2020 | Residual part as at 12.31.2020 | Portion due within 12 months | Portion due within 5 years | Portion due beyond 5 years |
|---|---|---|---|---|---|---|
| Loan SIMEST | 11.30.2027 | 4 % | 10 ,000 | 0 | 10 ,000 | 0 |
| CDP loan | 01.29.2022 | 1.98% | 20 ,000 | | 20 ,000 | 0 |
| Loan BNL | 01.30.2022 | Euribor 3M +1.50% | 15 ,000 | 7,500 | 7,500 | 0 |
| FBM Industria Farmaceutica | 04.11.2020 | Selic + 2.00% | 82 | 82 | 0 | 0 |
| Revolving Credit Facility | 04.22.2022 | Euribor+2.25% | 118,304 | 0 | 118,304 | 0 |
| **Total medium-long term bank financial loan** | | | **163.386** | **7.582** | **163.386** | **7.582** |
| **Bonds** | **12.07.2022** | **3%** | **350 ,000** | **0** | **350 ,000** | **0** |

Interest expenses of approximately Euro 14,891 thousands accrued on the above loans and on those paid off in 2019.

Payables to leasing companies include contracts signed in the year ending at December 31, 2019, for a total of Euro 4,967 thousands, to finance the investments made. The interest rates applied on these loans are in line with the market rates. See note 6.6.4 for commitments on financial risks.

*Payable to banks and other lenders*

The account includes short term financial liabilities from bank for negative bank accounts and short term credit facilities, from leasing and factoring companies and other lenders, and also the fair value valuation of derivatives financial instruments.
Non current portion include only liabilities related to the fair value valuation of Interest Rate Swap contracts concluded to cover the interest rate risk on parent company loans, and reduce to Euro 109 thousands, compared to Euro 396 thousands on 2019.

The following table shows the details of current portion of this account, for the period closing at December 31, 2020 and December 31, 2019:

| (in thousands of Euro) | 12.31.2020 | 12.31.2019 |
|---|---|---|
| Payables to banks for advances on bills and invoices | 9,830 | 30,452 |
| Payables to other lenders | 2,653 | 1,513 |
| Hedging derivatives | 407 | 311 |
| Payables to bondholders for interest | 4,948 | 4,977 |
| Current account overdrafts and cash equivalents payable on demand | 55 | 40 |

| | | |
|---|---|---|
| JPMorgan loan | 24,447 | 0 |
| Revolving Credit Facility Crédit Agricole, Unicredit | 30 ,000 | 0 |
| Revolving Credit Facility Intesa San Paolo* | 30 ,000 | 30 ,000 |
| Other financial payables | 931 | 810 |
| **PAYABLES TO BANKS AND OTHER LENDERS** | **103,271** | **68,103** |

**Previously called Cassa di Risparmio di Pistoia e della Lucchesia*

Payables to banks and other lenders, amounting to Euro 103,271 thousands, consist in current account liabilities and short-term loans, 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 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 133 thousands and the Revolving Credit Facility of Euro 30 million for Euro 274 thousands.
Payables to bondholders relate to interest accrued on the bond loan issued at an annual rate of 3%, for a total of Euro 4,948 thousands.
The item current account overdrafts and cash equivalents payable on demand shows the accrued interest accrued at December 31 and the negative balance of several bank accounts.
The Group currently has three short-term loans with different parties.
Two of the three lines available are Revolving Credit Facilities entered into, respectively, with Intesa San Paolo and in a club deal with Crédit Agricole and Unicredit.
At December 31, 2020, the Revolving Credit Facility entered into Intesa is entirely drawn for the total of Euro 30 million, whereas the Revolving Credit Facility signed with Crédit Agricole and Unicredit was drawn for half of the total at December 31, 2020 (Euro 30 million of the Euro 60 million available).
During 2020, Kedrion Biopharma Inc. also signed a bilateral credit line with JP Morgan in dollars, equal to USD 30 million (Euro 24.4 million), which had been fully drawn at December 31.
Use of the credit lines granted by banks to the parent company at December 31, 2020 is equal to 15.07% of the total credit line, against 39.20% at December 31, 2019.

*IAS 7 Information*

The table required by the amendments to IAS 7 is shown below, with the differences in liabilities related to financing activity, including changes linked both to cash flows and to non-monetary changes:

| (in thousands of Euro) | Value as at 01.01.2020 | Cash flow | Other non-monetary changes | Interest rate change effect | Capex | Change in fair value | Value as at 12.31.2020 |
|---|---|---|---|---|---|---|---|
| Bond loan | 346,004 | 0 | 1,535 | 0 | 0 | 0 | 347,539 |
| Other medium-/long-term loans – IFRS 16 | 74,344 | (17,459) | 0 | 4,713 | 30,103 | 0 | 91,701 |
| Payables to financial leasing companies | 12,533 | (5,302) | 0 | 0 | 1,356 | 0 | 8,587 |
| Other medium-/long-term loans | 148,384 | 15 ,000 | 2 | 0 | 0 | 0 | 163,386 |
| Change in short-term financial payables | 68,103 | 11,493 | (5,432) | 28,473 | 0 | 634 | 103,271 |
| Change in short-term financial assets | (1,912) | 4,239 | (4,697) | (4,266) | 0 | 0 | (6,636) |
| Change in non-current financial liabilities | 396 | (287) | 0 | 0 | 0 | 0 | 109 |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Change in non-current financial assets | (9,929) | 1124 | 240 | 0 | 0 | 0 | (8,565) |
| **Total liabilities from financing activity** | **637,923** | **8,808** | **(8,352)** | **28,920** | **31,459** | **634** | **699,392** |

## 6.4.19. PROVISIONS FOR RISKS AND EXPENSES

Details of this item at December 31, 2020, in relation to the definition of an agreement for a contract with a German customer of the Hungarian subsidiary Human BioPlazma are provided below; the change is due to an exchange difference:

| (in thousands of Euro) | Value as at 12.31.2019 | Provisions | Applications/Translation difference | Value as at 12.31.2020 |
|---|---|---|---|---|
| Contractual risks for services | 762 | 0 | 70 | 692 |
| **PROVISIONS FOR RISKS AND EXPENSES** | **762** | **0** | **70** | **692** |

## 6.4.20. LIABILITIES FOR EMPLOYEE BENEFITS

At December 31, 2020, Liabilities for employee benefits amounted to Euro 3,915 thousands and are formed of the employee severance indemnity due to employees of Kedrion S.p.A, according to Art. 2120 of the Italian Civil Code, for Euro 3,329 thousands.
As regards reporting on the financial statements of the "Employee severance indemnity reserve" (TFR) envisaged by Art. 2120 of the Italian Civil Code, this provision is included in the defined benefit plans, as it is considered as a defined benefit obligation and, as such, it is accounted for in compliance with IAS 19, which requires the measurement of the related liabilities based on actuarial techniques. The main assumptions adopted are summarized in the following tables:

| **Summary of the Technical Economic Bases – financial assumptions** | 12.31.2020 | 12.31.2019 |
|---|---|---|
| Annual discount rate | 0.34% | 0.77% |
| Annual rate of inflation | 0.80% | 1.20% |
| Annual rate of increase in employee severance indemnity reserve (TFR) | 2.10% | 2.400% |

| Summary of the Technical Demographic Bases | Demographic assumptions |
|---|---|
| Death | RG48 mortality tables published by the State General Accounting Office |
| Disability | INPS tables by age and gender |
| Retirement | 100% at fulfilment of AGO requirements |

| Table of annual frequency of turnover and advances on employee severance indemnity reserve (TFR) | 12.31.2020 | 12.31.2019 |
|---|---|---|
| Frequencies 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 with 10+ duration), in accordance with the recommendations of the Association of Actuaries at December 31, 2020 and the reference accounting standard.

The following table shows the change for the years ending at December 31, 2020 and at December 31, 2019 in the employee severance indemnity reserve:

| (in thousands of Euro) | 12.31.2020 | 12.31.2019 |
|---|---|---|
| Current value of the obligation at the beginning of the year | 3,595 | 3,604 |
| Financial expense | 26 | 55 |
| Benefits paid out | (343) | (255) |
| Recognized actuarial loss (gain) | 51 | 191 |
| **CURRENT VALUE OF THE OBLIGATION AT THE END OF THE YEAR** | **3,329** | **3,595** |

Other liabilities for employee benefits amounted to Euro 586 thousands and are formed mainly of a defined benefit plan relating to the Hungarian subsidiary.
The average workforce of the Group, expressed in full-time equivalents, is shown in the table below:

| Staff - FTE | 12.31.2020 | 12.31.2019 |
|---|---|---|
| Total FTE (employees, agency workers, temporary workers and outsourcing) | 2,690 | 2,526 |
| - Of which agency workers of Kedrion S.p.A. | 0 | 0 |
| - Of which temporary workers of KEDPLASMA LLC | 2 | 1 |
| - Of which temporary workers of Kedrion Biopharma | 14 | 23 |
| - Of which temporary workers of Human Bioplazma | 1 | 1 |
| - Of which outsourcing at Kedrion Mexicana and Kedrion India | 9 | 8 |

## 6.4.21. OTHER NON-CURRENT LIABILITIES

The table below provides a breakdown of this item for the years ending at December 31, 2020 and December 31, 2019:

| (in thousands of Euro) | 12.31.2020 | 12.31.2019 |
|---|---|---|
| Grant on investments | 541 | 479 |
| Hungary grant | 433 | 3,489 |
| Tax liabilities | 0 | 480 |
| Other liabilities | 636 | 638 |
| **OTHER NON-CURRENT LIABILITIES** | **1,610** | **5,086** |

Liabilities for the investment grant comprise:

- The benefit referred to in Law no. 488/92, the tax credit of Law no. 388/00 received in the past in the capital account, the credit accrued on investments made in the first half of 2015 and tax credit due pursuant to Law no. 160 of 27 December 2019, for expenses incurred for investment in new capital goods, in place of the super-amortization and hyper-amortization and representing the non-current portions of the grants attributable to subsequent years, which have been posted on the profit and loss statement on a straight-line basis for the entire expected useful life of the assets to which they relate;
- The residual amount of the capital grant due on the basis of the program agreements initialed with the Italian Drug Agency represents the portion relating to future years which will be posted to the profit and loss statement based on the useful life of the investments funded. The portion booked on the profit and loss statement during the year is Euro 30 thousands.

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 433 thousands, 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.
Other liabilities relate to an accrual on a long-term supply for a project, already invoiced by supplier, that has not started yet.

## 6.4.22. CURRENT PROVISIONS FOR RISKS AND EXPENSES

| (in thousands of Euro) | Value as at 12.31.2019 | Reclassifications / Provisions | Applications/Translation difference | Value as at 12.31.2020 |
|---|---|---|---|---|
| Legal, contractual and tax disputes | 1,680 | 700 | 470 | 1,910 |
| **CURRENT PROVISIONS FOR RISKS AND EXPENSES** | **1,680** | **700** | **470** | **1,910** |

The decree law 95/2012 converted with amendments from law 135 of August 7, 2012 defined an articulate discipline for monitoring of national and regional hospital pharmaceutical spending.
Art. 15, paragraph 7, states that “From year 2013, a part equal to 50% of any exceeding of the national spending limit shall be covered by the companies. The remaining 50% of the entire national deficit shall be covered by the only regions in which the regional spending limit has been exceeding, proportionally to their deficit; a region that record an overall economic balance is not obligated to any payment.”.
Uses of the period relate mainly to definition of the payback for breach of the limit of hospital expenses payable by the pharmaceutical companies for 2018.

The provision relates to payback for breach of the limit of hospital expenses payable by the pharmaceutical companies for 2020 of Euro 600 thousands and the increase in payback for 2019 of Euro 100 thousands.

## 6.4.23. TRADE PAYABLES

The table below provides a breakdown of trade payables as at December 31, 2020 and as at December 31, 2019:

| (in thousands of Euro) | 12.31.2020 | 12.31.2019 |
|---|---|---|
| Italian suppliers | 43,171 | 41,765 |
| Foreign suppliers | 81,331 | 111,737 |
| Invoices to be received | 20,321 | 23,048 |
| Advances to suppliers | (48) | (142) |
| Credit notes to be received | (2,848) | (1,253) |
| **TRADE PAYABLES** | **141,927** | **175,155** |

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 processing.
The decrease in the item is mainly due phasing of plasma purchases to respond to production needs.

### 6.4.24. CONTRACTUAL LIABILITIES

| (In thousands of Euro) | 12.31.2020 | 12.31.2019 |
|---|---|---|
| Contractual liabilities | 7,649 | 12,782 |
| **CONTRACTUAL LIABILITIES** | **7,649** | **12,782** |

Contractual liabilities record the advance payment received from a customer for future supplies of plasma according to the contractual agreements.

### 6.4.25. CURRENT TAX PAYABLES

The balance of Euro 8,413 thousands as at December 31, 2020 represents mainly the payables for current income taxes of the parent company and the foreign companies, mainly Kedrion Biopharma GmbH for Euro 5,987 thousands and Kedrion Betaphar for Euro 747 thousands, and breaks down as follows:

| (In thousands of Euro) | 12.31.2020 | 12.31.2019 |
|---|---|---|
| IRES | 0 | 0 |
| IRAP | 1,146 | 199 |
| Other current taxes relating to foreign companies | 7,267 | 6,126 |
| **CURRENT TAX PAYABLES** | **8,413** | **6,325** |

### 6.4.26. OTHER CURRENT LIABILITIES

Details of the other current liabilities as at December 31, 2020 and December 31, 2019 are shown below:

| (in thousands of Euro) | 12.31.2020 | 12.31.2019 |
|---|---|---|
| Payables to welfare and social security institutes | 9,310 | 7,608 |

| | | |
|---|---|---|
| Payables to employees and collaborators | 13,147 | 14,878 |
| Payables to shareholders for dividends | 8,767 | 2,541 |
| Other payables | 2,497 | 1,917 |
| Accrued expenses | 614 | 477 |
| Grant on investments | 198 | 260 |
| Hungary grant - current portion | 1,626 | 309 |
| VAT | 1,375 | 1,351 |
| Revenue agency for withholding tax | 4,181 | 4,658 |
| **OTHER CURRENT LIABILITIES** | **41,715** | **33,999** |

Payables to welfare and social security institutes relate mainly to contributions on salaries for December and the fourteenth-month salary, provisions for leave not taken, company bonuses and accrued retirement incentives.
Payables to employees include wages and salaries for December, accrued employee severance indemnity for employees who have ceased employment at December 31, including any redundancy incentive, fourteen-month salary and leave accrued and not taken.
Payables to shareholders for dividends are related to the dividends 2019, which distribution has been approved after financial statements approval.
The item Other payables mainly includes the following items:

- The debt relating to a tax imposed by the Romanian authorities on sales on this market for Euro 1,030 thousands;
- The current portion of the debt relating to the definition of the auditors' report on findings issued on October 3, 2016 for Euro 725 thousands.
- The payables to the shareholder Sestant S.p.A for taxes transferred following adherence to the tax consolidation scheme for Euro 63 thousands;

Payables for the grant and tax credit of Law no. 488/92 and Law no. 388/00, the grant on investments made in the first half of 2015 and tax credit due pursuant to Law no. 160 of 27 December 2019, for expenses incurred for investment in new capital goods, in place of the super-amortization and hyper-amortization, relate to the portions of the grants attributable to the next twelve months, which have been posted on the profit and loss statement on a straight-line basis for the entire expected useful life of the assets to which they relate.
The payables to the revenue agency withholding taxes relate mainly to the withholding taxes on salaries in November and December and to the Christmas bonus.

## 6.5. COMMENT ON THE MAIN ITEMS ON THE CONSOLIDATED PROFIT AND LOSS STATEMENT

### 6.5.1. REVENUES

In the financial year ending at December 31, 2019 and 2020, revenues from contracts with customers amounted respectively to Euro 808,209 thousands and Euro 697,234 thousands. Details are shown below:

| | 12/31/2019 | | | | |
|---|---|---|---|---|---|
| **REVENUES (in thousands of Euro)** | **Plasma Derivatives** | **Plasma** | **Other activities** | **Eliminations** | **Consolidated** |

| | | | | | |
|---|---|---|---|---|---|
| **Type of goods and services** | | | | | |
| Plasma derivatives | 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** | | | | | |
| USA | 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** | | | | | |
| Assets transferred at a specific moment | 458,031 | 362,134 | 13,550 | (152,500) | 681,215 |
| Services transferred over a specific period of time | 119,427 | | 7,567 | | 126,994 |
| **Total revenues** | **577,458** | **362,134** | **21,117** | **(152,500)** | **808,209** |

| | 12/31/2020 | | | | |
|---|---|---|---|---|---|
| **REVENUES (in thousands of Euro)** | **Plasma Derivatives** | **Plasma** | **Other activities** | **Eliminations** | **Consolidated** |
| **Type of goods and services** | | | | | |
| Plasma derivatives | 579,824 | | | | 579,824 |
| Plasma | | 268,882 | | (174,611) | 94,271 |
| Other | | | 23,139 | | 23,139 |
| **Total revenues** | **579,824** | **268,882** | **23,139** | **(174,611)** | **697,234** |
| **Geographical area** | | | | | |
| USA | 219,896 | 130,584 | 2,724 | (92,798) | 260,406 |
| Italy | 133,901 | 53,196 | 16,153 | (53,196) | 150,054 |
| Rest of the World | 152,149 | 36,023 | 2 | | 188,174 |
| European Union | 73,878 | 49,079 | 4,260 | (28,617) | 98,600 |
| **Total revenues** | **579,824** | **268,882** | **23,139** | **(174,611)** | **697,234** |
| **Timing of revenue recognition** | | | | | |

| | | | | | |
|---|---|---|---|---|---|
| Assets transferred at a specific moment | 472,465 | 268,882 | 16,377 | (174,611) | 583,113 |
| Services transferred over a specific period of time | 107,359 | | 6,762 | | 114,121 |
| **Total revenues** | **579,824** | **268,882** | **23,139** | **(174,611)** | **697,234** |

The Group operates in three business segments:

- Production and sale of plasma derivatives, particularly medicinal products containing proteins extracted from human plasma, such as albumin, standard and hyperimmune 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 ending at December 31, 2020 is provided below:

### "PRODUCTION AND SALE OF PLASMA DERIVATIVES" SEGMENT

Revenues in the segment of production and marketing of plasma-derived products as at December 31, 2020 amounted to Euro 579.8 million (83.2% of total revenues), an increase of around 0.4%, mainly linked to the increase in volumes sold of standard immunoglobulin and albumin, as well as the rise in prices for standard immunoglobulin. The US plasma derivatives market increased by around 5% on the previous year, thanks to development of standard immunoglobulin, and there is also growth on other important markets (Poland, Austria and Portugal), while there was a reduction in Italy, due to the lower volumes of plasma processed for the National Healthcare System, as specified in more detail in the geographical division of revenues.

Within this segment, the US market maintains the leadership over Italy, followed by Turkey, Mexico and Germany.

The weight of this segment also increased to around 83.2% in 2020, following contraction of the plasma segment resulting from the lower plasma availability caused by Covid-19.

### "COLLECTION AND SALE OF PLASMA" SEGMENT

Revenues in the plasma collection and sale segment at December 31, 2020 amounted to Euro 94.3 million, a decrease of 55.0% compared to the previous year. This heavy drop is linked to the reduction in plasma collection on a worldwide basis (estimated to be down by between 20-25% on 2019) caused by the pandemic and, in particular, the heavy impact in the United States, where the twenty-seven centers owned and managed by the Plasma Business Unit, after sale of the seven Hungarian centers in 2020, are located.

### "OTHER ACTIVITIES" SEGMENT

At December 31, 2020, revenues from this segment amounted to Euro 23.1 million and related to the sale of synthetic products and toll manufacturing.

One of the synthetic products is Nuwiq, the recombinant factor VIII obtained in exclusive distribution for Italy from Octapharma with a ten-year agreement. The revenues on this product during the year amounted to Euro 13.9 million, an increase of around 20% on 2019.

During 2020, the sale of CERUS products also continued, of which 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 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 2020, the sale of CERUS products generated revenues of Euro 2.0 million, compared to Euro 1.5 million in 2019.
There was a slight drop in toll manufacturing performed at the Melville and Gödöllő plants for several sector operators, from Euro 7.6 million in 2019 to Euro 6.8 million in 2020.

### 6.5.2. COST OF SALES

The item breaks down as shown below:

| | Year ending at December 31 | |
|---|---|---|
| (in thousands of Euro) | 2020 | 2019 |
| Consumption of raw materials, auxiliaries and consumables | 342,345 | 426,367 |
| Outsourcing | 27,115 | 21,903 |
| Costs for services | 45,748 | 49,186 |
| Labor costs and related charges | 88,422 | 88,493 |
| Depreciation/amortization | 29,875 | 26,059 |
| **COST OF SALES** | **533,505** | **612,008** |

The cost of sales for 2020 amounted to Euro 533,505 thousands, with a percentage on revenues of 76.5%, compared to 75.7% of 2019, remaining stable in percentage terms. There was a higher increase in the price of plasma in 2020 to the increases seen in recent years, caused by the effects of the Covid-19 pandemic. The fall in donations, increased competition and the extraordinary safety measures introduced during the year led to an increase in the collection cost at Kedrion of around 4.0%.
The item “consumption of raw materials, auxiliaries 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 relate mainly to the Melville plant.
The costs for services refer to maintenance on plants and other third-party services relating to production sites.
Non-recurring transactions relating to the cost of sales amounted to Euro 60,480 million and relate mainly to the costs incurred to deal with the COVID-19 emergency. See note 6.5.11 for further details.

### 6.5.3. OTHER INCOME

The item breaks down as shown below:

| | Year ending at December 31 | |
|---|---|---|
| (in thousands of Euro) | 2020 | 2019 |
| Recovery of costs | 1,153 | 331 |
| Capital gains sale of centers | 15,528 | 18,867 |

| | | |
|---|---|---|
| Insurance reimbursements | 959 | 454 |
| Capital grants | 5,225 | 8,223 |
| Operating grants | 352 | 335 |
| Use of reserves | 176 | 1,494 |
| Services | 26 | 545 |
| Costs for capitalized internal work | 21,580 | 12,067 |
| Others | 5,279 | 11,459 |
| **OTHER INCOME** | **50,278** | **53,775** |

Other income includes the internal work capitalization of Euro 21,580 thousands, relating to the stocks produced for development of KIG10 and the Rhogam project at the Melville plant.

The items “recovery of costs” and “insurance reimbursements” relate to reimbursement and recovery of expenses from suppliers and customers and reimbursements on claims concerning finished and intermediate products.

The capital grants relate to the portion pertaining to the year of the research projects partly funded by the Ministry of University and Research and the Tuscany Region and tax credit accrued on research and development activities and technological innovation of Euro 2,137 thousands, compared with a grant of Euro 4,306 thousands in 2019.

Operating grants refer to the amount pertaining to the year of grants paid pursuant to Law 488/92 and Law 388/00, the grant paid by the AIFA in the Program Agreements and the investment grant of 2015 according to Decree Law no. 91/2014.

The item “others” records a reimbursement from a supplier for non-supply of plasma for Euro 3,705 thousands, the transport costs recognized by customers and the remainder relates to contingent gains on insurance reimbursements on claims filed in previous years.

As described at paragraph 6.2 “Significant events during the year”, the transfer at the end of the year of the major part of the assets of the 7 Hungarian plasma collection centers has allowed the recording of an income for about Euro 15.5 million.

According to the directors, these operations should be viewed within the context of 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 of the centers that correspond less with 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 the resulting cash flows have been classified on the cash flow statement among those generated by operations.

Non-recurring operations relating to other revenues amounted to Euro 8,272 thousands. See note 6.5.11 for more details.

## 6.5.4. GENERAL AND ADMINISTRATIVE EXPENSES

The item breaks down as shown below:

| | Year ending at December 31 | |
|---|---|---|
| (in thousands of Euro) | **2020** | **2019** |
| Labor cost and related charges | 31,687 | 32,130 |
| Taxes and duties (excluding income tax) | 1,396 | 1,579 |

| | | |
|---|---|---|
| Legal and administrative services | 8,151 | 11,669 |
| Directors' and auditors' emoluments and expenses | 1,394 | 1,661 |
| Depreciation/amortization | 10,814 | 10,095 |
| General and administrative insurance | 4,470 | 3,643 |
| CED expenses | 3,086 | 2,588 |
| Telephone and postal charges | 1,358 | 1,943 |
| Leases and rentals | 648 | 629 |
| Outsourcing | 6,316 | 5,778 |
| Provisions | 1,468 | 504 |
| Other services and general and administrative costs | 9,972 | 12,921 |
| **GENERAL AND ADMINISTRATIVE EXPENSES** | **80,760** | **85,140** |

The decrease in general and administrative costs is mainly due to a reduction in consultancy services and, in general, costs associated with the effects of the COVID-19 pandemic, from use of the Wage Guarantee Fund (CIGO).
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 business 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 amounted to Euro 7,264 thousands. See note 6.5.11 for further details.

### 6.5.5. SALES AND MARKETING EXPENSES

The item breaks down as shown below:

| | Year ending at December 31 | |
|---|---|---|
| (in thousands of Euro) | **2020** | **2019** |
| Labor cost and related charges | 14,441 | 17,317 |
| Consultancy services | 2,835 | 3,394 |
| Commission | 5,880 | 7,016 |
| Conferences and congresses | 1,176 | 1,693 |
| Advertising costs | 3,668 | 3,041 |
| Depreciation/amortization | 701 | 705 |
| Others | 16,976 | 21,875 |
| **SALES AND MARKETING EXPENSES** | **45,677** | **55,041** |

Marketing expenses fell heavily in 2020, mainly due to the limitation of costs following the COVID-19 and due to a reduction in commission resulting from an amendment to several distribution agreements.
The item "others" includes expenses for market research, transport costs on sales and annual fees for membership of sector associations.

Non-recurring transactions relating to sales and marketing expenses amounted to Euro 848 thousands. See note 6.5.11 for further details.

### 6.5.6. R&D EXPENSES

The item breaks down as shown below:

| | Year ending at December 31 | |
|---|---|---|
| (in thousands of Euro) | 2020 | 2019 |
| Labor cost and related charges | 12,442 | 10,744 |
| Consultancy services | 1,505 | 2,291 |
| Clinical trials | 1,345 | 6,254 |
| Depreciation/amortization | 4,181 | 4,174 |
| Others | 9,692 | 13,242 |
| **RESEARCH AND DEVELOPMENT EXPENSES** | **29,165** | **36,705** |

The decrease of research costs is mainly due to the reduction of the costs referred to clinical studies related to 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 “others” 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, refer to the management report on ongoing research projects.
Non-recurring operations relating to research and development expenses amounted to Euro 476 thousands. See note 6.5.11 for further details.

### 6.5.7. OTHER OPERATING COSTS

The item breaks down as shown below:

| | Year ending at December 31 | |
|---|---|---|
| (in thousands of Euro) | 2020 | 2019 |
| Labor cost and related charges | 3,278 | 3,709 |
| Consultancy services | 505 | 889 |
| Depreciation/amortization | 198 | 244 |
| Product registration fees | 3,520 | 2,885 |
| Others | 442 | 675 |
| **OTHER OPERATING COSTS** | **7,943** | **8,402** |

Non-recurring operations relating to other costs amounted to Euro 54 thousands and are related to labor cost. See note 6.5.11 for more details.

#### BREAKDOWN OF EXPENSES BY TYPE AND BY FUNCTION

| | Year ending at December 31 | |
|---|---|---|
| (in thousands of Euro) | 2020 | 2019 |

| | | |
|---|---|---|
| Purchases | 324,195 | 411,621 |
| Change in inventories | 23,329 | 21,847 |
| Services | 139,603 | 153,340 |
| Depreciation/amortization | 45,769 | 41,277 |
| Labor costs | 150,270 | 152,393 |
| Third-party assets | 5,585 | 5,692 |
| Provisions for risks | 1,468 | 504 |
| Other costs | 6,831 | 10,622 |
| **TOTAL COSTS BY TYPE** | **697,050** | **797,296** |

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 twelve months from the transition date or in any case are less than twelve months in duration, "short-term leases" and the costs for services associated with leases for which IFRS 16 was applied for the leasing portion of the asset.

| | Year ending at December 31 | |
|---|---|---|
| (in thousands of Euro) | 2020 | 2019 |
| Cost of sales | 533,505 | 612,008 |
| General and administrative expenses | 80,760 | 85,140 |
| Sales and marketing expenses | 45,677 | 55,041 |
| R&D expenses | 29,165 | 36,705 |
| Other operating costs | 7,943 | 8,402 |
| **TOTAL COSTS BY FUNCTION** | **697,050** | **797,296** |

### 6.5.8. FINANCIAL EXPENSES

The table below provides a breakdown of financial expenses as at December 31, 2020 and as at December 31, 2019:

| | Year ending at December 31 | |
|---|---|---|
| (in thousands of Euro) | 2020 | 2019 |
| Bank interest charges | 4,939 | 5,426 |
| Interest due to bondholders | 10,471 | 11,370 |
| Other interest expenses | 935 | 494 |
| Net actuarial interest | 1,922 | 1,940 |
| Financial expenses on derivatives | 0 | 127 |
| Financial expenses on lease contracts | 4,170 | 1,040 |
| Others | 5,671 | 5,487 |
| Exchange losses | 39,706 | 9,965 |
| **FINANCIAL EXPENSES** | **67,814** | **35,849** |

Financial expenses were mainly generated from the medium/long-term loans, including bonds granted to the Group and described in note 6.4.18. The increase is mainly due to the fluctuation of the currencies which generated realized and unrealized losses on exchange rates equal to Euro 39.7 million, with a worsening in financial expenses of approximately Euro 32 million compared to 2019.

### 6.5.9. FINANCIAL INCOME

The item breaks down as follows:

| | Year ending at December 31 | |
|---|---|---|
| (in thousands of Euro) | **2020** | **2019** |
| Interest income | 409 | 772 |
| Financial income on derivatives | 4,816 | 1,228 |
| Exchange gains | 8,766 | 15,596 |
| **FINANCIAL INCOME** | **13,991** | **17,596** |

The decrease in financial income is mainly due to currency fluctuation, mitigated by income on non-hedging derivatives.

### 6.5.10. INCOME TAXES

Income taxes at December 31, 2020 amounted to Euro 9,399 thousands and are broken down as follows:

| | Year ending at December 31 | |
|---|---|---|
| (in thousands of Euro) | **2020** | **2019** |
| Current taxes income | 4,265 | 9,361 |
| Current taxes | (10,751) | (527) |
| Deferred taxes | (2,913) | (1,148) |
| Prior-year taxation | 0 | 583 |
| **INCOME TAXES** | **(9,399)** | **8,269** |

Current tax income is related to US subsidiaries because derives from the fiscal loss in accordance with US tax scheme.
The result before income taxes, the provision for income taxes for the years ending at December 31, 2020 and 2019 and the reconciliation between the theoretical tax rate and the effective tax rate resulting from the consolidated financial statements are shown in the following table:

| | Year ending at December 31 | |
|---|---|---|
| (in thousands of Euro) | **2020** | **2019** |
| **Profit/loss before taxes** | (3,361) | 46,435 |
| IRES tax rate for the year | 24% | 24% |
| **Theoretical tax burden** | **(807)** | **11,144** |
| IRAP | 1,233 | 199 |

| | | |
|---|---|---|
| Non-deductible costs | 532 | 918 |
| Off-balance sheet tax deductions | (6,012) | (6,033) |
| Tax credit on non-deductible foreign dividends | 3 | 0 |
| Effect of different theoretical tax rates for foreign subsidiaries | (4,348) | 2,041 |
| **Total differences** | **(8,592)** | **(2,875)** |
| **TOTAL TAXES POSTED TO THE PROFIT AND LOSS STATEMENT** | **(9,399)** | **8,269** |
| **Effective tax rate** | **280%** | **18%** |

### 6.5.11. SIGNIFICANT NON-RECURRING, ATYPICAL AND/OR UNUSUAL TRANSACTIONS

During 2020, non-recurring costs and revenue items according to Consob resolution no. 15519 of July 27, 2006, which defines them as "income components (positive and/or negative) deriving from events or transactions that are non-recurring, as well as from those transactions or events that do not occur frequently in the usual course of business", amounted to Euro 60.8 million and are detailed in the table below.

| (in thousands of Euro) | Cost of sales | Other income | General and administrative expenses | Marketing and sales costs | R&D expenses | Other operating costs | TOTAL | Of which with effect on EBITDA |
|---|---|---|---|---|---|---|---|---|
| Covid-19 | 38,536 | 0 | 882 | 848 | 322 | 54 | **40,641** | **40,641** |
| Costs connected to Rhogam line in Melville | 21,249 | (7,928) | 0 | 0 | 15 | 0 | **13,336** | **12,482** |
| Legal transactions and litigation | 594 | (344) | 1,251 | 0 | 0 | 0 | **1,501** | **1,482** |
| Strategic consultancy | 0 | 0 | 1,718 | 0 | 114 | 0 | **1,832** | **1,832** |
| Costs connected to discontinued operations | 0 | 0 | 49 | 0 | 0 | 0 | **49** | **49** |
| Non-recurring incentives to employees | 102 | 0 | 3,364 | 0 | 25 | 0 | **3,491** | **3,491** |
| **TOTAL** | **60,480** | **(8,272)** | **7,264** | **848** | **476** | **54** | **60,849** | **59,977** |

The type of the cost and revenue items considered as non-recurring are summarized below:

- Costs associated with the COVID-19 pandemic, formed mainly of the additional costs of plasma collection in the owned centers (in terms of higher cost per liter collected, due both to the fall in donations, and therefore the volumes collected, and to the increase in the "donor fee" to compensate for the fall in donations) and plasma purchased from third parties (increase in prices, even under a system of contractually established prices with the force majeure clause), totaling Euro 19.2 million; "write-off" and write-downs of inventories, due to the lower sales caused by the pandemic (lockdown and reduction of hospital treatments), totaling Euro 16.3 million; extraordinary bonuses paid to employees at the plants and plasma collection centers during the "lockdown" to guarantee their operation, totaling Euro 2.9 million; lastly, extraordinary sanitization operations, donations and other elements, totaling Euro 2.2 million.

- Costs connected to Rhogam new production line at Melville plant, in respect of which we remember that, while the line of filling and packaging is full operating (authorized in 2019), the completion of the production line of this drug has been postponed due to a series of insights requested by FDA, reason why the expected date for the entry in operation is now schedule in 2022. This on the one hand forced the subsidiary Kedrion Biopharma Inc. to extend the contract with the current supplier of the finish product paying an extension fees, and on the other hand has no allowed the absorption of the fixed production cost for the structure of which the company has already equipped itself, il line with previous plans. These events have so determined non recurring cost for the period;
- Legal transactions and litigation, for a net total of Euro 1.5 million, represented costs incurred in the period for the transaction of litigations related (i) to the closing of Entegrion project for the development of a new product (Euro 0.7 million), (ii) to a supply to a customer of the US subsidiary (Euro 0.6 million), (iii) to a claim of Indian subsidiary with a local customer (Euro 0.5 million), net by an insurance reimbursement (Euro 0.3 million);
- Non-recurring incentives to employees for a total value of Euro 3.5 million, relating to the efficiency and "right-sizing" plan;
- Strategic consultancy relating to a review of the organizational and corporate set-up and support on efficiency and "right-sizing" projects, for a total of Euro 1.8 million;
- Costs connected to discontinued operations represented by costs relating to the plasma business unit of Kedrion Biopharma GmbH, for Euro 49 thousands.

## 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 to a segment directly and through a reasonable allocation for costs common to several segments. Segment revenues, costs and 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 medicinal products containing proteins extracted from human plasma, such as albumin, standard and hyperimmune immunoglobulins and coagulating factors;
- The collection and marketing of plasma collected at the centers owned by the Group;
- Other activities, including toll-manufacturing of intermediate and other products and marketing of other pharmaceutical specialties, including recombinant factor VIII, which benefit from the strong positioning of the Kedrion distribution network.

The Group operates worldwide, dividing the markets into four macro-regions: "Italy", "European Union", "USA" and "Rest of the World".
Sales to foreign customers are based on the geographical location of the customers themselves.
Inter-segment revenues of the "Plasma" segment are realized with the "Plasma derivatives" segment.
Information on the operating segments as at December 31, 2018 and 2019 is provided below:

| Year ending at 12.31.2019 | | | | | |
|---|---|---|---|---|---|
| (in thousands of Euro) | Plasma derivatives | Plasma | Other activities | Eliminations | Consolidated |
| Revenues from third parties | 577,458 | 209,633 | 21,118 | | 808,209 |
| Inter-segment revenues | | 143,910 | | (143,910) | 0 |
| **TOTAL REVENUES** | **577,458** | **353,543** | **21,118** | **(143,910)** | **808,209** |
| **COST OF SALES** | **421,297** | **318,650** | **15,971** | **(143,910)** | 612,008 |
| **GROSS MARGIN** | **156,161** | **34,893** | **5,147** | **0** | **196,201** |
| **% OF REVENUES** | **27.04%** | **9.87%** | **24.37%** | | **24.28%** |
| Other income | 34,975 | 18,800 | | | 53,775 |
| Operating costs | | | | | 185,288 |
| **OPERATING RESULT** | | | | | **64,688** |
| Net financial charges | | | | | 18,253 |
| **PROFIT/LOSS BEFORE TAXES** | | | | | **46,435** |
| Income taxes | | | | | 8,269 |
| **GROUP PROFIT** | | | | | **38,166** |

| Year ending at 12.31.2020 | | | | | |
|---|---|---|---|---|---|
| (in thousands of Euro) | Plasma derivatives | Plasma | Other activities | Eliminations | Consolidated |
| Revenues from third parties | 579,824 | 94,271 | 23,139 | 0 | 697,234 |
| Inter-segment revenues | | 174,611 | | (174,611) | 0 |
| **TOTAL REVENUES** | **579,824** | **268,882** | **23,139** | **(174,611)** | **697,234** |
| **COST OF SALES** | **423,654** | **268.039** | **16,423** | **(174,611)** | **533,505** |
| **GROSS MARGIN** | **156,170** | **843** | **6,716** | **0** | **163,729** |
| **% OF REVENUES** | **26.93%** | **0,31%** | **29.02%** | **0** | **23.48%** |
| Other income | 30,620 | 19,658 | | 0 | 50.278 |
| Operating costs | | | | | 163,545 |
| **OPERATING RESULT** | | | | | **50,462** |
| Net financial charges | | | | | 53,823 |
| **PROFIT/LOSS BEFORE TAXES** | | | | | **(3,361)** |
| Income taxes | | | | | (9,399) |
| **GROUP PROFIT** | | | | | **6,038** |

| Assets and liabilities as at 12.31.2019 | | | | | |
|---|---|---|---|---|---|
| (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 information as at 12.31.2019** | | | | | |
| 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/depreciation of intangible assets and property, plant and equipment allocated to segments | 13,954 | 1,830 | | | 15,784 |

**Assets and liabilities as at 12.31.2020**

| (in thousands of Euro) | Plasma derivatives | Plasma | Other activities | Unallocated | Consolidated |
|---|---|---|---|---|---|
| Operating assets | 427,642 | 24,019 | 4,504 | 928,570 | 1,384,735 |
| Liabilities from operations allocated to segments | 68,237 | 70,301 | 3,389 | 780,497 | 922,424 |
| **Other segment information as at 12.31.2020** | | | | | |
| Investments in intangible assets | 22,467 | 11,554 | | | 34,022 |
| Investments in property, plant and equipment allocated to segments | 50,952 | 2,198 | | | 53,150 |
| Investments in rights of use | 19,578 | 17,967 | | | 37,545 |
| Amortization/depreciation of intangible assets and property, plant and equipment allocated to segments | 20,451 | 9,424 | | | 29,875 |

## 6.6.2. RELATIONS WITH RELATED PARTIES

The following tables provide details of economic and financial transactions with related parties, for the years ending at December 31, 2020 and 2019. The companies indicated have been identified as related parties, given their direct or indirect relationship to the majority shareholders.

**Year ending at 12.31.2020**

| (in thousands of Euro) | Revenues | Cost of sales | General and administrative expenses | Sales and marketing expenses | R&D expenses | Other operating costs | Financial (expenses) / income |
|---|---|---|---|---|---|---|---|
| Il Ciocco S.p.A. | 0 | 6 | 340 | 33 | 7 | 5 | 0 |
| Shaner Ciocco S.r.l. | 0 | 0 | 19 | 41 | 0 | 0 | 0 |
| Ancora S.r.l. | 0 | 0 | 35 | 0 | 33 | 66 | 0 |
| San Quirico S.r.l. | 0 | 0 | 96 | 0 | 0 | 0 | 0 |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Borgo Ai Conti S.r.l | 0 | 0 | 90 | 0 | 33 | 0 | 0 |
| Tissuelab S.r.l | 9,185 | 0 | 4 | 571 | 0 | 0 | 0 |
| Ambrosia S.r.l | 0 | 0 | 1 | 0 | 0 | 0 | 0 |
| Fondazione Campus | 0 | 0 | 332 | 20 | 0 | 0 | 0 |
| Il Ciocco International Travel Service S.r.l. | 0 | 0 | 934 | 0 | 0 | 0 | 0 |
| Fondo Strategico Italiano S.p.A. | 0 | 0 | 83 | 0 | 0 | 0 | 0 |
| CDP Equity S.p.A. | 0 | 0 | 53 | 0 | 0 | 0 | 0 |
| Maggio Re S.r.l. | 0 | 0 | 1,010 | 100 | 148 | 103 | 0 |
| Tecno Costruzioni S.r.l. | 0 | 109 | 0 | 0 | 10 | 0 | 0 |
| Tecno Immobiliare S.r.l. | 0 | 108 | 96 | 17 | 16 | 0 | 0 |
| Validations and Technical Serv. S.r.l. | 0 | 1,325 | 53 | 0 | 438 | 0 | 0 |
| VTS USA inc. | 11 | 217 | 0 | 0 | 0 | 0 | 0 |
| Paola Pardini | 0 | 0 | 65 | 0 | 0 | 0 | 0 |
| Refin S.r.l. | 0 | 0 | 270 | 0 | 0 | 0 | 0 |
| Remo Grassi | 0 | 0 | 31 | 0 | 0 | 0 | 0 |
| Luca Ungarelli | 0 | 0 | 118 | 0 | 0 | 0 | 0 |
| Alessandro Stefani | 0 | 0 | 11 | 0 | 0 | 0 | 0 |
| Entegrion Inc. | 175 | 0 | 0 | 0 | 0 | 0 | 0 |
| **TOTAL** | **9,371** | **1,765** | **3,641** | **782** | **685** | **174** | **0** |
| **Total Group** | **697,234** | **533,505** | **80,761** | **45,678** | **29,165** | **7,943** | **(53,821)** |
| **% incidence** | **1.3%** | **0.3%** | **4.5%** | **1.7%** | **2.3%** | **2.2%** | **0.0%** |

**Year ending at 12.31.2019**

| (in thousands of Euro) | Revenues | Cost of sales | General and administrative expenses | Sales and marketing expenses | R&D expenses | Other operating costs | Financial (expenses) / 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 SpA | 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 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** | **8,817** | **3,872** | **4,714** | **1,063** | **693** | **204** | **0** |
| **Total Group** | **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%** |

| | 12.31.2020 | | | | |
|---|---|---|---|---|---|
| (in thousands of Euro) | Financial receivables | Receivables | Financial payables | Payables | CAPEX |
| Il Ciocco S.p.A. | 120 | 0 | 0 | 108 | 0 |
| Shaner Ciocco S.r.l. | 0 | 0 | 0 | 2 | 0 |
| Ancora S.r.l. | 0 | 0 | 0 | 1 | 0 |
| Borgo Ai Conti Srl | 0 | 0 | 0 | 37 | 0 |
| Tissuelab Srl | 0 | 8,546 | 0 | 560 | 0 |
| Ambrosia S.r.l | 0 | 0 | 0 | 1 | 0 |
| Fondazione Campus | 0 | 0 | 0 | 120 | 0 |
| Il Ciocco International Travel Service S.r.l. | 0 | 0 | 0 | 231 | 0 |
| CDP Equity S.p.A. | 0 | 0 | 0 | 1 | 0 |
| Maggio Re S.r.l. | 65 | 0 | 0 | 0 | 0 |
| Tecno Costruzioni S.r.l. | 1 | 0 | 0 | 61 | 86 |
| Tecno Immobiliare S.r.l. | 60 | 0 | 0 | 0 | 0 |
| Validations and Technical Serv. S.r.l. | 0 | 0 | 0 | 597 | 720 |
| VTS USA inc. | 0 | 10 | 0 | 137 | 0 |
| Sestant S.p.A. | 0 | 11,045 | 0 | 63 | 0 |
| Sestant Investimenti S.r.l. | 0 | 0 | 0 | 16 | 0 |
| Paola Pardini | 10 | 0 | 0 | 0 | 0 |
| Refin srl | 0 | 0 | 0 | 115 | 0 |

| | | | | | |
|---|---|---|---|---|---|
| Luca Ungarelli | 0 | 0 | 0 | 97 | 0 |
| Alessandro Stefani | 0 | 0 | 0 | 11 | 0 |
| **TOTAL** | **256** | **19,601** | **0** | **2,158** | **806** |
| **Total Group** | **15,201** | **138,308** | **714,593** | **149,576** | **100,465** |
| **% incidence** | **1.7%** | **14.2%** | **0.0%** | **1.4%** | **0.8%** |

| | 12.31.2019 | | | | |
|---|---|---|---|---|---|
| (in thousands of Euro) | Financial receivables | Receivables | Financial payables | Payables | CAPEX |
| Il Ciocco S.p.A. | 120 | 1 | 0 | 624 | 0 |
| Shaner Ciocco S.r.l. | 0 | 0 | 0 | 14 | 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 |
| 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** | **2,859** | **1,200** |
| **Total Group** | **11,841** | **123,169** | **649,764** | **175,155** | **88,088** |
| **% incidence** | **2.2%** | **9.8%** | **0.0%** | **1.6%** | **1.4%** |

The details for each related party at the end of 2020 are provided below.

- Il Ciocco: costs mainly relate to property leases for Euro 15 thousands, electricity supplies for Euro 49 thousands and methane for Euro 48 thousands, security, maintenance and porter services for Euro 213 thousands, sundry hotel expenses for Euro 32 thousands. Payables and receivables are trade payables and receivables and relate to the services indicated above.
- Shaner Ciocco: costs mainly relate to Euro 61 thousands for hotel and entertainment expenses. Payables are trade payables and relate to the services indicated above.
- Ancora: the costs relate to the rent for an office building in Rome for Euro 134 thousands.

- Borgo Ai Conti: the costs relate to the rents for an office building in Lucca for Euro 90 thousands.
- Tissuelab: the revenues relate to sale of products, while costs relate to services for marketing and distribution of recombinant Factor VIII for Euro 571 thousands. Payables and receivables are trade payables and receivables relating to these services.
- Fondazione Campus Studi del Mediterraneo: costs relate to training courses for managers and middle managers of Kedrion S.p.A, consulting, translations and language courses for Euro 352 thousands. Payables are trade payables and relate to the services indicated above.
- Il Ciocco Travel Service: costs mainly relate to helicopter transport services for around Euro 770 thousands, to hotel booking and transfers for a total of Euro 143 thousands, to the management of the car park and rentals for Euro 13 thousands and luxury taxes of Euro 7,700. Payables are trade payables and relate to the services indicated above. Revenues of Euro 0.09 thousands relate to the franking machine. Payables are trade payables and relate to the franking services indicated above.
- FSI S.p.A: the costs relate to emoluments paid to directors.
- CDP Equity S.p.A: the costs relate to emoluments paid to directors.
- Maggio Re Srl: these relate to rentals for Euro 1,359 thousands, for renting of several office buildings.
- Tecno Costruzioni Srl: the costs relate to performance of building work, plant maintenance for Euro 205 thousands, of which Euro 86 thousands for investments.
- Tecno Immobiliare S.r.l: the costs relate to building rentals for Euro 237 thousands; receivables relate to guarantee deposits.
- VTS Srl: the costs of Euro 2,535 thousands relate to approvals and validations, maintenance of US plant and plasma collection centers, of which Euro 720 thousands for investments;
- VTS Inc.: the costs relate to services of validation and maintenance of plasma collection centers;
- Sestant: payables and receivables refer to the transfer of the IRES debt and tax credit following exercising of the tax consolidation option;
- Paola Pardini: costs relate to rent of buildings for Euro 65 thousands;
- Refin: costs relate mainly to consultancy services for Euro 270 thousands;
- Remo Grassi: costs and payables relate to director's emoluments for Euro 31 thousands;
- Luca Ungarelli: costs and payables relate to director's emoluments and consultancy services for Euro 117 thousands;
- Entegrion: the revenues relate to services rendered for a research project;
- VTS USA Inc: costs relate to approvals and validations carried out at US plasma collection centers for Euro 217 thousands;
- Refin: costs relate mainly related to consultancy services for Euro 11 thousands.

The emoluments paid to executives with strategic responsibilities, on an annual basis, amounted to Euro 3,401 thousands in 2020, while those paid to other members of the Marcucci family for work services amounted to Euro 2,649 thousands.

### 6.6.3. ANNUAL EMOLUMENTS OF DIRECTORS, STATUTORY AUDITORS AND INDEPENDENT AUDITORS

DIRECTORS' EMOLUMENTS

| Name and surname | Position | Remuneration | Bonuses and other fees | Total emoluments |
|---|---|---|---|---|
| Paolo Marcucci (1) | Chairman and C | 729,600 | 453,450 | 1,183,050 |

| | | | | |
|---|---|---|---|---|
| Val Gene Romberg[2] | CEO | 31,102 | 0 | 31,102 |
| Umberto Della Sala[3] | Deputy Chairman | 22,903 | 0 | 22,903 |
| Andrea Marcucci | Director | 30 ,000 | 0 | 30 ,000 |
| Marialina Marcucci | Director | 30 ,000 | *0* | 30 ,000 |
| Remo Grassi | Director | 30 ,000 | 0 | 30 ,000 |
| Matteo Fanciullacci | Director | 30 ,000 | 0 | 30 ,000 |
| Giacomo Tofani | Director | 30 ,000 | 0 | 30 ,000 |
| Giovanni Zetti | Director | 30 ,000 | 0 | 30 ,000 |
| Fabrizio Redaelli | Director | 30 ,000 | 0 | 30 ,000 |
| Luca Ungarelli | Director | 30 ,000 | 0 | 30 ,000 |
| Barnaba Ravanne | Director | 30 ,000 | 0 | 30 ,000 |
| **TOTAL** | | **1,053,605** | **453,450** | **1,507,055** |

(1) CEO up until October 5, 2020
(2) CEO from October 5, 2020
(3) In office up until October 5, 2020

## BOARD OF STATUTORY AUDITORS' EMOLUMENTS

| Name and surname | Position | Emoluments | Total emoluments |
|---|---|---|---|
| Giuseppe Galeano | Chairman | 35 ,000 | 35 ,000 |
| Francesco Cirillo | Statutory Auditor | 27,500 | 27,500 |
| Marco Miccinesi[1] | Statutory Auditor | 22,316 | 22,316 |
| Fabrizio Cerbioni | Statutory Auditor | 27,500 | 27,500 |
| Luca Michele Debernardi | Statutory Auditor | 27,500 | 27,500 |
| Giuseppe Paternò | Statutory Auditor pro tempore | 5,186 | 5,186 |
| **TOTAL** | | **145,002** | **145,002** |

(1) Up until November 23, 2020

## FEES OF THE INDEPENDENT AUDITORS E&Y AND OTHER GROUP AUDITORS

| (in thousands of Euro) | 2020 |
|---|---|
| Statutory audit of annual accounts | 94 |
| Audit of subsidiaries | 348 |
| Other certification services | 50 |

| TOTAL | 492 |
|---|---|

## 6.6.4. FINANCIAL RISK MANAGEMENT

### EXCHANGE RISK

The Group is active internationally and is therefore exposed to the exchange risk deriving from the various currencies in which it operates. Exposure to the exchange risk derives from commercial and financial transactions in currencies other than the accounting currency. The main currencies that produce the FX risk are the US Dollar, the Hungarian Florin, the Rouble, the Turkish Lira and the Mexican Peso. The sensitivity analysis performed to measure the Group's exposure to the exchange risk was conducted by assuming reasonably possible changes in the exchange rates of the aforementioned currencies 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, financial items have been included for 2020, mainly represented by the balances of intercompany financial receivables and payables in currencies other than the accounting currency.

| Esercizio Chiuso al 31/12/2020 | | |
|---|---|---|
| **Valute** | **Variazione** | **Effetto sull'utile al lordo delle imposte (in migliaia di Euro)** |
| **USD** | rivalutazione 10% | 32.223 |
| | svalutazione 10% | (26.397) |
| **HUF** | rivalutazione 10% | 7.175 |
| | svalutazione 10% | (5.870) |
| **RUB** | rivalutazione 10% | 1.303 |
| | svalutazione 10% | (1.066) |
| **TRY** | rivalutazione 10% | 4.178 |
| | svalutazione 10% | (3.418) |
| **MXN** | rivalutazione 10% | 1.956 |
| | svalutazione 10% | (1.601) |

In order to mitigate exposure in US Dollars, the Group has a collar option partially hedging 50% of the intercompany loan granted by the parent company to the subsidiary Kedrion Biopharma Inc., signed at the end of 2019 and maturing in December 2021.

The Group monitors performance of all the currencies in which it is currently exposed and assesses further hedging options to mitigate that exposure.

### 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 operations, on business activities, on financial conditions and on the Group's prospects.

Variable interest rates expose the Group to a risk arising from the volatility of interest rates. In relation to this risk, Kedrion has resorted to Interest Rate Swap (IRS) derivative contracts, which transform the variable rate into a fixed rate.

Kedrion has a fixed-rate bond loan 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 these three revolving lines are hedged

by interest rate swaps expiring in 2022, for which the total notional sum is Euro 45.0 million. At December 31, the Group was hedged against the interest rate risk for 66% of its total long-term exposure. The interest rate risk to which the Group is exposed is therefore currently partially limited in the medium to long term, thanks to the fixed-rate bond issue and the 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 the risk.

The following tables shows the hedging instrument transactions by type and result as at December 31, 2020:

| Type | Debtor rate (fixed) | Creditor rate (variable) | Start date: | Maturity date | Notional capital (Euro) | Fair value 12.31.2019 (Euro) |
|---|---|---|---|---|---|---|
| Fixed for Floating Interest Rate Swap | 0.39% | Euribor 6 months | 01.17.2018 | 04.01.2022 | 30 ,000 ,000 | (343,230) |
| Fixed for Floating Interest Rate Swap | 0.30% | Euribor 1/3/6 months | 04.24.2019 | 04.22.2022 | 15 ,000 ,000 | (173,177) |

Derivative instruments have been designated as cash flow hedges and have direct impacts on shareholders' 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 shareholders' equity due to changes in the fair value of the financial instrument (IRS) outstanding as at December 31, 2020:

| (in thousands of Euro) | Effect on the result before taxes | Effect on shareholders' equity |
|---|---|---|
| + 100 basis points | 0 | 527 |
| - 50 basis points | 0 | (282) |

## LIQUIDITY RISK

The parent company closely manages the liquidity risk by means of strict control of the elements comprising net working capital and maintains an adequate level of cash and funds obtainable through loans provided by various banks. At December 31, 2020, the Group had available and unused credit lines for Euro 148 million, of which 53% are short-term lines.
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. accounts. The Group will have the ability to repay the existing loans at the date set in 2022, through the cash flows generated by operations, as well as refinancing operations, including through the issue of new financial instruments.

| (in thousands of Euro) | On demand | Under 3 months | From 3 to 12 months | From 1 to 5 years | Longer than 5 years | Total |
|---|---|---|---|---|---|---|
| Financing and loans | 760 | 1,608 | 59,293 | 592,892 | 60,040 | **714,593** |
| Trade payables and other payables | 68,544 | 22,758 | 109,668 | 1,460 | 4 | **202,434** |
| **TOTAL** | **69,304** | **24,366** | **168,961** | **594,352** | **60,044** | **917,027** |

Refer to note 6.4.18 for more details on the maturity analysis of the medium-/long-term loans.

## CREDIT RISK

Most of the Group receivables in Italy are due from hospitals and other public institutions, whose credit rating is considered to be reasonably sound. The Group has, in fact, 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 soundness shown by the customers themselves, are also considered reasonably certain and solvent. Residual receivables are mainly due from foreign customers (Middle East, Asia, Africa and South America) with whom there are consolidated and long-term relationships, while, in the case of new business relationships, especially on 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, such as unauthorized shipments in the presence of overdue payments or excess credit 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:

| **Trade receivables (values in thousands of Euro)** | **Year ending at December 31, 2020** | |
|---|---|---|
| Gross trade receivables | 145,687 | 100% |
| Write-down reserve | (7,379) | (5%) |
| **Trade receivables** | **138,308** | **95%** |

| **Trade receivables (values in thousands of Euro)** | **Year ending at December 31, 2020** | |
|---|---|---|
| Overdue | 95,060 | 69% |
| Overdue by up to 60 days | 7,063 | 5% |
| Overdue by 61-120 days | 6,025 | 4% |
| Overdue by 121-180 days | 16,249 | 12% |
| Overdue by 181-240 days | 2,323 | 2% |
| Overdue by 241-360 days | 1,756 | 1% |
| Overdue by over 365 days | 9,832 | 7% |
| **Net trade receivables** | **138,308** | 100% |

## CAPITAL MANAGEMENT POLICY

The primary objective of the Group's capital management is to ensure that adequate levels of the capital ratios are maintained in order to support the business. The Group manages the capital structure and alters it on the basis of 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, refer to the report on operations.

### FINANCIAL ASSETS AND LIABILITIES

All the Group's financial instruments are recorded on the balance sheet at a carrying value that is not different to the fair value.

## 6.6.5. COMMITMENTS AND RISKS

This item includes sureties, guarantees and third-party assets held by the Group. The item for the years ending at December 31, 2020 and 2019 is summarized below:

| | Year ending at December 31 | |
|---|---|---|
| (in thousands of Euro) | 2020 | 2019 |
| Risks | **69,224** | **60,708** |
| - Sureties | 67,277 | 57,351 |
| - Guarantees | 1,947 | 3,357 |
| Third-party assets held by the Group | 9,008 | 14,836 |
| **TOTAL** | **78,232** | **75,544** |

### RISKS

At December 31, 2020, the risks consisted of guarantees given for participation in public tenders for an amount of Euro 43,522 thousands, other insurance guarantees given in favor of Public Entities for Euro 23,755 thousands. The signing guarantees are issued in support of the foreign business 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 Regions.

### COMMITMENTS

The Group has a lease contract that had not started at December 31, 2020. Payments for future leases relating to the period of this contract that cannot be cancelled are Euro 27 thousands within one year and Euro 146 thousands after twelve months.

## 6.6.6. DIVIDEND POLICY

Pursuant to Article 30.3 of the Statute 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 until it has reached one fifth of share capital; the remainder to distribution of dividends and to the extraordinary reserve.

## 6.6.7. SUBSEQUENT EVENTS

In January 2021, KEDPLASMA LLC acquired a new center (Dallas Westmoreland, TX) from Immunotek Biocenters LLC and opened the center in Lincoln North, NE. Furthermore, again as part of the plasma division development program, KEDPLASMA LLC will open two new centers in Illinois (Springfield, Urbana) by the end of March 2021.

On February 8, 2021, acquisition of a minority stake of 49% in Kedrion Brasil from the minority shareholder F.B.M. was finalized, with payment of Euro 214 thousands by Kedrion and reimbursement of the shareholder loan of Real 575 thousands.

None of these events have an impact on the 2020 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 Entity | Granting Entity | Amount Received in 2020 | Collection date | Reason |
|---|---|---|---|---|
| Kedrion S.p.A - tax code 01779530466 | Tuscany Region | 167,650 | 24/04/2020 | PLASMINOGEN |
| Kedrion S.p.A - tax code 01779530466 | Tuscany Region | 33,975 | 28/04/2020 | PLASMINOGEN |
| Kedrion S.p.A - tax code 01779530466 | Ministry of Economic Development | 1,496,892 | 21/04/2020 | KIG 10 |
| Kedrion S.p.A - tax code 01779530466 | Ministry of Economic Development | 2,157,723 | 21/10/2020 | KIG 10 |
| Kedrion S.p.A - tax code 01779530466 | Tuscany Region | 3 ,000 | 12/06/2020 | Non-curricular internships regional grant - Giovani sì - Reg. Law no. 32-2002 |
| Kedrion S.p.A - tax code 01779530466 | Tuscany Region | 4,800 | 06/07/2020 | Non-curricular internships regional grant - Giovani sì - Reg. Law no. 32-2002 |

Castelvecchio Pascoli, March 16, 2021

For the Board of Directors
The Chairman
Paolo Marcucci

KEDRION
BIOPHARMA