ANNUAL FINANCIAL REPORT
DECEMBER 31, 2017

DiaSorin S.p.A.
Via Crescentino (no building No.) - 13040 Saluggia (VC)
Tax I. D. and Vercelli Company Register n. 13144290155

TABLE OF CONTENTS

REPORT ON OPERATIONS	3
LETTER TO SHAREHOLDERS	3
BOARD OF DIRECTORS & CONTROL BODIES	5
STRUCTURE OF THE GROUP AT DECEMBER 31, 2017	6
OUR BUSINESS	7
STOCK OWNERSHIP	17
HIGHLIGHTS	19
REVIEW OF THE GROUP'S OPERATING PERFORMANCE AND FINANCIAL POSITION	20
NON-RECURRING MATERIAL TRANSACTIONS AND ATYPICAL AND/OR UNUSUAL TRANSACTIONS	34
MAIN RISKS AND UNCERTAINTIES TO WHICH DIASORIN S.P.A. AND THE GROUP ARE EXPOSED	35
SIGNIFICANT EVENTS OCCURRING AFTER DECEMBER 31, 2017 AND BUSINESS OUTLOOK	37
REVIEW OF THE OPERATING PERFORMANCE AND FINANCIAL POSITION OF DIASORIN S.P.A.	38
RELATED-PARTY TRANSACTIONS	45
REPORT ON CORPORATE GOVERNANCE AND THE COMPANY'S OWNERSHIP STRUCTURE	46
CONSOLIDATED NON-FINANCIAL DISCLOSURE AT DECEMBER 31, 2017	90
INDEPENDENT REPORT ON THE LIMITED AUDIT OF THE CONSOLIDATED NON-FINANCIAL STATEMENTS OF THE DIASORIN GROUP	122
MOTION TO APPROVE THE FINANCIAL STATEMENTS AND APPROPRIATE THE 2017 NET PROFIT	126
CONSOLIDATED FINANCIAL STATEMENTS AT DECEMBER 31, 2017 AND DECEMBER 31, 2016 OF THE DIASORIN GROUP	127
ANNEX I: LIST OF EQUITY INVESTMENTS WITH THE SUPPLEMENTAL DISCLOSURES REQUIRED BY CONSOB COMMUNICATION NO. DEM/6064293	185
ANNEX II: DISCLOSURE REQUIRED PURSUANT TO ARTICLE 149-DUODECIES OF THE CONSOB ISSUERS' REGULATIONS	187
CERTIFICATION OF THE STATUTORY FINANCIAL STATEMENTS	188
STATUTORY FINANCIAL STATEMENTS OF DIASORIN S.P.A. AT DECEMBER 31, 2017 AND AT DECEMBER 31, 2016	189
ANNEX III: DISCLOSURE REQUIRED PURSUANT TO ARTICLE 149-DUODECIES OF THE CONSOB'S ISSUERS' REGULATIONS	248
CERTIFICATION OF THE STATUTORY FINANCIAL STATEMENTS	249
REPORT OF THE BOARD OF STATUTORY AUDITORS	250
INDEPENDENT AUDITORS' REPORT	264

LETTER TO SHAREHOLDERS

Dear Shareholders,

*In 2017, DiaSorin confirmed its **excellence** in terms of **financial results**, reporting increased revenues and profitability and a record net profit.*

***Our clients**, the diagnostic laboratories, have always been **at the heart of all our initiatives and decisions concerning investments and development** and, again this year, we confirmed our **commitment to innovation** by launching new products both in the immunodiagnostics and molecular diagnostics market.*

*The launch of **4 new immunodiagnostic tests** enabled us to achieve an important target: **118 tests** available on CLIA technology, out of which 28 high-specialty tests, making us the company **with the broadest CLIA menu available on the global market.***

*Our Research& Development team worked diligently to **increase** our **offer** of **molecular diagnostic tests**, with **3 new kits and 3 new ASRs**, further expanding our menu available on the LIAISON MDX and reinforcing our position as a global leader in the diagnostic market.*

*The commercial **success** of **LIAISON installations continued** throughout 2017 with an overall installed base of **over 7,400 units**, out of which **50% LIAISON XL**. Furthermore, we continued working on the development of the **LIAISON XS, an** automated analyzer scheduled for market launch in early 2019. The new analyzer will serve **small and medium sized laboratories** and will position DiaSorin as a company able to meet the different needs of laboratories. We believe this market sector is highly strategic for the future of DiaSorin and we are confident that our Company will be able to achieve further success from this strategic positioning.*

*In 2017, we focused on business **development**: we signed an important collaboration **agreement with Qiagen**, a major diagnostic player, **to develop a diagnostic test for latent tuberculosis**, a wide-spread test with prospects for strong growth.*

*We also started **a collaboration with Tecan** to **develop** a new **instrument for the amplification** of nucleic acids in the **molecular diagnostic** field in order to pursue an expansion strategy in the post-transplantation field in Europe.*

*At the end of September 2017, we completed **the acquisition of the ELISA technology business from Siemens**, with the aim of **converting the current client base** that uses ELISA tests towards CLIA technology solutions.*

I believe that the outstanding economic and financial results combined with several development activities carried out both inside and outside the Company represent an outstanding result for the DiaSorin Group.

The objective attained in 2017 are the result of a clear and forward-looking strategy, implementation capacity and strong commitment from our 2,000 people who make DiaSorin a top-class company in the financial and laboratory markets.

I would like to mention our last Sustainability project implemented in 2017 and of which we can be very proud. This initiative, ***Mad for Science****, is a project* ***to support talent and love for science*** *within scientific high school: 40 high schools and 300 students took part to implement a state-of-the-art diagnostic laboratory in the winning high school. We strongly believe* ***Talent*** *and* ***Passion*** *guide each our action, and it is equally important promoting* ***passion*** *in the field of biotechnology* ***to support*** *the scientific* ***innovation*** *that will arise from future talents of our society.*

Culture of talent, business spirit and managerial style: this is the combination behind DiaSorin's success *throughout 2017. I am confident we will continue to achieve these objectives also in the future.*

I would like, thus, to thank the management and all people working in DiaSorin and our Shareholders for confirming their trust in the important objectives that will guide our Group towards more important results.

Gustavo Denegri

Chairman

BOARD OF DIRECTORS & CONTROL BODIES

BOARD OF DIRECTORS	(date of appointment April 28, 2016)
Chairman	Gustavo Denegri
Deputy Chairman	Michele Denegri
Chief Executive Officer	Carlo Rosa (1)
Directors	Giancarlo Boschetti Stefano Altara Chen Menachem Even Franco Moscetti (2) Giuseppe Alessandria (2) (3) Roberta Somati (2) Fiorella Altruda (2) (4) Francesca Pasinelli (2) Monica Tardivo (2) Enrico Mario Amo Tullia Todros (2) Vittorio Squarotti
BOARD OF STATUTORY AUDITORS	
Chairman	Monica Mannino
Statutory Auditors	Roberto Bracchetti Ottavia Alfano
Alternates	Maria Carla Bottini Salvatore Marco Fiorenza
INDEPENDENT AUDITORS	PricewaterhouseCoopers S.p.A.
COMMITTEES	
Control and Risks Committee	Franco Moscetti (Chairman) Enrico Mario Amo Roberta Somati
Compensation Committee	Giuseppe Alessandria (Chairman) Michele Denegri Roberta Somati
Nominating Committee	Giuseppe Alessandria (Chairman) Franco Moscetti Michele Denegri
Related-party Committee	Franco Moscetti (Chairman) Giuseppe Alessandria Roberta Somati

(1) General Manager
(2) Independent Director
(3) Lead Independent Director
(4) Director Fiorella Altruda was coopted by the Board of Directors with resolution dated December 19, 2016 and appointed by the Shareholders' Meeting on April 27, 2017

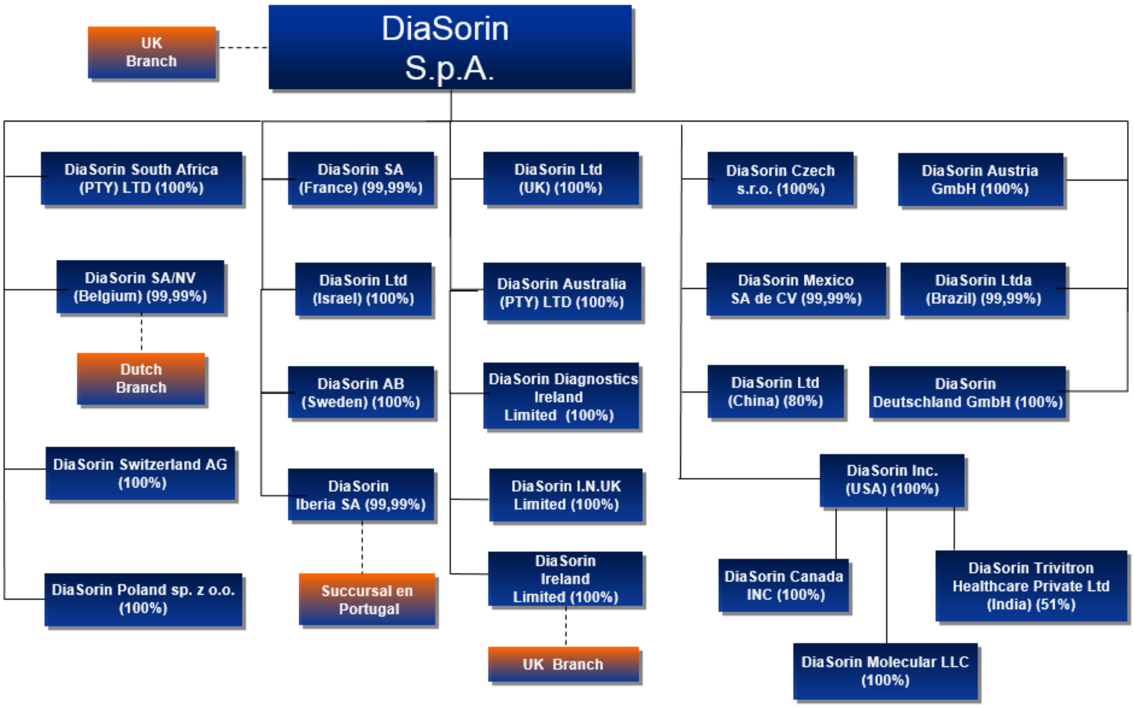
OUR EXPERIENCE CHARGED WITH THE FUTURE

DiaSorin is an Italian multinational Group listed on the MTA (automated stock market) in the FTSE Italia Mid Cap Index, organized and managed by Borsa Italiana S.p.A.

With over 40 years of experience, DiaSorin operates as a leading company in a highly innovative and competitive market, that of laboratory diagnostics, developing and marketing diagnostic tests to give reliable and swift answers to healthcare professionals on the condition of their patients' health.

In the last 10 years, DiaSorin reinforced its strategy to expand its presence in over 120 countries and strengthened its position both in the reference markets of Europe and the USA, and in emerging markets increasingly at the center of the global scene such as China.

STRUCTURE OF THE GROUP AT DECEMBER 31, 2017



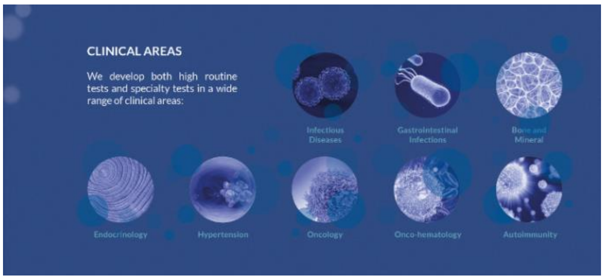
OUR BUSINESS

DiaSorin develops, manufactures and markets tests for the diagnosis of infectious diseases or hormonal disorders.

The clinical areas

Our offer comprises both high routine tests and specialty tests on a vast range of clinical areas:

- Infectious Diseases
- Gastrointestinal Infections
- Bone and Mineral
- Endocrinology
- Hypertension
- Oncology
- Onco-haematology
- Autoimmunity



The diagnostic tests are aimed at both private and hospital analysis laboratories worldwide, in immunodiagnostics and molecular diagnostics markets.

Immunodiagnostics

Technology based on the detection of antibodies to highlight the presence of diseases in a sample of human fluid.

Molecular Diagnostics

Technology that allows to diagnose of a pathology by detecting specific RNA or DNA sequences (nucleic acids) in patients' biological fluids or in their abnormal cells. To identify nucleic acids, it is first necessary to "amplify" the DNA or RNA one is looking for.

Both technologies are based on:

- Testing kits (reagents and consumables);
- Technological platforms (according to the different technology used).

Diagnostic kits

The DiaSorin diagnostic tests are biological components aimed at determining the presence of specific elements (virus, hormones, etc.) in the patient's blood sample.

These cutting-edge diagnostic products can identify the presence of the desired element even in small quantities and with a high degree of specificity in the patient's sample.

Our technological platforms

Analysis of the biological sample aimed at detecting the presence of a specific element is carried out by instruments based on specific technologies.

In **immunodiagnostics**, DiaSorin offers the market proprietary-based platforms on the CLIA (**Chemiluminescence**) and ELISA (**Colorimetry**) technologies.

CLIA

DETECTION SIGNAL: generated by a tracer labelled with chemiluminescent molecule

TESTING TIMES: 30-45 minutes

- Tests developed on proprietary technology used exclusively on closed systems
- High flexibility of use in terms of menu

INSTRUMENTS

ELISA

DETECTION SIGNAL: generated by a colorimetric tracer

TESTING TIMES: 3-4 hours

- Tests developed on proprietary technology used on open systems
- Lower flexibility in terms of menus, less flexibility of use in terms of menus, appropriate for the diagnoses of a few parameters but with high volumes (i.e. blood banks)

INSTRUMENTS

In **molecular diagnostics**, DiaSorin offers the market diversified proprietary platforms based on the 3 phases of the detection process: extraction, amplification and diagnosis.

EXTRACTION

A process of extraction and purification of nucleic acids (RNA or DNA) from a large variety of matrices (plasma, serum, cerebrospinal liquid and swabs), after a minimum pre-treatment of the sample

AMPLIFICATION AND DIAGNOSIS

Amplification: a process of *"multiplication"* of the nucleic acid extract.
Diagnosis: a process of qualitative and quantitative identification of the viral load or of genetic mutations through the use of molecular kits and consequent association with the relative pathology

INSTRUMENTS

Instruments for nucleic acid extraction

Bullet Pro®

PCR (Infectious Diseases)

QLAMP (Onco-haematology)

OUR STRATEGY

In 2017, the Group reinforced its role as specialist partner in the immunodiagnostic and molecular diagnostic segments, thanks to a long-term business strategy strongly oriented towards the client.

On the one hand through a constant evolution of its offer, which responds effectively to the needs of private and public clinical laboratories, with solutions that are:

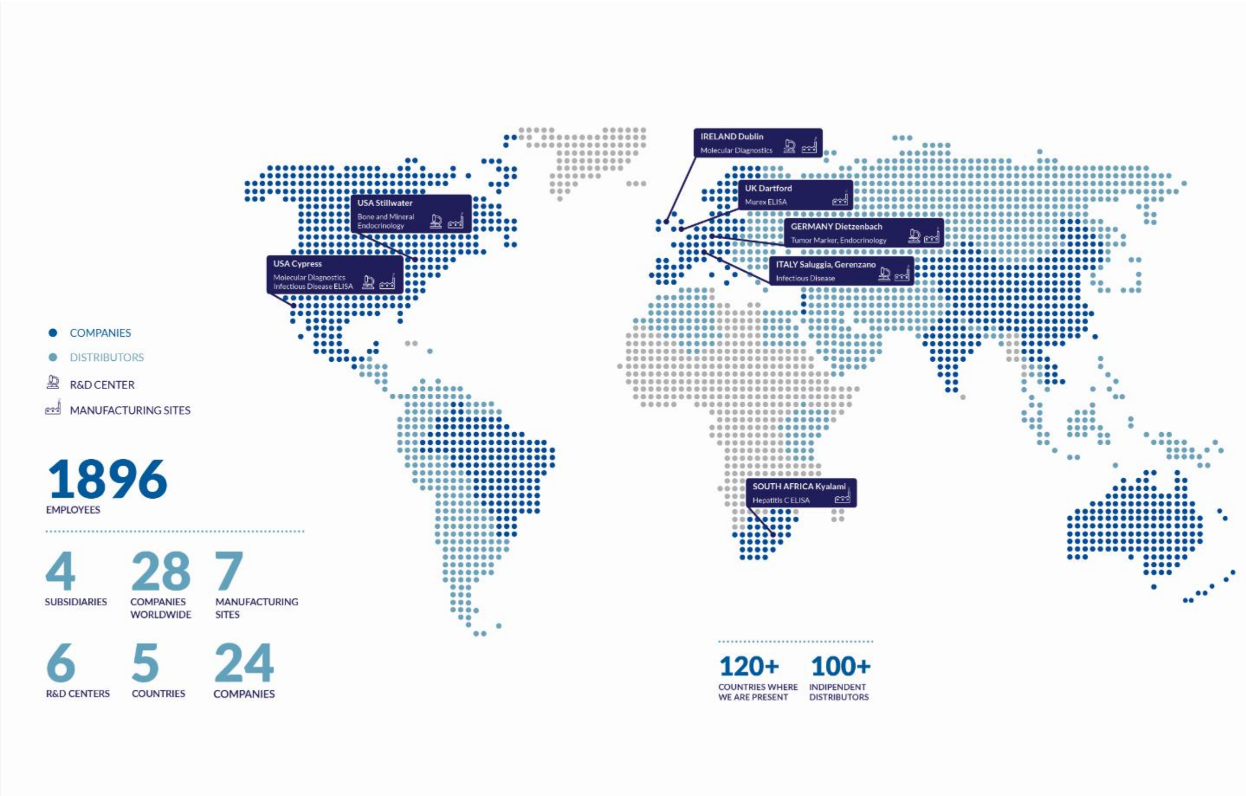
- reliable;
- innovative;
- fully automated and standardized;
- of easy use;
- cost-effective

On the other, through business alliances with international partners and strategic acquisitions to:

- enter new market segments;
- reach new clients;
- reinforce its commercial capillarity

OUR GLOBAL PRESENCE

The Group headed by DiaSorin S.p.A. is made of 24 companies and 4 branches on the 5 continents; it produces its own tests at 7 manufacturing facilities located in Europe, Africa and the United States.



DiaSorin distributes its test and platforms all over the world through its commercial subsidiaries, present in Europe, the United States, Mexico, Brazil, China, Australia and Israel. In other Countries, the Group operates through an international network of over 100 independent distributors.

BUILDING TOMORROW, TODAY: RESEARCH AND DEVELOPMENT

In 2017, the Group strengthened its role as specialist partner in the immunodiagnostic and molecular diagnostic segments, thanks to a strongly innovation-oriented business strategy.

One of the main pillars of DiaSorin growth is its consolidated capacity for product innovation and the assessment of new business opportunities.

Human innovation, made by people for people, created from listening to the needs of the scientific community, from a dense networking with the academic world, from research processes with a long-term vision.

The DiaSorin business is a process of continuous evolution, which today sets the stage for the development of tomorrow, from the intuition of a researcher to the marketing of a tested product. This is why the Group invests constantly in knowledge.

DiaSorin has over 125 researchers with experience gained within the Group in the field of immunodiagnostics and molecular diagnostics, mainly located in Italy and the United States.

FOCUS ON OUR PLATFORMS

OPERATIONS ON THE LIAISON XL PLATFORM

The maturation of the LIAISON XL platform, with operations on hardware and software components, was a guiding element for the commercial success of the analyzers of the LIAISON family and the expansion of its installed base.

In 2017, there were 655 new installations, which led to a total of 3,518 units installed, both stand-alone and through the management of connectivity and strategic partnerships with major players in the immunodiagnostic market.

The above confirmed a continuous level of satisfaction of laboratories for our platform and its test menu, to date the largest among those available on the CLIA market and able to provide high productivity in laboratories, even those of large dimensions.

CONTINUOUS DEVELOPMENT OF THE NEW LIAISON XS ANALYZER

In 2017, DiaSorin completed the prototype phases of LIAISON XS and started implementing the "validation units".

These units, which will be installed in the laboratories of the DiaSorin industrial sites concerned, will be used during 2018 for the validation tests of the LIAISON technological family that make up part of the LIAISON XS launch menu.

Starting from 2019, this will allow the new analyzer to penetrate the target markets (USA, China and Europe), and complete the offer of positioning the LIAISON family.

The LIAISON XS will use the tests and consumables already engaged on LIAISON XL.

FOCUS ON THE CLIA MENU

Moreover, in 2017, with its 118 tests available on CLIA technology, DiaSorin continued to offer laboratories a unique menu with high-routine and specialty tests.

INFECTIOUS DISEASES

In 2017, the clinical area of infectious diseases saw the launch of a new innovative product and the closure of an important commercial collaboration agreement with QIAGEN.

In fact, DiaSorin obtained from the US FDA (Food & Drug Administration) the EUA (Emergency Use Authorization) for a new serological test to identify infections caused by the **Zika (ZIKV)** virus, swiftly followed by the authorization for sale on the European market.

In addition, in 2017, DiaSorin and QIAGEN signed a collaboration agreement to develop the **LIAISON QuantiFERON TB Gold PLUS** assay, envisaged on the market by the end of the third quarter 2018. The addition of this test will allow clients of both companies to take advantage of the most advanced test to identify latent tuberculosis, which provides a fully automated and flexible solution thanks to the analyzers of the LIAISON family.

Under the DiaSorin and QIAGEN agreement, they will develop a fully automated version of the QuantiFERON test read components, which can be used with the QuantiFERON-TB Plus test, as well as on future potential QuantiFERON-based tests that will be adapted for use on the platforms of DiaSorin's LIAISON family.

HEPATITIS AND RETROVIRUS

In the **Hepatitis and Retrovirus** clinical area, DiaSorin continued to work to obtain the extension to the use of some kits (**HIV, HCV, Treponema and Chagas**) for the detection of antibodies on blood samples from tissue and organ donors.

During 2017, DiaSorin carried on working towards the registration and marketing of the **Hepatitis and Retrovirus panel in the USA**, following the agreement with **Beckman Coulter**, announced in 2016.

FERTILITY

In 2017, DiaSorin launched two **new products** in the field of serological assays for fertility.

These new assays for the determination of **Androstenedione** and **SHBG** expand the panel available on the LIAISON platforms to identify the causes of infertility.

Androstenedione, a hormone produced by the adrenal glands and gonads, is among the hormones responsible for sexual development and the development of male secondary physical characteristics, such as the depth of the voice and the presence of facial hair. High levels of Androstenedione can cause virilization symptoms in women.

The **SHBG (Sex Hormone-Binding Globulin)** is the protein responsible for the transport of sexual hormones in blood, including dihydrotestosterone, testosterone and estradiol. The measurement of the SHBG level, associated with that of testosterone, contributes to identifying the causes of infertility, a reduction in libido and decreased libido and erectile dysfunction in men, while it contributes to the diagnosis of Polycystic Ovarian Syndrome (PCOS) in women.

GASTROINTESTINAL INFECTIONS

In 2017, the commercial commitment continued in the area of gastrointestinal diseases, with a growth of over 50% in sales, driven mainly by strong growth of the market share relative to the assay of the **Calprotectin**, a test used to diagnose inflammatory diseases of the intestine, such as ulcerative colitis and Crohn's disease.

ACQUISITION OF ELISA IMMUNODIAGNOSTIC PORTFOLIO FROM SIEMENS

On September 29, 2017, DiaSorin completed the **acquisition of Siemens Healthcare** of the **ELISA immunodiagnostic portfolio**, comprising the relevant tangible and intangible assets.

Siemens will continue to manufacture and supply the ELISA immunodiagnostic kits exclusively for DiaSorin for 3 years, guaranteeing the supply to existing clients.

The acquisition is consistent with DiaSorin strategy to convert the current client base that uses ELISA tests towards its CLIA product and platform solutions, leveraging on the completeness of its menu, as well as the reliability and speed of the LIAISON platforms.

This acquisition will allow DiaSorin to access a significant client base, with particular emphasis on the European market, as well as offering a unique opportunity to expand further its global commercial presence, creating new business opportunities in the promotion and marketing of its CLIA test portfolio.

FOCUS ON MOLECULAR DIAGNOSTICS

2017 was a year of important developments for DiaSorin on the Molecular Diagnostics front.

DiaSorin Molecular

The commercial range of infectivity products on LIAISON MDX was promoted directly in the Countries where DiaSorin operates with its own commercial branches (Europe, the USA, Australia and Israel) and indirectly through a network of distributors in the other Countries.

The menu was enriched with new "direct determination" products, without the need for nucleic acid extraction, including the CE-IVD Simplexa Bordetella Direct and the FDA-approved Simplexa C diff Direct. Moreover, the applicability was extended of the Simplexa HSV1&2 Direct mucocutaneous swab kits with CE marking.

In the Onco-haematology clinical area, DiaSorin launched I*am* CBFB-MYH11, a molecular diagnostic test for the identification of Acute Myeloid Leukemia, completing its screening menu and consolidating its commercial presence.

In 2017, DiaSorin completed the integration of DiaSorin Molecular LLC, regarding standardization of the internal processes and reorganization of the activities. Great attention was given to the definition of the new brand and the medium- and long-term strategic path relative to the development and positioning pipelines in collaboration with Key Opinion Leaders and the most prestigious American hospitals who chose DiaSorin's molecular offer for their routine diagnostic routines.

THE NEW TECHNOLOGY OF DIASORIN MOLECULAR

The molecular technology used by DiaSorin Molecular has two distinctive features:

- LIAISON MDX instrument: a thermocycler, from a compact and flexible design, used in connection with DiaSorin products;
- The "disks": i.e. plastics in which reagents and clinical samples are distributed that are managed and analyzed by the instrument itself.

The disks contain innovative microfluidics allowing the amplification reaction and identification of the genetic sample to take place even without the need for complex manipulations.

The disk has two versions:

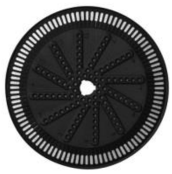
DAD

Direct Amplification Disk

It runs 8 specimens simultaneously and does not require the extraction of genetic samples. This is its distinguishing feature compared to competitors' instruments that need to perform a purification process before testing the genetic material.

UD

Universal Disk



It processes 96 biological samples simultaneously and is designed for daily high-volume testing, in terms of use, requiring high-throughput platforms.

INFECTIOUS DISEASES

In 2017, our Research and Development team in Cypress - California – focused its activities on developing diagnostic kits for the infectious disease global market, developing qualitative assays that do not require nucleic acids extraction and are run on the DAD (Direct Amplification Disc) disk*:* these assays are known as 'Direct' as they are performed using directly the patient's primary biological sample.

During 2017, our U.S. Research & Development team completed the development of an assay for the diagnosis of respiratory infections from **Bordetella Pertussis and Parapertussis**, using nasopharyngeal swabs. This assay was launched on the European market in December 2017.

In September, DiaSorin earned CE-Mark extending the sample claims for its Simplexa **HSV1&2** which is today the most completed claim available on the market. The extension includes cerebrospinal fluid (CSF) samples and both cutaneous and mucocutaneous swabs.

Furthermore, DiaSorin Molecular received clearance from the US Food and Drug Administration to market its kit for the detection of **Clostridium *difficile*** on stool samples.

Lastly, in 2017, the Company continued developing two additional assays: i) diagnosis of **Group B Streptococcus (Streptococcus agalactie)** infections, to be used as prenatal screening in order to prevent infections in unborn babies; and ii) diagnosis of **Varicella zoster** infections on CSF and swab samples. The launch on the European market of both tests is envisaged during 2018.

AUTOMATED EXTRACTION PLATFORM AND DISK SET-UP

In June 2017, DiaSorin announced a new partnership with the Swiss company TECAN to develop a new platform for the extraction and purification of nucleic acids from blood samples and other specimens and transfer the nucleic acids extracted into the UD disk.

The new platform will be used along with the LIAISON MDX and its amplification kits for a complete flow from the primary sample to the result, thanks to a unique graphic interface capable of managing the whole process with a continuous flow.

The new platform will be crucial to meet the needs of high throughput and quantitative analyses typically required by laboratories for routine molecular studies and will be optimized to maximize the performance of chemical extraction developed in DiaSorin and the management of the set-up of the universal disc.

ONCOHEMATOLOGY

In 2017, DiaSorin continued to extend the product menu based on Q-LAMP technology and available on the LIAISON Iam.

Furthermore, the company launched its fifth product of the Iam CBFB-MYH11 for the diagnosis of a positive Acute Myeloid Leukemia subtype. With the launch of the test to detect CBFB-MYH11 positive translocation, DiaSorin completed the number of molecular diagnostic tests for screening at the onset of Acute Myeloid Leukemia, comprising:

- BCR-ABL p210-p190
- PML-RARA detection bcr 1,3
- PML-RARA discrimination bcr2
- AML1-ETO
- CBFB-MYH11 A/D/E

The excellent performance of the line with regard to promptness of results and simplicity of use, was the subject of scientific studies at prestigious congresses of the Italian Experimental Haematology Company (SIES - Società Italiana di Ematologia Sperimentale) and the National Cancer Research Institute (NCRI).

In Italy where DiaSorin promoted its commercial activities, 36 hematology centers implemented DiaSorin solution in their laboratories, including 80% of the most important Gimema centralized facilities.

In 2016, concerning the Technological Development of LAMP technology, we received the first approval from the Italian Patent Office for two patent applications:

- LAMP (Loop-mediated isothermal amplification) fluorescent detection of a target nucleic acid and relevant oligonucleotidic and kits.
- A calculator-based method for the development of a set of primers

Following approval of the Italian Patent Office, DiaSorin also began procedures for international patent application.

RESEARCH AND DEVELOPMENT COSTS AND INVESTMENTS

Consistent with the above, in 2017 the Group's research and development costs increased to 45,307 thousand euros from research and development costs of 37,614 thousand euros in 2016.

(in thousands of euros)	**2017**	**2016**
Research and development costs that were not capitalized	37,644	32,424
Annual amortization of capitalized costs	5,983	5,294
Total research and development costs charged to income	**43,627**	**37,718**
Development costs capitalized during the year	7,663	5,190
Total research and development costs	***45,307***	***37,614***

In 2017, the Group's Parent Company capitalized development costs totaling 4,201 thousand euros, which included 3,903 thousand euros in costs incurred to register products available for sale and comply with quality standards; research costs, amounting to 17,264 thousand euros, were charged directly to the income statement.

PUTTING PEOPLE AT THE HEARTH

DiaSorin considers its 1,896 employees as a top priority asset and the foundation of the Group's development and success. The uniqueness of each person, with their own wealth of skills, is considered essential for the creation of a working environment able to meet the challenges of a global market in continuous evolution.

In 2017, new and important international project were launched, to which the Human Resources Department actively participated, ensuring the support of qualified personnel in a booming market environment. During the year, the "European Platform" Project was extremely important, which led to greater synergies and efficiencies among our four industrial production sites.

Consistent with previous years, management of the People continued, on the one hand founded on the growth of the resources currently in the company and, on the other, by the strengthening of external recruitment channels. With regard to this, in the second half of the year, the Corporate HR group was reorganized with the creation of a new position of Talent Acquisition, completely dedicated to the recruitment of talented people and to relations with Research Centers and Universities of international prestige.

In 2017, concerning organization, to optimize internal processes DiaSorin undertook various actions aimed at reorganizing certain key structures, as follows:

- R&D: the definition was articulated around the two most important axes of Innovation and Development
- Corporate Marketing: the team was reinforced with resources dedicated to some strategic lines that recently entered the Group's product portfolio
- Financial Controlling: strengthening the team to ensure increasingly effective governance of company management alongside a timely partnership with the business.

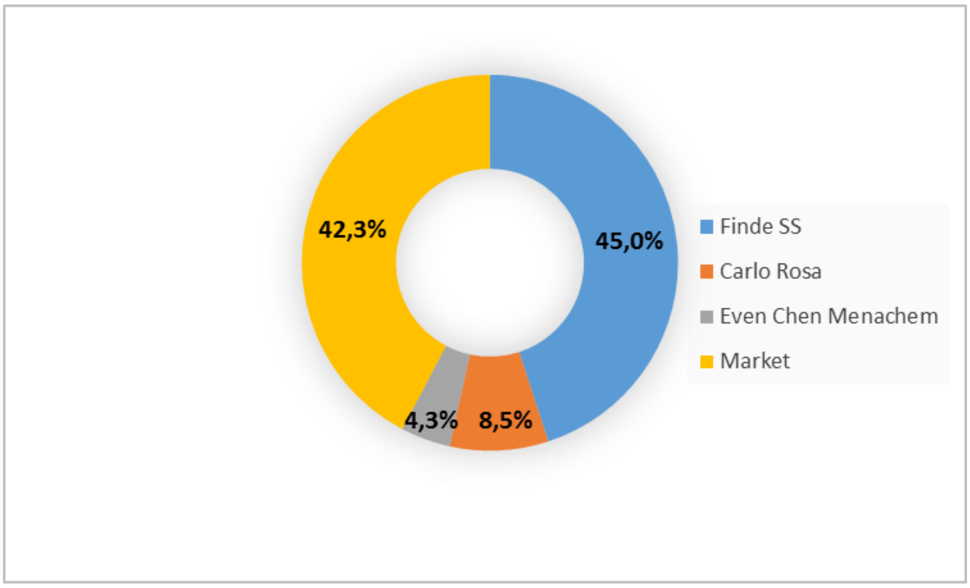
In the Export area, particular attention was dedicated to the reorganization of "Greater China" (China, Taiwan and Hong Kong), which is one of the Group's strategic markets.
Following the acquisition of Focus (Cypress – USA) in 2016, reorganization of the process of molecular activities proceeded during 2017 with the completion of the industrial and commercial structures.
In 2017, our staff went from 1,841 to 1,896 units with an increase of 3% in the various geographic areas DiaSorin operates in, considering the outsourcing of 36 units of the logistics branch.

Further staffing increases took place in Research & Development (+13%) and Sales & Marketing (+9%).

STOCK OWNERSHIP

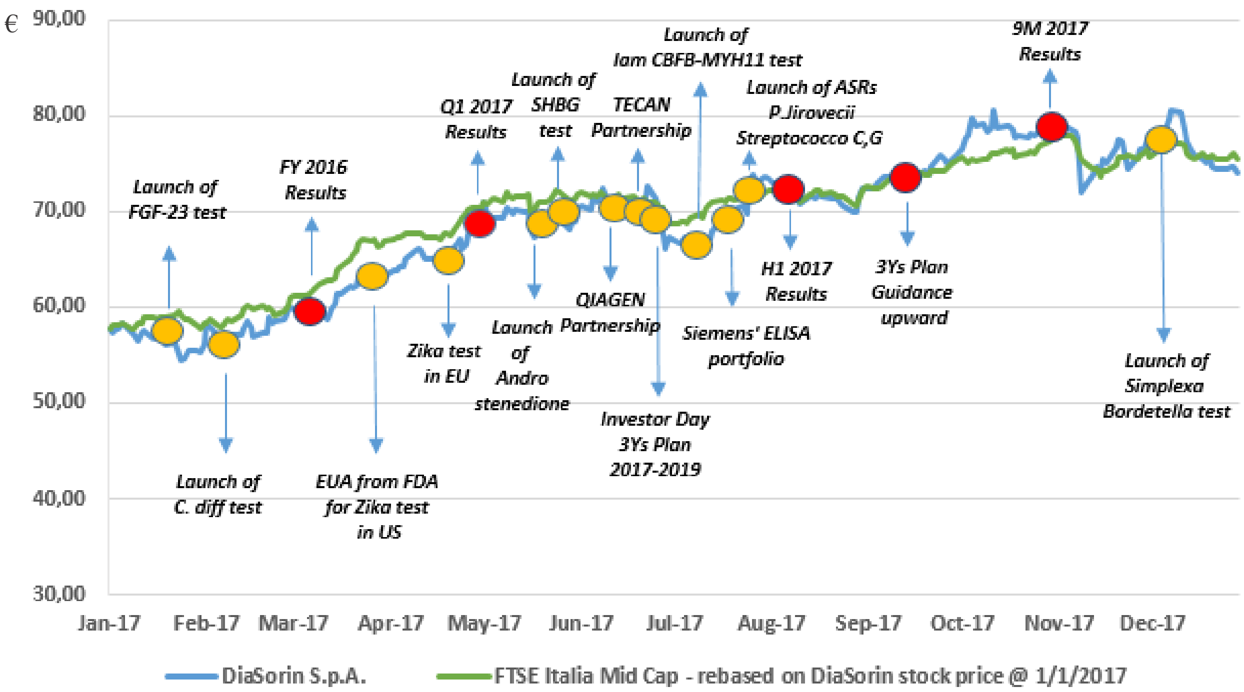
The chart below shows a breakdown of the shareholders of DiaSorin S.p.A., based on information in the Shareholder Register, disclosures received pursuant to law and other available information processed up to December 31, 2017.

IP Investimenti e Partecipazioni S.r.l. (FINDE SS) continues to be the Company's reference shareholder and a significant stake, equal to 12.8%, is held by DiaSorin's management.



PERFORMANCE OF THE DIASORIN STOCK IN 2017

In 2017, the DiaSorin stock showed an upward trend, with an increase of 28.1% as against +30.5% recorded in its reference stock market Index, the FTSE Italia Mid Cap.



FINANCIAL COMMUNICATION AND INVESTOR RELATIONS

In 2017, in order to provide complete and updated information about its objective and the development of its businesses, DiaSorin continued to implement activities to interact and communicate with shareholders, institutional investors, financial analysts and the Italian and International press.

In 2017, the Company met more than 400 analysts and investors in Europe, United States and Canada.

Financial communication is an essential interaction tool, through which DiaSorin can carry out a constant dialog with its stakeholders, in order to provide a clear understanding of corporate developments. DiaSorin also provides maximum accessibility to any corporate information and ensures utmost transparency involving its stakeholders in corporate decisions also through the Investor Relations section of the company website at www.diasorin.com.

Contact information with the offices responsible for communications and investor relations is provided below:

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Website: www.diasorin.com

HIGHLIGHTS


NET REVENUES
499.2
569.3
637.5
2015
2016
2017
EBITDA
185.0
217.3
237.9
2015
2016
2017
EBIT
152.0
172.6
184.4
2015
2016
2017
NET PROFIT FOR THE PERIOD
100.5
112.6
139.9
2015
2016
2017
NET FINANCIAL POSITION
267.9
71.2
149.3
2015
2016
2017
FREE CASH FLOW
108.2
132.2
132.1
2015
2016
2017

CONSOLIDATED FINANCIAL HIGHLIGHTS

Income statement *(in thousands of euros)*	**2017**	**2016**
Net revenues	637,487	569,312
Gross profit	431,896	389,152
EBITDA [(1)]	237,922	217,318
Operating result (EBIT)	184,420	172,611
Net profit for the period	139,878	112,618
Adjusted EBITDA [(2)]	241,185	n.a.
Adjusted EBIT [(2)]	192,085	n.a.

Statement of financial position *(in thousands of euros)*	**12/31/2017**	**12/31/2016**
Capital invested in non-current assets	460,482	473,235
Net invested capital	592,653	592,224
Net financial position	149,302	71,161
Shareholders’ equity	741,955	663,385

Cash flow statement *(in thousands of euros)*	**2017**	**2016**
Net cash flow for the period	28,872	(81,710)
Free cash flow [(3)]	132,052	132,210
Capital expenditures	42,482	37,426
Number of employees	1,896	1,841

(1) Looking at the data on the Table, the Board of Directors defines EBITDA as the “operating result (EBIT)” before amortization of intangibles and depreciation of property, plant and equipment.

(2) In order to better understand the operating and financial results, the Board of Directors defined, for the current financial year only, Adjusted EBITDA and Adjusted Ebit indicators; Adjusted EBITDA is defined as EBITDA, net of the contribution of the Siemens’ ELISA business and economic impact of the project to close the Irish facility; Adjusted EBIT is defined as the Operating Result, net of the contribution of the Siemens’ ELISA business and economic impact of the project to close the Irish facility;

(3) Free cash flow is the cash flow from operating activities, counting utilizations for capital expenditures but before interest payments and acquisitions of companies and business operations

FINANCIAL HIGHLIGHTS OF THE GROUP'S PARENT COMPANY

Income statement *(in thousands of euros)*	**2017**	**2016**
Net revenues	332,218	300,014
Gross profit	153,938	141,307
EBITDA [(1)]	89,695	80,411
Operating result (EBIT)	75,189	67,131
Net profit for the period	88,587	60,280
Statement of financial position *(in thousands of euros)*	**12/31/2017**	**12/31/2016**
Capital invested in non-current assets	336,462	254,279
Net invested capital	434,967	308,765
Net financial position	32,586	93,426
Shareholders' equity	467,553	402,191
Cash flow statement *(in thousands of euros)*	**2017**	**2016**
Net cash flow for the period [(1)]	29,628	(10,861)
Free cash flow [(2)]	49,112	41,742
Capital expenditures	28,039	13.799
Number of employees	710	668

[(1)] Looking at the data on the Table, the Board of Directors defines EBITDA as the "operating result (EBIT)" before amortization of intangibles and depreciation of property, plant and equipment.

[(2)] Free cash flow is the cash flow from operating activities, counting utilizations for capital expenditures but before interest payments and acquisitions of companies and business operations.

OVERVIEW OF THE GROUP'S PERFORMANCE IN 2017 COMPARED TO 2016

MACROECONOMIC SCENARIO AND THE FOREIGN EXCHANGE MARKET

In 2017, global economic growth continued to firm up and strengthened more than expected. The U.S. economy performed solidly along with positive growth figures recorded in Europe and Asia.

The 2018 macroeconomic scenario will remain positive, with consequent upward revision to growth forecast; a positive contribution is expected to come from the U.S. tax reform; potential risks for global growth could arise from increased volatility on exchange and financial markets.

As to monetary policies, further increases in interest rates are expected in the U.S., due to a surge in inflation; ECB will gradually slash monetary stimulus in the euro zone.

In the foreign exchange market, from the second quarter of 2017, the euro gained value against the Group's main currencies comparing exchange rates at December 31, 2016.

Particularly, 2017 saw a significant reversal of the U.S. dollar trend, (the U.S. dollar started losing ground against the Euro ending, thus, the trend that began in 2014), with a 13.8 percentage point decline (2.1% at average exchange rates) compared with December 31, 2016.

The table below provides a comparison of the average and end-of-period exchange rates for the periods under comparison concerning the main currencies used by the Group (Source: Banca d'Italia).

Currency	Average exchange rates			Exchange rates at		
	2017	2016	P&L change	12/31/2017	12/31/2016	BS change
U.S. dollar	1.1297	1.1069	2.1%	1.1993	1.0541	13.8%
Brazilian real	3.6054	3.8561	-6.5%	3.9729	3.4305	15.8%
British pound	0.8767	0.8195	7.0%	0.8872	0.8562	3.6%
Swedish kronor	9.6351	9.4689	1.8%	9.8438	9.5525	3.0%
Swiss franc	1.1117	1.0902	2.0%	1.1702	1.0739	9.0%
Czech koruna	26.3258	27.0343	-2.6%	25.5350	27.0210	-5.5%
Canadian dollar	1.4647	1.4659	-0.1%	1.5039	1.4188	6.0%
Mexican peso	21.3286	20.6673	3.2%	23.6612	21.7719	8.7%
Israeli shekel	4.0622	4.2489	-4.4%	4.1635	4.0477	2.9%
Chinese yuan	7.6290	7.3522	3.8%	7.8044	7.3202	6.6%
Australian dollar	1.4732	1.4883	-1.0%	1.5346	1.4596	5.1%
South African rand	15.0490	16.2645	-7.5%	14.8054	14.4570	2.4%
Norwegian krone	9.3270	9.2906	0.4%	9.8403	9.0863	8.3%
Polish Zloty	4.2570	4.3632	-2.4%	4.1770	4.4103	-5.3%

ACQUISITIONS OF COMPANIES AND BUSINESS COMBINATIONS

On September, 29, 2017, the DiaSorin Group completed the acquisition of ELISA immunodiagnostic business portfolio and related tangible and intangible assets from Siemens Healthcare GmbH and affiliated companies ("Siemens Healthineers").

The acquisition is consistent with DiaSorin strategy to convert clients using ELISA products to its CLIA platforms and products solution, leveraging the completeness of its CLIA menu and the features of its LIAISON platforms. ELISA business portfolio will allow DiaSorin to access a significant clients base, mostly in Europe, granting a unique opportunity to further expand its global commercial presence, creating new business opportunities to boost the promotion and marketing of the DiaSorin's CLIA products menu.

The purchased Siemens Healthineers ELISA immunodiagnostic business portfolio and the associated tangible and intangible assets include mainly the customers' sales and distribution contracts, the installed base of instruments and the relevant intellectual property. The acquisition did not include the transfer of employees nor manufacturing facility and capability.

Siemens Healthineers will continue to manufacture and provide exclusively to DiaSorin its ELISA immunodiagnostic reagent kits for a period of up to 3 years enabling a continuous supply to customers with the current Siemens Healthineers ELISA immunodiagnostic products. Siemens Healthineers ELISA immunodiagnostic products are marketed today in hospitals, private laboratories and blood banks, generating revenues in the financial year ended on September 30, 2016 of around € 47 million.

The total consideration of the acquisition was 45.5 million euros.

The Group's economic-financial results included the acquired business starting from the date of the transaction.

Further details are provided in the notes to the Consolidated Financial Statements (paragraph "Business combinations").

OVERVIEW OF 2017 FOR THE DIASORIN GROUP

In 2017, the DiaSorin Group **revenues** totaled **637,487 thousand euros** (569,312 thousand euros in 2016) up 12.0% compared with 2016 (+13.1% at CER). The foreign exchange rates had a negative impact on revenues, equal to 6 million, primarily due to the devaluation of the U.S. Dollar and Chinese Yuan partially offset by the Brazilian Real revaluation.

The abovementioned growth was impacted by the change in the scope of consolidation, both as to Focus business acquisition, finalized in May 2016, and to the recent acquisition of ELISA product portfolio business from Siemens, finalized on September 29, 2017 and consolidated as from this date.

In 2017, revenues by technology were impacted by an upward trend in molecular tests, equal to 57,110 thousand euros from 31,816 thousand euros in 2016, due both to the change in the scope of consolidation following Focus acquisition and to the organic growth in molecular business. Revenues from CLIA technology, net of Vitamin D, were up 10.6% (+11.4% at CER); conversely, a downward trend was recorded in Vitamin D sales (-1.4% at current exchange rates, -0.3% at CER). Revenues from ELISA technology strongly increased to 84,496 thousand euros (+10%) from 76,866 thousand euros in 2016, primarily due to the change in the scope of consolidation following the abovementioned acquisitions. Lastly, instruments sales, consumables and other revenues were up 12.1% (+13.4% at CER).

At the end of 2017, **gross profit** totaled **431,896 thousand euros**, up 11% compared with 389,152 thousand euros in 2016, equal to 67.7% of revenues (68.4% in 2016). This change was mainly due to the different sales mix (geography and product) and the different scope of consolidation of the periods under comparison.

EBITDA amounted to **237,922 thousand euros** (217,318 thousand euros in 2016), up 9.5% compared with 2016. The item includes the newly acquired Siemens business and one-off expenses, equal to 3.3 million euros, to close the Irish manufacturing facility. Excluding the abovementioned elements and the exchange rate impact, EBITDA grew by 13% compared with 2016.

EBIT totaled **184,420 thousand euros,** equal to 28.9% of revenues (172,611 thousand euros and equal to 30.3% in 2016). Amortization of intangible assets in connection with Focus and the newly acquired Siemens businesses amounted to 2% of revenues. EBIT was negatively impacted by the combined effect of one-off expenses to close the Irish manufacturing facility and the positive contribution of ELISA business acquired from Siemens (amounting to 7.7 million euros).

In 2017, **net financial expense** increased to **5,714 thousand euros** from 4,415 thousand euros in 2016, due to the impact of financial transactions in connection with Focus Diagnostics acquisition.

Income taxes decreased to **38,828 thousand euros** (55,578 thousand euros in 2016), with a tax rate of 21.7% as against a tax rate of 33.0% in 2016, due to the agreement with the Italian Tax Authority regulating the patent box regime. Excluding the impact of the abovementioned tax relief, normalized tax rate was equal to 32.6%.

Net profit increased to **139,878 thousand euros**, up 27,260 thousand euros or 24.2% compared with 2016, equal to 21.9% of revenues (19.8% in 2016).

REVIEW OF THE GROUP'S OPERATING PERFORMANCE AND FINANCIAL POSITION

FOREWORD

The 2017 separate financial statements were prepared in accordance with the international accounting principles ("IFRSs"), as published by the International Accounting Standards Board ("IASB") and officially approved by the European Union, and are consistent with the regulations enacted to implement Article 9 of Legislative Decree No. 38/2005.

OPERATING PERFORMANCE IN 2017 AND COMPARISON TO 2016

(in thousands of euros)	**2017**	**as % of revenues**	**2016**	**as % of revenues**
Net revenues	637,487	100.0%	569,312	100.0%
Cost of sales	(205,591)	32.3%	(180,160)	31.6%
Gross profit	**431,896**	**67.7%**	**389,152**	**68.4%**
Sales and marketing expenses	(123,184)	19.3%	(109,469)	19.2%
Research and development costs	(43,627)	6.8%	(37,718)	6.6%
General and administrative expenses	(64,689)	10.1%	(60,039)	10.5%
Total operating expenses	**(231,500)**	**36.3%**	**(207,226)**	**36.4%**
Other operating income (expenses)	(15,976)	2.5%	(9,315)	1.6%
Non-recurring amount	*(12,022)*	*1.9%*	*(5,426)*	*1.0%*
EBIT	**184,420**	**28.9%**	**172,611**	**30.3%**
Financial income (expense)	(5,714)	0.9%	(4,415)	0.8%
Result before taxes	**178,706**	**28.0%**	**168,196**	**29.5%**
Income taxes	(38,828)	6.1%	(55,578)	9.8%
Net result	**139,878**	**21.9%**	**112,618**	**19.8%**
EBITDA (1)	**237,922**	**37.3%**	**217,318**	**38.2%**
Adjusted EBIT (2)	**192,085**	**30.6%(*)**	**n.a.**	**n.a.**
Adjusted EBITDA (2)	**241,185**	**38.4%(*)**	**n.a.**	**n.a.**

(1) With regard to the income statement data provided above, please note that the Board of Directors defines EBITDA as the "result from operations" before amortization of intangibles and depreciation of property, plant and equipment. EBITDA, which the Company uses to monitor and assess the Group's operating performance, are not recognized as an accounting tool in the IFRSs and, consequently, should not be viewed as an alternative gauge to assess the Group's operating performance. Because the composition of EBITDA is not governed by the reference accounting principles, the computation criterion used by the Group could be different from the criterion used by other operators and/or groups and, consequently, may not be comparable.

(2) In order to better understand the operating and financial results, the Board of Directors defined, for the current financial year only, Adjusted EBITDA and Adjusted Ebit indicators; Adjusted EBITDA is defined as EBITDA, net of the contribution of the Siemens' ELISA business and economic impact of the project to close the Irish facility; Adjusted EBIT is defined as the Operating Result, net of the contribution of the Siemens' ELISA business and economic impact of the project to close the Irish facility;

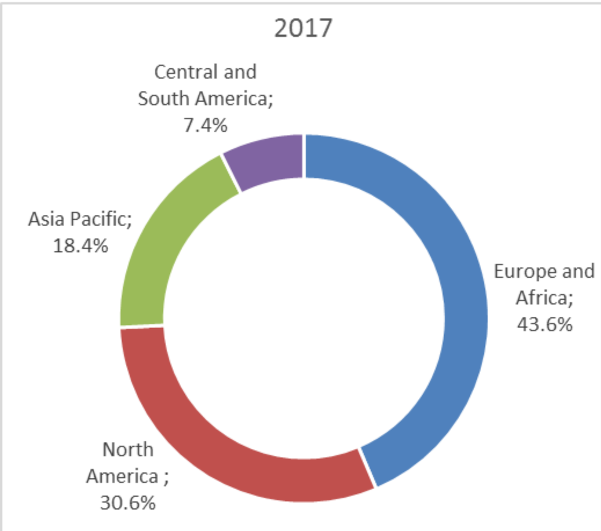
(*) Calculated as the ratio between Adjusted EBITDA and Adjusted EBIT on revenues, net of the Siemen's ELISA business contribution

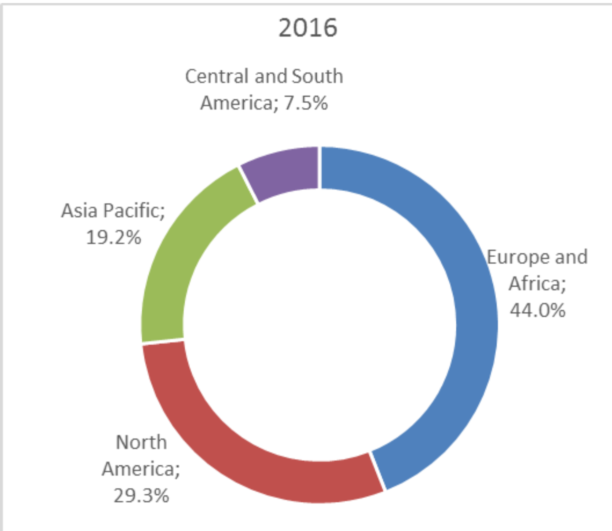
Net revenues

In 2017, the DiaSorin Group generated **revenues** equal to **637,487 thousand euros** (569,312 thousand euros in 2016). A breakdown of revenues by geographic region of destination is as follows:

Breakdown of revenues by geographic region

(in thousands of euros)	**2017**	**2016**	**% Change at current exchange rates**	**% Change at constant exchange rates**
Europe and Africa	278,020	250,542	11.0%	11.3%
North America	195,084	166,880	16.9%	19.3%
Asia Pacific	117,020	109,331	7.0%	9.2%
Central and South America	47,363	42,559	11.3%	8.9%
Group Total	**637,487**	**569,312**	**12.0%**	**13.1%**





Comments below on net revenues include revenues generated from Focus business, completed in May 2016, and from Siemens' ELISA business, completed on September 29, 2017.

Europe and Africa

Europe and Africa sales region generated sales equal to 278,020 thousand euros, up 11 percentage points compared with 2016 (+11.3% at CER). In detail:

i) Revenues up 6.8% in Italy compared with last year (local market up 2%)[1], with an increase in sales of Infectious Diseases, PCT, Vitamin D, Stool Testing, 1,25 Vitamin D.

ii) growth of 11.8% in the German market compared with 2016, due to the combined effect of the acquisition of Siemens' ELISA business and of an upward trend in 1,25 Vitamin D and Stool Testing sales. Following this performance, CLIA products, net of Vitamin D, increased by 8.2 percentage points, compared with 2016;

[1] Source EDMA latest data available

iii) good performance recorded in the French market, up 8.2% compared with 2016, primarily as a result of CLIA sales, net of Vitamin D, with an increase of 7.4%. This trend is even more relevant when compared to a declining local market (-1.8%)[1].

North America

In 2017, the North America sales region reported revenues of 195,084 thousand euros, up 16.9% (+19.3% at CER) compared with 2016 (166,880 thousand euros). This upward trend, fully driven by the US market, is attributable both to the good performance of molecular products (combined effect of the change in the scope of consolidation and strong performance of these products) and to the CLIA panel, particularly Torch and Infectious Diseases. Conversely, Vitamin D sales showed a downward trend due to price erosion.

Asia Pacific

In 2017, revenues of the Asia Pacific sales region amounted to 117,020 thousand euros, up 7.0% (+9.2% at CER) compared with 2016.

The change (at CER) is the net result of:

i) upward trend in sales generated from the Chinese market, with a growth of 15.5% compared with 2016, due to the good performance of CLIA products (Infectious Diseases, Hepatitis and Retrovirus), Murex products and increased instrument sales;

ii) decline in sales generated from markets where the Group does not have a direct presence (-7.1% at current exchange rates or -6.7% at CER);

iii) strong performance in the Australian market (+31.8%) for all product line (molecular, ELISA and CLIA).

Central and South America

In 2017, the Latin American sales region recorded revenues of 47,363 thousand euros, up 11.3 percentage points (+8.9% at CER) compared with 42,559 thousand euros in 2016.

The increase at CER is the net result of:

i) sales in the Brazilian market up 25.7% percentage points compared with 2016. This trend was impacted both by the acquisition of Siemens' ELISA business and by a positive performance of CLIA products, net of Vitamin D, up 20.3%;

ii) sales generated from the Mexican subsidiary were substantially in line compared with prior year (+0.5%), due to an increase in sales of reagents (ELISA and CLIA), equal to 5.2%, offset by lower instrument sales;

iii) decline in sales generated from distributors (down 4.2%), mainly due to lower sales in the Venezuelan market.

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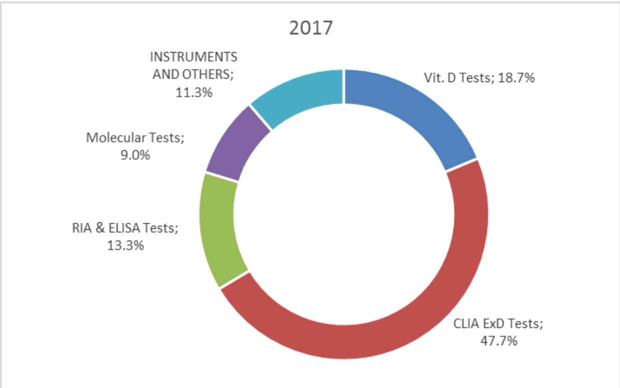
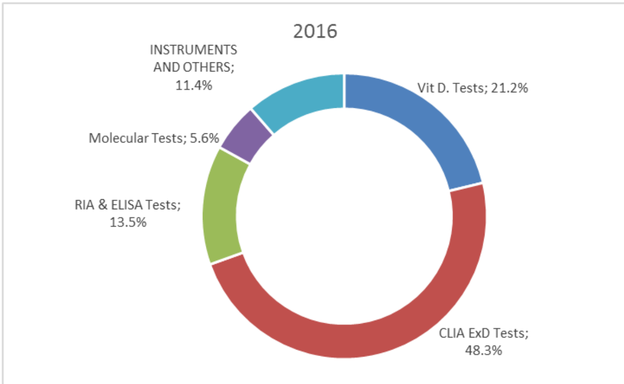
[1] Source EDMA latest data available

Breakdown of revenues by technology and installed base

	2017	2016
Vit. D tests	18.7%	21.2%
CLIA tests, ex Vit D	47.7%	48.3%
RIA & ELISA tests	13.3%	13.5%
MOLECULAR tests	9.0%	5.6%
INSTRUMENTS AND OTHER SALES	11.3%	11.4%





Comments below about net revenues include revenues generated from Focus and Siemens businesses.

In 2017, CLIA sales accounted for 66.4% of the Group's total revenues as against 69.5% in 2016, due to the combined effect of the following phenomena: increased contribution provided by molecular technology and unchanged percentage of ELISA technology (despite the abovementioned change in the scope of consolidation), stable Vitamin D revenues (resulting in a dilutive effect on CLIA total products). Conversely, CLIA products, ex Vitamin D, showed a slight decline. ELISA sales accounted for 13.3%, substantially stable in terms of percentage due to the change in the scope of consolidation. Molecular contribution increased to 9.0% from 5.6% both due to the change in the scope of consolidation following Focus acquisition (finalized in May 2016) and to the organic growth. Instruments and other sales were equal to 11.3%, in line with 2016.

Lastly, as to the installed base trend, net placements amounted to 536 instruments, for a total of 7,398 installed units. LIAISON XL new installations were equal to 655.

Operating performance

At the end of 2017, gross profit totaled 431,896 thousand euros, up 11% as against 389,152 thousand euros in 2016; the ratio of gross profit to revenues decreased to 67.7%, from 68.4% in 2016. This change was mainly due to different sales mix (geography and product) and the different scope of consolidation of the periods under comparison.

Operating expenses totaled 231,500 thousand euros, up 11.7 percentage points compared with the previous year. The ratio of operating expenses to total revenues decreased to 36.3% from 36.4%. Full-year 2017 included 13,152 thousand euros in amortizations related to intangible assets deriving from the recent acquisitions, net of which the ratio of operating expenses decreased by 2 percentage points.

Specifically, sales and marketing expenses, amounting to 123,184 thousand euros, increased by 13,715 thousand euros or 12.5% compared with 2016 (109,469 thousand euros). This item consists mainly of costs associated with sale force and costs incurred to launch new products, in addition to costs of the technical support offered together with the Group-owned equipment provided to customers under gratuitous loan contracts. The increase in these expenses, in addition to higher business volumes, is due to amortizations of Siemens' intangible assets (recognized from October 1) and to amortization of intangible assets concerning the molecular business that were recognized for the whole 2017, while they were recognized in the 2016 income statement only from May 2016.

Research and development costs, equal to 43,627 thousand euros, up 15.7% as against 37,718 thousand euros in 2016, mainly due to the amortization of intangible assets following the change in the scope of consolidation. Their ratio to total revenues was equal to 6.8 percentage points as against 6.6 percentage points in 2016.

General and administrative expenses increased by 7.7% for an amount equal to 64,689 thousand euros; their ratio to total revenues was equal to 10.1% (down 10.5% in 2016).

Other operating expenses, equal to 15,976 thousand euros (9,315 thousand euros in 2016) include 12,022 thousand euros in one-off costs, mainly provisions for restructuring charges incurred to close the Irish manufacturing facility.

In 2017, EBITDA amounted to 237,922 thousand euros (217,318 thousand euros in 2016) and reflected both the positive contribution of Siemens' ELISA business and the negative contribution of one-off costs to close the Irish manufacturing facility (net impact of EUR 3.3 million). When excluding the abovementioned elements and the adverse currency movements, EBITDA grew by 13% compared with 2016, with an incidence to revenues equal to 38.7% in 2017 from 38.2% in 2016.

EBIT totaled 184,420 thousand euros (172,611 thousand euros in 2016), equal to 28.9% of revenues (30.3% of revenues in 2016). Amortizations of Focus' and Siemens' intangible assets accounted for 2% of total revenues. As already mentioned in this Report, one-off costs to close the Irish manufacturing facility and the positive contribution of Siemens' ELISA business impacted on EBIT for an amount equal to 7.7 million.

Financial income and expense

In 2017, net financial expense amounted to 5,714 thousand euros, as against net financial expense of 4,415 thousand euros in 2016.

Interest expense and other financial expense amounted to 3,819 thousand euros (2,453 thousand euros in 2016). The increase is due to the financial transactions related to Focus acquisition.

Foreign exchange differences on financial items were negative by 1,922 thousand euros (negative by 1,217 thousand euros in 2016) due to the impact of exchange rates fluctuations on financial balances expressed in currencies other than the reporting currency.

Fees on factoring transactions totaled 314 thousand euros (Euro 652 thousand euros in 2016), collection of interests accrued on past-due positions and on bank deposits amounted to 1,223 thousand euros (1,071 thousand euros in 2016).

Profit before taxes and net profit

The 2017 reporting year ended with a result before taxes of 178,706 thousand euros, up 6.2% compared with 168,196 thousand euros in 2016, equal to 28% of revenues (29.5% in 2016).

Income taxes amounted to 38,828 thousand euros (55,578 thousand euros in 2016), with a 21.7% tax rate as against 33.0% in 2016, due to the agreement with the Italian Tax Authority regulating the patent box regime. Excluding the impact of the abovementioned tax relief, normalized tax rate was equal to 32.6%.

Finally, consolidated net profit increased to 139,878 thousand euros, up 27,260 thousand euros or 24.2% compared with 2016 (equal to 21.9% of revenues up from 19.8% in 2016).

STATEMENT OF FINANCIAL POSITION OF THE GROUP AT DECEMBER 31, 2017

On September 29, 2017, the DiaSorin Group completed the acquisition of ELISA immunodiagnostic business portfolio and related tangible and intangible assets from Siemens Healthcare GmbH ("Siemens Healthineers").

The process of assessing the acquired assets has not yet been completed. Further details are provided in the notes to the Financial Statements (paragraph "Business combinations").

A statement of financial position of the Group at December 31, 2017 is provided below:

(in thousands of euros)	**12/31/2017**	**12/31/2016**
Goodwill and intangible assets	344,350	357,086
Total property, plant and equipment	92,332	92,134
Other non-current assets	23,800	24,015
Net working capital	190,717	165,046
Assets held for sale	4,000	-
Other non-current liabilities	(62,546)	(46,057)
Net invested capital	**592,653**	**592,224**
Net financial position	**149,302**	**71,161**
Total Shareholders' equity	**741,955**	**663,385**

Non-current assets decreased to 460,482 thousand euros at December 31, 2017 (473,235 thousand euros at December 31, 2016), mainly due to foreign exchange translation losses that were partially offset by the goodwill of Siemens acquisition.

Non-current liabilities amounting to 62,546 thousand euros, up by 16,489 thousand euros compared with December 31, 2016, include employees benefits and provisions for risks and charges.

A breakdown of net working capital is provided below:

(in thousands of euros)	**12/31/2017**	**12/31/2016**
Trade receivables	128,822	120,261
Inventory	142,802	128,870
Trade payables	(62,331)	(47,674)
Other current assets/liabilities (1)	(18,576)	(36,411)
Net working capital	**190,717**	**165,046**

(1) The item "Other current assets/liabilities" is defined as the algebraic sum of receivables and payables other than financial and commercial items.

In 2017, net working capital increased by 25,671 thousand euros, as a result of an increase in trade receivables following a growth both in revenues in the last quarter of 2017 and in inventories to support the growth in business.

At December 31, 2017, consolidated net financial position was positive by 149,302 thousand euros following the financial outlay for the Siemens acquisition. Further details are provided in the section on consolidated statement of cash flow.

A condensed net financial position schedule is shown below:

(in thousands of euros)	**12/31/2017**	**12/31/2016**
Cash and cash equivalents	159,340	130,468
Liquid assets (a)	**159,340**	**130,468**
Other current financial assets (b)	**13,974**	**-**
Current bank debt	(23,910)	(26,512)
Derivative financial instruments	-	(5,502)
Current financial liabilities (c)	**(23,910)**	**(32,014)**
Net current financial assets (d)=(a)+(b)+(c)	**149,404**	**98,454**
Non-current bank debt	(102)	(23,888)
Derivative financial instruments	-	(3,405)
Non-current financial liabilities (e)	**(102)**	**(27,293)**
Net financial position (f)=(d)+(e)	**149,302**	**71,161**

At December 31, 2017, shareholders' equity amounting to 741,955 thousand euros (663,385 thousand euros at December 31, 2016) included no. 548,857 treasury shares, equal to 0.98% of the share capital, valued at 22,183 thousand euros, following the exercise of no. 641,093 Company common shares for the 2014 Stock Option Plan at an average price of 30.7313 euros, leading to a consequent reduction in treasury shares equal to 15,842 thousand euros.

The table below shows a reconciliation of the net result and shareholders' equity of the Group's Parent Company to the corresponding consolidated data at December 31, 2017:

(in thousands of euros)	**Net result in 2017**	**Shareholders' equity at 12/31/2017**
Amount in the financial statements of the Parent Company DiaSorin S.p.A	**88,587**	**467,553**
Difference between the carrying amount of equity investments and the value of the underlying shareholders' equity	-	293,921
Profits/(Losses) of consolidated companies	123,217	-
Elimination of unrealized intra-Group profits, net of the applicable tax effect	(54,167)	(19,519)
Elimination of intra-Group dividends	(17,759)	-
Amount in the consolidated financial statements	**139,878**	**741,955**

ANALYSIS OF CONSOLIDATED CASH FLOWS

A complete statement of consolidated cash flows is provided in the financial statements. A schedule showing a condensed consolidated statement of cash flows, followed by a review of the main statement items and the changes that occurred compared to 2016, is provided below.

(in thousands of euros)	**2017**	**2016**
Cash and cash equivalents at beginning of period	**130,468**	**212,178**
Net cash from operating activities	167,440	165,597
Cash used for investing activities	(37,978)	(34,884)
Cash used from/(for) financing activities	(55,556)	(5,864)
Acquisitions of subsidiaries and business operations	(31,544)	(263,587)
Change in net cash before investments in financial assets	***42,362***	***(138,738)***
Investments in financial assets	(13,490)	57,028
Change in net cash	***28,872***	***(81,710)***
Cash and cash equivalents at end of period	**159,340**	**130,468**

At December 31, 2017, available **liquid assets** held by the Group totaled **159,340 thousand euros**, up by 28,872 thousand euros compared with December 31, 2016.
The cash flow from operating activities increased to 167,440 thousand euros from 165,597 thousand euros in 2016, resulting from the growth in the operating result offset by a downward trend in working capital compared with 2016. Tax payments amounted to 59,499 thousand euros (compared with 51,534 thousand euros in 2016), consisting mainly of the Group's Parent Company and US subsidiaries' income taxes.
Net cash in investing activities increased to 37,978 thousand euros, compared with 34,884 thousand euros in 2016. In addition, development costs of 7,663 thousand euros were capitalized in 2017, compared with 5,190 thousand euros in 2016.
Capital expenditures for medical equipment amounted to 15,026 thousand euros (18,830 thousand euros in 2016).

In 2017, **free cash flow** amounted to **132,052 thousand euros**, in line with 132,210 thousand euros in 2016.

Net cash for financing activities totaled 55,556 thousand euros, compared with 5,864 thousand euros in 2016.
Repayment made as per reimbursement plan amounted to 26,327 thousand euros, sale of treasury shares for the 2014 stock Option Plan amounted to 19,702 thousand euros and distribution of dividends were equal to 43,807 thousand euros (35,719 thousand euros in 2016).

Lastly, in 2017, the US subsidiary subscribed term deposits exceeding three months (for an amount equal to EUR 13.5 million).

NON-RECURRING MATERIAL TRANSACTIONS AND ATYPICAL AND/OR UNUSUAL TRANSACTIONS

Consistent with Consob Communication No. DEM/6064293 of July 28, 2006, the Group did not carry out any atypical and/or unusual transactions, as defined by the Consob Communication. The abovementioned Consob Communication defines as atypical and/or unusual transactions those transactions that, because of their significance/materiality, type of counterparty, purpose, method used to determine the transfer price and timing (close to the end of the year), could give rise to doubts with regard to: the accuracy/completeness of the disclosure provided in the financial statements, conflict of interests, safety of the corporate assets and protection of minority shareholders.

Non-recurring material extraordinary events and transactions occurred in 2017 include the acquisition of Siemens Healthcare GmbH and affiliated companies (“Siemens Healthineers”), its ELISA immunodiagnostic business portfolio and the associated tangible and intangible assets, whose impact on the Company’s financial position is fully described in the paragraph “Acquisitions of companies and business operations” of this Report.

In the second half of 2017, the Group started a reorganization process to progressively close the Irish manufacturing facility and transfer the product lines to other Group’s companies, including the Group’s Parent Company.

MAIN RISKS AND UNCERTAINTIES TO WHICH DIASORIN S.P.A. AND THE GROUP ARE EXPOSED

Risks related to general economic conditions

The income statement and financial position of DiaSorin S.p.A. and the Group are unavoidably affected by macroeconomic factors beyond the Company's control.

In the vast majority of the markets where the Group operates, the products distributed by the DiaSorin Group are part of basic medical care coverage, which, generally, is funded by national health services. In 2017, as was the case in the last years, some countries where the Group operates questioned costs of welfare system, in which health care has a central role. This phenomenon can lead to increase pressure to reduce refunds for medical care and, in some cases, the volume of laboratory tests ordered by physicians.

This implies an impact on the market where DiaSorin operates, despite diagnostics accounts for only a marginal portion of health care spending in the main industrialized countries.

Risks related to the Group's international presence and expansion

Because of their presence in several countries in Europe and elsewhere in the world, the Company and the Group are exposed to numerous risk factors. Moreover, the Group's success and its international development are tied to its ability to expand sales of its products to emerging markets. However, under the current economic conditions, the Group's expansion in these markets entails some risk exposure, including the potential threat of social, economic and political instability.
Furthermore, in countries where it does not operate through a subsidiary, the Group uses independent distributors to sell its products. As a rule, these distributors are small or medium-size companies with limited financial resources, whose risk could be to slow sales growth in the abovementioned countries or increase the risk that a distributor may become insolvent.

Risks related to funding requirements

A prudent cash management strategy includes maintaining sufficient cash or readily available assets and credit lines, to meet immediate liquidity needs. Cash flows, funding requirements and liquidity levels are monitored centrally to ensure promptly and effectively the availability of financial resources and invest appropriately any excess liquidity.

Management believes that the funds and credit lines currently available, when combined with the resources generated by operating and financing activities, will enable the Group to meet the obligations resulting from its capital investment programs, working capital requirements and the need to repay its indebtedness upon maturity.

Credit Risk

In some countries, Italy and Spain in particular, the Company's and the Group's liquidity is constrained by the limited funding ability of the national health system and, as a result, the actual time to collection is significantly longer than the contractual payment terms. In order to compensate for this difference between contractual and actual payment terms, the Group enters in Italy into factoring transactions, assigning the corresponding receivables without recourse. Therefore, credit risk is not material.

Risks related to fluctuations in foreign exchange and interest rates

The Group operates in countries and markets where the reporting currency is not the euro and, consequently, it is exposed to the risk related to fluctuation in foreign exchange rates. The main currencies exposing the Group to risk of fluctuations in exchange rates are the US Dollar (accounting for about 34% of revenues in 2017), the Chinese yuan (accounting for about 10% of revenues in 2017), and the Brazilian real (accounting for about 3% of revenues in 2017). Future fluctuations of the euro versus other currencies may have a positive/negative impact on the income statement, balance sheet and financial position of the Company and the Group.

As for fluctuations in interest rates, the negative impact would not be material considering the low level of indebtedness of the Group.

Commercial risk

DiaSorin operates in a market characterized by major competitors that use particularly aggressive strategies and exert pressure on sales price. This applies to high volume products, the so-called main stream products, that are presented by every competitor. To limit this situation, DiaSorin developed an important specialty menu to enter niche markets. It is also worth mentioning the strong performance of 1,25 Vitamin D, Infectious Diseases, Endocrinology and Gastrointestinal panels. Furthermore, following the trend recorded in countries where small lab chains merged into big chains, there could be a concentration of revenues from some major customers, especially in the United States. Potential risks connected to this phenomenon are mitigated through the adoption of long-term contracts.

SIGNIFICANT EVENTS OCCURRING AFTER DECEMBER 31, 2017 AND BUSINESS OUTLOOK

On February 22, 2018, DiaSorin and Trivitron Healthcare Group finalized an agreement under which Trivitron Healthcare Group sold its minority share, equal to 49%, to DiaSorin Inc. The interest was held in DiaSorin Trivitron Healthcare Private Limited joint venture operating in India as the exclusive distributor of DiaSorin products, with the consequent resolution of the contractual agreements in place for the management of the company (i.e. Shareholders Agreement).

In light of the Group's operating performance after December 31, 2017 and taking into account possible evolutions of the global macroeconomic scenario and the diagnostic sector in particular, the management believes that in 2018, DiaSorin will succeed in reporting:

- Revenues: growth equal to +11% at CER compared with 2017
- EBITDA: growth equal to +13% at CER compared with 2017

REVIEW OF THE OPERATING PERFORMANCE AND FINANCIAL POSITION OF DIASORIN S.P.A.

FOREWORD

The 2017 separate financial statements were prepared in accordance with the international accounting principles ("IFRSs"), as published by the International Accounting Standards Board ("IASB") and officially approved by the European Union, and are consistent with the regulations enacted to implement Article 9 of Legislative Decree No. 38/2005.

INCOME STATEMENT FOR THE YEARS 2017 AND 2016

INCOME STATEMENT				
(in thousands of euros)	**2017**	**as % of revenues**	**2016**	**as % of revenues**
Net revenues	332,218	100.0%	300,014	100.0%
Cost of sales	(178,280)	53.7%	(158,707)	52.9%
Gross profit	**153,938**	**46.3%**	**141,307**	**47.1%**
Sales and marketing expenses	(31,233)	9.4%	(27,877)	9.3%
Research and development costs	(17,264)	5.2%	(14,547)	4.8%
General and administrative expenses	(29,882)	9.0%	(28,455)	9.5%
Total operating expenses	**(78,379)**	**23.6%**	**(70,879)**	**23.6%**
Other operating income (expenses)	(370)	0.1%	(3,297)	1.1%
Non-recurring amount	*(1,961)*	*0.6%*	*(2,225)*	*0.7%*
EBIT	**75,189**	**22.6%**	**67,131**	**22.4%**
Financial income (expense)	16,601	5.0%	15,027	5.0%
Result before taxes	**91,790**	27.6%	**82,158**	27.4%
Income taxes	(3,203)	1.0%	(21,878)	7.3%
Result for the year	**88,587**	**26.7%**	**60,280**	**20.1%**
EBITDA (1)	**89,695**	**27.0%**	**80,411**	**26.8%**

(1) With regard to the income statement data provided above, please note that the Board of Directors defines EBITDA as the "result from operations" before amortization of intangibles and depreciation of property, plant and equipment. EBITDA, which the Company uses to monitor and assess the Group's operating performance, are not recognized as an accounting tool in the IFRSs and, consequently, should not be viewed as an alternative gauge to assess the Group's operating performance. Because the composition of EBITDA is not governed by the reference accounting principles, the computation criterion used by the Group could be different from the criterion used by other operators and/or groups and, consequently, may not be comparable

Net revenues

In 2017, the Group's Parent Company reported net revenues of 332,218 thousand euros, up by 32,204 thousand euros (+10.7%) compared with 2016. Despite the contribution from sale channels, the strongest impulse to growth came from third customers (+17.6% compared with 2016) and from subsidiaries (+9.9%). The following table provides a breakdown of the Group's Parent Company's revenues by geographic region of destination.

Breakdown of revenues by geographic region

(in thousands of euros)	**2017**	**2016**	**Change%**
Revenues from third customers – Italy	**72,476**	**67,871**	**6.8%**
Revenues from third customers – international	**69,009**	**58,665**	**17.6%**
Asia Pacific	31,588	28,441	11.1%
Europe and Africa	21,802	17,386	25.4%
Central and South America	15,517	12,838	20.9%
North America	102	-	0.0%
Intercompany revenues	**190,733**	**173,478**	**9.9%**
Europe and Africa	103,101	86,746	18.9%
Asia Pacific	42,291	46,136	-8.3%
North America	33,514	28,626	17.1%
Central and South America	11,827	11,970	-1.2%
Total	**332,218**	**300,014**	**10.7%**

In 2017, the Group's Parent Company's revenues amounted to 72,476 thousand euros in the domestic market, with an increase of 4,605 thousand euros, equal to 6.8%. Despite a stable internal market, this strong growth was driven by Infectious Diseases, Procalcitonin, Vitamin D, Stool Testing, 1,25 Vitamin D and Hepatitis. Decrease in sales of Tumor markers and Thyroid tests, in addition to shrinking RIA sales providing a marginal contribution to the domestic market.

Third-party revenues from international customers amounted to **69,009 thousand euros**, up by 10,344 thousand euros compared with 2016 (+17.6%). Europe and Africa markets made the strongest contribution to the sales growth (+25.4%), including Egyptian market, mainly for Murex products, followed by Central and South America market with constant sales amounting to 15,517 thousand euros, up 20.9% compared with 2016. Colombia and Peru recorded a major growth; noteworthy contribution provided by ELISA product portfolio recently acquired from Siemens.

Intercompany Revenues, equal to **190,733 thousand euros**, had a significant increase (17,255 thousand euros or +9.9%). Particularly:

i) steady growth amounting to 16,355 thousand euros or +18.9% in the European markets, driven by strong results in France, Germany, United Kingdom and Spain;

ii) increase of 17.1% in sales generated in North America, driven by Infectious Diseases and Prenatal Screening panels;

iii) downward trend in the Asian markets, amounting to 3,845 thousand euros (-8.3%), due to Murex sales in countries now served via distributors;

iv) stable sales in Central and South America (-1.2%); increased sales in the Brazilian market offset by a downward trend in the Mexican market.

Breakdown of revenues by technology

% of revenues contributed	**2017**	**2016**
CLIA Tests	66.7%	68.6%
RIA & ELISA Tests	9.3%	9.2%
MOLECULAR Tests	0.1%	0.0%
INSTRUMENT SALES AND OTHER REVENUES	21.1%	22.0%
FOCUS	2.8%	0.2%
Total	**100.0%**	**100.0%**

Revenues by technology were impacted by the acquisition of Siemens' ELISA business, resulting in a higher contribution provided to the Parent Company's total revenues, equal to 9.3%. Higher contribution provided through Focus business throughout 2017. CLIA technology, even with a slight decrease in the contribution provided due to the abovementioned effects, increased to 16,609 thousand euros (+8.1%), confirming the outstanding performance of LIAISON XL and its product menu.

Finally, it should be noted the increasing number of LIAISON XL automated analyzer's installed base on the Group's Parent Company's domestic market, equal to 58 units compared with 2016. At December 31, 2017, the overall installed base totaled 889 analyzers, out of which 469 LIAISON XL.

Operating result

Gross profit totaled 153,938 thousand euros, up by 8.9% compared with 2016; the ratio of gross profit to revenues slightly decreased in 2017 (-0.8%), mainly as a result of the different contribution provided by sales channel, primarily higher sales from international distributors, due to their different profitability.

Operating expenses amounted to 78,379 thousand euros, an increase of 7,500 thousand euros compared with 2016; unchanged ratio to revenues, amounting to 23.6%.

Other operating expenses equal to 370 thousand euros include translation adjustment on commercial items (negative by 549 thousand euros in 2017, positive by 942 thousand euros in 2016) and 1,770 thousand euros in additions to the allowances for doubtful accounts (4,218 thousand euros in 2016).

Non-recurring expenses amounted to 1,961 thousand euros compared with 2,225 thousand euros in 2016, due to the acquisition of Siemens' ELISA business finalized in September 2017.

EBITDA amounted to 89,695 thousand euros, up by 11.5% compared with 80,411 thousand euros in 2016 and equal to 27% of revenues (substantially unchanged compared with 26.8% of revenues in 2016).

EBIT amounted to 75,189 thousand euros, an increase of 8,058 thousand euros compared with 2016 (+12%) and equal to 22.6 % revenues, in line with 2016.

Financial performance

In 2017, net financial income amounted to 16,601 thousand euros compared with 15,027 thousand euros in 2016.

Dividends received from subsidiaries increased to 17,759 thousand euros from 13,749 thousand euros in 2016.

Fees on factoring transactions drop to 314 thousand euros (652 thousand euros in 2016), the collection of interests accrued on past-due position totaled 366 thousand euros (694 thousand euros in 2016).

Net interest income equal to 3,230 thousand euros (3,269 thousand euros in 2016), from Group companies are generated from cash pooling, amounting to 66 thousand euros and loans provided to subsidiaries, equal to 3,164 thousand euros.

Foreign exchange differences on other financial balances, which were negative by 1,448 thousand euros (negative by 732 thousand euros in 2016) include a positive amount of 6,321 thousand euros for the closure of hedging instruments (expense of 1,934 thousand euros in 2016). Negative exchange differences, instead, on intercompany financing facilities and bank accounts amounted to 7,769 thousand euros (positive by 1,437 thousand euros in 2016).

Profit before taxes and net profit

In 2017, the Parent Company's profit before taxes amounted to 91,790 thousand euros, up 11.7% compared with 82,158 thousand euros in 2016, mainly as a result of the increase in operating profit. Profit before taxes was equal to 27.6% of revenues, in line with 2016 (27.4% of revenues in 2016).

The income tax liability for 2017 amounted to 3,203 thousand euros, compared with 21,878 thousand euros in 2016. The tax rate was equal to 3.4%: the decrease was due to the agreement with the Italian Tax Authority regulating the patent box regime. Excluding the impact of the abovementioned tax relief, normalized tax rate was equal to 24.6% (26.6% in 2016).

Lastly, the net profit increased to 88,587 thousand euros, up by 47% compared with 60,280 thousand euros in 2016, equal to 26.7% of revenues (equal to 20.1% of revenues) deriving from the combined effect commented above.

Statement of financial position of the Group's Parent Company at December 31, 2017

The table below shows a breakdown of the financial position of the Group's Parent Company at December 31, 2017:

(in thousands of euros)	**12/31/2017**	**12/31/2016**
Total intangible assets	98,932	76,274
Total property, plant and equipment	40,742	30,156
Equity investments	186,557	100,737
Other non-current assets	5,637	5,096
Net working capital	127,294	108,946
Other non-current liabilities	(24,195)	(12,444)
Net invested capital	**434,967**	**308,765**
Net financial position	**32,586**	**93,426**
Shareholders' equity	**467,553**	**402,191**

Non-current assets increased to 331,868 thousand euros (212,263 thousand euros at December 31, 2016) as a result of the acquisition of the Siemens business and equity interests in DiaSorin Inuk and DiaSorin Ireland by DiaSorin Diagnostic Ireland Limited to reorganize the Group and close the Irish manufacturing site.

Non-current liabilities increased to 24,195 thousand euros, up by 11,751 thousand euros compared with December 31, 2016 and include employees benefits, provisions for risks and charges and long-term payables deriving from the Siemens acquisition.

A breakdown of net working capital is provided below:

(in thousands of euros)	**12/31/2017**	**12/31/2016**	**Change**
Trade receivables	96,618	91,042	5,576
Inventories	90,819	74,534	16,285
Trade payables	(65,049)	(43,337)	(21,712)
Other current assets/liabilities [1]	4,906	(13,293)	18,199
Net working capital	**127,294**	**108,946**	**18,348**

(1) The item other current assets/liabilities is defined as the algebraic sum of receivables and payables other than financial and commercial items.

Net working capital recorded an increase of 18,348 thousand euros year-over-year. The increase of 16,285 thousand euros, equal to 21.8%, in inventories compared with December 31, 2016 is due to the growth in manufacturing volumes to support higher revenues in addition to inventories to support the Siemens business.

Trade receivables increased by 5,576 thousand euros compared with December 31, 2016, following the growth in revenues.

Trade payables increased by 21,712 thousand euros (including 6,935 thousand euros in liabilities owed to Group companies), due to increased business volumes.

At December 31, 2017, the Parent Company's **net financial position** was **positive by 32,586 thousand euros**, down by 60,840 thousand euros compared with the previous year, as a result of the acquisition of the Siemens business and the reorganization and closure of the Irish manufacturing site. Further details are provided in the section on consolidated statement of cash flow of DiaSorin S.p.A.

The table that follows provides a breakdown of the net financial position:

(in thousands of euros)	**12/31/2017**	**12/31/2016**
Cash and cash equivalents	101,466	71,838
Liquid assets (a)	**101,466**	**71,838**
Other current financial assets	484	-
Current financial receivables owed by Group companies	81,720	62,260
Other current financial assets (b)	**82,204**	**62,260**
Current bank debt	(23,889)	(23,888)
Derivative financial instruments	-	(5,502)
Current financial liabilities owed to Group companies	(131,789)	(26,005)
Current financial liabilities (c)	**(155,678)**	**(55,395)**
Net current financial assets (d)=(a)+(b)+(c)	**27,992**	**78,703**
Non-current financial receivables owed by Group companies	4,594	42,016
Other non-current financial receivables (e)(*)	**4,594**	**42,016**
Non-current bank debt	-	(23,888)
Derivative financial instruments	-	(3,405)
Non-current financial liabilities (f)	-	**(27,293)**
Net non-current financial assets (g)=(e)+(f)	**4,594**	**14,723**
Net financial position (h)=(d)+(g)	**32,586**	**93,426**

(*) In accordance with the Consob Communication no. DEM/6064293 of 28 July 2006 the net financial position does not include non-current financial assets.

At December 31, 2017, **shareholders' equity** amounting to **467,553 thousand euros** (402,191 thousand euros at December 31, 2016) included no. 548,857 treasury shares, equal to 0.98% of the share capital, valued at 22,183 thousand euros, following the exercise of no. 641,093 Company common shares for the 2014 Stock Option Plan at an average price of 30.7313 euros, for a total amount of 19,702 thousand euros leading to a consequent reduction in treasury shares equal to 15,842 thousand euros.

ANALYSIS OF CASH FLOW

A complete statement of cash flow is provided in the financial statements. A schedule showing the statement of cash flow, followed by a review of the main statement items and the changes that occurred compared to 2016, is provided below:

(in thousands of euros)	**2017**	**2016**
Cash and cash equivalents at the beginning of the period	**71,838**	**82,699**
Cash provided by operating activities	74,206	57,260
Cash used in investing activities	(23,798)	(13,153)
Cash provided by financing activities	(7,371)	(66,765)
Acquisitions of subsidiaries and business operations	(13,409)	(18,203)
Net change in cash and cash equivalents	***29,628***	***(40,861)***
Investments in financial assets	-	30,000
***Net change in* cash**	***29,628***	***(10,861)***
Cash and cash equivalents at the end of the period	**101,466**	**71,838**

At December 31, 2017, **available liquid assets** held by the Group's Parent Company amounted to **101,466 thousand euros**, up by 29,628 thousand euros compared with December 31, 2016.

The cash flow from operating activities amounted to 74,206 thousand euros as against 57,260 thousand euros in 2016. The income stream (net profit plus depreciation and amortization, additions to provisions and other non-cash items) had an increase of 16,946 thousand euros compared with the previous year. Tax payments totaled 25,290 thousand euros (15,065 thousand euros in 2016).

Cash used in investing activities totaled 23,798 thousand euros as against 13,153 thousand euros in 2016. Investments in medical equipment totaled 3,568 thousand euros (3,065 thousand euros in 2016), investments in manufacturing and distribution equipment needed to support the manufacturing operations amounted to 11,098 thousand euros (6,127 thousand euros in 2016). In addition, development costs of 4,201 thousand euros were capitalized in 2017 compared with development costs of 2,575 thousand euros in 2016.

Cash used in financing activities totaled 7,371 thousand euros in 2017 as against 66,765 thousand euros in 2016.

A breakdown is as follows:

i) The repayment of 24,000 thousand euros (covering a portion of the Focus business acquisition) as per repayment plan;

ii) Collection of instalments due on loans granted to subsidiaries for a total of 53,263 thousand euros;

iii) New loans granted to subsidiaries amounting to 30,397 thousand euros;

iv) disposal of treasury shares due to the exercise of stock options which led to the collection of 19,702 thousand euros;

v) distribution of dividends for a total of 43,807 thousand euros (35,719 thousand euros in 2016).

RELATED-PARTY TRANSACTIONS

In the normal course of business, DiaSorin S.p.A. engages on a regular basis in commercial and financial transactions with its subsidiaries, which are also Group companies. These transactions, which are executed on standard market terms, consist of the supply of goods and services, including administrative, information technology, personnel management, technical support and consulting services, which produce receivables and payables at the end of the year, and financing and cash management transactions, which produce income and expenses.

The impact of these transactions on the single items of the statement of financial position, the income statement and the cash flow is summarized in the financial statements and detailed in the Note 28 of the consolidated and annual Financial Statements.

The “Procedure for Related-Party Transactions” for 2017 can be consulted on the company’s website (http://www.diasorin.com).

REPORT ON CORPORATE GOVERNANCE AND THE COMPANY'S OWNERSHIP STRUCTURE

PURSUANT TO ART. 123-*BIS "TUF"*

(Traditional management and control model)

Issuer: **DIASORIN S.p.A**.
Website: **www.diasorin.com**
Financial year to which the report refers: **2017**
Date of approval of the Report: **March 7, 2018**

GLOSSARY

“Code/Corporate Governance Code”: the Corporate Governance Code of Listed Companies approved in July 2014 by the Committee for the Corporate Governance and promoted by Borsa Italiana S.p.A., ABI, Ania, Assogestioni, Assonime and Confindustria.

“Civil Code. /c.c.”: the Italian Civil Code.

“Board” or “Board of Directors”: the Board of Directors of the Issuer.

“Issuer”, “Company” or “DiaSorin”: DiaSorin S.p.A., the securities Issuer to which the Report refers.

“Reporting year”: the year subject of this Report.

“Consob Issuer Regulations”: Regulations issued by Consob with Resolution No. 11971 of 1999 (as amended), on the subject of issuers.

“Consob Market Regulations”: Regulations issued by Consob with Resolution No.20249 of 2017 (as amended), on the subject of markets.

“Consob Related Parties Regulations”: Regulations issued by Consob with resolution No. 17221 of March 12, 2010 (as amended) on the subject of related-party transactions.

“Report”: Report on corporate governance and ownership structure pursuant to Article 123-*bis* of the TUF.

“TUF/ Testo Unico della Finanza - Consolidated Law on Financial Intermediation”: Legislative Decree No.58 of February 24, 1998, (as amended).

1. PROFILE OF THE ISSUER

DiaSorin S.p.A. was granted permission to trade on the Italian Telematic Stock Market organized and managed by Borsa Italiana S.p.A ("**MTA**"), Star segment, on July 19, 2007.

Subsequently, after the company joined the FTSE MIB index (where it was listed until December 23, 2013), the Issuer submitted a request of voluntary exclusion from the STAR segment, while maintaining the compliance with the Corporate Governance principles, the requirements of communication transparency imposed upon companies in the STAR segment and complying with the procedures and best practice till then adopted. The Company is currently listed in the FTSE Italia Mid Cap index.

DiaSorin's system of corporate governance, as described in this Report, is consistent with the main recommendations of the Corporate Governance Code, subject to the specifications provided in this Report.

This Report reviews the corporate governance structure as set forth in the Bylaws in force.

DiaSorin is organized in accordance with the conventional management and control model referred to in Articles 2380-*bis* and following of the Italian Civil Code. Accordingly, it includes a Shareholders' Meeting, a Board of Directors and a Board of Statutory Auditors. Pursuant to a resolution approved by the Shareholders' Meeting on April 28, 2016, the independent auditing function has been awarded to "PricewaterhouseCoopers S.p.A.". The assignment will end upon approval of the financial statements as of December 31, 2024.

2. INFORMATION ABOUT SHARE OWNERSHIP (pursuant to article 123-bis, section 1, "TUF") as at December 31, 2017

a) Share capital structure (pursuant to art. 123-bis, section 1, letter a), TUF)

As at December 31, 2017, a breakdown of the Company's share capital of 55,948,257.00 (subscribed and fully paid-in) is as follows:

SHARE CAPITAL STRUCTURE[2]				
	N° shares	***% on the share Capital***	***Listed***	***Rights and obligations***
Ordinary share without nominal value	55,948,257*	100%	MTA	Each share gives right to one vote. Rights and obligations are those provided in arts. 2346 et seq. of the Civil Code

As at December 31, 2017, there were no shares for which entitlement to increased voting right has been accrued (See Section. **2** Lett. **d**).

Stock option plans

The terms of the Stock Option Plans in force, specifically "DiaSorin S.p.A. 2014 Stock Option Plan" ("**2014 Plan**"), "DiaSorin S.p.A. 2016 Stock Option Plan" ("**2016 Plan**") and "DiaSorin S.p.A. 2017 Stock Option Plan" ("**2017 Plan**") are available in the Information Memoranda and on the Issuer's website (www.diasorin.com, in the Section "Investors/Information for Shareholders/ Stock Option Plans). Updates are also reported in the Compensation Report

* No. 548,857 treasury shares held in the company's portfolio

available on the Issuer's website in the Section "Investors/Information for Shareholders/ Shareholders' Meeting and board/2018".

b) Restrictions on transfer of securities (pursuant to art. 123-bis section 1, letter b), TUF)

No restrictions on transfer of securities have been issued.

c) Significant equity interests (pursuant to art. 123-*bis*, section 1, letter c), TUF)

As of December 31, 2017, Shareholders holding, directly or indirectly, equity investments exceeding 3% interest in share capital, through pyramid structures and cross-shareholdings, in accordance with communications made pursuant to Art. 120 of the TUF and with information available to the Company, are as follows:

SIGNIFICANT EQUITY INTERESTS			
Reporting party	**Direct Shareholder**	**Number of shares**	**% interest in share capital**
Finde SS	IP Investimenti e Partecipazioni S.r.l.	25,163,454	44.98
Rosa Carlo	Sarago S.r.l.	2,402,532	8.45
	Rosa Carlo	2,326,682	
Even Chen Menachem	-	2,400,000	4.29

d) Securities conveying special rights (pursuant to art. 123-*bis*, section 1, letter d), TUF)

As at December 31, 2017, no securities conveying special rights of control have been issued.

On April 28, 2016, the Shareholders' Meeting approved amendments to the Company Bylaws pursuant to art. 127-*quinquies* of the TUF providing that two votes are attributed to each share that has been held by the same shareholder for a continuous period of at least twenty-four months from the date of registration in a special list (the "**Special List**"). The Shareholder may apply for the registration in the Special List at any time by the fifth trading day from the end of each calendar month and, in any case, by the trading day following the date as set forth in Article 83-*sexies*, paragraph 2 of the TUF (record date). The list of Shareholders having obtained the registration to the Special List to benefit of increased voting rights for a holding exceeding 3% of the company share capital is available on the Issuer's website (ww.diasorin.com, Section "Investors/Information for shareholders/Loyalty Shares") where additional information on increased voting right is provided.

e) Employee stock ownership: mechanisms for the exercise of voting rights (pursuant to art. 123-*bis*, section 1, letter e), TUF)

No employee stock ownership plans have been issued, as defined in Article 123-*bis*, section 1, letter e), of the TUF.

f) Restrictions on voting rights (pursuant to art. 123-*bis*, section 1, letter f), TUF)

No restrictions of voting rights have been issued.

g) Shareholders’ agreements (pursuant to art. 123-*bis*, section 1, letter g), TUF)

As far as the Issuer is aware, as of December 31, 2017, there were no agreements pursuant to Article 122 of the TUF.

h) Change of control clauses (pursuant to art. 123-bis, section 1, letter h), TUF) and of the bylaws on takeover bids (pursuant to art. 104, section 1-*ter*, and 104- *bis*, section 1, TUF)

There are no significant agreements in place to which the Issuer or other Group Party is a party that become effective if a change of control occurs involving the Company, except for what is set forth on these clauses in the Compensation Report published pursuant to Article 123-*ter* of the TUF on the Issuer's website (www.diasorin.com in the Section “Investors/Information for Shareholders, Shareholders’ Meeting and board/2018”. The Issuer’s Bylaws do not include exemptions to the provisions of the passivity rule envisaged by art. 104, Section 1 and 1-*bis* of the TUF nor do they provide for application of the neutralization rules referred to in Art. 104-*bis*, section 2 and 3, of the TUF.

i) Proxies for share capital increase and authorization to purchase treasury shares (pursuant to art. 123-*bis*, section 1, letter m), TUF)

On April 27, 2017, the Shareholders’ Meeting approved a motion to authorize purchases and sales of DiaSorin S.p.A. common shares reserved for the implementation of the stock option plan called the “2017 Plan”. Pursuant to and for the purposes of Article 2357 of the Italian Civil Code, the Shareholders’ Meeting authorized the Board of Directors, and the Chairman and the Chief Executive Officer on the Board’s behalf, to purchase, in one or more tranches, over a period of 18 months counting from the date of corresponding resolution of the Ordinary Shareholders’ Meeting, up to 450,000 Company common shares earmarked for implementation of the 2017 Plan.

Given the purpose of this authorization, the transactions involving treasury shares are consistent with Article 5 of Regulation (EU) no. 596/2014 (the Market Abuse Regulation, hereinafter “**MAR**”) and the procedures contemplated under Article 13 of MAR.

As of the date of this Report the aforementioned treasury share purchasing programme has not yet been initiated. As of the date of this Report, DiaSorin holds n. 541,357 treasury shares, corresponding to 0.967% of its share capital, which had been purchased under previous authorizations.

Information about the transactions executed by the Board and all other disclosures required by the applicable regulation is available in the Explanatory Report of the Board of Directors dated March 8, 2017 and published pursuant to law also on the Company website (www.diasorin.com in the Section “Investors/Information for Shareholders/Shareholders’ Meeting and board/2017”).

l) Management and coordination activities (pursuant to art. 2497 et seq. Italian civil code)

Even though Article 2497-*sexies* of the Italian Civil Code states that “*unless proof to the contrary is provided, it is presumed that management and coordination authority over a company is exercised by the company or entity required to consolidate that company’s financial statements or otherwise controls it pursuant to Article 2359 of the Italian Civil Code*,” neither Finde Società Semplice nor IP Investimenti e Partecipazioni S.r.l., the transferee of the equity investment held by Finde S.p.A., formerly IP Investimenti e Partecipazioni S.p.A., exercise management and coordination authority over the Company.

Specifically, the Issuer believes that in its corporate and entrepreneurial endeavors it operates independently of Finde Società Semplice, its controlling company, and IP Investimenti e Partecipazioni S.r.l.

Consequently, the Issuer's relationship with Finde Società Semplice and IP Investimenti e Partecipazioni is limited to the normal exercise by these companies of the administrative and ownership rights inherent to their status as shareholders (such as voting at Shareholders' Meetings and collecting dividends).

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It is specified that the information requested by Article 123-*bis*, Section 1, Letter i) of the Consolidated Law on Finance (TUF) on "*agreements between the Company and its Directors, Management Board or Supervisory Board members, which envisage indemnities in the event of resignation or dismissal without just cause or if their employment relationship terminates following a public purchase offer*" are illustrated in the Compensation Report drawn up in accordance with Article 123–ter of the TUF and available on the Company's website (www.diasorin.com in the Section "Investors/Information for Shareholders, Shareholders' Meeting and board/ 2018").

The information requested under Article 123-*bis*, Section 1, Letter l) of the Consolidated Law on Finance (TUF) on "*provisions applicable to the appointment and substitution of Directors, Management Board or Supervisory Board members, as well as to the amendment of the Articles of Association, if different from the legislative and regulatory provisions applicable as a supplementary measure*" are illustrated in the section of the Report dedicated to the Board of Directors (paragraph 4.1).

3. COMPLIANCE (ex art. 123-*bis*, section 2, letter a), TUF)

On March 9, 2016, the Board of Directors of DiaSorin S.p.A. agreed to adopt the new version of Corporate Governance Code (version of July 2015), available on Borsa Italiana website (http://www.borsaitaliana.it/comitato-corporate-governance/codice/codice.htm). The company and its strategic subsidiaries are not subjected to non-Italian legislation that could influence the Issuer's corporate governance structure.

4. THE BOARD OF DIRECTORS

4.1 APPOINTMENT AND SUBSTITUTION OF THE BOARD OF DIRECTORS (pursuant to art. 123-*bis*, section 1, letter l), TUF)

The Issuer is managed by a Board of Directors comprised of at least 7 and not more than 16 members. At the time of election, the Ordinary Shareholders' Meeting determined the size of the Board of Directors, within the abovementioned limits, and its term of office, which may not exceed three years. Directors may be re-elected.

The provisions of the Bylaws that govern the composition and election of the Issuer's Board of Directors have been designed to ensure compliance with provisions concerning rights of minority shareholders' rights, independence of Directors and gender balance.

In addition, the ability to serve as a Director is subject to the candidate meeting the requirements set forth in the statutory and regulatory provisions currently in force.

Article 11 of the Bylaws requires that the Board of Directors be elected, in compliance with applicable gender balance laws and regulations, by a voting system based on slates of candidates filed by shareholders who, alone or in combination with others, represent at least 2.5% of the shares that convey the right to vote at Ordinary Shareholders' Meetings, or any other percentage that may apply pursuant to the applicable laws or regulations. As duly established by Art. 144-*septies*, paragraph 1, of the Issuer Regulation and by Consob's Issuers' Regulation no. 20273 of

January 24, 2018, shareholders' owing a shareholding equal to 1% of the Share Capital are entitled to present the slates of nominees to allocate the Directors to be elected.

Each shareholder, shareholders who are parties to a shareholders' agreement that qualifies as such pursuant to Article 122 of the TUF, the Company's controlling party, its subsidiaries and joint ventures that qualify as such pursuant to Article 93 of the TUF may not file or participate in the filing, directly or through a third party or a nominee, of more than one slate and may not vote for multiple slates. Each candidate can be included on only one slate, on penalty of losing the right to be elected. Votes cast in violation of this provision will not be allocated to any slate.

Notwithstanding additional statutory disclosure and filing requirements, including those set forth in regulations currently in effect, slates filed by shareholders, duly signed by the filers, must be deposited at the Company's registered office, where they must be available to anyone upon request, at least 25 (twenty-five) days prior to the date of the first calling of the Shareholders' Meeting. The slates must be accompanied by the following documents: (i) information identifying the shareholders who are filing the slates and showing the total percentage interest held; (ii) affidavits by which the individual candidates accept their nomination and attest, under their responsibility, that there are no issues that would make them incompatible or unelectable and that they meet the requirements of their respective offices; and (iii) a *curriculum vitae* setting forth the personal and professional qualifications of each candidate and indicating whether a candidate qualifies as an independent Director. In addition, a special attestation issued by an intermediary qualified pursuant to law certifying the ownership, when the slate of candidates is being filed with the Company, of the number of shares needed to qualify for filing the slate must be filed with the Company within the deadline required by the rules applicable to the publication of slates of candidates by the Company.

The slates which contain a number of candidates equal to or above three shall include candidates belonging to both gender, aimed at ensuring the presence in the Board of Directors of at least one third (rounded to the higher number) of the seats of the less-represented gender.

Slates that are filed without complying with these requirements will be treated as if they have not been filed at all.

The election of Directors is carried out as follows:

(a) All except one of the Directors that need to be elected are taken from the slate that received the highest number of votes, in the sequence in which they are listed on the slate;

(b) The remaining Director is taken from a minority slate that is not connected in any way, directly or indirectly, with the parties who filed or voted for the slate referred to in paragraph a) above and received the second highest number of votes cast by the shareholders, selecting for election the first candidate listed in the slate's numerical sequence. However, should the minority slate referred to in paragraph b) above fail to receive a percentage of the votes equal at least to half the required percentage for filing a slate, as stated above, all of the Directors that need to be elected will be taken from the slate that received the highest number of votes referred to in paragraph a) above.

If the candidates elected in the manner described above do not include a sufficient number of Directors who meet the independence requirements that apply to Statutory Auditors pursuant to 53 Article 148, Section 3, of the TUF to achieve the minimum statutory percentage of the total number of elected Directors, the non-independent candidate elected last in the sequence listed in the slate that received the highest number of votes, as referred to in paragraph a) above, shall be replaced with the first non-elected independent candidate who is listed next sequentially in the same slate or, alternatively, by the first non-elected candidate listed sequentially on other slates, based on the number of votes received by each slate. This replacement procedure shall be applied repeatedly until the Board of Directors includes a number of Directors who meet the requirements of Article 148, Section 3, of the TUF equal to at least the statutory minimum. As a further alternative, the replacement candidates may be elected by means of a resolution approved by the

Shareholder’s Meeting with a relative majority, provided candidates have been placed in nomination in accordance with statutory requirements.

If, upon conclusion of voting, the composition of the Board of Directors does not satisfy the gender balance enjoined by applicable laws and regulations, the nominee of the most highly represented gender who was the last to be elected in the sequential order of the slate that received the highest number of votes shall be replaced by the first candidate of the least represented gender who was not elected on the same slate, in the sequential order of that slate. The elected nominees shall be replaced according to the same procedure until the composition of the Board of Directors complies with applicable laws and regulations. If this procedure does not guarantee the final result indicated hereinabove, the Shareholders’ Meeting shall make the necessary changes by resolution with the statutory majority of votes, upon submission of candidates belonging to the gender less represented.

If only one slate is filed or if no slate is filed, the Shareholder’s Meeting shall approve its resolution with the majorities required by law without being required to comply with the procedure described above, in compliance with the laws currently in force on gender balance. Lastly, pursuant to Article 11 of the Bylaws, if one or more Directors cease to be in office during the course of the year, provided the majority of Board members are still Directors elected by the Shareholders’ Meeting, they shall be replaced in the manner described below, in accordance with the provisions of Article 2386 of the Italian Civil Code: (i) The Board of Directors nominates as replacements candidates taken from the same slate to which the Directors no longer in office belonged and the Shareholders’ Meeting votes with the majorities required pursuant to law and in accordance with the principle described above; (ii) Should there be no unelected candidates or eligible candidates left in the abovementioned slate or if the provisions of paragraph (i) above cannot be complied with for any reason, the Board of Directors and the Shareholders’ Meeting elect replacements with the majorities required pursuant to law, without using a slate voting system.

In all cases, the Board of Directors and the Shareholders’ Meeting shall carry out the election in a manner that will result in (i) the election of a total number of independent Directors equal to at least the minimum number required by the relevant statute provisionally in force and (ii) in compliance with the laws currently in force on gender balance.

If the majority of the Directors elected by the Shareholders’ Meeting ceases to be in office, the entire Board of Directors shall be deemed to have resigned and a Shareholders’ Meeting must be convened promptly by the Directors still in office to elect a new Board.

Additional information about the procedures for the election of the Board of Directors is provided in Article 11 of the Bylaws.

Succession plans of Executive Directors.

In accordance with Art. 5.C.2. of the Code, the Board of Directors, at the meeting held on March 7, 2018, resolved not to adopt a specific succession plan for the Executive Directors as it was deemed unnecessary in light of the shareholding structure and also considering that the Board of Directors has the power to select and promptly elect new Executive Directors when necessary.

4.2. COMPOSITION (pursuant to art. 123-bis, section 2, letter d-*bis*), TUF)

The Board of Directors currently in office and whose term of office will end on the Shareholders’ Meeting convened to approve the financial statements as at December 31, 2018 was appointed by the Ordinary Shareholders’ Meeting held on April 28, 2016 (except Director Fiorella Altruda who was appointed by cooptation by a Board resolution on December 19, 2016, following the resignation of Director Maria Paola Landini and, subsequently by resolution of the ordinary Shareholders' Meeting on April 27,2017).

The Board of Directors was appointed on the basis of the only one slate presented by IP Investimenti e Partecipazioni S.r.l., owning 43.799% of the Company's ordinary shares, and all the members of the slate were appointed in the current Board of Directors (except for Director Fiorella Altruda, as already mentioned). The resolution was approved by 77.688% of the Voting Capital.

The current Board of Directors is comprised of the following 15 members:

First and last name	Place and date of birth	Post held	Date of the appointment
Gustavo Denegri	Turin, March 17, 1937	Chairman and Non-Executive Director	April 28, 2016
Michele Denegri	Turin, January 7, 1969	Deputy Chairman and Non-Executive Director	April 28, 2016
Carlo Rosa	Turin, January 15, 1966	Chief Executive Officer and Executive Director	April 28, 2016
Chen Menachem Even	Ashkelon (Israel), March 18, 1963	Executive Director	April 28, 2016
Giancarlo Boschetti	Turin, November 14, 1939	Non-executive Director	April 28, 2016
Enrico Mario Amo	Turin, September 17, 1956	Non-executive Director	April 28, 2016
Stefano Altara	Turin, June 4, 1967	Non-executive Director	April 28, 2016
Giuseppe Alessandria	Novello Monchiero (CN), May 15, 1942	Independent Director	April 28, 2016
Franco Moscetti	Tarquinia (VT), October 9, 1951	Independent Director	April 28, 2016
Roberta Somati	Rivoli (TO), January 9, 1969	Independent Director	April 28, 2016
Francesca Pasinelli	Gardone Val Trompia (BS), March 23, 1960	Independent Director	April 28, 2016
Monica Tardivo	Turin, April 19, 1970	Independent Director	April 28, 2016
Tullia Todros	Turin, June 18, 1948	Independent Director	April 28, 2016
Vittorio Squarotti	Cuneo, November 13, 1979	Non-executive Director	April 28, 2016
Fiorella Altruda	Turin, August 12, 1952	Independent Director	December19, 2016 (*)

(*) Director Fiorella Altruda was appointed by cooptation by a Board resolution on December 19, 2016, and subsequently appointed by the Shareholders' Meeting on April 27, 2017).

The table that follows summarizes personal and professional characteristics of each Director in office at the date of this Report. Additional information is provided in the Directors' professional *curricula* at the Issuer's registered office and available at the Issuer's website at www.diasorin.com in the Section "Investors/Information for Shareholders/ Shareholders' Meeting and board/2016 and 2017" as part of the application forms and relevant documents.

First and last name	Post held	Education	Professional characteristics
Gustavo Denegri	Chairman and Non-Executive Director	Economic-management education	General Management
Michele Denegri	Deputy Chairman and Non-Executive Director	Economic-management education	General Management
Carlo Rosa	Chief Executive Officer and Executive Director	Economic-management education Scientific education	General Management (formerly Research and Development director)
Chen Menachem Even	Executive Director	Economic-management education Scientific education	Director of commercial operations at international level
Giancarlo Boschetti	Non-executive Director	Economic-management education	General Management

Enrico Mario Amo	Non-executive Director	Economic-management education	General Management
Stefano Altara	Non-executive Director	Law education	Legal and Corporate Affairs Advisor
Giuseppe Alessandria	Independent Director	Economic-management education	Management Advisor
Franco Moscetti	Independent Director	Economic-management education	Management Advisor
Roberta Somati	Independent Director	Scientific education	Management Advisor
Francesca Pasinelli	Independent Director	Scientific-management education	Management Advisor
Monica Tardivo	Independent Director	Law education	Legal Advisor
Tullia Todros	Independent Director	Scientific education	Research and Development Advisor
Vittorio Squarotti	Non-executive Director	Law education	Legal and Corporate Affairs Advisor
Fiorella Altruda	Independent Director	Scientific education	Research and Development Advisor

For further information on the structure of the Board of Directors and Committees see Table 2 annexed to this Report.

Diversity policy

Company diversity policies that apply to the composition of the Board of Directors currently in office with respect to age, gender numbers and educational and professional background as required under Art. 123-*bis*, lett. d-*bis*, of the TUF, are illustrated below.

The Company complied with regulations on gender balance concerning the composition of corporate bodies as of the meeting held on April 22, 2013 to appoint said bodies and subsequently at the meeting held on 28 April 2016 to renew their last term of office.

The Board of Directors in office during the 2013-2016 period was composed of 10 men and 3 women, while the current Board of Directors comprises 10 men and 5 women.

With the exception of Mr. Chen Even - Executive Director and Chief Commercial Officer – of Israeli origin, all the Board's members are Italian.

The Board of Directors is composed of members belonging to different age groups: 20% of Directors belong to the 80-71 age group, 20% of Directors belong to the 70 -61 age group, a further 20% of Directors belong to the 60- 51 age group, 33% of Directors belong to the 50- 41 age group and 7% of Directors belong to the 40-31 age group.

Professional experience and background of the Board members can be grouped into three macro areas: economics and management, science and law. In detail, 40% of members have a background in economics and management, 40% of members have a background in science and 20% of members have a background in law.

Most of them gained significant experience abroad, especially in the United States.

Professional experience and background of the Board members are provided in the professional *curricula* available at the Issuer's registered office and at the Issuer's website at www.diasorin.com, in the Section "Investors/Information for Shareholders/Shareholders' meeting and board/2016 and 2017", as part of the application forms and relevant documents.

In the light of the above the Company, as of the date of this Report, considers it unnecessary to adopt an official policy regulating the diversity of the composition of corporate bodies with respect to age, gender numbers and educational and professional background.

Pursuant to the Application Criterion 1.C.1. lett. h) of the Corporate Governance Code, the Board of Directors will provide information to the Shareholders concerning the diversity of the composition of corporate bodies. Such information will be included in the explanatory reports -

prepared in accordance with Art. 125-*ter* of the TUF- regarding the appointments of the Board of Directors and the Board of Statutory Auditors by the Shareholders' Meeting convened to approve the financial statements at December 31, 2018.

Cap on offices held in other companies

With regard to the posts held by DiaSorin Directors on management and oversight bodies at other companies, the Board of Directors, during the meeting held as of March 7, 2018, did not believe that it would be appropriate to introduce preset quantitative limits.

Thus, all candidates to the post of Director, prior to accepting their appointment and during their term of office at the Issuer and irrespective of existing statutory and regulatory restrictions on the total number of posts that may be held, must determine whether they will be able to perform the tasks assigned to them with the required attention and effectiveness, taking into account their overall effort that will be required of them in connection with the posts held outside the DiaSorin Group.

All members of the Board of Directors are also required to inform the Board of any new appointments to Boards of Directors or Boards of Statutory Auditors at other companies, in order to allow the Board of Directors to comply with the relevant statutory and regulatory disclosure requirements.

On March 7, 2018, upon verifying positions held by Directors of the Company in other companies, the Board has deemed the number and quality of positions held as not interfering with the position of Director in the Company and therefore compatible with an effective carrying out of the role of Director of the Company in all cases examined.

A list of the Directors' posts held at other companies is provided in the Table annexed to this Report.

Induction programme

In 2017, matters defined by Art. 2.C.2 of the Corporate Governance Code (i.e. information on the business sector where the Issuer operates, company dynamics and their evolution, with regard to laws and self-regulatory framework) have been discussed on a regular basis during the meetings of the Control and Risks Committee and subsequently presented to the Board of Directors and specifically during the Meeting held for the approval of the 2017-2019 Industrial Plan. The Company management maintains regular contact with company bodies for opportune information and/or updating flows on subjects of interest.

The Issuer undertakes, in any case, to plan structured training programs when it is deemed necessary or when requested by company bodies.

4.3. FUNCTION OF THE BOARD OF DIRECTORS (pursuant to art. 123- *bis*, section 2, letter d), TUF).

The Board of Directors performs a pivotal role within the corporate organization. Its task and responsibilities include setting strategic and organizational guidelines and ensuring that adequate controls to monitor the performance of the Issuer and the other companies of the DiaSorin Group are in place.

All members of the Board of Directors are required to make informed and independent decisions, pursuing the goal of creating value for the shareholders, and must be willing to devote to the tasks they perform at the Issuer the time required to discharge diligently their duties, irrespective of the posts held at companies outside the DiaSorin Group, being fully cognizant of the responsibilities entailed by the office they hold.

Pursuant to Article 15 of the Bylaws, the Board of Directors enjoys the most ample powers to manage the Issuer. In accordance with the abovementioned article of the Bylaws and pursuant to

Article 2365 of the Italian Civil Code, the Board of Directors also has jurisdiction (which may not be delegated to anyone but may be ceded to the Shareholders' Meeting) over the adoption of resolutions concerning the following:

- mergers and demergers, when permissible pursuant to law;
- the opening and closing of secondary offices;
- reductions of share capital when shareholders elect to request the reimbursement of their shares;
- amendments to the Bylaws required pursuant to law;
- moving the Issuer's registered office to another location in Italy.

The Board of Directors, insofar as it is responsible for the Internal Control and Risks Management system (see section **11**), assesses the adequacy, efficiency and effective implementation of internal control defining the system's guidelines, supported by the members involved in the Company's internal control and risks management: the Control and Risks Committee, the Supervisory Director responsible for the effective implementation of the system of Internal Control and Risk management, the Internal Audit Officer, the Corporate Accounting Documents Officer, the Board of Statutory Auditors and the Oversight Board.

Pursuant to Article 13 of the Bylaws, on the occasion of Board meetings but not less frequently than once a quarter, the governance bodies to whom powers have been delegated inform the Board of Directors and the Board of Statutory Auditors about the performance of the Issuer and its subsidiaries, its business outlook and transactions that have a material impact on its income statement, balance sheet and financial position, focusing on transactions which Directors may have an interest, directly or through third parties, or which may have been influenced by a party with management and coordination authority.

Pursuant to Article 15 of the Bylaws, the Board of Directors, which is required to act with the mandatory input of the Board of Statutory Auditors, has jurisdiction over the appointment and dismissal of the Corporate Accounting Documents Officer required pursuant to Article 154-bis of the TUF and the determination of his or her compensation. The Company's Corporate Accounting Documents Officer must meet the integrity requirements of the relevant statutes currently in force for those who perform administrative and management functions, as well as professional requirements that include specific expertise in administrative and accounting issues. Expertise in these areas must be verified by the Board of Directors and must be the result of work performed in a position of sufficiently high responsibility for an adequate length of time.

Pursuant to Article 17 of the Bylaws, the Board of Directors can appoint one or more General Managers and determine their powers, which may include the power to appoint representatives or grant powers of attorney for specific transactions or classes of transactions. General Managers attend the Board of Directors meetings and are entitled to make non-binding recommendations with regard to the items on the Agenda.

Pursuant to Article 15 of the Bylaws, the Board of Directors may establish committees, determining their composition and tasks. For information about the internal Committees of the Issuer's Board of Directors, please see Section **7** (Nominating Committee), Section **8** (Compensation Committee), Section **12.1** (Related-party Committee) and Section **10** (Control and Risk Committee).

Pursuant to Article 12 of the Bylaws, the Board of Directors may appoint a standing Secretary, who need not be a Director. On April 28, 2016, the Board of Directors appointed Marco Minolfo, Manager of the Corporate Legal Affairs Department, as its standing secretary, confirming the term of office he was previously assigned by the Board of Directors.

Pursuant to Article 13 of the Bylaws, the Board of Directors meets at the Company's registered office, or elsewhere, whenever the Chairman deems it necessary or when a meeting is requested by the Chief Executive Officer (if one has been appointed) or by at least three Directors, without prejudice to the right of other parties to call a Board meeting pursuant to law. If the Chairman is absent or incapacitated, Board meetings are called by the person who replaces him pursuant to Article 12 of the Bylaws (i.e., the Deputy Chairman or the oldest Director, in that order). Meetings of the Board of Directors are validly convened when a majority of the Directors in office is in attendance and resolutions are adopted with a majority of the votes cast by the Directors attending the meeting. In the event of a tie, the Chairman has the tie-breaking vote (Article 14 of the Bylaws). In 2017, the Board of Directors had 5 meetings on March 8, May 8, August 3, November 9 and December 19. The meetings lasted 2 hours and thirty minutes on average. In addition to the meeting held on March 7, 2018, three (3) Board meetings have been scheduled for 2018, as detailed in the calendar of Corporate Events, available at the Issuer's website at www.diasorin.com in the Section "Investors/Financial Calendar". All the required pre-Board information has been sent for the resolutions in agenda, with a notice period of at least three days before the relevant Shareholders' Meeting; in any case, where the pre-Board information is not provided, the Chairman shall ensure that an in-depth analysis is carried out at the Board meetings in a correct and timely manner. The Board of Directors' meetings were attended by the CFO, the Manager of the Corporate Legal Affairs Department and the Company's directors qualified to provide in-depth analysis on subjects and/ special projects in agenda. It should therefore be noted that Board meetings convened to present, resolve and approve the annual budget are generally attended by the Top manager of company departments and relevant cost centers including but not limited to the Senior Corporate V.P. Human Resources, Senior Corporate V.P. R&D, Corporate V.P. Sales & Marketing, Corporate V.P. Finance and Taxation, V.P. European Industrial Operations and Services, Corporate V.P. and Group Controller. Pursuant to the application criteria 1.C.1 Letter g) of the Corporate Governance Code, the Board of Directors carried out a self-assessment process through questionnaires covering several areas and providing the opportunity to submit comments and proposals. The self-assessment process concerned the size, composition (including number and position of the company's members) and activities of the Board and its committees, the results of which were communicated during the meeting held on March 7, 2018. The self-assessment process was coordinated by Director Giuseppe Alessandria, Lead Independent Director, Chairman of the Compensation Committee and Chairman of the Nominating Committee, with the support of Director Franco Moscetti, in his quality of Chairman of the Control and Risks Committee and Chairman of the Related-party Committee. The self-assessment process involved all the directors and was performed through questionnaires filled out anonymously, including the following items:

(i) the size and composition of the Board of Directors;

(ii) meetings frequency, participation of Directors, number of Independent Directors, the adequacy of time allocated to debates, attention to conflict of interest situations and completeness of relevant minutes and implementation of adopted resolutions;

(iii) information provided by the Chief Executive Officer, new regulations for listed companies, emerging risks concerning the Company and its subsidiaries;

(iv) committees' support, communication between the Board of Directors and Top Management, the Corporate Governance and risk Governance.

The self-assessment process confirmed a general satisfaction and overall adequacy assessment about functioning and work carried out by the Board of Directors as of December 31, 2017. As in previous years, excellence emerged from pivotal areas, such as in the management presentations, the analysis of business dynamics and economic-financial situations and clear supporting documents. The self-assessment process identified some areas, such as organizational area, where a further improvement is achievable.

The Board of Directors, with the support of the Control and Risks Committee, assesses at least once a year the adequacy of the organizational, administrative, and accounting structure- specifically with regard to Internal Control and Risks Management- and the general performance of the Group and its strategic subsidiaries, including subsidiaries when the carrying amount of the investment in the subsidiary in question represents more than 50% of the assets of a publicly traded issuer, as shown in the latest approved financial statements, specifically with regard to Insider Information; this assessment was carried out during the meeting held on March 7, 2018. During the Shareholders' meeting held on April 28, 2016, the Board of Directors determined, after considering the proposal of the Compensation Committee and the Board of Statutory Auditors, the compensation of the General Manager and the other directors with special duties. In particular, the Board of Directors shared out the compensation of the Board, and adopted the resolution during the shareholders' meeting held on April 28, 2016 (excluding directors with operating mandate, whose compensation was determined by the Board of Directors, after considering the proposal of the Board of Statutory Auditors). For a more detailed description on compensation policy see the Compensation Report published pursuant to Art. 123-ter of TUF on the company website at www.diasorin.com in the Section "Investors/Information for Shareholders and board/ 2018". No compensation is provided for members of the Board of Directors who already receive compensation for their managerial employment relationship with the Issuer.

The Board of Directors evaluates, at least once a year, the general performance of the company management, considering the information obtained from the Chief Executive Officer and periodically compares achieved results with future results; this assessment was carried out during the meeting held on March 8, 2017.

The Board of Directors did not implement the delegation of a range of powers, as those listed in Section **4.4** of the Report.

During the meeting held on November 5, 2010, the Board of Directors approved the procedure to regulate related-party transactions that was confirmed by the Board of Directors in office during the meeting held on March 8, 2017, after having received the opinion of the Independent Directors not to proceed with any changes to the current procedure following the outcomes of its assessment. The procedure is available on the Company's website (www.diasorin.com, Section "Corporate Governance/Corporate Governance System") and related in detail in the following Section **12**.

The Board of Directors did not set general criteria to identify the operations of strategic, economic, patrimony or financial importance for the Company, as the Board assesses the significance of transactions on a case-by-case basis.

The Issuer is required to publish information documents for significant transactions as per art. 70, paragraph 6 and art. 71, paragraph 1 of the Consob Issuers' Regulations as the Issuer did not exercise the right to waive the obligation to publish the above-mentioned information documents.

The Shareholders' meeting did not authorize general and precautionary derogations from the ban of competition set forth in article 2390 of the Italian Civil Code. No critical situation occurred on the matter.

4.4. DELEGATED BODIES

Chief Executive Officers

By resolution dated April 28, 2016, DiaSorin's Board of Directors appointed the Director Carlo Rosa to the post of Chief Executive Officer granting him the power to handle all ordinary and extraordinary business transactions over which the Board of Directors has jurisdiction with the exception of those that are expressly reserved for the Board of Directors pursuant to law, the Bylaws and the abovementioned resolution. Director Carlo Rosa was also appointed to the post of General Manager, assigning him special functions in operating management concerning industrial, commercial and financial areas with the same offices and functions granted during the previous term of office of the board.

The following powers, by resolution dated April 28, 2016, are reserved for the Board of Directors and may <u>not</u> be delegated:

- approving the annual budget;

- buying, acquiring through subscription or selling equity investments;
- buying, selling or leasing company assets and business assets;
- buying and selling real estate;
- investing in capital assets in addition to the capital expenditures contemplated in the budget when the total amount involved exceeds 2,000,000.00 (two million) euros per year;
- securing loans, credit lines and bank advances; discounting promissory notes and obtaining overdraft facilities involving amounts in excess of 10,000,00.00 (ten million) euros for each transaction, excluding credit lines for sureties and except for factoring contracts, which are covered by the delegated powers without amount limitations;
- granting mortgages, pledges and liens on Company assets involving amounts in excess of 1,000,000.00 (one million) euros for each transaction;
- granting sureties involving amounts in excess of 2,000,000.00 (two million) euros;
- hiring and firing managers.

At all meetings or at least every three months, the Chief Executive Officer reports to the Board of Directors on activities in exercise of delegate powers.

Mr. Carlo Rosa, Chief Executive Officer and General Manager, is qualified as the main administrator in charge of the company management. It should be noted that no interlocking directorate of the Corporate Governance Code (2.C.5) occurred.

The Chairman of the Board of Directors

On April 28, 2016, DiaSorin's Ordinary Shareholders' Meeting, upon electing the Board of Directors, appointed the Director Gustavo Denegri as Chairman, with the same post held during the previous term of office of the board.

The Chairman did not receive management proxies and he does not play a specific role in the formulation of organizational strategies.

Executive Committee (pursuant to Art. 123-*bis*, Section 2, Letter d*)*, TUF*)*.

Pursuant to Article 15 of the Bylaws, the Board of Directors may select some of its members to staff an Executive Committee, to which it may delegate some of its powers, except for those that the law reserves expressly for the Board of Directors, determining the Committee's composition, powers and rules of operation. As of the date of this report, the Issuer's Board of Directors did not appoint an Executive Committee.

Report to the Board of Directors

In 2017, at all meetings of the Board of Directors and at least every three months, the Chief Executive Officer has reported to the Board of Directors on activities performed in exercise of delegate powers.

4.5. OTHER EXECUTIVE DIRECTORS

Mr. Chen Menachem Even serves as Executive Director (apart from being a Strategic Director) and Chief Commercial Officer in addition to Senior Corporate Vice President Commercial Operations of the Issuer

4.6. INDEPENDENT DIRECTORS

The Issuer, also after the exit from the STAR segment, intends to continue to comply on a voluntary basis with the main principles of corporate governance for companies in the above segment, also in terms of the number of independent directors on the Board of Directors, which must be appropriate to the size of the body. according to the provisions of the Rules of the markets organized and managed by Borsa Italiana S.p.A. (Article 2.2.3) and the related instructions (Article IA.2.10.6), we consider the following to be reasonable: (i) Board of Directors composed of up to 8 members, must include at least 2 independent directors; (ii) Board of Directors composed of 9 to 14 members, must include at least 3 independent directors; (iii) Boards composed of 14 members, must include at least 4 independent directors.

The slate-voting system required by Article 11 of the Bylaws is designed to ensure the election of a number of Directors that meet the independence requirements set forth on the joint basis of Article 147-ter, Section 4 and Article 148, Section 3 of the TUF, and of Article 3 of the Corporate Governance Code.

At the meeting held on April 28, 2016, the Board of Directors ascertained that the independent Directors currently in office met the independence requirements. The Board of Directors assessed the independence requirements on annual basis. The Board also verified that Director Fiorella Altruda met the independence requirements at the date of her election (December 19, 2016) and subsequently the date of her appointment held on April 27, 2017, the Board verified the independence requirements during the meeting held on May 8, 2017. The results of such assessments were disclosed to the market on the same date by press release available on the company website www.diasorin.com, Section “Investors/Press releases”, pursuant to Art. 144-novies, section 1-bis, of the Consob Regulations for Issuers.

Subsequently, the Board of Directors assessed the independence requirements during the Board meeting held on March 7, 2018 for the approval of the financial statements.

The Company applied all criteria envisaged by the Corporate Governance Code. The Company applied all criteria of the Corporate Governance Code recognized as valid and properly enforced by the Board of Statutory Auditors, on March 7, 2018, to verify and assess the independence requirements pursuant to Application Criteria 3.C.5 of Corporate Governance Code.

The Issuers’ Board of Directors currently in office includes seven (7) Independent Directors: Franco Moscetti, Giuseppe Alessandria, Roberta Somati, Francesca Pasinelli, Monica Tardivo, Tullia Todros and Fiorella Altruda. The number and authoritativeness of the Independent Directors is sufficient to ensure that their opinion has a significant impact on the decision-making process of the Issuer’s Board of Directors. Independent Directors contribute specific professional expertise to Board meetings and help the Board adopt resolutions that are in the Company’s interest.

In 2017, the Independent Directors met on March 8, 2017; as of the date of this Report a meeting was held on March 7, 2018 and during the aforementioned meeting Independent Directors assessed that independent requirements were met pursuant to Application Criteria 3.C.4. of the Code. The aforementioned took place upon request from the Lead Independent Director, in a separate and dedicated session and in the absence of the other directors, pursuant to Application Criteria 3.C.6. of the Code.

4.7. LEAD INDEPENDENT DIRECTOR

At the meeting held on April 28, 2016, the Board of Directors, as required by the Corporate Governance Code, reappointed Giuseppe Alessandria (already designated by the Board of Directors on April 22, 2013), an independent Director, to the post of Lead Independent Director. Serving in this capacity, he provides a reference point for and coordinates issues relevant specifically to non-executive Directors and Independent Directors.

The appointment of the Lead Independent Director was one of the requisites for companies listed in the STAR segment on Borsa Italiana. This post was kept also after the Company submitted a request of voluntary exclusion from the STAR segment (thereby annulling the requisite mentioned above).

In 2017, the Lead Independent Director convened the annual meeting (on March 8, 2017) of Independent Directors only and coordinated the assessment process of the Board of Directors also to support the Nominating Committee.

5. TREATMENT OF INSIDER INFORMATION

Insofar as the issues related to the treatment of insider information are concerned, the Issuer's Board of Directors has adopted the initiatives and/or procedures summarized below, which are designed to monitor access to and circulation of insider information prior to their disclosure to the public and ensure compliance with statutory and regulatory confidentiality requirements.

On July 3, 2016, the Market Abuse Regulation (EU) n. 596/2014 (the so-called "MAR" - Market Abuse Regulation) containing "Regulatory technical standards" and ESMA (*European Securities and Markets Authority*) "Implementing technical standards" approved by the European Commission and reflecting the new rules and regulations on Market Abuse within the European Union came into force. The Company has, thus, adopted new procedures – approved by the Board of Directors on August 4, 2016 - to replace existing procedures.

Procedure for the Internal Management and Public Disclosure of Inside Information

During the Board of Directors meeting held on November 7, 2012, the Company, also in accordance with the Art. 1.1 C.1 letter j) of the Corporate Governance Code, adopted a procedure **to** regulate the internal handling and public disclosure of price sensitive information concerning the Company and its subsidiaries (including insider information, the so-called price sensitive information, as described in Art. 181 of the TUF), subsequently amended on March 6, 2014.

In 2016, the Board of Directors adopted a new "Procedure for the internal management and public disclosure of inside information", pursuant to art. 17 of MAR and the related implementing rules and regulations of the European Commission, in force as of July 3, 2016.

The "Procedure for the internal management and public disclosure of inside information" contains instructions relating to both the internal management and the external disclosure on inside information (as defined by art. 7 of MAR) and confidential information (as defined by the Procedure) regarding the Issuer and the Group's companies; the procedure is aimed at ensuring compliance with the current laws and regulations on the subject and guaranteeing maximum secrecy and confidentiality in handling Inside Information; the Procedure, in particular, is aimed at ensuring greater transparency towards the market and appropriate preventive measures against market abuse and, specifically, against abuse of Inside Information.

Public disclosure of Inside Information shall occur through a press release prepared by the Investor Relations Function; prior to its external disclosure, the text of the press release shall be submitted for final approval to the Chief Executive Officer or to the Chairman of the Board of Directors if the Chief Executive Officer is absent or unable to attend and, if deemed appropriate or necessary, to the Board of Directors, subject to the prior attestation by the Corporate Accounting Documents Officer when the text contains accounting information, pursuant to and for the effects of article 154-*bis* of the TUF.

The procedure is available on the Issuer website (www.diasorin.com, Section "Governance/Governance System").

Procedure to manage the register of persons having access to inside information

Specifically, with regard to the obligation incumbent upon issuers of listed securities, parties linked with them through a control relationship or parties who act in their name or on their behalf to set up the register of parties with access to insider information required pursuant to Article 115-*bis* of the TUF, at a meeting held on February 12, 2007, the Issuer's Board of Directors agreed to adopt a "Procedure to manage the register of persons having access to inside information", subsequently amended during the Board meeting held on May 9, 2014.

Pursuant to art. 18 of MAR and the related implementing rules and regulations of the European Commission, in force as of July 3, 2016, issuers and persons acting in their name or on their behalf are required to establish, manage and update a register listing the persons who have access to inside information. The Company has, thus, adopted a new "Procedure to manage the register of persons having access to inside information".

The procedure is available on the Issuer website (www.diasorin.com, Section "Governance/Governance System").

Procedure to comply with Internal Dealing requirements

On February 12, 2007, in order to address to the disclosure requirements that arise from the new *internal dealing* regulations set forth in Article 114, Section 7 of the TUF and Articles 152- *sexies*, 152-*septies* and 152-*octies* of the Issuers' Regulations, the Issuer's Board of Directors agreed to adopt a "Procedure to comply with Internal Dealing requirements", subsequently amended during the Board meeting held on May 9, 2014.

In 2016, the Board adopted a new "Procedure to comply with Internal Dealing requirements", pursuant to art. 19 of MAR and the related implementing rules and regulations of the European Commission, in force as of July 3, 2016.

Pursuant to the Procedure, the Head currently in force of the Corporate Legal Affairs (Corporate Counsel and Corporate Affairs Department) of the Company, performs the functions of Designated Officer. Currently Marco Minolfo serves as Designated Officer.

The procedure is available on the Issuer website (www.diasorin.com, Section "Governance/Governance System").

6. THE BOARD OF DIRECTORS' INTERNAL COMMITTEES (pursuant to art. 123-*bis*, section 2, letter d), TUF)

The Board of Directors appointed internally the following committees:

Control and Risks Committee	Franco Moscetti (Chairman) Enrico Mario Amo Roberta Somati
Compensation Committee	Giuseppe Alessandria (Chairman) Michele Denegri Roberta Somati
Nominating Committee	Giuseppe Alessandria (Chairman) Franco Moscetti Michele Denegri
Committee for Transactions with Related Parties	Franco Moscetti (Chairman) Giuseppe Alessandria Roberta Somati

Functions, tasks, resources and activities are described in the Paragraphs below.

7. NOMINATING COMMITTEE

The Issuer's Board of Directors, consistent with the provisions of the Corporate Governance Code, established an internal Nominating Committee, the majority of its members being non- executive independent Directors.

The Nominating Committee collaborates with the Compensation Committee for the purpose of monitoring more closely the self-assessment process of the Board of Directors. Pursuant to art. 2386, first Section of the Italian Civil Code, if an Independent Director has to be replaced, the Nominating Committee submits to the Board of Directors the candidates to be elected as Directors.

The Nominating Committee identifies a list of candidates to submit to the Issuer's shareholders' meeting as independent directors, taking into account shareholders' suggestions; furthermore, the

Committee is required to participate also when the Board of Directors submits a list for the renewal of the Committee itself.

Lastly, the Nominating Committee expresses opinions on the size and composition of the Board of Directors and, if necessary, on the professional figures whose presence on the Board would be considered appropriate.

Members and functions of the Nominating Committee (pursuant to Art. 123-*bis,* Section 2, Letter d), TUF).

By resolution dated April 28, 2016, the Issuer's Board of Directors confirmed the existing composition of its internal Nominating Committee. The members of the Committee, the majority of whom are non-executive, independent Directors, are: Giuseppe Alessandria (Independent Director), Franco Moscetti (Independent Director) and Michele Denegri (Non-executive Director), originally appointed by a Board resolution dated April 22, 2013; the Board of Directors appointed Mr. Alessandria (post previously held by Mr. Moscetti) as chairman.

Frequencies, the average length, the attendance percentage at Nominating Committee meetings are listed in Table 2 annexed to this Report.

The Nominating Committee's meetings – coordinated by its Chairman – have been regularly recorded and communicated to the first scheduled Board of Directors' meeting by the Chairman of the Nominating Committee.

In 2017, the Nominating Committee held a meeting on March 2, 2017; the Committee expressed its opinion to the Board of Directors concerning the proposal to appoint Director Fiorella Altruda. At the date of this Report, the Nominating Committee did not hold or schedule any meetings.

In performing its functions, the Nominating Committee has free access to the company's areas and information considered important for fulfilling its duties and can avail external consultants, subject to authorization by the Board of Directors.

The Nominating Committee was not provided with financial resources because the Committee uses the Issuer's resources and organization to discharge its duties.

8. COMPENSATION COMMITTEE

The Issuer's Board of Directors, consistent with the prevision of the Stock Exchange Market Regulations and the Corporate Governance Code, established an Internal Compensation Committee staffed with non-executive Directors, including the Chairman, the majority of whom are independent Directors. The Compensation Committee is responsible for:

- submitting to the Board of Directors proposals concerning the compensation of the Chief Executive Officer and of all other Directors who perform special tasks and for monitoring the proper implementation of approved resolutions;
- Submitting to the Board of Directors general recommendations concerning the compensation of DiaSorin Group executives with strategic responsibilities, taking into account the information and indications provided by the Chief Executive Officer, and assessing on regular basis the criteria adopted to determine the compensation of the abovementioned executives.

The Compensation Committee will also be expected to participate in managing any future stock option plans that may be approved by the Issuer's relevant corporate governance bodies.

he Compensation Committee advises the Board of Directors on the general remuneration policy to be applied to executive directors, Board members invested with specific tasks and duties, and executives with strategic responsibilities, as well as the proper identification and setting of appropriate performance targets that are to serve as the basis for determining the variable component of their remuneration determining whether or not performance targets have actually been met.

The Compensation Committee periodically assesses the appropriateness, overall coherence and concrete implementation of the general remuneration policy of the executive directors, including directors with specific tasks, and executives with strategic responsibilities.

Members and functions of the Compensation Committee (pursuant to Art. 123-*bis*, Section 2, Letter d), TUF).

By a resolution dated April 28, 2016, the Board of Directors confirmed the previous composition of the Compensation Committee, which is composed of the following Directors: Giuseppe Alessandria (Independent Director) who serves also as Chairman, Roberta Somati (Independent Director) and Michele Denegri (Non-Executive Director). The abovementioned directors have been already appointed by a Board of Directors resolution dated April 22, 2013.

Pursuant to principle 6.P.3 of the Corporate Governance Code, Mr. Michele Denegri has proper knowledge and expertise, regarding Finance and Accounting, that have been valued by the Board of Directors at the time of his appointment.

Frequencies, the average length, the attendance percentage at Nominating Committee meetings are listed in Table 2 annexed to this Report; the Chairman of the Board of Statutory Auditors attended the meetings.

In 2017, the Compensation Committee met on March 2, 2017 and October 30, 2017; the Compensation Committee provided recommendations on variable remuneration and on stock option plans and their beneficiaries.

The Compensation Committee's meetings, attended by the Chairman of the Board of Statutory Auditors during which the above activities have been carried out, were regularly recorded. The Compensation Committee's activities – coordinated by its Chairman – have been communicated to the first scheduled Board of Directors' meeting by the Chairman of the Compensation Committee.

As at the date of this Report a meeting was held on February 26, 2018. No further meetings are scheduled for 2018.

In performing its functions, the Compensation Committee had free access to the company's areas and information considered important for fulfilling its duties and could avail external consultants, subject to authorization by the Board of Directors.

The Compensation Committee was not provided with financial resources because the Committee uses the Issuer's resources and organization to discharge its duties.

9. COMPENSATION OF DIRECTORS

The Company policy for compensation of Directors and Executive with Strategic Responsibilities is reported in the Compensation Report published pursuant to Art. 123-t*er* of the TUF on the Company website: www.diasorin.com in the Section "Investors/Information for Shareholders/Shareholders' meeting and board/2018", to which reference is made.

10. CONTROL AND RISKS COMMITTEE

The Board of Directors established a Control and Risks Committee to which it appointed Non-Executive Directors, the majority of whom are Independent. The Chairman of the Board of Statutory Auditors, or another Statutory Auditor designated by the abovementioned Chairman, and including in any case any other Statutory Auditors, attends Control and Risks Committee Meetings. The Supervisory Director and, at the Committee's invitation, the Internal Audit Officer or other employees whose presence may be deemed useful for the proceedings may also attend Committee meetings.

The Control and Risks Committee recently adopted an internal regulation in compliance with the Corporate Governance Code best practice.

Composition and functions of the Control and Risks Committee (pursuant to Art. 123-*bis*, Section 2, Letter d), TUF)

The Control and Risks Committee provides consulting support and makes recommendations to the Board of Directors, and specifically it is required to perform a series of tasks concerning the Issuer's control activity and risks management, as described in the following section.

By a resolution dated April 28, 2016, the Board of Directors confirmed the previous composition the Control and Risks Committee which is composed of the following Directors: Franco Moscetti (Independent director) serving as Chairman, Roberta Somati (Independent Director) and Enrico Mario Amo (Non-executive Director), who has significant expertise in the areas of accounting and finance. The abovementioned directors have already been appointed by a resolution dated April 22, 2013.

The frequency, the average length, the attendance percentage at the Control and Risks Committee meetings are listed in Table 2 annexed to this Report.

In 2017, the Control and Risks Committee met on February 24, July 31 and December 11. As of the date of this Report a meeting was held on February 28, 2018. No further meetings are scheduled for 2018.

The Chairman of the Board of Statutory Auditors, together with the other members of the Board of Statutory Auditors in addition to other company members whose presence is deemed useful for the meeting to discuss scheduled issue on the agenda attended the meetings.

Functions of the Control and Risks Committee

The Control and Risks Committee has the following functions:

- it assists and supports the Board of Directors by adequate preliminary activity, in performing tasks related to the system of internal control and risks management, particularly with regard to defining the system's guidelines and assessing on a regular basis the adequacy, efficiency and effective implementation of the system of internal control;

- it provides advice on specific issues related to the identification of corporate risks and the design, construction and management of the system of internal control and risks management;
- it supports with due examination the Board's judgment and decisions relating to risk managements arising from detrimental facts of which the Board has become aware;
- it reviews the work plan prepared by the Internal Audit Officer and the reports that the Internal Audit Officer submits every six months;
- together with the Corporate Accounting Documents Officer, the Independent Auditors and the Board of Statutory Auditors, it assesses the adequacy of the accounting principles used by the Company and the consistency and uniformity of their use in preparing the consolidated financial statements;
- it reports to the Board of Directors at least once every six months, on the occasion of the approval of the Annual Report and the Semiannual Report, about the work performed and the adequacy of the system of internal control and risks management;
- it performs any additional tasks that the Board of Directors may choose to assign to the Committee, specifically in areas related to the interaction with the Independent Auditors, the work performed by the Oversight Board pursuant to Legislative Decree No. 231/2001 and the provision of consulting support with regard to related-party transactions.

The Committee can require specific Internal Audit intervention. In this regard, the Committee did not exercise this power.

In 2017, the Control and Risks Committee performed its constant control activity, concerning the correct and timely implementation of the guidelines and the proper management of the Internal Control and Risks system of the Issuer and its relevant subsidiaries.

In 2017, the Control and Risks Committee supported by the Internal Audit Function reviewed the risk model for ERM (*Enterprise Risk Management*) and the relevant assessment, using a methodology for the identification and assessment of risks based on the strategic objectives of the DiaSorin Group as provided in the Three-Year Plan presented in June 2017; supported by the Top Management the Committee assessed risks in terms of *Impact* and *Vulnerability* and identified existing measures and future plans to mitigate such risks.

The meetings of the Committee have been regularly recorded and all the above-mentioned activities have been properly carried out. The Control and Risks Committee activities – coordinated by its Chairman – have been communicated to the first scheduled Board of Directors' meeting by the Chairman of the Control and Risks Committee.

In 2017, during the meetings held on March 8, and August 3, the Control and Risks Committee reported to the Board of Directors on the activities and audits the Committee carried out, pursuant to Criterion 7.C.2, Letter f) of the Corporate Governance Code, and the effectiveness of the internal control system highlighting how the system proved to be largely in line with the size and organizational and operational structure of the Issuer. Last meeting held to report to the Board of Directors on the activities carried out was on March 7, 2018.

In performing its functions, the Control and Risks Committee had free access to the company's areas and information considered important for fulfilling its duties and could avail external consultants, subject to authorization by the Board of Directors.

On March 7, 2018, the Board of Directors resolved to provide financial resources of 50,000,00 thousand euros to the Control and Risks Committee to perform its activities, confirming the same budget provided in 2017.

11. INTERNAL CONTROL AND RISKS MANAGEMENT SYSTEM

The Board of Directors is responsible for defining the guidelines of the Internal Control and Risks management system, which is a set of processes designed to monitor the efficiency of the Company's operations, the reliability of all information (including financial information), the degree of compliance with laws and regulations and the level of protection of the Company's assets.

On December 19, 2012, the Board of Directors adopted the guidelines of the Internal Control and Risks Management system (the "**Guidelines**") that have been confirmed by the Board of Directors appointed on April 28, 2016. The Guidelines aim to define the main risks to which the Company is exposed. The Board of Directors (i) is responsible for the prevention and monitoring of business risks to which the Issuer and the Group are exposed by defining control system guidelines that can be used to properly identify, adequately measure, monitor, manage and assess the abovementioned risks, in accordance with the goal of protecting the corporate assets and consistent with the principles of sound management, including in its assessment all the main risks that can have a major adverse impact on the Issuer's long-term sustainability and (ii) verifies on a regular basis (at least once a year) that the Internal Control and Risks management is adequate, effective and functions correctly.

The document following a first section dedicated to the members involved in the System, defines the guidelines adopted by the Issuer's Board of Directors. The Issuer's Internal Control and Risks management system involves the following corporate bodies with different tasks:

- The Board of Directors has the function of directing and evaluating the adequacy of the Internal Control and Risks management, *interalia* identifying an (i) Control and Risks Committee that assists the Board of Directors comprised of non-executive Directors, the majority of whom is Independent, with a proper preliminary investigation and (ii) one or more Directors in charge of the establishment and preservation of an efficient Internal Control and Risks management ("**Supervisory Director**");
- The Officer of the Internal Audit function, who is appointed by the Board of Directors, and proposed by the Supervisory Director, with the assent of the Control and Risks Committee, has the function to verify the adequacy and efficiency of the Internal Control and Risks management system;
- The Board of Statutory Auditors has the function to verify the efficiency of the Control and Risks Committee;
- The Corporate Accounting Document Officer , pursuant to the art. 154-*bi*s TUF;
- The Oversight Board established pursuant D.L. 231/2001.

Insofar as the Guidelines adopted for the system of internal control and risks management are concerned, the Organizational and Management Model adopted by the Company pursuant to Legislative Decree No. 231/2001 is taken into account.

As far as the company's financial statements are concerned, the Risk Management and Internal Control System applied to the financial reporting process adopted by the DiaSorin Group was developed using as a reference model and performance objective the COSO Report[*], according to which, the Internal Control and Risks management system, in the most general terms, can be defined as "*a process, effected by the Board of Directors, management and other personnel for the purpose of providing reasonable assurance regarding the achievement of objectives in the following categories: (i) design and effectiveness of operations;(ii) reliability of financial reporting; (iii) compliance with applicable laws and regulations*".

[*] COSO Model, developed by the *Commitee of Sponsoring Organizations of the Treadway Commission - "Interbak Control - Integrated framework*" published in 1992 and updated in 1994 by *Commitee of Sponsoring Organizations of the Treadway Commission*.

Insofar as the financial reporting process is concerned, the corresponding objectives are the truthfulness, accuracy, reliability and timeliness of the financial reporting.

The Group, in defining its Internal Control and Risks management system for the financial reporting process, complied with the guidelines provided in this area in the following reference laws and regulations:

- Legislative Decree No. 58 of February 24, 1998 (TUF), as amended, specifically with regard to the provisions concerning the "*Certification of the Statutory and Consolidated Annual Financial Statements and Semiannual Report by the Corporate Accounting Documents Officer and the Delegated Governance Bodies pursuant to Article 154-bis of the TUF*";
- Law No. 262 of December 28, 2005 (as amended, including the amendments introduced by the Legislative Decree of October 30, 2007 adopting the Transparency Directive) specifically with regard to the preparation of corporate accounting documents;
- The Issuers' Regulations published by the Consob, as amended and integrated;
- The Italian Civil Code, which extends to the Corporate Accounting Documents Officers the liability for company management actions (Article 2434), corruption between private individuals (Article 2635) and the crime of obstructing public and oversight authorities in the performance of their functions (Article 2638);
- Legislative Decree No. 231, of June 8, 2001, which, citing, *inter alia*, the abovementioned provisions of the Italian Civil Code and the civil liability of legal entities for crimes committed by their employees against the public administration and market abuse crimes, as well as corporate crimes, classifies the Corporate Accounting Documents Officer as a Top Management Person.

In addition, the reference components of the Group include:

- the Group's Code of Ethics;
- the Organizational and Management Model Pursuant to Legislative Decree No. 231/2001, its Special Parts and related protocols;
- the Procedure to comply with Internal Dealing requirements;
- the Procedure for Related-party Transactions;
- the Procedure for the internal management and public disclosure of Inside Information;
- the Procedure to manage the Register of persons having access to insider information;
- the System of delegated and proxy powers;
- the organization chart and job description chart;
- the risk assessment process applied to quantitative and qualitative risk analysis;
- the Accounting and Administrative Control System, which is comprised of a set of procedures and operational documents, including:
  - Group Accounting Manual: document designed to promote the development and use within the Group of consistent accounting criteria for the recognition, classification and measurement of the results from operations;
  - Administrative and accounting procedures: documents that define responsibilities and control rules specifically with regard to administrative and accounting processes;
  - Financial statements and reporting instructions and closing schedules: documents used to communicate to the various Company departments the operational and detailed procedures for managing the activities required to prepare the financial statements by predetermined and shared deadlines;
  - Technical User Manual for the Group Reporting System: document provided to all employees who are directly in the process of preparing and/or reviewing accounting reports, which explains how the Reporting System operates.

DiaSorin's Accounting and Administrative Control Model defines the method that must be applied when implementing the Internal Control System, which includes the following phases:

a) *Mapping and assessment of the risks entailed by financial reporting.*

The mapping and assessment of the risks entailed by the production of accounting reports is carried out by means of a structured assessment process. The implementation of this process includes identifying all of the objectives that the Internal Control System and Risks Management System applied to financial reporting must achieve to deliver a truthful and fair presentation. These objectives refer to the financial statement "assertions" (existence and occurrence of events, completeness, rights and obligations, valuation/recognition, presentation and disclosure) and other control objectives (e.g., compliance with authorization limits, segregation of duties and responsibilities, documentation and traceability of transactions, etc.).

The risk assessment process is thus focused on those areas of the financial statements identified as potentially having an impact on financial reporting in terms of failure to achieve control objectives.

The process of determining which entities should be classified as "significant entities" in terms of their impact on financial reporting serves the purpose of identifying, with regard to the Group's consolidated financial statements, the subsidiaries, financial statement accounts and administrative and accounting processes that are deemed to be "material," based on valuations carried out using both quantitative and qualitative parameters.

b) *Definition of controls for the mapped risks.*

As mentioned above, the definition of the controls required to mitigate the mapped risks within administrative and accounting processes is carried out taking into account the control objectives associated with financial reporting for processes deemed to be material.

If the implementation of the phase of determining the scope of the assessment process uncovers sensitive areas that are not governed, in whole or in part, by the corpus of administrative and accounting procedures, the existing procedures are amended and, working in concert with the Corporate Accounting Documents Officer, new procedures are adopted for the affected areas.

c) *Assessment of controls for the mapped risks and handling of any known issues.*

The assessment of the effectiveness and level of implementation of the administrative and accounting procedures and of the controls they contain is carried out through specific testing activities that are consistent with best industry practices.

Testing is carried out continuously throughout the year at the request of and in coordination with the Corporate Accounting Documents Officer, who uses his own organization and the Internal Auditing Department.

As part of the implementation process, the delegated governance bodies and the administrative managers of subsidiaries are required to provide the Corporate Accounting Documents Officer with an affidavit concerning tests performed to assess the effectiveness and level of implementation of the administrative and accounting procedures.

The Internal Auditing Officer prepares an Audit Report in which he provides an overview of the assessment of the controls established for the mapped risks. The assessment of controls results in the definition of supplemental controls, corrective actions or improvement plans to address any identified issues.

The Audit Reports produced during the year are communicated to the Company's Control and Risks Committee and relevant outcomes are communicated to the Company Board of Statutory Auditors, and the Board of Directors.

Internal Control System applied to the financial reporting process is overseen by the Corporate Accounting Documents Officer, who is appointed by the Board of Directors, in concert with the Chief Executive Officer. The Corporate Accounting Documents Officer is responsible for developing, implementing an approving the Accounting and Administrative Control Model and assessing its effectiveness, and is required to issue certifications of the separate and consolidated annual financial statements and the semiannual financial report (separate and consolidated). The Corporate Accounting Documents Officer is also responsible for establishing adequate administrative and accounting procedures for the production of statutory and consolidated financial statements and, with the support of the Internal Auditing Department, providing subsidiaries with guidelines for the implementation of appropriate activities to assess their Accounting Control Systems.

In the performance of his functions, the Corporate Accounting Documents Officer:

- interacts with the Internal Auditing Director/Supervisory Director, who performs independent audits of the effectiveness of the Internal Control System and supports the Corporate Accounting Documents Officer in monitoring the System;
- is supported by the managers of the affected departments, who, with respect to the area under their jurisdiction, attest to the completeness and reliability of the information flows provided to the Corporate Accounting Documents Officer for financial reporting purposes;
- coordinates the activities of the Accounting Managers of subsidiaries, who are responsible, together with the delegated governance bodies, for implementing within their companies adequate accounting control systems to monitor administrative and accounting processes and assessing their effectiveness over time, reporting the results to the Parent Company as part of the internal certification process;
- establishes a mutual exchange of information with the Control and Risks Committee and the Board of Directors.

The Board of Statutory Auditors and the Oversight Board are informed about the adequacy and reliability of the internal control system applied to financial reporting.

A detailed description of the main characteristics of the system of internal control and risks management applied to financial reporting, including consolidated financial statements, as required by Article 123-*bis*, Section 2, Letter b), of the TUF, is provided in the Report on the Company’s Operations annexed to the statutory and consolidated financial statements.

11.1 SUPERVISORY DIRECTOR RESPONSIBLE FOR THE EFFECTIVE IMPLEMENTATION OF THE SYSTEM OF INTERNAL CONTROL AND RISKS MANAGEMENT

The Supervisory Director is responsible for overseeing the effective implementation of the System of Internal Control and Risks Management by the Board of Directors and with the support of the Control and Risks Committee.

The Supervisory Director, working within and in accordance with the guidelines established by the Board of Directors, is responsible for:

- identifying corporate risks, based on the characteristics of the Issuer’s and its subsidiaries businesses and that will be periodically submitted to the attention of the Boards of Directors;
- implementing the guidelines, designing, constructing and managing the system of internal control, constantly verifying its efficiency and adequacy;
- making sure that the system of internal control and risks management changes in the Company’s business and changes in the statutory and regulatory framework;
- promptly reporting to the Control and Risks Committee (or to the Board of Directors) issues and critical situations emerged from its control activity or of which the Committee was informed, so that the Committee (or the Board of Directors) can take measures against these critical situations.
- in performing these tasks, the Supervisory Director can rely on the Internal Audit to carry out controls on both specific business areas and internal laws and procedures concerning corporate

operations, so that the Chairman of the Board of Directors, the Chairman of the Control and Risks Committee and the Chairman of the Board of Statutory Auditors will be promptly informed. In 2017, the Supervisory Director did not exercise this power.

On April 28, 2016, the Issuer's Board of Directors reappointed Carlo Rosa, the Issuer's Chief Executive Officer and General Manager, to the post of Supervisory Director. Mr. Rosa had been appointed to this post by the previous Board of Directors.

During the course of the year, the Supervisory Director:

- identified the main corporate risks (strategic, operational, financial and compliance related), taking into account the characteristics of the businesses carried out by the Issuer and its subsidiaries, and submitted them to the Board of Directors for review on a regular basis;
- implemented the guidelines defined by the Board of Directors, designing, constructing and managing the system of internal control, monitoring on an on-going basis the system's overall adequacy, effectiveness and efficiency and the need for any adjustments;
- updated the system in response to changes in operating conditions and in the relevant regulatory framework;
- did not deemed it necessary to require intervention of the Internal Audit Officer.

11.2 INTERNAL AUDIT OFFICER

The Board of Directors appointed a person in charge of verifying the constant adequacy, effectiveness and efficiency of the system of Internal Control and Risks management.

During the Board meeting held on April 28, 2016, the Board of Directors in compliance with the provisions of the Corporate Governance Code, appointed Giovanni Piovano (in office since the Board resolution dated March 9, 2016) to the post of Internal Audit Officer, on the input of the Supervisory Director and following the favorable opinion of the Control and Risks Committee and the Statutory Auditors.

The Internal Audit Officer was entrusted with tasks and responsibilities contained in the Code and detailed in the Guidelines.

The Code requires that the Board of Directors in charge of appointing (and revoking) the Internal Audit Officer provides such Officer with adequate resources to perform his /her tasks and defines his/her compensation, coherently with the company's policy. The Internal Audit Officer, who is not in charge of any operating area, reporting through official channels to the Board of Directors, can:

- verify both continuously and according to specific needs, the eligibility and effectiveness of the Internal Control and Risks Management System, in compliance with the international standards and through an audit plan, which is approved annually by the Board of Directors and shared with the Control and Risks Committee and is based on an analysis process and risks priority.
- have direct access to useful information to carry out his/her duty;
- draw up periodic reports containing information on the activity of his/her function, the method employed for risks management and the safeguard of the plans. The periodic reports evaluate the suitability of the system.
- draw up promptly reports on important events;
- convey the abovementioned reports to the Chairmen of the Board of Statutory Auditors, the Control and Risks Committee, the Board of Directors and the Supervisory Director.
- verify the reliability of the information systems, including the accounting systems.

Starting from January 1, 2013 the Internal Audit Officer's work-plan is approved on annual basis by the Board of Directors, after receiving a favorable opinion from the Board of Statutory Auditors and the Supervisory Director; in 2017, the 2017 Audit Plan was approved during the meeting held on March 8, 2017 and the 2018 Audit Plan was approved on March 7, 2018. At least once a year, the Internal Audit Officer reports and explains the controls carried out to the Board of Directors, the Supervisory Director, and the Control and Risks Committee and the Board of Statutory Auditors.

In compliance with his duty, in 2017, the Internal Audit Officer carried out his tasks drawing up and following an annual plan, that was presented to the Board of Statutory Auditors and Control and Risks Committee to show the results achieved during the year.

In 2017, the Internal Audit Officer carried out all the activities of his annual work-plan, reporting to the Control and Risks Committee during the meetings held on February 24, July 31 and December 11 and to the Board of Directors during the meeting held on March 8, 2017. The Internal Audit Officer reported to the Control and Risks Committee and to the Board of Directors again on February 28, and March 7, 2018.

On April 28, 2016, the Board of Directors resolved not to provide the Internal Audit Officer with ad hoc compensation, considering to be appropriate the compensation received as employee of the Company and thus consistent with his tasks.

11.3 CODE OF ETHICS AND ORGANIZATIONAL MODEL PURSUANT TO LEGISLATIVE DECREE NO. 231/2001

The Group's Code of Conduct

On December 18, 2006, the Issuer approved and implemented a Group Code of Conduct ("**the Code**") with the aim of providing all employees with common consistent rules of conduct and defining their rights and obligations, as they apply to the performance of any activity that may affect the Issuer's interests. The Code of Conduct sets forth the general principles that define the values that underpin the Issuer's operations and it has been currently adopted by all DiaSorin Group companies.

On December 19, 2016, the Board of Directors approved a new edition of the Code of Conduct, in compliance with the recently released MedTech Code of Ethical Business Practice.

The update was carried out following the release of a new Code of Ethics drafted by MedTech Europe, an association representing the European IVD industry through EDMA-European Diagnostic Manufacturers Association; DiaSorin S.p.A., as a member of EDMA, was required to adopt the provisions found in the new version of MedTech Code of Ethics, and review the DiaSorin Group Code of Conduct sections regulating the "Relationship with Healthcare Professionals and Healthcare Organizations" by the end of 2016. Briefly, the Code was amended to introduce a new section, entitled "*Relationship with Healthcare Professionals and Healthcare Organizations*" providing a series of principles and provisions regulating relationships with the abovementioned counterparties, to safeguard medical-scientific sector and create transparent and free of any commercial interest interactions.

In 2017, the Board of Directors of the DiaSorin Group companies approved the new version of the Code.

The training sessions for all DiaSorin Groups' managers which started in December 2016 continued throughout 2017. The purpose of these sessions was to fully illustrate amendments to the Code of Conduct to Sales & Marketing Functions at a global level; at the end of each session attendees received a questionnaire via computer, to assess the quality of the training session.

The Code of Conduct currently in force is available on the Issuer's website (www.diasorin.com, Section "Investors/Governance/Governance System").

The Organization and Management Model pursuant to Legislative Decree No. 231/2001

As required by the provisions of Article 2.2.3, Section 3, Letter k), of the Stock Exchange Regulations (concerning companies listed in the STAR segment) and in order to ensure that all business transactions and corporate activities are carried out fairly and transparently, protecting the Company's position and image, meeting the expectations of its shareholders and protecting the jobs of its employees, the Board of Directors adopted the model required by Legislative Decree No. 231/2001 in connection with the Company's administrative liability for crimes committed by its employees (also referred to as the "**Model**") in apical positions and appointed the related Oversight Board, pursuant to Art. 6 and 7 of the abovementioned Legislative Decree.

This Model was developed taking into account the provisions of Legislative Decree No. 231/2001, the guidelines provided by relevant trade associations (particularly those of Assobiomedica) and the guidelines published by Confindustria.

Moreover, the Issuer revised its Model to make it consistent with the new requirements of Legislative Decree No. 123/2007 and the rules on market abuse introduced by the TUF. The revised model includes two new Special Sections that concern violations of rules concerning health and safety on the job of Legislative Decree No. 81/2008 (Uniform Occupational Safety Code), and crimes involving market abuse (and manipulation) and abuse of insider information.

Subsequently, the Board of Director agreed to amend the Model, adding Special Section "E" that deals with certain issues listed in Legislative Decree No. 121/2011 concerning environmental crimes, and lastly the Board of Directors agreed to update Special Section "A" (Offences against the Public Administration) and Special Section "B", and added Special Section "E" (Employment of citizens of other countries illegally residing in the country) and, lastly, on November 11, 2015 updating Special Section "F" following the "new presumed offences" included in the provisions of Legislative Decree No. 231/2001.

In 2017, the Oversight Body carried out a regulatory adjustment on the Special Sections "B" and "C" of the 231 Model following the entry into force of Legislative Decree 38/2017 aimed at reinforcing the fight against corruption in the private sector and of Regulation (EU) n. 596/2014 (the so-called "MAR" - Market Abuse Regulation), providing new provisions on Market Abuse, respectively, in addition to the revision of the mapping of the risks concerning the Special Sections "A" and "B", following the reorganization of some functional areas included in the abovementioned mapping that led to a change in the allocation of tasks and responsibilities.

The Oversight Board promoted a series of training sessions concerning responsibility issues, pursuant to Legislative Decree 231/2001 to support sale force in Italy and Global Procurement and Supply Chain Functions.

As of the date of this Report, the Model (whose summary is available on the Company's website www.diasorin.com, Section "Governance/Corporate Governance System") includes:

- "General Section" includes (i) the description of the regulatory framework, (ii) the governance and organizational structure adopted by DiaSorin for preventing the commission of crimes, (iii) the purposes of the Model, (iv) the requirements and tasks of the Supervisory Body (see below), (v) the disciplinary measures adopted by the Company in case of non- compliance with the measures set out in the Model and (vi) the training and communication plan to ensure an accurate knowledge and awareness of the provisions of the Model by all the persons who must observe them.
- "Special Section A" includes the crimes covered by Articles 24 and 25 of the Decree committed in the course of relations with the Public Administration;
- "Special Section B" covers the so-called "Corporate" crimes, including the corruption between private parties;
- "Special Section C" encompasses the crimes provided for in Regulation (EU) no. 596/2014 (Market Abuse Regulation) and in the TUF (the Consolidated Law on Finance -Legislative Decree 58/1998) on "Market Abuse";

- “Special Section D” includes the “unintentional manslaughter and unintentional serious or very serious injuries committed in breach of applicable regulations on health and safety at work” as set out in the Legislative Decree 123/2007;
- “Special Section E” includes the environmental crimes introduced by Article 2 of Legislative Decree July 7, 2011 n. 121;
- “Special Section F” encompasses the crimes regarding " Employment of citizens of other countries illegally residing in the country" as provided for in Article 22 paragraph 12-bis of the Legislative Decree 286/1998 and transposed by Article 25-duodecies of the said Decree.

The Oversight Board currently in office includes the following members: Mr. Roberto Bracchetti, Statutory Auditor (former Chairman of the Board of Statutory Auditors until April 28, 2016), Mr. Giovanni Piovano, Internal Audit Officer, and Ms. Silvia Bonapersona, external professional responsible for the controls required by occupational and environmental safety regulations.

The Oversight Board is responsible for ensuring that the Model is functioning correctly, is effective and is being complied with, and for recommending updates to the model and Company procedures, when appropriate.

To this end, the Board of Directors on the meeting held on March 7, 2018 resolved to provide the Oversight Board with financial resources amounting to EUR 50,000.00 for the year ended December 31, 2018, confirming the same budget provided in 2017.

Once a year, the Oversight Board presents to the Board of Directors the findings of its oversight activity, subsequent to discussing them with the Control and Risks Committee.

Last meetings held with the Control and Risks Committee and the Board of Directors occurred on February 28, 2018 and March 7, 2018, respectively.

11.4 INDEPENDENT AUDITORS

Pursuant to a resolution approved by the Shareholders’ Meeting of April 28, 2016, the Company on a reasoned proposal by the Independent Auditors, appointed PricewaterhouseCoopers S.p.A. for the period 2016-2024.

11.5 CORPORATE ACCOUNTING DOCUMENTS OFFICER

Pursuant to Article 15 of the Bylaws, the Board of Directors, which is required to act with the mandatory input of the Board of Statutory Auditors, has jurisdiction over the appointment and dismissal of the Corporate Accounting Documents Officer (“Designated Officer”) required pursuant to Article 154-*bis* of the TUF and the determination of his or her compensation.

The Company’s Corporate Accounting Documents Officer must meet the integrity requirements of the relevant statutes currently in force for those who perform administrative and management functions, as well as professional requirements that include specific expertise in administrative and accounting issues.

Expertise in these areas must be verified by the Board of Directors and must be the result of work performed in a position of sufficiently high responsibility for an adequate length of time.

On April 28, 2016, the Board of Directors appointed Mr. Piergiorgio Pedron (after succeeding Mr. De Angelis who served as Manager of the Issuer’s Accounting, Finance and Control Department) to the post of Corporate Accounting Documents Officer, after verifying compliance with the requirements of integrity and professional expertise and taking into account the favorable opinion of the Board of Statutory Auditors, granting him the powers required pursuant to Article 154-*bis* of the TUF, specifically:

- free access to all information considered important for fulfilling his duties, both within DiaSorin S.p.A. and within the companies in the Group, with the power to inspect all the documentation related to drawing up the accounting documents of DiaSorin S.p.A. and the Group and with the

power to request explanations and elucidations of all the subjects involved in the process of forming the accounting data of DiaSorin S.p.A. and the Group;
- attendance at the meetings of the Board of Directors;
- the right to dialogue with Control and Risks Committee;
- the right to approve the company procedures, when they impact the balance sheet, the consolidated financial statements and the documents submitted for certification;
- participation in designing the information systems that impact the economic asset and financial situation;
- the right to organize a suitable structure within his own area of activity, internally employing the available resources and, where necessary, outsourcing;
- the right to employ the Internal Audit function for mapping the processes of competence and in the phase of execution of specific checks, with the possibility, if this Function is not internally present, of using resources through outsourcing;
- the possibility of using the information systems for monitoring activity;
- the approval and signing of each document connected to the function of the accounting documents officer and/or that required the statement pursuant to the rules.

The Board of Directors acknowledges the annual compensation of Mr. Pedron for the post of Accounting Document Officer, pursuant to art. 154-*bis* TUF, has to be included in the annual compensation of Mr. Pedron as Company executive.

11.6. COORDINATION OF INDIVIDUALS INVOLVED IN THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

The Company has attributed the function of coordination of individuals involved in the Internal Control and Risk Management to the Board of Directors, carried out by the Supervisory Director This coordination was permanently and effectively carried out in 2017.

The Company performed an analytical analysis on the activities carried out by parties involved in the internal control and risk management system, identifying concrete steps on coordination in order to make activities and duties carried out by parties involved in the system more efficient. Specifically, all members of the Board of Statutory Auditors, Managers directly involved in the company risk management and the Chief Executive Officer acting as Director in charge of internal control and risk management attended the Control and Risks Committee meetings. The Control and Risks Committee reports to the Board of Directors at least once every six months about the work performed and the adequacy of the system of internal control and risks management. As for the Oversight Board its coordination with other parties involved is fully ensured by the presence of members of the Board of Statutory Auditors and the Internal Audit Officer, being Chairman and member of the Oversight Board, respectively. Lastly the Board of Statutory Auditors, during its quarterly controls, meets periodically the Accounting Document Officer, the Independent Auditors and all the company functions involved in processes and procedures verified by the Board of Statutory Auditors, including controls on internal control and risk management.

On March 7, 2018 the Board of Directors, pursuant to Criterion 7.C.1 of the Corporate Governance Code, deemed coordination procedure of parties involved in the internal control and risk management system to be adequate.

12. INTERESTS OF DIRECTORS AND TRANSACTIONS WITH RELATED PARTIES

With regard to related-party transactions, the Issuer's Board of Directors adopted a Procedure and established a Committee for related-party transactions.

The Board of Directors adopted the Procedure on November 5, 2010, in accordance with Consob Regulation on Related Party transactions (as amended). The Procedure went into effect on January 1, 2011 and was assessed by the Independent Directors on March 8, 2017 (as defined in the CONSOB communication no. 10078683 dated September 24, 2010, after the first three years of its application), who confirmed the Procedure compliance with applicable laws and with adequacy and effectiveness of the provisions thereof; the Procedure was published pursuant to the Regulation on the Company website: www.diasorin.com/Governance/Governance System. List of Company's Related Parties, annexed to the Procedure, is updated at any time, if necessary, and revised on an annual basis.

Referring to the abovementioned procedure, Directors who have a vested interest in a transaction must provide in a timely manner full information regarding the existence of a vested interest and the circumstances of the same to the Board, evaluating on a case by case basis the opportunity of leaving the meeting at the time at which the resolution is taken and to abstain from voting on the matter. In case the vested interest is held by a Chief Executive Officer, the same abstains from carrying out the operation. In such cases, the resolutions of the Board of Directors will motivate adequately the reasons and interest of the Company to carry out the operation.

The Board of Directors takes the appropriate decisions in the case that Directors abandoning the meeting when the matter is discussed would result in there no longer being the required quorum.

In 2017, no operations concerning Directors with direct or indirect interest or Related-Party interest have been carried out (without prejudice to two exempt operations, see Section 12.1 below).

12.1 COMMITTEE FOR RELATED-PARTY TRANSACTIONS

By a resolution dated April 28, 2016, the Issuer's Board of Directors confirmed the previous composition of the Committee for Related-Party Transactions consisting of Independent Directors - Franco Moscetti (serving as Chairman and previously Coordinator), Giuseppe Alessandria and Roberta Somati – appointed by Board resolution on April 22, 2013.

In 2017, the Committee for Related-Party Transactions met on December 11, 2017 in order to update the List of Related Parties annexed to the Procedure and examine two intra-group transactions concerning the reorganization of manufacturing and commercial activities (these transactions were exempt from the application of the Procedure). Meeting of the Committee for related-party transactions– coordinated by its Chairman – have been regularly recorded and communicated to the first scheduled Board of Directors' meeting by the Chairman of the Committee.

13. APPOINTMENT OF STATUTORY AUDITORS

Pursuant to Article 18 of the Bylaws, the Board of Statutory Auditors is comprised of 3 (three) Statutory Auditors and 2 (two) Alternates, who are elected for a three-year term of office and may be re-elected.

Statutory Auditors must meet the requirements of the relevant laws currently in force, also with regard to the limits on the number of governance posts they may hold. Specifically, in the areas of professional requirements, for the purposes of the provisions (when applicable) of Article 1, Section 3, of Ministerial Decree No. 162 of March 30, 2000, which makes reference to Section 2, Letters b) and c), of the abovementioned Article 1, it shall be understood that the expression "subject matters closely related to the businesses in which the Issuer is engaged" shall be understood to mean those related to the health-care and medical industries.

The Board of Statutory Auditors performs the task and activities required pursuant to law. Moreover, Statutory Auditors, acting collectively or individually, may ask the Directors to provide information, clarify previous disclosures and, more in general, furnish data about the Company's operating performance or specific transactions. They may also carry out at any time inspections and controls and request information pursuant to law.

Two Statutory Auditors, acting jointly, have the right to convene a Shareholders' Meeting.

The Board of Statutory Auditors is required to meet at least once every 90 days. See Table 3 for further details on meetings held.

In 2017, the Board of Statutory Auditors met on January 18, March 6, March 22, April 5, June 14, September 11 and December 5. The average length of meetings was 2 hours. As of the date of this Report, the Board of Statutory Auditors met on February 28, 2018; in addition to the meeting held, five meetings have been scheduled for 2018.

The provisions of the Issuer's Bylaws (Article 18) that govern the composition and the election of the Board of Statutory Auditors effectively ensure compliance with rules and regulations concerning with provisions concerning rights of minority shareholders' rights, independence of Directors and gender balance.

The Board of Statutory Auditors is elected on the basis of slates of candidates filed by shareholders. Each shareholder, shareholders belonging to a shareholders' agreement that meet the requirements of Article 122 of the TUF, the Company's controlling party, its subsidiaries and joint ventures that qualify as such pursuant to Article 93 of the TUF may not file or participate in the filing, directly or through a third party or a nominee, of more than one slate and may not vote for multiple slates. Each candidate can be included on only one slate, on penalty of losing the right to be elected. Votes cast in violation of this requirement will not be attributed to any slate of candidates.

According to the Issuer's Bylaw only shareholders who represent at least 2.5% of the voting shares may file slates of candidates, or any other percentage that may apply pursuant to the provisions or guidelines of laws or regulations. In compliance with Art. 144-*septies*, paragraph 1, of the Issuer Regulation, Consob established with its resolution no. 20273 of January 24, 2018 that shareholders' owing a shareholding equal to 1% of the Share Capital are entitled to present the slates of nominees to allocate the Statutory Auditors to be elected.

Slates filed with a number equal to or with more than 3 candidates shall be composed by candidates belonging to both genders so that the least represented gender is awarded at least one- third of the seats and (rounded up) for being elected as Statutory Auditors and at least one-third (rounded up) of the candidates running for being elected as Alternate.

Slates filed by shareholders must be deposited at the Company's registered office at least 25 (twenty-five) days prior to the date of the first calling of the Shareholders' Meeting, on penalty of becoming invalid, together with the documents required by the Bylaws. The abovementioned documents must include the following:

(i) Information identifying the shareholders who are filing the slates and showing the total percentage interest held;

(ii) An affidavit by the shareholders different from those who hold, jointly or individually, a controlling or relative majority interest attesting that they are not linked with the latter as a result of transactions such as those defined in the relevant laws and regulations currently in force;

(iii) Detailed information about the candidates' backgrounds, affidavits by the candidates attesting that they meet statutory requirements and accept the nomination and listings of any management and control posts held by the candidates at other companies.

In addition, a special attestation issued by an intermediary qualified pursuant to law certifying the ownership, when the slate of candidates is being filed with the Company, of the number of shares needed to qualify for filing the slate must be filed with the Company within the deadline required by the rules applicable to the publication of slates of candidates by the Company.

If the conditions set forth above are not complied with, the affected slate shall be treated as if it had never been filed.

The election system set forth in the Bylaws is as follows:

(a) The Statutory Auditor candidate listed first in the slate that received the second highest number of votes and is not in any way linked, directly or indirectly, with the parties who filed the slate that received the highest number of votes is elected to the post of Statutory Auditor and Chairman of the Board of Statutory Auditors;

(b) The candidates listed, respectively, first and second in the slate that received the highest number of votes are elected to the post of Statutory Auditor. Alternate candidates who are listed first in the slates that received the highest and second highest number of votes are elected to the post of Alternate.

If two or more slates receive the same number of votes, a new balloting is held. If the outcome of the second balloting is still a tie, the slate filed by the shareholders controlling the largest equity interest or, failing that, the slate filed by the largest number of shareholders shall prevail.

If with the manner above described the composition of the Board of Statutory Auditors with reference to the Statutory Auditors, does not comply with the laws currently in force on gender balance, the necessary replacements, in consecutive order, with candidates running for the election as Statutory Auditors from the slate that received the highest number of votes shall be carried out.

If only one slate of candidates is filed, the Statutory Auditors and Alternates are elected from that slate, in compliance with the laws currently in force on gender balance.

If no slates are filed, the Shareholders' Meeting shall adopt the relevant resolutions with the majorities required pursuant to law, in compliance with the laws currently in force on gender balance.

If a Statutory Auditor needs to be replaced, he/she is replaced by an Alternate taken from the same slate as the Statutory Auditor who is being replaced. The Alternate thus elected will serve until the next Shareholders' Meeting.

If the Chairman of the Board of Statutory Auditors needs to be replaced, the Chairmanship will pass to the Statutory Auditor elected from the same minority slate. When the Shareholders' Meeting needs to elect replacement Statutory Auditors and/or Alternates, it shall proceed as follows: if the Statutory Auditors that need to be replaced had been elected from the majority slate, they shall be elected by a plurality of the votes, without any slate requirements; if, on the other hand, the Statutory Auditors that need to be replaced had been elected from the minority slate, the Statutory Auditors are elected by a plurality of the votes taking them from the slate to which the Statutory Auditors who are being replaced belonged. If, for any reason, the use of the abovementioned procedures would not result in the replacement of Statutory Auditors designated by minority shareholders, the Shareholders' Meeting shall act by a plurality of the votes. However, in the ballot counting process, the votes cast by shareholders who, based on disclosures provided pursuant to current laws, control, directly or indirectly or jointly with other members of a shareholders' agreement, as defined in Article 122 of the TUF, a majority of the votes that may be cast at a Shareholders' Meeting and shareholders who control, are controlled by or are subject to joint control by the former shall not be counted.

The replacements procedure of the sections above shall comply with the laws currently in force on gender balance.

Additional information about the method used to elect the Board of Statutory Auditors is provided in Article 18 of the Bylaws.

14. COMPOSITION AND FUNCTIONING OF THE STATUTORY AUDITORS (pursuant to art. 123-*bis*, section 2, letter d and d-*bis*), TUF)

The Issuer's Board of Statutory Auditors was appointed by the Ordinary Shareholders' Meeting held on April 28, 2016 and the Board's term will expire with the Shareholders' Meeting to be called to approve the financial statements for the year ending 31 December 2018.

The Board of Statutory Auditors was appointed on the basis of two slates. The first slate has been filed by IP Investimenti e Partecipazioni S.r.l., which certified its ownership of an equity interest equal to about 43.99% of the Company's common shares. The second slate has been filed as minority list by a number of asset management companies representing their funds which certified their ownership of an overall equity interest equal to 0.767% of common shares. Pursuant to the Company Bylaws, the Statutory Auditor candidate listed first in the slate that received the second highest number of votes (namely the slate filed by minority shareholders and approved by 26.202% of the Voting Capital) has been elected to the post of Chairman of the Board of Statutory Auditor and Statutory Auditor. The candidates listed, respectively, first and second in the slate that received the highest number of votes (specifically slate filed by the main Shareholder approved by 73.390% of the Voting Capital) have been elected to the post of Statutory Auditor. Alternate candidates who are listed first in the slates filed by minority shareholders and by the main shareholder have been elected to the post of Alternate.

The members of the Board of Statutory Auditors currently in office are listed as follows:

First and last name	Place and date of birth	Post held	Domicile for post held
Monica Mannino	Palermo, October 18, 1969	Chairman	Saluggia (VC) Via Crescentino snc
Roberto Bracchetti	Milan, May 23,1939	Statutory Auditor	Saluggia (VC) Via Crescentino snc
Ottavia Alfano	Milan, May 2, 1971	Statutory Auditor	Saluggia (VC) Via Crescentino snc
Salvatore Marco Fiorenza	Milan, July 27, 1950	Alternate	Saluggia (VC) Via Crescentino snc
Maria Carla Bottini	Legnano (MI), July 7, 1960	Alternate	Saluggia (VC) Via Crescentino snc

Pursuant to Articles 144-*octies* and 144-*decies* of the Issuers' Regulations, the professional *curricula* of the Statutory Auditors and the Alternates are available at the Issuer's registered office and at the Issuer's website at www.diasorin.com (Section "Investors/Information for Shareholders /Shareholders' meeting and board/2016") as part of the application forms and relevant documents.

Diversity policy

As of the date of this Report, the Company did not adopt a diversity policy applying to the composition of the control bodies with respect to age, gender numbers and educational and professional background.

Material aspects concerning the diversity of the current composition of the Board of Statutory Auditors are described below.

The Issuer complied with regulations on gender balance concerning the composition of corporate bodies as of the meeting held on April 22, 2013 to appoint said bodies and subsequently at the meeting held on 28 April 2016 to renew their last term of office.

The Board of Statutory Auditors in office during the 2013-2016 period was composed of 1 woman and 2 men, while the current Board of Statutory Auditors comprises 1 man and 2 women. Lastly, as regards the Alternates, the Board comprises of 1 man and 1 women, this latter in office since 2013.

The Board of Statutory Auditors is composed of members belonging to the following age groups: two members belong to the 50-41 age group, while one member belongs to the 80-71 age group. Finally, one Alternate belongs to the 51-60 age group while the other belongs to the 61-70 age group.

Both Statutory Auditors and Alternates work as Certified Public Accountants and Independent Auditors. Particularly, Mr. Roberto Bracchetti, who serves as Statutory Auditor, gained significant experience abroad, particularly in the United Kingdom.

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The Board of Statutory Auditors, taking also into account the requirements for Directors that are set forth in the Corporate Governance Code, assesses the independence of its members upon their election and at least once a year while they are in office.

The Board of Statutory Auditors assesses periodically the independence of the Independent Auditors and provides each year its opinion on this issue in a report to the Shareholders' Meeting.

The Board of Statutory Auditors:

- assessed the independence of its own members on April 28, 2016 during the Shareholders' Meeting held to appoint statutory auditors. This assessment has been disclosed to the public by press release on the same date;
- assessed on March 6, 2017 and on March 1, 2018 whether the independence requirement continued to apply to its own members;
- in carrying out these assessments, applied all the criteria set out in the Code relating to the independence of Directors.

The Auditor who, on his own behalf or on behalf of a third party, has an interest in a particular Company transaction, has to promptly provide comprehensive information on the nature, terms, origin and scale of such interest to the other Auditors and the Chairman of the Board.

The Board of Statutory Auditors oversaw the independence of the external auditors, verifying that the relevant legal requirements were met, as well as the nature and extent of the various auditing services carried out for the Company and its subsidiaries by the external auditors and its entities. The 2017 assessment will be expressed in the report presented to the Shareholders' meeting that will approve the financial statements for the year ending December 31, 2017.

In performing its duties, the Board of Statutory Auditors coordinates and collaborates with the internal auditing department and with the Control and Risk Committee, through joint meetings and constant exchange of documentation.

See Table 3 for further details on the meetings held. At the date of this Report one meeting has already been held. Further 6 meetings are scheduled for 2018.

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The Legislative Decree no. 39/2010, as last amended by the Legislative Decree no. 135/2016, attributed to the Board of Statutory Auditors the function of committee for internal control and accounting audit and in particular:

- informing the Board of Directors of the result of the legal audit and provides them with an up-to-date report in accordance with Article 11 of European regulation 537/2014, complete with comments;
- monitoring financial reporting process and submit recommendations or proposals to ensure its integrity;

- monitoring the effectiveness of the undertaking's internal control, internal audit where applicable, and risk management systems, as regards the financial information of the audited entity, without violating its independence;
- monitoring the statutory audit of separate financial statements and- if required- of consolidated financial statements, also taking account of any possible result and conclusion of quality control processes carried out by CONSOB according to Art. 26, paragraph 6, of Regulation (EU) 537/2014, where available;
- establishing and monitoring the independence of independent auditors or of the accounting firm according to Articles 10, 10-*bis*, 10-*ter*, 10-*quater* and 17 of Legislative Decree 39/2010 and Art. 6, paragraph 6, of Regulation (EU) 537/2014, in particular as regards the provision of adequate services other than auditing to the Company, in accordance with Art. 5 of said Regulation;
- carrying out any procedure aimed at selecting independent auditors or accounting firms and advise on independent auditors or accounting firms to be appointed pursuant to Art. 16 of Regulation (EU) 537/2014.

Additional information on activities carried out by the Board of Statutory Auditors is provided in the report of the Statutory Auditors.

15. INVESTOR RELATIONS

The Issuer's departments with jurisdiction over this area are actively engaged in an on-going dialog with the shareholders.

As part of this process and pursuant to Article 2.2.3, Section 3, Letter j, of the Stock Exchange Regulations, the Company established an internal Investor Relations Office, with responsibility for handling relations with all shareholders, including institutional investors, and may be asked to perform additional tasks in connection with the handling of price sensitive information and relations with the Consob and Borsa Italiana. As of the date of this Report, this office is currently headed by Mr. Riccardo Fava.

The disclosure of information to investors will also be accomplished by making the more significant corporate information available promptly and on a regular basis on the Issuer's website (www.diasorin.com/Investors/Information for Shareholders), to enable investors to exercise their shareholder rights.

For the transmission of the Regulated Information, the Issuer uses e-market SDIR managed by Spafid Connect S.p.A., based in Foro Buonaparte, 10, Milan. For the storage of the Regulated Information, DiaSorin S.p.A. has adhered to the mechanism for the central storage named "1INFO", available at the address www.1info.it, managed by Computershare S.p.A. a company of the Computershare LTD Group, with registered office in Via L. Mascheroni, 19, Milan.

Shareholders can contact directly DiaSorin Investor Relations at riccardo.fava@diasorin.it.

16. SHAREHOLDERS' MEETING (pursuant to art. 123-*bis*, section 2, letter c), *TUF)*

When convened in ordinary session, the Shareholders' Meeting has jurisdiction over the following areas:

a) it approves the financial statements;

b) it elects and dismisses the Directors, Statutory Auditors and the Chairman of the Board of Statutory Auditors and the Accounting Document Officer, where required;

c) it determines the compensation of Directors and Statutory Auditors;

d) it votes on resolutions concerning the responsibility of Directors and Statutory Auditors;

e) it votes on resolutions concerning other matters over which it has jurisdiction pursuant to law and issues any authorizations that the Bylaws may require in connection with activities carried out by Directors, who are responsible for the actions they perform;

f) it approves regulations governing the handling of Shareholders' Meetings;

g) it votes on resolutions concerning any other issue over which it has jurisdiction pursuant to law.

The Extraordinary Shareholders' Meeting approves resolutions concerning amendments to the Bylaws, the appointment, replacement and powers of liquidators, and any other issue over which it has specific jurisdiction pursuant to law. The Board of Directors has jurisdiction over the areas listed in Article 15 of the Bylaws, it being understood that it can cede jurisdiction over these issues to the Shareholders' Meeting convened in extraordinary session.

The relevant provisions of the law shall be applied to determine whether an Ordinary or Extraordinary Shareholders' Meeting has been validly convened and its resolutions validly adopted.

Pursuant to Article 9 of the Bylaws, only the holders of voting rights may attend the Shareholders' Meeting, in accordance with the regulations in effect at any given time.

At present, the Issuer finds no need to adopt special regulations to govern the handling of Shareholders' Meetings, since it believes that the governance of the Meeting exercised by the Chairman, in accordance with attendance rules summarized by the Chairman at the beginning of each session, is adequate. The Chairman to ensure an orderly progress of the proceedings, mentioned some of the rules of conduct in reference to speech requests, contents of the speech and voting criteria.

Thirteen out of fifteen Executives in office and all the members of the Board of Statutory Auditors attended the Shareholders' meeting held on April 27, 2017. The Board of Directors reported to the Shareholders' Meeting on its past and scheduled activities, and it undertook to provide shareholders with adequate information so that they could take informed decisions on the matters to be resolved by the Shareholders' Meeting.

In 2017, no significant changes occurred in the market capitalization or ownership structure of the Company.

17. ADDITIONAL CORPORATE GOVERNANCE PRACTICES (pursuant to art. 123-*bis*, section 2, letter a), *TUF)*

There are no additional corporate governance practices, other than those described above, that the Issuer applies above and beyond its legislative and regulatory obligations.

18. CHANGES OCCURRING AFTER THE CLOSE OF THE REPORTING YEAR

No changes occurred in the Corporate Governance of the Issuer after December 31, 2017.

19. COMMENTS ON THE LETTER DATED DECEMBER 13, 2017 FROM THE CHAIRMAN OF THE CORPORATE GOVERNANCE COMMITTEE

The recommendations set forth in the letter of the Chairman of the Corporate Governance Committee of December 13, 2017 to the Chairmen of Boards of Directors of listed companies were brought to the attention of the Issuer's Board of Directors during the meeting held on March 7, 2018.

TABLE 1: INFORMATION ON OWNERSHIP STRUCTURE

SHARE CAPITAL STRUCTURE				
	N° shares	***% on the share Capital***	***Listed***	***Rights and obligations***
Ordinary share without nominal value	55,948,257**	100%	MTA	each share gives right to one vote. rights and obligations are those provided in arts. 2346 et seq. of the civil code

[1]As of December 31, 2017.

** N. 548,857 treasury shares held in the company's portfolio.

SIGNIFICANT EQUITY INTERESTS *			
Reporting party	**Direct Shareholder**	**Number of shares**	**% interest in share capital**
Finde SS	IP Investimenti e Partecipazioni S.r.l.	25,163,454	44.98
Rosa Carlo	Sarago S.r.l.	2,402,532	8.45
	Rosa Carlo	2,326,682	
Even Chen Menachem	**-**	2,400,000	4.29

***** Shareholders holding, directly or indirectly, shares greater than 3% of the share capital, through pyramid structures or interlocked equity investments, in accordance with communications made pursuant to art. 120 of TUF and information available to the Company as of December 31, 2017.

TABLE 2: STRUCTURE OF THE BOARD OF DIRECTORS AND ITS COMMITTEES

Structure of the Board of Directors

Board of Directors													Control and Risks Committee		Compensation Committee		Nominating Committee		Related-party Committee	
Post held at DiaSorin	**Members**	**Year of birth**	**Date of first appointment ***	**In office since**	**In office until**	**List ****	**Exec.**	**Non - exec.**	**Indep. Code**	**Indep. TUF**	**Number of other offices**	**(*)**	**(*)**	**(**)**	**(*)**	**(**)**	**(*)**	**(**)**	**(*)**	**(**)**
Chairman	Gustavo Denegri	1937	3.26.2007	4.28.2016	Approval of Fin. Stat. 2018	M		X			4	5/5								
Deputy Chairman and Director	Michele Denegri	1969	3.26.2007	4.28.2016	Approval of Fin. Stat. 2018	M		X			6	5/5			2/2	M	1/1	M		
CEO•◊	Carlo Rosa	1966	3.26.2007	4.28.2016	Approval of Fin. Stat. 2018	M	X				2	5/5								
Director	Chen Menachem Even	1963	3.26.2007	4.28.2016	Approval of Fin. Stat. 2018	M	X				2	5/5								
Director	Giancarlo Boschetti	1939	4.28.2016	4.28.2016	Approval of Fin. Stat. 2018	M		X			4	5/5								
Director	Enrico Mario Amo	1956	3.26.2007	4.28.2016	Approval of Fin. Stat. 2018	M		X			4	5/5	3/3	M						
Director	Stefano Altara	1967	23.4.2014	4.28.2016	Approval of Fin. Stat. 2018	M		X			3	5/5								
Director ○	Giuseppe Alessandria	1942	3.26.2007	4.28.2016	Approval of Fin. Stat. 2018	M			X	X	2	5/5			2/2	P	1/1	P	1/1	M
Director	Franco Moscetti	1951	3.26.2007	4.28.2016	Approval of Fin. Stat. 2018	M			X	X	4	4/5	3/3	P			1/1	M	1/1	P
Director	Roberta Somati	1969	22.4.2013	4.28.2016	Approval of Fin. Stat. 2018	M			X	X	-	5/5	3/3	M	2/2	M			1/1	M
Director	Francesca Pasinelli	1960	4.28.2016	4.28.2016	Approval of Fin. Stat. 2018	M			X	X	8	5/5								
Director	Monica Tardivo	1970	4.28.2016	4.28.2016	Approval of Fin. Stat. 2018	M			X	X	1	5/5								
Director	Tullia Todros	1948	4.28.2016	4.28.2016	Approval of Fin. Stat. 2018	M			X	X	1	5/5								
Director	Vittorio Squarotti	1979	4.28.2016	4.28.2016	Approval of Fin. Stat. 2018	M		X			-	4/5								
Director	Fiorella Altruda	1952	12.19.2016	12.19.2016	Approval of Fin. Stat. 2018	-			X	X	2	5/5								

DIRECTORS CEASED IN THE PERIOD: NONE

Indicate minimum quorum required for the presentation of lists at the last appointment of the Board: **1%**

Number of meetings held in 2017	**Board of Directors**	**Control and Risks Committee**	**Compensation Committee**	**Nominating Committee**	**Related-party Committee**
Financial year at 12.31.2017	5	3	2	1	1
Average length of meetings	2 hours and 30 minutes	2 hours	1 hour	1 hour	1 hour

The following symbols shall be placed in the "Post held" column:
• This symbol shows the Director in charge of the internal control and risks management.
◊ This symbol shows the Director who is chiefly responsible for managing the Issuer (Chief Executive Officer or CEO).
○ This symbol shows the Lead Independent Director (LID).
* The date of first appointment shows the date when the Director has been appointed for the first time ever in the Board of Directors of the Issuer.

** This column the list from which each director comes ("M": majority list; "m": minority list; "Board of Directors": list presented by the Board of Directors).
*** This column details the number of offices of Director held in other companies listed either in Italy or abroad, and/or in financial, banking, insurance or large companies. In the Corporate Governance Report these positions are listed in detail. In the Corporate Governance Report, these positions are listed in detail.
(*). This column shows the percentage of the meeting of the Board of Directors and the committee(s) attended by each director (show the number of meetings the director attended compared with the overall number of meeting the director could have attended i.e. 6/8 and 8/8 etc.).
(**). This column shown the post the Director holds inside the Board of Directors: "C": chairman; "M": member.

TABLE 3: STRUCTURE OF THE BOARD OF STATUTORY AUDITORS

Structure of the Board of Statutory Auditors

Board of Statutory Auditors									
Post held at DiaSorin	**Members**	**Year of birth**	**Date of first appointment***	**In office since**	**In office until**	**List ** **	**Indep. Code**	**Attendance at the Board of Statutory Auditors' meeting *** **	**Number of other offices **** **
Chairman	Monica Mannino	1969	4.28.2016	4.28.2016	Approval of Fin. Stat. 2018	m	X	7/7	10
Statutory Auditor	Roberto Bracchetti	1939	27.4.2010	4.28.2016	Approval of Fin. Stat. 2018	M	X	7/7	10
Statutory Auditor	Ottavia Alfano	1971	22.4.2013	4.28.2016	Approval of Fin. Stat. 2018	M	X	7/7	18
Alternate	Salvatore Marco Fiorenza	1950	4.28.2016	4.28.2016	Approval of Fin. Stat. 2018	m	X	-	15
Alternate	Maria Carla Bottini	1960	3.26.2007	4.28.2016	Approval of Fin. Stat. 2018	M	X	-	10
STATUTORY AUDITORS CEASED IN THE YEAR: none									
Number of meetings held in 2017: 7									
Average length of meetings: 2 hours									
Indicate minimum quorum required for the presentation of lists at the last appointment of the Board: **1%**									

NOTES

* The date of first appointment shows the date when the Statutory Auditor has been appointed for the first time ever in the Issuer's Board of Statutory Auditors.
** This column the list from which each statutory auditor comes ("M" : majority list ; "m" : minority list).
*** This column shows the percentage of the meeting of the Board of Statutory Auditors attended by each member (show the number of meetings the statutory auditors attended compared with the overall number of meeting the statutory auditor could have attended; i.e. 6/8 and 8/8 etc.)
**** This column details the number of posts held in other companies deemed relevant pursuant to Art. 148-bis TUF and the implementation of the Consob Issuer's Regulation. A complete list of posts held is published on the Consob's website pursuant to Art. 144-quinquiesdecies of Consob Issuers' Regulations.

TABLE OF THE POSTS HELD BY THE BOARD OF DIRECTORS

(including posts held at other companies, including listed companies, or banking, financial, insurance companies or companies of a significant size)

Post held at DiaSorin	First and last name	Other posts held
Chairman	Gustavo Denegri	Finde S.p.A. (Chairman - Shareholder) IP Investimenti e Partecipazioni S.r.l. (Chairman) Aurelia S.r.l. (Chairman) Finde SS (Shareholder- Director)
Deputy Chairman and Director	Michele Denegri	Finde S.p.A. (Chief Executive Officer - Shareholder) IP Investimenti e Partecipazioni S.r.l. (Chief Executive Officer) Aurelia S.r.l. (Chief Executive Officer) Finde SS (Shareholder- Director) Corin Group PLC (Non-Executive Director) Gastameco S.r.l.(Director)
Chief Executive Officer	Carlo Rosa	Sarago S.r.l. (Shareholder – Sole Director) Istituto Italiano di Tecnologia (Director)
Director	Chen Menachem Even	DiaSorin Ltd (Israel) (Director) * DiaSorin Ltd (China) (Director) *
Director	Giancarlo Boschetti	Finde S.p.A. (Director) Karsan Automotive (Director) Karsan Europe S.r.l. (Deputy Chairman of the Board of Directors)
Director	Enrico Mario Amo	IP Investimenti e Partecipazioni S.r.l. (Director) Corin Group PLC (Non-Executive Director) Cardiovascular Lab S.p.A. (Director) Biochemical Systems International S.r.l. (Director)
Director	Stefano Altara	Finde S.p.A. (Director) S. Lattes & C. Editori S.p.A. (Director) Esperantia s.s. (Shareholder- Director)
Director	Giuseppe Alessandria	Euren Intersearch S.r.l. (Director - Shareholder) Lobe S.r.l. (Chairman - Shareholder)
Director	Franco Moscetti	Il Sole 24 Ore S.p.A. (Chief Executive Officer) Axel Glocal Business S.r.l. (Shareholder – Sole Director) Fideuram Investimenti SGR S.p.A. (Director) Zignago Vetro S.p.A (Director)
Director	Roberta Somati	-
Director	Francesca Pasinelli	Fondazione Telethon (General Manager and Company Director) Friends of Telethon Foundation Italy (Deputy Chairman) Istituto Italiano di Tecnologia (Member of the Executive Committee) Cogentech Scarl (Company Director) Fondazione Telecom Italia (Member of the Scientific Committee) Università degli Studi di Milano (Company Director) Dompè Farmaceutici S.p.A. (Company Director) Anima Holding S.p.A. (Company Director)
Director	Monica Tardivo	T.T.T. S.a.s di Sandro Tardivo & C. (Limited Partner)
Director	Tullia Todros	Corion Biotech S.r.l.(Chairman of the Board of Directors)
Director	Vittorio Squarotti	-
Director	Fiorella Altruda	Bioindustry Park “Silvano Fumero” S.p.A. (Chairman of the Board of Directors) Associazione CentroScienza Onlus (Member of the Board)

* Company belonging to the Group headed by the Issuer DiaSorin S.p.A.

TABLE OF THE POSTS HELD BY THE BOARD OF STATUTORY AUDITORS

(including posts held at other companies, including listed companies, or banking, financial, insurance companies or companies of a significant size)

Post held at DiaSorin	First and last name	Other posts held
Chairman	Monica Mannino	A.D.ES. Acciai S.r.l. (Chairman of the Board of Statutory Auditors) Istituto Stomatologico Italiano Società Cooperativa Sociale Onlus (Chairman of the Board of Statutory Auditors) Casta Diva Group S.p.A. (Chairman of the Board of Statutory Auditors) Milano Ristorazione S.p.A. (Statutory Auditor) Business School24 SpA (Chairman of the Board of Statutory Auditors) Il Sole 24 ORE – Trading Network S.p.A. (Statutory Auditor) Giglio Group SpA (Statutory Auditor) Vittoria Assicurazioni S.p.A. (Alternate) Willis Italia S.p.A. (Alternate) Crisscross Communications (Italy) S.r.l. (Alternate)
Statutory Auditor	Roberto Bracchetti	Alsco Italia S.r.l. (Chairman of the Board of Statutory Auditors) RRL Immobiliare S.p.A. (Chairman of the Board of Statutory Auditors) Energia Italiana S.p.A. (Chairman of the Board of Statutory Auditors) Fidim S.r.l. (Statutory Auditor) Iniziative Retail S.r.l. in liquidation (Statutory Auditor and auditor) Sorgenia Power S.p.A. (Statutory Auditor) Iniziative Immobiliari 3 S.r.l. (Statutory Auditor) Parcheggi Bicocca S.r.l. (Statutory Auditor) Fondazione Luigi Rovati (Statutory Auditor and auditor) Fondazione Pietro Bembo (Chairman of the Board of Statutory Auditors and auditor)
Statutory Auditor	Ottavia Alfano	Saga Coffee S.p.A. (Chairman of the Board of Statutory Auditors) Vodafone Gestioni S.p.A (Chairman of the Board of Statutory Auditors) Genextra S.p.A. (Alternate) Alba S.p.A. (Alternate) L&B Capital S.p.A. (Chairman of the Board of Statutory Auditors) Sarago S.r.l. (Statutory Auditor and sole auditor) Evolvere S.p.A. (Chairman of the Board of Statutory Auditors) Il Sole 24 Ore - Trading Network S.p.A. (Chairman of the Board of Statutory Auditors) Lem S.p.A. (Chairman of the Board of Statutory Auditors)* FSI S.G.R. S.p.A. (Statutory Auditor) Evoca S.p.A. (Chairman of the Board of Statutory Auditors) Leonardo S.r.l. (Statutory Auditor) Residenza Immobiliare 2004 S.p.A. (Alternate) Manifatture Milano S.p.A. (Statutory Auditor) CDP Investimenti S.p.A. (Statutory Auditor) La Doria S.p.A. (Chairman of the Board of Statutory Auditors) SGL Italia S.r.l. (Chairman of the Board of Statutory Auditors) VEI S.r.l. (Statutory Auditor)
Alternate	Maria Carla Bottini	A. De Mori S.p.A. (Statutory Auditor) A. Molina & C. S.p.A. (Statutory Auditor) Athena S.p.A. (Statutory Auditor) Astraformedic S.r.l. (Sole Auditor) Bestrade S.p.A. (Statutory Auditor) Chimicafine S.r.l. (Sole Auditor) Consorzio Servizi Legno Sughero (Auditor)

		Del Vallino S.p.A. (Chairman of the Board of Statutory Auditors) I.C.G. Impresa Costruzioni Edili Stradali e Fognature S.r.l. (Chairman of the Board of Statutory Auditors) Ideal Standard Holding S.r.l. (Statutory Auditor) Madi Ventura S.p.A. (Statutory Auditor) Milano Bitumi S.p.A. (Statutory Auditor) S.I.C.A.T.E.F. S.r.l. (Statutory Auditor) Urai S.p.A. (Statutory Auditor) Kintetsu World Express Italia S.r.l. (Statutory Auditor)
Alternate	Salvatore Marco Fiorenza	Fratelli Ingegnoli S.p.A. (Director) Datalogic S.p.A. (Chairman of the Board of Statutory Auditors) Concerto Immobiliare S.p.A. (Chairman of the Board of Statutory Auditors) Beni Reali S.p.A. (Chairman of the Board of Statutory Auditors) Adreani S.p.A. (Chairman of the Board of Statutory Auditors) CAM S.p.A. (Statutory Auditor) Pellegrini S.p.A. (Statutory Auditor) Eliche Radice S.p.A. (Statutory Auditor) Unifar S.p.A. (Statutory Auditor) Acquanegra S.p.A. (Statutory Auditor)

* Post ceased on 12.21.2017.

CONSOLIDATED NON-FINANCIAL DISCLOSURE
DECEMBER 31, 2017
PURSUANT TO LEGISLATIVE DECREE NO. 254/2016

1 Note on Methodology

1.1 Objectives of Disclosure

The DiaSorin Group's non-financial disclosure (hereinafter referred to as "**Non-Financial Disclosure"**) is prepared to comply with the Legislative Decree no. 254 of 30 December 2016, issued to "*implement Directive 2014/95/EU of the European Parliament and of the Council of 22 October 2014 amending Directive 2013/34/EU as regards disclosure of non-financial and diversity information by certain large undertakings and groups*" (hereinafter referred to as "**the Legislative Decree 254/16**" or "**the Decree**").

Pursuant to Article 3 and 4 of the Decree, the DiaSorin Group is required to prepare a consolidated non-financial Disclosure "*covering environmental, social and employee matters, respect of human rights, anti-corruption and bribery matters*". These matters shall be described "*to the extent necessary for an understanding of the undertaking's development, performance, position and impact of its activity"*.

1.2 Reporting standards

The Legislative Decree no. 254/16 requires companies to provide the aforementioned information "*in accordance with methodologies and principles under the reporting standard used as reference or by the autonomous reporting methodology used for drawing up the non-financial disclosure*". The DiaSorin Group chose to apply the GRI Standards issued by the "Global Reporting Initiative" as a technical and methodological reference to report the information required by the Decree and contained in this Non-Financial Disclosure. The DiaSorin Group used selected Standards to report the information required, consistently with Section 3 of Standard GRI 101: Foundation (*Making claims related to the use of the GRI Standards*). In the following paragraphs, notes next to the reported data refer to each Standard used.

The Table "Legislative Decree 254/16 requirements and GRI disclosure index " annexed to this Non-Financial Disclosure is intended to provide additional information on indicators and paragraphs in compliance with the requirements set forth in the Decree.

1.3 Scope and reporting period

This Consolidated Disclosure includes all the companies that fall within the scope of the 2017 consolidated financial statements, as detailed in the Section 'General Information and scope of consolidation" in the notes to the 2017 consolidated financial statements. These companies are consolidated line by line from the date the Group obtains control until the moment when control ceases to exist.

The following exceptions are not included in the abovementioned scope:

- Paragraph 6.3 “Personnel management – Outcomes”: data on average hours of training per employee and ratio of basic salary and remuneration of women to men refer exclusively to the following Companies:
  - DiaSorin S.p.A.
  - DiaSorin Deutschland GmbH
  - DiaSorin Inc. (USA)
  - DiaSorin Molecular LLC

In 2017, The DiaSorin Group worked to harmonize processes and systems used in the management of data on training and payrolls at Group level. Consequently, the scope has been limited to Companies that use a more structured approach to gathering and reporting data. The objective is to include all the in-scope Companies in future Non-Financial Disclosures upon completion of the harmonization process.

The aggregate number of employees of the above listed 4 Companies represents around 70% of employees of the Group in-scope companies (at December 31, 2017).

- Paragraph 4.3 “Environment, Health and Safety– Outcomes”: environmental performance data disclosed in this Report refer exclusively to the DiaSorin Group’s manufacturing facilities, specifically:
  - DiaSorin S.p.A. (Italy)
  - UK Branch
  - DiaSorin Deutschland GmbH (Germany)
  - DiaSorin South Africa Ltd (South Africa)
  - DiaSorin Ireland Limited (Ireland)
  - DiaSorin Inc. (USA)
  - DiaSorin Molecular LLC (USA).

The environmental issue is not material for the Group’s companies since the DiaSorin Group engages solely in commercial activities. This assessment has been carried out analyzing the impact of subsidiaries’ Financial Statements items concerning expenses for utilities and waste management compared to the Group’s total amount accounted for such expenditure. In 2017, the impact of subsidiaries on the Group “Utility, Electricity & Heating” line item amounted to 2.7%, while “Cleaning Biological & Waste Disposal” amounted to 4.7%.

Scope limitation does not apply to data referring to occupational health and safety (number of injuries and occupational diseases), whereas all Group Companies include such data.

- Paragraph 8 “Supply Chain management”: qualitative information and quantitative data refer to manufacturing Companies in charge of purchasing products/services with a direct impact on compliance with end product requirements.

In accordance with the provisions of Legislative Decree 254/16, this document provides a comparison with previous year data and adheres to the benchmarking principles required by the GRI Standards. Quantitative data reported in this Disclosure cover time period 2016 -2017, except for DiaSorin Molecular LLC, which was acquired in May 2016 and whose quantitative data refer exclusively to 2017.

2 Company profile and material topics for the DiaSorin Group

2.1 The DiaSorin Group business

The DiaSorin Group is active in the market of immunodiagnostic and molecular diagnostics.

In both segments the Group develops, produces and markets testing kits (reagents and consumables), based on different technologies, for in vitro diagnostics.

A detailed description of its business model, mission and Group structure is provided in the relevant sections ‘ Our Business’ and‘ Our Strategy’ of this Report.

The DiaSorin Group manufactures and distributes its products according to a three-stage process:

Raw Materials and Product development. In immunodiagnostics, the Group produces both the end product and, in most cases, all the required components. The product development process involves two phases: “upstream” and “downstream”. During the “upstream” phase the desired quantity of bioreagents is produced through fermentation or cell culture techniques, while in the “downstream” phase bioreagents are purified to separate proteins or monoclonal antibodies (raw material) from other cellular components of the recipient organism. Usually, this process is carried out through chromatography techniques.

In molecular diagnostics, likewise other producers, DiaSorin purchases components necessary for the end product from external suppliers, such as specialized Life Science companies that supply DiaSorin with three essential components to product development: oligonucleotides, enzymes and reaction buffers.

Production

Immunodiagnostic kits are assembled using raw materials to create semi-finished components that will be later combined with other components to produce final reagents, as part of a completed kit. Some initial components, such as buffer and cleaning solutions can be found in different products and prepared in large batches that will be distributed, at the end of the process, in single kits. Other components (such as solids, markers, controls and calibrators) are specifically designed for each single test. Production levels are defined on the basis of batch size of the end product. Each component is subject to the strictest quality control before entering the market.

Kits components are assembled in finished kits and subject to quality control, in terms of performance, in accordance with international standards (for example : WHO, CDC etc.), if necessary, or tested vis-à-vis the performance of selected sample batches.

Molecular diagnostic products are manufactured with the use of a solution containing an exact quantity of raw material (enzymes, primers, buffers,) called reaction mix, which is dispensed into vials as part of kits available for sale.

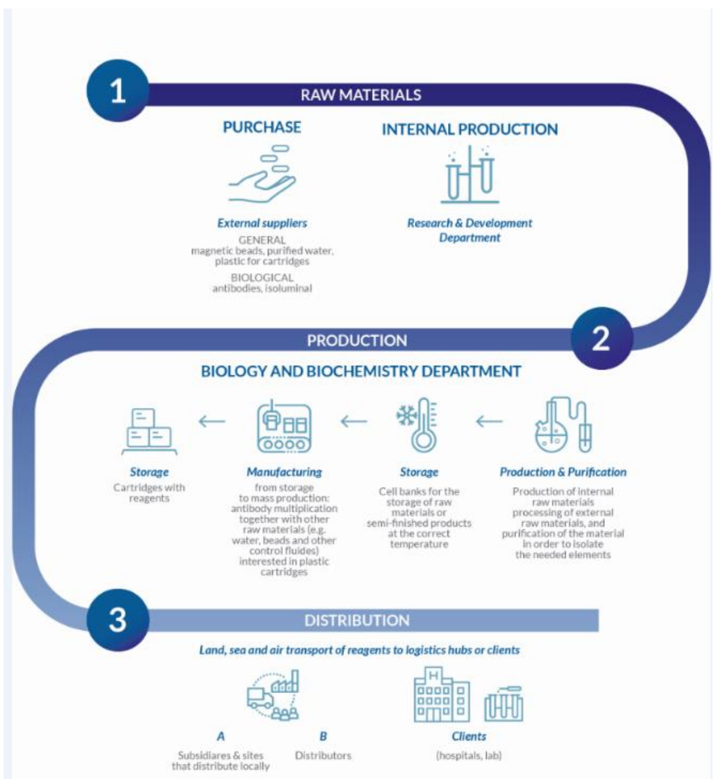
End products of both technologies are stored in warehouses at a controlled temperature and delivered from specialized logistic groups to warehouses and local distributors before reaching end costumers.

Distribution. Typically, direct sales include sales made through:

- Public calls for tenders in countries which rely on public health system, through open tendering procedures (Italy and France);
- Supply contracts with private customers defining general supply terms, including costs, minimum quantities and payments terms;
- letters of offer, used for limited sales of reagents that are not combined with analyzers; and
- distribution contracts according to which distributors purchase DiaSorin products and resell the concerned product in relevant markets.

In most cases, DiaSorin provides customers with its medical instruments under gratuitous loan contracts based on reagent supply contracts. Pursuant to these loan contracts, DiaSorin provides gratuitous technical assistance. According to this business model, investments on installed instruments and service costs are expected to be offset by sale of reagent kits to be used on the analyzer platform, which is a closed system (i.e. these instruments work exclusively with DiaSorin reagents and vice versa).

Supply chain



2.2 Material topics for the DiaSorin Group

In accordance with the provisions of Legislative Decree 254/16, DiaSorin carried out an analysis of issues provided for in the Decree, taking into account its own business, Group's characteristics and relevant risks and/or opportunities (as referred to in paragraph 3. "Identification of risks and opportunities").

The analysis was carried out with the support of Managers/ Heads of Corporate Functions/ Departments in charge of managing the aforementioned issues referred to in the Decree. DiaSorin identified the following issues:

- **Environmental topics**
  - Waste management
  - Energy efficiency
  - Water resources management
- **Social topics**
  - The management of relationship with local communities
- **Personnel topics**
  - Training, development and wellbeing of employees
  - Diversity and inclusion
  - Dialogue with the social partners
  - Occupational Health and Safety
- **Anti-corruption and bribery topics**
- **Supply chain management**

As to "**Respect for human rights**", no specific risk came to DiaSorin attention since the Group business requires high skilled in-house workforce for all activities, resulting in a low risk of exploitation and violation of human rights. Therefore, DiaSorin undertakes to implement all the measures necessary to retain its employees given their training, skills and know-how.

With regards to the supply chain, no specific risk came to DiaSorin attention since the Group purchases its products from consolidated multinational companies located in countries which do not pose a high risk concerning this matter.

DiaSorin, as specified in the Group's Code of Conduct, "*operates within the recommended reference framework of the United Nations Universal Declaration of Human Rights, the fundamental Conventions of the ILO (International Labour Organisation), and Confindustria Guidelines and also ethical principles, agreements and guidelines approved by Union representatives concerning fair employment practices, freedom of association, rejection of any form of discrimination, of forced labour, child labour […]"*. Principles set out in the Code of Conduct include, among others, "Equality and Equal opportunity" consisting of a set of specific standards of conduct that apply to all Recipients of the Code. Lastly, in compliance with the provisions of the UK law (section 54 of the UK Modern Slavery Act 2015), DiaSorin S.p.A, acting through its UK Branch and DiaSorin Limited (on a voluntary basis), issued "2016 Modern Slavery Statement", outlining the procedures to operate free from modern slavery in any part of its business and supply chain and to adopt a zero tolerance approach to these issues.

2.3 Stakeholders of the DiaSorin Group

The following diagram sums up internal and external stakeholders that are strictly involved in the material topics provided in the previous paragraph.

DiaSorin engages in direct dialogue with its stakeholders via meetings, forums and business and scientific-related events, via its corporate website, social media channels and other reports.

Client satisfaction surveys are carried out to ensure clients are satisfied with the products developed.

As a company listed on the Italian stock exchange, dialogue with shareholders has become a topic of increasing interest.

The primary objective of the DiaSorin Group is to ensure full access to business information to fully understand the Company.

2.4 The Code of Conduct of the Group

The Code of Conduct (hereinafter referred to as "**The Code of Conduct**") clearly defines the set of values that The DiaSorin Group recognizes, accepts and shares and the set of responsibilities that the Group assumes against all subjects both internally and externally. To this end, all the DiaSorin Group employees are required to comply with the Code of Conduct to ensure the correct functioning, reliability and reputation of the Group**.**

The Code of Conduct has been approved by the Board of Directors within each Group company: it sets out a Group Operating Procedure within the Company's Quality System. This document formalizes the DiaSorin Group mission: "*to contribute to improving the health of the population through the marketing of diagnostic tests that permit more effective and aware medical decisions whilst curtailing public spending on health according to the policy issued by the Ministry of Health and equivalent bodies*". In this respect, DiaSorin has identified the fundamental components to achieve said mission:

- innovation and technological excellence
- active relation with clients
- active cooperation with suppliers
- robust culture of quality.

Recipients are required to comply with the main ethics principles, rules and conduct standards as set out in the document.

Recipients of the Code of Conduct include all company stakeholders, without any exception, and all those who, directly or indirectly, permanently or temporarily, establish relations with DiaSorin S.p.A. and Group companies and operate to pursue their objectives.

A copy of the Code of Conduct is issued to each employee at the moment in which the employment relationship is established.

As defined in Chapter IV of the Code of Conduct, any employee or staff member who believes that a rule or a principle of the Code of Conduct has been violated or will be violated can report these violations to the Supervisory Body (a body established in accordance with the Italian Law and, in this case, in charge of receiving information from all Group companies) by a dedicated e-mail address provided within the document.

Violation of the provisions of the Code of Conduct constitutes a breach of discipline and disciplinary measures will be applied, in accordance with the provisions of the applicable Collective Bargaining Agreement or of the individual contract.

The Code of Conduct can be consulted at: www.diasorin.com/it/investitori/sistema-governance.

2.5 Innovation and technical excellence

Innovation and technological excellence are, as indicated above, the fundamental components of the DiaSorin Group's strategy to implement its Mission and Ethical Vision, as provided in the Group's Code of Conduct. To this end, the Group is committed to implement a consistent staff policy focused on selecting talented and experienced professionals in the field of research and development of new technologies, products and processes, promoting training and sharing know-how at international level.

This commitment takes the form of a constant attention, first, to attract new talents in R&D (example through collaborations with local universities) and, second, to acquire and share knowledge (for instance through participation at scientific symposiums, collaborations with clinicians, participation in scientific boards).

The Group continued to pay great attention to innovation: in 2016 DiaSorin acquired Focus Diagnostic molecular business. The acquisition enabled the Company to approach a rising and innovative technology.

In order to manage the risks identified in paragraph 3 "Identification of risks and opportunities", the DiaSorin Group set up a set of Group Procedure defining guidelines related to all the steps involved in product development and to documents required in each phase.

All Group's companies are required to set up local procedures, as required by regulating local authorities and in accordance with recommendations and guidelines established by Group Procedures.

The product development is monitored by the central Department of Research and Development which prepares a Product Development Master Plan (PDMP) at the beginning of each year. The document is periodically updated and provides information on the ongoing projects for each development phases (pre-feasibility, feasibility, validation, industrialization).

The table that follows provides the number of projects planned by PDMP at December 31, 2016 and December 31, 2017

	2016					2017				
	Pre-feasibility	*Feasibility*	*Validation*	*Industrialization*	***Total***	*Pre-feasibility*	*Feasibility*	*Validation*	*Industrialization*	***Total***
Immunodiagnostic reagents	9	11	3	3	**26**	8	6	10	2	**26**
Molecular reagents	10	4	3	5	**22**	13		2	9	**24**

Instruments	1	3	1		**5**		3	3		**6**
Total	20	18	7	8	**53**	21	9	15	11	**56**

Details on new projects developed in 2017 and 2016 are provided in the report on operations of these consolidated financial statements as at December 31, 2017 and 2016.

2.6 DiaSorin S.p.A. Organization and Management Model

The Organization and Management Model of DiaSorin S.p.A. (also referred to as the "**Model**") is described in the Report on Corporate Governance and the Company's ownership structure included in this Report and to which reference is made for further details.

The Model was developed and updated taking into account the provisions of Legislative Decree No. 231/2001 and subsequent amendments, the guidelines provided by relevant trade associations (particularly those of Assobiomedica and Confindustria). This document is part of the control system regulated by Corporate Governance rules and Internal Control System and Risks management both at corporate and Group level.

The Model includes Special Sections reflecting general principles of conduct and specific procedures which the Recipients of the Model must comply with to prevent the commission of presumed offences, including:

- Offences related to anti-corruption towards members of the Public Administration (included in the list of crimes in the course of relations with the Public Administration);
- Corporate crimes, including corruption between private parties;
- Market abuse offences;
- Crimes regarding Health and Safety at work;
- Environmental crimes.

Although the organizational model was adopted as a result of domestic regulation, all companies in the DiaSorin Group have been adopting similar principles and constraints in order to provide stakeholders with a safer compliance process globally. This has been done by means of the Code of Conduct, as Group procedure, and other internal protocols adopted by the DiaSorin Group.

3 Identification of risks and opportunities

This section describes the main risks and, in some cases, the opportunities arising from the DiaSorin Group activities, business relations and products in connection with material topics described in paragraph 2.2 "Material topics for the DiaSorin Group".

Risks identified below, if not properly managed and addressed, may have a negative impact both on stakeholders, as referred to in paragraph 2.3 "Stakeholders of the DiaSorin Group" (i.e. negative impact on patients due to poor quality of products, etc.), and on the DiaSorin Group (i.e. impact on the company's reputation, economic sanctions due to non-compliance with regulations, threat to business continuity, etc.).

Risks, if properly managed, may represent an important opportunity both for stakeholders (i.e. increased wellbeing at work, increased safety at work etc.) and for the Group (i.e. reduced costs from a more efficient energy consumption, etc.).

3.1 Environmental topics

3.1.1 Waste management

The main risk identified in the "Waste management", is linked to **non-compliance** with **waste management** and **disposal** regulations.

Waste management is performed in accordance with all waste legislative requirements. Further details are provided in paragraph 4.

3.1.2 Energy efficiency / Water resources management

Energy efficiency and water resources management do not entail any specific risks for the DiaSorin Group since the company core business is not part of an energy intensive sector nor requires relevant water consumption.

However, the Group remains committed to protecting the environment and reducing its environmental impact, as detailed in paragraph 4 "Environment, Health and Safety", by paying a particular attention to **reducing energy consumptions and water withdrawals**: this represents an *opportunity* in terms of optimization and cost savings.

3.2 Social topics

3.2.1 The management of relationship with local communities

The management of relationship with local communities do not entail any specific risks for the DiaSorin Group: indeed it represents an *opportunity* to support the development of communities in which the Group operates, including training of human capital and local skills and, thus, create and maintain a favorable environment for business and innovation. This is a key factor for the DiaSorin Group. By supporting local communities, DiaSorin lay the foundations for a long lasting and sustainable business.

3.3 Personnel topics

3.3.1 Training, development and wellbeing of personnel.

As regards training, development and well-being, the DiaSorin Group identified three potential risk areas on which the Company has long focused developing people engagement and retention programs by:

- **Monitoring turnover of highly skilled and specialized personnel,** to ensure the retention of know-how and key competences;
- **Retaining and updating employees' know-how and skills, a** particularly relevant matter due to the nature of the Group's business and sector that is centered on knowledge and is in constant evolution;
- **Attention to employees' needs,** focusing on their motivation and satisfaction and on the relevant impact on work environment and sense of belonging to the Company/Group**.**

3.3.2 Diversity and inclusion

"Diversity and inclusion" do not entail any specific risks for the DiaSorin Group: a proper and sound management of diversity and inclusion by supporting integration and promoting diversity may represent an opportunity **to create a positive work environment** that encourages **discussion** and fosters **dialogue.**

Women, for instance, represent a significant percentage of employees with a technical degree in the Group's companies (further details are provided in paragraph 6.3 "Personnel management – Outcomes") and are a major source of know-how and knowledge the Group intends to retain and enhance.

3.3.3 Dialogue with social partners

The DiaSorin Group considers the constant and constructive dialogue with social partners as an *opportunity* to use a **further channel to dialogue** with its employees and **listen to their needs/expectations** with a constructive approach based on mutual respect and trust.

3.3.4 Health and safety of Workers

The main risks identified by the DiaSorin Group in relation to "Health and Safety of Workers" are provided below:

- **Occupational diseases** due to over-exposition to chemicals and/or biohazardous materials.
- **Injuries** involving employees due to a not appropriate training on risks connected duties, procedures, and use of personal protective equipment.

The DiaSorin Group has always been committed to increase the culture of employees' safety in order to avoid risks to their health and safety. Further details are provided in paragraph 4.

3.4 Anti-corruption and bribery topics

The main risks in relation to anti-corruption topics concern the potential **occurrence of anti-corruption events** associated with the DiaSorin Group employees, within the sphere of public or private parties.

The main risks concern relations with the following parties, including but not limited to:

- Public authorities /bodies, upon:
  - Participation in tenders and commercial relationships with public health facilities;
  - Access to and reporting of funding/grants/loans, visits and inspections ;
  - Authorization for specific material supplies;
  - etc.;
- Healthcare professionals and both public and private Organizations, upon:
  - Definition of arrangements/ advisory agreements;
  - Corporate events or events organized by third parties;
  - Research activities and educational contributions to support medical education;
  - Activities to illustrate features of samples and products;
- Credit institutions, for instance, upon participation to procedures to access to funding/grants/loans;

- Private certification bodies, during inspections to obtain certifications;
- Companies and private parties, in general, during purchase and sale processes.

3.5 Supply chain management

With regard to the supply chain management, the major “key” purchases within the DiaSorin Group core business (products/ services with a direct impact on compliance with end product requirements) are carried out through the Company’s manufacturing facilities. The Group companies purchase their products from consolidated multinational companies located in countries which do not pose a high risk concerning social topics, employees , protection of human rights and anti-corruption issues.

The main risk identified in the “Supply Chain Management” is linked to **non-compliance of purchased products/services** with the Group’s quality requirements (resulting in a negative impact on quality and, thus, effectiveness of the end product) and **local regulatory requirements.**

4 Environment, Health and Safety

4.1 DiaSorin commitment and reference principles.

In 2015, the DiaSorin Group implemented and developed a **EHS Management System** in line with ISO 14001 and OHSAS 18001 international standards, for an effective management of employees' health and safety matters and environment-related issues. This system is not subject to certification.

Under the EHS Management System, DiaSorin defined its environment, health and safety Policy drafting the document "**Environmental, Health & Safety Policy Statement**" (referred to as "**EHS Policy**"), approved by the Chief Executive Officer on February 13, 2015 and which applies to all the Group facilities.

The policy sets forth DiaSorin's commitment towards protection of health and safety of its employees, clients and stakeholders in general. The policy includes also the Company commitment to minimizing its environmental impact and focusing on Environmental matters.

The policy is based on the following pillars:

- making environmental, health and safety considerations a priority in business planning and decision-making processes;
- ensuring compliance with all applicable EHS regulatory requirements;
- informing and raising awareness among DiaSorin employees on the best practices to be implemented and on DiaSorin commitment to implement its Policy;
- providing regular employee training on applicable regulatory requirements and updates on systems and methods according to best available technologies (BAT);
- ensuring healthy and safe workplaces for employees, visitors, suppliers/contractors;
- managing all aspects of its business to effectively and efficiently utilize natural resources to avoid depletion;
- developing and implementing the "Group EHS Minimum Requirements" (for further details see paragraph below) and analyzing performance;
- continuously improving its purchasing policy to favor suppliers and contractors that work to achieve the Company EHS policy aims;
- promoting and implementing waste reduction and recycling.

4.2 Instruments adopted

The following provides the DiaSorin Group main instruments for managing risks (or where applicable, for addressing opportunity) as detailed in paragraph 3 "Identification of risks and opportunity" in relation to EHS issues.

Since 2012, DiaSorin has been participating in the *Investor Carbon Disclosure Project* (CDP), disclosing company information through CDP questionnaire, as proof of its strong commitment towards environmental issues.

Definition and implementation of the "Group Environment Health & Safety (EHS) Minimum Requirements"

To ensure a constant level of attention and a proper management of risks associated with EHS matters, DiaSorin implemented the Group Procedure "**Group Environment Health & Safety (EHS) Minimum Requirements**" described in the EHS Policy as a tool to implement the DiaSorin Group commitment towards EHS issues.

The Procedure was prepared taking into account the EHS regulatory requirements, *best practices* in the industry implemented within the DiaSorin Group and sets forth minimum requirements each Group company has to comply with in relation to environment, health and safety (referred to as "**EHS minimum requirements**"), to minimize negative impacts on health and safety of employees, visitors, suppliers/contractors as well as on business activities. The Procedure specifies that where regulatory requirements are more stringent than those of EHS minimum requirements, DiaSorin shall apply regulatory requirements currently in force; conversely EHS Minimum requirements shall prevail.

The Procedure applies to all DiaSorin commercial and manufacturing facilities. Each DiaSorin Group companies assesses EHS Minimum Requirements to apply to its own facility: the applicability analysis is revised on a regular basis to determine if requirements deemed not to be applicable may now be relevant for the Company (due to organizational and process changes etc.). EHS staff of each Company, on the basis of the applicability analysis, has the task to provide adequate documentation (i.e. guidelines, policies, procedures, etc.) for specific regulations of applicable EHS Minimum Requirements.

The Procedure sets forth methods for identifying EHS staff at local level, and defining responsibilities between EHS Corporate functions and local staff bodies.

Contents of the Procedures define objectives to be achieved and guidelines to be implemented with reference to the following:

- *General aspects concerning EHS Management System* (implementation of the System and Minimum Requirements, definition of EHS structure and responsibilities, compliance with local regulations, *Key Performance Indicators* measurement and monitoring, training and awareness, internal communication);
- *Specific aspects concerning Environment, Health and Safety* (e.g. operating controls, preventive maintenance, emergency management, incident analysis and management, suppliers and contractors management, audit activities, management of chemicals/biohazardous materials);
- *Specific aspects concerning Health and Safety related- risks* (e.g. confined areas, electric risk, noise, fire, etc.);
- *Specific aspects concerning Environmental management* (e.g. emissions, water withdrawals and discharges, waste disposal).

Audit activities

The Corporate EHS Function carries out audits on a regular base to ensure EHS Minimum Requirements are properly assessed and, where appropriate, implemented in all Group companies.

The Corporate EHS Function performs regular on-site audits across the Group subsidiaries, both as to manufacturing and commercial subsidiaries, on the basis of a rotation system and according to business priorities.

The objective of audits is verifying the all Group Companies comply with applicable regulations and EHS Minimum Requirements and identifying areas where an improvement is achievable, through the analysis of documentation drafted locally and spot checks on all applicable aspects of facilities being audited.

Audit findings are reported through relevant Audit Reports. The local EHS staff is in charge of developing specific plans and identifying corrective actions to fill any gaps that will be subsequently monitored by the Corporate EHS Function during its following audits.

Training

Local EHS staff is responsible for employee training on EHS-related matters and has the task to ensure compliance with local applicable regulations (i.e. mandatory training concerning health and safety at the workplace).

According to EHS Minimum Requirements, the following applies:

- Training upon hiring;
- Specific training on responsibilities and hazards related to human activities (i.e. use of chemicals, restricted areas, etc.);
- Periodic training update throughout the period of employment;
- Training upon the occurrence of changes in the process or machinery/equipment used and;
- Training upon the occurrence of changes of duties and/or role/responsibility.

The training activities must be properly tracked. Training management and the relevant documentation are subject to spot checks during the audit activity described above.

Engagement of the EHS Function in the development/update of processes

According to EHS Minimum Requirements, the local EHS Function is responsible in the manufacturing facilities over the introduction of new processes or changes in existing ones (i.e. introduction of new instruments/machineries, use of new chemicals).

The EHS local staff is in charge of carrying out an analysis of EHS-related risks and associated with process that are being defined/updated and establishing measures for the management of identified risks (i.e. Replacement of hazardous substances). The engagement of the EHS Function in the process development /update is subject to audit as described above.

4.3 Outcomes

The Environmental performance data reported below refer exclusively to the DiaSorin Group manufacturing facilities as provided in the Note on Methodology of this Report: The environmental matter is not considered as material for the Group’s companies since the DiaSorin Group engages solely in commercial activities. Scope limitation does not apply to data referring to employees health and safety, whereas all Group Companies include such data.

Energy consumption

Consumption (GJ)	**Renewable source**	**Non-renewable source**	**Total**	**Renewable source**	**Non-renewable source**	**Total**
Consumption resulting from combustion of Natural Gas and other fuels		31,840	31,840		36,878	36,878
Electricity Consumption	2,468	60,683	63,151	23,522	53,340	76,8621
Consumption resulting from purchase of thermal energy		2,451	2,451			-
TOTAL	**2,468**	**94,974**	**97,442**	**23,522**	**90,218**	**113,741**
%	*3%*	*97%*		*21%*	*79%*	

Disclosure 302-1 Energy consumption within the organization of GRI Standard 302: Energy 2016

The table above has been prepared using conversion factors adopted by the Environment Indicator Protocols published on the Global Reporting Initiative website: https://www.globalreporting.org/resourcelibrary/Italian-G3.1-Final.pdf, except for fuel oil (BTZ) used only by the Italian subsidiary. Thus, the company used conversion factors envisaged by the table of UNFCCC national standard parameters.

The increase in the overall EHS expenditure is due to DS Molecular being included within the scope and whose energy consumption amounted to 10,500 GJ (excluding the impact of DS Molecular, the increase in energy consumption would be equal to 6%). Data on the share of electricity from renewable sources arise from available information about the energy mix declared by providers.

Water withdrawals

	Withdrawals [m3]	
Source	**2016**	**2017**
Water supplies	60,470	60,538
Ground water	153,597	252,793
Surface water	1,283	
TOTAL	**215,350**	**313,331**

Disclosure 303-1 Water withdrawal by source of GRI Standard 303: Water 2016

The increase in water consumption is the result of increased ground water withdrawals at Saluggia facility due to weather conditions, high temperatures and use of water for the cooling system.

DiaSorin is committed to ensuring responsible water consumption carrying out several initiatives: in South Africa, for instance, a portion of water (Rejected Reverse Osmosis permeate water) re-used in the manufacturing process.

As to water discharges, all water withdrawn is discharged except for a portion used for irrigation, a residual portion is used for products and a portion is lost due to natural evaporation.

As provided in "Group Environment Health & Safety (EHS) Minimum Requirements", urban and industrial waste water is managed in compliance with quality standards of receiving water-bodies.

Emissions

The following provides data on the DiaSorin Group emissions classified into two Scopes: Scope 1 emissions (direct emissions from the combustion of fuel to generate thermal energy for heating system or for production process and refrigerant gas emissions[3]) and Scope 2 emission (emissions connected to electricity consumption from non-renewable sources and purchase of thermal energy, as well as heating system consumption at facilities that operate in rented premises).

The tables below have been prepared using conversion factors adopted by the GHG Protocol Standard available at: https://www.globalreporting.org/resourcelibrary/Italian-G3.1-Final.pdf, except for fuel oil (BTZ) used only by the Italian subsidiary. Thus, the company used conversion factors envisaged by UNFCCC national standard parameters.

Emissions [tCO2eq]	2016	2017
	1,816	2,177

Disclosure 305-1 Direct (Scope 1) GHG emissions of GRI Standard 305: Emissions 2016

Emissions [tCO2eq]	2016	2017
	9,592	8,111

Disclosure 305-2 Energy indirect (Scope 2) GHG emissions of GRI Standard 305: Emissions 2016

Waste

The following tables refer to hazardous and non-hazardous waste generated by the DiaSorin Group, excluding WEEE (Waste electrical and electronic equipment) that are reported in detail in a specific table.

	Waste produced (excluding WEEE) [t]	
Waste by type	**2016**	**2017**
Hazardous waste	130	154
Non-hazardous waste	865	1,239
TOTAL	**995**	**1,393**

	Waste produced (excluding WEEE)	
Waste by destination	**2016**	**2017**
Re-use/recycling/recovery	51%	52%
Disposal	49%	48%

Disclosure 306-2 Waste by type and disposal method of GRI Standard 306: Effluents and Wastes 2016

The increase in non-hazardous waste is due to renovation of building at the Group's facilities. The item "Disposal" includes the following categories in which disposal is intended for use: composting, incineration, disposal, temporary storage, chemical-biological processing.

[3] In its production process, the Group does not use substances that are harmful to the ozone layer: these substances are contained in air-conditioning/cooling system, releases to the atmosphere are connected to the maintenance of such systems.

With reference to the WEEE, the following table provides data on quantities produced and relevant treatment:

	Waste produced (excluding WEEE) [t]		Waste produced (excluding WEEE) [%]	
Waste by destination	2016	2017	2016	2017
Recovery	16	14	100%	100%
Disposal	-	-	0%	0%

Spills and environmental compliance

In the reporting period no significant spills occurred nor violation of environmental laws and regulations.

Occupational Health and Safety

In accordance with GRI Standard on Occupational Health and Safety the following should be noted:

- indicators are calculated dividing both the number of injuries and the number of lost workdays by total hours worked and multiplying that number per 1'000'000;
- injuries included in the data refer to injuries occurred in the Group companies (both manufacturing facilities and commercial subsidiaries) resulting in lost days; commuting accidents are excluded;
- in the reporting period no occupational illnesses nor fatalities occurred in the DiaSorin Group's companies.

	2016	2017
Injury rate	1.40	3.12
Lost days rate	85.16	55.56

Disclosure 403-2 Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities of GRI Standard 403: Occupational Health & Safety 2016

5 Relations with local communities

5.1 DiaSorin commitment and reference principles

As provided in the Code of Conduct of the Group "*DiaSorin is also committed to contributing effectively to promoting the quality of life and social-economic development of the communities where the Group operates and to the development of human capital and local skills while, at the same time, carrying out its business, on internal and external markets, according to methods compatible with sound business practice*".

The code of Conduct defines the principles to which the Group companies are required to abide by concerning money or in-kind contributions to support educational, scientific, artistic, cultural, social and humanitarian projects.

In particular the Code defines requests for contribution to which the Company may agree and donations that are expressly prohibited (i.e. donations to individuals or to profit-making organizations), and the manner by which ensuring full transparency of the donation (i.e. the recipient's identity and planned use of the donation must be clear).

5.2 Instruments adopted

In compliance with the principles of the Code of Conduct, DiaSorin actively supports the community in which it operates, the Piedmont, through a series of Corporate projects. These projects are part of the Corporate Social Responsibility (CSR) framework developed at Corporate level.

In order to make a clear distinction between Corporate projects and projects that fall within the "Corporate Social Responsibility" framework, DiaSorin has defined three Pillars around which the CSR projects should drape, including those with a positive impact on local communities.

Therefore, during the analysis and selection of requests/proposals received from external parties or of projects developed inside the Company, DiaSorin verifies that such initiatives are related to at least one of the following pillars:

- Developing passion for **Science**
- Supporting people's **Talent**
- Obtaining a positive **Impact** (i.e. on the environment, health, people's wellbeing etc.).

All Corporate project are selected according to the above criteria and approved by the CEO of the DiaSorin Group.

DiaSorin aims to extending this approach, which is based on a clear identification and classification of projects according to CSR Pillars, also to subsidiaries' initiatives at a local level in order to adopt homogenous guidelines for all the Group companies.

5.3 Outcomes

The following provides a description of the main Corporate initiatives having a positive impact on local communities and classified according to the CSR Pillars illustrated in the paragraph above. Further details are provided at: http://csr.diasorin.com/it/progetti.

"SCIENCE" PILLAR

Mad for Science

The purpose of the project is supporting passion for research in the youngest at school, right where their first meeting with scientific disciplines takes place and making Piedmont a flagship for excellence in scientific field.

The "Mad For Science" competition was open to all Piedmont, scientific high schools, which could participate with a team made of 6 students and a Science teacher. Students were required to compose 10 teaching experiences and plan their development in their own lab. Participants had also to formulate a budget to implement and supply the interventions subject to a maximum of 60,000 thousand euros and 5,000 thousand euros per year for 5 consecutive years.

An external and later an internal jury (composed of Research and Development experts) assessed 44 candidate projects (including how to implement it throughout 5 years) and selected the 8 finalists.

The authors of the finalist projects were the protagonists of the "Mad for Science Challenge", which took place in Turin: a live challenge during which they had the opportunity to present their work to illustrious members of the scientific community and communication professionals, who officially declared the winner high-school.

DiaSorin supported winners purchasing instruments and equipment needed and will provide a five-year supply of materials needed to implement it.

Other Projects

The DiaSorin Group's companies support a series of scientific initiatives and symposiums aimed at improving the medical research.

The Italian branch in UK took part in the project "*Public Health England"* to develop a kit for the Ebola virus. DiaSorin contributed to the project donating materials such as solutions, diluents and fluids.

DiaSorin Inc. participated in a wide range of events with local schools and universities:

- '*MN Academy of Science Quiz Bowl'*, a state competition in mathematics and science;
- '*Da Vinci Festival'*, event held at Stillwater high school area where student from 4-12 y.o. presented their science projects.
- *'Minnesota Academy of Science & Engineering Fair',* annual competition for the best students in STEM involving Middle Schools and High Schools. DiaSorin offered 5 money contribution to the 5 best students. Afterwards winners have been invited to visit DiaSorin headquarter in Stillwater.

In China DiaSorin has a long-term partnership with the *Shanghai Jiaotong University* and the *Luiss/Fundan University* offering scholarship and traineeship.

DiaSorin China supports an initiative of multicentric clinic research on hypertension, raising awareness on the importance of a preventive monitoring of this pathology.

"TALENT" PILLAR

Talenti Project

The purpose of the project is promoting local excellence and celebrating talent in all its forms.

DiaSorin asked the Italian Federation of Paralympic Winter Sports to select athletes to represent Italy at the 2018 Korea Winter Paralympics.

DiaSorin chose to actively support the competitive path of these exceptional athletes (snowboarding and alpine skiing), contributing to their preparation in view of the most important competition.

DiaSorin Cup

The purpose of the project is promoting the culture of inclusion and talent enhancement in local communities.

Since 2016, DiaSorin has been supporting Sitting Volley Chieri in organizing national sitting volleyball championships.

“IMPACT” PILLAR

Pinocchio Project

The aim of the project is to improve the quality of life in hospitals supporting the little patients in all the areas of their everyday life: education, medical care, diagnostic exams.

DiaSorin has supported the Pinocchio Project, active in three Piedmont Hospitals, since 2015.

In 2015, DiaSorin undertook to provide 60 active teachers operating in Piedmont and their students with a supply of tablets. This initiative aim at creating a bridge between the healthcare and school systems.

In 2016, the partners involved in the project financed the aesthetic and chromatic restyle of the CT Scan room in the Regina Margherita hospital. The room has been transformed into a cozy, colorful environment, also thanks to the use of sophisticated films on diagnostic machinery.

The aim is helping children to feel a bit less frightened when approaching such a delicate procedure. With surprising results, there was a decrease in cases where sedation was required for the radiological procedure.

In 2017 DiaSorin did not finance any new hospital project but continued to promote the positive initiative of the CT Scan room in the Regina Margherita hospital and other Italian hospitals by searching new partners to finance the project.

Smiles and magic

The purpose of the project is providing psychological and emotional support to children undergoing long hospital care.

DiaSorin supported the annual picnic held in Turin to raise funds and finance highly specialized professionals known as “Dr. Smile”. These doctors work in synergy with medical staff to help children overcome the difficulties associated with long-term hospital stay.

Their medicines are empathy, fun, and smile.

Other initiatives

In 2017, DiaSorin through its Italian branch in UK supported “Serv Kent”, a charity that provides emergency courier services transporting blood products and organs for hospitals.

Serv volunteers provide their services free of charge including fuel: donations cover the other expenses.

Being a company belonging to an Italian Group and one of the major industries of Twin Cities, DiaSorin Inc. sponsored the *Italian Film Festival* at the *Italian Cultural Center* in Minneapolis-St. Paul, to promote Italian culture with documentaries and movies that are rarely seen in the United States.

Again this year, the Group organized an *Annual fundraiser* to support voluntary organization such as *Habitat for Humanity* and *Second Harvest Heartland*.

DiaSorin Molecular supported *Kelly’s Hope Foundation*, an association to help children with cancer.

Furthermore, employees committed to a food drive for the *Orange County Food Bank* and fundraising to purchase gifts for lonely elderly people living in care institutions.

Lastly, in 2017, 3 events took place for blood collection in collaboration with the Red Cross. DiaSorin employees actively participated at the event.

In Belgium DiaSorin sponsors “Televie”, a fund raising initiative to support leukemia research in adults and children.

In South Africa DiaSorin made a financial contribution to *Little Eden* Society, an NGO providing life-long care to adults and children with intellectual disability.

In 2017, the total expenditure to support these initiatives amounted to 298 thousand euros (176 thousand euros in 2016).

6 Personnel management

6.1 DiaSorin commitment and reference principles

The Group’s Code of Conduct sets out a set of norms and standards of conduct to which the Group is committed to undertake in the contest per personnel management, particularly as to:

- **Personnel management policy**: “*Any form of discrimination towards employees or staff members is prohibited. All decisions regarding personnel management and development are based on considerations of merit and/or correspondence between expected profiles and those of staff members. The same consideration applies to the decision to assign employees to different roles or positions”*.
- **Personnel empowerment and management**: *“In managing hierarchical relations, company stakeholders undertake to guarantee that authority is exercised fairly and correctly, avoiding any type of abuse. Requesting, as something due to a superior, services, personal favors or any other form of conduct that infringes this Code of Conduct constitutes an abuse of position of authority.* Each manager is required to use and fully exploit all the professional competencies of the structure, activating available levers to promote development and professional growth of personnel.*”.*
- **Equal Opportunities**: “*DiaSorin is committed to providing equal opportunities to all its employees, both at the workplace and as regards career advancement. The supervisor shall ensure that, with regard to all aspects of employment such as recruitment, training, remuneration, promotion, transfer and termination, employees are treated according to their ability to meet job requirements, avoiding any form of discrimination, in particular discrimination based on race, sex, age, nationality, religion and personal beliefs*”.

6.2 Instruments adopted

The following provides the DiaSorin Group’s main instruments to manage risks (or where applicable, to address opportunity) as detailed in paragraph 3 “Identification of risks and opportunity” in relation to personnel management issues.

Implementation of the new HR Management IT System

In 2017, the DiaSorin Group implemented a project to develop and introduce a new instrument of HR management, known as T.R.U.S.T. *(Technology Roadmap Underpinning Successful Transformation)*, whose implementation will be completed in 2018.

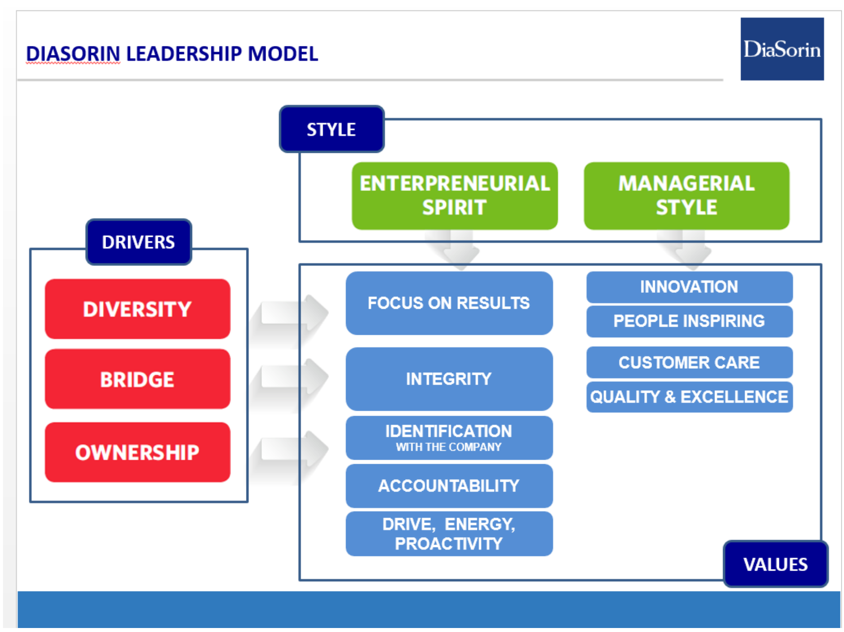
This system offers a cross-cutting approach to human resources management, starting from employee research/hiring to the employee management within the Company, including the performance management process.

The key benefits arising from T.R.U.S.T. concern:

- Improved accessibility and control and thus improved monitoring of personnel data and information;
- Systematic traceability of skill development, in terms of performance, and contribution of each person to the company growth and success.
- A more effective and timely sharing of information among all involved bodies and departments: during the recruiting phase, for instance, candidates' curriculum vitae uploaded on the T.R.U.S.T. Portal can be viewed both by the HR area and by Managers/Heads Department involved in the recruitment process.

<u>The Leadership Model</u>

The Leadership model of the DiaSorin Group is today applied to employees in senior management positions and, in 2018, will be extended also to employees receiving a variable portion of the compensation. Such extension will entail the adoption of the Model for over half of DiaSorin employees.



This Model underpins 9 key **Values** and describes DiaSorin Leaders' expected behaviors and attitudes. Values are classified within leadership **Style** , a combination of entrepreneurial spirit and managerial style. The enablers that can influence the capability of the leaders and their team to create value for DiaSorin are the **Drivers,** that is : Diversity, Bridge and Ownership.

What our leadership model is for:

- To create a common language about the expected managerial style in DiaSorin;
- To clarify expectations on goals and outcomes;
- To facilitate the recruitment process, sharing the required profiles;
- To structure evaluation of people's soft skills;
- To nurture a culture of assessment.

Performance Management System

Employees to whom the Leadership Model applies are also included in the "Performance Management Process Lead (PMPL)". PMPL is strictly related to the Leadership Model and provides managers with a structured feedback process, on an annual basis, covering their individual performance, contribution to the business and achievement of the objectives assigned.

This process provides managers with annual feedback in order to:

- to raise self-awareness on strengths and areas of development
- promote dialogue between manager and employee about leadership and behaviors
- reinforce the motivation to develop and to keep improving

To confirm the importance of Performance Management system T.R.U.S.T. implemented "Performance and Goals" module.

The procedure regulating the different stages of MBO (*Management by Objective*) process and incentive plans will be completed in 2018.

The objective for the coming years is to adapt and extend the performance management process to all DiaSorin employees (including blue collars), in order to allow a soft skill assessment for all employees. Through its relevant modules, T.R.U.S.T. will make this process easier.

Training activities

The DiaSorin Group considers training and development fundamental to developing its human resources and employee professional growth.

Training needs are analyzed on the basis of business priorities, inputs from Department Heads and, where necessary, taking into account objectives set during feedback processes described above. The Company plans and supplies updating courses focused on technical-professional aspects.

Training programs are held by either internal or external qualified staff giving priority to in-house training paths so as to enhance employees knowledge and skills.

DiaSorin pays great attention to training for technical employees working with customers. The Headquarter in Saluggia, for instance, manages and monitors, at Corporate level, training programs for Service Department which is responsible for instrument installation and maintenance of equipment provided to customers.

Every year specific training activities are planned and developed in response to emerging macro themes/training needs.

In 2016, training activities focused on the Leadership culture included in a comprehensive Education program launched in 2014-2015 for all DiaSorin management (around one hundred Managers) world-wide. It is crucial to align the Management with DiaSorin Leadership peculiarity and core Values.

To this end, in 2017, several workshops have been organized for Managers to foster leadership culture and make inclusion of new groups easier.

A special training program aimed at developing and enhancing the managerial skills of the Group's Country Managers has been implemented for 2017-2018. This program called "Commercial Training", consists of 5 training modules held by key internal resources, the so-called "Champions", who have the task of defining the program, its contents and course material. In order to improve and share knowledge the "Champions" are involved in "Train the Trainer" program, a specific course they are required to attend beforehand.

In 2017, at the end of the planning phase, the DiaSorin Group provided a pilot module in the "Compliance & Risk Management" area.

The remaining modules are scheduled for 2018.

DiaSorin attaches great importance to the "Induction" phase. In 2016-2017, Corporate Induction events for new Managers and Top Managers hired in 2017 took place at DiaSorin corporate headquarters in Saluggia.

Aside from Managers and Top Managers, Corporate Induction was also provided to Managers who changed their role and responsibilities within DiaSorin.

As to other employees hired in 2017, the local HR is responsible for Induction programs.

Welfare and benefit initiatives

The DiaSorin Group offers different types of defined-contribution and defined-benefit plans, in accordance with the local conditions and practices in the countries in which it operates. Defined-benefit pension plans are based on the length of the working lives of employees and the wages earned by employees over a predetermined period of service. Our pension plans at group level that qualify as defined-benefit plans include the provisions for employee severance indemnities in Italy, the Alecta system in Sweden, the U-Kasse pension plan and the Direct Covenant system in Germany.

Defined-contribution plans foresee that certain Group Companies paying contributions to public or private insurance institutions pursuant to a statutory or contractual obligation or on a voluntary basis.

In Italy, at the end of 2016 the DiaSorin Group signed a Corporate Welfare Plan with trade unions represented in the Company. The Plan has been implemented in 2017 and provides for the payment of a flexible benefit amounting to 864 euros in the period 2017-2019 for each employee, to be spent in tax-free services (family education, supplementary pension of healthcare services).

Dialogue with social partners

DiaSorin is active in all the Group companies to implement a constant attention to the needs of its employees. For this reason dialogue with social partners is a fundamental tool. To this end personnel in charge of managing relationship with Trade Associations, where existing on the basis of local context, maintains an ongoing dialogue with Trade Associations, both in standard and in any extraordinary situations, according to a constructive and collaborative approach. It is worth mentioning the approach adopted during the sale of DiaSorin logistics branch to DHL Supply Chain, resulting in the transfer of DiaSorin 36 employees to DHL, near Saluggia headquarter.

DiaSorin and the social partners worked together to safeguard employees' contractual rights and provide logistic support to secure jobs.

Employee listening

In addition to the dialogue with social partners, DiaSorin makes use of direct communication channel to listen to its employee needs through, for instance, periodic employee satisfaction survey. In 2017, a survey on work-related stress and quality of organizational life was conducted among Italian employees: after results have been thoroughly analyzed DiaSorin undertook to tackle any possible issues. Every year U.S. subsidiaries (DiaSorin Inc and DiaSorin Molecular) conduct an Employee satisfaction survey.

6.3 Outcomes

Information on the Group employees

Employee by gender	**2016**			**2017**		
	Men	Women	**Total**	Men	Women	**Total**
	906	772	**1,678**	999	897	**1,896**
Employee by category						
Top Managers	55	20	**75**	65	21	**86**
White collars	686	655	**1,341**	745	750	**1,495**
Blue collars	165	97	**262**	189	126	**315**
Employee by age						
<= 29 years	124	92	**216**	104	109	**213**
30 - 39 years	283	243	**526**	329	309	**638**
40 - 49 years	254	221	**475**	301	228	**529**
>= 50 years	245	216	**461**	265	251	**516**

Disclosure 405-1 Diversity of governance bodies and employees of GRI Standard 405: Diversity and Equal Opportunities 2016

	2016			**2017**		
	Men	Women	**Total**	Men	Women	**Total**
Employee by contract						
Number of employees with permanent contract	892	759	**1,651**	972	877	**1,849**
Number of employees with temporary contract	14	13	**27**	27	20	**47**
Employee by employment type						
Number of full time employees	902	742	**1,644**	995	866	**1,861**
Number of part time employees	4	30	**34**	4	31	**35**

Disclosure 102-8 Information on employees and other workers of GRI Standard 102: General Disclosures 2016

Employee by education	2016			2017		
	Men	Women	**Total**	Men	Women	**Total**
Degrees	506	490	996	561	565	1126
Biology	*130*	*161*	*291*	*141*	*189*	*330*
Chemistry	*49*	*37*	*86*	*41*	*46*	*87*
Biochemistry	*44*	*62*	*106*	*53*	*62*	*115*
Economics	*58*	*33*	*91*	*49*	*34*	*83*
Engineering	*105*	*51*	*156*	*118*	*50*	*168*
Other degrees	*120*	*146*	*266*	*159*	*184*	*343*
Technical high school	146	80	226	124	73	197
No technical high school diploma	139	139	278	264	236	500
Without a diploma	115	63	178	50	23	73

Dialogue with social partner

Slightly more than 50% of the Group's employees are covered by collective bargaining agreements. Collective bargaining agreements are not applied to all countries where the Group operates.

Employees covered by collective bargaining agreement (%)	2016	2017
Employees covered by collective bargaining agreement	56%	52%

Disclosure 102-41 Collective bargaining agreements of GRI Standard 102: General Disclosures 2016

New hires and employee turnover

Number of employees hired in the year	2016			2017		
	Men	Women	**Total**	Men	Women	**Total**
	96	69	**165**	194	159	**353**
By age						
<= 29 years	26	24	50	60	56	116
30 - 39 years	37	21	58	73	61	134
40 - 49 years	19	15	34	38	25	63
>= 50 years	14	9	23	23	17	40

Disclosure 401-1 New employee hires and employee turnover of GRI Standard 401: Employment 2016

In 2017, the turnover rate was equal to 15% (excluding employees transferred to DHL) compared to 8% in 2016: turnover rate was impacted by a different scope of consolidation in the periods under comparison (2016 turnover percentage did not include DiaSorin Molecular).

Training activities

Data on training hours refer exclusively to the following companies:

- DiaSorin S.p.A.
- DiaSorin Deutschland GmbH
- DiaSorin Inc. (USA)
- DiaSorin Molecular LLC,

accounting for about 70% of the Group work force.

Training Hours by category	2016			2017		
	Men	Women	Total	Men	Women	Total
Top management	439	297	**736**	477	494	**971**
White collars	17,095	12,751	**29,846**	16,413	22,193	**38,606**
Blue collars	5,822	3,793	**9,615**	6,758	4,594	**11,352**
Number of training hours by type						
Induction	564	342	**906**	1,071	894	**1,965**
EHS training	3,047	2,506	**5,553**	5,528	5,286	**10,814**
Technical professional training	14,545	9,650	**24,195**	12,318	15,676	**27,994**
Language courses	1,000	905	**1,905**	193	324	**517**
Managerial	330	320	**650**	1,044	1,110	**2,154**
Other	3,870	3,118	**6,988**	3,494	3,991	**7,485**

Average training hours						
	2016			2017		
	Men	Woman	Total	Men	Woman	Total
Top management	13	25	**16**	11	35	**16**
White collars	43	30	**36**	36	43	**40**
Blue collars	38	43	**40**	38	40	**39**

Disclosure 404-1 Average hours of training per year per employee of GRI Standard 404: Training and Education

Performance Management System

% of employees receiving performance and carrer development review						
	2016			2017		
	Men	Women	Total	Men	Women	Total
Top Management	100%	100%	**100%**	100%	100%	**100%**
White collars	83%	76%	**80%**	84%	75%	**80%**
Blue collars	65%	73%	**68%**	72%	86%	**77%**

Disclosure 404-3 Percentage of employees receiving regular performance and career development reviews of GRI Standard 404: Training and Education

Personnel taken into account for the indicator concern employees with a portion variable (i.e. MBO, Incentives) and, where appropriate, personnel who also on the basis of agreements with social partners, are subject to a formal evaluation of their performance.

Diversity and equal opportunities

Ratio basic salary men&women	2016	2017
White collars	91%	90%
Blue collars	86%	88%

Disclosure 405-2 Ratio of basic salary and remuneration of women to men of GRI Standard 405: Diversity and Equal Opportunities 2016

Data on ratio salary/wages men/women exclude Top Management from the computation and refer exclusively to:

- DiaSorin S.p.A.
- DiaSorin Deutschland GmbH
- DiaSorin Inc. (USA)
- DiaSorin Molecular LLC

7 Anti-corruption and bribery

7.1 DiaSorin commitment and reference principles

The **Group Code of Conduct** defines rules and standards of Conduct to control risks concerning "Anti-corruption and bribery", as described in Paragraph 3. "Identification of Risks and Opportunity". The Code applies to the members of the Board of Directors of each company of the DiaSorin Group, to all employees and all other individuals or companies who act on behalf of one or more companies of the Group.

Reference should be made to paragraph 3.1 of the Code of Conduct "Rules and Standards of Conduct": "*Bribery and Illicit payments*" e "*Gifts, gratuities and other benefits*". Aside from rules and Standards of Conduct required to Recipients to avoid active bribery, directly or indirectly, the Code sets out prohibited behavior to avoid passive bribery (i.e. ban on accepting gifts, gratuities or other benefits that may influence the Recipient's opinion or conduct).

7.2 Instruments adopted

The DiaSorin Group adopted the following main instruments to manage and mitigate "Anti-corruption and Bribery" related risks.

Internal Audit functions and audit activities performed

Formal acceptance of the Code of Conduct from Group Companies employees is periodically monitored by the Internal Audit Function of the Group. Such audits are included in the Audit Plan. The Internal Audit Function carries out spot checks, on an annual basis, on the Group Companies to assess that new hires adhere to the Code of Conduct principles.

Likewise, gratuities, gifts and benefits are monitored, as part of the Audit Plan, through spot checks on the Group's Companies, in relation to expenses and first levels employees' expense reports.

The Audit Reports are communicated to the Risks and Control Committee and the results presented to the Group's Board of Statutory Auditors and Board of Directors.

Acceptance and adjustment to comply with MedTech Code at Group level

As a member of the EDMA (European Diagnostic Manufacturers Association) associated with MedTech Europe[4], in 2017 DiaSorin adopted the new "MedTech Europe Code of Ethical Business Practice" (hereinafter referred to as "**MedTech Code**"): the Code regulates all aspects of

[4] MedTech Europe is the association representing medical technology sector from diagnosis to treatment

interactions between companies and Healthcare Professionals and Healthcare organizations, in compliance with the highest ethical standards and with an appropriate level of transparency.

The following provides the main changes and term introduced by MedTech Code:

- Starting from January 1, 2018, adhering companies are not permitted to pay registration fees, travel or hospitality expenses directly to individual Healthcare Professionals for their participation in Third Party Organized Educational Events (the so called "phasing out of direct sponsorship"). Briefly, exclusively the following actions shall be permitted:
  - Educational grants (to hospitals, medical societies, etc. to support medical education without restrictions of any sort).
  - Remuneration to individual Healthcare Professionals (based on fair market value) for consulting and other services, including but not limited to research, participation on advisory boards, presentations at Company's events and product development, etc;
- Obligation for adhering companies to verify, prior to their participation, or before providing any economic or in-kind support, if included in the cases provided, to third party organized educational events if they have been approved by MedTech through the "Conference Vetting System", or through an information system which includes all events subject to clearance, together with all relevant details (location, scientific program, etc). The adhering company shall not provide any economic support to third party events which do not comply with MedTech Europe Code requirements.

The MedTech Code sets out specific rules on donations, research promoted by adhering companies, post-market assessment of products, supply of teaching materials, gifts to Healthcare professionals and supply of samples.

Given the effectiveness of the MedTech Code in several extra EU countries, Diasorin decided to extend its applicability to the whole Group ensuring that all Group companies operate in compliance with the Code.

DiaSorin has therefore proceeded to amend/ integrate the Group Code of Conduct to align it to the MedTech Code requirements and implemented a training activity for Country Managers of the Group Company, in order to make them aware of the new provisions through two training sessions. Specific training sessions have been organized for employees belonging to more operational functions (4 one hour and a half training sessions), focused on Functions/business area that are affected by DiaSorin acceptance of the MedTech Code (i.e. Marketing, commercial Functions, etc.). These training session will continue throughout 2018.

7.3 Outcomes

Anti/corruption training hours for employees	**2016**	**2017**
Top Management	4	7
White collars	32	102
Blue collars	10	67
Total training hours	**47**	**153**

Disclosure 205-2 Communication and training about anti-corruption policies and procedures of GRI Standard 205: Anti-corruption

The number of employees refer to new hires training on the Code of Conduct contents and refers to scope previously used for training hours within the Group.

In 2017, training dedicated to MedTech Code amounted to 74 hours for 37 Group employees.

8 Supply chain management

8.1 Current organization and future developments

The current organization of the DiaSorin Group supply chain management provides that “critical” purchases (products/services with a direct impact on compliance with end product requirements) are managed locally at the 7 manufacturing facilities of the Group, except some purchases categories that are considered as material due to their high degree of risk associated with the impact on end product and/or due to high unit value and are, thus, managed by Global Procurement Head Office at Corporate level (‘Corporate’ supplier).

To this end, the DiaSorin Group started to reorganize the whole process of its supply chain management with the objective, among others, of implementing a progressive centralization and harmonization of manufacturing facilities’ purchasing processes and hence of gaining more central control over the management of Group suppliers.

The project launched in 2017, is structured around three main clusters:

- **organization**: redefining responsibilities centrally/locally and providing Global Procurement Head Office with a central role in the purchase management at Group level;
- **standardization of processes**: harmonizing local purchase processes that are still managed autonomously by manufacturing facilities through different information systems and tools;
- **management efficiency**: identifying purchases to be entrusted at central level (i.e. same suppliers for all manufacturing facilities).

The project, which is expected to be completed in 2020, calls for the development of two purchasing Platforms to manage all the purchasing process phases (i.e. qualification and selection, issuing of the purchase order, vendor rating, etc.). Both Platforms will be based on a single information system: the first Platform will include all European manufacturing facilities including the South African facility, the latter will include the U.S. facilities.

8.2 DiaSorin commitment and reference principles

In order to provide a structured management of all aspects related to product quality, including supply chain management, DiaSorin manufacturing facilities adopt a Quality Management System in compliance with European Directive IVD MD 98/79 EC, EN ISO 9001:2015 standards (Quality Management Systems Requirements) and EN ISO 13485:2016 (Medical Devices. Quality Management Systems. Requirements for Regulatory Purposes), and in accordance with local regulations applicable to the DiaSorin Group Companies.

8.3 Instruments adopted

The following provides the main instruments adopted by the DiaSorin Group to manage and mitigate risks related to "Supply chain management", as provided in paragraph 3. "Identification of risks and opportunities". Procedure System (Group and local). DiaSorin formalized principles to apply at Group level for the supply chain management in the Group Operating Procedure "Corporate Supplier Management", applicable to all DiaSorin Group purchases. Based on minimum requirements set forth in the Group Procedure, each manufacturing facility has the task to prepare local procedure for suppliers management, purchase of products and services to ensure quality, safety and efficiency of the product. The Group Procedure "Corporate Supplier Management" provides the guidelines to be followed at local level in the different stages of supplier management as well as sharing of responsibilities between Group companies and relevant Functions/Corporate Department. The main requirements for Group companies' purchasing processes formalized in the Group Procedure "Corporate Supplier Management" are provided below:

- use of a multi-functional approach to select suppliers and formalization of criteria and methods adopted in this phase;
- classification of suppliers on the basis of the risk category associated with product quality and safety;
- preparation of documents to track the technical requirements of products being purchased and included in the contractual documentation, along with clauses which contractually bind suppliers to inform DiaSorin of any change in the technical requirement of the product;
- management of suppliers changes that have to be approved at local level and communicated to central Departments;
- implementation of activities to monitor suppliers at local level (i.e. incoming tests, checks on certifications attached to products, audits at suppliers etc.).

Audits carried out at central level on Corporate suppliers

Corporate supplier, as described above, are strategic suppliers of raw material- Analyzers-consumables identified on the basis of specific criteria provided for in the Group Procedure "Corporate Supplier Management" (i.e. purchasing turnover number of facilities/customers receiving supply, single source, etc.). Suppliers of "customized" Services and Software with use/impact at DS Group level fall in Corporate suppliers. With regards such suppliers, the Group is implementing an annual audit plan ("Corporate Supplier Audit Master Plan"), by Corporate Quality Assurance-Compliance Department and Quality System, assessing suppliers' risk class, the results of which are disclosed among all DiaSorin facilities concerned. The Audit Plan includes both qualified suppliers and new suppliers who have still to follow the qualification process. Audits' modes and reference principles are governed by the Group Procedure defining management of any non-conformities, both critical and non-critical, implementation of corrective or preventive actions as well as follow-ups implemented by the Company. Audits results and relevant non conformities are periodically reported to the Top Management.

8.4 Outcomes

In 2017, 38 audits have been carried out on critical suppliers. No significant non-conformities arose.

Legislative Decree 254/16 requirements and GRI Disclosure index

Leg. Decree 254/2016 matters	Material topic	Identification of risks and opportunities	Policies adopted	GRI Disclosure	Reference paragraph/ page	**Reporting scope** *Indicate boundaries as provided for in Legislative Decree 254/2016*	Omissions
Environmental	Environmental topics		*Consult paragraph 4 "Environment, Health and Safety" of the Consolidate Non-Financial Disclosure*	*- GRI Standard 306 "Effluents and Waste 2016": • Disclosure 306-3: Significant spills - GRI Standard 307 "Environmental Compliance" • Disclosure 307-1: Non compliance with environmental laws and regulations*	*Paragraph 4 "Environment, Health and Safety"*	*Manufacturing Facilities: - DiaSorin S.p.A. (Italy) - UK Branch - DiaSorin Deutschland GmbH (Germany) - DiaSorin South Africa Ltd (South Africa) - DiaSorin Ireland Limited (Ireland) - DiaSorin Inc. (USA) - DiaSorin Molecular LLC (USA). Details on the analysis carrid out to determine the environmental indicator boundary are provided in subparagh 2.2 "Material topics for the DiaSorin Group" of the Consolidated Non-Financial Disclosure*	N/A
	Waste management			*GRI Standard 306 "Effluents and Waste 2016": • Disclosure 306-2: Waste by type and disposal method*	*Paragraph 4 "Environment, Health and Safety"*		Notwithstanding the Reporting Requirements of GRI Disclosure, the amount of waste by disposal for each type of (hazardous/non-hazardous) waste is not provide. Along with the amount of waste divided into hazardous and non-hazardous categories the tables provide the percentage of waste by macro area of destination "Reuse/recycle/recovery" and "Disposal", on the basis of information on disposal methods (information provided by carriers/disposal plants for disposal methods and, where applicable, information accompanying waste).
	Energy efficiency			*- GRI Standard 302 "Energy 2016": • Diclosure 302-1: Energy consumption within the organization - GRI Standard 305 "Emissions 2016": • Diclosure 305-1: Direct (Scope 1) GHG emissions • Diclosure 305-2: Energy indirect (Scope 2) GHG emissions*	*Paragraph 4 "Environment, Health and Safety"*		N/A
	Water management			*GRI Standard 303 "Water 216": •Disclosure 303-1: Water withdrawal by source*	*Paragraph 4 "Environment, Health and Safety"*		N/A
Social	The management of relationship with local communities		*Consult Paragraph 5 "Relations with local communities" of the Conosolidated Non-Financial Disclosure*	*N/A - GRI Disclosure indicators on this topic have not been reported*			Notwithstanding the Group does not report specific GRI Disclosure indicators concerning this issue, the Group considers the Social matter as relevant due to opportunities associated with it, as detailed in the Consolidated Non-Financial Disclosure (paragraph 3 "Identification of risks and opportunities"). Therefore, the report includes the most relevant initiatives developed/promoted by the Group in 2016-2017 having a positive impact on local communities where the Group operates along with the Group's total expenditure to support these initiatives.
Occupational	Training, development and wellbeing of employees	*For the identification of risks and /or opportunities consult paragraph 3 "Identification of risks and opportunities" of the Consolidated Non-Financial Disclosure*	*Consult paragraph 6 "Personnel management" of the Consolidated Non-Financial Disclosure*	*- GRI Standard 401"Employment 2016": •Disclosure 401-1: New employee hires and employee turnover - GRI Standard 404 "Training and Education 2016": •Disclosure 404-1: Average hours of training per year per employee •Disclosure 404-3: Percentage of employees receiving regular performance and career development reviews*	*Paragraph 6 "Personnel management"*	*- Disclosure 401-1 and Disclosure 404-3: All the Companies included in the scope of the 2017 consolidated financial statements. - Disclosure 404-1: • DiaSorin S.p.A. • DiaSorin Deutschland GmbH • DiaSorin Inc. (USA) • DiaSorin Molecular LLC Reasons for scope limitation are provided in paragrpfh 1 "Note on Methodology"*	Notwithstanding the Reporting Requirements of GRI Disclosure GRI 401-1, the report provides the aggregate turnover rate. The turnover rate is not provided by gender/age since data for its calculation are not available for all Group Companies.
	Diversity and inclusion			*- GRI Standard 102 "General Disclosures 2016": •Disclosure 102-8: Information on employees and other workers - GRI Standard 405 "Diversity and Equal Opportunities 2016": •Disclosure 405-2: Ratio of basic salary and remuneration of women to men*	*Paragraph 6 "Personnel management"*	*- Disclosure 102-8: All the Companies included in the scope of the 2017 consolidated financial statements. - Disclosure 405-2: • DiaSorin S.p.A. • DiaSorin Deutschland GmbH • DiaSorin Inc. (USA) • DiaSorin Molecular LLC Reasons for scope limitation are provided in paragraph 1 "Note on Methodology"*	Notwithstanding the Reporting Requirements of GRI Disclosure 405-2, men/women percentage ratio is provided only in relation to basic salary, since data for its calculation are not available for all Group Companies. Data are provided only for White Collars and Blue Collars.
	Dialogue with social partners			*GRI Standard 102 "General Disclosures 2016": •Disclosure 102-41: Collective Bargaining Agreements*	*Paragraph 6 "Personnel management"*	*All the Companies included in the scope of the 2017 consolidated financial statements (it should be noted that although the scope is not applied to all countries, percentage is provided taking into account the whole DiaSorin Group*	N/A
	Occupational Health and Safety		*Consult paragraph 4 "Environment, Health and Safety" of the Consolidated Non-Financial Disclosure*	*GRI Standard 403 "Occupational Health & Safety 2016": •Disclosure 102-41: Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities*	*Paragraph 4 "Environment, Health and Safety"*	*All the Companies included in the scope of the 2017 consolidated financial statements.*	Notwithstanding the Reporting Requirements of GRI Disclosure 405-2, the absenteeism rate is not provided, since data for its calculation are not available for all Group Companies.
Anti-corruption and bribery	Anti-corruption and bribery		*Consult paragraph 7 "Anti-corruption and bribery" of the Consolidated Non-Financial Disclosure*	*GRI Standard 205 "Anti-corruption": •Disclosure 205-2: Communication and training about anti-corruption policies and procedures*	*Paragraph 7 "Anti-corruption and bribery"*	*• DiaSorin S.p.A. • DiaSorin Deutschland GmbH • DiaSorin Inc. (USA) • DiaSorin Molecular LLC Reasons for scope limitation are provided in paragraph 1 "Note on Methodology"*	Notwithstanding the Reporting Requirements of GRI Disclosure, data refer exclusively to training hours for new hires concerning the Group's Code of Conduct and training hours provided by the Parent Company to subsidiaries concerning MedTech. Additional anti-corruption training hours are included in the total training hours reported next to 404-1 indicator, since current anti-corruption training is not systematically classified within the Group.
Respect of Human Rights	Following the analysis carried out by the DiaSorin Group, the Company considered the topic as not material since it is not associated with any specific risks for the Group. For a detailed explanation of the reasons behind this choice see paragraph 2.2 "Material topics for the DiaSorin Group" of the Consolidated non-Financial Disclosure						

INDEPENDENT REPORT ON THE LIMITED AUDIT OF THE CONSOLIDATED NON-FINANCIAL STATEMENTS OF THE DIASORIN GROUP

INDEPENDENT AUDITOR'S REPORT ON THE CONSOLIDATED NON-FINANCIAL STATEMENT PURSUANT TO ARTICLE 3, OF LEGISLATIVE DECREE NO. 254/2016 AND ARTICLE 5 OF CONSOB REGULATION NO. 20267

DIASORIN SPA

YEAR ENDED 31 DECEMBER 2017

Independent auditor's report on the Consolidated Non-Financial Statement

pursuant to article 3, paragraph 10, of Legislative Decree No. 254/2016 and article 5 of CONSOB Regulation No. 20267

To the Board of Directors of DiaSorin SpA

Pursuant to article 3, paragraph 10, of Legislative Decree No. 254 of 30 December 2016 (the "Decree") and article 5 of CONSOB Regulation No. 20267, we have performed a limited assurance engagement on the consolidated non-financial statement of DiaSorin SpA and its subsidiaries (hereafter the "Group") for the year ended 31 December 2017 prepared in accordance with article 4 of the Decree presented in the specific section of the report on operations and approved by the Board of Directors on 7 March 2018 (hereafter the "NFS").

Responsibility of the Management and Those Charged with Governance for the NFS

Management is responsible for the preparation of the NFS in accordance with article 3 and 4 of the Decree and with the "Global Reporting Initiative Sustainability Reporting Standards" defined in 2016 by the GRI - Global Reporting Initiative ("GRI Standards"), identified by them as the reporting standard, with reference to selected GRI Standards, as laid down in paragraph "Note on Methodology" of the NFS.
Management is responsible, in the terms prescribed by law, for such internal control as management determines is necessary to enable the preparation of a NFS that is free from material misstatement, whether due to fraud or error.

Management is responsible for identifying the content of the NFS, within the matters mentioned in article 3, paragraph 1, of the Decree, considering the activities and characteristics of the Group and to the extent necessary to ensure an understanding of the Group's activities, its performance, its results and related impacts.

Management is responsible for defining the business and organisational model of the Group and, with reference to the matters identified and reported in the NFS, for the policies adopted by the Group and for the identification and management of risks generated and/or faced by the Group.

Those charged with governance are responsible for overseeing, in the terms prescribed by law, compliance with the Decree.

Auditor's Independence and Quality Control

We are independent in accordance with the principles of ethics and independence set out in the Code of Ethics for Professional Accountants published by the International Ethics Standards Board for Accountants, which are based on the fundamental principles of integrity, objectivity, competence and professional diligence, confidentiality and professional behaviour. Our audit firm adopts International Standard on Quality Control 1 (ISQC Italy 1) and, accordingly, maintains an overall quality control system which includes processes and procedures for compliance with ethical and professional principles and with applicable laws and regulations.

PricewaterhouseCoopers SpA

Sede legale e amministrativa: Milano 20149 Via Monte Rosa 91 Tel. 0277851 Fax 027785240 Cap. Soc. Euro 6.890.000,00 i.v., C.F. e P.IVA e Reg. Imp. Milano 12979880155 Iscritta al n° 119644 del Registro dei Revisori Legali - Altri Uffici: **Ancona** 60131 Via Sandro Totti 1 Tel. 0712132311 - **Bari** 70122 Via Abate Gimma 72 Tel. 0805640211 - **Bologna** 40126 Via Angelo Finelli 8 Tel. 0516186211 - **Brescia** 25123 Via Borgo Pietro Wuhrer 23 Tel. 0303697501 - **Catania** 95129 Corso Italia 302 Tel. 0957532311 - **Firenze** 50121 Viale Gramsci 15 Tel. 0552482811 - **Genova** 16121 Piazza Piccapietra 9 Tel. 01029041 - **Napoli** 80121 Via dei Mille 16 Tel. 08136181 - **Padova** 35138 Via Vicenza 4 Tel. 049873481 - **Palermo** 90141 Via Marchese Ugo 60 Tel. 091349737 - **Parma** 43121 Viale Tanara 20/A Tel. 0521275911 - **Pescara** 65127 Piazza Ettore Troilo 8 Tel. 0854545711 - **Roma** 00154 Largo Fochetti 29 Tel. 06570251 - **Torino** 10122 Corso Palestro 10 Tel. 011556771 - **Trento** 38122 Viale della Costituzione 33 Tel. 0461237004 - **Treviso** 31100 Viale Felissent 90 Tel. 0422696911 - **Trieste** 34125 Via Cesare Battisti 18 Tel. 0403480781 - **Udine** 33100 Via Poscolle 43 Tel. 043225789 - **Varese** 21100 Via Albuzzi 43 Tel. 0332285039 - **Verona** 37135 Via Francia 21/C Tel. 0458263001 - **Vicenza** 36100 Piazza Pontelandolfo 9 Tel. 0444393311

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Auditor's responsibilities

We are responsible for expressing a conclusion, on the basis of the work performed, regarding the compliance of the NFS with the Decree and with the "Global Reporting Initiative Sustainability Reporting Standards", with reference to selected GRI Standards, as laid down in paragraph "Note on Methodology" of the NFS. We conducted our engagement in accordance with International Standard on Assurance Engagements 3000 (Revised) – Assurance Engagements Other than Audits or Reviews of Historical Financial Information (hereafter "ISAE 3000 Revised"), issued by the International Auditing and Assurance Standards Board (IAASB) for limited assurance engagements. The standard requires that we plan and apply procedures in order to obtain limited assurance that the NFS is free of material misstatement. The procedures performed in a limited assurance engagement are less in scope than those performed in a reasonable assurance engagement in accordance with ISAE 3000 Revised ("Reasonable assurance engagement"), and, therefore, do not provide us with a sufficient level of assurance that we have become aware of all significant facts and circumstances that might be identified in a reasonable assurance engagement.

The procedures performed on the NFS were based on our professional judgement and consisted in interviews, primarily of company personnel responsible for the preparation of the information presented in the NFS, analyses of documents, recalculations and other procedures designed to obtain evidence considered useful.

In particular, we performed the following procedures:

1. Analysis of the relevant matters reported in the NFS relating to the activities and characteristics of the company, in order to assess the reasonableness of the selection process used, in accordance with article 3 of the Decree and with the reporting standard adopted;
2. Analysis and assessment of the criteria used to identify the consolidation area, in order to assess their compliance with the Decree;
3. Comparison of the financial information reported in the NFS with the information reported in the Group's consolidated financial statements;
4. Understanding of the following matters:
   - Business and organisational model of the Group, with reference to the management of the matters specified by article 3 of the Decree;
   - Policies adopted by the Group with reference to the matters specified in article 3 of the Decree, actual results and related key performance indicators;
   - Main risks, generated and/or faced by the Group, with reference to the matters specified in article 3 of the Decree.

   With reference to those matters, we compared the information obtained with the information presented in the NFS and carried out the procedures described under point 5 a) below.
5. Understanding of the processes underlying the preparation, collection and management of the significant qualitative and quantitative information included in the NFS.
   In particular, we held meetings and interviews with the management of DiaSorin SpA and with the personnel of DiaSorin Deutschland GmbH and DiaSorin Inc., and we performed limited analyses of documentary evidence, to gather information about the processes and procedures for the collection, consolidation, processing and submission of the non-financial information to the function responsible for the preparation of the NFS.

Moreover, for material information, considering the activities and characteristics of the Group:

- At a Group level,
  - a) With reference to the qualitative information included in the NFS, and in particular to the business model, the policies adopted and the main risks, we carried out interviews and acquired supporting documentation to verify their consistency with available evidence;
  - b) With reference to quantitative information, we performed analytical procedures as well as limited tests, in order to assess, on a sample basis, the accuracy of consolidation of the information;
- For the following companies, DiaSorin SpA, DiaSorin Deutschland GmbH and DiaSorin Inc., which were selected on the basis of their activities, their contribution to the performance indicators at a consolidated level and their location, we held meetings and/or interviews with local management and gathered supporting documentation regarding the correct application of the procedures and calculation methods used for the key performance indicators.

Conclusions

Based on the work performed, nothing has come to our attention that causes us to believe that the NFS of DiaSorin Group as of 31 December 2017 is not prepared, in all material respects, in compliance with articles 3 and 4 of the Decree and with the "Global Reporting Initiative Sustainability Reporting Standards", with reference to selected GRI Standards, as laid down in paragraph "Note on Methodology" of the NFS.

Other aspects

The comparative information presented in the NFS in relation to the financial year ended 31 December 2016 has not been subjected to any assurance procedures.

Milan, 29 March 2018

Signed by	Signed by
Stefano Pavesi (Partner)	Paolo Bersani (Authorised signatory)

This report has been translated from the original, which was issued in Italian, solely for the convenience of international readers.

MOTION TO APPROVE THE FINANCIAL STATEMENTS AND APPROPRIATE THE 2017 NET PROFIT

Dear Shareholders,

We recommend that you approve the Company's financial statements for the year ended December 31, 2017 and appropriate the net profit of € 88,587,372.41 as follows:

- taking into account the statutory reserve has met the limit imposed by article 2430 of the Italian Civil Code, the Company will distribute € 47,095,865 as a dividend of € 0.85 on each common share outstanding on the record date, excluding treasury share, equal to 541,357 ordinary shares;

- bring forward as retained earnings the balance of € 41,491,507.41.

The dividend will be payable on May 23, 2018, with coupon date on May 21, 2018, to the common shares outstanding, excluding treasury shares. Pursuant to Art. 83- *terdecies* of the Legislative Decree 58/98 only the parties qualifying as shareholders at the close of business on May 22, 2018 (record date) will be entitled to a dividend.

Saluggia, March 7, 2018

On behalf of the Board of Directors,

The Chairman

Gustavo Denegri

CONSOLIDATED INCOME STATEMENT
pursuant to Consob Resolution No. 15519 of July, 27 2006

(in thousands of euros)	**Notes**	**2017**	***amount with related parties***	**2016**	***amount with related parties***
Net revenues	(1)	637,487	2,388	569,312	2,053
Cost of sales	(2)	(205,591)		(180,160)	
Gross profit		**431,896**		**389,152**	
Sales and marketing expenses	(3)	(123,184)	-	(109,469)	(86)
Research and development costs	(4)	(43,627)		(37,718)	
General and administrative expenses	(5)	(64,689)	(4,391)	(60,039)	(4,706)
Other operating income (expenses)	(6)	(15,976)	(9)	(9,315)	(7)
Non-recurring amounts		*(12,022)*		*(5,426)*	
EBIT		**184,420**		**172,611**	
Net financial income (expense)	(7)	(5,714)		(4,415)	
Result before taxes		**178,706**		**168,196**	
Income taxes	(8)	(38,828)		(55,578)	
Net result		**139,878**		**112,618**	
Including:					
- Parent Company shareholders’ interests in net result		139,878		112,383	
- Minority shareholders’ interests in net result		-		235	
Basic earnings per share	(9)	**2.54**		**2.05**	
Diluted earnings per share	(9)	**2.54**		**2.04**	

CONSOLIDATED COMPREHENSIVE INCOME STATEMENT

(in thousands of euros)	**2017**	**2016**
Net result (A)	**139,878**	**112,618**
Other comprehensive gains/(losses) that will not be reclassified subsequently to gain/(loss) of the period:		
Gains/(losses) on remeasurement of defined benefit plans	586	(1,314)
Total other comprehensive gains/(losses) that will not be reclassified subsequently to gain/(loss) of the period (B1)	**586**	**(1,314)**
Other comprehensive gains/(losses) that will be reclassified subsequently to gain/loss of the period:		
Gains/(losses) on exchange differences on translating foreign operations	(39,903)	12,096
Total other comprehensive gains/(losses) that will be reclassified subsequently to gain/(loss) of the period (B2)	**(39,903)**	**12,096**
TOTAL OTHER COMPREHENSIVE GAINS/(LOSSES), NET OF TAX EFFECT (B1) +(B2)=(B)	**(39,317)**	**10,782**
TOTAL CONSOLIDATED COMPREHENSIVE GAINS/(LOSSES) (A)+(B)	**100,561**	**123,400**
Including:		
- amount attributable to Parent Company shareholders	100,591	123,176
- amount attributable to minority interests	(30)	224

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
pursuant to Consob Resolution No. 15519 of July, 27 2006

(in thousands of euros)	**Notes**	**12/31/2017**	***amount with related parties***	**12/31/2016**	***amount with related parties***
ASSETS					
Non-current assets					
Property, plant and equipment	(10)	92,332		92,134	
Goodwill	(11)	150,744		163,204	
Other intangibles	(11)	193,606		193,882	
Equity investments	(12)	27		27	
Deferred-tax assets	(13)	22,171		22,989	
Other non-current assets	(14)	1,602		999	
Total non-current assets		*460,482*		*473,235*	
Current assets					
Inventories	(15)	142,802		128,870	
Trade receivables	(16)	128,822	2,788	120,261	1,551
Other current assets	(17)	36,303		15,784	
Other current financial assets	(18)	13,974		-	
Cash and cash equivalents	(18)	159,340		130,468	
Total current assets		*481,241*		*395,383*	
Assets held for sale	(19)	4,000		-	
TOTAL ASSETS		**945,723**		**868,618**	

CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(continued)*
pursuant to Consob Resolution No. 15519 of July, 27 2006

(in thousands of euros)	**Notes**	**12/31/2017**	***amount with related parties***	**12/31/2016**	***amount with related parties***
LIABILITIES AND SHAREHOLDERS' EQUITY					
Shareholders' equity					
Share capital	(20)	55,948		55,948	
Treasury shares	(20)	(22,183)		(38,025)	
Additional paid-in capital	(20)	18,155		18,155	
Statutory reserve	(20)	11,190		11,190	
Other reserves and retained earnings	(20)	538,429		503,166	
Net profit for the year attributable to shareholders of the Parent Company		139,878		112,383	
Equity attributable to shareholders of the Parent Company		*741,417*		*662,817*	
Other reserves and retained earnings attributable to minority interests		538		333	
Net profit for the period attributable to minority interests		-		235	
Equity attributable to minority interests		*538*		*568*	
Total shareholders' equity		**741,955**		**663,385**	
Non-current liabilities					
Non-current financial liabilities	(21)	102		27,293	
Provisions for employee benefits	(22)	32,532		33,202	
Deferred-tax liabilities	(13)	1,899		1,401	
Other non-current liabilities	(23)	28,115		11,454	
Total non-current liabilities		*62,648*		*73,350*	
Current liabilities					
Trade payables	(24)	62,331		47,674	5
Other payables	(25)	49,689	129	41,870	206
Current tax liabilities	(26)	5,190		10,325	
Current financial liabilities	(21)	23,910		32,014	
Total current liabilities		*141,120*		*131,883*	
Total liabilities		**203,768**		**205,233**	
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**945,723**		**868,618**	

CONSOLIDATED STATEMENT OF CASH FLOWS
pursuant to Consob Resolution No. 15519 of July, 27 2006

(in thousands of euros)	**2017**	***amount with related parties***	**2016**	***amount with related parties***
Cash flow from operating activities				
Net profit for the year	139,878		112,618	
Adjustments for:				
- Income taxes	38,828		55,578	
- Depreciation and amortization	53,502		44,707	
- Financial expense (income)	5,714		4,415	
- Additions to/(Utilizations of) provisions for risks	5,114		4,405	
- (Gains)/Losses on sales of non-current assets	(241)		201	
- Additions to/(Reversals of) provisions for employee severance indemnities and other benefits	909		1,051	
- Changes in shareholders' equity reserves:				
- Stock options reserve	2,114		1,370	
- Currency translation reserve on operating activities	(2,907)		3,580	
- Change in other non-current assets/liabilities	402		(412)	
Cash flow from operating activities before changes in working capital	**243,313**	**-**	**227,513**	
(Increase)/Decrease in trade receivables	(11,926)	(1,237)	(7,357)	(1,115)
(Increase)/Decrease in inventories	(14,454)		(10,837)	
Increase/(Decrease) in trade payables	15,685	(5)	6,568	5
(Increase)/Decrease in other current items	(3,089)	(77)	2,741	83
Cash from operating activities	**229,529**		**218,628**	
Income taxes paid	(59,499)		(51,534)	
(Paid)/ collected interests	(2,590)		(1,497)	
Net cash from operating activities	**167,440**		**165,597**	
Investments in intangibles	(9,211)		(7,401)	
Investments in property, plant and equipment	(33,271)		(30,025)	
Equity investments	-		-	
Proceeds from divestments of non-current assets	4,504		2,542	
Cash used in regular investing activities	**(37,978)**		**(34,884)**	
Acquisitions of subsidiaries and business operations	(31,544)		(263,587)	
Cash used in investing activities	**(69,522)**		**(298,471)**	
(Repayment of)/ Proceeds from loans and other financial liabilities	(26,203)		47,637	
(Opening)/ Repayment of term deposits	(13,490)		57,028	
Increase in share capital/additional paid-in capital	-		-	
(Purchase)/Sale of treasury shares	19,702		(12,824)	
Dividends paid	(43,807)		(35,719)	
Cash used in financing activities	**(63,798)**		**56,122**	
Foreign exchange translation differences	(5,248)		(4,958)	
Net change in cash	**28,872**		**(81,710)**	
CASH AND CASH EQUIVALENTS OPENING BALANCE	**130,468**		**212,178**	
CASH AND CASH EQUIVALENTS CLOSING BALANCE	**159,340**		**130,468**	

STATEMENT OF CHANGES IN CONSOLIDATED SHAREHOLDERS' EQUITY

(in thousands of euros)	**Share capital**	**Treasury shares**	**Additional paid-in capital**	**Statutory reserve**	**Currency translation reserve**	**Stock option reserve**	**Reserve for treasury shares**	**Other reserves and retained earnings**	**Net profit (loss) for the year**	**Group interest in shareholders' equity**	**Minority interest in equity**	**Total interest in shareholders' equity**
Shareholders' equity at 12/31/2015	**55,948**	**(25,459)**	**18,155**	**11,190**	**28,514**	**1,773**	**25,459**	**370,814**	**100,420**	**586,814**	**344**	**587,158**
Appropriation of previous year's profit	-	-	-	-	-	-	-	100,420	(100,420)	-	-	-
Dividen paid	-	-	-	-	-	-	-	(35,719)	-	**(35,719)**	-	**(35,719)**
Stock options and other changes	-	-	-	-	-	1,228	-	142	-	**1,370**	-	**1,370**
Sale of /(purchase) treasury shares	-	(12,566)	-	-	-	-	12,566	(12,824)	-	**(12,824)**	-	**(12,824)**
Profit for the period	-	-	-	-	-	-	-	-	*112,383*	***112,383***	*235*	*112,618*
Other changes in the comprehensive income statement	-	-	-	-	*12,107*	-	-	*(1,314)*	-	***10,793***	*(11)*	*10,782*
Comprehensive profit for the period	-	-	-	-	12,107	-	-	(1,314)	112,383	**123,176**	224	**123,400**
Shareholders' equity at 12/31/2016	**55,948**	**(38,025)**	**18,155**	**11,190**	**40,621**	**3,001**	**38,025**	**421,519**	**112,383**	**662,817**	**568**	**663,385**
Appropriation of previous year's profit	-	-	-	-	-	-	-	112,383	(112,383)	-	-	-
Dividen paid	-	-	-	-	-	-	-	(43,807)	-	**(43,807)**	**-**	**(43,807)**
Stock options and other changes	-	-	-	-	-	(1,972)	-	4,086	-	**2,114**	**-**	**2,114**
Sale of /(purchase) treasury shares	-	15,842	-	-	-	-	(15,842)	19,702	-	**19,702**	**-**	**19,702**
Profit for the period	-	-	-	-	-	-	-	-	*139,878*	***139,878***	-	*139,878*
Other changes in the comprehensive income statement	-	-	-	-	*(39,873)*	-	-	*586*	-	***(39,287)***	*(30)*	*(39,317)*
Comprehensive profit for the period	-	-	-	-	(39,873)	-	-	586	139,878	**100,591**	(30)	**100,561**
Shareholders' equity at 12/31/2017	**55,948**	**(22,183)**	**18,155**	**11,190**	**748**	**1,029**	**22,183**	**514,469**	**139,878**	**741,417**	**538**	**741,955**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2017 AND DECEMBER 31, 2016

GENERAL INFORMATION AND SCOPE OF CONSOLIDATION

General information

The DiaSorin Group is specialized in the development, manufacture and distribution of immunodiagnostics and molecular diagnostics tests. The Group's Parent Company, DiaSorin S.p.A., is in Via Crescentino (no building No.), Saluggia (VC).

Principles for the preparation of the consolidated financial statements

The 2017 consolidated financial statements were prepared in accordance with the International Financial Reporting Standards ("IFRSs"), as issued by the International Accounting Standards Board ("IASB") and adopted by the European Union, and are consistent with the regulations enacted to implement Article 9 of Legislative Decree No. 38/2005.

The financial statements and the accompanying notes include the additional information that accounting schedules and other financial statement disclosures are required to provide pursuant to Consob Resolution No. 15519 of July 27, 2006 and the CONSOB Communication of July 28, 2006.

The designation IFRSs also includes the International Accounting Standards ("IAS") that are still in effect and all of the interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

The consolidated financial statements were prepared in accordance with the historical cost and going concern principles.

The Directors believe that applying the going concern principle is an appropriate choice because, in their opinion, there are no uncertainties resulting from events or circumstance that, individually or collectively, could give rise to doubts about the Group's ability to function as a going concern.

These consolidated financial statements are denominated in euros and all amounts are rounded to thousands of euros, unless otherwise stated.

Financial statement presentation format

In the consolidated income statement, costs are broken down by function. This income statement scheme, also known as a "cost of sales" income statement, is more representative of the Group's business than a presentation with expenses broken down by nature because it is consistent with internal reporting and business management methods and with international practice in the diagnostic sector.

In the income statement, expense and income amounts generated by extraordinary transactions that are not part of standard operations are shown separately in order to permit a better assessment of the Group's operating performance.

In the statement of financial position, current and non-current assets and current and non-current liabilities are shown separately. The cash flow statement is presented in accordance with the indirect method.

Scope of consolidation

The consolidated financial statements include the financial statements of DiaSorin S.p.A., the Group's Parent Company, and its subsidiaries at December 31, 2017. The financial statements of the consolidated companies are those prepared by their Boards of Directors for approval by the shareholders.

Subsidiaries are companies over which the Group is able to exercise control pursuant to IFRS 10, that is when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Subsidiaries are consolidated line by line from the date the Group obtains control until the moment when control ceases to exist.

Dormant subsidiaries and subsidiaries that generate an insignificant volume of business are not consolidated. Their impact on the Group's total assets and liabilities, financial position and bottom-line result is not material.

The Group has neither subsidiaries with minority interest in plant, property and equipment, nor unconsolidated structured entities and it is not subject to significant restrictions concerning interest in subsidiaries.

No changes occurred in the scope of consolidation compared with December 31, 2016.

Investments in subsidiaries

A list of direct and indirect investments in subsidiaries at December 31, 2017 and December 31, 2016 is provided below:

Company	Country	At December 31, 2017		At December 31, 2016	
		% held by the Group	% minority interest	% held by the Group	% minority interest
Direct investments					
DiaSorin S.A/N.V.	Belgium	100%	-	100%	-
DiaSorin Ltda	Brazil	100%	-	100%	-
DiaSorin S.A.	France	100%	-	100%	-
DiaSorin Iberia S.A.	Spain	100%	-	100%	-
DiaSorin Ltd	UK	100%	-	100%	-
DiaSorin Inc.	USA	100%	-	100%	-
DiaSorin Mexico S.A de C.V.	Mexico	100%	-	100%	-
DiaSorin Deutschland GmbH	Germany	100%	-	100%	-
DiaSorin AB	Sweden	100%	-	100%	-
DiaSorin Ltd	Israel	100%	-	100%	-
DiaSorin Austria GmbH	Austria	100%	-	100%	-
DiaSorin Czech s.r.o.	Czech Republic	100%	-	100%	-
DiaSorin Diagnostics Ireland Limited	Ireland	100%	-	100%	-
DiaSorin South Africa (PTY) Ltd	South Africa	100%	-	100%	-
DiaSorin Australia (Pty) Ltd	Australia	100%	-	100%	-
DiaSorin Ltd	China	80%	20%	80%	20%
DiaSorin Switzerland AG	Switzerland	100%	-	100%	-
DiaSorin Poland sp. z o.o.	Poland	100%	-	100%	-
DiaSorin Ireland Limited	Ireland	100%	-	0%	-
DiaSorin I.N.UK Limited	Ireland	100%	-	0%	-
Indirect investment					
DiaSorin Canada Inc	Canada	100%	-	100%	-
DiaSorin Molecular LLC	USA	100%	-	100%	-
DiaSorin Ireland Limited	Ireland	0%	-	100%	-
DiaSorin I.N.UK Limited	Ireland	0%	-	100%	-

A complete list of the investee companies containing information about head office location and the percentage interest held by the Group is provided in Annex I.

Investments in joint ventures

Investments in joint ventures are not significant in the scope of consolidation. The Group holds a single investment that is classified as joint venture pursuant to IFRS 11, through the subsidiary DiaSorin Inc. (USA). Specifically, the Group holds 51% of DiaSorin Trivitron Healthcare Private Limited shares and voting rights, that is located in India. The remaining 49% is held by a single shareholder that distributes diagnostic product and instruments in India. The analysis of the corporate governance structure of the investee company, on the basis of the joint venture agreement as well as the assessment of the two partners' decision making power led to the conclusion that the two shareholders control jointly DiaSorin Trivitron Healthcare Private Limited. The assessment took into account also the potential voting rights that do not provide material rights and, thus, are not relevant to determine the control structure. The investment is consolidated using the equity method.

Business combinations

On September 29, 2017, the DiaSorin Group completed the acquisition of ELISA immunodiagnostic business portfolio and related tangible and intangible assets from Siemens Healthcare GmbH ("Siemens Healthineers"), initiated with a binding purchase agreement signed on July 25, 2017. The acquisition was carried out by DiaSorin S.p.A. and certain of its affiliates.

DiaSorin paid a total consideration of 45.5 million to purchase Siemens Healthineers ELISA immunodiagnostic business portfolio and the associated tangible and intangible assets, including mainly the customers' sales and distribution contracts, the installed base of instruments and the relevant intellectual property. DiaSorin Spa has fully paid EUR 30.5 million, out of which EUR 17 million paid by affiliates and the remaining EUR 15 million will be paid between 2018 and 2020.

The acquisition did not include the transfer of employees nor manufacturing facility and capability.

The Group consolidated revenues related to the newly acquired business from the date the transaction was completed, that is September 29, 2017.

As of the date of this Report the process to determine the fair value of the acquired assets had not yet been completed. Any excess arising from the amount paid for the acquisition and the carrying amounts of the acquired assets and intangibles being provisionally identified was added to "Goodwill". IFRS 3 requires a period of one year to account transactions involving Business Combination (Open Window).

A breakdown of acquired assets and provisional purchase price allocation is provided in the following table:

	in thousands of EUR
Tangible assets	4,398
Inventories	5,296
(a) Fair value of net assets acquired	**9,694**
Concessions, licenses, trademarks and similar rights	7,700
Customer relationship	22,960
(b) Total intangibles assets (provisionally)	**30,660**
(c) Goodwill (provisionally allocated)	**5,100**
Total amount paid (a + b + c)	**45,454**
amount paid on transaction closing	*30,454*
Deferred amount	*15,000*

DiaSorin already paid an amount of 30,454 thousand euros to Siemens Healthineers; outstanding payables amounted to 15,000 thousand euro at December 31, 2017, to be paid in more tranches between 2018 and 2020.
Transaction costs to complete the acquisition have been classified in the income statement. Their amount was equal to 896 thousand euros.
Between September 29, 2017 and December 31, 2017, the acquired business operation contributed to the Group financial results with revenues amounting to 8,965 thousand euros. The acquisition is consistent with DiaSorin strategy to convert the current client base that uses ELISA tests towards its CLIA product and platform solutions, leveraging on the completeness of its menu, as well as the reliability and speed of the LIAISON platforms.
The acquisition of ELISA immunodiagnostic business from Siemens Healthineers will allow DiaSorin to access a significant client base, with particular emphasis on the European market, as well as offering a unique opportunity to expand further its global commercial presence, creating new business opportunities in the promotion and marketing of its CLIA test portfolio.
Lastly, goodwill and intangible assets deriving from the acquisition are fully deductible for tax purposes.

PRINCIPLES OF CONSOLIDATION, VALUATION CRITERIA AND ACCOUNTING PRINCIPLES

Principles of consolidation

The financial statements of subsidiaries and branches are consolidated by the line-by-line consolidation method. Under this method, assets, liabilities, expenses and revenues are consolidated using their full amount, irrespective of the percentage interest held, and the minority interest in shareholders' equity and net profit is shown in separate line items of the consolidated financial statements. When preparing the consolidated financial statements, intra-Group balances and transactions, including unrealized intra-Group gains and losses, are eliminated. All assets and liabilities of foreign companies included in the scope of consolidation that are denominated in foreign currencies are translated into euros at the exchange rates in force on the date of the financial statements. Revenues and expenses are translated into euros at the average exchange rate for the year. Currency translation differences generated by the use of this method are posted to a shareholders' equity in the "translation reserve" item until the corresponding equity investment is sold. Upon IFRS first-time adoption, cumulative translation differences generated by the consolidation of foreign companies outside the euro zone were deemed to be zero, as allowed by IFRS 1. Transactions in foreign currencies are recognized at the exchange rate in force on the transaction date. Cash assets and liabilities denominated in foreign currencies that are outstanding on the date of the financial statements are converted at the exchange rate in force on that date.

Business combinations

The acquisition of subsidiaries is accounted for by the acquisition method. The consideration transferred in a business combination is measured at fair value, computed as the sum of the assets given and liabilities incurred by the Group at the date of acquisition and the equity instruments issued in exchange for control of the acquired company. As a rule, incidental transaction costs are recognized in profit or loss when incurred. Assets, liabilities and identifiable contingent liabilities that satisfy the recognition criteria of IFRS 3 (revised in 2008) are recognized at their fair values at the acquisition date, except for non-current assets that are classified as held for sale in accordance with IFRS 5, which are recognized at fair value less cost to sell. Goodwill resulting from a business combination is recognized as an asset and initially measured at cost, which is the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognized. If, as a result of a reassessment of the abovementioned amounts, the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognized immediately in profit or loss. Initially, the minority interest in the acquired company is valued in accordance with the interest of minority shareholders in the net fair value of the assets, liabilities and contingent liabilities recognized. Business combinations completed before January 1, 2010, were accounted for in accordance with the earlier version of IFRS 3.

Valuation criteria and accounting principles

Property, plant and equipment

The primary components of property, plant and equipment include:

a) Land;

b) Industrial buildings;

c) General purpose and specialized facilities;

d) Machinery;

e) Manufacturing and distribution equipment;

f) Other assets.

These assets are recognized at their acquisition or production cost, plus directly attributable incidental expenses. Items of property, plant and equipment are valued at cost. Their cost is reduced by depreciation (with the exception of land, which is not depreciated) and write-downs for impairment.

Depreciation is computed on a straight-line basis at rates that reflect an asset's decrease in value and wear and tear. Depreciation is computed from the moment an asset is available for use.

Significant components of property, plant and equipment that have different useful lives are recognized separately and each one is depreciated in accordance with its own useful life.

The useful lives and residual values of these assets are reviewed each year upon the closing of the annual financial statements.

The depreciation rates used are as follows:

Industrial buildings	5.5%
General purpose and specialized facilities	10-12.5%
Machinery	12%
Manufacturing and distribution equipment	40%
Equipment held by customers	14-25%
Reconditioned equipment held by customers	20-33%

Costs incurred for regular maintenance and repairs are charged directly to income the year they are incurred. Costs incurred to recondition equipment are capitalized only to the extent that the reconditioned equipment meets the requirements to be recognized separately as an asset or an asset component in accordance with the component approach. Reconditioning costs and any non-depreciated residual values are depreciated over the asset's residual life, which is estimated at three years.

Leasehold improvements that meet the requirements of IAS 16 "Property, Plant and Equipment" are classified as property, plant and equipment and depreciated over the asset's residual life or the remaining length of the lease, whichever is shorter.

If, irrespective of the amount of depreciation already taken, the recoverable value of an asset, computed in accordance with the method provided in IAS 36, is lower than its carrying value, the latter is written down to the assets' recoverable value and the resulting impairment loss is recognized. If in subsequent years the reasons for the original write-down cease to apply, the asset is restored to its original value (net of any depreciation that would have been taken had the asset not been written down) or its recoverable value, whichever is lower.

Gains and losses on the disposal or retirement of assets, which are computed as the difference between the sales proceeds and the asset's net carrying value, are recognized in the income statement for the year.

Intangible assets

Intangible assets are recognized in the statement of financial position only if they are identifiable, controllable, there is an expectation that they will produce future economic benefits and their cost can be measured reliably.

Intangible assets with a finite useful life are valued at their acquisition or production cost or at their appraised value, net of accumulated amortization and impairment losses. Amortization is computed on the basis of an asset's estimated useful life and begins when an asset is available for use. Useful lives are reviewed annually and the impact of any changes is reflected prospectively.

Intangible assets with an indefinite useful life are not amortized. They are tested for impairment annually or more frequently, if necessary, even when there are no indications that the value of the assets has been impaired. These tests are carried out for each cash generating unit to which intangible assets have been allocated.

Intangible assets with an indefinite useful life

Goodwill

Goodwill generated through the acquisition of a subsidiary or another business combination is the portion of the purchase price paid in excess of the Group's interest in the fair value on the date of acquisition of the acquired assets, liabilities and identifiable contingent liabilities. Goodwill is recognized as an intangible asset with an indefinite useful life and is not amortized. However, its carrying amount is tested once a year (or more often if necessary) for impairment, even when there are no indications that its value has been impaired, and to test the indefinite life assumption. Impairment losses are immediately recognized in profit or loss and may not be reversed subsequently. After initial recognition, goodwill is valued at cost, less any accumulated impairment losses. When a subsidiary is sold, the net carrying amount of the goodwill allocated to that subsidiary is included in the computation of the gain or loss generated by the sale.

For impairment test purposes, goodwill is allocated to the cash generating units (CGUs).

The carrying value of goodwill generated by acquisitions completed before January 1, 2005 (date of transition to the IFRS) is maintained at the amount determined in accordance with Italian accounting principles, subject to impairment testing at that date, as allowed under the exemption provided by IFRS 1.

In 2010, the value of the knowhow acquired in connection with the Murex transaction was added to the assets with an indefinite useful life and, consequently, was tested for impairment.

Intangible assets with a defined life

Development costs

Costs incurred internally to develop new products or systems constitute an intangible asset and may be recognized as such only if all the following requirements can be satisfied:

- It is a technically feasible to complete an asset so that it will be available for use or sale and the Group intends to do so.
- The Group is able to sell, exchange or distribute the future economic benefits attributable to an asset without having to relinquish future economic benefits generated by other assets used by the same cash generating unit.
- There is evidence that the costs incurred will generate probable future benefits. Such evidence can consist of the existence of a market for the output of the asset or of the usefulness of the asset, if used internally.
- The Group has access to adequate technical and financial resources to complete the development of the asset and to sell or use internally its output.
- The expenditures attributable to the asset during its development can be measured reliably.

Capitalized development costs include only the expenditures that can be attributed directly to the development process.

In the first year, amortization is computed based on the length of time during which the asset is effectively in use. The useful life of development costs is estimated at 10 or 15 years, in accordance with the maximum length of time during which management believes that the asset will generate economic benefits for the Group. The estimated useful life of capitalized development costs incurred to develop the LIAISON XL system is also 10 years.

Research and development costs that do not satisfy the requirements listed above are charged to income immediately and may not be capitalized in subsequent years.

Other intangibles

Other intangibles are recognized in the statement of financial position only it is probable that their use will generate future economic benefits and if their cost can be measured reliably. If these conditions are met, these intangible assets are recognized at cost, which is their purchase price plus incidental expenses.

The gross carrying amount of intangible assets with a finite useful life is amortized on a straight-line basis based on the assets' estimated useful lives. Amortization begins when an asset is put into use. In the first year, amortization is computed based on the length of time during which the asset is effectively in use. The Group uses the following amortization rates:

Asset type	Amortization rate
Concessions, licenses and similar rights	6.67% -10% or length of contract
Customer relationship	6.67% -10%
Trademarks	5% - 20%
Industrial patent and intellectual property rights	Legal duration

Absent an explicit duration of the reference contracts, the amortization period for distribution rights ranges between 10 and 15 years, based on management's best estimate.

The duration of the amortization period, which is based on internal analyses and valuations, development plans and the return flows from their use, is deemed to be consistent with expectations concerning the duration and development of the Group's activities and products and with the likelihood that the positions achieved in the diagnostics market will be retained.

Impairment of assets

The Group tests its property, plant and equipment and its intangible assets once a year to determine whether the value of these assets has been impaired. If evidence of impairment is detected, the recoverable value of the affected assets is determined. Intangibles with a finite useful life, intangibles that are not yet ready for use and goodwill generated through a business combination are tested for impairment at least once a year, even when there is no indication that the value of the assets has been impaired, or more often if there is an indication that their value may have been impaired, as required.

An asset's recoverable amount is the higher of its fair value, less cost to sell, and its value in use, computed as the present value of the future cash flows expected to be derived from an asset or cash-generating unit. Expected future cash flows reflect assumptions that are consistent with the criteria applied to determine the discount rate. Cash flow projections are based on Company plans and on reasonable and documented assumptions about the Group's future results and macroeconomic conditions.

The discount rate used must reflect the time value of money and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

When the recoverable amount of an individual asset cannot be estimated, the Group estimates the recoverable amount of the CGU to which the asset belongs. Particularly, the CGUs identified by the DiaSorin Group coincide with the legal entities of the Group, whose tangibles and intangibles assets are recognized in total assets at the date of the impairment test.

Whenever the recoverable amount of an asset or a CGU is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the reduction is recognized as an impairment loss. Subsequently, if an impairment loss for an asset other than goodwill ceases to exist or is reduced, the carrying amount of the asset (or CGU) is increased to the new estimated recoverable amount (but not more than the asset's net carrying amount had no impairment loss been recognized).

This reversal is recognized immediately in earnings. Impairment losses recognized on goodwill or intangibles with indefinite useful life are in no way recoverable.

Inventories

Inventories, which consist mainly of raw materials, work-in-progress and finished products, are carried at the lower of cost or net realizable value, determined in accordance with market conditions. Costs include the price paid to suppliers plus the incidental expenses incurred to bring the purchased goods to the warehouse door. Production costs include the costs directly attributable to individual goods or classes of goods, plus a reasonable allocation of the overall outlays incurred for the activities carried out to produce the goods in question (fixed production overhead). The allocation of fixed production overhead is based on the normal capacity of the production facilities.

Cost is determined by the FIFO method.

The carrying amount of the inventory, determined in the manner described above, is reduced by a provision that reflects the impact of obsolete and slow-moving inventory.

Receivables and payables

Trade and other receivables are valued at amortized cost using the effective interest rate, less impairment losses.

Impairment losses on receivables are recognized to the financial statements in case of an objective evidence according to which the Group will not be able to collect the amount due on the basis of contractual terms. The amount of write-down incorporates both the risks related to specific receivables and the overall risk of non- payment inherent in receivables in general, estimated conservatively based on past experience and the known financial condition of the debtors in general.

Trade payables and other payables are initially recognized at fair value, net of directly allocated accessory costs and are subsequently measured at amortized cost, applying the effective interest rate criteria.

Receivables and payables denominated in foreign currencies are translated at the exchange rates in force on the date of the financial statements and any resulting gains or losses are recognized in earnings.

Factoring of receivables

The DiaSorin Group engages in the factoring of its receivables.

The receivables assigned through such transactions are removed from the statement of financial position if all of the risks and benefits inherent in the ownership of the receivables are transferred to the factor. If this requirement cannot be met, the Group continues to carry the receivables on its statement of financial position, but recognizes a liability of equal amount under the "Financial liabilities" heading of its consolidated statement of financial position.

Cash and cash equivalents

They consist of cash and cash equivalents, short-term bank deposits, shares in liquidity funds and other money market securities readily converted into cash.

Assets and liabilities held for sale

Assets and liabilities held for sale are classified as such when their carrying amounts will be recovered mainly from the sale rather than continuous use. These conditions will be considered to have been fulfilled when the sale or discontinuity of the group of assets being disposed of is considered to be highly probable and the assets and liabilities are immediately available for the sale in the conditions they are in. When the Group is committed to a disposal plan involving loss of control of an investee company, all the assets and liabilities of this investee company are classified as held for sale when the conditions described above are fulfilled even when, after disposal, the Group continues to hold a minority interest in the investee company.

Assets held for sale are measured at the lower of the carrying amount and the fair value net costs for sale.

Shareholders' equity

Equity instruments issued by the Group's Parent Company are recognized for the amount of consideration received. Dividends distributed by the Group's Parent Company are recognized as a liability when the distribution resolution is approved. The purchase cost of treasury shares and the proceeds from their sale are recognized directly in equity, with no impact on the income statement.

Treasury shares

When the Group's Parent Company and its subsidiaries purchase Company shares, the consideration paid is deducted from the shareholders' equity attributable to the Company's shareholders, until the shares are retired or sold. No gain or loss is recognized in the income statement when treasury shares are bought, sold, issued or retired. When these shares are subsequently reissued, the consideration received, net of taxes, is added to the shareholders' equity attributable to the Company's shareholders.

Employee benefits

Pension plans

The Group uses different types of defined-contribution and defined-benefit plans, in accordance with the local conditions and practices in the countries in which it operates.

Each year, the Group recognizes in earnings the portion of the premiums paid in connection with defined-contribution plans that accrue that year.

Defined-benefit pension plans, which include the severance benefits payable to employees pursuant to Article 2120 of the Italian Civil Code, are based on the length of the working lives of employees and the wages earned by employees over a predetermined period of service. The liability that represents the benefits owed to employees under defined-benefit plans is recognized at its actuarial value.

The recognition of defined-benefit plans requires the use of actuarial techniques to estimate the amount of the benefits accrued by employees in exchange for the work performed during the current year and in previous years. The resulting benefit must then be discounted to determine the present value of the Group's obligation. The determination of the present value of the Group's obligation is made by an independent actuary, using the projected unit credit method. This method treats each period of service provided by an employee to a company as an individual accrual unit. The actuarial liability must be quantified exclusively on the basis of the seniority achieved as of the date of valuation. Consequently, the total liability is prorated based on a ratio between the years of service accrued as of the valuation reference date and the total seniority that an employee is expected to have achieved when the benefit is paid. Moreover, this method requires taking into account future wage increases due for any reason (inflation, career moves, labor contract renewals, etc.) until the end of the employment relationship.

The cost of defined-benefit plans accrued during the year, which is reflected in the income statement as part of labor costs and financial expense, is equal to the sum of the average present value of the accrued benefits of current employees for service provided during the year and their annual vested interest in the present value of the Group's obligations at the beginning of the year, computed by discounting future outlays by the same rate as that used to estimate the Group's liability at the end of the previous year. The annual discount rate used for these computations was the same as the year-end market rate for zero-coupon bonds with a maturity equal to the average residual duration of the liability. Actuarial gains and losses reflecting changes in the actuarial assumptions or experience adjustments are credited or charged to equity in the statement of comprehensive income for the period in which they arise. If the amount is recorded on the balance sheet as an asset, it is limited to the present value of economic benefits available in the form of refunds or reductions in future contributions to the plan.

On January 1, 2007, the Italian Budget Law and the related implementation decrees introduced significant changes in the rules that govern the Provision for employee severance indemnities ("PESI") of companies whose registered office is located in Italy. These changes include the right of employees to decide the destination of future accrued PESI amounts. Specifically, employees can direct new PESI flows to selected pension investments or keep them with the employer company, which will then deposit its PESI contribution in a treasury account at the Italian social security administration (abbreviated as INPS in Italian). In light of these changes, the PESI is now viewed as a defined-benefit plan only insofar as the amounts vested before January 1, 2007 are concerned and as a defined-contribution plan after January 1, 2007.

Equity-based compensation plans

Group companies grant to Group executives and middle managers additional benefits through equity-based plans (stock options). In accordance with IFRS 2 "Share-based Payment" stock options awarded to employees are measured at their fair value on the grant date, in accordance with models that take into account factors and data (option exercise price, duration of the option, current price of the underlying shares, expected share price volatility, expected dividends and interest rate for zero-risk investments over the life of the option) applicable on the grant date.

If the option becomes exercisable after a certain period and/or certain performance requirements are met (vesting period), the total value of the option is prorated over the vesting period and recognized in earnings, with the offsetting entry posted to a specific shareholders' equity account called "Other reserves".

Because stock options are equity instruments, as defined by IFRS 2, the fair value of each option determined on the grant date is not adjusted at the end of each year. The estimate of the number of options that will reach maturity (and hence the number of employees who will be entitled to exercise their options) is adjusted. The result of any change in estimate is posted as an increase to or a reduction of the abovementioned shareholders' equity account, with the offsetting entry reflected in the income statement. At the end of the exercise period, the exercised options are reflected in the Company's share capital by adding an amount obtained by multiplying the number of shares issued by the par value of each share. The portion of "Other reserves" that is attributable to plan costs previously recognized in earnings and the amount obtained by multiplying the number of shares issued by the difference between the exercise price and the par value per share is posted to a shareholders' equity reserve.

Provisions for risks and charges

Provisions for risks and charges include amounts set aside to fund current obligations (statutory or implied) that arise from a past event, the performance of which will probably require the use of resources and the amount of which can be reasonably estimated. When the use of financial resources is expected to extend for a period of more than one year, the corresponding obligation should be recognized at its present value by discounting expected future cash flows at a rate that takes into account the cost of money and the risks inherent in the liability.

The provisions are updated on each financial statement date to reflect best current estimates. The impact of any change in estimates is reflected in the income statement for the period during which the change occurred.

Risks that are merely reasonably possible of producing a liability are disclosed in the Notes to the financial statements, but no amount is recorded in the financial statements.

Income taxes

Income taxes include both current and deferred taxes.

Current taxes are computed on the basis of the estimated taxable income for the year in accordance with the tax laws in force in the countries in which the Group operates.

Taxable income is different from reported income because it does not include positive and negative components that will be taxable or deductible in subsequent years and those items that will never be taxable or deductible. The liability for current taxes is computed using the tax rates in force on the date of the financial statements or the tax rates that will be in force when the asset is realized or the liability settled, if they are known.

Deferred-tax assets and liabilities are the taxes that the Group expects to pay or recover on temporary differences between the values attributed to assets and liabilities for reporting purposes and the corresponding tax-related values used to compute taxable income, computed in accordance with the balance sheet liability method. As a rule, deferred-tax liabilities are recognized for all taxable temporary differences, while deferred-tax assets are recognized only insofar as the Group deems it probable that, in the future, it will generate sufficient taxable income to use the deductible temporary differences. The tax benefit produced by carrying forward tax losses is recognized if and to the extent that it is probable that, in the future, the Group will have sufficient taxable income to offset these losses. Deferred-tax liabilities or assets are also determined for consolidation adjustments.

The carrying value of deferred-tax assets is updated on each financial statement date and reduced when the existence of future taxable income sufficient to recover all or part of these assets is no longer probable.

Deferred taxes are computed at the tax rate in force on the closing date of the financial statements or at the tax rate that will be in force when the asset is realized or the liability settled. Deferred taxes are charged directly to income, except for those attributable to items recognized directly in equity, in which case the corresponding deferred taxes are also recognized in equity. Deferred-tax assets and liabilities can be offset when the taxpayer has a legally exercisable right to offset current tax assets and liabilities and when they refer to the same taxpayer, when they are due to the same tax administration and the Group plans to settle current tax assets and liabilities on a net basis. The net balance is recognized as a deferred-tax asset if positive or a deferred-tax liability if negative.

Financial liabilities

Financial liabilities consist of loans payable, including advances for the factoring of receivables, and other financial liabilities as derivatives. Initially, financial liabilities other than derivatives are recognized at their fair value less transaction costs. Subsequently, they are valued at their amortized costs, which is their initial amount, less any principal repayments, adjusted upward or downward to reflect the amortization (by the effective interest rate method) of any differences between the initial value and the value at maturity.

Financial Derivatives

Consistent with the provisions of IAS 39, derivatives qualify for hedge accounting only if they are formally designated as hedging instruments when the hedge is first established, the hedge is highly effective and the effectiveness can be measured reliably.

When financial instruments qualify for hedge accounting, the following accounting treatments are applied:

- Fair value hedges: if a derivative is designated as hedging the exposure to changes in fair value of a recognized asset or liability attributable to a specific risk that could have an impact on the income statement, the gains or losses derived from subsequent fair value measurements of the hedge are recognized in earnings. Gains or losses on the hedged item that are attributable to the hedged risk change the carrying amount of the hedged items and are also recognized in earnings;
- Cash flow hedges: if a derivative is designated as a hedging of the exposure to variability in the future cash flows attributed to a recognized asset or liability or to a highly probable future transaction that could have an impact on the income statement, the effective portion of the gain or loss stemming from changes in the fair value of the hedge is recognized in equity. Accumulated gains or losses are reclassified from shareholders' equity to the income statement in the same period in which the hedged transaction is recognized. Any gains or losses associated with a hedge that has become ineffective are immediately recognized in earnings. If a hedge or a hedging transaction is closed out but the hedged transaction has not yet been executed, all accumulated gains and losses, which until then were recognized in equity, are recognized in the income statement when the corresponding transaction is executed. If the occurrence of the hedged transaction is no longer viewed as probable, unrealized gains and losses suspended in equity are immediately transferred to the income statement.

When hedge accounting cannot be applied, all gains and losses generated by subsequent fair value measurements of derivatives are immediately recognized in profit or loss.

The fair value of financial instruments that are listed on an active market is based on market prices at the balance sheet date. The fair value of financial instruments that are not are listed on an active market is determined using valuation techniques based on a series of methods and assumptions, and market information at the balance sheet date.

The following provides a classification of financial instruments recorded at fair value in a three-level hierarchy:

- Level 1: Fair value is determined on the basis of (unadjusted) quoted prices in active markets for identical assets or liabilities;
- Level 2: Fair value is determined using valuation techniques based on observable inputs on active market;
- Level 3: Fair value is determined using valuation techniques based on market unobservable inputs.

Revenue recognition

Sales revenues

Sales revenues are recognized to the extent that economic benefits will flow to the Group and the amount of these benefits can be determined reliably. Revenues are recognized net of discounts, allowances and returns.

Revenues from the sale of goods are recognized when the Group has transferred to the buyer the risks and benefits inherent in the ownership of the goods, the sales price has been agreed upon or can be determined and collection of the price is expected.

Service revenues

Service revenues are generated by technical support contracts, when such support is billed separately.

These revenues are recognized in the income statement based on the percentage of completion of each transaction and only when the outcome of the transaction can be estimated reliably.

Royalties

The Group's Parent Company collects royalties from third parties for the use of patents required to manufacture specific products. Royalties, which are generally based on the sales revenues generated by patent users, are recognized on an accrual basis.

Interest income

Interest income is recognized in the income statement at the effective yield rate. It is earned mainly on credit balances in bank accounts.

Dividends

Dividends distributed by the Group's Parent Company are recognized when the right of shareholders to receive their payment is established, which usually coincides with the approval of a Shareholders' Meeting resolution to distribute the dividends. The dividend distribution is thus recognized in the financial statements for the period in which the distribution is approved by the Shareholders' Meeting.

Government grants

Government grants are recognized when there is a reasonable certainty that they will be collected. This occurs when the distributing public entity approves a formal resolution to that effect.

Grants received in connection with the purchase of property, plant and equipment or the capitalization of development costs are recognized among non-current liabilities and recognized in the income statement in equal instalments computed on the basis of the useful lives of the assets for which the grant was received.

Grants received as an interest subsidy upon the occurrence of specific events are recognized in the income statement at the present value of the benefit, when there is a formal commitment to grant the benefit by the distributing public entity. The corresponding liabilities are recognized at their fair value on the date the grant was received. Interest on this liability is recognized in the income statement in accordance with the amortized cost method.

Cost of sales

Cost of sales represents the cost incurred to produce or purchase the goods and merchandise sold by the Group. It includes all of the costs incurred to purchase and process materials and the overhead directly attributable to production.

Overhead includes depreciation of the property, plant and equipment and the amortization of the intangible assets used for production purposes, as well as inventory write-downs. Cost of sales also includes freight paid to deliver products to customers.

Research and development costs

This item includes research and development costs that cannot be capitalized and the amortization of capitalized development costs.

Interest expense

Interest expense is recognized in accordance with the accrual principle, based on the financed amount and the applicable effective interest rate.

Earnings per share

Basic earnings per share are computed by dividing the portion of the net profit or loss attributable to holders of common shares of the Group's Parent Company (the numerator) by the weighted average number of common shares outstanding during the year (the denominator). Diluted earnings per share are computed by adjusting the portion of the net profit or loss attributable to holders of common shares of the Group's Parent Company (the numerator) and the weighted average number of common shares outstanding during the year (the denominator) to take into account all potential shares with a dilutive effect. A potential share is a financial instrument or other contract that can convey to its holder the right to receive common shares.

Material extraordinary events and transactions – Atypical and/or unusual transactions

Consistent with Consob Communication No. DEM/6064293 of July 28, 2006, the notes to the financial statements provide information about the impact of material extraordinary events and transactions and/or atypical and/or unusual transactions on the Group's balance sheet, financial position and operating performance. The abovementioned Consob Communication defines as atypical and/or unusual transactions those transactions that, because of their significance/materiality, type of counterparty, purpose, method used to determine the transfer price and timing (close to the end of the year), could give rise to doubts with regard to: the accuracy/completeness of the disclosure provided in the financial statements, conflict of interests, safety of the corporate assets and protection of minority shareholders.

Related parties

Consistent with Consob Communication No. DEM/6064293 of July 28, 2006, the notes to the financial statements provide information about the impact of related-party transactions on the Group's balance sheet, financial position and income statement.

NEW ACCOUNTING STANDARDS

Below are the international accounting standards, interpretations and amendments to existing accounting standards and interpretations or specific provisions contained in the standards and interpretations approved by IASB, which have been endorsed or have not been endorsed for adoption in Europe as of the date on which this document is approved:

Description	Endorsed at the date of this document	Date of effect envisaged by the standard
IFRS 9 Financial Instruments	Yes	Financial years as from 1 January 2018
IFRS 15 Revenue from Contracts with customers	Yes	Financial years as from 1 January 2018
IFRS 16 Leases	Yes	Financial years as from 1 January 2019
Amendments to IFRS 2: Classification and Measurement of Share based Payment Transactions	Yes	Financial years as from 1 January 2018
Annual Improvements to IFRSs 2014-2016 Cycle	Yes	Financial years as from 1 January 2018
IFRIC 22 Foreign Currency Transactions and Advance Consideration	No	Financial years as from 1 January 2018
Amendments to IFRS 9: Prepayment Features with Negative Compensation	No	Financial years as from 1 January 2019
Amendments to IAS 28: Long-term Interests in Associates and Joint Ventures	No	Financial years as from 1 January 2019

Annual Improvements to IFRSs 2015-2017 Cycle	No	Financial years as from 1 January 2019
IFRIC 23 Uncertainty over Income Tax Treatments	No	Financial years as from 1 January 2019
Amendments to IAS 19: Plan Amendment, Curtailment or Settlement (issued on 7 February 2018)	No	Financial years as from 1 January 2019

The Group will comply with these new standards, amendments and interpretations based on their relevant effective dates, when endorsed by the European Union. An assessment is being carried out to analyze the potential effects of introducing these amendments in the consolidated financial statements.

Disclosure of the main accounting standards effective from January 1, 2018

IFRS 15 - Revenue from Contracts with Customers

On May 28, 2014, the IASB published **IFRS 15 – *Revenue from Contracts with Customers*** and jointly with clarifications published on April 12, 2016 is intended to replace IAS 18 – *Revenue* and IAS 11 - *Construction Contracts,* and interpretations of IFRIC 13 - *Customer Loyalty Programmes*, IFRIC 15 - *Agreements for the Construction of Real Estate*, IFRIC 18 - *Transfers of Assets from Customers* and SIC 31 - *Revenues-Barter Transactions Involving Advertising Services*.

The standard outlines a single comprehensive model for revenue recognition and applies to all contracts with customers, except for those that are within the scope of other IAS/IFRSs such as leases, insurance contracts and financial instruments.

The core principles of revenue recognition are as follows:

(i) identify the contract with a customer,

(ii) identify the *performance obligations* in the contract,

(iii) determine the transaction price,

(iv) allocate the transaction price to the *performance obligation* in the contract,

(v) recognize revenue when or as the entity satisfies a *performance obligation*.

On the basis of the audits carried out, the new standard adoption did not lead to changes or significant impacts on the Group's revenues. Revenues will continue to be recognized in a manner consistent with the previous accounting standards.

The Group, in the transition to IFRS 15, will adopt the " simplified retrospective method". Consistent with this method and on the basis of the analyses carried out, the cumulative effect on the shareholders' equity at January 1, 2018 is not material.

IFRS 9 – Financial Instruments

On July 24, 2014, the IASB published the final version of **IFRS 9 – *Financial Instruments***. The document brings together principles of IASB's project to replace IAS 39 and introduces new criteria of classification and measurement for financial assets and liabilities (along with limited amendments to financial liabilities).

With regard to measurement of financial assets, the new standard requires that loan losses be estimated on an expected losses model using reasonable and supportable information that is available without undue cost or effort about past events, current conditions and forecasts of future economic conditions.

On the basis of the analyses carried out and considering the financial instruments, adopted by the Group, Directors expect that the application of IFRS 9 will not have a significant impact on data related to financial assets and liabilities recognized in the Financial Statements.

With regard to classification and measurement, IFRS 9 introduces a new framework to identify and analyze the Company's business model for financial assets, as provided below:

i) Hold to collect: pursuant to which the Company holds the financial asset to collect contractual cash flows;
ii) Hold to collect and sell: pursuant to which the financial asset is held with the objective of selling it, e.g. to factors, or holding it to collect contractual cash flows;
iii) Hold to sell: pursuant to which the financial asset is sold prior to its maturity.

The Company adopts a business model which includes also the transfer of specific clients, belonging to the public sector in Italy, to the factor; according to the new standard such clients would fall within "hold to collect and sell" scope which provides that changes in the fair value are included in the comprehensive income statement.

IFRS 9 introduces a new hedge accounting model (increasing the types of transactions eligible for hedge accounting, changes in the method of accounting for forward contracts and options when these are included in a hedging relationship, changes to effectiveness tests). IFRS 9 hedge accounting shall be applied prospectively from 2018.

IFRS 16 - Leases

On May 13, 2016, the IASB issued **IFRS 16 – *Leases*** that is intended to replace *IAS 17 - Leases*, and interpretations of *IFRIC 4 Determining whether an Arrangement contains a Lease*, *SIC-15 Operating Leases-Incentives* e SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

The new standard provides a new definition of lease and introduces a criterion based on control (right of use) of an asset to distinguish leasing contracts from service contracts, identifying as discriminants: the identification of the asset, the right to replace it, the right to obtain substantially all of the economic benefits deriving from the use of the asset and the right to manage the use of the asset underlying the contract.

The standard establishes a single recognition and measurement model of lease contracts for the lessee providing for the recognition of the leased asset also operating under assets against a financial liability, providing the possibility not to recognize as a lease contracts concerning "low-value assets" and leases with a lease term of 12 months or less. On the contrary, this Standard does not include significant changes for lessors.

IFRS 16 is effective for annual reporting periods beginning on or after January 1, 2019. The Group is evaluating the impacts arising from the new standard application.

ANALYSIS OF FINANCIAL RISKS

The financial risks to which the Group is exposed include market risks and, to a lesser extent, credit risk and liquidity risk, as previously described in the report on operations.

The table below lists material assets and liabilities in accordance with the requirements of IAS 39:

		12/31/2017			12/31/2016		
(in thousands of euros)	**Notes**	**Carrying value**	**Assets at amortized cost**	**Assets at fair value**	**Carrying value**	**Assets at amortized cost**	**Assets at fair value**
Trade receivables	(16)	128,822	128,822	-	120,261	120,261	-
Other current financial assets	(18)	13,974	13,490	484	-	-	-
Cash and cash equivalents	(18)	159,340	159,340	-	130,468	130,468	-
Total current financial assets		***302,136***	***301,652***	***484***	***250,729***	***250,729***	***-***
Total financial assets		**302,136**	**301,652**	**484**	**250,729**	**250,729**	**-**

		31/12/2017			31/12/2016		
(in thousands of euros)	**Notes**	**Carrying value**	**Liabilities at amortized cost**	**Liabilities at fair value**	**Carrying value**	**Liabilities at amortized cost**	**Liabilities at fair value**
Non-current bank debt	(21)	102	102	-	23,888	23,888	-
Derivative financial instruments	(21)	-	-	-	3,405	-	3,405
Total non-current financial liabilities		***102***	***102***	***-***	***27,293***	***23,888***	***3,405***
Trade payables	(24)	62,331	62,331	-	47,674	47,674	-
Current bank debt	(21)	23,910	23,910	-	26,512	26,512	-
Derivative financial instruments	(21)	-	-	-	5,502	-	5,502
Total current financial liabilities		***86,241***	***86,241***	***-***	***79,688***	***74,186***	***5,502***
Total financial liabilities		**86,343**	**86,343**	**-**	**106,981**	**98,074**	**8,907**

With regard to the above, the classification of financial assets and liabilities measured at fair value in the statement of financial position, according to the fair value hierarchy, concerned derivative financial instruments at December 31, 2017 classified at level 2 and registered in other current financial assets amounting to 484 thousand euros. The change in the fair value of these instruments is recognized in earnings.

Following the Purchase Price Allocation process described in “Business Combinations” paragraph, the Group carried non-financial assets at fair value, such as:

	(in thousands of EUR)
Property, plant and equipment	7,700
Customer relationship	22,960
Goodwill (provisionally)	5,100
Tangible assets	4,398
Inventories	5,296

Risks related to fluctuations in foreign exchange and interest rates

The Group is exposed to market risk deriving from currency and interest rate fluctuations as it operates in an international framework in which transactions are made in different currencies and interest rates.

Because the Group did not establish hedges specifically for this purpose, it is exposed to the interest rate risk in connection with variable-rate financial liabilities. As of December 31, 2017, borrowings totaled 24,012 thousand euros. Assuming a fluctuation of 2 percentage points in interest rates on medium- and long-term borrowings, the resulting impact on the financial expense recognized in the income statement would be negative by 0.4 million euros.

Some Group subsidiaries are located in countries that are not members of the European Monetary Union. Since the Group's reporting currency is the euro, the income statements of these companies are translated into euros at the average exchange rate for the year. Consequently, even if revenues and margins were to remain equal when stated in the local currency, fluctuations in exchange rates could have an impact on the euro amount of revenues, expenses and operating results due to the translation into the consolidation currency. An analysis of the changes affecting the main currencies used by the Group has shown that a 5% change in the exchange rates of all of the currencies used by the Group would have an impact on the income statement of about 4.5 million euros.

The euro amount attributed to assets and liabilities of consolidated companies that use reporting currencies different from the euro could vary as a result of changes in exchange rates. As required by the accounting principles adopted by DiaSorin, these changes are recognized directly in equity by posting them to the currency translation reserve. A 5% change in all foreign exchange rates would have an impact of about 14 million euros on the currency translation reserve.

In 2017, in order to mitigate the foreign exchange risk related to the currency fluctuations, the Group's Parent Company executed currency forward sales requiring the recognition of a positive fair value of 484 thousand euros at December 31, 2017 (8,907 thousand euros at December 31, 2016).

With regard to the above, the classification of financial assets and liabilities measured at fair value in the statement of financial position, according to the fair value hierarchy, concerned derivative financial instruments at 31 December 31, 2017 classified at level 2 and registered in other current financial assets.

Credit risk

The Group's receivables present a low level of risk since most of these receivables are owed by public institutions.

At December 31, 2017, past-due trade receivables were equal to about 5.3% of revenues. These receivables were held mainly by the Group's Parent Company and by the French, Brazilian and Spanish subsidiaries. These past-due receivables were covered by an allowance for doubtful accounts amounting to 9,615 thousand euros. In addition, in order to bridge the gap between contractual payment terms and actual collection times, the Group assigns its receivables to factors without recourse.

(in thousands of euros)	**Amounts not yet due**	**Past-due amounts**	**Total receivables from third-party**
Gross amount	104,861	33,576	138,437
Allowance for doubtful accounts	-	(9,615)	(9,615)
Net amount	**104,861**	**23,961**	**128,822**

The gross amount of receivables due within 60 days was equal to 17,611 thousand euros, the amount between 60 and 120 days past due amounted to 2,973 thousand euros, and the amount with over 120 days past due totaled 12,992 thousand years.

Liquidity risk

A prudent cash management strategy includes maintaining sufficient cash or readily available assets and credit lines, to meet immediate liquidity needs. Cash flows, funding requirements and liquidity levels are monitored centrally to ensure promptly and effectively the availability of financial resources and invest appropriately any excess liquidity.

Management believes that the funds and credit lines currently available, when combined with the resources generated by operating and financing activities, will enable the Group to meet the obligations resulting from its capital investment programs, working capital requirements and the need to repay its indebtedness upon maturity.

Bank loans amount to 24,012 thousand euros at December 31, 2017, out of which 23,910 thousand euros due within the next year. There are no amounts with a due date of more than 5 years.

Cash and cash equivalent totaled 159,340 thousand euros and financial assets amounted to 13,974 thousand euros, out of which 13,490 thousand euros in current bank deposit with a due date of over 3 months and 484 thousand euros from the fair value of financial instruments outstanding at December 31, 2017.

ITEMS THAT INVOLVE THE USE OF SIGNIFICANT ASSUMPTIONS AND ESTIMATES

The preparation of financial statements in accordance with the IFRSs requires the use of estimates for some material amounts. In addition, the Group's management is required to make judgments and assumptions as to how the Group's accounting policies should be applied in certain areas.

The process of drafting financial statements involves the use of estimates and assumptions about future events. These estimates represent the best assessment possible on the date of the financial statements. However, because of their very nature, they could produce material changes in balance sheet amounts in future years.

Estimates are updated on an on-going basis by the Group's management and are based on past experience, all other known factors and the occurrence of future events that are reasonably expected to take place. Special care is used in this area in view of the high level of uncertainty that characterizes the macroeconomic context.

The main items affected by estimates are reviewed below.

Allowance for doubtful accounts

The Allowance for doubtful accounts reflects management's estimates about losses that could be incurred in the portfolio of accounts receivable from end customers and from the indirect distribution network (independent distributors). The estimate of the amount by which receivables should be written down is based on the Group's loss expectations, determined on the basis of past experience for similar receivables, the current and historical past due percentages, losses and collections, and the careful monitoring of credit quality.

Provision for inventory write-downs

The Provision for inventory write-downs reflects management's estimates of the Group's loss expectations, determined on the basis of past experience and historical and projected trends in the market for in vitro diagnostics.

Useful life of development costs

Development costs that meet the requirements for capitalization are recognized as intangible assets. The Group's management has estimated the average useful life of these projects at 10 years, which corresponds to the average life cycle of LIAISON products and the length of time during which the assets associated with these products are expected to generate a cash inflow for the Group. The estimated useful life of capitalized development costs incurred to develop the LIAISON XL system is also 10 years.

Impairment of non-current assets

Non-current assets include property, plant and equipment, intangible assets (including goodwill), equity investments and other financial assets. Management reviews the carrying amounts of non-current assets held and in use and available-for-sale assets on a regular basis and whenever events or circumstances make such review necessary. The recoverable value of property, plant and equipment and intangible assets (including goodwill and know how) is verified using criteria that are consistent with the requirements of IAS 36, which are explained in the section of these Notes entitled "Impairment of assets."

Pension plans and other post-employment benefits

The companies of the Group are parties to pension and health benefit plans in different countries. The Group's largest pension plans are in Sweden, Germany and Italy. Management uses different statistical assumptions and evaluation factors to project future events and compute the costs, liabilities and assets related to these plans. Assumptions are made with regard to the discount rate, the expected yield of plan assets, the rates of future increases in employee compensation and trends in health care costs. The actuaries who provide the Group with consulting support also use subjective parameters, such as employee mortality and termination rates.

Stock option plans

The measurement of stock option plans at fair value requires the formulation of specific assumptions, the most significant of which include the following:

- the value of the underlying shares on the valuation date;
- the expected volatility of the price/value of the underlying shares;
- the dividend yield of the underlying shares.

Contingent liabilities

The Group is a party to legal and tax disputes that are under the jurisdiction of various countries. Given the uncertainty inherent in such situations, it is difficult to predict with certainty any expense that may result from these disputes. In the normal course of business, management relies on the support of its legal counsel and of experts on legal and taxation issues. The Group recognizes a liability in connection with these disputes when it believes that the occurrence of a cash outlay is probable and the amount of the resulting loss can be reasonably estimated. When a cash outlay becomes probable, but the amount cannot be determined, this fact is disclosed in the notes to the financial statements.

SEGMENT INFORMATION AT DECEMBER 31, 2017 AND DECEMBER 31, 2016

In accordance with IFRS 8, the Group designated the geographic regions where it operates as its operating segments.

The Group's organization and internal management structure and its reporting system are segmented as follows: Italy and U.K. Branch, Europe (Germany, France, Belgium and the Netherlands, Spain and Portugal, Ireland, Austria, Great Britain, Scandinavia, Czech Republic, Switzerland and Poland), North America (United States and Canada) and Rest of the World (Brazil, Mexico, Israel, China, Australia and South Africa).

The Group is characterized by an organization of its commercial structure by geographic regions, which was adopted to accommodate the Group's geographic expansion and strategic initiatives. The logic of this new organization reflects the destination of the Group's sales, dividing the sales areas into four regions: Europe and Africa, North America, Central and South America, Asia Pacific and China.

As a result, the communication of the financial data of the DiaSorin Group to the financial markets and the investing public is being changed to show revenue data aligned with its organization by regions.

The tables on the following pages show the Group's operating and financial data broken down by geographic region. A listing of revenues by customer location is provided in the table included in the corresponding Note that shows a breakdown of sales and service revenues by geographic region.

The table that follows shows no unallocated common costs. This is because each country (hence, each segment) has a complete organization (commercial, technical support and administrative) capable of operating independently. In addition, the Italy segment charges quarterly the other segments for costs the Corporate division faces at the central level for assets in favor of the Group's companies.

Eliminations refer primarily to inter-segment margins that are eliminated at consolidation. Specifically, the elimination of the margin earned by the Italy segment through the sale of equipment to other segments is carried out both at the result and investment levels. The margin generated by products sold by the manufacturing locations to the commercial branches but not yet sold to outsiders is eliminated only at the result level.

Segment assets include all operating items (non-current assets, receivables and inventory) but not tax-related items (deferred-tax assets) and financial assets, which are shown at the Group level.

The same approach was used for segment liabilities, which include operating items (mainly trade payables and amounts owed to employees) but do not include financial and tax liabilities or shareholders' equity, which are shown at the Group level.

(in thousands of euros)	ITALY		EUROPE		NORTH AMERICA		REST OF THE WORLD		ELIMINATIONS		CONSOLIDATED	
	2017	**2016**	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**
INCOME STATEMENT												
Revenues from customers	141,486	126,536	172,723	154,138	203,784	179,297	119,494	109,341	-	-	637,487	569,321
Inter-segment revenues	190,732	173,478	26,929	25,973	52,743	41,360	627	3,317	(271,031)	(224,128)	-	-
Total revenues	**332,218**	**300,014**	**199,652**	**180,111**	**256,527**	**220,657**	**120,121**	**112,658**	**(271,031)**	**(244,128)**	**637,487**	**569,312**
Segment results	**75,190**	**67,132**	**9,823**	**16,200**	**89,142**	**82,521**	**9,573**	**9,666**	**692**	**(2,908)**	**184,420**	**172,611**
Unallocated common costs	-	-	-	-	-	-	-	-	-	-	-	-
Operating margin	-	-	-	-	-	-	-	-	-	-	**184,420**	**172,611**
Other net income/(expense)	-	-	-	-	-	-	-	-	-	-	-	-
Financial income/(expense)											(5,714)	(4,415)
Result before taxes	-	-	-	-	-	-	-	-	-	-	**178,706**	**168,196**
Income taxes	-	-	-	-	-	-	-	-	-	-	(38,828)	(55,578)
Net result	-	-	-	-	-	-	-	-	-	-	**139,878**	**112,618**
OTHER INFORMATION												
Investments in intangibles	5,331	3,809	270	646	3,897	2,291	151	655	(438)	-	9,211	7,401
Invest. in prop. plant and equip.	16,602	9,990	8,534	7,211	8,009	8,026	3,640	6,932	(3,514)	(2,134)	33,271	30,025
Total investments	**21,933**	**13,799**	**8,804**	**7,857**	**11,906**	**10,317**	**3,791**	**7,587**	**(3,952)**	**(2,134)**	**42,482**	**37,426**
Amortization of intangibles	(5,946)	(4,805)	(5,004)	(4,430)	(12,285)	(7,842)	(774)	(663)	173	174	(23,836)	(17,566)
Depreciation of prop. plant and equip.	(8,559)	(8,474)	(9,036)	(7,870)	(10,113)	(8,993)	(5,308)	(5,409)	3,350	3,605	(29,666)	(27,141)
Total amortization and depreciation	**(14,505)**	**(13,279)**	**(14,040)**	**(12,300)**	**(22,398)**	**(16,835)**	**(6,082)**	**(6,072)**	**3,523**	**3,779**	**(53,502)**	**(44,707)**

(in thousands of euros)	ITALY		EUROPE		NORTH AMERICA		REST OF THE WORLD		ELIMINATIONS		CONSOLIDATED	
	12/31/2017	**12/31/2016**	**12/31/2017**	**12/31/2016**	**12/31/2017**	**12/31/2016**	**12/31/2017**	**12/31/2016**	**12/31/2017**	**12/31/2016**	**12/31/2017**	**12/31/2016**
STATEMENT OF FINANCIAL POSITION												
Segment assets	346,867	269,455	137,669	142,633	323,395	367,595	53,029	64,211	(110,749)	(128,760)	750,211	715,134
Unallocated assets	-	-	-	-	-	-	-	-	-	-	195,512	153,484
Total assets	**346,867**	**269,455**	**137,669**	**142,633**	**323,395**	**367,595**	**53,029**	**64,211**	**(110,749)**	**(128,760**	**945,723**	**868,618**
Segment liabilities	112,651	71,326	78,959	69,742	35,624	31,346	28,506	34,628	(83,073)	(72,842)	172,667	134,200
Unallocated liabilities	-	-	-	-	-	-	-	-	-	-	31,101	71,033
Shareholders' equity	-	-	-	-	-	-	-	-	-	-	741,955	663,385
Total liabilities and shareholders' equity	**112,651**	**71,326**	**78,959**	**69,742**	**35,624**	**31,346**	**28,506**	**34,628**	**(83,073)**	**(72,842)**	**945,723**	**868,618**

DESCRIPTION AND MAIN CHANGES

Consolidated income statements

In the income statement, costs are classified by function. This income statement format, also known as "cost of sales" income statement, is more representative of the Group's business than a presentation with expenses classified by nature.

Insofar as a classification of expenses by nature is concerned, depreciation and amortization expense totaled 51,834 thousand euros (44,707 thousand euros in 2016) broken down as follows:

(in thousands of euros)	**2017**	**2016**
Depreciation of property, plant and equipment	29,666	27,141
Amortization of intangibles	22,168	17,566
Total	**51,834**	**44,707**

Depreciation of property, plant and equipment includes 17,775 thousand euros attributable to equipment held by customers (18,472 thousand euros in 2016), which in the income statement by destination is part of the cost of sales. An additional 7,000 thousand euros representing depreciation of plant and machinery and manufacturing and distribution equipment is included among production expenses (5,793 thousand euros in 2016).

The amortization of intangible assets is recognized mainly as part of research and development costs (7,611 thousand euros) sale and marketing expenses (8,426 thousand euros), general and administrative expenses (4,892 thousand euros) and production expenses (1,573 thousand euros).

Labor costs amounted to 156,126 thousand euros (146,157 thousand euros in 2016).

A breakdown is as follows:

(in thousands of euros)	**2017**	**2016**
Wages and salaries	120,087	111,367
Social security contributions	21,253	19,027
Severance indemnities and other benefits paid	3,993	4,648
Cost of stock option plan	1,234	1,370
Other labor costs	9,559	9,745
Total	**156,126**	**146,157**

The table below shows the average number of Group employees in each category:

	2017	**2016**
Factory staff	321	328
Office staff	1,472	1,444
Managers	87	82
Total	**1,880**	**1,854**

1. Net revenues

In 2017, net revenues, which are generated mainly through the sale of diagnostic kits, totaled 637,487 thousand euros (569,312 thousand euros in 2016), up by 12% compared with 2016 (+13.1% at CER). This item includes sales generated from Siemens products, amounting to 8,965 thousand euros and 13,090 thousand euros for equipment rentals and technical support (10,202 thousand euros in 2016).

A breakdown of revenues by geographic region is provided below:

(in thousands of euros)	**2017**	**2016**	**% Change at current exchange rates**
Europe and Africa	278,020	250,542	11.0%
North America	195,084	166,880	16.9%
Asia Pacific	117,020	109,331	7.0%
Central and South America	47,363	42,559	11.3%
Group Total	**637,487**	**569,312**	**12.0%**

Sales to public institutions and universities totaled 228,736 thousand euros (204,666 thousand euros in 2016).

2. Cost of sales

In 2017, the cost of sales amounted to 205,591 thousand euros, as against 180,160 thousand euros in 2016. This item includes 15,266 thousand euros for royalties paid for the use of patents applied to manufacture products (11,686 thousand euros in 2016), and 10,601 thousand euros in costs incurred to distribute products to end customers (8,961 thousand euros in 2016) and 17,775 thousand euros for depreciation of equipment held by customers (18,472 thousand euros in 2016).

3. Sales and marketing expenses

In 2017, sales and marketing expenses amounted to 123,184 thousand euros, as against 109,469 thousand euros in 2016. This item consists mainly of marketing costs incurred to promote and distribute DiaSorin products, costs attributable to the direct and indirect sales force and the cost of the technical support offered together with the Group-owned equipment provided to customers under gratuitous loan contracts.

4. Research and development costs

Research and development costs, which totaled 43,627 thousand euros (37,718 thousand euros in 2016), include the research and development outlays that were not capitalized equal to 22,798 thousand euros (18,735 thousand euros in 2016), costs incurred to register the products offered for sale and meet quality requirements totaling 14,846 thousand euros (13,689 thousand euros in 2016) and the amortization of capitalized development costs equal to 5,983 thousand euros (5,294 thousand euros in 2016). In 2017, the Group capitalized new development costs amounting to 7,663 thousand euros, compared with 5,190 thousand euros in 2016.

5. General and administrative expenses

General and administrative expenses, which include expenses incurred for corporate management activities, Group administration, finance and control, information technology, corporate organization and insurance, totaled 64,689 thousand euros in 2017 (60,039 thousand euros in 2016). The item includes 4,391 thousand euros in costs attributable to Directors and strategic executives (4,706 thousand euros in 2016).

6. Other operating income (expenses)

A breakdown of other operating income and expenses is as follows:

(in thousands of euros)	**2017**	**2016**
Trade-related foreign exchange gains/(losses)	(1,114)	97
Tax liabilities	(696)	(596)
Accruals to the doubtful debts and provisions for risks and charges	(1,512)	(4,741)
Other income /(expense)	(632)	1,351
Non-recurring expenses	(12,022)	(5,426)
Other operating income (expense)	**(15,976)**	**(9,315)**

The item includes income and expenses from operations that cannot be allocated to specific functional areas (such as gains and losses on asset sales, government grants, insurance settlements, reversals of unused provisions, additions to provisions for risks, incidental taxes and fees).

As regards provisions for risks and charges Law n. 125 of 08/06/2015 extended the pay-back mechanism to medical devices on the basis of which any amount exceeding the ceiling on public expenditure for the purchase of medical devices must be paid by the supplying companies. In virtue of the lack of implementing decrees to specify how to compute the payback measure, the Group Parent's Company carried out the best possible estimate allocating 1.8 million euros in risk provision in 2017.

Non-recurring expenses include 9,715 thousand euros in provisions for expenses and restructuring charges related to the closure of the Irish manufacturing facility, including 1,668 thousand euros in the write-down of goodwill included in the group of assets held for sale, as provided in Note 19.

7. Financial income (expenses)

The table below provides a breakdown of financial income and expenses:

(in thousands of euros)	**2017**	**2016**
Factoring transactions fees	(314)	(652)
Interest and other financial expenses	(3,819)	(2,453)
Interest on provisions for pensions	(477)	(609)
Share of the profit/(loss) of equity method investees	(404)	(555)
Interest and other financial income	1,223	1,071
Foreign exchange differences and financial instruments	(1,922)	(1,217)
Net financial income (expense)	**(5,714)**	**(4,415)**

In 2017, net financial expenses amounted to 5,714 thousand euros compared with 4,415 thousand euros in 2016.

Interest and other financial expenses were equal to 3,819 thousand euros (2,453 thousand euros in 2016). The increase was due to financial transaction related to the Focus business acquisition.

Exchange differences on financial items were negative by 1,922 thousand euros (negative by 1,217 thousand euros in 2016) as a result of fluctuations in exchange rates on financial balances different from the Group's Parent Company currency.

Lastly, factoring transactions fees amounted to 314 thousand euros (652 thousand euros in 2016), interest receivable on arrears connected to credit collection and bank accounts totaled 1,223 thousand euros (1,071 thousand euros in 2016).

8. Income taxes

The income tax expense recognized in the income statement amounted to 38,828 thousand euros (55,578 thousand euros in 2016) broken down as follows:

(in thousands of euros)	**2017**	**2016**
Current income taxes:		
- Regional taxes (IRAP)	1,711	2,524
- Other income taxes	45,898	52,923
- Other taxes (non-deductible tax withholdings/prior-period taxes)	(10,034)	2,110
Deferred taxes	1,253	(1,979)
IRAP amount	*93*	*(52)*
Total income taxes for the year	**38,828**	**55,578**

On January 30, 2018, DiaSorin Spa signed a prior agreement with *Direzione Regionale delle Entrate del Piemonte* related to the economic contribution for intangible assets (the so-called Patent Box). The agreement is valid for 5 years from 2015. The "other income taxes" item includes 10,550 thousand euros, due to the positive effect deriving from this agreement for the 2015 and 2016 years and non-deductible taxes withheld on dividends the Group's Parent Company received from foreign subsidiaries (516 thousand euros in 2017 as against 439 thousand euros in 2016).

A reconciliation of the theoretical tax rate to the effective tax rate, without taking into account the IRAP liability and withholding taxes on dividends, is provided below:

(in thousands of euros)	**2017**	**2016**
Profit before taxes	178,706	168,196
Theoretical tax rate	*24%*	*27.5%*
Theoretical income taxes	42,889	46,254
Tax effect of permanent differences	(8,038)	(4,374)
Effect of unrecognized deferred-tax liabilities/assets	(120)	1,213
Effect of foreign tax rates that are different from statutory Italian tax rates	13,329	7,369
Other differences	(1,002)	534
Total income taxes	**47,058**	**50,996**
Effective tax rate	**26.3%**	**30.3%**

In 2017, the effective tax rate of 26.3% reflected primarily the different tax rates applied in other countries where the Group operates, particularly with regard to the United States as against a reduced Italian tax rate as a result of Law no. 208 of 28 December 2015 (the Stability Law for 2016).

9. Earnings per share

Basic earnings per share amounted to 2.54 euros in 2017 (2.05 euros in 2016). Diluted earnings per share totaled 2.54 euros (2.04 euros in 2016). Basic earnings per shares were computed by dividing the net profit attributable to the shareholders by the weighted average number of shares outstanding during the year (54,997,425 in 2017 and 54,849,893 in 2016).

The dilutive effect of stock option plans granted by DiaSorin S.p.A determined by excluding tranches assigned to a price higher than the average price of the ordinary shares during 2017 is not material.

Consolidated statement of financial position

10. Property, plant and equipment

The tables below show the changes that occurred in the original cost of property, plant and equipment in 2017 and 2016:

(in thousands of euros)	**At 31 December 2016**	**Additions**	**Business combination**	**Translation differences**	**Reclassifications and other changes**	**Additions**	**At 31 December 2017**
Land	2,385	-	-	-	(37)	-	2,348
Buildings	20,597	1,328	-	(22)	(833)	1,151	22,221
Plant and machinery	32,383	1,675	2,200	(744)	(580)	(297)	34,637
Manufacturing and distribution equipment	172,269	19,516	2,493	(11,948)	(9,162)	(1,640)	171,528
Other assets	24,073	1,914	-	(602)	(1,247)	416	24,554
Advances and tangible in progress	7,069	8,838	-	(383)	(381)	(2,387)	12,756
Total property, plant and equipment	**258,776**	**33,271**	**4,693**	**(13,699)**	**(12,240)**	**(2,757)**	**268,044**

(in thousands of euros)	**At 31 December 2015**	**Additions**	**Business combination**	**Translation differences**	**Reclassifications and other changes**	**Divestments**	**At 31 December 2016**
Land	2,375	-	-	10	-	-	2,385
Buildings	20,024	417	-	217	-	(61)	20,597
Plant and machinery	29,494	2,154	250	(15)	925	(425)	32,383
Manufacturing and distribution equipment	154,050	20,959	9,808	3,782	(1,655)	(14,675)	172,269
Other assets	17,495	2,181	4,949	102	473	(1,127)	24,073
Advances and tangible in progress	3,918	4,314	1,302	74	(2,435)	(104)	7,069
Total property, plant and equipment	**227,356**	**30,025**	**16,309**	**4,170**	**(2,692)**	**(16,392)**	**258,776**

The following changes occurred in the corresponding accumulated depreciation accounts in 2017 and 2016:

(in thousands of euros)	**At 31 December 2016**	**Depreciation for the year**	**Divestments**	**Translation differences**	**Reclassifications and other changes**	**At 31 December 2017**
Buildings	16,206	441	(16)	(659)	-	15,972
Plant and machinery	19,338	2,642	(676)	(238)	(833)	20,233
Manufacturing and distribution equipment	119,390	22,133	(9,440)	(5,848)	(1,898)	124,337
Other assets	11,708	4,450	(469)	(529)	10	15,170
Total property, plant and equipment	**166,642 -**	**29,666**	**(10,601)**	**(7,274)**	**(2,721)**	**175,712**

(in thousands of euros)	**At 31 December 2015**	**Depreciation for the year**	**Divestments**	**Translation differences**	**Reclassifications and other changes**	**At 31 December 2016**
Buildings	15,487	578	(35)	176	-	16,206
Plant and machinery	17,491	2,256	(327)	(105)	23	19,338
Manufacturing and distribution equipment	109,428	22,009	(12,240)	2,654	(2,461)	119,390
Other assets	10,457	2,298	(1,064)	79	(62)	11,708
Total property, plant and equipment	**152,863**	**27,141**	**(13,666)**	**2,804**	**(2,500)**	**166,642**

A breakdown of the net carrying value of property, plant and equipment at December 31, 2017 and 2016 is provided below:

(in thousands of euros)	**At 31 December 2016**	**Additions**	**Business combination**	**Depreciation**	**Divestments**	**Translation differences**	**Reclassifications and other changes**	**At 31 December 2017**
Land	2,385	-	-	-	-	(37)	-	2,348
Buildings	4,391	1,328	-	(441)	(6)	(174)	1,151	6,249
Plant and machinery	13,045	1,675	2,200	(2,642)	(68)	(342)	536	14,404
Manufacturing and distribution equipment	52,879	19,516	2,493	(22,133)	(2,508)	(3,314)	258	47,191
Other assets	12,365	1,914	-	(4,450)	(133)	(718)	406	9,384
Advances and tangible in progress	7,069	8,838	-	-	(383)	(381)	(2,387)	12,756
Total property, plant and equipment	**92,134**	**33,271**	**4,693**	**(29,666)**	**(3,098)**	**(4,966)**	**(36)**	**92,332**

(in thousands of euros)	**At 31 December 2015**	**Additions**	**Business combination**	**Depreciation**	**Divestments**	**Translation differences**	**Reclassifications and other changes**	**At 31 December 2016**
Land	2,375	-	-	-	-	10	-	2,385
Buildings	4,537	417	-	(578)	(26)	41	-	4,391
Plant and machinery	12,003	2,154	250	(2,256)	(98)	90	902	13,045
Manufacturing and distribution equipment	44,622	20,959	9,808	(22,009)	(2,435)	1,128	806	52,879
Other assets	7,038	2,181	4,949	(2,298)	(63)	23	535	12,365
Advances and tangible in progress	3,918	4,314	1,302	-	(104)	74	(2,435)	7,069
Total property, plant and equipment	**74,493**	**30,025**	**16,309**	**(27,141)**	**(2,726)**	**1,366**	**(192)**	**92,134**

The change in the scope of consolidation is related to the Siemens business acquisition. Further details are provided in the above paragraph “Business combinations”.

Additions to manufacturing and distribution equipment include equipment provided to customers under gratuitous loan contracts, amounting to 15,026 thousand euros in 2017 (18,830 thousand euros in 2016).

Depreciation for the period totaled 17,775 thousand euros (18,472 thousand euros in 2016).

Advances and tangible in progress include investments related to the agreement with Beckman to secure the approval to market LIAISON XL tests for Hepatitis and HIV in the U.S. market.

Reclassifications and other changes include 55 thousand euros in net carrying value of tangible assets reclassified as assets held for sale (as provided in Note 19).

Depreciation charged in the period was calculated to reflect the actual physical deterioration and related economic-technical obsolescence of the assets.

11. Goodwill and other intangible assets

Goodwill totaled 150,744 thousand euros at December 31, 2017 (163,204 thousand euros at December 31, 2016).

Goodwill allocated to DiaSorin Italy CGU increased by 5,100 thousand euros, due to the ELISA immunodiagnostic business acquired from Siemens Healthineers.

As of the date of this Report the process of assessing the fair value of the acquired assets has not yet been completed. Any excess arising from the amount paid for the acquisition and the carrying amounts of the acquired assets and intangibles being provisionally identified was added to “Goodwill”. IFRS 3 establishes a one-year period for accounting transactions involving Business Combination (Open Window). More detailed information is provided in the paragraph “Business Combinations”.

At June 30, 2017, the Group completed the final allocation of values referring to assets acquired through the acquisition of Focus Diagnostics' immunodiagnostic and molecular diagnostic product business completed on May 13, 2016. A breakdown of the acquired assets and the final allocation of the purchase price due is provided in the following table. No changes occurred compared to the provisional allocation as at December 31, 2016:

	in thousands of USD	**Amount in EUR**
Tangible assets	18,378	16,195
Other non-current assets	129	114
Inventories	11,998	10,573
Trade receivables	6,139	5,410
Other current assets	668	589
Trade payables	(2,462)	(2,171)
(a) Total net assets acquired	**34,850**	**30,710**
Concessions, licenses, trademarks and similar rights	50,345	44,365
Development costs	51,797	45,644
Customer relationship	62,670	55,226
(b) Total intangible assets finally identified	**164,812**	**145,235**
(c) Goodwill finally allocated to *North America CGU*	**98,146**	**86,487**
Total amount paid (a + b + c)	**297,808**	**262,432**

Goodwill allocated to DiaSorin Ireland CGU was reclassified for an amount equal to 3,318 thousand euros under assets held for sale to divest the Irish manufacturing facility (as provided in Note 19).

As explained in the "Accounting Standards" section of this Report , goodwill is tested for impairment and, if necessary, it is written down when impairment losses occur. The Group assesses the recoverability of goodwill and other intangibles with an indefinite life at least once a year by testing for impairment each cash generating unit (CGU).

The CGUs identified by the Group coincide with the "Legal Entities" or, where more relevant, with homogeneous aggregations. Goodwill has been allocated to the CGU'S that the time of their purchase benefit from the synergies generated by the respective business combinations generating goodwill.

A breakdown of how goodwill was recognized and/or allocated to the different CGUs for impairment test purposes is as follows:

- 765 thousand euros to the DiaSorin Benelux CGU,
- 3,061 thousand euros to the DiaSorin Brazil CGU,
- 6,840 thousand euros to the DiaSorin Germany CGU,
- 27,156 thousand euros to the DiaSorin Italy CGU,
- 99,617 thousand euros to the DiaSorin USA (North America) CGU,
- 11,837 thousand euros to the DiaSorin Ireland CGU,
- 1,468 thousand euros to the DiaSorin South Africa CGU.

The table below provides a breakdown of changes in goodwill, by individual CGU, that occurred in 2017:

(in thousands of euros)	**At December 31, 2016**	**Translation differences**	**Reclassifications non- current assets held for sale**	**Change in the scope of consolidation**	**At December 31, 2017**
DiaSorin Belgium	765	-		-	765
DiaSorin Brazil	3,546	(485)		-	3,061
DiaSorin Germany	6,840	-		-	6,840
DiaSorin Italy	22,056	-		5,100	27,156
DiaSorin USA (North America)	113,339	(13,722)		-	99,617
DiaSorin Ireland	15,155	-	(3,318)	-	11,837
DiaSorin South Africa	1,503	(35)		-	1,468
Total goodwill	**163,204**	**(14,242)**	**(3,318)**	**5,100**	**150,744**

Insofar as the knowhow acquired with the Murex transaction in 2010 is specifically concerned, this intangible asset with an indefinite useful life was tested for impairment as part of the CGU DiaSorin Italy.

The impairment test is based on the most recent projections of economic results and cash flows for future years (2018-2020). These projections have been developed for each Cash Generating Unit on the basis of the 2018 budget, the 2017-2019 Industrial Plan approved in May 2017 and the last business plan laid out by the Company Management for 2020.

The recoverability of the recognized amounts was tested by comparing the net carrying amount of the individual CGUs with their value in use (recoverable amount). The recoverable amount is equal to the present value of the future cash flows that the continuing use of the assets belonging to each CGU is expected to generate both for the period of explicit flows, and at the end of the time horizon of the forecast (in accordance with the perpetuity method).

Consequently, the impairment tests performed showed no need to write down the amount at which goodwill and intangibles is carried in the financial statements.

The main assumptions used to compute the recoverable amount were those concerning the discount rate, the most recent budget data and long-range projections and the expected growth rate at the end of the time horizon of the forecast.

In computing the present value of future cash flow, the Group used a discount rate that reflects the weighted average cost of capital (WACC) and the cost of debt. The discount rate used was determined on a post-tax basis and coherently with the cash flows. The Group computed a specific WACC for each CGU to take into account the specific risk entailed by the Group's business in each country (this variable is reflected in the use of government bonds as risk-free for each country).

The discount rates used for each CGU are listed in the table below:

Company	**% used**
DiaSorin S.p.A.	8.85%
DiaSorin S.A. (France)	4.73%
DiaSorin Iberia S.A.	5.52%
DiaSorin S.A/N.V (Benelux)	4.61%
DiaSorin I.N.UK Limited	5.95%
DiaSorin Diagnostics Ireland Limited	6.45%
DiaSorin Deutschland GmbH	4.34%
DiaSorin Austria GmbH	4.55%
DiaSorin Czech s.r.o.	4.94%
DiaSorin (North America)	6.42%
DiaSorin Ltda (Brazil)	13.28%
DiaSorin Mexico S.A de C.V.	10.73%
DiaSorin Ltd (Israel)	5.84%
DiaSorin Ltd (China)	7.39%
DiaSorin Australia (Pty) Ltd	6.46%
DiaSorin South Africa (PTY) Ltd	11.29%
DiaSorin Switzerland AG	4.04%
DiaSorin Poland sp. z.o.o.	7.24%

The time horizon used for cash flows projections is 3 years for all the CGUs. For subsequent years, a terminal value (perpetual return) was applied, using a growth rate (the “g” rate) of 2% (a rate that management believes could represent the projected minimum growth rate in the sectors in which the CGUs operate).

In addition, the Group performed a sensitivity analysis assuming a worsening of variables (WACC and g rate) in the impairment test.

Specifically, the discount rate was up to one percentage points and terminal growth rate decreased to 0.5%. The sensitivity analysis results showed no indications of impairment.

The impairment tests performed showed that there was no need to adjust the carrying value of goodwill and other intangibles in the financial statements of DiaSorin S.p.A.

Other intangibles totaled 193,606 thousand euros at December 31, 2017 (193,882 thousand euros at December 31, 2016).

The tables that follow show the changes that occurred in the original cost of goodwill and other intangibles in 2017 and 2016:

(in thousands of euros)	**At December 31, 2016**	**Additions**	**Business combination**	**Translation differences**	**Disposals and other changes**	**At December 31, 2017**
Goodwill	163,204	-	5,100	(14,242)	(3,318)	150,744
Development costs	82,694	7,663	-	(7,290)	(1,440)	81,627
Concessions, licenses and trademarks	104,314	989	8,016	(3,803)	(1,930)	107,586
Customer relationship	59,988	-	22,960	(7,225)	-	75,723
Industrial patents and intellectual property rights	28,129	559	-	(286)	61	28,463
Advances and other intangibles	4,317	-	-	(44)	(1,042)	3,231
Total intangible assets	**442,646**	**9,211**	**36,076**	**(32,890)**	**(7,669)**	**447,374**

(in thousands of euros)	**At December 31, 2015**	**Additions**	**Business combination**	**Translation differences**	**Disposals and other changes**	**At December 31, 2016**
Goodwill	68,502	-	86,487	8,215	-	163,204
Development costs	27,852	5,190	45,644	3,833	175	82,694
Concessions, licenses and trademarks	56,295	1,288	44,998	1,713	20	104,314
Customer relationship	-	-	55,226	4,762	-	59,988
Industrial patents and intellectual property rights	27,249	362	-	389	129	28,129
Advances and other intangibles	5,093	561	-	(10)	(1,327)	4,317
Total intangible assets	**184,991**	**7,401**	**232,355**	**18,902**	**(1,003)**	**442,646**

The following changes occurred in the corresponding accumulated amortization accounts in 2017 and 2016:

(in thousands of euros)	**At December 31, 2016**	**Amortization**	**Translation differences**	**Disposals and other changes**	**At December 31, 2017**
Goodwill	-	-	-	-	-
Development costs	19,738	5,983	(1,015)	(10)	24,696
Concessions, licenses and trademarks	35,228	7,474	(899)	(306)	41,497
Customer relationship	3,998	6,382	(832)	-	9,548
Industrial patents and intellectual property rights	23,032	2,196	(227)	-	25,001
Advances and other intangibles	3,564	133	(10)	(1,405)	2,282
Total intangible assets	**85,560**	**22,168**	**(2,983)**	**(1,721)**	**103,024**

(in thousands of euros)	**At December 31, 2015**	**Amortization**	**Translation differences**	**Disposals and other changes**	**At December 31, 2016**
Development costs	14,202	5,294	242	-	19,738
Concessions, licenses and trademarks	29,096	5,892	265	(25)	35,228
Customer relationship	-	3,807	191	-	3,998
Industrial patents and intellectual property rights	20,245	2,478	309	-	23,032
Advances and other intangibles	3,542	95	(20)	(53)	3,564
Total intangible assets	**67,085**	**17,566**	**987**	**(78)**	**85,560**

A breakdown of the net carrying value of goodwill and other intangibles at December 31, 2017 and 2016 is provided below:

(in thousands of euros)	**At December 31, 2016**	**Additions**	**Business combination**	**Amortization**	**Translation differences**	**Disposals and other changes**	**At December 31, 2017**
Goodwill	163,204	-	5,100	-	(14,242)	(3,318)	150,744
Development costs	62,956	7,663	-	(5,983)	(6,275)	(1,430)	56,931
Concessions, licenses and trademarks	69,086	989	8,016	(7,474)	(2,904)	(1,624)	66,089
Customer relationship	55,990	-	22,960	(6,382)	(6,393)	-	66,175
Industrial patents and intellectual property rights	5,097	559	-	(2,196)	(59)	61	3,462
Advances and other intangibles	753	-	-	(133)	(34)	363	949
Total intangible assets	**357,086**	**9,211**	**36,076**	**(22,168)**	**(29,907)**	**(5,948)**	**344,350**

(in thousands of euros)	**At December 31, 2015**	**Additions**	**Business combination**	**Amortization**	**Translation differences**	**Disposals and other changes**	**At December 31, 2016**
Goodwill	68,502	-	86,487	-	8,215	-	163,204
Development costs	13,650	5,190	45,644	(5,294)	3,591	175	62,956
Concessions, licenses and trademarks	27,199	1,288	44,998	(5,892)	1,448	45	69,086
Customer relationship	-	-	55,226	(3,807)	4,571	-	55,990
Industrial patents and intellectual property rights	7,004	362	-	(2,478)	80	129	5,097
Advances and other intangibles	1,551	561	-	(95)	10	(1,274)	753
Total intangible assets	**117,906**	**7,401**	**232,355**	**(17,566)**	**17,915**	**(925)**	**357,086**

The Business combination refers to the acquisition of Siemens business. More detailed information is provided in the paragraph "Business Combinations".
In 2017, amortization included 668 thousand euros in intangible assets related to the recent acquisition. Disposals and other changes included 1,092 thousand euros in net carrying value of intangible assets reclassified as assets held for sale (as provided in Note 19).
Capitalized development costs, which totaled 7,663 thousand euros (5,190 thousand euros in 2016) mainly reflect the investments in molecular diagnostics and new specialty tests.

These costs are amortized on a straight-line basis over their useful life, which management estimates at 10 years.

A test of the recoverability of the net carrying amount of capitalized development costs was performed by determining the recoverable value of the CGU to which they were attributed and testing it for impairment. No write-downs were required as a result of this test.

12. Equity investments

Equity investments totaled 27 thousand euros at December 31, 2017 (27 thousand euros at December 31, 2016). A breakdown of equity investments is provided below:

(in thousands of euros)	**At December 31, 2016**	**At December 31, 2017**
Equity investment valued at cost:		
DiaSorin Deutschland Unterstuetzungskasse GmbH	26	26
Consorzio Sobedia	1	1
Total equity investments	**27**	**27**

Equity investments valued at cost are not consolidated because they are not operational. Their impact on the Group's total assets and liabilities, financial position and profit or loss is not material.

Moreover, the valuation of these investments by the equity method would not have an effect materially different from that produced by the cost approach.

Given losses reported in last years, equity investments in DiaSorin Trivitron Healthcare Private Limited, valued using the equity method, was negative by 747 thousand euros (negative by 383 thousand euros at December 31, 2016) after the share of the loss for 2017 (404 thousand euros) included in current liabilities.

13. Deferred-tax assets and deferred-tax liabilities

Deferred-tax assets amounted to 22,171 thousand euros at December 31, 2017 (22,989 thousand euros at December 31, 2016). They relate to consolidated companies that have deferred-tax assets in excess of deferred-tax liabilities and to consolidation adjustments. Deferred-tax liabilities, which totaled 1,899 thousand euros (1,401 thousand euros at December 31, 2016) relate to consolidated companies that have deferred-tax liabilities in excess of deferred-tax assets. They are shown on the liabilities side of the statement of financial position.

The balance reflects the net deferred-tax assets computed on the consolidation adjustments (mainly from the elimination of unrealized gains on intra-Group transactions) and on temporary differences between the asset and liabilities amounts used to prepare the consolidated financial statements and the corresponding amounts used by the consolidated companies for tax purposes.

Deferred-tax assets were recognized in the financial statements when their future use was deemed to be probable. The same approach was used to recognize the benefit provided by the use of tax loss carryforwards, most of which, under current laws, can be brought forward indefinitely.

Based on the multi-year plans prepared by the Group's management, the Group is expected to generate sufficient taxable income in future years to allow for the full recovery of the abovementioned amounts.

An analysis of deferred-tax assets, net of offsettable deferred-tax liabilities, is provided below:

(in thousands of euros)	**12/31/2017**	**12/31/2016**
Deferred-tax assets	22,171	22,989
Deferred-tax liabilities	(1,899)	(1,401)
Total net deferred-tax assets	**20,272**	**21,588**

The table below shows a breakdown of the tax effect of the temporary difference that generated the net deferred-tax assets:

(in thousands of euros)	**12/31/2017**	**12/31/2016**
Positive changes:		
Amortization/Write-down of goodwill/ Other intangible assets	558	203
Provisions for risks and charges	4,365	4,117
Provision for employees benefits	4,884	5,166
Intra-Group profits and other consolidation adjustment	8,926	8,536
Other charges deductible in future years	1,756	3,810
Losses carried forward	670	1,296
Total	**21,160**	**23,128**
Negative changes:		
Depreciation and amortization	225	322
DiaSorin Ireland Goodwill	(131)	(319)
Capitalization of development costs	(982)	(1,543)
Total	**(888)**	**(1,540)**
Net deferred taxes	**20,272**	**21,588**

The tables that follow show tax losses on which deferred tax assets / no deferred tax assets were recognized.

(in thousands of euros)	**12/31/2017**	**12/31/2016**
Previous tax losses	2,223	4,710
Deferred tax assets recognized on tax losses	**670**	**1,296**

(in thousands of euros)	**12/31/2017**	**12/31/2016**
Previous tax losses	8,536	6,400
Unrecognized deferred tax assets recognized	**2,679**	**2,176**

14. Other non-current assets

Other non-current assets amounted to 1,602 thousand euros (999 thousand euros at December 31, 2016). They consist mainly of receivables from the Parent Company and the Brazilian and Chinese subsidiaries due beyond 12 months.

15. Inventories

A breakdown of inventories, which totaled 142,802 thousand euros, is provided below:

(in thousands of euros)	**12/31/2017**			**12/31/2016**		
	Gross amount	**Write-down provisions**	**Net amount**	**Gross amount**	**Write-down provisions**	**Net amount**
Raw materials and supplies	43,355	(3,023)	40,332	40,169	(2,860)	37,309
Work in progress	47,468	(2,133)	45,335	44,816	(2,536)	42,280
Finished goods	58,982	(1,847)	57,135	51,755	(2,474)	49,281
Total	**149,805**	**(7,003)**	**142,802**	**136,740**	**(7,870)**	**128,870**

The increase of 13,932 thousand euros in inventories compared with December 31, 2016, is mainly due to the change in the scope of consolidation, increased manufacturing volumes to support a growth in revenues and the effect of the fluctuations in foreign exchange rates.

The table below shows the changes that occurred in the provisions for inventory write-downs:

(in thousands of euros)	**12/31/2017**	**12/31/2016**
Opening balance	**7,870**	**6,570**
Additions for the year	1,448	1,651
Utilizations/Reversals for the year	(1,846)	(1,310)
Exchange differences and other changes	(469)	959
Ending balance	**7,003**	**7,870**

16. Trade receivables

Trade receivables totaled 128,822 thousand euros at December 31, 2017 (120,261 thousand euros at December 31, 2016). The increase in trade receivables compared with December 31, 2016 is due to increased revenues in the last quarter of the year and the contribution from ELISA business recently acquired from Siemens.
Receivables from public sector and universities amounted to 41,739 thousand euros (38,746 thousand euros at December 31, 2016).
The table that follows shows the changes that occurred in the allowance for doubtful accounts, which amounted to 9, 615 thousand euros compared with December 31, 2016:

(in thousands of euros)	**12/31/2017**	**12/31/2016**
Opening balance	**10,615**	**9,821**
Additions for the period	203	385
Utilizations/Reversals for the period	(477)	(640)
Translation differences and other changes	(726)	1,049
Ending balance	**9,615**	**10,615**

In order to bridge the gap between contractual payment terms and actual collection times, the Group uses factoring transactions to assign its receivables without recourse. In 2017, the receivables assigned by the Group’s Parent Company amounted to 28,733 thousand euros (31,333 thousand euros in 2016).

17. Other current assets

Other current assets amounted to 36,303 thousand euros (15,784 thousand euros at December 31, 2016). They consist of accrued income and prepaid expenses for insurance, interest, rentals and government grants equal to 3,223 thousand euros (2,441 thousand euros at December 31, 2016) and tax credits for tax prepayments and for foreign taxes withheld amounting to 18,418 thousand euros (7,222 thousand euros at December 31, 2016).

18. Cash and cash equivalent

Cash and cash equivalents amounted to 159,340 thousand euros at December 31, 2017 (130,468 thousand euros at December 31, 2016). They consist of balances in banks accounts. More detailed information is provided in the Statement of Cash Flows above.
Current financial assets amounted to 13,974 thousand euros at December 31, 2017 and include term deposits exceeding three months opened by DiaSorin Inc. (USD 16.2 million).

19. Assets held for sale

At December 31, 2017, the item included NorDiag's residual assets that, following the procedures to close the Irish manufacturing facility in Dublin, are held for sale. The items included in Assets held for sale may be summarized as follows:

(in thousands of euros)	**12/31/2017**	**12/31/2016**
Goodwill	1,650	-
Intangible assets	1,092	-
Property, plant and equipment	55	-
Inventories	1,203	-
Total assets held for sale	**4,000**	**-**

Goodwill included in assets held for sale was written down by 1,668 thousand euros to adjust the total value of assets held for sale to their fair value, which is defined as the selling price agreed with a third party net of estimated costs to complete the transaction.

20. Shareholders' equity

Share capital

At December 31, 2017, the fully paid-in share capital consisted of 55,948,257 million common shares, par value of 1 euro each. No changes occurred compared with December 31, 2016.

Treasury shares

At December 31, 2017, the amount of treasury shares was 548,857 (0.98% of the share capital, totaling 22,183 thousand euros as against 38,025 thousand euros at December 31, 2016).
The change equal to 15,842 thousand euros compared with December 31, 2016 is due to the exercise of 641,093 options held by the Group's Parent company's employees and by its subsidiaries under the 2014 Stock Option Plan at an average price of 30.7313 euros.

Additional paid-in capital

This reserve amounted to 18,155 thousand euros at December 31, 2017 and no changes occurred compared with December 31, 2016.

Statutory reserve

This reserve amounted to 11,190 thousand euros at December 31, 2017 and no changes occurred compared with December 31, 2016.

Other reserves and retained earnings

A breakdown of other reserves and retained earnings is as follows:

(in thousands of euros)	**12/31/2017**	**12/31/2016**	**Change**
Currency translation reserve	737	40,640	(39,903)
Reserve for treasury shares	22,183	38,025	(15,842)
Stock option reserve	1,029	3,001	(1,972)
Gains/Losses on remeasurement of defined benefit plans	(7,289)	(7,875)	586
Retained earnings	524,938	432,339	92,599
IFRS transition reserve	(2,973)	(2,973)	-
Other reserves	342	342	-
Total other reserves and retained earnings	**538,967**	**503,499**	**35,468**
of which minority interest	***538***	***333***	***205***

Currency translation reserve
This item amounted to 737 thousand euros (40,640 thousand euros at December 31, 2016) and reflects the foreign exchange differences resulting from the translation at year-end exchange rates of the shareholders' equities of consolidated companies with financial statements denominated in foreign currencies. The decrease of 39,903 thousand euros was due to to the fluctuation of the exchange rate of the US dollar vis-à-vis the Euro.

Reserve for treasury shares
At December 31, 2017, the reserve for treasury shares amounted to 22,183 thousand euros (38,025 thousand euros at December 31, 2016). This reserve was established pursuant to law (Article 2357 *ter* of the Italian Civil Code). The decrease of 15,842 thousand euros is the result of the exercise of some tranches of the 2014 Stock Option Plan, as commented above.

Stock option reserve
The balance in the stock option reserve, which amounted to 1,029 thousand euros (3,001 thousand euros at December 31, 2016) refers to the stock option plans in effect at December 31, 2017 (see Note 28). The changes in the reserve that occurred in 2017 included an increase due to the recognition of the overall cost of the stock option Plans (1,234 thousand euros) that was posted and recognized in the income statement as a labor costs included in general and administrative expenses, and a decrease of 3,206 thousand euros as a result of the options exercised.

Gains/Losses on remeasurement of defined-benefit plans
At December 31, 2017 this item, negative by 7,289 thousand euros at December 31, 2017 (7,875 thousand euros at December 31, 2016) includes net profits of the period related to the actuarial assessment of the Group's defined-benefit plans amounting to 586 thousand euros (279 thousand euros).

Retained earnings
Retained earnings amounted to 524,938 thousand euros (432,339 thousand euros at December 31, 2016). The increase of 92,599 thousand euros compared with December 31, 2016, is the net result of:

- the appropriation of the consolidated net profit earned by the Group in 2016 (112,618 thousand euros);
- the dividend distribution to the shareholders, amounting to 43,807 thousand euros and approved in the ordinary Shareholders' Meeting held on April 28, 2017 (equal to 0.80 euros per share);
- the exercise of some tranches of the 2014 Stock Option Plan, which resulted in a positive change of 22,908 thousand euros and in the sale of treasure shares.

IFRS transition reserve
The IFRS transition reserve was established on January 1, 2005, upon first-time adoption of the IFRSs as an offset to the adjustments recognized to make the financial statements prepared in accordance with Italian accounting principles consistent with IFRS requirements, net of the applicable tax effect (as required by and in accordance with IFRS 1). This reserve has not changed since it was first established.

Other reserves
This item includes the consolidation reserve equal to 904 thousand euros, net of the discounted repurchase price of the Chinese subsidiary's minority interest together with the put option right granted to the minority shareholder amounting to 562 thousand euros. No changes occurred compared with December 31, 2016.

The table below shows a reconciliation of the net result and shareholders' equity of the Group's Parent Company to the corresponding consolidated data at December 31, 2017:

(in thousands of euros)	**Net result in 2017**	**Shareholders' equity at 12/31/2017**
Amount in the financial statements of the Parent Company DiaSorin S.p.A.	**88,587**	**467,553**
Difference between the carrying amount of equity investments and the value of the underlying shareholders' equity	-	293,921
Profits/(Losses) of consolidated companies	123,391	-
Elimination of unrealized intra-Group profits, net of the applicable tax effect	(54,341)	(19,519)
Elimination of intra-Group dividends	(17,759)	-
Amount in the consolidated financial statements	**139,878**	**741,955**

21. Borrowings and other financial liabilities

Borrowings and other financial liabilities amounted to 24,012 thousand euros at December 31, 2017. A breakdown of borrowings and other financial liabilities is as follows (amounts in thousands of euros):

Lender	**Currency**	**Current portion**	**Non-current portion**	**Due later than 5 years**	**Total**
Intesa Sanpaolo	€	23,888	-	-	23,888
	Amount in €	-	-	-	-
Leasing	€	22	102	-	124
Total owed to financial institutions		**23,910**	**102**	**-**	**24,012**

The table below lists the changes that occurred in the financing facilities that were outstanding at December 31, 2017 compared with 2016 (amounts in thousands of euros):

Lender	**Balance at 12/31/2016**	**Disbursements**	**Repayments**	**Translation differences**	**fair value measurement**	**Amortized cost effect**	**Balance at 12/31/2017**
Intesa Sanpaolo	47,776	-	(24,000)	-	-	112	23,888
Santander	2,624	-	(2,327)	(297)	-	-	-
Leasing	-	124	-	-	-	-	124
Total owed to financial institutions	**50,400**	**124**	**(26,327)**	**(297)**	**-**	**112**	**24,012**

In 2017, the Parent Company repaid two instalments of the loan with Intesa Sanpaolo (received in 2016 to finance a portion of the acquisition of Focus Diagnostics, Inc.'s immunodiagnostic and molecular diagnostic products business) for an amount of 24,000 thousand euros, as per repayment plan.

The loan agreement with Intesa Sanpaolo provides for:

- capital repayment in 5 constant half-yearly instalments, from 12/31/2016 until 12/31/2018;
- option of partial or total early repayment without penalties;
- deferred half-yearly interests calculated at the Euribor 6-month floating rate plus a 0.45% spread.

The loan agreement envisages certain disclosures, rescission cases and compulsory early repayment, in line with the market policy in force on the day the loan was contracted.

Terms concerning the rescission of the agreement include the failure to comply, over the period of the loan, with the following financial parameter:

- Net financial indebtedness / EBITDA ≤ 2

As of the date of this Report this ratio computed on consolidated data was met.

In 2017, the Brazilian subsidiary repaid the expiring loan in local currency (amount of BRL 9.0 million).

22. Provisions for employee severance indemnities and other employee benefits

The balance in this account reflects all of the Group pension plan obligations, other post-employment benefits and benefits payable to employees when certain requirements are met. Group companies provide post-employment benefits to their employees by contributing to external funds and by funding defined- contribution and/or defined-benefit plans.
The manner in which these benefits are provided varies depending on the applicable statutory, tax-related and economic conditions in the countries where Group companies operate. As a rule, benefits are based on each employee's level of compensation and years of service.

Defined-contribution plans

Certain Group companies pay contributions to private funds or insurance companies pursuant to a statutory or contractual obligation or on a voluntary basis. With the payment of these contributions, the companies in question absolve all of their obligations. The liability for contributions payable is included under "Other current liabilities". The cost attributable to each year, which accrues based on the services provided by employees, is recognized as a "Labor cost" of the relevant organizational unit. In 2017, this cost amounted to 5,123 thousand euros.

Defined-benefit plans

The Group's pension plans that qualify as defined-benefit plans include the provisions for employee severance indemnities in Italy, the Alecta system in Sweden and the U-Kasse pension plan and Direct Covenant system in Germany.
The liability owed under these plans is recognized at its actuarial value using the projected unit credit method; actuarial gains and losses resulting from the determination of these liabilities are credited or charged to equity in the statement of comprehensive income in the year in which they arise.

Other employee benefits

The Group also provides its employees with additional long-term benefits, which are paid when employees reach a predetermined length of service. In these cases, the value of the liability recognized in the financial statements reflects the probability that these benefits will be paid and the length of time for which they will be paid. The liability owed under this plan is recognized at its actuarial value using the projected unit credit method. Actuarial gains and losses resulting from the determination of these items are recognized in the income statement; losses of 70 thousand euros were recognized in the income statement in 2017 (loss of 89 thousand euros in 2016).

The table that follows lists the Group's main employee benefit plans that are currently in effect:

(in thousands of euros)	**12/31/2017**	**12/31/2016**	**Change**
Employee benefits			
provided in:			
- Italy	5,149	5,393	(244)
- Germany	24,068	24,561	(493)
- Sweden	2,598	2,636	(38)
- Other countries	717	612	105
Total employee benefits	**32,532**	**33,202**	**(670)**
broken down as follows:			
- Defined-benefit plans			
Provision for employee severance indemnities	*3,721*	*3,954*	*(233)*
Other defined-benefit plans	*26,666*	*27,197*	*(531)*
	30,387	31,151	(764)
- Other long-term benefits	2,145	2,051	94
Total employee benefits	**32,532**	**33,202**	**(670)**

The table below shows the main changes that occurred in the Group's employee benefit plans compared with December 31, 2016:

(in thousands of euros)	**Defined-benefit plans**	**Other benefits**	**Total employee benefits**
Balance at 12/31/2016	**31,151**	**2,051**	**33,202**
Interest income/ (expense)	482	(5)	477
Actuarial Losses/(Gains) recognized in income statement	-	70	70
Actuarial Losses/(Gains) arising from financial assumptions	(1,355)	-	(1,355)
Actuarial Losses/(Gains) from experience	490	-	490
Current service cost	801	200	1,001
Benefits paid	(1,103)	(162)	(1,265)
Currency translations differences and other changes	(79)	(9)	(88)
Balance at 12/31/2017	**30,387**	**2,145**	**32,532**

The main changes that occurred in 2017 with regard to provision for employee benefit include actuarial gains recognized in Shareholders' equity (865 thousand euros) and contributions paid (1,265 thousand euros). The net amount recognized in the 2017 income statement for employee benefits was an expense of 1,548 thousand euros (1,660 thousand euros in 2016).
Actuarial losses/(gains) arising from other employee benefits and current service cost are recognized in the income statement as part of labor costs, allocated to the area to which they correspond. Interest expense is recognized in the income statement as part of "Net financial income (expense)" (see Note 7).
Actuarial losses/(gains) on defined-benefit plans are credited or charged to equity in the statement of comprehensive income in the period in which they arise.

The table below lists the main assumptions used for actuarial computation purposes in the defined benefit plans:

	Pension plans	
	12/31/2017	**12/31/2016**
Discount rate	1.70%	1.58%
Projected wage increases	2.17%	2.75%
Inflation rate	1.67%	1.58%
Average employee turnover rate	5.06%	5.08%

A sensitivity analysis of changes in the main assumptions used for actuarial computation purposes is set out below:

(in thousands of euros)		**Provision of employee severance indemnities (*)**	**Other defined-benefit plans**
Discount rate			
	1.0% Increase	(136)	(3,821)
	1.0% Decrease	145	4,947
Projected wage increases		-	-
	1.0% Increase	-	-
	1.0% Decrease	-	-
Inflation rate		-	-
	1.0% Increase	89	3,603
	1.0% Decrease	(86)	(2,998)
Average employee turnover rate		-	-
	1.0% Increase	(1)	-
	1.0% Decrease	1	-

(*) The sensitivity analysis concerning provision of employee severance indemnities takes into account changes in discount rate, projected wage increases inflation rate up or down by 0.5%.

23. Other non-current liabilities

Other non-current liabilities, which totaled 28,115 thousand euros at December 31, 2017 (11,454 thousand euros at December 31, 2016) include provisions for risks and charges established in connection with pending or contingent legal disputes and for supplemental severance benefits owed to sales agents.
The table that follows shows the changes that occurred in these provisions:

(in thousands of euros)	**12/31/2017**	**12/31/2016**
Opening balance	**8,382**	**3,687**
Additions for the period	8,079	4,824
Utilizations/Reversals for the period	(1,294)	(505)
Translation differences and other changes	(184)	376
Ending balance	**14,984**	**8,382**

As regards additions for the period, Law n. 125 of 08/06/2015 extended the pay-back mechanism to medical devices on the basis of which any amount exceeding the ceiling on public expenditure for the purchase of medical devices must be paid partly by the supplying. In virtue of the lack of implementing decrees to specify how to compute the payback measure, the Company carried out the best possible estimate increasing risk provision by 1.8 million euros.

Reversals for the period are related disputes ended successfully.
The provision for supplemental severance benefits owed to sales agents, which amounted to 287 thousand euros at December 31, 2017 was computed in accordance with the provisions of IAS 37, according to which the amount of the provision must be an estimate of the present value of the amounts that will be paid upon termination of the agency relationship to the sales agents entitled to receive these benefits.

24. Trade payables

Trade payables, which totaled 62,331 thousand euros at December 31, 2016 (47,674 thousand euros at December 31, 2016) represent amounts owed to external suppliers for the purchase of goods and services. There are no amounts due after one year.

25. Other current liabilities

Other current liabilities of 49,689 thousand euros at December 31, 2017 (41,870 thousand euros at December 31, 2016) consist mainly of amounts owed to employees for additional monthly payments to be paid equal to 28,749 thousand euros (28,361 thousand euros at December 31, 2016), contributions payable to social security and health benefit institutions amounting to 3,090 thousand euros (2,872 thousand euros at December 31, 2016) and accruals and deferred charges for a total of 1,516 thousand euros (2,100 thousand euros at December 31, 2016).

26. Income taxes payable

The balance of 5,190 thousand euros at December 31, 2017 (10,325 thousand euros at December 31, 2016) represents the income tax liability for the profit earned in the period, net of estimated payments made (equal to 20,226 thousand euros) and amounts owed for other indirect taxes and fees. The analysis of income taxes is provided in Note 8.

27. Commitment and contingent liabilities

Guarantees provided

The guarantees that the Group provided to third parties totaled 30,317 thousand euros and include bank sureties in connection with the submission of bids in response to public calls for tenders, outstanding financing facilities (21,687 thousand euros). These guarantees were established to secure lines of credit provided to Group companies (in the amount of 5,762 thousand euros, including 1,713 thousand euros to the Indian Joint Venture) and in connection with defined-contribution pension plans of some subsidiaries (in the amount of 2,598 thousand euros).

Significant commitments and contractual obligations

Significant contractual obligations include the agreements executed by DiaSorin S.p.A., the Group’s Parent Company, and Stratec in connection with the development and production of new chemiluminescent diagnostic system LIAISON XL and LIAISON XS. The supply contract signed by DiaSorin and Stratec calls for the latter to manufacture and supply exclusively to DiaSorin the analyzers. The Group has agreed to purchase a minimum number of systems. However, the projected commitment is deemed to be significantly lower than the normal level of capital investment that would be required for current or future equipment production. As a result, net invested capital is not expected to undergo significant structural changes in the future as a result of this commitment.

Contingent liabilities

The DiaSorin Group operates globally. As a result, it is exposed to the risks that arise from the complex laws and regulations that apply to its commercial and manufacturing activities.

The Group believes that, overall, the amounts set aside, for pending legal disputes, in the corresponding provision for risks are adequate.

28. Stock option plans

2010 Plan

On April 27, 2010, the Ordinary Shareholders' Meeting approved the new 2010 Stock Option Plan for senior executives and key employees of DiaSorin S.p.A. and its subsidiaries.

The Board of Directors approved an initial tranche of beneficiaries with a grant of 515,000 options by a resolution dated February 14, 2011, a second tranche with a grant of 40,000 options by a resolution dated August 3, 2011, a third tranche with a grant of 50,000 options by a resolution dated November 11, 2011, a fourth tranche with a grant of 70,000 options by a resolution dated December 21, 2011, a fifth tranche with a grant of 60,000 options by a resolution dated March 9, 2012, a sixth tranche with a grant of 10,000 options by a resolution dated November 7, 2012, a seventh tranche with a grant of 5,000 options by a resolution dated March 8, 2013, an eighth tranche with a grant of 5,000 options by a resolution dated May 10, 2013 and a ninth tranche with a grant of 15,000 options by a resolution dated November 8, 2013. Please note that, due some "good leaver" and "bad leaver" events 137,835 options from the abovementioned grants were automatically cancelled and, pursuant to the Plan Regulations, became null and void for the previous beneficiaries.

These free option grants convey to the beneficiaries the right to acquire up to 750,000 common shares at the exercised price, based on a ratio of 1 share for each option granted and exercised, in accordance with the terms and conditions of the 2010 Plan.

The implementation of the program to purchase treasury shares for use in connection with the Company's new stock option plan began on January 17, 2011, in accordance with the terms and conditions authorized by the Shareholders' Meeting of April 27, 2010.

The program was completed on February 15, 2011, resulting in the purchase of 750,000 common shares. The shares were purchased at unit prices that were never lower by more than 15% or higher by more than 15% compared with the closing price of the DiaSorin common shares for the stock market trading session preceding each purchase.

As of December 31, 2016, stock options granted were equal to 2,115.

All stock options expired in July 2017, as they have not been exercised by the expiration date according to the Plan.

2014 Plan

On April 23, 2014, the Ordinary Shareholders' Meeting approved the new 2014 Stock Option Plan for senior executives and key employees of DiaSorin S.p.A. and its subsidiaries pursuant to Art. 2357-*ter* of the Italian Civil Code., authorizing the Board of Directors to dispose of DiaSorin treasury shares, reserving them, in the necessary or appropriate amount and under the terms established by the Plan, to serve the Plan itself.

The Board of Directors approved an initial tranche of beneficiaries with a grant of 710,000 options by a resolution dated August 1, 2014, a second tranche with a grant of 5,000 options by a resolution dated November 14, 2014, a third tranche with a grant of 20,000 options by a resolution dated December 18, 2014, a fourth tranche with a grant of 10,000 options by a resolution dated July 30, 2015, a fifth tranche with a grant of 15,000 options by a resolution dated March 9, 2016, a sixth tranche with a grant of 40,000 options by a resolution dated May 9, 2016 , a seventh tranche with a grant of 5,000 options by a resolution dated November 10, 2016 and an eighth tranche with a grant of 5,000 options by a resolution dated March 8, 2017. Please note that, due some "bad leaver" and "good leaver" events 91,869 options from the abovementioned grants were automatically cancelled and, pursuant to the Plan Regulations, became null and void for the previous beneficiaries.

These free option grants convey to the beneficiaries the right to acquire up to 750,000 common shares at the exercised price, based on a ratio of 1 share for each option granted and exercised, in accordance with the terms and conditions of the 2014 Plan.

As at December 31, 2017 stock options amounted to 77,038, following 636,093 stock options exercised between August 2, and December 19, 2017 at an average exercise price of 30.74 euros per share and 5,000 stock options exercised on November 22 , 2017 at an average exercise price of 29.67 euros.

During the abovementioned period, the average price of the DiaSorin shares was 75.41 euros.

A breakdown of the option grants is as follows:

2014 Plan	**Grant date**	**Number of options**	**Year of exercise**
I Tranche	August 1, 2014	636,093	2017
I Tranche	August 1, 2014	22,850	
II Tranche	November 14, 2014	5,000	2017
IV Tranche	July 30, 2015	10,000	
V Tranche	March 9, 2016	5,000	
VI Tranche	May 9, 2016	34,188	
VII Tranche	November 10, 2016	5,000	
Total		**718,131**	

2016 Plan

On April 28, 2016, the Ordinary Shareholders' Meeting approved the new 2016 Stock Option Plan for senior executives and key employees of DiaSorin S.p.A. and its subsidiaries.

The Board of Directors approved an initial tranche of beneficiaries with a grant of 130,000 options by a resolution dated May 16, 2016, a second tranche with a grant of 20,000 options by a resolution dated August 4, 2016, a third tranche with a grant of 40,000 options by a resolution dated December 19, 2016 and a fourth tranche with a grant of 40,000 options by a resolution dated August 3, 2017.

Please note that, due some "bad leaver" and "good leaver" events, 83,782 options from the abovementioned grants were automatically cancelled and, pursuant to the Plan Regulations, became null and void for the previous beneficiaries.

These free option grants convey to the beneficiaries the right to acquire up to 250,000 common shares at the exercised price, based on a ratio of 1 share for each option granted and exercised, in accordance with the terms and conditions of the 2016 Plan.

The implementation of the program to purchase treasury shares for use in connection with the Company's new stock option plan began on May 12, 2016, in accordance with the terms and conditions authorized by the Shareholders' Meeting of April 28, 2016.

The program was completed on June 9, 2016, resulting in the purchase of 250,000 common shares (equal to 0.44% of the share capital). The shares were purchased at unit prices that were never lower by more than 15% or higher by more than 15% compared with the closing price of the DiaSorin common shares for the stock market trading session preceding each purchase.

As at December 31, 2017, stock options amounted to 146,218.

A breakdown of the option grants is as follows:

2016 Plan	Grant date	Number of options
I Tranche	May 16, 2016	46,218
II Tranche	August 4, 2016	20,000
III Tranche	December 19, 2016	40,000
IV Tranche	August 3, 2017	40,000
Total		**146,218**

2017 Plan

On April 27, 2017, the Ordinary Shareholders' Meeting approved the new 2017 Stock Option Plan for senior executives and key employees of DiaSorin S.p.A. and its subsidiaries.

The Board of Directors approved an initial tranche of beneficiaries with a grant of 170,000 options by a resolution dated November 9, 2017.

These free option grants convey to the beneficiaries the right to acquire up to 450,000 common shares at the exercised price, based on a ratio of 1 share for each option granted and exercised, in accordance with the terms and conditions of the 2017 Plan.

The Shareholders' Meeting of April 27, 2017 resolved to authorize, pursuant to and for the purposes of Article 2357 of the Italian Civil Code, the purchase, in one or more installments and for a period of 18 months from the date of this resolution, of 450,000 common shares to service the new Stock Option Plan.

The shares shall be purchased at unit prices that were never lower by more than 15% or higher by more than 15% compared with the closing price of the DiaSorin common shares for the stock market trading session preceding each purchase.

As at December 31, 2017, stock options amounted to 170,000, all granted on November 9, 2017.

Valuation of stock options

The stock options granted to Directors and employees are measured at their fair value on the grant date in accordance with the method provided in IFRS 2 and the total cost of the plan thus determined is allocated over the vesting period.

The fair value computation method uses a binomial model and is based on the following assumptions:

<u>A – Exercise price</u>

The exercise price was determined in accordance with Article 6.2 of the Plan's Regulations.

<u>B – Stock price</u>

The value assigned to the underlying instrument for stock option valuation purposes is the daily closing price for DiaSorin shares on the grant date.

<u>C – Expected volatility</u>

The expected volatility of the underlying instrument measures the expected fluctuations in price/value over a given period of time. The measure of volatility used in the option pricing model used is the annualized standard deviation of the continuously compounded rates of return on an equity security over a period of time.

D – Employee exit rate

This rate, which reflects the probability that Directors or employees who are the recipients of stock option grants will leave the Company before the vesting date, was deemed to be 0%.

E – Risk-free interest rate

IFRS 2 requires the use of a risk-free interest rate that will be valid over the expected life of the options, with the term expected life meaning the length of time between the grant date and the expected option exercise date.

F – Dividend yield

The value of stock options is also affected by assumptions about the dividend yield, which is the annual dividend paid per share stated as a percentage of the share price.
The table below lists the input data used for stock option valuation purposes:

2014 Plan	Vesting period (in years)	Exercise Price	Stock Price	Per value per share	Volatility	Employee Exit Rate	Risk Free Rate	Dividend Yield	Stock price reference date	Vesting date
I Tranche	3.005479452	€ 30.74	€29.50	€ 1.00	30.00%	0.00%	0.6408%	1.700%	08/01/2014	08/02/2017
II Tranche	3.002739726	€ 29.67	€31.20	€ 1.00	30.00%	0.00%	0.4198%	1.700%	11/14/2014	11/14/2017
IV Tranche	3.008219178	€ 41.43	€41.56	€ 1.00	30.00%	0.00%	0.5142%	1.700%	07/30/2015	08/01/2018
V Tranche	3.005479452	€ 46.86	€46.21	€ 1.00	30.00%	0.00%	0.2840%	1.700%	03/09/2016	03/11/2019
VI Tranche	3.002739726	€ 51.29	€52.50	€ 1.00	30.00%	0.00%	0.1500%	1.700%	05/09/2016	05/10/2019
VII Tranche	3.000000000	€ 56.20	€50.75	€ 1.00	30.00%	0.00%	0.1062%	1.700%	11/10/2016	11/10/2019

2016 Plan	Vesting period (in years)	Exercise Price	Stock Price	Per value per share	Volatility	Employee Exit Rate	Risk Free Rate	Dividend Yield	Stock price reference date	Vesting date
I Tranche	3.000000000	€ 52.54	€52.25	€ 1.00	30.00%	0.00%	0.4550%	1.700%	05/16/2016	05/16/2019
II Tranche	3.000000000	€ 56.31	€57.80	€ 1.00	30.00%	0.00%	0.1413%	1.700%	08/04/2016	08/05/2019
III Tranche	3.000000000	€ 51.84	€53.65	€ 1.00	30.00%	0.00%	0.3800%	1.700%	12/19/2016	12/20/2019
IV Tranche	3.005479452	€ 69.63	€73.05	€ 1.00	23.00%	0.00%	0.1440%	1.500%	08/03/2017	08/04/2020

2017 Plan	Vesting period (in years)	Exercise Price	Stock Price	Per value per share	Volatility	Employee Exit Rate	Risk Free Rate	Dividend Yield	Stock price reference date	Vesting date
I Tranche	3.005479452	€ 78.47	€72.05	€ 1.00	23.00%	0.00%	(0.0709%)	1.500%	11/09/2017	11/10/2020

Based on the assumptions described above, the fair value of the 2014 Plan is equal to 3,797 thousand euros, with a vesting period that goes from August 1, 2014 to November 10, 2019. The fair value per option is as follows (amounts in euros):

2014 PLAN	Number of options on the vesting date	Fair Value per option
I Tranche	22,850	4.972722
IV Tranche	10,000	7.631389
V Tranche	15,000	8.084891
VI Tranche	34,188	9.825548
VII Tranche	5,000	7.228593

Based on the assumptions described above, the fair value of the 2016 Plan is equal to 1,652 thousand euros, with a vesting period that goes from May 16,2016 to August 4, 2020. The fair value per option is as follows (amounts in euros):

2016 PLAN	Number of options on the vesting date	Fair Value per option
I Tranche	46,218	9.380147
II Tranche	20,000	10.878929
III Tranche	40,000	10.414678
IV Tranche	40,000	14.615400

Based on the assumptions described above, the fair value of the 2017 Plan is equal to 1,496 thousand euros, with a vesting period that goes from November 9, 2017 to November 10, 2020. The fair value per option is as follows (amounts in euros):

2017 PLAN	Number of options on the vesting date	Fair Value per option
I Tranche	170,000	8.799800

The cost attributable to 2017, which amounted to 1,234, was recognized in the income statement as part of labor costs and general and administrative expenses, with the offsetting entries posted to shareholder’s equity.

The exercise of some tranches under the 2014 Plan during 2017 and the expiration of some options caused the stock option reserve to decrease by 3,206 thousand euros.

29. Related-party transactions

In the normal course of business, DiaSorin S.p.A. engages on a regular basis in commercial and financial transactions with its subsidiaries, which are also Group companies. These transactions, which are executed on standard market terms, consist of the supply of goods and services, including administrative, information technology, personnel management, technical support and consulting services, which produce receivables and payables at the end of the year, and financing and cash management transactions, which produce income and expenses.

These transactions are eliminated in the consolidation process and, consequently, are not discussed in this section of the Report.

The incidence of related-party transactions on the single items of the balance sheet, income statement and cash flows is not material.

The total amount owed to directors and strategic executives recognized in the income statement amounted to 4,391 thousand euros (4,706 thousand euros in 2016), broken down as follows (amounts in thousands of euros):

First and Last name	Post held	Fixed compensation	Bonus and other incentives	Non-monetary benefits	Other compensation	Stock option	Total
Carlo Rosa	General Manager	802	447	3	-	78	1,330
Chen M. Even	Strategic Executive	387	215	3	-	58	663
Other Directors	-	808	393	9	-	213	1,423
Others	Directors	976	-	-	-	-	976
Total		**2,972**	**1,055**	**15**	-	**349**	**4,391**

The compensation payable to senior managers and eligible employees (key management) is consistent with standard market terms for compensation offered to employees with a similar status.

30. Significant events occurring after December 31, 2017 and business outlook

On February 22, 2018, DiaSorin and Trivitron Healthcare Group finalized an agreement under which Trivitron Healthcare Group sold its minority share, equal to 49%, to DiaSorin Inc. The interest was held in DiaSorin Trivitron Healthcare Private Limited joint venture, operating in India as DiaSorin exclusive distributor, with consequent termination of contractual agreements to manage the company (i.e. Shareholders Agreement).

In view of the Group's operating performance after December 31, 2017 and taking into account possible evolutions of the global macroeconomic scenario and the diagnostic sector in particular, management believes that in 2018, DiaSorin will succeed in reporting:

- Revenues: growth equal to +11 at CER compared with 2017;
- EBITDA: growth equal to +13 at CER compared with 2017

31. Non-recurring material extraordinary events and transactions

Non-recurring material extraordinary events and transactions occurred in 2017 include the acquisition of ELISA immunodiagnostic business portfolio and the associated tangible and intangible assets from Siemens Healthcare GmbH and its affiliates ("Siemens Healthineers"),whose effects on the economic and financial situation are summarized in paragraph "Business combinations" of this Report.

Furthermore, in the second half of 2017, the Group started the reorganization process to progressively close the Irish manufacturing facility and transfer the manufacturing lines to other Group's companies, including the Parent Company DiaSorin S.p.A.

32. Entries resulting from atypical and/or unusual transactions

As required by Consob Communication No. DEM/6064296 of July 28, 2006, the Company declares that, in 2017, the Group did not execute atypical and/or unusual transactions, as defined in the abovementioned Communication, according to which atypical and/or unusual transactions are transactions that, because of their significance/material amount, type of counterpart, subject of the transaction, method of determining the transfer price and timing of the event (proximity to the end of a reporting period), could create doubts with regard to: the fairness/completeness of the financial statement disclosures, the existence of a conflict of interest, the safety of the corporate assets and the protection of minority shareholders.

33. Translation of financial statements of foreign companies

The table below lists the main exchange rates used to translate into euros the 2017 financial statements of foreign companies:

Currency	Average exchange rate in			Exchange rate at		
	2017	2016	P&L Change	12/31/2017	12/31/2016	BS Change
U.S. dollar	1.1297	1.1069	2.1%	1.1993	1.0541	13.8%
Brazilian real	3.6054	3.8561	-6.5%	3.9729	3.4305	15.8%
British pound	0.8767	0.8195	7.0%	0.8872	0.8562	3.6%
Swedish kronor	9.6351	9.4689	1.8%	9.8438	9.5525	3.0%
Swiss Franc	1.1117	1.0902	2.0%	1.1702	1.0739	9.0%
Czech koruna	26.3258	27.0343	-2.6%	25.5350	27.0210	-5.5%
Canadian dollar	1.4647	1.4659	-0.1%	1.5039	1.4188	6.0%

Mexican peso	21.3286	20.6673	3.2%	23.6612	21.7719	8.7%
Israeli shekel	4.0622	4.2489	-4.4%	4.1635	4.0477	2.9%
Chinese yuan	7.6290	7.3522	3.8%	7.8044	7.3202	6.6%
Australian dollar	1.4732	1.4883	-1.0%	1.5346	1.4596	5.1%
South African rand	15.0490	16.2645	-7.5%	14.8054	14.4570	2.4%
Norwegian kroner	9.3270	9.2906	0.4%	9.8403	9.0863	8.3%
Polish zloty	4.2570	4.3632	-2.4%	4.1770	4.4103	-5.3%

ANNEX I: LIST OF EQUITY INVESTMENTS WITH THE SUPPLEMENTAL DISCLOSURES REQUIRED BY CONSOB COMMUNICATION NO. DEM/6064293

	Head office location	Currency	Share Capital (*)	Net profit/loss for the year (*)	Shareholders' equity in latest approved financial statements (*)	Per value per share or partner-ship interest	% interest held directly	No. of shares or partnership interest held
Equity investments consolidated line by line								
DiaSorin S.A/N.V.	Bruxelles (Belgium)	**EUR**	1,674,000	2,563,755	4,935,231	6,696	99.99%	249
DiaSorin Ltda	Sao Paolo (Brazil)	**BRL**	65,547,409	1,629,653	11,479,135	1	99.99%	65,547,408
DiaSorin S.A.	Antony (France)	**EUR**	960,000	887,321	6,739,466	15,3	99.99%	62,492
DiaSorin Iberia S.A.	Madrid (Spain)	**EUR**	1,453,687	643,394	3,128,075	6,01	99.99%	241,877
DiaSorin Ltd	Oldbury (UK)	**GBP**	500	250,293	1,025,002	1	100.00%	500
DiaSorin Inc.	Stillwater (USA)	**USD**	1	63,554,700	346,018,700	0,01	100.00%	100
DiaSorin Canada Inc	Mississauga (Canada)	**CAD**	200,000	111,000	1,030,100	N/A	-	100 Class A common shares
DiaSorin Molecular LLC	Cypress (USA)	**USD**	100,000	1,845,600	953,300	100,000	-	1
DiaSorin Mexico S.A de C.V.	Mexico City (Mexico)	**MXP**	63,768,473	(122,606)	43,016,424	1	99.99%	49,999
DiaSorin Deutschland GmbH	Dietzenbach (Germany)	**EUR**	275,000	2,981,370	7,279,725	275,000	100.00%	1
DiaSorin AB	Solna (Sweden)	**SEK**	5,000,000	1,970,043	17,950,922	100	100.00%	50,000
DiaSorin Ltd	Rosh Haayin (Israel)	**ILS**	100	737,000	18,652,000	1	100.00%	100
DiaSorin Austria GmbH	Wien (Austria)	**EUR**	35.000	655,793	1,854,193	35,000	100.00%	1
DiaSorin Czech s.r.o.	Prague (Czech Republic)	**CZK**	200,000	4,219,400	53,504,300	200,000	100.00%	1
DiaSorin Diagnostics Ireland Limited	Dublin (Ireland)	**EUR**	3,923	52,725,262	57,240,785	0,01	100.00%	392,282
DiaSorin Ireland Limited	Dublin (Ireland)	**EUR**	163,202	(4,074,123)	31,088,848	1,20	100.00%	136,002
DiaSorin I.N.UK Limited	Dublin (Ireland)	**EUR**	7,826,072	823,415	15,416,620	0,01	100.00%	782,607,110
DiaSorin South Africa (PTY) Ltd	Johannesburg (South Africa)	**ZAR**	101	25,527,239	102,529,759	1	100.00%	101
DiaSorin Australia (Pty) Ltd	Sydney (Australia)	**AUD**	3,300,000	1,983,001	5,347,264	33,000	100.00%	100
DiaSorin Ltd	Shanghai (China)	**RMB**	1,211,417	29,887,561	53,133,082	1	80.00%	96,000
DiaSorin Switzerland AG	Risch (Switzerland)	**CHF**	100,000	343,988	824,119	100	100.00%	1,000
DiaSorin Poland sp. z o.o.	Warsaw (Poland)	**PLN**	550,000	458,390	11,209,782	50	100.00%	11,000

Company	Head office location	Currency	Share Capital (*)	Per value per share or partner-ship interest)	Net profit/loss for the year (*)	Shareholders' equity in latest approved financial statements (*)	% interest held directly	No. of shares or partnership interest held
Equity investment valued using the equity method								
DiaSorin Trivitron Healthcare Private Limited	Chennai (India)	**INR**	212,295,610	10	(85,841,662)	(72,832,257)	-	10,827,076
Equity investment valued at cost								
DiaSorin Deutschland Unterstuetzungskasse GmbH	Dietzenbach (Germany)	**EUR**	25,565	1	4,308,930	191,202	-	1
Consorzio Sobedia	Saluggia (Italy)	**EUR**	5,000	N/A	(674)	4,326	20.00%	1

(*) Amounts stated in the local currency

ANNEX II: DISCLOSURE REQUIRED PURSUANT TO ARTICLE 149-DUODECIES OF THE CONSOB ISSUERS' REGULATIONS

(in thousands of euros)	Party providing the service	Client	Fee attributable to 2017
Independent Auditing	PricewaterhouseCoopers S.p.A.	Parent Company- DiaSorin S.p.A.	250
	PwC Network	Subsidiaries	591
Other services	PwC Network	Subsidiaries	107
Total			**948**

CERTIFICATION OF THE STATUTORY FINANCIAL STATEMENTS PURSUANT TO ARTICLE 81-*TER* OF CONSOB REGULATION NO. 11971 OF MAY 14, 1999, AS AMENDED

1. We, the undersigned, Carlo Rosa, in my capacity as Chief Executive Officer, and Piergiorgio Pedron, in my capacity as Corporate Accounting Documents Officer, of the issuer DiaSorin S.p.A.,

attest that,

insofar as the provisions of Article 154-*bis,* Sections 3 and 4, of Legislative Decree No. 58 of February 24, 1998 are concerned, the administrative and accounting procedures applied to prepare the 2017 statutory financial statements are:

a) adequate in light of the Company's characteristics; and

b) were applied effectively.

2. Moreover, we attest that:

2.1 the statutory financial statements at December 31, 2017:

a) were prepared in accordance with the applicable international accounting principles recognized by the European Union, pursuant to Regulation (EC) No. 1606/2002 of the European Parliament and Council dated July 19, 2002;

b) are consistent with the data in the supporting documents and accounting records;

c) are suitable for the purpose of providing a truthful and fair representation of the balance sheet, operating performance and financial position of the issuer;

2.2 the Report on Operations provides a reliable analysis of the Group's performance and result from operations and of the status of the issuer, together with a description of the main risks and uncertainties to which they are exposed.

Saluggia, March 7, 2018

Signed:

Carlo Rosa	Piergiorgio Pedron
Chief Executive Officer	Corporate Accounting Documents Officer

STATUTORY FINANCIAL STATEMENTS OF DIASORIN S.P.A. AT DECEMBER 31, 2017 AND AT DECEMBER 31, 2016

INCOME STATEMENT

(in euros)	**Notes**	**2017**	**2016**
Net revenues	(1)	332,218,056	300,013,808
Cost of sales	(2)	(178,279,745)	(158,706,731)
Gross Profit		**153,938,311**	**141,307,077**
Sales and marketing expenses	(3)	(31,232,808)	(27,877,239)
Research and development costs	(4)	(17,264,086)	(14,547,190)
General and administrative expenses	(5)	(29,881,967)	(28,453,476)
Other operating income /(expenses)	(6)	(370,136)	(3,297,381)
Non-recurring amount		*(1,960,591)*	*(2,225,366)*
Operating result (EBIT)		**75,189,314**	**67,131,791**
Net financial income /(expense)	(7)	16,601,022	15,026,680
Result before taxes		**91,790,336**	**82,158,471**
Income taxes	(8)	(3,202,964)	(21,878,360)
Net Result		**88,587,372**	**60,280,111**

Pursuant to Consob Resolution No. 15519 of July 27, 2006, the impact of related-party transactions on the income statement of DiaSorin S.p.A. is shown in a separate income statement schedule provided later in this Report.

COMPREHENSIVE INCOME STATEMENT

(in thousands of euros)	**2017**	**2016**
Net profit for the year (A)	**88,587**	**60,280**
Other comprehensive gains/(losses) that will not be reclassified in gain/loss of the period:		
Gains/(losses) on remeasurement of defined-benefit plans	(54)	(142)
Total comprehensive gains/losses that will not be reclassified in gain/loss of the period (B1)	**(54)**	**(142)**
Other comprehensive gains/(losses) that will be reclassified in gain/loss of the period:		
Gains/(losses) from translation of financial statements of foreign branches	(300)	(1,216)
Total comprehensive gains/(losses) that will be reclassified in gain/loss of the period (B2)	**(300)**	**(1,216)**
TOTAL COMPREHENSIVE GAINS/(LOSSES), NET OF TAX EFFECT (B1)+(B2)=(B)	**(354)**	**(1,358)**
TOTAL COMPREHENSIVE GAINS/(LOSSES) (A)+(B)	**88,233**	**58,922**

STATEMENT OF FINANCIAL POSITION

(in euros)	**Notes**	**12/31/2017**	**12/31/2016**
ASSETS			
Non-current assets			
Property, plant and equipment	(10)	40,741,802	30,156,424
Goodwill	(11)	36,951,694	31,851,695
Intangible assets	(11)	61,980,482	44,423,265
Equity investments	(12)	186,556,936	100,736,822
Deferred-tax assets	(13)	4,819,896	4,987,416
Other non-current assets	(17)	817,448	109,165
Other non-current financial assets	(16)	4,593,537	42,015,998
Total non-current assets		**336,461,795**	**254,280,785**
Current assets			
Inventories	(14)	90,819,346	74,534,439
Trade receivables	(15)	43,546,488	41,636,522
Trade receivables from Group companies	(15)	53,072,014	49,404,804
Financial receivables from Group companies	(16)	81,719,937	62,260,179
Other current assets	(17)	28,733,490	7,134,835
Other current financial assets	(20)	483,957	-
Cash and cash equivalents	(18)	101,465,882	71,838,247
Total current assets		**399,841,114**	**306,809,026**
TOTAL ASSETS		**736,302,909**	**561,089,811**

Pursuant to Consob Resolution No. 15519 of July 27, 2006, the impact of related-party transactions on the statement of financial position of DiaSorin S.p.A. is shown in a separate statement of financial position schedule provided later in this Report.

STATEMENT OF FINANCIAL POSITION *(continued)*

(in euros)	Notes	12/31/2017	12/31/2016
LIABILITIES AND SHAREHOLDERS' EQUITY			
Shareholders' equity			
Share capital	(19)	55,948,257	55,948,257
Treasury shares	(19)	(22,183,535)	(38,025,109)
Additional paid-in capital	(19)	18,155,103	18,155,103
Statutory reserve	(19)	11,189,651	11,189,651
Other reserves and retained earnings	(19)	315,856,618	294,642,890
Net profit for the year		88,587,372	60,280,111
Total shareholders' equity		**467,553,466**	**402,190,903**
Non-current liabilities			
Long-term borrowings	(20)	-	27,292,737
Provisions for employee benefits	(21)	5,149,098	5,392,789
Other non-current liabilities	(22)	19,046,198	7,051,584
Total non-current liabilities		**24,195,296**	**39,737,110**
Current liabilities			
Trade payables	(23)	45,479,719	30,703,203
Trade payables due to Group companies	(23)	19,569,263	12,634,383
Current financial liabilities	(20)	23,888,637	29,391,037
Payables due to Group companies	(20)	131,789,000	26,004,957
Other liabilities	(24)	23,406,705	15,543,928
Current tax liabilities	(25)	420,823	4,884,290
Total current liabilities		**244,554,147**	**119,161,798**
TOTAL LIABILITIES		**268,749,443**	**158,898,908**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**736,302,909**	**561,089,811**

Pursuant to Consob Resolution No, 15519 of July 27, 2006, the impact of related-party transactions on the statement of financial position of DiaSorin S.p.A. is shown in a separate statement of financial position schedule provided later in this Report.

STATEMENT OF CASH FLOWS

(in thousands of euros)	2017	2016
Cash flow from operating activities		
Net profit for the year	88,587	60,280
Adjustments for:		
- Income taxes	3,203	21,878
- Depreciation and amortization	14,507	13,279
- Financial expense (income)	(16,601)	(15,027)
- Additions to/Utilizations of provisions for risks	1,368	4,322
- (Gains)/Losses on sales of non-current assets	(117)	(64)
- Additions to/(Reversals of) provisions for employee severance indemnities and other employee benefits	62	86
- Changes in shareholders' equity reserves:		
- Stock options reserve	1,234	1,370
- Cumulative translation adjustment from operating activities	399	759
- Change in other non-current assets/liabilities	1,598	(56)
Cash flow from operating activities before changes in working capital	**94,240**	**86,827**
(Increase)/Decrease in current receivables	(5,473)	(14,222)
(Increase)/Decrease in inventories	(11,713)	(5,011)
Increase/(Decrease) in trade payables	21,716	6,558
(Increase)/Decrease in other current items	(570)	(4,192)
Cash from operating activities	**98,200**	**69,960**
Income taxes paid	(25,290)	(15,065)
Paid/ collected interests	1,296	2,365
Net cash from operating activities	**74,206**	**57,260**
Investments in intangibles	(11,438)	(3,809)
Investments in property, plant and equipment	(16,601)	(9,990)
Proceeds from divestments of non-current assets	4,241	646
Cash used in ordinary investing activities	**(23,798)**	**(13,153)**
Acquisitions of subsidiaries and business operations	(13,409)	(18,203)
Cash used in investing activities	**(37,207)**	**(31,356)**
(Repayment of)/ Proceeds from loans and other liabilities	(24,000)	47,637
(Opening)/ Repayment of term deposit	-	30,000
(Increase/(Decrease) in financial items from Group companies	27,806	(78,996)
(Purchase)/Sale of treasury shares	19,702	(12,824)
Dividend distribution	(43,807)	(35,719)
Dividend received from Group companies	17,759	13,749
Cash from financing activities	**(2,540)**	**(36,153)**
Foreign exchange translation differences	(4,831)	(612)
Net change in cash and cash equivalents	**29,628**	**(10,861)**
Cash and cash equivalents opening balance	**71,838**	**82,699**
Cash and cash equivalents closing balance	**101,466**	**71,838**

Pursuant to Consob Resolution No, 15519 of July 27, 2006, the impact of related-party transactions on the statement of cash flows of DiaSorin S.p.A. is shown in a separate statement of statement of cash flows schedule provided later in this Report.

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

(in thousands of euros)	**Share capital**	**Treasury shares**	**Additional paid-in capital**	**Statutory reserve**	**Stock option reserve**	**Reserve for treasury shares**	**Currency translation reserve**	**Other reserves and retained earnings**	**Net profit for the year**	**Group interest in Shareholder's equity**
Shareholders' equity at 12/31/2015	**55,948**	**(25,459)**	**18,155**	**11,190**	**1,773**	**25,459**	**775**	**256,597**	**46,004**	**390,442**
Appropriation of previous year's profit	-	-	-	-	-	-	-	46,004	(46,004)	-
Dividend distribution	-	-	-	-	-	-	-	(35,719)	-	**(35,719)**
Stock options and other changes	-	-	-	-	1,228	-	-	142	-	**1,370**
Sale of /(purchase) treasury shares	-	(12,566)	-	-	-	12,566	-	(12,824)	-	**(12,824)**
Profit for the year	-	-	-	-	-	-	-	-	60,280	**60,280**
Other changes in the comprehensive income statement	-	-	-	-	-	-	(1,216)	(142)	-	**(1,358)**
Comprehensive profit	-	-	-	-	-	-	(1,216)	(142)	**60,280**	**58,922**
Shareholders' equity at 12/31/2016	**55,948**	**(38,025)**	**18,155**	**11,190**	**3,001**	**38,025**	**(441)**	**254,058**	**60,280**	**402,191**
Appropriation of previous year's profit	-	-	-	-	-	-	-	60,280	(60,280)	-
Dividend distribution	-	-	-	-	-	-	-	(43,807)	-	**(43,807)**
Stock options and other changes	-	-	-	-	(1,972)	-	-	3,206	-	**1,234**
Sale of /(purchase) treasury shares	-	15,842	-	-	-	(15,842)	-	19,702	-	**19,702**
Profit for the year	-	-	-	-	-	-	-	-	88,587	**88,587**
Other changes in the comprehensive income statement	-	-	-	-	-	-	(300)	(54)	-	**(354)**
Comprehensive profit	-	-	-	-	-	-	(300)	(54)	**88,587**	**88,233**
Shareholders' equity at 12/31/2017	**55,948**	**(22,183)**	**18,155**	**11,190**	**1,029**	**22,183**	**(741)**	**293,385**	**88,587**	**467,553**

INCOME STATEMENT
pursuant to Consob Resolution No. 15519 of July 27, 2006

(in thousands of euros)	**Notes**	**2017**	***amount with related parties***	**2016**	***amount with related parties***
Net Revenues	(1)	332,218	190,733	300,014	173,478
Cost of sales	(2)	(178,280)	(53,933)	(158,707)	(42,375)
Gross profit		**153,938**		**141,307**	
Sales and marketing expenses	(3)	(31,233)	(1,349)	(27,877)	(2,266)
Research and development costs	(4)	(17,264)	35	(14,547)	20
General and administrative expenses	(5)	(29,882)	(4,689)	(28,455)	(4,888)
Other operating income (expense)	(6)	(370)	2,807	(3,297)	2,054
Non-recurring amount		(1,961)		(2,225)	
Operating result (EBIT)		**75,189**		**67,131**	
Net financial income (expense)	(7)	16,601	20,989	15,027	17,018
Result before taxes		**91,790**		**82,158**	
Income taxes	(8)	(3,203)		(21,878)	
Net Result		**88,587**		**60,280**	

STATEMENT OF FINANCIAL POSITION
pursuant to Consob Resolution No. 15519 of July 27, 2006

(in thousands of euros)	**Notes**	**12/31/2017**	***amount with related parties***	**12/31/2016**	***amount with related parties***
ASSETS					
Non-current assets					
Property, plant and equipment	(10)	40,742		30,156	
Goodwill	(11)	36,951		31,851	
Intangible assets	(11)	61,981		44,423	
Equity investments	(12)	186,557		100,737	
Deferred-tax assets	(13)	4,820		4,987	
Other non-current assets	(17)	817		109	
Other non-current financial assets	(16)	4,594	4,594	42,016	42,016
Total non-current assets		*336,462*		*254,279*	
Current assets					
Inventories	(14)	90,819		74,534	
Trade receivables	(15)	96,618	53,072	91,042	49,405
Financial receivables	(16)	81,720	81,720	62,260	62,260
Other current assets	(17)	28,734	-	7,137	
Other current financial assets	(20)	484		-	
Cash and cash equivalents	(18)	101,466		71,838	
Total current assets		*399,841*		*306,811*	
TOTAL ASSETS		**736,303**		**561,090**	

STATEMENT OF FINANCIAL POSITION *(continued)*
pursuant to Consob Resolution No, 15519 of July 27, 2006

(in thousands of euros)	**Notes**	**12/31/2017**	***amount with related parties***	**12/31/2016**	***amount with related parties***
LIABILITIES AND SHAREHOLDERS' EQUITY					
Shareholders' equity					
Share capital	(19)	55,948		55,948	
Additional paid-in capital	(19)	18,155		18,155	
Statutory reserve	(19)	11,190		11,190	
Other reserves and retained earnings	(19)	315,856		294,643	
Treasury shares	(19)	(22,183)		(38,025)	
Net profit for the year		88,587		60,280	
Total shareholders' equity		**467,553**		**402,191**	
Non-current liabilities					
Non-current financial liabilities	(20)	-		23,888	
Provisions for employee severance indemnities and other employee benefits	(21)	5,149		5,393	
Other non-current liabilities	(22)	19,046		7,051	
Total non-current liabilities		*24,195*		*39,737*	
Current liabilities					
Trade payables	(23)	65,049	19,569	43,337	12,634
Current financial liabilities	(20)	155,678	131,789	55,395	26,005
Other liabilities	(24)	23,407	117	15,546	167
Current tax liabilities	(25)	421		4,884	
Total current liabilities		*244,555*		*119,162*	
TOTAL LIABILITIES		**268,750**		**158,899**	
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**736,303**		**561,090**	

STATEMENT OF CASH FLOWS
pursuant to Consob Resolution No. 15519 of July 27, 2006

(in thousands of euros)	**2017**	***amount with related parties***	**2016**	***amount with related parties***
Cash flow from operating activities				
Net profit for the year	88,587		60,280	
Adjustments for:				
- Income taxes	3,203		21,878	
- Depreciation and amortization	14,507		13,279	
- Financial expense (income)	(16,601)		(15,027)	
- Additions to/Utilizations of provisions for risks	1,368		4,322	
- (Gains)/Losses on sales of non-current assets	(117)		(64)	
- Additions to/(Reversals of) provisions for employee severance indemnities and other employee benefits	62		86	
- Changes in shareholders' equity reserves:				
- Stock options reserve	1,234		1,370	
- Cumulative translation adjustment from operating activities	399		759	
- Change in other non-current assets/liabilities	1,598		(56)	
Cash flow from operating activities before changes in working capital	**94,240**		**86,827**	
(Increase)/Decrease in current receivables	(5,473)	(3,667)	(14,222)	(16,204)
(Increase)/Decrease in inventories	(11,713)		(5,011)	
Increase/(Decrease) in trade payables	21,716	6,926	6,558	2,833
(Increase)/Decrease in other current items	(570)	(50)	(4,192)	43
Cash from operating activities	**98,200**		**69,960**	
Income taxes paid	(25,290)		(15,065)	
Paid/ collected interests	1,296		2,365	
Net cash from operating activities	**74,206**		**57,260**	
Investments in intangibles	(11,438)		(3,809)	
Investments in property, plant and equipment	(16,601)		(9,990)	
Proceeds from divestments of non-current assets	4,241		646	
Cash used in ordinary investing activities	**(23,798)**		**(13,153)**	
Acquisitions of subsidiaries and business operations	(13,409)		(18,203)	
Cash used in investing activities	**(37,207)**		**(31,356)**	
(Repayment of)/Proceeds from loans and other financial liabilities	(24,000)		47,637	
(Opening)/ Repayment of term deposit	-		30,000	
Increase/(Decrease) in financial items from Group companies	27,806	27,806	(78,996)	(78,996)
(Purchase)/Sale of treasury shares	19,702		(12,824)	
Dividends paid	(43,807)		(35,719)	
Dividends received from Group companies	17,759	17,759	13,749	13,749
Cash from financing activities	**(2,540)**		**(36,153)**	
Foreign exchange translation differences	(4,831)		(612)	
Change in net cash and cash equivalents	**29,628**		**(10,861)**	
Cash and cash equivalents opening balance	**71,838**		**82,699**	
Cash and cash equivalents closing balance	**101,466**		**71,838**	

NOTES TO THE FINANCIAL STATEMENTS OF DIASORIN S.P.A. AT DECEMBER 31, 2017 AND DECEMBER 31, 2016

GENERAL INFORMATION

Background information

The DiaSorin Group is specialized in the development, manufacture and distribution of products in the immunodiagnostics and molecular diagnostics. DiaSorin S.p.A., the Group's Parent Company, has its headquarters in Via Crescentino (no building No.), Saluggia (VC).

The Company owns controlling interests in other companies, which it carried at cost in its financial statements and, consequently, also prepared consolidated financial statements, which provide exhaustive additional information about the balance sheet, financial position and income statement of the Company and the Group.

The income statement and the statement of financial position are presented in euros, while the statement of cash flows, the statements of changes in shareholders' equity and the breakdown of total profit (loss) are presented in thousands of euros. The amounts that appear in the notes to the financial statements are also in thousands of euros

Principles for the preparation of the statutory financial statements

The 2017 statutory financial statements were prepared in accordance with the International Financial Reporting Standards ("IFRSs"), as issued by the International Accounting Standards Board ("IASB") and adopted by the European Union, and are consistent with the regulations enacted to implement Article 9 of Legislative Decree No. 38/2005.

The financial statements and the accompanying notes include the additional information that accounting schedules and other financial statement disclosures are required to provide pursuant to Consob Resolution No. 15519 of July 27, 2006 and the Consob Communication of July 28, 2006.

The designation IFRSs also includes the International Accounting Standards ("IAS") that are still in effect and all of the interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

The financial statements were prepared in accordance with the historical cost and going concern principles. The preparation of financial statements in accordance with the IFRSs requires the use of estimates for some material amounts. In addition, the Company's management is required to make judgments and assumptions as to how the Company's accounting policies should be applied in certain areas. The areas of the financial statements that require the greatest attention or are especially complex and, consequently, involve the most significant estimated amounts are discussed in a separate Note later in this Report. The financial statements of the U.K. Branch were consolidated by the line-by-line consolidation method.

Under this method, assets, liabilities, expenses and revenues are consolidated using their full amount, irrespective of the percentage interest held, and the minority interest in shareholders' equity and net profit is shown in separate line items of the consolidated financial statements.

Financial statement presentation format

The financial statements are presented in accordance with the following formats:

- In the income statement, costs are broken down by function. This income statement format, also known as a "cost of sales" income statement, is more representative of the Group's business than a presentation with expenses broken down by nature because it is consistent with internal reporting and business management methods and is consistent with international practice in the diagnostic sector;

- In the statement of financial position, current and non-current assets and current and non-current liabilities are shown separately;
- The cash flow statement is presented in accordance with the indirect method.

In the income statement, expense and income amounts generated by extraordinary transactions that are not part of standard operations are shown separately in order to permit a better assessment of the Company's operating performance.

Business Combinations

On September 29, 2017, the DiaSorin Group completed the acquisition of ELISA immunodiagnostic business portfolio and related tangible and intangible assets from Siemens Healthcare GmbH ("Siemens Healthineers"), initiated with a binding purchase agreement signed on July 25, 2017. The acquisition was carried out by DiaSorin S.p.A. and certain of its affiliates.

DiaSorin paid a total consideration of 45.5 million to purchase Siemens Healthineers ELISA immunodiagnostic business portfolio and the associated tangible and intangible assets, including the customers' sales and distribution contracts, the installed base of instruments and the relevant intellectual property. DiaSorin Spa has fully paid EUR 30.5 million. The remaining EUR 15 million will be paid between 2018 and 2020.

The acquisition did not include the transfer of employees nor manufacturing facility and capability.

The Parent Company consolidated revenues from the newly acquired business from the date the transaction was completed, that is September 29, 2017.

As of the date of this Report the process of assessing the fair value of the acquired assets had not yet been completed. Any excess arising from the amount paid for the acquisition and the carrying amounts of the acquired assets and intangibles being provisionally identified was added to "Goodwill. IFRS 3 establishes a one-year period for accounting transactions involving Business Combination (Open Window).

A breakdown of acquired assets and provisional allocation of the purchase price due is provided in the following table:

	(in thousands of euros)
Tangible assets	3,253
Inventories	4,344
(a) Total net assets acquired	**7,597**
Concessions, licenses, trademarks and similar rights	7,700
Customer relationship	8,012
(b) Total intangibles assets (provisionally)	**15,712**
(c) Goodwill (provisionally allocated)	**5,100**
Total amount paid (a + b + c)	**28,409**
Amount paid on transaction closing	*13,409*
Deferred amount	*15,000*

The Parent Company already paid an amount of 30,454 thousand euros to Siemens Healthineers, out of which 17,045 to be paid from subsidiaries; outstanding payables amounted to 15,000 thousand euro at December 31, 2017, to be paid in more tranches between 2018 and 2020.

Transaction costs to complete the acquisition have been classified in the income statement. Their amount was equal to 896 thousand euros.

Between September 29, 2017 and December 31, 2017, the acquired business operation contributed to the Group financial results with revenues amounting to 4,302 thousand euros. The acquisition is consistent with DiaSorin strategy to convert clients using ELISA products to its CLIA platforms and products solution, leveraging on the completeness of its CLIA menu and the features of its LIAISON platforms.

ELISA business portfolio will allow DiaSorin to access a significant clients base, mostly in Europe, granting a unique opportunity to further expand its global commercial presence.

Lastly, goodwill and intangible assets deriving from acquisition are fully deductible for tax purposes.

Valuation criteria and accounting principles

Property, plant and equipment

The primary components of property, plant and equipment include:
a) Land;
b) Industrial buildings;
c) General purpose and specialized facilities;
d) Machinery;
e) Manufacturing and distribution equipment;
f) Other assets.

These assets are recognized at their acquisition or production cost, plus directly attributable incidental expenses. Items of property, plant and equipment are valued at cost. Their cost is reduced by depreciation (with the exception of land, which is not depreciated) and write-downs for impairment.

Depreciation is computed on a straight-line basis at rates that reflect an asset's decrease in value and wear and tear. Depreciation is computed from the moment an asset is available for use.

Significant components of property, plant and equipment that have different useful lives are recognized separately and each one is depreciated in accordance with its own useful life.

The useful lives and residual values of these assets are reviewed each year upon the closing of the annual financial statements.

The depreciation rates used are as follows:

Industrial buildings	5.5%
General purpose and specialized facilities	10-12.5%
Machinery	12%
Manufacturing and distribution equipment	40%
Equipment held by customers	14-25%
Reconditioned equipment held by customers	20-33%

Costs incurred for regular maintenance and repairs are charged directly to income the year they are incurred. Costs incurred to recondition equipment are capitalized only to the extent that the reconditioned equipment meets the requirements to be recognized separately as an asset or an asset component in accordance with the component approach. Reconditioning costs and any non-depreciated residual values are depreciated over the asset's residual life, which is estimated at three years.

Leasehold improvements that meet the requirements of IAS 16 "Property, Plant and Equipment" are classified as property, plant and equipment and depreciated over the asset's residual life or the remaining length of the lease, whichever is shorter.

If, irrespective of the amount of depreciation already taken, the recoverable value of an asset, computed in accordance with the method provided in IAS 36, is lower than its carrying value, the latter is written down to the assets' recoverable value and the resulting impairment loss is recognized. If in subsequent years the reasons for the original write-down cease to apply, the asset is restored to its original value (net of any depreciation that would have been taken had the asset not been written down) or its recoverable value, whichever is lower.

Gains and losses on the disposal or retirement of assets, which are computed as the difference between the sales proceeds and the asset's net carrying value, are recognized in the income statement for the year.

Intangible assets

Intangible assets are recognized in the statement of financial position only if they are identifiable, controllable, there is an expectation that they will produce future economic benefits and their cost can be measured reliably.

Intangible assets with a finite useful life are valued at their acquisition or production cost or at their appraised value, net of accumulated amortization and impairment losses. Amortization is computed on the basis of an asset's estimated useful life and begins when an asset is available for use. Useful lives are reviewed annually and the impact of any changes is reflected prospectively.

Intangible assets with an indefinite useful life are not amortized. They are tested for impairment annually or more frequently, if necessary, even when there are no indications that the value of the assets has been impaired. These tests are carried out for each cash generating unit to which intangible assets have been allocated.

Intangible assets with an indefinite useful life

Goodwill

Goodwill generated through the acquisition of a subsidiary or another business combination is the portion of the purchase price paid in excess of the Group's interest in the fair value on the date of acquisition of the acquired assets, liabilities and identifiable contingent liabilities. Goodwill is recognized as an intangible asset with an indefinite useful life and is not amortized. However, its carrying amount is tested once a year (or more often if necessary) for impairment, even when there are no indications that its value has been impaired, and to test the indefinite life assumption. Impairment losses are immediately recognized in profit or loss and may not be reversed subsequently. After initial recognition, goodwill is valued at cost, less any accumulated impairment losses. When a subsidiary is sold, the net carrying amount of the goodwill allocated to that subsidiary is included in the computation of the gain or loss generated by the sale.

For impairment test purposes, goodwill is allocated to the cash generating units (CGUs).

The carrying value of goodwill generated by acquisitions completed before January 1, 2005 (date of transition to the IFRS) is maintained at the amount determined in accordance with Italian accounting principles, subject to impairment testing at that date, as allowed under the exemption provided by IFRS 1.

Intangible assets with a defined life

Development costs

Costs incurred internally to develop new products or systems constitute an intangible asset and may be recognized as such only if all the following requirements can be satisfied:

- It is a technically feasible to complete an asset so that it will be available for use or sale and the Group intends to do so.
- The Group is able to sell, exchange or distribute the future economic benefits attributable to an asset without having to relinquish future economic benefits generated by other assets used by the same cash generating unit.

- There is evidence that the costs incurred will generate probable future benefits. Such evidence can consist of the existence of a market for the output of the asset or of the usefulness of the asset, if used internally.
- The Group has access to adequate technical and financial resources to complete the development of the asset and to sell or use internally its output.
- The expenditures attributable to the asset during its development can be measured reliably.

Capitalized development costs include only the expenditures that can be attributed directly to the development process.

In the first year, amortization is computed based on the length of time during which the asset is effectively in use. The useful life of development costs is estimated at 10 years, in accordance with the maximum length of time during which management believes that the asset will generate economic benefits for the Group. The estimated useful life of capitalized development costs incurred to develop the LIAISON XL system is also 10 years.

Research and development costs that do not satisfy the requirements listed above are charged to income immediately and may not be capitalized in subsequent years.

Other intangibles

Other intangibles are recognized in the statement of financial position only it is probable that their use will generate future economic benefits and if their cost can be measured reliably. If these conditions are met, these intangible assets are recognized at cost, which is their purchase price plus incidental expenses.

The gross carrying amount of intangible assets with a finite useful life is amortized on a straight-line basis based on the assets' estimated useful lives. Amortization begins when an asset is put into use. In the first year, amortization is computed based on the length of time during which the asset is effectively in use. The Company uses the following amortization rates:

Asset type	Amortization rate
Concessions, licenses, trademarks and similar rights	6.67-10% or length of contract
Trademarks	5% - 20%
Customer relationship	6.67-10%
Industrial patents and intellectual property rights	Length of contract

The duration of the amortization period, which is based on internal analyses and valuations, development plans and the return flows from their use, is deemed to be consistent with expectations concerning the duration and development of the Group's activities and products and with the likelihood that the positions achieved in the diagnostics market will be retained.

Impairment of assets

The Company tests its property, plant and equipment and its intangible assets once a year to determine whether the value of these assets has been impaired. If evidence of impairment is detected, the recoverable value of the affected assets is determined. Intangibles with an indefinite useful life, intangibles that are not yet ready for use and goodwill generated through a business combination are tested for impairment at least once a year, even when there are no indications that the value of the assets has been impaired, or more often if there is an indication that their value may have been impaired, as required.

An asset's recoverable amount is the higher of its fair value, less cost to sell, and its value in use, computed as the present value of the future cash flows expected to be derived from an asset or cash-generating unit. Expected future cash flows reflect assumptions that are consistent with the criteria applied to determine the discount rate. Cash flow projections are based on Company plans and on reasonable and documented assumptions about the Company's future results and macroeconomic conditions.

The discount rate used must reflect the time value of money and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

When the recoverable amount of an individual asset cannot be estimated, the Company estimates the recoverable amount of the CGU to which the asset belongs.

Whenever the recoverable amount of an asset or a CGU is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the reduction is recognized as an impairment loss. Subsequently, if an impairment loss for an asset other than goodwill ceases to exist or is reduced, the carrying amount of the asset (or CGU) is increased to the new estimated recoverable amount (but not more than the asset's net carrying amount had no impairment loss been recognized). This reversal is recognized immediately in earnings. Impairment losses recognized on goodwill or intangibles with indefinite useful life are not recoverable under any circumstances.

Equity investments in subsidiaries

As required by IFRS 5, equity investments in subsidiaries, joint ventures and affiliated companies that are not classified as held-for-sale assets (or included in discontinuing operations classified as held-for-sale assets) are recognized in accordance with the historical cost method. Specifically, the Company recognizes income on equity investments only if it receives from the investee company dividends generated subsequent to acquisition and only for the amount of the dividends. Dividends received in excess of the earnings generated subsequent to acquisition are treated as proceeds from the sale of equity investments and are deducted from the cost of the equity investment.

Whenever financial statements are prepared, the Company determines whether there are indications that the value of these investments may have been impaired. If such indications exist, an impairment test is carried out to determine if the carrying amount of the investments corresponds to their fair value.

Any impairment loss is recognized only to the extent that the recoverable value is lower than the carrying amount of the asset. If, subsequent to the recognition of the impairment loss, there are indications that the loss no longer exists or has decreased, the value of the investment is reinstated to reflect the loss reduction.

Once the carrying amount of an equity investment has been written off, any additional losses suffered by the investee company are recognized as a liability if the Parent Company has a legal or implied obligation to cover such additional losses of the investee company.

The book value of equity investments is increased to take into account stock options awarded to subsidiaries employees and, in accordance with IFRS 2, it is treated as a capital contribution to the subsidiaries in question.

Inventories

Inventories, which consist mainly of raw materials, work-in-progress and finished products, are carried at the lower of cost and net realizable value, determined in accordance with market conditions. Costs include the price paid to suppliers plus the incidental expenses incurred to bring the purchased goods to the warehouse door, net of discounts and rebates. Production costs include the costs directly attributable to individual goods or classes of goods, plus a reasonable allocation of the overall outlays incurred for the activities carried out to produce the goods in question (fixed production overhead). The allocation of fixed production overhead is based on the normal capacity of the production facilities.

Cost is determined by the FIFO method.

The carrying amount of inventories, determined in the manner described above, is reduced by a provision that reflects the impact of obsolete and slow-moving inventory items.

Receivables and payables

Trade receivables and other receivables are valued at amortized cost, using the effective interest rate, net of any loss in value.

Impairment of receivables is recognized when there is objective evidence that the Group will not be able to recover the receivable owed by the counterparty under the terms of the related contract.

The amount of the impairment is based on both the risks related to specific receivables and the overall risk of non-payment inherent in receivables in general, estimated conservatively based on past experience and the known financial condition of the debtors in general.

Trade and other payables are initially recognized at fair value, net of directly allocated accessory costs and are subsequently valued at amortized cost, using the effective interest rate.

Receivables and payables denominated in foreign currencies are translated at the exchange rates in force on the date of the financial statements and any resulting gains or losses are recognized in earnings.

Cash and cash equivalents

The item consists of cash and cash equivalents, short-term bank deposits, shares in liquidity funds and other money market securities converted into cash.

Factoring of receivables

The Company engages in the factoring of its receivables.

The receivables assigned through such transactions are removed from the statement of financial position if all of the risks and benefits inherent in the ownership of the receivables are transferred to the factor.

Shareholders' equity

Equity instruments issued by the Company are recognized for the amount of consideration received. Dividends distributed by the Company are recognized as a liability when the distribution resolution is approved. The purchase cost of treasury shares and the proceeds from their sale are recognized directly in equity, with no impact on the income statement.

Treasury shares

When the Company and its subsidiaries purchase Company shares, the consideration paid is deducted from the shareholders' equity attributable to the Company's shareholders, until the shares are retired or sold. No gain or loss is recognized in the income statement when treasury shares are bought, sold, issued or retired. When these shares are subsequently reissued, the consideration received, net of taxes, is added to the shareholders' equity attributable to the Company's shareholders.

Employee benefits

Pension plans

Defined-benefit pension plans, which include the severance benefits payable to employees pursuant to Article 2120 of the Italian Civil Code, are based on the length of the working lives of employees and the wages earned by employees over a predetermined period of service. The liability that represents the benefits owed to employees under defined-benefit plans is recognized at its actuarial value.

The recognition of defined-benefit plans requires the use of actuarial techniques to estimate the amount of the benefits accrued by employees in exchange for the work performed during the current year and in previous years. The resulting benefit must then be discounted to determine the present value of the Company's obligation. The determination of the present value of the Company's obligation is made by an independent actuary, using the projected unit credit method. This method treats each period of service provided by an employee to a company as an individual accrual unit. The actuarial liability must be quantified exclusively on the basis of the seniority achieved as of the date of valuation. Consequently, the total liability is prorated based on a ratio between the years of service accrued as of the valuation reference date and the total seniority that an employee is expected to have achieved when the benefit is paid. Moreover, this method requires taking into account future wage increases due for any reason (inflation, career moves, labor contract renewals, etc.) until the end of the employment relationship.

The cost of defined-benefit plans accrued during the year, which is reflected in the income statement as part of labor costs, is equal to the sum of the average present value of the accrued benefits of current employees for service provided during the year and their annual vested interest in the present value of the Company's obligations at the beginning of the year, computed by discounting future outlays by the same rate as that used to estimate the Company's liability at the end of the previous year. The annual discount rate used for these computations was the same as the year-end market rate for zero-coupon bonds with a maturity equal to the average residual duration of the liability. Actuarial gains and losses reflecting changes in the actuarial assumptions or experience adjustments are credited or charged to equity in the statement of comprehensive income for the period in which they arise. If the amount is recorded on the balance sheet as an asset, it is limited to the present value of economic benefits available in the form of refunds or reductions in future contributions to the plan.

Starting on January 1, 2007, the Italian Budget Law and the related implementation decrees introduced significant changes to the rules that govern the Provision for employee severance indemnities ("PESI"), which include the right of employees to decide the destination of future accrued PESI amounts. Specifically, new PESI flows may be directed to selected pension investments or retained at the employer company, which will then deposit its PESI contribution in a treasury account at the Italian social security administration (abbreviated as INPS in Italian).

In light of these changes, the PESI should now be viewed as a defined-benefit plan only insofar as the amounts vested before January 1, 2007 are concerned and as a defined-contribution plan after January 1, 2007. The accounting impact of implementing the new rules is described in Note 21.

Equity-based compensation plans

The Company grants to Group executives and middle managers' additional benefits through equity-based plans (stock options). In accordance with IFRS 2 "Share-based Payment," stock options awarded to employees are measured at their fair value on the grant date, in accordance with models that take into account factors and data (option exercise price, duration of the option, current price of the underlying shares, expected share price volatility, expected dividends and interest rate for zero-risk investments over the life of the option) applicable on the grant date.

If the option is exercised after a certain period or when certain performance requirements are met (vesting period), the total value of the option is prorated over the vesting period and recognized in earnings, with the offsetting entry posted to a specific shareholders' equity account called "Other reserves".

Because stock options are equity instruments, as defined by IFRS 2, the fair value of each option determined on the grant date is not adjusted. The estimate of the number of options that will reach maturity (and hence the number of employees who will be entitled to exercise their options) is adjusted.

The result of any change in estimate is posted as an increase to or a reduction of the abovementioned shareholders' equity account, with the offsetting entry reflected in the income statement. At the end of the exercise period, the exercised options are reflected in the Company's share capital by adding an amount obtained by multiplying the number of shares issued by the par value of each share. The portion of "Other reserves" that is attributable to plan costs previously recognized in earnings and the amount obtained by multiplying the number of shares issued by the difference between the exercise price and the par value per share is posted to a shareholders' equity reserve.

Provisions for risks and charges

Provisions for risks and charges include amounts set aside to fund current obligations (statutory or implied) that arise from a past event, the performance of which will probably require the use of resources and the amount of which can be reasonably estimated. When the use of financial resources is expected to extend for a period of more than one year, the corresponding obligation should be recognized at its present value by discounting expected future cash flows at a rate that takes into account the cost of money and the risks inherent in the liability.

The provisions are updated on each financial statement date to reflect best current estimates. The impact of any changes in estimates is reflected in the income statement for the period during which the change occurred.

Risks that are merely reasonably possible of producing a liability are disclosed in the Notes to the financial statements, but no amount is recorded in the financial statements.

Income taxes

Income taxes include both current and deferred taxes.

Current taxes are computed on the basis of the estimated taxable income for the year in accordance with the tax laws in force in the countries in which the Group operates.

Taxable income is different from reported income because it does not include positive and negative components that will be taxable or deductible in subsequent years and those items that will never be taxable or deductible. The liability for current taxes is computed using the tax rates in force on the date of the financial statements or the tax rates that will be in force when the asset is realized or the liability settled, if they are known.

Deferred-tax assets and liabilities are the taxes that the Group expects to pay or recover on temporary differences between the values attributed to assets and liabilities for reporting purposes and the corresponding tax-related values used to compute taxable income, computed in accordance with the balance sheet liability method. As a rule, deferred-tax liabilities are recognized for all taxable temporary differences, while deferred-tax assets are recognized only insofar as the Group deems it probable that, in the future, it will generate sufficient taxable income to use the deductible temporary differences. The tax benefit produced by carrying forward tax losses is recognized if and to the extent that it is probable that, in the future, the Group will have sufficient taxable income to offset these losses. Deferred-tax liabilities or assets are also determined for consolidation adjustments.

The carrying value of deferred-tax assets is updated on each financial statement date and reduced when the existence of future taxable income sufficient to recover all or part of these assets is no longer probable.

Deferred taxes are computed at the tax rate in force on the closing date of the financial statements or at the tax rate that will be in force when the asset is realized or the liability settled. Deferred taxes are charged directly to income, except for those attributable to items recognized directly in equity, in which case the corresponding deferred taxes are also recognized in equity.

Financial liabilities

Financial liabilities consist of loans payable, including advances for the factoring of receivables, and other financial liabilities as derivatives and liabilities that correspond to assets acquired under finance leases.

Initially, financial liabilities other than derivatives are recognized at their fair value less transaction costs. Subsequently, they are valued at their amortized costs, which is their initial amount, less any principal repayments, adjusted upward or downward to reflect the amortization (by the effective interest rate method) of any differences between the initial value and the value at maturity.

Financial Derivatives

Consistent with the provisions of IAS 39, derivatives qualify for hedge accounting only if they are formally designated as hedging instruments when the hedge is first established, the hedge is highly effective and the effectiveness can be measured reliably.

When financial instruments qualify for hedge accounting, the following accounting treatments are applied:

- Fair value hedges: if a derivative is designated as hedging the exposure to changes in fair value of a recognized asset or liability attributable to a specific risk that could have an impact on the income statement, the gains or losses derived from subsequent fair value measurements of the hedge are recognized in earnings. Gains or losses on the hedged item that are attributable to the hedged risk change the carrying amount of the hedged items and are also recognized in earnings.
- Cash flow hedges: if a derivative is designated as a hedging of the exposure to variability in the future cash flows attributed to a recognized asset or liability or to a highly probable future transaction that could have an impact on the income statement, the effective portion of the gain or loss stemming from changes in the fair value of the hedge is recognized in equity. Accumulated gains or losses are reclassified from shareholders' equity to the income statement in the same period in which the hedged transaction is recognized. Any gains or losses associated with a hedge that has become ineffective are immediately recognized in earnings. If a hedge or a hedging transaction is closed out but the hedged transaction has not yet been executed, all accumulated gains and losses, which until then were recognized in equity, are recognized in the income statement when the corresponding transaction is executed. If the occurrence of the hedged transaction is no longer viewed as probable, unrealized gains and losses suspended in equity are immediately transferred to the income statement.

When hedge accounting cannot be applied, all gains and losses generated by subsequent fair value measurements of derivatives are immediately recognized in earnings.

The fair value of financial instruments that are listed on an active market is based on market prices at the balance sheet date. The fair value of financial instruments that are not are listed on an active market is determined using valuation techniques based on a series of methods and assumptions, and market information at the balance sheet date.

The following provides a classification of financial instruments recorded at fair value in a three-level hierarchy:

- Level 1: Fair value is determined on the basis of (unadjusted) quoted prices in active markets for identical assets or liabilities;
- Level 2: Fair value is determined using valuation techniques based on observable inputs on active market;
- Level 3: Fair value is determined using valuation techniques based on market unobservable inputs.

Revenue recognition

Sales Revenues

Sales revenues are recognized to the extent that economic benefits will flow to the Company and the amount of these benefits can be determined reliably. Revenues are recognized net of discounts, allowances and returns.

Revenues from the sale of goods are recognized when the Group has transferred to the buyer the risks and benefits inherent in the ownership of the goods, the sales price has been agreed upon or can be determined and collection of the price is expected.

Service revenues

Service revenues are generated by technical support contracts, when such support is billed separately.

These revenues are recognized in the income statement based on the percentage of completion of each transaction and only when the outcome of the transaction can be estimated reliably.

Royalties

The Company collects royalties from third parties for the use of patents required to manufacture specific products. Royalties, which are generally based on the sales revenues generated by patent users, are recognized on an accrual basis.

Interest income

Interest income is recognized in the income statement at the effective yield rate. It is earned mainly on credit balances in bank accounts.

Dividends

Dividends received from investee companies are recognized in the income statement when the right to receive payment is established and only if they are derived from the distribution of earnings generated subsequent to the acquisition of the investee company.

Dividend distributions are recognized when the right of the Company's shareholders to receive payment is established, which generally occurs when the Shareholders' Meeting approves the dividend distribution resolution. The dividend distribution is recognized as a liability in the financial statements for the period during which the dividend distribution is approved by the Shareholders' Meeting.

Government grants

Government grants are recognized when there is a reasonable certainty that they will be collected. This occurs when the distributing public entity approves a formal resolution to that effect.

Grants received in connection with the purchase of property, plant and equipment or the capitalization of development costs are recognized among non-current liabilities and recognized in the income statement in equal instalments computed on the basis of the useful lives of the assets for which the grant was received.

Grants received as an interest subsidy upon the occurrence of specific events are recognized in the income statement at the present value of the benefit, when there is a formal commitment to grant the benefit by the distributing public entity. The corresponding liabilities are recognized at their fair value on the date the grant was received. Interest on this liability is recognized in the income statement in accordance with the amortized cost method.

Cost of sales

Cost of sales represents the cost incurred to produce or purchase the goods and merchandise sold by the Company. It includes all of the costs incurred to purchase and process materials and the overhead directly attributable to production.

Overhead includes depreciation of the property, plant and equipment and the amortization of the intangible assets used for production purposes, as well as inventory write-downs. Cost of sales also includes freight paid to deliver products to customers.

Research and development costs

This item includes research and development costs that cannot be capitalized and the amortization of capitalized development costs.

Interest expense

Interest expense is recognized in accordance with the accrual principles, based on the financed amount and the applicable effective interest rate.

Material extraordinary events and transactions – Atypical and/or unusual transactions

Consistent with Consob Communication No. DEM/6064293 of July 28, 2006, the notes to the financial statements provide information about the impact of material extraordinary events and transactions and/or atypical and/or unusual transactions on the Company's balance sheet, financial position and operating performance.

Related parties

Consistent with Consob Communication No. DEM/6064293 of July 28, 2006, the notes to the financial statements provide information about the impact of related-party transactions on the Company's balance sheet, financial position and income statement.

NEW ACCOUNTING STANDARDS

The following are the accounting standards and interpretations which became effective starting from January 1, 2017. It should be noted that the abovementioned accounting standards and interpretations had no effect on the consolidated financial statement as of December 31, 2017.

On January 29, 2016, the IASB issued "***Disclosure Initiative (Amendments to IAS 7)***", a series of amendments to IAS 7. The document is intended to clarify IAS 7 to improve disclosure on financial liabilities. The amendments require that entities provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities (see Note 20).

On January 19, 2016, the IASB issued "***Recognition of Deferred Tax Assets for Unrealised Losses (Amendments to IAS 12)***", a series of amendments to IAS 12. The document is intended to clarify the recognition of deferred tax assets for unrealised losses that are classified as available-for-sale financial assets upon the occurrence of certain circumstances and on the estimated taxable income for future years .

Accounting standards and amendments not yet applicable and not adopted early by the Group

Below are the international accounting standards, interpretations and amendments to existing accounting standards and interpretations or specific provisions contained in the standards and interpretations approved by IASB, which have been endorsed or have not been endorsed for adoption in Europe as of the date on which this document is approved:

Description	**Endorsed at the date of this document**	**Date of effect envisaged by the standard**
IFRS 9 Financial Instruments	Yes	Financial years as from 1 January 2018
IFRS 15 Revenue from Contracts with customers	Yes	Financial years as from 1 January 2018
IFRS 16 Leases	Yes	Financial years as from 1 January 2019
Amendments to IFRS 2: Classification and Measurement of Share based Payment Transactions	Yes	Financial years as from 1 January 2018
Annual Improvements to IFRSs 2014-2016 Cycle	Yes	Financial years as from 1 January 2018
IFRIC 22 Foreign Currency Transactions and Advance Consideration	No	Financial years as from 1 January 2018
Amendments to IFRS 9: Prepayment Features with Negative Compensation	No	Financial years as from 1 January 2019
Amendments to IAS 28: Long-term Interests in Associates and Joint Ventures	No	Financial years as from 1 January 2019
Annual Improvements to IFRSs 2015-2017 Cycle	No	Financial years as from 1 January 2019
IFRIC 23 Uncertainty over Income Tax Treatments	No	Financial years as from 1 January 2019
Amendments to IAS 19: Plan Amendment, Curtailment or Settlement (issued on 7 February 2018)	No	Financial years as from 1 January 2019

The Group's Parent Company will comply with these new standards, amendments and interpretations based on their relevant effective dates, when endorsed by the European Union. An assessment is being carried out to analyze the potential effects of introducing these amendments in the consolidated financial statements.

Disclosure on the main accounting standards effective starting from January 1, 2018

IFRS 15 - Revenue from Contracts with Customers

On May 28, 2014, the IASB published **IFRS 15 –** ***Revenue from Contracts with Customers*** and jointly with clarifications published on April 12, 2016 are intended to replace IAS 18 – *Revenue* and IAS 11 – *Construction Contracts*, and interpretations of IFRIC 13 – *Customer Loyalty Programmes*, IFRIC 15 – *Agreements for the Construction of Real Estate*, IFRIC 18 – *Transfers of Assets from Customers* and SIC 31 – *Revenues-Barter Transactions Involving Advertising Services*. The new standard sets out a single model for revenue recognition from contracts with customers, except for those covered by standards on leases, insurance contracts and financial instruments.

The application of the core principles in revenue recognition is carried out as follows:

(i) Identify the contract with a customer,
(ii) Identify the performance obligations in the contract
(iii) Determine the transaction price
(iv) Allocate the transaction price to the performance obligation in the contract
(v) Recognise revenue when or as the entity satisfies a performance obligation.

On the basis of the audits carried out, the new standard adoption did not lead to changes or significant impacts on the Group's Parent Company's revenues. Revenues will continue to be recognized in a manner consistent with the previous accounting standards.

The Group, in the transition to IFRS 15, will adopt the " simplified retrospective method". Consistent with this method and on the basis of the analyses carried out, the cumulative effect on the shareholders' equity at January 1, 2018 is not material.

IFRS 9 – Financial Instruments

On July 24, 2014, the IASB published the final version of **IFRS 9 –** ***Financial Instruments***. The document brings together principles of IASB's project to replace IAS 39 and introduces new criteria of classification and measurement for financial assets and liabilities (along with limited amendments to financial liabilities).

With regard to measurement of financial assets, the new standard requires that loan losses be estimated on an expected losses model (and thus no longer on the incurred losses model) using reasonable and supportable information that is available without undue cost or effort about past events, current conditions and forecasts of future economic conditions.

On the basis of the analyses carried out and considering the financial instruments adopted by the Group's Parent Company, Directors expect that the application of IFRS 9 will not have a significant impact on data related to financial assets and liabilities recognized in the Financial Statements.

With regard to classification and measurement, IFRS 9 introduces a new framework to identify and analyze the Company's business model for financial assets, as provided below:

i) Hold to collect: pursuant to which the Company holds the financial asset to collect contractual cash flows (rather than to sell the instrument prior to its contractual maturity);
ii) Hold to collect and sell: pursuant to which the financial asset is held with the objective of selling it, e.g. to factors, or holding it to collect contractual cash flows;
iii) Hold to sell: pursuant to which the financial asset is sold prior to its maturity.

The Company adopts a business model which includes also the transfer of specific clients, belonging to the public sector in Italy, to the factor; according to the new standard such clients would fall within "hold to collect and sell" scope which provides that changes in the fair value are included in the comprehensive income statement. On the basis of the analyses carried out no major changes occurred compared to the previous accounting treatment.

IFRS 9 introduces a new hedge accounting model (increasing the types of transactions eligible for hedge accounting, changes in the method of accounting for forward contracts and options when these are included in a hedging relationship, changes to effectiveness test) .

IFRS 16 – Leases

On May 13, 2016, the IASB issued **IFRS 16 – *Leases*** that is intended to replace *IAS 17 – Leases*, and interpretations of *IFRIC 4 Determining whether an Arrangement contains a Lease*, *SIC-15 Operating Leases—Incentives* e SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

The new standard provides a new definition of lease and introduces a criterion based on control (right of use) of an asset to distinguish leasing contracts from service contracts, identifying as discriminants: the identification of the asset, the right to replace it, the right to obtain substantially all of the economic benefits deriving from the use of the asset and the right to manage the use of the asset underlying the contract.

The standard establishes a single recognition and measurement model of lease contracts for the lessee providing for the recognition of the leased asset also operating under assets against a financial liability, providing the possibility not to recognize as a lease contracts concerning "low-value assets" and leases with a lease term of 12 months or less. On the contrary, this Standard does not include significant changes for lessors.

IFRS 16 is effective for annual reporting periods beginning on or after January 1, 2019. The Group's Parent Company is evaluating the impacts arising from the new standard application.

ANALYSIS OF FINANCIAL RISKS

The table below lists material assets and liabilities in accordance with the requirements of IAS 39.

		12/31/2017			12/31/2016		
(in thousands of euros)	Notes	**Carrying value**	**Assets at amortized cost**	**Assets at fair value**	**Carrying value**	**Assets at amortized cost**	**Assets at fair value**
Other non-current financial assets	(16)	4,594	4,594	-	42,016	42,016	-
Total non- current financial assets		***4,594***	***4,594***	***-***	***42,016***	***42,016***	***-***
Trade receivables	(15)	43,546	43,546	-	41,637	41,637	-
Accounts receivable from Group companies	(15)	53,072	53,072	-	49,405	49,405	-
Other current assets	(17)	28,734	28,734	-	7,137	7,137	-
Financial derivatives	(20)	484	-	484	-	-	-
Intercompany financial receivables	(16)	81,720	81,720	-	62,260	62,260	-
Cash and cash equivalents	(18)	101,466	101,466	-	71,838	71,838	-
Total current financial assets		***309,022***	***308,538***	***484***	***232,277***	***232,277***	***-***
Total financial assets		**313,616**	**313,132**	**484**	**274,293**	**274,293**	**-**

		12/31/2017			12/31/2016		
(in thousands of euros)	Notes	**Carrying value**	**Liabilities at amortized cost**	**Liabilities at fair value**	**Carrying value**	**Liabilities at amortized cost**	**Liabilities at fair value**
Non-current bank debt	(20)	-	-	-	23,888	23,888	-
Derivative financial instruments	(20)	-	-	-	3,405	-	3,405
Total non-current financial liabilities		***-***	***-***	***-***	***27,293***	***23,888***	***3,405***
Trade payables	(23)	45,480	45,480	-	30,703	30,703	-
Trade payables due to Group companies	(23)	19,569	19,569	-	12,634	12,634	-
Financial payables due to Group companies	(20)	131,789	131,789	-	26,005	26,005	-
Current bank debt	(20)	23,889	23,889	-	23,888	23,888	-
Derivative financial instruments	(20)	-	-	-	5,502	-	5,502
Total current financial liabilities		***220,727***	***220,727***	***-***	***98,732***	***93,230***	***5,502***
Total financial liabilities		**220,727**	**220,727**	**-**	**126,025**	**117,118**	**8,907**

With regard to the above, the classification of financial assets and liabilities measured at fair value in the statement of financial position, according to the fair value hierarchy, concerned derivative financial instruments at December 31, 2017 classified at level 2 and registered in other current financial liabilities amounting to 484 thousand euros.

The change in the fair value of these instruments is recognized in earnings.

Risks related to fluctuations in foreign exchange and interest rates

The Group’s Parent Company is exposed to the market risk caused by fluctuations in foreign exchange rates because it operates at the international level and executes transactions involving different foreign exchange and interest rates. A fluctuation of 5 percentage points in foreign currencies other that the euro would have an impact on the income statement equal to about 0.5 million euros.

With regard to the trend in interest rates, a fluctuation of 2% could have an impact of 0.4 million euros on the income statement.

Credit risk

The Parent Company's receivables present a low level of risk since most of these receivables are owed by public institutions for which the risk of non-collection is not significant. An analysis of trade receivables shows that about 68% is not overdue.

Past due receivables are covered by an allowance for doubtful accounts amounting to 4,175 thousand euros. In addition, in order to bridge the gap between contractual payment terms and actual collection times, the Company assigns its receivables to factors without recourse.

(in thousands of euros)	**Amount not yet due**	**Past-due amount**	**Total receivables from third-parties**
Gross amount	32,513	15,208	47,721
Allowance for doubtful account	-	(4,175)	(4,175)
Net amount	**32,513**	**11,033**	**43,546**

The gross amount of receivables due within 60 days was equal to 6,568 thousand euros, the amount between 60 and 120 days past due amounted to 1,369 thousand euros, and the amount over 120 days past due totaled 7,271 thousand euros.

Liquidity risk

A prudent cash management strategy includes maintaining sufficient cash or readily available assets and credit lines, to meet immediate liquidity needs. Cash flows, funding requirements and liquidity levels are monitored centrally to ensure promptly and effectively the availability of financial resources and invest appropriately any excess liquidity.

Management believes that the funds and credit lines currently available, when combined with the resources generated by operating and financing activities, will enable the Group's Parent Company to meet the obligations resulting from its capital investment programs, working capital requirements and the need to repay its indebtedness upon maturity.

Bank loans amount to 23,889 thousand euros at December 31, 2017 due within the next year. There are no amounts with a due date of more than 1 year. Cash and cash equivalent totaled 101,466 thousand euros.

ITEMS THAT INVOLVE THE USE OF SIGNIFICANT ASSUMPTIONS AND ESTIMATES

The preparation of financial statements in accordance with the IFRS requires the use of estimates for some material amounts. In addition, management is required to make judgments and assumptions as to how accounting policies should be applied in certain areas.

The process of drafting financial statements involves the use of estimates and assumptions about future events. These estimates represent the best assessment possible on the date of the financial statements. However, because of their very nature, they could produce material changes in balance sheet amounts in future years.

Estimates are updated on an on-going basis and are based on past experience, all other known factors and the occurrence of future events that are reasonably expected to take place. The main items affected by estimates are reviewed below.

Allowance for doubtful accounts

The Allowance for doubtful accounts reflects management's estimates about losses that could be incurred in the portfolio of accounts receivable from end customers and from the indirect distribution network (independent distributors). The estimate of the amount by which receivables should be written down is based on the Company's loss expectations, determined on the basis of past experience for similar receivables, the current and historical past due percentages, losses and collections, and the careful monitoring of credit quality.

Provision for inventory write-downs

The Provision for inventory write-downs reflects management's estimates of the Company's loss expectations, determined on the basis of past experience and historical and projected trends in the market for in vitro diagnostics.

Useful life of development costs

Development costs that meet the requirements for capitalization are recognized as intangible assets. The Company's management has estimated the average useful life of these projects at 10 years, which corresponds to the average life cycle of LIAISON products and the length of time during which the assets associated with these products are expected to generate a cash inflow for the Company.

Impairment of non-current assets

Non-current assets include property, plant and equipment, intangible assets (including goodwill), equity investments and other financial assets. Management reviews the carrying amounts of non-current assets held and in use and available-for-sale assets on a regular basis and whenever events or circumstances make such review necessary. The recoverable value of property, plant and equipment and intangible assets (including goodwill) is verified using criteria that are consistent with the requirements of IAS 36, which are explained in the section of these Notes entitled "Impairment of assets."

Pension plans and other post-employment benefits

Management uses different statistical assumptions and evaluation factors to project future events and compute the costs, liabilities and assets related to these plans. Assumptions are made with regard to the discount rate, the expected yield of plan assets, the rates of future increases in employee compensation and trends in health care costs. The actuaries who provide the Company with consulting support also use subjective parameters, such as employee mortality and termination rates.

Stock option plans

The measurement of stock option plans at fair value requires the formulation of specific assumptions, the most significant of which include the following:

- the value of the underlying shares on the valuation date;
- the expected volatility of the price/value of the underlying shares;
- the dividend yield of the underlying shares.

Contingent liabilities

The Group's Parent Company is a party to legal and tax disputes that are under the jurisdiction of various countries. Given the uncertainty inherent in such situations, it is difficult to predict with certainty any expense that may result from these disputes. In the normal course of business, management relies on the support of its legal counsel and of experts on legal and taxation issues. The Group's Parent Company recognizes a liability in connection with these disputes when it believes that the occurrence of a cash outlay is probable and the amount of the resulting loss can be reasonably estimated. When a cash outlay becomes probable, but the amount cannot be determined, this fact is disclosed in the notes to the financial statements.

Description and Main Changes

Income statement

In the consolidated income statement, costs are classified by function. This income statement format, also known as "cost of sales" income statement, is more representative of the Group's business than a presentation with expenses classified by nature.

Insofar as a classification of expenses by nature is concerned, depreciation and amortization totaled 14,507 thousand euros (13,279 thousand euros in 2016), broken down as follows:

(in thousands of euros)	**2017**	**2016**
Depreciation of property, plant and equipment	8,559	8,475
Amortization of intangibles	5,948	4,804
Total	**14,507**	**13,279**

Depreciation of property, plant and equipment includes 3,834 thousand euros attributable to equipment held by customers (4,709 thousand euros in 2016), which in the income statement by destination is part of the cost of sales. An additional 4,026 thousand euros representing depreciation of plant and machinery and manufacturing and distribution equipment is included among production expenses.

The amortization of intangible assets is recognized mainly as part of general and administrative expenses (1,310 thousand euros) and research and development costs (2,853 thousand euros). Amortization of intangibles was allocated as follows:

(in thousands of euros)	**2017**	**2016**
Cost of sales	597	551
Sales and marketing expenses	1,188	668
Research and development costs	2,853	2,196
General and administrative expenses	1,310	1,389
Total	**5,948**	**4,804**

Labor costs amounted to 52,150 thousand euros (49,871 thousand euros in 2016). A breakdown is as follows:

(in thousands of euros)	**2017**	**2016**
Wages and salaries	37,888	36,033
Social security contributions	9,919	9,436
Severance indemnities paid	2,208	2,261
Cost of stock option plan	614	879
Other labor costs	1,521	1,262
Total	**52,150**	**49,871**

The table below shows the average number of employees of DiaSorin S.p.A. in each category:

	2017	**2016**
Factory staff	72	79
Office staff	591	561
Executives	37	32
Total	**700**	**672**

1. Net revenues

Net revenues, which are generated mainly through the sale of diagnostic kits, totaled 322,218 thousand euros in 2017, up 10.7% compared with 2016. This item includes 2,133 thousand euros for equipment rental fees and technical support (2,634 thousand euros in 2016). A breakdown of revenues by geographic region is provided below:

(in thousands of euros)	**2017**	**2016**	**Change %**
Revenues from third customers – Italy	**72,476**	**67,871**	**6.8%**
Revenues from third customers – International	**69,009**	**58,665**	**17.6%**
Asia Pacific	31,588	28,441	11.1%
Europe and Africa	21,802	17,386	25.4%
Central and South America	15,517	12,838	20.9%
North America	102	-	0.0%
Intercompany revenues	**190,733**	**173,478**	**9.9%**
Europe and Africa	103,101	86,746	18.9%
Asia Pacific	42,291	46,136	-8.3%
North America	33,514	28,626	17.1%
Central and South America	11,827	11,970	-1.2%
Revenues from third customers – International	**332,218**	**300,014**	**10.7%**

Revenues from sales to public institutions and universities amounted to 55,331 thousand euros (50,716 thousand euros in 2016).

2. Cost of sales

In 2017, cost of sales amounted to 178,280 thousand euros (53,933 thousand euros from related -party transactions), as against 158,707 thousand euros in 2016. Cost of sales includes 5,216 thousand euros for royalties paid for the use of patents applied to manufacture products (4,819 thousand euros in 2016) and 3,156 thousand euros for distributing products to end customers (2,352 thousand euros in 2016). An amount of 3,834 thousand euros is related to depreciation of equipment held by customers (4,709 thousand euros in 2016).

3. Sales and marketing expenses

Sales and marketing expenses amounted to 31,233 thousand euros, as against 27,877 thousand euros in 2016. This item consists mainly of marketing costs incurred to promote and distribute DiaSorin products costs attributable to the direct and indirect sales force and the cost of the technical support offered together with the Company-owned equipment provided to customers under gratuitous loan contracts. The total includes 1,349 thousand euros generated by related-party transactions (2,266 thousand euros in 2016).

4. Research and development costs

In 2017, research and development costs totaled 17,264 thousand euros (14,547 thousand euros in 2016), include all of the research and development outlays that were not capitalized, including the costs incurred to register the products offered for sale and meet quality requirements and the amortization of capitalized development costs equal to 1,225 thousand euros (1,218 thousand euros in 2016).

In 2017, the Group's Parent Company capitalized development costs amounting to 4,201 thousand euros, as against 2,575 thousand euros in the previous year.

5. General and administrative expenses

General and administrative expenses, which totaled 29,882 thousand euros (28,455 thousand euros in 2016) reflect costs incurred for corporate management activities, Group administration, finance and control, information technology, corporate organization, and insurance. The total amount includes 4,689 thousand euros from related-party transactions (4,888 thousand euros in 2016). The remuneration of the Board of Directors, excluding the Company's employees, amounted to 975 thousand euros (970 thousand euros in 2016). The remuneration of competence of the Statutory Auditors amounted to 100 thousand euros (100 thousand euros in 2016).

6. Other operating income (expenses)

A breakdown of other operating income and expenses is as follows:

(in thousands of euros)	**2017**	**2016**
Intra-Group services	2,807	2,054
Trade-related foreign exchange losses and gains	(549)	942
Tax charges	(102)	(87)
Additions to the allowances for doubtful accounts and provisions for risks and charges	(1,770)	(4,135)
Other (expense) and income	1,205	154
Non-recurring expenses	(1,961)	(2,225)
Other operating income (expenses)	**(370)**	**(3,297)**

The item includes income and expenses from operations that cannot be allocated to specific functional areas (such as gains and losses on asset sales, government grants, insurance settlements, reversals of unused provisions, additions to provisions for risks, incidental taxes and fees).

As regards provisions for risks and charges, the Company recognized a payback provision equal to 1,800 thousand euros.

In 2017, non-recurring expenses equal to 1,961 thousand euros (2,225 thousand euros in 2016) related to activities for the acquisition of Siemens diagnostic business carried out in the second half of 2017, extraordinary consultancy expenses to make the Group's supply chain processes more efficient and reorganization of some company functions.

7. Financial income (expenses)

The table below provides a breakdown of financial income and expenses:

(in thousands of euros)	**2017**	**2016**
Interest and other financial expenses	(3,390)	(2,062)
- amount with related parties	*(4)*	*(4)*
Fair value measurement of financial instruments	3,740	(8,801)
Interest and other financial income	3,680	4,073
- amount with related parties	*3,234*	*3,273*
Dividends received from subsidiaries	17,759	13,749
Foreign exchange differences	(5,188)	8,068
Net financial income (expense)	**16,601**	**15,027**

In 2017, net financial income totaled 16,601 thousand euros, compared with net financial income of 15,027 thousand euros in 2016.

Dividends received from subsidiaries increased to 17,759 thousand euros from 13,749 thousand euros in 2016.

A breakdown of dividends received form subsidiaries is as follows:

(in thousands of euros)	**2017**	**2016**
DiaSorin South Africa (PTY) Ltd	2,570	2,774
DiaSorin Deutschland GmbH	3,760	4,624
DiaSorin S.A/N.V. (Belgium)	2,400	2,300
DiaSorin Ltd (Israel)	1,000	700
DiaSorin Ltd (China)	3,042	2,456
DiaSorin S,A. (France)	4,000	400
DiaSorin Austria GmbH (Austria)	500	495
DiaSorin Ltd	234	-
DiaSorin Switzerland AG	253	-
Total dividends received	**17,759**	**13,749**

Fees on factoring transactions amounted to 314 thousand euros (652 thousand euros in 2016), the collection of interests accrued on past-due position totaled 366 thousand euros (694 thousand euros in 2016) and interest accrued on bank accounts were equal to 80 thousand euros (105 thousand euros in 2016).

Net interest income equal to 3,230 thousand euros (3,269 in 2016), from Group companies derived from cash pooling and loans provided to subsidiaries.

Foreign exchange differences on other financial balances, which were negative by 1,448 thousand euros (negative by 732 thousand euros in 2016) include a positive amount of 6,321 thousand euros for the closure of hedging instruments (expense of 1,934 thousand euros in 2016). Exchange differences on intercompany financing facilities and bank accounts were negative by 7,769 thousand euros in 2017 (positive by 1,437 thousand euros in 2016).

8. Income taxes

The income tax expense recognized in the income statement amounted to 3,203 thousand euros, compared with 21,878 thousand euros in 2016.

(in thousands of euros)	**2017**	**2016**
Current income taxes:		
- Local taxes (IRAP)	1,711	2,524
- Corporate income taxes (IRES)	11,258	17,084
Other income taxes (non-deductible taxes/ taxes of previous years)	*(10,034)*	1,973
Deferred taxes	268	297
Local taxes IRAP amount	93	*(52)*
Total income taxes	**3,203**	**21,878**

On January 30, 2018, DiaSorin Spa signed a prior agreement with *Direzione Regionale delle Entrate del Piemonte* related to the economic contribution for intangible assets (the so-called Patent Box). The agreement is valid for 5 years from 2015. The "other income taxes" item includes 10,550 thousand euros, due primarily to the positive effect deriving from this agreement for the 2015 and 2016 and non-deductible taxes withheld on dividends the Group's Parent Company received from foreign subsidiaries (516 thousand euros in 2017 as against 439 thousand euros in 2016).

A reconciliation of the theoretical tax rate to the effective tax rate, without taking into account the IRAP liability and withholding taxes on dividends, is provided below:

(in thousands of euros)	**2017**	**2016**
Profit before taxes	91,790	82,158
Ordinary tax rate	24.0%	27.5%
Theoretical income taxes	22,030	22,594
Tax effect of permanent differences	(10.597)	(5,560)
Other differences		399
Total income taxes	**11,433**	**17,433**
Effective tax rate	**12.5%**	**21.2%**

In 2017, the effective tax rate was 12,5% compared with 21.2% in 2016, mainly as a result of the economic support to use intangible assets (the so-called Patent Box) and a reduction in the rate of IRES (Italian corporate income tax) from 27.5% to 24% according to the Stability Law for 2016 (Law no. 208 of 28 December 2015) .

9. Earnings per share

Information about basic earnings per share and diluted earnings per share is provided in the Notes to the consolidated Financial Statements.

Consolidated statement of financial position

10. Property, plant and equipment

The tables below show the changes that occurred in the original cost of property, plant and equipment in 2017 and 2016:

(in thousands of euros)	At December 31, 2016	Additions	Business combination	Disposals	Translation differences	Reclassifications and other changes	At December 31, 2017
Land	659	-	-	-	-	-	659
Buildings	6,419	1,299	-	-	-	1,151	8,869
Plant and machinery	22,805	1,166	2,200	(720)	(82)	463	25,832
Manufacturing and distribution equipment	60,498	5,708	1,053	(2,210)	(42)	(1,465)	63,542
Other assets	6,676	636	-	(37)	(126)	416	7,565
Advances and tangible in progress	4,768	7,792	-	(2)	(101)	(2,261)	10,196
Total property, plant and equipment	**101,825**	**16,601**	**3,253**	**(2,969)**	**(351)**	**(1,696)**	**116,663**

(in thousands of euros)	At Decembe r 31, 2015	Additions	Disposals	Translation differences	Reclassifications and other changes	At December 31, 2016
Land	659	-	-	-	-	659
Buildings	6,375	44	-	-	-	6,419
Plant and machinery	21,343	1,093	(204)	(352)	925	22,805
Manufacturing and distribution equipment	59,976	4,389	(2,047)	(188)	(1,632)	60,498
Other assets	6,100	754	(194)	(520)	536	6,676
Advances and tangible in progress	3,551	3,710	-	(56)	(2,437)	4,768
Total property, plant and equipment	**98,004**	**9,990**	**(2,445)**	**(1,116)**	**(2,608)**	**101,825**

The following changes occurred in the corresponding accumulated depreciation accounts in 2017 and 2016:

(in thousands of euros)	At December 31, 2016	Depreciation	Disposals	Translation differences	Reclassifications and other changes	At December 31, 2017
Buildings	4,978	101	-	-	-	5,079
Plant and machinery	13,633	1,888	(662)	(57)	(1)	14,801
Manufacturing and distribution equipment	49,906	5,972	(1,752)	(23)	(1,746)	52,357
Other assets	3,152	598	(24)	(42)	-	3,684
Total property, plant and equipment	**71,669**	**8,559**	**(2,438)**	**(122)**	**(1,747)**	**75,921**

(in thousands of euros)	At Decembe r 31, 2015	Depreciation	Disposals	Translation differences	Reclassifications and other changes	At December 31, 2016
Buildings	4,894	84	-	-	-	4,978
Plant and machinery	12,497	1,561	(203)	(246)	24	13,633
Manufacturing and distribution equipment	47,545	6,376	(1,488)	(89)	(2,438)	49,906
Other assets	3,041	454	(194)	(149)	-	3,152
Total property, plant and equipment	**67,977**	**8,475**	**(1,885)**	**(484)**	**(2.414)**	**71.669**

A breakdown of the net carrying value of property, plant and equipment at December 31, 2017 and 2016 is provided below:

(in thousands of euros)	**At December 31, 2016**	**Additions**	**Business combination**	**Depreciatio n**	**Disposals**	**Translation differences**	**Reclassifications and other changes**	**At December 31, 2017**
Land	659	-	-	-	-	-	-	659
Buildings	1,441	1,299	-	101	-	-	1,151	3,790
Plant and machinery	9,172	1,166	2,200	1,888	(58)	(25)	464	11,031
Manufacturing and distribution equipment	10,592	5,708	1,053	5,972	(458)	(19)	281	11,185
Other assets	3,524	636	-	598	(13)	(84)	416	3,881
Advances and tangible in progress	4,768	7,792	-	-	(2)	(101)	(2,261)	10,196
Total property, plant and equipment	**30,156**	**16,601**	**3,253**	**8,559**	**(531)**	**(229)**	**51**	**40,742**

in thousands of euros)	**At December 31, 2015**	**Additions**	**Depreciation**	**Disposals**	**Translation differences**	**Reclassifications and other changes**	**At December 31, 2016**
Land	659	-	-	-	-	-	659
Buildings	1,481	44	84	-	-	-	1,441
Plant and machinery	8,846	1,093	1,561	(1)	(106)	901	9,172
Manufacturing and distribution equipment	12,431	4,389	6,376	(559)	(99)	806	10,592
Other assets	3,059	754	454	-	(371)	536	3,524
Advances and tangible in progress	3,551	3,710	-	-	(56)	(2,437)	4,768
Total property, plant and equipment	**30,027**	**9,990**	**8,475**	**(560)**	**(632)**	**(194)**	**30,156**

The depreciation taken was computed in a manner that reflects fairly the actual wear and tear and economic/technical obsolescence of the assets.

Equipment held by customers that requires extraordinary maintenance is depreciated at 33% rate from the moment the maintenance is completed.

With regard to the equipment held by customers under gratuitous loan agreements, depreciation expense amounted to 3,834 thousand euros (4.709 thousand euros in 2016).

11. Goodwill and other intangibles

The tables that follow show how the original cost of the intangible assets changed in 2017 and 2016:

(in thousands of euros)	At December 31, 2016	Additions	Business combination	Disposals and other changes	At December 31, 2017
Goodwill	37,061	-	5,100	-	42,161
Development costs	18,874	4,201	-	(1,415)	21,660
Concessions, licenses and trademarks	54,388	6,827	7,700	(2,425)	66,490
Customer relationship	-		8,012		8,012
Industrial patents and intellectual property rights	10,060	390	-	61	10,511
Advances and other intangibles	174	20	-	(81)	113
Total intangibles	**120,557**	**11,438**	**20,812**	**(3,860)**	**148,947**

(in thousands of euros)	At December 31, 2015	Additions	Business combination	Disposals and other changes	At December 31, 2016
Goodwill	37,061	-	-	-	37,061
Development costs	16,123	2,575	-	176	18,874
Concessions, licenses and trademarks	35,221	943	18,203	21	54,388
Industrial patents and intellectual property rights	9,721	210	-	129	10,060
Advances and other intangibles	1,380	81	-	(1,287)	174
Total intangibles	**99,506**	**3,809**	**18,203**	**(961)**	**120,557**

The following changes occurred in the corresponding accumulated amortization accounts in 2017 and 2016:

(in thousands of euros)	At December 31, 2016	Amortization	Disposals and other changes	At December 31, 2017
Goodwill	5,210	-	-	5,210
Development costs	10,722	1,225	-	11,947
Concessions, licenses and trademarks	20,258	4,038	(215)	24,081
Customer relationship		133		133
Industrial patents and intellectual property rights	8,010	542	-	8,552
Advances and other intangibles	83	10	(1)	92
Total intangibles	**44,283**	**5,948**	**(216)**	**50,015**

(in thousands of euros)	Al 31 December 2015	Amortization	Disposals and other changes	At December 31, 2016
Goodwill	5,210	-	-	5,210
Development costs	9,504	1,218	-	10,722
Concessions, licenses and trademarks	17,356	2,925	(23)	20,258
Industrial patents and intellectual property rights	7,361	649	-	8,010
Advances and other intangibles	81	12	(10)	83
Total intangibles	**39,512**	**4,804**	**(33)**	**44,283**

A breakdown of the net carrying value of intangible assets at December 31, 2017 and 2016 is provided below

(in thousands of euros)	At December 31, 2016	Additions	Business combination	Amortization	Disposals and other changes	At December 31, 2017
Goodwill	31,851	-	5,100	-	-	36,951
Development costs	8,152	4,201	-	1,225	(1,415)	9,713
Concessions, licenses and trademarks	34.130	6.827	7.700	4.038	(2.210)	42.409
Customer relationship	-		8.012	133		7.879
Industrial patents and intellectual property rights	2,050	390	-	542	61	1,959
Advances and other intangibles	91	20	-	10	(80)	21
Total intangibles	**76,274**	**11,438**	**20,812**	**5,948**	**(3,644)**	**98,932**

(in thousands of euros)	At December 31, 2015	Additions	Business combination	Amortization	Disposals and other changes	At December 31, 2016
Goodwill	31,851	-	-	-	-	31,851
Development costs	6,619	2,575	-	1,218	176	8,152
Concessions, licenses and trademarks	17,865	943	18,203	2,925	44	34,130
Industrial patents and intellectual property rights	2,360	210	-	649	129	2,050
Advances and other intangibles	1,299	81	-	12	(1,277)	91
Total intangibles	**59,994**	**3,809**	**18,203**	**4,804**	**(928)**	**76,274**

Goodwill

Goodwill totaled 36,951 thousand euros at December 31, 2017. Upon first-time adoption of the IFRSs, the Company chose to avail itself of the option provided in IFRS 1 (Appendix B, Section B2, g (i)). Accordingly, it recognized as goodwill the residual amount shown for this item in the financial statements at January 1, 2005 prepared in accordance with Italian accounting principles, written down to eliminate the capitalization of development costs previously included in the value of goodwill.

Goodwill recognized in the financial statements is the goodwill attributed upon absorption to Byk Diagnostica S.r.l. and the value of the goodwill generated upon the merger of DiaSorin S.p.A. into Biofort S.p.A., net of the allocation of research and development costs carried out upon first-time adoption of the IFRSs, and the acquisition of the Murex business operations in 2010.

In 2017, this item increased by 5,100 thousand euros, due to the provisional allocation of the residual value of purchase price to acquire ELISA immunodiagnostic business from Siemens Healthineers.

As explained in the “Accounting Principles” section of this Report, goodwill is not amortized. Instead, its value is written down when impairment losses occur. The Company assesses the recoverability of goodwill and of other intangibles with indefinite useful lives annually through impairment tests.

The recoverability of the recognized amounts was tested by comparing the net carrying amount of the individual CGUs (Carrying Amount) with their recoverable value (value in use). The recoverable amount is the present value of future cash flows that are expected to arise from the continuing use of the assets belonging to each Cash Generating Unit, both for the period of explicit flows, and at the end of the time horizon of the forecast (under so-called method of perpetuity).

The impairment test is based on the most recent projections of economic results and cash flows for future years (2018-2020). These projections have been developed on the basis of the 2018 budget, the 2017-2019 Industrial Plan and of the last business plan laid out by the Company Management for 2020.

In computing the present value of future cash flows, the Company used a discount rate that reflects the weighted average of the cost of capital and debt (WACC). The discount rate used was determined on an after-tax basis in accordance with the determination of cash flows and takes into account the specific risks associated with the countries where the Company operates. The discount rate applied was 8.85%.

The planning time horizon used was 3 years. For subsequent years, a terminal value (perpetual return) has been applied, using a growth rate (the "g" rate) of 2%, representative of what management believes may represent an average rate of growth projected for the sector.

In addition, the Company performed a sensitivity analysis for changes in the basic assumptions of the impairment test, WACC and the g rate. More specifically the discount rate WACC increased to 1 percentage point and the growth rate "g" decreased to 0.5%.

The impairment tests performed showed that there was no need to adjust the carrying value of goodwill and other intangibles in the financial statements of DiaSorin S.p.A.

Development costs

At December 31, 2017, capitalized development costs amounted to 9,713 thousand euros (8,152 thousand euros at December 31, 2016). In 2017, additions totaled 4,201 thousand euros and refer to the development of LIAISON XL technology products. They are amortized on a straight-line basis over the length of their useful life, which management estimates at 10 years.

The recoverability of the net carrying amount of capitalized development projects was tested by determining the recoverable value of the CGUs to which they were allocated and testing the CGUs for impairment. The impairment tests performed showed that no write-down was required.

Concessions, licenses and trademarks and customer relationship

At December 31, 2017, concessions, licenses and trademarks totaled 42,409 thousand euros (34,130 thousand euros at December 31, 2016), with an increase of 8,279 thousand euros following the acquisition of Siemens business.

At December 31, 2017, customer relationship amounted to 7,879 thousand euros entirely due to the increase recorded in the period following the acquisition of Siemens business.

The recoverability of the net carrying amount was tested by determining the recoverable value of the CGU to which it was allocated and testing it for impairment. The impairment tests performed showed that no write-down was required.

12. Equity investments

Equity investments totaled 186,557 thousand euros at December 31, 2017 (100,737 thousand euros at December 31, 2016). The table that follows lists the Company's equity investments and shows the changes that occurred in 2017:

Company	Head office location	12/31/2016	Change	12/31/2017
DiaSorin S.A/N.V.	Bruxelles (Belgium)	1,145	-	1,145
DiaSorin Ltda	San Paolo (Brazil)	10,856	24	10,880
DiaSorin S.A.	Antony (France)	2,174	106	2,280
DiaSorin Iberia S.A.	Madrid (Spain)	5,331	-	5,331
DiaSorin Ltd	Oldbury (United Kingdom)	572	-	572
DiaSorin Inc.	Stillwater (USA)	32,241	386	32,627
DiaSorin Mexico S.A de C.V.	Mexico City (Mexico)	3,296	-	3,296
DiaSorin Deutschland GmbH	Dietzenbach (Germany)	5,223	48	5,271
DiaSorin AB	Solna (Sweden)	4,819	-	4,819
DiaSorin Ltd	Rosh Haayin (Israel)	-	-	-
DiaSorin Austria GmbH	Vienna (Austria)	1,035	-	1,035
DiaSorin Poland sp. Z .o.o.	Warsaw (Poland)	2,854	-	2,854
DiaSorin Czech s.r.o.	Prague (Czech Republic)	2,126	-	2,126
DiaSorin Diagnostics Ireland Limited	Dublin (Ireland)	22,620	10	22,630
DiaSorin South Africa (PTY) Ltd	Johannesburg (South Africa)	3,822	24	3,846
DiaSorin Australia (Pty) Ltd	Sydney (Australia)	2,275	-	2,275
DiaSorin Ltd	Shanghai (China)	104	24	128
DiaSorin Switzerland AG	Risch (Switzerland)	243	-	243
DiaSorin INUK Ltd	Dublin (Ireland)	-	32,000	32,000
DiaSorin Ireland Ltd	Dublin (Ireland)	-	53,200	53,200
Consorzio Sobedia	Saluggia (Italy)	1	-	1
Total equity investments		**100,737**	**85,820**	**186,557**

The increase equal to 85,200 thousand euros was due to the equity investment in DiaSorin INUK Ltd, for an amount of 32,000 thousand euros, and in DiaSorin Ireland Ltd, for a total of 53,200 thousand euros (investments previously held by DiaSorin Diagnostic Ireland Limited).

The increase in equity investments value in DiaSorin S.A., DiaSorin Inc., DiaSorin Deutschland GmbH, DiaSorin Diagnostics Ireland Limited, DiaSorin South Africa (PTY) Ltd, DiaSorin Ltda and DiaSorin Ltd, equal to 620 thousand euros, represents the expense for the period recognized in equity and relating to stock options awarded to such subsidiaries employees.

The carrying amount of the equity investments has been tested for impairment. To determine the value in use the Company based on the most recent projections of economic results and cash flows for future years (2018-2020). These projections have been developed on the basis of the 2018 budget, the 2017-2019 Industrial Plan approved by the Board of Directors in June 2017 and of the last business plan laid out by the Company Management for 2020.

In computing the present value of future cash flows, the Company used a discount rate that consists of the weighted average of the cost of capital and of debt (WACC – *Weighted Average Cost of Capital*). The discount rate used was determined on an after-tax basis in accordance with the determination of cash flows and takes into account the specific risks associated with the countries where the Company operates.

The growth rate of the terminal value, equal to 2% for each equity investment, is representative of what management believes may represent a minimum growth rate for sector and countries where the equity investment operates.

The comparison between the recoverable value and the carrying amount showed no impairment occurred resulting in write-downs on equity investments.

A list of the equity investments held by the Group's Parent Company is provided below.

Company	**Head Office location**	**Currency**	**Share capital (*)**	**Net profit/(loss) for the year**	**Shareholders' equity in latest approved financial statements (*)**	**Value per share or partnership interest**	**% interest held directly**	**no. of shares held**	**Equity investment in EURO**
Equity investments consolidated line by line									
DiaSorin S.A/N.V.	Bruxelles (Belgium)	**EUR**	1,674,000	2,563,755	4,935,231	6,696	99.99%	249	1,145,001
DiaSorin Ltda	San Paolo (Brazil)	**BRL**	65,547,409	1,629,653	11,479,135	1	99.99%	65,547,408	10,879,668
DiaSorin S.A.	Antony (France)	**EUR**	960,000	887,321	6,739,466	15,3	99.99%	62,492	2,279,873
DiaSorin Iberia S.A.	Madrid (Spain)	**EUR**	1,453,687	643,394	3,128,075	6,01	99.99%	241,877	5,330,802
DiaSorin Ltd	Oldbury (UK)	**GBP**	500	250,293	1,025,002	1	100.00%	500	572,500
DiaSorin Inc.	Stillwater (USA)	**USD**	1	63,554,700	346,018,700	0,01	100.00%	100	32,626,610
DiaSorin Mexico S.A de C.V.	Mexico City (Mexico)	**MXP**	63,768,473	(122,606)	43,016,424	1	99.99%	49,999	3,295,932
DiaSorin Deutschland GmbH	Dietzenbach (Germany)	**EUR**	275,000	2,981,370	7,279,725	275,000	100.00%	1	5,270,286
DiaSorin AB	Solna (Sweden)	**SEK**	5,000,000	1,970,043	17,950,922	100	100.00%	50,000	4,818,667
DiaSorin Ltd	Rosh Haayin (Israel)	**ILS**	100	737,000	18,652,000	1	100.00%	100	18
DiaSorin Austria GmbH	Wien (Austria)	**EUR**	35,000	655,793	1,854,193	35,000	100.00%	1	1,035,000
DiaSorin Czech s.r.o.	Prague (Czech Republic)	**CZK**	200,000	4,219,400	53,504,300	200,000	100.00%	1	2,125,931
DiaSorin Diagnostics Ireland Limited	Dublin (Ireland)	**EUR**	3,923	52,725,262	57,240,785	0,01	100.00%	392,282	22,629,870
DiaSorin South Africa (PTY) Ltd	Johannesburg (South Africa)	**ZAR**	101	(4,074,123) 823,415	31,088,848 15,416,620	1	100.00%	101	3,846,3
DiaSorin Australia (Pty) Ltd	Sydney (Australia)	**AUD**	3,300,000	25,527,239	102,529,759	33,000	100.00%	100	2,274,990
DiaSorin Ltd	Shanghai (China)	**RMB**	1,211,417			1	80.00%	96,000	127,150
DiaSorin Switzerland AG	Risch (Switzerland)	**CHF**	100,000	1,983,001	5,347,264	100	100.00%	1,000	243,415
DiaSorin Poland sp. z o.o.	Warsaw (Poland)	**PLN**	550,000	29,887,561	53,133,082	50	100.00%	11000	2,853,823
DiaSorin Ireland Limited	Dublin (Ireland)	**EUR**	163,202	343,988	824,119	1,2	100.00%	136,002	53,200,000
DiaSorin I.N.UK Limited	Dublin (Ireland)	**EUR**	7,826,072	458,390	11,209,782	0,01	100.00%	782,607,110	32,000,000
Investments in other companies									
Consorzio Sobedia	Saluggia (Italy)	**EUR**	5,000	(674)	4,326	N/A	20.00%	1	1,000

(*) Amounts stated in local currencies

13. Deferred-tax assets

Deferred-tax assets amounted to 4,820 thousand euros (4,987 thousand euros at December 31, 2016). They are recognized in the financial statements when their future use is deemed probable. The balance reflects the deferred-tax assets computed on the temporary differences between the asset and liabilities amounts used to prepare the consolidated financial statements and the corresponding amounts used by the consolidated companies for tax purposes.

A more detailed description of the temporary differences tax effect that generates deferred-tax assets is provided below:

(in thousands of euros)	**12/31/2017**	**12/31/2016**
Positive changes:		
Differences on tax amortization of goodwill and other intangible assets	1,199	1,829
Provisions for risks	3,313	3,134
Adjustment to pension funds	516	499
Unrealized exchange differences	692	436
Amortization	14	-
Other charges deductible in future years	677	563
Total	**6,411**	**6,461**
Negative changes:		
Amortization	(1,311)	(1,078)
Unrealized exchange differences	(281)	(396)
Total	(1,592)	(1,474)
Net deferred-tax assets	**4,819**	**4,987**

14. Inventories

A breakdown of inventories, which totaled 90,819 thousand euros, is as follows:

(in thousands of euros)	**12/31/2017**			**12/31/2016**		
	Gross amount	**Provisions for write-down**	**Net amount**	**Gross amount**	**Provisions for write-down**	**Net amount**
Raw materials and supplies	23,218	(1,426)	21,792	18,179	(1,244)	16,935
Work in progress	38,651	(1,188)	37,463	36,125	(1,315)	34,810
Finished goods	32,247	(683)	31,564	23,763	(974)	22,789
Total	**94,116**	**(3,297)**	**90,819**	**78,067**	**(3,533)**	**74,534**

Inventories increased by 16,285 thousand euros compared with December 31, 2016, due to the growth in manufacturing volumes to support increased revenues, the purchase of raw material to be used in strategic projects and the creation of a stock of Focus products and instruments.

The table below shows the changes that occurred in the provisions for inventory write-downs:

(in thousands of euros)	**2017**	**2016**
Opening balance	**3,533**	**2,978**
Additions for the period	2,446	871
Utilizations for the period	(2,674)	(281)
Translation differences	(8)	(35)
Ending balance	**3,297**	**3,533**

15. Trade receivables

Trade receivables of 96,618 thousand euros at December 31, 2017 (including 53,072 thousand euros from related-party transactions), an increase of 5,576 thousand euros (91,042 thousand euros at December 31, 2016), out of which 3,667 thousand euros in receivables due from Group companies, partially offset by improved terms of payment and management in the domestic market.

Trade receivables owed by public institutions amounted to 11,604 thousand euros at December 31, 2017.

The allowance for doubtful accounts amounted to 4,175 thousand euros. A comparison with December 31, 2016 is provided below:

(in thousands of euros)	**12/31/2017**	**12/31/2016**
Opening balance	**4,278**	**4,417**
Additions for the year	100	137
Utilizations for the year	(203)	(276)
Ending balance	**4,175**	**4,278**

In order to bridge the gap between contractual payment terms and actual collection terms, the Group's Parent Company uses factoring transactions to assign its receivables without recourse. In 2017, the receivables assigned by the Group's Parent Company amounted to 28,733 thousand euros (31,333 thousand euros in 2016).

16. Financial receivables and other non-current financial assets

The balance of 86.314 thousand euros includes primarily:

- 68,159 thousand euros in loans provided to Group companies (64,264 thousand euros for current portion and 3,895 thousand euros for non-current portion)
- Positive balance arising from the centralized cash management system managed by the Group's Parent Company (5,099 thousand euros)
- Receivables due from Group companies amounting to 12,359 thousand euros, in connection with payments made by the Group's Parent company to acquire the Siemens business.

The change in loans provided to Group companies is provided below (amounts stated in thousands of euros):

Subsidiary	**Balance at 12/31/2016**	**Disbursement**	**Repayments**	**Currency translation differences and other changes**	**Balance at 12/31/2017**
DiaSorin Diagnostic Ireland Ltd	-	28,000	-	4	28,004
DiaSorin Iberia SA	2,019	-	(700)	(1)	1,318
DiaSorin Australia Pty	2,648	-	(623)	(145)	1,880
DiaSorin Ltda (Brazil)	-	2,397	-	(106)	2,291
DiaSorin Sa de CV (Mexico)	1,565	-	(205)	(61)	1,299
DiaSorin Inc. (USA)	94,909	-	(51,735)	(9,807)	33,367
Total	**101,141**	**30,397**	**(53,263)**	**(10,116)**	**68,159**

In 2017, intra group loans were granted to the Brazilian company and to DiaSorin Diagnostics Ireland Ltd, the Irish sub-holding.

As of December 31, 2017, all existing loans have variable or interest rates with a spread in line with market conditions applicable to the lending operation.

In order to mitigate the foreign exchange risk related to the currency fluctuations, the Group's Parent Company executed currency forward sales requiring the recognition of a positive fair value of 484 thousand euros at December 31, 2017 (negative by 8,907 thousand euros at December 31, 2016).

These transactions include forward contracts in USD currency ($40 million) signed in order to mitigate the exchange risk on intercompany financial loans issued by DiaSorin S.p.A. to DiaSorin Inc. to support the Focus acquisition. The derivates have the same duration and deadlines of the loan (six months).

17. Other current assets

Other current assets amounted to 28,734 thousand euros (7,137 thousand euros at December 31, 2016 They consist of tax credits for additions to research and development (3,700 thousand euros), accrued income and prepaid expenses, for insurance and rentals, tax credit related to the Patent Box for 2015 and 2016 (11,550 thousand euros), and receivables resulting from increased advanced payments of income taxes (8,100 thousand euros).

Other non-current assets totaled 817 thousand euros (109 thousand euros at December 31, 2016) and consist of accrued income and long-term prepaid expense.

18. Cash and cash equivalents

Cash and cash equivalents amounted to 101,466 thousand euros at December 31, 2017 (71,838 thousand euros at December 31, 2016). They consist of balances in banks accounts and short-term bank deposits. More detailed information is provided in the Statement of Cash Flows above.

19. Shareholders' equity

Share capital

At December 31, 2017, the fully paid-in share capital consisted of a 55,948,257 million common shares, par value of 1 euro each. No changes occurred compared with December 31, 2015.

Treasury shares

At December 31, 2017, the amount of treasury shares was 548,857 (0.98% of the share capital) totaling 22,183 thousand euros (38,025 thousand euros al 31 December 2016).

The change equal to 15,842 thousand euros, compared with December 31, 2015 is due to the exercise of 641,093 options held by the Group's Parent company's employees and by its subsidiaries relating to the 2014 Stock Option Plan at an average price of 30.7313 euros.

Additional paid-in capital

This reserve amounted to 18,155 thousand euros at December 31, 2017 and no changes occurred compared with December 31, 2016.

Other reserves and retained earnings

A breakdown of other reserves and retained earnings is as follows:

(in thousands of euros)	**12/31/2017**	**12/31/2016**	**Change**
Currency translation reserve	(741)	(441)	(300)
Reserve for treasury shares	22,183	38,025	(15,842)
Stock option reserve	1,029	3,001	(1,972)
Gains/(losses) on remeasurement of defined benefit plans	(1,116)	(1,062)	(54)
Reserve for equity investments revaluation	2,424	1,639	785
Retained earnings	291,071	252,475	38,596
IFRS transition reserve	1,006	1,006	-
Total Other reserves and retained earnings	**315,856**	**294,643**	**21,213**

Currency translation reserve

The change of 300 thousand euros shown in the currency translation reserve at December 31, 2017 is due to the translation into euros of the U.K. Branch balances and to unrealized foreign exchange differences on the indebtedness denominated in foreign currencies held by the Parent Company to hedge its equity investment in the U.K. Branch, which were negative by 347 thousand euros, net of the tax effect (equal to 83 thousand euros).

Reserve for treasury shares

At December 31, 2017, the reserve for treasury shares amounted to 22,183 thousand euros (38,025 thousand euros at December 31, 2016). This reserve was established pursuant to law (Article 2357 ter of the Italian Civil Code). The change of 15,842 thousand euros is due to the exercise of some tranches of the 2014 Stock Option Plan, as commented above.

Reserve for treasury shares

At December 31, 2017, the reserve for treasury shares amounted to 1,029 thousand euros (3,001 thousand euros at December 31, 2016) and refers stock option plans existing at December 31, 2017 (described in Note 27). The changes in the reserve that occurred at December 31, 2016 included both an increase due to the recognition of the overall cost of the stock option Plans (614 thousand euros) that was posted and recognized in the income statement as a labor costs included in general and administrative expenses, and a decrease of 3,206 thousand euros as a result of the options awarded. Lastly, this reserve include costs related to options awarded to subsidiaries employees and recognized as increase in equity investments value (620 thousand euros).

Gains/Losses on remeasurement of defined-benefit plans

At December 31, 2017, this item, negative by 1,116 thousand euros includes net losses of the period related to the actuarial assessment of the Group’s defined-benefit plans amounting to 54 thousand euros, net of tax rate (17 thousand euros).

Retained earnings

Retained earnings amounted to 291,071 thousand euros (252,475 thousand euros at December 31, 2016). The increase of 38,596 thousand euros compared with December 31, 2015, is due to:

- the appropriation of the net profit earned in 2016 (60,280 thousand euros);
- the distribution of dividends, equal to 43,807 thousand euros to shareholders approved on April 28, 2017 from the Ordinary Shareholders’ Meeting (equal to 0.80 per share);

- increase of 22,123 thousand euros resulting from the exercise of some tranches of the 2014 Stock Option Plan and sale of treasury shares.

IFRS transition reserve

The IFRS transition reserve was established on January 1, 2006, upon first-time adoption of the IFRSs as an offset to the adjustments recognized to make the financial statements prepared in accordance with Italian accounting principles consistent with IFRS requirements, net of the applicable tax effect (as required by and in accordance with IFRS 1). This reserve has not changed since it was first established.

The table below, which complements the disclosures provided above, shows which components of shareholders' equity are available for other uses and the applicable utilization options:

(in thousands of euros)

Nature and description	Amount	Utilization options	Available amount	Distributable amount (**)
Share capital	55,948		-	-
Additional paid-in capital (*)	18,155	A,B,C	18,155	18,155
Statutory reserve	11,190	B	11,190	-
Reserve for treasury shares	22,183		-	-
Other reserve	2,602	A,B	2,602	-
Retained earnings	291,071	A,B,C	291,071	281,358

A: to increase share capital
B: to cover losses
C: to distribute dividends to shareholders

(*) The additional paid-in reserve may be distributed when the statutory reserve has reached one fifth of the share capital

(**) Net of development costs yet to be amortized

20. Borrowings

Borrowings include negative balances arising from the centralized cash management system managed by the Group's Parent Company (46,590 thousand euros), payable to Group companies amounting to 85,200 thousand euros and amounts owed to financial institutes, equal to 23,889 thousand euros.

A breakdown of borrowings is as follows (amount stated in thousands of euros):

Lender	Currency	Current portion	Non-current portion	Over 5 years	Total
Intesa San Paolo	€	23,889	-		23,889
Total owed to financial institution		**23,889**	**-**	**-**	**23,889**
Group's centralized cash management system	€	46,590		-	46,590
Intra-group financing facilities	€	85,200			85,200
TOTAL		**155,679**	**-**	**-**	**155,679**

The table below lists the financing facilities owed to outside lenders that were outstanding at December 31, 2017 and the changes that occurred during the year (amounts in thousands of euros):

Lender	At December 31, 2016	Disbursements	Repayments	Translation differences	Measured at fair value	Amortized cost effect	At December 31, 2017
Intesa San Paolo	47,776	-	(24,000)	-	-	113	23,889
Total owed to financial institutions	**47,776**	**-**	**(24,000)**	**-**	**-**	**113**	**23,889**

In 2017, the Parent Company repaid two instalments of the loan with Intesa Sanpaolo (received in 2016 to finance a portion of the acquisition of Focus Diagnostics, Inc.'s immunodiagnostic and molecular diagnostic products business) for an amount of 24,000 thousand euros, as per repayment plan.

The loan agreement with Intesa Sanpaolo provides for:

- capital repayment in 5 constant half-yearly instalments, from 12/31/2016 until 12/31/2018;
- option of partial or total early repayment without penalties;
- deferred half-yearly interests calculated at the Euribor 6-month floating rate plus a 0.45% spread.

The loan agreement envisages certain disclosures, rescission cases and compulsory early repayment, in line with the market policy in force on the day the loan was contracted.

Terms concerning the rescission of the agreement include the failure to comply, over the period of the loan, with the following financial parameter:

- Net financial indebtedness / EBITDA ≤ 2

As of the date of this Report this ratio computed on consolidated data was met.

21. Provision for employee severance indemnities and other employee benefits

The balance in this account reflects all of the Company's pension plan obligations, other post-employment benefits and benefits payable to employees when certain requirements are met. The Company provides post-employment benefits to its employees through defined-contribution and/or defined-benefit plans.

As a rule, benefits are based on each employee's level of compensation and years of service. The Company's obligations refer to the employees currently on its payroll.

Defined-contribution plans

When defined-contribution plans are used, the Company pays contributions to public or private insurance institutions pursuant to a statutory or contractual obligation or on a voluntary basis. With the payment of these contributions, the Company absolves all of its obligations.

The liability for contributions payable on the date of the financial statements is included under "Other current liabilities." The cost attributable to each year, which accrues based on the services provided by employees, is recognized as a labor cost of the relevant organizational unit.

In 2017, this cost amounted to 2,552 thousand euros.

Defined-benefit plans

The Company's pension plan that qualifies as a defined-benefit plan is the plan covered by the provision for employee severance indemnities accrued until December 31, 2006. The liability is recognized at its actuarial value using the projected unit credit method. Any resulting actuarial gains or losses are credited or charged to equity in the statement of comprehensive income in the period in which they arise.

Other employee benefits

The Company also provides its employees with additional long-term benefits, which are paid when employees reach a predetermined length of service. In these cases, the value of the liability recognized in the financial statements reflects the probability that these benefits will be paid and the length of time for which they will be paid. The liability owed under this plan is recognized at its actuarial value using the projected unit credit method. Please note that any resulting actuarial gains or losses recorded on the basis of these employees' benefits are recognized in the income statement. The amount recognized in 2017 was 62 thousand euros (loss of 86 thousand euros in 2016).

The table that follows summarizes the Company's main employee benefit plans that are currently in effect:

(in thousands of euros)	**12/31/2017**	**12/31/2016**	**Change**
Employees severance indemnities	3,721	3,954	(233)
Other long-term benefits	1,428	1,439	(11)
Total employee benefits	**5,149**	**5,393**	**(244)**

The "Provision for employee severance indemnities" reflects the Company's liability under the relevant Italian law (recently amended with the enactment of Law No. 296/06) for employee severance benefits vested up to December 31, 2006, which will be paid to employees at the end of their employment. Under certain specific conditions, advances may be disbursed to employees while still employed. This system constitutes a non-financed defined-benefit plan, since virtually all of the benefits have vested, except for inflation adjustments.

The table below shows a breakdown of the main changes that occurred in the Group's employee benefit plans in 2017:

(in thousands of euros)	**Defined-benefit plans**	**Other benefits**	**Total employee benefits**
Balance at 12/31/2016	**3,954**	**1,439**	**5,393**
Interest cost	(9)	(2)	(11)
Actuarial losses/(gains) recognized in income statement	-	62	62
Actuarial Losses/(Gains) arising from financial assumptions	12	-	12
Actuarial Losses/(Gains) arising from experience adjust.	59	-	59
Current service cost	-	91	91
Benefits paid	(295)	(162)	(457)
Balance at 12/31/2017	**3,721**	**1,428**	**5,149**

The main changes in provisions for employee benefits encompass actuarial losses (71 thousand euros) charged to equity and contribution paid (457 thousand euros). The net amount recognized in the 2017 income statement for employee benefits was an expense of 142 thousand euros (234 thousand euros in 2016).

Actuarial losses/(gains) relating to other benefits and current service cost are recognized in the income statement as part of Labor costs, allocated to the area to which they correspond. Interest expense is recognized in the income statement as part of net financial income (expense) (see Note 7).

Actuarial losses/(gains) relating to defined-benefit plan that are credited or charged to equity in the statement of comprehensive income in the period in which they arise.

The table below lists the main assumptions used for actuarial computation purposes for the defined-benefit plans:

	Pension plans	
	12/31/2017	**12/31/2016**
Discount rate	0.47%	0.45%
Projected wage increases	3.50%	3.50%
Inflation rate	1.50%	1.50%
Average employee turnover rate	6.45%	6.49%

A sensitivity analysis on the change of the main assumptions is set out below:

(in thousands of euros)		**Employee severance indemnities**
Discount rate		
	0.5% Increase	(136)
	0.5% Decrease	145
Projected wage increases		
	0.5% Increase	-
	0.5% Decrease	-
Inflation rate		
	0.5% Increase	89
	0.5% Decrease	(86)
Average employee turnover rate		
	10% Increase	(1)
	10% Increase	1

22. Other non-current liabilities

Other non-current liabilities of 19,046 thousand euros (7,051 at December 31, 2016) include provisions for risks and charges established in connection with pending or contingent legal disputes, and a provision for supplemental severance benefits owed to sales agents.

The table below lists the provisions for risks and charges and shows the changes that occurred in 2017.

	12/31/2017			12/31/2016		
(in thousands of euros)	**Provision for risks on legal disputes**	**Provision for supplemental severance benefits to sales agents**	**Total**	**Provision for risks on legal disputes**	**Provision for supplemental severance benefits to sales agents**	**Total**
Balance at the beginning of the year	**5,863**	**236**	**6,099**	**2,045**	**182**	**2,227**
Additions for the year	2,890	110	**3,000**	4,268	106	**4,374**
Utilizations/Reversals for the year	(1,242)	(59)	**(1,301)**	(450)	(52)	**(502)**
Balance at the end of the year	**7,511**	**287**	**7,798**	**5,863**	**236**	**6,099**

The provision for supplemental severance benefits owed to sales agents, which amounted to 287 thousand euros at December 31, 2017, was computed in accordance with the provisions of IAS 37, according to which the amount of the provision must be an estimate of the present value of the amounts that will be paid upon termination of the agency relationship to the sales agents entitled to receive these benefits.

As regards additions for the period, Law n. 125 of 08/06/2015 extended the pay-back mechanism to medical devices on the basis of which any amount exceeding the ceiling on public expenditure for the purchase of medical devices must be paid partly by the supplying companies. In virtue of the lack of implementing decrees to specify how to compute the payback measure, the Company carried out the best possible estimate allocating additional 1.8 million euros in risk provision.

The item includes the long-term portion of borrowing to acquire Siemens Healthineers immunodiagnostic business, amounting to 7,500 thousand euros.

23. Trade payables

Trade payables, which totaled 65,049 thousand euros (43,337 thousand euros at December 31, 2016), include 19,569 thousand euros owed to related parties. There are no amounts due after December 31, 2017.

24. Other current liabilities

Other current liabilities of 23,407 thousand euros at December 31, 2017 (15,546 thousand euros at December 31, 2016) consist mainly of amounts owed to employees for additional monthly payments to be paid, contributions payable to social security and health benefit institutions.

The change of 7,861 thousand euros is represented by 7,500 thousand euros for the amount due within the year for Siemens acquisition.

25. Taxes payable

The balance of 421 thousand euros at December 31, 2017 (4,884 thousand euros at December 31, 2016) represents the liability for the year for direct and indirect taxes (mainly amounts withheld on behalf of the tax administration from compensation paid to independent contractors equal to 222 thousand euros and to Enasarco Agenti equal to 67 thousand euros).

26. Commitments and contingent liabilities

Guarantees provided and received

The guarantees that the Group provided to third parties totaled 30,047 thousand euros and include bank sureties in connection with the submission of bids in response to public calls for tenders, pending tax procedures and outstanding amounts due to financial institutions (21,687 thousand euros). These guarantees were established to secure lines of credit provided to Group companies (in the amount of 5,762 thousand euros), and in connection with defined-contribution pension plans of some subsidiaries (in the amount of 2,598 thousand euros).

Significant commitments and contractual obligations

Significant contractual obligations include the agreements executed by DiaSorin S.p.A., the Group's Parent Company, and Stratec in connection with the development and production of new chemiluminescent diagnostic system LIAISON XL and LIAISON XS. The supply contract signed by DiaSorin and Stratec calls for the latter to manufacture and supply exclusively to DiaSorin the analyzers. The Group has agreed to purchase a minimum number of systems. However, the projected commitment is deemed to be significantly lower than the normal level of capital investment that would be required for current or future equipment production. As a result, net invested capital is not expected to undergo significant structural changes in the future as a result of this commitment.

Contingent liabilities

The Group's Parent Company operates globally. As a result, it is exposed to the risks that arise from the complex laws and regulations that apply to its commercial and manufacturing activities.

The Group believes that, overall, the amounts set aside, for pending legal disputes, in the corresponding provision for risks are adequate.

27. Stock option plans

2010 Plan

On April 27, 2010, the Ordinary Shareholders' Meeting approved the new 2010 Stock Option Plan for senior executives and key employees of DiaSorin S.p.A. and its subsidiaries.

The Board of Directors approved an initial tranche of beneficiaries with a grant of 515,000 options by a resolution dated February 14, 2011, a second tranche with a grant of 40,000 options by a resolution dated August 3, 2011, a third tranche with a grant of 50,000 options by a resolution dated November 11, 2011, a fourth tranche with a grant of 70,000 options by a resolution dated December 21, 2011, a fifth tranche with a grant of 60,000 options by a resolution dated March 9, 2012, a sixth tranche with a grant of 10,000 options by a resolution dated November 7, 2012, a seventh tranche with a grant of 5,000 options by a resolution dated March 8, 2013, an eighth tranche with a grant of 5,000 options by a resolution dated May 10, 2013 and a ninth tranche with a grant of 15,000 options by a resolution dated November 8, 2013. Please note that, due some "good leaver" and "bad leaver" events 137,835 options from the abovementioned grants were automatically cancelled and, pursuant to the Plan Regulations, became null and void for the previous beneficiaries.

These free option grants convey to the beneficiaries the right to acquire up to 750,000 common shares at the exercised price, based on a ratio of 1 share for each option granted and exercised, in accordance with the terms and conditions of the 2010 Plan.

The implementation of the program to purchase treasury shares for use in connection with the Company's new stock option plan began on January 17, 2011, in accordance with the terms and conditions authorized by the Shareholders' Meeting of April 27, 2010.

The program was completed on February 15, 2011, resulting in the purchase of 750,000 common shares. The shares were purchased at unit prices that were never lower by more than 15% or higher by more than 15% compared with the closing price of the DiaSorin common shares for the stock market trading session preceding each purchase.

As of December 31, 2016, stock options granted were equal to 2,115.

All stock options expired in July 2017, as they have not been exercised by the expiration date according to the Plan.

2014 Plan

On April 23, 2014, the Ordinary Shareholders' Meeting approved the new 2014 Stock Option Plan for senior executives and key employees of DiaSorin S.p.A. and its subsidiaries pursuant to Art. 2357-*ter* of the Italian Civil Code., authorizing the Board of Directors to dispose of DiaSorin treasury shares, reserving them, in the necessary or appropriate amount and under the terms established by the Plan, to serve the Plan itself.

The Board of Directors approved an initial tranche of beneficiaries with a grant of 710,000 options by a resolution dated August 1, 2014, a second tranche with a grant of 5,000 options by a resolution dated November 14, 2014, a third tranche with a grant of 20,000 options by a resolution dated December 18, 2014, a fourth tranche with a grant of 10,000 options by a resolution dated July 30, 2015, a fifth tranche with a grant of 15,000 options by a resolution dated March 9, 2016, a sixth tranche with a grant of 40,000 options by a resolution dated May 9, 2016 , a seventh tranche with a grant of 5,000 options by a resolution dated November 10, 2016 and an eighth tranche with a grant of 5,000 options by a resolution dated March 8, 2017. Please note that, due some "bad leaver" and "good leaver" events 91,869 options from the abovementioned grants were automatically cancelled and, pursuant to the Plan Regulations, became null and void for the previous beneficiaries.

These free option grants convey to the beneficiaries the right to acquire up to 750,000 common shares at the exercised price, based on a ratio of 1 share for each option granted and exercised, in accordance with the terms and conditions of the 2014 Plan.

As at December 31, 2017 stock options amounted to 77,038 (out of which 45,000 relating to the Group's Parent Company), following 636,093 stock options exercised between August 2, and December 19, 2017 at an average exercise price of 30.74 euros per share and 5,000 stock options exercised on November 22, 2017 at an average exercise price of 29.67 euros.

During the abovementioned period, the average price of the DiaSorin shares was 75.41 euros.

A breakdown of the option grants is as follows:

2014 Plan	Grant date	Number of options	Parent Company's options	Exercise year
I Tranche	August 1, 2014	636,093	489,098	2017
I Tranche	August 1, 2014	22,850	-	
II Tranche	November 14, 2014	5,000	-	2017
IV Tranche	July 30, 2015	10,000	10,000	
V Tranche	March 9, 2016	5,000	5,000	
VI Tranche	May 9, 2016	34,188	30,000	
VII Tranche	November 10, 2016	5,000	-	
Total		**718,131**	**534,098**	

2016 Plan

On April 28, 2016, the Ordinary Shareholders' Meeting approved the new 2016 Stock Option Plan for senior executives and key employees of DiaSorin S.p.A. and its subsidiaries.

The Board of Directors approved an initial tranche of beneficiaries with a grant of 130,000 options by a resolution dated May 16, 2016, a second tranche with a grant of 20,000 options by a resolution dated August 4, 2016, a third tranche with a grant of 40,000 options by a resolution dated December 19, 2016 and a fourth tranche with a grant of 40,000 options by a resolution dated August 3, 2017.

Please note that, due some "bad leaver" and "good leaver" events, 83,782 options from the abovementioned grants were automatically cancelled and, pursuant to the Plan Regulations, became null and void for the previous beneficiaries.

These free option grants convey to the beneficiaries the right to acquire up to 250,000 common shares at the exercised price, based on a ratio of 1 share for each option granted and exercised, in accordance with the terms and conditions of the 2016 Plan.

The implementation of the program to purchase treasury shares for use in connection with the Company's new stock option plan began on May 12, 2016, in accordance with the terms and conditions authorized by the Shareholders' Meeting of April 28, 2016.

The program was completed on June 9, 2016, resulting in the purchase of 250,000 common shares (equal to 0.44% of the share capital). The shares were purchased at unit prices that were never lower by more than 15% or higher by more than 15% compared with the closing price of the DiaSorin common shares for the stock market trading session preceding each purchase.

As at December 31, 2017, stock options amounted to 146,218.

A breakdown of the option grants is as follows:

2016 Plan	Grant date	Number of options	Parent Company's options
I Tranche	May 16, 2016	46,218	-
II Tranche	August 4, 2016	20,000	-
III Tranche	December 19, 2016	40,000	-
IV Tranche	August 3, 2017	40,000	-
Total		**146,218**	**-**

2017 Plan

On April 27, 2017, the Ordinary Shareholders' Meeting approved the new 2016 Stock Option Plan for senior executives and key employees of DiaSorin S.p.A. and its subsidiaries.

The Board of Directors approved an initial tranche of beneficiaries with a grant of 170,000 options by a resolution dated November 9, 2017.

These free option grants convey to the beneficiaries the right to acquire up to 450,000 common shares at the exercised price, based on a ratio of 1 share for each option granted and exercised, in accordance with the terms and conditions of the 2017 Plan.

The Shareholders' Meeting of April 27, 2017 resolved to authorize, pursuant to and for the purposes of Article 2357 of the Italian Civil Code, the purchase, in one or more installments and for a period of 18 months from the date of the resolution, the purchase of up to 450,000 common shares to service the new 2017 Stock Option Plan.

The shares shall be purchased at unit prices that will never be lower by more than 15% or higher by more than 15% compared with the closing price of the DiaSorin common shares for the stock market trading session preceding each purchase.

As at December 31, 2017, stock options amounted to 170,000, all granted on November 9, 2017 (including 85,000 referred to the Group's Parent Company).

Valuation of stock options

The stock options granted to Directors and employees are measured at their fair value on the grant date in accordance with the method provided in IFRS 2 and the total cost of the plan thus determined is allocated over the vesting period.

The fair value computation method uses a binomial model and is based on the following assumptions:

A – Exercise price

The exercise price was determined in accordance with Article 6.2 of the Plan's Regulations.

B – Stock price

The value assigned to the underlying instrument for stock option valuation purposes is the daily closing price for DiaSorin shares on the grant date.

C – Expected volatility

The expected volatility of the underlying instrument measures the expected fluctuations in price/value over a given period of time. The measure of volatility used in the option pricing model used is the annualized standard deviation of the continuously compounded rates of return on an equity security over a period of time.

D – Employee exit rate

This rate, which reflects the probability that Directors or employees who are the recipients of stock option grants will leave the Company before the vesting date, was deemed to be 0%.

E – Risk-free interest rate

IFRS 2 requires the use of a risk-free interest rate that will be valid over the expected life of the options, with the term expected life meaning the length of time between the grant date and the expected option exercise date.

F – Dividend yield

The value of stock options is also affected by assumptions about the dividend yield, which is the annual dividend paid per share stated as a percentage of the share price.

The table below lists the input data used for stock option valuation purposes:

2014 Plan	Vesting period (in years)	Exercise Price	Stock Price	Per value per share	Volatility	Employee Exit Rate	Risk Free Rate	Dividend Yield	Stock price reference date	Vesting date
I Tranche	3.005479452	€ 30.74	€29.50	€ 1.00	30.00%	0.00%	0.6408%	1.700%	08/01/2014	08/02/2017
II Tranche	3.002739726	€ 29.67	€31.20	€ 1.00	30.00%	0.00%	0.4198%	1.700%	11/14/2014	11/14/2017
IV Tranche	3.008219178	€ 41.43	€41.56	€ 1.00	30.00%	0.00%	0.5142%	1.700%	07/30/2015	08/01/2018
V Tranche	3.005479452	€ 46.86	€46.21	€ 1.00	30.00%	0.00%	0.2840%	1.700%	03/09/2016	03/11/2019
VI Tranche	3.002739726	€ 51.29	€52.50	€ 1.00	30.00%	0.00%	0.1500%	1.700%	05/09/2016	05/10/2019
VII Tranche	3.000000000	€ 56.20	€50.75	€ 1.00	30.00%	0.00%	0.1062%	1.700%	11/10/2016	11/10/2019

2016 Plan	Vesting period (in years)	Exercise Price	Stock Price	Per value per share	Volatility	Employee Exit Rate	Risk Free Rate	Dividend Yield	Stock price reference date	Vesting date
I Tranche	3.000000000	€ 52.54	€52.25	€ 1.00	30.00%	0.00%	0.4550%	1.700%	05/16/2016	05/16/2019
II Tranche	3.000000000	€ 56.31	€57.80	€ 1.00	30.00%	0.00%	0.1413%	1.700%	08/04/2016	08/05/2019
III Tranche	3.000000000	€ 51.84	€53.65	€ 1.00	30.00%	0.00%	0.3800%	1.700%	12/19/2016	12/20/2019
IV Tranche	3.005479452	€ 69.63	€73.05	€ 1.00	23.00%	0.00%	0.1440%	1.500%	08/03/2017	08/04/2020

2017 Plan	Vesting period (in years)	Exercise Price	Stock Price	Per value per share	Volatility	Employee Exit Rate	Risk Free Rate	Dividend Yield	Stock price reference date	Vesting date
I Tranche	3.005479452	€ 78.47	€72.05	€ 1.00	23.00%	0.00%	(0.0709%)	1.500%	11/09/2017	11/10/2020

Based on the assumptions described above, the fair value of the 2014 Plan is equal to 3,797 thousand euros, with a vesting period that goes from August 1, 2014 to November 10, 2019. The fair value per option is as follows (amounts in euros):

2014 PLAN	Number of options on the vesting date	Parent Company's options	Fair value
I Tranche	22,850	-	4.972722
IV Tranche	10,000	10,000	7.631389
V Tranche	5,000	5,000	8.084891
VI Tranche	34,188	30,000	9.825548
VII Tranche	5,000	-	7.228593

Based on the assumptions described above, the fair value of the 2016 Plan is equal to 1,652 thousand euros, with a vesting period that goes from May 16,2016 to August 4, 2020. The fair value per option is as follows (amounts in euros):

2016 PLAN	Number of options on the vesting date	Parent Company's options	Fair value
I Tranche	46,218	-	9.380147
II Tranche	20,000	-	10.878929
III Tranche	40,000	-	10.414678
IV Tranche	40,000	-	14.615400

Based on the assumptions described above, the fair value of the 2017 Plan is equal to 1,496 thousand euros, with a vesting period that goes from November 9, 2017 to November 10, 2020. The fair value per option is as follows (amounts in euros):

2017 PLAN	Number of options on the vesting date	Parent Company's options	Fair value
I Tranche	170,000	85,000	8.799800

The cost attributable to 2017, which amounted to 614 thousand euros was recognized in the income statement as part of labor costs and general and administrative expenses, with the offsetting entries posted to shareholder's equity.

The 2017 expense for stock options awarded to subsidiaries employees, equal to 620 thousand euros, is recognized as in increase in equity investments value with the offsetting entries posted to shareholder's equity.

The exercise of some tranches under the 2014 Plan during 2017 and the expiration of some options caused the stock option reserve to decrease by 3,206 thousand euros (including 785 thousand euros related to the exercise of stock options awarded to subsidiaries' employees).

28. Related-party transactions

In the normal course of business, DiaSorin S.p.A. engages on a regular basis in commercial and financial transactions with its subsidiaries, which are also Group companies. These transactions, which are executed on standard market terms, consist of the supply of goods and services, including administrative, information technology, personnel management, technical support and consulting services, which produce receivables and payables at the end of the year, and financing and cash management transactions, which produce income and expenses.

The impact of these transactions on the individual components of financial statements, which was already disclosed in separate income statement and statement of financial position schedules provided for this purpose, is summarized in the tables that follow:

(in thousands of euros)	**Net revenues**		**Cost of sales**		**General & Administrative**		**Sales and marketing**		**Research & Development and Quality**		**Other operating income/(expense)**		**Financial income/(expense)**	
Counterparty	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**
DiaSorin S.A. – France	15,536	13,934	398	269	-	-	(223)	(315)	-	-	389	361	4,000	399
DiaSorin Iberia S.A.	10,186	8,169	423	228	(152)	(155)	24	(5)	-	-	280	256	44	55
DiaSorin S.A./N.V - Benelux	12,079	10,704	297	209	-	4	54	(7)	-	-	301	283	2,400	2,300
DiaSorin Ltd – UK	-	-	(35)	-	37	40	-	-	-	-	2	-	234	-
DiaSorin Ireland Limited	2,803	2,479	(331)	(335)	(166)	52	59	100	-	-	139	466	(1)	26
DiaSorin Diagnostics Ireland Limited	-	-	-	-	-	-	-	-	-	-	-	-	4	-
DiaSorin IN.UK Limited	11,262	8,563	385	383	-	-	68	-	-	-	264	280	6	6
DiaSorin Deutschland GmbH	35,900	30,057	(13,655)	(13,785)	(8)	(13)	212	(6)	3	(10)	(3,211)	(3,617)	3,760	4,623
DiaSorin Austria GmbH	4,485	3,414	166	73	-	-	115	-	-	-	95	82	500	495
DiaSorin Switzerland AG	2,980	2,307	96	67	-	-	-	-	-	-	87	75	253	-
DiaSorin Poland sp. Z .o.o.	2,438	1,874	51	44	-	-	-	-	-	-	42	46	46	14
DiaSorin AB – Sweden	-	-	-	-	-	-	-	-	-	-	2	-	-	-
DiaSorin Czech s.r.o.	3,695	2,699	115	102	-	-	26	-	-	-	96	88	-	18
DiaSorin Inc. - USA	32,534	28,127	(34,851)	(29,117)	2	(10)	2	17	32	30	3,326	2,707	2,894	2,977
DiaSorin Ltda – Brazil	8,051	6,871	(52)	(274)	(7)	-	91	(13)	-	-	(304)	52	26	700
DiaSorin Mexico S.A de C.V.	3,776	5,099	(2)	(72)	-	-	(776)	(746)	-	-	167	126	120	39
DiaSorin Ltd – Israel	1,427	2,189	(7)	(26)	-	-	-	(1)	-	-	125	110	1,000	-
DiaSorin Ltd - China	35,337	40,636	(46)	(107)	-	-	(953)	(1,237)	-	-	(740)	9	3,042	2,456
DiaSorin Trivitron Healthcare Private Limited	1,677	1,426	-	-	-	(69)	(91)	(77)	-	-	(9)	(7)	-	-
DiaSorin South Africa (PTY) Ltd	310	358	(136)	484	(9)	(31)	27	24	-	-	1,078	603	2,570	2,774
DiaSorin Australia (Pty) Ltd	5,277	4,073	(49)	(8)	-	-	12	-	-	-	143	134	91	136
DiaSorin Molecular LLC	980	499	(6,700)	(510)	5	-	4	-	-	-	535	-	-	-
Total Group companies	**190,733**	**173,478**	**(53,933)**	**(42,375)**	**(298)**	**(182)**	**(1,349)**	**(2,266)**	**35**	**20**	**2,807**	**2,054**	**20,989**	**17,018**
Executives with strategic responsibilities	-	-	-	-	(3,416)	(3,736)	-	-	-	-	-	-	-	-
Directors	-	-	-	-	(975)	(970)	-	-	-	-	-	-	-	-
Other related parties	-	-	-	-	(4,391)	(4,706)	-	-	-	-	-	-	-	-
Total Group companies and other related parties	**190,733**	**173,478**	**(53,933)**	**(42,375)**	**(4,689)**	**(4,888)**	**(1,349)**	**(2,266)**	**35**	**20**	**2,807**	**2,054**	**20,989**	**17,018**
As a percentage on line item	**57.4%**	**57.8%**	**30.3%**	**26.7%**	**15.7%**	**17.2%**	**4.3%**	**8.1%**	**0.2%**	**0.1%**	**758.6%**	**62.3%**	**126.4%**	**113.2%**

(in thousands of euros)	**Trade receivables**		**Current financial receivables**		**Non-current financial receivables**		**Trade payables**		**Current financial payables**		**Other current liabilities**	
Counterparty	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**
DiaSorin S.A. – France	3,136	2,785	932	-	-	-	(122)	(129)	-	(5,595)	-	-
DiaSorin Iberia S.A.	3,002	1,746	3,043	1,426	-	1,300	(161)	(155)	-	-	-	-
DiaSorin S.A./N.V - Benelux	2,816	2,733	1,461	-	-	-	-	-	(5,234)	(4,935)	-	-
DiaSorin Ltd – UK	12	14	-	-	-	-	-	-	(1,197)	(869)	-	-
DiaSorin Ireland Limited	539	767	-	-	-	-	(292)	(91)	(15,899)	(4,021)	-	-
DiaSorin Diagnostics Ireland Limited	-	-	28,004	-	-	-	-	-	(85,200)		-	-
DiaSorin IN.UK Limited	1,848	1,780	-	1,058	-	-	-	4	(17,573)	(283)	-	-
DiaSorin Deutschland GmbH	7,683	4,522	7,615	-	-	-	(3,832)	(3,590)	(4,077)	(5,349)	-	-
DiaSorin Austria GmbH	460	789	1,529	-	-	-	(2)	4	(49)	(1,420)	-	-
DiaSorin Switzerland AG	496	526	110	-	-	-	-	-	-	(963)	-	-
DiaSorin Poland sp. Z .o.o.	915	564	2,330	1,370	-	-	-	-	-	-	-	-
DiaSorin AB – Sweden	-	-	-	-	-	-	-	-	(2,390)	(2,390)	-	-
DiaSorin Czech s.r.o.	709	818	242	-	-	-	-	-	(170)	(180)	-	-
DiaSorin Inc. – USA	7,149	10,708	33,946	56,962	699	37,947	(9,083)	(6,270)	-	-	-	-
DiaSorin Ltda – Brazil	3,764	3,655	641	-	2,265	-	(392)	(69)	-	-	-	-
DiaSorin Mexico S,A de C.V.	872	1,709	822	411	708	1,154	(133)	(207)	-	-	-	-
DiaSorin Ltd – Israel	156	257	-	-	-	-	-	-	-	-	-	-
DiaSorin Ltd - China	9,744	11,864	-	-	-	-	(930)	(496)	-	-	-	-
DiaSorin Trivitron Healthcare Private Limited	2,169	1,291	-	-	-	-	(129)	(39)	-	-	-	-
DiaSorin South Africa (PTY) Ltd	841	331	-	-	-	1,615	(28)	(14)	-	-	-	-
DiaSorin Australia (Pty) Ltd	1,816	1,479	1,045	1,033	922	-	(55)	(12)	-	-	-	-
DiaSorin Molecular LLC	4,945	1,067	-	-	-	-	(4,410)	(1,570)	-	-	-	-
Total Group companies	**53,072**	**49,405**	**81,720**	**62,260**	**4,594**	**42,016**	**(19,569)**	**(12,634)**	**(131,789)**	**(26,005)**	**-**	**-**
Executives with strategic responsibilities	-	-	-	-	-	-	-	-	-	-	-	-
Directors	-	-	-	-	-	-	-	-	-	-	(117)	(167)
Other related parties	-	-	-	-	-	-	-	-	-	-	**(117)**	**(167)**
Total Group companies and other related parties	**53,072**	**49,405**	**81,720**	**62,260**	**4,594**	**42,016**	**(19,569)**	**(12,634)**	**(131,789)**	**(26,005)**	**(117)**	**(167)**
As a percentage on line item	**54.9%**	**51.1%**	**100.0%**	**97.8%**	**100.0%**	**914.6%**	**30.1%**	**19.4%**	**84.7%**	**18.9%**	**0.5%**	**0.7%**

(in thousands of euros)	**Increase/Decrease in current receivables**		**Increase/(Decrease) in trade payables**		**Increase/(Decrease) in financial items**		**Dividends**		**Increase/(Decrease) in other current items**	
Counterparty	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**
Total Group companies	**(3,667)**	**(16,204)**	**6,935**	**2,833**	**27,806**	**(78,996)**	**17,759**	**13,749**	**-**	**-**
Executives with strategic responsibilities	-	-	-	-	-	-	-	-	-	-
Directors	-	-	-	-	-	-	-	-	(50)	43
Other related parties	-	-	-	-	-	-	-	-	(50)	43
Total Group companies and other related parties	**(3,667)**	**(16,204)**	**6,935**	**2,833**	**27,806**	**(78,996)**	**17,759**	**13,749**	**(50)**	**43**
As a percentage on line item	*67%*	*114%*	*32%*	*100%*	*100%*	*100%*	*100%*	*100%*	*-9%*	*1%*

29. Transactions resulting from atypical and/or unusual activities

In 2017, there were no transactions resulting from atypical and/or unusual activities, as defined in the Consob Communication dated July 28, 2006 (see the definition provided in the Financial Statement Presentation Format section of this Report).

ANNEX III: DISCLOSURE REQUIRED PURSUANT TO ARTICLE 149-DUODECIES OF THE CONSOB'S ISSUERS' REGULATIONS

(in thousands of euros)	**Party providing the service**	**Fee attributable to 2017**
Independent Auditing	PricewaterhouseCoopers S.p.A.	250
Other services	PWC Network	40
Total		**290**

CERTIFICATION OF THE STATUTORY FINANCIAL STATEMENTS PURSUANT TO ARTICLE 81-*TER* OF CONSOB REGULATION NO. 11971 OF MAY 14, 1999, AS AMENDED

1. We, the undersigned, Carlo Rosa, in my capacity as Chief Executive Officer, and Piergiorgio Pedron, in my capacity as Corporate Accounting Documents Officer, of the issuer DiaSorin S.p.A.,

<u>attest that</u>,

insofar as the provisions of Article 154-*bis,* Sections 3 and 4, of Legislative Decree No. 58 of February 24, 1998 are concerned, the administrative and accounting procedures applied to prepare the 2014 statutory financial statements are:

a) adequate in light of the Company's characteristics; and

b) were applied effectively.

2. Moreover, we attest that:

2.1 the statutory financial statements at December 31, 2017:

a) were prepared in accordance with the applicable international accounting principles recognized by the European Union, pursuant to Regulation (EC) No. 1606/2002 of the European Parliament and Council dated July 19, 2002;

b) are consistent with the data in the supporting documents and accounting records;

c) are suitable for the purpose of providing a truthful and fair representation of the balance sheet, operating performance and financial position of the issuer;

2.2 the Report on Operations provides a reliable analysis of the Group's performance and result from operations and of the status of the issuer, together with a description of the main risks and uncertainties to which they are exposed.

Saluggia, March 7, 2018

Signed:

Carlo Rosa	Piergiorgio Pedron
Chief Executive Officer	Corporate Accounting Documents Officer

REPORT OF THE BOARD OF STATUTORY AUDITORS ON THE FINANCIAL YEAR ENDED DECEMBER 31, 2017

TO THE SHAREHOLDERS' MEETING OF DIASORIN S.p.A pursuant to Article 153 of Legislative Decree No. 58/98 and Article 2429, Section 3, of the Italian Civil Code

Dear Shareholders,

in the year ended December 31, 2017 consistently with the requirements of Article 149 of Legislative Decree no. 58/98 (TUF) and pursuant to Article 2403 of the Italian Civil Code, the Board of Statutory Auditors of DiaSorin S.p.A. (hereinafter the "Company") carried out its oversight activities, performing its work in accordance with the principles of conduct recommended by the National Board of Certified Public Accountants and Accounting Experts and consistent with the Consob communications concerning corporate controls and the activities of the Board of Statutory Auditors (specifically CONSOB communication no. DAC/RM 97001574 of February 20, 1997 and communication no. DEM 1025564 of April 6, 2001, subsequently integrated with communication no. DEM/3021582 of April 4, 2003 and communication no. DEM/6031329 of April 7, 2006), taking into account the indications set forth in the new edition of the Corporate Governance Code (hereinafter the "Corporate Governance Code") dated July 2015 and promoted by the Corporate Governance Committee.

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In 2017, in carrying out the activities under its jurisdiction, the Board of Statutory Auditors declares that:

- it attended the Shareholders' Meeting on April 27, 2017 and all the meetings of the Board of Directors and obtained from Directors adequate information, at least on a quarterly basis, about the Company's operating performance and business outlook, as well as about any transactions that qualified as particularly significant in terms of size or characteristics carried out by the Company or its subsidiaries;
- it obtained the information necessary to perform the activities required to monitor compliance with the law, the Bylaws, the principles of sound management, the adequacy and effectiveness of the Company's organization through documents and information obtained from relevant Company departments, and with the support of PricewaterhouseCoopers S.p.A. (hereinafter the "Independent Auditors") with whom the Board of Statutory Auditors exchanged data and information on an ongoing basis;
- it attended, through its Chairman or another member of the Board of Statutory Auditors, the meetings of the Control and Risks Committee, the Compensation Committee, the Nominating Committee and the Related-Party Committee and the Oversight Board;

- it monitored the functioning and effectiveness of the Company’s internal control system and the adequacy of the administrative and accounting system, specifically its reliability in presenting fairly the results from operations;
- it promptly exchanged significant data and information with the managers of the Independent Auditors in charge of statutory audit, pursuant to Legislative Decree no. 58/1998 and Legislative Decree no. 39/2010, to discharge their respective duties, as required by Article 150 of the TUF, also by examining the results of work performed and receiving the reports as envisaged by Article 14 of Legislative Decree 39/2010 and Article 11 of EU Regulation 537/2014;
- it examined the contents of the additional Report pursuant to Article 11 of EU Regulation 537/2014, and no aspects emerged that should be reported therein;
- it monitored the operational effectiveness of the control system for Group companies and the adequacy of instructions the Group companies shall follow, pursuant to Article 144, paragraph 2 of the TUF;
- it verified the drawing up of the Compensation Report required pursuant to Article 123-ter of the TUF and Article 84-ter of the Issuers’ Regulations, and has no comment to submit in this regard;
- it monitored the specific procedures to implement the corporate governance rules adopted by the Company in compliance with the Corporate Governance Code;
- it ensured that the internal procedure concerning Transactions with Related Parties was consistent with the principles envisaged by the Consob Regulation adopted by means of Resolution no. 17221 dated March 12, 2010 and subsequent amendments and that the abovementioned procedure was being complied with Article 4, Paragraph 6 of the Regulation;
- it verified that the Company acted in compliance with the requirements of the European Regulation concerning Market Abuse (referred to as MAR) and treatment of inside information and the procedure adopted by the Company on this matter;
- it monitored the corporate disclosure and verified that directors act in compliance with the procedural rules governing the drawing up, approval and publication of the separate and consolidated financial statements;
- it assessed the methodological adequacy of the impairment tests to determine whether the Company’s goodwill and/or assets recorded on the balance sheet were impaired;
- it verified that the Report of the Board of Directors on Operations complied with current regulations and was consistent with the resolutions approved by the Board of Directors and the facts presented in the separate and consolidated financial statements;

- it examined the content of the consolidated semiannual report - without any comment to be submitted - and verified that the Report was publicly disclosed in the manner required pursuant to law;
- as regards additional information to be published on a regular basis in accordance with Article 82-*ter* of the Issuers' Regulations it was informed that the Company continued to publish, on a voluntary basis and through press releases, the main consolidated economic-financial statements and updates on operations on a quarterly basis;
- it also acted as Internal Control and Audit Committee, pursuant to Article 19, paragraph 1 of Legislative Decree 39/10 as amended by Legislative Decree 135/16, and in this capacity performed the specific information, monitoring, control and review activities specified therein, discharging all the duties and tasks laid out in the abovementioned regulation;
- it supervised compliance with the provisions laid out in Legislative Decree 254/2016 examining, among others, the Consolidated Non-Financial Disclosure included in the Annual Financial Report ascertaining compliance with the provisions regulating its drawing up, pursuant to the abovementioned Decree.

In the course of its oversight activities, which the Board of Statutory Auditors carried out in the manner described above, no irregularities were found indicating failure to comply with the law and the Company's Articles of Incorporation or otherwise requiring disclosure to the Oversight Board or mention in this Report.

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The additional disclosures required by Consob Communication no. DEM/1025564 of 6 April 2001 and subsequent amendments are provided hereinafter.

I. Any transactions carried out by the company or its subsidiaries with a major impact on the Company's income statement, balance sheet and financial position are analyzed in detail in the Report on Operations and in the separate and Consolidated Financial Statements. The Board of Statutory Auditors highlighted that in September 2017 the Company completed the acquisition of the ELISA immunodiagnostic portfolio, comprising the relevant tangible and intangible assets from Siemens Healthcare and affiliated companies (Siemens Healthineers); the acquisition did not include the transfer of employees nor manufacturing facility and capability. The acquisition was consistent with DiaSorin strategy to expand further its global commercial presence, creating new business opportunities in the promotion and marketing of its CLIA test portfolio.

The Board of Statutory Auditors reported that in the second half of 2017 the Group started a reorganization process to progressively close the Irish manufacturing facility and transfer the product lines to other Group’s companies, including DiaSorin S.p.A.

On the basis of the information supplied by the Company and data provided regarding the transactions described above, the Board of Statutory Auditors assessed the compliance of the foregoing transactions with the law, the Company’s Articles of Incorporation and the principles of sound management, making sure that these were not manifestly imprudent or reckless, potentially entailing conflicts of interest and in violation with the Shareholders' Meetings' resolutions or such as to compromise the integrity of the Company’s assets.

II. In the course of its oversight activities, the Board of Statutory Auditors did not identify any atypical and/or unusual operation carried out with third parties, Group companies or related parties. Information disclosed in the Annual Report concerning significant events and transactions and any atypical and/or unusual transactions, including infra-group and related -party transactions, is adequate and complies with current law and regulation.

III. The characteristics of infra-group and related-party transactions carried out by the Company and its subsidiaries in 2017, the parties involved and their financial effects are explained in the Note 29 of the Consolidated Financial Statements and in the Note 28 of the Statutory Financial Statements, to which reference is made. The Company engages on a regular basis in commercial and financial transactions with its subsidiaries. These transactions, which are carried out within the framework of normal company activities, are executed on standard market terms. The Board of Statutory Auditors believes that the information provided concerning the aforementioned transactions is overall adequate and, based on data thus acquired, deemed said transactions to be fair and in the Company's interests.

Related-Party transactions, which are identified on the basis of the international accounting standards and the directives issued by the Consob, are governed by an internal procedure (hereinafter the "Procedure"). The Board of Statutory Auditors reviewed the Procedure ascertaining its compliance with Consob Regulation no. 17221 of March 12, 2010 and subsequent amendments, additions and interpretations.

For the abovementioned transactions the Board of Statutory Auditors verified that the Procedure was being correctly applied.

IV. On March 29, 2018, the Independent Auditors issued the reports required by Articles 14 and 16 of Legislative Decree no. 39/2010 and by Article 10 of the EU Regulation no. 537/2014, which certify that:

- The separate financial statements of the Company and the consolidated financial statements of the Group at December 31, 2017 provide a true and fair view of the balance sheet, the income and cash flows for the year ending at that date, in compliance with IAS/IFRS international accounting standards;
- The Report on Operations and information referred to in Article 123-*bis* of the TUF included in the Report on Corporate Governance and the Company's Ownership Structure are consistent with the Company's financial statements and the Group's consolidated financial statements and prepared in compliance with the law;
- the opinion on the separate and consolidated financial statements expressed in the aforementioned Reports is in line with what specified in the additional Report prepared pursuant to Article 11 of EU Regulation no. 537/2014.

In the Independent Auditors' Report on the Consolidated Financial Statements, the Independent Auditors also certified that the Company' directors approved the 2017 Non-Financial Disclosure. The Independent Auditors also issued a Report confirming the compliance, with regard to all significant aspects, with the provisions of Legislative Decree no. 254/2016 and of Article 5 of the Consob Regulation no. 20267/2018, and of principles and methods specified by the GRI Standards adopted by the Company. In this Report, the Independent Auditors declared that no elements had come to their attention that would suggest that the Consolidated Non-Financial Disclosure was not drafted in compliance with the law.

The aforementioned Independent Auditors' Reports contained no qualifications or requests for additional disclosures pursuant to Article 14. paragraph 2, letter d) nor statements made pursuant to Article 14, paragraph 2, letter e) and f) of Legislative Decree no. 39/10.

On that date the Independent Auditors sent the additional Report to the Board of Statutory Auditors, in its role as Internal Control and Audit Committee, presenting the results of the statutory audit, the elements used in planning and implementing the auditing process, the methodological choices and the observance of ethical principles, pursuant to Article 11 of EU Regulation no. 537/2014.

During the meetings held with the Independent Auditors, the Board of Statutory Auditors did not receive disclosures from the Independent Auditors on facts deemed objectionable identified in the performance of their auditing activities on the financial statements and the consolidated financial statements.

V. In 2017, the Board of Statutory Auditors was not informed of any complaints or negative remarks by shareholders or third parties, pursuant to Article 2408 of the Italian Civil Code.

In the course of 2017, on the basis of what was reported by the independent Auditors, the Company and some of its subsidiaries assigned duties to the Independent Auditors and the parties belonging to its network for services other than auditing provided to the Company and to some of the Group companies.

Compensation and fees for the services provided - including duties assigned in 2017 - by the Independent Auditors or by parties belonging to its network in favor of DiaSorin and the Group subsidiaries are reported in the Company financial statements as required by Article 149-*duodecies* of the Issuers' Regulations. These services refer to GAP analysis services provided for non-financial data, certifications of royalties and tax compliance.

The Board of Statutory Auditors, in its role as Internal Control and Audit Committee, fulfilled the obligations laid out in Article 19, paragraph 1, letter e) of Legislative Decree 39/2010 (as amended by Legislative Decree 135/2016) and in Article 5, paragraph 4 of EU Regulation 537/2014 on the prior approval of the aforementioned tasks, verifying their compatibility with current regulations and, specifically, with the provisions of article 17 of Legislative Decree no. 39/2010 and subsequent amendments - and with the prohibitions pursuant to Article 5 of the Regulation referred to therein.

In addition, the Board of Statutory Auditors:

a) verified and monitored the independence of the Independent Auditors, pursuant to Articles 10, 10-*bis*, 10-*ter*, 10-*quater* and 17 of Legislative Decree no. 39/2010 and Article 6 of EU Regulation 537/2014, ascertaining compliance with the regulations in force on the matter and that the services other than auditing assigned to that company did not generate potential risks for the auditor's independence and for the safeguards pursuant to Article 22-ter of Directive 2006/43/EC;
b) examined the transparency report and the additional Report prepared by the Independent Auditors in compliance with the criteria set out in the EU Regulation 537/2014, pointing out that, on the basis of the information obtained, no critical aspects emerged regarding the independence of the Independent Auditors;
c) received the written confirmation, pursuant to Article 6, paragraph 2. letter a) of EU Regulation 537/2014 that, from January 1, 2017 until the moment the statement was issued, the Independent Auditors did not find evidence that could affect its independence, pursuant to Articles 10 and 17 of Legislative Decree no. 39/2010 and Articles 4 and 5 of EU Regulation 537/2014;

d) discussed with the Independent Auditors about risks for its independence and the measures it adopted to mitigate such risks, pursuant to Article 6, paragraph 2, letter b) of EU Regulation no. 537/2014.

VIII. In the course of 2017, the Board of Statutory Auditors issued its opinions in all those cases it has been called for by the Board of Directors, in accordance with the provisions requiring the prior consultation of the Board of Statutory Auditors.

The Board of Statutory Auditors, insofar as issues under its jurisdiction are concerned, reviewed the proposals made - based on the input of the Compensation Committee - with regard to the structure of the compensation policy.

With reference to Strategic Executives, the compensation system which was set in accordance with the recommendations of the Compensation Committee, is based on the award of compensation that includes a fixed component and a variable component tied to the economic results achieved at the Group level in connection with the attainment of specific targets, in addition to the Company's stock options plans granted to employees.

The Compensation Committee periodically monitors that the remuneration is in line with market value.

The Board of Statutory Auditors held seven meetings in 2017, in order to obtain the information needed to carry out its oversight activity. The activities performed on those occasions were documented in the minutes of the meetings. Furthermore, the Board of Statutory Auditors attended all 5 meetings held by the Company's Board of Directors and participated in the 3 meetings held by the Control and Risks Committee and in 2 meetings held by the Compensation Committee and in 1 meeting held by the Related-Party Committee.

IX. The Board of Statutory Auditors monitored compliance with the law, the Company's Articles of Incorporation and with the principles of sound management, ensuring that all transactions approved and executed by the Board of Directors complied with the aforementioned rules and principles, were financially sound, were not manifestly imprudent or reckless, did not give rise to potential conflicts of interest, were not in conflict with resolutions approved by the Shareholders' Meeting and did not compromise the integrity of the Company's assets. The Board of Statutory Auditors believes that tools and governance systems adopted by the Company provide adequate assurance that the principles of sound management are being followed in operating practice.

X. The Board of Statutory Auditors monitored the adequacy of the organizational structure of the Company and the Group by examining the Company's administrative structure and exchanging data and information with the managers of the various Company's functions, the managers of the Internal Auditing department and with the Independent Auditors.

The organizational structure of the Company and the Group is defined by the Chief Executive Officer and implemented through a system of internal communications, by which the managers of the various departments and business units were appointed and to whom powers where delegated, consistent with the assigned responsibilities.

Based on the verifications carried out and no critical aspects having been identified, the Company's organizational structure is adequate in light of the Company's purpose, characteristics and size.

XI. In monitoring the adequacy and effectiveness of the internal control system, pursuant to Article 19 of Legislative Decree no. 39/2010, the Board of Statutory Auditors met regularly with managers of the Internal Auditing department and other Company functions and relied on the information obtained from at least one of its members attending the meetings held with the Control and Risks Committee and the Oversight Board, pursuant to the organizational model envisaged by the Legislative Decree no. 231/2001 adopted by the Company (the "231 Model").

The Board of Statutory Auditors found that the Company's internal control system is based on a structured and organic set of rules, procedures and organizational structures designed to prevent or minimize the impact of unexpected results and allow the achievement of the Company's strategic and operating objectives (i.e. consistency of its activities with the desired objectives, effectiveness and efficiency in conducting its operations and protecting corporate assets), compliance with applicable laws and regulations, and accurate and transparent internal and market communications (reporting).

The guidelines of this system have been defined by the Board of Directors, with the support of the Control and Risks Committee. The Board of Directors assesses its adequacy and correct functioning, at least on an annual basis, with the support of the Internal Auditing department and the Control and Risks Committee.

The Company, as well as the Group's companies, uses additional tools to monitor progress toward the achievement of operational and compliance objectives, including a structured and periodic planning, management control and reporting system, a system to manage Company risks in accordance with the Enterprise Risk Management (ERM) principles, and the accounting control model required by Law No. 262/2005 in the area of financial disclosures. The structure and functioning of these systems and models are described in the Report on Corporate Governance and Company's ownership structure.

The Company adopted the 231 Model that, together with the Group Code of Conduct, aimed at preventing the illicit behaviors referred to in the Decree and, consequently, protect the Company from administrative liability.

The Oversight Board supervised the functioning and observance of the 231 Model assessing its adequacy pursuant to legislative Decree no. 231/2001 and monitoring the evolution of the relevant regulations, the implementation of staff training initiatives and compliance with the Protocols by their Recipients, also through audits conducted with the support of the Internal Auditing department.

In the area of internal dealing, in addition to the obligations that already exist pursuant to the regulations concerning market abuse, the Company introduced rules governing the obligation to refrain from executing transactions that involve financial instruments issued by the Company that are listed on regulated markets as provided for in EU Regulation 596/2014 concerning market abuse, applying the obligation to refrain from executing transactions during the 30 days prior the approval of periodic financial data.

In 2017 the Board of Directors, based on the available information and evidence collected with the support of the preparatory work of the Control and Risks Committee, carried out an overall assessment on the Internal Control and Risks Management System concluding that it was adequate for the purpose of providing a reasonable certainty that the mapped risks are properly managed.

In the opinion of the Board of Statutory Auditors, based on the information obtained, the Internal Control and Risks Management System is adequate, effective and effectively implemented.

XIII. The Board of Statutory Auditors monitored the effectiveness and functioning of the administrative and accounting system and its reliability in presenting fairly the results from operations, by obtaining information from the managers of the relevant departments, examining company documents and analyzing the results of the work carried out by the Independent Auditors. The Corporate Accounting Documents Officer was awarded the attributions that the law requires and was provided with sufficient authority and resources to discharge his duties. Furthermore, the Chief Executive Officer, acting through the Corporate Accounting Documents Officer, is responsible for implementing "the accounting control model required by Law No. 262/2005", the purpose of which is to establish the guidelines that must be applied within the DiaSorin Group to satisfy the obligations set forth in Article 154-*bis* of the TUF with regard to the preparation of corporate accounting documents and comply with the resulting certification requirements. The preparation of accounting disclosures and of statutory and consolidated financial statements is

governed by the Group Accounting Manual and by the other administrative and accounting procedures that are part of the Model adopted pursuant to Law No. 262/2005.
The Model as referred to in Law No. 262/2005 formalizes the procedures regulating the impairment test in compliance with the IAS 36 accounting standard.

The analysis of recoverable values of assets and goodwill was carried out with the support of a highly qualified independent expert and endorsed by the Board of Directors on March 7, 2018. For a more complete description of the methods and assumptions applied, reference should be made to the relevant note of the Consolidated Financial Statements.

The impairment test and its results were presented to the Board of Directors for approval and were examined by the Board of Statutory Auditors through meetings with the Independent Auditors and through the participation at the meeting held with the Control and Risks Committee which had previously assessed the methods applied.

The Board of Statutory Auditors having monitored the financial information reporting process by obtaining information from the Company managers found that, overall, the Company's administrative and accounting system is adequate and reliable in presenting fairly the results from operations.

XIV. The Board of Statutory Auditors monitored the adequacy of the instructions provided by the Company to its subsidiaries pursuant to Article 114, paragraph 2, of the TUF determining, based on the information provided by the Company, that these instructions were suitable for providing the information needed to comply with statutory disclosure requirements, and had no objections to make.

XV. The Board of Statutory Auditors monitored the process adopted to ensure the concrete implementation of the Corporate Governance rules set forth in the current Corporate Governance Code with the support of the Corporate Affairs Department.
The Report on Corporate Governance and the Company's Ownership Structure expresses clearly the recommendations that have not been adopted by the Board of Directors, explaining the reason for that choice and describing any alternative behavior that may have been adopted.

XVI. The Company's Board of Directors consists of 15 directors, seven of whom are independent directors. Its composition complies with the rules on gender balance.
In 2017, the Board of Directors performed a process of self-assessment with regard to the size, composition and functions of the Board itself and its Committees, the results of which were presented at the meeting of the Board of Directors held on March 7, 2018 and described in the Report on Corporate Governance and the Company's Ownership Structure.

Under the procedure adopted by the Board of Directors to verify the independence of its Directors, the Board of Statutory Auditors carried out a review of the issues over which it has jurisdiction, determining that the criteria and procedures used to assess compliance with the independence requirements pursuant to applicable laws and the Corporate Governance Code, were being correctly implemented and that the requirements applicable to the composition of the Board of Directors as a whole were being complied with.

Lastly, the Board of Statutory Auditors ascertained that its members met the same independence requirements as required under current regulations, duly informing the Company's Board of Directors.

The Board of Statutory Auditors adopted the Corporate Governance Code's recommendation requiring that its members disclose any direct or third-party interest they may have in specific transactions submitted to the Board of Directors for approval. No situations that would have required the members of the Board of Statutory Auditors to report a personal or third-party interest in a transaction involving the Company occurred in 2017.

The Board of Directors includes the following Committees:

- The Control and Risks Committee provides consulting support and recommendations and reports to the Board of Directors at least once every six months about the work it performed and about the adequacy of the system of internal control and risks management; this Committee comprises three non-executive directors the majority of whom are independent directors, including the Chairman. The Control and Risks Committee held 3 meetings in 2017;
- The Compensation Committee, consisting of three Non-executive Directors - two of whom are independent - held two meetings in 2017;
- The Related-Party Committee consisting of three independent directors held one meeting in 2017 to examine and assess some transactions with related parties, (as described in paragraph 3 of this Report) on which the Committee expressed its opinion.

  Additional information about the Company's corporate governance is provided in the Report on Corporate Governance and the Company's Ownership Structure, with regard to which the Board of Statutory Auditors has no observations to make.

XVII. The Board of statutory Auditors examined the Compensation Report approved by the Board of Directors on March 7, 2018 upon the recommendation of the Compensation Committee and verified its compliance with the legal and regulatory provisions and the transparency and completeness of the information provided with regard to the compensation policy adopted by the Company.

XVIII. The Board of Statutory Auditors also examined the motions that the Board of Directors resolved to submit to the Shareholders' Meeting called on March 7, 2018 and stated it has no further comments to make, including on the proposal to distribute an extraordinary dividend.

XIX. Lastly, the Board of Statutory Auditors verified the compliance with the provisions governing the preparation of the separate Financial Statements and the Consolidated Financial Statements of the Group as at December 31, 2017, the explanatory notes provided as attachments to the consolidated report and to the Report on Operations, either directly or with the support of the managers of the Company functions and through the information obtained by the Independent Auditors. Based on the controls performed and the information supplied by the Company, the Board of Statutory Auditors, limited to the issues under its jurisdiction and according to Article 149 of the TUF, acknowledged that the separate and consolidated financial statements as at December 31, 2017 were drawn up in accordance with the laws governing their drawing up and presentation and in compliance with the International Financial Reporting Standards, issued by the International Accounting Standards Board, as published in the Official Journal of the European Union.
The separate and consolidated financial statements were integrated with the required conformity declarations signed by the Chief Executive Officer and the Corporate Accounting Documents Officer.

Furthermore, the Board of Statutory Auditors verified that the Company complied with the requirements established in the Legislative Decree no. 254/2016 and that it prepared the consolidated Non-Financial Disclosure as required by Articles 3 and 4 of said Decree.

On this point the Board of Statutory Auditors acknowledged that the Company relied on the exemption from the obligation to prepare the separate Non-Financial Disclosure pursuant to Article 6, paragraph 1 of Legislative Decree 254/2016, having the company drawn up the consolidated Non-financial Disclosure pursuant to Article 4. This Disclosure contained the certifications of the Independent Auditors on the compliance of the information provided pursuant to the aforementioned Legislative decree concerning principles, methodologies and procedures used in its drawing up, pursuant to the Consob Regulation with Resolution no. 20267 of January 18, 2018

Based on the considerations set forth above, which provide an overview of its activities in 2017, the Board of Statutory Auditors did not encounter any specific critical issues, omissions, objectionable actions or serious irregularities and does not have further observations nor proposals to be submitted to the Shareholders' Meeting pursuant to Article 153 of Legislative Decree 58/1998, with regard to issues under its jurisdiction, having no objection to the resolution proposals formulated by the Board of Directors to the Shareholders' Meeting.

Pursuant to Article 144-quinquiesdecies of the Issuers' Regulations, approved by the Consob with Resolution No. 11971/99, as amended, a list of the posts held by members of the Board of Statutory Auditors at companies such as those listed in Volume V, Title V, Chapters V, VI and VII, of the Italian Civil Code, has been published by the Consob on its website (www.consob.it).

Milan, March 29, 2018

The Board of Statutory Auditors

Monica Mannino	Chairman
Roberto Bracchetti	Statutory Auditor
Ottavia Alfano	Statutory Auditor

DIASORIN SPA

INDEPENDENT AUDITOR'S REPORT IN ACCORDANCE WITH ARTICLE 14 OF LEGISLATIVE DECREE NO. 39 OF 27 JANUARY 2010 AND ARTICLE 10 OF REGULATION (EU) NO. 537/2014

CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2017

pwc

Independent auditor's report

in accordance with article 14 of Legislative Decree No. 39 of 27 January 2010 and article 10 of Regulation (EU) No. 537/2014

To the shareholders of DiaSorin SpA

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of DiaSorin Group (the Group), which comprise the consolidated statement of financial position as of 31 December 2017, the consolidated income statement, the consolidated comprehensive income statement, the statement of changes in consolidated shareholders' equity, the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as of 31 December 2017, and of the result of its operations and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No. 38/05.

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 Financial Statements* section of this report. We are independent of DiaSorin SpA (the Company) pursuant to the regulations and standards on ethics and independence applicable to audits of financial statements under Italian law. 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.

PricewaterhouseCoopers SpA

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Key Audit Matters	*Auditing procedures performed in response to key audit matters*
Valutation of goodwill and other intangible assets *Note 11 to the consolidated financial statements as of 31 December 2017 "goodwill and other intangible assets"* Carrying amount of goodwill reported in financial statement is Euro 150,744 thousand and represents the 33% on total non-current assets. Carrying amount of other intangible assets reported in financial statements, which mainly relate to development costs, concessions, licenses and trademarks, customer relationship and industrial patents and intellectual property rights, is Euro 193,606 thousand and represents the 42% of total non-current assets. Goodwill and other intangible assets are considered significant given their magnitude in the financial statements as well as the underlying estimation elements included in the assumptions developed by Directors on future forecasts, such as discount rates and cash flows growth rate. International financial reporting standards as adopted by European Union ("IFRS") state that an impairment test exercise shall be performed on a yearly basis for Goodwill and, in case of impairment indicators for intangible assets with a definite life, through the estimation of recoverable amounts. Recoverable amount, determined as the value in use, is equal to the present value of the future cash flows belonging to each Cash Generating Unit. Cash Generating Units identified by Group correspond to stand-alone subsidiaries or aggregations of them.	We analysed the estimated cash flow projections, prepared and used for the impairment test of goodwill and other intangible assets, also through meetings with Directors who described the process to prepare the above projections. We compared the 2017 actual results with the expected figures included in the previous year impairment test and analysed main variances to assess the reliability of forecasts prepared by Directors. We analysed and understood the main assumptions underlying forecasted revenue and costs for each Cash Generating Unit as well as verified their reasonableness based on actual results, future strategic developments and expected market evolutions. We verified, through the involvement of valuation experts belonging to PwC network, the impairment test methodology, the mathematical accuracy of the model used and the reasonableness of assumptions included, also in connection with the determination of the terminal value and discount rates. We verified the sensitivity analysis in relation to the recoverability of goodwill and other intangible assets considering possible future cash flows or discount rates changes. We finally assessed the financial statements disclosure focusing on assumptions and sensitivity analysis reported.

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

Management is responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No. 38/05 and, in the terms prescribed by law, for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Management is responsible for assessing the Group's ability to continue as a going concern and, in preparing the consolidated financial statements, for the appropriate application of the going concern basis of accounting, and for disclosing matters related to going concern. In preparing the consolidated financial statements, management uses the going concern basis of accounting unless management either intends to liquidate DiaSorin SpA or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing, in the terms prescribed by law, 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 auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with 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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

As part of an audit conducted in accordance with International Standards on Auditing (ISA Italia), we exercised our professional judgement and maintained professional scepticism throughout the audit. Furthermore:

- We identified and assessed the risks of material misstatement of the consolidated financial statements, whether due to fraud or error; we designed and performed audit procedures responsive to those risks; we 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 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 evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;

- We concluded on the appropriateness of management's 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 consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern;
- We 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 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 on the consolidated financial statements.

We 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 identified during our audit.

We also provided those charged with governance with a statement that we complied with the regulations and standards on ethics and independence applicable under Italian law and communicated with them all relationships and other 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 determined those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We described these matters in our auditor's report.

Additional Disclosures required by Article 10 of Regulation (EU) No 537/2014

On 28 April 2016, the shareholders of DiaSorin SpA in general meeting engaged us to perform the statutory audit of the Company's and consolidated financial statements for the years ending 31 December 2016 to 31 December 2024.

We declare that we did not provide any prohibited non-audit services referred to in article 5, paragraph 1, of Regulation (EU) No. 537/2014 and that we remained independent of the Company in conducting the statutory audit.

We confirm that the opinion on the consolidated financial statements expressed in this report is consistent with the additional report to those charged with governance, in their capacity as audit committee, prepared pursuant to article 11 of the aforementioned Regulation.

Report on Compliance with other Laws and Regulations

Opinion in accordance with Article 14, paragraph 2, letter e), of Legislative Decree No. 39/10 and Article 123-bis, paragraph 4, of Legislative Decree No. 58/98

Management of DiaSorin SpA is responsible for preparing a report on operations and a report on the corporate governance and ownership structure of DiaSorin Group as of 31 December 2017, including their consistency with the relevant consolidated financial statements and their compliance with the law.

We have performed the procedures required under auditing standard (SA Italia) No. 720B in order to express an opinion on the consistency of the report on operations and of the specific information included in the report on corporate governance and ownership structure referred to in article 123-bis, paragraph 4, of Legislative Decree No. 58/98, with the consolidated financial statements of DiaSorin Group as of 31 December 2017 and on their compliance with the law, as well as to issue a statement on material misstatements, if any.

In our opinion, the report on operations and the specific information included in the report on corporate governance and ownership structure mentioned above are consistent with the consolidated financial statements of DiaSorin SpA as of 31 December 2017 and are prepared in compliance with the law.

With reference to the statement referred to in article 14, paragraph 2, letter e), of Legislative Decree No. 39/10, issued on the basis of our knowledge and understanding of the Company and its environment obtained in the course of the audit, we have nothing to report.

Statement in accordance with article 4 of Consob's Regulation implementing Legislative Decree No. 254 of 30 December 2016

Management of DiaSorin SpA is responsible for the preparation of the non-financial statement pursuant to Legislative Decree No. 254 of 30 December 2016.
We have verified that management approved the non-financial statement.

Pursuant to article 3, paragraph 10, of Legislative Decree No. 254 of 30 December 2016, the non-financial statement is the subject of a separate statement of compliance issued by ourselves.

Milan, 29 March 2018

PricewaterhouseCoopers SpA

Signed by

Stefano Pavesi
(Partner)

This report has been translated from the original, which was issued in Italian, solely for the convenience of international readers.

DIASORIN SPA

INDEPENDENT AUDITOR'S REPORT IN ACCORDANCE WITH ARTICLE 14 OF LEGISLATIVE DECREE NO. 39 OF 27 JANUARY 2010 AND ARTICLE 10 OF REGULATION (EU) NO. 537/2014

FINANCIAL STATEMENTS AS AT 31 DECEMBER 2017

Independent auditor's report

in accordance with article 14 of Legislative Decree No. 39 of 27 January 2010 and article 10 of Regulation (EU) No. 537/2014

To the shareholders of DiaSorin SpA

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of DiaSorin SpA (the Company), which comprise the statement of financial position as of 31 December 2017, the income statement, the comprehensive income statement, the statement of changes in shareholders' equity, the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of the Company as of 31 December 2017, and of the result of its operations and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No. 38/05.

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 Financial Statements* section of this report. We are independent of the Company pursuant to the regulations and standards on ethics and independence applicable to audits of financial statements under Italian law. 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 financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

PricewaterhouseCoopers SpA

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Key Audit Matters	*Auditing procedures performed in response to key audit matters*
Valutation of goodwill and other intangible assets *Note 11 to the financial statements as of 31 December 2017 "goodwill and other intangible assets"* Carrying amount of goodwill reported in financial statement is Euro 36,951 thousand and represents the 11% on total non-current assets. Carrying amount of other intangible assets reported in financial statements, which mainly relate to development costs, concessions, licenses and trademarks, customer relationship and industrial patents and intellectual property rights, is Euro 61,981 thousand and represents the 18% of total non-current assets. Goodwill and other intangible assets are considered significant given their magnitude in the financial statements as well as the underlying estimation elements included in the assumptions developed by Directors on future forecasts, such as discount rates and cash flows growth rate. International financial reporting standards as adopted by European Union ("IFRS") state that an impairment test exercise shall be performed on a yearly basis for goodwill and, in case of impairment indicators for intangible assets with a definite life, through the estimation of recoverable amounts. Recoverable amount, determined as the value in use, is equal to the present value of the future cash flows belonging to the Cash Generating Unit "DiaSorin Italy".	We analysed the estimated cash flow projections, prepared and used for the impairment test of goodwill and other intangible assets, also through meetings with Directors who described the process to prepare the above projections. We compared the 2017 actual results with the expected figures included in the previous year impairment test and analysed main variances to assess the reliability of forecasts prepared by Directors. We analysed and understood the main assumptions underlying forecasted revenue and costs for each Cash Generating Unit as well as verified their reasonableness based on actual results, future strategic developments and expected market evolutions. We verified, through the involvement of valuation experts belonging to PwC network, the impairment test methodology, the mathematical accuracy of the model used and the reasonableness of assumptions included, also in connection with the determination of the terminal value and the discount rate. We verified the sensitivity analysis in relation to the recoverability of goodwill and other intangible assets considering possible future cash flows or discount rate changes. We finally assessed the financial statements disclosure focusing on assumptions and sensitivity analysis reported.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No. 38/05 and, in the terms prescribed by law, for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Management is responsible for assessing the Company's ability to continue as a going concern and, in preparing the financial statements, for the appropriate application of the going concern basis of accounting, and for disclosing matters related to going concern. In preparing the financial statements, management uses the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing, in the terms prescribed by law, the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with 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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit conducted in accordance with International Standards on Auditing (ISA Italia), we exercised our professional judgement and maintained professional scepticism throughout the audit. Furthermore:

- We identified and assessed the risks of material misstatement of the financial statements, whether due to fraud or error; we designed and performed audit procedures responsive to those risks; we 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 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 Company's internal control;
- We evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;

- We concluded on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern;
- We evaluated the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We 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 identified during our audit.

We also provided those charged with governance with a statement that we complied with the regulations and standards on ethics and independence applicable under Italian law and communicated with them all relationships and other 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 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 described these matters in our auditor's report.

Additional Disclosures required by Article 10 of Regulation (EU) No 537/2014

On 28 April 2016, the shareholders of DiaSorin SpA in general meeting engaged us to perform the statutory audit of the Company's and consolidated financial statements for the years ending 31 December 2016 to 31 December 2024.

We declare that we did not provide any prohibited non-audit services referred to in article 5, paragraph 1, of Regulation (EU) No. 537/2014 and that we remained independent of the Company in conducting the statutory audit.

We confirm that the opinion on the financial statements expressed in this report is consistent with the additional report to those charged with governance, in their capacity as audit committee, prepared pursuant to article 11 of the aforementioned Regulation.

pwc

Report on Compliance with other Laws and Regulations

Opinion in accordance with Article 14, paragraph 2, letter e), of Legislative Decree No. 39/10 and Article 123-bis, paragraph 4, of Legislative Decree No. 58/98

Management of DiaSorin SpA is responsible for preparing a report on operations and a report on the corporate governance and ownership structure of DiaSorin SpA as of 31 December 2017, including their consistency with the relevant financial statements and their compliance with the law.

We have performed the procedures required under auditing standard (SA Italia) No. 720B in order to express an opinion on the consistency of the report on operations and of the specific information included in the report on corporate governance and ownership structure referred to in article 123-bis, paragraph 4, of Legislative Decree No. 58/98, with the financial statements of DiaSorin SpA as of 31 December 2017 and on their compliance with the law, as well as to issue a statement on material misstatements, if any.

In our opinion, the report on operations and the specific information included in the report on corporate governance and ownership structure mentioned above are consistent with the financial statements of DiaSorin SpA as of 31 December 2017 and are prepared in compliance with the law.

With reference to the statement referred to in article 14, paragraph 2, letter e), of Legislative Decree No. 39/10, issued on the basis of our knowledge and understanding of the Company and its environment obtained in the course of the audit, we have nothing to report.

Milan, 29 March 2018

PricewaterhouseCoopers SpA

Signed by

Stefano Pavesi
(Partner)

This report has been translated from the original, which was issued in Italian, solely for the convenience of international readers.