



**ANNUAL FINANCIAL REPORT
DECEMBER 31, 2018**

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

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LETTER TO SHAREHOLDERS

Dear Shareholders,

*the year 2018 confirmed DiaSorin's **excellent financial results**, with increased revenues and profitability along with record net profit and cash generation.*

*We undertook several projects as evidence of our ongoing quest for **cutting-edge, reliable** products, in order to provide our customers - the diagnostic laboratories- with more effective solutions capable of delivering high-quality and swift answers.*

***Our customers have always been at the hearth of every single initiative and decision related to investment and development**, as regards both the consolidated immunodiagnosics framework and the recent molecular diagnostics segment.*

*The year 2018 continued to confirm DiaSorin as the immunodiagnostic Company with **the broadest specialty menu available on the global market** with over 115 products, including 30 high-specialty tests. We kept on **expanding** the number of **molecular diagnostic tests** by launching **4 new kits and 11 new ASRs**, increasing our already extensive menu available on LIAISON MDX and laying the foundation for further business growth.*

*It is noteworthy to mention the launch of **latent tuberculosis test**, following **the agreement with QIAGEN** on the use of QuantiFERON technology. This diagnostic specialty offers **strong growth prospects** for both companies, given the spread of Tuberculosis around the world. Furthermore, the successful development of this test opened the way for **new diagnostic applications** generated by synergy among technologies.*

***The success of LIAISON analyzers placements continued**, with an overall installed base exceeding **7,800 units**, with LIAISON XL representing more than **50%** of analyzers. During the year, we continue to focus on the development of the new **LIAISON XS**: the analyzer will be launched on the European market in first month of 2019 to serve **small-medium sized laboratories**.*

*In 2018, we worked on **business development**, through an important **agreement** signed with **MERIDIAN BIOSCIENCE**, a major U.S. diagnostics company, to sell DiaSorin's FDA-cleared H. Pylori stool antigen test to **detect Helicobacter Pylori** for use on its automated **LIAISON platform**.*

*In light of the above, I believe that DiaSorin, once again, represents the excellence standard in the diagnostic sector at global level, laying the foundation for further success to be achieved in the forthcoming years. This success stems from our vision, strategy, passion, ability to adapt to changing market conditions, as well as a corporate **talent-oriented culture**, which is a necessary and essential condition for an innovative and fast-growing company like DiaSorin.*

I would like to thank our Top Management, all employees and Shareholders for confirming their trust in the Group's important objectives that are intended to drive our Company towards important results. And, I would also like to mention our commitment to corporate sustainability initiatives that, again this year, have been at the basis of our conduct, especially with respect to local communities where we operate.

*Our projects range from those to **support talent and love for science**, like Mad for Science, to those **to help athletes facing difficult situations**, like Talent Project with FISIP or DiaSorin Sitting Volley Cup, **or those to ease hospitalized children's anxieties**, like Pinocchio Project...small acts demonstrating how **focus on Individuals has become increasingly important to build up a better future for our Society.***

Gustavo Denegri

Chairman

BOARD OF DIRECTORS & CONTROL BODIES

BOARD OF DIRECTORS

(appointed on 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

Alternates

Ottavia Alfano

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.

DIASORIN WORLDWIDE

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.

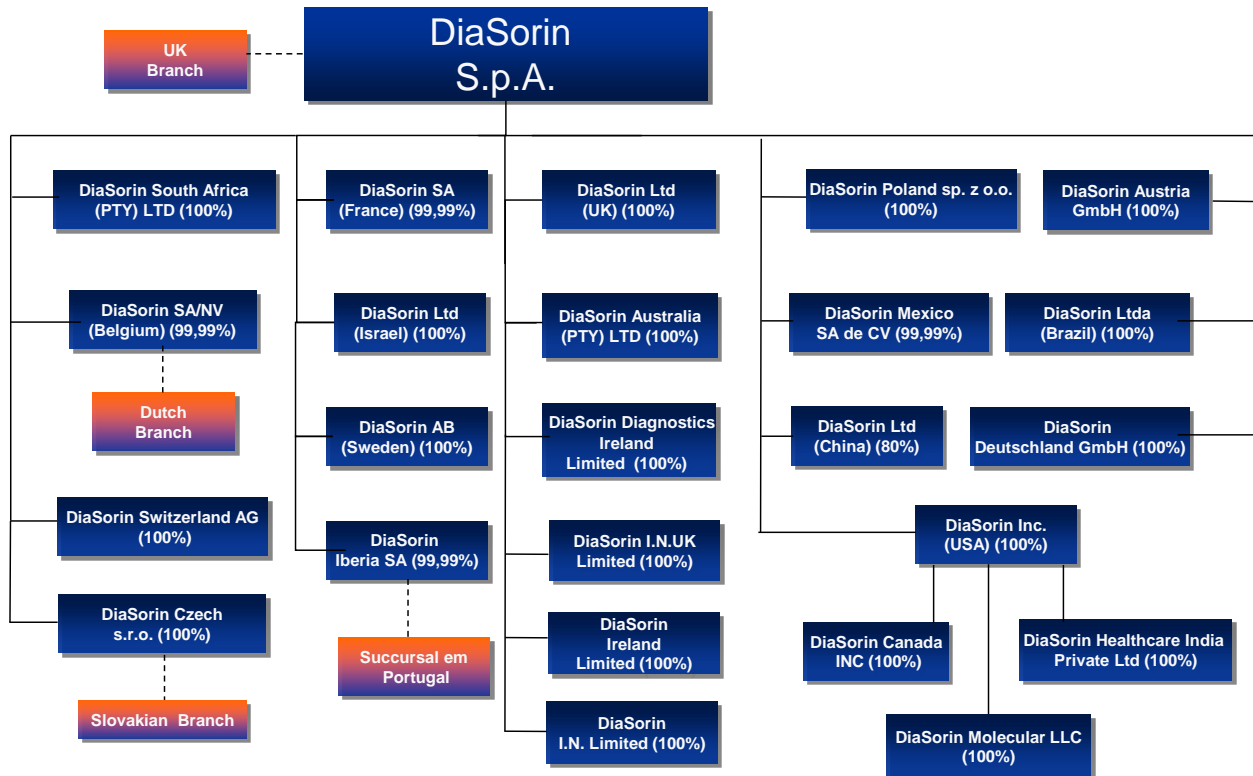
For over 50 years, DiaSorin has been operating as a leading company in a highly innovative and competitive market, that of laboratory diagnostics, developing, manufacturing and marketing diagnostic tests to give reliable and swift answers to healthcare professionals on the condition of their patients' health.

The Group headed by DiaSorin S.p.A. is made of 25 companies and 4 branches on the 5 continents; it produces its own tests at 7 manufacturing facilities and 5 research facilities around the world. By continuously investing in research and development and using its own distinctive expertise in immunodiagnosics, DiaSorin offers today the broadest range of specialty tests available in immunodiagnostic market and new molecular tests that identify the DiaSorin Group as the "IVD Specialist".



DiaSorin distributes its tests and platforms all over the world through its commercial subsidiaries, present in Europe, Israel, the United States, Mexico, Brazil, China, India and Australia. In other Countries, the Group operates through an international network of over 200 independent distributors.

STRUCTURE OF THE GROUP AT DECEMBER 31, 2018



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-hematology
- Autoimmunity



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

 **Immunodiagnosics**

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 a pathology by detecting specific RNA or DNA sequences (nucleic acids) in patients' biological fluids or in their abnormal cells.

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, hormone, 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 platform

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



In **immunodiagnosics**, DiaSorin offers the market proprietary-based platforms on CLIA technology, to fully automate the diagnostic procedure and providing high flexibility of use in terms of menu.

DiaSorin offers also immunodiagnostic solutions based on ELISA technology appropriate for the diagnosis of a few parameters but with high volumes (i.e. blood banks).

In **molecular diagnostics**, DiaSorin offers the market diversified proprietary platforms based on 2 nucleic acids amplification technology (PCR and qLAMP), to diagnose viral infections or liquid tumors, through the qualitative and quantitative determination of viral load or genetic mutations in patient's biological sample.

OUR STRATEGY

In 2018, the Group reinforced its role as specialist player in the immunodiagnostic and molecular diagnostic segments, thanks to a long-term business strategy strongly oriented towards the customer.

This goal has been achieved, 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 to:

- enter new market segments;
- reach new customers;
- reinforce its commercial capillarity.

RESEARCH AND DEVELOPMENT

One of the key pillars of DiaSorin's growth is its consolidated ability to innovate its products and technological platforms and to evaluate new business opportunities; this is made possible by listening to scientific community needs, creating intensive networking with the academic world, and pursuing a long-term vision in Research.

The Group's 211 researchers, located mainly in the U.S. and Italy, ensure the continued evolution of DiaSorin's diagnostic products through state-of-the-art specialty tests and diagnostic solutions, as a result of the Company's constant investments in R&D.

FOCUS ON OUR PLATFORMS

LIAISON XL

In 2018, the expansion of LIAISON XL continued with 483 units, reaching an overall installed base of 7,849 units.

This success stems from DiaSorin's ability to develop specific solutions to meet the needs of mid- to high- volume labs. LIAISON XL, thanks to its flexible configuration, provides both highly automated solutions, through the connection to the Laboratory Automation Systems used by the main market players, and stand-alone solutions. The Company has, thus, become a reference point for specialty assays.



CONTINUOUS DEVELOPMENT OF THE NEW LIAISON XS ANALYZER

2018 set new targets in the LIAISON XS development; in addition to the validation phase of the assays that will be part of the analyzer's menu, DiaSorin added Serveability and Usability tests for a complete check of its functionality.

As of today, more than 30 units have been installed at the Group's main manufacturing and R&D facilities, with the aim of completing the tests' validation phase, up to the final stages of the analyzer's development, in view of its commercial launch in the European market in the first months of 2019.



FOCUS ON THE CLIA MENU

In 2018, DiaSorin continued to expand the number of tests available on CLIA technology, through strategic commercial launches in Europe and in the U.S., and strengthen its unique menu comprising both high-routine and specialty tests.

INFECTIOUS DISEASES

In 2018, DiaSorin concluded a commercial agreement, which was announced in 2017, with QIAGEN. In September, the Company launched **LIAISON QuantiFERON TB Gold PLUS test** on the European market and filed with the relevant authority an application to obtain clearance in the U.S. market where the test will be available in 2019.

Through the partnership signed on the QuantiFERON technology, DiaSorin and QIAGEN want to drive the conversion from existing skin test detection to a fully automated testing process and, at the same time, provide labs with the opportunity to lead the testing process with a complete, fast and robust fully-integrated solution.

Furthermore, the collaboration between the two companies initiated in 2017 to develop new tests for the LIAISON family analyzers based on QIAGEN assay technologies is leading to assess and develop new potential opportunities based on QuantiFERON technology, providing a unique, efficient way to detect asymptomatic infections and other risks that cannot be discovered with standard diagnostic technologies.

On April, DiaSorin received clearance from the Food and Drug Administration to market the LIAISON BRAHMS PCT II GEN assay for Sepsis's diagnosis through the quantitative determination of procalcitonin (PCT). Sepsis remains a leading cause of death worldwide; in the U.S. more than 1.5 million people develop sepsis and approximately 250,000 die each year.

HEPATITIS AND RETROVIRUS

In the **Hepatitis and Retrovirus** clinical area, DiaSorin launched the first automated kit available on the market for the diagnosis of HDV or Hepatitis Delta, enlarging its CLIA menu for hepatitis on LIAISON platform.

HDV is the infectious agent causing Hepatitis D that requires HBV for transmission. This severe form of viral hepatitis can lead to a severe liver disease and is associated with accelerated fibrosis progression, earlier hepatic decompensation and an increased risk for the development of hepatocellular carcinoma. Around 15-20 million people worldwide are estimated to be infected by HDV.

Lastly, in 2018, DiaSorin continued its partnership with **Beckman Coulter** to register **Hepatitis and Retrovirus in the U.S.**, and market the panel by the end of 2020.

GASTROINTESTINAL INFECTIONS

The area of Gastrointestinal Infections continued to be an important growth driver for the Group both in mature markets, such as Europe, and in emerging markets where the use of these markers is rapidly increasing.

In October, DiaSorin and **Meridian Bioscience** entered a strategic **collaboration** to sell in the U.S. and in the U.K. DiaSorin's *Helicobacter pylori* stool antigen test (*Helicobacter pylori* antigen) for use on its automated LIAISON platform under Meridian brand name.

Helicobacter pylori is one of the most common bacterial infections in humans, affecting nearly 50% of the world population and it has been associated with the development of serious upper gastrointestinal conditions, including gastritis, peptic ulcer disease, gastric cancer, and mucosa-associated lymphoid tissue (MALT).

As part of this agreement, DiaSorin and Meridian began collaborating on sales and marketing of LIAISON H. pylori antigen test in hospitals and laboratories in the U.S.

FOCUS ON MOLECULAR DIAGNOSTICS

In 2018, DiaSorin developed important molecular diagnostics products.

The menu was enriched with new “direct determination” products that do not need nucleic acid extraction, both in the European and in the U.S. market. Said products include Simplexa VZV Direct (Europe), Simplexa GBS Direct (Europe and U.S.), Simplexa Bordetella Direct (U.S.). The Company extended sample claims for Simplexa HSV1&2 Direct assay in the U.S. and launched 11 ASRs (primers), some of which can be used for the molecular detection of genome involving bacteria carried by ticks and other pathogens causing atypical respiratory infections.



In 2018, DiaSorin expanded its teams across corporate area, including Research and Marketing, strengthening and increasing the number of development projects. The Group carried out several projects to improve and implement new functions as regards instruments' hardware and software.

On the sales front, DiaSorin worked on structures consolidation and business growth in the European countries and in Israel, Australia and the U.S., through direct sale and distributors.

Lastly, the Group paid great attention to promoting its molecular brand through the main international conventions, a new dedicated website and via social networks.

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 Disc



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 Disc



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 2018, the Research and Development team focused its activities on developing diagnostic kits for the infectious disease global market and 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.

In 2018, the Research and Development team developed the assay for the direct detection of varicella zoster virus (VZV) DNA from cerebrospinal fluid. The virus is a leading cause of encephalitis and meningitis. The assay was launched in the European market in September 2018.

In November DiaSorin received CE marking for its new Simplexa GBS assay, for the detection of recto-vaginal colonization of Group B Streptococcus in pregnant women. Thanks to this screening, pregnant women can receive treatment with antibiotics during labor and prevent the vertical transmission of GBS to the newborn avoiding, thus, the risk of contracting this life-threatening disease. In November 2018, the assay received FDA clearance.

In December, the Group received FDA clearance for its new Simplexa Bordetella Direct assay - launched in the European market in 2017 - for the diagnosis of respiratory infections caused by Pertussis which can be extremely severe in children.

Lastly, DiaSorin earned FDA clearance for its comprehensive Simplexa HSV1&2 kit for mucocutaneous, cutaneous swabs and CSF samples. This kit has, thus, become the most extensive claim on the market.

In 2018, the Group started to develop new assays for **Cytomegalovirus infections in newborn children** (Congenital Cytomegalovirus) and the assay for the molecular detection of *Helicobacter Pylori* and its antibiotics resistance. Both assays will be launched in 2020.

ONCO-HEMATOLOGY

In 2018, DiaSorin continued its commercial operations in the Onco-hematology clinical area, with a unique offer providing the main onco-hematology Italian centers with the most commonly used markers for Acute Myeloid Leukemia. The solution comprises:

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

The offer, which features an outstanding performance, fast results and is easy to use, enabled DiaSorin to enter the prestigious Italian guidelines of LabNet, within GIMEMA, and was the subject of scientific studies, some of which were selected at the national congress of Italian Society of Hematology (SIE).

RESEARCH AND DEVELOPMENT COSTS AND INVESTMENTS

Consistent with the above, in 2018 the Group's research and development costs increased to €56,685 thousand (€45,307 thousand in 2017).

<i>(€ thousands)</i>	2018	2017
Research and development costs that were not capitalized	39,631	37,644
Annual amortization of capitalized costs	5,451	5,983
Total research and development costs charged to income	45,082	43,627
Development costs capitalized during the year	17,054	7,663
<i>Total research and development costs</i>	<i>56,685</i>	<i>45,307</i>

In 2018, the Group's Parent Company capitalized development costs totaling €8,220 thousand; research costs, amounting to €19,536 thousand, were charged directly to the income statement.

PUTTING PEOPLE AT THE HEARTH

Centrality of people and employees is a deep-rooted value in DiaSorin and a major element within People Strategy. Said strategy comprises 3 pillars:

- Leadership,
- Engagement,
- Talent.

Each of them includes a series of concrete actions which are integral part of the Group's daily and medium-term choices' guidelines.

2018 was an important year in the management of our people. We focused on organizational, management and project aspects that impacted different business areas.

- 1) Internal growth involving a significant number of high-impact resources within our business;
- 2) Identification of key resources for business development from the labor market;
- 3) Definition of new positions and recruitment of the Head of Innovation, as a result of the implementation process started over the past years. Today said process is part of our *modus operandi*;
- 4) Implementation of the TRUST project, based on the SAP Success Factor platform, which aggregates different management processes, including leadership evaluation for 900 resources, and the management of the rewarding process, reporting and recruiting.

The commercial area was reorganized to focus on strategic markets, such as United States, China and Europe. In Europe, the Group hired 40 new resources in the Sales and Service area to manage the ELISA business acquired from Siemens at the end of 2017.

Consistently with the Group organization, DiaSorin strongly invested on Senior Management: noteworthy is the recruitment of the new Corporate VP Sales Emea, Apac & LatAm.

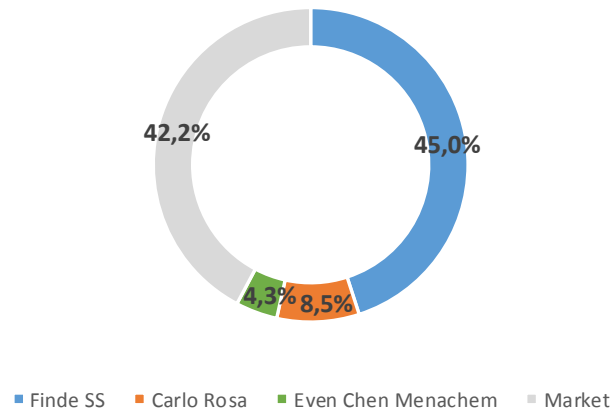
Lastly, the Group focused on talents growth to consolidate their Company engagement and prepare them for future responsibilities.

At December 31, 2018 employees were 1,971.

STOCK OWNERSHIP

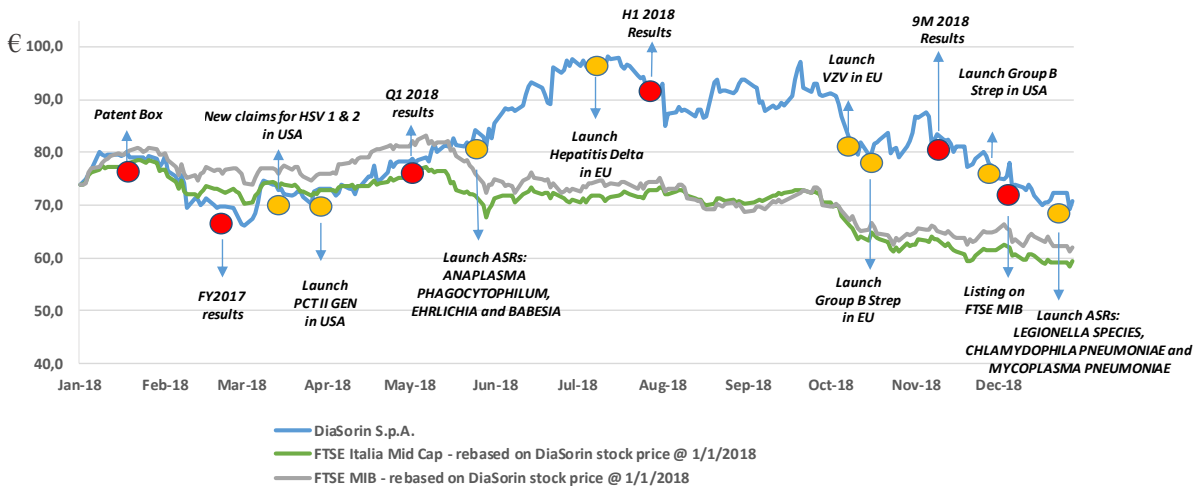
The chart below shows a breakdown of the shareholders of DiaSorin S.p.A., based on information in the Shareholder Register, disclosures received pursuant to law and other available information processed up to December 31, 2018.

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 2018

In 2018, the DiaSorin stock was down 4.5%, compared with a decline of 19.6% for the FTSE Italia Mid Cap reference stock market Index.



Starting from December 4, 2018, DiaSorin stocks are listed in the FTSE MIB Index, which was down 16.1% in 2018.

FINANCIAL COMMUNICATION AND INVESTOR RELATIONS

In 2018, 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 2018, 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.diasoringroup.com.

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

CONTACTS

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riccardo.fava@diasorin.it

Ines Di Terlizzi

Investor Relator

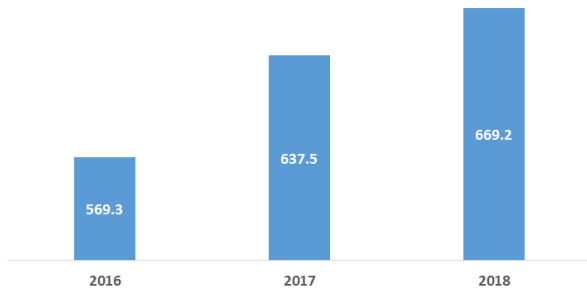
Tel: +39 0161/487.567

ines.diterlizzi@diasorin.it

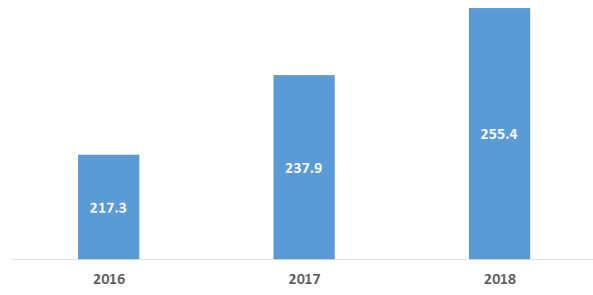
Website: www.diasoringroup.com

HIGHLIGHTS

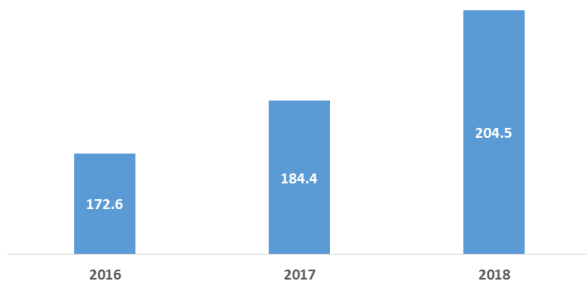
NET REVENUES



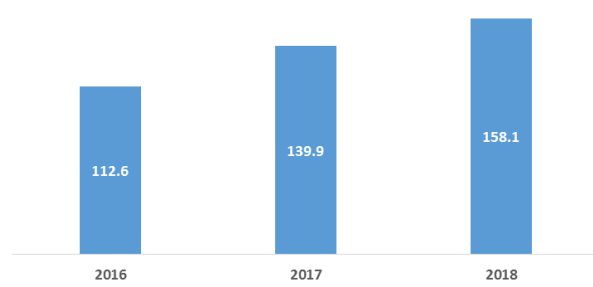
EBITDA



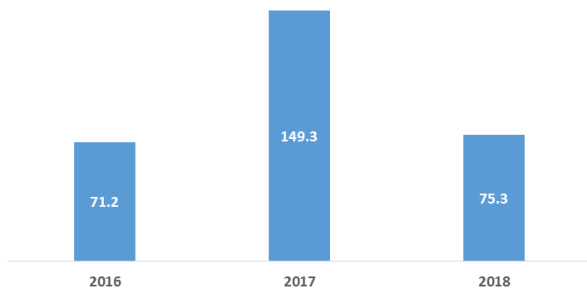
EBIT



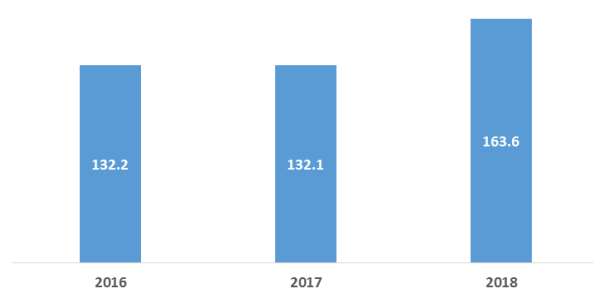
NET PROFIT OF THE YEAR



NET FINANCIAL POSITION



FREE CASH FLOW



CONSOLIDATED FINANCIAL HIGHLIGHTS

Income statement <i>(€ thousands)</i>	2018	2017
Net revenues	669,197	637,487
Gross profit	455,769	431,896
EBITDA ⁽¹⁾	255,351	237,922
Operating result (EBIT)	204,525	184,420
Net profit for the year	158,130	139,878
Adjusted EBITDA ⁽²⁾	n.a	241,185
Adjusted EBIT ⁽²⁾	n.a	192,085

Statement of financial position <i>(€ thousands)</i>	12/31/2018	12/31/2017
Capital invested in non-current assets	491,080	460,482
Net invested capital	629,424	592,653
Net financial position	75,311	149,302
Shareholders' equity	704,735	741,955

Cash flow statement <i>(€ thousands)</i>	2018	2017
Net cash flow for the year	(86,237)	28,872
Free cash flow ⁽³⁾	163,626	132,052
Capital expenditures	52,787	42,482
Number of employees	1,971	1,896

- (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 <i>(€ thousands)</i>	2018	2017
Net revenues	364,079	332,218
Gross profit	172,108	153,938
EBITDA ⁽¹⁾	105,772	89,695
Operating result (EBIT)	87,807	75,189
Net profit for the year	100,097	88,587
Statement of financial position <i>(€ thousands)</i>	12/31/2018	12/31/2017
Capital invested in non-current assets	357,480	336,462
Net invested capital	470,345	434,967
Net financial position	(110,657)	32,586
Shareholders' equity	359,688	467,553
Cash flow statement <i>(€ thousands)</i>	2018	2017
Net cash flow for the year	(86,267)	29,628
Free cash flow ⁽²⁾	60,139	49,112
Capital expenditures	25,429	28,039
Number of employees	753	710

⁽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 2018 COMPARED TO 2017

MACROECONOMIC SCENARIO AND THE FOREIGN EXCHANGE MARKET

Despite an overall sustained growth, the global economy momentum slowed down in the fourth quarter of 2018. A downturn in the economic cycle is expected in 2019, although a recession is unlikely; main economic uncertainties are caused by international trade tensions (mainly between China and United States) and Britain's exit from the European Union.

If macroeconomic indicators should confirm the global economy slowdown occurred at the end of 2018, the implementation of restrictive monetary policies during 2018 (leading to a rise in the U.S. interest rates and progressive reduction of Quantitative Easing in Europe) could be reviewed in 2019.

In the first months of 2018, the foreign exchange market showed a significant and rapid appreciation of the Euro against the U.S. dollar, which was followed by a progressive downward correction, with weakened EUR/USD compared to 2017.

The Euro gained in value vis-à-vis the Group's main currencies when comparing the average exchange rates in 2018 and 2017. The euro appreciated particularly against the Brazilian real due to political uncertainty during the pre-election period.

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		
	2018	2017	P&L change	12/31/2018	12/31/2017	P&L change
U.S. dollar	1.1810	1.1297	4.54%	1.1450	1.1993	-4.53%
Brazilian real	4.3085	3.6054	19.50%	4.4440	3.9729	11.86%
British pound	0.8847	0.8767	0.91%	0.8945	0.8872	0.83%
Swedish kronor	10.2583	9.6351	6.47%	10.2548	9.8438	4.18%
Swiss franc	1.1550	1.1117	3.89%	1.1269	1.1702	-3.70%
Czech koruna	25.6470	26.3258	-2.58%	25.7240	25.535	0.74%
Canadian dollar	1.5294	1.4647	4.42%	1.5605	1.5039	3.76%
Mexican peso	22.7054	21.3286	6.46%	22.4921	23.6612	-4.94%
Israeli shekel	4.2423	4.0622	4.43%	4.2972	4.1635	3.21%
Chinese yuan	7.8081	7.629	2.35%	7.8751	7.8044	0.91%
Australian dollar	1.5797	1.4732	7.23%	1.6220	1.5346	5.70%
South African rand	15.6186	15.049	3.78%	16.4594	14.8054	11.17%
Norwegian krone	9.5975	9.327	2.90%	9.9483	9.8403	1.10%
Polish Zloty	4.2615	4.257	0.11%	4.3014	4.177	2.98%
Indian Rupee	80.7332	73.5324	9.79%	79.7298	76.6055	4.08%

ACQUISITIONS OF COMPANIES AND BUSINESS COMBINATIONS

On February 20, 2018, DiaSorin and the Trivitron Healthcare Group concluded an agreement, according to which Trivitron Healthcare sold its minority interest (49%) held in the Joint Venture DiaSorin Trivitron Private Limited to the U.S. company DiaSorin Inc., for a consideration of €3.5 million.

In the fourth quarter of 2018, the Parent Company completed the agreement for the acquisition of the distribution business related to QuantiFERON latent tuberculosis test in the Italian market, for a consideration of €17,803 thousand. The transaction involved the acquisition of customer list, tangible and intangible assets, including sales contracts and instruments installed base.

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

OVERVIEW OF 2018 FOR THE DIASORIN GROUP

In 2018, the DiaSorin Group **revenues** totaled **€669,197 thousand** (€637,487 thousand in 2017), up 5.0% compared to 2017 (+7.7% at CER). The foreign exchange rates had a negative impact on revenues, equal to €17 million, primarily due to the depreciation of the U.S. Dollar, the Brazilian Real and the Chinese Yuan.

2018 recorded a positive trend in CLIA products that, net of Vitamin D 25 OH, increased by 8.2% (+10.4% at CER), whilst Vitamin D sales showed a decline (-7.0% at current exchange rates, -3.7% at CER).

Revenues from molecular tests were €56.535 thousand, up 4.0% (+8.6% at CER) compared to 2017.

Revenues from ELISA technology amounted to €95,188 thousand, up 12.7% (+15.4% at CER), due to change in the scope of consolidation following the acquisition of Siemens' ELISA Business, which was completed on September 29, 2017 and consolidated as from that date.

Lastly, instruments sales and other revenues were up 2.9% (+5.1% at CER) on the back of Siemens' Business acquisition.

At the end of 2018, **gross profit** totaled **€455,769 thousand**, up 5.5% as against €431,896 thousand in 2017, equal to 68.1% of revenues (67.7% of revenues in 2017). Its ratio to revenues increased due to different sales mix (geography and technology) and improved production efficiency. It should be noted that such increase occurred despite a price erosion of certain "me too" products and the diluted effect of Siemens ELISA sales.

EBITDA amounted to **€255,351 thousand** (€237,922 thousand in 2017), up 7.3% compared to 2017, equal to 38.2% of revenues (37.3% of revenues in 2017). EBITDA was impacted by non-recurring charges expenses to close the Irish manufacturing facility in 2017, for an amount equal to €6 million. Excluding the exchange rate impact, EBITDA grew by 11.2% in absolute value compared to 2017, with an incidence to revenues equal to 38.5 percentage points.

EBIT totaled **€204,525 thousand** (€184,420 thousand in 2017), up 10.9%, equal to 30.6% of revenues as against 28.9% in 2017. Like EBITDA, EBIT was positively impacted by recognition of non-recurring additions to provisions and charges to close the Irish manufacturing facility in 2017.

In 2018, **net financial expense** increased to **€160 thousand**, as against €5,714 thousand in 2017. The year-over-year change was principally due to foreign exchange differences on other financial balances denominated in foreign currencies and the interest held in DiaSorin Trivitron Healthcare Private Limited being remeasured to fair value, following the acquisition of its control.

Income taxes increased to **€46,235 thousand** (€38,828 thousand in 2017), with a 22.6% tax rate compared to a 21.7% tax rate in 2017. The increase in the tax rate was mainly due to the positive impact of the 2017 agreement with the Italian Tax Authority regulating the patent box regime. Such agreement required the recognition of the positive cumulative effect related to prior years, to which it partly referred.

The **net profit** of the period was **€158,130 thousand**, an increase of €18,252 thousand or 13.0% compared to 2017, with an incidence on turnover of 23.6% (21.9% in 2017).

REVIEW OF THE GROUP'S OPERATING PERFORMANCE AND FINANCIAL POSITION

The 2018 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 2018 AND 2017

<i>(€ thousands)</i>	2018	as a% of revenues	2017	as a% of revenues
Sales and service revenues	669,197	100.0%	637,487	100.0%
Cost of sales	(213,428)	31.9%	(205,591)	32.3%
Gross profit	455,769	68.1%	431,896	67.7%
Sales and marketing expenses	(133,058)	19.9%	(123,184)	19.3%
Research and development costs	(45,082)	6.7%	(43,627)	6.8%
General and administrative expenses	(67,216)	10.0%	(64,689)	10.1%
Total operating expenses	(245,356)	36.7%	(231,500)	36.3%
Other operating income (expense)	(5,888)	0.9%	(15,976)	2.5%
<i>Non-recurring amount</i>	<i>(4,139)</i>	<i>0.6%</i>	<i>(12,022)</i>	<i>1.9%</i>
EBIT	204,525	30.6%	184,420	28.9%
Net financial income (expense)	(160)	0.0%	(5,714)	0.9%
Profit before taxes	204,365	30.5%	178,706	28.0%
Income taxes	(46,235)	6.9%	(38,828)	6.1%
Net profit	158,130	23.6%	139,878	21.9%
EBITDA ⁽¹⁾	255,351	38.2%	237,922	37.3%

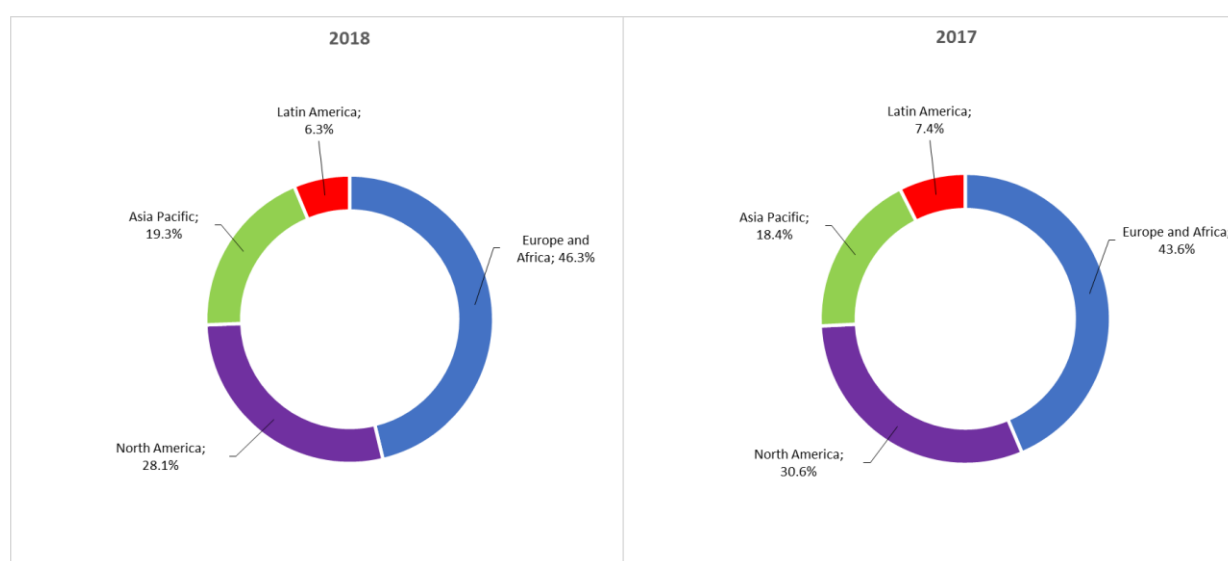
⁽¹⁾ The Board of Directors defines EBITDA as the "Operating Result", gross of amortization and depreciation of intangible and tangible assets. EBITDA is a measure used by the Company to monitor and evaluate the Group's Parent Company operating performance and is not defined as an accounting measure in IFRS and therefore shall not be considered an alternative measure for assessing the Group's Parent Company operating result performance. Since the composition of EBITDA is not regulated by the reference accounting standards, the criterion of determination applied by the Group's Parent Company may not be homogeneous with that adopted by other operators and/or groups and therefore it may not be comparable.

Net revenues

In 2018, the DiaSorin Group generated **revenues** equal to **€669,197 thousand** (€637,487 thousand in 2017). A breakdown of revenues by geographic region of destination is as follows:

Breakdown of revenues by geographic region

(€ thousands)	2018	2017	% Change at current exchange rates	% Change at constant exchange rates
Europa and Africa	309,528	278,020	+11.3%	+11.7%
USA and Canada	188,103	195,084	-3.6%	+0.8%
Asia Pacific	129,371	117,020	+10.6%	+13.5%
Latin America	42,197	47,363	-10.9%	-2.2%
Group Total	669,197	637,487	+5.0%	+7.7%



Europe and Africa

Europe and Africa sales region generated sales equal to €309.528 thousand, up 11 percentage points (+11.7% at CER).

In detail:

- i) Revenues were up 12.2% in Italy, on the back of increased CLIA sales, launch of Latent Tuberculosis test on the market and the positive impact of Siemens' ELISA Business (acquired in September 2017);
- ii) growth of 16.5%, in the German market, due to the combined effect of the acquisition of Siemens' ELISA Business and an upward trend in Vitamin D 1,25 and Stool Testing sales;
- iii) Revenues were up 12.0% in the French market, driven by CLIA products performance, net of Vitamin D;
- iv) good performance in Spain, up 14.8%, on the back of CLIA tests, net of Vitamin D, primarily Infectious Disease and Stool Testing.

United States and Canada

In 2018, revenues amounted to €188,103 thousand, down 3.6% (+0.8% at CER) compared to 2017 (€195,084 thousand). In addition to the significant impact of adverse exchange rates, as showed by the differential between constant and current exchange rates, revenues growth was driven by different product trends: strong decline in Vitamin D tests, in term of both volumes and prices, offset by growth in CLIA sales, net of Vitamin D, and molecular products.

Asia Pacific

In 2018, revenues of the Asia Pacific sales region amounted to €129,371 thousand (117,020 thousand in 2017) up 10.6% (+13.5% at CER) compared to 2017.

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

- i) upward trend in sales generated from the Chinese market, with a growth of 5.8%. Solid performance of CLIA tests (+15.6%), primarily Hepatitis, Prenatal Screening, Infectious Diseases and Thyroid tests offset by downward trend in instruments sales;
- ii) strong performance in the Australian market (+17.4%) for all product line (molecular, ELISA and CLIA).

Latin America

In 2018, the Latin American sales region recorded revenues of €42,197 thousand, down 10.9% (-2.2% at CER) as against €47,363 thousand in 2017.

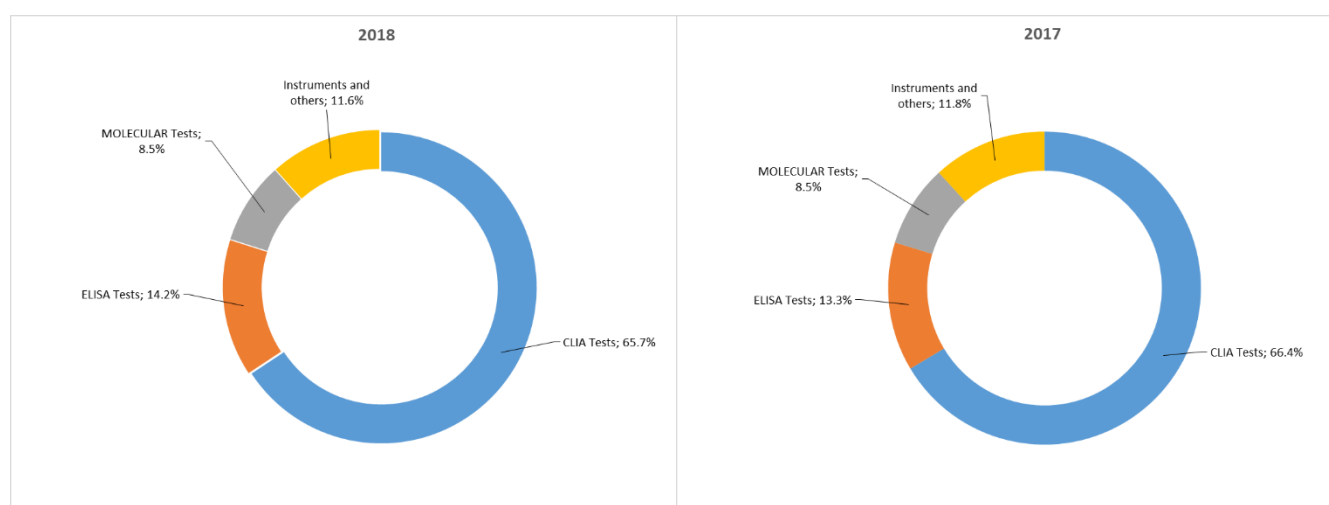
In addition to a significant negative exchange rates effect due to BRL and MXN depreciation, the decrease in revenues at CER is due to the combined effect of:

- i) lower sales in the Brazilian market, down 6.2%, mainly in the second half of 2018 due to an important Siemens' ELISA tender which was not renewed;
- ii) sales generated from the Mexican subsidiary were up 9.6% in different product lines;
- iii) decline in sales generated from distributors (down 2.2%).

Breakdown of revenues by technology and installed base

(€ thousand)	2018	2017
CLIA tests	65.7%	66.4%
ELISA tests	14.2%	13.3%
MOLECULAR tests (*)	8.5%	8.5%
INSTRUMENTS & OTHER SALES	11.6%	11.8%
Total	100.0%	100.0%

(*) molecular tests include sales of kits from the U.S. facility



In 2018, CLIA sales accounted for 65.7% of the Group's total revenues as against 66.4% in 2017. The decrease was due to increased contribution provided by ELISA technology, following the change in the scope of consolidation after the acquisition of Siemens' ELISA Business, completed on September 29, 2017 and consolidated as from that date. Contribution of molecular tests (8.5%) and instruments and other sales (11.6% vs. 11.8% in 2017) was substantially unchanged.

Net placements amounted to 451 instruments, for a total of 7,849 installed units. LIAISON XL new installations were equal to 483.

Operating performance

At the end of 2018, gross profit totaled €455,769 thousand, up 5.5% compared to €431,896 thousand in 2017, equal to 68.1% of revenues (67.7% of revenues in 2017). The increase in the ratio of gross profit to revenues was due to different sales mix (geography and technology) and improved production efficiency. It should be noted that such increase occurred despite the price erosion of certain "me too" products and the diluted effect of Siemens' ELISA sales.

Operating expenses totaled €245,356 thousand, up 6 percentage points compared with the previous year. The ratio of operating expenses to total revenues increased to 36.7% from 36.3%.

Specifically, sales and marketing expenses, amounting to €133,058 thousand, increased by €9,874 thousand or 8.0% compared to 2017 (€123,184 thousand). 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, completed in September 2017.

Research and development costs, equal to €45,082 thousand, increased by 3.3% compared to 2017 (€43,627 thousand). Their ratio to total revenues was equal to 6.7% as against 6.8 percentage points in 2017. Administrative expenses increased by 3.9% and amounted to €67,216 thousand, equal to 10.0% of revenues (down compared to 10.1% in 2017).

Other operating expenses, equal to €5,888 thousand (€15,976 thousand in 2017) include €4,139 thousand in non-recurring expenses. It is worth noting that the significant decrease was mainly due to extraordinary charges recognized in 2017 in connection with operating activities' disruption in Ireland.

In 2018, EBITDA amounted to €255,351 thousand (€237,922 thousand in 2017), up 7.3% or €17,429 thousand compared to 2017. EBITDA incidence to revenues increased from 37.3% in 2017 to 38.2% in 2018. It should be noted that, when excluding the impact of exchange rates, EBITDA grew by 11.2% in absolute value compared to 2017, with an incidence to revenues equal to 38,5 percentage points.

EBIT totaled €204,525 thousand (€184,420 thousand in 2017), equal to 30.6% of revenues, compared to 28.9% in 2017.

Financial income and expense

In 2018, net financial expense amounted to €160 thousand, as against net financial expense of €5,714 thousand in 2017). Interest expense and other financial expense amounted to €4,004 thousand (€3,819 thousand in 2017).

Foreign exchange differences on other financial items were positive by €908 thousand (negative by €1,922 thousand in 2017) due to the impact of exchange rates fluctuations on financial balances expressed in currencies other than the reporting currency.

Lastly, €1,272 thousand arose from interests accrued on financial balances and time deposit (€844 thousand in 2017) and 2,430 thousand from income resulting from the interest held in the Indian company being remeasured to fair value after the local partner sold its 49% interest to the DiaSorin Group for the acquisition of control.

Profit before taxes and net profit

The 2018 reporting year ended with a result before taxes of €204.365 thousand, up 14.4% compared to €178,706 thousand in 2017, equal to 30.5% of revenues (28.0% in 2017).

Income taxes amounted to €46,235 thousand (€38,828 thousand in 2017), with a 22.6% tax rate compared to a 21.7% tax rate in 2017. The change was mainly due to the reduced U.S. tax rate and the agreement with the Italian Tax Authority regulating the patent box regime, thanks to which 2017 recorded both the positive cumulative impact of the two previous years.

Finally, net profit increased to €158,130 thousand, up €18,252 thousand or 13.0% compared to 2017, equal to 23.6% of revenues (21.9% in 2017).

STATEMENT OF FINANCIAL POSITION OF THE GROUP AT DECEMBER 31, 2018

A statement of financial position of the Group at December 31, 2018 is provided below:

<i>(€ thousand)</i>	12/31/2018	12/31/2017
Goodwill and intangible assets	373,084	344,350
Total property, plant and equipment	94,981	92,332
Other non-current assets	23,015	23,800
Net working capital	201,016	190,717
Assets held for sale	-	4,000
Other non-current liabilities	(62,672)	(62,546)
Net invested capital	629,424	592,653
Net financial position	75,311	149,302
Total Shareholders' equity	704,735	741,955

Non-current assets increased to €491,080 thousand at December 31, 2018 (€460,482 thousand at December 31, 2017), mainly as a result of the consolidation of the Indian subsidiary's intangible assets and the distribution business of QuantiFERON latent tuberculosis test. The amount was affected by the exchange rate trend, which led to a positive impact of €9,7 million at December 31, 2018.

Other non-current liabilities were €62,672 thousand, in line with December 31, 2017 and include employees benefits and provisions for risks and charges.

A breakdown of net working capital is provided below:

<i>(€ thousands)</i>	12/31/2018	12/31/2017
Trade receivables	131,092	128,822
Inventory	160,396	142,802
Trade payables	(57,286)	(62,331)
Other current assets/liabilities (1)	(33,186)	(18,576)
Net working capital	201,016	190,717

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

In 2018, net working capital increased by €10,299 thousand. Trade receivables increased by €2,270 thousand compared to December 31, 2017, as a result of the revenues trend.

The increase of €17,594 thousand in ending inventories compared to December 31, 2017 was due to higher manufacturing volumes to support increased revenues and to the expansion of product range. Trade payables decreased by €5,045 thousand, due to seasonal swings in purchases.

At December 31, 2018, the **net consolidated financial position** was **positive by €75,311 thousand**. Further details are provided in the consolidated statement of cash flow.

A condensed net financial position schedule is shown below:

<i>(€ thousands)</i>	12/31/2018	12/31/2017
Cash and cash equivalents	73,103	159,340
Liquid assets (a)	73,103	159,340
Other current financial assets (b)	23,422	13,974
Current bank debt	(20,601)	(23,910)
Derivative financial instruments	(532)	-
Current financial liabilities (c)	(21,133)	(23,910)
Net current financial assets (d)=(a)+(b)+(c)	75,392	149,404
Non-current bank debt	(81)	(102)
Non-current financial liabilities (e)	(81)	(102)
Net financial position (f)=(d)+(e)	75,311	149,302

At December 31, 2018, **shareholders' equity** of **€704,735 thousand** (€741,955 thousand at December 31, 2017) included 1,291,007 treasury shares, equal to 2.307% of the share capital, valued at €87,784 thousand.

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, 2018:

<i>(€ thousands)</i>	Net result in 2018	Shareholders' equity at 12/31/2018
Amount in the financial statements of the Parent Company DiaSorin S.p.A	100,097	359,688
Difference between the carrying amount of equity investments and the value of the underlying shareholders' equity	-	372,081
Profits/(Losses) of consolidated companies	135,637	-
Elimination of unrealized intra-Group profits, net of the applicable tax effect	(44,311)	(27,034)
Elimination of intra-Group dividends	(33,295)	-
Amount in the consolidated financial statements	158,130	704,735

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 2017, is provided below.

<i>(€ thousands)</i>	12/31/2018	12/31/2017
Cash and cash equivalents at beginning of period	159,340	130,468
Net cash from operating activities	209,879	167,440
Cash used for investing activities	(49,414)	(37,978)
Cash used from/(for) financing activities	(215,240)	(55,556)
Acquisitions of subsidiaries and business operations	(22,014)	(31,544)
<i>Change in net cash before investments in financial assets</i>	<i>(76,789)</i>	<i>42,362</i>
Investments in financial assets	(9,448)	(13,490)
<i>Change in net cash</i>	<i>(86,237)</i>	<i>28,872</i>
Cash and cash equivalents at end of year	73,103	159,340

At December 31, 2018, available **liquid assets** held by the Group totaled **€73,103 thousand**, down by €86,237 thousand compared to December 31, 2017. The change was due to the payment of both ordinary and extraordinary dividends, for an amount of €145,268 thousand and net purchase of treasury shares, for an amount of €65,296 thousand.

The cash flow from operating activities increased to €209,879 thousand from €167,440 thousand in 2017, resulting from the growth in the operating result and lower tax expenses. Tax payments amounted to €25,763 thousand (compared to €59,499 thousand in 2017), consisting mainly of the US subsidiaries' and the Group's Parent Company income taxes.

Net cash in investing activities amounted to €49,414 thousand, as against €37,978 thousand in 2017. In addition, development costs of €17,054 thousand were capitalized in 2018, compared with €7,663 thousand in 2017. Capital expenditures for medical equipment amounted to €17,532 thousand (€15,026 thousand in 2017).

In 2018, **free cash flow** amounted to **€163,626**, up €31,574 thousand compared to €132,052 thousand in 2017.

Net cash for financing activities totaled €215,240 thousand, compared to €55,556 thousand in 2017.

Dividends distribution amounted to €145,268 thousand (€43,807 thousand in 2017), repayment of financial payables by the Group's Parent Company amounted to €24 million and net purchase of treasury shares to serve the Stock Option Plans amounted to €65,296 thousand.

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 and 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. In 2018, no material non-recurring transaction occurred.

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. Some countries where the Group operates may question 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 emerging countries, the Company's and the Group's liquidity may be constrained by the limited financial liquidity of local customers and therefore the collection terms may be significantly longer than the contractual payment terms.

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 31% of revenues in 2018), the Chinese yuan (accounting for about 10% of revenues in 2018), and the Brazilian real (accounting for about 3% of revenues in 2018). 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 risk, DiaSorin developed an important specialty menu to enter niche markets. Furthermore, following the trend recorded in countries where small lab chains merged into big chains, there could be a concentration of revenues by 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, 2018 AND BUSINESS OUTLOOK

No significant events occurred after December 31, 2018

In light of the Group's operating performance after December 31, 2018, the management provides the following guidance for 2019:

- Revenues: growth between 5.0% and 8.0%;
- EBITDA Margin: incidence on Group revenues comparable to 2018 EBITDA margin result.

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

FOREWORD

The 2018 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 2018 AND 2017

INCOME STATEMENT				
<i>(€ thousands)</i>	2018	as % of revenues	2017	as % of revenues
Net revenues	364,079	100.0%	332,218	100.0%
Cost of sales	(191,971)	52.7%	(178,280)	53.7%
Gross profit	172,108	47.3%	153,938	46.3%
Sales and marketing expenses	(34,543)	9.5%	(31,233)	9.4%
Research and development costs	(19,536)	5.4%	(17,264)	5.2%
General and administrative expenses	(31,947)	8.8%	(29,882)	9.0%
Total operating expenses	(86,026)	23.6%	(78,379)	23.6%
Other operating income (expenses)	1,725	-0.5%	(370)	0.1%
<i>Non recurring amount</i>	<i>(1,530)</i>	<i>0.4%</i>	<i>(1,961)</i>	<i>0.6%</i>
EBIT	87,807	24.1%	75,189	22.6%
Financial income (expense)	31,779	8.7%	16,601	5.0%
Result before taxes	119,586	32.8%	91,790	27.6%
Income taxes	(19,489)	5.4%	(3,203)	1.0%
Result for the year	100,097	27.5%	88,587	26.7%
EBITDA ⁽¹⁾	105,772	29.1%	89,695	27.0%

⁽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 Parent Company’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 Parent Company’s operating performance. Because the composition of EBITDA is not governed by the reference accounting principles, the computation criterion used by the Group’s Parent Company could be different from the criterion used by other operators and/or groups and, consequently, may not be comparable.

Net revenues

In 2018, the Group's Parent Company reported net revenues of €364,079 thousand (€332,218 thousand in 2017), up 9.6% compared to 2017. 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

<i>(€ thousands)</i>	2018	2017	Change%
Revenues from third customers - Italy	81,163	72,476	12.0%
Revenues from third customers - International	72,550	69,009	5.1%
Europa and Africa	20,844	21,802	-4.4%
Asia Pacific	39,242	31,588	24.2%
USA and Canada	-	102	n.a.
Latin America	12,464	15,517	-19.7%
Intercompany revenues	210,366	190,733	10.3%
Europa and Africa	115,352	103,101	11.9%
Asia Pacific	50,979	42,291	20.5%
USA and Canada	32,757	33,514	-2.3%
Latin America	11,278	11,827	-4.6%
Total	364,079	332,218	9.6%

In 2018, the Group's Parent Company's revenues amounted to **€81,163 thousand** in the domestic market, with an increase of €8,687 thousand, equal to 12 percentage points, compared to 2017. The change was driven by CLIA specialty sales and sales of QuantiFERON Latent Tuberculosis test launched in the fourth quarter of 2018, following the agreement with QIAGEN.

Third-party revenues from international customers amounted to **€72,550 thousand**, up by €3,541 thousand compared with 2017 (+5.1%). Positive contribution of +24.2% from Asia (equal to €7,654 thousand) as against a weak contribution recorded in Latin America due to economic and political instability recorded in the last years.

Intercompany Revenues, equal to **210,366 thousand euros** increased 10.3 percentage points compared to 2017 (equal to €19,633 thousand).

Specifically:

- i) Double-digit growth in the European markets equal to €12,251 thousand or +11.9%, on the back of strong results in France, Germany, Austria and Spain;
- ii) Increase of 20.5%, equal to €8,688 thousand in Asia Pacific, on the back of CLIA sales in China and Australia;
- iii) Slight decrease in the U.S. market and Canada, equal to €757 thousand (-2.3%), due to the adverse exchange rate impact (+2.4% at CER)
- iv) Downward trend in Latin America, due to BRL and MXN depreciation (at CER equal to 9.7%).

Breakdown of revenues by technology

<i>% impact on revenues</i>	2018	2017
CLIA tests	66.4%	66.7%
ELISA tests	12.1%	10.3%
Molecular tests	0.7%	1%
Instruments sales and other revenues	20.8%	22%
Total	100.0%	100.0%

Revenues by technology were impacted by the acquisition of Siemens' ELISA business, resulting in a higher ELISA contribution provided to the Parent Company's total revenues, equal to 12.1%. As a result of the abovementioned effects, CLIA technology increased by €20,299 thousand (+9.2%), although its percentage weight was unchanged, confirming the outstanding performance of LIAISON XL and its product menu.

Finally, it should be noted the increasing number of LIAISON XL analyzers in the domestic market, equal to 44 units compared to 2017. At December 31, 2018, LIAISON XL installed base was of 513 instruments, while the combined installed base totaled 857 analyzers.

Operating result

Gross profit totaled €172,108 thousand, +11.8% compared to 2017; the ratio of gross profit to revenues showed a slight increase compared to 2017 (+1.0%), mainly due to the greater impact of direct channel on the domestic market.

Operating expenses amounted to € 86,026 thousand; their ratio to total revenues was unchanged (23.6%).

Other operating charges and income were positive by €1,725 thousand, mainly due to lower provisions for risks and charges and reversal of the provision for doubtful account, as a consequence of improved payment terms of trade receivables.

EBITDA amounted to €105,772 thousand, up 17.9% compared to €89,695 thousand in 2017 and equal to 29.1% of revenues (+2.1 percentage points vs. 2017).

EBIT amounted to €87,807 thousand, an increase of €12,618 thousand compared to 2017 (+16.8%), equal to 24.1% of revenues, + 1.5 percentage points compared to 2017.

Financial performance

In 2018, net financial income amounted to €31,779 thousand as against €16,601 thousand in 2017.

Dividends received from subsidiaries increased to €33,295 thousand in 2018, from €17,759 thousand in 2017.

Fees on factoring transactions were €314 thousand, in line with 2017, and collection of interests accrued on past-due position totaled €219 thousand (€366 thousand in 2017).

Net interest income equal to €1,407 thousand (€3,230 thousand in 2017) from Group companies were generated from cash pooling for €42 thousand and loans provided to subsidiaries, equal to €1,365 thousand.

Foreign exchange differences on other financial balances, which were positive by €913 thousand (negative by €1,448 thousand in 2017) include a negative amount of €826 thousand for the closure of financial instruments (income of €6,321 thousand in 2017). Positive exchange differences, instead, on intercompany financing facilities and bank accounts amounted €1,739 thousand (negative by € 7,769 thousand in 2017).

Profit before taxes and net profit

In 2018, the Parent Company's profit before taxes amounted to €119,586 thousand, up 30.3% as against €91,790 thousand in 2017, mainly as a result of the increase in operating profit and dividends from subsidiaries. Profit before taxes increased to 32.8% from 27.6% in 2017.

The income tax liability for 2018 amounted to €19,489 thousand, with a 16.3% tax rate, due to the agreement signed in 2017 with the Italian Tax Authority regulating the patent box regime. It should be noted that in 2017 income taxes reflected the cumulative positive impact of the tax bonus over the previous two years (roll back).

Lastly, the net profit was €100,097 thousand, up 13% as against € 88,587 thousand in 2017, equal to 27.5% of revenues (26.7% in 2017), as a result of the combined effect commented above.

STATEMENT OF FINANCIAL POSITION OF THE GROUP'S PARENT COMPANY AT DECEMBER 31, 2018

The table below shows a breakdown of the financial position of the Group's Parent Company at December 31, 2018:

<i>(€ thousands)</i>	12/31/2018	12/31/2017
Goodwill and other Intangible Assets	114,340	98,932
Total property, plant and equipment	43,826	40,742
Equity investments	187,623	186,557
Other non-current assets	7,274	5,637
Net working capital	140,028	127,294
Other non-current liabilities	(22,746)	(24,195)
Net invested capital	470,345	434,967
Net financial position	(110,657)	32,586
Shareholders' equity	359,688	467,553

Non-current assets increased to €353,063 thousand, from €331,868 thousand at December 31, 2017, following acquisition of the distribution business related to QuantiFERON latent tuberculosis test, concluded in the last quarter of 2018.

Non-current liabilities were €22,746 thousand, a decrease of €1,449 thousand compared to December 31, 2017 and include employees benefits, provisions for risks and charges and long-term payables.

A breakdown of net working capital is provided below:

<i>(€ thousands)</i>	12/31/2018	12/31/2017	Change
Trade receivables	108,259	96,618	11,641
Inventories	97,090	90,819	6,271
Trade payables	(58,693)	(65,049)	6,356
Other current assets/liabilities ⁽¹⁾	(6,628)	4,906	(11,534)
Net working capital	140,028	127,294	12,734

(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 €12,734 thousand year-over-year. The increase of €6,271 thousand in ending inventories is due to the growth in manufacturing volumes to support higher revenues. Trade receivables increased by €11,641 thousand compared with December 31, 2017, following the growth in revenues. Trade payables decreased by €6,356 thousand compared to December 31, 2017 (of which €2,982 thousand in liabilities owed to Group companies), due to cyclical nature of purchases.

At December 31, 2018, the Parent Company's **net financial position** was negative by **€110,657 thousand**, due to payment of both ordinary and extraordinary dividends for €145,268 thousand, net purchases of treasury shares for €65,296 thousand 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 (*):

<i>(€ thousands)</i>	12/31/2018	12/31/2017
Cash and cash equivalents	15,199	101,466
Liquid assets (a)	15,199	101,466
Other current financial assets	-	484
Current financial receivables owed by Group companies	53,471	81,720
Other current financial assets (b)	53,471	82,204
Current bank debt	(20,001)	(23,889)
Derivative financial instruments	(532)	-
Current financial liabilities owed to Group companies	(163,211)	(131,789)
Current financial liabilities (c)	(183,744)	(155,678)
Net current financial assets (d)=(a)+(b)+(c)	(115,074)	27,992
Non-current financial receivables owed by Group companies	4,417	4,594
Net non-current financial assets (e)	4,417	4,594
Net financial position (f)=(d)+(e)	(110,657)	32,586

(*) 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, 2018, **shareholders' equity** amounting to **€359,688 thousand** (€467,553 thousand at December 31, 2017) included 1,291,007 treasury shares, equal to 2.307% of the share capital, valued at €87,784 thousand, following the purchase of no. 775,000 treasury shares equal to €66,413 thousand and the exercise of 32,850 Company common shares for the 2014 Stock Option Plan, for a total amount of €1,117 thousand.

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 2017, is provided below:

<i>(€ thousands)</i>	2018	2017
Cash and cash equivalents at the beginning of the period	101,466	71,838
Cash provided by operating activities	82,032	74,206
Cash used in investing activities	(23,624)	(23,798)
Cash provided by financing activities	(123,745)	(7,371)
Acquisitions of subsidiaries and business operations	(20,930)	(13,409)
Net change in cash and cash equivalents	(86,267)	29,628
Net change in cash	(86,267)	29,628
Cash and cash equivalents at the end of the period	15,199	101,466

At December 31, 2018, **available liquid assets** held by the Group's Parent Company amounted to **€15,199 thousand**, down by €86,267 thousand compared with December 31, 2017.

The cash flow from operating activities amounted to €82,032 thousand as against €74,206 thousand in 2017. Cash used in investing activities totaled €23,624 thousand, as against €23,798 thousand in 2017. Investments in medical equipment totaled €5,198 thousand (€3,568 thousand in 2017), investments in manufacturing and distribution equipment needed to support the manufacturing operations amounted to €5,068 thousand (€11,098 thousand in 2017). In addition, development costs of €8,220 thousand were capitalized in 2018 vs. development costs of €4,201 thousand in 2017.

Cash used in financing activities were €123,745 thousand as against €7,371 thousand in 2017.

A breakdown is as follows:

- i) Distribution of both ordinary dividend equal to €46,885 thousand and extraordinary dividend equal to € 98,383 thousand;
- ii) Purchase and sale of treasury shares in connection with the Stock Option plans for an amount of € 65,296 thousand;
- iii) Dividends collection from Group companies amounting to €33,295 thousand;
- iv) Decrease of financial items vis-à-vis Group companies for a total of €58,473 thousand.

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 2018 can be consulted on the company’s website (<http://www.diasoringroup.com>).

REPORT ON CORPORATE GOVERNANCE AND OWNERSHIP STRUCTURE
PURSUANT TO ARTICLE 123-BIS “TUF”
(TRADITIONAL MANAGEMENT AND CONTROL MODEL)

Issuer: **DIASORIN S.p.A.**
Website: **www.diasoringroup.com**
Financial year to which the report refers: **2018**
Date of approval of the Report: **March 14, 2019**

“Code/Corporate Governance Code”: the Corporate Governance Code of Listed Companies approved in July 2018 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 entered the FTSE MIB Index (where it was listed until December 23, 2013 and then listed again on December 4, 2018), 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.

The Issuer does not qualify as a SME, pursuant to art 1, paragraph 1, letter *w-quater.1*), of the TUF and to art. *2-ter* of the Consob Issuers’ Regulations.

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 art. 123-*bis*, section 1, TUF) as at December 31, 2018.

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

As at December 31, 2018, a breakdown of the Company’s share capital of 55,948,257.00 (subscribed and fully paid-in) is as follows:

			SHARE CAPITAL STRUCTURE		
	<i>Number of shares</i>	<i>% on the share capital</i>	<i>Number of voting rights**</i>	<i>Listed</i>	<i>Rights and obligations</i>
<i>Ordinary share (par value 1 euro each)</i>	55,948,257*	100%	88,418,531	MTA	Rights and obligations are those provided in arts. 2346 et seq. of the Civil Code. Specifically, each share gives right to one vote, without prejudice to the shares that accrued increased voting rights, pursuant to art. 9- <i>bis</i> of the Bylaws.

* No. 1,286,007 treasury shares held in the company’s portfolio; number of treasury shares was equal to 1,291,007 at 12.31.2018.

** Amount of voting rights was equal to 88,200,295 at 12.31.2018.

On August 7, 2018 a number of shareholders accrued increased voting rights, pursuant to art. 9-*bis* of the Bylaws. On December 31, 2018, no. 32,252,668 shares accrued increased voting rights (see Section 2 Lett. **d**).

On February 7, 2019, no. 3 shareholders, each of them holding a number of voting rights lower than 3% of the total amount of voting rights, accrued the aforesaid increased voting right and, therefore, as of the date of this Report no. 32,447,784 shares accrued increased voting rights (see Section 2 Lett. **d**).

Total amount of voting rights, the updated list of Shareholders registered in the Special List to benefit of increased voting rights and holding more than 3% of the company's share capital, along with Shareholders entitled to increased voting rights (two votes for each share held) and holding a number of voting rights exceeding 3% of the total amount of voting rights are available, pursuant to art. 85-*bis*, section 4-*bis* and 143-*quater*, section 5, of the Consob Issuer Regulations, at www.diasoringroup.com in the Section "Governance/Information for Shareholders/Increased voting rights", where further information on increased voting rights is provided.

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**"), "DiaSorin S.p.A. 2017 Stock Option Plan" ("**2017 Plan**") and "DiaSorin S.p.A. 2018 Stock Option Plan" ("**2018 Plan**"), are available in the Disclosure Memoranda and on the Issuer's website (www.diasoringroup.com, Section "Governance/Information for Shareholders/Stock Options Plans"). Updates are reported in the Compensation Report available on the Issuer's website in the Section "Governance/Shareholders' Meeting and board/2019".

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, 2018, Shareholders holding, directly or indirectly, equity investments exceeding 3% interest in share capital (and/or a number of voting rights exceeding 3% of the total amount of voting rights), 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	% of share capital	Number of voting rights**	% of voting rights***
Finde SS	IP Investimenti e Partecipazioni S.r.l.	24,593,454	44.98	49,186,908	56.874
	Finde S.p.A.	570,000		1,100,000	
Rosa Carlo	Sarago S.r.l.	2,402,532	8.45	4,653,364	10.697
	Rosa Carlo	2,326,682		4,805,064	
Even Chen Menachem	-	2,400,000	4.29	4,800,000	5.429

* Share capital consists of 55,948,257 shares (par value of €1.00).

** Finde SS, Carlo Rosa and Even Chen Menachem held the same amount of voting rights at 12.31.2018. At 12.31.2018, total amount of voting rights was 88,200,925, while as of the date of this Report was 88,418,531 (following increased voting rights by three Shareholders on February 7, 2019 and by one Shareholder on March 7, 2019).

*** % of voting rights at 12.31.2018 of (i) Finde SS was equal to 57.014%; (ii) Carlo Rosa was equal to 10.724%; (iii) Even Chen Menachem was equal to 5.442%.

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

On April 28, 2016, the Shareholders' Meeting approved amendments to the Company Bylaws, pursuant to art. 127-*quinquies* of Legislative Decree no. 58/1998 ("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 Legislative Decree 58/1998 (record date).

As of December 31, 2018, shares that accrued increased voting rights were 32,252,668, whilst as of the date of this Report shares that accrued increased voting rights were 32,470,274 (see Section 2, Lett. a).

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, the list of Shareholders having an amount of voting rights exceeding 3% of the total amount of increased voting rights, and the total amount of voting rights are available on the Issuer's website (www.diasoringroup.com, Section "Governance/ Information for Shareholders/Increased voting rights") where additional information on increased voting rights 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, 2018, 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.diasoringroup.com in the Section "Investors/Information for Shareholders, Shareholders' Meeting and board/2019", to which reference is made. 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.

Under the aforesaid motion, between April 4 and April 19, 2018, 100,000 common shares have been purchased, for a total of EUR 7.4 million.

Subsequently, on April 23, 2018, 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 "2018 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 675,000 Company common shares earmarked for implementation of the 2018 Plan.

Under the aforesaid motion, between May 3 and July 3, 2018, 675,000 common shares have been purchased, for a total of EUR 59.1 million.

Given the purpose of these authorizations, 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 December 31, 2018, Diasorin holds no. 1,286,007 treasury shares, corresponding to 2,307% 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 March 7, 2018 and published, pursuant to law, also on the Company website (www.diasoringroup.com in the Section "Governance/Information for Shareholders/Shareholders' Meeting and board").

1) 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).

It is specified that the information required by Article 123-*bis*, Section 1, Letter i) of the 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.diasoringroup.com in the Section "Governance/Information for Shareholders, Shareholders' Meeting and board/ 2019").

Information required under Article 123-*bis*, Section 1, Letter l) of the TUF on "*provisions applicable to the appointment and substitution of Directors, Management Board or Supervisory Board members, as well as to the amendment to 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 (pursuant to art. 123-*bis*, section 2, letter a), TUF)

On March 14, 2019, the Board of Directors of Diasorin S.p.A. agreed to adopt the new version of Corporate Governance Code (version of July 2018), available on Borsa Italiana's 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. BOARD OF DIRECTORS

4.1 APPOINTMENT AND REPLACEMENT OF THE MEMBERS 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 Consob's Issuers' Regulations, under the Management Decision no. 13 of January 24, 2019 of the Head of the Corporate Governance Division shareholders' owning 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 genders, 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 in force on gender balance. 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 December 20, 2018, approved a proposal concerning the Chief Executive Officer's succession plan, following the appropriate assessments made by the Nominating Committee in its area of competence. According to this proposal, if the Board of Directors does not identify a candidate within the DiaSorin Group, powers will be conferred to the Chairman, for this purpose. The Chairman, with the necessary operating powers to address and coordinate the company management and with support, if necessary, of a Top executives committee, shall implement and manage the process to select external candidates.

4.2. COMPOSITION (pursuant to art. 123-bis, section 2, letter d) e 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). 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 Moschetti	Tarquinoa (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	December 19, 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.diasoringroup.com in the Section "Governance/Information for Shareholders/ Shareholders' Meeting and board/2016" 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 Moschetti	Independent Director	Economic-management education	Management Advisor
Roberta Somati	Independent Director	Scientific education	Management Advisor
Francesca Pasinelli	Independent Director	Scientific-management	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 at 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 5 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 85-76 age group, 20% of Directors belong to the 75 -66 age group, a further 20% of Directors belong to the 65- 56 age group, 33% of Directors belong to the 55- 46 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.diasoringroup.com, in the Section "Investors/Information for Shareholders /Shareholders' meeting and board/2016", 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.

In accordance with Art. 125-*ter* of the TUF and upon proposal of the Nominating Committee, the Board of Directors included in the explanatory reports recommendations to the Shareholders' Meeting convened to

approve the financial statements at December 31, 2018 concerning the appointments of the Board of Directors and the Board of Statutory Auditors and, also pursuant the Application Criterion 1.C.1. lett. h) of the Corporate Governance Code, concerning the diversity of the composition of corporate bodies.

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 14, 2019, 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 14, 2019, 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 program

In 2018, 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.

In 2018, Directors and Statutory Auditors had an in-depths understanding of laws, regulatory and self-regulatory framework by attending, among others, the meetings held to modify (i) Company's Internal Procedures on Management of Inside Information, Insider and Internal Dealing Register, following a comprehensive discussion on market abuse and, specifically, on recommendations provided by the Guidelines n. 1/2017 concerning "*Management of Inside Information*" adopted by Consob on 13 October 2017 - the "**Guidelines**" (see Section 5 of this Report); and (ii) Procedure for Related-Parties Transactions, following a thorough analysis of the Consob Related-Party Regulation (see Section 12 of this Report).

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 broadest 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 2018, the Board of Directors had 5 meetings on March 7, May 8, August 2, November 7 and December 20. The meetings lasted 2 hours and thirty minutes on average. In addition to the meeting held on March 14, 2019, three (3) Board meetings have been scheduled for 2019, as detailed in the calendar of Corporate Events, available at the Issuer's website at www.diasoringroup.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 managers of company departments and relevant cost centers. 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 14, 2019. 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. During the process, the Lead Independent Director considered, among others, the recommendations contained in the annual report provided by the Chairman of the Corporate Governance Committee and provisions of the new Corporate Governance Code edition, published in July 2018. 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, also with reference to gender diversity;
- (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.

At the end of the self-assessment, size and composition of the Board of Directors were adequate, considered such elements as professional skills, experience, education and professional backgrounds and gender of its members. Excellence emerged from pivotal areas, such as business and financial analyses, risk monitoring and Committees functioning.

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 14, 2019. 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 and on March 14, 2019. 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 confirmed by the Board of Directors in office during the meeting held on March 14, 2019 in view of the fact that, following the approval of the 2017 financial statements the Company does not qualify as a small-sized company, pursuant to Art. 3, paragraph 1, lett. F) of the Consob¹ Related-Parties Regulation. The updated procedure is available on the Company's website (www.diasoringroup.com, Section "Governance/Corporate Governance Documents") 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

¹ Pursuant to Art. 3 of the Consob Related-Parties Regulation "small-sized companies" refers to companies "whose balance sheet assets or revenues, as of the latest approved consolidated financial statements, exceed €500 million"; small-sized companies, shall not qualify as such if "the abovementioned requirements are not met for two consecutive years".

Chief Executive Officer

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 not 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 2018, 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 company met such requirements when appointing the Board of Directors in office as of the date of this Report. Following inclusion in the FTSE MIB Index, the company is subject to the provisions contained in the Corporate Governance Code. The minimum number of Independent Directors composing the Board of Directors to be appointed at the Shareholders' Meeting convened to approve the financial statements at December 31, 2018 shall be regulated by criterion 3.C.3 of the Corporate Governance Code. For Issuers belonging to FTSE MIB Index the Corporate Governance Code recommends that at least one third of the members of the Board of Directors shall be independent. 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.diasoringroup.com, Section "Investors/Financial Corner/Press Releases/2017", 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 14, 2019 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 14, 2019, 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 Moschetti, 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 2018, the Independent Directors met on March 7, 2018; as of the date of this Report a meeting was held on March 14, 2019 and during the aforementioned meeting Independent Directors assessed that independent requirements were met pursuant to Application Criteria 3.C.4. of the Code (by written confirmation statement). 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 2018, the Lead Independent Director convened the annual meeting (on March 7, 2018) 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 internal 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 Board amended the Procedure on March 14, 2019, to comply with the amendments to TUF by Legislative Decree no. 107/2018, and the guidance issued by the European Securities and Markets Authority, ESMA, (including *Questions and Answers on the Market Abuse Regulation*, which were last updated by ESMA under “Q&A”), as well as with the recommendations provided in the CONSOB Guidelines.

The Procedure currently in force is available on the Issuer website (www.diasoringroup.com, Section “Governance/ Governance Documents”).

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.

In 2016, 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 Board amended the Procedure on March 14, 2019, to comply with the amendments to TUF by Legislative Decree no. 107/2018, and the guidance issued by the European Securities and Markets Authority, ESMA, (including “Q&A”), as well as with the recommendations provided in the CONSOB Guidelines.

The Procedure currently in force is available on the Issuer website (www.diasoringroup.com, Section “Governance/ Governance Documents”).

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.

The Board of Directors updated the Procedure on March 14, 2019, to adopt the Consob's amendments to the Issuers' Regulation by resolution no. 19925 of 22 March 2017 and take account of amendments to TUF introduced by Legislative Decree no. 107/2018.

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 currently in force is available on the Issuer website (www.diasoringroup.com, Section “Governance/ Governance Documents”).

6. 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 Moschetti (Chairman) Enrico Mario Amo Roberta Somati
Compensation Committee	Giuseppe Alessandria (Chairman) Michele Denegri Roberta Somati
Nominating Committee	Giuseppe Alessandria (Chairman) Franco Moschetti Michele Denegri
Committee for Transactions with Related Parties	Franco Moschetti (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 Moschetti (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. Moschetti) as Chairman.

Frequencies, the average length, the attendance percentage at Nominating Committee meetings are listed in Table 2 annexed to this Report. It should be noted that in 2018 the Nominating Committee held no meetings.

As of the date of this Report a meeting was held on March 7, 2019; during the meeting the Committee drew up its proposal to the Board of Directors on the basis of the guidelines that the Board has to adopt upon its renewal concerning size and composition, professional and managerial figures whose presence on the Board was deemed advisable, along with diversity in the Board composition in relation to age, gender, education and professional background.

In 2019, in addition to the meeting held, a further meeting will be held on April 3, 2019 to assess slates of candidates for renewal of corporate bodies (including minority slates, if already filed) and examine the

aforesaid slates and related documentation filed prior their publication, pursuant to Art. 147-ter of TUF and Art. 144-octies of CONSOB Issuers' Regulation.

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 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 provision 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.

The 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 2018, the Compensation Committee met on February 26, May 15, and July 23, 2018; the Compensation Committee provided recommendations on variable remuneration and on stock option plans and their beneficiaries and approved regulations governing the Long Term Incentive Plan for key managers, including Strategic Directors as provided in the Compensation Report published pursuant to Art. 123-ter of TUF on the company's website at: www.diasoringroup.com in the Section "Governance/Information for Shareholders/Shareholders' meeting and board/2019", to which reference is made.

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 March 7, 2019, following which the Compensation Committee provided recommendations on variable remuneration, presented proposals on stock option plans and their beneficiaries and approved the draft of the Compensation Report for 2019. No further meetings are scheduled for 2019.

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-ter of the TUF on the Company website: www.diasoringroup.com in the Section "Governance/Information for Shareholders/Shareholders' meeting and board/2019", 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 Moschetti (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 2018, the Control and Risks Committee met on February 28, July 23 and December 10. As of the date of this Report a meeting was held on February 27, 2019. No further meetings are scheduled for 2019.

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 2018, 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.

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 2018, during the meetings held on March 7, and August 2, 2018 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 14, 2019.

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 14, 2019, 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 2018.

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, *inter alia* 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-*bis* TUF;
- The Oversight Board established pursuant Legislative Decree 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*”.

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.

* COSO Model, developed by the *Committee of Sponsoring Organizations of the Treadway Commission* - “*Interbak Control - Integrated framework*” published in 1992 and updated in 1994 by *Committee of Sponsoring Organizations of the Treadway Commission*.

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 market disclosure of documents and insider information;
- the Procedure for the management of the Group’s 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 and 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 2018, 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 deem 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 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 2018, the 2018 Audit Plan was approved during the meeting held on March 7, 2018 and the 2019 Audit Plan was approved on March 14, 2019. 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 2018, 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 2018, 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 28, July 23 and December 10 and to the Board of Directors during the meeting held on March 7, 2018. The Internal Audit Officer reported to the Control and Risks Committee and to the Board of Directors again on February 27 and March 14, 2019. 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 2018 the Company continued to provide training sessions to fully illustrate amendments to the Code of Conduct and provide operating information on interaction with Healthcare Professionals and Healthcare Organizations (governed by specific internal procedure).

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

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 "F" (Employment of citizens of other countries illegally residing in the country) and, lastly, on November 11, 2015 updating Special Section "E" 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 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.

Lastly, on March 14, 2019, following the input of the Oversight Board and after receiving approval from the Control and Risks Committee, the Board of Directors resolved to amend the Model with (i) the implementation of an IT system to manage reports received on violations and breaches of the Model, assuring confidentiality of the identity of the whistleblower (in accordance with the provisions of Law no. 179/2017) – the so-called Whistleblowing (currently under implementation) and (ii) the introduction of a new Special Section ("Special Section G") – and related operating protocols – regarding receiving of stolen goods, money laundering, utilization of money, goods or other benefits of unlawful origin, self-laundering, as referred to in Article 25-*octies* of Legislative Decree 231/2001.

As of the date of this Report, the model (whose summary is available on the Company's website www.diasoringroup.com, Section "[Governance/ Governance Documents](#)") 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.
- “Special Section G” encompasses the crimes regarding “Receiving of stolen goods, money laundering, utilization of money, goods or other benefits of unlawful origin, self- laundering” as referred to in Article 25-*octies* of Legislative Decree 231/2001.

The Oversight Board currently in office includes the following members: Mr. Roberto Bracchetti, (member of the Board of Statutory Auditors), Mr. Giovanni Piovano, Internal Audit Officer, and Ms. Patricia Scioli, external professional responsible for the controls required by occupational and environmental safety regulations (appointed by the Board of Directors on March 14, 2019 to replace Ms. Silvia Bonapersona who resigned). 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, on March 14, 2019 the Board of Directors resolved to provide the Oversight Board with financial resources amounting to EUR 50,000,000 for the year ended December 31, 2019, confirming the same budget provided in 2018.

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 27, 2019 and March 14, 2019, 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 ACCOUNT DOCUMENT 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, for an unlimited time, 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 Director.

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 2018.

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 14, 2019 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 new 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 amended by the Board of Directors on March 14, 2019 – following approval from the Related-Party Committee on February 27, 2019, in order to, inter alia, take into account that from the date on which 2017 consolidated data have been approved, the Company is no longer qualified as “small sized company” pursuant to art. 3, paragraph 1, lett. f) of the CONSOB Related Parties Regulation; the updated Procedure is published pursuant to the CONSOB Related Parties Regulation on the company website www.diasoringroup.com, Section “Governance/ Governance Documents”. 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 2018, 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 2018, the Committee for Related-Party Transactions met on May 8, and July 23, 2018 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 2018, the Board of Statutory Auditors met on February 28, March 1 (two sessions), March 29, May 23, July 23, October 18, November 13 and December 18. The average length of meetings was 2 hours and 30 minutes. As of the date of this Report, the Board of Statutory Auditors met four times, on February 8, 2019, February 27, 2019 and March 7, 2019 (two sessions).

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 Consob’s Issuers’ Regulation, Consob established under the Management Decision no. 13 of January 24, 2019 of the Head of the Corporate Governance Division shareholders’ owning a shareholding equal to 1% of the Share Capital are entitled to present the slates of nominees to allocate the Directors 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
Fiorenza Salvatore Marco	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.diasoringroup.com (Section "Governance/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.

In accordance with Art. 125-ter of the TUF, the Board of Directors included in the explanatory reports recommendations to the Shareholders' Meeting convened to approve the financial statements at December 31, 2018 concerning the appointments of the Board of Directors and the Board of Statutory Auditors and, also pursuant the Application Criterion 1.C.1. lett. h) of the Corporate Governance Code, concerning the diversity of the composition of corporate bodies.

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 at 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 woman 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.

All 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.

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.

In 2018, 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 7, 2018 and on March 7, 2019, following the self-assessment process carried out by its own members the outcomes of which are described in the "Self-assessment Report" forwarded to the Board of Directors, whether the independence requirement continued to apply to its own members (disclosed to the public by press release)
- in carrying out these assessments, applied all the criteria set out in the Code related 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 2018 assessment will be expressed in the report presented to the Shareholders' meeting that will approve the financial statements for the year ending December 31, 2018.

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 four meetings were held on February 8, 2019, February 27, 2019 and March 7, 2019 (two sessions).

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.diasoringroup.com in the Section "Governance"), 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 "IINFO", available at the address www.iinfo.it, managed by Computershare S.p.A. a company of the Computershare LTD Group, with registered office in Via L. Mascheroni, no. 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.

Twelve out of fifteen Executives in office and all the members of the Board of Statutory Auditors attended the Shareholders' meeting held on April 23, 2018. 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 2018, no significant changes occurred in the market capitalization or ownership structure of the Company, except for the effects of the increased voting rights as described in Paragraph 2 of the Report.

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 between the end of the reporting period and the date on which the Annual Report was published.

19. COMMENTS ON THE LETTER DATED DECEMBER 21, 2018 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 21, 2018 to the Chairmen of Boards of Directors of listed companies were brought to the attention of the Issuer's Board of Directors and Board of Statutory Auditors during the meeting held on March 14, 2019. The Boards took note of the analysis and recommendations contained in the letter and verified the Company adequacy as to recommendations contained therein.

TABLE 1: INFORMATION ON OWNERSHIP STRUCTURE

SHARE CAPITAL STRUCTURE					
	<i>No. shares</i>	<i>% on the share capital</i>	<i>No. voting rights**</i>	<i>Listed</i>	<i>Rights and obligations</i>
<i>Ordinary share (par value 1 euro each)</i>	55,948,257*	100%	88,418,531	MTA	Rights and obligations are those provided in arts. 2346 et seq. of the Civil Code. Specifically, each share gives right to one vote, without prejudice to the shares that accrued increased voting rights, pursuant to art. 9-bis of the Bylaws.

* No. 1,286,007 treasury shares held in the company's portfolio; number of treasury shares was equal to 1,291,007 at 12.31.2018.

** Amount of voting rights was equal to 88,200,295 at 12.31.2018.

SIGNIFICANT EQUITY INTEREST					
Reporting party	Direct Shareholder	<i>No. shares</i>	<i>% on the share capital</i>	<i>No. voting rights**</i>	<i>% of voting rights***</i>
Finde SS	IP Investimenti e Partecipazioni S.r.l.	24,593,454	44.98	49,186,908	56.874
	Finde S.p.A.	570,000		1,100,000	
Rosa Carlo	Sarago S.r.l.	2,402,532	8.45	4,653,364	10.697
	Rosa Carlo	2,326,682		4,805,064	
Even Chen Menachem	-	2,400,000	4.29	4,800,000	5.429

* Share capital consists of 55,948,257 shares (par value of €1.00).

** Finde SS, Carlo Rosa and Even Chen Menachem held the same amount of voting rights at 12.31.2018. At 12.31.18, total amount of voting rights was 88,200,925, while as of the date of this Report was 88,418,531 (following increased voting rights by three Shareholders on February 7, 2019 and by one Shareholder on March 7, 2019).

*** % of voting rights at 12.31.2018 of (i) Finde SS was equal to 57.014%; (ii) Carlo Rosa was equal to 10.724%; (iii) Even Chen Menachem was equal to 5.442%.

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		
Office 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 held	(*)	(*)	(**)	(*)	(**)	(*)	(**)	(*)	(**)
Chairman	Gustavo Denegri	1937	3.26.2007	4.28.2016	Approval of Fin. Stat. 2018	M		X			4	4/5								
Deputy Chairman and Director	Michele Denegri	1969	3.26.2007	4.28.2016	Approval of Fin. Stat. 2018	M		X			5	5/5			3/3	M				
CEO • ◊	Carlo Rosa	1966	3.26.2007	4.28.2016	Approval of Fin. Stat. 2018	M	X				3	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			3	5/5								
Director	Enrico Mario Amo	1956	3.26.2007	4.28.2016	Approval of Fin. Stat. 2018	M		X			3	4/5	3/3	M						
Director	Stefano Altara	1967	4.23.2014	4.28.2016	Approval of Fin. Stat. 2018	M		X			4	5/5								
Director ◦	Giuseppe Alessandria	1942	3.26.2007	4.28.2016	Approval of Fin. Stat. 2018	M			X	X	2	4/5			3/3	P			2/2	M
Director	Franco Moschetti	1951	3.26.2007	4.28.2016	Approval of Fin. Stat. 2018	M			X	X	5	5/5	3/3	P					2/2	P
Director	Roberta Somati	1969	4.22.2013	4.28.2016	Approval of Fin. Stat. 2018	M			X	X	-	5/5	3/3	M	3/3	M			2/2	M
Director	Francesca Pasinelli	1960	4.28.2016	4.28.2016	Approval of Fin. Stat. 2018	M			X	X	6	3/5								
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			-	5/5								
Director	Fiorella Altruda	1952	12.19.2016	12.19.2016	Approval of Fin. Stat. 2018	-			X	X	2	5/5								

DIRECTORS WHO RESIGNED DURING THE YEAR: 0

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

Number of meetings held in 2018	Board of Directors	Control and Risks Committee	Compensation Committee	Nominating Committee	Related-party Committee
At 12.31.2018	5	3	3	-	2
Average length of meetings	2 hours and 30 minutes	2 hours	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	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	9/9	12
Statutory Auditor	Roberto Bracchetti	1939	27.4.2010	4.28.2016	Approval of Fin. Stat. 2018	M	X	9/9	10
Statutory Auditor	Ottavia Alfano	1971	4.22.2013	4.28.2016	Approval of Fin. Stat. 2018	M	X	9/9	18
Statutory Auditor	Salvatore Marco Fiorenza	1950	4.28.2016	4.28.2016	Approval of Fin. Stat. 2018	m	X	-	15
Statutory Auditor	Maria Carla Bottini	1960	3.26.2007	4.28.2016	Approval of Fin. Stat. 2018	M	X	-	11
STATUTORY AUDITORS WHO RESIGNED IN THE YEAR: 0									
Number of meetings held in 2018: 9									
Average length of meetings: 2 hours and 30 minutes									
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)

OFFICE HELD AT DIASORIN	MEMBERS	OFFICE HELD IN OTHER COMPANIES
Chairman	Gustavo Denegri	Finde S.p.A. (Chairman - Shareholder) IP Investimenti e Partecipazioni S.r.l. (Chairman) Aurelia S.r.l. (Chairman) Finde S.S. (Shareholder- Director)
Deputy Chairman, 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 S.S. (Shareholder - Director) Gastameco S.r.l.(Director)
Chief Executive Officer	Carlo Rosa	Sarago S.r.l. (Shareholder – Sole Director) Istituto Italiano di Tecnologia (Director) Life Care Capital S.p.A. (Member of the Scientific Committee)
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) 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) Pygar S.r.l. (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. (Sole Director – Shareholder) Fideuram Investimenti SGR S.p.A. (Deputy Chairman, Director) Zignago Vetro S.p.A (Director) Gruppo Sias S.p.A. (Deputy Chairman and Director)
Director	Roberta Somati	-
Director	Francesca Pasinelli	Fondazione Telethon (General Manager and Company Director) Istituto Italiano di Tecnologia (Member of the Executive Committee) Fondazione Telecom Italia (Member of the Scientific Committee) Dompè Farmaceutici S.p.A. (Company Director) Anima Holding S.p.A. (Company Director) CIR Compagnie Industriali Amiche 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.(Director)
Director	Vittorio Squarotti	-
Director	Fiorella Altruda	Bioindustry Park “Silvano Fumero” S.p.A. (Chairman of the Board of Director) Associazione CentroScienza Onlus (Member of the Board)

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

** Appointment ceased on 6.12.2018.

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)

OFFICE HELD AT DIASORIN	MEMBERS	OFFICE HELD IN OTHER COMPANIES
Chairman	Monica Mannino	<p>Tinexta S.p.A. (Statutory Auditor) Connect S.p.A. (Statutory Auditor) ERAMET Alloys Italia S.r.l. (former 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 Coomunications (Italy) S.r.l. (Alternate)</p>
Statutory Auditor	Roberto Bracchetti	<p>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 liquidazione (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)</p>
Statutory Auditor	Ottavia Alfano	<p>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) 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) Bonafous S.p.A. into liquidation (Alternate)</p>
Alternate	Maria Carla Bottini	<p>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)</p>

		<p>Chimicafine S.r.l. (Sole Auditor) 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) 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) E.P.M. S.p.A. (Alternate) Luxenia Umbro Tiberina S.r.l. (Statutory Auditor) Alfa Derivatives S.p.A. (Chairman of the Board of Statutory Auditors) Dole Italia S.r.l. (Alternate) Relatech S.p.A. (Alternate) Techtronic Industries Italia S.r.l. (Chairman of the Board of Statutory Auditors) GFBiochemichals Italy S.p.A. (Alternate) Caffaro Chimica S.r.l into liquidation (Statutory Auditor)</p>
Alternate	Salvatore Marco Fiorenza	<p>Fratelli Ingegnoli S.p.A. (Director) NMS Group S.p.A. (Chairman of the Board of Statutory Auditors) 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)</p>

* Appointment ceased on 10.16.2018

** Appointment ceased on 12.11.2018.

CONSOLIDATED NON-FINANCIAL DISCLOSURE
AT DECEMBER 31, 2018
PURSUANT TO LEGISLATIVE DECREE NO. 254/2016

1. Note on Methodology

1.1 Objectives of Disclosure

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

In order to comply with the provisions set forth in Articles 3 and 4 of Legislative Decree no. 254/16, the DiaSorin Group presented its principle policies, management models and the Group’s main activities carried out in 2018 with respect to matters expressly specified by Legislative Decree no. 254/16 (environmental, social and employee-related matters, respect of human rights, anti-corruption and bribery matters), as well as the main risks identified with those matters. Such matters are described in this Disclosure to the extent necessary for an understanding of the Group’s activities, performance, results and the impact thereof.

1.2 Reporting standards

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 contained hereto, in compliance with the Decree. The DiaSorin Group used selected Standards to report the information required, consistently with Section 3 of GRI Standard 101: Foundation (*Making claims related to the use of the GRI Standards*). The following paragraphs present GRI-referenced claims for each Standard used to report data.

The “Correlation Table with Legislative Decree 254/16 and material topics” annexed to the Non-Financial Disclosure is intended to provide additional information on the use of each indicator and paragraph and reflects the Group compliance with the requirements set forth in the Decree.

1.3 Scope and reporting period

The scope of the Consolidated Disclosure includes all the companies that fall within the scope of the 2018 consolidated financial statements, as detailed in the Section ‘General information and scope of consolidation’ in the notes to the 2018 consolidated financial statements. These companies are consolidated line by line commencing from the date when the Group obtains control until control ceases to exist.

Starting from 2018, the scope has been extended to all Group companies across all areas: this is partly due to the harmonization of processes and systems used to manage training and payroll data at Group level in order to streamline efficiency.

Comparison data for 2017 and 2016 are reported in a limited scope for the following paragraphs:

- Paragraph “Employee management – Outcomes”: data on average hours of training per employee and ratio of basic salary and remuneration of women to men in 2017 and in previous years refer exclusively to the following Companies:
 - ✓ DiaSorin S.p.A.
 - ✓ DiaSorin Deutschland GmbH
 - ✓ DiaSorin Inc. (USA)
 - ✓ DiaSorin Molecular LLC

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

- Paragraph “Environment, Health and Safety - Outcomes”: environmental performance data 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).

Consistent with its pursue to continuous improvement and to ensure a complete alignment between the scope of Non-Financial Disclosure and Consolidated Financial Statements as regards environmental indicators, the DiaSorin Group extended the scope of 2018 environmental data to its commercial subsidiaries (in the first reporting year, commercial subsidiaries were not included in the scope given the low impact of expenses for utilities and waste management as compared to the Group’s total amount for such expenditure).

With respect to data and information on the supply chain management, as described in paragraph “Product quality and process”, it should be noted that such data and information refer to manufacturing companies supplying products/services that have 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 2016, 2017 (with the abovementioned scope limitations) and 2018.

As regards DiaSorin Molecular LLC, which was acquired in May 2016, quantitative data refer to 2017 and 2018; consolidation of DiaSorin India begun in 2018, when it was incorporated as subsidiary and relevant financial data were collected.

2. Company profile and material topics for the DiaSorin Group

2.1 The DiaSorin Group’s business

The DiaSorin Group is active in the market of immunodiagnostic and molecular diagnostics. In both segments the Group develops, manufactures 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 immunodiagnosics, 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.

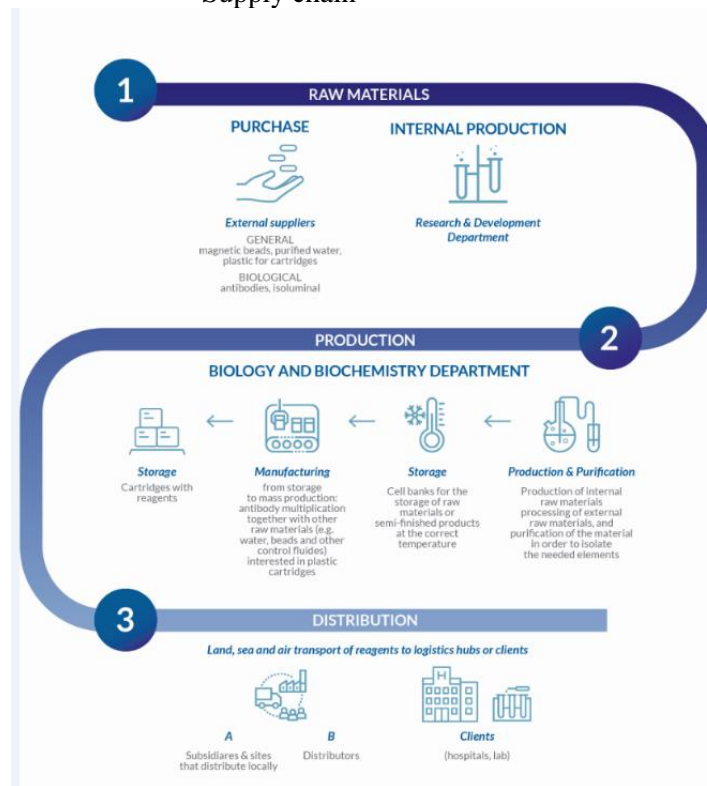
Distribution

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 order to define the scope and structure of the issues presented in the Non-Financial Disclosure, DiaSorin performed a materiality analysis to identify areas where Group activities and structure have a more significant impact on local communities, external ecosystem, employees' well-being, and generally on the interests of the Group's internal and external stakeholders. The analysis was carried out in accordance with Legislative Decree 254/16, on the basis of the Group's business, characteristics and associated risks and/or opportunities (as described in the relevant paragraph "Identification of risks and opportunities").

The analysis has been set out in two operating phases:

- Identifying relevant topics
- Assessing the relevance of topics

Identifying material topics: in order to identify relevant topics to be included in the Non-Financial Disclosure, DiaSorin performed its analysis on the basis of both internal and external sources of information and regulation thereof.

Corporate documents include, among others, Corporate Social Responsibility Reports (adopted by the Group on a voluntary basis in the previous years), Annual Reports, the Organization, Management and Control Model for the purposes of Legislative Decree 231/2001, presentations for analysts, press releases, minutes of the Shareholders' Meetings, the Group's Code of Conduct, internal policies and surveys.

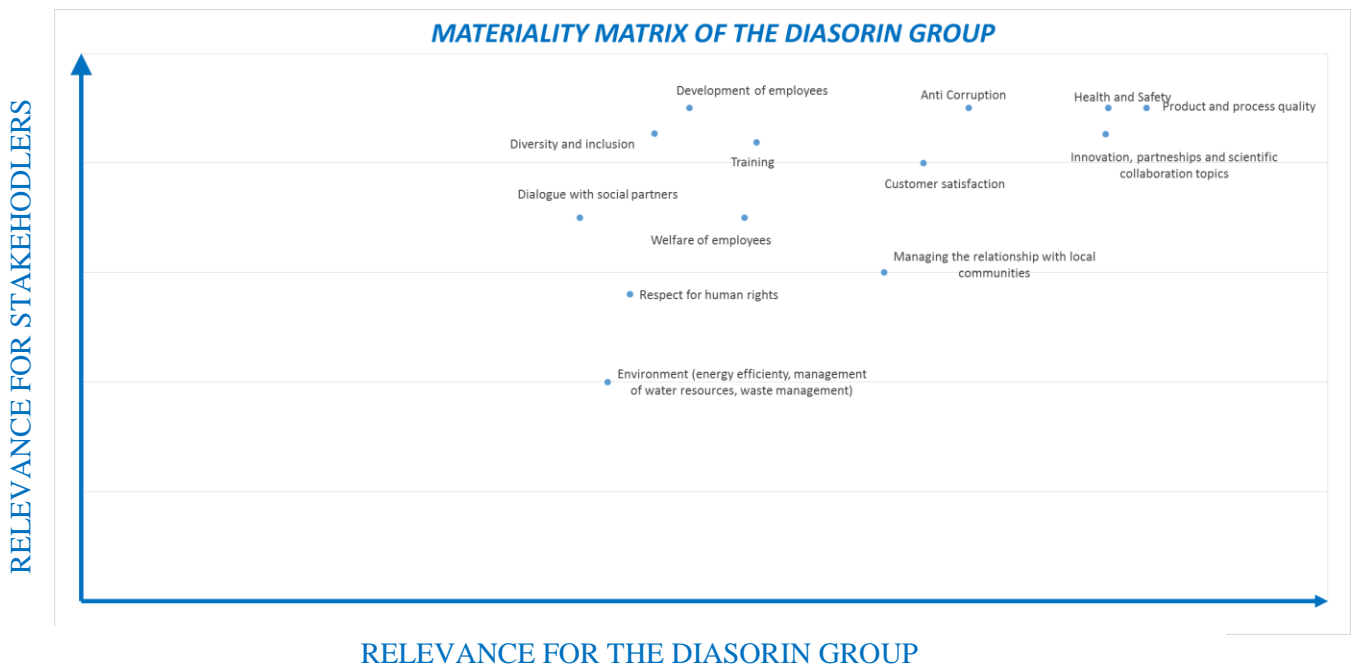
External sources include, among others, DiaSorin's press reviews, external stakeholder surveys, competitive benchmarking, the GRI standards and matters referred to Legislative Decree no. 254/16, consistently with the Non-Financial Disclosure.

Assessing the relevance of topics: topics were assessed through 1-5 scale, with 1 reflecting lack of interest from company strategies and stakeholders and 5 reflecting utmost interest. The DiaSorin Group performed a materiality analysis of the topics that are most relevant, through an internal stakeholder engagement and relevant meetings with Heads of Departments involved. Each Department was asked to assign a priority level to the topics identified as included as falling within their remit, by assessing their relevance from the DiaSorin Group’s and key stakeholders’ standpoint (as described in the relevant paragraph “Identification of risks and opportunities”).

Materiality matrix of the DiaSorin Group

The analysis conducted provided the materiality matrix of the DiaSorin Group and its results are graphically represented using a Cartesian coordinate system which reports the company’s interest on the horizontal axis and the stakeholders’ interest on the vertical axis. This representation makes it possible to assess the relevance (materiality) of each topic on the basis of its position with respect to the two axes.

In this respect, the Group chose to represent material topics whose relevance was ranged from medium to higher level.



The chart above provides synthetically the analysis outcomes. Topics represented in the matrix are those considered as material, thus topics that have a significant impact on the Group’s economic, social and environmental performance and that may substantially affect stakeholders’ assessments and decisions. Such topics are reported in detail in the Non-Financial Disclosure.

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 Group's Code of Conduct

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's 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 identified the fundamental components to achieve said mission:

- innovation and technological excellence
- active relation with customers
- 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 [https://diasoringroup.com/it/governance/code of conduct](https://diasoringroup.com/it/governance/code%20of%20conduct)

2.5 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 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.

In 2018, the Company planned two new updates to the Model. Such updates will be implemented in 2019, following approval from competent corporate bodies.

The first update is linked to the entry into force of Law no. 179/2017. Article 2 of the Law extended to the private sector the protection of employees or collaborators reporting offences or violations of the entity’s organization and management model, which they become aware of in a work-related context (the so-called whistleblowing).

In accordance with the new provisions, Organization and Management Models shall provide, among others: (i) one or more reporting channels to enable those who, for any reason, represent or manage the entity to report - with a view to safeguarding the entity- to report any unlawful activities founded on precise and consistent evidence, or any violation of the entity’s organization and management model, which they become aware of in a work-related context ; said reporting channels must guarantee the confidentiality of the whistleblower’s identity in the follow-up stages; (ii) at least one alternative reporting channel that guarantees, using IT means, the confidentiality of the whistleblower’s identity; (iii) the prohibition of any form of direct or indirect retaliation or discrimination against the whistleblower, prompted directly or indirectly by the reporting of the breaches and (iv) penalties, as provided by the disciplinary system, against persons who breach the whistleblower protection and against persons who make malicious and abusive reports that are found to be groundless.

Consistent with the above, the Company’s Oversight Board explored ways to implement the whistleblowing system and comply with new provisions. The Oversight Board chose an IT system supplied by an external provider (after carefully evaluating any options regarding the implementation of an internal IT system, the Oversight Board concluded that any system directly managed by the Company would hinder compliance with the regulatory requirement concerning whistleblower anonymity).

For the purposes of compliance with new provisions the Oversight Board, with support of competent corporate functions and external legal advisor, updated the General Section of the Model and drew up a dedicated whistleblowing management procedure.

The second updates referred to the introduction of a new Special Section to the Model, namely “Special Section G”, regarding “*Receiving of stolen goods, money laundering, utilization of money, goods or other benefits of unlawful origin, self-laundering*” as referred to in Article 25-*octies* of Legislative Decree 231/2001 and introduced following the entry into force of Legislative Decree 231/2007, implementing Directive 2005/60/EC (concerning prevention of the use of the financial system for the purposes of money laundering and of financial terrorism), and Directive 2006/70/EC (which prescribes the measures for implementation).

The Company deemed it appropriate to map the risks, with support of an external legal advisor, for the identification of company sensitive areas and activities, with reference to the alleged offences above. At the end of this activity - carried out through interviews with the corporate executives concerned and examination of procedures in force, that are considered relevant for the purposes of the Model and anti- money laundering regulations- a Special Section of the Model has been drawn up and includes a description of sensitive activities, standards of conduct and procedures to be applied thereof.

3. Identification of risks and opportunities

This section describes the main risks and, in some cases, the opportunities arising from the DiaSorin Group's activities, business relations and products in connection with material topics described in paragraph "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 "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 Product quality and safety topics

3.1.1 Product and process quality

The main risks identified by the DiaSorin Group regarding "Product and process quality" is linked to the **non-compliance with laws and regulations** applicable to products sold on different markets and which can result in potential sanctions and/or legal proceedings, as well as in loss of competitiveness (due to non-adjustment and/or slower adjustment to new provisions).

The Group operates in full compliance with laws and regulations in different fields through dedicated and qualified employees. The Group's Code of Conduct states: "*DiaSorin and Group companies, and for these all staff members, recognize as binding the absolute respect of laws, codes, regulations, national and international guidelines and all general accepted practices based on fairness and honesty in each country where the Group carries out its business activity in observance of these principles.*". Activities aimed at ensuring compliance with legislation and regulations are undertaken in compliance with international best practices and are constantly examined through inspections conducted by commercial partners, authorities or certification bodies.

The main risk identified in "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**.

With regard to the supply chain management, the major "key" purchases within the DiaSorin Group's 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 that do not pose a high risk concerning social topics, employees, protection of human rights and anti-corruption issues.

3.1.2 Customer satisfaction

The main risk identified in "Customer Satisfaction" is linked to the failure to pay full or adequate attention to the customers' needs through customer satisfaction surveys and, thus, to identify market trends and/or areas of improvements.

A poor analysis and customers' complaint-sharing at Group level may hinder the implementation of corrective and/or precautionary actions in a timely manner.

3.2 Innovation, partnerships and scientific collaboration topics

The main risk identified in “Innovation, Partnership and scientific collaborations” is linked to the lack of **an innovative process and a widespread culture of innovation** that may hinder or slow down concepts and developments of new products.

The absence of sound and lasting partnerships would result in a lack of tools and know-how required to research, test and develop new products.

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. The Group set up dedicated Group Procedures defining guidelines related to all the steps involved in the product development.

3.3 **Anti-corruption and bribery topics**

The main risk in relation to anti-corruption and bribery 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 involve 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;
- Both public and private healthcare professionals and 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.

3.4 **Social topics and respect for human rights**

3.4.1 *Managing the relationship with local communities*

Relationship with local communities does not entail any specific risks for the DiaSorin Group: 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. Supporting local communities is, thus, a sustainable investment for DiaSorin’s long-term business sustainability.

3.4.2 *Respect for human rights*

As to “**Respect for human rights**”, associated risks are not deemed relevant for the DiaSorin Group with respect to both company’s employees and external collaborators.

As regards company's employees, 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.

As regards the supply chain, the Group purchases its products from consolidated multinational companies located in countries that do not pose a high risk concerning this matter.

The Group pays great attention to respect for human rights both in the management of relationships with Group's employees and external staff and in the management of the supply chain, in compliance with principles and values set out in the Group's Code of Conduct. The Group is committed to respecting human rights in compliance with Conventions of the ILO (International Labor Organization) in countries where the Group operates. The Group's Code of Conduct contains specific principles concerning this issue. 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 Labor Organization), 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 labor, child labor [...]*". 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 "2017 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.

3.5 Personnel topics

3.5.1 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 related to 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 "Environment, Health and Safety".

3.5.2 Training, development and welfare of employees

As regards training, development and welfare of employees, the DiaSorin Group identified three potential risk areas:

- **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.

As regards identified areas, the Company is committed to developing engagement and retention programs.

3.5.3 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**.

3.5.4 *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.

3.6 **Environmental topics**

3.6.1 *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 “Environment, Health and Safety”.

3.6.2 *Energy efficiency / Management of water resources*

Energy efficiency and the management of water resources do not entail any specific risks for the DiaSorin Group, since the company’s 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 “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.

4 Quality and customer satisfaction

4.1 DiaSorin's 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.

Behavior standards adopted by DiaSorin S.p.A. and Group companies in dealings with customers are inspired by safety, assistance, willingness to serve, combined with respect and courtesy, intended to establish a relationship of utmost cooperation and high-level professional expertise.

The primary goal of the Company is fully satisfying its customers, creating a relationship based on honesty, fairness, efficiency and professionalism in compliance with the obligations of both parties: this must be done in total compliance with the laws and rules contained in the Code of Conduct.

4.2 Instruments adopted

The following provides the main instruments adopted by the DiaSorin Group to manage and mitigate risks related to "Product and process quality", as provided in paragraph "Identification of risks and opportunities".

Organizational structure concerning Quality Management

The DiaSorin Group ensures Quality Management through the Quality Assurance and Regulatory Affairs function in each DiaSorin's and Subsidiaries' manufacturing facilities, with support of the Corporate QA&RA&CA Function. Corporate QA&RA&CA Function is independent from other Departments and reports directly to the Chief Executive Officer of DiaSorin S.p.A., to ensure the independence and authority required to deal with regulatory demands and overall Quality principles and related implementation accurately. The Corporate organization is a wide and shared platform both for manufacturing facilities and for subsidiary, as proof of the the real application of the Quality System, efficiency and effectiveness across the whole Group.

Corporate QA&RA&CA is in charge of:

- Monitoring new regulations applicable to the IVD MD sector reporting to sites.
- Supporting sites in implementing new Provisions al Group level, managing and supervising specific inter-sites projects.
- Harmonizing Quality Systems rules across all sites, by providing Group Operating Procedures (GOPs) and ensuring its correct application at local level (sites and subsidiaries)
- Monitoring compliance with QS requirements within the DiaSorin Group by means of Internal Audits, either announced or unannounced
- Monitoring clients' complaints at Group level
- Supporting all sites on Third-party auditing preparation
- Monitoring that outcomes of Third-party or Corporate audits are shared among all sites to enable a cross-assessment and identify QS non-compliance and resolve it promptly, with a harmonized approach
- Supporting sites on Medical Oversight and implementing product recall procedures.
- Supporting sites and the Global Procurement function as regards monitoring of DiaSorin suppliers' performance

Supply Chain management

As detailed in paragraph "Identification of risks and opportunities", supply chain management is a key element to ensure product/service compliance with Group quality requirements and local regulatory requirements.

The following paragraph provides the main evolutions of the Group supply chain management and the key instruments adopted.

Reorganization of the supply chain

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 their high unit value and are, thus, managed by Global Procurement Head Office at Corporate level (‘Corporate’ supplier). The latter represents the largest share of purchases.

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 was launched in 2017 and continued throughout 2018. It is structured around three main clusters:

- **organization:** redefining of responsibilities centrally/locally and providing Global Procurement Head Office with a central role in the purchase management at Group level; the purchase staff was reorganized and strengthened with new hires. A strict governance is being deployed through business review meetings;
- **standardization of processes:** harmonizing local purchase processes that are still managed autonomously by manufacturing facilities through different IT systems and tools; a document containing procurement guidelines is being completed: it defines rules to be applied locally and provides guidelines on rules, behaviors and best practices to all those employees who carry out purchasing activities but do not belong to the Purchasing function.
- **management efficiency:** identifying purchases that require to be managed at central level (i.e. suppliers shared by several manufacturing facilities) and implementing reorganization, at Central level, for some of these purchases.

The project envisages the introduction of an IT platform to manage relationship with suppliers, starting from his/her qualification to entering into supply contracts, including related negotiation.

The project, which is expected to be completed in 2020, calls for the development of two purchasing Platforms to manage all the purchasing phases (i.e. qualification and selection, purchase order, vendor rating, etc.). Both Platforms will be based on a single information system: the first Platform will include all European manufacturing facilities and the South African facility, the latter will include the U.S. facilities.

Procedures System (Group and local)

DiaSorin formalized principles to apply at Group level for the supply chain management in the Group Operating Procedure, known as “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 “Corporate Supplier Management” Procedure 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 "Corporate Supplier Management" Procedure 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 supplier 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.).

Audit on Corporate and Local suppliers

Corporate suppliers, as described above, are strategic suppliers of raw material- Analyzers- consumables identified on the basis of specific criteria provided for in the "Corporate Supplier Management" Procedure (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 and the Global Procurement function. 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 the 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 actions to rectify non-conformities are shared among all sites involved and the Global Procurement function and are periodically reported to the Top Management.

Each site monitors directly local suppliers. Audits are included in the annual audit plan of each site.

Customer care actions

DiaSorin S.p.A. and Group companies are committed to guarantee adequate standards of quality and safety of the equipment and systems offered according to the levels predefined in the expected quality standard. As far as possible, DiaSorin S.p.A. and Group companies undertake to consult consumer protection associations in case of projects with a major impact on customers. DiaSorin S.p.A. and Group companies have decided to align their quality systems to UNI EN ISO 9001:2008, UN EN ISO 134485:2004 international standards in accordance with the Code of Federal Regulation 21 - Food and Drug Administration - and the requirements of the European regulations.

Therefore, the quality control system adopted by DiaSorin S.p.A. and Group companies covers all operating and supporting processes: from design to production of the products and issue on the market up to including after-sales supervision. Such quality control system extends to all company functions involved in the activities, throughout all phases of life of the product up to reception of feedback after delivery of the product to the customer. With regard to improvement processes, monitoring the product on the market is extremely important in order to assess and analyze the level of quality achieved.

DiaSorin S.p.A. and Group companies have implemented dedicated methods to guarantee that feedbacks from customers reach the company, as well as methods to process this information in order to assess whether the

product/services meet the customer's expectations. All improvement-related activities are planned, applied and measured according to the information collected and processed.

4.3 Outcomes

In 2018, 34 audits have been carried out on critical suppliers (38 in 2017), of which 10 Corporate audits and 24 local audits. No significant non-conformities arose (likewise 2017).

In 2017, a survey was conducted by a third-party (Rosenthal Research) to assess DiaSorin performance in different areas (including equipment performance, reagents, technical support, field engineer e application specialist) against market benchmarks.

The survey highlighted an extremely positive Net Promoter Score; a different Third-Party (Praxidia) will conduct the same survey in 2019.

5 Innovation and technological excellence

5.1 DiaSorin's commitment and reference principles

Innovation and technological excellence are key drivers of the DiaSorin Group's strategy to implement its Mission and Ethical Vision. 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.

5.2 Instruments adopted

Diasorin is committed to attract new talents in R&D and to acquire and share knowledge (for instance through participation at scientific symposiums, collaborations with clinicians, participation in scientific boards).

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 DiaSorin Group commitment to innovation is shown in concrete investments that the Group carried out in 2018, including the new Innovation function – which reports directly to the Group CEO – and the implementation of a new innovation process to study and assess new potential products (kits and devices). The Innovation Function has the task of coordinating the development and analysis of innovative products and devices across all the DiaSorin Group, from the initial to the final phase to be included in the Product Development Master Plan (PDMP), which contains the list of all project that have been approved and that will be developed as new products for the Group's market. The innovation process assesses new kits and devices ideas and uses a structured approach by evaluating, in a holistic manner, how each new idea fits the company strategy, target market and competition analysis, evaluation of technical pheasibility, regulations aspect, risks analysis, and a complete business plan of the project. This new innovation process will provide a better understanding, evaluation and prioritization of new kits and devices and will, therefore, lead to better products on the market, increasing the Group profitability and competitiveness. In addition, the chance to redefining innovative ideas during their conception and analysis will lead to an increased efficiency in the following product development, in terms of time required for its development and in terms of resources.

5.3 Outcomes

The following provides the number of PDMP projects at December 31, 2018 for each reporting year.

Reagents for Immunoassay	2016	2017	2018
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Pre-feasibility	9	8	3
Feasibility	11	6	1
Validation	3	10	9
Industrialization	3	2	7
TOTAL	26	26	20

Reagents for Molecular - considering Assays + ASRs (Analyte Specific Reagents)	2016	2017	2018
Pre-feasibility	10	13	18
Feasibility	4	0	2
Validation	3	2	1
Industrialization	5	9	13
TOTAL	22	24	34

Instrument projects (Immuno + Molecular)	2016	2017	2018
Pre-feasibility	1	0	3
Feasibility	3	3	4
Validation	1	3	1
Industrialization	0	0	0
TOTAL	5	6	8

The integration of Focus Diagnostics molecular business, acquired in 2016, strongly contributed to the innovation topic. The acquisition enabled the Company to approach a rising and innovative technology.

The Company identified some focus areas: Gastroenterology, Immunity and Infectious Disease transmitted by insects. DiaSorin received 2 FDA clearances in the gastroenterology clinical area, thanks to Helicobacter pylori stool antigen test and Calprotectin stool test. On the back of these significant successes, DiaSorin expanded its test catalogue and extended the scope of use of the tests that will be developed within the Innovation process as described above.

With respect to cellular immunity, the Company launched the first CLIA IGRA (Interferon Gamma Release Assay) test in EU, to identify patients suffering from latent tuberculosis. Additionally, DiaSorin completed clinical studies in the U.S. to prepare the dossier to be submitted to the FDA, with the aim of identifying and developing further product applications in respect of its clinical utility and economic return through the Innovation process described above.

Additionally, DiaSorin completed the clinical studies in the U.S. to prepare the dossier to be submitted to the FDA, with the aim of identifying and developing further product applications in respect of its clinical utility and economic return through the Innovation process described above.

Lastly, the Group's menu strategy is strictly linked to its instruments platform to enter different market segments (LIAISON XS will be launched in 2019) and design new solutions to stabilize the segments where LIAISON instruments are already present.

Details on new projects developed in 2018, 2017 and 2016 are provided in the report on operations of these consolidated financial statements as at December 31, 2018, 2017 and 2016.

6. Fight against corruption

6.1 DiaSorin's 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 “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*” and “*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).

6.2 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 already described in 2017 Non-Financial Disclosure, and as a member of the EDMA (European Diagnostic Manufacturers Association) associated with MedTech Europe², DiaSorin adopted the new “MedTech Europe Code of Ethical Business Practice” (hereinafter referred to as “**MedTech Code**”): the Code regulates all aspects of interactions between companies and Healthcare Professionals and Healthcare organizations, in compliance with the highest ethical standards and with an appropriate level of transparency.

DiaSorin has, therefore, proceeded to amend/ integrate the Group Code of Conduct to align it to the MedTech Code requirements and implement different training activities. Said activities continued throughout 2018 and examined more specific and operational topics of MedTech provisions, because the Group drafted and approved a dedicated procedure (GOP 23.5011 “MedTech provisions”). The procedure describes, among others, all aspects of interactions between companies and Healthcare Professionals and Healthcare organizations, relevant compliance aspects and includes a series of contracts and documents templates to support business.

² MedTech Europe is the association representing medical technology sector from diagnosis to treatment

6.3 Outcomes

Employees involved in anti-corruption training and communications	2016	2017	2018
Top Management	4	7	102
White collars	32	102	694
Blue collars	10	67	89
Total training hours	46	176	885

Disclosure 205-2 Communication and training about anti-corruption policies and procedures of GRI Standard 205: Anti-corruption

Note that, as from 2018, data include all Group companies; 2016 and 2017 reported a limited scope, as described in paragraph 1.3.

Figures include MedTech Code training hours: in 2018, training hours were provided to 175 Group employees (38 Executives and 137 white collars); in 2017 training hours were provided to 37 Group employees.

7. Environment, Health and Safety

7.1 DiaSorin's commitment and reference principles

In 2015, the DiaSorin Group implemented and developed an **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 environmental, 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.

7.2 Instruments adopted

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

With respect to EHS topics for the period 2012-2017, 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. From 2017, said information has been provided in the Non-Financial Disclosure.

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 an;
- 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.

7.3 Outcomes

EHS performance data reported below refer to all DiaSorin Group manufacturing facilities and subsidiaries as provided in the Note on Methodology of this Report.

Energy consumption

Consumption [GJ]	2016			2017			2018		
	Renewable source	Non-renewable source	Total	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		39,436	39,436		75,196	75,196
Electricity consumption	2,468	60,683	63,151	23,522	53,340	76,862	24,107	57,178	81,285
Consumption resulting from purchase of thermal energy		2,451	2,451						
TOTAL	2,468	94,974	97,442	23,522	92,776	116,299	24,107	132,374	156,481
%	3%	97%		20%	80%		15%	85%	

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, except for fuel oil (BTZ) used only by the Italian subsidiary for few months of 2017. Thus, the company used conversion factors envisaged by the table of UNFCCC national standard parameters.

Note that 2017 consumption of natural gas in Saluggia has been updated from 69,314 m³ to 134,888 m³.

In 2016-2017, the increase in the overall energy consumption was due to DS Molecular being included within the scope and whose energy consumption amounted to 10,500 GJ. In 2018, the increase was due to data collection for motor vehicle fuel consumption (implemented only in few subsidiaries) and the extension of the scope to all subsidiaries.

Subsidiaries' energy consumptions for electricity, heating and water have been reported, except in cases where data are not available, as for small sized rented premises where such expenses are included in periodic costs and cannot be unbundled. Data on the share of electricity from renewable sources arise from available information about the energy mix declared by providers.

Water withdrawals

Source	withdrawals [m3]		
	2016	2017	2018
Water supplies	60,470	60,538	49,990
Ground water	153,597	252,793	84,481
Surface water	1,283	-	-
TOTAL	215,350	313,331	134,471

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, in connection with weather and manufacturing conditions.

DiaSorin is committed to ensuring responsible water consumption carrying out several initiatives: in Stillwater, Minnesota, for instance, improving efficiency of the vacuum generation system led to a significant reduction in water consumption.

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 emissions³) 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, except for fuel oil (BTZ) used only by the Italian subsidiary. Thus, the company used conversion factors envisaged by UNFCCC national standard parameters, and DEFRA (UK Department for Environment Food & Rural Affairs) conversion factor for subsidiaries' electricity, equal to 2.34% of Group total electricity consumption 2018.

Emissions [tCO ₂ eq]	2016	2017	2018
		1,816	2,177

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

Emissions [tCO ₂ eq]	2016	2017	2018
		9,663	8,265

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

³ In its production process, the Group does not use substances that are harmful to the ozone layer: these substances are contained in airconditioning/cooling system, releases to the atmosphere are connected to the maintenance of such systems.

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 by type	Waste produced (excluding WEEE) [t]		
	2016	2017	2018
Hazardous waste	130	154	210
Non-hazardous waste	865	1,239	1,036
TOTAL	996	1,393	1,246

Waste by destination	Waste produced (excluding WEEE)		
	2016	2017	2018
Re-use/recycling/recovery	50.8%	52.3%	49.6%
Disposal	49.2%	47.7%	50.4%

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 building renovation 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. With reference to the WEEE, the following table provides data on quantities produced and relevant treatment. In 2018, the increase was due to the extension of the scope to subsidiaries. As provided in the following tables, 100% of WEEE is recovered at authorized facilities.

Waste by destination	Waste produced (excluding WEEE) [t]		
	2016	2017	2018
Recovery	16	14	41
Disposal	-	-	

Spills and environmental compliance

In the three-year reporting period no significant spills occurred nor violation to 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	2018
Injury rate	1.40	3.12	3.42
Lost days rate	85.16	55.56	105.28

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

8. Personnel management

8.1 DiaSorin's 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”.*

8.2 Instruments adopted

The following provides the DiaSorin Group’s main instruments to manage risks (or where applicable, to address opportunity) as detailed in paragraph “Identification of risks and opportunity” in relation to personnel management topics.

Implementation of the new HR Management IT System

In 2018, 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 consolidation will be in 2019.

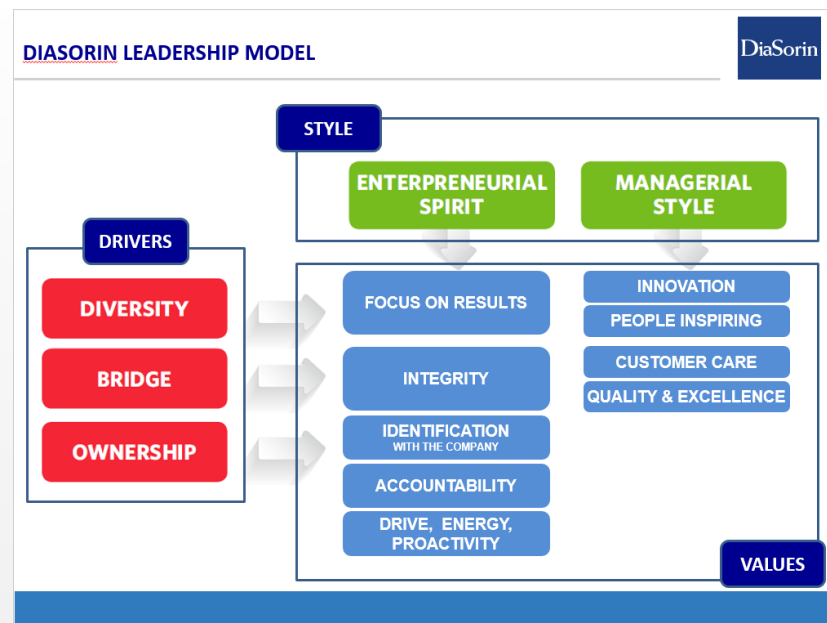
This system offers a cross-cutting approach to human resources management, starting from employee research/hiring to the employee management within the Company, including the performance management process.

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.

The Leadership Model

The Leadership Model adopted by the DiaSorin Group is balanced mix of entrepreneurial spirit and managerial skills that are part of the company’s DNA.



This Model underpins 9 key **Values** and describes DiaSorin employees’ expected behaviors and attitudes. 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.

The Leadership Model expresses clearly DiaSorin culture, the unique value which underpins processes involved in Talent enrichment and development.

Specifically, the Leadership Model's main targets are the following:

- Creating a common language to share managerial style in DiaSorin;
- Clarifying expectations on goals and outcomes;
- Making the recruitment process easier, by sharing values and characteristics of the required profiles;
- Structuring the evaluation of people's soft skills;
- Nurturing the assessment culture.

Performance Management System

Employees to whom the Leadership Model applies are also included in the "Performance Management Process Lead (PMPL)". PMPL includes all employees with a variable compensation and is strictly related to the Leadership Model. It 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:

- raise self-awareness on strengths and improvement areas
- promote dialogue between manager and employee about leadership and behaviors
- enhance motivational aspects

To confirm the importance of the Performance Management system, T.R.U.S.T. implemented a dedicated "Performance and Goals" module. In addition, Performance Management Process YOU (PMP YOU) shares the same values provided by the Leadership Model. This program is dedicated to the rest of the work force (including blue collars) and it will be active in 2019.

PMPL and PMP YOU allow a comprehensive assessment of soft skills in line with the company culture. These processes are supported by T.R.U.S.T. system and its dedicated forms.

Training activities

The DiaSorin Group considers training and development key elements to develop 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 2018, the main focus of Corporate cross-sectional training activities was on the new HR information system, known as TRUST, involved in the training of all DiaSorin employees. Not only training was performed on technical matters associated with the system function but it was an opportunity to share the corporate culture underpinning HR processes that are managed through the system.

The training program to strengthen and improve the Group Country Managers' skills continued throughout 2018. This program known as "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 materials. In order to improve and share knowledge, the "Champions" are involved in the "Train the Trainer" program, a specific course they are required to attend beforehand.

DiaSorin attaches great importance also to the "Induction" phase. Corporate Induction events for new Managers and Top Managers hired in 2018 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 2018, 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.

Listening to Employees' needs

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.

Furthermore, the Group implemented anti-harassment policies contributing to creating a positive work environment where people are treated with dignity and respect.

8.3 Outcomes

Information on the Group employees

Employees by gender	2016			2017			2018		
	Men	Women	Total	Men	Women	Total	Men	Women	Total
	906	772	1,678	999	897	1,896	1,064	907	1,971

Employees by category	2016			2017			2018		
	Top Managers	55	20	75	65	21	86	72	25
White collars	686	655	1,341	745	750	1,495	811	775	1,586
Blue collars	165	97	262	189	126	315	181	107	288

Employees by age	2016			2017			2018			
	Men	Women	Total	Men	Women	Total	Executives	White collars	Blue collars	Total
<= 29 years	124	92	216	104	109	213	0	153	55	208
30 - 50 years.	537	464	1,001	630	537	1,167	47	1,043	147	1,237
>= 50 years	245	216	461	265	251	516	50	390	86	526

Disclosure 405-1 Diversity of governance bodies and employees del GRI Standard 405: Diversity and Equal Opportunities 2016

Employees by contract	2016			2017			2018		
	Men	Women	Total	Men	Women	Total	Men	Women	Total
Number of employees with permanent contract	892	759	1,651	972	877	1,849	1,050	897	1,947
Number of employees with temporary contract	14	13	27	27	20	47	14	10	24

Employees by employment type	2016			2017			2018		
	Men	Women	Total	Men	Women	Total	Men	Women	Total
Number of full-time employees	902	742	1,644	995	866	1,861	1,058	870	1,928
Number of part time employees	4	30	34	4	31	35	6	37	43

Disclosure 102-8 Information on employees and other workers of GRI Standard 102: General Disclosures 2016

Employees by education	2016			2017			2018		
	Men	Women	Total	Men	Women	Total	Men	Women	Total
Degrees	506	490	996	561	565	1126	687	634	1321
<i>Biology</i>	130	161	291	141	189	330	144	199	343
<i>Chemistry</i>	49	37	86	41	46	87	54	56	110
<i>Biochemistry</i>	44	62	106	53	62	115	83	81	164
<i>Economics</i>	58	33	91	49	34	83	45	35	80
<i>Engineering</i>	105	51	156	118	50	168	160	64	224
<i>Other degrees</i>	120	146	266	159	184	343	201	199	400
Technical high school	146	80	226	124	73	197	141	96	237
No technical high school diploma	139	139	278	264	236	500	179	146	325
Without a diploma	115	63	178	50	23	73	57	31	88

Dialogue with social partners

47% of the Group's employees are covered by collective bargaining agreements (52% at December 31, 2017). Collective bargaining agreements do not apply to all countries where the Group operates.

	2016	2017	2018
Employees covered by collective bargaining agreements or similar agreements (%)	56%	52%	47%

Disclosure 102-41 Collective bargaining agreements del GRI Standard 102: General Disclosures 2016

New hires and employee turnover

Number of employees hired in the year	2016			2017			2018		
	Men	Women	Total	Men	Women	Total	Men	Women	Total
	96	69	165	194	159	353	189	135	324
<i>By age</i>									
<= 29 years	26	24	50	60	56	116	43	45	88
30 - 50 years	56	36	92	111	86	197	114	80	194
>= 50 years	14	9	23	23	17	40	32	10	42

Disclosure 401-1 New employee hires and employee turnover del GRI Standard 401: Employment 2016

In 2018, the turnover rate was equal to 14% (15% in 2017 and 8% in 2016): it should be noted the different scope of consolidation for the years under comparison (2016 turnover percentage excludes DiaSorin Molecular).

The following table provides turnover by gender and age in 2018:

<= 29 years	30 - 50 years	>= 50 years
22%	14%	12%

Men	Women	Total
14%	14%	14%

Training activities

2017 and 2016 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. In 2018 the scope was extended to the whole Group.

The following provides aggregate data at constant scope.

Number of training hours by category	2016			2017			2018		
	Men	Women	Total	Men	Women	Total	Men	Women	Total
Top managers	439	297	736	477	494	971	2,390	745	3,135
White collars	17,095	12,751	29,846	16,413	22,193	38,606	21,088	23,313	44,401
Blu collars	5,822	3,793	9,615	6,758	4,594	11,352	8,328	4,599	12,927

Number of training hours by type

Induction	564	342	906	1,071	894	1,965	1,864	1,974	3,838
EHS training	3,047	2,506	5,553	5,528	5,286	10,814	3,335	1,841	5,176
Technical professional training	14,545	9,650	24,195	12,318	15,676	27,994	16,585	15,487	32,072
Languages courses	1,000	905	1,905	193	324	517	0	45	45
Managerial	330	320	650	1,044	1,110	2,154	1,414	1,324	2,738
Other	3,870	3,118	6,988	3,494	3,991	7,485	8,613	7,980	16,593

The following table provides data for all Group companies

Number of training hours by category	2018		
	Men	Women	Total
Top managers	2,835	984	3,819
White collars	30,196	29,285	59,481
Blue collars	8,574	4,806	13,380

Number of training hours by type	2018		
	Men	Women	Total
Induction	3,543	2,786	6,329
EHS training	4,083	2,438	6,521
Technical professional training	22,210	18,934	41,143
Languages courses	290	447	736
Managerial	2,136	1,862	3,997
Other	9,350	8,604	17,955

	Average training hours								
	2016			2017			2018		
	Women	Men	Total	Women	Men	Total	Women	Men	Total
Top managers	13	25	16	11	35	16	39	39	39
White collars	43	30	36	36	43	40	37	38	38
Blue collars	38	43	40	38	40	39	47	45	46

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 career development review								
	2016			2017			2018		
	Men	Women	Total	Men	Women	Total	Men	Women	Total
Top managers	100%	100%	100%	100%	100%	100%	100%	100%	100%
White collars	83%	76%	80%	84%	75%	80%	85%	72%	79%
Blue collars	65%	73%	68%	72%	86%	77%	72%	86%	77%

Disclosure 404-3 Percentage of employees receiving regular performance and career development reviews of GRI Standard 404: Training and Education

The indicator looks at employees with a portion of variable remuneration (i.e. MBO, Incentives) and, where appropriate, personnel who also on the basis of the agreements with social partners, are subject to a formal evaluation of their performance.

Diversity and equal opportunities

Ratio basic salary men/women	2016	2017	2018
White collars	91%	90%	87%
Blue collars	86%	88%	83%

Disclosure 405-2 Ratio of basic salary and remuneration of women to men of GRI Standard 405: Diversity and Equal Opportunities 2016

In 2018, computation includes data collected from all the Group companies where ratio was applicable; in 2016 and 2017, the scope was limited as described in Paragraph 1.3.

9. Relationships with local communities

9.1 DiaSorin's 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).

9.2 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 projects 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.

9.3 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.

“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.

In 2018, the “Mad For Science” competition was open to all Piedmont scientific high schools, which could participate with a team made of 5 students and a Science teacher. Students were required to compose 5 teaching experiences and plan their development in their own lab. Participants had also to formulate a budget to implement and supply the biolab 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 40 candidate projects (including how to implement it throughout 5 years) and selected the 6 finalists. The authors of the finalist projects were the protagonists of the "Mad for Science Challenge", which took place on May 16, 2018 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. During the “2018 Mad for Science” Final the best communicator High School was granted a communication prize of 10,000 thousand euros to implement its already existing laboratory.



DiaSorin supported winners purchasing instruments and equipment needed and will provide a five-year supply of materials needed to implement it.

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 talented athletes to represent Italy at the 12th Winter Paralympics in PyeongChang -South Korea- from March 9 to March 18, 2018, in the same venue of the 12th Winter Olympic Games. DiaSorin chose to actively support the competitive path of these exceptional athletes (snowboarding and alpine skiing) for three years (2016-2018), contributing to their preparation in view of the most important competition.



The CRS initiative was repaid with incredible victories at the 2018 Paralympics, where the Italian national team won giant slalom and slalom (2 gold), snowboard cross and super G (2 silver) and downhill (1 bronze). It was a great success if compared with the previous editions of 2014 Sochi Winter Games, where Italian athletes won no medals.

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 (DiaSorin Sitting Volley Cup) in collaboration with Fenera Chieri sports club. Several Italian teams challenge each other every year, in September, at Palazzetto dello Sport in Chieri. The purpose of the initiative is not only to allow official Sitting Volley players to challenge other teams but, most importantly, make this sport known among non-disabled people. In this sport disable and non-disables

people can compete together.

“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 aims 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 and in 2018, 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 in other Italian hospitals by searching new partners to finance the project. In 2018, DiaSorin reached an agreement with *Istituto Giannina Gaslini*, popularly known as the Gaslini Hospital in Genoa to make the pediatric MRI room more child friendly, consistently with what had already been implemented in Turin's Pediatric Hospital.



Disney contributed to the project decorating the MRI's with characters of Toy Story by Disney-Pixar. The Toy story themed room was launched on February 13, 2019 with the presence of local authorities and journalists.

Smile and Magic

The purpose of the project is providing psychological and emotional support to children undergoing long hospital care. On May 29, 2018, DiaSorin supported the annual picnic, organized by Theodora Foundation and 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. Several regional companies took part as sponsors and the proceeds were devoted to "Dr. Smile" at Regina Margherita Pediatric Hospital in Turin.

Projects worldwide

Consistently with Corporate CSR criteria to support local initiatives, the Group's companies implemented several CSR initiatives in local communities, giving priority to actions having a positive impact on people's health and welfare.

With respect to the CSR pillar involving passion for science and knowledge, the Group supported several scientific events and symposia aimed at improving medical research.

Lastly, as to CSR Pillar focused on supporting people talent, DiaSorin implemented specific projects to support scientific talents' education at universities and research poles.

Italy

In 2018, in agreement with trade union organizations, DiaSorin defined 4 projects that will be implemented in 2019, to support local communities needs in Saluggia and Vercelli area, city and province of DiaSorin S.p.A., respectively.

Specifically, CSR Talent Pillar concerns the modernization of the IT classroom in Saluggia's primary school to help students' education and lay the foundations for middle school activities.

As to projects to support urgent needs of local communities, the Company identified the following actions:

- purchase of assistive devices for people with disabilities and training on their use to help Don Dattrino Nursing Home. The Nursing Home provides care for elderly people who are not self-sufficient and young people with disabilities;
- funding of training activities on social matters to support *Associazione Libera di Don Ciotti*, an association involved in the fight against mafia, corruption and any form of crimes.



DON VITTORIO DATTRINO S.p.A.



Presidio "Giuseppe Di Matteo"

c/o Oratorio Mazzetti
Via San Giovanni Battista, 1
13040 Saluggia (VC)

With respect to Health Pillar, DiaSorin financially supported cancer prevention campaigns for L.I.L.T (Italian League for the fight against tumors). It is estimated that this initiative may lead to 1,700 medical checkups in 2019, thanks to free checkups, purchase of medical products, sterilization of instruments, slides analysis, vehicles for doctors.



Sezione Provinciale di Vercelli - O.N.L.U.S.

Lastly, in December 2018, DiaSorin supported "*La Carità di Santa Luisa*", a Vincentian Home for Homeless. During "the week of gift" basic needs were collected for homeless in Turin. Specifically, people donated clothes, shoes, blankets and personal care items. The initiative, which involved directly DiaSorin Italy staff, had a great success and employees donated a large amount of goods.

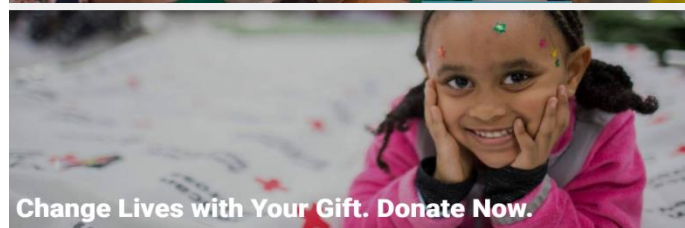
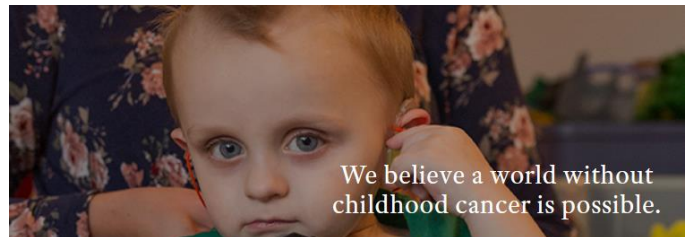
United States

DiaSorin's subsidiaries in Stillwater (Minnesota) and Cypress (California) actively participated in fundraisings to support local communities' needs and foster, at the same time, different scientific projects at local High Schools.

The following provides a summary of the initiatives in the U.S.:

1. DiaSorin Inc. Stillwater, Minnesota USA

- "*Boo Bash 2018 – Children's Cancer Research Fund & Family Means*": fundraising to support local communities in need and children cancer research.
- "*American Red Cross*": setting up of a unit to collect and donate blood at DiaSorin Inc.. During the blood collection day, volunteers donated 19 blood units supporting the needs of 57 people.

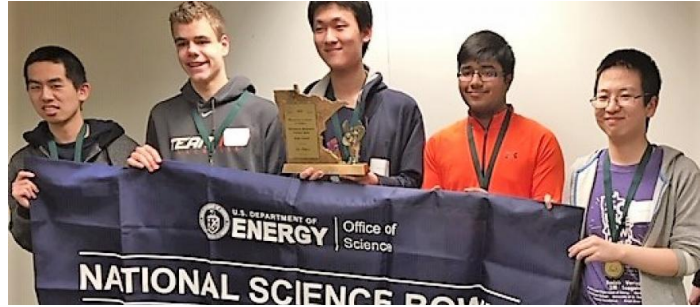


- "*Feed My Starving Children*": 1,054 people, including DiaSorin Inc. volunteers, participated in the initiative to collect, package and distribute complete meals to children's homes in the world's poorest countries. Every year about 70 countries actively participate in the initiative and 2018 reached the important goal of 1,864 of packaged boxes for a total of 402,624 meals to feed 1,103 children for a whole year.



- "*Family Means*": financial support to purchase calculators and supplies to help students from disadvantaged families.

- “MN Science Quiz Bowl & Science & Engineering Fair”: educational project to support Education of Excellence in collaboration with Minnesota Academy of Science (MAS). Every year MAS organizes 2 regional science competitions in Minnesota; specifically, the first competition is for middle school students and the second is for High School students. Competitions features the same



procedures and winning teams enter the “National Science Bowl” competition, promoted by the U.S. Energy Department in Washington, D.C. During the competition students are required to solve technical problems and answer questions about science and math.

- “Stillwater High School Scholarships”: scholarships offered to the High School deserving students in Stillwater, headquarter of DiaSorin Inc..
- “Liceo Da Vinci Fest Stillwater”: participation to the community Art and Science fair in Stillwater with more than 40 interactive points. DiaSorin Inc. organized a one-of-a-kind science show, involving Stillwater High School students in carrying out scientific experiments through innovative communication.



2. DiaSorin Molecular, Cypress California, USA

- “Rise Against Hunger”: 10,000 meals packed against hunger worldwide.
- “Holiday Angel Drive Council”: financial support to donate personal care items to local elderly people.
- “Second Harvest Fundraiser”: more than 1,045 pounds of food donated by DiaSorin employees in California.
- “Red Cross Blood Drive”: blood donations to the American Red Cross by DiaSorin Molecular company’s employees, with 92 voluntary blood donations in 2018.



China



In China, in accordance with the Talent Pillar, DiaSorin supports the most deserving students offering scholarships to *Shanghai Jiaotong University* and *Luiss/Fudan University* students. Through the partnership with these important local institutions, DiaSorin organizes traineeship at its offices in Shanghai.



France

- “Handecom”: DiaSorin contributes to hire workers with disabilities at its offices in Paris

Israel:

- “*Voluntary service*”: DiaSorin Israel’s employees undertake to support, on a quarterly basis, important initiatives for the local community; in 2018, for example, employees worked with local no profit associations to support people with disabilities and with other no profit associations involved in packaging of food to help the neediest people at local level.

South Africa:

- “*Little Eden*”: DiaSorin South Africa organized a cycling race to support Little Eden Society, an NGO providing life-long care to adults and children with intellectual disability. Specifically, in 2018, primary needs goods have been purchased through cycling race.



Australia:

- “*EROS - Charity from the heart*”: a fundraising initiative organized by Charity from the Heart supporting multiple sclerosis.
- In 2018, the Australian branch assisted local families in need, providing support according to the different family needs.



Correlation Table with Legislative Decree 254/16 and material topics

Topics as per Leg. Decree 254/2016	Material Topic	Risks identified	Policies adopted	Indicators	Reporting scope	Details on the methodology and any omissions as regards GRI requirements
ENVIRONMENTAL TOPICS	Environmental management (waste management, energy efficiency, management of water resources)	Consult chapter 3 “Identification of risks and opportunities”, paragraph 3.6 “Environmental topics”	Consult chapter 8 “Environment, Health and Safety”	<p><i>GRI Standard 302 "Energy 2016":</i></p> <ul style="list-style-type: none"> • Disclosure 302-1: Energy consumption within the organization <p><i>GRI Standard 303 "Water 216":</i></p> <ul style="list-style-type: none"> • Disclosure 303-1: Water withdrawal by source <p><i>GRI Standard 305 "Emissions 2016":</i></p> <ul style="list-style-type: none"> • Disclosure 305-1: Direct (Scope 1) GHG emissions • Disclosure 305-2: Energy indirect (Scope 2) GHG emissions <p><i>GRI Standard 306 "Effluents and Waste 2016":</i></p> <ul style="list-style-type: none"> • Disclosure 306-2: Waste by type and disposal method • Disclosure 306-3: Significant spills <p><i>GRI Standard 307 "Environmental Compliance":</i></p> <ul style="list-style-type: none"> • Disclosure 307-1: Non-compliance with environmental laws and regulations 	<p>The scope of 2016 and 2017 data is limited to the Group’s manufacturing facilities, (consult chapter 1 “Note on Methodology”).</p> <p>The scope of 2018 data includes all Group’s companies, including commercial subsidiaries. Subsidiaries data for consumption and waste are included in the scope of consolidation, except where data are not available because they are included in service expenses or as for small sized rented premises where such expenses are included in periodic costs and cannot be unbundled.</p>	<p><i>Disclosures 302-1 / 303-1 / 305-1 / 305-2:</i></p> <ul style="list-style-type: none"> - Energy consumption data (Disclosure 302-1) have been prepared using conversion factors adopted by the Environment Indicators Protocols issued by the Global Reporting Initiative - Emissions data (Disclosure 305-1 e 305-2) of manufacturing facilities have been prepared using conversion factors adopted by the GHG Protocol Standard - Data on fuel oil (BTZ) used by the Italian subsidiary only for few months of 2017, have been prepared using conversion factors envisaged by the table of UNFCCC national standard parameters, both for emissions and consumptions. - Computation of Scope 1 emissions includes direct emissions from the combustion of fuel to generate thermal energy for heating system or for production processes, for vehicles and refrigerant gas emissions. - Computation of Scope 2 includes emissions connected to electricity consumption from non-renewable sources and purchase of thermal energy, as well as heating system at the Italian headquarter where such expenditure is included among common costs. - Electric consumption was broken down between renewable and non-renewable sources, on the basis of the composition of the energetic mix used for the electricity produced from suppliers (where expressly indicated in the electricity bill). Data on water consumption have been collected from information provided in the electricity bills or, where available, from communication by owners of premises and /or bodies responsible for managing common expenses. <p><i>Disclosure 306-2</i></p> <ul style="list-style-type: none"> - Compared to the Reporting Requirements of the Disclosure GRI, details on total weight of hazardous/non-hazardous waste by destination are not provided. The percentage of waste by "Re-use/recycle/recovery" and "Disposal" categories was calculated on the basis of available information on disposal methods (information provided by transporters and waste disposal operators on the waste destination and, where applicable, indications contained in the accompanying documents).

SOCIAL TOPICS	Managing the relationship with local communities	Consult chapter 3 “Identification of risks and opportunities”, paragraph 3.4 “Social topics and respect for human rights”	Consult chapter 9 “Relationship with local community”	Even though the Group does not report figure-based indicators and/or associated with GRI Disclosure on this matter, the document describes qualitatively the most relevant initiatives that are developed/promoted by the Parent Company and subsidiaries in the three-year reporting period and have a positive impact on the local communities where the Group operates.	The scope of data collection on social initiatives was extended to all Group companies, in addition to Corporate initiatives. The Group reported the most relevant local initiatives developed by Group’s companies, on the basis of the CSR criteria that have been defined at central level to support local initiatives.	N/A
	Innovation, partnerships and scientific collaborations	Consult chapter 3 “Identification of risks and opportunities”, paragraph 3.2 “Topics concerning innovation, partnerships and scientific collaborations”	Consult chapter 5 “Innovation and technological excellence”	Number of outstanding projects at December 31 of each reporting year are classified in the following areas: immunodiagnostics, molecular diagnostics, instruments and in the 4 development phases (pre-feasibility, feasibility, validation, industrialization).	The scope of data includes all Group’s projects.	Data in the table are based on the projects classification within the Product Development Master Plan (PDMP) and documentation detailing the different stages of the project development.
	Customer satisfaction	Consult chapter 3 “Identification of risks and opportunities”, paragraph 3.1 “Topics concerning product quality and processes”	Consult chapter 4. “Quality and customer satisfaction”	Even though the Group does not report figure-based indicators and/or associated with GRI Disclosure on this matter, the document describes qualitatively initiatives to “listen to” clients’ needs in 2018 and those scheduled for 2019.	The scope includes all Group’s companies	N/A
	Product quality and process	Consult chapter 3 “Identification of risks and opportunities”, paragraph 3.1 “Topics concerning product quality and processes”	Consult chapter 4. “Quality and customer satisfaction”	Number of audits on critical suppliers in 2017 and 2018 classified into Corporate audits and Local audits and relevant outcomes (possible identification of significant non-compliance in the audit report summarizing audit results).	The scope of data includes manufacturing facilities, where products/services having a direct impact on end product compliance are purchased	The Non-Financial Disclosure data are determined according audit plans both at Corporate and local level and audit reports providing outcomes thereof.
PERSONNEL MANAGEMENT TOPICS	Training	Consult chapter 3 “Identification of risks and opportunities”,	Consult chapter 8. “Personnel management”	<i>GRI Standard 102 “General Disclosures 2016”:</i>	Data on employee training (Disclosure 404-1) and ratio of basic salary and remuneration	<i>Disclosure 102-8</i> Figures on Company’s personnel refers to the total workforce at 12/31 of each reporting year.
	Personnel development					

	<p>Employee welfare Diversity and inclusion</p>	<p>paragraph 3.5 “Personnel topics” Consult chapter 3 “Identification of risks and opportunities”, paragraph 3.5 “Personnel topics”</p>		<ul style="list-style-type: none"> • Disclosure 102-8: Information on employees and other workers <p><i>GRI Standard 401 Employment 2016</i>”:</p> <ul style="list-style-type: none"> • Disclosure 401-1: New employee hires and employee turnover <p><i>GRI Standard 404 Training and Education 2016</i>”:</p> <ul style="list-style-type: none"> • Disclosure 404-1: Average hours of training per year per employee • Disclosure 404-3: Percentage of employees receiving regular performance and career development reviews <p><i>GRI Standard 405 Diversity and Equal Opportunities 2016</i>”:</p> <ul style="list-style-type: none"> • Disclosure 405-2: Ratio of basic salary and remuneration of women to men <p>In addition to the above GRI indicators, the DiaSorin Group provides a staff breakdown by education</p>	<p>of women to men (405-2) for 2017 and previous years refer exclusively to the following companies:</p> <ul style="list-style-type: none"> - DiaSorin S.p.A. - DiaSorin Deutschland GmbH - DiaSorin Inc. (USA) - DiaSorin Molecular LLC <p>Likewise, human resources indicators, in 2018 the scope has been extended to all Group companies.</p>	<p><i>Disclosure 401-1</i></p> <ul style="list-style-type: none"> - Rate of employee turnover is determined as the ratio of employees who left the company in the 01/01-12/31 to the workforce at 01/01 of the year for Companies in the scope, using a multiplier of 100. - Aggregate rate for 2016 and 2017. From 2018, in compliance with requirements of the Disclosure GRI, turnover rate is provided by gender and age. <p><i>Disclosure 404-1</i></p> <ul style="list-style-type: none"> - Average training hours are determined as the ratio between training hours provided and employees at 12/31 of the reporting year. <p><i>Disclosure 404-3</i></p> <p>The indicator refers to employees that have a part of variable compensation (i.e. MBO, Incentives), managed through PMP LEAD programs and, more generally, to all employees subject to a formal periodic assessment of the performance. The abovementioned process includes employees hired in the last months of the year even though they have yet to be assessed.</p> <p><i>Disclosure 405-1</i></p> <ul style="list-style-type: none"> - Reporting data by gender and age are provided for Group’s employees only (information on corporate bodies is provided in the Corporate Governance Report and ownership structure) broken down in the three professional categories. - <p><i>Disclosure 405-2</i></p> <ul style="list-style-type: none"> - The ratio of salary of women to men for 2018 was computed adding the monthly wages of the Group’s Companies’ employees (except for small-sized commercial branches, as staff is composed only of men) converted into euros according to the average exchange rate in local currency in 2018 and divided by the number of employees by professional categories. Then it was calculated ratio of men salary to women salary. - With respect to Reporting Requirements of GRI Disclosure 405-2, the report provides only the ratio of basic salary of women to men. Data apply only to White Collars and Blue Collars.
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						With respect to non-GRI indicator concerning employees by education, data have been collected on the basis of information and documentation provided by employees upon hiring.
	Dialogue with social partners			<i>GRI Standard 102 "General Disclosures 2016":</i> • Disclosure 102-41: Collective Bargaining Agreements		Figures were calculated as the ratio of employees covered by collective bargaining agreement to total Group employees. It should be noted that the issue is not applicable to all countries where the Group operated.
	Health and Safety		Consult chapter 7 "Environment, Health and Safety"	<i>GRI Standard 403 "Occupational Health & Safety 2016":</i> • Disclosure 102-41: Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	The scope includes all Group companies	- Injury rate and lost day rate 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. Commuting accidents are excluded. - Compared to Reporting Requirements of GRI Disclosure, data on absenteeism rate are not provided since such data are not available for all Group Companies.
RESPECT FOR HUMAN RIGHTS	Human rights	Consult chapter 3 "Identification of risks and opportunities", paragraph 3.4 "Social topics and respect for human rights"	Consult chapter 3.4 "Social topics and respect for human rights" sub-paragraph 3.4.2 "Respect for human rights"	As described in the paragraph, human rights associated-risks are not deemed relevant for the DiaSorin Group with respect to both company's employees and external collaborators. For this reason, the Group does not report figure-based indicators and/or associated with GRI Disclosure on this matter. Nevertheless, the paragraph describes the principles contained in the Group Code of Conduct concerning this issue. The Code of Conduct defines relationships with employees, external staff and the supply chain.		
ANTI-CORRUPTION AND BRIBERY	Anti-corruption and bribery	Consult chapter 3 "Identification of risks and opportunities", paragraph 3.3 "Anti-corruption and bribery topics"	Consult chapter 6 "Anti-corruption and bribery"	<i>GRI Standard 205 "Anti-corruption":</i> • Disclosure 205-2: Communication and training about anti-corruption policies and procedures	Data for 2017 and previous years refer exclusively to the following companies: - DiaSorin S.p.A. - DiaSorin Deutschland GmbH - DiaSorin Inc. (USA) - DiaSorin Molecular LLC 2018 data include all Group companies.	Figures for DiaSorin SpA include all employees involved in MedTech Code training courses and employees involved in 231 training courses. Figures for other Companies include employees involved in communication activities and formal sharing of the principles contained in the Group's Code of Conduct or other documents relating to anti-corruption (i.e. Commercial Code of Conduct).



DIASORIN SPA

**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 OF JANUARY
2018**

YEAR ENDED 31 DECEMBER 2018



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 of January 2018

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. 20267/2018, 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 2018 prepared in accordance with article 4 of the Decree, presented in specific section of Report on operations and approved by the Board of Directors on 14 March 2019 (hereafter the "NFS").

Responsibilities of the Directors and of the Board of Statutory Auditors for the NFS

The Directors are responsible for the preparation of the NFS in accordance with article 3 and 4 of the Decree and with the "GRI-Sustainability Reporting Standards" defined in 2016 (hereafter the "GRI Standards"), as laid down in paragraph "Note on Methodology" of the NFS, identified by them as the reporting standards, with reference to a selection of GRI Standards therein contained.

The Directors are responsible, in accordance with the law, for the implementation of internal controls necessary to ensure that the NFS is free from material misstatement, whether due to fraud or unintentional errors.

Moreover, the Directors are 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.

Finally, the Directors are 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.

The Board of Statutory Auditors is responsible for overseeing, in the terms prescribed by law, compliance with the Decree.

PricewaterhouseCoopers SpA

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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.

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 GRI Standards.

We conducted our engagement in accordance with "International Standard on Assurance Engagements ISAE 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 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 with company personnel responsible for the preparation of the information presented in the NFS, analysis 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 Group, in order to assess the reasonableness of the selection process used, in accordance with article 3 of the Decree and with the reporting standards adopted;
2. Analysis and assessment of the criteria used to identify the consolidation area, in order to assess their compliance with the Decree;
3. 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 4 a) below;

4. 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 personnel of DiaSorin SpA and with the personnel of DiaSorin Molecular LLC, DiaSorin SA (France), DiaSorin Inc., and DiaSorin Ltd (China) and



we performed limited analysis 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 holding 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, divisions and sites, DiaSorin SpA, DiaSorin Molecular LLC, DiaSorin SA (France), which were selected on the basis of their activities, their contribution to the performance indicators at a consolidated level and their location, we carried out site visits and/or interviews during which we met 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 2018 has not been prepared, in all material respects, in compliance with articles 3 and 4 of the Decree and with the GRI Standards, with reference to a selection of GRI Standards therein contained.

Milano, 2 April 2019

PricewaterhouseCoopers SpA

Signed by

Stefano Pavesi
(Partner)

Signed by

Paolo Bersani
(Authorised signatory)

This report has been translated from the Italian original solely for the convenience of international readers. We have not performed any controls on the English translation of NFS of DiaSorin Group as of 31 December 2018.

MOTION TO APPROVE THE FINANCIAL STATEMENTS AND APPROPRIATE THE 2018 NET PROFIT

Dear Shareholders,

We recommend that you approve the Company's financial statements for the year ended December 31, 2018 and appropriate the net profit of € 100,097,400.29 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 € 49,196,025.00 as a dividend of € 0.90 on each common share outstanding on the record date, excluding treasury share, equal to 1,286,007 ordinary shares;

bring forward as retained earnings the balance of € 50,901,375.29.

The dividend will be payable on May 22, 2019, with coupon date May 20, 2019, 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 21, 2018 (record date) will be entitled to a dividend.

Saluggia, March 14, 2019

On behalf of the Board of Directors,

The Chairman

Gustavo Denegri

CONSOLIDATED FINANCIAL STATEMENTS AT DECEMBER 31, 2018 AND DECEMBER 31, 2017 OF THE DIASORIN GROUP

CONSOLIDATED INCOME STATEMENT

Pursuant to CONSOB Resolution no. 15519 of July 27, 2006

<i>(€ thousands)</i>	Note	2018	<i>amount with related parties</i>	2017	<i>amount with related parties</i>
Net revenues	(1)	669,197	425	637,487	2,388
Cost of sales	(2)	(213,428)		(205,591)	
Gross profit		455,769		431,896	
Sales and marketing expenses	(3)	(133,058)	-	(123,184)	-
Research and development costs	(4)	(45,082)		(43,627)	
General and administrative expenses	(5)	(67,216)	(4,788)	(64,689)	(4,391)
Other operating income (expenses)	(6)	(5,888)		(15,976)	(9)
<i>Non-recurring amounts</i>		<i>(4,139)</i>		<i>(12,022)</i>	
EBIT		204,525		184,420	
Net financial income (expense)	(7)	(160)		(5,714)	
Result before taxes		204,365		178,706	
Income taxes	(8)	(46,235)		(38,828)	
Net result		158,130		139,878	-
<i>Including:</i>					
- Parent Company shareholders' interests in net result		158,128		139,878	
- Minority shareholders' interests in net result		2		-	
Basic earnings per share	(9)	2.85		2.54	
Diluted earnings per share	(9)	2.85		2.54	

CONSOLIDATED COMPREHENSIVE INCOME STATEMENT

<i>(€ thousands)</i>	2018	2017
Net result (A)	158,130	139,878
Other comprehensive gains/(losses) that will not be reclassified subsequently to gain/(loss) of the period:		
Gains/(losses) on remeasurement of defined benefit plans	81	586
Total other comprehensive gains/(losses) that will not be reclassified subsequently to gain/(loss) of the period (B1)	20	586
Other comprehensive gains/(losses) that will be reclassified subsequently to gain/loss of the period:		
Gains/(losses) from translation of financial statements of foreign branches	12,186	(39,903)
Gains/(losses) on fair value measurement of receivables	(61)	
Gains/(losses) on "Net investment hedge"	-	-
Total other comprehensive gains/(losses) that will be reclassified subsequently to gain/(loss) of the period (B2)	12,125	(39,903)
TOTAL OTHER COMPREHENSIVE GAINS/(LOSSES), NET OF TAX EFFECT (B1)+(B2)=(B)	12,145	(39,317)
TOTAL CONSOLIDATED COMPREHENSIVE GAINS/(LOSSES) (A)+(B)	170,275	100,561
<i>Including:</i>		
- amount attributable to Parent Company shareholders	170,273	100,591
- amount attributable to minority interests	2	(30)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

pursuant to Consob Resolution No. 15519 of July, 27 2006

CONSOLIDATED STATEMENT OF FINANCIAL POSITION					
<i>(€ thousands)</i>	note	12/31/2018	<i>amount with related parties</i>	12/31/2017	<i>amount with related parties</i>
ASSETS					
<i>Non-current assets</i>					
Property, plant and equipment	(10)	94,981		92,332	
Goodwill	(11)	162,616		150,744	
Other intangibles	(11)	210,468		193,606	
Equity investments	(12)	27		27	
Deferred-tax assets	(13)	20,958		22,171	
Other non-current assets	(14)	2,030		1,602	
<i>Total non-current assets</i>		<i>491,080</i>		<i>460,482</i>	
<i>Current assets</i>					
Inventories	(15)	160,396		142,802	
Trade receivables	(16)	131,092		128,822	2,788
Other current assets	(17)	26,847		36,303	
Other current financial assets	(18)	23,422		13,974	
Cash and cash equivalents	(18)	73,103		159,340	
<i>Total current assets</i>		<i>414,860</i>		<i>481,241</i>	
Assets held for sale	(19)	-		4,000	
TOTAL ASSETS		905,940		945,723	

CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(continued)*

pursuant to Consob Resolution No. 15519 of July, 27 2006

<i>(€ thousands)</i>	not e	12/31/2018	<i>amount with related parties</i>	12/31/2017	<i>amount with related parties</i>
LIABILITIES AND SHAREHOLDERS' EQUITY					
<i>Shareholders' equity</i>					
Share capital	(20)	55,948		55,948	
Treasury shares	(20)	(87,784)		(22,183)	
Additional paid-in capital	(20)	18,155		18,155	
Statutory reserve	(20)	11,190		11,190	
Other reserves and retained earnings	(20)	549,096		538,429	
Net profit for the year attributable to shareholders of the Parent Company		158,128		139,878	
<i>Equity attributable to shareholders of the Parent Company</i>		704,733		741,417	
Other reserves and retained earnings attributable to minority interests		-		538	
Net profit for the period attributable to minority interests		2		-	
<i>Equity attributable to minority interests</i>		2		538	
Total shareholders' equity		704,735		741,955	
<i>Non-current liabilities</i>					
Non-current financial liabilities	(21)	81		102	
Provisions for employee benefits	(22)	32,659		32,532	
Deferred-tax liabilities	(13)	5,050		1,899	
Other non-current liabilities	(23)	24,963		28,115	
<i>Total non-current liabilities</i>		62,753		62,648	
<i>Current liabilities</i>					
Trade payables	(24)	57,286		62,331	
Other payables	(25)	50,520	132	49,689	129
Current tax liabilities	(26)	9,513		5,190	
Current financial liabilities	(21)	21,133		23,910	
<i>Total current liabilities</i>		138,452		141,120	
Total liabilities		201,205		203,768	
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		905,940		945,723	

CONSOLIDATED STATEMENT OF CASH FLOWS
pursuant to Consob Resolution No. 15519 of July, 27 2006

<i>(€ thousands)</i>	2018	related parties	2017	related parties
Cash flow from operating activities				
Net profit for the year	158,130		139,878	
Adjustments for:				
- Income taxes	46,235		38,828	
- Depreciation and amortization	50,826		53,502	
- Financial expense (income)	160		5,714	
- Additions to/(Utilizations of) provisions for risks	(1,961)		5,114	
- (Gains)/Losses on sales of non-current assets	(2,101)		(241)	
- Additions to/(Reversals of) provisions for employee severance indemnities and other benefits	945		909	
- Changes in shareholders' equity reserves:				
- Stock options reserve	3,008		2,114	
- Currency translation reserve on operating activities	2,171		(2,907)	
- Change in other non-current assets/liabilities	(3,106)		402	
Cash flow from operating activities before changes in working capital	254,307		243,313	
(Increase)/Decrease in trade receivables	(637)		(11,926)	(1.237)
(Increase)/Decrease in inventories	(14,362)		(14,454)	
Increase/(Decrease) in trade payables	(8,584)		15,685	(5)
(Increase)/Decrease in other current items	8,079		(3,089)	(77)
Cash from operating activities	238,803		229,529	
Income taxes paid	(25,763)		(59,499)	
(Paid)/ collected interests	(3,161)		(2,590)	
Net cash from operating activities	209,879		167,440	
Investments in intangibles	(19,542)		(9,211)	
Investments in property, plant and equipment	(33,245)		(33,271)	
Equity investments	-		-	
Proceeds from divestments of non-current assets	3,373		4,504	
Cash used in regular investing activities	(49,414)		(37,978)	
Acquisitions of subsidiaries and business operations	(22,014)		(31,544)	
Cash used in investing activities	(71,428)		(69,522)	
(Repayment of)/ Proceeds from loans and other financial liabilities	(4,190)		(26,203)	
(Opening)/ Repayment of term deposits	(9,448)		(13,490)	
Increase in share capital/additional paid-in capital	-		-	
(Purchase)/Sale of treasury shares	(65,296)		19,702	
Dividends paid	(145,268)		(43,807)	
Cash used in financing activities	(224,202)		(63,798)	
Foreign exchange translation differences	(486)		(5,248)	
Net change in cash	(86,237)		28,872	
CASH AND CASH EQUIVALENTS - OPENING BALANCE	159,340		130,468	
CASH AND CASH EQUIVALENTS - CLOSING BALANCE	73,103		159,340	

STATEMENT OF CHANGES IN CONSOLIDATED SHAREHOLDERS' EQUITY

<i>(€ thousands)</i>	Share capital	Treasury shares	Additional paid-in capital	Statutory reserve	Conversion 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 12/31/2016	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)	-	-	-
Dividends 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
<i>Profit for the period</i>	-	-	-	-	-	-	-	-	139,878	139,878	-	139,878
<i>Other changes in the comprehensive income statement</i>	-	-	-	-	(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
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
Appropriation of previous year's profit	-	-	-	-	-	-	-	139,878	(139,878)	-	-	-
Dividends paid	-	-	-	-	-	-	-	(145,268)	-	(145,268)	-	(145,268)
Stock options and other changes	-	-	-	-	-	2,818	-	190	-	3,008	-	3,008
Sale of/(purchase) treasury shares	-	(65,601)	-	-	-	-	65,601	(65,296)	-	(65,296)	-	(65,296)
<i>Profit for the period</i>	-	-	-	-	-	-	-	-	158,128	158,128	2	158,130
<i>Other changes in the comprehensive income statement</i>	-	-	-	-	12,724	-	-	20	-	12,805	(538)	12,206
Comprehensive profit for the period	-	-	-	-	12,724	-	-	20	158,128	170,933	(536)	170,336
Shareholders' equity at 12/31/2018	55,948	(87,784)	18,155	11,190	13,472	3,847	87,784	443,993	158,128	704,794	2	704,735

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2018 AND DECEMBER 31, 2017

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 2018 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, 2018. 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, 2017. The interest held in DiaSorin Healthcare India Private Ltd increased from 51% to 100% making it, thereby, a subsidiary consolidated on a line-by-line basis (the company was previously consolidated using the equity method).

Investments in subsidiaries

A list of direct and indirect investments in subsidiaries at December 31, 2018 and December 31, 2017 is provided below:

Company	Country	At December 31, 2018		At December 31, 2017	
		% 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%	-	100%	-
DiaSorin I.N. Limited	Ireland	100%	-	100%	-
Indirect investment					
DiaSorin Canada Inc	Canada	100%	-	100%	-
DiaSorin Healthcare India Private Limited	India	100%	-	51%	-
DiaSorin Molecular LLC	USA	100%	-	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

At December 31, 2018, following the agreement according to which the Trivitron Healthcare Group sold its minority interest (49%) held in the Joint Venture DiaSorin Trivitron Private Limited, the Group does not hold investments classified as joint venture pursuant to IFRS 11.

Business combinations

On February 20, 2018, DiaSorin and the Trivitron Healthcare Group concluded an agreement, according to which Trivitron Healthcare sold its minority interest (49%) held in the Joint Venture DiaSorin Trivitron Private Limited to the U.S. company DiaSorin Inc., for a consideration of EUR 3.5 million.

In the fourth quarter of 2018, the Parent Company completed the agreement for the acquisition of the distribution business related to QuantiFERON latent tuberculosis test in the Italian market, for a consideration of EUR 17,803 thousand. The transaction involved the acquisition of customer list, tangible and intangible assets, including sales contracts and instruments installed base.

With regard to ELISA immunodiagnostic business acquired from Siemens Healthineers GmbH in September 2017, the Company completed the process to finally allocate the fair value of the acquired assets.

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%
Refurbished 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 if 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, except receivables within a business model whose objective is achieved by either collection of contractual cash flows or sale (hold to collect and sell). These receivables are measured at fair value with changes recognized directly in the comprehensive income statement.

Impairment losses on receivables are recognized through the simplified approach required by IFRS 9 to measure loss allowance through lifetime expected credit loss. Specifically, the Group calculates expected credit loss using a provision matrix, which is estimated on the basis of historical credit loss experience for past due receivables and is adjusted to reflect current conditions and estimates on relevant future economic conditions.

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.

When all risks and benefits relating to ownership and contractual rights are transferred to cash flows deriving thereof, receivables assigned through such transactions are removed from the statement of financial position. In such event, cumulative changes in fair value - previously recognized in the comprehensive income statement - are transferred to the income statement. Conversely, if requirements for derecognition of assets are not met, receivables are recognized as such in the Group financial statements; a corresponding financial liability is recognized in the consolidated statement of financial position as "financial payables".

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 unless changes occur in the stock options terms and conditions to increase their fair value in favor of beneficiaries. 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 when (i) there is formal designation and documentation of the hedging relationship, including company's objective and strategy in risk management at the inception of the hedge and (ii) the hedge is expected to be effective.

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. The effective portion of any gain or loss is 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.

The hedge effectiveness is determined at the inception of the hedge relationship, through periodic assessments of the prospective hedge effectiveness to ensure the existence of an economic relationship between the hedged item and the hedging instrument.

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 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

Revenues are recognized when control over assets sold to end customers or distributors has been transferred and related contractual obligations have been met. Revenues are measured as the amount of consideration to which the Company expects to be entitled in exchange for transferring goods or services (net of discounts, allowances and return).

Sales revenues

Sales to end customers are based on a business model which provides for reagents supply and the provision of a diagnostic instrument along with its technical support (identified as a single performance obligation). Sales revenues are recognized when control over diagnostic kits is transferred to the end customer (“at point in time”).

Sales to distributors, including foreign branches, which provide for separate sale of kits/reagents and/or instruments are identified as separate performance obligation since kits, reagents and instruments will be combined and configured by the distributor and sold to the end customer. The relevant revenues are recognized when control over instruments and/or reagents is transferred to their distributor.

Service revenues

Service revenues are generated by separate contracts for technical support.

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. Revenues from royalties, which are generally based on the sales revenues generated by patent users, are recognized when underlying sales transactions are concluded.

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

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.

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 16 Leases	Yes	Financial years as from 1 January 2019
Amendments to IFRS 9: Prepayment Features with Negative Compensation	Yes	Financial years as from 1 January 2019

IFRIC 23 Uncertainty over Income Tax Treatments	Yes	Financial years as from 1 January 2019
Amendments to IAS 28: Long-term Interests in Associates and Joint Ventures	Yes	Financial years as from 1 January 2019
Annual Improvements to IFRSs 2015-2017 Cycle	No	Financial years as from 1 January 2019
Amendments to IAS 19: Plant Amendment, Curtailment or Settlement	No	Financial years as from 1 January 2019
Amendments to IFRS 3: Definition of a Business	No	Financial years as from 1 January 2020
Amendments to IAS 1 and IAS 8: Definition of Material	No	Financial years as from 1 January 2020
IFRS 17 Insurance Contracts	No	Financial years as from 1 January 2021

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.

New accounting standards adopted by the Company

This note describes the new accounting standards applied as of January 1, 2018, with relevant impacts following their adoption.

It should be noted that these standards did not have material effects on the Financial Statements for the year ended December 31, 2018.

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 Company, the application of IFRS 9 did not have a material impact.

IFRS 9 introduces a new classification and measurement framework according to which all financial assets are recognized initially at fair value and subsequently measured at amortized cost or at fair value on the basis of the business model used for managing the financial assets or the contractual cash flow characteristic of the financial asset.

Specifically:

- i) Debt instruments are measured at amortized costs after initial recognition if they are held within a business model whose objective is to hold the financial assets in order to collect contractual cash flows (hold to collect), and cash flows are solely payment of principal and interest on the principal amount outstanding;
- ii) Debt instruments are measured at fair value with any movements being recognized in Other Comprehensive Income after initial recognition if they are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets (hold to collect and sell), and cash flows are solely payment of principal and interest on the principal amount outstanding;
- iii) Other debt instruments and equity investments are measured at fair value with any movements being recognized in profit and loss if they do not fall into any of the two categories listed above.

IFRS 9 introduces a new hedge accounting model increasing the types of transactions eligible for hedge accounting and providing 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 is applied prospectively from 2018.

Impact of the adoption

The Group completed the adoption of IFRS 9 as envisaged by the accounting standard from January 1, 2018.

Classification and measurement

For the purposes of the new classification of financial instruments, as requested by IFRS 9, the Group revised and assessed financial assets recognized at January 1, 2018 on the basis of facts and circumstances existing at that date. As a result of such assessment, two different type of financial assets have been identified: in addition to those held in “*hold to collect*” business model, the Parent 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.

The following provides the impact of the new classification on the opening balances at January 1, 2018:

<i>(€ thousands)</i>	Carrying amount	Assets at amortized cost	Hedging instruments	Assets at fair value through profit and loss	Assets at fair value through Comprehensive Income Statement
Total financial assets at December 31, 2017, as envisaged by IAS 39	302,136	301,652	-	484	-
Reclassifications of trade receivables measured at fair value with changes in the Comprehensive Income Statement		(11,292)			11,292
Total financial assets at January 1 2018, as envisaged by IFRS 9	302,136	290,360	-	484	11,292

Derivatives and hedge accounting

The Company does not have derivatives that may be measured by hedge accounting. Consequently, new requirements on hedge accounting included in IFRS 9 do not have any impact.

Impairment of financial assets

The only financial assets held by the Group and subject to the expected losses introduced by IFRS 9 are trade receivables against which the Group applies the simplified approach envisaged by the accounting standard. The analysis is divided into two phases: the first phase concerns the individual assessment of any defaulted trade receivable, while the second phase determines impairment losses on other receivables on the basis of the historical losses recorded. No impacts occurred on the opening balances.

A breakdown of the provision for doubtful accounts in respect of trade receivables at December 31, 2018 is as follows:

Due date	Expiring	0 - 90	91 - 180	181 - 360	Beyond 360
Trade receivables	99,387	23,703	4,728	3,444	8,712
Expected loss rate	0%	2%	6%	25%	84%
Provision for doubtful account	-	(452)	(279)	(852)	(7.299)

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 IAS/IFRS 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 and
- (v) Recognize revenue when or as the entity satisfies each performance obligation

Impact of the adoption

The Group adopted IFRS 15 from January 1, 2018 which, as a result of the Group's business model, did not involve changes in the accounting treatment for revenue recognition.

Specifically, the Group identifies two main sales channels:

- i. Sales to end customers (Group sales through its subsidiaries) that are made adopting a business model which provides for reagents supply and the provision of a diagnostic instrument along with its technical support. Sales are identified as a single performance obligation and, therefore, revenues related to this performance obligation are recognized when control over diagnostic kits is transferred to the end customer (“at point in time”).
- ii. Sales to distributors (the so-called export market where DiaSorin does not have its own direct distribution channel) provide for separate sale of kits/reagents and/or instruments that are combined and configured by the distributor and sold to the end customer. As control is transferred to distributors, sales are identified as separate performance obligations and, therefore, related revenues are recognized when control over instruments and/or reagents is transferred to their distributor.

In both cases, as a result of the different business models and of the existing contracts with customers, revenue recognition under IFRS 15 did not involve material changes compared to the accounting treatment envisaged by the previous accounting standard (IAS 18).

Other accounting standards, amendments and interpretations applied as of January 1, 2018

On June 20, 2016, the IASB issued amendments to *IFRS 2 “Classification and measurement of share-based payment transactions”*, containing some clarifications concerning accounting for the effects of *vesting conditions* on the measurement of *cash-settled share-based payments*, the classification of the effects of *share-based payments* with a *net settlement* feature and accounting for modification to the terms and conditions of a *share-based payment* that changes the classification of transaction from *cash-settled* to *equity-settled*. The adoption of the amendment did not have any material impact on the Consolidated Financial Statements of the Group.

On December 8, 2016, the IASB issued “*Annual Improvements to IFRSs: 2014-2016 Cycle*”. The improvements partly integrate pre-existing standards. The main amendments concern:

- *IAS 28 Investments in Associates and Joint Ventures – Measuring investees at fair value through profit or loss: an investment-by-investment choice or a consistent policy choice.* The amendment clarifies that the option for a venture capital organization or other entity with such qualification (such as a mutual fund or similar entity), in order to measure investments in associates and joint ventures measured at fair value through profit or loss (rather than by applying the net equity method) must be carried out for each investment at the time of initial recognition. This amendment applies from 1 January 2018.

- *IFRS 12 Disclosure of Interests in Other Entities – Clarification of the scope of the Standard.* The amendment clarifies the scope of IFRS 12 specifying that the information required by the standard, except for what provided for in paragraphs B10-B16, applies to all equity interests that are classified as held for sale, held for distribution to shareholders or as discontinued operations in accordance with IFRS 5.

The adoption of these amendments did not have any material effect on the consolidated financial statements of the Group.

On December 8, 2016, the IASB published the document “*Foreign Currency Transactions and Advance Consideration (IFRIC Interpretation 22)*”. The interpretation aims to provide guidelines for foreign exchange transactions if they are recognized under non-cash advances or down payments, prior to recognition of the related asset, cost or revenue. This document provides guidance on how an entity should determine the date of a transaction and, as a result, the spot exchange rate to be used when there are foreign currency transactions in which the payment is made or received in advance.

The interpretation clarifies that the transaction date is prior to:

- a. the date on which the advance payment or down payment received are entered in the accounts of the entity; and
- b. the date on which the asset, cost or revenue (or part of the same) is entered in the accounts (with resulting reversal of the advance payment or down payment received).

If there are several advance payments or receipts, a transaction date must be identified for each of them. The adoption of these amendments did not have any material effect on the consolidated financial statements of the Group.

Accounting Standards issued but not yet applied by the Group

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 Group will apply the new standard starting from January 1, 2019.

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.

The Group is close to completing the process to assess and determine impacts deriving from the application of the new standard as at the transition date (January 1, 2019). This process involved different stages, including a complete mapping of contracts that could potentially contain a lease and the analysis of these contracts in order to ensure that they include the main significant provisions to comply with IFRS 16.

The Group chose to adopt the simplified retrospective method with the recognition of financial liabilities on lease contracts and corresponding value of the right of use measured on the residual contractual payments at the transition date. Specifically, in relation to lease contracts that were previously classified as operating leases, the Group will recognize a financial liability and a right of use equal to the current value of future residual payments at the transition date, discounted using the incremental borrowing rate applicable at the transition date for each contract.

When applying IFRS 16, the Group intends to use the exemption permitted by the standard in relation to short-term lease across all its business, extending such exemption to leases expiring in 2019. Equally, the Group intends to use the exemption permitted by the standard for the contracts related to low-value assets (for this purpose, the Group considered assets that do not exceed € 5 thousand, when new). For these contracts, the introduction of IFRS

IFRS 16 will not require recognition of financial liability of the lease and relevant right of use, but rental costs will be recognized in the income statement on a straight-line basis over the length of the corresponding contracts.

Transition to IFRS 16 introduces certain elements of professional judgement requiring the definition of accounting policies and use of assumptions and assessments related to lease term and calculation of the discounted rate. With respect to lease term, the Group analyzed the total of the lease contracts, defining the “non-cancellable” period for each of them, along with the effects of any clauses to extend or early terminate the lease if the lessee is reasonably certain to exercise such options. Specifically, as for property lease, this assessment considered facts and specific circumstances concerning each asset. As to other categories of assets, primarily company cars, the Group considered it unlikely to exercise any extension or early termination clauses considering the Group’s usual practice. As indicated above, with regard to the discount rate the Group adopted the incremental borrowing rate to determine financial liabilities of lease contracts. This rate varies according to the different country and reference currency of the lease contract and represents the interest rate the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right of use asset in a similar economic environment.

The main effects on the Group’s Consolidated Financial Statements, which are still being calculated, can be summarized as follows:

- Balance sheet: increase in non-current assets due to the recognition of the “right of use asset” and a corresponding increase in financial liabilities, for an amount equal to EUR 33 million.
- Income statement: different nature, qualification and classification of expenses (depreciation of the “right of use asset” and “interest expense” compared to the classification in operating costs, as per IAS17). On a comparable lease portfolio (and relevant payments) at January 1, 2019, the increase in 2019 EBITDA would be equal to EUR 6 million. In addition, compared to IAS 17 operating leases, the combination of the straight-line depreciation of “right of use asset” and the actual interest rate applied to lease payables requires a different distribution over time of the total cost of lease contract, resulting in higher expenses charged to the income statement in the opening years of the lease contract and lower expense in the final years.
- Cash flow statement: lease payments, as for the capital portion of loan repayment, will be reclassified from «cash flow from operating activities» to «cash flow from financing activities».

It should be noted that payments of operating leases outstanding at December 31, 2018 that fall within the scope of application of IFRS 16 accounting standard -Leasing - include contract periods of operating leases that are classified as cancellable (for instance renewal period of leases).

Additional detail on operating leases outstanding at December 31, 2018 are provided in Note 27.

The implementation of the new accounting standard requires IT tools, control and compliance models and related process to be updated and modified. Impacts are based on the results of the analyses as of the date of the Financial Statements and changes may occur since the process is still being implemented.

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 IFRS 9:

		12/31/2018			12/31/2017		
				Assets at fair value with changes in the Compre nsive Income Statement			Assets at fair value with changes in the Compre nsive Income Statement
<i>(€ thousands)</i>	Note	Carryin g Value	Assets at amortized cost	Carryin g Value	Assets at amortize d cost	Assets at fair value	

Trade receivables	(16)	131,092	119,326	11,766	128,822	117,530	-	11,292
Other current financial assets	(18)	23,422	23,422	-	13,974	13,490	484	-
Cash and cash equivalents	(18)	73,103	73,103	-	159,340	159,340	-	-
Total current financial assets		227,617	215,851	11,766	302,136	290,360	484	11,292
Total financial assets		227,617	215,851	11,766	302,136	290,360	484	11,292

<i>(€ thousands)</i>	Note	12/31/2018			12/31/2017		
		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)	81	81	-	102	102	-
Derivative financial instruments	(21)	-	-	-	-	-	-
Total non-current financial liabilities		81	81	-	102	102	-
Trade payables	(24)	57,286	57,286	-	62,331	62,331	-
Current bank debt	(21)	20,601	20,601	-	23,910	23,910	-
Derivative financial instruments	(21)	532	-	532	-	-	-
Amounts owed to shareholders for dividends to be distributed		-	-	-	-	-	-
Total current financial liabilities		78,419	77,887	532	86,241	86,241	-
Total financial liabilities		78,500	77,968	532	86,343	86,343	-

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, 2018 classified at level 2 and registered in other current financial assets amounting to € 532 thousand. 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 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.

The Group did not establish hedges specifically for fluctuations in interest rates: given the composition of financial debt, the exposure to the interest rate risk is not material.

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 €4.4 million.

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 €16 million on the currency translation reserve.

In 2018, 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 negative fair value of €532 thousand at December 31, 2018 (positive fair value of €484 thousand euros at December 31, 2017).

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, 2018 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, 2018, past-due trade receivables were equal to about 6.1% of revenues. These receivables were held mainly by the Group's Parent Company and by the French, Brazilian, Spanish and UK subsidiaries. These past-due receivables were covered by an allowance for doubtful accounts amounting to €8,882 thousand. 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.

<i>(€ thousands)</i>	Amounts not yet due	Past-due amounts	Total receivables from third-party
Gross amount	99,387	40,587	139,974
Allowance for doubtful accounts	-	(8,882)	(8,882)
Net amount	99,387	31,705	131,092

The gross amount of receivables due within 90 days was equal to €23,703 thousand, the amount between 90 and 180 days past due amounted to €4,728 thousand, and the amount with over 180 days past due totaled €12,156 thousand.

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 €20,682 thousand at December 31, 2018, out of which €20,601 thousand due within the next year. There are no amounts with a due date of more than 5 years.

Cash and cash equivalent totaled €73,103 thousand and financial assets amounted to €23,422 thousand in current bank deposit with a due date of over 3 months.

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, considering current conditions and assumptions concerning future economic conditions.

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, 2018 AND AT DECEMBER 31, 2017

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, Slovakia, Switzerland and Poland), North America (United States and Canada) and Rest of the World (Brazil, Mexico, Israel, China, Australia, India 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 schedules that follow show the Group's operating and financial data broken down by geographic region identifying, as required by IFRS 8 paragraph 5:

- a. Activities generating revenues and expenses (including revenues and expenses relating to transactions with other components of the same entities);
- b. Operating results that are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance; and
- c. Discrete financial information about assets, liabilities, revenues and expenses.

No unallocated common costs are shown in the abovementioned schedules because the operations in each country (and hence each segment) are equipped with comprehensive independent organizations (sales, technical support and accounting) fully capable of exercising their functions. Moreover, the Italy segment invoices each quarter to the other segments the activities costs that are incurred centrally by the Corporate division to support 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.

	ITALY		EUROPE		NORTH AMERICA		REST OF THE WORLD		ELIMINATIONS		CONSOLIDATED	
(€ thousands)	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
INCOME STATEMENT												
Revenues from customers	153,713	141,486	195,741	172,723	200,008	203,784	119,735	119,494	-	-	669,197	637,487
Inter-segment revenues	210,365	190,732	29,710	26,929	51,726	52,743	471	627	(292,272)	(271,031)	-	-
Total revenues (1)	364,078	332,218	225,451	199,652	251,734	256,527	120,206	120,121	(292,272)	(271,031)	669,197	637,487
Segment results	87,807	75,190	26,546	9,823	83,721	89,142	10,973	9,573	(4,521)	692	204,526	184,420
Unallocated common costs											-	-
Operating margin											204,526	184,420
Other net income/(expense)											-	-
Financial income/(expense)											(161)	(5,714)
Result before taxes											204,365	178,706
Income taxes											(46,235)	(38,828)
Net result											158,130	139,878
OTHER INFORMATION												
Investments in intangibles	9,524	5,331	106	270	8,834	3,897	1,078	151	-	(438)	19,542	9,211
Invest. in prop. plant and equip.	15,133	16,602	6,765	8,534	10,061	8,009	3,903	3,640	(2,017)	(3,514)	33,845	33,271
Total investments	24,657	21,933	6,871	8,804	18,895	11,906	4,981	3,791	(2,017)	(3,952)	53,387	42,482
Amortization of intangibles	(6,881)	(5,946)	(5,342)	(5,004)	(11,411)	(12,285)	(848)	(774)	2,627	173	(21,855)	(23,836)
Depreciation of prop. plant and equip.	(11,083)	(8,559)	(7,139)	(9,036)	(9,182)	(10,113)	(4,653)	(5,308)	3,087	3,350	(28,970)	(29,666)
Total amortization and depreciation	(17,964)	(14,505)	(12,481)	(14,040)	(20,593)	(22,398)	(5,501)	(6,082)	5,714	3,523	(50,825)	(53,502)
	ITALY		EUROPE		NORTH AMERICA		REST OF THE WORLD		ELIMINATIONS		CONSOLIDATED	
	12/31/2018	12/31/2017	12/31/2018	12/31/2017	12/31/2018	12/31/2017	12/31/2018	12/31/2017	12/31/2018	12/31/2017	12/31/2018	12/31/2017
STATEMENT OF FINANCIAL POSITION												
Segment assets	375,752	346,867	131,981	137,669	335,788	323,395	62,346	53,029	(117,437)	(110,749)	788,430	750,211
Unallocated assets											117,510	195,512
Total assets	375,752	346,867	131,981	137,669	335,788	323,395	62,346	53,029	(117,437)	(110,749)	905,940	945,723
Segment liabilities	104,240	112,651	76,117	78,959	35,367	35,624	40,010	28,506	(90,306)	(83,073)	165,428	172,667
Unallocated liabilities											35,777	31,101
Shareholders' equity											704,735	741,955
Total liabilities and shareholders' equity	104,240	112,651	76,117	78,959	35,367	35,624	40,010	28,506	(90,306)	(83,073)	905,940	945,723

(1) Revenues are recognized *at point in time*, when the control on related goods is transferred to the customer

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 €50,826 thousand (€51,834 thousand in 2017) broken down as follows:

<i>(€ thousands)</i>	2018	2017
Depreciation of property, plant and equipment	28,531	29,666
Amortization of intangibles	22,295	22,168
Total	50,826	51,834

Depreciation of property, plant and equipment includes €16.682 thousand attributable to equipment held by customers (€17,775 thousand in 2017), which in the income statement by destination is part of the cost of sales. An additional €6,769 thousand representing depreciation of plant and machinery and manufacturing and distribution equipment is included among production expenses (€7,000 thousand in 2017).

The amortization of intangible assets is recognized mainly as part of research and development costs (€7,991 thousand), sale and marketing expenses (€10,122 thousand), general and administrative expenses (€2,430 thousand) and production expenses (€396 thousand).

Labor costs amounted to €163,502 thousand (€156,126 thousand in 2017).

A breakdown is as follows:

<i>(€ thousands)</i>	2018	2017
Wages and salaries	124,664	120,087
Social security contributions	22,751	21,253
Severance indemnities and other benefits paid	3,777	3,993
Cost of stock option plan	9,548	1,234
Other labor costs	2,762	9,559
Total	163,502	156,126

The table below shows the average number of Group employees in each category:

	2018	2017
Factory staff	300	321
Office staff	1,557	1,472
Managers	94	87
Total	1,957	1,880

1. Net revenues

In 2018, net revenues, which are generated mainly through the sale of diagnostic kits, totaled €669,197 thousand (€637,487 thousand IN 2017), up 5% compared to 2017 (+7.7% at CER). This item includes equipment rentals and technical support amounting to €15,823 thousand (€13,090 thousand in 2017).

A breakdown of revenues by customer location in outlet markets:

<i>(€ thousands)</i>	2018	2017	% Change at current exchange rates	% Change at constant exchange rates
Europe and Africa	309,528	278,020	11.3%	11.7%
USA and Canada	188,103	195,084	-3.6%	0.8%
Asia Pacific	129,371	117,020	10.6%	13.5%
Latin America	42,197	47,363	-10.9%	-2.2%
Total at constant scope	669,197	637,487	5.0%	7.7%

Sales to public institutions and universities totaled €251,188 thousand (€228,736 thousand in 2017).

2. Cost of sales

In 2018, the cost of sales amounted to €213,428 thousand, as against €205,591 thousand in 2017. This item includes €13,889 thousand for royalties paid for the use of patents applied to manufacture products (€15,266 thousand in 2017), and €11,784 thousand in costs incurred to distribute products to end customers (€ 10,601 thousand in 2017) and €16,682 thousand for depreciation of equipment held by customers (€17,775 thousand in 2017).

3. Sales and marketing expenses

In 2018, sales and marketing expenses amounted to €133,058 thousand, as against €123,184 thousand in 2017. 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 €45,082 thousand (€43,627 thousand in 2017), include the research and development outlays that were not capitalized equal to €24,469 thousand (€22,798 thousand in 2017), costs incurred to register the products offered for sale and meet quality requirements totaling €15,162 thousand (€14,846 thousand in 2017) and the amortization of capitalized development costs equal to €5,451 thousand (€5,983 thousand in 2017). In 2018, the Group capitalized new development costs amounting to €17,054 thousand, compared with €7,663 thousand in 2017; capitalized costs refer to investments connected with the strategic project in partnership with Beckman, the implementation of Liaison XS and investments in molecular diagnostics and new specialty tests.

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 €67,216 thousand in 2018 (€64,689 thousand in 2017). The item includes €4,788 thousand in costs attributable to Directors and strategic executives (€4,391 thousand in 2017).

6. Other operating income (expenses)

A breakdown of other operating income and expenses is as follows:

<i>(€ thousands)</i>	2018	2017
Trade-related foreign exchange gains/(losses)	(1,187)	(1,114)
Tax liabilities	(753)	(696)
Accruals to the doubtful debts and provisions for risks and charges	(1,108)	(1,512)
Out-of-period items and other operating income (expense)	1,299	(632)
Non-recurring expenses	(4,139)	(12,022)
Other operating income (expense)	(5,888)	(15,976)

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).

Non-recurring expenses include €4,139 thousand in provisions for expenses and restructuring charges related to the closure of the Irish manufacturing facility and the legal dispute with Meridian Bioscience (concluded in 2018) and additional costs for the acquisition of the distribution business related to QuantiFERON latent tuberculosis test in the Italian market.

7. Financial income (expenses)

The table below provides a breakdown of financial income and expenses:

<i>(€ thousands)</i>	2018	2017
Factoring transactions fees	(314)	(314)
Interest and other financial expenses	(4,004)	(3,819)
Interest on provisions for pensions	(552)	(477)
Share of the profit/(loss) of equity method investees	(143)	(404)
Gain from business combination	2,430	
Financial income from assets at amortized cost	1,515	1,223
Foreign exchange differences and financial instruments	908	(1,922)
Net financial income (expense)	(160)	(5,714)

In 2018, net financial expenses amounted to €1,675 thousand, compared to €6,936 thousand in 2017.

Interest and other financial expenses were equal to €4,004 thousand (€3,819 thousand in 2017).

Exchange differences on financial items were positive by €908 thousand (negative by €1,922 thousand in 2017) 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, in line with 2017.

The Group recognized financial income from assets valued at amortized cost for an amount of €1,515 thousand (€1,223 thousand in 2017), mainly accrued on bank accounts and DiaSorin Inc.'s short-term deposits.

8. Income taxes

The income tax expense recognized in the income statement amounted to €46,235 thousand (€38,828 thousand in 2017) broken down as follows:

<i>(€ thousands)</i>	2018	2017
Current income taxes:		
- Regional taxes (IRAP)	2,168	1,711
- Other income taxes	39,603	45,898
Other taxes (non-deductible tax withholdings/ prior-period taxes)	1,263	(10,034)
Deferred taxes	3,201	1,253

<i>IRAP amount</i>	74	93
Total income taxes for the year	46,235	38,828

The significant change in “Other taxes” is due to 2017 being impacted by previous two years’ positive contribution concerning the agreement providing an economic contribution for intangible assets (the so-called Patent Box).

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:

<i>(€ thousands)</i>	2018	2017
Profit before taxes	204,365	178,706
Theoretical tax rate	24.0%	24.0%
Theoretical income taxes	49,048	42,889
Tax effect of permanent differences	(7,420)	(8,038)
Effect of unrecognized deferred-tax liabilities/assets		(120)
Effect of foreign tax rates that are different from statutory Italian tax rates	1,102	13,329
Other differences		(1,002)
Total income taxes	42,730	47,058
Effective tax rate	20.9%	26.3%

In 2018, the effective tax rate of 20.9%, reflected primarily the reduced U.S. tax rate and the positive impact of the Patent Box in Italy.

9. Earnings per share

Basic earnings per share amounted to €2.85 in 2018 (€ 2,54 in 2017). Diluted earnings per share totaled €2.85 (€2.54 in 2017). 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 (55,513,113 in 2018 and 54,997,425 in 2017).

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 2018 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 2018 and 2017

<i>(€ thousands)</i>	At 31 December 2017	Additions	Business combination	Divestments	Translation differences	Reclassifications and other changes	At 31 December 2018
Land	2,348	-	-	-	13	-	2,361
Buildings	22,221	1,094	-	-	316	4	23,635
Plant and machinery	34,637	2,703	5	189	25	537	38,096
Manufacturing and distribution equipment	171,528	21,599	2,466	(19,797)	819	1,467	178,082
Other assets	24,554	1,785	78	(1,233)	134	3,812	29,130
Advances and tangible in progress	12,756	6,064	1	(61)	193	(8,600)	10,353
Total property, plant and equipment	268,044	33,245	2,550	(20,902)	1,500	(2,780)	281,657

<i>(€ thousands)</i>	At December 31, 2016	Additions	Business combination	Divestments	Translation differences	Reclassifications and other changes	At December 31, 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

The following changes occurred in the corresponding accumulated depreciation accounts in 2018 and 2017:

<i>(€ thousands)</i>	At December 31, 2017	Business combination	Depreciation for the year	Divestments	Translation differences	Reclassifications and other changes	At December 31, 2018
Buildings	15,972	-	565	-	237	-	16,774
Plant and machinery	20,233	5	3,422	213	(25)	(23)	23,825
Manufacturing and distribution equipment	124,337	1,367	21,610	(16,456)	327	(2,195)	128,990
Other assets	15,170	59	2,934	(1,203)	86	39	17,085
Total property, plant and equipment	175,712	-	28,531	(17,446)	625	(2,179)	186,674

<i>(€ thousands)</i>	At December 31, 2016	Business combination	Depreciation for the year	Divestments	Translation differences	Reclassifications and other changes	At December 31, 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

A breakdown of the net carrying value of property, plant and equipment at December 31, 2018 and 2017 is provided below:

<i>(€ thousands)</i>	At December 31, 2017	Additio ns	Business combinati on	Depreciati on	Divestme nts	Translati on differenc es	Reclassificati ons and other changes	At December 31, 2018
Land	2,348	-	-	-	-	13	-	2,361
Buildings	6,249	1,094	-	(565)	-	79	4	6,859
Plant and machinery	14,404	2,703	-	(3,422)	(24)	50	560	14,271
Manufacturing and distribution equipment	47,191	21,599	1,099	(21,610)	(3,341)	492	3,662	49,092
Other assets	9,384	1,785	19	(2,934)	(30)	48	3,773	12,045
Advances and tangible in progress	12,756	6,064	1	-	(61)	193	(8,600)	10,353
Total property, plant and equipment	92,332	33,245	1,119	(28,531)	(3,456)	875	(601)	94,981

<i>(€ thousands)</i>	At December 31, 2016	Addition	Business combination	Depreciati on	Divestments	Translati on difference s	Reclassificatio ns and other changes	At December 31, 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

The change in business combination was due to the Indian subsidiary being included in the Group's scope of consolidation, following the acquisition of its control.

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 €17,443 thousand in 2018 (€15,026 thousand in 2017).

Depreciation for the period totaled €16,682 thousand (€ 17,775 thousand in 2017).

Advances and tangible in progress include investments related to plants adaptation to obtain approval for the commercialization of Beckman tests in the U.S., in addition to general costs connected with manufacturing facilities' modernization.

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 €162,616 thousand at December 31, 2018 (€150,744 thousand at December 31, 2017).

The increase of €11,872 thousand, was primarily due to:

- €3,000 thousand, following the acquisition from Ada Srl of the distribution business related to Latent Tuberculosis test in Italy;
- €4,725 thousand, following the acquisition of the residual interest in the Indian subsidiary;
- €4,347 thousand due to translation differences

The tables below describe the main changes occurred in goodwill.

With respect to the Indian subsidiary, on February 20, 2018, DiaSorin and the Trivitron Healthcare Group concluded an agreement, according to which Trivitron Healthcare sold its minority interest (49%) held in the

Joint Venture DiaSorin Trivitron Private Limited to the U.S. company DiaSorin Inc., for a consideration of EUR 3.5 million.

Through the acquisition DiaSorin gained full control of the Indian company. The transaction involved the recognition of a gain for €2,430 thousand due to the revaluation of previously held interests, the allocation of a fair value consideration to customer relationship for €3,100 thousand, the recognition of deferred tax liabilities for €1,085 thousand and the residual value to goodwill for €4,726 thousand.

As of the date of this Report and with respect to the acquisition from ADA Srl of the distribution business of QuantiFERON Latent Tuberculosis test in the Italian market and the acquisition of full control in the Indian Company, 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 December 31, 2018, the Group completed the final allocation of values referring to the assets acquired through the acquisition of Siemens Healthineers’ ELISA diagnostic business, completed in September 2017. It required the reclassification of €200 thousand from goodwill to customer relationship.

A breakdown of the acquired assets and the final allocation of the purchase price due for the acquisition of the distribution business from Ada Srl is provided in the following table.

	<i>Amount (€ thousands)</i>
Tangible assets	601
Inventories	860
(a) Total net assets acquired	1,461
Concessions, licenses, trademarks and similar rights	126
Customer relationship	13,216
(b) Total intangible assets identified	13,342
(c) Goodwill allocated to CGU Italy	3,000
Total amount paid (a + b + c)	17,803

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).

Through the impairment test of CGUs the Group assess the recoverability of other intangibles with a definite life also in the absence of specific impairment indicators.

The CGUs identified by the Group coincide with the single Group companies or, where relevant, homogeneous aggregations of companies. Goodwill has been allocated to the CGU’S that at 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 to the DiaSorin Benelux CGU,
- €2,736 thousand to the DiaSorin Brazil CGU,
- €6,840 thousand to the DiaSorin Germany CGU
- €45,053 thousand to the DiaSorin Italy CGU,
- €105,901 thousand to the DiaSorin USA (North America) CGU,
- €1,321 thousand to the DiaSorin South Africa CGU.

The table below provides a breakdown of changes in goodwill, by individual CGU, that occurred in 2018:

<i>(€ thousands)</i>	At December 31, 2017	Translation differences	Reclassifications	Business Combination	At December 31, 2018
DiaSorin Belgium	765	-		-	765
DiaSorin Brazil	3,061	(325)		-	2,736
DiaSorin Germany	6,840	-		-	6,840
DiaSorin Italy	27,156	-	11,637	6,260	45,053
DiaSorin USA (North America)	99,617	4,819		1,468	105,901
DiaSorin Ireland	11,837	-	(11,837)	-	-
DiaSorin South Africa	1,468	(147)		-	1,321
Total goodwill	150,744	4,347	(200)	7,728	162,616

Insofar as the knowhow acquired with the Murex transaction in 2010 is specifically concerned, this intangible asset with an indefinite useful life, equal to €5,044 thousand, 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 expected for future years (2019-2021). These projections have been developed for each Cash Generating Unit on the basis of the 2019 budget and long-term projections prepared by the Group Management and approved by the Board of Directors.

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.	9.71%
DiaSorin S.A. (France)	6.10%
DiaSorin Iberia S.A.	6.78%
DiaSorin S.A/N.V (Benelux)	6.07%
DiaSorin AB (Sweden)	6.03%
DiaSorin Ltd (UK)	6.77%
DiaSorin Deutschland GmbH	5.82%
DiaSorin Austria GmbH	6.04%
DiaSorin Czech s.r.o. (incl. Sk branch)	6.86%
DiaSorin (North America)	8.18%
DiaSorin Ltda (Brazil)	14.93%
DiaSorin Mexico S.A de C.V.	12.80%

DiaSorin Ltd (Israel)	7.22%
DiaSorin Ltd (China)	8.84%
DiaSorin Australia (Pty) Ltd	7.89%
DiaSorin South Africa (PTY) Ltd	12.61%
DiaSorin Healthcare India Pvt. Ltd	12.55%
DiaSorin Switzerland AG	5.46%
DiaSorin Poland sp. z.o.o.	8.43%

The time horizon used for cash flows projections is 3 years for all the CGUs, with the exception of Brazil for which the time horizon is 5 years, due to the macro economic crisis that is affecting the country. 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.

Other intangibles totaled €210,468 thousand at December 31, 2018 (€193,606 thousand at December 31, 2017). The tables that follow show the changes that occurred in the original cost of goodwill and other intangibles in 2018 and 2017:

<i>(€ thousands)</i>	At December 31, 2017	Additions	Business combination	Translation differences	Disposals and other changes	At December 31, 2018
Goodwill	150,744	-	7,728	4,345	(200)	162,617
Development costs	81,627	14,435	-	2,828	(1,483)	97,407
Concessions, licenses and trademarks	107,586	915	13,569	649	498	123,216
Customer relationship	75,723	-	3,100	2,451	200	81,474
Industrial patents and intellectual property rights	28,463	830	-	(217)	21	29,029
Advances and other intangibles	3,231	743	679	(37)	(213)	4,403
Total intangible assets	447,374	16,923	25,076	10,019	(7,431)	498,215

<i>(€ thousands)</i>	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	6,193	-	(7,290)	30	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	7,741	36,076	(32,890)	(6,199)	447,374

The following changes occurred in the corresponding accumulated amortization accounts in 2018 and 2017:

<i>(€ thousands)</i>	At December 31, 2017	Business combination	Amortization	Translation differences	Disposals and other changes	At December 31, 2018
Goodwill	-	-	-	-	-	-
Development costs	24,696	-	5,451	535	(1,544)	28,138
Concessions, licenses and trademarks	41,497	-	8,063	(30)	79	49,609
Customer relationship	9,548	-	7,527	609	-	17,684
Industrial patents and intellectual property rights	25,001	-	1,068	(176)	(104)	25,789
Advances and other intangibles	2,282	410	186	(12)	45	2,911
Total intangible assets	103,024	410	22,295	926	(1,524)	125,131

<i>(€ thousands)</i>	At December 31, 2016	Amortization	Translation differences	Disposals and other changes	At December 31, 2017
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

A breakdown of the net carrying value of goodwill and other intangibles at December 31, 2018 and 2017 is provided below:

<i>(€ thousands)</i>	At December 31, 2017	Additions	Business combination	Amortization	Translation differences	Disposals and other changes	At December 31, 2018
Goodwill	150,744	-	7,728	-	4,344	(200)	162,616
Development costs	56,931	14,435	-	(5,451)	2,293	61	68,269
Concessions, licenses and trademarks	66,089	915	13,569	(8,063)	2,520	419	73,608
Customer relationship	66,175	-	3,100	(7,527)	-	200	63,790
Industrial patents and intellectual property rights	3,462	830	-	(1,068)	(41)	125	3,308
Advances and other intangibles	949	743	269	(186)	(25)	(258)	1,492
Total intangible assets	344,350	16,923	24,666	(22,295)	9,092	347	373,084

<i>(€ thousands)</i>	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	6,193	-	(5,983)	(6,275)	(40)	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	7,741	36,076	(22,168)	(29,907)	(4,478)	344,350

The change in the scope of consolidation refers to the acquisition of the distribution business related to the QuantiFERON Latent Tuberculosis test in the Italian market. More detailed information is provided in the paragraph “Business Combinations”.

Capitalized development costs, which totaled €17,054 thousand (€7,663 thousand in 2017), refer to investments connected with the strategic project in partnership with Beckman, the implementation of Liaison XS and 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, as described above, even though there was no indication of permanent impairment. No write-downs were required as a result of this test.

12. Equity investments

Equity investments totaled €27 thousand at December 31, 2018 (€27 thousand at December 31, 2017). A breakdown of equity investments is provided below:

<i>(€ thousands)</i>	At December 31, 2017	At December 31, 2018
Equity investment:		
DiaSorin Deutschland Unterstuetzungskasse GmbH	26	26
Consorzio Sobedia	1	1
Total equity investments	27	27

The equity investments above 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.

On February 20, 2018, DiaSorin and the Trivitron Healthcare Group concluded an agreement, according to which Trivitron Healthcare sold its minority interest (49%) held in the Joint Venture DiaSorin Trivitron Private Limited to the U.S. company DiaSorin Inc, as described in paragraph "Acquisitions of Companies and Business Combinations". Following the acquisition, the equity investment in DiaSorin Trivitron Healthcare Private Limited (valued using the equity method and negative by €747 thousand as at December 31, 2017) was consolidated on a line-by-line basis.

13. Deferred-tax assets and deferred-tax liabilities

Deferred-tax assets amounted to €20,958 thousand at December 31, 2018 (€22,171 thousand at December 31, 2017). 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 €5,050 thousand (€1,899 thousand at December 31, 2017) 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:

<i>(€ thousands)</i>	12/31/2018	12/31/2017
Deferred-tax assets	20,958	22,171
Deferred-tax liabilities	(5,050)	(1,899)
Total net deferred-tax assets	15,908	20,272

The table below shows a breakdown of the tax effect of the temporary difference that generated the net deferred-tax assets:

<i>(€ thousands)</i>	12/31/2018	12/31/2017
Changes:		
Amortization/Write-down of goodwill/ intangible assets	(348)	783
Provisions for risks and charges	2,914	4,365
Provision for employees benefits	4,987	4,884
Intra-Group profits and other consolidation adjustment	7,253	8,926
Other charges deductible in future years	569	1,757

Losses carried forward	532	670
Depreciation and amortization	-	225
Goodwill of DiaSorin Ireland	-	(131)
Capitalization of development costs	-	(982)
Net deferred taxes assets	15,908	20,272

The tables that follow show tax losses on which deferred tax assets / no deferred tax assets were recognized.

<i>(€ thousands)</i>	12/31/2018	12/31/2017
Previous tax losses	3,114	2,223
Deferred tax assets recognized on tax losses	548	670

<i>(€ thousands)</i>	12/31/2018	12/31/2017
Previous tax losses	7,681	8,536
Unrecognized deferred tax assets	2,442	2,059

14. Other non-current assets

Other non-current assets amounted to €2,030 thousand (€1,602 thousand at December 31, 2017). They consist mainly of receivables from the Parent Company and the Belgian, Brazilian and Chinese subsidiaries due beyond 12 months.

15. Inventories

A breakdown of inventories, which totaled €160,396 thousand is provided below:

<i>(€ thousands)</i>	12/31/2018			12/31/2017		
	Gross amount	Write-down provisions	Net amount	Gross amount	Write-down provisions	Net amount
Raw materials and supplies	48,469	(2,436)	46,033	43,355	(3,023)	40,332
Work in progress	49,542	(2,155)	47,387	47,468	(2,133)	45,335
Finished goods	68,934	(1,958)	66,976	58,982	(1,847)	57,135
Total	166,945	(6,549)	160,396	149,805	(7,003)	142,802

The increase of €17,594 thousand compared with December 31, 2017, is mainly due to the business combinations described above, 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:

<i>(€ thousands)</i>	12/31/2018	12/31/2017
Opening balance	7,003	7,870
Additions for the year	1,069	1,448
Utilizations/Reversals for the year	(1,586)	(1,846)
Translation differences and other changes	63	(469)
Ending balance	6,549	7,003

16. Trade receivables

Trade receivables totaled €131,092 thousand at December 31, 2018 (€128,822 thousand at December 31, 2017). The increase in trade receivables compared with December 31, 2017 is due to the growth in revenues in the last

quarter of the year. The table that follows shows the changes that occurred in the allowance for doubtful accounts, which amounted to €8,882 thousand compared with December 31, 2017:

<i>(€ thousands)</i>	12/31/2018	12/13/2017
Opening balance	9,615	10,615
Additions for the period	459	203
Utilizations/Reversals for the period	(892)	(477)
Translation differences and other changes	(300)	(726)
Ending balance	8,882	9,615

Receivables from public sector and universities amounted to €46,098 thousand (€41,739 thousand at December 31, 2017).

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 2018, the receivables assigned by the Group's Parent Company amounted to €32,315 thousand (€28,733 thousand in 2017).

17. Other current assets

Other current assets amounted to €26,847 thousand (€36,303 thousand at December 31, 2017). They consist of accrued income and prepaid expenses for insurance, interest, rentals and government grants equal to €3,860 thousand (€3,223 thousand at December 31, 2017), tax credits for the patent box and research and development investments equal to €10,881 thousand and tax credits for tax prepayments and for foreign taxes withheld amounting to €5,152 thousand.

18. Cash and cash equivalent and current financial assets

Cash and cash equivalents amounted to €73,103 thousand at December 31, 2018 (€159,340 thousand at December 31, 2017). They consist of balances in banks accounts. More detailed information is provided in the Statement of Cash Flows above.

Current financial assets amounted to €23,422 thousand at December 31, 2018 and include term deposits exceeding three months opened by DiaSorin Inc. (USD 27 million).

19. Assets held for sale

At December 31, 2018 assets held for sale, amounting to €4,000 thousand at December 31, 2017, were completely disposed of.

20. Shareholders' equity

Share capital

At December 31, 2018, 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, 2017.

Treasury shares

At December 31, 2018, the amount of treasury shares was 1,291,007 (2.3% of the share capital, totaling €87,784 thousand (€22,183 thousand at December 31, 2017). The change equal to €65,601 thousand compared to December 31, 2017 is due to the treasury shares buyback program approved by the Shareholders' Meeting on April 23, 2018 to serve the 2018 Stock Option Plan.

Additional paid-in capital

This reserve amounted to €18,155 thousand at December 31, 2018 and no changes occurred compared with December 31, 2017.

Statutory reserve

This reserve amounted to €11,190 thousand at December 31, 2018 and no changes occurred compared with December 31, 2017.

Other reserves and retained earnings

A breakdown of other reserves and retained earnings is as follows:

<i>(€ thousands)</i>	12/31/2018	12/31/2017	Change
Currency translation reserve	13,472	737	12,735
Reserve for treasury shares	87,784	22,183	65,601
Stock option reserve	3,847	1,029	2,818
Gains/Losses on remeasurements of defined benefit plans	(7,155)	(7,289)	134
Gains/Losses on the fair value measurement of receivables	(53)	-	(53)
Retained earnings	453,832	524,938	(71,106)
IFRS transition reserve	(2,973)	(2,973)	-
Other reserves	342	342	-
Total other reserves and retained earnings	549,096	538,967	10,129

Currency translation reserve

This item amounted to €13,471 thousand (€737 thousand at December 31, 2017) 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 increase of €12,734 thousand, euros was due to the fluctuation of the exchange rate of the US dollar vis-à-vis the Euro.

Reserve for treasury shares

At December 31, 2018, the reserve for treasury shares amounted to €87,784 thousand (€22,183 thousand at December 31, 2017). This reserve was established pursuant to law (Article 2357 *ter* of the Italian Civil Code). The change, amounting to €65,601, compared to December 31, 2017, refers to the treasury shares buyback program approved by the Shareholders' Meeting on April 23, 2018, as commented above, net of the exercise of some tranches of the 2014 Stock Option Plan.

Stock option reserve

The balance in the stock option reserve, which amounted to €3,847 thousand (€1,029 thousand at December 31, 2017) refers to the stock option plans in effect at December 31, 2018 (see Note 28). The changes in the reserve that occurred in 2018 included an increase due to the recognition of the overall cost of the stock option Plans (€2,763 thousand euros) that was posted and recognized in the income statement as a labor costs included in general and administrative expenses, whilst the decrease was due to the options exercised.

Gains/Losses on remeasurement of defined-benefit plans

At December 31, 2018 this item, negative by €7,155 thousand at December 31, 2018 (€7,289 thousand at December 31, 2017) includes net profits of the period related to the actuarial assessment of the Group's defined-benefit plans amounting to €81 thousand.

Retained earnings

Retained earnings amounted to €453,832 thousand (€524,938 thousand at December 31, 2017). The change of €71,106 thousand compared with December 31, 2017, is the net result of:

- appropriation of the consolidated net profit earned by the Group in 2017 (€139,878 thousand);
- distribution of ordinary dividends equal to €46,885 thousand and extraordinary dividend equal to €98,385 thousand approved on April 23, 2018 by the Ordinary Shareholders' Meeting (equal to €0.85 and €1.80 per share, respectively);
- negative change of €65,296 thousand to purchase and sale treasury shares from the allocation and exercise of some tranches of the 2014 Stock Option Plan.

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 €342 thousand and no changes occurred compared with December 31, 2017. 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, 2018:

<i>(€ thousands)</i>	Net result in 2018	Shareholders' equity at 12/31/2018
Amount in the financial statements of the Parent Company DiaSorin S.p.A.	100,098	359,688
Difference between the carrying amount of equity investments and the value of the underlying shareholders' equity	-	372,081
Profits/(Losses) of consolidated companies	135,637	-
Elimination of unrealized intra-Group profits, net of the applicable tax effect	(44,311)	(27,034)
Elimination of intra-Group dividends	(33,294)	-
Amount in the consolidated financial statements	158,130	704,735

21. Borrowings and other financial liabilities

Borrowings and other financial liabilities amounted to €20,682 thousand at December 31, 2018.

A breakdown of borrowings and other financial liabilities is as follows (amounts in € thousands).

Type	Currency	Current portion	Non-current portion	Due beyond 5 years	Total
Short-term bank borrowings	€	20,579	-	-	20,579
Leases	€	22	81	-	103
Total owed to financial institutions		20,601	81	-	20,682

The table below lists the changes that occurred in the financing facilities that were outstanding at December 31, 2018 compared with 2017 (amounts in thousands of euros):

Type	Balance at December 31, 2017	Disbursements	Repayments	Translation differences	fair value measurement	Amortized cost effect	Balance at December 31, 2018
Intesa Sanpaolo - 2016	23,888	-	(24,000)	-	-	112	-
Short-term bank borrowings	-	20,768	(148)	(41)	-	-	20,579
Leases	124	-	(21)	-	-	-	103
Total owed to financial institutions	24,012	20,768	(24,169)	(41)	-	112	20,682

In 2018, the Parent Company repaid the last 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.

In 2018, short-term bank borrowings amounted to €20,768 thousand, of which €20 million by the Group's Parent Company and €768 thousand by the Indian subsidiary.

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 negative fair value €532 thousand at December 31, 2018 (positive by €484 thousand at December 31, 2017).

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 2018, this cost amounted to €5,611 thousand.

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 €67 thousand were recognized in the income statement in 2018 (losses of €70 thousand in 2017).

The table that follows lists the Group’s main employee benefit plans that are currently in effect:

<i>(€ thousands)</i>	12/31/2018	12/31/2017	Change
Employee benefits provided in:			
- Italy	5,150	5,149	1
- Germany	24,258	24,068	190
- Sweden	2,537	2,598	(61)
- Other countries	714	717	(3)
Total employee benefits	32,659	32,532	127
<i>broken down as follows:</i>			
- Defined-benefit plans			
<i>Provision for employee’s severance indemnities</i>	3,604	3,721	(117)
<i>Other defined-benefit plans</i>	26,795	26,666	129
	30,399	30,387	12
- Other long-term benefits	2,260	2,145	115
Total employee benefits	32,659	32,532	127

The table below shows the main changes that occurred in the Group’s employee benefit plans compared with December 31, 2017:

<i>(€ thousands)</i>	Defined-benefit plans	Other benefits	Total employee benefits

Balance at 12/31/2017	30,387	2,145	32,532
Interest expense	556	(4)	552
Actuarial Losses/(Gains) recognized in income statement	-	67	67
Actuarial Losses/(Gains) from financial assumptions	(323)	-	(323)
Actuarial Losses/(Gains) from demographic changes	323	-	323
Actuarial Losses/(Gains) from experience	(158)	-	(158)
Current service cost	759	119	878
Benefits paid	(1,039)	(73)	(1,112)
Currency translations differences and other changes	(106)	6	(100)
Balance at 12/31/2018	30,399	2,260	32,659

The main changes that occurred in 2018 with regard to provision for employee benefit include actuarial gains recognized in Shareholders' equity (€158 thousand) and contributions paid (€1,112 thousand). The net amount recognized in the 2018 income statement for employee benefits was an expense of €1,497 thousand (€1,548 thousand in 2017).

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	
	12/31/2018	12/31/2017
Discount rate	1.74%	1.70%
Projected wage increases	2.17%	2.17%
Inflation rate	1.67%	1.67%
Average employee turnover rate	5.11%	5.06%

A sensitivity analysis of changes in the main assumptions used for actuarial computation purposes is set out below:

<i>(€ thousands)</i>		Provision of employee severance indemnities	Other defined-benefit plans
Discount rate	0.8% Increase	(125)	(3,822)
	0.8% Increase	132	4,804
Projected wage increases	0.8% Increase	-	-
	0.8% Increase	-	-
Inflation rate	0.8% Increase	81	3,630
	0.8% Increase	(78)	(3,131)
Average employee turnover rate	10% Increase	(1)	-
	10% Increase	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 €24,963 thousand at December 31, 2018 (€28,115 thousand at December 31, 2017) 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:

<i>(€ thousands)</i>	12/31/2018	12/31/2017
Opening balance	14,984	8,382
Additions for the period	1,244	8,079
Utilizations/Reversals for the period	(2,255)	(1,294)
Translation differences and other changes	(79)	(184)
Ending balance	13,894	14,984

Provisions for risks and charges includes €0.9 million to increase previously allocated provisions for risks related to the potential application of Law n. 125 of 08/06/2015.

Reversals for the period are related disputes ended successfully.

The provision for supplemental severance benefits owed to sales agents, which amounted to €366 thousand euros at December 31, 2018 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 €57,286 thousand at December 31, 2018 (€62,331 thousand at December 31, 2017) 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 €50,520 thousand at December 31, 2018 (€49,689 thousand at December 31, 2017) consist mainly of amounts owed to employees for additional monthly payments to be paid equal to €30,300 thousand (€28,749 thousand at December 31, 2017), contributions payable to social security and health benefit institutions amounting to €3,348 thousand (€3,090 thousand at December 31, 2017) and accruals and deferred charges for a total of €1,677 thousand (€1,516 thousand at December 31, 2017).

The item includes liabilities amounting €1,661 thousand related to customers' contracts.

26. Income taxes payable

The balance of €9,513 thousand at December 31, 2018 (€5,190 thousand at December 31, 2017) represents the income tax liability for the profit earned in the period, net of estimated payments made, 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 €31,517 thousand and include bank sureties in connection with the submission of bids in response to public calls for tenders and outstanding financing facilities (€23,329 thousand). These guarantees were established to secure lines of credit provided to Group companies (in the amount of €5,651 thousand, out of which €1,646 thousand to the Indian subsidiary), and in connection with defined-contribution pension plans of certain subsidiaries (2,537 thousand).

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.

Lease commitments

At December 31, 2018, the Group had outstanding lease commitments amounting to €39 million, broken down as follows:

<i>€ thousands</i>	Due within 1 year	Between 2 and 4 years	Beyond 4 years	Total commitments
Operating lease commitments	5,911	10,745	22,233	38,889

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

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 of December 31, 2018, stock options amounted to 44,188, following 636,093 stock options exercised in 2017, 22,850 stock options exercised between January 9 and June 12, 2018 at an average exercise price of €30.7396 and 10,000 stock options exercised on August 1, 2018 at an average exercise price of €41.43.

During the abovementioned period, the average price of the DiaSorin shares was €81.00.

A breakdown of the option grants is as follows:

2014 Plan	Grant date	Number of options	Exercise year
I Tranche	August 1, 2014	636,093	2017
I Tranche	August 1, 2014	22,850	2018
II Tranche	November 14, 2014	5,000	2017
IV Tranche	July 30, 2015	10,000	2018
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, a fourth tranche with a grant of 40,000 options by a resolution dated August 3, 2017, a fifth tranche with a grant of 25,000 options by a resolution dated March 7, 2018, and a sixth tranche with a grant of 20,000 options by a resolution dated November 7, 2018.

Please note that, due some "bad leaver" and "good leaver" events, 98,782 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, 2018, stock options amounted to 176,218.

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	25,000
IV Tranche	August 3, 2017	40,000
V Tranche	March 7, 2018	25,000
VI Tranche	November 7, 2018	20,000
Total		176,218

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 a first tranche of beneficiaries with a grant of 170,000 options by a resolution dated November 9, 2017, a second tranche with a grant of 10,000 options by a resolution dated March 7, 2018, a third tranche with a grant of 40,000 options by a resolution dated May 8, 2018 and a fourth tranche with a grant of 15,000 options by a resolution dated November 7, 2018.

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 program was implemented in April 2018 with the purchase of 100,000 common shares (equal to 0.18% 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, 2018, stock options amounted to 235,000.

A breakdown of the option grants is as follows:

2017 Plan	Grant date	Number of options
I Tranche	November 9, 2017	170,000
II Tranche	March 7, 2018	10,000
III Tranche	May 8, 2018	40,000
IV Tranche	November 7, 2018	15,000
Total		235,000

2018 Plan

On April 23, 2018, the Ordinary Shareholders' Meeting approved the new 2018 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 675,000 options by a resolution dated May 8, 2018.

The Shareholders' Meeting of April 23, 2018 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 675,000 common shares to service the new 2018 Stock Option Plan. The program was completed on July 8, 2018, resulting in the purchase of 675,000 common shares (equal to 1.21% 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, 2018, stock options amounted to 675,000, all related to the grant date of May 8, 2018.

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	3.00547945	€ 30.74	€ 29.50	€ 1.00	30.00%	0.00%	0.64%	1.70%	08/01/2014	08/02/2017
II Tranche	3.00273973	€ 29.67	€ 31.20	€ 1.00	30.00%	0.00%	0.42%	1.70%	11/14/2014	11/14/2017
IV Tranche	3.00821918	€ 41.43	€ 41.56	€ 1.00	30.00%	0.00%	0.51%	1.70%	07/30/2015	08/01/2018
V Tranche	3.00547945	€ 46.86	€ 46.21	€ 1.00	30.00%	0.00%	0.28%	1.70%	03/09/2016	03/11/2019
VI Tranche	3.00273973	€ 51.29	€ 52.50	€ 1.00	30.00%	0.00%	0.15%	1.70%	05/09/2016	05/10/2019
VII Tranche	3.00000000	€ 56.20	€ 50.75	€ 1.00	30.00%	0.00%	0.11%	1.70%	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	3.00000000	€ 52.54	€ 52.25	€ 1.00	30.00%	0.00%	0.46%	1.70%	05/16/2016	01/16/2019
II Tranche	3.00000000	€ 56.31	€ 57.80	€ 1.00	30.00%	0.00%	0.14%	1.70%	08/04/2016	08/05/2019
III Tranche	3.00000000	€ 51.84	€ 53.65	€ 1.00	30.00%	0.00%	0.38%	1.70%	12/19/2016	20/12/2019
IV Tranche	3.005479452	€ 69.63	€ 73.05	€ 1.00	23.00%	0.00%	0.14%	1.50%	08/03/2017	08/04/2020
VI Tranche	3.005500000	€ 70.05	€ 70.60	€ 1.00	23.00%	0.00%	0.33%	1.50%	03/07/2018	03/08/2021
VI Tranche	3.00547945	€ 82.42	€ 81.60	€ 1.00	25.00%	0.00%	0.44%	1.50%	11/07/2018	11/08/2021

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%	-0.07%	1.50%	11/09/2017	11/10/2020
II Tranche	3.005479452	€ 70.05	€ 70.60	€ 1.00	23.00%	0.00%	0.14%	1.50%	03/07/2018	03/08/2021
III Tranche	3.008219178	€ 76.24	€ 78.30	€ 1.00	23.00%	0.00%	0.18%	1.50%	05/08/2018	05/10/2021
IV Tranche	3.005479452	€ 82.42	€ 81.60	€ 1.00	26.00%	0.00%	0.24%	1.50%	11/07/2018	11/08/2021

2018 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	4.657534247	€ 76.24	€ 78.30	€ 1.00	23.00%	0.00%	0.49%	1.50%	05/08/2018	01/02/2023

Based on the assumptions described above, the fair value of the 2014 Plan is equal to €3,797 thousand, 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
V Tranche	5,000	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 €2,156 thousand, with a vesting period that goes from May 16,2016 to November 8, 2021. 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	25,000	10.414678
IV Tranche	40,000	14.61540
V Tranche	25,000	13.30140
VI Tranche	20,000	16.34540

Based on the assumptions described above, the fair value of the 2017 Plan is equal to €2,339 thousand euros, with a vesting period that goes from November 9, 2017 to November 18, 2021. 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	8.7998
II Tranche	10,000	11.12670
III Tranche	40,000	12.94260
IV Tranche	15,000	14.27840

Based on the assumptions described above, the fair value of the 2018 Plan is equal to €10,105 thousand euros, with a vesting period that goes from May 8, 2018 to January 2, 2023. The fair value per option is as follows (amounts in euros):

2018 PLAN	Number of options on the vesting date	Fair Value per option
I Tranche	675,000	14.97060

The cost attributable to 2018, which amounted to €2,762 thousand 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.

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 €4,788 thousand euros (4,391 thousand euros in 2017), 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	883	375	3	-	292	1,553
Chen M. Even	Strategic Executive	426	181	3	-	250	860
Other Directors	-	639	271	7	-	483	1,400
Others	Directors	975	-	-	-	-	975
Total		2,923	827	13	-	1,025	4,788

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

No significant events occurred after December 31, 2018

In light of the Group's operating performance after December 31, 2018, the management provides the following guidance for 2019:

- Revenues: growth between 5.0% and 8.0%;
- EBITDA Margin: incidence on Group revenues comparable to 2018 EBITDA margin result.

31. Non-recurring material extraordinary events and transactions

On February 20, 2018, DiaSorin and the Trivitron Healthcare Group concluded an agreement, according to which Trivitron Healthcare sold its minority interest (49%) held in the Joint Venture DiaSorin Trivitron Private Limited to the U.S. company DiaSorin Inc., for a consideration of EUR 3.5 million. Through the acquisition DiaSorin gained full control of the Indian company.

In the fourth quarter of 2018, the Parent Company completed the agreement for the acquisition of the distribution business related to QuantiFERON latent tuberculosis test in the Italian market, for a consideration of EUR 17,803 thousand. The transaction involved the acquisition of customer list, tangible and intangible assets, including sales contracts and instruments installed base.

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 2018, 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 2018 financial statements of foreign companies:

Currency	Average exchange rates			Exchange rates at		
	2018	2017	P&L change	12/31/2018	12/31/2017	P&L change
U.S. dollar	1.1810	1.1297	4.54%	1.1450	1.1993	-4.53%
Brazilian real	4.3085	3.6054	19.50%	4.4440	3.9729	11.86%
British pound	0.8847	0.8767	0.91%	0.8945	0.8872	0.83%
Swedish kronor	10.2583	9.6351	6.47%	10.2548	9.8438	4.18%
Swiss franc	1.1550	1.1117	3.89%	1.1269	1.1702	-3.70%
Czech koruna	25.6470	26.3258	-2.58%	25.7240	25.535	0.74%
Canadian dollar	1.5294	1.4647	4.42%	1.5605	1.5039	3.76%
Mexican peso	22.7054	21.3286	6.46%	22.4921	23.6612	-4.94%
Israeli shekel	4.2423	4.0622	4.43%	4.2972	4.1635	3.21%
Chinese yuan	7.8081	7.629	2.35%	7.8751	7.8044	0.91%
Australian dollar	1.5797	1.4732	7.23%	1.6220	1.5346	5.70%
South African rand	15.6186	15.049	3.78%	16.4594	14.8054	11.17%
Norwegian krone	9.5975	9.327	2.90%	9.9483	9.8403	1.10%
Polish Zloty	4.2615	4.257	0.11%	4.3014	4.177	2.98%
Indian Rupee	80.7332	73.5324	9.79%	79.7298	76.6055	4.08%

34. Other information

Law no. 124 of 4 August 2017 (the Annual Market and Competition Law) defined that, as from 2018, companies receiving grants, financial support, remunerated duties and any kind of economic benefits from Public Administrations and similar bodies are required to publish such amounts in the Note to the financial statements and consolidated financial statements.

In 2018, the Group's Parent Company did not receive financial support or economic benefits from Public Administration in accordance with the aforementioned Law; for additional details that may apply, reference is made to documentation submitted by lending entities at the National Registry of State Aids.

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 partnership 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	2,956,906	5,292,137	6,696	99.99%	249
DiaSorin Ltda	San Paolo (Brazil)	BRL	65,547,409	1,705,638	13,184,733	1	99.99%	65,547,408
DiaSorin S.A.	Antony (France)	EUR	960,000	1,812,540	7,902,007	15,3	99.99%	62,492
DiaSorin Iberia S.A.	Madrid (Spain)	EUR	1,453,687	781,610	3,909,685	6,01	99.99%	241,877
DiaSorin Ltd	Blewbury (UK)	GBP	500	221,838	1,246,840	1	100.00%	500
DiaSorin Inc.	Stillwater (USA)	USD	1	74,758,000	391,057,900	0,01	100.00%	100
DiaSorin Canada Inc	Mississauga (Canada)	CAD	200,000	131,500	1,161,700	N/A	-	100 Class A common shares
DiaSorin Molecular LLC	Cypress (USA)	USD	100,000	3,099,566	4,052,899	100,000	-	1
DiaSorin Mexico S.A. de C.V.	Mexico City (Mexico)	MXP	63,768,473	5,117,203	48,133,629	1	99.99%	49,999
DiaSorin Deutschland GmbH	Dietzenbach (Germany)	EUR	275,000	4,098,525	11,378,250	275,000	100.00%	1
DiaSorin AB	Solna (Sweden)	SEK	5,000,000	3,784,430	21,735,352	100	100.00%	50,000
DiaSorin Ltd	Rosh Haayin (Israel)	ILS	100	1,220,000	16,678,000	1	100.00%	100
DiaSorin Austria GmbH	Vienna (Austria)	EUR	35,000	650,466	2,504,659	35,000	100.00%	1
DiaSorin Czech s.r.o.	Prague (Czech Republic)	CZK	200,000	6,064,000	59,558,000	200,000	100.00%	1
DiaSorin Diagnostics Ireland Limited	Dublin (Ireland)	EUR	3,923	(14,709)	57,226,076	0,01	100.00%	392,282
DiaSorin Ireland Limited	Dublin (Ireland)	EUR	163,202	32,259,716	63,348,564	1,20	100.00%	136,002
DiaSorin I,N.UK Limited	Dublin (Ireland)	EUR	7,826,072	15,336,106	30,752,726	0,01	100.00%	782,607,110
DiaSorin I.N. Limited	Dublin (Ireland)	EUR	1	1,870,242	1,870,243	0,01	100.00%	100
DiaSorin South Africa (PTY) Ltd	Johannesburg (South Africa)	ZAR	101	23,589,581	98,619,341	1	100.00%	101
DiaSorin Australia (Pty) Ltd	Sydney (Australia)	AUD	3,300,000	2,106,000	7,454,000	33,000	100.00%	100
DiaSorin Ltd	Shanghai (China)	RMB	1,211,417	30,758,528	54,004,610	1	80.00%	96,000
DiaSorin Switzerland AG	Risch (Switzerland)	CHF	100,000	576,444	1,214,729	100	100.00%	1,000
DiaSorin Poland sp. z o.o.	Warsaw (Poland)	PLN	550,000	(582,364)	10,627,418	50	100.00%	11,000
DiaSorin Healthcare India Private Limited	Mumbai (India)	INR	365,552,320	(54,587,382)	(127,419,639)	10	0.01%	36,555,232

Company	Head office location	Currency	Share Capital (*)	Net profit/loss for the year (*)	Shareholders' equity in latest approved financial statements (*)	Per value per share or partnership interest	% interest held directly	No. of shares or partnership interest held
Equity investment valued at cost								
DiaSorin Deutschland Unterstuetzungskasse GmbH	Dietzenbach (Germany)	EUR	25,565	4,700,043	391,113	1	-	1
Consorzio Sobedia	Saluggia (Italy)	EUR	5,000	(712)	4,288	N/A	20.00%	1

(*) Amounts stated in the local currency

ANNEX II: DISCLOSURE REQUIRED PURSUANT TO ARTICLE 149-DUODECIIES OF THE CONSOB ISSUERS' REGULATIONS

<i>(€ thousands)</i>	Party providing the service	CI	Fee attributable to 2018
Independent Auditing	PricewaterhouseCoopers S.p.A.	Parent Company Diasorin S.p.A.	253
	PricewaterhouseCoopers S.p.A.	Subsidiaries	57
	PwC Network	Subsidiaries	554
Other services	PricewaterhouseCoopers S.p.A.	Parent Company Diasorin S.p.A.	4
	PwC Network	Subsidiaries	54
Total			922

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 2018 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, 2018:

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 14, 2019

Signed:

Carlo Rosa

Chief Executive Officer

Piergiorgio Pedron

Corporate Accounting
Documents Officer

**STATUTORY FINANCIAL STATEMENTS OF DIASORIN S.P.A. AT DECEMBER 31, 2018
AND AT DECEMBER 31, 2017**

INCOME STATEMENT

<i>(in €)</i>	Note	2018	2017
Net revenues	(1)	364,079,093	332,218,056
Cost of sales	(2)	(191,971,487)	(178,279,745)
Gross Profit		172,107,606	153,938,311
Sales and marketing expenses	(3)	(34,542,537)	(31,232,808)
Research and development costs	(4)	(19,536,435)	(17,264,086)
General and administrative expenses	(5)	(31,947,220)	(29,881,967)
Other operating income /(expenses)	(6)	1,725,650	(370,136)
<i>Non-recurring amount</i>	(6)	<i>(1,530,399)</i>	<i>(1,960,591)</i>
Operating result (EBIT)		87,807,064	75,189,314
Net financial income /(expense)	(7)	31,779,359	16,601,022
Result before taxes		119,586,423	91,790,336
Income taxes	(8)	(19,489,023)	(3,202,964)
Net Result		100,097,400	88,587,372

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

<i>(€ thousands)</i>	2018	2017
Net profit for the year (A)	100,097	88,587
Other comprehensive gains/(losses) that will not be reclassified in gain/loss of the period:		
Gains/(losses) on remeasurement of defined-benefit plans	(26)	(54)
Total comprehensive gains/(losses) that will not be reclassified in gain/loss of the period (B1)	(26)	(54)
Other comprehensive gains/(losses) that will be reclassified in gain/loss of the period:		
Gains/(losses) on fair value measurement of receivables	(61)	
Gains/(losses) from translation of financial statements of foreign branches	(74)	(300)
Total comprehensive gains/(losses) that will be reclassified in gain/loss of the period (B2)	(135)	(300)
TOTAL COMPREHENSIVE GAINS/(LOSSES), NET OF TAX EFFECT (B1)+(B2)=(B)	(161)	(354)
TOTAL COMPREHENSIVE GAINS/(LOSSES) (A)+(B)	99,936	88,233

STATEMENT OF FINANCIAL POSITION

DiaSorin S.p.A BALANCE SHEET

<i>(in €)</i>	Note	12/31/2018	12/31/2017
ASSETS			
<i>Non-current assets</i>			
Property, plant and equipment	(10)	43,825,536	40,741,802
Goodwill	(11)	39,751,694	36,951,694
Intangible assets	(11)	74,587,567	61,980,482
Equity investments	(12)	187,622,763	186,556,936
Deferred-tax assets	(13)	4,373,535	4,819,896
Other non-current assets	(17)	2,899,861	817,448
Other non-current financial assets	(16)	4,417,015	4,593,537
Total non-current assets		357,477,971	336,461,795
<i>Current assets</i>			
Inventories	(14)	97,090,495	90,819,346
Trade receivables	(15)	42,493,681	43,546,488
Trade receivables from Group companies	(15)	65,765,301	53,072,014
Financial receivables from Group companies	(16)	53,471,092	81,719,937
Other current assets	(17)	18,024,175	28,733,490
Other current financial assets	(20)	-	483,957
Cash and cash equivalents	(18)	15,199,174	101,465,882
Total current assets		292,043,918	399,841,114
TOTAL ASSETS		649,521,889	736,302,909

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)*

<i>(in €)</i>	Note	12/31/2018	12/31/2017
LIABILITIES AND SHAREHOLDERS' EQUITY			
<i>Shareholders' equity</i>			
Share capital	(19)	55,948,257	55,948,257
Treasury shares	(19)	(87,784,463)	(22,183,535)
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)	262,081,192	315,856,618
Net profit for the year		100,097,400	88,587,372
Total shareholders' equity		359,687,140	467,553,466
<i>Non-current liabilities</i>			
Provisions for employee benefits	(21)	5,149,851	5,149,098
Other non-current liabilities	(22)	17,596,006	19,046,198
Total non-current liabilities		22,745,857	24,195,296
<i>Current liabilities</i>			
Trade payables	(23)	42,105,777	45,479,719
Trade payables due to Group companies	(23)	16,587,421	19,569,263
Current financial liabilities	(20)	20,000,932	23,888,637
Payables due to Group companies	(20)	163,211,339	131,789,000
Other current financial liabilities	(20)	532,057	-
Other liabilities	(24)	22,800,813	23,406,705
Current tax liabilities	(25)	1,850,553	420,823
Total current liabilities		267,088,892	244,554,147
TOTAL LIABILITIES		289,834,749	268,749,443
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		649,521,889	736,302,909

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

<i>(€ thousands)</i>	2018	2017
Cash flow from operating activities		
Net profit for the year	100,097	88,587
Adjustments for:		
- Income taxes	19,489	3,203
- Depreciation and amortization	17,963	14,507
- Financial expense (income)	(31,779)	(16,601)
- Additions to/Utilizations of provisions for risks	(447)	1,368
- (Gains)/Losses on sales of non-current assets	39	(117)
- Additions to/(Reversals of) provisions for employee severance indemnities and other employee benefits	116	62
- Changes in shareholders' equity reserves:		
- Stock options reserve	2,763	1,234
- Cumulative translation adjustment from operating activities	(122)	399
- Change in other non-current assets/liabilities	(4,741)	1,598
Cash flow from operating activities before changes in working capital	103,378	94,240
(Increase)/Decrease in current receivables	(10,939)	(5,473)
(Increase)/Decrease in inventories	(5,595)	(11,713)
Increase/(Decrease) in trade payables	(6,327)	21,716
(Increase)/Decrease in other current items	4,864	(570)
Cash from operating activities	85,381	98,200
Income taxes paid	(1,618)	(25,290)
Paid/ collected interests	(1,731)	1,296
Net cash from operating activities	82,032	74,206
Investments in intangibles	(9,524)	(11,438)
Investments in property, plant and equipment	(14,532)	(16,601)
Equity investments	-	-
Proceeds from divestments of non-current assets	432	4,241
Cash used in ordinary investing activities	(23,624)	(23,798)
Acquisitions of subsidiaries and business operations	(20,930)	(13,409)
Cash used in investing activities	(44,554)	(37,207)
(Repayment of)/ Proceeds from loans and other liabilities	(4,000)	(24,000)
Increase)/Decrease) in financial items due to Group companies	58,473	27,806
(Purchase)/Sale of treasury shares, stock options exercise	(65,296)	19,702
Dividend distribution	(145,268)	(43,807)
Dividend received from Group companies	33,295	17,759
Cash from financing activities	(122,796)	(2,540)
Foreign exchange translation differences	(949)	(4,831)
Net change in cash and cash equivalents	(86,267)	29,628
Cash and cash equivalents opening balance	101,466	71,838
Cash and cash equivalents closing balance	15,199	101,466

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

<i>(€ thousands)</i>	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 12/31/2016	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
<i>Profit for the year</i>	-	-	-	-	-	-	-	-	88,587	88,587
<i>Other changes in the comprehensive income statement</i>	-	-	-	-	-	-	(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
Appropriation of previous year's profit	-	-	-	-	-	-	-	88,587	(88,587)	-
Dividend distribution	-	-	-	-	-	-	-	(145,268)	-	(145,268)
Stock options and other changes	-	-	-	-	2,573	-	-	190	-	2,763
Sale of/(purchase) treasury shares	-	(65,601)	-	-	-	65,601	-	(65,296)	-	(65,296)
<i>Profit for the year</i>	-	-	-	-	-	-	-	-	100,097	100,097
<i>Other changes in the comprehensive income statement</i>	-	-	-	-	-	-	(74)	(87)	-	(161)
Comprehensive profit	-	-	-	-	-	-	(74)	(87)	100,097	99,936
Shareholders' equity at 12/31/2018	55,948	(87,784)	18,155	11,190	3,602	87,784	(815)	171,511	100,097	359,688

INCOME STATEMENT
pursuant to Consob Resolution No. 15519 of July 27, 2006

<i>(€ thousands)</i>	Note	2018	<i>amount with related parties</i>	2017	<i>amount with related parties</i>
Net Revenues	(1)	364,079	210,366	332,218	190,733
Cost of sales	(2)	(191,971)	(48,773)	(178,280)	(53,933)
Gross profit		172,108		153,938	
Sales and marketing expenses	(3)	(34,543)	(1,055)	(31,233)	(1,349)
Research and development costs	(4)	(19,536)	(640)	(17,264)	35
General and administrative expenses	(5)	(31,947)	(4,910)	(29,882)	(4,689)
Other operating income (expense)	(6)	1,725	1,916	(370)	2,807
		<i>Non-recurring amount</i>		<i>(1,961)</i>	
Operating result (EBIT)		87,807		75,189	
Net financial income (expense)	(7)	31,779	34,701	16,601	20,989
Result before taxes		119,586		91,790	
Income taxes	(8)	(19,489)		(3,203)	
Net Result		100,097		88,587	

STATEMENT OF FINANCIAL POSITION
pursuant to Consob Resolution No. 15519 of July 27, 2006

DIASORIN S.P.A. BALANCE SHEET

<i>(€ thousands)</i>	Note	12/31/2018	<i>amount with related parties</i>	12/31/2017	<i>amount with related parties</i>
ASSETS					
<i>Non-current assets</i>					
Property, plant and equipment	(10)	43,826		40,742	
Goodwill	(11)	39,752		36,951	
Intangible assets	(11)	74,588		61,981	
Equity investments	(12)	187,623		186,557	
Deferred-tax assets	(13)	4,374		4,820	
Other non-current assets	(17)	2,900	2,151	817	
Other non-current financial assets	(16)	4,417	4,417	4,594	4,594
<i>Total non-current assets</i>		<i>357,480</i>		<i>336,462</i>	
<i>Current assets</i>					
Inventories	(14)	97,090		90,819	
Trade receivables	(15)	108,259	65,765	96,618	53,072
Financial receivables	(16)	53,471	53,471	81,720	81,720
Other current assets	(17)	18,024	-	28,734	
Other current financial assets	(20)	-		484	
Cash and cash equivalents	(18)	15,199		101,466	
<i>Total current assets</i>		<i>292,043</i>		<i>399,841</i>	
TOTAL ASSETS		649,523		736,303	

STATEMENT OF FINANCIAL POSITION *(continued)*
pursuant to Consob Resolution No. 15519 of July 27, 2006

<i>(€ thousands)</i>	Note	12/31/2018	<i>amount with related parties</i>	12/31/2017	<i>amount with related parties</i>
LIABILITIES AND SHAREHOLDERS' EQUITY					
<i>Shareholders' equity</i>					
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)	262,082		315,856	
Treasury shares	(19)	(87,784)		(22,183)	
Net profit for the year		100,097		88,587	
Total shareholders' equity		359,688		467,553	
<i>Non-current liabilities</i>					
Provisions for employee severance indemnities	(21)	5,150		5,149	
Other non-current liabilities	(22)	17,596		19,046	
<i>Total non-current liabilities</i>		<i>22,746</i>		<i>24,195</i>	
<i>Current liabilities</i>					
Trade payables	(23)	58,693	16,587	65,049	19,569
Current financial liabilities	(20)	183,212	163,211	155,678	131,789
Other current financial liabilities	(20)	532		-	
Other liabilities	(24)	22,801	132	23,407	117
Current tax liabilities	(25)	1,851		421	
<i>Total current liabilities</i>		<i>267,089</i>		<i>244,555</i>	
TOTAL LIABILITIES		289,835		268,750	
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY					
		649,523		736,303	

STATEMENT OF CASH FLOWS
pursuant to Consob Resolution No. 15519 of July 27, 2006

<i>(€ thousands)</i>	2018	<i>amount with related parties</i>	2017	<i>amount with related parties</i>
Cash flow from operating activities				
Net profit for the year	100,097		88,587	
Adjustments for:				
- Income taxes	19,489		3,203	
- Depreciation and amortization	17,963		14,507	
- Financial expense (income)	(31,779)		(16,601)	
- Additions to/Utilizations of provisions for risks	(447)		1,368	
- (Gains)/Losses on sales of non-current assets	39		(117)	
- Additions to/(Reversals of) provisions for employee severance indemnities and other employee benefits	116		62	
- Changes in shareholders' equity reserves:				
- Stock options reserve	2,763		1,234	
- Cumulative translation adjustment from operating activities	(122)		399	
- Change in other non-current assets/liabilities	(4,741)		1,598	
Cash flow from operating activities before changes in working capital	103,378		94,240	
(Increase)/Decrease in current receivables	(10,939)	(12,693)	(5,473)	(3,667)
(Increase)/Decrease in inventories	(5,595)		(11,713)	
Increase/(Decrease) in trade payables	(6,327)	(2,982)	21,716	6,926
(Increase)/Decrease in other current items	4,864	(2,186)	(570)	(50)
Cash from operating activities	85,381		98,200	
Income taxes paid	(1,618)		(25,290)	
Paid/ collected interests	(1,731)		1,296	
Net cash from operating activities	82,032		74,206	
Investments in intangibles	(9,524)		(11,438)	
Investments in property, plant and equipment	(14,532)		(16,601)	
Equity investments	-		-	
Proceeds from divestments of non-current assets	432		4,241	
Cash used in ordinary investing activities	(23,624)		(23,798)	
Acquisitions of subsidiaries and business operations	(20,930)		(13,409)	
Cash used in investing activities	(44,554)		(37,207)	
(Repayment of)/Proceeds from loans and other financial liabilities	(4,000)		(24,000)	
Increase)/Decrease) in financial items due to Group companies	58,473	58,473	27,806	27,806
(Purchase)/Sale of treasury shares, stock options exercise	(65,296)		19,702	
Dividend distribution	(145,268)		(43,807)	
Dividend received from Group companies	33,295	33,295	17,759	17,759
Cash from financing activities	(122,796)		(2,540)	
Foreign exchange translation differences	(949)		(4,831)	
Net change in cash and cash equivalents	(86,267)		29,628	
Cash and cash equivalents opening balance	101,466		71,838	
Cash and cash equivalents closing balance	15,199		101,466	

NOTES TO THE FINANCIAL STATEMENTS OF DIASORIN S.P.A. AT DECEMBER 31, 2018 AND DECEMBER 31, 2017

GENERAL INFORMATION

Background information

The DiaSorin Group is specialized in the development, manufacture and distribution of products in the immunodiagnosics 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

In the fourth quarter of 2018, the Parent Company completed the agreement for the acquisition of the distribution business related to QuantiFERON latent tuberculosis test in the Italian market, for a consideration of EUR 17,803 thousand. The transaction involved the acquisition of customer list, tangible and intangible assets, including sales contracts and instruments installed base.

The Group's Parent Company consolidated revenues from the acquired business from the date on which the transaction was completed, i.e. October 1, 2018.

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:

	(€ thousands)
Tangible assets	601
Inventories	860
(a) Total net assets acquired	1,461
Concessions, licenses, trademarks and similar rights	126
Customer relationship	13,216
(b) Total intangibles assets (provisionally)	13,342
(c) Goodwill (provisionally allocated)	3,000
Total amount paid (a + b + c)	17,803
<i>Amount paid on transaction closing</i>	<i>(14,803)</i>
<i>Deferred amount</i>	<i>3,000</i>

The Parent Company already paid an amount of €17,803 thousand to Ada Srl; outstanding payables amounted to €3,000 thousand at December 31, 2018, to be paid in more tranches in following years.

Transaction costs to complete the acquisition have been classified in the income statement. Their amount was equal to €526 thousand.

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 if 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 and other receivables are valued at amortized cost using the effective interest rate, less impairment losses, except receivables within a business model whose objective is achieved by either collection of contractual cash flows or sale (hold to collect and sell). These receivables are measured at fair value with changes recognized directly in the comprehensive income statement.

Impairment losses on receivables are recognized through the simplified approach required by IFRS 9 to measure loss allowance through lifetime expected credit loss. Specifically, the Group calculates expected credit loss using a provision matrix, which is estimated on the basis of historical credit loss experience for past due receivables and is adjusted to reflect current conditions and estimates on relevant future economic conditions.

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.

When all risks and benefits relating to ownership and contractual rights are transferred to cash flows deriving thereof, receivables assigned through such transactions are removed from the statement of financial position. In such event, cumulative changes in fair value - previously recognized in the comprehensive income statement - are transferred to the income statement. Conversely, if requirements for derecognition of assets are not met, receivables are recognized as such in the Group financial statements; a corresponding financial liability is recognized in the consolidated statement of financial position as "financial payables".

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.

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 unless changes occur in the stock options terms and conditions to increase their fair value in favor of beneficiaries. 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 when (i) there is formal designation and documentation of the hedging relationship, including company's objective and strategy in risk management at the inception of the hedge and (ii) the hedge is expected to be effective.

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. The effective portion of any gain or loss is 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.

The hedge effectiveness is determined at the inception of the hedge relationship, through periodic assessments of the prospective hedge effectiveness to ensure the existence of an economic relationship between the hedged item and the hedging instrument.

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 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

Revenues are recognized when control over assets sold to end customers or distributors has been transferred and related contractual obligations have been met. Revenues are measured as the amount of consideration to which the Company expects to be entitled in exchange for transferring goods or services (net of discounts, allowances and return).

Sales revenues

Sales to end customers are based on a business model which provides for reagents supply and the provision of a diagnostic instrument along with its technical support (identified as a single performance obligation). Sales revenues are recognized when control over diagnostic kits is transferred to the end customer (“at point in time”). Sales to distributors, including foreign branches, which provide for separate sale of kits/reagents and/or instruments are identified as separate performance obligation since kits, reagents and instruments will be combined and configured by the distributor and sold to the end customer. The relevant revenues are recognized when control over instruments and/or reagents is transferred to their distributor.

Service revenues

Service revenues are generated by separate contracts for technical support.

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. Revenues from royalties, which are generally based on the sales revenues generated by patent users, are recognized when underlying sales transactions are concluded.

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

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 16 Leases	Yes	Financial years as from 1 January 2019
Amendments to IFRS 9: Prepayment Features with Negative Compensation	Yes	Financial years as from 1 January 2019
IFRIC 23 Uncertainty over Income Tax Treatments	Yes	Financial years as from 1 January 2019
Amendments to IAS 28: Long-term Interests in Associates and Joint Ventures	Yes	Financial years as from 1 January 2019
Annual Improvements to IFRSs 2015-2017 Cycle	No	Financial years as from 1 January 2019
Amendments to IAS 19: Plant Amendment, Curtailment or Settlement	No	Financial years as from 1 January 2019
Amendments to IFRS 3: Definition of a Business	No	Financial years as from 1 January 2020
Amendments to IAS 1 and IAS 8: Definition of Material	No	Financial years as from 1 January 2020
IFRS 17 Insurance Contracts	No	Financial years as from 1 January 2021

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.

New accounting standards adopted by the Company

This note describes the new accounting standards applied as of January 1, 2018, with relevant impacts following their adoption.

It should be noted that these standards did not have material effects on the Financial Statements for the year ended December 31, 2018.

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 Company, the application of IFRS 9 did not have a material impact.

IFRS 9 introduces a new classification and measurement framework according to which all financial assets are recognized initially at fair value and subsequently measured at amortized cost or at fair value on the basis of the business model used for managing the financial assets or the contractual cash flow characteristic of the financial asset.

Specifically:

- i) Debt instruments are measured at amortized costs after initial recognition if they are held within a business model whose objective is to hold the financial assets in order to collect contractual cash flows (hold to collect), and cash flows are solely payment of principal and interest on the principal amount outstanding;
- ii) Debt instruments are measured at fair value with any movements being recognized in Other Comprehensive Income after initial recognition if they are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets (hold to collect and sell), and cash flows are solely payment of principal and interest on the principal amount outstanding;
- iii) Other debt instruments and equity investments are measured at fair value with any movements being recognized in profit and loss if they do not fall into any of the two categories listed above.

IFRS 9 introduces a new hedge accounting model increasing the types of transactions eligible for hedge accounting and providing 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 is applied prospectively from 2018.

Impact of the adoption

The Group completed the adoption of IFRS 9 as envisaged by the accounting standard from January 1, 2018.

Classification and measurement

Two different types of financial assets have been identified for the new classification of financial instruments required under IFRS 9. 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.

The following provides the impact of the new classification on the opening balances at January 1, 2018:

<i>(€ thousands)</i>	Carrying value	Assets at amortized cost	Hedge instruments	Assets at fair value through Income Statement	Assets at fair value through Comprehensive Income Statement
Total financial assets at December 31, 2017, as envisaged by IAS 39	280,288	280,288	-	-	-
Reclassifications of trade receivables measured at <i>fair value with changes recognized in the Comprehensive Income Statement</i>	-	(11,292)	-	-	11,292
Total financial assets at January 1, 2018, as envisaged by IFRS 9	280,288	268,996	-	-	11,292

Financial derivatives and hedge accounting

The Company has no financial derivatives qualifying for hedge accounting. Consequently, new hedging requirements introduced by IFRS 9 have entailed no impacts.

Impairment of financial assets

The only financial assets held by the Group and subject to the expected losses model introduced by IFRS 9 are trade receivables against which the Group applies the simplified approach envisaged by the accounting standard. No impacts occurred on the opening balances.

A breakdown of the provision for doubtful accounts in respect of trade receivables at June 30, 2018 is as follows:

Due date	Expiring	0 - 90	91 - 180	181 - 360	Beyond 360
Trade receivables	32,047	6,041	1,744	1,663	4,439
<i>Expected loss rate</i>	<i>0%</i>	<i>0%</i>	<i>1%</i>	<i>21%</i>	<i>69%</i>
Provision for doubtful accounts	-	-25	-13	-353	-3.050

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 IAS/IFRS 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 and
- v) Recognize revenue when or as the entity satisfies each performance obligation

Impact of the adoption

The Group adopted IFRS 15 from January 1, 2018 which, as a result of the Group' business model, did not involve changes in the accounting treatment for revenue recognition.

Specifically, the Group identifies two main sales channels:

- i) Sales to end customers that are made adopting a business model which provides for reagents supply and the provision of a diagnostic instrument along with its technical support. Sales are identified as a single performance obligation and, therefore, revenues related to this performance obligation are recognized when control over diagnostic kits is transferred to the end customer (“at point in time”).
- ii) Sales to distributors (the so-called export market where DiaSorin does not have its own direct distribution channel) and sales to foreign branches provide for separate sale of kits/reagents and/or instruments that are combined and configured by the distributor and sold to the end customer. As control is transferred to distributors, sales are identified as separate performance obligations and, therefore, related revenues are recognized when control over instruments and/or reagents is transferred to their distributor.

In both cases, as a result of the different business models and of the existing contracts with customers, revenue recognition under IFRS 15 did not involve material changes compared to the accounting treatment envisaged by the previous accounting standard (IAS 18).

Other accounting standards, amendments and interpretations applied as of January 1, 2018

On June 20, 2016, the IASB issued amendments to *IFRS 2 “Classification and measurement of share-based payment transactions”*, containing some clarifications concerning accounting for the effects of *vesting conditions* on the measurement of *cash-settled share-based payments*, the classification of the effects of *share-based payments* with a *net settlement* feature and accounting for modification to the terms and conditions of a *share-based payment* that changes the classification of transaction from *cash-settled* to *equity-settled*. The adoption of the amendment did not have any material impact on the Consolidated Financial Statements of the Group’s Parent Company.

On December 8, 2016, the IASB issued “*Annual Improvements to IFRSs: 2014-2016 Cycle*”. The improvements partly integrate pre-existing standards. The main amendments concern:

- *IAS 28 Investments in Associates and Joint Ventures – Measuring investees at fair value through profit or loss: an investment-by-investment choice or a consistent policy choice*. The amendment clarifies that the option for a venture capital organization or other entity with such qualification (such as a mutual fund or similar entity), in order to measure investments in associates and joint ventures measured at fair value through profit or loss (rather than by applying the net equity method) must be carried out for each investment at the time of initial recognition. This amendment applies from 1 January 2018.
- *IFRS 12 Disclosure of Interests in Other Entities – Clarification of the scope of the Standard*. The amendment clarifies the scope of IFRS 12 specifying that the information required by the standard, except for what provided for in paragraphs B10-B16, applies to all equity interests that are classified as held for sale, held for distribution to shareholders or as discontinued operations in accordance with IFRS 5.

The adoption of these amendments did not have any material effect on the consolidated financial statements of the Group’s Parent Company.

On December 8, 2016, the IASB issued amendment to *IAS 40 “Transfers of Investment Property”*. These amendments clarify the transfer of a property to, or from, property investment. In particular, an entity must reclassify a property among, or from, property investments only when there is evidence that there has been a change of use of the property. This change must be attributed to a specific event that occurred and must not therefore be limited to a change of intention on the part of the management of an entity. The adoption of these amendments did not have any material effect on the consolidated financial statements of the Group’s Parent Company.

On December 8, 2016, the IASB published the document “*Foreign Currency Transactions and Advance Consideration (IFRIC Interpretation 22)*”. The interpretation aims to provide guidelines for foreign exchange transactions if they are recognized under non-cash advances or down payments, prior to recognition of the related asset, cost or revenue. This document provides guidance on how an entity should determine the date of a transaction and, as a result, the spot exchange rate to be used when there are foreign currency transactions in which the payment is made or received in advance.

The interpretation clarifies that the transaction date is prior to:

- a. the date on which the advance payment or down payment received are entered in the accounts of the entity; and

- b. the date on which the asset, cost or revenue (or part of the same) is entered in the accounts (with resulting reversal of the advance payment or down payment received).

If there are several advance payments or receipts, a transaction date must be identified for each of them. The adoption of these amendments did not have any material effect on the consolidated financial statements of the Group's Parent Company.

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 Company will apply the new standard starting from January 1, 2019.

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.

The Company is close to completing the process to assess and determine impacts deriving from the application of the new standard as at the transition date (January 1, 2019). This process involved different stages, including a complete mapping of contracts that could potentially contain a lease and the analysis of these contracts in order to ensure that they include the main significant provisions to comply with IFRS 16.

The Company chose to adopt the simplified retrospective method with the recognition of financial liabilities on lease contracts and corresponding value of the right of use measured on the residual contractual payments at the transition date. Specifically, in relation to lease contracts that were previously classified as operating leases, the Company will recognize a financial liability and a right of use equal to the current value of future residual payments at the transition date, discounted using the incremental borrowing rate applicable at the transition date for each contract.

When applying IFRS 16, the Company intends to use the exemption permitted by the standard in relation to short-term lease across all its business, extending such exemption to leases expiring in 2019. Equally, the Group intends to use the exemption permitted by the standard for the contracts related to low-value assets (for this purpose, the Company considered assets that do not exceed € 5 thousand, when new). For these contracts, the introduction of IFRS 16 will not require recognition of financial liability of the lease and relevant right of use, but rental costs will be recognized in the income statement on a straight-line basis over the length of the corresponding contracts.

Transition to IFRS 16 introduces certain elements of professional judgement requiring the definition of accounting policies and use of assumptions and assessments related to lease term and calculation of the discounted rate. With respect to lease term, the Company analyzed the total of the lease contracts, defining the “non-cancellable” period for each of them, along with the effects of any clauses to extend or early terminate the lease if the lessee is reasonably certain to exercise such options. Specifically, as for property lease, this assessment considered facts and specific circumstances concerning each asset. As to other categories of assets, primarily company cars, the Company considered it unlikely to exercise any extension or early termination clauses considering the Company's usual practice. As indicated above, with regard to the discount rate the Company adopted the incremental borrowing rate to determine financial liabilities of lease contracts. This rate varies according to the different country and reference currency of the lease contract and represents the interest rate the Company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right of use asset in a similar economic environment.

The main effects on the Company's Consolidated Financial Statements, which are still being calculated, can be summarized as follows:

- Balance sheet: increase in non-current assets due to the recognition of the “right of use asset” and a corresponding increase in financial liabilities, for an amount equal to EUR 13 million.

- Income statement: different nature, qualification and classification of expenses (depreciation of the “right of use asset” and “interest expense” compared to the classification in operating costs, as per IAS17). On a comparable lease portfolio (and relevant payments) at January 1, 2019, the increase in 2019 EBITDA would be equal to EUR 1,5 million. In addition, compared to IAS 17 operating leases, the combination of the straight-line depreciation of “right of use asset” and the actual interest rate applied to lease payables requires a different distribution over time of the total cost of lease contract, resulting in higher expenses charged to the income statement in the opening years of the lease contract and lower expense in the final years.
- Cash flow statement: lease payments, as for the capital portion of loan repayment, will be reclassified from «cash flow from operating activities» to «cash flow from financing activities».

It should be noted that payments of operating leases outstanding at December 31, 2018 that fall within the scope of application of IFRS 16 accounting standard -Leasing - include contract periods of operating leases that are classified as cancellable (for instance renewal period of leases).

Additional detail on operating leases outstanding at December 31, 2018 are provided in Note 27.

The implementation of the new accounting standard requires IT tools, control and compliance models and related process to be updated and modified. Impacts are based on the results of the analyses as of the date of the Financial Statements and changes may occur since the process is still being implemented.

ANALYSIS OF FINANCIAL RISKS

The table below lists material assets and liabilities in accordance with the requirements of IFRS 9:

<i>(€ thousands)</i>	Note	12/31/2018			12/31/2017		
		Carrying value	Assets at amortized cost	Assets at fair value with changes in Comprehensive Income Statement	Carrying value	Assets at amortized cost	Assets at fair value with changes in Comprehensive Income Statement
Other non-current financial assets	(16)	4,417	4,417	-	4,594	4,594	-
Total non-current financial assets		4,417	4,417	-	4,594	4,594	-
Trade receivables	(15)	42,494	30,728	11,766	43,546	32,254	11,292
Trade receivable from Group companies	(15)	65,765	65,765	-	53,072	53,072	-
Other current assets	(17)	18,024	18,024	-	28,734	28,734	-
Financial derivatives	(20)	-	-	-	484	-	-
Intercompany financial receivables	(16)	53,471	53,471	-	81,720	81,720	-
Cash and cash equivalents	(18)	15,199	15,199	-	101,466	101,466	-
Total current financial assets		194,953	183,187	11,766	309,022	297,246	11,292
Total financial assets		199,370	187,601	11,766	313,616	301,840	11,292

<i>(€ thousands)</i>	Note	12/31/2018			12/31/2017		
		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)	-	-	-	-	-	-
Derivative financial instruments	(20)	-	-	-	-	-	-
Total non-current financial liabilities		-	-	-	-	-	-
Trade payables	(23)	42,106	42,106	-	45,480	45,480	-
Trade payables due to Group companies	(23)	16,587	16,587	-	19,569	19,569	-
Financial payables due to Group companies	(20)	163,211	163,211	-	131,789	131,789	-
Current bank debt	(20)	20,001	20,001	-	23,889	23,889	-
Derivative financial instruments	(20)	532	-	532	-	-	-
Total current financial liabilities		242,437	241,905	532	220,727	220,727	-
Total financial liabilities		242,437	241,905	532	220,727	220,727	-

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, 2018 classified at level 2 and registered in other current financial liabilities amounting to €532 thousand. 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 than the euro would have an impact on the income statement equal to about 0.4 million euros.

With regard to the trend in interest rates, a fluctuation of 2% would have no significant impact 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 70% is not overdue.

Past due receivables are covered by an allowance for doubtful accounts amounting to €3,441 thousand. In addition, in order to bridge the gap between contractual payment terms and actual collection terms, the Company assigns its receivables to factors without recourse.

<i>(€ thousands)</i>	Amount not yet due	Past-due amount	Total receivables from third-parties
Gross amount	32,047	13,888	45,935
Allowance for doubtful account		(3,441)	(3,441)
Net amount	32,047	10,446	42,494

The gross amount of receivables due within 90 days was equal to €6,041 thousand, the amount between 90 and 180 days past due amounted to €1,744 thousand, and the amount over 180 days was equal to €6,103 thousand.

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 €20,001 thousand at December 31, 2018, due within the next year. There are no amounts with a due date of more than 1 year. Cash and cash equivalent totaled €15,199 thousand.

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 €17,963 thousand (€14,507 thousand in 2017), broken down as follows:

<i>(€ thousands)</i>	2018	2017
Depreciation of property, plant and equipment	10,644	8,559
Amortization of intangibles	7,319	5,948
Total	17,963	14,507

Depreciation of property, plant and equipment includes €3,980 thousand attributable to equipment held by customers (€3,834 thousand in 2017), which in the income statement by destination is part of the cost of sales. An additional €5,662 thousand 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 (€1,956 thousand) and research and development costs (€3,908 thousand).

Amortization of intangibles was allocated as follows:

<i>(€ thousands)</i>	2018	2017
Cost of sales	594	597
Sales and marketing expenses	1,956	1,188
Research and development costs	3,908	2,853
General and administrative expenses	861	1,310
Total	7,319	5,948

Labor costs amounted to €55,624 thousand (€52,150 thousand in 2017).

A breakdown is as follows:

<i>(€ thousands)</i>	2018	2017
Wages and salaries	39,628	37,888
Social security contributions	11,342	9,919
Severance indemnities paid	2,511	2,208
Cost of stock option plan	1,697	614
Other labor costs	446	1,521
Total	55,624	52,150

The table below shows the average number of employees of DiaSorin S.p.A. in each category:

	2018	2017
Factory staff	72	70
Office staff	626	601
Executives	39	39
Total	737	710

1. Net revenues

Net revenues, which are generated mainly through the sale of diagnostic kits, totaled €364,079 thousand, up 9.6% compared with 2017. This item includes €1,767 thousand for equipment rental fees and technical support (€2,133 thousand in 2017). A breakdown of revenues by geographic region is provided below:

<i>(€ thousands)</i>	2018	2017	Change %
Revenues from third customers – Italy	81,163	72,476	12.0%
Revenues from third customers – International	72,550	69,009	5.1%
Europa and Africa	20,844	21,802	-4.4%
Asia Pacific	39,242	31,588	24.2%
USA and Canada	-	102	n.a.
Latin America	12,464	15,517	-19.7%
Intercompany revenues	210,366	190,733	10.3%
Europa and Africa	115,352	103,101	11.9%
Asia Pacific	50,979	42,291	20.5%
USA and Canada	32,757	33,514	-2.3%
Latin America	11,278	11,827	-4.6%
Total	364,079	332,218	9.6%

Revenues from sales to public institutions and universities amounted to €61,211 thousand (€55,331 thousand in 2017).

2. Cost of sales

In 2018, cost of sales amounted to €191,971 thousand (€48,773 thousand from related -party transactions), as against €178,280 thousand in 2017. Cost of sales includes €5,618 thousand for royalties paid for the use of patents applied to manufacture products (€5,216 thousand in 2017) and €3,243 thousand for distributing products to end customers (€3,156 thousand in 2017). An amount of €3,980 thousand is related to depreciation of equipment held by customers (€3,834 thousand in 2017).

3. Sales and marketing expenses

Sales and marketing expenses amounted to €34,543 thousand, as against €31,233 thousand in 2017. 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 €1,055 thousand generated by related-party transactions (€1,349 thousand in 2016).

4. Research and development costs

In 2018, research and development costs totaled €19,536 thousand (€17,264 thousand in 2017), 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 €1,536 thousand (€1,225 thousand in 2017).

In 2018, the Group's Parent Company capitalized development costs amounting to €8,220 thousand, as against €4.201 thousand in 2017.

5. General and administrative expenses

General and administrative expenses, which totaled €31,947 thousand (€29,882 thousand in 2017) reflect costs incurred for corporate management activities, Group administration, finance and control, information technology, corporate organization, and insurance. The total amount includes €4,910 thousand from related-party transactions (€4,689 thousand in 2017). The remuneration of the Board of Directors, excluding the Company's employees, amounted to €975 thousand (€975 thousand in 2017). The remuneration of competence of the Statutory Auditors amounted to €100 thousand (€100 thousand in 2017).

6. Other operating income (expenses)

The item includes income and expenses from operations that cannot be allocated to specific functional areas (such as gains and losses on asset sales, insurance settlements, reversals of unused provisions, additions to provisions for risks, incidental taxes and fees).

A breakdown of other operating income and expenses is as follows:

<i>(€ thousands)</i>	2018	2017
Intra-Group services	1,916	2,807
Trade-related foreign exchange losses and gains	(575)	(549)
Tax charges	(197)	(102)
Additions to the allowances for doubtful accounts and provisions for risks and charges	(456)	(1,770)
Other operating (expense) /income	2,567	1,205
Non-recurring expenses	(1,530)	(1,961)
Other operating (expense) /income	1,725	(370)

Other operating expense/income include €636 thousand from the acquisition of the distribution business related to QuantiFERON latent tuberculosis test in the Italian market and €529 thousand from legal and consultancy costs to reorganize manufacturing operations following the Irish facility closure (in 2017, this item included non-recurring expenses equal to €1,961 thousand related to the acquisition of Siemens' ELISA diagnostic business and extraordinary consultancy expenses to make the Group's supply chain processes more efficient).

7. Financial income (expenses)

In 2018, net financial income totaled €31,779 thousand as against €16,601 thousand in 2017. A breakdown of financial income and expenses is as follows:

<i>(€ thousands)</i>	2018	2017
Interest and other financial expenses	(4,125)	(3,390)
- amount with related parties	(37)	(4)
Interest and other financial income	1,696	3,680
- amount with related parties	1,443	3,234
Dividends received from subsidiaries	33,295	17,759
Foreign exchange differences and financial instruments	913	(1,448)
Net financial income (expense)	31,779	16,601

Fees on factoring transactions amounted to €314 thousand (€314 thousand in 2017), the collection of interests accrued on past-due position totaled €219 thousand (€366 thousand in 2017) and interest accrued on bank accounts were equal to €34 thousand (€80 thousand in 2017).

Net interest income equal to €1,407 thousand (€3,230 in 2017) from Group companies derived from cash pooling and loans provided to subsidiaries.

Dividends received from subsidiaries increased to €33,295 thousand in 2018 from €17,759 thousand in 2017, broken down as follows:

<i>(€ thousands)</i>	2018	2017
Diasorin Inc.	24,116	-
Diasorin South Africa (PTY) Ltd	1,891	2,570

Diasorin Deutschland GmbH	-	3,760
Diasorin S.A/N.V. (Belgium)	2,500	2,400
Diasorin Ltd (Israel)	750	1,000
Diasorin Ltd (China)	3,174	3,042
Diasorin S.A. (France)	650	4,000
Diasorin Austria GmbH (Austria)	-	500
DiaSorin Ltd	-	234
DiaSorin Switzerland AG	214	253
Total dividends received	33,295	17,759

Foreign exchange differences on other financial balances, which were positive by €913 thousand (negative by €1,448 thousand in 2017) include a negative amount of €826 thousand for the closure of hedging instruments (income of 6,321 thousand in 2017). Exchange differences on intercompany financing facilities and bank accounts were positive by €1,739 thousand (negative by €7,769 thousand in 2017).

8. Income taxes

The income tax expense recognized in the income statement amounted to €19,489 thousand, as against €3,203 thousand in 2017.

<i>(€ thousands)</i>	2018	2017
Current income taxes:		
- Local taxes (IRAP)	2,168	1,711
- Corporate income taxes (IRES)	13,409	11,258
Other income taxes (non-deductible taxes/ taxes of previous years)	3,439	(10,034)
Deferred taxes	473	268
<i>Local taxes IRAP amount</i>	<i>74</i>	<i>93</i>
Total income taxes	19,489	3,203

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 non-deductible taxes withheld on dividends the Group's Parent Company received from foreign subsidiaries (€1,618 thousand in 2018 as against €516 thousand in 2017).

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:

<i>(€ thousands)</i>	2018	2017
Profit before taxes	119,586	91,790
Ordinary tax rate	24.0%	24.0%
Theoretical income taxes	28,701	22,030
Tax effect of permanent differences	(14,893)	(10,597)
Other differences	-	-
Total income taxes	13,808	11,433
Effective tax rate	11.5%	12.5%

In 2018, the effective tax rate was 11.5% mainly as a result of the economic support for intangible assets (the so-called Patent Box), in line with 2017 effective tax rate (12.5%)

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 2018 and 2017:

<i>(€ thousands)</i>	At December 31, 2017	Additions	Business combination	Disposals	Translation differences	Reclassifications and other changes	At December 31, 2018
Land	659	-	-	-	-	-	659
Buildings	8,869	73	-	-	-	4	8,946
Plant and machinery	25,832	1,721	-	(61)	(21)	456	27,927
Manufacturing and distribution equipment	63,542	8,545	601	(3,554)	(40)	1,487	70,581
Other assets	7,565	479	-	(16)	(75)	3,796	11,749
Advances and tangible in progress	10,196	3,714	-	-	16	(8,495)	5,431
Total property, plant and equipment	116,663	14,532	601	(3,631)	(120)	(2,752)	125,293

<i>(€ thousands)</i>	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

The following changes occurred in the corresponding accumulated depreciation accounts in 2018 and 2017:

<i>(€ thousands)</i>	At December 31, 2017	Depreciation	Disposals	Translation differences	Reclassifications and other changes	At December 31, 2018
Buildings	5,079	223	-	-	-	5,302
Plant and machinery	14,801	2,625	(61)	(15)	(23)	17,327
Manufacturing and distribution equipment	52,357	7,017	(2,863)	(10)	(2,096)	54,405
Other assets	3,684	779	(16)	(14)	-	4,433
Total property, plant and equipment	75,921	10,644	(2,940)	(39)	(2,119)	81,467

<i>(€ thousands)</i>	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

A breakdown of the net carrying value of property, plant and equipment at December 31, 2018 and 2017 is provided below:

<i>(€ thousands)</i>	At December 31, 2017	Additions	Business combination	Depreciation	Disposals	Translation difference	Reclassifications and other changes	At December 31, 2018
Land	659	-	-	-	-	-	-	659
Buildings	3,790	73	-	223	-	-	4	3,644
Plant and machinery	11,031	1,721	-	2,625	-	(6)	479	10,600
Manufacturing and distribution equipment	11,185	8,545	601	7,017	(691)	(30)	3,583	16,176
Other assets	3,881	479	-	779	-	(61)	3,796	7,316
Advances and tangible in progress	10,196	3,714	-	-	-	16	(8,495)	5,431
Total property, plant and equipment	40,742	14,532	601	10,644	(691)	(81)	(633)	43,826

<i>(€ thousands)</i>	At December 31, 2016	Additions	Business combination	Depreciation	Disposals	Translation difference	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

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 €3,980 thousand (€3,834 thousand in 2017).

Advances and tangible in progress include additions related to the approval to sell tests in partnership with Beckman in the U.S., in addition to costs incurred for manufacturing facilities' modernization.

11. Goodwill and other intangible assets

In 2018 and 2017 changes in the gross carrying amount of intangible assets were as follows:

<i>(€ thousands)</i>	At December 31, 2017	Additions	Business combination	Disposals and other changes	At December 31, 2018
Goodwill	42,161	-	3,000	(200)	44,961
Development costs	21,660	5,601	-	(219)	27,042
Concessions, licenses and trademarks	66,490	641	-	595	81,068
Customer relationship	8,012	0	13,342	(1071)	6,941
Industrial patents and intellectual property rights	10,511	663	-	-	11,174
Advances and other intangibles	113	-	-	-	112
Total intangibles	148,947	6,905	16,342	(,895)	171,299

<i>(€ thousands)</i>	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

The following changes occurred in the corresponding accumulated amortization accounts in 2018 and 2017:

<i>(€ thousands)</i>	At December 31, 2017	Amortization	Disposals and other changes	At December 31, 2018
Goodwill	5,210	-	-	5,210
Development costs	11,947	1,536	(280)	13,203
Concessions, licenses and trademarks	24,081	4,722	(31)	28,772
Customer relationship	133	512	(63)	582
Industrial patents and intellectual property rights	8,552	542	-	9,094
Advances and other intangibles	92	7	-	99
Total intangibles	50,015	7,320	(374)	56,960

<i>(€ thousands)</i>	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

A breakdown of the net carrying value of intangible assets at December 31, 2018 and 2017 is provided below:

<i>(€ thousands)</i>	At December 31, 2017	Additions	Business combination	Amortization	Disposals and other changes	At December 31, 2018
Goodwill	36,951	-	3,000	-	(200)	39,751
Development costs	9,713	5,601	-	1,536	61	13,839
Concessions, licenses and trademarks	42,409	641	13,342	4,722	627	52,297
Customer relationship	7,879	-	-	512	(1,008)	6,359
Industrial patents and intellectual property rights	1,959	663	-	542	-	2,080
Advances and other intangibles	21	-	-	7	-	14
Total intangibles	98,932	9,524	16,342	7,320	(520)	114,340

<i>(€ thousands)</i>	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	2,731		1,225	55	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

Goodwill

Goodwill totaled €39,752 thousand at December 31, 2018. 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 2018, this item increased by €3,000 thousand as a result of the Parent Company' agreement for the acquisition of the distribution business related to QuantiFERON latent tuberculosis test in the Italian market. A decrease of €200 thousand was recorded due to the final allocation of the fair value of the assets acquired from Siemens Healthineers' ELISA Business in 2017.

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 (2019-2021). These projections have been developed on the basis of the 2019 budget along with long-term projections laid down by the Group Management and approved by the Board of Directors.

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 9.71%.

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%. This sensitivity analysis did not reveal impairment of the goodwill.

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, 2018, capitalized development costs amounted to €13,839 thousand (€9,713 thousand at December 31, 2017). In 2018, additions totaled €8,220 thousand and refer to the development of LIAISON XS 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

At December 31, 2018, this item totaled €51,985 thousand (€42,409 thousand at December 31, 2017), with a decrease of 4,360 thousand primarily as a result of amortizations.

At December 31, 2018, customer relationship increased to €6,6,671 thousand, due to the increase the Parent Company' agreement for the acquisition of the distribution business related to QuantiFERON latent tuberculosis test in the Italian market.

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.

12. Equity investments

Equity investments were €187,623 thousand at December 31, 2018 (€186,557 thousand at December 31, 2017). The table that follows lists the Company's equity investments and shows the changes that occurred in 2018:

Company	Head office location	12/31/2017	Change	12/31/2018
DiaSorin S.A/N.V.	Bruxelles (Belgium)	1,145	-	1,145
DiaSorin Ltda	Sao Paulo (Brazil)	10,880	28	10,908
DiaSorin S.A.	Antony (France)	2,280	97	2,377
DiaSorin Iberia S.A.	Madrid (Spain)	5,331	-	5,331
DiaSorin Ltd	Blewbury (UK)	572	-	572
DiaSorin Inc.	Stillwater (USA)	32,627	847	33,474
DiaSorin Mexico S.A de C.V.	Mexico City (Mexico)	3,296	-	3,296
DiaSorin Deutschland GmbH	Dietzenbach (Germany)	5,270	27	5,297
DiaSorin AB	Solna (Sweden)	4,819	-	4,819
DiaSorin Ltd	Rosh Haayin (Israel)	-	-	-
DiaSorin Austria GmbH	Wien (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)	22,630	11	22,641
DiaSorin South Africa (PTY) Ltd	Johannesburg (South Africa)	3,846	28	3,874
DiaSorin Australia (Pty) Ltd	Sydney (Australia)	2,275	-	2,275
DiaSorin Ltd	Shanghai (China)	127	28	155
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
DiaSorin I.N. Limited	Dublin (Ireland)	n.a.	-	-
DiaSorin Healthcare India Private Limited	Mumbai (India)	n.a.	-	-
Consorzio Sobedia	Saluggia (Italy)	1	-	1
Total equity investments		186,557	1,066	187,623

The increase equal to €1,066 thousand represents the expense for the period recognized in equity and relating to stock options awarded to DiaSorin S.A., DiaSorin Inc., DiaSorin Deutschland GmbH, DiaSorin Diagnostics Ireland Limited, DiaSorin South Africa (PTY) Ltd, DiaSorin Ltda and DiaSorin Ltd employees.

The carrying amount of the equity investments has been tested for impairment, even in the absence of specific indicators. To determine the value in use the Company based on the most recent projections of economic results and cash flows for future years (2019-2021). These projections have been developed on the basis of the 2019 budget along with long-term projections laid down by the Group Management and approved by the Board of Directors.

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 €
Equity investments consolidated line by line									
DiaSorin S.A./N.V.	Bruxelles (Belgium)	EUR	1,674,000	2,956,906	5,292,137	6,696	99.99%	249	1,145,001
DiaSorin Ltda	Sao Paolo (Brazil)	BRL	65,547,409	1,705,638	13,184,773	1	99.99%	65,547,408	10,907,323
DiaSorin S.A.	Antony (France)	EUR	960,000	1,821,540	7,902,007	15,3	99.99%	62,492	2,376,665
DiaSorin Iberia S.A.	Madrid (Spain)	EUR	1,453,687	781,610	3,909,685	6,01	99.99%	241,877	5,330,802
DiaSorin Ltd	Blewbury (UK)	GBP	500	221,838	1,246,840	1	100.00%	500	572,500
DiaSorin Inc.	Stillwater (USA)	USD	1	74,758,000	391,057,900	0,01	100.00%	100	33,473,446
DiaSorin Mexico S.A de C.V.	Mexico City (Mexico)	MXP	63,768,473	5,177,203	48,133,629	1	99.99%	49,999	3,295,932
DiaSorin Deutschland GmbH	Dietzenbach (Germany)	EUR	275,000	4,098,525	11,378,250	275,000	100.00%	1	5,297,941
DiaSorin AB	Solna (Sweden)	SEK	5,000,000	3,784,430	21,735,352	100	100.00%	50,000	4,818,667
DiaSorin Ltd	Rosh Haayin (Israel)	ILS	100	1,220,000	16,678,000	1	100.00%	100	18
DiaSorin Austria GmbH	Wien (Austria)	EUR	35,000	650,466	2,504,659	35,000	100.00%	1	1,035,000
DiaSorin Czech s.r.o.	Prague (Czech Republic)	CZK	200,000	6,064,000	59,558,000	200,000	100.00%	1	2,125,931
DiaSorin Diagnostics Ireland Limited	Dublin (Ireland)	EUR	3,923	(14,709)	57,226,076	0,01	100.00%	392,282	22,641,452
DiaSorin Ireland Limited	Dublin (Ireland)	EUR	163,202	32,259,716	63,348,564	1,2	100.00%	136,002	53,200,000
DiaSorin I.N. Limited	Dublin (Ireland)	EUR	1	1,870,242	1,870,243	0,01	100.00%	100	1
DiaSorin I.N.UK Limited	Dublin (Ireland)	EUR	7,826,072	15,336,106	30,752,726	0,01	100.00%	782,607,110	32,000,000
DiaSorin South Africa (PTY) Ltd	Johannesburg (South Africa)	ZAR	101	23,589,581	98,619,341	1	100.00%	101	3,874,053
DiaSorin Australia (Pty) Ltd	Sydney (Australia)	AUD	3,300,000	2,106,000	7,454,000	33,000	100.00%	100	2,274,990
DiaSorin Ltd	Shanghai (China)	RMB	1,211,417	30,758,528	54,004,610	1	80.00%	96,000	154,804
DiaSorin Switzerland AG	Risch (Switzerland)	CHF	100,000	576,444	1,214,729	100	100.00%	1,000	243,415
DiaSorin Poland sp. z o.o.	Warsaw (Poland)	PLN	550,000	(582,364)	10,627,418	50	100.00%	11000	2,853,823
DiaSorin Healthcare India Private Limited	Mumbai (India)	INR	365,552,320	(54,587,382)	(127,419,639)	10	0.01%	1	0
Investments in other companies									
Consorzio Sobedia	Saluggia (Italy)	EUR	5,000	(712)	4,288	N/A	20.00%	1	1,000

(*) Amounts stated in local currencies

13. Deferred-tax assets

Deferred-tax assets amounted to €4,374 thousand (€4,820 thousand at December 31, 2017). 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:

(€ thousands)	12/31/2018	12/31/2017
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Positive changes:

Amortization of goodwill /intangible assets		
Provisions for risks	3,408	3,313
Actuarial valuation of employee benefits	546	516
Unrealized exchange differences	569	412
Other charges deductible in future years	682	677
Total	5,205	4,918
Negative changes:		
Amortization	(831)	(98)
Total	(831)	(98)
Net deferred-tax assets	4,374	4,820

14. Inventories

A breakdown of inventories, which totaled €97,090 thousand, is as follows:

<i>(€ thousands)</i>	12/31/2018			12/31/2017		
	Gross amount	Provisions for write-down	Net amount	Gross amount	Provisions for write-down	Net amount
Raw materials and supplies	24,743	(1,452)	23,291	23,218	(1,426)	21,792
Work in progress	41,020	(966)	40,054	38,651	(1,188)	37,463
Finished goods	34,753	(1,008)	33,745	32,247	(683)	31,564
Total	100,516	(3,426)	97,090	94,116	(3,297)	90,819

Inventories increased by €6,271 thousand compared with December 31, 2017, due to the growth in manufacturing volumes to support increased revenues.

The table below shows the changes that occurred in the provisions for inventory write-downs:

<i>(€ thousands)</i>	2018	2017
Opening balance	3,297	3,533
Additions for the period	392	2,446
Utilizations for the period	(260)	(2,674)
Translation differences	(3)	(8)
Ending balance	3,426	3,297

15. Trade receivables

Trade receivables of €108,259 thousand at December 31, 2018 (including €65,765 thousand from related-party transactions), an increase of €11,641 (€96.618 thousand at December 31,2017), of which €12,693 thousand in receivables due from Group companies, partially offset by improved payment and management terms in the domestic market. Trade receivables owed by public institutions amounted to €11,352 thousand at December 31, 2018. The allowance for doubtful accounts amounted to €3,441 thousand. A comparison with December 31, 2017 is provided below:

<i>(€ thousands)</i>	12/31/2018	12/31/2017
Opening balance	4,175	4,278
Additions for the year	-	100
Utilizations for the year	(734)	(203)
Ending balance	3,441	4,175

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 2018, the receivables assigned by the Group's Parent Company amounted to € 32,315 thousand (€ 28,733 thousand in 2017).

16. Financial receivables and other non-current financial assets

The balance of €57,888 thousand includes primarily:

- €52,939 thousand in loans provided to Group companies (€48,522 thousand for current portion and €4,417 thousand euros for non-current portion)
- Positive balance arising from the centralized cash management system managed by the Group's Parent Company (€4,949 thousand)

The change in loans provided to Group companies is provided below (amounts stated in € thousands):

Subsidiary	Balance at 12/31/2017	Disbursement	Repayments	Currency translation differences and other changes	Balance at 12/31/2018
DiaSorin DDIL	28,004	-	(28,004)	-	-
DiaSorin DIN	-	47,161	-	-	47,161
DiaSorin Slovakia sro	-	1,208	-	-	1,208
DiaSorin Iberia sa	1,318	-	(1,318)	-	-
DiaSorin Australia Pty	1,880	-	(614)	(98)	1,168
DiaSorin Ltda (Brazil)	2,291	580	(26)	(237)	2,608
DiaSorin Sa de CV (Mexico)	1,299	-	(531)	26	794
DiaSorin Inc. (USA)	33,367	-	(33,367)	-	-
Total	68,159	48,949	(63,860)	(309)	52,939

In 2018, intra group loan granted to the Brazilian company was increased by €580 thousand and new loans were granted to DiaSorin DIN, for an amount of €47,161 thousand, in connection with the Irish facility reorganization and €1,208 thousand to the Czech subsidiary for business acquisition in Slovakia.

It should be noted the repayment of the loan granted to the U.S. subsidiary, as per repayment plan.

As of December 31, 2018, 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 negative fair value of €532 thousand at December 31, 2018 (positive by €484 thousand at December 31, 2017).

17. Other current assets

Other current assets amounted to €18,024 thousand (€28,734 thousand at December 31, 2017). They consist of tax credit related to the Patent Box, additions to research and development (€10,881 thousand), and accrued income and prepaid expenses, for insurance and rentals.

Other non-current assets were €2,900 thousand (€817 thousand at December 31, 2017) and consist of accrued income and long-term prepaid expense.

18. Cash and cash equivalents

Cash and cash equivalents amounted to €15,199 thousand at December 31, 2018 (€101,466 thousand at December 31, 2017). They consist of balances in banks accounts and short-term bank deposits. More detailed information is provided in the Statement of Cash Flows.

19. Shareholders' equity

Share capital

At December 31, 2018, the fully paid-in share capital consisted of 55,948,257 common shares, par value of 1 euro each. No changes occurred compared with December 31, 2017.

Treasury shares

At December 31, 2018, the amount of treasury shares was 1,291,007 (2.307% of the share capital) totaling €87,784 thousand (€22,183 thousand at December 31, 2017).

The change equal to €65,601 thousand compared to 2017 was due to the purchase and sale of treasury shares in connection of the Stock Option Plan.

Additional paid-in capital

This reserve amounted to €18,155 thousand at December 31, 2018 and no changes occurred compared with December 31, 2017.

Other reserves and retained earnings

A breakdown of other reserves and retained earnings is as follows:

<i>(€ thousands)</i>	12/31/2018	12/31/2017	change
Currency translation reserve	(815)	(741)	(74)
Reserve for treasury shares	87,784	22,183	65,601
Stock option reserve	3,602	1,029	2,573
Fair value adjustment reserve for financial assets	(61)	-	(61)
Gains/(losses) on remeasurement of defined benefit plans	(1,142)	(1,116)	(26)
Reserve for equity investments revaluation	1,066	2,424	(1,358)
Retained earnings	170,642	291,071	(120,429)
IFRS transition reserve	1,006	1,006	-
Total Other reserves and retained earnings	262,082	315,856	(53,774)

Currency translation reserve

The change of €74 thousand shown in the currency translation reserve at December 31, 2018 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 €59 thousand, net of the tax effect (equal to €19 thousand).

Reserve for treasury shares

At December 31, 2018, the reserve for treasury shares amounted to €87,784 thousand (€22,183 thousand at December 31, 2017). This reserve was established pursuant to law (Article 2357 ter of the Italian Civil Code). The change in the reserve was due to the purchase of 775,000 treasury shares, equal to €66,413 thousand and exercise of 32,850 stock options in connection with the 2014 Stock Option Plan, for a total amount of €1,117 thousand.

Stock option reserve

At December 31, 2018, the stock option reserve amounted to €3,602 thousand (€1,029 thousand at December 31, 2017) and refers to the stock option plans existing at December 31, 2018 (described in Note 27). The changes in the reserve that occurred at December 31, 2018 included both an increase due to the recognition of the overall cost of the stock option Plans (€1,697 thousand) that was posted and recognized in the income statement as a labor costs included in general and administrative expenses, and a decrease of €77 thousand following the options exercised. Lastly, this reserve includes costs related to options awarded to subsidiaries employees and

recognized as increase in equity investments value (€1,066 thousand) and a decrease of €114 thousand for the options exercised to serve Stock Options plans.

Gains/Losses on remeasurement of defined-benefit plans

At December 31, 2018, this item, negative by €1,142 thousand includes net losses of the period related to the actuarial assessment of the Group's defined-benefit plans amounting to €26 thousand, net of tax effect and the fair value of trade receivables measured according to IFRS 15 (€61 thousand).

Retained earnings

Retained earnings amounted to €170,642 thousand (€291,071 thousand at December 31, 2017). The decrease of €120,429 thousand compared to December 31, 2017 is due to:

- the appropriation of the net profit earned in 2017 (€88,587 thousand);
- the distribution of dividends, equal to €46,885 thousand, to shareholders approved on April 23, 2018 from the Ordinary Shareholders' Meeting (equal to €0.85 per share);
- the distribution of an extraordinary dividend, equal to €98,383 thousand, approved on April 23, 2018 from the Ordinary Shareholders' Meeting (equal to €1.80 per share);
- increase of €65,296 resulting from the exercise of some tranches of the 2014 Stock Option Plan (with consequent sale of treasury shares) and purchase of treasury shares for the Stock Option plan.

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 shows the components of shareholders' equity on the basis of availability for use and distribution:

<i>(€ thousands)</i>		
Nature and description	Amount	Possible use (*)
Share capital	55,948	
Additional paid-in capital	18,155	A,B
Statutory reserve	11,190	B
Reserve for treasury shares	87,784	
Other reserve	3,656	A,B
Retained earnings	170,642	A,B,C

(*) Possible use

A: for share capital increase

B: for loss coverage

C: for distribution to shareholders

20. Borrowings

Borrowings include negative balances arising from the centralized cash management system managed by the Group's Parent Company (€163,211 thousand) and amounts owed to financial institutes (€20,001 thousand).

A breakdown of borrowings is as follows (amount in thousands):

Lender	Currency	Current portion	Non-current portion	Over 5 years	Total
Intesa San Paolo	€	20,001	-	-	20,001
Total owed to financial institution		20,001	-	-	20,001
Group's centralized cash management system / Intra-group financing facilities	€	163,211	-	-	163,211
TOTAL		183,212	-	-	183,212

The table below lists the financing facilities owed to outside lenders that were outstanding at December 31, 2018 and December 31, 2017 (amounts in € thousands):

Lender	At December 31, 2017	Disbursements	Repayments	Translation differences	At fair value	Amortized cost effect	At December 31, 2018
Intesa San Paolo	23,889		(24,001)	-	-	112	-
Short-term bank borrowings	-	20,001					20,001
Total owed to financial institutions	23,889	20,001	(24,001)	-	-	112	20,001

In 2018, the Parent Company repaid the last 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 €24,001 thousand, as per repayment plan.

New short-term loans taken out in the fourth quarter of 2018 amounted to €20 million.

Current financial liabilities include €532 thousand related to the fair value of hedging instruments (as against current financial assets of €484 thousand at December 31, 2017).

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 2018, this cost amounted to €2,756 thousand.

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 2018 was €64 thousand (loss of €62 thousand in 2017).

The table that follows summarizes the Company's main employee benefit plans that are currently in effect:

<i>(€ thousands)</i>	12/31/2018	12/31/2017	Change
Employees severance indemnities	3,604	3,721	(117)
Other long-term benefits	1,546	1,428	118
Total employee benefits	5,150	5,149	1

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 2018:

<i>(€ thousands)</i>	Defined-benefit plans	Other benefits	Total employee benefits
Balance at 12/31/2017	3,721	1,428	5,149
Financial losses / (gains)	(9)	(4)	(13)
Actuarial losses/(gains) recognized in income statement	-	64	64
Actuarial losses/(Gains) arising from financial assumptions	(44)	-	(44)
Actuarial losses/(Gains) arising from demographic adjust.	3	-	3
Actuarial Losses/(Gains) arising from experience adjust.	75	-	75
Current service cost	-	99	99
Benefits paid	(142)	(41)	(183)
Balance at 12/31/2018	3,604	1,546	5,150

The main changes in provisions for employee benefits encompass actuarial losses recognized in the comprehensive income statement (€34 thousand) and contribution paid (€183 thousand). The net amount recognized in the 2018 income statement for employee benefits was an expense of €150 thousand (€142 thousand in 2017).

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). 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

	12/31/2018	12/31/2017
Discount rate	0.67%	0.47%
Projected wage increases	3.50%	3.50%
Inflation rate	1.50%	1.50%
Average employee turnover rate	6.56%	6.45%

A sensitivity analysis on the change of the main assumptions is set out below:

<i>(€ thousands)</i>		Employee severance indemnities
Discount rate		
	0.5% Increase	(125)
	0.5% Decrease	132
Projected wage increases		-
	0.5% Increase	-
	0.5% Decrease	-
Inflation rate		-
	0.5% Increase	81
	0.5% Decrease	(78)
Average employee turnover rate		-
	10% Increase	(1)
	10% Decrease	1

22. Other non-current liabilities

Other non-current liabilities amounted to €17,596 thousand (€19,046 at December 31, 2017) and include:

- amounts due beyond 1 year for the deferred portions of Siemens business' purchase price, equal to €2,500 thousand (€7,500 thousand at December 31, 2017);
- amounts due beyond 1 year for the deferred portions of the business' purchase price to distribute QuantiFERON latent tuberculosis test, equal to €1,000 thousand.
- liabilities from customers' contracts (deferred income) as against contributions received from Beckman for strategic partnership, equal to €6,143 thousand;
- provisions for risks and charges, equal to €7,953 thousand in connection with pending or contingent legal disputes for €7,588 and a provision for supplemental severance benefits owed to sales agents for €366 thousand.

The table below lists the provisions for risks and charges and shows the changes that occurred in 2018:

<i>(€ thousands)</i>	12/31/2018			12/31/2017		
	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	7,511	287	7,798	5,863	236	6,099
Additions for the year	900	94	994	2,890	110	3,000
Utilizations/Reversals for the year	(824)	(15)	(839)	(1,242)	(59)	(1,301)
Balance at the end of the year	7,587	366	7,953	7,511	287	7,798

The provision for supplemental severance benefits owed to sales agents, which amounted to €366 thousand at December 31, 2018, 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.

Provisions for risks and charges include €0.9 million to support previously allocated funds for risks in connection with potential application of Law no. 125 of 08/06/2015.

23. Trade payables

Trade payables, which totaled €58,693 thousand (€65,049 thousand at December 31, 2017) include €16,587 thousand owed to related parties. There are no amounts due after December 31, 2018.

24. Other current liabilities

Other current liabilities of €22,801 thousand at December 31, 2018 (€23,407 thousand at December 31, 2017) consist mainly of:

- amounts owed to employees for additional monthly payments to be paid, contributions payable to social security and health benefit institutions for an amount of €14,833 thousand (€14,691 thousand at December 31, 2017);
- amounts due for short-term deferred portions of Siemens business' purchase price, equal to €5,000 thousand (€7,500 thousand at December 31, 2017);
- amounts due beyond 1 year for the deferred portions of the business' purchase price to distribute QuantiFERON latent tuberculosis test, equal to 2,000 thousand;

25. Taxes payable

The balance of €1,851 thousand at December 31, 2018 (€421 thousand at December 31, 2017) 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).

26. Commitments and contingent liabilities

Guarantees provided and received

At December 31, 2018, the guarantees that the Group provided to third parties totaled €31,399 thousand 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 (€23,211 thousand). These guarantees were established to secure lines of credit provided to Group companies (in the amount of €5,651 thousand), and in connection with defined-contribution pension plans of some subsidiaries (in the amount of €2,537 thousand).

Lease commitments

At December 31, 2018, lease commitments of the Group's Parent Company amounted to €17 million, broken down as follows:

	Within 1 year	2-4 years	Over 4 years	Total commitments
<i>€ thousands</i>				
Operating lease commitments	1,496	3,721	11,803	17,019

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 LIAISON XL and new LIAISON XS chemiluminescent diagnostic system. 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

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 of December 31, 2018, stock options amounted to 44,188 (out of which 35,000 relating to the Group's Parent Company), following 636,093 stock options exercised in 2017, 22,850 stock options exercised between January 9 and June 12, 2018 at an average exercise price of €30.7396 and 10,000 stock options exercised on August 1, 2018 at an average exercise price of €41.43.

During the abovementioned period, the average price of the DiaSorin shares was €81.00.

A breakdown of the option grants is as follows:

2014 Plan	Grant date	Number of options	Exercise year
I Tranche	August 1, 2014	636,093	2017
I Tranche	August 1, 2014	22,850	2018
II Tranche	November 14, 2014	5,000	2017
IV Tranche	July 30, 2015	10,000	2018
V Tranche	March 9, 2016	5,000	
VI Tranche	May 9, 2016	34,188	
VII Tranche	November 10, 2016	5,000	
Total		718,131	

As detailed:

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	-	2018
II Tranche	November 14, 2014	5,000	-	2017
IV Tranche	July 30, 2015	10,000	10,000	2018
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, a fourth tranche with a grant of 40,000 options by a resolution dated August 3, 2017, a fifth tranche with a grant of 25,000 options by a resolution dated March 7, 2018, and a sixth tranche with a grant of 20,000 options by a resolution dated November 7, 2018.

Please note that, due some "bad leaver" and "good leaver" events, 98,782 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, 2018, stock options amounted to 176,218.

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	25,000
IV Tranche	August 3, 2017	40,000
V Tranche	March 7, 2018	25,000
VI Tranche	November 7, 2018	20,000
Total		176,218

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 a first tranche of beneficiaries with a grant of 170,000 options by a resolution dated November 9, 2017, a second tranche with a grant of 10,000 options by a resolution dated March 7, 2018, a third tranche with a grant of 40,000 options by a resolution dated May 8, 2018 and a fourth tranche with a grant of 15,000 options by a resolution dated November 7, 2018.

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 program was implemented in April 2018 with the purchase of 100,000 common shares (equal to 0.18% 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, 2018, stock options amounted to 235,000 (of which 150,000 stock options referred to the Parent Company).

A breakdown of the option grants is as follows:

2017 Plan	Grant date	Number of options	Parent Company's options
I Tranche	November 9, 2017	170,000	85,000
II Tranche	March 7, 2018	10,000	10,000
III Tranche	May 8, 2018	40,000	40,000
IV Tranche	November 7, 2018	15,000	15,000
Total		235,000	150,000

2018 Plan

On April 23, 2018, the Ordinary Shareholders' Meeting approved the new 2018 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 675,000 options by a resolution dated May 8, 2018.

The Shareholders' Meeting of April 23, 2018 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 675,000 common shares to service the new 2018 Stock Option Plan. The program was completed on July 8, 2018, resulting in the purchase of 675,000 common shares (equal to 1.21% 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, 2018, stock options amounted to 675,000 (of which 560,000 stock options referred to the Parent Company), all related to the grant date of May 8, 2018.

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	3.00547945	€ 30.74	€ 29.50	€ 1.00	30.00%	0.00%	0.64%	1.70%	08/01/2014	08/02/2017
II Tranche	3.00273973	€ 29.67	€ 31.20	€ 1.00	30.00%	0.00%	0.42%	1.70%	11/14/2014	11/14/2017
IV Tranche	3.00821918	€ 41.43	€ 41.56	€ 1.00	30.00%	0.00%	0.51%	1.70%	07/30/2015	08/01/2018
V Tranche	3.00547945	€ 46.86	€ 46.21	€ 1.00	30.00%	0.00%	0.28%	1.70%	03/09/2016	03/11/2019
VI Tranche	3.00273973	€ 51.29	€ 52.50	€ 1.00	30.00%	0.00%	0.15%	1.70%	05/09/2016	05/10/2019
VII Tranche	3.00000000	€ 56.20	€ 50.75	€ 1.00	30.00%	0.00%	0.11%	1.70%	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	3.00000000	€ 52.54	€ 52.25	€ 1.00	30.00%	0.00%	0.46%	1.70%	05/16/2016	01/16/2019
II Tranche	3.00000000	€ 56.31	€ 57.80	€ 1.00	30.00%	0.00%	0.14%	1.70%	08/04/2016	08/05/2019
III Tranche	3.00000000	€ 51.84	€ 53.65	€ 1.00	30.00%	0.00%	0.38%	1.70%	12/19/2016	20/12/2019
IV Tranche	3.00547945	€ 69.63	€ 73.05	€ 1.00	23.00%	0.00%	0.14%	1.50%	08/03/2017	08/04/2020
VI Tranche	3.00550000	€ 70.05	€ 70.60	€ 1.00	23.00%	0.00%	0.33%	1.50%	03/07/2018	03/08/2021
VI Tranche	3.00547945	€ 82.42	€ 81.60	€ 1.00	25.00%	0.00%	0.44%	1.50%	11/07/2018	11/08/2021

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	3.00547945	€ 78.47	€ 72.05	€ 1.00	23.00%	0.00%	-0.07%	1.50%	09/11/2017	11/10/2020
II Tranche	3.00547945	€ 70.05	€ 70.60	€ 1.00	23.00%	0.00%	0.14%	1.50%	07/03/2018	03/08/2021
III Tranche	3.008219178	€ 76.24	€ 78.30	€ 1.00	23.00%	0.00%	0.18%	1.50%	08/05/2018	05/10/2021
IV Tranche	3.00547945	€ 82.42	€ 81.60	€ 1.00	26.00%	0.00%	0.24%	1.50%	07/11/2018	11/08/2021

2018 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	4.657534247	€ 76.24	€ 78.30	€ 1.00	23.00%	0.00%	0.49%	1.50%	05/08/2018	01/02/2023

Based on the assumptions described above, the fair value of the 2014 Plan is equal to €3,797 thousand, with a vesting period that goes from August 1, 2014 to November 10, 2019. The fair value per option is as follows (amounts in €):

2014 Plan	Number of options on the vesting date	Parent Company's options	Fair Value
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 €2,156 thousand, with a vesting period that goes from May 16, 2016 to November 8, 2021. The fair value per option is as follows (amounts in €):

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	25,000	-	10.414678
IV Tranche	40,000	-	14.61540
V Tranche	25,000	-	13.30140
VI Tranche	20,000	-	16.34540

Based on the assumptions described above, the fair value of the 2017 Plan is equal to €2,339 thousand, with a vesting period that goes from November 9, 2017 to November 8, 2021. The fair value per option is as follows (amounts in €):

2017 Plan	Number of options on the vesting date	Parent Company's options	Fair Value
I Tranche	170,000	85,000.00	8.7998
II Tranche	10,000	10,000.00	11.12670
III Tranche	40,000	40,000.00	12.94260
IV Tranche	15,000	15,000.00	14.27840

The cost attributable to 2018, which amounted to €1,697 thousand 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 2018 expense for stock options awarded to subsidiaries employees, equal to €1,066 thousand, is recognized as increase in equity investments value with the offsetting entries posted to shareholder's equity.

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.

<i>(€ thousands)</i>	Net revenues		Cost of sales		General & Administrative		Sales and marketing		Research & Development and Quality		Other operating income/(expense)		Financial income/(expense)	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Counterparty														
DiaSorin S.A. - France	17,476	15,536	531	398	24		(123)	(223)	-		185	389	650	4,000
Diasorin Iberia S.A.	11,337	10,186	493	423	(160)	(152)	84	24	-		392	280	22	44
DiaSorin S.A./N.V - Benelux	12,874	12,079	352	297	6		77	54	-		377	301	2,500	2,400
DiaSorin Ltd - UK	-	-	-	(35)	-	37	2	-	-		(8)	2	(1)	234
DiaSorin Ireland Limited	2,159	2,803	(1,065)	(331)	(158)	(166)	-	59	(35)		297	139	(5)	(1)
DiaSorin Diagnostics Ireland Limited	-	-	-	-	-	-	-	-	-	-	-	-	14	4
DiaSorin I.N. Limited	-	-	(60)	-	-	-	-	-	-	-	-	-	117	-
DiaSorin IN.UK Limited	11,975	11,262	497	385	5		88	68	-		388	264	(3)	6
DiaSorin Deutschland GmbH	40,305	35,900	(13,012)	(13,655)	48	(8)	6	212	-	3	(3,746)	(3,211)	7	3,760
DiaSorin Austria GmbH	6,546	4,485	244	166	3		101	115	-		145	95	1	500
DiaSorin Switzerland AG	3,648	2,980	177	96	1		1	-	-		123	87	214	253
DiaSorin Poland sp. Z .o.o.	2,575	2,438	116	51	2		7	-	-		167	42	59	46
DiaSorin AB - Sweden	-	-	-	-	-	-	-	-	-	-	2	2	-	-
DiaSorin Czech s.r.o.	3,865	3,695	134	115	2		17	26	-		161	96	(2)	-
DiaSorin Slovakia sro	1,128	-	52	-	1		-	-	-		-	-	-	-
DiaSorin Inc. - USA	31,140	32,534	(34,577)	(34,851)	83	2	13	2	25	32	2,376	3,326	24,936	2,894
DiaSorin Ltda - Brazil	7,174	8,051	-	(52)	-	(7)	(134)	91	-		(124)	(304)	205	26
DiaSorin Mexico S.A de C.V.	4,104	3,776	-	(2)	23		(657)	(776)	-		130	167	106	120
DiaSorin Ltd - Israel	1,362	1,427	(4)	(7)	-		8	-	-		148	125	750	1,000
DiaSorin Ltd - China	43,891	35,337	(69)	(46)	(1)		(488)	(953)	-		(661)	(740)	3,174	3,042
DiaSorin Trivitron Healthcare Private Limited	1,386	1,677	-	-	-		(97)	(91)	-		(10)	(9)	-	-
DiaSorin South Africa (PTY) Ltd	479	310	280	(136)	5	(9)	1	27	-		834	1,078	1,891	2,570
DiaSorin Australia (Pty) Ltd	5,322	5,277	(1)	(49)	-		53	12	-		336	143	67	91
DiaSorin Molecular LLC	1,620	980	(2,861)	(6,700)	(6)	5	(14)	4	(630)		404	535	-	-
Total Group companies	210,366	190,733	(48,773)	(53,933)	(122)	(298)	(1,055)	(1,349)	(640)	35	1,916	2,807	34,702	20,989
Executives with strategic responsibilities	-	-	-	-	(3,813)	(3,416)	-	-	-	-	-	-	-	-
Directors	-	-	-	-	(975)	(975)	-	-	-	-	-	-	-	-
Other related parties	-	-	-	-	(4,788)	(4,391)	-	-	-	-	-	-	-	-
Total Group companies and other related parties	210,366	190,733	(48,773)	(53,933)	(4,910)	(4,689)	(1,055)	(1,349)	(640)	35	1,916	2,807	34,702	20,989
As a percentage on line item	57.8%	57.4%	25.4%	30.3%	15.4%	15.7%	3.1%	4.3%	-3.3%	0.2%	-111.1%	758.6%	-109.2%	126.4%

Counterparty	Trade receivables		Current financial receivables		Non-current financial receivables		Other current assets		Trade payables		Current financial payables		Other current liabilities	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
DiaSorin S.A. - France	3,556	3,136	-	932	-	-	-	-	(427)	(122)	(1,362)	-	-	-
DiaSorin Iberia S.A.	3,451	3,002	1,740	3,043	-	-	-	-	(166)	(161)	-	-	-	-
DiaSorin S.A./N.V - Benelux	3,125	2,816	-	1,461	-	-	-	-	-	-	(3,896)	(5,234)	-	-
DiaSorin Ltd - UK	15	12	-	-	-	-	-	-	(10)	-	(1,468)	(1,197)	-	-
DiaSorin Ireland Limited	473	539	-	-	-	-	-	-	(626)	(292)	(60,008)	(15,899)	-	-
DiaSorin I.N. Limited	-	-	47,161	-	-	-	-	-	-	-	(4,465)	-	-	-
DiaSorin Diagnostics Ireland Limited	-	-	-	28,004	-	-	-	-	-	-	(57,224)	(85,200)	-	-
DiaSorin IN.UK Limited	2,865	1,848	-	-	-	-	-	-	(30)	-	(29,964)	(17,573)	-	-
DiaSorin Deutschland GmbH	6,897	7,683	-	7,615	-	-	-	-	(3,396)	(3,832)	(665)	(4,077)	-	-
DiaSorin Austria GmbH	1,788	460	-	1,529	-	-	-	-	-	(2)	(849)	(49)	-	-
DiaSorin Switzerland AG	803	496	-	110	-	-	-	-	-	-	(538)	-	-	-
DiaSorin Poland sp. Z. o.o.	480	915	2,501	2,330	-	-	-	-	-	-	-	-	-	-
DiaSorin AB - Sweden	2	-	-	-	-	-	-	-	-	-	(2,391)	(2,390)	-	-
DiaSorin Czech s.r.o.	931	709	-	242	-	-	-	-	-	-	(382)	(170)	-	-
DiaSorin Slovakia sro	536	-	238	-	1,208	-	-	-	-	-	-	-	-	-
DiaSorin Inc. - USA	7,518	7,149	470	33,946	-	699	2,151	-	(5,907)	(9,083)	-	-	-	-
DiaSorin Ltda - Brazil	5,699	3,764	62	641	2,546	2,265	-	-	(294)	(392)	-	-	-	-
DiaSorin Mexico S.A de C.V.	2,246	872	422	822	372	708	-	-	(240)	(133)	-	-	-	-
DiaSorin Ltd - Israel	233	156	-	-	-	-	-	-	-	-	-	-	-	-
DiaSorin Ltd - China	16,219	9,744	-	-	-	-	-	-	(968)	(930)	-	-	-	-
DiaSorin Triviron Healthcare Private Limited	1,382	2,169	-	-	-	-	-	-	(245)	(129)	-	-	-	-
DiaSorin South Africa (PTY) Ltd	980	841	-	-	-	-	-	-	(9)	(28)	-	-	-	-
DiaSorin Australia (Pty) Ltd	1,632	1,816	877	1,045	291	922	-	-	(20)	(55)	-	-	-	-
DiaSorin Molecular LLC	4,934	4,945	-	-	-	-	-	-	(4,249)	(4,410)	-	-	-	-
Total Group companies	65,765	53,072	53,471	81,720	4,417	4,594	2,151	-	(16,587)	(19,569)	(163,212)	(131,789)	-	-
Executives with strategic responsibilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Directors	-	-	-	-	-	-	-	-	-	-	-	-	(132)	(117)
Other related parties	-	-	-	-	-	-	-	-	-	-	-	-	(132)	(167)
Total Group companies and other related parties	65,765	53,072	53,471	81,720	4,417	4,594	2,151	-	(16,587)	(19,569)	(163,212)	(131,789)	(132)	(167)
As a percentage on line item	60.7%	54.9%	100.0%	100.0%	100.0%	100.0%	74.2%	0.0%	28.3%	30.1%	89.1%	84.7%	0.6%	0.5%

Counterparty	Increase/Decrease in current receivables		Increase/(Decrease) in trade payables		Increase/(Decrease) in financial items		Dividends		Increase/(Decrease) in other current items	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Total Group companies	(12,693)	(3,667)	(2,982)	6,935	58,473	27,806	33,295	17,759	(2,201)	-
Executives with strategic responsibilities	-	-	-	-	-	-	-	-	-	-
Directors	-	-	-	-	-	-	-	-	15	(50)
Other related parties	-	-	-	-	-	-	-	-	15	(50)
Total Group companies and other related parties	(12,693)	(3,667)	(2,982)	6,935	58,473	27,806	33,295	17,759	(2,186)	(50)
As a percentage on cash flow	116%	67%	47%	100%	100%	100%	100%	100%	45%	-9%

29. Transactions resulting from atypical and/or unusual activities

In 2018, 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).

30. Other information

Law no. 124 of 4 August 2017 (the Annual Market and Competition Law) defined that, as from 2018, companies receiving grants, financial support, remunerated duties and any kind of economic benefits from Public Administrations and similar bodies are required to publish such amounts in the Note to the financial statements and consolidated financial statements.

In 2018, the Company did not receive financial support or economic benefits from Public Administration in accordance with the aforementioned Law; for additional details that may apply, reference is made to documentation submitted by lending entities at the National Registry of State Aids.

**ANNEX III: DISCLOSURE REQUIRED PURSUANT TO ARTICLE 149-DUODECIES OF
THE CONSOB'S ISSUERS' REGULATIONS**

(€ thousands)	Party providing the service	Fee attributable to 2018
Independent Auditing	PricewaterhouseCoopers S.p.A.	253
Other services	Rete PWC	4
Total		257

**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 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, 2018:

- 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 14, 2019

Signed:

Carlo Rosa
Chief Executive Officer

Piergiorgio Pedron
Corporate Accounting
Documents Officer

**REPORT OF THE BOARD OF STATUTORY AUDITORS
ON THE FINANCIAL YEAR ENDED DECEMBER 31, 2018**

**TO THE SHAREHOLDERS' MEETING OF DIASORIN S.P.A PURSUANT TO
ARTICLE 153 OF LEGISLATIVE DECREE NO. 58/98 AND ARTICLE 2429, SECTION
2, OF THE ITALIAN CIVIL CODE**

Dear Shareholders,

in the year ended December 31, 2018 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.

In 2018, in carrying out the activities under its jurisdiction, the Board of Statutory Auditors declares that:

- it attended the Shareholders’ Meeting on April 23, 2018 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 and the Related-Party Committee;
- 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 verified, for all aspects falling within its competence, the correct application of the criteria and procedures used to assess compliance with the independence requirements of Directors pursuant to applicable laws and 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 semi-annual 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.

The additional disclosures required by Consob Communication no. DEM/1025564 of 6 April 2001 and subsequent amendments are provided hereinafter.

- I. Information on the main economic, financial and assets transactions carried out by the Company and its subsidiary were adequate. The main operations carried out in 2018 were analyzed in detail in the Report on Operations, to which reference is made, and disclosed to the market, pursuant to the law.
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 2018, the parties involved and their financial effects are explained in the Note 28 of the Consolidated and 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"), which was amended by the Board of Directors on March 14, 2019, following the favorable opinion of the Related-Party Committee on February 27, 2019. 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 April 2, 2019, 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, 2018 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 verified, for all aspects falling within its competence, the 2018 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.

In the course of 2018, 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 2018 - 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, in the Annex II.

Auditing services include the Non-Financial Disclosure. Services other than auditing refer to certification of turnover data required by certain local regulations, royalty certifications and tax compliance for non-EU countries.

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 2018, the Board of Directors with the support of the Board of Statutory Auditors set out and approved an “internal Procedure for the approval of services to be assigned to the Independent Auditors and to its network” consistently with the new European regulatory framework regarding statutory auditing.

The Procedure, which was approved by the Company, aims at ensuring the independence of the audit firm and provide guidelines for the assessment of certain services to be assigned to the Independent Auditors and its network by the Company and its subsidiaries.

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, 2018 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.
- V. In 2018, 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.
- VI. In the course of 2018, 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 and implementation of the compensation of Directors who perform special functions.

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 and long term incentive plans granted to key director, including strategic executives, as illustrated in the Compensation Report available on the Company's website, pursuant to article 123-*ter* of the TUF.

The Compensation Committee periodically monitors that the remuneration is in line with market value.

The Board of Statutory Auditors held 9 meetings in 2018, 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 the 3 meetings held by the Compensation Committee and in 1 meeting held by the Shareholders' Meeting.

VIII. 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.

IX. 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 departments and with the Independent Auditors.

The organizational structure of the Company and of 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 were 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.

X. 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 and risk management 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 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 regulated the obligation to refrain from executing transactions that involve financial instruments issued by the Company that are listed on regulated markets, in compliance with current regulations

In 2018, 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 assigned jointly the functions required by the law 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 by the Company's Financial Department and shared with the Board of Directors on March 14, 2019. 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, without any exception.
- 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 Legal Affairs Department, in consideration also of the inclusion in the FTSE MIB Index

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 2019, 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 14, 2019 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 assessed its members and its composition with reference to requirements of professionalism, competence, integrity and independence envisaged in current regulations, drawing up a Report on the self-assessment of the Board of Statutory Auditors in 2018. The self-assessment outcome was positive. The self-assessment Report was presented to the Board of Directors during the Shareholders' Meeting of March 14, 2019 and was disclosed in the Corporate Governance Report and Ownership Structure.

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 2018.

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 2018;
- The Compensation Committee, consisting of three Non-executive Directors - two of whom are independent - held two meetings in 2018;
- The Related-Party Committee consisting of three independent directors held two meetings in 2018, during which it issued its opinion on certain related-party transactions.
- The Nominating Committee comprises three non-executive directors the majority of whom are independent directors. The Committee held no meeting in 2018.

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 14, 2019 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 14, 2019 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, 2018, 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, 2018 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 2018 and taking also into account findings of the audits activities contained in the Report annexed to the annual Financial Statements, 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).

Our term of office expires with the approval of the financial statements at December 31, 2018. We thank you for the trust you placed in us and we confirm our willingness to transfer all the information so-far provided to the new Board of Statutory Auditors.

Milan, April 2, 2019

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**

FINANCIAL STATEMENTS AS AT 31 DECEMBER 2018



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 2018, 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 2018, 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

Valuation of goodwill and other intangible assets

Note 11 to the financial statements as of 31 December 2018 "goodwill and other intangible assets"

Carrying amount of goodwill reported in financial statement is Euro 39,752 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 74,588 thousand and represents the 21% 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 2018 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 have verified the reasonableness of the process for identifying the "DiaSorin Italy" Cash Generating Unit.

We analysed and understood the main assumptions underlying forecasted revenue and costs for the 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 verified the accuracy of assets and liabilities related to the Cash Generating Units "DiaSorin Italy", including the goodwill and other intangible assets allocated, which are compared to recoverable amount.



Key Audit Matters

Auditing procedures performed in response to key audit matters

We finally assessed the appropriateness and completeness of the financial statements disclosure focusing on assumptions and sensitivity analysis reported.

Responsibilities of the Directors and the Board of Statutory Auditors for the Financial Statements

The directors are 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 they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The directors are responsible for assessing the Company's ability to continue as a going concern and, 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, the directors use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The board of statutory auditors is 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 auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in 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 our 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



We confirm that the opinion on the financial statements expressed in this report is consistent with the additional report to the board of statutory auditors, in its 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

The directors of DiaSorin SpA are responsible for preparing a report on operations and a report on the corporate governance and ownership structure of DiaSorin SpA as of 31 December 2018, 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 2018 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 2018 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, 2 April 2019

PricewaterhouseCoopers SpA

Signed by

Stefano Pavesi
(Partner)

This report has been translated into English from the Italian original solely for the convenience of international readers



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 the directors;
- We concluded on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our 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 the board of statutory auditors, in its 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

The directors of DiaSorin SpA are responsible for preparing a report on operations and a report on the corporate governance and ownership structure of DiaSorin SpA as of 31 December 2018, 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 2018 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 2018 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, 2 April 2019

PricewaterhouseCoopers SpA

Signed by

Stefano Pavesi
(Partner)

This report has been translated into English from the Italian original 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**

**CONSOLIDATED FINANCIAL STATEMENTS
AS AT 31 DECEMBER 2018**



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 2018, 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 2018, 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 Consolidated 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

Valuation of goodwill and other intangible assets

Note 11 to the consolidated financial statements as of 31 December 2018 "goodwill and other intangible assets"

Carrying amount of goodwill reported in financial statement is Euro 162,616 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 210,468 thousand and represents the 43% 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 2018 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 have verified the reasonableness of the process for identifying the Cash Generating Units.

We analysed and understood the main assumptions underlying forecasted revenue and costs for Cash Generating Units 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 verified the accuracy of assets and liabilities related to the Cash Generating Units, including the goodwill and other intangible assets allocated, which are compared to recoverable amount.



We finally assessed the appropriateness and completeness of the financial statements disclosure focusing on assumptions and sensitivity analysis reported.

Responsibilities of the Directors and the Board of Statutory Auditors for the Consolidated Financial Statements

The directors are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with 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 they determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

The directors are responsible for assessing the Group's ability to continue as a going concern and, 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, the directors use the going concern basis of accounting unless they either intend to liquidate DiaSorin SpA or to cease operations, or have no realistic alternative but to do so.

The board of statutory auditors is 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 auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in 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 our audit conducted in accordance with International Standards on Auditing (ISA Italia), we exercised 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 the directors;
- We concluded on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our 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 the board of statutory auditors, in its 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

The directors of DiaSorin SpA are responsible for preparing a report on operations and a report on the corporate governance and ownership structure of the DiaSorin Group as of 31 December 2018, 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 the DiaSorin Group as of 31 December 2018 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 2018 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

The directors of DiaSorin SpA are responsible for the preparation of the non-financial statement pursuant to Legislative Decree No. 254 of 30 December 2016. We have verified that the directors approved the non-financial statement.